1. **Describe how purchasing become aware of purchase requirements.**

It is important to define the scope of the project, the products, market conditions, and constraints and assumptions. However, it is also essential to know exactly Whether , How , What , How much and When to procure e goods or services

Purchasing is a function that occurs behind the scenes of organizational operations and out of view of the end user through this view we must be acknowledge about the process of acquisition materials It includes

**Recognition**

* The organization of needs , whether from internal or external sources. The product may be one that needs to be reordered, or it may be a new item for the organization
* The recognition of ‘time’ as a key variable, and the need to minimize time as waste in the supply chain, has led to an increased degree of concern with time and responsiveness
* The recognition of the function, sets targets and establishes ground rules from which policies can be formed.
* The recognition of the importance of implementing a system to provide information to managers about quality processes that enable them to plan, control and evaluate performance.

**Specifications**

The right product is critical . Some industries have standards to help determine specifications. Other industries have no point of reference.

The primary role of purchasing is to contribute to the profitability of an undertaking by obtaining the best quality products or services in terms of fitness for use at the least possible total cost . In certain circumstances it will be essential to specify exactly what is required in detail (e.g. for specialized laboratory equipment). Specifying an accepted industry standard for a technical solution is also good practice; specifying nonstandard or =gold-plated‘ solutions will always lead to higher costs.

**Sourcing**

Optimizing the use of resources which they influence and for which they are responsible to provide the maximum benefit to the organization and some consideration must be taken when choice the supplier “ Credit terms , offered , Reputation , Reliability , Substitution , Policy , Accuracy , Delivery , technology , Lead time and Willingness to break case “

**Price and Terms**

The organization will investigate all relevant information to determine the best price and terms for the product. This will depend on if the company needs commodities (readily available products) or specialized materials. The perfect competition exists when the following conditions apply:

* The item dealt in must be homogenous so that buyers are indifferent regarding the sellers from whom they make their purchases- there is an absence of trade or proprietary names, for example The item must be easily transportable
* There must be many buyers and sellers so that the former cannot artificially restrict demand or the latter supply
* There should be an absence of preferential treatment of or discrimination against any buyer or seller
* Easy communication must exist between buyers and sellers so that they are immediately aware of what is happening anywhere in the market.

**Price Stabilization-** To maintain a reasonable level of the price of the goods in the market there is a need to keep enough stock in the warehouses. Scarcity in supply of goods may increase their price in the market. Again, excess production and supply may also lead to fall in prices of the product by maintaining a balance of supply of goods, warehousing leads to price stabilization

**Cost saving include:**

* Reducing the complexities of bought-out items by means of standardization
* Reducing the amount of negotiation and number of suppliers by the introduction of single sourcing or an approved supplier list.
* Improved design using standard, simplified or fewer parts
* Elimination of unprofitable products.

**Purchase Order**

After selecting the best supplier from those who quoted by comparing the offers , Create purchase orders specifically defines the price, specifications and terms and conditions of the product or service and any additional obligations. And must be delivered officially to the supplier

**Receiving**

This includes the physical unloading of incoming transport, checking, recording of receipts, and deciding where the received goods are to be put away in the warehouse. And there should be separation of duties between personnel who make contracts, those who receive the goods or services and those who authorize payments.

**Invoice Approval and Payment**

After checks products against Delivery Invoice and Purchase Order , the purchasing department sends the delivery invoice to Accounting to Pays the supplier according to delivery invoice and purchase order.

businessdictionary.com/ The 10 Steps of the Procurement Cycle

1. **Describe the challenges organizations face as they attempt to integrate organizational activities into the supply chain?**

**Procurement – ‘value added’**

The challenge that procurement has is to identify which activities will have the most beneficial impact, taking into consideration the specific strategy of the organization, its size and sector. These priorities must be built into the strategic plan, ensuring that procurement has a significant influence, as well as alignment with the overall business strategy.

**Professional culture change**

Corporate culture is defined as ‗‗The way we do things around here to ensure success. ‘‘Every company has its own unique culture. It is a significant area for improvement is in the management of relationships between buyer and seller. Corporate culture is one area that is still largely untapped in managing these alliance relationships. Developing a better understanding of this key area will further improve communication between and understanding of one another. It will allow each company to understand their own and the other side‘s strengths, weaknesses, and opportunities for synergy

**Make-or-buy analysis:**

determining whether a product or service should be made or performed inside the organization or purchased from someone else. Often involves financial analysis.

