

*A case-based research to control costs at
Wegener Media by applying (contractual)
aspects of 'spend management'*



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PREFACE

This paper presents the master thesis of Inge Vermeulen for the study Business Administration, track Financial Management. In cooperation with Royal Wegener and the University Twente, I brought myself to a challenging project at the Purchasing Department. From September 2010 until March 2011 I went through a long and informative journey, whereby I experienced personal improvement as well as professional learning moments. In this context I would like to thank Han Daals, my supervisor at Wegener, for his support and willingness to share his expertise. I really felt at home in the organization and I got enough opportunity to give my own input in this research.

I also would like to thank my supervisors of the University Twente, Prof. Dr. Nico Mol and Prof. Dr. Jan Telgen, for their professional and knowledgeable support. Their constructive criticism has been very valuable for this research and helped to improve this thesis.

Besides thanking my supervisors, I am also really grateful for the support of the other colleagues that shared their knowledge with me and friends that motivated me during difficult times.

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1. INTRODUCTION

Wegener Media is producing about 800.000 copies of its seven daily newspapers every day, that are reaching an average of 2,4 million readers in a major part of the Netherlands. To this number a 6,8 million copies of the 225 door-to-door weeklies can be added. The websites of these daily and weekly newspapers reach about 3 million people monthly.

A decentralized purchasing process and decision-making process at Wegener are the motivation for this research. Purchasing synergy is missing, leading to diversity and additional complexity in applying contract management and strengthening supplier relationships. It also causes an increase of non-contractual spend and difficulty to control costs.

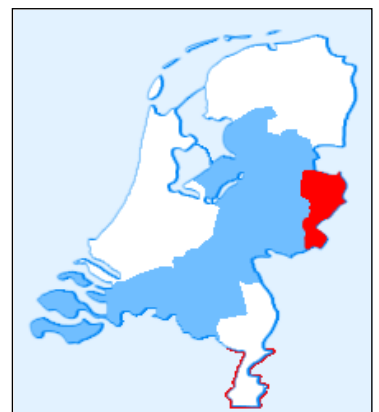
The objective of this report is to improve the spend visibility by optimizing and creating more efficient working methods. How should a contract be determined and controlled? How important is contract management, and who is using it? These questions will be answered and applied to the practice of Wegener. In addition, an overview of the Total Cost of Ownership (TCO) will be used to evaluate the costs and benefits of a purchase. This analysis makes it possible to estimate if a non-contractual purchase is lucrative in comparison to purchasing at a preferred supplier.

This introduction contains a detailed company description, meant to give an impression of the organization. Second, the problem definition will be clarified, followed by the research concept. A qualitative and quantitative analysis, supported by theoretical information, will be confined to the processes of the financial and purchasing department. A real life case is described: specified to the freelance photographers of the T.C. Tubantia. This case shows that non-contractual spending is no exception in the organization. Answering the question 'how to control the non-contractual costs', will lead to alternatives for the desirable situation; establish purchasing synergy, expand the network or accept the non-contractual spend.

1.1 COMPANY DESCRIPTION

Royal Wegener has been founded in November 1903, in Apeldoorn, by Johan Frederik Wegener. He started publishing a newspaper that became the 'Apeldoornse Courant', also known today as the Stentor. Nowadays, 108 years later, it has grown into Koninklijke (Royal) Wegener N.V., specializing in newspapers and digital media. Its headquarters are located in Apeldoorn and Enschede.

The titles of the seven daily newspapers are; the Stentor, Gelderlander, Twentsche Courant Tubantia, Brabants Dagblad, Eindhovens Dagblad, Brabants Nieuwsblad de Stem and the Provinciale Zeeuwse Courant. The blue and red parts of the following figure present the distribution area of these dailies, whereby the red district belongs to the T.C. Tubantia and the blue district to the remaining titles.



In addition to the daily and weekly newspapers, Wegener develops and operates internet products. Two of those internet products are Job Track, a site with thousands of new jobs each week, and Auto Track which is the site for new and used cars. Together, those websites attract 3,6 million visitors monthly.

Mecom Group plc, with its headquarter located in London, holds a 99,7% interest in Wegener. Mecom owns over 300 titles in its four divisions divided over the Netherlands, Norway, Denmark and Poland.

1.2 VISION, MISSION AND STRATEGY

To retain Wegener's position as pre-eminent provider of information, from and about the specific living and working environments of the people, it is crucial to ensure that the value of the information provided is superior to the competitive media environment. Wegener's environment is marked by the changing media-consumption patterns of consumers, the demands of advertisers and the dynamics of the media landscape.

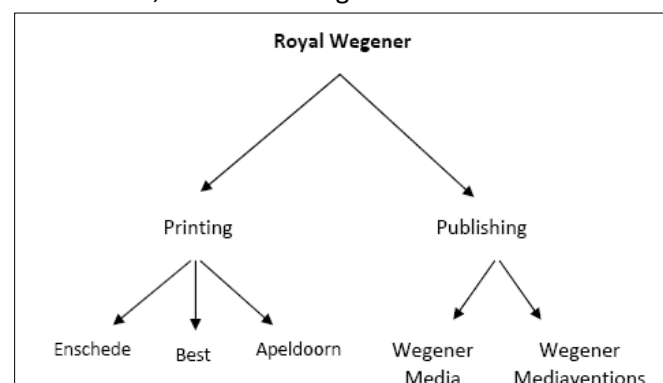
This requires great importance on innovation. The entrepreneurial character of the Wegener group ensures that Wegener maintains a leadership position in the dynamic market environment in which it operates. The company provides meaningful information to the consumer and makes regional target audiences available for marketing activities. These conducting activities create high value in a socially responsible manner, innovatively and with integrity. Quality and effectiveness play an important role for the success of Wegener's products and services; they are at the roots of its profitability. Wegener praises the commitment of its employees to achieve these objectives, and consequently seeks to be a responsive and challenging employer.

The central objective of Wegener is to create value for the shareholder, by conducting its activities in an effective, efficient and profitable manner. The company strives to create a market leading position in the markets related to its activities. According to the annual report of 2009, Wegener planned the following three dimensions for the coming years:

- Maximizing reach through national coverage in the Netherlands.
- Building up a cross-media portfolio, with products in both mass markets and niche markets.
- Setting up a cross-media organization and utilizing it so as to achieve an operating result that guarantees the group's long-term continuity.

1.3 WEGENER GROUP CHART

The simplified scheme, and the organizational chart in addendum 2, show that Wegener can be divided into a printing and a publishing division. The printing division, called Wegener NieuwsDruk, exists of three printing offices which are located in Apeldoorn, Best and Enschede.



The publishing division is split up into Wegener Media, containing the greatest part of Royal Wegener, and Wegener Mediaventions, which handles the digital products. The Management Board comprises 9 persons and will direct the entire Wegener organization.

1.4 Trends at Wegener

According to the press release of 14 March 2012, Wegener's operating result of 2011 (before exceptional items) decreased by 4% from €62,3 million to 59,9 million. This decrease is primarily achieved due to the unfavorable market conditions. The level of domestic consumption remained low, due in part to the decrease in consumer spending power.

The revenue decreased by 3% to €453,4 million. The revenues earned by advertisement declined significantly, particularly in the final quarter of 2011. Revenue from the printing division was affected by lower sales volumes and price pressure due to overcapacity in the market.

The economic market conditions are expected to remain unfavorable in 2012, which will lead to a further decline in advertising sales. Increasing revenue from digital products will not be sufficient to compensate for this decrease, forcing Wegener to reinforce and accelerate the digital strategy in the current financial year more than ever before. The plans for the transformation into a new organization initiated in 2011, the Digital First program, will be implemented in 2012. This plan compels Wegener to gain new insights in the future organization of the local publishers' as well as Wegener as a whole. It envisages a staff reduction of 300-350 FTEs and an ongoing cost saving in the period from 2012 until 2012.

2. PROBLEM SETTING

As the organizational structure of Wegener has been changed since 2010, the financial and purchasing department both belong to the supporting back offices. An important collaboration between these two departments came up. Still, some difficulties occur.

2.1 CRITICAL ASPECTS

Wegener formulated various manuals, handbooks and process descriptions. Besides that, Wegener is using several systems to insert, report, analyze and control data. The purchasing and financial department are working with different systems, and are inadequately linked to each other. This leads to an inefficient working method. Another effect is that the purchasing department does not fully get the possibility to obtain important financial information for analyzing and controlling costs.

The office in Apeldoorn is handling most of the purchasing decisions, manages the relations with its suppliers and is administering the contract compliances. The purchasing department analyses the costs that have been made by the different departments. Wegener uses several companywide contracts, by which is meant that a contract belongs to all Wegener activities; for example the printers that are ordered at Canon for all 95 Wegener offices through the Netherlands. Other examples are the coffee machines from Douwe Egberts and the cleaning activities from ISS.

Still, the purchasing process is not fully centralized. Some secondary products or services are ordered at suppliers that are not contracted, like exclusive furniture and freelance products. This partial decentralization of the decision-making and purchasing process leads to difficulties to control the costs.

The product or service can be consciously purchased at a non-contracted supplier, because of a cheap offer or a promotional benefit. However, the use of a contract can also be avoided with a negative intention, because of a specific budget that has been reached or an indolent attitude of the employee that makes the purchasing-decision.

The daily and weekly products of Wegener have their own divisions, spread through the Netherlands. All divisions purchase freelance products but are not working together, which means that there does not exist one centralized contract that is registered and in control by the purchasing department in Apeldoorn. The responsible departments set up their own contracts. This partition and fragile purchasing synergy leads to regional purchases and difficulty to control costs.

2.2 PROBLEM DEFINITION

The persons that are involved into the purchasing process, should be aware of the decisions they make and its related consequences. At local level, for example the region of the T.C. Tubantia, this will be of great importance, but also nationwide Wegener should pay its attention to this issue. As described above, several critical aspects came up that have to be reviewed and improved, leading to a better cost control and more efficient working methods;

Wegener Media has to improve the contractual aspects of its purchasing management, to improve its cost control.

2.3 FREELANCE PHOTOGRAPHERS

To specify the research, a case study will analyze the purchases of freelance photos, related to the editorial department of Wegener Media. In that context, Drury (2000) describes the importance of Management Accounting. It focuses on small parts of the organization, which measures the economical performance of decentralized operating units; in this case the editorial department.

The total costs in 2010 of purchased freelance photos for the seven daily newspapers go well over 4 million Euros.¹ Compared to the total editorial costs of Wegener Media (93,3 million Euros inclusive salaries) this is almost 5%.

Although it is a relatively huge head of expenditure, the freelance activities are still organized in a decentralized mode. This decentralized decision-making causes difficulties by controlling the freelance costs centrally. Just a small indicator; in the year 2010, the T.C. Tubantia worked for 29% with freelance photographers that are not working according a contract.² This percentage illustrates that this spend-category will be an interesting example to use for the case-study.

¹ €4.273.026

² Measured from the ledger accounts 'Honoraria Photograph', 'Photos', 'Press Offices' and 'Freelancers'.

3. Research concept

The research will focus on the awareness of the involved persons that make purchasing decisions, and how they deal with contractual versus non-contractual purchases. A case will specify the study with an example of the spend category 'freelance photographers', related to the editorial department of Wegener. The study is based on a theoretical background, a qualitative analysis (survey studies) and quantitative analyses (desk research). In the first stage of the research some critical aspects showed up, which generally are related to the traditional method of working and routines that exist in the organization. The research will lead to a TCO model and a related cost-benefit analysis.

3.1 RESEARCH OBJECTIVE

The overall objective will be to analyze and manage the non-contractual spend at Wegener Media, by researching, developing and optimizing the cost control methods. When studying the effects of contract management, and its impact on Wegener's financial performance, the contractual spend versus the non-contractual spend will be taken into account. In case a purchasing decision has been made without using the determined contract, the purchase can cause higher costs, but one should also look at the benefits that possibly go together with the extra spend.

Wegener has standard contracts for the freelancers. Every division (newspaper title) can fill in its own preferences, like the tariff per photo and the related benefits for the organization. A cost-benefit analysis will show how the costs are divided over the contracts and of course which costs have been made for freelancers without contracts. In the situation that extra costs occur, the benefits should show if the purchase was reasonable.

From the purchasing point of view, the contract compliances and the non-contractual costs will be analyzed and mapped. This information will give answers to questions like: "How much is Wegener using its contracted freelancers" and "Can Wegener decrease its spend of non-contractual purchases"? To know how much money possibly can be saved, the related items of the cost-benefit analysis should be quantified. For this study the valuation of the benefits will be taken into account.

The survey, its results and the recommendations will lead to the requirements that are related to the improvement of analyzing contractual versus non-contractual spend. The final goal of this analysis is to critically control cost and to optimize the operational procedures and the conduct of doing business.

3.2 RESEARCH QUESTION

Based on the problem definition and research goal, the following research question is formulated:

How can the non-contractual spend at Wegener Media be controlled?

3.3 SUB-QUESTIONS

1. How is spend generally be controlled?
2. Which spend at Wegener Media can be defined as non-contractual spend?
3. What are the costs and benefits to this non-contractual spend?
4. How can this spend be controlled?

3.4 METHODOLOGY

To answer these sub-questions, relevant literature has been reviewed to define the subject and related topics. Information has been gathered by observing the company, its organizational culture, its workflow and the processes within the organization. Some appointments with the facility manager, controllers, purchasing staff and the editorial staff have also led to extra information.

3.4.1 QUALITATIVE ANALYSIS

As mentioned before, the qualitative analysis consists of several interviews with responsible persons from different departments, different divisions and different hierarchical levels. Consciously it has been chosen to interview editorial staff of the Gelderlander, Stentor and the T.C. Tubantia because of their overlapping areas. An animation of these overlaps can be found in addendum 4.

In terms of spend management the following questions have been answered;

- Who is making the purchasing decisions?
- Is this person aware of its purchasing function?
- What did he/she order?
- At which supplier did he/she purchase?
- When and of course why did he/she purchase?

Those questions have led to information about the arrangements that have been made, the usage of preferred suppliers and the reason for choosing those suppliers. Overall, this information leads to a qualitative analysis of using spend management at the editorial department.

To measure the reliability of these interviews, the subjectivity of the editorial staff should be taken into account. In case they want to be better than their colleagues of the other divisions, it will be questionable if they are glorifying their own work.

