

**NAME: DUMBE OLIVER WULI ELIKANA**

**COURSE: POST – GRADUATE DIPLOMA IN PURCHASING & SUPPLY CHAIN**

**MANAGEMENT**

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**QN 1 Purchasing** refer to the act of acquiring goods or services by purchasers to accomplish an organization goals.

Purchasing deals primarily with managing all aspects related to the inputs to an organization or company for example, purchased goods, materials and services.

The aims of purchasing is to maintain quality and value of company’s products, reduce cash tied up in inventory, maintains the flow of inputs to keep the flow of outputs and strengthen the organization’s competitive position. It also involve development and review of the product specifications, receipt and processing of requisitions, advertising for tender/bid, bid evaluation, award of supply contracts, inspection of goods received and storage. An invoice is then send by supplier to cross-checked with purchase order and other documents for payment which is the final stage through bank transfer, chequ or cash to the supplier.

**Purchasing become aware of purchase requirement in various ways**:

When the requester sent requisition of goods or services needed with written details or specifications about an item to purchasing department.

Stock taking or inventory report also lead the purchasing deportment get aware of purchase requirement.

Verbal or telephone communication by the requester to purchasing department.

Email sent by requestor to purchasing with attached details of the item needed.

 A request for proposal (RFP) or request for quotation (RFQ) is then raised.

Suppliers send their quotations in response to the RFQ, and a review is undertaken where the best offer it normal based on price, items in store and quality. The purchasing issue out purchase order (PO) to the supplier for action which contain standards like time for delivery, item specification terms, quantity, amount, specified terms and conditions.

Inclusion, Purchasing department con not buy goods or services without demand of request reach to their department. Goods or service are done in front of all authorized persons in a business or organization including the requesting department and purchasing department.

**QN 2. The challenges an organization face in attempt to integrate their activities into the supply chain are as follows:**

Globalization of manufacture operations. According to Chegg (2010) selecting a strategic supplier that provides manufacturing locations with consistent global and a reliable local service is a challenge when an organization attempt to combine its activities into supply chain.

Data and information integration. Information integration refers to the sharing of information among members of the supply chain. The ability to seamlessly connect with customers, partners, and co-workers is vital for success. However it’s a challenge because most organization or companies store and exchange data in different formats.

Safety and quality products. The pressure on manufacturers to produce good quality products that are safe is a growing challenge, where number of product recall cases is increasing every day.

Supplier base and consolidation. It is difficult to find a supplier with solutions and experience in supplier based consolidation processes.

Access to latest technology. The latest technology in various field by having the right experts to current technology has become a challenge especially paying them.

Recent development in Supply chain management remain a challenge to link novel approaches together to garner the competitive advantage of a seamless flow of Supply chain.

Shorter lead time, less inventory and better output. With shorter product life cycles and changing market demands, organizations and companies are forced to embark on a lean journey. It is vital to know that the supply strategies in a lean environment support the operations strategy. The challenge is always found on a working solution not just a lean concept.

Extranet adapting challenges. There are several issues to consider while adopting extranet as a facility of Supply Chain integration and system such as phone, fax, and written record.

Manage operation flexibility. A firm gains flexibility to quickly readjust the supply/demand mix to satisfy changing global demand. Switching costs and Coordination costs are a barrier to operating flexibility.

Logistic management. The supply chain logistics problems facing multi-site companies is complex because it involves multiple stakeholders and constraints across the entire enterprise.

Procurement management. The challenge of managing complexity of the procurement process, and establishing a strong procurement infrastructure to perform on strategic supply initiatives, using an empowered organization structure, fully integrated to the stakeholder and finance organization.

Culture and Change. The pattern of beliefs, values and learned ways of coping with experience that have developed during the course of an organization's history, and which tend to be manifested in its material arrangements and in the behavior of its members. Hence new changes in current world is a big challenge to organization in attempt to integrate it activities to supply chain.

**QN 3. The key enables of excellence in purchasing and supply chain management.**

Purchasing, is a subset of procurement which generally refers to buying goods or services. Purchasing often includes receiving and payment as well.

Supply chain management, is the act of managing the flow of goods or services and includes all processes that transform raw materials into final products.

