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ORGANIZATION OF THE PROCUREMENT PROCESS IN THE LOGISTICS SYSTEM OF THE COMPANY PODRAVKA D.D.

Abstract: Today, procurement is becoming an increasingly important link in manufacturing companies, guided by fundamental knowledge of logistics as a science and the correlation of procurement with other within – organizational structures of manufacturing companies. Procurement is an important business function that at the organizational level aims to ensure optimal circulation of raw materials from the place of production to the place of their processing, monitoring the quality of raw materials and optimizing the procurement process, as well as building trust with suppliers. The process of procuring raw materials for the production of the finished product will be described on the example of a real company in the food industry, which will use the acquired knowledge in the theoretical part of the work and approximately accurate internal company data to be more easily supported by practical part.

Keywords: procurement; procurement organization; procurement objectives and policies; logistics; warehousing

1. Introduction

The organization of the procurement process within a company's logistics system represents a key aspect that directly impacts operational efficiency and business competitiveness. In today's rapidly changing market environment, where customer demands are becoming increasingly complex, optimizing procurement processes is a necessity. Procurement involves not only the acquisition of materials and products but also the development of strategies that ensure timely delivery, cost reduction, and quality maintenance. This article explores the fundamental components of procurement process organization, including planning, supplier selection, warehouse management, and distribution. Additionally, it examines modern tools and technologies that enhance procurement efficiency, as well as the challenges companies face in today's dynamic environment. The goal is to provide a comprehensive overview of how to properly structure the procurement process within a logistics system, thereby contributing to the successful operation and sustainable development of a company. The organization of the procurement process within the logistics system of Podravka, a renowned food producer based in Koprivnica, represents a vital segment that significantly influences the overall efficiency and success of its operations. In the context of growing competition and evolving market conditions, an optimized procurement organization not only reduces costs but also enhances product

quality and ensures the timely supply of necessary materials and ingredients. As a leader in the food industry, Podravka faces challenges such as market globalization, shifting consumer habits, and constant pressure to maintain sustainability in its operations. This article analyzes key aspects of procurement process organization within Podravka, including supplier selection strategies, inventory management, and the integration of innovative technologies into logistics processes. It also explores how Podravka achieves a balance between quality, efficiency, and sustainability in its procurement process, contributing to its market recognition and long-term stability.

2. Procurement logistics

Procurement is a function that, in a narrow sense, ensures the supply of materials, equipment, services, and energy needed to achieve the objectives of a business system, delivering them to the right place at the right time and at an appropriate cost. It is also a strategic factor in the profitability of a company and in increasing shareholder value (Mrkonja D., 2015). Procurement logistics encompasses the following tasks (Segetlija, Z., 2008): the "make or buy" decision, aligning procurement with production, reducing transportation costs, collaborating with suppliers, identifying suitable suppliers, optimizing procurement costs, and conducting quality control. Thus, the primary goal of procurement can be summarized as ensuring



the continuity of supply of necessary inputs (raw materials, resources, services, finances, personnel, information, etc.) to a company, enabling the production phase to deliver a finished product. To implement cost-reduction activities effectively, procurement increasingly relies on advanced cost-control techniques that strongly support functional, organizational, and regional collaboration and consolidation, thereby fostering stronger partnerships between companies and suppliers (Kozina G.; Darabuš M., 2013).

3. Procurement Organization

The organization of the procurement process in a company refers to the system, procedures, and activities that govern the acquisition of products, services, or resources necessary for operations. This encompasses planning, supplier selection, negotiations, contract management, delivery monitoring, and supplier relationship management. Procurement is a critical function for ensuring the timely and cost-effective supply of required materials or services, and a well-organized procurement process can significantly contribute to a company's competitive advantage.

Žibret (2007:56) argues that an organizational and managerial model for procurement can be developed by applying value-creation criteria to the specific characteristics of the procurement process. Procurement is not considered an isolated entity within an organization. Instead, it is an integral part of the organization, with the overall company structure, including its various business units, influencing the organizational solution for procurement (Smiljanić D., 2021).

The term "procurement organization" applies universally to all companies producing tangible and intangible products or services. However, the organizational hierarchy within procurement varies depending on the size of the organization.

According to the European Commission, the following types of companies are distinguished: (European Commission, Official Journal L 124, 20/05/2003, pp. 0036 - 0041):

1. Micro-enterprises: fewer than 10 employees and annual turnover (the amount of money earned in a specific period) or balance sheet (statement of the company's assets and liabilities) below 2 million EUR,
2. Small enterprises: fewer than 50 employees and annual turnover or balance sheet below 10 million EUR,

3. Medium-sized enterprises: fewer than 250 employees and annual turnover below 50 million EUR or balance sheet below 43 million EUR, and
4. Large enterprises: more than 250 employees and annual turnover above 50 million EUR or balance sheet above 43 million EUR. According to available sources, micro and small enterprises typically plan their procurement processes on a short- to medium-term basis, forecasting key parameters such as financial projections, material price trends in the market, monitoring partner liquidity, and addressing market barriers like tariffs, bureaucracy, permits, and more.

