

PURCHASING TECHNIQUES, NEGOTIATING AND COST REDUCTION

PIN014

COURSE DESCRIPTION

Most Purchasing Operations have the objective of becoming or maintaining World-Class status. World-Class Purchasing operations target significant annual cost improvement, bringing significant strategic value to their organizations and strong recognition to the function and those in it. Yet according to many studies success in purchasing is dependent not only on an awareness of the potential opportunities, but more importantly, and the focus of this course, is the knowledgeable implementation of the methods, processes, and techniques that should be utilized in order to become a leader in obtaining real supply management savings through negotiations and understanding cost reduction. Most organizations must significantly improve their purchasing operations in order to provide the continuous improvements needed to win and earn profits in today's very competitive market place. This course provides more comprehensive guide to the principles and techniques of negotiating and buying.

COURSE GOAL

To enhance the participants' knowledge, skills, and abilities necessary to understand how to use negotiating techniques in purchasing process in order to help their organizations to be a world class in cost reduction.

COURSE OBJECTIVES

By the end of this course, participant will be able to:

- Understand the importance of performing purchasing gap analysis.
- Understand the concept of total cost of ownership (TCO).
- Apply the methods of price and cost analysis.
- Understand the process of developing "should cost".
- Use purchase price indexes.
- Be familiar with best practices in supplier relations, planning and specifying, procurement process, and supplier performance.
- Understand the tendering process and the major steps that should be followed.
- Use pre-tender checklist.
- Understand the methods of selection and qualifying contractors.
- Apply purchasing strategic plans.
- Determine the importance of planning in successful negotiations.
- Apply negotiations approaches.

WHO SHOULD ATTEND

- Procurement and technical staff that have a role in specifying and procuring services and supplies.
- Contracts, Purchasing, and Procurement Personnel.
- Engineering, Operational, Project, and Maintenance Personnel.

COURSE DURATION

5 Working Days

COURSE OUTLINES

1. Introduction

- Purchasing process.
- How important the purchasing function?
- How do other functions view purchasing?

2. Continuous Improvement (CI)

- What is CI?
- Cost reduction and productivity enhancement.
- Strategic focus with Pareto analysis on cost.
- Modern methods of analyzing the spend.

3. Total Cost of Ownership (TCO) Models

- What is TCO? It is not just a price!
- How do we calculate TCO?
- A purchasing savings model.
- Cost reduction initiatives.
- Other things to consider.

4. Cost Reduction Opportunities

- What is cost reduction?
- Things to be considered when applying cost reduction concept.
- Company purchase price index compared with external indexes.
- Supply marketplace and how suppliers price.
- Benchmarking in cost reduction.
- Resisting price increases.
- Supplier performance measurement.
- Cost saving methods.

5. Methods of Price Evaluation

- Price justification.
- Methods of price analysis.
- The competition that leads to price reduction and evaluation.
- Methods of cost analysis.
- Breaking down the elements of cost.
- Developing "Should Cost".

6. Successful Negotiations

- Negotiation skills.
- Preparation steps for negotiation.
- Persuasion methods.
- Win/Win strategy.
- Determining the negotiation issues.
- Rating & valuing negotiation issues.

7. Strengths and Weaknesses

- Know Your Better Alternatives to Negotiated Agreements (BATNA).
- Analyzing the other side.
- Negotiation objectives diagram.
- Negotiation team.
- Tips for the actual negotiation.
- Case study: participants will negotiate model cases & discuss the results to provide an opportunity for hands on experience.

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