

## The Three Principles

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### Introduction

As you peruse the following articles, there is a very important principle that I devised many years ago and that I would like to share with you. The principle takes on the form of a question,

***"If I do not know the questions to ask, how can I be expected to get the answers?"***

This question would seem to be both a reasonable and a logical enough principle would it not? The point is however, *"What if you are unaware of the questions to ask?"* What do you do then? What if there happens to be that one question that you were completely of unaware and yet this was that one question that needed to be asked?"

This situation – if seen in the proper light, presents you with two possible alternatives, 1) "to do what needs to be done" themselves, or 2) hire someone "to do what needs to be done" on their behalf.

### Two examples

Example #1 – I own a vehicle. Though I consider myself mechanically-minded, I have no desire whatsoever in learning about how to maintain that vehicle, so I apply alternative #2 - hire someone "to do what needs to be done" on my behalf – then paying that person accordingly for those services that they provide.

Example #2 – you need to purchase a printer. Faced with the two possible alternatives, you decide on which of the two possible alternatives would be the best alternative to meet your particular needs at that particular time – and you then proceed accordingly.

### A Potential Additional Alternative

In considering all that is written above, there might *appear* to be third possible alternative, a combination of the two alternatives. However, 1) do you do one before two, or 2) do you do two before one? It just might be preferable to consider the second option, " *'cause what if the first question that should have been asked was not the question that was asked and as a result, all of the following questions are now redundant?"*

For example, you need to purchase a printer. The first question that I would ask if someone were to apply alternative #2 is, *"How much are you planning on spending?"* If you respond with *"\$35.00 or less."* – then hiring a consultant would not be the most cost-effective route to take. I would then suggest that you simply purchase whatever printer you find that would be available to you in that given price range.

The point here is that such a third possible alternative just may not be the most cost-effective alternative to consider.

### Two "Other" Points...

Before concluding this article, there are two other points that may be worth considering, 1) TCO – or *"Total Cost of Ownership"*, and 2) ROI – or *"Return on Investment"*. We will consider each of these points in turn.

### Total Cost of Ownership

The total cost of ownership includes the purchase price of a particular item, plus the operating costs incurred over that item's lifespan. In this regard, considering the total cost of ownership is a way of

assessing the long-term value of a purchase to a company or individual. Practically speaking, a business may consider the total cost of ownership as a means of considering a particular business deal, while an individual may consider the total cost as a way of assessing the value of a potential purchase. The important point to remember here is that the total cost of ownership looks at the cost of owning an item "in the long-term" – by assessing both its purchase price and the costs of operation.

### **Return on Investment**

Return on investment represents the overall financial benefit you have received from a particular investment in an item. In other words, ROI measures *what you get back compared to what you put in*. Makes sense!

### **An Application**

Before continuing, it is important to keep in mind that I do not consider myself as a very "*financially-minded*" person, and therefore, any advice that follows should be taken "*with a grain of salt*". Take the previous printer scenario...

#### **Part A**

1. You require a printer.
2. You have a budget of \$35.00 taxes out...so that would be \$39.20 taxes in.
3. You hire a consultant at \$74.00 per hour and it takes that consultant one-half hour to research a suitable printer to meet your needs.
  - Cost: \$38.85 taxes in.
4. This would mean that the TCO exceeds the ROI and therefore hiring a consultant would not be the most cost effective approach.
  - So you opt to purchase the printer at the \$39.20 taxes in.

#### **Part B**

1. You then discover that after a short time, you need to replace the existing ink cartridges.
  - Most printers in this price range come with what I refer to as a "*sample cartridge kit*" – simply meaning that the cartridges only have half the normal capacity. This is done in order to keep the prices as low as is possible.
2. You then discover that the cost of a replacement cartridge kit is \$72.79 taxes in.
3. Applying TCO to ROI, you find that your TCO exceeds your ROI, making that printer not a very good investment after all.

### **An "Interesting" outcome**

In considering the above two scenarios, there is a *potential "take way"* here...

1. The total of Part B is \$111.99.
2. At the same retail outlet, they have a printer that is selling for \$106.39 taxes in.
3. Applying TCO to ROI, you find that your ROI exceeds your TCO, suggesting that this printer just might be a better investment in the long term.

### **The point here...**

All of the articles that I have written take into consideration *the three key points* that could be derived from the above namely, 1) the important principle, 2) TCO, and 3) ROI.

Each of these three key points I tend to think of as the "*thread*" that is used as a guide to each-and-every article that I write to ensure that, as much as is possible, that your ROI always exceeds your TCO.

### **Closing comments**

As with everything that I write, I always hope that what is written is written in language that is both understandable and practicable. Your comments to this, and other, articles are very much appreciated. Happy computing!

Sincerely,

A handwritten signature in black ink, appearing to read "Dell K", written in a cursive style.

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