Therefore, enables are things that allow you to do any job easily are discuss below:

Human resources, the success of any business depend on the skills and capability of its employees which includes viewing supply chain holistically, managing critical relationship, understanding of the business model, engaging in fact-based decision making to effectively meet the requirement of the company, practice advanced cost management and understand electronic business system.

Information technology: Real-time and shared information technology system or supply chain planning and execution systems that support demand planning, order commitment, scheduling and production management, distribution and transportation planning, materials replenishment, reverse auction and electronic data interchange.

Proper organizational design that feature centrally led supply teams, executive responsibility for coordinating purchasing and supply chain activities, collocation of supply personnel with internal customers, cross-functional team to manage supply chain processes, supply strategy coordination and review sessions between business units and executive buyer- supplier council to coordinate with suppliers.

Measurement is the most important enabler in purchasing and supply chain management which includes supply measures that use data form visible sources, quantify what creates value, use goals that change over time, rely on benchmarking to establish performance targets, link to business goals and objectives, feature efficiency and effectiveness measures and assign ownership and accountability.

**QN 4**. **The difference between a supply chain and a value chain are mentioned below:**

In definition**,** Supply chain is the connected network of individuals, organizations, resources, activities, and technologies involved in the manufacturing and selling of a product or service. A supply chain starts with the delivery of raw materials from a supplier to a manufacturer and ends with the delivery of the finished product or service to the end consumer while Value chain is a business model that describes the full range of activities needed to create a product or service, it involve bringing a product from conception to distribution and procuring raw materials for manufacturing functions and marketing activities

Supply chain functions includes product development, marketing operations, distribution, finance and customers whereas value chain theory analyze five primary activities and four support activities.

Supply chain combine producers, vendors, warehouse, transportation, companies, distribution centers and retailers unlike Value chain goal is to create a competitive advantage for company.

Supply chain is a network between a company and its supplier to produce and distribute a specific product or service while Value chain helps increase a business efficiency that can deliver the most value for the least possible cost.

Supply chain management result in lower cost and faster production cycle however Value chain talk about inbound logistics, operation, marketing & sales and services programs.

Inclusion, supply chain takes step in getting the product or services from its original state to customers while Value chain elaborate about primary and support activities which includes procurement, technological development used, human resource management and infrastructure.

**QN 5. The functions of public warehouse are explain below:**

Public warehouse is not only facility where company store their products but offers inventory management, physical inventory counts and shipping functionality.

Storage of good is the basic function or usage of public warehouse to store large stock of goods or products from the line of their productions or purchase till to their consumption or use.

Protection of goods for loss or damage due to heat, dust, wind, storm and moisture. It makes special arrangement for their product according to their nature and cuts down loses due to spoilage and wastage during storage.

Risks bearing of an incidental storage of goods when handed over to warehouse. The responsibility of those goods is pass to the warehouse keeper thus the risk of loss or damage to goods in storage is borne by warehouse keeper. Since it is bound or guaranteed to return the goods in good condition. The public warehouse become responsible for any loss, damage, and theft as a result it take protections to stop any misfortune.

Financing is also performed in public warehouse when goods are deposited in any warehouse. The depositor gets a receipt which act a proof about the deposit of goods and warehouse issue a document in favor of the owner of the goods which is called warehouse–keeper warrant of title and can be transferred by simple endorsement and delivery.

Processing of certain commodities which are not consumed in the way they were produced. Processing activities are needed to make them consumable for example timber is seasoned and fruits are ripened. Warehouse take those activities on behalf of the owners.

Grading and branding of goods are performed by warehouse on behalf of the manufacture. Wholesaler or the importer of goods. It also provide the facilities of mixing blending and packaging of goods for the convenience of handing and sale.

The last function of warehouse performed is transportation of goods to the bulk depositors. It collects goods from the place of production and takes or sends to the place of delivery on request of the depositors.

**QN 6 Cross-docking** is a practice in logistics where unloading of materials from an incoming semi-trailer truck or railroad car and loading these materials directly into outbound trucks, trailers, or rail cars, with little or no storage in between.

**Therefore, the importance of cross-docking are mentioned below:**

Cross-docking minimize warehouse storage cost and space required during production. Since the products are loaded direct to the trucks for distribution, the cost of those product to be store is eliminated.

