

# Purchasing:

## Purchasing

**Purchasing implies a monetary transaction.**

Procurement is the responsibility for acquiring the goods and services the organization needs.

### **Goods:**

Raw materials  
Production parts  
Maintenance, repair and operating supplies (MRO)

### **Services:**

Consulting services  
Utilities  
Workers health care benefits.

### **Evolution in Strategies for Purchasing Preparation:**

Identifying needs such as dependability, long term availability  
Evaluate user requirements to ensure suitability of purchase Forecast when and how purchase will be needed  
Identify and select suppliers  
Develop an efficient ordering system for control

### **Negotiation:**

Bidding processes  
Contracts

### **The Procurement Process**

Order placing via appropriate channels (i.e. authorized purchase order)  
Receiving including adjustments for damages, short or over-shipping and incorrect costs  
Monitoring supplier performance.

### **Elements of supply uncertainty:**

Lead-time to supply  
Quantity supplied  
Quality of supply  
Data accuracy on products supplied and prices.

### **Selecting a Supplier**

In selecting a supplier, a number of factors must be analysed:

Price  
Quality  
Reliability  
Credit terms  
Shipping costs. Look at the whole transaction cost of dealing with a supplier (not just the cheapest price).

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## Positive trends in purchasing and procurement include:

- Reduced number of suppliers
- Long-term relationships with suppliers
- Suppliers located close to customers for improved access
- Integrated information infrastructure: EDI, electronic catalogs
- Suppliers considered being an essential part of the business
- Suppliers involved in future product development programs.

## Key considerations in analysing the purchasing process:

- Annual sales
- Annual purchases
- Number of suppliers
- Number of supplier alliances
- Total number of purchased products or parts
- Short and long-term cost effective purchasing
- Efficient business management of the purchasing process.

## Suggestions:

Analyse what the suppliers requirements are for:  
Goods and services: lot sizes, packaging, delivery frequency, and responsiveness.

Look at the following information:

how much you need and when

Financing arrangements and costs.

Compare your needs and abilities against these requirements.

## Key Performance Indicators:

Delivery to Schedule

The following formula can be used to assess supplier's delivery to schedule performance.

D = monthly delivery performance (%)

L = number of line items delivered later than scheduled

S = number of line items scheduled for delivery during month

Different tolerances for A, B, C-articles

Quality to Specification

## Contact Us Today

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Call **1300 – 4 TODAY** (1300 – 486 – 329) or email [info@supplytoday.com.au](mailto:info@supplytoday.com.au) to discuss your purchasing needs.

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