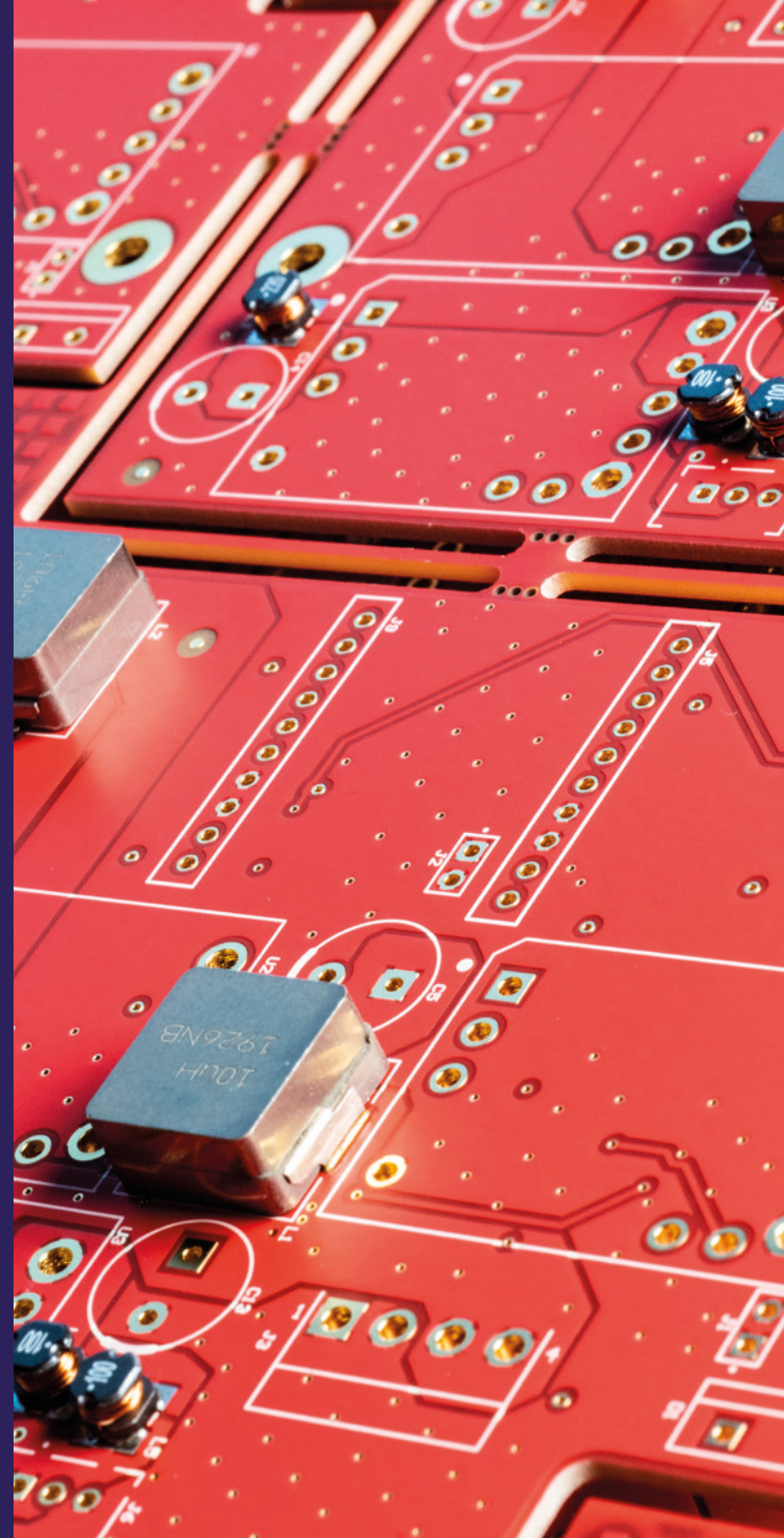


**How a solid OEM
purchasing strategy
can save time
and money**

BitBox



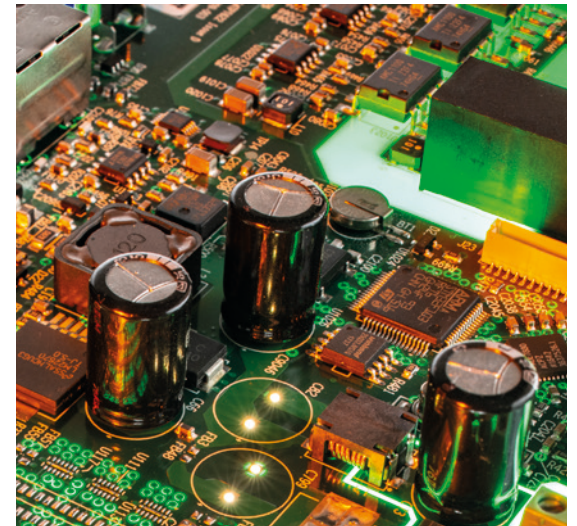
Today's fast-paced, highly competitive market dynamics demand businesses not just adapt, but proactively anticipate change.

This is particularly true for Original Equipment Manufacturers (OEMs), who are finding themselves right at the heart of complex, interconnected supply chains. The purchasing strategies that have served OEMs in the past just might not cut it in today's marketplace. Change is underway, and with it comes a real need for strategic planning in purchasing that is both far-sighted and measurable.

This guide's primary goal is to demonstrate the importance of a solid OEM purchasing strategy and the real positives it provides. We'll look at a variety of related topics and explain why this strategic approach is more important now than ever before. We'll also examine the risks of not having a comprehensive purchasing strategy and help you steer clear of what could be costly pitfalls.

By the end of this guide, you will have a clear understanding of the importance of strategic planning in purchasing and be well-equipped to implement a solid purchasing strategy in your own OEM organization. Having a solid plan not only saves time and money but also fosters sustainability and resilience in the face of market volatility.

Let's get going!



The evolution of purchasing strategy:



This is In the past, purchasing was often simply viewed as a necessary operational function, one where the aim was to acquire goods at the lowest possible cost. The focus was primarily transactional, with little regard for long-term strategic implications. We should remember that back in the day, the business environment was a relatively stable one, with limited product variety, a slower pace of technological change, and a less interconnected global economy.

Industry changes that have happened since then - ranging from globalisation to the digital revolution - have completely changed the game. Markets are now fast-paced, highly competitive, and often unpredictable. Supply chains have become global and complex, and the products have become more diverse and technologically advanced.

This transformation has necessitated a shift in purchasing strategy. No longer can purchasing be purely transactional. It must be strategic, proactive, and responsive to the changing market dynamics. This shift has been recognised by successful businesses around the world, leading to a more strategic, value-driven and some might even say, holistic approach to purchasing.