The inventory handling and other cost related to storing inventory are normally reduced simply because goods are taken from the manufactures or factories.

Cross-docking also reduce the square footage needed in available facility. Little to no storage occurs hence small amount of space is needed for this activity as result significant reduction in footprint of the facility and associated cost are also reduce.

Material handling is limited to loading, storing and unloading with minimal picking and put away activity.

With cross-docking, the facility can assist in managing and improving customer product quality which also helps in retain current customers and capture additional market share.

Labor cost and savings associated to these activities are reduce hence, it allows the business to pass on savings to customers. Fixed cost savings is provided in cross-docking since it requires less facility square footage thus leading to less cost expenditure to operate.

Transportation costs and delivery time is reduced since goods are taken direct from the factories by the business people (suppliers, distributors or wholesalers) to the markets.

Cross-docking is an idea activity used in production of goods by manufactures to reduce costs associated and make business operate very fast to retain current customers and capture new market share but, it require significant planning and design of its terminal. It also require maintenance of large number of carries like vehicles for delivering of goods efficiently to customers.

**QN 7** **Activity profiling in warehouse** it is the analysis of historical inventory and sales transaction data for the purposes of projecting warehouse activity. This helps the owners to determine storage mode, physical layout, work flow processes, labor and equipment requirements. It identify the root causes of material and information flow problems and create opportunities for process improvement.

The two main types of activity profiling in warehouse and they including, (customer order profiling and item activity profiling).

Customer order profiling is a summary of the important characteristics of the customer orders that a warehouse needs to fill.

We use this information to infer where and how the work is distributed among the product families, handling units, order size (Cubes), storage locations, zones of the warehouse, time (time of day, days of the week, weeks of the year. It represent the outbound activity and it also tells us how customers are ordering products’ of their needs.

Customer order profile has three basic types and they are**:**

Order Mix distribution. This is the combination of family max, handling units and order increment which are used to determine the warehouse operating strategy. Zoning can be used to help organizing the picking of customer orders as goods can be selected in turn based on whether they are flat stock or envelope.

Order increment distribution: Are units that based upon how much customer orders. They may require a whole palled or a partial pallet depending on the number of units they wanted. In order to encourage customer to orders suitable units in warehouse operations, discounts is offered.

Order Lines Distribution**:** This distribution of the number of lines contained on each order is important when evaluating operating strategies. A warehouse with mainly one and two line orders would most likely have a very different picking strategy than a warehouse with many large multi-line orders.

Line per order distribution allocates one line for each customer. Cross docking is the preferred method of dealing with single line picking as it works well with back orders and emergency orders. Those are the types of orders where single line distributions are used

Item activity profiles are beneficial when analyzing product’s activities for the purposes of determining storage mode, product slotting and facility layout options.

There are three basic of item profiles which includes: (Popularity profile, is a ranking of the items based on how often they are ordered or picked. Volume profile is a ranking of the items based on how much is ordered). Item order completion profile, it displays the item ranked from most to least popular against the order set.

Inclusion, warehouse activity profiling revels the percentage of the orders that will be completed by a subset of the items and valuable when conducting cost benefits analysis for improved productivity.

**QN 8. The various storage system use in ware house for different applications:**

**Storage** is a process through which digital data is saved with a data storage device by means of computing technology Storage is a mechanism that enable computer to retain data either temporarily or permanently. Therefore in any products or material owned by seller or buyer will wish to use store as such storage system is put to organize and control available items in the warehouse and they includes:

Static shelves. These are storage mechanism that are designed to stay in one place. It is easy to manage since you can find it in original location and has correct records.

Automated storage systems enable items to be stored and retrieved by a computer-controlled mechanical arm device. These systems are ideal for easily retrieving smaller items that may take a human picker time to locate. The problem will be a computer or mechanical failure resulting in an inability to access your goods.

Mobile Shelving warehouse storage system types. This storage system is use in small office since they can be easily move from one place to other within the provide space. It normal contain small quantity of goods.

Multi-Tier racking. This system provide walkways which are built into the pallet rocking structure creating manual pick lanes different levels. This type of structure offers an improved utilization of space than a traditional mezzanine floor arrangement.

