

<p>Describe the elements of good purchaser-supplier relations</p>	<p>Gaining competitive advantage through close cooperation, limiting the number of suppliers to maximize results, philosophical compatibility, and Information.</p>
<p>List the main reasons to make instead of buy</p>	<ol style="list-style-type: none">1. Small quantities needed2. Technological secrets3. Lower cost.4. Unusual requirements5. Use up unusual capacity6. Outside pressures7. Buy decisions hard to reverse8. More control and security
<p>List the main reasons to buy instead of make</p>	<ol style="list-style-type: none">1. Buy expertise2. Cheaper3. No disturbing the business4. Capacity, flexibility5. Quality6. Patents7. Customer preference for brand name8. Better supply management expertise

<p>General features of subcontracting</p>	<ul style="list-style-type: none"> • Related to make or buy • Prime contractors bid out part of the work • Common in many industries Construction, Auto making, Aerospace • Used when work is complex, costly, difficult to define • Two main reasons <ul style="list-style-type: none"> – Cost control (people, inventory, capital assets) – Use of external expertise. • Subcontracts are tough to control <ul style="list-style-type: none"> – watch them closely
<p>List the risks of outsourcing</p>	<ul style="list-style-type: none"> – Loss of control, exposure to supplier risks – High exit barrier – Unexpected costs – Possibility of lower flexibility
<p>Describe the outsourcing decision</p>	<p>If the activity is strategic or critical then keep it in-house, else create a RFP to get several bids or proposals to outsource the activity..</p> <p>If the supplier's bid proposal is not more desirable or achieve similar results than the in-house activity, then keep the activity in house, else outsource the activity.</p>

<p>Describe how purchasing can add value to the outsourcing decision.</p>	<ul style="list-style-type: none"> • Identifying opportunities for outsourcing • Providing a comprehensive, competitive process • Aiding in selection of sources • Identifying potential relationship issues • Developing and negotiating the contract • Ongoing monitoring and management of the relationship
<p>Describe the purchasing positive techniques to encourage vendor change</p>	<p>Positive (Stroking) Techniques</p> <ul style="list-style-type: none"> – Sharing information – Increased purchase volume – Positive response to vendor requests – Provision of assistance to vendor
<p>Describe the purchasing negative techniques to encourage vendor change</p>	<p>Negative (Crunch) Techniques</p> <ul style="list-style-type: none"> – Threat of legal action – Refusal to pay bills – Refusal of shipments (from vendor) – Reduction of purchases

<p>Describe the traditional buyer-supplier relationship</p>	<ul style="list-style-type: none"> • Lowest price • Specification-driven • Short-term, reacts to market • Trouble avoidance • Purchasing's responsibility to monitor • Tactical • Little sharing of information • Total cost of ownership
<p>Describe the partnership buyer-supplier relationship</p>	<ul style="list-style-type: none"> • End-customer driven • Long-term • Opportunity maximization • Cross-functional teams and top management involvement • Strategic • Sharing of information and risk
<p>Describe features of partnership and strategic alliances</p>	<ul style="list-style-type: none"> • Long term • Mutual strategic goals • Sharing risk, opportunity and information • Best use of skills from all sides • Like vertical integration without ownership • Relationships and information flow are critical • Major Concerns <ul style="list-style-type: none"> – Confidentiality – Clarity of role and expectations – Compatibility of values

<p>Describe the development plan to partnership</p>	<ol style="list-style-type: none"> 1. Supplier Assessment (Potential) 2. Supplier Improvements (minimum Stds.) 4. Supplier Alignment (systems fit) 3. Supplier Rationalization (less suppliers) 5. Supplier Partnership (strategic fit)
<p>Describe the strategies and outcomes when implementing partnership relationships</p>	<p style="text-align: center;">Strategies</p> <ul style="list-style-type: none"> • Decrease average delivery lot size • Decrease total number of suppliers • Decrease average number of sources used per purchased item • Increase average contract/agreement length • Increase average frequency of delivery to the plant • Increase supplier involvement in quality certification programs <p style="text-align: center;">Outcomes</p> <ul style="list-style-type: none"> • Improve quality of the supplier's operations/processes • Improved quality of oncoming goods • Decreased supplier's total costs • Decreased buying organization's total cost • Improved supplier's ability to handle buyer-initiated changes to the agreed-to delivery date • Improved buyer's ability to handle supplier-initiated changes to the agreed-to delivery date
<p>Indicators of successful partnership effort</p>	<ul style="list-style-type: none"> • Formal communication processes • Commitment to our suppliers' success • Mutual profitability • Stable relationships, not dependent on a few personalities • Consistent and specific feedback on supplier performance • Realistic expectations • Employee accountability for ethical business conduct • Meaningful information sharing • Guidance to supplier in defining improvement efforts • Non-adversarial negotiations and decisions based on total cost of ownership

