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Procurement & Inventory Management
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$ Procurement is the process of sourcing materials from vendor, inspecting it and
finally paying the vendor.
$ It is a transaction intensive process.
$ A fundamental module of any ERP.

How ERPs Support Procurement Process

$ Determining what to buy and how much - Auto generation of info
$ Determination of the source of supply - info Record
$ Selecting the vendor :
    $ Scheduling agreement & contracts
    $ Comparison of vendor quotes
$ Purchase order - Auto creation
$ Goods Receipt :
    $ Quality inspection
    $ Shelf life expiration check
    $ Auto updation of stock
$ Invoice Verification
$ vendor payment - Auto Payment
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Challenges

$ Service cannot be inventoried
$ Difficult to specify service specifications
$ Price comparison is complex
$ Goods receipt is replaced by service entry and acceptance for service procurement
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Procurement Maturity Model

# LEVEL 1 : Basic Processes
    $ Basic Procurement planning
    $ Vendor payment
    $ Goods Receipt
    $ Quality Inspection
# LEVEL 2 : Matured Processes
    $ Optimum Procurement planning
    $ E-procurement
    $ Collaboration with suppliers
# LEVEL 3 : Innovative Processes
    $ Sourcing optimization
    $ SRM
    $ Advanced collaboration with suppliers
    $ Auction
    $ Exception management
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Master Data for ERP Procurement

$ Material Master
$ Vendor Master
$ Terms & Conditions Master
$ Service Master Record & Service Catalog

Sol for Procurment/Inventory Management
$ Oracle Offerings
$ SAP Offerings
$ IBM offerings
$ ERP vs Best of breed
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Inventory Management Process in ERP

$ Inventory Transaction Processes(Lose)
    $ Goods Receipt (GR)
        $ Advanced Shipping Notice (from supplier),PO
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        $ Damage identification,Capturing Details
        $ Returns
    $ Goods Issue :
        $ Create ASN (to customer)
        $ Packing and loading
        $ Receive Proof of Delivery
    $ Reservations - By customer for a later date. Ensure availability.
    $ Stock Transfer - Plant to Plant, to Company, Stores, to Warehouse, to Dealer

$ Inventory Control Processes(Lose)
    $ Quality Control
    $ Physical Inventory
    $ Cycle Counting
    $ Stock Overview
    $ Value Control / Stock Valuation

$ Inventory Planning Processes(Maintain)
    $ Design better process for replenishment
    $ Supporting processing/handling of exceptions
    $ Scientific approach to reordering

$ Strategic IM Processes(Gain)
    $ Process of Inventory Collaboration : vendor managed inventory
    $ Deciding Inventory based on service levels
        $ high service levels => high inventory
        $ Low service levels => low inventory
    $ Lean Inventory Management
        $ Lean principles
        $ Reduce waste from supply chain.EX : Kanban,JIT
    $ Cross docking
        $ Effective coordination of inbound & outbound shipments
        $ EX : Wal-Mart,SAP,Oracle
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ABC Classification System

$ Classifying inventory according to the annual value of the comsumption of the
items

A - Very imp
B - Moderately imp
C - Least imp
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Inventory Models supported by ERPs

# Q model
    $ EOQ model – reorder point ordering, qty is constant
# P model
    $ Periodic review
    $ Opposite of Q model – qty differs, freq is constant
# Min-max model
    $ Pre-define min and max stock level
    $ Order when stock on hand is at/near min level
# Two bin model
    $ Use 2 bins
    $ Order when first bin is empty
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