The newspapers of the T.C. Tubantia have been checked on the usage of its employed photographers, contracted freelancers and non-contractual freelancers to measure if the given information in the interviews is reliable. This led to the fact that the editorial staff has partly embellished the usage of the contracted freelancers; the preferred suppliers.

Still it is representative to use the facts and opinions of the editorial management to observe their frustrations and willingness for change. For the rest, they also gave useful information for the TCO model and Cost-Benefit analysis.

3.4.2 QUANTITATIVE ANALYSIS

Even more important is the quantitative analysis that partially checks the information given in the interviews. As Veeken & Wouters (1993) suggest, to get a clear overview of the situation it is good to first simplify your data. This step includes the separation of the contractual and the non-contractual freelancers, whom possibly work on behalf of other Wegener-titles or based on verbal agreements. It makes it possible to measure the utilization of the contracted suppliers.

The invoice-data from the freelance photographers, whom are all addressed to the Image Chef of the T.C. Tubantia, have been analyzed for one month. This case-based analysis calculates the costs per freelance photo, with a separation of contractual purchases and non-contractual purchases. To generalize this information, it is important to keep the internal employed photographers in mind, because they cause less freelance costs than for the other daily Wegener titles. The same information can also be used for the TCO-model and cost-benefit analysis.

3.5 DATA COLLECTION

Several resources have been used to collect information and data. First of all, relevant empirical literature, previous research and accounting books have been read to increase knowledge about the subject. Internal information about Wegener and its processes has been gathered by manuals and observations within the organization. Interviews with people from different departments gave the possibility to improve this knowledge. Those interviews are also the foundation for the qualitative analysis and measure the opinions, visions and know-how within the organization about the subject of this research; spend management in relation to the freelance photographers. The involved persons made enough time to answer all the questions and gave detailed information to draw concluding remarks. Afterwards they gave the possibility to mail or call if questions remained left open.

In chronological order, the following persons have been interviewed;

- Ger Dijkstra, Adjunct Chief Editor of the Tubantia
- Rob Krabben, Adjunct Chief Editor of the Stentor
- Karoline de Nijs, Purchasing Product Manager
- Carlo ter Ellen, Chief Photo of the Tubantia
- Jos Claasen, Chief Photo of the Gelderlander
- Peter Koehorst, Chief Editor of the weekly newspapers region Enschede

Furthermore, it is not the main purpose of this research, but data has been collected by all the editions of the T.C. Tubantia from the whole month November 2010. The photos and its references are the data for this part of the research.

As a follow up of this analysis, the bookkeeping system 'CODA' is a major source of data. By converting this financial information to Business Objects, it is possible to find very detailed information per supplier. Creditors and its registered invoices show data about the tariffs that they use per photo. For the quantitative analysis, the general ledger account '765000 – Honoraria photograph' will be used often, which is related to the freelance photographers.

4. CONTROLLING SPEND

According to the accounting literature of Drury (2000), the managerial function of control consists of the measurement, reporting and subsequent correction of performance in an attempt to ensure that the firm's objectives and plans are achieved. The process of cost control includes a cost driver, controlling function, activity and controlling account. Horngren et al. (2009) define these concepts as follow;

- The cost driver is the primary factor that causes the cost.
- The chief accounting officer is called the controller.
- Controlling means implementing the plans and evaluating operations by comparing actual results to the budget. If actual costs fall below budgeted costs, that is usually good news.
- The controlling account is the account in general ledger that summarizes related subsidiary accounts.

Those definitions suggest that an organization should investigate good procedures to find out the reason why costs are not as budgeted. Cost control can help the organization to determine and analyze its spending.

4.1. RESPONSIBILITY CENTERS

The complex environment in which most businesses operate today makes it impossible for most firms to be controlled centrally. This is because it is not possible for the central management to have all the relevant information and time to determine the detailed plans for the whole organization. In this case, some degree of decentralization is essential, which can be founded by creating responsibility centers.

Each manager is responsible for planning and controlling some part of the firm's activities. The responsibility center is a part or subunit of an organization whose manager is accountable for specific activities and the unit's performance (Horngren et al., 2009). Lower-level managers are often responsible for budgeting and controlling the spend of a single value-chain function. These managers report to the higher-level managers, who have broader responsibilities.

There are four types of responsibility centers;

- Cost or expense centers
- Revenue centers
- Profit centers
- Investment centers

For this research, the cost or expense centers will be of great importance. Costs are financial measures of the inputs to, or resources consumed by, the responsibility center (Merchant and Van der Stede, 2007). The managerial accounting literature distinguishes two types of cost centers; standard cost centers and discretionary cost centers. The main features of standard cost centers are that the output can be measured and the input required to produce each unit of output can be specified. The causal relationship between inputs and outputs is direct and relatively stable. The standard costs centers are best suited to units within manufacturing firms, but they can also be established in service industries. Although cost center managers are not accountable for sales revenues they can affect the amount of sales revenue generated if quality standards are not met and outputs are not produced according to schedule. Therefore quality and timeliness performance measures are also required besides financial measures.

Discretionary expense centers (sometimes called managed cost centers) are those responsibility centers where output cannot be measured in financial terms and there are no clearly observable relationships between inputs (resources) and the outputs (results). Control normally takes the form of ensuring that actual expenditure adheres to budgeted expenditure for each expense category and also ensuring that the tasks assigned to each center have been successfully accomplished. Examples are administrative departments (e.g. personnel, purchasing, accounting, and facilities) or research and development departments.

In discretionary centers under-spending against budget may not necessarily be a good thing since this may result in a lower level of service than that originally planned by management. When a department has not exceeded budget, this does not directly mean that the expenditure has been effective. Measuring the effectiveness and efficiency of discretionary expense centers is one of the most difficult areas of management control (Drury, 2000).

4.2. PURCHASING

Purchasing is an important activity within business; on average, sourcing costs form the greatest part of a company's total costs (Morssinkhof, 2007). According to Degraeve and Roodhooft (1997) purchasing accounts for 60 to 70 percent of the total expenditures in manufacturing, leads to long term relationships and influences the activities in the complete value chain of the firm.

The purchasing process is described by several authors, whom apply different stages or steps whereby the tasks and responsibilities do not extremely vary from each other. Van Weele (1994) describes the following steps; supplier selection, purchasing agreement, ordering, expediting and evaluation, and evaluating the sourcing process. The first three steps include the function of external sources necessary for conducting business. The last three steps can be seen as the operational purchasing function.

4.3. CONTRACT MANAGEMENT

Tracking purchases against contracts, to insure preferred suppliers are used, is maximizing financial and operational performance and minimizing risks, because purchases should be distributed among appropriated supplier. Rates will be set in front and rebates can be collected. This all together can be defined as 'contract management'.

The contract management system should contain a centralized and searchable contract repository, with a collaborative contract creation and workflow. This will lead to an easily understandable system, whereby a clear overview will be given whether the contract is current, expired or pending. Automatic alerts will indicate upcoming contract expirations and required approvals. Furthermore, a compliance system should provide alerts when a transaction has not been fulfilled at the contracted rate or if it has been identified as an 'off contract' spending.

Contract management will bring several valuable benefits to the organization.

- Standardized processes and procedures will decrease maverick buying and increase spending leverage. The purchase as whole will be less costly, because of the time reduction for the related activities in the purchasing process. The standard contracts, and its related conditions, will lead to a quick sourcing process and agreement of the acquisition.
- Probably the most valuable benefit is the visibility into the global spend of an organization. It will let you know if you are buying from suppliers at the right time with the right quantities and prices. This makes it easier to compare maverick purchases against contracted buys.
- By negotiating with several suppliers, it will be possible to track rebates and insure that all savings will be captured.
- Overall, contract management will insure that all negotiated savings hit the bottom line by using streamlined processes.

4.4. 'FINANCE AND CONTROL' AT WEGENER MEDIA

At Wegener Media this contract management system is described in the manual 'Finance & Control', that describes the purchasing process from the administrative point of view. The manual is a prescription of the procedures like they should be used in practice. The goal of this manual is to work structured and to reduce risks. Everything is written down in uniformed processes, which should cause streamlined activities and an easy manner to replace an employee in case of absence.

Purchasing-requirements are caused by several departments. When this requirement needs to be fulfilled, the first question that will be asked is: "*Is it concerning an incidental purchase or will it repeat periodically?*" If it concerns a unique purchase, the amount of the investment influences the following procedures.

- In case of an investment higher than €15.000, the purchasing department will take it over. They apply an action plan of seven steps that will decide if the investment can be accomplished for a certain price, and at which supplier the purchase will be done. Purchases above the €25.000 need to be discussed with the board of directors.
- When the investment costs between the €5.000 and €15.000, the responsible department should compare at least two proposals of different suppliers. Based on the best price/quality consideration, the order will be approved by the purchasing department, after which the responsible department can handle the purchase itself.
- Finally, when the unique purchase costs less than €5.000, the responsible department has to handle it, independent from other departments.

The action plan, utilized for expensive purchases, exists of the following seven steps;

1. Composing the definitive purchasing-team
2. Desk-research of the market and the supplier information
3. Determining the specifications of the desired product/service
4. Selecting the purchasing strategy
5. Involve suppliers
6. Enter into negotiations
7. Implementation

Furthermore, the purchases that return over time, do have an own procedure. These purchases are all based on using contracts that are managed by the purchasing department. This regulation has been set up to avoid plural expenses.

The concerned purchase leads to a flow of money, in which the supplier sends invoices to the creditor department. This invoice will be scanned and encoded in BasWare, after which the invoice will be inserted in the bookkeeping system CODA. The responsible budgetary controller has to give a digital authorization for paying the invoice. The following table shows an example of such an invoice-history and its control mechanism achieved from BasWare.

Scanner	12-6-2010	Invoice scanned	
Person A	12-6-2010	Insert booking information	
Person A	12-6-2010	Insert invoice information	
Person A	12-6-2010	Invoice brought into circulation	-> Person B
Person B	12-6-2010	Checked invoice	-> Person C
Person C	12-6-2010	Added comment	Acceptance by Person C
Person C	12-6-2010	Checked invoice	-> Person D
Person D	12-6-2010	Payment approved	
Person D	12-6-2010	Invoice send back to creditor dep.	

This procedure, and its different regulations, includes some example controls that are described by Merchant (1998). His literature specifies control mechanisms that are generally referred as management control systems (MCS). 'All purchases must be made by the purchasing department', is an implemented control mechanism that appears in the manual, with an exception of investments less than €5.000.

According the manual, the purchasing department manages centralized purchasing contracts, divided into spend categories which are clearly mapped. The general ledger accounts as 'energy' and the 'training costs' of the Human Resource department are examples of those spend categories. Other examples are production materials as paper and ink, but also temporary employees are logically managed by contracts.

Although the processes are clear and match with the literature background, in practice Wegener is not operating according the given procedures. The following chapter will compare the theory with the actual situation at Wegener, whereby behavioral problems will show up.

5. Non-contractual spend at Wegener Media

According to Van Weele (2008), the purchasing process in practice is not always executed according to the theoretical models. His experiences during the years, within several organizations, show some bottlenecks.

5.1. BOTTLENECKS

- Specifications are detailed to just one supplier; competition is not possible anymore.
- Purchases are done in a social network. Personal relationships are used to make agreements; competition is again excluded.
- Contracts do not exist. If they are, they are set up in general terms and not always completed.
- Although the supplier claims the importance of an order, products are already delivered before the purchasing department has sent an order.
- Problems occur during the delivery process; incorrect delivery times or even incorrect products, quality of the ordered product is damaged and information stickers are difficult to read.
- Invoices are paid without any control and without a comparison with the original order.
- Suppliers are not evaluated, whereby the ones that do not operate professionally still get a change and the supplier problems will be repeated.

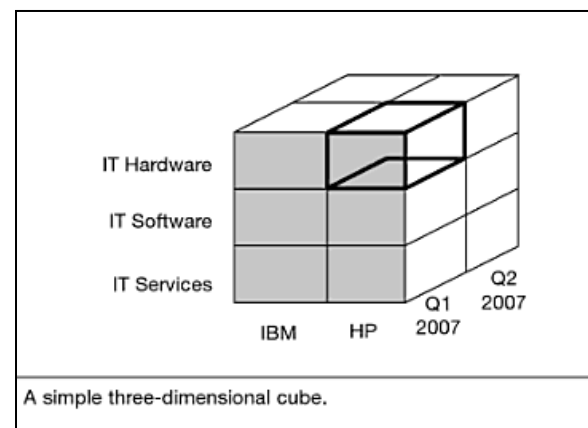
To conclude, the outcome of the purchasing decision is the result of a combination of many different interacting elements and activities. The selection of a supplier, with a given set of alternatives, is one of the most important decisions taken in the sourcing process (Leenders and Fearon, 1993). With the choice of several alternatives, the elaboration on the total cost of ownership (TCO) is of great importance. Chapter 7 will discuss the definitions, activities, characteristics and advantages of TCO.

In practice, these bottlenecks lead to non-contractual purchases. At Wegener the exclusion of competition is a major problem. Purchases are often done at one supplier, or a group of the same suppliers. Although Wegener is a nationwide organization, the regional divisions regularly use their own social network to choose suppliers, whereby the centralized purchasing department has been passed over. Purchases are ordered on verbal agreements. This leads to a delivery issue, whereby the product is already delivered before the purchasing department gets the possibility to send the official order, which consequently leads to a controlling problem of the invoices. As the manual 'Finance and Control' prescribes clear processes, the control mechanism of the invoices is not perfectly observed. The check by person B and the acceptance by person C will be skipped, when the purchase is based on an individual agreement with a non-contracted supplier. It is not relevant for other persons to check the invoice, because they do not know what has been agreed. Spend management will help an organization to be aware of the purchases that has been done by analyzing and outlining its accomplished purchases.

5.2 SPEND MANAGEMENT

It appears that during the past few years purchasing has begun to play a more important role than was true in the past. This trend can be related to the creation of sustainable competitive advantage. Spend management can be of great importance to handle this competitive pressures (van Weele, 2008). Important objectives of applying spend management are cost reduction, standardization, increasing knowledge of the purchasing industry, improving the bargaining process with suppliers and reducing the logistic running time. Van Weele (2008) indicates that in general, without a lot of effort, the financial administration has no view about the spending at certain suppliers or the amount that has been spend for a certain product/service.