Medium and large organizations, on the other hand, must plan their procurement systems long-term to maintain consistency in production and sales. This requirement often results in a more complex procurement structure, staffed by personnel with specialized expertise in this area. In contrast, micro and small enterprises, due to their smaller procurement scope, frequently combine organizational units, which can complicate overall business operations.

4. About Podravka d.d.

Podravka d.d. is a food and pharmaceutical company headquartered in Koprivnica, Croatia. It produces a wide range of everyday food products and owns the pharmaceutical company Belupo d.d., a sister company also based in Koprivnica. Podravka is the largest food company in Croatia and a leading player in Southeast and parts of Central Europe. Alongside its own brands, its portfolio includes several international brands, positioning it as a smaller food conglomerate on the European and global markets. This approach enables it to follow the business strategies of much larger food groups, such as the Swiss multinational Nestlé.

Through its products, quality, and tradition, Podravka aims to remain competitive in existing markets while expanding into new ones. In recent years, the company has invested in modern business models like B2B (Business to Business) and BTC (Business to Customer). Podravka currently operates in over 60 countries worldwide, gaining recognition through its well-known brands in savory, sweet, children's, and soup product lines. The company also continuously works on developing innovative delivery systems capable of operating within diverse regulatory environments.



4.1. Podravka's Development Strategy 2021–2025

Podravka's strategy for 2021–2025 focuses on enhancing its management, production, warehousing, information, and transportation segments. By the end of the strategic period, these areas are expected to be fully developed. The company plans to rejuvenate existing technologies and management processes while constructing and equipping new facilities. This approach aims to ensure long-term operational excellence, preparing Podravka for future generations and enabling it to tackle domestic and international market challenges.

The strategy emphasizes improvements in agriculture, production, and warehousing operations, including raw material and packaging storage, central and auxiliary warehouses for the domestic market, international market storage, and cross-dock facilities located in key Croatian cities such as Osijek, Rijeka, Zagreb, and Dugopolje. By addressing these areas, Podravka seeks to maintain its competitiveness in the highly demanding food industry and secure its position in both local and global markets.

5. Logistics system of Podravka d.d.

The logistics system of Podravka d.d. encompasses all logistical activities within the company's environment, focusing primarily on raw material procurement, agriculture, production, warehousing systems, distribution, sales, and business process planning at lower, middle, and upper management levels. Each of these components operates through its logistical flow, aiming to process internal and market demands as quickly, simply, and cost-effectively as possible, while maintaining adaptability, flexibility, and efficiency.

For a large company like Podravka, which must respond promptly to market demands, logistics must be exceptionally well-coordinated across all components, as they often function in a sequential manner. A disruption in one component can cause bottlenecks and interruptions in others. To address this, Podravka has recently invested significant financial resources to ensure balanced development of all components, mitigating potential difficulties, especially during periods of high inflation affecting Croatia and the global market. Crucial to these components are the feedback loops they create, which are essential for maintaining an optimal serial flow within the system. These loops allow the company to monitor disrup-

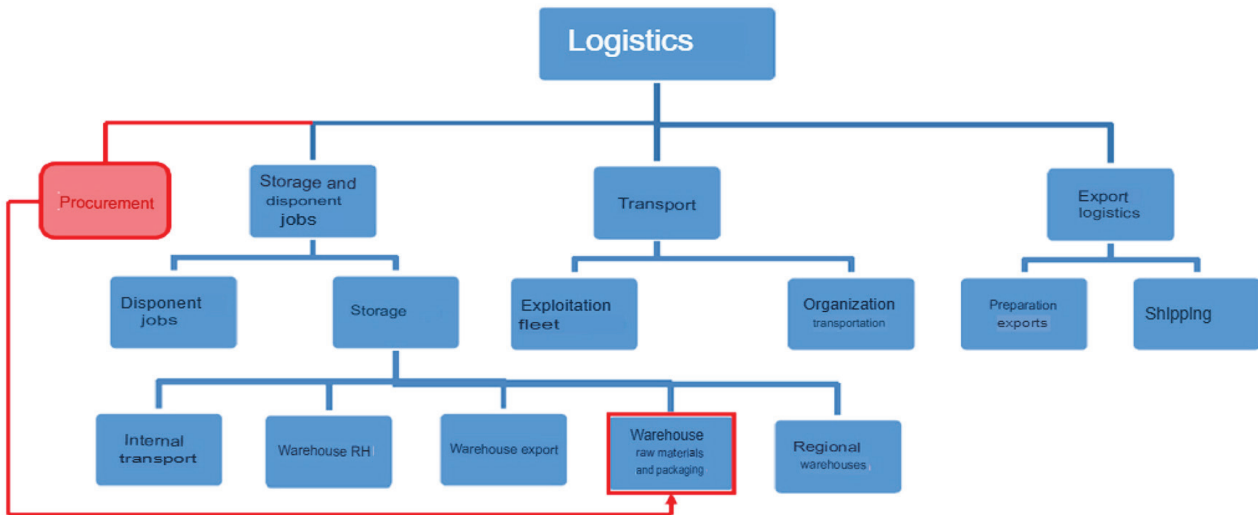
tions, delays, or smooth operations across various sectors. The production process at Podravka often begins with cultivating raw materials on its own fields or importing them through cooperatives and suppliers. This paper outlines the procurement logistics of Podravka d.d., focusing on cooperative and supplier-provided raw materials, the legal procedures governing the partnership between Podravka and its suppliers, the workflow of their collaboration as demonstrated by the production of one of Podravka's products, and how such operations are concluded.

