**Purchasing**:  
Selects supplier, negotiates contract terms, manages supplier’s performance in completing the terms of a contract.  
  
**Purchase Orders:**  
Confirms price and no. of items, delivery date, relationships, sets expectations  
**Capital Equipment:**  
Expensive, Infrequent (Office machines, trucks)  
Supplier relations  
Ips are very important here, because switching suppli  
rs can be very expensive.   
  
**Blanket Purchase Agreement:**  
Hershey issues a BPA (price, delivery terms agreed upon) for each factory to place sugar orders as they need throughout the year.  
Wise to limit BPA to a specific dollar amount/items/time period  
  
Unethical conduct:   
Reciprocity: Do something for favor return with supplier  
  
**Centralized vs Decentralized purchasing** (each department makes their own purchases) vs Hybrid  
  
**Preferred Supplier:**   
Firms with a strong track record of on-schedule deliveries and quality products.  
**Supplier Evaluation Criteria:**   
Production Capability(meet you quality standards), Production Capacity(delivery schedule), Financial Stability, Technical Ability, Skill level(Managers)  
  
**Supplier quality management:**  
A good supplier meets end customer’s expectations.  
Because many companies are assembly companies. (car, computer)  
**TQM**(Total Quality Management): A system of management that believes every staff member must strive to maintain high standard in every area.  
**Ensure quality standards:**  
Award contracts to proven suppliers, investigate processes, be a good customer, be a good partner  
Supply base optimization:  
Good and right no. of suppliers based on length of relationship, past performance, volume of business  
  
Strategic Sourcing:  
  
**Purchase Agreement Elements (Types):**  
Annual Contract  
Blanket Purchase Agreemeht  
Price Agreement (Company negotiated price based on specific amount of orders)  
Corporate Agreement: Corporate headquarters specify which supplier company their facilities must use, in exchange for high volume contract , price discounts and free local delivery are provided.  
  
**Worldwide Sourcing:**  
Consider Transportation, Insurance, Packaging, Taxes, Coordination, Time cost  
  
**Category Management:**  
Commodity Characteristics: Many suppliers, critical in nature, driven by cost  
Spend Analysis: Tracking and categorizing all money spent on purchases throughout the year.  
  
**Negotiation Planning:**  
Know what you want, anticipate what the supplier wants,   
  
**Kickback**: Buyer receives cash payment from supplier after contract is signed.  
  
**Cost Analysis**: Determining Supplier’s cost to produce a product or service  
**Total Cost Analysis**: Study of all costs of a particular transaction (Mfg+Tariff+Transport+Time+Custom)  
**Access Cost Information**:  
Exact cost taken to mfg by supplier  
**Should-Cost Model**: Research costs using industry averages to find a fair price  
**Total Cost of Ownership (TCO) Analysis**: Entire cost to obtain, operate and dispose of a product including costs incurred after sales  
(sales tax+delivery charge, custom)  
**TCO Categories**:  
Purchase price, Acquisition costs, Usage costs  
Capital Equipment: Maintainance, Downtime, Repair parts, Service contracts cost  
**Target Costing**: The max amount of cost that can be incurred on a product  
Steps: Allowable cost (Mfg cost-Profit)  
  
**Learning Curve Situations:**  
New process or product, High direct labor costs (no automated workforce), Stable direct labor workforce  
  
**E-Sourcing**: ROP based Reorder point monitoring by software, when reached it orders  
**Electronic Order Models:**  
Supplier/Buyer websites/Third-party marketplaces  
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**Anchors** are the initial point at which a negotiation is set. Most deals end up within plus or minus 20% of the initial anchor.  
**The Bogey Technique**: Negotiating by acting like an important detail is critical and then trading it away as a major concession later.  
**The Nibble Technique**: Asking for something extra, right before closing deal  
**The Highball/Lowball Techinque**:  
Offering very high or low anchor.  
**The Multiple Rounds Technique**: Other party to sit for multiple rounds of negotiations.  
List Rate vs Discount  
  
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**Steps**: Plan to procure-> Source to Procure -> Make -> Deliver-> Return-> Enable  
**Data-Driven Digital Supply Network**:  
Real-time connection of supply chain processes, no data silos  
2 types of suppliers who can be included in supplier diversity program:   
**MRO**: Maintainance repair in operating.  
Indirect suppliers-> Contributes to the daily operating expenses of a business.  
**Manufacturing Suppliers:** Contributes to cost of goods sold  
**Gross profit**: Sales- Cost of goods sold  
**Net profit**: Gross profit - Operating Expenses  
  
**Rema Trust Model**:  
Competency Trust or “Trust of Capability”  
Contractual Trust or “Trust of Character”  
Communications Trust or “Trust of Disclosure”  
  
**Leverage** Items: Low risk, high profitability  
**Bottleneck** Items: High risk, Low profitaility  
**Strategic** Items: High risk, High profitability  
  
**Traditional**(considers supplier price) vs **Stragetic Sourcing** (considers supplier’s overall value)  
  
**Transactional** Relationship (Price and Efficiency)  
**Commercial** Relationship (Price, Quality and Reliability)  
**Proactive** Relationship: (Total cost of doing business with supplier)  
**Strategic** Relationship: (Transparency about performance and metrics)  
**Class-Leading** Relationship: (Performance based and revenue driven)  
  
**80/20 Rule**: Build strong relationships with 20% of suppliers where companies spend 80% of their money  
  
**Environmental Metrics to be reported:**  
Carbon emissions, Air pollutant emissions, Liquid waste generated, Solid waste generated, Percent recycled waste  
  
**Management Information Systems (MIS)**:   
Suppliers generate performance data and shares with SC trading partners  
**Modeling and Simulations (M&S)**:   
Adresses design and does testing to improve product quality and process efficiencies.  
**Manufacturing Processes and Equipment (MP&E)**: Addresses the mandate for lean operating, manufacturing proficiencies and quality systems.  
**Enterprise Management and Technology Management Integration (EM&TI)**: Makes sure right people have right processes, information and resources at the right time.  
**Legal, Regulatory and Environmental (LR&E)**  
  
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**Risk Sources:**  
Demand, Supply, Environment  
ESG Risk: Environmental, Social, Governance Risk  
  
**Processes** are steps taken by company to create value.  
**Controls** are rules that ensure a particular behaviour.  
**Order quantiti**es, **Batch size**s, **Safety stock** policies, **Policies** governing asset management  
  
**Migitation** is taking action to reduce risk.  
**Contingency** is a plan to use if a risk is identified.  
  
**Internal Risks**: Processes, Controls, Lack of mitigation and contingency  
**Management Options**: Mitigation, Contingency  
  
**Supply Chain Oscillations** -> Late deliveries, Cancelled orders, Inventory Reliance  
Ripple effect, Chaos effect  
  
**Risk Profile**: Amount of vulnerability embedded in a supply chain  
**Supply Chain Agility**: Making rapid strategic changes to adapt to unpredictability  
Characteristics: Market Sensitive, Network based, Virtual in nature  
**Supply Chain Management**: The management of upstream and downstream relationships with suppliers, distributors and customers to achieve greater customer value-added at less total cost.  
  
Onshore, Nearshore, Multishore suppliers  
Transparency+Monitoring=Proactive risk management  
  
ISO 44001 (Strategy, Engagement, Management)  
SC21   
  
**Types of Supply Chain Risk**: Demand, Supply, Process, Control, Environmental  
ISO 31000  
  
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Excel:  
Select data, scatter with smooth lines