

# Strategic Purchasing: 10 Tips To Help Save Your Company Money

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**Strategic PM Solutions, Inc.**

**Strategic Project Management and Automation Solutions**



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White Paper

## Strategic Purchasing: 10 Tips To Help Save Your Company Money

Welcome to one of a series of articles from Strategic PM Solutions, Inc., a consulting company specializing in industrial automation solutions, strategic project management and business operations. Strategic PM Solutions is dedicated to saving you and your company precious dollars, especially vital in these hard economic times. We do this in variety of ways, but primarily with a focus on strategic planning and execution of processes. Continue reading to find some great tips on how sound purchasing procedures can help save your company some much needed money.

The headlines lately are full of doom and gloom and negative news. Stock market crashes, banks not lending money, banks closing, employers laying off, unemployment rising, bankruptcies.

### What kind of control do organizations have over their own business?

Businesses still have to spend money to continue their operations, but with strategic project management they can take certain measures to control costs on purchasing products and services.

Good purchasing practices in your project are a sure way to save some valuable dollars and cents and maintain margin. Project procurement management involves four important processes: planning for your expenditures, the actually buying, managing your relationship with your vendors, and monitoring the purchased product or service.



Like any project or process, planning is the most important aspect. Create your Work Breakdown Structure and Bills of Material prior to making any project purchases. When making purchasing decisions, you will have to use your best judgment when determining which would be the best supplier. Buyers and sellers have a symbiotic relationship, so nurture it. Keep in touch with the stakeholders of the project after the purchase and its implementation. Quality and time issues should be reported to you, both good and bad, for future reference.

### **Tip #1: Use Standard Purchasing Processes**

Have a purchasing procedure in place. It sounds like common sense but some companies are not very precise with purchasing protocol. Be sure to have and utilize purchasing requisitions that mandate signatures and have a section for the job number. Inform personnel of the procedures, including the number of signatures required for each dollar level. I have seen companies where an engineer might scratch the purchasing request on an old receipt or even given requests verbally. Let us try to be more organized and consistent with our habits.

### **Tip #2: Use Multi-Quotations**

Do you always get three quotations for your purchases? Really? Always? Sometimes you are bombarded by requests and daily demands, but getting your three quotes will sometimes produce a pleasant surprise. If the product is something that is readily available, three quotations is the best avenue; however, if you are utilizing a custom part and price is not your only purchasing criteria, you may have to adjust your strategy. Be sure to weigh quality, delivery, product specifications and shipping costs into your evaluation.

### **Tip #3: Ask for a better price**

*Develop and maintain strong relationships with suppliers.*

Maybe you are a potential customer and the salesperson is looking for new customers or you are an established customer but the rep is anxious to keep you, it can not hurt to ask if this is their best price or the best timeframe. Whenever you are negotiating for a better price, be sure to ask in a non-

threatening manner. Put yourself in your supplier's shoes. If your child demands to play at his friend's house or demands the car keys, what is your reaction? Ask for a better price, but do not act demanding or deserving.

### **Tip #4: Utilize blanket PO**

Ask if you can get a better price if you buy in larger quantities or place a blanket Purchase Order to meet your delivery requirements. Just do not get caught in the trap of ordering product that you will not use or will be sitting on a shelf for a long time, gathering dust. Also be careful when ordering electronics and software. These items become outdated quickly, so do not buy more than you need.

**Purchasing Essentials:**

*Planning*

*Buying*

*Managing*

*Monitoring*

**Tip #5: Reduce number of vendors**

Select your top vendors based on your purchasing standards. If you purchase one component from a vendor, ask if you give them other business if they will reduce their prices. Some vendors will reduce their prices if you agree to buy all of one brand or commodity from them.

**Tip #6: Maintain good relationships with your suppliers**

Be a good customer by returning calls, and if time permits, meeting with your suppliers. Make sure invoices are submitted to accounting and paid on time. Suppliers want to meet with you so that you will put a face to the name and make the interactions more personal. Remember that this relationship works both ways and sometimes to your advantage.

**Tip #7: Network with suppliers**

Talking to them about your needs may conjure up solutions. Your supplier may have the answer to that nagging problem, especially if they are technical. Your sales rep may not be technical, but her company may have someone within the office who is a whiz.

**Tip #8: Negotiate payment terms**

Ask if you can get a discount if you pay within 10 days. Strapped for cash? Request more lenient terms than net 30, like net 45 or 60. Just make sure that you are paying within your purchasing contract.

**Tip #9: Quality is the key**

Or is it? If only need 10k gold instead of 18k, why pay for the good stuff when a substitute will suffice. Know your customers and their requirements. Can less be more?

**Tip #10: Be generous with the details**

Give your supplier as much information concerning your needs so that they fulfill your requirements. Be sure to be specific in your over-run requirements. If you really only need 100 units, and they try to ship you 120, that could really bust your budget, increase your inventory, and reduce your warranty period while sitting on the shelves.

Times are hard, but with strategic project management, you will survive. These are just a few ways to save those precious dollars. For more customized help, you may consider hiring a project manager consultant who can help you generate a strategic business plan, incorporating good procurement practices.

## **About Strategic PM Solutions, Inc.**

Strategic PM Solutions aids companies with their business strategy, project management, operations, and industrial automation. Business strategy helps your company not only with your procurement processes but with all areas of operation.

### **Why should I consider automating my facility?**

1. Reduce risk of injury to workers
2. Quick ROI
3. Improve production and manufacturing efficiency
4. Reduce product damage
5. Increase floor space and storage capacity
6. Reduce operating costs
7. Improve flow of material
8. Eliminate manual handling and improve ergonomics

### **Why should I use Strategic PM Solutions, Inc?**

We can help you achieve your goals by setting strategic plans to overcome today's automation, material handling and project management challenges. We will examine your facility, analyze your situation and develop solutions, tailored just for you.

The founder and President of Strategic PM Solutions, Inc., is a front-runner of project management, a practitioner in the industrial automation field as early as the 1980's. He took his project management experience and coupled it with his engineering background to become the European Business Director of a Fortune 500 company, specializing in state-of-the-art industrial automation systems and solutions.

Mr. Mahmoud is now sharing his expertise in project management, industrial automation solutions and operations with other companies, primarily in the food and beverage, pharmaceutical, manufacturing, hospitals, chemicals, and paper.

## **Strategic PM Solutions, Inc.**

Contact us today.

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