



Purchasing/Investing 101 By Danah Head

Do you know what really happens in your purchasing department? What are those positions called? Are they just Buyers buying all day? Maybe they're just Purchasers purchasing? Sounds a little like a children's rhyme, but truly the buyer or purchaser is an investor! I ask this because these staffers are investing the company's money into saleable goods that will allow the company to stay competitive and grow? Why are these important people titled only as Buyers or Purchasing Agents? Shouldn't they be Investors? See what you think after reading this article.

Scenario

Jill works in purchasing, she comes to work and answers emails for an hour. She then goes into her ERP to make buying decisions. Jill will use the ERP to create a line by line report by "highest usage" items in her SKU group. This means: When a line item is eligible to be purchased, she will then have to cut a PO and send it electronically to the supplier. This set of decisions can take most of her day because during this time she will also be answering emails as well as fielding calls from sales, warehouse, and suppliers. She uses her tried and true excel spreadsheet, that has been handed down through the years from buyer to buyer, to cross reference and log purchasing data. She must also deal with branch transfers and emergency order requests from sales, on a tight time line. Then she has to decide how that purchase will forecast. Worse, if she should have-could have-would have planned for it better; would there have been a stock out? During her day Jill will also take phone calls from suppliers that want to know what next season looks like. The Suppliers may also call to tell her about sales opportunities, closeouts, or changes in a product mix.

Jill has only been with the company for a few years. The company has used the current software for 5 years now. The person who trained Jill to use the software was not fully aware of all the internal functions that the software allowed for because they were not effectively trained. Over her tenure, Jill has become accustomed to using the ERP, as everyone else in the department does, even if that means her use is disjointed. The only difference between she and the other buyers is *what* she buys and not *how* she buys it.

By now, Jill has had a busy day, after lunch she is calculating the minutes until she gets to run to her car! She is using the technology inefficiently while putting out fires in every department. She is at the beck and call of every supplier she deals with and has cut multiple PO's for the same company all day. Despite the hurdles, there is hope.

Here are a few ways Jill and your company's *Investor*, can be helped:

Software

Investigate what "work-arounds" your purchasing department is using currently. Next, find out when the last time a software audit was performed by the software company. If it has been between 12 to 18 months then this is a good time to have them come out to evaluate what's working and what's not working for your company. A simple software update could allow Jill to stop using the excel spreadsheet, which likely contains errors, and to start using the software that was designed for mitigating those errors.

Supplier Management

Perhaps Jill is too overwhelmed with the information from the suppliers that she works with to really make good investment decisions? Jill should have half or even one full day to evaluate suppliers and make sure that she is making good purchasing decisions with them. Are there duplicate suppliers, special sales, or discounts she should fully evaluate before cutting a PO? If Jill is doing this on the fly or making a note, and forgetting to come back to it, she is not able to use this information thoughtfully.

Time Management

Ever heard the saying, "If everything is on fire *nothing* is on fire". This saying is very true for Jill and her ability to prioritize emails and to-do lists. These tasks are paramount to her ability to do her job well. The questions to ask are: What defines an emergency? Who decides what's on fire? When is the appropriate time to extinguish a fire? Should there be so many? Every Buyer has their own way of "firefighting," but the truth is Buyers cannot make good decisions while being inundated with constant attacks of high alert after high alert. Help buyers decide where their time should be spent every day and eliminate so many external stressors on their time.

Purchase Order Reduction

In this scenario Jill is looking at her data in a passive way by not determining what needs to be purchased via supplier only. She is looking at data based on highest volume. This is a fine way to look at the data, however, compiling each line into supplier by supplier purchase would be more efficient. Not only will Jill reduce the number of purchases made but also the cost to process said purchase orders will reduce for the supplier. Jill's supplier will surely thank her once they can process a single, large order, all at once rather than in multiple small orders.

Return on Investment

Buyers are tasked with spending the most money of any one department. Purchasing has a direct effect on net margin and cash flow. Could your purchasing department benefit by having someone who is strictly dedicated to running reports and distributing information? If such a person existed in her company, Jill would know what product was the best bang for her company's buck on every purchase. This would be a much more efficient way for her to spend her time purchasing. A specifically allocated report person can make sure that the Buyers/Investors have all pertinent data at their fingertips. Imagine if Jill already had GMROI, Turns, Hits, and other reports that she could reference immediately!

Do you really know what goes on in your purchasing department? Investigate ways to streamline daily tasks and decisions. Help your team decide what is important and what can wait. Hire a reports person who can decipher what information is important to the buyers. Now ask yourself; are your Buyers *just* buyers, or are they Investors? Even one of these ideas can go a long way in creating an atmosphere of accountability and informed decision making in your purchasing department. If you need help or have any questions, send me an email and ask! danah@distributionteam.com

About the Author: Danah Head is an Executive Advisor for The Distribution Team, a firm that specializes in helping distributors become more profitable through strategic planning and operating efficiencies. Danah has an MBA in Technology Management for Supply Chain and completed work for her Masters in Adult Education and Corporate Training. While pursuing her education she worked in different purchasing and supply chain roles within the manufacturing industry. With real world experience and technical training help her find the best solutions for warehouse and distribution companies. One way

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