

PURCHASING : THE APPLICATION OF COMPUTER IN VENDOR RELATED
ACTIVITY.

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CHAPTER I

INTRODUCTION

INTRODUCTION.

The business environment of today is characterized by greater domestic and international competition, increased demands for improved productivity, uncertain costs and technological change¹.

We all know that a business can only survive if it makes a profit. There is nothing one can do to guarantee that a profit is going to be made, but certain factors can go along way towards making a profit a near certainty. One of the reasons is cost control². In the search for higher profits, the purchasing function is often overlooked, yet reductions in purchase costs go straight to the bottom line.

It is not uncommon to find manufacturing companies where the cost of bought out goods and services accounts for over two thirds of total costs. T. Sambridge (1985) said that, "a fairly average breakdown of the selling price of a company's product involves a 50 percent cost allocation for purchasing raw materials"³. Many organizations suffer from a form of blindness known as "front end focus", that is they have devoted management resources to improving sales and marketing effort. Business schools estimate that companies waste millions of pounds because of poor buying habit.