Supply Chain Management (SCM) at Podravka is an integral part of the Logistics sector and a critical component often regarded as the starting point for all other elements within the company. The primary tasks of procurement logistics include timely supply of raw materials and suitable packaging to the production system, contract negotiation and supplier collaboration, inventory optimization, and alignment of orders with deliveries.

The Podravka Group sources materials from both domestic and international markets, with a significant portion of its international procurement handled through suppliers from EU member states. Among the risks associated with the procurement function, the availability of goods in the market stands out as one of the most significant, given its potential impact on the Group's overall operations.

6. Organizational Structure of Procurement in the Company

The procurement department at Podravka, like any major organizational unit, operates with a structured hierarchy comprising several roles, each responsible for specific tasks and accountable to other roles within the department. This structure ensures that procurement processes are completed efficiently and within the planned timeframes, whether daily, weekly, monthly, or annually. The organizational structure must be designed to meet the goals of procurement staff while fostering job satisfaction among employees (Krcan Lj., Varga D., Maršanić R.). By establishing a permanent framework, the organizational structure ensures that procurement activities, whether concurrent or sequential, are coordinated in alignment with the overall objectives of the procurement function. This structure involves the allocation of human and other resources, addressing aspects such as the division of tasks, the role of procurement functions, the system of managerial and operational positions, and the relation-



Source: Created by the author based on Sedlić A., "Proposal for the Optimization of Food Product Distribution," Zagreb, 2018.

Figure 1. Organizational Structure of Podravka d.d. for the Logistics Sector

ships between them. It also defines the system of duties, authorities, and responsibilities, as well as the communication network among various positions (Siročić A., 2017).

Ultimately, this structured approach allows Podravka's procurement department to function effectively, ensuring that its operations align with the broader goals of the company while promoting efficiency, accountability, and clear communication among team members.

As seen in Figure 1, procurement cannot be placed within the three main components of logistics (storage and dispatch operations, transportation, and export logistics), as it functions as a distinct entity that refers to all other components, facilitating the flow of goods through the system. Procurement takes on a negative role when users of procurement items independently make decisions regarding procurement without understanding the impact of such decisions on the company as a whole (Maček K., 2019). However, procurement is closely linked to the raw materials and packaging warehouse, which we will refer to as Warehouse A (the initial storage in the product development chain). Through this warehouse, procurement stores its planned quantities of raw materials and packaging before they enter production, thus regulating the production process's needs and inventory levels in the warehouse.

The organizational structure of procurement is designed to ensure detailed management of raw materials, packaging, and other critical materials necessary to produce the finished product. These items must be constantly available for production, while their inventory needs to be managed

efficiently. Procurement is a complex set of tasks where manufacturing companies ensure that their production is never deprived of the required raw materials. In cases like serial production, where the production cycle is constant, the importance of procurement is as significant as the desire to produce the final product. Manufacturing companies typically tend to produce various types of products, each with different physical, chemical, and other properties. This often means that they are made from different raw materials or have a few shared materials, with the rest being delivered separately, increasing the complexity and importance of procurement. The production process in food companies is typically serial, where goods are produced in a continuous manufacturing cycle. This results from the frequent use of a particular food product that, due to its characteristics, achieves good sales results. It is important to distinguish between the production of seasonal food products and year-round products due to time constraints. Podravka d.d. has a large portfolio of both domestic products and brands acquired through acquisitions, which presents a significant challenge for procurement, as it must ensure that the raw materials for each product are secured. Given the scale of working with suppliers, it is necessary to differentiate procurement for the various product brands.

The procurement system can be divided into three categories: acquired companies, production of finished products outside the Koprivnica plant, and production of finished products within the Koprivnica plant. Excluding category 1, Podravka d.d. has a highly complex procurement system that manages both the second and third catego-

ries from Koprivnica: the second category involves decentralization of production, while the third category involves decentralization of warehouses.

Several factors affect business relationships with suppliers, who are key partners in procurement, in order to ensure the uninterrupted continuation of the supply chain. The organization of procurement activities is distinct for each category, and each part of the organization must work in synergy (with timely feedback, up-to-date information, improved communication, and better working conditions) to prevent disruptions in the production systems.

