



# Identify needs and suppliers for your business

Buying the equipment, tools and materials that you need at the right price, time and quality affects the profitability of your business. Some will be more important than others depending on the type of business you are in. If you use a lot of materials or supplies on a regular basis then keeping control of stock and when and where you buy from will be important.

This involves:

1. developing a clear understanding of what equipment, tools and materials you need in the context of your business plan
2. identifying where equipment, tools and materials for your business can be purchased
3. comparing different suppliers of equipment, tools and materials in terms of value for money and reliability
4. ensuring that you can get the equipment, tools and materials when you need them

## What you need to do

- work out what equipment, tools and materials you need for your business now and in the future, in line with your business aims
- identify any computer hardware and/or software that might make your business more efficient
- draw up a schedule that explains what you need and when
- decide how often and when you will need any regular supplies and match this to your financial planning
- set clear targets and limits for buying supplies
- research different suppliers of equipment, tools and materials
- work out the costs and benefits of equipment, tools and materials from different suppliers
- identify suitable suppliers and compare different options
- prioritise and balance options against your needs
- assess the effect agreements will have on sales margins and profitability
- agree the most favourable cost and terms for buying the supplies
- keep accurate records of agreements with suppliers and make sure the appropriate people see them



- check what the laws and regulations are for supplies for your business
- arrange for the equipment, tools and materials to be supplied
- decide on and use an efficient system for recording your supplies

## What you need to know and understand

### Business focus

- what your business aims are for products, market share, price profitability, cash flow, projected turnover, capital and assets

### Supplies

- what initial information can be gathered about current and future needs for equipment, tools and materials. (For example accounting information, customers, suppliers, market information, order book, sales forecasts and from staff.)
- what equipment, tools and materials are needed now or in the future. This could include:
  - anything that helps your business with products or services;
  - furniture, fixtures and fittings;
  - office supplies, including computers; or
  - utilities (such as gas, water and electricity).
- what resources to use when buying supplies (For example staff, time, storage space and costs.)
- how to ensure best value when getting supplies
- how to work out the full costs of supplies, for example, price of supplies, stock handling and storage, late delivery and insurance
- how to carry out a 'cost-benefit analysis' of different equipment, tools and materials (in other words, weighing the costs against the benefits and decide what is best for your business)
- how to compare the results of the analysis with your expected profit margins



- what the different options are for getting equipment. (For example choosing between new, second-hand or hire purchase.)
- what needs to be known about suppliers. (For example, price, hidden costs, quality, reliability, minimum order quantities, delivery time and payment terms.)
- how to work out the full costs of supplies. (For example price of supplies, stock handling and storage, late delivery and insurance.)
- how to reduce expenditure on machinery and equipment in advance
- how to make good use of working capital

## Stock control

- how to manage and control your equipment, tools and materials
- how to work out what you need and when you need it
- how to manage stock and what the shelf life of your supplies is
- how you will store materials
- how to reduce waste and get rid of waste products
- how to keep records of your stock
- how you will store and maintain equipment and machinery

## Laws and regulations

- what laws and regulations you need to follow. (For example health & safety, environment or licences.)

