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# EVALUATION OF THE ACTIVITIES OF PRODUCT SUPPLIERS IN THE PRODUCT PROCUREMENT AND SUPPLY SYSTEM

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**Abstract.** The main place in market relations is occupied by sales processes. Each market entity makes purchases based on its needs. Product suppliers play a key role in both public procurement and market procurement. The activities of product suppliers greatly affect the further activities of business entities. Therefore, it is important to evaluate the performance of product suppliers. This article describes the opinions on the evaluation of the performance of product suppliers.

**Keywords:** purchase, supply, logistics, product supply chains, micrologistics system, order size, product supplier selection.

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Аннотация. Основное место в рыночных отношениях занимают процессы продаж. Каждый субъект рынка совершает покупки исходя из своих потребностей. Поставщики продукции играют ключевую роль как в государственных, так и в рыночных закупках. Деятельность поставщиков продукции существенно влияет на дальнейшую деятельность хозяйствующих субъектов. Поэтому важно оценивать работу поставщиков продукции. В данной статье описаны мнения об оценке деятельности поставщиков продукции.

**Ключевые слова:** закупка, поставка, логистика, цепочки поставок продукции, система микрологистики, размер заказа, выбор поставщика продукции.

Effective business activity of the present era is such that the production of high-quality advanced products that meet the high demands of the world market is characteristic of only half of the company's success, and the other half is difficult to imagine without the knowledge of sales and the love service associated with product delivery. The company should be able to arouse consumer interest in the product and deliver it on time and in the required volume. A high level of sales and service plays an important role in this.

If the enterprise has a mutual relationship in the management of the products produced in accordance with the market demand and the income, then this enterprise is an organizational and economic solid system. Market demand is not limited to commodity demand. The consumer has also set his own conditions in terms of the content and quality of the services provided to him during the accumulation and sale process for the delivery of this or that commodity.

Therefore, the main place in this process is occupied by product suppliers. Product suppliers serve the two sides of business entities, sourcing and servicing customers. Their activity depends on the extent to which these processes are performed. Therefore, it is necessary to study the activities of product suppliers.

The source of the material flow in the supply chain is the product suppliers. Product delivery means selling products to wholesale customers. Wholesale customers include trade enterprises (for market fund), industrial enterprises (industrial production fund), non-production sector enterprises and organizations (non-market fund). A direct manufacturing enterprise or an intermediary enterprise can serve as a product supplier. There are many product suppliers in the market. Therefore, it is necessary to choose the most suitable ones among them. The following criteria are taken into account in the selection: product price, delivery price, product quality, delivery quality, order size, type and capabilities of delivery means, distance between supplier and consumer.

The point method of evaluation is used when choosing a product supplier. 5-point, 10-point, and 100-point systems can be used for evaluation. The product is a sum of points based on the criteria for the selection of suppliers and the accepted point system of evaluation. According to each criterion, the capabilities of product suppliers are evaluated by experts. As experts, employees with special knowledge and sufficient skills are involved in procurement for each type of material resource. The greater the number of experts, the more reliable the assessment result. Usually 5 or more specialists are involved as experts in the assessment. The average of the points assigned by the experts according to the evaluation criteria is formalized in the form of data presented in Table 1.

Table 1
Evaluation and selection table of product suppliers

Evaluation criteria	The importance of the criterion	Serial number of product suppliers			
		1	2	•••	N
Product price					
Shipping cost					
Product quality					
Quality of delivery					
Order size					
Type and options of means of delivery					
The distance between the supplier and					
the consumer					
Σ					

The numbers in the cells of the table are found by multiplying the serial number of the product suppliers and the average scores of the experts on the evaluation criteria by the criterion importance indicator. That is,  $B_{ij} = \vec{Y}_{ij}^h \cdot K_{ii}$  here, i – number of suppliers;

i – number of evaluation criteria;

 $B_{ij}$  – matrix element, the average score of the i-th supplier on the j-th criterion;

 $\vec{Y}_{ij}^h$  - The average rating given by experts on the j-th criterion to the i-th supplier;

 $K_{MM}$  – criterion importance indicator.

Evaluation by experts is recommended only on quality indicators. Based on the analysis of the sum of points collected by the product suppliers, a group of potential (possible) product suppliers is allocated. In general, the efficiency of the micrologistic system and its supply chain activity depends to a large extent on the relationship established with product suppliers and how the system of working with them is organized. The enterprise and its procurement department are required to cooperate with product suppliers in two directions.

- 1. Based on continuous observation, analysis and evaluation of the activities of existing product suppliers included in the enterprise list (register), making a decision to select the most suitable ones and continue cooperation.
- 2. Searching for new product suppliers, selecting suitable (potential) suppliers on the basis of studying and evaluating their capabilities and entering them into the company's list of product suppliers (computer file).

In some large enterprises, these two directions are being developed, and the practice of separating the main suppliers from the list in the file of product suppliers is also being used.

A classic decision is the choice of key product suppliers among alternatives under conditions of uncertainty.

A product supplier is an enterprise in the file of product suppliers that has been selected from competitors and has fulfilled at least one order.

Catalogs, trade magazines, various advertisements, websites, trade releases, professional contacts and special catalogs of the purchasing department serve as the main source of information for searching and finding suppliers of new products. Catalogs may be available in printed form, electronic form, or on microfilm. In the computer catalog, the list of goods will be their prices, name of the manufacturer, location, product specification and other information. Trade magazines are sector-specific and provide extensive information on products or goods, another feature of which is mainly information on new products and raw materials. The main source of information for today's buyers is the Internet. Currently, there are several international servers for procurement:

There are many such servers on the Internet, some of them are designed in such a way that information about the company's phone number or address can be obtained online without payment, other information cannot be obtained, for example, about the products it produces. Some of the purchasing and supply managers believe that the visit to the supplier's office to gather information is especially important. When evaluating potential suppliers, their following general indicators are used. Technical or engineering capabilities, manufacturing or distribution capabilities, financial capacity, and management capability (sposobnost). In some cases, a small amount of inspection can also be done by placing test orders. One of the main factors for evaluating the technical, engineering and production capabilities of an enterprise is the enterprise's quality performance.

The assessment of the financial potential of the product supplier means the composition of private capital, profitability, the level of fulfilling its obligations in terms of interest and dividends, working capital, reserve turnover, current liquidity ratio and profitability of investments. Therefore, the financial report is a source of information about the past activity of the enterprise. Indeed, financial stability and potential are the main indicators of the competitiveness of the enterprise and its good management.

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