

About this e-book

This guide will walk you through 7 steps that you need to take for having a more effective sourcing process.

Take a look through the following pages to see how you can better plan a sourcing event, manage the relationship with your suppliers and organize fast and efficient RFQ / RFP or Reverse auctions.



Want expert guidance on your sourcing strategy?

Prokuria can recommend and help you implement a sourcing strategy adapted to your internal process. Get in touch and we'd be happy to help.

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PREPARATION STEPS

1 UNDERSTANDING THE REQUIREMENTS

Start by defining extremely accurately and in great detail what you need. Making a plan will help you start with the right foot, and already is preparing you to be efficient

Every procurement begins with a clear scope.

Be sure to include:

- In depth technical specifications
- Services required and post-acquisition needs
- Concrete budget or baseline spending
- Forecast of the demand
- Cost for switching suppliers and potential savings

As you get all the information, cross-check and seek out feedback from all internal stakeholders.

Key stakeholder groups should include:

Product Development and / or Manufacturing

Will require selected suppliers' capabilities to meet corporate specifications/requirements.

Shipping and Receiving

Will help identify potential logistics, import / export, or compliance issues.

Finance and Administration

Will identify any potential contractual issues related to new or existing supplier contracts.

Leadership / Top Management

Will ensure the strategy and selected suppliers are consistent with the overall company goals.

Sales and Marketing

May provide unique insights into the strategic value of specific supplier relationship

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PREPARATION STEPS

CHOOSING THE RIGHT PROCESS

Once you have enough details you can start thinking about how you will source it and the tools you will use.

The most comprehensive process is a multi-stages one, but depending on your needs you can go for a quicker, simplified process.

RFI
Request for Information

open enquiry that spans the market seeking broad data and understanding

RFP
Request for Proposal

request for specific solutions to the sourcing problem

RFQ
Request for Quote

firm offer for the specific supply goods or services

Reverse Auction

real time bidding to offer lowest price

It's important to know when to invest time and resources into a lengthy and complex sourcing process and when not to.

If the product you are sourcing is a standardized commodity, a multi-stage procurement process might not be recommended as it is unlikely to make significant additional savings in the long run, and could even be redundant. All that may be needed is a standard reverse auction where the lowest bid is awarded.

Sometimes less is more.

3 PREPARATION STEPS

INCLUDING THE RIGHT INFORMATION

So you have everything you need to start the process with your suppliers?

Present yourself in the best possible light and start off on the right foot!

Clarity is vital in any business interaction and procurement is no exception.

- Use common definitions in the business, functional, and technical requirements to increase understandability.
- Keep it as simple as possible in the explanations and the additional details you present
- Provide documents you think they need for their decision.
- Be clear on the response required – use 'YES/NO' questions, predefined list of answers, whenever possible.
- Be clear on the documentation they need to provide.
- Make sure the supplier have the possibility to provide feedback and innovative solutions, if it is the case.

In addition

- Be sure to provide some background history on you, especially if new suppliers are invited. Make sure you come off as serious and honest about the process, as this will help build trust and goodwill.
- Remember the first language and culture of the audience may not be the same as yours. Globalization is here.
- Using a dedicated platform will create extra-comfort for your suppliers and will offer a clear structure for your requests.



Further reading

[RFP Process: A 20-Step Guide](#)



4 COMMUNICATING WITH SUPPLIERS

Once a Request for Proposal (RFP), Request for Quote (RFQ) or Reverse Auction has been published make sure that you have an open, real-time communication channel with your suppliers.

Confirm with all suppliers that:

- They have received your request.
- Can easily access it.
- Understand clearly and fully all requirements, technical specifications, terms and conditions, customizations etc.
- Have equal access to the same information throughout the process.

Normally, such an exchange would be carried out via email or phone wasting precious time and opening the door for potential misunderstandings.

Nowadays, however, dedicated procurement platforms ensure that communication is carried out efficiently, and often instantly.

Remember:
communication
is key!

There is no safer or easier way to ensure that the deal goes off smoothly from start to finish, than by having an organized and clear communication process between all parties involved.



Further reading

[Communication Strategy for Sourcing Events - Automate your processes!](#)





The goal of procurement departments is reaching far beyond its primary function of obtaining goods and services in response to internal needs.