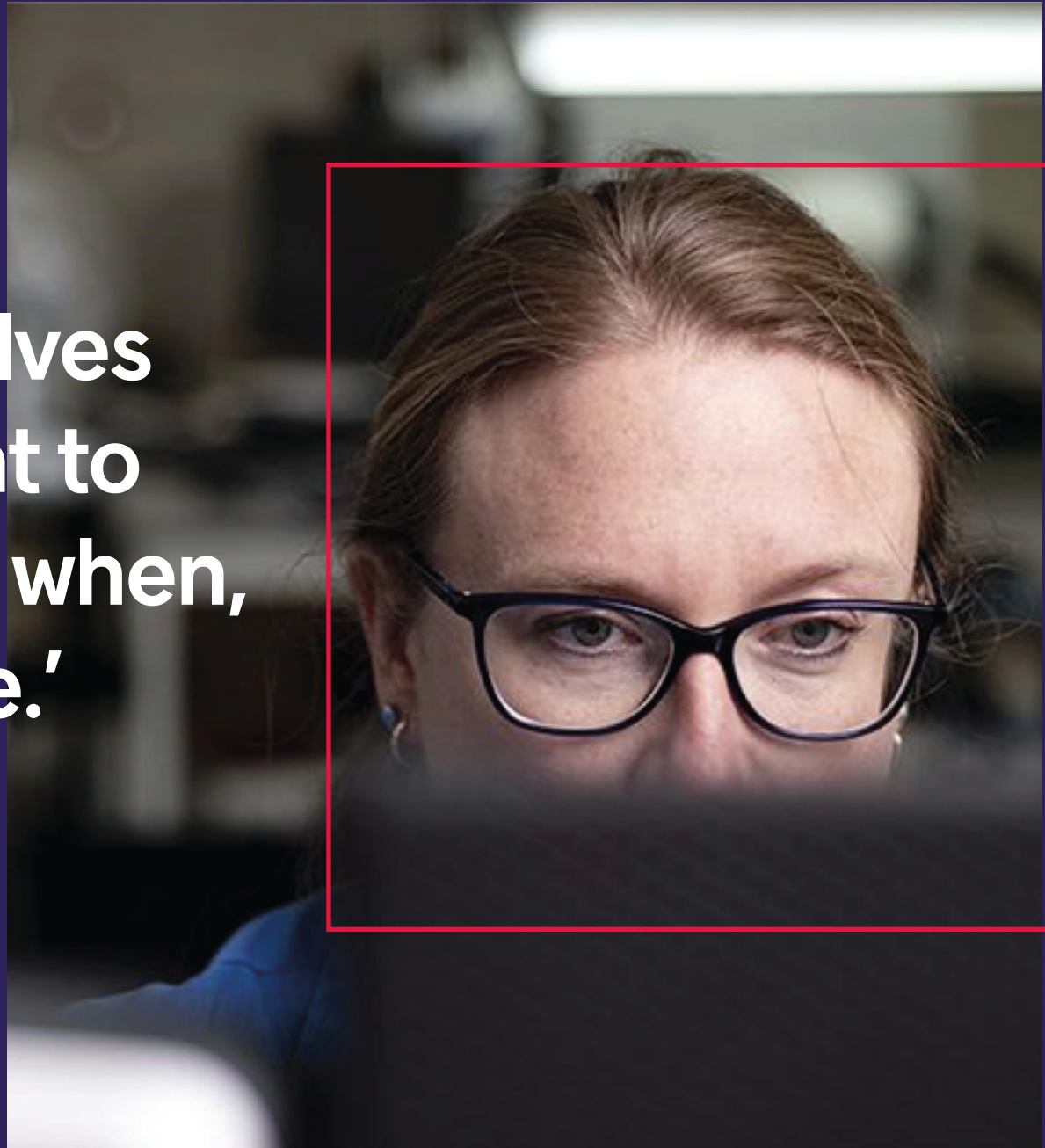
Having a strategic plan for purchasing has never been more critical. A solid strategy helps OEMs navigate through uncertainty, manage risks, foster supplier relationships, and, in doing so, gain that all important competitive edge. Measurable outcomes enable businesses to assess their performance, make necessary adjustments, and continuously improve their purchasing processes.

We shouldn't forget that strategy is not just about having a plan. It's about having the right plan; one that is flexible, adaptable, and aligned with the overall business strategy.



Without strategic planning in purchasing, OEMs expose themselves to a number of risks. These can include over-reliance on a single supplier, lack of contingency plans for supply disruptions, poor supplier relationships, quality issues, and inflated costs. Such pitfalls can lead to operational disruptions, financial losses, and damage to a company's reputation.

**'Purchasing involves
determining what to
buy, from whom, when,
and at what price.'**



The hidden power of strategic planning:

Strategic planning plays a pivotal role in shaping the future of any organisation. It is the process of defining a strategy or direction and making decisions on resource allocation to pursue this strategy. Strategic planning should not be thought of as a one-time task, but rather a continuous process that helps companies adapt to market changes and emerging trends.

In an OEM environment, strategic planning permeates every layer of the business. Purchasing involves determining what to buy, from whom, when, and at what price. It considers the risks associated with these decisions, taking into consideration factors such as supplier reliability, market volatility, quality assurance, and logistics.

Here is a timeline of how strategic planning should work in OEM purchasing:

- **Setting the Objective:**
The process begins by defining the goal of the purchasing strategy, such as reducing costs, improving quality, or enhancing supplier relationships.
- **Situation Analysis:**
This step involves understanding the current state of the organisation's purchasing practices, the market conditions, and supplier landscape.
- **Strategy Formulation:**
Based on an objective situation analysis, a strategy is crafted to achieve the desired outcomes. This may involve selecting the right suppliers, negotiating better deals, or putting risk mitigation plans into place.
- **Implementation:**
Now is when we place orders, liaise with suppliers, carry out quality control checks, and keep a watchful eye on delivery.
- **Monitoring & Control:**
The final step is to objectively analyse what went well and not so well and adjust as necessary based on the achieved results.

How Bitbox can help:

To ensure that your strategic planning is effectively implemented and offers the maximum benefit, aligning with a reliable partner like Bitbox can be incredibly beneficial. We're known for our positive attitude towards planning and compliance, which is firmly embedded in our culture and operations.

