

Purchasing Department Action Plan

Purchasing Department Goals:

1. To structure the purchasing department so as to absorb more responsibility and become more productive.
2. To move the department away from being reactionary toward being proactive.
3. To reduce HG inventory costs.

How to achieve goals:

Goal One

To structure the department in such a way that purchasing is able to absorb more responsibility as the company grows. We want to streamline and specialize responsibilities for each team member in the department. This will allow purchasing to work more effectively as responsibilities will be more clearly delineated and tailored to each position's role in the company.

Solution: change department structure.

Current Department Structure:

Manager	Purchasing Agent	Receiving Clerk
<ul style="list-style-type: none"> • negotiating prices on large production projects • overseeing all work, monitoring what supplies are coming in, and communicating with the rest of HG's staff • troubleshooting vendor problems • finding and implementing new vendors • researching new products • quoting sales proposals • checking invoices to ensure that POs and invoices match • processing POs, including large production print orders, moulding, production supplies, mat orders, and office supplies • creating RMAs for damaged products and managing returns with vendors while also monitoring credits for returns • upkeep with misc. inventory lists — mirrors, HGA, hardware, and moulding • building vendor relationships and establishing key vendors to work advantageously with HG 	<ul style="list-style-type: none"> • entering pricing into <i>Specialty Soft</i> and <i>Nav</i> • royalty payment POs • processing print order POs • moulding inventory maintenance • compiling all in production artwork during inventory • compiling final moulding and fillet counts during monthly inventory 	<ul style="list-style-type: none"> • creating labels and labeling artwork • receiving all products, including art as well as misc. supplies • checking artwork in and performing quality-control checks • shrink-wrapping new artwork

- Greyed bullet points indicate responsibilities that have been performed in limited capacity due to the current structure of the department and time constraints.

New Purchasing practices to enhance the department's performance:

- analyze spending per vendors per month/quarter/year
- analyzing products' usages/spending per month/quarter/year
- negotiating vendor prices based on historical buying habits and stock needs
- creating, analyzing, and monitoring inventory levels
- checking in all products carefully and performing quality-control checks on those products
- receiving moulding and mats
- strategic planning to improve productivity and reduce costs
- researching pricing trends (i.e.: prices of wood, metal, and other natural goods that fluctuate in price and affect product costs)

Suggested Department Structure:

Manager	Purchasing Agent	Receiving/Inventory Clerk
<p>Primary objective: to work towards long term company and department goals — looking at overall purchasing trends and establishing key vendor relationships to build smarter purchasing relationships for HG.</p>	<p>Primary objective: To process and monitor the everyday purchasing at HG arts; to keep track of all products delivery schedules.</p>	<p>Primary objective: to receive in all HG products and catch any quality control issues that products may have at time of delivery — as well as arranging all return pickups when necessary; additionally: to maintain all inventory databases for HG.</p>
<ul style="list-style-type: none"> • analyzing spending per vendors per month/quarter/year • analyzing products' usages/spending per month/quarter/year • negotiating optimal vendor prices based on historical buying habits and stock needs • negotiating better prices on large production projects • overseeing all work, monitoring what supplies are coming in, and communicating with the rest of HG's staff • creating, analyzing, and monitoring inventory levels • creating long term goals for the department • troubleshooting vendor problems • finding new vendors as necessary • researching new products • compiling all inventory reporting each month to present to management • building vendor relationships and establishing key vendors to work advantageously with HG • researching pricing trends (i.e.: prices of wood, metal, and other natural goods that fluctuate in price and affect product costs) 	<ul style="list-style-type: none"> • quoting sales proposals • entering pricing into <i>Specialty Soft</i> and <i>Nav</i> • royalty payments • processing all POs and working with vendors to ensure timely arrival of products — including print orders, moulding orders, production supplies, mat orders, and office supplies • checking invoices to ensure that POs and invoices match • compiling all artwork in production during inventory 	<ul style="list-style-type: none"> • creating labels and labeling artwork • receiving all products — including art, moulding, mats, and misc. supplies • checking in all products carefully and performing quality-control checks on those products • moulding inventory updates • creating RMAs for damaged products and managing returns with vendors while also monitoring credits for returns • upkeep with misc. inventory lists — mirrors, HGA, hardware, and moulding • shrink-wrapping new artwork • compiling final moulding and fillet counts during monthly inventory

Tools needed to achieve goals:

- receiving computer
- an additional part-time receiving/inventory clerk (20 hours a week)
- receiver should be forklift-certified

The purchasing department wants to absorb all the receiving responsibilities that the production department is currently handling. In doing this, we will be freeing up both moulding and matting team members' time to increase productivity. This will help cut down on staff's distractions during production. We also want to perform proper quality control checks on items that are not currently being performed by production due to time constraints. This will allow us to catch vendor mistakes earlier and change products out before they get into production instead of catching mistakes when production is ready to use products. This will be physically more demanding of the receiving team, and will need an additional part time person to help with the physical aspects that will need to be achieved.

