

Making Purchase Efficient with Technology



Naman Shah

NowPurchase

E-mail: naman@nowpurchase.com

Owners should be able to focus on procurement of core raw materials and their core competencies rather than devoting time in store and consumable purchase.

There are two terms which dominate the industry news and narrative today: Make in India & GST. Both are strong initiatives which provide a bold impetus to the industry. In order to ensure Make in India is a success, companies will not only need to strengthen their core manufacturing facilities but also their efficiency when it comes to procurement. GST is a major step towards creating a single platform and helps in inter-state movement of goods which could lead to ways in which procurement can be made efficient. Procurement is one of the top 3 functions in any manufacturing house along with manufacturing and marketing. It shares 50% of the total costs yet majority of the MSMEs do not have professional procurement persons. This is primarily due to lack of awareness and high cost for these personnel. An average MSME owner

is constantly engaged in fire fighting and has a hands-on approach when it comes to every single business function, be it closing his largest deal or procuring the regular consumables like grinding wheels etc. This of course leads to inefficiency in both the activities. Owners should be able to focus on procurement of core raw materials and their core competencies rather than devoting time in store and consumable purchase. Foundries are no exception to the rule when it comes to inefficient stores and consumables purchase due to lack of technology and dedicated professionals to deal with the same. Stores and consumables make 15-20% of total purchase and usually left to personnel without much

experience or training.

An average purchaser in a foundry follows the below-mentioned steps for his purchase:

1. Call upon 2-3 vendors from references, contacts or online search.
2. Creates a formal or informal quote comparison.
3. Tries to negotiate with L1 (lowest priced quotation) and closes the deal.
4. Orders from the same vendor without ensuring any sense check on the price or quality.

The major issues with the above process:

1. Best price is limited to the universe of 2-3 vendors without actually having access to the entire pool.
2. Lack of support from the brand to understand future products or best price.
3. Strong lock in with low bargaining power for future enquiries.
4. No Clarity on Returns and Warranty in case of complaints.

Comparison of old and new ways is shown in Fig. 1

Technology and outsourced services



Fig 1

could be used to deal with this purchase function thereby creating transparency and efficiency for the business owner. ERP (Environmental Resource Planning) adoption has been low among MSMEs due to lack of awareness, long implementation timelines and high cost of such systems. ERP is a technology which ensures efficient and data-driven operations across all business functions which MSMEs must definitely consider. In today's time and age, technology has gone one step ahead to not only let businesses record their operations on a robust technology platform, but also let them transact through technology by providing businesses with reliable goods at best prices. B2B (Business to Business) procurement platforms and e-commerce sites have sprung up in the last 2 years to help MSMEs with purchase of products, obtaining quotes from multiple vendors, door delivery and access to some credit services. New age B2B platforms provide manufacturers with multiple benefits. These platforms become even more convenient for foundries where most of the products are standardised.

► **Transparency: Be it prices, product specifications or quality**

Such platforms have access to all goods with product photographs, details and prices in a click. This helps owners have transparency and create a sense of check about their current purchase and ensuring that their purchase department is more vigilant and proactive.

► **Efficiency: Economies of scale and lower prices**

These platforms deal on a large scale with a wider basket of products, thereby leading to better prices for manufacturers.

Example: A particular platform services 50 foundries, who all purchase a particular kind of flux. A platform serving 50 similar clients can obtain economies of scale and provides savings of 5-10% to the foundry owner.

► **Services: Connecting with service centres or get samples**

The usual vendors being dealt with today are transactional i.e. more focused on product selling vs. solution selling. Some of these platforms provide an unbiased view on different brands and help purchasers make the right decision.

Example: A service can be imagined where one could get samples of 3 different abrasives through just a click of the mouse. This could help make the right decision without wasting time.

► **Technology: Use of modern tools to make purchase more scientific and efficient**

These platforms have not only created a seamless e-commerce platform, but have added unique features to help manufacturers. Some of them provide their clients with a free purchase management software for generating purchase orders, comparing quotes, suggesting re-ordering patterns to help better management of inventory.

► **Logistics: Door delivery to the factory with complete tracking**

A wide network of in-house and third party logistics partners which ensures that factory goods always reach on time. It facilitates tracking of goods and lets planning new production schedule in a more accurate manner.

One-stop solution is shown in Fig.2. Foundries have an opportunity to embrace these tools to ensure better purchase and help improve the overall productivity of their manufacturing unit.

One stop solution

for all your industrial purchases right from orders & payments to delivery

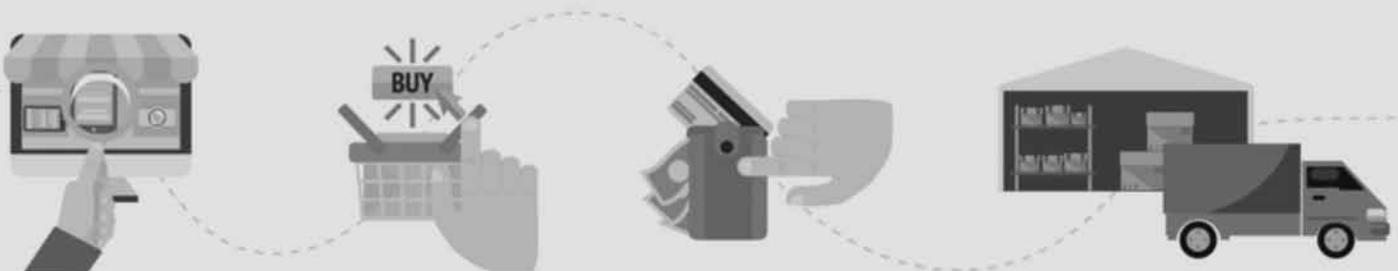


Fig 2