7. Process approach to supplier selection and management of supplier relationships

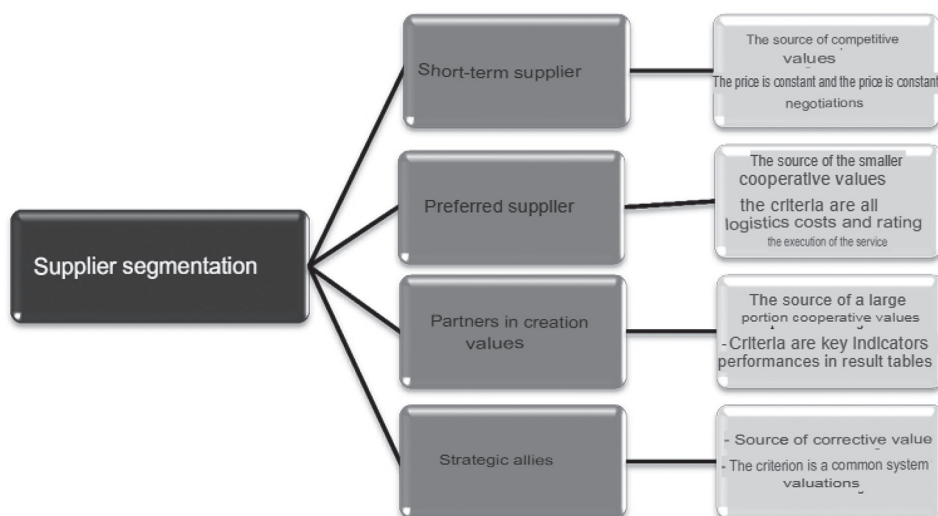
Supplier selection is a complex task that requires expertise and a good understanding of market conditions. In this process, many factors must be considered, but the most important is to have a process-oriented approach, where the supplier can be shown the willingness and determination to cooperate, which can be long-term and mutually beneficial for both parties. Since suppliers can be considered all participants, from individuals and companies to organizations, they provide their business partners with various types of resources, including physical, human, financial, and informational.

When selecting a supplier, it is crucial to know the time period in which the supplier will be needed. In the previous section, seasonal products were mentioned, for which raw materials are not

required for an extended period. Additionally, there are products with good sales results, but increasing their production could cause supply issues if there is insufficient raw material. Therefore, supplier segmentation is necessary to categorize them according to the frequency of their business interactions. Wilson argues that the process of creating value for customers requires collaboration and long-term relationships with suppliers (Wilson D., 2000).

One of the first steps in the supply chain is supplier segmentation. It is essential for the company to determine what kind of suppliers it needs for a specific job. The duration of business relationships with suppliers best describes the required competencies. For short-term supplier selection, such as seasonal products, the primary factor is price, while for longer-term relationships, the requirements change; price is no longer the only factor, but also key performance indicators and a joint evaluation system. By analyzing the supplier segmentation, an understanding of what kind of suppliers Podravka d.d. seeks for a particular product is created.

However, the procurement process recognizes, identifies, and bears certain risks. Risk arises because we can never know exactly what will happen in the future. We can use the best forecasts and conduct the best possible analyses, but uncertainty regarding future events will always exist. It is this uncertainty that creates risk. (Novaković I., 2019.) Risk is an inevitable part of the procurement process since every phase of procurement carries potential uncertainties that can negatively affect the organization. Procurement risks may include delivery delays, price



Source: Vujić M. Category Procurement Management and Supplier Relations: A Case Study of Bipa d.o.o., Split, 2017.

Figure 2. Supplier Segmentation



changes, variations in product quality, and the financial stability of suppliers. Risks deserve special attention and analysis because they are very complex. Risk is an unavoidable factor in every business venture, including procurement. (Fujer I., 2021.) Additionally, risks related to product quality can affect the organization's reputation and lead to additional costs due to returns or exchanges of goods. To minimize risks, organizations often conduct risk analyses in procurement and apply measures such as selecting reliable suppliers, establishing clear contracts, ensuring quality control, and diversifying procurement sources. Supplier evaluation also plays a key role in risk reduction as it allows the organization to assess the reliability and capacity of suppliers to meet contractual obligations in advance. Podravka d.d. has a well-developed network of suppliers and strives to maintain mutual respect and demonstrate a willingness to collaborate with each of them. To ensure both the buyer and the supplier understand the level of business and plan steps for future implementation, nine models for managing supplier relationships are distinguished, also in Podravka's procurement system.

Podravka d.d., considering its product assortment, recognizes several types of suppliers that differ based on the variety of products the company manufactures. Its products are categorized into several programs: the snack program, represented by the Kviki brand; the meal mix program, under the Fant brand; the fish program, with brands such as Eva and Mirna; the soup program; the rice and legume-based products program, under the Lagris and Žito brands; the pasta program, represented by the Talianetta brand; the children's program, under the Lino brand; the Vegeta program, represented by Vegeta and Vegeta Maestro brands; the extruded products program, under the Dolcela brand; the meat program; and the confectionery program. Each of these programs includes brands with a wide range of products requiring raw materials from numerous suppliers. Regardless of the number of suppliers involved, the procurement procedures for acquiring raw materials remain consistent across all programs.

