



Wizertech Informatics (P) Ltd
A true IT Services Company

Six Simple Steps To Your IT Vendor!

How often do we find ourselves in a situation where we do a distress buying at a higher rate to find the same thing at our doorsteps with good discount, making a mockery of our seemingly wasted time and energy? Welcome to the world of ironies.

Here we put forward a six step guide to iron the seemingly avoidable hurdles to seamless, effortless and intelligent buying. The second and third steps are the crucial stages in the process which assists in evaluating the type of purchase and choosing the correct vendor empirically.

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How often do we find ourselves in situation where we do a distress buying at a higher rate to find the same thing at our doorsteps with a good discount, making a mockery of our seemingly wasted time and energy? Welcome to the world of ironies. We the lesser mortals call it bad luck and the management gurus call it mis-management (wish they had to really do it).

Usually it is easier to find sources when you do not need one, but when you need them they are elusive. Usually I come across two opinions from purchase managers

a) There are plenty in the market but none to justify my need. b) I am not having enough suppliers/vendors for my need. The IT industry “per se” is marred by the first opinion primarily. Suppliers are dime a dozen, however the one which you need is not readily visible, and few primary causes which emerged after few deliberations with the veterans in the industry were not surprising but simple fundamental facts.

Few frequent problems of IT purchase managers;

- a) Unable to attract best in the market due to lack of big ticket procurement
- b) The management has decided on the brand and the system integrator and hence I have to comply/bear with them
- c) Do not have much choice as my requirement is unique
- d) Lack of time to evaluate the best
- e) Additional burden and not in the scope of my work

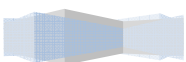
Whatever may be the reason, eventually what you lose is your hard earned credibility and your organizations hard earned money. After deliberating with series of people/friends/clients around me, I could derive a six step procedure to optimize IT procurement. The steps are sequential in nature and should be practiced one after another.

Six Steps to your dream vendor:

1. **Understand your need:** A good understanding begins with answering a simple question “What is my need?”. Is it simple computing or is it mobility? What are the applications to be run on the machine? Etc.
For example, compare “Gmail” and any other mail like “Hotmail” or “Yahoo”. Gmail has a simple clear page with mail access and nothing else, whereas others have plethora of information on their webpage. It can be quite confusing for a new user and at times for frequent users as well. The idea is to understand the need and look for a simple solution to the requirement.

The idea should be to “Keep it simple and straight”

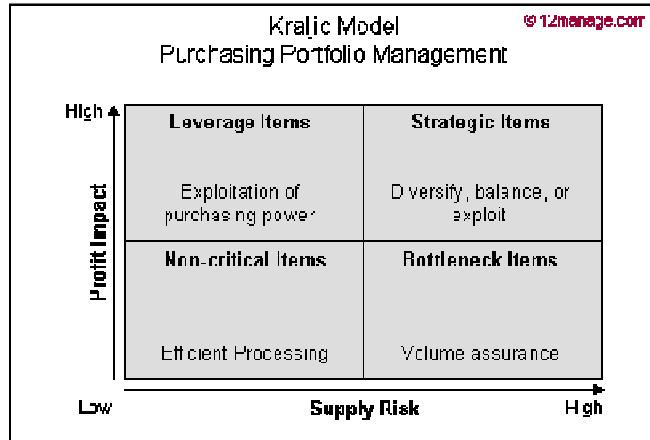
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2. **Map your procurement:** Once the need is ascertained, the next important step in the chain is to map your purchase on Kraljic or any other similar model. This will help understand the type of procurement and ascertain the

effort level required to meet it. Following is the Kraljic Model to manage purchase portfolio.

On the x-axis is the supply risk or you can put delivery time and y-axis is the impact on profit or being more direct, the cost associated with it. If the product is in the first quadrant which is low risk and low cost, it is a “Non-Critical” item and a run of the mill story.

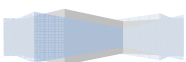


Second quadrant is a high risk low cost “Bottle Neck” quadrant. Basically an Achilles heel. Have a handy list of vendors to mitigate it. Third quadrant is a high cost but low risk item, i.e. “Leveraged Item”. These are high negotiating fields where in you can put your negotiating skills to practice. Strategic quadrant is the most critical one, which demands all your energy and time.

After having understood your need, mapping them on the model will help you prioritize your effort level and help develop further plan of action.

3. Funnel down your vendor portfolio: This can be the most critical step in the chain. A right vendor/partner can actually do all the exercise for you, saving time, energy and money for you. Ideally a set of three suppliers in the most balanced condition. The following vendor selection matrix can assist you funnel down to a set of three best vendors for you.

Vendor Selection Matrix							
Attribute		Weight	Score on the scale of 10				
Broad Base	Drivers		Vendor A	Vendor B	Vendor C	Vendor E	Vendor F
Customer	Geo-Reach	4.0%	1.0	5.0	6.0	7.0	10.0
	Customer Complaints	8.0%	1.0	4.0	5.0	6.0	10.0
	Response Support to customers	8.0%	1.0	9.0	3.0	5.0	10.0
	Market Share	5.0%	1.0	2.0	3.0	7.0	10.0
Finance	Credit Period	9.0%	1.0	9.0	2.0	5.0	10.0
	Quality of Product sold	8.0%	1.0	6.0	7.0	4.0	10.0
	Payment term with distributor	8.0%	1.0	9.0	8.0	1.0	10.0
	Discount/Free Service support	5.0%	1.0	6.0	6.0	7.0	10.0
Business Process	ISO certification	8.0%	1.0	8.0	9.0	2.0	10.0
	Flexibility	8.0%	1.0	5.0	6.0	7.0	10.0
	Transparency	9.0%	1.0	2.0	3.0	4.0	10.0
Learning & Growth	Professionalism of Salesman	6.5%	1.0	6.0	7.0	7.0	10.0
	Knowledge Sharing	7.0%	1.0	4.0	5.0	7.0	10.0
	Training Hours	6.5%	1.0	6.0	7.0	8.0	10.0
Total		100%	1.0	5.9	5.4	5.3	10.0



The selection matrix begins with the broad base, which can be changed as per your requirement. Similarly the drivers are subsets of broad bases which drive the selection process. Again these can be customized as per ones requirement, making the model extremely user friendly and flexible. Finally the total score is the sum of product of weights and the respective score given in to the vendor. This model is an empirical sorting process which can be customized to suit your specific needs.

- 4. Understand & screen your product:** Once the vendor is sorted to support you through the process, this step can be suitably done in conjunction with chosen vendors. Fundamentally most of the products which are available in the market satisfy the technical requirements almost equally, it's the perceived value in the minds of end-users which drives you to buy one product over the other, and this is the area where marketers try to influence the most. For the same requirement a "Nike" would cost you more than a "Reebok" or an "Addidas" and much much more than "liberty". The value is attached to satisfy the notional benefit of the end-user.

Minimise the notional cost, have a product comparison grid

- 5. Have an in-house vendor performance evaluation matrix:** A vendor performance evaluation matrix can be very similar to the selection matrix, albeit with different set of broad bases and drivers.
- 6. If you have chosen them, retain them:** Once you go through the selection and evaluation of vendors its extremely important to have a retention plan in place to avoid the unnecessary hassle of repeating the selection process or facing the avoidable period of crisis management. Simultaneously also keep yourself updated with the new and up-coming players in the market, you never know when you strike gold.

Having discussed few key experiences, I would not say these are exhaustive. Given the dynamic nature of purchase environment, every second process is different and hence the strategies should be different too. Hence to conclude, the endeavor should be to begin a process at some point and continue to evolving it, that is now nature works.....Cheers.