Pandit & Marmarnis (2008) define spend management as the process of systematically analyzing the historical spend/purchasing data of an organization, in order to categorize costs and reduce expenses through increased contract compliances. This historical spend is often presented in a 'spend cube', which is defined by the authors as a three-dimensional cube' that divides the purchase into measurements and context (or dimensions). Measurements are actual numerical quantities that are associated with one or more contexts. In this case, spend is the measurement. Supplier, commodity, cost center, division, geography and time are the possible contexts.



By executing the analysis periodically it will be possible to get real benefits out of it (Telgen, 1997). An accurate analysis can describe for example the spending per supplier, amount of suppliers per commodity, or more in depth, the amount of invoices per commodity per department. Unusual situations can be recognized, which can lead to a closer intensification. As a consequence of the spend analysis and this closer intensification, new contracts can arise or existing contracts can be ended. Another possible outcome is the consolidation of several commodities or divisions. As Frank Rozemeijer (2000) discussed, purchasing synergies help to get purchasing strategies at a corporate level. Purchasing synergy literally means 'working together', which can be translated to business usage as 'the ability of two or more units to generate greater value working together than each of them could by working apart' (Goold and Campbell, 1998).

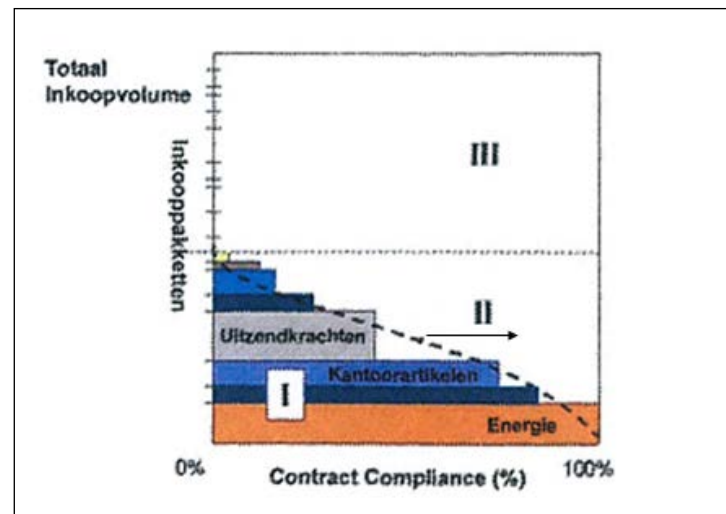
5.2.1 THE 'TELGEN BOX'

A spend analysis can identify multiple contracts with similar products or services, but can also verify contract compliances that exist, that are not used. The 'Telgen box' has been developed to provide insight into this information (Mulder & Telgen, 2003).

In the figure, which is filled up as an example, part I shows the purchasing volume that makes use of the existing contracts. It is the responsibility of the person that decides to purchase something, to use the required contract.

Part II shows the purchasing volume for which contracts exist, but that are not used. The existence of this part, and the intention to decrease it, is the responsibility of the whole management within an organization because of their control function; they are responsible for the usage of the existing contracts. As the arrow describes, the line between part I and part II should move to the right.

Part III is the purchasing volume for commodities for which there is no contract. The purchasing department is responsible for the reduction of part III. This does not mean that a 100% reduction of part III should be a goal; it can be appropriate to operate without a contract, such as in case of unique purchases.



5.3. WEGENER MEDIA

After describing the theoretical background of purchasing, cost controlling and spend management, this information can be linked to the organization. Wegener Media has formed contracts for frequent spend categories and is conscious about using those contracts, estimated by Han Daals at 96%, whereby the related purchases can be categorized to part I of the Telgen box. Some of the common contractual spend categories at Wegener are;

- Accommodation costs
- Paper roles as raw material for the newspaper
- Transportation and logistics

The accommodation costs vary from the rent, insurance, energy and the maintenance costs. The raw materials come from all over the world. The paper roles, for example, are purchased from contracted suppliers in Norway and Sweden. The transportation is partly accomplished internally by the employees, who drive between the several offices of Wegener and deliver the mail. The logistic of the products itself are outsourced to local courier-services, like the Gelderlander has contracted the Arnhemse courier-service to work for them.

Still, some purchases are done without an underlying contract, which can be categorized to part II or part III in the Telgen box. Most of these purchases belong to part II, of which it is obvious that these purchases should be avoided by reducing maverick spending. Except the possibility to lack of contracted rebates, another related risk of this non-contractual spending will be that it is not possible for Wegener to follow the agreements that are made with the preferred suppliers.

To start, office supplies are overall ordered at a contracted supplier, Staples, by the centralized purchasing department. Besides these purchases, employees buy their own equipment, after which they declare the costs they have made. At that moment, for example, a calculator will be bought for a higher price than if it was purchased at Staples. An excuse from the employees can be the delivery time or that he/she did not know that a contract existed for such a purchase. In case it is an unique purchase, like an extraordinary study book, the purchase belongs to part III of the Telgen Box.

The marketing costs at Wegener can also be reduced by just purchasing at preferred suppliers. Promotional offers differ from USB sticks to household articles, which cannot always be ordered at one specific supplier. This situation makes it even more important that contracts are visible and easy to understand. According to Han Daals it appears occasionally that promotional offers are purchased at a non-contractual supplier, because the involved employee thinks that he/she found a cheap offer. This is not always the best option, because the employee forgets the standard rebates that are agreed in the contracts with the preferred suppliers, often related to the purchasing-quantity. Besides that, it is possible that the indirect costs make the difference, like the delivering costs.

The Human Resource spend is partly outsources to Randstad, which detaches employees to Wegener. The hiring of these persons can also be seen as a purchase. Beside the agreements with Randstad, the editorial department made up its own contracts with freelance reporters and photographers. Nevertheless, the editorial department is often neglecting those contracts and is working together with non-contracted freelancers. An article or photo can be seen as the purchased product, for which prices are arranged per pastime or per product. Some of the non-contractual freelancers work according the same price as the contracted freelancers, but not all of them.

An extra attention point for this spend category is the missing centralized repository of collaborative contracts. The different daily newspapers have all their own repository, even as all the weekly newspapers. Tasks are differently proposed, defined and accepted. Because of the relative high maverick spending, this spend category will be used for the following casus.

6. CASUS

To visualize the situation, the editorial department will be used to illustrate the overall 'cost control problem' at Wegener, specified to the purchases of freelance photos. The contractual spend will be compared with the non-contractual spend, further specified to the T.C. Tubantia over a period of one month. A generic examination has been done to measure the effort of the contractual freelance photographers, compared to the freelancers that are not working according contract.

6.1 EDITORIAL DEPARTMENT

To specify a process, the editorial department will be used as an example. First of all, it is important to know that the daily newspapers of Wegener are divided into two quires. The first quire includes most often the national, international and economic news. This part of the newspaper is conceptualized by a central editorial department in Nijmegen. The second quire includes the local news and is produced by the seven daily newspaper divisions itself. The processes of the editorial department are described in the manual 'Quality Administration Freelancers', in Dutch referred as KAF-project. This manual describes the highlights of the duties and responsibilities from the editorial department.

The editorial staff is responsible for all the published articles and the related photos. Secondly, in case freelancers are used to fill in the positions of the correspondent or the photographer, Wegener has developed a standardized contract (OvO) for usage within the whole Wegener-concern. This contract includes the tariff of the delivered product (an article or a photo) and other conditions like the copyrights. Addendum 3 will show the standard version of this contract. The contract should be managed centrally to motivate the Wegener-broad synergy by applying the same rules.

Furthermore the KAF-project describes several other duties that are of importance for this research;

- The creditor department may just prepare a new freelance-creditor (CF) in the situation that there is a file with a copy of a valid identification card, a signed contract (OvO) and a valid Independent Contractor Status Statement (VAR). In case this data is not filed, the creditor department should postpone the payment. An exceptional case occurs when the freelancers seems to work once only for Wegener. The creditor department makes a CF starting with the number 9, which should be blocked after payment.
- Wegener is working according a special declaration-module for the freelancers. This module should cause a tighter control of the freelancer-costs, because a lot of information about the freelancer should be available to insert in the system. This will include the same information as described on a valid ID card. Although this module is ready to use, Wegener is further developing the software.

- Freelancers that earn more than €7.200 per newspaper division belong to the so called 'risky group'. The payments that are above this standard should be seen as wages.
- Besides these local freelancers, Wegener has several contracts with national and international press offices. These contracts are managed by the purchasing department, located in Apeldoorn, in cooperation with the editorial departments of the different divisions.

6.1.1 NATIONAL AND INTERNATIONAL PRESS OFFICES

The most common press offices are the GPD, ANP, Novum, Hollandse Hoogte and the EPA. Those press offices produce written articles, as well as national and international photos. The first quire of Wegeners daily newspapers are often working together with these press offices.

Wegener has a standard lay-out for the quotations, which include several components that have to be filled in by the supplier. Those components are; introduction, contact information, company information, statement of requirement, price-proposal (bid), discounts, workflow processes and a Service Level Agreement. The updated version that has been filled in by a representative of the press office can be seen as a quotation of the supplier.

For example, Hollandse Hoogte has a photo archive that is filled by 300 Dutch photographers and 100 international press offices. This archive includes landscapes, illustrations, portraits and also actual news photos that lead to a continued growth of the archive. These new supplies will be of greatest importance for Wegener because of the topical interest. In case Wegener will purchase a photo from this archive, it has to pay per download for what Hollandse Hoogte will send an invoice once a month. The price per photo will be €45,-.

Furthermore, Wegener can order special requests whereby the exact desires can be taken into account by the photographer. According to the press office Hollandse Hoogte, this should increase the value for money. Nevertheless this seems attractive, but in that case the price for a picture will be much higher; A photo will cost €110,-. This price can increase when it takes more than two hours to produce the requested photo.

An attractive mark in this contract is their cooperation with VI images, who guarantee actual photos of every Premier League match. But still, most often it will occur that the editorial department needs photos of specific persons, which leads to special requests and a higher rate for the photo.

Out of this information can be concluded that Hollandse Hoogte is a qualified supplier to use when the criteria are simple and no special demand is needed.

Finally, the ANP, GPD and Novum have other contracts with Wegener. According to the contract, Wegener pays a standard price for a certain limit of purchases that gives access to five types of information, whereby the photos are intertwined in the content. These five specifications are domestic, foreign, economical, entertainment and sport topical interests. For local news these press offices will be less relevant.

The following table shows the discounts that have been determined in the quotation. A high amount of purchases from these press offices will lead to higher discounts, and finally to a relative low cost per acquisition.

Yearly revenue (EUR)	Discount (%)
Eur 0 - Eur 250.000	0,0%
Eur 250.000 - Eur 500.000	2,5%
Eur 500.000 - Eur 750.000	5,0%
Eur 750.000 - Eur 1.000.000	7,5%
Eur 1.000.000 - Eur 1.250.000	10,0%
Eur 1.250.000 - Eur 1.500.000	12,5%
Eur 1.500.000 - Eur 1.750.000	15,0%
Eur 1.750.000 - Eur 2.000.000	17,5%
Eur 2.000.000 and more	20,0%

Furthermore, the same conclusion can be drawn as described before; it is just possible to supply photos when the demand does not include special requests. This can be seen as a disadvantage of these press offices.

6.1.2 FREELANCERS

Freelance practices vary greatly. Fields where freelancing is common include for example journalism, consulting, web-design, book publishing and other forms in the editing industry. A freelancer can be defined as somebody who is self-employed and is not committed to a particular employer for a long term. Some organizations obligate the freelancer to sign a contract, while other organizations make verbal agreements with their freelance-workers. The outsourced work can vary from student freelancers to professionalized freelancers with years of experience. The student freelancers are a steady source of cheap labor, but the quality of their work is discussable.

The payment for freelance work also varies; some freelancers will be charged per day, hour, page, product, or even on a per-project basis. Instead of a flat-rate, some freelancers use a value-based pricing method. In this case you should think about the professionalized freelancers that create high expectations of their quality. Normally, payment agreements are made upfront.

6.1.3 EUROPEAN FEDERATION OF JOURNALISTS

A report by the European Federation of Journalists (EFJ), called 'Freelance Journalists in the European Media Industry', notes that the media landscape is changing by increasing usage of freelance work. The 'golden age' of the traditional reported 'embedded' in a secure and stable working environment, is being gradually replaced by a new work form in which journalistic work or content production is increasingly out-sourced by media employers (Nies and Pedersini, 2003). The changing market is characterized by concentration of ownership and media employers that define journalism primary as an economic activity. The EFJ project describes several interesting consequences of this changing market.

- First, the self-employment provides a ready-to-use contractual form to accommodate the new tendency of employers for non-dependent employment relationships. Such a contractual form should include functions for both cost-related and organizational reasons, as well as providing a relatively socially acceptable function. It does not require the introduction of a totally new employment form, but it should be usable for the large array of individual situations that makes the labor regulations and protections for the journalists effective.
- Secondly, the stability of the employment relationship, together with the related economical stability, should be considered. Therefore it is important to guarantee a regulatory framework that includes a set of basic rights and protections.

Furthermore the growth of freelance positions increases the importance of individual bargaining power. What should be the bargaining power of an individual freelancer vis-à-vis the publisher? If both parties are on equal footing in a debate, they will have equal bargaining power. A freelancer cannot fully set its own rules of business, because it is limited by this bargaining power.

6.2 PREVIOUS RESEARCH AT WEGENER MEDIA

In 2002 an external party has researched a possible optimum for the production of a newspaper at Wegener (IPW rapport). It was an extensive study whereby all aspects of the editorial, printing and circulation content were taken into account. The study is not completely comparable with this research, although it includes a clear methodology and interesting recommendations.

First of all, the researchers set up a best practice model that included the greatest potential. The best practice consisted of the following facets:

- Unique pages vs. costs per unique page
- Small editions
- Usage of GPD and ANP
- Drawing of new subscriptions (sales)
- Recruiting advertisers (marketing)
- Sales turnover
- Overhead expenses
- Human Resources

The following part is the most interesting to broach. The cost per unique page were calculated, after which it was possible to calculate the productivity per employee (or freelancer), costs per employee (or freelancer), costs per photo and the overhead expenses. This part of the research was overall focused on the efficiency of the full time employees compared to the freelancers. Still, this is an interesting subject for further research.

