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Unit 8: Buyer-vendor relations. Right pricing. Public/Government purchasing. Warehousing: Importance and functions of storage. Location & layout of stores. Management of receipts and issue of materials from stores. Warehousing costs. Stock verification. International purchasing – procedures and documentation

<u>What is vendor relationship management?</u>

Vendor relationship management is deepening the buyer-supplier relationships to achieve a mutually beneficial goal and establish trust. An efficient vendor relationship management process can deliver a number of key benefits from quality increments and improved total cost of ownership (TCO) to new innovations and a much smoother flow of data

1. Communicate often

Poor communication is at the heart of most business failures. The inability to convey or receive important information from your suppliers can end up shaking the very foundations of your vendor management process.

Corporate buyers need to communicate with their vendors frequently in order to transmit their requirements effectively and get a better understanding of their suppliers' capabilities.

2. Build partnerships

The key to efficient vendor management is moving out of a transactional relationship and into a strategic supplier-buyer relationship model. The first step of the process is treating your suppliers as a valuable partner.

Rather than just disclosing the pre-defined KPIs with your suppliers, involve them in key strategic decisions like setting clear objectives for the relationship.

3. Create a win-win situation

Running after short-term cost savings will cost your organization more in the long run and make a substantial impact on the quality. So, rather than squeezing your suppliers to cut down the cost, take some time to study and understand your vendor's business.

Best practices in vendor relationship management

Procurement teams need to look for best practices and try implementing them to lower the total cost of ownership and improve the efficiency of their supplier management process. Here are three vendor relationship management best practices.

1. Measure performance

Organizations with the best vendor relationship process have an elaborate system to measure the performance of their vendors. Scorecards, vendor ratings, and vendor performance reviews are used to hold vendors accountable for their performance.

2. Share risks

Uncertainty in the supply chain paves the way for a number of risks like price volatility, demand fluctuations, and more. Carefully designed vendor contracts reduce the amount of uncertainty, by enabling risk sharing.

3. Build trust

A truly effective vendor relationship management process is built on a foundation of trust. Buyers who ensure that their vendors are financially and emotionally invested in the relationship have a good chance of winning the trust of their vendors in a relatively short period of time.

How a comprehensive procurement solution improves your vendor relationship process

Vendor relationship management isn’t restricted to managing an up-to-date database of your vendors and communicating with them regularly. In fact, this process is actually designed to help you know your vendors better, making them an active partner in your business operations. In addition to supplier information management, managing vendors involves things like efficient vendor onboarding, transparent vendor performance reviews, robust risk mitigation, and more.

Right pricing

Right price' will be the lowest price available, consistent with ensuring the right quality, quantity, timing and delivery.

From a suppliers point of view
As a seller you could be wondering what is the right price to charge and the answer will be along the lines of;

A price that a buyer and therefore the market is willing to pay. In short a price which the market will bear
Since attaining competitive advantage over other suppliers in your niche is important this price should be the kind that allows you a win over the said competitors.
A win for you is practically useless if the price you choose does not allow you to recover your costs and make profit. The price should be able to do that given that the main objective of a business is to make profits.

What is the right price according to the buyer?

The buyer doesn’t look at the price the same way the seller does. To a buyer price is an element in the total cost of ownership and this will be compared to the value the product or service has to offer. The right price will therefore be;

A price that the buyer can afford and allows them to recover the cost of production and make profit assuming the buyer is in business.
A price that seem fair from value point of view given the goods or services they are purchasing
From a competition point of view, the right price enables the buyer to compete more effectively in their own market.

How do buyers decide on price?

Not that we have mentioned what qualifies as a ‘right price’ to a buyer and that purchases will make a bigger part of your cost of goods sold in the income statement, it is important to understand some of the factors to consider when deciding on whether to say yes or no to a price as a buyer.
The type of items of services being procured. The buyer is not going to be in a hurry to pay more for non-critical items, which is not the case with strategic or critical products. With critical products the buyer doesn’t mind paying more and therefore as a seller you have to know what your products mean to a buyer, if possible.
How much the other suppliers are charging for the same becomes a determining factor assuming such information is actually available

What is public sector purchasing?
Government procurement or public procurement is the procurement of goods, services and construction on behalf of a public authority, such as a government agency. ... Laws usually require the procuring authority to issue public tenders if the value of the procurement exceeds a certain threshold.
https://leanpub.com/procurement-principles-categories-and-methods/read
Chapter 1: The Public Procurement Cycle
Introduction
The Procurement Cycle begins with the identification of a need and ends with the award of a contract. The intention with this definition is to simplify the procurement cycle and put it into context by excluding any elements that does not fall within this specific function. In some definitions, even elements of inventory control and logistics management are considered part of the procurement cycle, but they actually take place during Contract Administration.

A clearer understanding is gained once the goal of public procurement is understood. For the purposes of this booklet, the procurement cycle is understood to encompass all actions from the identification and planning of a requirement up to the award of a contract

The Goal of Public Procurement

The goal of public procurement is to award timely and cost-effective contracts to qualified contractors, suppliers and service providers for the provision of goods, work and services to support government and public services operations, in accordance with principles and procedures established in the public procurement rules.

Actors, Stakeholders and Beneficiaries of Public Procurement

Procurement practitioners are the principal actors in the public procurement process. They are responsible for ensuring the goal of public procurement is achieved. They must gain stakeholder's trust and ensure they fully understand the procurement process and principles.

Procurement practitioners are directly and indirectly engaged in the procurement process, from need assessment to contract close-out. Although, they are more directly involved in the public procurement process, they also provide advice and support during contract execution.

Stakeholders of Public Procurement

Stakeholders are those who stand to benefit from the results of public procurement, including those interested in the process and who might be affected, directly or indirectly, by a particular procurement action.

The difference between actors and stakeholders is primarily participation. Actors play an active role in the procurement process, while stakeholders a more passive role. Actors are also stakeholders because of the benefits they derive from the use of public goods and services.