

**BUSINESS SERVICES**

**THE BIGGEST OUTSOURCING MISTAKE MADE BY BUSINESS**

**Price versus service as the deciding factor in outsourcing decisions**

Outsourcing has many benefits for business but there is one killer mistake businesses continue to make when selecting suppliers, according to Walter Scremin, who heads up national delivery transport provider Ontime Group.

“With auto parts increasingly using outsourcing to take liabilities off the balance sheet, and introduce more flexibility to business, there is much to be gained from making good choices,” Mr Scremin said.

According to Mr Scremin, when outsourcing is done well it can create long-term, mutually beneficial partnerships. He says one such example is Ontime Group’s 25-year partnership with Burson Auto Parts in Victoria, which has recently been extended to include services for Burson in Queensland.

Mr Scremin draws from years of experience as both a supplier and buyer of outsourced services, and says the biggest mistake business makes when outsourcing is backed up by research.

What is that big mistake? In short: choosing providers based on price, rather than service.

“This might seem obvious but it’s incredible how often business fall for this mistake, and how it can have a knock-on effect right through your business,” Mr Scremin said.

While there is no secret to ensuring success when outsourcing, picking the cheapest provider can cause a host of problems. A transport and warehousing survey by Lexian, in conjunction with MHD Magazine, shows the price trap in action. These quotes from the survey white paper demonstrate some examples:

“A national retailer of appliances, furniture and electronics found that it was losing retail business, which was attributed to poor service levels at the

delivery stage. They had originally engaged a transport provider based mainly on price. They have now engaged an alternative provider based on service levels.”

“A food manufacturer commented that they now have an issue with transport service levels as their accountants drove the transport vendor selection entirely on price as ‘to make the deal look shiny!’”

“Another transport provider related that initially customers ‘go on price’ but further down the track, service becomes more of an issue for them.”

Source: Transport and Warehousing Outsourcing Whitepaper, Lexian September 2014

Does it then follow that the most expensive will be the most reliable? Mr Scremin says there is no guarantee the most expensive will be the best. But business may increase its success rate by considering three key points:

**1. The people factor:**

Mr Scremin says success in outsourcing is comparable to hiring the right staff, and we all know what a difference good people make.

“Too many businesses overlook the people factor when outsourcing. They don’t factor in the future working relationship, or the company culture,” Mr Scremin said.

“When hiring a new employee you wouldn’t let just anyone come in and work for you, and it’s the same idea with outsourcing. Try and understand exactly who you will be working with.”

**2. Take your time:**

Ideally you will get several quotes before settling on a supplier, but Mr Scremin says there are benefits to holding back and not rushing into an arrangement.



“When outsourcing to a supplier I like to take time to get to know the people we will be working with. I want to find out more about them, their company culture, what makes them tick,” Mr Scremin said. “This may involve several meetings before making a decision. While I accept that we won’t get it right 100% of the time, I know that taking this approach has helped us make some really good decisions.”

**3. Price does not denote value:**

A cheap supplier with poor service levels may ultimately cost more, and businesses need to understand the risk.

“A poor supplier who looks cheap on the surface can cost you in many ways. They may cost you business, waste your time which means wasting money, upset other employees and clients, and there may be issues breaking contracts,” Mr Scremin said.

“There are many ways to measure outsourcing success besides price. For example, how do you measure being able to cover for an absent employee easily? How do you measure something like flexibility?”

“Outsourcing may allow your business to trial new parts delivery run, without having to buy a vehicle and employ a driver – you have the freedom and control to try something out, which may improve your operations and business down the track.”

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a court may grant an account of profits.

action, the owner of a brand and cease and desist against the infringer to give immediately cease and desist of infringing marks and any infringing material).

actions to infringement, and an infringer was using the trademark owners first use of

is more difficult to protect a trademark right”. However, in some instances, an infringer may be able to sue the infringer for “misleading and deceptive conduct” (note that in instances where a trademark is infringed).

is much more difficult to obtain limited remedies if you recommend that people use trade marks for the



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