The specification of the overhead costs can be a good example for the Activity Based Cost analysis of this research. The IPW rapport shows a separation of back office costs (managerial costs) and general ledger costs (financial costs). Examples of the first cost type are the economical costs of the Finance & Control, ICT and Facility departments. The general ledger costs can be gathered from the bookkeeping system and include security costs, training costs, telephone costs and energy costs.

The recommendations that came up after the IPW research contain some interesting improvement potential. For the editorial process they advised to reduce the amount of unique editorial pages, which means smaller local editions and logically less costs. Furthermore they recommended to increase the usage of the national press offices GPD and ANP, but also to increase the usage of freelance correspondents. Related to this advice, the productivity of the internal full-time employees should increase to make them more profitable. Finally, the cooperation with colleague-newspapers should be improved. This teamwork should decrease the costs that are paid twice for the same product/purchase. In relation to this study, a great example is the purchase of a freelance photo whereby should be focused on the purchasing synergy.

6.3 QUANTITATIVE ANALYSIS T.C. TUBANTIA

The following table summarizes the invoice-data from one month of the contractual freelance photographers of the T.C. Tubantia (ledger account 'Honoraria Photograph').

Name	Tariff (p)	Amount (q)	Total	Km (q)	Travelling allowance (p)	Total	Total
Rikkert Harink	€ 45,00	59	€ 2.655,00	1154	€ 0,28	€ 323,12	€ 2.978,12
Theo Kock	€ 45,00	3	€ 135,00	64	€ 0,27	€ 17,28	€ 152,28
Christian van der Meij	€ 45,00	11	€ 495,00	181	€ 0,29	€ 52,49	€ 547,49
Jan Houwers	€ 45,00	29	€ 1.305,00	882	€ 0,28	€ 246,96	€ 1.551,96
Frank Uijlenbroek (FFU)	€ 45,00	43	€ 1.935,00	1707	€ 0,28	€ 477,96	€ 2.412,96
Toma Tudor	€ 45,00	74	€ 3.330,00	1744	€ 0,28	€ 488,32	€ 3.818,32
Reinier van Willigen	€ 45,00	99	€ 4.455,00	2349	€ 0,28	€ 657,72	€ 5.112,72
Christian van der Meij	€ 45,00	5	€ 225,00	92,4	€ 0,29	€ 26,80	€ 251,80
Jan Houwers	€ 45,00	3	€ 135,00	125	€ 0,28	€ 35,00	€ 170,00
	€ 45,00	326					€ 16.995,65

Directly can be seen, the standard tariff of €45 has been used consequently. When including the travel-costs of the freelancers, an average of €52,13 per photo has been calculated.³ An additional remark is the small differences in travelling allowance that shows up. Fortunately, these differences do not incur high undeserved costs.

³ 16.995,65 / 326

Then, the comparison with the non-contractual purchases will be interesting. First of all, the differences in price attracts its attention. The rates per photo differ greatly per supplier. The average price per photo is exactly €55, which is €10 more than a photo from a contractual freelancer.

Name	Tariff (p)	Amount (q)	Total	Km (q)	Travelling allowance (p)	Total	Parking	Total
Eric Brinkhorst	€ 50,00	3	€ 150,00	44	€ 0,29	€ 12,76		€ 162,76
Photo La Mar	€ 45,00	1	€ 45,00	20	€ 0,28	€ 5,60		€ 50,60
ANP	€ 80,00	2	€ 160,00	0	€ -	€ -		€ 160,00
Cootje Design Fotografie	€ 45,00	4	€ 180,00	0	€ -	€ -		€ 180,00
Vincent Jannink	€ 45,00	4	€ 180,00	98	€ 0,28	€ 27,44		€ 207,44
Ronny te Wechel	€ 55,00	1	€ 55,00	14	€ 0,29	€ 4,06		€ 59,06
Pro Shots	€ 60,00	18	€ 1.080,00	0	€ -	€ -		€ 1.080,00
Han Bouwmeester	€ 45,00	1	€ 45,00	0	€ -	€ -		€ 45,00
Koos van Dijk	€ 45,00	1	€ 45,00	0	€ -	€ -		€ 45,00
Gerard Vrakking	€ 50,00	1	€ 50,00	0	€ -	€ -		€ 50,00
Emile Willems Fotografie	€ 45,00	2	€ 90,00	0	€ -	€ -		€ 90,00
Top Shots	€ 60,00	1	€ 60,00	0	€ -	€ -		€ 60,00
Fotobureau Meulenhof	€ 100,00	1	€ 100,00	0	€ -	€ -		€ 100,00
Marcel Israel	€ 55,00	3	€ 165,00	54	€ 0,25	€ 13,50	€ 10,66	€ 178,50
SPS Media	€ 45,00	1	€ 45,00	0	€ -	€ -		€ 45,00
	€ 55,00	44						€ 2.513,36

It sticks out that the non-contractual suppliers do not always declare their travel-costs. When taking this into account, it leads to an average of €57,12 per photo, which is €4,99 more than the average of a contractual freelance photo.⁴ This illustrates that it is important to look further than just the purchasing price. Therefore the following chapter will specify the case-study by analyzing the Total Costs of Ownership.

According to this information, in total 370 photos have been purchased, of which 44 photos are purchased without a contract; this is 11,9%. When comparing the costs (price) instead of the quantity, the purchases without a contract are relatively 12,9%.⁵ Although the difference between those two types of analyzing is just 1%, it shows to be careful when comparing data.

By comparing this with the whole year 2010, whereby the T.C. Tubantia showed a 29% of non-contractual spend, it gives evidence that the usage of the general ledger accounts lack of discipline. Officially the spending of a photo as product has its own general ledger account, G765000 'Honoraria Photograph'. Other costs that are decelerated by the freelancers should be booked separated on ledger account G765001 'Expenses Photograph'. In reality these side costs, like traveling or parking costs, are as whole booked with the photo on the ledger account 'Honoraria Photograph'.

⁴ 57,12 - 52,13 = 4,99

⁵ 2.513,36 / 19.509,01

In addition, the costs of a photo itself can be booked incorrectly on other ledger accounts, like 'Press Offices', 'Photos', 'Freelancers' or 'Illustrations', as mentioned in the argumentation of chapter 2.3 (p. 9).

It is important to keep in mind that the freelance costs of the T.C. Tubantia are relatively low, because of the productivity of its internal employed photographers. This can mean that the other dailies, whom do not have their own photographers, even have higher percentages of non-contractual freelance spend.

Just to make a general estimation, the extra costs per year for all the seven dailies can be calculated, summarized in the tables below. Supposing that the 29% of non-contractual spend in 2010 at the T.C. Tubantia is realistic, the following calculations can be made to show how much money can be saved by applying Contract and Spend management.

Total freelance costs (dailies)	€ 4.273.026
Average non-contractual freelance spend (T.C. Tub. 2010)	29% (€ 1.239.177)
Average non-contractual purchasing price (per photo)	€ 57,12
Non-contractual purchases photos	$1.239.177 / 57,12 = 21.694$
Total extra costs	$21.694 * 4,99 = €108.253$

As known, the total costs of the freelance photographers at Wegener Media in 2010 are €4.273.026, which includes the travel declarations. This brings the non-contractual freelance spend in 2010 to €1.239.177. From this point it will be valuable to include the travel declarations, whereby the price difference between a contractual purchased photo and a non-contracted purchase has been measured at €4,99.

Dividing the total non-contractual freelance spend of 2010 by the average price of €57,12, it leads to 21.694 photos that are purchased without an underlying OvO at Wegener Media. By multiplying this amount of photos with €4,99, it will show €108.253 of extra costs when purchasing photos without a contract.

7. COSTS AND BENEFITS OF THE NON-CONTRACTUAL SPEND

The practitioners' literature indicates that the main and overriding criterion for many purchasers still is the purchasing price (Milligan, 2000; Wessels, 2005; Moser, 2006; Graham, 2007). Focusing on the acquisition price may be short sighted.

According to the literature, the aim of a TCO calculation is to financially quantify all the consequences of a purchasing offering. This can be concluded from reading the following quotations:

Total cost of ownership tries to quantify the costs associated with the purchasing process. It determines the costs associated with purchasing activities in the company's value chain before, during and after the purchase (Degraeve and Roodhooft, 1997).

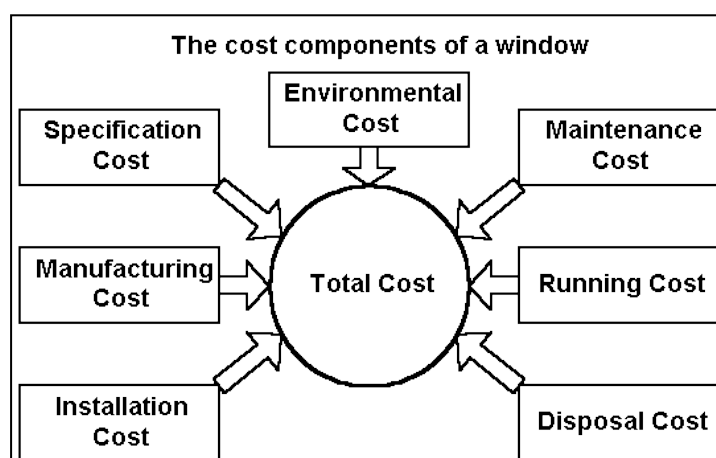
We define the total cost of ownership (TCO) as the sum of purchase price plus all expenses incurred during the productive lifetime of a product or service minus its salvage or resale price. Such expenses fall into three categories; acquisition, conversion and disposal (Anderson and Narus, 2004).

Summarized, TCO pays attention to all costs that are related to a product or service, including direct and indirect costs. It can be used to support decision-making in purchasing and gives opportunities for cost savings through consolidation of purchases. Ellram (1994) noted that effective use of TCO is difficult and found no standard implementation procedure.

7.1 CALCULATING TCO

TCO models may be formal and informal (Ellram, 1993). Within a formal model there is a structured method for calculating cost numbers. Purchasers who adopt an informal TCO strategy take the purchasing price and naively consider a number of other characteristics without explicitly evaluating these characteristics. In general, decision-making by a formal method is better verifiable, compared to decision-making by an informal method.

To calculate the TCO several cost components should be taken into consideration. The following figure presents a clear overview of those costs.⁶



⁶ <http://www.tangram.co.uk/TI-Glazing-Windows-A-Total-Cost-Approach.html>

A simple example is the investment in new windows. The first costs are of course the purchase price of the window itself, followed by the installation costs. Those costs can differ because of a wide scope of technologies to install the window. On the longer term, the manufacturing costs can play a role, because of improving quality standards as ISO 9002 or other accreditation schemes. In this case it will concern the difference of wood and synthetic windows.

A proper specification can minimize the total costs of a window if all the correct factors are included in the specification. Environmental costs are not strict financial costs, but concern for the environment is universal and must be considered. Possible recycling costs can be a good example. A 'maintenance-free' window does not exist. Regular cleaning, lubrication and inspection costs will be part of this component. Again the difference in material can play a role; contradiction to synthetic windows, wooden frames need repainting.

The running costs can be translated to energy costs, or even to measurement of energy-losses. Logically, the difference in single glazing or double glazing will play a role. And finally, the disposal costs at the end of the life cycle must be considered.

Another example is the research of Degraeve and Roodhooft (1997) that presents a case about the TCO of heating electrodes. To keep it short, it is interesting to mention the cost-structure of this product group; the additional costs of resources necessary for the supplementary activities associated with the purchasing process account for more than 80% of the total costs of ownership. From this can be concluded that the purchasing price is not the first criterion. The most important criterion in this case is the quality of the delivered electrodes, which is determined by the usage duration and the probability of defects. Each replacement of an electrode requires a setup that costs amount the 75% of the total costs of ownership. This setup can be seen as a critical success factor in the supplier selection process. industries. Research of the Aberdeen Group (2004) benchmarked the improvement of electronic processing methods against the usage of paper-based transactions. Costs per transaction and per invoice were measured, whereby the researches show an improvement of 63% for companies processing less than 500.000 invoices per year when using electronic methods. Companies that were processing more than 500.000 invoices per year improved costs with 67%.

Going back to the theory, these numbers stress the importance of looking beyond the initial purchasing price, but do not prescribe how to calculate cost numbers. Purchasers may use activity-based costing (ABC) to calculate TCO numbers. Both ABC and TCO aim to support decision-making by computing costs accurately (Ellram, 1995). However, there are several differences between those two models. TCO focuses more on the interface with suppliers to support sourcing, while ABC focuses at internal activities in a company (Wouters et al., 2005).

7.2 TCO AT WEGENER MEDIA

As the previous theory describes, a TCO model considers direct costs and indirect costs. The direct costs can be defined as costs that directly can be traced to the production of a specific product or service. For buying a freelance photo, these costs can be discovered by asking the following question; Which costs do change when a photo is not bought from a freelancer? In case a photo is not bought from a freelancer, the Chief Photo will use the archive, an internal employed photographer or an employee from the editorial department. The indirect costs are those for activities or services that benefit more than one project.

By using Activity Based Costing (ABC) it will be possible to include other additional costs and finally a cost-benefit analysis will weigh the total expected costs against the expected benefits. The following analysis will apply these theories for the freelance photographers in order to choose a most profitable option for purchasing photos. The first part can be seen as additional information to further specify the example of the freelance photographers, after which the analysis will be specified to ABC.

7.2.1 QUALITATIVE ANALYSIS

This part of the research will describe the main discussion points that occurred during interviewing the involved persons and that will lead to interesting conclusions.

First of all, an interview with the Adjunct Chief Editor, Ger Dijkstra, has been planned to get enough general information about freelancers. He is making a distinction between the writing freelancers and the photographers, but in most situations this is not of importance. All freelancers can be divided into professionals, hobby-photographers and students that are in education. Payment for the freelancers occurs per product, so normally not per hour. The tariff for writing freelancers varies according to their experience and quality. Freelance photographers will always get the same price per photo, except from unique situations that belong to part III in the 'Telgen box'. These unique purchases are mostly caused by a location that is far from the range of the newspaper-title. By sending own freelancers, their travel time will be too much for an up to date photo, and of course the travel costs will take high proportions. During the weekly days topicality is the most important aspect by choosing a freelancer; who can be the first at location. In the weekends another questions arises; who is willing to work?

Still, the flexibility of a freelancer is its biggest advantage. The organization has just to pay in case a product has been delivered. Furthermore, freelancers cause less risk for the organization, for example under circumstances when an employee is disabled to work for a certain period. The disadvantages of working with freelancers are their weak involvement with the organization, the missing development of editorial innovations (less fed with the newest multimedia) and they are less experimental.

