4 The Office

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You Need To Reduce Cost But Are You Trapped?

In a recent meeting that I had with a prospect, they had this puzzled look on their face and finally asked how they could be currently paying their vendor nearly twice as much for a machine with lesser capabilities than the machine our company proposed?

Their existing situation was, they needed a second machine for another building and they were currently paying approximately $1,200.00 per month for one 50 page per minute black and white copier that included 17,000 copies/print per month on a 63 month lease. That equates to about 7.5 cents per copy/print and is extremely high for a machine of this size producing such volume. Additionally, they still had about 22 months left on this lease but quickly learned after comparing prices that the new proposal from their existing vendor was not very competitive even though they would end up with the two machines they needed. In the past, they had routinely signed a new 63 month lease that included all the copies/prints but never got to more than 36-42 months before they were forced to sign a new one. They were constantly told they needed to upgrade because their volume was too high, when in fact, their volume actually went down.

The salesperson's pitch was to move the old machine to the new building and sell them a new 50 page per minute machine at $1,199.99 per month but he also cleverly reduced the number of copies they were allowed compared to the previous lease which, once again raised their cost per page. He also was quick to point out the existing machine was incapable of producing the amount of copies/prints in its current environment and it would be best to move it to the new building.

The salesperson then decided to bring up the Buyer's Lab Reports on his product in a misguided attempt to help his customer compare other machines she might be considering. What he failed to realize was that the very REPORTS he was recommending completely contradicted his prior urgency for the customer to sign his new lease. The machine they currently had was rated at 200,000 copies/prints per month but yet they were only producing about 8% of that rating.

Finally after several failed attempts at obtaining a new lease agreement he quickly reminded the customer that his **$20,000.00 Buyout** needed to be given to the other vendors so they could calculate it into their proposal. His strategy had backfired and this was his final desperate attempt to salvage his sale while blocking out the competition.

In comparison, his proposal while exorbitant would appear to be a better deal than others considering competing vendors would have to factor in an additional $20,000 to their proposals. On paper his deal looked promising and he was overconfident that they would accept his offer which was $1,199.99 for a new 50 page per minute machine that included 14,000 copies/prints per month. At this point, the customer was fully aware they could obtain a similar unit for nearly half of what he was offering but yet still faced the dilemma on needing another machine.

What they needed to do was make the current vendor either, continue to keep their existing machine running or remove it, but they had to see this agreement to its end so they could regain control of costs. A new machine from another vendor would in fact add about $600.00 per month to the existing costs of $1,200.00 per month. But when that agreement does finally end they will be saving approximately $300.00 to $500.00 per month by getting a machine for the new building at about $200.00 per month. They weren't overly concerned about the additional $600.00 per month because in the long run they knew they had to break the endless cycle of early upgrades that had gotten them to the $1,200.00 per month cost.

Good Luck,

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