

Insight

THE 5 KEY BENEFITS OF EFFECTIVE BUYING

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Buyer's Toolkit

A wealth of worthwhile benefits can be gained through adopting an effective buying approach. By making just small changes in our approach to buying, we can expect to see significant value and benefits as a direct result.

You might ask why you should do anything differently at all when individuals and organizations already manage to buy well without any kind of intervention. But to truly appreciate why we should consider a new buying approach, we must first recognize the size of the prize that can be obtained.

For an organization, a dramatic increase in profit, greater competitive advantage and higher brand value can be achieved through a modernized and more strategic approach to buying. To realize these benefits though, it is imperative that an organization fully instils this modern best practice procurement approach; it is not enough to simply buy or negotiate a little better, it must be strategically embedded across the entire organization.

For individuals and smaller businesses, the implementation of an effective buying approach will bring benefits on a smaller scale. However, the size of the prize is comparatively worthwhile. For instance, it can help to secure more of what we want on our terms, but we are limited in part by the degree of leverage we might hold in a given buying situation.

The extent to which these benefits are possible is dependent upon our situation, whether they really matter to us as an individual or organization, and how organized we are to be able to secure them.

Below are 5 key benefits that effective buying can deliver:

I. REDUCED PRICE OR TOTAL COST

This can include a reduced acquisition price, lower Total Cost of Ownership (cost to acquire, use and dispose), or savings through exchange rate fluctuations. It is

important to remember that the amount of buying power we have will always determine how low the price or total cost will be. Therefore, the pursuit of additional value is always beneficial in ensuring we have secured what we perceive to be a good deal.

2. SECURING GREATER VALUE FROM THE SUPPLIER OR THE SUPPLY BASE

This includes additional benefits beyond reduced price or total cost that are worthwhile and can bring value to us. Benefits might include securing additional products or services at no added cost, improved efficiency, sharing of resources, collaborative working, or reduced time to supply. Working closely with our key suppliers can often lead to the creation of new or enhanced products, features or services that can stimulate new or increased demand from our customers.

3. REDUCED RISK

This benefit is concerned with reducing, removing or being prepared for any risk that could potentially hurt us, cost us, or damage our brand and reputation. Examples might include supply failure or delays, loss of competitive advantage, price or cost increases, and quality failures or latent defects.

4. INNOVATION

We can realize game-changing benefits as a result of leveraging innovation from the supply base, or through working collaboratively with our suppliers to achieve a new mutually beneficial goal. This might include exclusive access to knowledge and ideas for new product creation and enabling new markets to be reached, business growth linked to supplier initiatives and greater competitive advantage.

5. IMPROVED INTERNAL EFFECTIVENESS

These are the benefits to us and our entire organization gained through a more effective buying approach. They can ensure we are better positioned to meet our

customers' needs and aspirations, improve or protect our cash flow, and instils a common language and ways of working together in order to buy well.

Ultimately, good buying can bring great value to an organization, but it must be an organization-wide concern that involves every area of the business building effective relationships with their respective suppliers. This should be coupled with an overarching strategy that defines exactly how value is to be gained through every business purchase.

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