Table 1. Models of Customer and Supplier Relationship Management

Integration Model	This involves investment from both sides to increase revenue and profit. Companies in this model should not have too many strategic suppliers, as this approach gives the supplier a unique preferential position, limiting further development opportunities
Influential Model	These suppliers are considered the highest quality in the market. While entering a business relationship with them is challenging, they create nearly ideal products and services.
Investment Model	Represents innovation and innovative suppliers into whom many resources must be invested to achieve the desired results. The advantage of this model is innovative ideas, but it comes at the cost of losing basic elements, such as delivery or quality.
Cultivating Model	The company as a buyer gets the desired products and services but must provide the supplier with everything necessary to maintain the required quality.
Supporting Suppliers Model	In this model, suppliers are ready for market changes, and their services follow some average standards. They do not require significant investments or resources.
Product Improvement Model	The most common model, which prioritizes communication quality in order to clearly demonstrate what works well and what does not.
Mitigation Model	This type of model, due to numerous and frequent mistakes and failures, leads to the termination of the business relationship with the supplier. The termination must be planned with forecasts to prevent it from causing more serious problems for the company.
Ideal Source Creation Model	An ideal source is created by selecting a supplier with great potential but poor performance. Although not ready for major steps, they are willing to follow all the requirements they are given and will do whatever is necessary to continue the business relationship.
Bailout Intervention Model	A model of quality and mutual investment often used when a supplier makes a mistake that requires quick financial support. The supplier needs assistance as long as necessary; this is an expensive model but has the advantage of a strong partnership.

Source: Created by the authors

8. Elements of the Procurement Process

Regardless of the size of the company, the procurement department must have sub-processes that need to be followed chronologically to initiate the procurement process. If a company has all the necessary financial, technical, technological, intellectual, and related resources, it can proceed with three main phases of procurement.

The first phase involves decision-making based on necessary and available information. The second phase focuses on analyzing the company's current operations and providing a critical review that highlights any deficiencies. The third phase entails designing detailed solutions that form a new organizational structure. The fourth phase involves creating workflow diagrams, making final decisions, and monitoring what has been implemented. (Brnjevac D., 2021.)

8.1. Procurement Request

The procurement process consists of several sequentially linked steps to successfully acquire each raw material needed for production. Every serious manufacturing company, including Podravka, has a developed procurement workflow to clearly define the tasks involved in each step.

It is crucial to understand the significance of each task and ensure effective feedback between them. By "effective," the feedback must be swift, accurate, timely, and clear. Any disruption in feedback results in a break in the procurement process. Therefore, it is essential to adhere closely to the

defined workflow and follow its guidelines. The workflow for these processes is shown in Figure 3.

As shown in the figure, the main elements of the procurement process are displayed in purple fields (inquiry, offer, order, and conclusion of the sales transaction), while customer and supplier actions can be viewed as the outcome of a strong partnership between the supplier and the manufacturing company. This partnership often results in certain benefits, such as discounts on ordered quantities of raw materials, with mutual interaction serving as the overarching framework for collaboration. The red arrows represent the feedback loop that continuously circulates throughout the process.

The procurement process begins with its initiation. The data required for procurement must describe the product being ordered. For example, the product Vegeta is used. The product description should be thorough and include all relevant procurement details, such as the exact product name, catalog number, quantity, delivery deadlines, nomenclature number, and notes related to product quality. Podravka must ensure the adequacy of specific procurement requirements before they are sent to the raw material supplier.

The second phase involves determining and selecting the procurement source, preparing and sending inquiries to suppliers, collecting and examining offers from individual suppliers, negotiating, and finally selecting an offer and signing a purchase agreement for raw materials. After the order is placed, the execution of the contract/order follows. This phase includes the supplier's production of the raw material. Once production



Source: Created by the author based on: Sertić M.:
"Organization of the Procurement Process in a Company," Varaždin, 2019.

Figure 3. Elements of the Procurement Process

is completed, the produced raw material, along with delivery documents and raw material specifications, is shipped to the Vegeta factory in the Danica industrial zone in Koprivnica.

The final phase involves receiving the raw material at the raw material warehouse, where storage handling and safekeeping operations are conducted. Simultaneously, the raw material is entered into Podravka's specially developed software system for warehouse, production, and administrative solutions. This phase also includes verifying the quantity of ordered and delivered goods, conducting laboratory testing, and ultimately approving the material for production.

