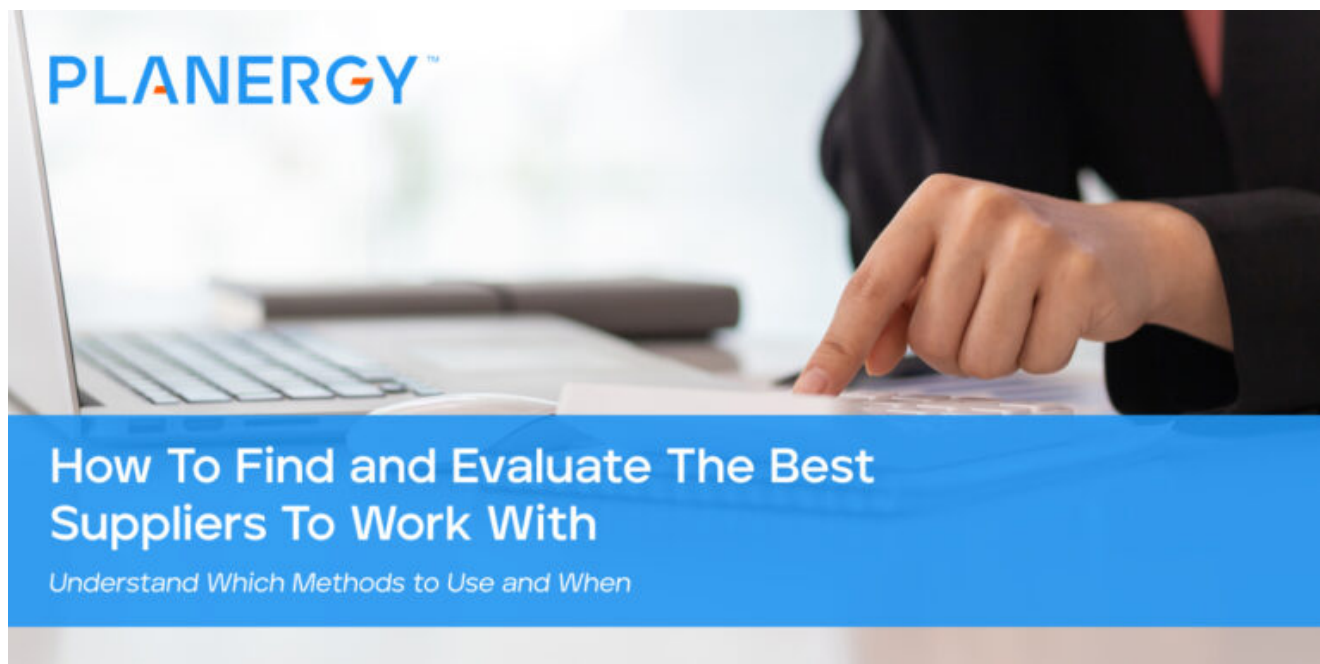


# Procurement Methods: How To Source and Evaluate The Best Suppliers To Work With



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Procurement is the process of sourcing products or services from suppliers or vendors to meet a business need.

It's often tedious for many companies, as procurement involves identifying the right supplier and ensuring that goods and services meet organizational needs.

Organizations are constantly exploring new procurement methods to create a more strategic procurement strategy and ensure competitive procurement.

# 6 Types Of Procurement Methods

There are six commonly used procurement methods used when sourcing and evaluating suppliers for procurement.

They may be referred to by other names depending on your industry and your company, but regardless, the process remains similar.

They include:

- Open tendering
- Single-source procurement
- Two-stage tendering
- Restricted tendering
- Request for proposal (RFP)
- Request for quotation (RFQ)

## 6 Types of Procurement Method



Open Tendering



Single-Source Procurement



Two-Stage Tendering



Restricted Tendering



Request for Proposal (RFP)



Request for Quotation (RFQ)

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Your procurement team will determine which method to source goods and services based on what you need, when you need it, your budget, and other factors.

When signing on a new supply customer, you must consider more than just a good-sounding product and price.