**Communication**

the communication and sharing of information needed for planning and decision-making, and the interaction of people involved in planning and decision-making. Linkage ensures that the information necessary for decision-making is available, and that different functions and entities in the supply chain are working with the same data as decisions are made.

**Relationship**

Relationship management is critical to success today in all aspects of life. With the expanded roles and expectations of purchasing professionals, the time is right to focus intensely on a relationship management effort. While the results are more intangible and harder to measure, the consequences of not doing so are significant. As we continue to work on our key skill areas,

developing communication plans and assessing corporate culture and individual styles, it will become a normal part of the way we operate. Mnm,Our effectiveness will then be truly enhanced.

1. **Discuss the key enablers of excellence in purchasing and supply chain management**

**Organizational Design**

Understanding the organization’s business objectives and Alignment between supply chain efforts and overall business objectives , Purchasing should play a key role in relationship management at a peer level as well as with senior management. The ability to manage the change process and communicate with all stakeholders becomes critical, as well as the ability to determine which decisions need to be made by consensus and which need to be made by senior management.

**Better utilization of**  **Human Resource**

Human resources this module covers many human resource management activities including planning, training and job allocation. And the success depend on the skills of employee of purchasing . They should be acknowledge of the suppliers and the capacity of organization , negotiating , the strategies of purchasing .

**Performance measurement systems**

Measuring performance explicitly focuses attention and influences behavior. When designing a measure it is always useful to review the measure through arrange regular meetings where the measures are discussed, the performance reviewed and action taken, at all levels of the company. include a methodology for analyzing performance and prioritizing action, using techniques such as root cause analysis or Deming ‘plan, do, check, act’ cycles. Make performance visible, aligning it with recognition and reward systems.

coursehero.com / the four enablers of purchasing

1. **What is the difference between a supply chain and a value chain?**

The term value chain refers to the process in which businesses receive raw materials, add value to them through production, manufacturing, and other processes to create a finished product, and then sell the finished product to consumers.

A supply chain represents the steps it takes to get the product or service to the customer.

While a supply chain involves all parties in fulfilling a customer request and leading to customer satisfaction, a value chain is a set of interrelated activities a company uses to create a competitive advantage.

The concept of the value chain comes from a business management perspective. Value chain managers look for opportunities in which to add value to the business. They may look for ways to cut back on shortages, prepare product plans, and work with others in the chain to add value to the customer.

The concept of the supply chain comprises the flow of all information, products, materials, and funds between different stages of creating and selling a product to the end user. The concept of the supply chain comes from an operational management perspective. Every step in the process including creating a good or service, manufacturing it, transporting it to a place of sale, and selling it is part of a company's supply chain.

1. **Elaborate the functions to be performed in a public warehouse**

* Anyone can store his goods in these warehouses on payment of rent
* The government regulates the functions and operations of these warehouses
* public warehousemen can provide improved service with greater flexibility for the end user
* adequately flexible to meet most space requirements, for several plans are available to suit the requirements of different users
* Fixed costs of a warehouse are distributed among many users. Therefore, the overall cost of warehousing per unit works out to a lower figure
* Public warehousing facilities can be given up as soon as necessary without any additional liability on the part of the user.
* It has got enough space to handle peak requirements.
* Public warehousing has reduced risk in their operations
* Public warehousing has got good economies of scale
* It would give Tax advantages for end users.
* Knowledge of exact storage and handling costs are available to end users.
* It is insulated from labor disputes.

1. **Describe about cross-docking and its importance**

Cross-docking is just one strategy that can be implemented to help achieve a competitive advantage. Implemented appropriately and in the right conditions, Cross-docking can provide significant improvements in efficiency and handling times. Cross docking is a logistics procedure where products from a supplier or manufacturing plant are distributed directly to a customer or retail chain with marginal to no handling or storage time.  Cross docking takes place in a distribution docking terminal; usually consisting of trucks and dock doors on two (inbound and outbound) sides with minimal storage space.  The name ‘cross docking’ explains the process of receiving products through an inbound dock and then transferring them across the dock to the outbound transportation dock.