Having receiving in charge of monitoring inventory is a natural complement to the existing receiving position. As products are coming in, they add them to inventory, and would do the same as products are counted as used. This would require more use of a computer — which the receiving clerk currently does not have. Currently, the manager and purchasing agent are handling this responsibility.

Goal Two

In order to move the department away from being reactionary toward being more proactive, Purchasing wants to anticipate the needs of other departments so those departments can spend less time managing when products are coming and more time producing or selling.

Solution: Creating smarter purchasing standard operating procedures and routine analyses to increase the overall performance of HG Arts.

- analyzing products' usages/spending per month/quarter/year
- creating, analyzing, and monitoring inventory levels
- checking in all products carefully and performing quality-control checks on those products
- requiring lead times on all quotes for production products to give sales team what will be needed to start jobs
- overseeing all work, monitoring what supplies are coming in, and communicating with the rest of HG's staff
- weeding out problematic vendors that are consistently causing problems
- working with sales and production to come up with standard product need time lines so product arrives in time to achieve production schedules
- working with sales and past annual spending numbers to forecast purchasing needs for future quarters
- giving accounting a projection of what money will need to be spent to get product in so HG can plan accordingly

Goal 3

To analyze current Purchasing practices in HG Arts and find new ways to make more efficient purchasing decisions — thus accumulating significantly more savings for HG annually. This will also allow us to better forecast future spending needs.

Solution: find areas where we can save money on products we currently buy regularly.

- analyzing spending per vendors per month/quarter/year
- analyzing products' usages/spending per month/quarter/year
- negotiating optimal vendor prices based on historical buying habits and stock needs
- negotiating better prices on large production projects
- building vendor relationships and establishing key vendors to work advantageously with HG
- researching pricing trends (i.e.: prices of wood, metal, and other natural goods that fluctuate in price and affect product costs)

Purchasing wants to look at all the products HG spends money on regularly (not just large production jobs) and find areas where HG could make better decisions to cut costs.

Example:

Mounting Tissue	Current Vendor Cost	New Vendor Cost
Small Roll 300'	\$132.04	\$90.51
Large Roll 300'	\$212.86	\$153.10

Mounting Tissue	6 month usage	Current Vendor Cost	New Vendor Cost	Total savings:
Small Roll 300'	61	\$8054.44	\$5490.00	\$2564.44
Large Roll 300'	21	\$4470.06	\$3215.10	\$1254.96
			Total Savings	\$3819.40*

*This does not include price to ship as new vendor is out of state.

Other standard items to analyze:

- ATG tape
- release paper
- foam-board
- wood
- all stock moulding
- plexi

Conclusion:

HG Arts has unique products and wants to compete and succeed in a highly competitive marketplace. We understand that certain well thought-out changes are good, and that they can bring us a higher level of success. Structuring the company to work more efficiently will allow HG Arts to better flourish and grow.

Purchasing is an integral part of the structure of HG Arts. We communicate and work closely with nearly every department at HG. Creating a stronger Purchasing department will allow HG to grow effectively as we put practices in place that will alleviate the need for other departments to perform Purchasing responsibilities (e.g. to order supply or check in stock). This will free up their time to continue specializing in their specific job areas and make HG more efficient in more profitable output of our products.

While Purchasing has previously been working on a reactionary basis to meet HG's needs, moving towards a proactive model will eliminate emergencies and rushes. This will not only save money by eliminating possible rush charges that we might otherwise incur, but will also reduce inefficient labor time that is involved with multiple departments having to scramble to get certain jobs done or solve problems after they have already occurred.

As Purchasing makes time to systematically achieve the goals laid out in this proposal, I am confident that HG Arts will not only achieve a greater quantity throughput of work from the Purchasing department, but also a significantly better quality of results.