



Brian Farrington Limited Procurement and Supply Chain Specialists

February 2006 Newsletter

Significant Contract Awards.

We are very pleased to announce the award of two significant public sector contracts. We have for the past few months been engaged in extensive tendering processes, beginning with pre-qualification.

The first of these contracts is with BECTA to undertake ICT procurement for schools, universities and educational institutions and agents such as Local Authorities.

The second of these contracts is with the Department of Health and is for the provision of Deal Execution Services. In this respect we have partnered with leading players in Finance, Law, Construction Services, Clinical Expertise, IT and Health Sector Human Resources.

Our Managing Director extends his thanks to our staff who have burned the midnight oil and to our partners for their unstinting efforts in supporting us.

If any of our readers would like to discuss how the principles of this work could apply to their situation, please contact us for more information.

Dealing with Suppliers.

The Sunday Times reported recently with the lurid headline 'B&Q hammers suppliers with tougher terms.' This is not the first, nor the last time (if the information is correct) that the retail buyers suddenly change the payment terms to their suppliers. In the case of B&Q the payment terms will extend to 90 days

over the next 12 months. The suppliers are warned that 'The change may lead to some of our vendors to consider putting factoring or debt purchase arrangements in place...I wish to remind you that a vendor is not permitted to assign any of its rights without obtaining prior written consent from B&Q.'

This may raise you to question payment in general terms. The vendor's cash flow is a serious matter and blanket introduction of extended payment terms carries a massive potential risk. If the buyer doesn't research the vendor's financial position unknown risks may exist but are unknown. There is a cost to money and we hold the view that, ultimately, that cost will find its way into the vendor's selling prices.

A further telling point was a B&Q spokesperson who stated that the new payment terms were linked to when B&Q made a sale rather than when goods were delivered to the store. Using that logic the stock turn is only 4 times per annum. Is that an area that needs looking at?

Bid rigging and building scams.

Did you see the press releases from the Office of Fair Trading (OFT) and the Olympic Delivery Authority? The OFT is carrying out a major investigation into the flat roofing sector. Fines of 10% of turnover if companies are found guilty of bid rigging seem to be concentrating some minds. The press release explains some of the ways in which bids are rigged. There is nothing new here but it raises the question as to the robustness of the

procurement practices in some organisations!

In the case of the Olympic Delivery Authority, they are asking the OFT to help to prevent price fixing, using subversive tactics if necessary. Good! It will present a challenge because in every situation where there is a concentrated procurement such as the Channel Tunnel it has an impact on the construction sector when skills shortages occur. We will watch these events with great interest.

Managing Director goes to China

Or at least his latest book does! We were pleased to be advised by Pearsons the publishers that 'Purchasing and Supply Chain Management' (seventh edition) by Brian Farrington and Ken Lysons is to be published in Chinese. An indication of the global perspective of best practice purchasing. Readers can benefit from a 15% discount (on the English version!) by clicking through to www.brianfarrington.com news section

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