8.2. Inquiry

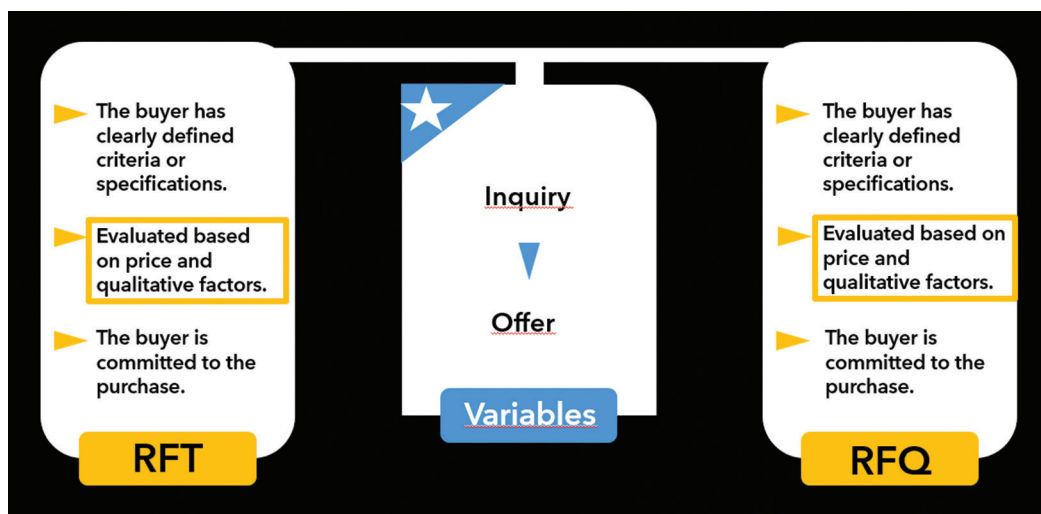
Sending an inquiry is an important yet significantly decisive phase in the procurement process, as it reflects the impression a manufacturing company gives to the supplier regarding its partnership potential and readiness for collaboration. However, before initiating the inquiry, it is crucial to determine (assuming the type of supplier needed is clear) whether the supplier is reliable. Podravka d.d., for its key brands, maintains long-term partnerships with its suppliers, but the desire to remain competitive in both domestic and international markets motivates the company to develop new product lines under the same brand or separately.

This is also the case with Vegeta, as previously mentioned. While the suppliers for its raw materials are already recognized as strategic partners, Podravka continues to innovate by creating new products under the Vegeta brand. These new products often require additional or new raw

materials. For instance, under the Vegeta brand, there are branches such as Vegeta Maestro and Vegeta Natur, where Podravka introduces products based on Vegeta but adapted to specific dishes or culinary cultures. If Podravka wishes to launch a new product under the Maestro or Natur branches, the process of sourcing suppliers for the new raw material begins. Inquiries are sent to selected suppliers who have already undergone the described selection and ranking process. It is assumed that both parties agree on the requirements they must meet before, during, and after each collaboration process. Inquiries are typically sent electronically, usually via email, and Podravka clearly specifies the raw materials needed.

The types of inquiries Podravka most commonly uses are RFQ (Request for Quotation) and RFT (Request for Tender). These inquiries explicitly regulate what Podravka requires from its suppliers for a specific raw material and, consequently, the final product it intends to produce. The components of these two inquiries are illustrated in Figure 4.

An inquiry sent to the supplier, regardless of the raw material Podravka is ordering, contains the following information: the supplier's name and address, date of inquiry, description of the procurement subject, quantity required within specified deadlines, delivery deadline for the procurement subject, delivery address for the raw material, determination of terms (e.g., parity, transportation costs, carrier, and other delivery parameters), payment method for the raw material price (advance, credit, compensation, or another payment method), quality assurance of the product (based on laboratory sample testing), deadline for the supplier to submit their offer, and



Source: Authors of the paper

Figure 4. Components of RFT and RFQ Inquiries

general terms of the overall procurement process. Once drafted, the inquiry is sent to the supplier or raw material manufacturer, with a previously defined response deadline. If the supplier agrees to collaborate, they prepare an offer, confirming their acceptance of Podravka's stated conditions, applicable to all suppliers, including those providing raw materials for specific products.

8.3. Offer

An offer is a written declaration by the supplier agreeing to all requirements set by the manufacturer and expressing readiness for further collaboration under specific conditions. In the case of offers sent to Podravka, they are defined as documents from the supplier (manufacturer) offering products or raw materials under specific terms.

An offer is thus considered the first step in concluding a sales contract between the manufacturer (supplier) and the buyer (manufacturer). Podravka negotiates offers with suppliers depending on the maturity of their business relationship. The company distinguishes between two types of offers: general and specific.

