



Brian Farrington Limited Procurement and Business Solutions People

July 2004 Newsletter

Understand Costs

Have you ever felt that when you have a supplier sat in front of you, talking about their prices, that they do not understand their costs?

Very recently we had a supplier of aluminium based product with us, requesting an increase because the cost of aluminium had gone up. We asked a couple of what we thought were very reasonable questions.

- How much do you spend on aluminium?
- How do you identify the cost breakdown to construct your pricing?

We needed to understand whether he was managing his own supply and whether it really was a significant part of his costs. His answer:

"I will have to find out and get back to you"

We think that is very worrying. He either did not want to tell us or he genuinely did not know, and he was the General Manager of that division! How do you feel about your suppliers in similar situations?

Are you a most favoured customer?

In some recent negotiations one of our consultants came up against an obstacle in the form of a "most favoured customer" clause. The claim made by a UK supplier was that the discount offered to the UK customer could not be lower than that provided to the US Government. This was because of the aforementioned clause being part of the agreement. On the face of it, stalemate! However a little research showed the list price in the US was the same as the UK **except** that the US prices had a \$ sign in front and the UK prices had a £. At today's exchange rate an 80% premium! The clause

did not mention discount but price paid. Also the prices were only fixed for deals up to \$500,000. Deals above that were subject to renegotiation. The deal we were involved in was much more than \$500,000 and we were able to help our client move the offer considerably in their favour.

Excellence in Procurement

The Excellence in Procurement seminar has been received extremely positively. Feedback from the June 2004, Manchester event included: 'All in all I found the seminar a valuable learning experience. It was a refreshing change from the usual PowerPoint style courses I have attended previously and encouraged active participation which aided learning'.

Thank you to all the participants for your involvement and for your positive feedback. Our Autumn programme will shortly be announced and will include an IT Procurement and Contract Management. If you have other preferences please let us know. Please contact Pat Robinson for details on 01744 20698 or probinson@brianfarrington.com

Implementation of eProcurement

If you are considering eProcurement you could do worse than read a report dated October 2001 'Strategy for the implementation of eProcurement in the Irish Public Sector'. There are 200 pages in considerable detail. Part of it made us reflect on the effectiveness of EU Procurement Directives and the enormous sums of money spent on tendering!

The futility of effort is epitomised at the section dealing with the profile of the existing supply base. The conclusions from six pilot agencies studied were:

- Irish owned suppliers account for a majority share of the total supply base.
- There is evidence across all sectors of a strong local element in the procurement of suppliers, services and works. This is most pronounced in the case of Works.
- Irish owned suppliers typically account for a majority share of the value of works procurement.
- Without exception the Irish owned supply base of supplies and services to each of the agencies reviewed is dominated by Small and medium sized enterprises.
- The majority of Irish owned suppliers of supplies to all of the agencies reviewed are not engaged in any form of manufacturing.

NHS Logistics Authority

Brian Farrington Ltd *has recently added NHS Logistics Authority to its client list. The contract is based on a 3-year framework agreement for the provision of supply chain development consultancy services fro all NHS Trusts in England and Wales. This continues the company's long running partnership with a number of public sector organisations.*

Contact:

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Feedback, comments and contributions to the newsletter are very welcome. Please contact us.