

4 Ways to Dramatically Improve Your Purchasing

1. Have an Open Door Policy

Competition is one of the keys that drive your ability to control and reduce your costs, therefore, you should have an open door policy for dealing with vendors. By this I do not mean that you should see every sales rep that comes knocking on your door. After all, using your time efficiently is an important factor in increasing your productivity which leads to reduced costs.

What I am saying is, use some common sense in choosing who you see and when you see them, but make sure that you or your people are seeing a revolving base of suppliers and vendors. You want competitive bids for the products and services that your company buys.

If you or your purchasing department are only reviewing prices from the same nucleus of vendors over and over, you are never going to approach anything even close to total cost control. If you are only dealing year in and year out with a base of regular suppliers, you are not going to know if you are getting the best value from your current sources and you will not know if you can get a better value from another source.

In order for those that are doing the purchasing to get the best value, they must constantly be considering new sources, new products, new services, and new procedures.

What if a new product has come on the market that lasts twice as long as the one you have been buying and costs half as much? If your regular supplier does not offer this product and you do not keep up with the product lines of other sources, you may not even find out it exists.

Never let your people only deal with the same group of suppliers and certainly not with a single source. They must keep an open mind and this requires keeping an open door. Remember, competition is a vital weapon in your battle to control and reduce your costs.

2. A Great Source of Ideas

An additional benefit of dealing with a core of normal suppliers and a revolving base of secondary suppliers is that you will be exposed to many other ideas. These suppliers will be an excellent source of input regarding your competition, market demands, industry trends, new products, and new processes. They can provide your people with new ways to look at things and new ways to do things. They may give you ideas that can be used to increase sales, improve productivity, reduce costs, or reduce errors.

It is the business of these people to sell to your industry and related industries. Therefore, in many ways it is their business to know about your industry. Consider the best suppliers and sales

reps to be much more than a vendor; view them as a resource and don't hesitate to ask them questions.

They can, and should, be an excellent source of new, creative, and innovative ideas. They can provide you direction that will prevent you from making purchasing mistakes by sharing knowledge with you and, they can help in many other ways.

Let me give you a firsthand example. A sales rep called on one company I worked with that sold printing material and informed us about a new printing plate that provided better image reproduction, lasted 25% longer, and cost about 15% less than the ones we had been using. We gave them a trial run and found all these claims to be true. We changed to these plates exclusively.

We had many reps calling on us and yet only this one was an authorized distributor of these plates. None of the other reps could have sold us these plates even if they had wanted to. Had we only been working with a single source or small base of regular reps, and had we not asked questions and developed a relationship with this rep, we may never have known about these plates.

This is just one of dozens of examples I could give you. I have secured sales leads from reps, I have been given tips that improved production and reduced rejects, I have obtained employee leads from reps, and I have been given new product ideas by reps. Don't overlook these no cost sources of invaluable information.

3. Dual Signatures

You should require dual signatures on all purchase orders over a preset amount. This will give you added protection not only against fraud but also against bad buying practices. Furthermore, if something happens to one of the parties signing you will have a second party available that is familiar with the purchase.

In this case I would suggest that the purchase order form contain a slot for a second signature and the printed words that indicate that all purchase orders over the preset amount you establish are not valid without the second signature.

4. Centralize Purchasing Efforts

This is the best way to realize maximum control and cost savings. It makes very little sense to have each department or division ordering what they need on their own. It makes very little sense for different branch locations to be ordering what they want on their own. It makes no sense to allow each person who needs something to order it on their own. Not only is control lost, but you are also losing the economies of purchasing; having one source do all the buying will enable you to combine purchases for the best overall prices and terms.

This will also allow you to work with a smaller, more select group of proven, best value suppliers to further ensure that you are getting the best value and maximum leverage in your dealings with these suppliers. Centralized purchasing provides these significant benefits to you as opposed to decentralized purchasing which robs you of these cost control and reduction efficiencies - replacing them with wastefulness and duplication.

Note: I am aware that the costs associated with processing purchasing requests for small quantities and low cost items from various departments or divisions can often exceed the savings realized on the purchase itself. Therefore, you may wish to establish a minimum level of purchasing that you will let various departments engage in to eliminate the internal costs and delays. This topic is too complex to cover in any detail here. I merely mention it for your consideration.

This edition of The Welch Report has been provided by Derrick Welch the author of **‘In Pursuit of Profits: How to at Least Double your Profits Without Increasing Your Sales’. Including 1,000 Cost Control, Expense Reduction, and Income Producing Strategies You Can Start Using Today To Dramatically Increase Your Bottom Line.**

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