<p>What is reverse marketing</p>	<p>When suitable suppliers cannot be found, purchasers take the initiative finding and developing suppliers to provide the required products.</p>
<p>List the approaches vendor use to set prices</p>	<ul style="list-style-type: none">- Cost Plus – determine cost and add a set percentage- Market Driven – price at market levels- Target Costing – price at market levels but design for lower cost
<p>What is total cost of ownership</p>	<p>Is the sum of all the cost related with buying and using a product. This cost is formed by pre-transactions costs (the purchasing process), transaction components (product cost and related), and post- transaction costs (maintenance and repairing)</p>

<p>Describe the types of costs</p>	<ul style="list-style-type: none"> • <i>Direct Costs</i>: Costs that can be specifically and accurately assigned to a given unit of production • <i>Indirect Costs</i>: Costs incurred that normally cannot be related directly to any given unit of production. • <i>Variable Costs</i>: Vary directly and proportionally with the number of units produced (or sold) • <i>Fixed Costs</i>: Remain the same regardless of volume produced (over the relevant range) • <i>Mixed Costs</i>: Partly variable and partly fixed
<p>Describe the purchase types and prices</p>	<ul style="list-style-type: none"> • Commodities <ul style="list-style-type: none"> – Purchase generally based on price • Custom items <ul style="list-style-type: none"> – Special Order – often quoted or negotiated price • Standard production items <ul style="list-style-type: none"> – Generally a list price with discount • Small Value Items <ul style="list-style-type: none"> – MRO – may take vendor’s price (maintenance, repair, and operating)
<p>Describe the methods of price determination</p>	<ul style="list-style-type: none"> • List price with discount <ul style="list-style-type: none"> – Single discount <ul style="list-style-type: none"> • $N = L(1-d)$ where L is list price, N is net price and d is discount percentage – Multiple discounts are compounded <ul style="list-style-type: none"> • $N = L(1-d1) (1-d2) (1-d3)$ • Quotes and Competitive Bidding • Negotiation

<p>Describe features of competitive bidding</p>	<ul style="list-style-type: none"> • Purpose: Trying to establish a fair price • Vendors asked to submit a bid based on published documentation <ul style="list-style-type: none"> – Vendors are often prescreened – Clarity is important: deadlines, criteria for awarding the bid, specifications • Bids must be treated properly and analyzed appropriately <ul style="list-style-type: none"> – Use firm bidding – Keep bids confidential (government bidding is public) – Generally lowest bid is accepted unless <ul style="list-style-type: none"> • Other criteria are deemed more important • Best and Final Offer bidding is used • Caution: Lowest bid may not be the best bid
<p>Factors for successful bidding</p>	<ul style="list-style-type: none"> • Bidders must be qualified and competitive. • Bidders must be reliable • Bidders must be interested in doing business • There must be enough bidders to ensure a truly competitive price • There should not be too many bidders • Bidding needs to be free of corruption • There must be enough time available to evaluate
<p>Features of negotiation as way of purchasing</p>	<ul style="list-style-type: none"> • Used when bidding conditions can't be met or when <ul style="list-style-type: none"> – Conditions or specifications may change – Cost estimation is impossible to do with certainty – Price isn't the most important variable – Set up or tooling costs are very large – The product is made to order • Negotiation requires more skill than bidding <ul style="list-style-type: none"> – Price, quality, support and service, transportation, inventory, delivery • A good contract: one that both parties can live with

<p>List the price protection options</p>	<ul style="list-style-type: none"> • Fixed price contracts • Fixed price with economic or market adjustments <ul style="list-style-type: none"> – Market price matching clauses – Economic escalator clauses • Fixed price with incentive <ul style="list-style-type: none"> – Learning curve effect – Performance targets • Cost plus a fixed fee
<p>List benefits of effective disposal programs</p>	<ul style="list-style-type: none"> – Cost recovery, reduction or avoidance – Improved customer service and quality – Comply with regulation, reduce liability – Reclaim valuable materials – Improve public image and corporate citizenship
<p>List costs of effective disposal programs</p>	<ul style="list-style-type: none"> – Separating – Tracking – Training / Knowledge – Storage – Safety procedures and equipment

<p>List the categories of material for disposal</p>	<ul style="list-style-type: none"> • Excess or surplus materials <ul style="list-style-type: none"> – Unused, still in good condition • Obsolete material or equipment <ul style="list-style-type: none"> – Old, out of date, still usable • Defective products <ul style="list-style-type: none"> – Poor quality product • Scrap material <ul style="list-style-type: none"> – Leftover after production • Waste <ul style="list-style-type: none"> – Contaminated, spoiled or broken materials • Hazardous waste <ul style="list-style-type: none"> – Toxic, ignitable, reactive, corrosive
<p>Explain why the selling of waste is supply chain job and not marketing</p>	<p>Because it has better knowledge of the materials, equipment or substances being disposed. Also contacts in the industry and the market</p>
<p>List the disposal channels for leftovers or waste material</p>	<ul style="list-style-type: none"> • Use elsewhere in the firm “as is” (for other uses) • Reclaim for use within the plant (modified) • Sell to another firm for use on an “as is” basis • Return to the supplier • Sale through a broker (he gets the purchasers) • Sale to a local scrap or surplus dealer • Donate, discard or destroy the material or item

