

He is to see whether  
one has



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He is expected to bring about improvements in the performance of materials by improving the quality of products and introducing new processes, new materials, substitutes and even new terms in his contract without interruption.

In other words, he must tend towards making the purchase operation more efficient and economical. To this end, a systematic, formal and continuous analysis of all factors affecting the purchase function must be carried out. The aim of purchasing research is to ensure optimal decisions and improve profitability. Areas of Purchasing Research: The purchase department should be assigned the necessary authority and responsibility to administer such controls as to buy the right quantity of the right quality at the right time at the right Prices from the right supplier on right terms. Research is possible in each of these areas.

Transportation of materials is another area where large-scale economies are possible and research can fruitfully contribute. Economic field has a great bearing on purchase activities, and finally, the purchasing system and organization itself need to be brought under research. The areas of purchasing research are: 1. Quality 2. Quantity 3. Suppliers 4. Time 5. Price

1.

**Quality:**

One of the most important aspects to investigate into is to see whether one has not over specified the specifications. One can make the specification ideal, but at the same time make it uneconomical too. The specifications

should be good enough for the purpose. They should be neither too rigid nor too lax. Another aspect is constant search of viable substitutes.

If substitutes avoiding use of scarce raw material can be found, they would reduce cost and improve availability. Due to the technological innovations, new materials are appearing in the market at a breath-taking pace. One should be continuously in search of new products, which can serve equally well or better and are more economical. The aim should be better service and more life at fewer costs. Another important aspect is import substitution.

Effective indigenous substitutes have to be developed for items hitherto imported. Continuous efforts have to be made towards standardization, variety reduction and methods of packaging may be looked into. There is a great deal of scope in cost saving by evolving or using new packaging material or by altering standard pack sizes subject to customer acceptance.

## **2. Quantity:**

The quantity to be purchased has an important bearing on inventory management.

The forecasts of requirement have to be reasonably accurate to keep the inventory levels low without affecting the service. Latest forecasting methods, including exponential smoothing techniques, have to be adopted and the usual EOQ formula have to be applied. Forecasts may have to be corrected suitably for items with seasonal consumption or for items showing a marked upward or downward trend. Further corrections have to be applied for factors such as the law of supply and demand which will need detailed probing into possible raw material shortages, possibility of strikes in

industries, mean of transpiration, effect of governmental regulations, import restrictions, etc. Quantity discounts offered by the industry may affect the decision. In short, the behavioural pattern of each item individually and in group has to be studied. If the number of items is large, ABC analysis may be helpful.

3.

#### **Suppliers:**

Vendors must be kept under close watch regarding their performance. Only such vendors who do not fail in supplying good quality material, who deliver on time and whose prices are competitive, may be retained on the approved list. There must be a constant effort in locating new vendors for the supply of current or substitute materials. Toward this end there should be a checklist of all present and potential suppliers showing their present product lines, their financial position, their expansion programme and likely additions to their product lines. A list must be to fill emergency orders. At the same time, efforts may be directed toward locating sources hard to fill items. Since transpiration costs about 20 per cent of the actual cost of materials, vendors have to be found in close proximity of the actual needs.

Economies should be analyzed. Finally, how to improve vendor relations is a subject that need close attention.

#### **4. Time:**

The best it to buy depends mainly on lead-time consideration a safety stock requirements. Any effort put in to reduce lead-time is well worth it. Safety stock provision depends upon service considerations. The higher the services

level, greater will be the safety stock and, therefore, greater the inventory holdings.

The best service level, bearing in mind the finances of the company, has to be determined for each group of items based on the importance of the group and the nature of the group, e. g., vital, essential, desirable, fast moving, slow moving etc. An important factor is the trend in commodity prices. Which is the best time of the year when prices are the lowest? Any decision arrived at on lead-time and safety stock considerations may require through analysis based on the trend in commodity prices.

#### **5. Price:**

Fostering competitive bidding can reduce prices. If current suppliers are not behind or form a ring, negotiations may be resorted to and in this case the research team should prepare the required data.

If negotiations do not succeed, the research team must develop acceptable substitutes as a long-term solution. Value analysis may help in developing substitutes or deletion of time altogether. It may be analyzed if making the items internally instead of buying would be feasible. Impact of an impending government budget may tend to raise prices. Purchases should, therefore, not be made too close to the budget date. Certain indirect actors also affect prices. Administrative inefficiencies, e.

g., delays in Purchase decision, delays in testing and acceptance of incoming materials, delays in payments to suppliers — all these push up the Prices.

The research team may make case studies and suggest improvements in procurement operations and advice on more effective purchasing

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techniques. Improved materials handling methods or improved manufacturing in shops (in cases of internal manufacture) will certainly bring down prices.