

Procurement Best Practices — A Smart Way to Save Money

William Gindlesperger, chairman and CEO, e-LYNXX Corporation



**William
Gindlesperger**

When looking for ways to trim costs and maximize every dollar, procurement is an area that requires careful attention. This is, after all, where you are investing hard earned dollars for products and services that you must have to keep your organization running. That's buying everything from paper clips to professional services.

Dozens of procurement offerings are on the market. Most are traditional, meaning they rely on building relationships, limiting supplier bidding and negotiating prices. Even though they are widely used, traditional buying approaches—even those that have simply been computerized as e-procurement services—do not offer the best savings or best practices. New procurement methodologies do. They offer the buyer a computerized process that provides a broad selection of qualified suppliers, automatic matching of supplier candidates to project specifications, expanded bidding, greater communications and workflow control and costs much lower than traditional methods.

Best practices incorporated into the latest in procurement methodology include:

- Creating a pre-qualified supplier pool in which all suppliers are uniformly and objectively evaluated. This allows the buyer to hand pick suppliers and limit the pool to just those with which it has done business. Of course, others can be added, but the key is knowing the suppliers in the pool as a first level of quality control. You only want suppliers bidding on your projects that have proven that they can deliver quality work, on time.
- Creating thorough bid specifications with full details before an invitation for bids is sent to the suppliers in the supplier pool. Being complete so changes are avoided later allows suppliers to price accurately and best determine when there will be a production opening for doing the job.
- Creating a fair bidding environment in which the computer matches buyer project specifications only with suppliers capable of doing the work. With detailed project and supplier data, the computer will automatically match each project up for bid with only those suppliers with matching capabilities. This levels the playing field.
- Creating efficiencies to save time and money. Since critical data already is in the computer, the buyer does not have to "reinvent the wheel" each time it wants to put a project out for bid.

- Creating mutual acceptance of the process whereby every supplier in the pool knows that it can bid low on any project. Bidding low with traditional procurement methods can handicap a supplier because the buyer more than likely will expect that same low price going forward. Not with the latest methodology. With the newest approach, all know that success is based upon bidding low to fill production downtime. The suppliers with open production time to fill will vary from project to project.
- Calling for and awarding bids in a timely manner so the winning supplier will hold a production slot for the project, schedule staff, prepare equipment, order materials and make other preparations required to do the work. Suppliers learn that *performance* is required to receive opportunities, while *price* is the criteria to win projects.
- Establishing full transparency by sending bid results to all suppliers that submitted a bid. This not only creates greater credibility for the buyer among suppliers, it also promotes improved competition.
- Monitoring every step of the workflow process to ensure clear communications, attention to every detail and a deliverable end product. This must begin with the conceptualization of the project and continue through edits, changes, reporting, production, packaging and delivery. The project manager will determine who has access to the system and when so input is transparent and thoroughly documented.
- Ensuring that work is performed per specifications and on time. By establishing full accountability, the buyer is protecting itself against delays that could cause artificial pricing hedges in future bids from the winning supplier.
- Completing the project with accurate invoicing. By making sure the invoice is complete, correct, agreed upon and reconciled, both the supplier and the buyer successfully end the project.

A question that is often asked about new methodology versus traditional procurement methodology is how does it benefit the supplier if the supplier is always making low bids to fill downtime. The answer, surprising to some, is the supplier will increase its own bottom line profitability by 10 percent to 15 of revenue when participating in this type of process strategically and consistently. Remember, the supplier is bidding a low price to fill downtime which, if not filled, means no income for the supplier. Downtime availability will vary for each project, because it is unlikely that the same supplier will have downtime project after project after project. Because the buyer is inviting trusted suppliers to compete for work, it is a win-win for all involved.

About e-LYNXX Corporation

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