

The Seven Features of a Best-of-Breed Purchasing Solution

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The background of the “Seven Features” is that in 1981, Anders, my father, was asked to give a speech at NASM (National Association of Service Merchandisers) conference in Chicago. He was to help the members come up with a checklist of how to evaluate extended payment terms or “dating.”

He addressed both these topics in his lecture and landed 10 new customers in three weeks! To my great surprise, as I came back from not having been in the industry for seven years, many companies still today don’t realize that they should be expecting at the very least what was state of the art back in 1981. The checklist is still valid today.

1 Demand Forecasting is a basic requirement and should offer more than just a trailing six-week weighted average. A current purchasing system should be able to forecast fast and slow new items and should be able to recommend and update seasonal profiles resulting in a high forecast accuracy. Most importantly, this should be a true demand forecast using Order Entry Data as its driver, not warehouse Shipment or Invoice data.

2 Lead Time Forecasting is a crucial to a current purchasing system. It is so simple. How can you provide customer service at 95 percent if your vendors supply you at 88 percent? Without a system to track vendors’ and items’ delivery performance, you’ll either miss sales or overstock yourself on items that don’t need the extra help. The human is both emotional and lacks the time to do this effectively.

3 Order Cycle Analysis balances the cost of carrying inventory vs. the cost of handling it. In seconds it illustrates that you are more profitable buying from this vendor every other week instead of every week. It also evaluates vendor discounts. Is that 4 percent discount for a \$10,000 order worth it or not? Your buyers can make these decisions using economics, not emotion.

4 Service Level Analysis both recommends the most profitable service objective for each SKU and shows the difference in profit between the current setting and its recommendation. With one click, the new service level strategy is set in place for hundreds or thousands of SKUs.

5 Replenishment Analysis uses a technique called Service Point Theory, which analyses every item every day to determine when is the last possible day to buy and still maintain overall customer service for the vendor line. No more post-it notes and running around the warehouse looking for holes. A Best-of-Breed Purchasing solution should recommend when to buy.

6 Special Order Analysis allows users to enter deals, price increases and dating ahead of time or on the day and uses Science to recommend each Forward Buying opportunity. Since distributors get very little free margin with inflation as low as it is these days, Forward Buying is more important than ever to drive up profits.

7 Order Validity Analysis makes sure that your order meets the vendor’s order minimum, for example. A Best-of Breed Purchasing Solution should also help build an order that doesn’t break the trailer’s axle. It should understand sometimes an order will reach 44,000 pounds before it hits 44 pallets. This cubing out or weighing out situation should be supported naturally. There are many more features that can be supported, and these seven features are just a high level overview, but these functions are the key minimum requirements to having a complete and current purchasing solution.