Furthermore, the quality is a great discussion point. First, special photo-bureaus offer photos with a high quality, but logically will require higher tariffs per photo. These press-bureaus do normally not work according special requests, so their photos will not always fit within the story. Contrary to this option, amateur photographers can be chosen to supply simple photos that will charge a lower price per photo. According to Ger Dijkstra it is difficult to define the quality of a picture; nevertheless he is mentioning the difference in quality of photos from the weekly newspapers. The specialists in criticizing a photo, the Chiefs of the Image Editing departments, quality is to measure by several aspects;

- Topical interest (is it actual).
- Technical (has it enough mega pixels and is it not vague).
- Content (is it telling something, is the subject clear without the text).
- Ethical (are there no shocking or discussable characters on the photo).

Besides these criteria, two more specialties should be taken into account; sport and theatrical photos require extra attraction.

Outlining the quality of the photos, that remains a subjective opinion, caused discussions about the utilization of photos from weekly newspapers. The freelance photographers of the weekly newspapers get paid €20 per photo, instead of the freelance photographers of the daily newspapers, who get on average €45 per photo (in case of the Tubantia and the Gelderlander). Where does this huge difference come from? Most often, the interviewed persons argued their answer with quality reasons and the time-pressure of the purchase. The topical interest of the daily newspapers is logically higher than for the weekly newspapers.

One of the concluding question was: 'Based on which criteria do you choose a freelancer'. The answer started most often with the argumentation of existing relations and their availability. After that, again quality is a criteria for choosing a freelancer. Finally, another social aspect appeared; the workload will be honestly divided over the different contractual freelancers.

As the Tubantia employs six full-time photographers and contracted nine freelance photographers, the Stentor employs four full-time photographers and contracted approximately 25 freelance photographers. Rob Krabben, Adjunct Chief Editor of the Stentor, directly pinpointed that he is also working with several freelance photographers without a contract. He also mentioned that one should consider the amount of unique pages, when comparing the Stentor with other daily newspapers of Wegener. Furthermore, an employed photographer should make eight photos per day, to be profitable. Carlo ter Ellen, Chief Photo of the Tubantia, also extended this productivity to ground his view that the internal photographers are valuable.

In contradiction to the Gelderlander and the Tubantia, the Stentor is not using the guidelines of the official OvO. The Stentor is paying €42,50 per photo and has agreed on other conditions with the freelancer.

The standard OvO includes the following conditions;

- The right to publish the photo on the internet.
- The right to re-publish the photo in the future.
- The right to pass-on the photo to another Wegener-title.

As the responsible persons of the Gelderlander and Tubantia state, they are working according to these agreements. Contradictory, as the tariff already indicates, the Stentor is not working according to these conditions. They have the agreement with the freelancer to publish the photo on internet, but not to pass the photo to colleagues from other Wegener-divisions.

Although Rob Krabben is not willing to increase the tariff per photo and to make use of the extra benefits that will occur, he is preferring the foundation of contract compliances outside the area of the daily newspapers. In this case, several freelancers should be chosen that are willing to work for the seven daily newspapers with all the same agreements. This should be a solution for the expensive purchases at freelancers without a contract, leading again to the discussion about using freelancers from the weekly newspaper, because they are operating through the whole country; the network already exists.

Some questions were asked to discover the awareness of the Total Costs of Ownership. By bringing the interviews to an end, the interviewed persons were asked to give their own final remarks. Carlo ter Ellen gave the remark that he is often using ProShots based on verbal agreements. This photo-bureau is everywhere located through the Netherlands and produces photos on request, most often with a tariff of €60. This bureau is interesting to keep in mind when thinking about contracting suppliers outside the area of the daily newspapers.

Caroline de Nijs, Product Manager, gives the extra note to think about the market position of the freelancers; is the freelancers financial dependent from Wegener? Furthermore she is thinking about a decrease of employed photographers and increase the flexible usage of freelancers. It gives the possibility to allocate more revenue to less persons. This should be based on specific agreements and better usage of the contracts.

Since Carlo ter Ellen has given the names of the contractual freelancers he is working with, it is most practical to use the Tubantia for the next analysis. By separating the costs of these contractual freelancers with the remaining costs, it will be possible to distinguish the contractual from the non-contractual spend.

7.2.2 ACTIVITY BASED COSTING

Because it may be difficult to determine precisely how the activities of the involved persons benefit the specific project, an extra interview with Carlo ter Ellen has been planned. He will clarify the activity based costs related to the purchase of a freelance photo.

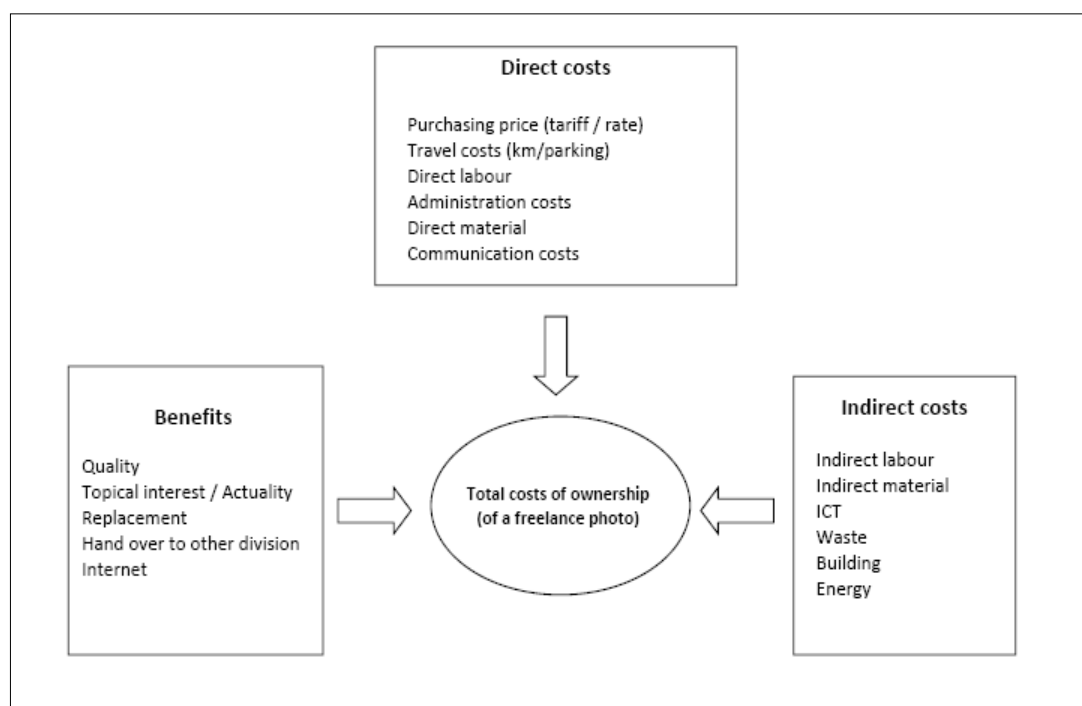
To start with the simplest costs, and as mentioned before, the T.C. Tubantia pays €45,- per photo. The freelancer may declare €0,28 per kilometer and get the possibility to declare parking costs. The time for outsourcing the job of making a photo takes on average 10 minutes per turn, which may include more than one job per freelancer on a day. For example, a freelancer from the region of Hengelo will be called to make three photos on a day in his region.

Other time that has been spend to contact freelancers contains the contracting of the freelancers, to discuss the agreements for these contracts and to discuss eventually complaints that occur. Compared to internal employed photographers, freelancers do not cause time and costs for committed evaluations or other human resource related activities. Although, once in a while their performance will be evaluated. This happens most often in the period that the contracts should be renewed. In case the Chief Editor is not satisfied with a photo, this will cause more time for evaluation (and handling the complaint).

Furthermore, the freelancer do cause relatively high administration costs. Their invoices go through a specified process that starts at the creditor department, in case it is a digital invoice. When it is a written invoice send by post, the process already starts at the post-chamber. The authorization process of the invoice belongs to Carlo ter Ellen and the Chief Editor. Carlo ter Ellen uses two hours per day behind the computer for administrative activities of the freelancers, which partly includes the time for authorizing their invoices.

7.2.3 TOTAL COSTS OF OWNERSHIP

By developing the TCO model, the direct and indirect costs will be defined. To make the TCO model applicable, the costs will be linked to the previous case study of the freelance photographers.



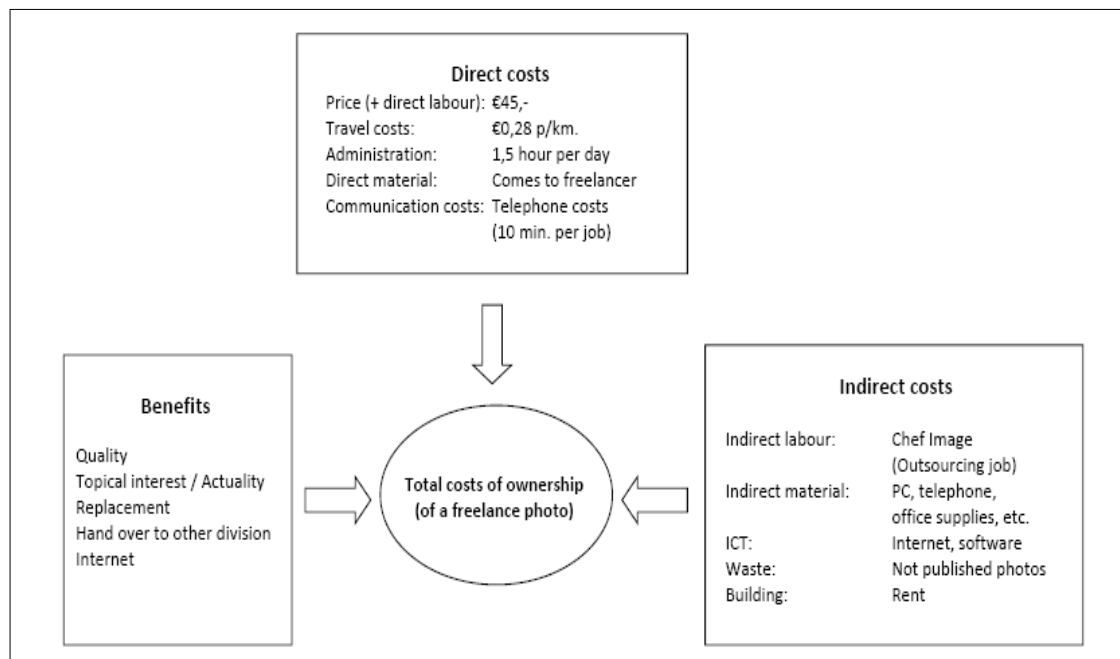
Direct costs

- The tariff or rate is the price that has been paid for a product or service. In case this price is not fixed per product, it will be the labor-costs that are most often paid per hour.
- The distribution costs can be seen as the travel costs, most often per kilometer. Furthermore, the travel costs can include parking declarations.
- Direct labor can be related to the activities that go together with the purchase of a photo. In the situation of a freelance photo, this direct labor belongs to the freelancer, which does not get paid per hour.
- When purchasing a product or service, it will go together with administrative costs. In the situation of the freelancers, the outsourced jobs should be administered and the payment causes also administrative activities.
- The direct material is often related to manufactured products. In case of the employed photographers, their cameras belong to direct material. For freelance photographers it does not cause any costs for the organization.
- The direct communication costs will most often include the telephone costs, when calling a freelancer.

Indirect costs

It is more complicated to define the indirect costs, and make them applicable for every spend category. Again, the costs will be described according to examples.

- Indirect labor are the costs that benefit more than one purchase. The salary of the Image Chef are partly indirect costs of a freelance photo. Under the circumstances that the Image Chef does not purchase a photo, but he gives direction to one of the internal employees, his salary costs do still appear.
- The indirect material are the telephone, computer and other office requirements.
- The indirect ICT costs include the internet costs, which are most often fixed and can benefit a lot of different projects on a day.
- Every purchase can cause waste, in case the purchase is redundant. A freelance photo that has been bought, but finally does not will be published in the newspaper can be seen as waste.
- Other indirect costs are caused by the building that is involved in the purchase. This can be the office of an employee or the storage of a product.
- Electra, gas and water can also be seen as indirect costs. These costs can be necessary for the computer, telephone, the light, the heater, but also for the coffee machine.



7.2.4 COST BENEFIT ANALYSIS

Every cost causes a certain benefit. Per purchase this can another benefit, so the benefits of the following model are specified to the freelance photographers.

- First of all, the photo that has been purchased should tell the story and be actual; the topical interest.
- The photo should also have the right quality, wherefrom the definition has been given in the qualitative analysis.
- Other benefits can be the replacement in the future, so the photo will be placed in the archive for republishing the photo without costs.
- A related benefit can be the replacement of the photo in another newspaper of Wegener; handing over the photo to another division. Examples can be found in the overlapping areas of the Gelderlander, de Stentor and the T.C. Tubantia. If it comes to the change that they all purchase photos from one specific occurrence, they can exclude the double costs by purchasing just one photo and hand it over to the other divisions.
- Finally, the right to publish the photo direct on the internet is also a benefit. It will attract people to visit the website and show interest in the chosen newspaper.

To apply the cost benefit analysis, one should per invoice focus on the location of the published photo. In case the photo has been taken in the region of the newspaper, it should be purchased at a regional contractual supplier.

As the following table shows, the purchases at the contractual suppliers can be seen as responsible purchases; no discussion possible.

Name	Number of photos	Km	Location
Rikkert Harink	59	1154	Region Overijssel
Theo Kock	3	64	Region Achterhoek
Christian van der Meij	11	181	Region Overijssel
Jan Houwers	29	882	Region Achterhoek
Frank Uijlenbroek (FFU)	43	1707	Region Overijssel
Toma Tudor	74	1744	Region Overijssel
Reinier van Willigen	99	2349	Region Overijssel
Christian van der Meij	5	92,4	Region Overijssel
Jan Houwers	3	125	Region Achterhoek
Total	326	8298,4	

The following table shows an overview of the non-contractual purchases. Besides the location of the photo, the subject is also of importance to consider the benefits 'actuality' and 'quality'. It is obvious that the freelancers without a contract, and working according different agreements, work nearby the same region as the internal photographers and contracted freelancers. The subjects of the photos are not exceptional complex or unique that they should be produced by specialized photographers. Concluded, the photos purchased at the non-contracted freelancers could anyhow be ordered at the contracted freelancers, or even be produced by an internal photographer.