**Advantages of cross-docking**

* Reduces material handling.
* Reduces need to store products in warehouse.
* No need for large warehouse areas
* Reduced labor costs (no packaging and storing).
* Reduced time to reach customer.
* Transportation has fuller loads for each trip therefore a saving in transportation costs while also being more environmentally friendly.
* Products are moved more quickly through a cross dock.
* Easier to screen product quality.
* Elimination of processes such as ‘pick-location’ and ‘order picking’
* Cross docking terminals are less expensive to construct than your average warehouse.
* High turnover of products with everything moving quickly through the cross docking terminal.  Products usually spend less than 24 hours here.
* Products destined for a similar end point can be transported as a full load, reducing overall distribution cost.

**Disadvantages of cross-docking**

* Much management attention, time and planning is necessary to make it work effectively.
* Setting up the cross-docking terminal structures would take quite a bit of time and capital to start with.
* Some suppliers would not be able to deliver customer ready products to the cross-docking terminal.
* Enough transport carriers are necessary for the cross-docking terminal to run smoothly, therefore is mainly dependent on trucking.
* A high volume of product is necessary to be cost effective

aalhysterforklifts.com /

1. **Discuss activity profiling in a warehouse**

Warehouse Activity Profiling (WAP) provides an objective basis for decision making. It is the analysis of historical Inventory & Sales transaction data (SKU, and Order) for the purposes of projecting warehouse activity to: Inventory data−determine storage mode, physical layout, work flow processes, and labor and equipment requirements−identify root causes of material and information flow problems−pinpoint opportunities for process improvement

WAP

SKU data

Order data

Inventory data

Location data

* Summary statistics
* Distributions
* Structural

Characterizations, e.g.,

* prevailing patterns/trends
* relations•
* dominant elements

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1. Describe the various storage systems used in a warehouse for different applications

storage classified as follows:-

* **Private Warehouses**

The warehouses which are owned and managed by the manufacturers or traders to store, exclusively, their own stock of goods are known as private warehouses. Generally these warehouses are constructed by the farmers near their fields, by wholesalers and retailers near their business centers and by manufacturers near their factories. The design and the facilities provided therein are according to the nature of products to be stored.

* **Public Warehouses**

The warehouses which are run to store goods of the general public are known as public warehouses. Anyone can store his goods in these warehouses on payment of rent. An individual, a partnership firm or a company may own these warehouses. To start such warehouses a license from the government is required. The government also regulates the functions and operations of these warehouses. Mostly these warehouses are used by manufacturers, wholesalers, exporters, importers, government agencies, etc.

* **Government Warehouses**

These warehouses are owned, managed and controlled by central or state governments or public corporations or local authorities. Both government and private enterprises may use these warehouses to store their goods.

* **Bonded Warehouses**

These warehouses are owned, managed and controlled by government as well as private agencies. Private bonded warehouses must obtain license from the government. Bonded warehouses are used to store imported goods for which import duty is yet to be paid. In case of imported goods the importers are not allowed to take away the goods from the ports till such duty is paid. These warehouses are generally owned by dock authorities and found near the ports.

* **Co-operative Warehouses**

These warehouses are owned, managed and controlled by co-operative societies. They provide warehousing facilities at the most economical rates to the members of their society.

1. **Describe briefly about the qualitative factor rating method for the selection of location of a warehouse**

The following considerations determine the location of a warehouse:

• Market service area and cost of distribution from the warehouse to the market service area.

• Satisfaction of transport requirements and facilities available in the form of rail, link roads and road vehicles.

• Transportation rates prevailing in the area and distribution costs per unit.

• Competition by rival companies and whether they have warehouse in the same area.

• Availability of power, water, gas sewage disposal and their cost.

• Labour supply and labour costs in the area.

• Industrial relations climate and labour productivity.

• Pricing arrangements and the level of service desired to be rendered in terms of availability of the product to the customer.

• Individual company requirements and constraints.

• Real estate, excise and government taxes assessed in the area.

• Attitudes of residents and government towards establishment of the warehouse.

• Restrictions associated with warehouses.

• Potential for later expansion.

• Cost of land for the warehouse and other costs.

• Possibility of change in the use of the facility at a later date if the company so desires, and lease or sale of the land and buildings.

1. What are the risks associated with backdoor (maverick) purchasing as opposed to open tendering most common in public procurements?

