

DIPLOMA IN PROCUREMENT SUPPLY CHAIN MANAGEMENT

Assignment II

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**ASSIGNMENTS**

1. What are the objectives of Materials management? What are its advantages?
2. What are the activities of materials and information flow in an organization?
3. What is the scope of materials management?
4. Define the various roles of materials management in the context of internal and external interfaces to materials management system.
5. Describe the role of material management in performing various functions in an organization?
6. Discuss the scope of a product. Elucidate the term taking two products of your choice and comment on the satisfaction you derived by adoption.
7. Product mix and line decisions are viewed as strategic tools to increase market share and keep competition at bay. Discuss.
8. What are the objectives of Materials management? What are its advantages?

***Answers;***

**Article by Smriti Chand**

The basic objectives of materials management in an organization are;

* To obtain materials at the minimum price, however, this minimum price must not compromise on the quality of goods and continuity of supply.
* To minimize the inventory of an organization without sacrificing the timely availability of materials.

A good material management system will keep up to data records of all the information generated in it, preferably using a computer base system. In addition to these primary objectives a material management system indirectly fulfills many secondary objectives also. These secondary objectives are normally related to the functions of a material management system.

**Primary Objectives**

**Low price:**

If materials department succeed in reducing the price of items it buys, it contributes in not only reducing the operating cost but also in enhancing the profit.

**Lower inventories:**

By keeping inventories low in relation to sales, it ensures that less capital is tied up in inventories, this increase the efficiency with which the capital of the company is utilized resulting in higher return on investment, storage and carrying costs are also lower

**Reduction in real cost:**

Efficient and economical handling of materials and storage lowers the acquisition and possession cost resulting in the reduction in the real cost.

**Regular Supply:**

Continuity of supply of materials is essential for eliminating the disruption in the production process in the absence of regular supply of materials, production costs go up.

Procurement of quality materials:

Material department is responsible for ensuring quality of materials from outside suppliers. Therefore, quality become the single most objective in procurement of materials.

**Secondary objectives**

**Reciprocity:**

The purchase of raw materials from the organization/customers by the concern and in turn sale of finished product to the above customers is known as reciprocity. It serves the twin purpose of increasing purchasing as well as sales.

**Standardization:**

Standardization of materials is greatly helpful in controlling the material management process with regular stock taking, the none standardized items can be rejected and standard components may be brought in to product design to reduce the cost of production. It is further helpful in promoting the standardization with suppliers.

**Make or buy decisions:**

The material manager with regular reviews of cost and availability of materials can safely conclude that whether the materials is to be purchased or developed in the organization itself.

**New development:**

The staff of the materials department deal regularly with the suppliers responsible for new development in material handling. These developments can be successfully applied in material handling and management.

The materials management system work under the broad basic objectives of an organization that is maximum profit with sustained growth and research, satisfied customers and staff of the organization. The material management support this objectives by providing support through;

* Continuity of supply by maintaining a uniform flow of materials.
* Reducing the cost of materials purchased and handling by using scientific technique and electronic tools. The use of scientific tools and techniques for materials and information management.

**Advantages of material management:**

Materials management has created a niche in many organizations which have implemented the integrated materials management

* It helps to minimize loss by obsolescence, deterioration damage.
* Better accountability on part of material as well as other department as no one will shift blame to other.
* Material management is handled by single authority, it can result in better coordination, as it becomes the central point for any material related problem.
* Materials management system is typically control through an information system, it can help in taking decisions related to material in the organization.
* Materials management department make sure that better quality materials is supplied timely to the requesting department, this can result in better performance of the organization.
* One indirect advantage of material is that good quality material develops the ethical and moral standard in organization.

1. What are the activities of materials and information flow in an organization?

**Answers;**

The activities of material management and information flow are:

* Purchasing and procurement activities sometimes it determines the details which may help in proper selection of vendors can even be distributed over time.
* Receiving and inspection data is very important quality control activity during this process, where information about the quality is registered.
* Production planning information/sales information does impact the process of material management

1. What are the scopes of materials Management?

**Answers; cite**

Material management is the function responsible for the coordination of planning, sourcing, purchasing, moving, storing and controlling materials in an optimum manner to provide a pre-decided service to the customer at a minimum cost.

**Material planning and control:**

Base on the sale forecast and production plans, the materials planning, and control is done, this involves estimating the individual requirement of parts preparing material budget, forecasting the levels of inventories, scheduling the orders and monitoring the performance in relation to production and sales.

**Purchasing:**

This includes selection of sources of supply finalization in terms of purchase, placement of purchase orders, follow up maintenance of smooth relations with suppliers, approval of payment to suppliers, evaluating and rating suppliers.

**Store management:**

This involves physical control of materials, preservation of stores, minimization of obsolescence and damage through timely disposal and efficient handling maintenance of stores records, proper location and stocking. A store is also responsible for physical verification of stock and reconciling them with book figures. Astore plays a vital role in the operations of a company.

**Inventory control or management;**

Inventory generally refers to the materials in stocks. It is also called the idle in resources of an enterprise. Inventory represent those items, which are either stocked for sale or they are in the process of manufacturing or they are in the form of materials, which are yet to be utilized. The interval of between receiving the purchased parts and transforming them into final products varied from industries to industries and depending upon the cycle time of manufacture, It is therefore necessary to hold inventories of various kind to act as a buffer between supply and demand for efficient operation of the system, thus an effective control on inventory is a must for smooth and efficient running of the production cycle with least interruption.

1. Define the various roles of materials management in the context of internal and external interfaces to materials management system.

