

THE DIFFERENCE BETWEEN PROCUREMENT AND PURCHASING

Procurement and purchasing are the two terms that are often used interchangeably.

Procurement refers to the process of identifying, shortlisting, selecting, and acquiring suitable goods or services from a third-party vendor through direct purchase, competitive bidding, or tendering process, while ensuring timely delivery of the right quality and quantity.

On the other hand, Purchasing is the set of functions associated with acquiring the goods and services that an organization requires. Purchasing is a small subset of the broader procurement function. It includes activities such as ordering, expediting, receiving, and fulfilling payment.

Purchasing and Procurement at a Glance

PROCUREMENT	PURCHASING
A complex process associated with sourcing and obtaining goods and services	A set of activities directly related to acquiring goods and services
Includes multiple stages and has numerous people involved	Fewer steps and fewer employees involved
Takes place before, during, and after the purchase	The actual process of purchasing
Stages can be tailored depending on the company and vendor	Stages are usually standard among all businesses
Proactive approach	Reactive approach
Has long-term goals like gaining competitive advantage for the business	Has short-term goals like obtaining the necessary goods at the right time
Focused on creating and maintaining strong supplier relationships	Focused on making transactions
Places more importance on the item's value than its cost	More focused on the item's price
Aimed at recognizing and satisfying the company's internal needs	Aimed at ordering and paying for goods
Involves need identification, supplier management, contract management, and purchasing	Comprises placing an order, expediting, receipt of goods in the stock, and making payments