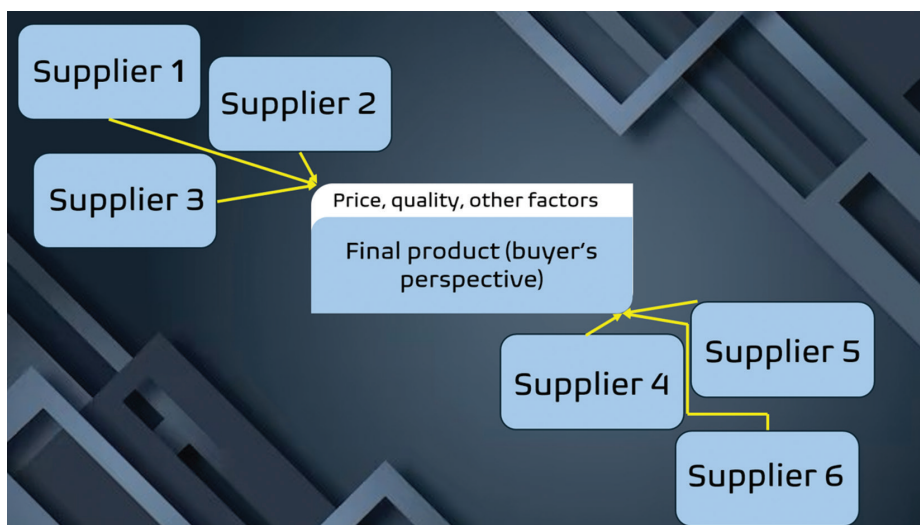
A general offer typically involves a supplier with whom Podravka is likely entering a business relationship for the first time. In such cases, the supplier uses the inquiry to introduce their work and offer a range of products under specified conditions. However, general offers may also apply to continuing collaborations with existing suppliers where the goal is positive business relations.

A specific offer is usually presented by a known supplier and involves a specific group of products or an individual product with a detailed descrip-

tion, including transactional terms (product pricing) and payment deadlines.

Regardless of the offer type, Podravka aims to maintain its product standards consistently. This means the two most critical factors in selling a finished product, price and quality, must not deviate significantly from the average. Suppliers also adopt similar stances when selling raw materials, and mutual adjustments are often made to ensure overall satisfaction with the offer and demand approaches a balanced ratio of 50:50.

Before accepting one of the submitted offers, it is crucial to evaluate several elements to select the most favorable option, including the quality in relation to requirements, the alignment between requested and offered quantities, the ratio of procurement cost to market price, shipping and transportation costs, delivery deadlines, and other variable risks such as production costs, labor expenses, fuel, and tolls. Often, especially in situations of increased demand, it is challenging to address all these elements for comprehensive offer comparisons. As a result, offers are frequently selected based on one, two, or three criteria, assuming the remaining criteria fall within acceptable boundaries defined by the buyer and do not significantly impact the selection decision. If the decision is based on a single criterion, it indicates that Podravka seeks goods of the same or similar quality while meeting delivery timelines and conditions for shipping and payment. However, most offers are chosen based on three key criteria to ensure that the final decision on supplier selection is mutually beneficial and fair for both Podravka and the potential supplier. Once Podravka responds to the supplier's offer and accepts their terms, all conditions for concluding



Source: Authors of the paper

Figure 5. The persistence of the company to adjust the suppliers' offers with the standard of its products



a Procurement Agreement are met, thereby initiating their business collaboration.

8.4. Procurement Agreement

A procurement agreement is a sales contract in which the buyer and seller agree on all stated terms and conditions, confirming their readiness for business cooperation. Such agreements can be concluded either in written or oral form. Their conclusion serves as proof that both parties have accepted mutual rights and obligations, not only for regular business operations but also in cases of disputes. To avoid potential complications, the agreement must be detailed, clear, and legally sound. When drafting a procurement agreement, it is essential to consider the timeframe for fulfilling obligations, as it is often impossible to define all circumstances for both parties precisely at the outset.

A simpler and more economical approach is to use single-procurement agreements, meaning that the buyer, despite having a good business relationship with the supplier, places individual orders for raw materials as needed, primarily for security reasons. In such cases, Podravka d.d. typically concludes standardized procurement agreements for extended periods or, occasionally, shorter periods if the products are seasonal.

The rationale for long-term agreements is entirely justified, as Podravka is a large company requiring substantial daily, weekly, and monthly supplies of raw materials for production. Consequently, given the strategic market position Podravka holds in Southeast, Eastern, and Central Europe, it is crucial to state in the procurement agreement that the company is prepared for long-term cooperation with specific suppliers.

For products developed under a brand (e.g., Vegeta) that are expected to achieve satisfactory sales based on market indicators, the company plans (if a new supplier is needed) to sign a contract with a supplier who is capable, willing, and ready to produce the required raw materials for that product over an extended period. If the initial sales results of Vegeta products are promising, the agreement only needs to be extended. However, if the product turns out to be less in demand on the market, Podravka can always sign alternative single-procurement agreements with the same supplier, ensuring the supplier's and, more importantly, its own security.

Extending a procurement agreement for raw materials that result in a financially unviable fin-

ished product poses potential legal and similar risks for Podravka d.d., especially if specific rules and obligations for such situations are defined.

When drafting procurement agreements, two types of elements are distinguished: essential and other. Essential elements include the subject of the agreement, price, quality of the goods procured, delivery deadlines, delivery location, payment terms, and insurance. Other elements include packaging methods, transport arrangements, guarantees, and other conditions the parties must adhere to.