**Answers:**

Material management indirect benefits already have related it to the external interface describe in **Source Dutt A.K (1998) Material Management**

**Marketing Forecasting:**

One of the key role played by materials management is to forecast the future demand

**Production:**

One of the key roles of material management system would be to see that process of production goes unhindered.

**Finance:**

The materials management is strategically very much linked to cost reduction. The cost may include the inventory cost and thus, have a major impact on the material budget.

**Inventory Control:**

One of the key strategic roles of material management would be to minimize the inventory of an organization. This should be synchronized with the material procurement and supply so that the production process is not hampered.

**Inspection or quality control:**

This is very interesting interface as the quality of material for different types of an organization is impacted during materials management cycle, though material management is not directly responsible for quality, yet it can cause indirect effects on the quality of products. The product, whose quality deteriorates with time, are very likely candidate in this category.

**Materials handling, traffic and physical distribution logistics:**

The role here is to see that the material is handled and distributed easily.

Material flow systems how the material is flowing but more important than that is the information flow.

Material Management system activities have impact on;

* Availability of products desired by customers, these products should be material flow system prepared with best obtainable cost of manufacturing.
* Quality and cost of manufacture should be most affordable for the organization although quality and cost of production are the responsibilities of the production manager, material management can support this process by the timely delivery of quality material.
* Production planning information/sales information does impact the process of material management

1. Describe the roles of materials management in performing various functions in an organization?

**Answers: cite Wisdomjob**

Materials management is an important organized activity of any business system, which is essential for any manufacturing sector. A careful planning is required while laying the objectives.

The objectives of materials management are either set by the top management or by the materials manager himself keeping in view corporate policies. The main aim of material management is to provide efficient service of continuous supply of bought out materials at minimum cost. These can be raw materials or components for production as direct inputs, spare parts or factory operating supplies. Stock out of any of these may totally disrupt the production causing severe losses to the company.

**To procure raw material at low cost:**

In a manufacturing firm raw material play an important role in the process of production. Therefore, a slight reduction in the cost would certainly reduce the price which would in turn increase the profits of the firm.

**To maintain consistent quality:**

The materials manager should look for quality, even though the raw material is available at a lower cost. As the procurement of raw materials is done only for production, finally a product is manufactured for selling; a customer would look for a quality product apart from price. Therefore, care should be taken to procure the material of precise specifications which would reduce the cost of inspection, degree of defectiveness and increase the inventory turnover, profitability and image of the company.

**To ensure continuous supply of raw material:**

The materials manager should ensure smooth flow of supply of raw materials from suppliers or else, it would affect the process of production which would substantially increase the operating costs and increases the unit production cost.

**To minimize the carrying costs and ordering costs:**

The material function involves the incidental costs such as costs of ordering material, freight changes, storage costs etc. Reducing any of the above costs, would substantially increase savings, which in turn increases the profits. Techniques such as Economic Order Quantity are used to minimize the carrying and ordering costs.

**To maintain a good relationship with supplier:**

A good relationship with the supplier shows the efficiency of the purchase department. Maintaining a good rapport with suppliers would not only have a good image in the industry, but also leads to certain economic advantages like reasonable price, preference in time shortages, intimation about forthcoming shortages etc., which will have an edge over the competitors.

**Efficient record-keeping and prompt reporting**:

Materials management involves huge paper work. Paper processing work should be standardized through designing forms for recurring operations, submission of copies to the needy departments. It should ensure efficient record maintenance and reproduction of records whenever necessary.

**To develop new sources and new materials:**

Purchase research helps in exploring new sources of supply. This may result in the supply of better quality of materials at favorable terms. Procurement of cheaper substitutes than the presently used material without affecting the quality if any, should be availed. Thus, it would reduce the cost.

**Training and development of personnel:**

Materials department is an indispensable part of manufacturing sector. Efforts should be made to develop the personnel by training them if necessary; such training programs will not help to improve the morale of the employees but also, contribute to the qualitative. Due to the conflicting nature of objectives it is difficult to achieve all of them at a time. For example, low cost of acquisition and storing would come in conflict with minimizing the storing costs while, the objective of procurement at a low cost will conflict with continuous supply of materials. Thus, it is difficult to attain all the objectives at a time.

1. Discuss the scope of a product. Elucidate the term taking two products of your choice and comment on the satisfaction you derived by adoption.

**Answers:**

product scope is about the product details. Product scope defines what the product will look like, how will it work, its features, according to the PMBOK Guide 5th edition, product scope is the features and functions that characterize a product, service or result for example, if the product is a bridge, the product scope is its length, width, load strength, etc. If the product is a cell phone, its product scope will be its screen size, battery backup, processor speed, camera type, memory, etc.

1. Product mix and line decision are view as strategic tools to increase market share and keep competition at bay. Discuss

**Answers: Lumen candela**

Product mix is the set of all products lines and items that a company offers to buyers while Product line includes all closely related or similar products offered by the firm. Marketers must often make product adjustments to keep the product competitive and continue to provide satisfaction to the buyer.

* There are risks involved with product adjustment: changing the price of the product may price some buyers out, while changing the features may dissuade some from continuing to buy the product.
* Product positioning is both a concept and a process, often requiring extensive market research and involving a conscious change in the promotional message.
* Line extensions occur when a company adds new items in the same market category. This is usually either up-market or down-market, depending on the company’s strategy and desired market growth.

**Key Terms**

* **product repositioning**: Changing the market’s perceptions of a product so that it may better compete in its present market or other market segments.
* **product adjustment**: The changing of a product to provide superior satisfaction and win over buyers from other brands and products.