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## Tendering and Intelligent Purchase™

### Tendering

A company would normally go through a tendering process for two reasons:

1. to try to reduce the cost of the products they purchase, and
2. to benchmark the prices they currently pay, and check competitiveness.

The traditional tendering process normally followed is as detailed below:

- (a) Approve 3-6 suppliers to take part in the tender.
- (b) Review the items currently purchased and the price paid.
- (c) Prepare a list of items for alternative suppliers to price. The list is the contract (core) list. The list is prepared using the 80/20 rule. That is, the list will include the items most frequently purchased and used either by value or quantity – ie 20% of the items will represent 80% of the cost. Please note that we assume that the quality of products to be supplied and the level of service provided would be the same or better.
- (d) Obtain prices from suppliers for the established contract (core) list. The successful supplier would provide a catalogue and offer a % discount off catalogue prices for products not included within the contract list.
- (e) Check and verify whether savings are achievable, and review terms and conditions.
- (f) Award the contract to the single supplier who provides the best value for money on the contract list.

This is the general tendering process one would follow to benchmark the current purchasing prices and for reducing the product purchasing cost to produce savings.

Prior to the introduction of the internet, the process could take weeks or months, depending if it includes national or global suppliers.

Following the introduction of the internet, the process time has been reduced to hours or minutes, achieving a great improvement in speed and at much reduced time and cost to both buyers and suppliers.

### Contract List – No Long Term Savings

Our experience has shown that using a core list may save the company money in the short term, ie at the initial implementation stage, but definitely will **not save** any money in the long term.

*Turning cost into profit*

The reasons are as follows:

1. The core list would be priced by the supplier very competitively to win the contract (tender).
2. The supplier will provide the customer with a catalogue and will offer a % discount off the catalogue price on part or all of the items purchased from the catalogue. The supplier's margin will be between 30% and 80% after providing the customer with a % discount from the catalogue. This is because the prices in the catalogue are inflated by as much as 700%.
3. The contract (core) list is a living document and it will change to suit the changes to the business requirements, as shown below. Ongoing changes will make it impossible to ensure that employees are purchasing items only from the established contract (core) list.
4. The paid invoices will comprise of items from the contract (core) list (20%-30%) and from the catalogue (70%-80%), as shown below. This is the main reason that companies who use a contract list will not save money in the long term.

### **Intelligent Purchase™ (patented)**

Intelligent Purchase™ is a web based purchasing tool which allows buyers to knowingly purchase products at the best price, without compromising quality or service.

Intelligent Purchase™ can be described as follows:

Intelligent Purchase™ is accessible by your nominated buyer/s via the internet, therefore there is no software to install. The system will host the catalogues of your preferred and/or approved suppliers. (New suppliers can be added at any time.)

The user will compile a purchase order comprising of the products they wish to purchase. On completion of the order, Intelligent Purchase™ will display the total cost for the order from each supplier, allowing the user to choose which supplier to award the order. Once the supplier has been chosen, the order is sent to them electronically and the buyer will receive a copy, by email, detailing the individual unit prices.

In summary, each order placed through the Intelligent Purchase™ portal is virtually tendered. The best price available is displayed – in real time – on the *total* purchase order, ie one order containing multiple items, to the supplier offering the best price on the 'basket'.

As every order is virtually tendered, it completely eliminates the need for the tendering process and the requirement for an annual dedicated contract with a single supplier, therefore providing the company with full purchasing flexibility from the supplier of their choice.

This releases time and resources for other activities. The 'order template' and 'favourites' facilities enable orders to be compiled quickly and effortlessly. The prices on the system can be updated by the supplier at any time. Each supplier can offer special prices on various items, which will reduce the cost of the products purchased.

Companies with multiple locations need to overcome a compliance problem. Individuals at the various locations would like to continue to use the suppliers they are currently using. Using our procurement system solves the compliance problem and also enables the individual the choice to use their current suppliers whilst at the same time generating the savings, and providing management with the visibility and control of purchases on all the locations.

The Intelligent Purchase™ software offers a complete purchasing solution, increasing control by virtue of the individual settings for each user and the ability to allocate purchases to an infinite number of cost centres, departments, locations, budgets, etc. A range of reports and statistical data is also available for management purposes.

A summary of the benefits to the buyer are detailed below:

- **No software cost or installation** – web-based solution
- **Your suppliers – simultaneous access and choice** – your approved or preferred suppliers in one marketplace, ensures choice, flexibility and best price
- **Continuous savings - purchase at best price every time** – each purchase is virtually tendered
- **Real time (contract) prices – competitive market place** – allows suppliers to update details at will, ensuring accuracy of results
- **Volume Price Breaks** – multiple levels of discount based on quantity purchased
- **Consolidated catalogue – branded and unbranded products** – enables the buyer full flexibility and choice
- **Minimise maverick / ad hoc buying** – reduces spend on “nice to have” items, by virtue of the ordering system.
- **Eliminate Tendering Process and contract agreement** – eliminate the requirement for tendering and annual contract arrangements
- **Unlimited remote locations and multiple cost centres**– the system provides a comprehensive purchasing management system by location, department, account, etc., ability to fully control, monitor and check purchases centrally
- **Maximise compliance** – ability to ensure maximum competence to centrally agreed contract. Specially effective with companies having multiple locations
- **Free up and reduce purchasing time** – management time can be re-directed to more beneficial activities thereby maximising effectiveness and reducing cost waste.
- **Personalised access and credit limits** – increase control by establishing limits according to user function.
- **Management visibility and authorisation prior to order** – option to create multi levels of users, further increasing control
- **Management reports – purchasing audit trail** – comprehensive reports available, providing comprehensive spend analysis, purchasing profile, patterns, trends, etc
- **Transparent process** – full integrity is maintained throughout the whole purchasing process.
- **Management visibility and control** - ability to view and change items purchased by any location or user prior to placing order.
- **Payment to Suppliers** - ability and flexibility to pay either by standard monthly invoicing or through the use of purchasing card.