

MATERIALS MANAGEMENT NEWS

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We're on the web!
www.ismmmg.org

Greetings from the Chair

Terry R. Volpel, CPSM, C.P.M., SCMP

Well, another winter has come and gone for those of us who experience the seasonal change in various degrees. Living in Edmonton, Canada, we get a shift in temperature over the course of the year. As important to northerners, the reduction in daylight hours is noticeable.

When people speak of climate change, I think most of us have noticed more severe weather patterns in our towns and cities, and it often raises the issue of sustainable supply management for me. Here are a few questions that are becoming more and more "front of mind" when I am evaluating suppliers, goods and subcontractors:

- ⇒ Is the product manufactured sustainably?
- ⇒ Does the product have "green" credentials? What is the carbon footprint?
- ⇒ Does the supplier have a focus on sustainable procurement and manufacturing? ISO credentials?
- ⇒ How robust are the supplier's safety programs?

As someone who has worked for decades in and around the energy sector, I find myself drawn (often surprisingly) more and more to these issues, and I find it increasingly difficult to make procurement decisions based solely on the cost of goods and services.

How about you? Has your thinking shifted and changed over the past 10-15 years? Post a comment on our MMG LinkedIn page.

Have a great spring and we will see you at [ISM2016](#) in Indianapolis, IN.

The Materials Management Group (MMG) promotes professional development, best practices and networking opportunities within ISM affiliates, Groups and Forums, and within our broad profession. In alignment with our mission, we are inviting our members to submit articles and best practices that may be shared among our readers. Articles selected will be published in the MMG Newsletter, a bi-annual publication. MMG reserves the right not to publish articles it does not deem relevant or appropriate.

Guidelines for articles:

- ⇒ The article(s) may be submitted in a Word, Excel, or PowerPoint format.
- ⇒ Articles that reference supplier names and/or pricing will not be accepted for publication.
- ⇒ Submission deadline is August 3, 2016
- ⇒ Please submit your articles to Terry Volpel at tvolpel@shaw.ca

We look forward to receiving your article.



The Competitive Bid Process as the First Step in Supplier Relationship Management

Eric Lotz, C.P.M., SCMP

How do you view your suppliers and are you being seen as a good customer? The age-long view held by many buyers have centered on “I am the customer; I am always right; the supplier will meet my needs as I demand; what is the best price; and I owe them nothing other than paying the invoice.” This philosophy held true in the 1960’s when the sources of supply were plenty and yes, this thinking is still held by some today.

How do you engage potential suppliers today? If you are working with a firm or seeking to do so, the relationship begins with the Bid Request document (RFX). The potential supplier will form their opinion of a potentially positive relationship by how you convey the information or requirements within the first three paragraphs of your RFX document.

For Requests for Proposals (RFP’s), wherein you are looking for a solution for a product or service, no doubt there are specifications or expectations that the bidder’s product or service need to meet. Do you state your requirements in an unlimited number of mandatory (“must, will, or shall”) or do you predominately use the words “expectations”; “options”; and “desirables”? How you convey those terms may be interpreted or perceived by the bidder in the manner as to how your firm or entity conducts business. Minimizing or eliminating the use of the mandatory words may soften or convey a warmer approach.

Therefore, when the RFX document is released (either by invitation or public offering), the key is to determine who your bidders or prospective suppliers will be. By enclosing a “Response Notification Form” with your RFX, and setting a return date of two week, you will not only know the firms who will be submitting a bid, but also the name of the contact person with whom you will foster a relationship during the process.

Your RFX Document should include a deadline for taking questions or inquiries, at least, ten days before to the RFX closing date, with their answers provided at least seven days before the closing date. The purpose of this practice is to facilitate all of the relevant information to all of the registered bidders, or others if your RFX document allows. (To meet your obligation of fairness, all of the information obtained from the inquiries, or change in the document or requirements, must be shared with all of the registered bid-

ders or posted on the designated public website. If you are using the BC Bid or another public website, the questions, answers or addendum may be posted there as long as your RFX instructs the bidders to access the information from that medium. Alternatively, it will be necessary for the facilitator to provide the information by way of e-mail or another expedient medium as set out.)

Potential suppliers or bidders will also want to know what you are looking for to enable them to respond to your requirements. Thus, by including sufficient information and clearly stating your expectations within each of the RFX’s section elements, valuable guidance is being conveyed to the bidder as to what level of information they should provide.

Potential bidders wish to know how their bid will be evaluated. By including the evaluation criteria (including the weighting of the elements that are being used), and the various steps within the process, this information serves to provide guidance as to the seriousness of your Bid Request, and provides them with the assurance that their submission will be considered fairly.

So what has this got to do with supplier relationships?

