

CHOOSING THE RIGHT SUPPLIERS- THE WAY TO INCREASE THE CERTITUDE IN GOODS SUPPLY

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ABSTRACT

The experience managers show interest in choosing suppliers who offer real and advantageous deliveries. This paper focuses on the requirements that one must take into account when choosing a supplier, as well as the peculiar characteristics of good offer suppliers. At the same time, it must be specified that, when drafting the strategy for goods supply one must take into account the origin of the goods which can be either from the internal or the external market, this method being the only way, in which there can be a good selection of the best supply offers, of the most economical and trustworthy suppliers/ this ensuring a high degree of certitude and assuredness in goods and technical supply of the economic companies.

KEYWORDS: *Potential suppliers, offer data basis, unique source, unique supplier, commercial middle man, commercial brokers, make or buy.*

Content

The success of a company does not only relay on getting highly performing products or services, but on the same time on the modality in which they choose their partners, the offers supplier or the beneficiaries. This explains why in the relationships that they promote on the supplying market “*the experienced managers act in order to select the right suppliers for necessary materials, merchandise and equipment for their business¹*”. Choosing a good offer supplier must mean getting quality products, at a good time and in due time. However, besides “*making sure that goods are delivered in due time, the required quality and the right price²*”, which represent the final goal of selecting a supplier one must also take into account:

- **Careful evaluation of the potential suppliers;**
- **Maintaining a real data base of “offer suppliers”**

The issue of ensuring an optimal data basis is one of the most important jobs in any company. From this perspective, in the case of large companies there have been registered a significant decrease in the number of offer suppliers. For example, at the beginning of the ‘80s Chrysler and Xerox reduced their thousands of suppliers to some hundreds. This way, Xerox reduced their “*offer suppliers’ data basis*” from 5000 to 400 this meaning a cut down by 90%. Under the specified conditions, the relationship between the company and the offer supplier develops within new parameter, **the company is more interested to accept and promote the suppliers’ offers regarding the drafting, the production and the cutting down of the production costs.**

¹ Vasile Cocriș, Vasile Ișan, *Economy business, vol. II*, Publisher Grafix, Iași, 1995, p. 151.

² Donald W. Dobler, David N. Burt, *Purchasing and supply management. Text and cases*. Sixth Edition, The McGraw-Hill Companies, Inc., San Francisco, 1996, p. 214

- **Selecting the best offer.**

This thing is possible if one makes sure that information comes from a variety of sources as the information leaflets, which are drafted and then kept up by the company, the offer catalogues, the industry, agricultural and commerce chambers, exhibitions, golden pages, specialized mass media, annual books and public relations. Selecting the best offer source represents, in fact, assuring “**a competitive basis**” for the future relationships of the companies on the supply market. For the company, the relationship between this “**a competitive basis**” and the selection of the offer suppliers concretizes in possible cuts down of the production costs(the concrete result of better products and competitive prices and services) as well as possibilities of better knowing of the offer suppliers and their strategies.

Trying to summarize the above mentioned, one can outline a picture of a good **offer supplier**. **This one** should be:

- **Coherent in his own principles** which he can promote when in a relationship with the beneficiaries
- **Competitive and honest in the relationship with the beneficiaries**
- **Capable of forecast the evolution of some market phenomena**
- **Aware that not only gathering experience is important but also its results**
- **Flexible thinking and capable of discovering efficient solutions when he is forced to adapt to new requirements and conditions**
- **Financially strong and stable**
- **Aware that his work must improve all the time**

Of course, on a market dominated by such suppliers, any company can develop for its own good its own business in a way to get profit.

When, in order to draft a **supplying strategy**, one has to choose a supplying source, many practical aspects must be clarified. Since there are many supplying possibilities, **the company’s option for a specific supplier becomes of great importance** since both the development of the production and the other activities depend on this choice.

The sources from where one company may choose are the following:

- **Internal and external market.** The internal market offers the main advantage of the free access and its knowledge, since the market research on the internal market is grounded is less costly and easy to achieve. This option for the external market is grounded mainly on the high quality of the products and often more advantageous prices. The western countries, USA, Canada and Japan are the technologically attractive and price affordable compared to their quality, being the main options of the buyers. **As a rule, the companies launch for the foreign suppliers a small numbers of orders compared to the indigene one.**

- **National or local.** Supplying from a local source has the advantage of short distances, i.e. low transport expenses; prompt deliveries, low possibilities of merchandise supply, the possibility to answer an urgent order. **The low supply expenses permit low quantities of goods therefore low deposits.** However, the most important advantage of local suppliers is that due to short distances”*the communication and coordination between the seller and the buyer are clearly facilitated*³”.

The national suppliers has as main advantage **the access to a variety of sources and therefore a larger range of suppliers**, situation which is mainly in favor of the

³ Eberhard E. Scheiung, *Purchasing Management*, Prentice Hall, Englewood Cliffs, New Jersey, 1989, p.145

company. At the same time, when the orders are larger than usually, the suppliers may offer discounts or other benefits. As a rule, **the national suppliers will offer larger quantities of goods whereas the local suppliers will offer small or medium quantities;**