Nowadays procurement specialists have several objectives larger than basic function:

- Achieving lower cost
- Reduce risk and ensure the security of supply
- Manage relationships
- Improve quality
- Pursue innovation
- Leverage technology

At Prokuria we build the procurement solutions designed to deliver cost savings, automate sourcing and supplier management and get control and visibility on spendings.



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5 EXECUTION STEPS

MANAGING THE PROCESS

A managed process flows smoothly and generates results quickly. Monitoring each step on the way and being able to quickly and efficiently implement changes or address issues at any point, will allow you to speed up the process and save valuable resources further down the road.

Managing the process efficiently also makes it possible to weak suppliers in the early stages. If a supplier is aggressive in pricing, but weak in the key points of the request, you can follow up with the supplier to determine if they would be willing to improve

Make sure to control the process from start to finish.

Make sure that every supplier is aware of and comfortable with every step of the process. Answering every question and addressing every concern as quickly as possible helps lay the foundation for a fruitful business relation and populates your databases with valuable suppliers.

6 EXECUTION STEPS

AWARDING AND OUTREACH

Start the analysis phase as soon as the request reply deadline has passed and make an award decision quickly.

Non-awarded suppliers should also be notified as a business courtesy and pay attention to the non-awarded incumbent suppliers. They should be handled with additional sensitivity, especially as business is transitioned to a new supplier. It is important to maintain the relationship and not to disrupt ongoing supply.



7 EXECUTION STEPS

SUPPLIER MANAGEMENT

In practice, the interaction with suppliers is evolving beyond traditional buy-sell transactions and expanding towards joint activities. Disciplined and systematic, information and knowledge sharing, joint forecasting and budgeting, or product development, all represent new types of cooperation.

Suppliers are critical to your organization.

Tips to improve your relationship with suppliers

Communicate smoothly at business and personal level

Communication creates trust and confidence. Also it helps build a shared understanding that avoids confusion and disagreement. Try to have regular close or face-to-face discussion, and avoid hiding behind emails.

Use tools designed to streamline interaction

It's easy to keep a healthy relationship with few suppliers but it is much more difficult or even impossible when you have hundreds. That's why you should rely on technology to help you. Implementing such a tool will simplify your work and will keep your suppliers timely informed.

Be proactive

Issues will always appear. Ignoring or postponing them will create only more issues. Addressing them as they surface prevents them from becoming a more serious problem. Early and frank discussion and action will build trust and respect.

Further reading



[5 benefits of using a supplier relationship management platform](#)

[Supplier Relationship Management Software: How You Can Use It To Improve Supplier Relationships](#)



Understand the contractual obligations but never start the relationship from them

You need to have confidence that the supplier is delivering what they are being paid for and the suppliers need to have the confidence that they will be paid. However, using the contract as a door stop is never something to be desired. On the other hand, if both parties clearly understand their place, the role of their counterpart and how the two fit together they will leverage value and gain mutual benefits.

Build your reputation

Trust is hard to gain and easy to lose. A reputation of being ethical and honest will help you enormously in the long run. Nobody will want to work with a buyer who is inflexible, unreasonable or unfair. Be consistent in your decisions and take a balanced attitude. Be aware of all the circumstances that may have an impact on a given situation and try to see if there's something which needs to be considered that you might have missed (there usually is).

Review the deliverables and performance

Remember the stakeholders from the first step? Each one of them wants to know that they are receiving the service/product they need and to the standard they expect. Supplier reviews should not be only be a measurement but a consistent process to improve the procurement process, the standards of the acquired goods or services and the performance of your vendors.

Identify and manage risks

Risks can't be dealt with until they are identified and monitored. So the first step is to work together with your supplier to discover the risks at every level. Once that is done try to limit and contain the possible negative impact. You probably don't diagnose your own medical problems. That's why you should not hesitate to seek third party advice or services - be them from a lawyer, an insurer, a subject matter expert or a consultant.

Suppliers are the key to your success, so you need to take all appropriate steps to make sure you treat them with respect and consideration, so that they make your job easy in the end.

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Prokuria is a cloud-based solution that helps organizations automate sourcing and procurement and achieve cost and time savings.

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