- ⇒ Your RFX within its introduction outlines the nature of your firm; provides an overview as to what is being sought; how your firm conducts business; and sets the tone as to whether the bidder sees value in their investment of resources to prepare a bid or proposal;
- ⇒ Your manner of communication during the process should assure the supplier that a positive long term relationship is possible and a customer with whom they wish to do business.
- ⇒ Communicating professionally with the unsuccessful Respondents or Bidders will serve to promote a positive reputation among suppliers within the given industry;
- ⇒ How your firm will maintain a successful business relationship during the term of the contract or supply arrangement is conveyed in the manner as to how meetings or interviews are conducted, or within the process of setting out a Service Level Agreement.

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Therefore, some key aspects should be considered during the RFX process:

- ⇒ If the evaluation process is on schedule or delayed, convey the new expected timeline or key dates by email to all of the Respondents (Bidders Registration Form);
- ⇒ If a shortlist path is chosen and interviews or presentations are requested, provide the affected with prepared questions, at least, a week or 10 days in advance of the scheduled interviews. By doing so, you add value to the meetings and obtain answers to any concerns expressed during the evaluation. (Request that the answers to the prepared questions be provided to you also in writing). When sending the prepared questions, explain that additional questions may be asked during the interview.
- ⇒ When notifying the unsuccessful bidders, do so in a formal letter, (then email to the contact person) and thank them for submitting a bid and stating that their efforts have been recognized. If it is your firm's policy to offer a debriefing after the bid process is complete (contract signed), explain that they need to request this in writing to you. (Debriefings should include an overview of your process, how their scores fared in relation to your requirements within the key elements, and offer suggestions as to how they can improve on future bid opportunities. At the conclusion of the debriefing, ask if they have any questions and what they thought of your RFX and process;
- ⇒ If you include a schedule within your RFX document to do with contract management, state your expectations but request the bidder to submit their ideas and mention that the final result will be developed collaboratively. Avoid the use of penalizing language but demonstrate a manner of positive management. Consequential issues will be addressed in subsequent negotiations as deemed necessary.

Each bid process has different peculiarities and notwithstanding the proceeding, the bid process facilitator will still

need to ensure that the RFX Document and the process comply with the legal aspects. If contractual term limitations are a part of the Owner's policy, or set out in public policy or by statute, it should be understood that the RFX process for the same requirements may be necessary again in three to five years, and no doubt your firm will desire that supplier (s) will want to return to respond to another opportunity for the business.

It is recognized that the procurement professional may not necessarily have conduct of the bid process in all instances citing that to the using or internal clients, however it is essential that all of the stakeholders have the knowledge of the rules and interest to ensure that a good relationship with its suppliers during the process usually delivers the best value to the organization in the long term.

**From a reprinted 1908
Sears Roebuck Catalogue**

\$882⁰⁰ PAYS FOR ALL THE MATERIAL
FOR A FANCY NINE-ROOM TWO-STORY BUNGALOW WITH BATHROOM.
 This price includes the Mill Work, Ceiling, Siding, Flooring and Finishing Lumber, Building Paper, Pipe, Gutter, Sash Weights, Nails, Hardware, Painting Materials and Lumber. By allowing a fair price for labor this house can be built for \$1,000.00.

ON PAGE 2 WE EXPLAIN HOW YOU CAN GET PLANS, SPECIFICATIONS AND BILL OF MATERIALS FOR THIS HOUSE FOR NOTHING.



MODERN HOME No. 144

For the above price we will furnish a high grade of material as you will note by some of the following items: Washers front door, glass with leaded glass; clear five-cross panel inside doors; solid yellow pine trim throughout the house; clear gum or hardwood floor; mantel for living room; clear yellow pine stair material for open stairway.

Measurement of house, 30 feet wide by 24 feet long. Porch, 8 feet wide by 30 feet long. Basement under entire building, 6 feet 8 inches from door to joists. First story, 8 feet from floor to ceiling. Second story, 8 feet from floor to ceiling.

This house would ordinarily cost \$2,000.00 if you purchased from your local dealer a high grade of material equal to what we furnish, and obtained your plans from your local architect; but by furnishing you a set of plans more complete than 90 per cent of the plans furnished by ordinary architects and supplying our strictly high grade of material at least 20 to 30 per cent cheaper than you could buy it from other sources, we make it possible for you to build this house for \$1,000.00. The first story of this house is sided with narrow beveled siding and the second story with shingles, which produces a very rich effect.

Complete Hot Air Heating Plant, for soft coal, extra..... \$4.34
 Complete Hot Air Heating Plant, for hard coal, extra..... \$6.60
 Complete Steam Heating Plant, extra..... \$12.85
 Complete Hot Water Heating Plant, extra..... \$19.30
 Complete Plumbing Plant, extra..... \$18.30

Sears, Roebuck & Co., Chicago, Ill. -20- BOOK OF MODERN HOMES

Note the full bathroom, save those cold trips outside in the winter....