8.5. Goods Order

A goods order represents the final procurement step before the raw materials required for production enter Podravka's industrial cycle. The order is essentially a buyer's request to the seller for goods under specific terms. Podravka submits its orders to suppliers in written form due to the reliability of the information contained in the order. Issuing orders in writing ensures security for both the company and the supplier, as Podravka can provide a precise description of its requirements, while the supplier can accurately deliver the requested goods or raw materials based on the order.

Orders are generally issued in two formats: as a form or as business communication. However, for efficiency in business transactions, Podravka, like most companies, issues orders in the form of a standardized template. When ordering raw materials for products with strong sales performance, such as Vegeta (as previously analyzed), it is important to emphasize that the order template contains fundamental printed elements, and Podravka is responsible for filling in the details for products under the Vegeta brand.

In practice, this approach is typically used with suppliers with whom the company has a long-standing, strong, and stable business relationship, and where the sales performance of the final product is well-known. Podravka creates its own order templates and is responsible for their content, as well as their physical and commercial accuracy. The total procurement quantity (PQ) of individual work items is determined by subtracting the existing inventory, known as starting stock (SS), from the planned quantity (PQ) at the beginning of the year and adding the required closing stock (RCS) necessary for the continuous reproduction process in the new planning period, according to the formula: $PQ = SS - PQ + RCS$ (Kruhak M., 2016).



Source: Authors of the paper

Figure 6. Entry of goods into the raw materials warehouse

8.6. Entry of goods into the logistics system of Podravka

Once all the previously described commercial actions are completed, the raw material production process begins. The duration of the production time depends on the operational and technical exploitation values of the machine/plant/facility responsible for producing the requested raw material, and Podravka cannot influence these processes unless it pertains to its own raw material production. After production, the usual commercial procedures for issuing the necessary transport and customs documentation (if the supplier is external) are carried out, followed by the final dispatch of goods to Podravka. The transport service can be provided by the supplier itself, but it is most often carried out by road transport companies as third parties for handling transportation.

Goods are received at the Danica industrial zone in Koprivnica, in the raw materials warehouse, where the goods (raw materials) are then stored. During their stay, laboratory tests are conducted on the raw materials by taking samples, and upon laboratory approval, the raw materials are either sent to production or written off. The procurement process is considered complete when the raw material is designated for production according to Podravka's production plan and program for specific products.

8.7. Complaints

If, during the receipt of goods in the raw materials warehouse, it is found that the goods have been damaged, are incomplete, defective, or have suffered any other form of damage that prevents them from being in their original condition, the person responsible for warehouse operations

must segregate such goods and subsequently initiate the complaints process. This notifies the procurement department in Podravka that the received goods are not in proper condition and that further procedures will be taken. Podravka handles complaints in two ways: return of goods to the supplier or compensation for damages from the supplier/transport company.

Once defects in the goods are identified, the procurement department is required to create a complaint report to legally justify the established damage. The information included in the complaint report is as follows: supplier details, invoice number, date of receipt of goods, quantity of ordered goods, status of goods, import/export declarations (for non-EU countries), details of the damaged goods (description, quantity, value), and signature of the authorized person.

These documents are sent electronically to the supplier as soon as they are created. If the supplier agrees to the return, approval is given for the return of the raw material to the supplier. Once the approval is received, a statement is issued with the return of goods, and the goods are returned to the supplier. However, not all suppliers are the same, and it may also happen that the supplier/transport company compensates for the damage without returning the goods. The process is like that of a return, where, after preparing the documentation, Podravka attaches an invoice for compensation of the incurred damage with all necessary details about the damaged goods, such as the name of the goods, quantity, individual/total price, and the date of damage.

Once the damage is compensated, the company itself bears the costs of handling the damaged goods related to their transportation to the disposal site. In this case, Podravka has no legal obligations defined by INCOTERMS, as some raw



materials are delivered by sea or rail, and as the final purchaser, it does not bear the costs of such damages. If damage occurs to raw materials delivered by one of the two previously mentioned transport modes, the supplier and the transporter settle the costs between themselves.

9. Conclusion

In the end, the organization of the procurement process within the logistics system of Podravka from Koprivnica represents a key factor that shapes the success and sustainability of this food giant. Through the analysis of procurement strategies and practices, we can see how Podravka successfully balances quality, cost, and delivery speed, making it stand out in the competitive market. Investment in modern technologies and innovative approaches enables the company to

improve efficiency, reduce risks, and optimize relationships with suppliers. Moreover, Podravka faces challenges arising from globalization and changes in consumer preferences, which further highlight the importance of flexibility and adaptability in the procurement process. Continuous improvement of processes and maintaining high quality standards are crucial for preserving brand reputation and customer satisfaction. Ultimately, the organization of the procurement process at Podravka not only ensures an efficient supply chain but also contributes to the sustainable development of the business, creating added value for all stakeholders. This approach serves as an example for other companies in the industry, demonstrating that a well-designed procurement strategy is the foundation of a successful logistics system.

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