Name	Number of photos	Km	Location	Subject
Eric Brinkhorst	3	44	Region Overijssel (Almelo)	Bomb at mosque
Photo La Mar	1	20	Saasveld	Chorus 40 years
ANP	2	0	Region Twente	Home for the elderly, Congress Adjiez Bakas
Cootje Design Fotografie	4	0	Netherlands	Sport
Vincent Jannink	4	98	Region Overijssel (Rijssen, Holten)	Gas leak, political, sport
Ronny te Wechel	1	14	Deventer	Theater
Pro Shots	18	0	Almelo, Nijmegen, Heerenveen, Den-Haag	Sport (football)
Han Bouwmeester	1	0	Region Twente	Wild boar
Koos van Dijk	1	0	-	Golden Egg
Gerard Vrakking	1	0	Haarle	Handball trainer
Emile Willems Fotografie	2	0	Hellendoorn	Director local authority
Top Shots	1	0	-	Floris van Assendelft
Fotobureau Meulenhof	1	0	Eindhoven	Swimmer Job Kienhuis
Marcel Israel	3	54	Amsterdam	Vegetarian, drummer
SPS Media	1	0	Hengelo	Auto in water
Total	44	230		

To compare the three alternatives as discussed before, the following overview makes it possible to consider the most suitable option. An indication of the direct costs can be presented in financial measures, in contrast to the benefits which are hard to quantify.

Per photo	Internal employers	Contractual photographers	Non-contractual photographers
Direct costs			
Direct labor / price	1,5 hour * €15 = €22,50	€45	€55
Travel costs	€8,50	25 km * €0,28 = €7	5 km * €0,28 = €1,40
Administration costs	0,16 hour * €20 = €3,20	0,08 hour * €20 = €1,60	0,16 hour * €20 = €3,20
Communication costs	0,1 hour * €20 = €2	0,1 hour * €20 = €2	0,15 hour * €20 = €3
Direct material	€2,70	-	-
Total direct costs:	€38,90	€55,60	€62,60
Benefits			
Quality	+	+	+
Topical interest / actuality	+/-	+	+
Flexibility	+/-	+	+
Replacement / archive	+	+	+/-
Hand over to other divisions	+	+/-	+/-
Internet	+	+	+/-
Inability to work	-	+	+
Innovation	+	+/-	+/-
Average:	20 / 8 = 2,5	22 / 8 = 2,75	20 / 8 = 2,5

As the casus describes, the basic price of a photo is €45 when purchasing at a contractual freelancer and at a non-contractual freelancer €55 on average. To calculate the price for the internal photographers, the average time per photo is multiplied by the estimated hourly wage of the photographer.⁷ This results in €22,50.

The travel costs of the freelancers originate also from the casus. In the situation of the internal photographers, the following data have been estimated; car lease, fuel consumption, fuel price, driven kilometers and average number of photos per month. Assuming that the employer produces 80 photos monthly and drives 25 kilometers per photo, this comes to 2000 kilometers. The car lease has been estimated at €500 per month, exclusive the fuel price of €1,40 per liter (and a fuel consumption of 16 km/liter). With this information, the following computation has been made;

- 80 photos * 25 km = 2000 km
- 2000 km / 16 = 125 liters of fuel
- 125 liters * €1,40 = €175
- €175 + €500 = €675
- €675 / 80 photos = €8,50 per photo

⁷ www.nationaleberoepengids.nl

To quantify the administration and communication costs, the hourly wage of the Chief Photo has been estimated at €20. By multiplying this rate with the average time the Chief Photo needs per photo (to manage the administration and communication), the direct costs per photo can be calculated.

Like discussed in the interviews with Carlo ter Ellen, the Chief Photo, he needs on average 10 minutes to fulfill the administrative tasks related to the internal photographers and the non-contractual freelancers. The administration of a contractual purchase causes less time, estimated at 5 minutes per photo. The time Carlo ter Ellen needs to outsource the job differs also between the contractual and non-contractual freelancers. It causes more time to agree on a price under the circumstances that there does not exist a contract.

The last aspect that has been taken into consideration are the costs of the direct material. Freelancers fund their own material, like the camera and its related accessories. Wegener pays these costs for its own employers. The value of the direct materials has been estimated at €8000 and will be practicable for roughly three years (3000 photos).

Like mentioned before, the benefits are hard to measure in financial outcomes. The overview shows plus and minus signs to value the benefits, whereby the plus scores 3 points and the minus 1 point. On average, plus-minus, 2 points have been counted.

As discussed in the interviews, the definition of quality includes several aspects. The picture elements of a photo are of importance, but also the composition, content and ethical aspects of this product. The quality has been estimated at positive for each subcontractor. A poor quality will not be accepted.

The actuality is even important for a photo in the daily newspaper. A main advantage of purchasing photos at freelancers is the great possibility that the outsourcer finds somebody who can be quick at location. This comes together with the flexibility. At critical moments, for example at night, a freelancer will be better available than an internal employer whom should be vacant next morning.

The benefits of replacement, handing over to another division and acceptance to place the photo on internet are agreed in the contract of a freelancer. In the situation that there does not exist an underlying contract, this will be a discussion point. The production of the internal employers may logically be used for the future, internet and other divisions (weeklies and dailies).

The 'inability to work' is another advantage when purchasing at freelancers. In case a freelancer get sick, this does not cause costs for Wegener. Contrary, this is a disadvantage of working with own employers. On the other hand, the employers of Wegener are more innovative. They get training and Wegener invests in the equipment of them. A freelancer will invest less to develop its innovation, because it is not sure if the freelancer get all the return on its investment.

Concluded, purchasing at a non-contracted freelancer causes the highest costs. On average, these extra costs do not cause more benefits for the organization. Wegener takes the highest advantages when purchasing at a contracted supplier.

In case of purchasing a photo, the internal employers should be taken into consideration. The comparing overview describes clearly that these employers produce the cheapest photos. Nevertheless, indirect costs show up. One should think about reparation costs of the material, Human Resource costs and waste of time. As the IPW research already described, this is an important subject for further research. The productivity of the employees is of great importance to examine their efficiency. In case of the photographers, this will be the amount of relevant produced photos per day. It is the responsibility of the manager to control, and if necessary increase, the productivity of his personnel.

Coming back to the discretionary cost centers, the manager is also responsible for developing the divisional performance and for reaching the best service/quality (benefits), while keeping within the budget. It should motivate the manager to pursue those tasks that will best benefit the department as the company as whole. Efficient purchasing indirectly should increase the profit, by decreasing direct and indirect costs, although there is no linear financial measure of the outcome.

8. HOW TO CONTROL THE NON-CONTRACTUAL SPEND

After analyzing the problem, the gathered information will be used to find decisions for solving the problem. The objective is to control the non-contractual spend at Wegener Media. When answering the question, how this can be done, several decision alternatives came up.

8.1 Synergy

One of the basic requirements of a good working contract management system, is a collaborative contract creation and workflow. In case of the freelancers at Wegener, this should mean that the Editorial Chiefs of the different daily newspapers have to make agreements for the content of one general contract. At the moment, all dailies have their own repository and are scattered across the company. This hinders compliance tracking. By maintaining a searchable centralized repository, it will be possible to easily track a contract and work together according the 'purchasing synergy'.

It is hard to give a financial indication of the cost savings. The amount of double or non-contractual purchases in the overlapping areas should be calculated, which will be interesting for further research. Wegener in general could focus on different spend categories; bureau accessories, furnishing supplies, maintenance costs, advertising, food & beverage and of course the freelancers.

The main benefit of synergizing will be the reduction of maverick spending. If a buyer is unable to track a contract, or even is unaware that a contract exists, he/she is likely to order from whichever supplier he/she think is the most comfortable or the supplier he/she ordered from the last time. A clearly digital database, including all the contract compliances with preferred suppliers, makes it possible to determine if a contract exists, whom the contracted suppliers are and what the contracted prices are.

Another benefit will be the creation of standardized processes and procedures, which will increase efficiency at operational and administrative level. The arranged clauses of the contract will cause operational time cycle reductions, because negotiation is excluded. By purchasing a photo from a freelancer, the availability of the freelancer should be checked. When the freelancer accepts the order, just the location and time should become together; the rate of the photo is registered in the contract.

The administrative advantage is related to the process of paying an invoice, as described in the manual 'Finance & Control'. Controlling and accepting the invoices of non-contractual purchases requires more actions and time than a contracted purchases, which are based on the standardized contract arrangements.

Another reason for administrative time reduction is also related to the payment of an invoice, as the contracted freelancers send their invoices once a month instead of the non-contracted freelancers, whom send their invoices per order. When working apart, more invoices will come in, possibly from the same freelancer or press office.

The third benefit is the possibility to get better rebates or volume discounts. In case Wegener will purchase more photos from a freelancer, it will also become easier to negotiate and get rebates. The price of an ordered photo will decrease, whereby Wegener will make concessions by ordering more photos at this freelancer. An option is to set limits at a certain amount of purchases, after which the price will decrease per order. A practical example can be as follow; Wegener agrees with a freelancer that they will buy at least 40 photos per month for a certain price, and every extra photo in that period they will order at this freelancer will get a rebate of 25%. Such a relationship between buyer and supplier creates a clear sense of what value has to be generated for both parties.

8.2 EXPAND THE NETWORK

By working together according the purchasing synergy, it does not directly mean that the complete problem of maverick spending will be solved. Still it will be possible to purchase at non-contractual suppliers at local or national level, which belongs to part II of the Telgen Box. As this part describes; contracts exist, but are not used for some purchases. By contracting these non-contractual suppliers, the network of preferred suppliers will be expanded.

Of course this should be based on the contractual agreements, which means that contracts should be enforced. Some negotiation will be necessarily, because most of the non-contractual suppliers ask higher prices than the contracted once. During this debate, it is important to keep in mind the bargaining power of an individual freelancer vis-à-vis the publisher. Theoretically Wegener should have the power to set the rules during the negotiation, as the European Federation of Journalists state that there is a growth of freelance positions.

In the situation that a non-contracted freelancer agrees on working according a contract, as preferred supplier, several benefits will come up. Overall, this will be comparable benefits as described in case of implementing a 'purchasing synergy'. Shortly, this will be the reduction of maverick spending, standardization, reducing the logistic running times and an increase of operational and administrative efficiency, whom all lead to an overall cost reduction.

In terms of the 'Telgen Box', the purchases will move from part II to part I, whereby the non-contractual purchases in part II can be seen as irresponsible spend which will change to acceptable spend according the existing contract compliances.

The invested time to contact the non-contractual freelancers, and negotiate with them, will be earned back on a longer term. Also the visualization of this network needs time, although it is not a full-time job to take care of this job.

8.3 ACCEPTING NON-CONTRACTUAL SPEND

The third alternative is to accept the non-contractual spending, related to part II of the Telgen Box. Regularly will be purchased according the existing contracts, and partly the photos will be purchased at non-contracted freelancers. This solution will not lead to a cost reduction on the longer term, through which it can be seen as a short-term solution that utilizes an important benefit of employing a non-contracted freelancer; the flexibility.

In this situation, the extra costs should be accepted. As the casus described, the cost difference between contractual spend and non-contractual spend of the freelancers can achieve €100.000, whereby the cost-benefit analysis shows even more costs when purchasing at a non-contracted freelancer. When including the direct costs, next to the purchasing price, the price differs €7,00 per photo which could lead to €150.000 extra costs.⁸

Another advantage of accepting non-contractual purchases will be related to the operational procedure. It is easy for the involved person to buy at a freelancer where ever he/she wants, as long as solely agreements can be made. It will not be necessary to visualize the contract network and work according a set of rules.

Another practical advantage will be that the 'stress' of generating a limited value will be taken away. It will not be necessary to purchase a certain amount of products at one supplier.

⁸ The casus, page 28, estimates 21.694 photos purchased on a non-contractual basis.

9. Conclusion

In general, non-contractual spending causes relatively more costs. As the TCO model describes, direct and indirect costs are included. Different working methods and a decentralized repository lead to more operational and administrative work. Creating efficient and standard processes will lead to a time reduction for the related activities in the purchasing process, whereby a purchase will be more valuable.

Synergizing the purchasing process, by a collaborative contract creation, will avoid the possibility to overpay a product. A searchable centralized repository makes it possible to track all contracts of an organization, and will reduce maverick spending. To make sure that spend does not belong to part II of the Telgen Box, non-contracted suppliers can be offered a contract. This can lead to some negotiation, whereby the bargaining power plays an important role; Wegener can become a more important client for the remaining suppliers.

Still, some recommendations for further research will be interesting. The IPW report already discussed the profitability of an internal employed photographer. When comparing such an employee with a freelancer, the main question is if the productivity of this employee is high enough compared to its salary? How much photos should he/she make to be profitable? However, also in this situation should the direct and indirect costs be included. Will this make it even more attractive to discuss the profitability? When outsourcing a job, it will cause less material costs. What will be more efficient?

By visualizing the supplier-network, it will be interesting to further research a possible merger of the different purchasing processes. This can be developed for as well the weekly as the daily newspapers of Wegener. It will be possible to include the preferred suppliers, which could lead to a centralized repository and a clear inventory overview for both of them. In case of the freelancers, quality will be an important attention point. The question will be if a supplier of the dailies is more specialized than the supplier of the weeklies? Historical data from all spend categories can be obtained from the accounts payable system and the general ledger accounts. Implementing a synergized purchasing process could possibly improve financial and operational performance.

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Appendixes

ADDENDUM 1 – GLOSSARY OF LITERARY TERMS

Activity analysis is the processes of identifying appropriate output measures of activities and resources (cost drivers) and their effects on costs of making a product or providing a service.

Activity Based Costing (ABC) is a cost-allocation approach that first accumulate overhead costs for each organizational activity, and then assigns the costs of the activities to the products, services, or customers (cost objects) causing the activity. The most critical aspect of ABC is activity analysis.

Contract management is the process whereby the signed contracts and its changes are uniformly registered, administrated and supervised.

A Cost-Benefit Analysis (CBA) is an analysis that estimates and totals up the equivalent money value of the benefits and costs to the community of projects to establish whether they are worthwhile.

