

DNS ERP Private Limited

Vendor Relationship Management

What is CRM? Nine out of ten people know customer relationship management. However, ask them what is VRM? Probably most do not know.

Consider a real life story:

When a customer (say dealers) drops by, without appointment though, the businessman will be delighted to receive him / her and will offer a cup of coffee and will go ga-ga over the meeting. At the same time let us say, a supplier (read consultant) drops in with prior appointment, will be told to wait. The vendor (material or service provider) will have to wait patiently, twiddling thumb and hoping the “big boss” will keep the appointment.

This attitude is anti-VRM. You guessed it right. VRM is ‘vendor relationship management’. Many professional companies have realized that VRM is also as important as CRM. These companies have started giving due importance to supplier (of material or service). Entrepreneur will have to start building up good relation with all ‘creditors’ too.

There are three kinds of ‘creditors’ that are given a special treatment in any good ERP software, as follows :-

(1) Vendor supplying material (stock). The key transactions are Purchase Order (PO) and Goods Receipt Note (GRN).

(2) Vendor giving service. The key transactions are Expense Purchase Order and Expense Voucher.

(3) Vendor giving ‘job work’ service. Where our material is received back after some processing by the third party. The key transactions are Job Order and Goods Inward Note. This GIN is a complex transaction that is not only linked with JO but also does ‘auto-production’ entry in ERP.

These transactions, in ERP, also takes care of the Government compliances such as VAT, excise duty if applicable, etc., automatically. The ‘Quality check’ procedures are integrated seamlessly to give the ‘accepted / rejected quantity’ reports. This is also used in preparing ‘vendor rating’ report, instantly.

The purchase officer is facing many challenges. Sourcing for material is not an easy task: “get good quality raw material at lowest price from a reliable vendor”. Or “get

this item urgently”. Many purchase officers are now using ‘reverse auction’ portals to deal with these scenarios.

Global networking & other broadband technologies are being used as competitive weapons in today’s business. Vendor relationship management (or SRM - supplier relationship management) is important for manufacturing as well as trading companies. What are VRM goals? VRM aims to achieve the following: More efficiency in procurement, Lower costs and Improved bottom line. Remember, purchase officer can directly improve your bottom line by just getting a better price. Lower cost does not necessarily mean to find a supplier who gives the cheapest, but it also means to find a supplier who is giving ‘consistent’ quality, regular delivery as per schedule, etc. This is where the pre-purchase transactions can streamline the purchase department business processes. Key transactions in ERP, to be noted are purchase requisitions, purchase indents, request for information, request for quotation (RFQ) to approved supplier, comparing purchase quotations, and so on.

In small and medium enterprises, gradually the attitude is changing towards vendors (again I mean, all kinds of vendors including consultants, auditors, etc.). The SME is now benefitted by using MIS prepred by the ERP software. Earlier the dialogues were like, “your supplies are delayed” or “lots of rejection in your material”. These statements do not give a clue to the vendor to improve. Whereas, MIS will give specific information like, “in last month you have supplied material 20 times and out of that on so and so date (GRN number) the supplies were delayed or rejected”. Such real time information can give supplier a chance to improve by going to the root cause of issues.

First the attitude must change. The Enterprise Software is only a management tool to help this approach. If wrong business process is automated, ERP will only help the user to do the same faster ! Do some ‘change management’. Simple but very important steps are: (1) it is necessary to identify a business process. (2) IMPROVE. Brain storm to find a better way to do the same. (3) Now automate the improved procedure. It is observed that most of the time, the second step of improving is missing.

In conclusion, VRM is equally important as CRM. It is nice to know that gradually business-man is changing the attitude, and becoming more professional in the approach towards ‘vendor’ as well.