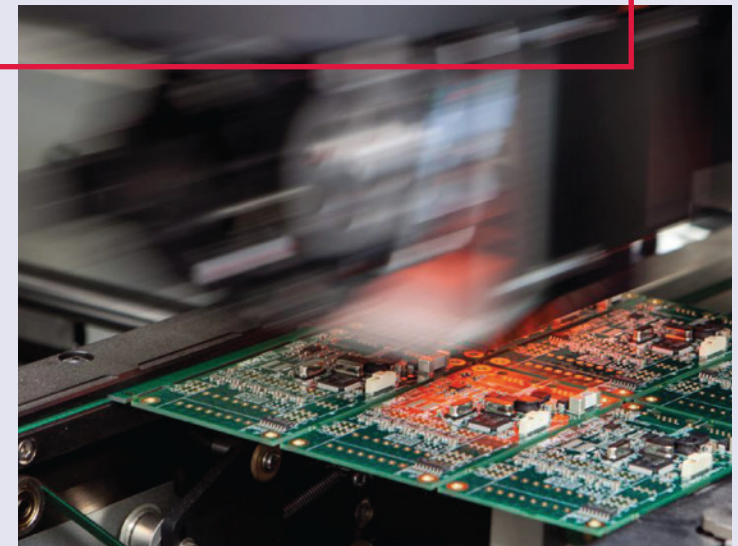
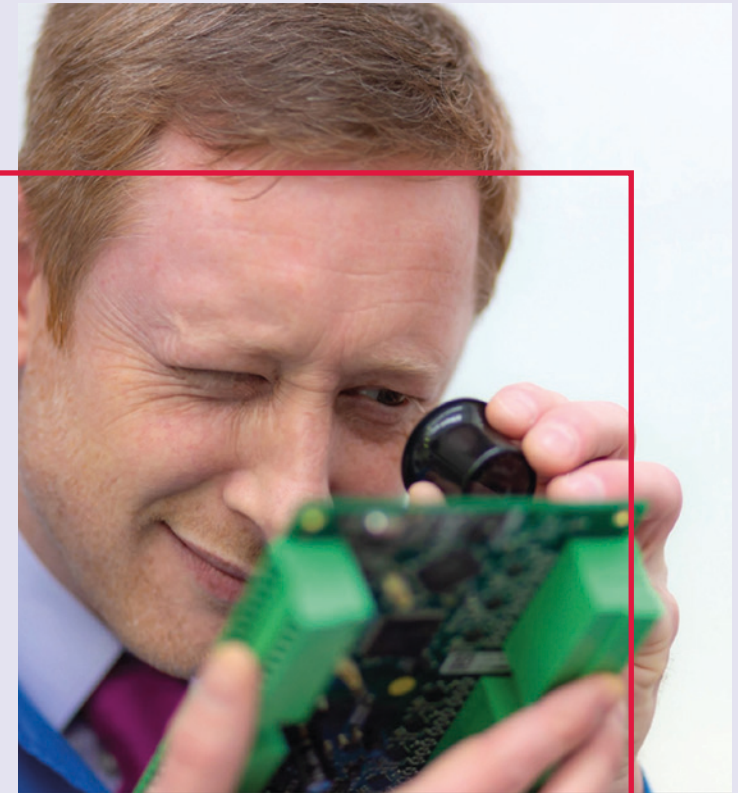
We are experts in electronic design, manufacture, and software development, offering tailored solutions to meet the specific needs of OEMs. Our approach to strategic planning in purchasing is seated in a deep understanding of the changing market landscape, meticulous attention to detail, and a full commitment to delivering top-tier quality.

When it comes to purchasing, Bitbox can assist OEMs in planning their procurement process, helping identify

reliable suppliers, ensuring quality checks, and monitoring delivery timelines. Our adherence to compliance regulations brings you added peace of mind, safe in the knowledge that things are being handled correctly.

Part of the Bitbox's service includes maintaining a real-time inventory status, implementing effective risk management procedures, and developing contingency plans to mitigate potential disruptions. These aspects are testament to our strategic planning approach, providing OEMs with a more predictable and streamlined purchasing process.

With Bitbox, OEMs can expect a purchasing strategy that not only saves time and money but also contributes to building a resilient and sustainable supply chain.



Keep it simple.

The area of purchasing strategy is diverse and filled with opportunities. Each strategic decision means a set of processes and options that are uniquely tailored to the specific needs of an OEM. It's not a one-size-fits-all proposition, but a bespoke approach designed to address distinct business requirements, market dynamics, and customer expectations.