Direct costs are the costs related to all activities/services that benefit the cost object (product/purchase).

A freelancer is somebody who is self-employed and is not committed to a particular employer for a long term.

Indirect costs are the costs that are not directly accountable to the cost object (product/purchase).

A purchase is a product or service that has been bought by an individual or business.

Purchasing

A business or organization attempting for acquiring goods or services to accomplish the goals of an enterprise.

Purchasing synergy can be translated as 'working together'.

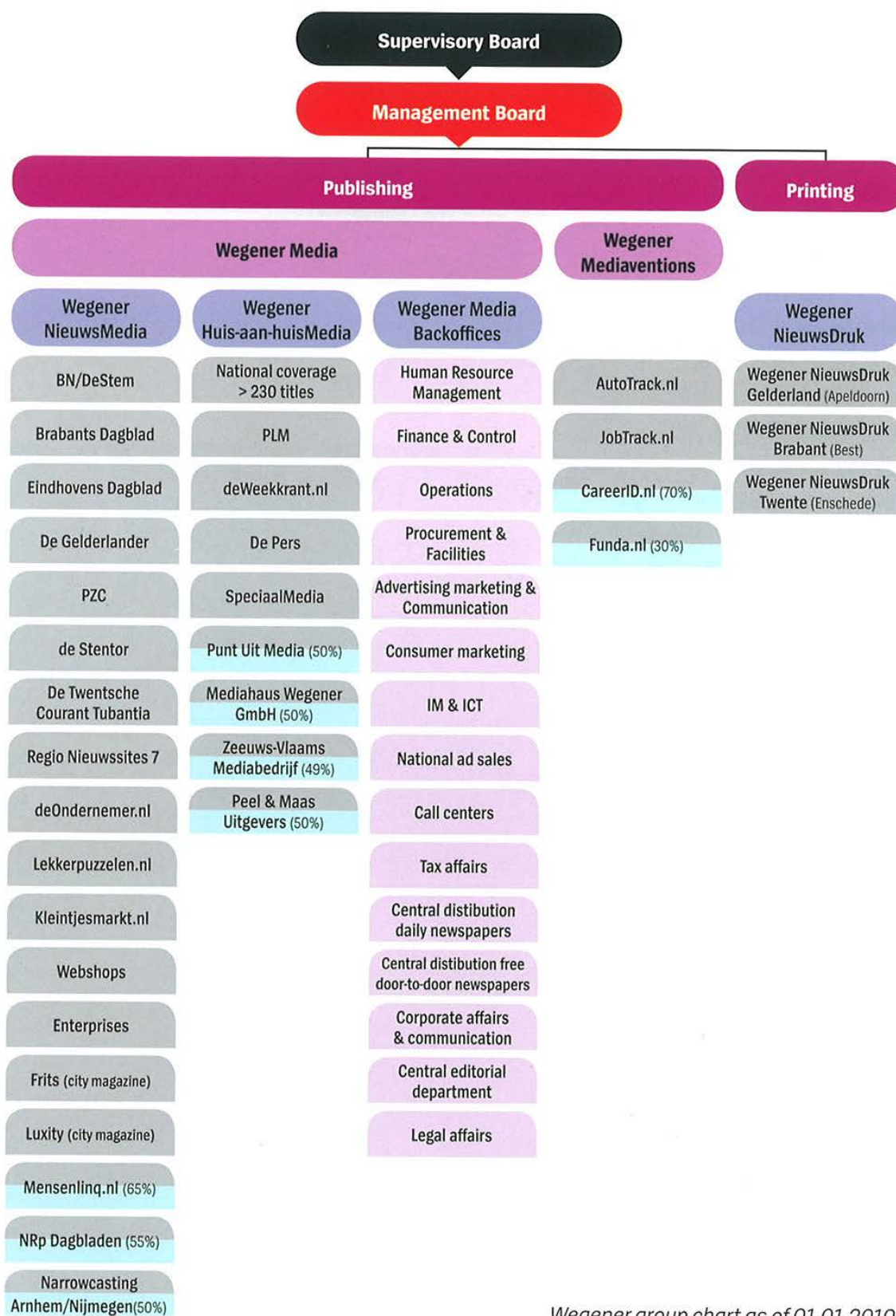
The spend cube is a three-dimensional cube that divides the purchase into measurements and context (or dimensions). Spend is the measurement. Supplier, commodity, cost center, division, geography and time are the possible contexts.

Spend management is the processes of systematically analyzing the historical spend/purchasing data of an organization, in order to categorize costs and reduce expenses through increased contract compliances.

Total Costs of Ownership (TCO) tries to quantify the costs associated with the purchasing process. It determines the costs associated with purchasing activities in the company's value chain before, during and after the purchase.

A unique page is a page of the newspaper, including all editorial information, without advertisements.

Addendum 2 – Organizational chart



Wegener group chart as of 01-01-2010

ADDENDUM 3 – STANDARD CONTRACT (OVO)

OVEREENKOMST VAN OPDRACHT WEGENER (FREELANCE FOTOGRAFEN)

(13 december 2010)

Opdrachtgever:, gevestigd te, rechtsgeldig vertegenwoordigd door
., hierna te noemen 'de Uitgever',

Opdrachtnemer:, gevestigd te, in geval van een rechtspersoon rechtsgeldig vertegenwoordigd door, hierna te noemen 'de Freelance Fotograaf'.

Overwegende dat:

- partijen uitdrukkelijk niet de bedoeling hebben om tussen hen een dienstverband te laten ontstaan;
- ten aanzien van Hergebruik de volgende definities worden gehanteerd:
 - Specifiek Hergebruik:* hergebruik van de gepubliceerde bijdrage, in (een) andere dan de in artikel 1 genoemde uitgave(n), specifiek van het werk van een of enkele journalisten (zoals het verzameld werk van een of enkele journalisten in boekvorm of op cd-rom of de verkoop van een unieke bijdrage aan een andere uitgever).
 - Generiek Hergebruik:* hergebruik van de gepubliceerde bijdrage, waarbij de in de betreffende uitgave(n) gepubliceerde informatie centraal staat en de bijdrage geheel of gedeeltelijk wordt opgenomen in een verzameling van bijdragen van meerdere auteurs.
 - Collectief Hergebruik:* vorm van generiek hergebruik in het kader van de uitvoering van collectieve regelingen (bijvoorbeeld reproductie, de readerregeling, regelingen met openbare bibliotheken en andere mogelijke collectieve regelingen die in overleg tussen NDP en NVJ onder het regime voor collectief hergebruik worden gebracht);
- de Uitgever mede ten behoeve van de journalisten die bijdragen leveren aan zijn dagbladen een aansluitingsovereenkomst is aangegaan met de Stichting Lira voor de uitvoering van regelingen voor Collectief Hergebruik,

komen het volgende overeen:

1. Bijdrage

- 1.1 De Freelance Fotograaf vervaardigt in opdracht van (*de hoofdredacteur van de betreffende uitgave of budgethouder ingeval van commerciële uitgave namens*) de Uitgever een bijdrage, bestaande uit tekst en/of beeld(en), hierna te noemen 'Bijdrage', bestemd voor de publicatie in de navolgende uitgave(n).....
- 1.2 Onderwerp en omvang van de Bijdrage worden, voor zover niet in of bij deze overeenkomst aangegeven, in overleg met de hoofdredactie vastgesteld. Dit geldt ook voor het tijdstip en de wijze van aanlevering van de Bijdrage, alsmede voor eventuele nadere richtlijnen van de Uitgever.
- 1.3 De Freelance Fotograaf heeft te allen tijde het recht een aangeboden opdracht te weigeren.
- 1.4 De Freelance Fotograaf kan de opdracht deels of geheel door een ander laten verrichten indien hij/zij dit tevoren aan de Uitgever heeft meegedeeld. De Freelance Fotograaf blijft echter te allen tijde jegens de Uitgever aansprakelijk voor het overeengekomen resultaat alsof hij/zij de desbetreffende opdracht zelf heeft verricht.

- 1.5 Uitgever is gerechtigd naar eigen inzicht uit een serie van meerdere in opdracht geleverde Bijdragen een selectie te maken. Uitgever is gerechtigd tot elektronische beeldbewerking van de Bijdrage.
- 1.6 De Freelance Fotograaf garandeert de Uitgever met zijn Bijdrage geen auteursrechten van derden te schenden en vrijwaart de Uitgever tegen aanspraken van derden die menen rechten te kunnen doen gelden ter zake van het auteursrecht op de Bijdrage.
- 1.7 De Freelance Fotograaf is verplicht om de opdrachtgever te waarschuwen voor mogelijke risico's, welke kunnen voortvloeien uit de rechten van geportretteerde, dan wel verbonden zijn aan het beeldrecht.

2. Toestemming

- 2.1 Tegen betaling van het in artikel 3 genoemde honorarium verleent de Freelance Fotograaf aan de Uitgever voor onbepaalde tijd toestemming om:
- de Bijdrage te (her)publiceren in het/de in artikel 1.1 genoemde dagblad(en), waaronder begrepen het gebruik van de Bijdrage in het kader van enigerlei vorm van vast redactioneel samenwerkingsverband;
 - de Bijdrage al dan niet in gewijzigde vorm te (her)publiceren in de overige tot het Wegener-concern behorende dagbladen alsmede in de dagbladen, uitgegeven door Media Groep Limburg BV, met inbegrip van de digitale versie van deze dagbladen met inbegrip van jaarboeken of andere afgeleide producten;
 - de Bijdrage al dan niet in gewijzigde vorm te (her)publiceren in de door het Wegener-concern uitgegeven websites en andersoortige (print/elektronische) uitgeefproducten van tot het Wegener-concern behorende ondernemingen;
 - de Bijdrage op te nemen in een databank van de Uitgever en die van de overige tot het Wegener-concern behorende ondernemingen;
 - de Bijdrage op basis van door de Uitgever of andere tot het Wegener-concern behorende ondernemingen gemaakte afspraken op te nemen in een of meerdere externe databanken en/of knipseldiensten;
 - de Bijdrage voor publicatie aan te bieden aan de persdiensten zoals de Geassocieerde Pers Diensten (GPD) te Den Haag;
 - de Bijdrage op basis van door de Uitgever of andere tot het Wegener-concern behorende ondernemingen gemaakte afspraken te (her)publiceren in andere dan vorengenoemde media (zoals bijvoorbeeld de digitale krant en het gesproken woord van de Federatie Nederlandse Blindenbibliotheken).
- 2.2 Voor Specifiek Hergebruik is afzonderlijk toestemming vereist van de Freelance Fotograaf.
- 2.3 De Freelance Fotograaf verleent hierbij de Uitgever voor onbepaalde tijd toestemming tot Generiek Hergebruik van de Bijdrage.
- 2.4 De in lid 3 bedoelde toestemming voor Generiek Hergebruik omvat voor de Uitgever tevens het recht om mede namens de Freelance Fotograaf afspraken te maken met derden ter zake van regelingen voor Collectief Hergebruik. Als zodanig is de Uitgever gerechtigd om daartoe mede namens de Freelance Fotograaf overeenkomsten te sluiten met derden (waaronder met de Stichting Lira).
- 2.5 Het Generiek Hergebruik van de Bijdrage kan niet plaatsvinden zonder toestemming van de hoofdredactie. De hoofdredactie zal geen toestemming verlenen als het Generiek Hergebruik niet strookt met de kwaliteitsnormen van het dagblad of met de aldaar heersende morele of ethische opvattingen. De Freelance Fotograaf kan bij de Uitgever bezwaar maken tegen een vorm van Generiek Hergebruik welke nadeel zou kunnen toebrengen aan de eer of de naam van de Freelance Fotograaf of aan zijn

waarde in deze hoedanigheid.

- 2.6 Het auteursrecht blijft voor het overige aan de Freelance Fotograaf voorbehouden.
- 2.7 Tenzij anders overeengekomen is Uitgever gerechtigd om met betrekking tot in haar dagblad(en) gepubliceerde Bijdragen afdrukken aan lezers te verstrekken.
- 2.8 Tenzij uitdrukkelijk anders overeengekomen worden alle in het kader van de Bijdrage aan de Uitgever geleverde materialen eigendom van de Uitgever.

HONORERING

- 3.1 Het honorarium voor de Bijdrage en de verleende toestemmingen is nader omschreven in de tarievenlijst, die als bijlage bij deze overeenkomst is gevoegd en onderdeel uitmaakt van deze overeenkomst. Ook de vergoeding van eventuele onkosten indien van toepassing is in deze bijlage geregeld. Wijziging van het overeengekomen honorarium alsook de onkostenvergoeding is uitsluitend van kracht indien schriftelijk tussen partijen overeengekomen.
- 3.2 Opbrengsten uit Collectief Hergebruik worden na aftrek van de incassokosten op 50/50-basis verdeeld tussen de uitgevers enerzijds en de journalisten werkzaam in dienstverband en op freelance basis, anderzijds. De uitkering van het aandeel aan of ten behoeve van de journalisten zal in voorkomende gevallen via de Stichting Lira plaatsvinden.
- 3.3 Met betrekking tot de uitbetaling van het honorarium en de eventuele onkostenvergoeding handelt de Uitgever indien van toepassing overeenkomstig het Convenant Eigen Verklaringen auteurs en redactiemedewerkers d.d. 1 januari 2008.
- 3.4 Partijen komen overeen dat declaraties uiterlijk op de vijfde van elke maand over de afgelopen maand bij de coördinator van de redactie worden ingeleverd. Wegener verplicht zich om deze voor het einde van de maand waarin deze ontvangen zijn uit te betalen. Declaraties die na de vijfde van de maand in diezelfde maand worden ingeleverd, worden een maand later uitbetaald.
- 3.5.1 De Freelance Fotograaf zal in de zelfstandige uitoefening van zijn beroep op freelance basis werkzaam zijn voor de Uitgever.
- 3.5.2 De Freelance Fotograaf is verplicht om jaarlijks opnieuw een geldige en correct ingevulde "Eigen Verklaring auteurs en redactiemedewerkers" danwel een geldige VAR-WUO of VAR-DGA in te vullen c.q. aan te vragen. De verklaring(en) moeten tijdig worden ingeleverd bij de Uitgever zodat deze kan vaststellen of loonbelasting en premies sociale verzekeringen moeten worden ingehouden.
- 3.5.3 De Freelance Fotograaf is verplicht om, indien in het kader van voornoemde verstrekte verklaring(en) zich wijzigingen voordoen (waaronder bijvoorbeeld het aantal opdrachtgevers) de Uitgever daarvan onverwijld op de hoogte te stellen.
- 3.5.4 Indien de Freelance Fotograaf niet (tijdig) heeft voldaan aan de verplichting om jaarlijks opnieuw een geldige en correcte Eigen Verklaring of VAR-WUO of VAR-DGA in te leveren dan behoudt de Uitgever zich het recht voor om betalingen aan de Freelance Fotograaf stop te zetten dan wel de betaling te laten plaatsvinden onder inhouding van loonbelasting en premies sociale verzekeringen.
- 3.5.5 Freelance Fotograaf is verplicht om voor aanvang van de werkzaamheden aan de Uitgever een geldig legitimatiebewijs (geen rijbewijs) te tonen en een kopie te verstrekken voor de administratie van De Uitgever.
- 3.5.6 Indien de Uitgever schade lijdt als gevolg van het niet nakomen door de Freelance Fotograaf van de voorgaande verplichtingen is de Uitgever gerechtigd de schade te verhalen op de Freelance Fotograaf.

