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How To Be a Smart Buyer

A purchasing strategy can help dealers in all sorts of ways

By Don Ray

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PM

Given the economic conditions surrounding not only the car business but the wider range global economy, it is no surprise dealers are looking for ways to increase revenue.

That's great. But consider that most dealerships get less than 2% of each sales dollar down to the bottom line. An even more valuable way to increase profits is to cut expenses. That is a dollar-for-dollar way to improve the bottom line.

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Increasing sales is great. Improving your dealership's operational performance and profitability through strategic expense reduction and wiser purchasing is even better. Does your dealership face these purchasing challenges?

- Lack Trained Purchasing Resource
- Too Many Suppliers to Manage
- Minimal Expense Category Experience
- High Employee Turnover
- No Purchasing Performance Measures
- No Standard Supply List
- Constant Supplier Price Escalations
- Unwritten Purchasing Policies
- Decentralized Purchasing Authority
- Unknown Preferred Suppliers
- Deficient Supplier Auditing Practices
- Frequent, Expensive Spot-buying
- Inconsistent Employee/Supplier Compliance
- Non-Objective Supplier Relationships

If you answer yes to any of the above, perhaps you can achieve desired purchasing objectives with innovative purchasing solutions that generate measurable results and process efficiency.

A purchasing strategy can help dealers in areas such as leveraging purchasing power, process simplification, improved employee productivity, optimized supplier base, price auditing, purchasing policies and controls, employee and supplier compliance and hard-dollar cost reductions.

Organizations need to do more with less. To survive in this competitive landscape, leaders are being challenged to cut costs, heighten efficiency and positively impact the bottom line.

When looking for opportunities of improvement, purchasing is often overlooked, although organizations that find ways to reduce money spent on products and services purchased will be rewarded with immediate realized cost savings.

The most valuable approach to purchasing will shift the efforts of your purchasing team from non-value producing tactical activities to value-added strategic accomplishments that have measurable return on investment.

This approach can assist your dealership in procuring supplies, services and equipment more efficiently and cost effectively than your organization would typically do. In addition, your dealership will increase performance. It will produce consistent and repeatable purchasing patterns through utilizing purchasing strategies and procedures.

So what is the difference between strategic purchasing and tactical purchasing? Here is the explanation from www.wisegeek.com.

“Strategic purchasing is a methodology used in many businesses to realize the greatest amount of benefit to the company while still effectively managing the costs associated with the acquisition of raw materials and operational components.

“The goal of strategic purchasing is to increase the bottom line of the company through the most judicious use of purchasing approaches and strategies.

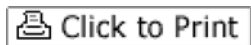
“One of the ways that strategic purchasing takes place is through analyzing how money is spent for purchases currently. The idea is to determine if there is any way to enhance the purchasing process through adjusting the guidelines associated with requisitioning materials or placing orders with suppliers. Often, this type of spend analysis will reveal one or two small ways to make the process more efficient.

“In the end, strategic purchasing is all about redefining buying habits, processes, and behaviors so that the company enjoys the most benefit. From this perspective, strategic purchasing is not an event, but an ongoing process.”

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