It's important to remember that a purchasing strategy goes beyond mere buying. It's a structured method that covers identifying needs, sourcing suppliers, negotiating contracts, overseeing deliveries, managing supplier relationships, and ensuring consistent evaluation and improvement. Here are some key processes that in our experience typically present themselves during the purchasing process:

■ **Needs Assessment:**

The process begins with identifying your purchasing requirements. This could range from a specific electronic component to an entire manufacturing process. The goal is to determine what needs to be bought, the specifications, and the timeline.

■ **Supplier Selection:**

This is a critical phase where potential suppliers are identified, evaluated, and chosen. This decision is often based on price, quality, delivery times, reputation, and service.

■ **Negotiations:**

Once the suppliers are selected, it's time to negotiate. It's not just about the best price but also about terms of payment, delivery schedule, warranty and often, gut-feeling.

■ **Order Management:**

After negotiations, the order is placed, and its processing is monitored. This step includes tracking the delivery, inspecting the goods, and ensuring compliance with the purchase terms.

■ **Supplier Relationship Management:**

An often overlooked but critical part of the purchasing process is maintaining a healthy relationship with suppliers. Going the extra mile can result in better negotiation outcomes, improved service, and priority during supply shortages.

■ **Performance Assessment:**

The final step is to evaluate results against the objectives set at the beginning of the process. An honest and objective review helps inform necessary adjustments and improvements to the purchasing strategy.

Different businesses have different requirements, which is why Bitbox offers tailored levels of planning to meet diverse customer needs.

Our services range from basic consultation to comprehensive planning and execution, with pricing aligned to the level of involvement and service.

We know that each customer is unique, and so are their purchasing strategy requirements. A start-

up might need an end-to-end purchasing plan, while an established enterprise may require assistance with supplier negotiations. Understanding these distinct needs, Bitbox has developed a service structure that helps customers choose what's best for them.

Remember, the beauty of a well-structured purchasing strategy lies in its flexibility and adaptability. With the right planning, processes, and partner, your purchasing strategy can be a powerful tool that saves time, reduces costs, and gives your business a real advantage.

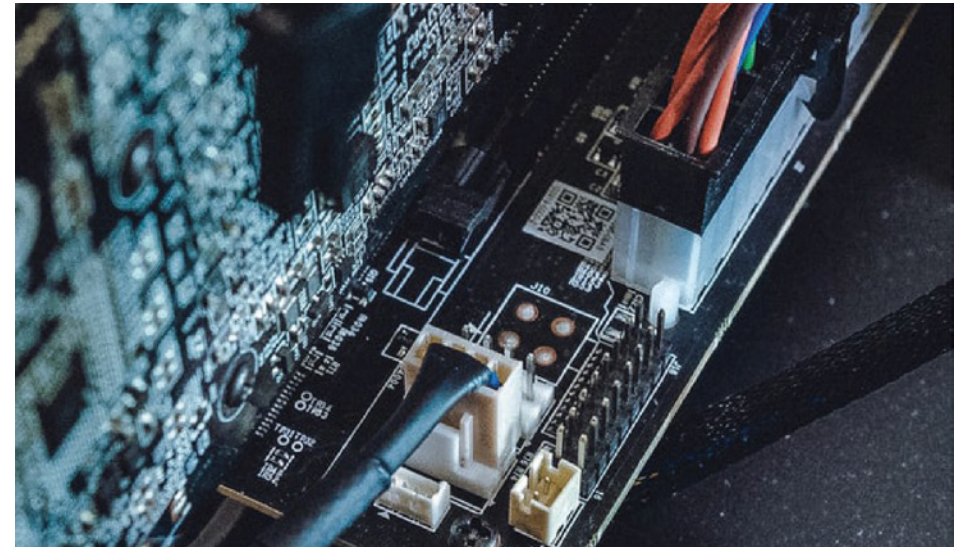


How we do things at Bitbox:

In the electronics manufacturing industry, there are various fulfilment models available to businesses that can help them streamline their operations and reduce costs. Bitbox is constantly adapting its ways of working to accommodate our customer requirements. One popular option is in-house fulfilment, where a company handles all aspects of order fulfilment themselves.

