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Centre for Enterprise Development Inc.

BUSINESS GUIDE NO. 17

Guidelines for Buying

*“Developing the local economy, one
business at a time”*



DEFINITION OF BUYING

Buying is the act of purchasing raw materials, goods and equipment which are used in making products to sell, providing services or for reselling.

GUIDELINES FOR BUYING

- Find out what are the needs of the business, that is, what your customers want and you need to manufacture your products or provide your service.
- Make a list of all the things you need to buy, how much they cost and the time when you need them.
- Collect information on different suppliers who sell what you need.
- Get in touch with suppliers to find out what they can offer you in relation to terms of payment, discounts, etc.

- Choose the best supplier for your business needs based on what you consider important for your business. *Excellent customer service, quick delivery, terms and conditions are some of the characteristics you may want to consider.*
- Place your order in writing. Even if you order over the telephone, you should follow up with a written order.
- Never place an order without knowing price and terms of payment.
- When you collect goods check them immediately to see they are what you ordered.
 - *right quantity*
 - *right quality*
- Check your invoice to make sure that it is correct and corresponds with the delivery note.
- Pay for what you have bought and be certain to collect a receipt. Pay on time and only after verification that the amount you have been charged is correct.
- Ensure that you buy the right quality goods to suit your customers' needs. The goods

you buy are for the satisfaction of your customers. Therefore, when buying this should be foremost in your mind. The right quality goods also means that if you are a manufacturer your finished product will be better.

- Buy the right quantity based on your business needs and what your customers require. If you purchase too many of an item, you may find that you are stuck with unsold goods. Unsold goods utilize storage space. It also ties up your money in inventory for a longer period. This may affect your cash flow. If you purchase too few goods, customers may go elsewhere to have their needs satisfied and may never return.
- Purchase items at the right price that is affordable to your business so that you can sell to customers at a fair price, recover your cost and make a profit.
- Buy when your business and customers have a need for the items. Buying items when they are not needed mean that you have to find storage.
- Establish reorder levels so that your business is not interrupted when goods are completely out.