



## The Price is Right

The Price is Right is a game show that was shown on the German TV channel RTL from 1989 to 1997. It was the first of its kind seen in German language television and was broadcast a total of 1873 times and hosted by the Dutchman Harry Wijnvoord.

The candidates were given the task of guessing the price of products shown to them, as accurately as possible and without going above the actual price. Whoever won the first round received the product and was then allowed to play in one of the pricing games for bigger prizes such as holidays, motorcycles or cars. The show ended in 1997. The reason was the high production costs.

Europe's saturated markets require companies to lower their product and production costs in order to maintain their profit margins and to increase their market share within a highly competitive field. Many companies therefore go the direct procurement route and develop their own brands within the procurement markets of the Far East. This is clearly reflected in the balance of trade figures (in 2007 imports from Asia increased by 11.2% in Austria). With the growing exclusion of intermediary agents, these companies are compelled to act as importers and product developers.

But it is only at first sight that the elimination of importer and intermediary costs appears to be the solution in the fight against spiralling costs. It is not just the product specific costs, such as taxes and duties, which are hidden behind the purchase price of those products with the much loved Incoterm "Free Delivery" label. There is also a whole range of logistics costs, such as transportation, CAF, BAF, THC, LOLO, warehousing costs, container storage costs, administration, IT etc. to be considered as well.

The Price must be right and therefore I aim for cost transparency in purchasing, for a differentiation between product costs and all other types of costs, for the early integration with logistics, for a critical analysis of procurement means and methods and for a medium-term switching of Incoterms to FOB or EXW.

But this requires a modern, well-equipped organisation with well-defined interfaces between procurement, logistics and sales. At the beginning of the chain is strategic procurement, with its creative product developers, followed by operative procurement, which has quantity and price negotiations as its main task. Procurement logistics functions as a central planning and control element, being responsible for costs and performance in providing quantities on time, in consolidating goods from different suppliers, in the organisation and coordination of transportation and in the management of stock levels in close cooperation with warehousing logistics.

Yours  
Christian Schachinger

Christian Schachinger is a Consultant and Manager of the Region East at x|vise innovative logistics GmbH in Vienna.