# Open Tendering

Open tendering is a procurement method that allows companies to bid on goods in an open competition or solicitation. Open tendering requires a company to advertise locally and have unbiased and coherent technical specifications for the goods sought.

It also requires objective evaluation measures to ensure accurate bids. Open tendering encourages effective competition to obtain goods, emphasizing value for money.

Open tendering is preferable as it allows companies to apply for multiple contracts at once, resulting in more efficient use of resources and reduced cost-over-runs from multiple procurement processes.

Allowing companies to compete with bids can create better value for the organization, so open tendering is generally considered the best procurement method.

## 2. Single Source

Single-source procurement, sometimes called sole-source procurement, is the non-competitive procurement method of acquiring goods and services from a single vendor.

This method is used in highly specific circumstances, such as when there is:

- Only one vendor is qualified to fulfill company needs.
- A continuation of previous work
- A clear advantage of using this method over other competitive methods

Non-competitive procurement may also be used when supplies or services are only available from one responsible source, and no other supplies or services will satisfy its requirements.

1. Single-source procurement can save time and money while ensuring accountability and quality of service. It allows you to ensure you get exactly what you need, when you need it, at a price you can afford.

However, you must use care and consistency to ensure that single-source procurement improves organizational efficiency and outcomes.

### 3. **Two-Stage Tendering**

Two-stage tendering is a procurement method where the buyer invites tender in two stages. The first stage involves bidders submitting their proposals without prices, while the second stage includes price specifications from the selected bidders.

It's commonly used in construction procurement projects to help streamline the bidding process.

At the prequalification stage, potential vendors are assessed on their financial stability, previous experience, and capacity to carry out the work. Suppliers who pass this initial stage may be invited to submit a detailed technical bid at the second stage.

This will include cost breakdowns and further details on how they plan to deliver the project within budget and time constraints.

In both stages of two-stage tendering, all bids are evaluated against certain criteria set by either public or private bodies before contract award decisions are made.

### 4. **Restricted Tendering**

Restricted tendering, sometimes also called selective tendering, is a competitive procurement method that limits the number of requests for tenders sent out to suppliers or service providers. It ensures that the best-suited and most qualified entities are chosen to acquire supplies or services.

Restricted tendering is commonly used with limited resources and when the procurement process must be streamlined. Shortlisting only the best-suited entities for procurement can save time and money.

By limiting the vendor pool, restricted tendering allows for better selection and reduces the possibility of waste or overpaying.

This selective process helps ensure effective and successful acquisition while saving time and money in the procurement process.

## 5. **RFPs**

RFPs, or request for proposals, are a standard document in the sourcing process. Commonly used to solicit bids from potential vendors. An RFP outlines your requirements, expectations, and all other necessary information so potential suppliers can submit a proposal.

An effective RFP typically includes a detailed description of the project's purpose, timeline, budget constraints; key deliverables; selection criteria; expectations on how vendors should submit their proposals; and contact information for questions or clarifications.

In addition, if there is expected follow-up service involved, it is important to include details about ongoing support requirements you may have.

By issuing RFPs, you can quickly receive competitive bids to ensure you receive the best goods and services at the most affordable price while meeting your specific requirements.

You should use RFPs when many potential solutions are available but find none fitting perfectly with your needs.

## 6. **RFQs**

RFQs, or request for quotations, are similar to RFPs in that you can use them to get bids from potential vendors. A key difference is that the RFQ should include a pricing quotation.

You generally issue a document to potential suppliers with detailed instructions and specifications. Suppliers then submit their best offer.

These offers typically include pricing information, lead time, and other factors based on your specific needs. You can compare the responses to determine which is best for your company.

You should use an RFQ when you know exactly what you want and need to

compare pricing better. Because of this, RFQs are most commonly used when purchasing standard products or raw materials that don't need customization.

*Effective procurement management lies in knowing which procurement method to use and when.*

## Best Practices for Selecting Vendors

Choosing a vendor is one of the most important decisions you can make for your supply chain. A good vendor should provide quality products and services on time and be reliable and trustworthy.