**Lack of expertise in purchasing:**

Lack qualified personnel to deal with procurement issues hence providing a loophole and thereby perpetuating unethical practices

**Lack of confidentiality:**

Most procurement staff usually releases confidential information e.g. Bids to competitors hence influencing their bidding price bringing about corruption and unethical practices.

**Single sourcing:**

Although this ensures adequate and consistent supply, it may lead to a supplier becoming dependent on the purchasing organization for most of its business and hence risks being compromised.

**Shortages:**

Where there are occurs shortages of materials, some companies may employ unethical practices to source for supplies or hoard in order to influence prices upwards.

**Economic pressure:**

Due to some procurement staff not being well remunerated, they can easily engage in unethical practices such as receiving of gifts in order to supplement their meager earnings.

**Competition:**

competition is unhealthy, small and disadvantaged suppliers may be forced to use unethical means in a bid to secure orders.

Making statements to suppliers that exaggerates the seriousness of a problem in order to obtain better prices or other concessions. Lying to or grossly misleading salespeople during negotiations only to find later that information is inadequate and giving preferential treatment to certain suppliers due to the recommendation of management

1. **Discuss the advantages of electronically transactions between a buyer and seller**

* Replacing the paper documents – purchase orders, acknowledgements, invoices and so on used by buyers and sellers in commercial transactions with standard electronic messages
* Reduction in lead times as buyers and suppliers work together in a real-time environment
* Reduction in the cost of inventory an d release of working capital
* Promotion of such strategies as JIT
* Better customer service
* Facilitation of global purchasing using international standards
* Facilitation of invoice payments by the computer-to –computer transfer of money, which eliminates the need for the preparation and posting of cheques
* The integration of functions, particularly marketing, purchasing, production and finance
* EDI tends to promote long-term buyer-supplier relationships and increase mutual trust

1. **Describe the challenges involved in implementing e-procurement systems?**

The two principal limitations of EDI relate to cost and flexibility

**Potential high cost of integrating e-procurement tools with enterprise resource**

**planning (ERP) systems**

Companies should try to choose software tools that are already integrated with their existing systems or which have configurable and quick to implement XML-based interfaces to enable linkages to demand and inventory management. Where possible, companies should avoid stand-alone solutions, which need bespoke integration work. Where appropriate, companies should look to integrate with the computer-aided design (CAD) and product data manager (PDM) software systems used to design complex products and with project management and collaborative working systems including suppliers’ designs and configuration tools.

ED is am expensive option, given that, until recently, organizations sent all EDI transactions over a VAN (Value-Added Network) that had set up and running costs often on a per thousand characters transmitted basis. The scope of EDI was also internationally limited to ensure controlled activity within a closed door environment. The heavy overheads associated with EDI infrastructure were prohibitive for many small to medium sized enterprises.

**Difficulty of building a solid business case for another e-procurement project**

When companies look beyond the transaction or purchase order cost for savings, this is the moment they begin to appreciate the full potential savings and benefits from the implementation of e-procurement. By producing an end-to-end value map of the supply chain for complex goods and services in their operations, they can begin to look for opportunities to reduce the total cost of ownership such as reductions in inventory, reductions in demand and supply lead time and elimination of waste throughout the supply chain. Companies can also look for potential savings in the costs of goods and services by internal aggregation of demand, the reduction of maverick, off-contract spend and simplification of the supplier base.

EDI is a cumbersome, static and inflexible method of transmitting data, most suited to straightforward business transactions, such as the placement of purchase orders for known requirements. It is suitable for transactions requiring right coupling and coordination, such as the consideration of several possible purchase alternatives or supply chain optimization. Unlike human beings, computers are poor at interpreting unstructured data and cannot derive useful information from web documents that are not predefined and permanent. The standard document language used to create web pages is Hypertext Mark-up Language (HTML).

**Current spend by some of the commodities groups is unknown**

The current spend metric is an essential one if a company is to source effectively. Extending product classification definitions to cover all commodities, including services, ensures that all relevant spend can be measured. This process can start with spend by supplier and this can then be further broken down to identify the

1. **Why is it important to measure and monitor supplier performance improvement over time?**

* Assist agencies to reduce internal transaction costs associated with procurement
* Contribute to effective risk management
* Contribute towards the development of strategic relationships with suppliers
* Assist in developing supplier capability
* Assist in the development of supply chain management strategies
* Improve supplier and purchaser performance