- **The unique or the only source.** “The unique source” does not allow one to have options, which is difficult and sometimes dangerous for the company. This happens because **the unique supplier can specify conditions regarding the quantities, the prices and the deadlines that are disadvantageous for the company.** This why the company has to stay way from any dependence that may affect its activity. Finding alternatives should be the only goal of a company that has only one supplier. **The only source** is a consequence of the option expressed by the company and sometimes is considered favorable out of a number of reasons. When it represents an alternative of the company, **the unique supplier is necessary when the small supply quantities do not justify more suppliers or the suppliers’ offers advantages regarding the quality or the prices of the goods.** This option becomes risky when the supplier’s activity does not function properly, this being the reason why **the company will order the same product to more suppliers, out of which one is considered to be the main one and receives 80% of the orders.** Dividing the orders between the main and the rest of the suppliers aims at creating a contest between them. **Not being the only source, the supplier will be forced to maintain its offers attractive.** There is another extreme and rare possibility when it comes to choosing the suppliers: buying the supplier, which represents in fact a vertical integration which allows the company to control the supplying source. If the elimination and then the getting into possession of the former supplier’s profit is an advantage for the company, one must specify that buying the supplier means additional expenses regarding the workers, the assets or others.

- **“Make or buy”** this meaning to produce or to buy. This complex decision has huge consequences for the subsequent activity of the company. This is why, **the right evaluation of the advantages and the disadvantages that are to follow from this decision represent a top responsibility of both the management and the top management.** The conclusion that is to be understood from the analysis of this category of suppliers is that one must supply from an external partner when *“one buys large quantities at small prices and one must produce it internally when the continuity of the production⁴ is endangered by reasons caused by the suppliers which the company cannot solve”*

- **from the producer or from the distributor.** It is considered that the distribution cannot be eliminated, even though buying directly from the producers can be more beneficial for the companies. The distributors (the middle men) can be either commercial or functional. **The commercial distributors” act on their behalf and on their own risk since once they buy the merchandise its ownership is transferred to them”⁵**. The commercial distributors offer a large range of goods and services and as far as supplying is concerned, they represent a good alternative for the company. **The functional distributors** ensure the contracts between the buyers and the sellers. The types of functional distributors are:

1. **agents (representatives of the producers)** who act on behalf of two or more producing companies usually” *non competitive”⁶* therefore they act in different economic areas and establish common relationships.

⁴ Eberhard E. Scheiung, op. cit. p. 143.

⁵ Vasile Corciș, Vasile Ișan, op. cit. p.153

⁶ Vasile Corciș, Vasile Ișan, op. cit. p.153

2. **commercial brokers** who "create connections between the buyers and the sellers"⁷ without forcing the buyer to pay to the seller the due amount for the his services, for this asking for a commission- brokerage- this being a percentage of the sales.

3. **As the brokers work with product offered by more producers , the buying company can make a selection of suppliers, without the necessity of conducting market research;**

4. **Dealers**, who also act as middlemen between the suppliers (producers or en gross dealers) and buyers. Unlike the commercial brokers, or the representatives of the producers, **the dealers purchase and store products which are then sold to the beneficiaries.** In fact, the difference between the commercial brokers and dealers is that, if the brokers act as middle men between the buyers and sellers, the dealers are "**merchants**", this meaning that they buy and sell.

From what was mentioned above, one can conclude that **it is very important for the beneficiary company to choose those (direct or indirect) suppliers that can satisfy both small and large orders as well as diverse orders.**

The responsibility of selecting a specific supplying source comes to, under different circumstance, either to some individuals or to the teams. **The teams** can be **permanent** and they are called "*commodity teams*"⁸ containing specialists in the areas of negotiations, projecting, quality, prices or finance, or **multifunctional** and they are called "*cross functional teams*"⁹). The multifunctional teams are similar to the "**merchandise teams**" the only difference being the type of activities they take part to. These multifunctional teams solve a small number of negotiations or are sometimes constituted just for one. No matter who or how the selection of the suppliers is made it is important that the "**list of the potential offer suppliers**" is complete and made such as to launch a real competition between the suppliers from the perspective of three important aspects:

- **Of the technology and quality**, which means modern suppliers as far as projecting and new products, the design, the quality and the quality of the used materials is concerned
- **Of the price, that should reflect the low producing costs.** The competition between the offer suppliers does not necessarily mean low prices but a better rate price quality;
- **Of the services, which should accompany the delivered products**, this being considered as "**plus value**" which influences the functional level of the products.

The analysis of the supply market, which aims at selecting the supplying sources, represents a component of the supplying strategy contributing "*to the coming to reality of the cooperation relationships between the buyers and sellers*"¹⁰.

When analyzing the supplying market, the company needs to know which is the effective end potential offer of products or services, in other words to be able to characterize the offer suppliers through their offer. As far as the product is concerned, this represents the essential component of the offer.

Being a concrete shaped response to a consume request, caused by various needs, the product can no longer be just a technical achievement in a certain technological environment. This is why it is compulsory to define and describe the product in order to go

⁷ Vasile Corciș, Vasile Ișan, op. cit. p.153

⁸ Donald W. Dobler, David N. Burt, op. cit. p. 239

⁹ Donald W. Dobler, David N, Burt, op. cit. p 239

¹⁰ Ghe. Bășanu, Mihai Pricop, *Supply management and disposal (sale)*, Economic Publishing, București, 1997, p. 322

beyond its own material conditions, moreover since in the goods, the services and the ideas are included in the category of products. Having as classification criterion the particularities of the consumers to whom the product are destined **the products may be destined to final or productive consume, without being able to say for sure if this classification is a strict one.** It is obvious that there are many situations in which a product may be a consumer good and an industrial good. This means that the same product may satisfy both the needs of individual and industrial consumers. **Starting from its production differences can be made according to its future usage.**

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