### ■ Best Practices for Selecting Vendors



Understand Your Needs



Research Vendors Thoroughly



Evaluate Their Capabilities



Spend Time on Contract Negotiations



Periodically Evaluate Supplier Performance Across Your Supply Chain

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### • Understand Your Needs

Take time to understand what exactly your business needs before beginning the search for a vendor.

Make sure that any potential vendors meet all of your requirements, including price points and terms of delivery. Also, consider any specific features or qualifications they may need to fulfill your needs (e.g., certifications or experience).

This step is critical because it helps narrow down potential vendors

quickly so that you don't waste time pursuing those who won't be able to meet all of your needs.

## • **Research Vendors Thoroughly**

Before you start to narrow down your list of potential vendors, it's important to do thorough research into each candidate.

Look at each vendor's track record, customer reviews, and ratings on websites like Yelp or Google to get an idea of their reputation in the market. Also, look into their financial stability to know they'll be able to handle any orders you place with them.

References from past clients can be a valuable source of information when selecting a vendor.

References provide an opportunity to hear first-hand experiences and reviews from those who have used the services of a specific vendor. Asking vendors for references is one way to assess the quality of their services before committing to any agreement.

When speaking with a vendor's reference, ask meaningful questions that accurately reflect the vendor's performance.

Ask about the vendor's customer service and how efficiently they deliver promised goods or services. Inquire about any potential challenges experienced in working with the vendor and if they are easy to communicate with and respond quickly to questions or concerns.

## • **Evaluate Their Capabilities**

Once you have narrowed your list of vendors, it's time to evaluate their capabilities.

Make sure they have the capacity and experience to meet your requirements. Ask them questions about their production process, delivery times, product quality standards, etc., to determine if they can provide what you need from them.

It's a good idea to have some ideal metrics to help the vendor know more about what you expect and whether or not they can meet your needs. You can use these metrics to see how well they perform later, should you hire them.

## • **Spend Time on Contract Negotiations**

Negotiating with suppliers is a critical part of any procurement process. It's important to get the best deal possible, but it's also important that the supplier feels like they are getting a fair deal.

A win-win for your company and the supplier will help start the supplier relationship on the right footing. When both sides feel like they are getting what they want, it can result in an outcome that both parties can be happy with.

Before you start negotiating with suppliers, it's important to understand your end goals.

Do you want to get the best price possible? Are you more concerned with quality? Are there certain features or services that you need from the supplier? Once you understand your needs and wants, it will be easier to communicate them during negotiations.

Know your limits. Don't be too aggressive in trying to get a better deal or making demands on the supplier; if they feel like they aren't getting anything out of the deal, they won't want to work with you in the future.

You should also make sure that you are aware of any laws or regulations related to purchasing from a particular supplier so that you don't run into any legal issues down the line.

## • **Periodically Evaluate Supplier Performance Across Your Supply Chain**

Evaluating vendor performance is an important part of any successful supplier relationship, as it allows your procurement department to ensure that its vendors meet the standards.

Evaluating a vendor's performance can help you make informed decisions about your partnerships and address any improvement areas. Tracking KPIs in vendor management will help with this.

Three key areas should be assessed when evaluating vendor performance: quality and reliability, responsiveness to customer needs, and cost-effectiveness.

Quality and reliability refer to the degree of accuracy, timeliness, and consistency with which the vendor provides its services or products.

Responsiveness refers to how quickly the vendor responds to customer queries or requests.

Cost-effectiveness looks at whether the prices charged by vendors represent good value for money compared with other providers in the market.

## **Use E-Procurement to Streamline the Entire Process**

With an e-procurement platform, like PLANERGY, you can track all your vendors, contracts, purchase orders, and purchase requisitions in one place.

Spend analytics can be used to better inform procurement decisions and enable better strategic sourcing.

You can automate purchase order approval, track department budgets and spend to report to stakeholders, and more.

You'll save time, allowing your team to focus efforts on more value-added activities, increasing revenue and productivity.

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