<p>List issues when selecting disposal partners</p>	<p>Disposal partners must be competent, use the appropriate segregation and transportation methods, and follow regulations to avoid fines and penalties.</p> <p>Disposal practices have an impact in operations, costs and put purchasers in a new role because now they are selling instead of buying.</p>
<p>List the similarities between public and private purchasing</p>	<ul style="list-style-type: none"> • Similar to corporate supply objectives: <ul style="list-style-type: none"> – Continuity of supply – Standardization where possible – Maintenance of quality standards – Development of cooperative relationships – Obtaining the best buy – Operating with low administrative costs and lowest total purchasing cost
<p>List the differences between public and private purchasing</p>	<ul style="list-style-type: none"> • Legislative oversight • External pressure • Bureaucracy and long lead times • Public scrutiny • Acquisition procedures determined by dollar value • Strong emphasis on bid process (so specifications are important) • Past supplier performance hard to recognize

<p>Explain the typical purchasing process utilized in the public sector</p>	<p>Bidding is the typical process featuring the following:</p> <ul style="list-style-type: none"> • Used to ensure open, competitive process • Bids often made public after opening • Strong emphasis on price in selection process • Bid process often open to any interested supplier • Bonds used for security
<p>Explain the type of bonds utilized in public bidding</p>	<ul style="list-style-type: none"> – Bid Bond A bond along with the proposal to discourage tentative bids – Performance Bond A bond against failing the project and that guarantees work done to spec – Payment Bond Protects the buyer against liens in case a contractor does not pay a subcontractor
<p>Describe the Trends in Public Purchasing</p>	<ul style="list-style-type: none"> • Decentralization <ul style="list-style-type: none"> – Moving towards hybrid organizations • Privatization or Outsourcing <ul style="list-style-type: none"> – reduce costs, gain shorter implementation times, better quality services • Commercial Practices Introduced <ul style="list-style-type: none"> – payment processes, contract types, electronic procurement and investment recovery programs

<p>List the advantages of public cooperative purchasing</p>	<ul style="list-style-type: none"> • Lower prices • Improved quality through improved testing and supplier selection • Reduced administrative costs • Standardization • Better records • Greater competition
<p>List the Disadvantages of public cooperative purchasing</p>	<ul style="list-style-type: none"> • Inferior products • Longer lead times • Limited items available • More paperwork • Inability of small suppliers to compete due to larger quantities
<p>From lower to higher complexity, list the technology-based procurement strategies</p>	<ol style="list-style-type: none"> 1. Basic technology (phone, fax, email) 2. Procurement software 3. eMarket 4. EDI 5. ERP 6. Full integration using ERP and Internet-based communications

<p>List the Pros and Cons of technology based strategies</p>	<p>Pros</p> <ul style="list-style-type: none"> - Better information sharing - Speed and accuracy - More access to suppliers - Flexibility in hours of operations - Reduction in order processing cost <p>Cons</p> <ul style="list-style-type: none"> - Complicated implementation - Cost ambiguous
<p>What is EDI</p>	<p>It is the electronic link to suppliers where by using B2B transactions business forms such as PO, Shipping Docs., and Invoices are transmitted. The connection method utilized are; Direct connection, Third party Value added networks and Open EDI (XML)</p>
<p>What are exchanges and market places</p>	<p>They are websites on which members buy and sell goods and exchange information. They may be focused on buyer or seller, consortium of companies, or full industrial sectors.</p>

<p>What is and ERP system</p>	<p>It is integral computer software allowing sharing of company information across the organization and with selected partners. I goals are to reduce cycle time, costs, and the standardization of processes. They offer little flexibility, and their implementation are long and expensive.</p>
<p>Describe the online auctions utilized in the purchasing process</p>	<p>They are reverse auctions utilized to buy commodity goods where there are multiple suppliers available and willing to compete for the business. The purchasing organization has to have access to the technology necessary to run the auction.</p>
<p>List the types of e-Auctions</p>	<ul style="list-style-type: none"> • Open offer negotiations Suppliers can see the most competitive offer • Private offer negotiations Supplier receive only codes such as Accepted, Closed, BAFO (submit best and final offer), and Open • Posted price The first supplier that accepts the posted price gets the business

e-Commerce Implications for Purchasing

- Early adoption may net benefits, but could be costly
- Selecting the depth of e-procurement, and the tools to be used, are critical decisions
- Many types of service providers and levels of service are available – there will be direct impact on the business
- There will be rapid change in this area, and constant monitoring and updating will be necessary