4. Acceptatie, plaatsing en naamsvermelding

- 4.1 Een Bijdrage zal door de Uitgever worden geaccepteerd indien deze voldoet aan de overeengekomen voorwaarden en kwaliteitseisen. Als de Bijdrage door de Uitgever wordt geaccepteerd, is het overeengekomen honorarium verschuldigd. De Uitgever is gerechtigd een geaccepteerde Bijdrage niet te publiceren. Indien de Uitgever besluit een in opdracht vervaardigde en geaccepteerde Bijdrage niet te publiceren, dient hij dat aan de Freelance Fotograaf te melden.
- 4.2 Een Bijdrage, die overeenkomstig een door of namens de Uitgever verstrekte opdracht is geleverd, wordt als zij niet wordt geplaatst, gehonoreerd als was zij wel geplaatst. Indien een Bijdrage waarvoor een opdracht was verstrekt om kwalitatieve redenen niet of slechts gedeeltelijk voor plaatsing in aanmerking komt, is de Uitgever gehouden een voor beide partijen aanvaardbare oplossing voor de honorering te vinden.
- 4.3 Wijzigingen in de inhoud van een Bijdrage van een Freelance Fotograaf die van essentiële aard zijn, zullen in overleg met de betrokken Freelance Fotograaf worden uitgevoerd. Uitzonderd van deze regel is het zogenaamde kopij klaar maken.
- 4.4 De Freelance Fotograaf dient de Uitgever bij aanbidding van de betreffende Bijdrage in kennis te stellen van een eventuele afspraak met zijn informant, die hem bindt ten aanzien van de weergave van de inhoud.
- 4.5 Tenzij andersluidende afspraken worden gemaakt, worden wat betreft de naamsvermelding de regels gevolgd die bij de Uitgave gelden, een en ander ter beoordeling van de hoofdredactie van de Uitgave.

5. Duur en beëindiging

- 5.1 De overeenkomst gaat in op en wordt aangegaan voor bepaalde tijd en wel voor de duur van 12 maanden en eindigt derhalve op Er vindt telkens stilzwijgende verlenging met opnieuw een jaar plaats, tenzij de overeenkomst uiterlijk twee maanden voor de afloop ervan schriftelijk wordt opgezegd.
- 5.2 De Uitgever heeft het recht een overeenkomst voor bepaalde tijd tussentijds op te zeggen met inachtneming van een opzegtermijn van één maand, indien sprake is van een ingrijpende organisatorische wijziging of wijziging van de redactionele formule van het/de dagblad(en) waarvoor de Freelance Fotograaf werkzaam is, als gevolg waarvan de Uitgever geen of beduidend minder opdrachten voor de Freelance Fotograaf heeft.
- 5.3 De Uitgever heeft voorts het recht deze overeenkomst tussentijds te beëindigen in bijzondere omstandigheden waaronder onder meer begrepen in geval van niet- of niet-deugdelijke nakoming van deze overeenkomst door de Freelance Fotograaf na daartoe door de Uitgever te zijn aangemaand. De overeenkomst kan met onmiddellijke ingang beëindigd worden zonder voorafgaande aanmaning indien uit de aard van het verzuim voortvloeit dat de nakoming niet meer mogelijk is en voorts indien het verzuim zodanig ernstig is dat verdere voortzetting van de overeenkomst in redelijkheid niet van de Uitgever verlangd kan worden.
- 5.4 De Freelance Fotograaf heeft het recht om de Uitgever te verzoeken geen gebruik meer te maken van zijn recht op Generiek Hergebruik, al dan niet beperkt tot bepaalde vormen daarvan, indien hij aannemelijk kan maken dat de uitoefening van dat recht nadeel zou kunnen toebrengen aan de eer of de naam van de Freelance Fotograaf of aan zijn waarde in deze hoedanigheid, zodanig dat voortzetting van de uitoefening van het recht op Generiek Hergebruik door de Uitgever kennelijk onredelijk is ten opzichte van de Freelance Fotograaf. Beëindiging van het recht op Generiek Hergebruik doet geen afbreuk aan voordien rechtsgeldig door de Uitgever op basis van dit recht aan derden verleende rechten.
- 5.5 Beëindiging van de overeenkomst laat de in artikel 2 omschreven toestemming onverlet.

6. Exclusiviteit

Tenzij schriftelijk anders overeengekomen verleent de Freelance Fotograaf de Uitgever ten aanzien van de Bijdrage een periode van exclusiviteit van **[nader in te vullen]** vanaf publicatie gedurende welke periode de Freelance Fotograaf de Bijdrage niet aan derden zal aanbieden.

7. Geheimhouding- en non-concurrentiebeding

7.1 Zowel tijdens als na afloop van deze overeenkomst is zowel de Uitgever als de Freelance Journalist gehouden tot geheimhouding ten aanzien van alle informatie die hem jegens de andere partij bekend is geworden en waarvan bekend is of vermoed kan worden dat bekendmaking daarvan aan derden de andere partij kan schaden.

7.2 Indien partijen zijn overeengekomen dat de Freelance Journalist regelmatig een Bijdrage zal leveren over een bepaald onderwerp, zal de Freelancer Journalist geen opdrachten van derden aanvaarden met betrekking tot hetzelfde onderwerp voor een publicatie die de Uitgever directe concurrentie kan aandoen. De Freelance Journalist zal ieder voornemen tot publicatie over hetzelfde onderwerp melden aan de Uitgever.

8. Overige bepalingen

8.1 Met deze overeenkomst komen alle eventueel eerder gemaakte mondelinge en/of schriftelijke afspraken of overeenkomsten te vervallen.

8.2 Wijzigingen van en aanvullingen op deze overeenkomst zijn slechts geldig indien zij vooraf schriftelijk tussen partijen zijn overeengekomen, als aanhangsel/aanvulling op deze overeenkomst.

8.3 Op alle met de Uitgever gesloten overeenkomsten en de daaruit voortvloeiende rechtsbetrekkingen is Nederlands recht van toepassing.

Aldus in tweevoud opgemaakt en overeengekomen te, d.d.

.....
Uitgever

.....
Freelance Fotograaf

Bijlage: overzicht tarieven

Bijlage bij O.V.O. 2011

Tarievenlijst freelance fotografen De Twentsche Courant Tubantia

Tarieven:

1. Tarief per gepubliceerde foto: € 45,00
2. Bij reportages van meer dan 3 foto's in opdracht geldt een maximum reportageprijs van 150 euro
3. Hierbij is inbegrepen de herplaatsing en doorplaatsing in Wegener uitgaven, inclusief de plaatsing op Wegener websites en de nabestellingen door lezers.
4. Dit tarief is inclusief bijkomende kosten maar exclusief kilometervergoeding
5. De vergoeding per kilometer bedraagt € 0,28

Levering:

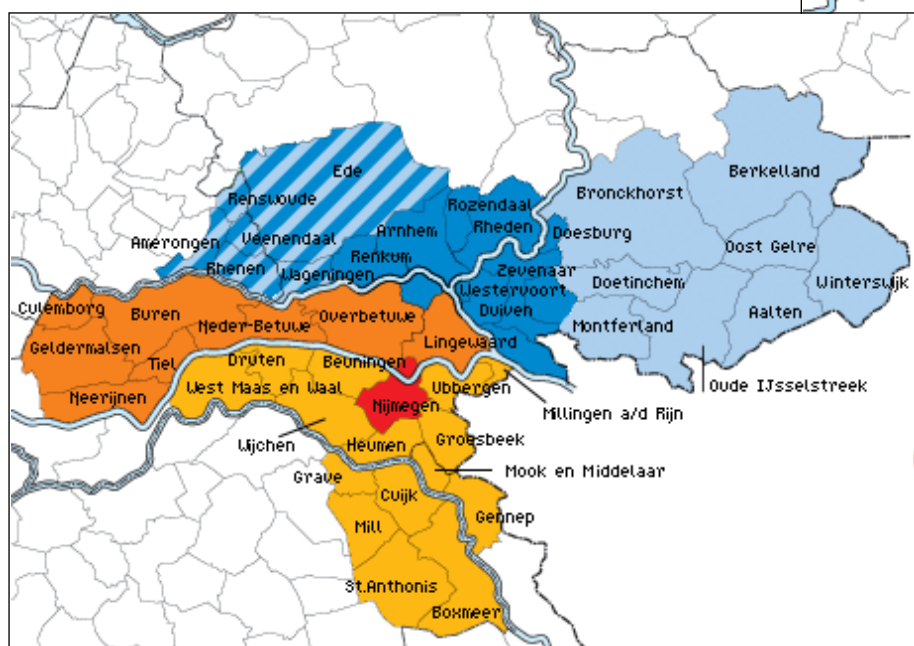
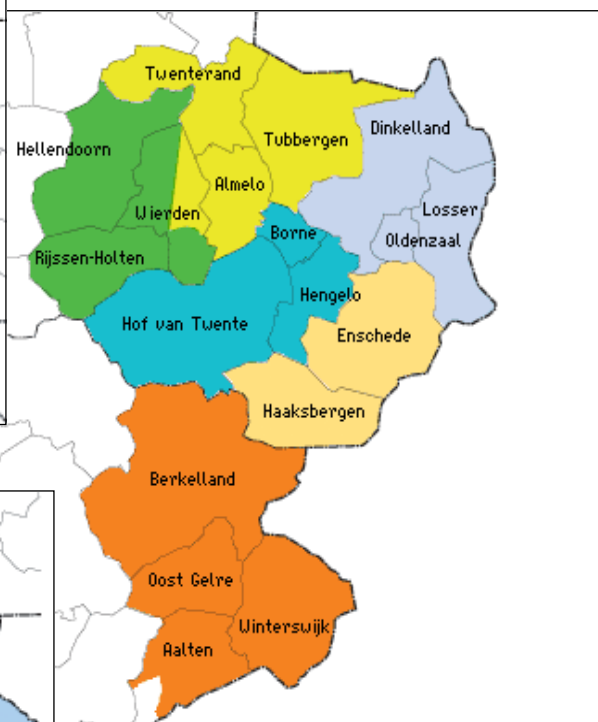
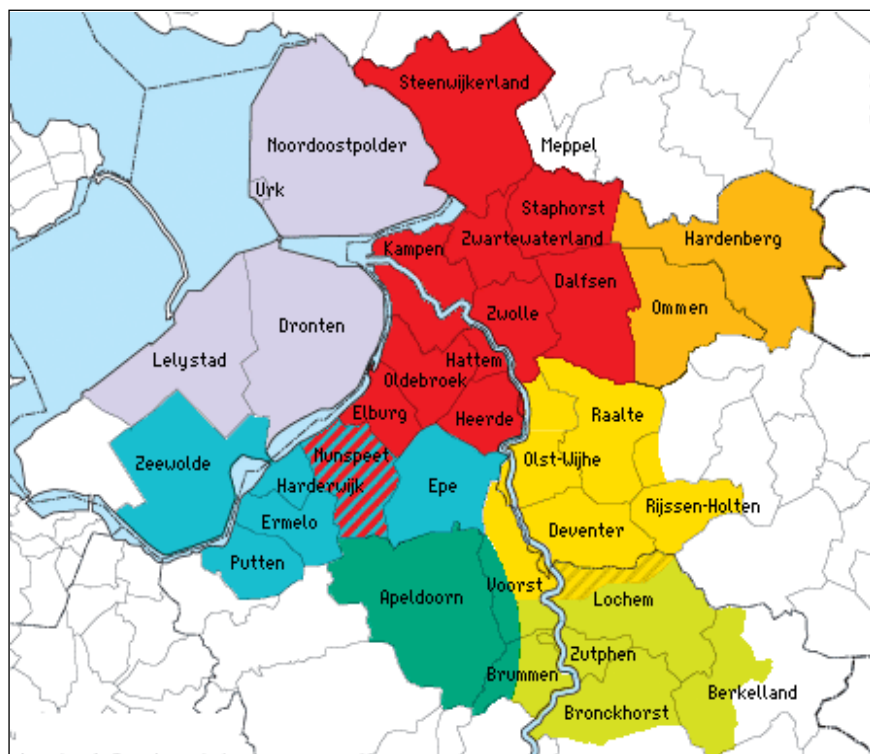
1. Het betreft de levering van foto's gemaakt in opdracht door de beeldredactie van De Twentsche Courant Tubantia alsmede gepubliceerde vrij aangeleverde foto's.
2. Per opdracht levert de fotograaf maximaal 2 foto's ter keuze, tenzij anders vooraf overeengekomen. De foto's worden via een FTP-verbinding aangeleverd
3. Niet in opdracht gemaakte vrij aangeboden foto's mogen alleen per mail worden aangeboden en kunnen pas na publicatie in rekening gebracht worden.
4. Foto's kunnen per opdracht eenmalig in rekening gebracht worden.
5. Als uit archief een niet eerder gepubliceerde foto uit een eerder aangeboden serie wordt gekozen, wordt dit beschouwd als een herplaatsing.

Declaratie:

De gespecificeerde declaratie wordt maandelijks gestuurd aan de chef van de beeldredactie. Hierin dienen datum van opdracht, omschrijving van het onderwerp en het aantal kilometers gespecificeerd te worden

ADDENDUM 4 – OVERLAPPING DISTRIBUTION DISTRICTS

Stentor



Gelderlander

T.C. Tubantia