Another is third-party logistics (3PL), which involves outsourcing fulfilment to a specialist provider. Drop-shipping is yet another model in which a company sells products without holding inventory. In this instance, orders are sent directly to the manufacturer or distributor for fulfilment.

Finally, merchant fulfilment centres (MFCs) are automated fulfilment centres that offer a range of services to businesses.



By choosing the right model, companies can improve efficiency, reduce overhead costs, and enhance customer satisfaction.

Historically, BitBox has adopted the “just in time” (JIT) procurement model which is a popular method used by manufacturers to optimise their supply chain and reduce costs. It involves ordering and receiving raw materials or components just in time for production, rather than keeping large inventories on hand. This allows manufacturers to reduce storage costs, minimise waste, and improve efficiency.

Whilst the electronics component market appears to be stabilising, a combination of COVID-19, Brexit and various other external influences disrupted supply chains globally. Almost overnight, the JIT model went from a possibly the best procurement strategy to the worst. Supply chains worldwide had to adapt.

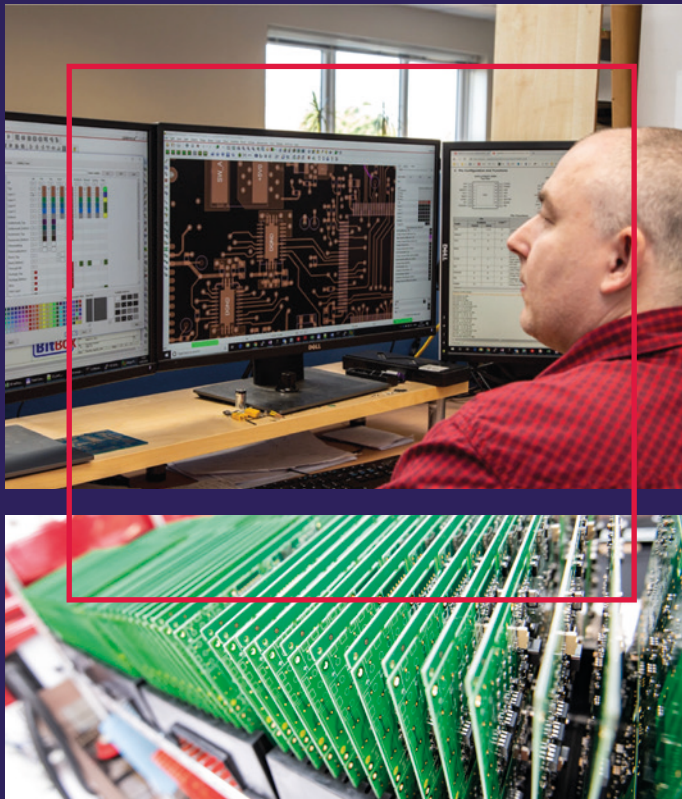


BitBox significantly changed the way we work and invested significant efforts in seven key areas:

- Firming up our own supply chain
- Increasing the size of our stores department
- Agreeing on a strategy around the grey market, with risk being the prime consideration
- Enhancing our concession process to better handle problem parts
- Growing our procurement team.
- Moving away from the JIT model, and into a fulfilment strategy that focuses on call-off/scheduled orders
- Generating minimum stock holding agreements

A good example of this new strategy is when one of our customers, made the smart decision to implement a buffer/minimum stock holding agreement. Fortunately, component commonality was considered when we designed the products. This meant that across fifteen unique assemblies, totalling more than one thousand BoM lines, we only needed to maintain stock of one hundred and seventy-three components. This resulted in a more streamlined workflow and another happy customer.

It's Always Good to Have A Plan:



We can see the emergence of a highly dynamic, interconnected, and competitive global market has meant a shift from purely transactional purchasing to a more strategic, proactive, and value-driven approach. Today's market is characterised by rapid technological changes, diverse product offerings, and complex global supply chains. It demands strategic foresight, flexibility, and adaptability.

Without a plan, OEMs are exposed to numerous problems just waiting to happen. Over-reliance on a single supplier, lack of contingency plans for disruptions, poor supplier relationships, and inflated costs can all pose a big problem.

Strategic planning in purchasing is not a luxury, it's a necessity. Recognising this and addressing it proactively can pave the way for a more sustainable, resilient, and profitable future. The purchasing strategy journey may be complex, but with the right

planning, processes, and partner, it can lead to significant rewards.

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Contact Bitbox now to find out how we can help your business plan strategically for an easier, more profitable future.

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