Pallet racking is much cheaper and efficient option compare to other storage systems. By storing numerous pallets in a framework it is possible to access any particular pallet at any time without the potential failures involved with other systems.

Block stacking is the most basic form of storage where individual items or pallets are placed on the floor and stacked on top of one another. Usually organized in lanes or blocks so that each item can be accessed, this is the simplest and cheapest form of storage as there is no investment in racking and can be operated in any open warehouse floor space.

Pallet flow works on a conveyor belt system, usually within a pallet racking framework. The conveyor belts allow for heavy goods to be more easily moved which means that forklifts might normally be required to shift the goods that are not needed. The benefit of a pallet flow system is that a picker can be stood in one spot to unload goods.

Cabinet storage system. This can be wood or metal storage which is divided in shelves and mostly used in officers for storing books and other electronic items in bookshops.

Spin-block. This is ideal for items such as pharmaceuticals. Items are stored in a carousel system which is accessed from one place. The stored products are continuously monitored using the integrated automated system.

Mezzanine flooring. An additional story of flooring within an existing structure. Within this structure, many of the above systems can be utilized. Depending on the size of the space available, a mezzanine floor can even double the storage space previously available.

Double Deep Racking. This type of warehouse storage system utilizes vertical height and is ideal for improving pallet density. Pallets are stored two rows deep instead of one so a reach truck or articulated forklift is required to reach the higher pallets.

Drive In Racking. This storage solution is perfect for companies who need to store large quantities of the same stock. Drive in racking is great for optimizing the space in your warehouse without requiring any specialist handling equipment.

Inclusion, the above mentioned and described warehouse storage system are the most common and use ones by manufacturers, wholesalers, retailers, suppliers in the global market. They are more efficient and effective for warehouse use.

**QN 9 Qualitative factors for rating method for the selection of location of a warehouse**.

Warehouse is a large building where raw materials and manufactured goods can be stored before their export or distribution for sale. The decision of choosing a warehouse location should have positive impacts in every aspect of a business.

Tax advantage, consider the taxes rate when selecting a location of any warehouse. For ideal warehouse location, you need to know tax needed by authorizes since the taxes are cost or expenditures. A low tax warehouse location is the best place or region be considered.

Desired consumer base**,** keep your customers’ locations in mind when choosing a location for a warehouse. Having a warehouse location that is in close proximity to your desired consumer base allows for faster deliveries.

The adequacy of water at area determine the best location of the warehouse since there would be no additional cast of water supply. You should take in to consideration of both drinking and washing water for the worker to use at the location of warehouse.

Proximity to carrier services**,** is more important for a location of warehouse. Your warehouse should be located near to carrier facilities, it will streamline the process of shipping products to the customers easier. Balance of distance between the manufacturing location, warehouse storage, and customer is important. The transportation and shipping costs that go with that distance must be considered.

Suitability of climate, it’s important to understand the weather condition of the area when choosing a warehouse location. This will help you to determine the necessary requirement need and minimize assorted cost that might occur in future.

Storage requirements**,** consider any special accommodations that you may have to make for your products. Don’t waste time and resources finding a warehouse space and then outgrowing the space shortly after. Consider leasing options that allow flexibility in storage space based on changing buyer demographics that your company may experience. Make an educated observation of these factors to ensure the safety of your warehouse location.

Competitive store is also very important to be considered when choosing a warehouse location. The number of other stores in that location helps you know the users, availability of workforce, transport factor and many more.

Workforce availability. The demographics of the warehouse location may be more important that the physical space. Consider the supply and demand of workforce availability, low workforce availability and high demand will drive salaries up.

Longevity, the longer your warehouse location is, the growth or shrinking of your business will be. Analyze the potential growth of your company and determine if the warehouse location has room for expansion if needed.

**QN 10** **Backdoor** is a method, often secret, of bypassing normal procedures of obtaining a product, or an entrenched device.

Purchasing refers to the action of acquiring goods or services to accomplish the goals of its enterprise.

Open tendering is the preferred competitive public procurement method used for acquiring goods, services and infrastructure works. It is executed in accordance with established procedures set out in the procurement guidelines and detailed in the standard bidding documents.

Open tendering is also known as open competitive bidding, open competition or open solicitation, and the procurement notices used to call for bids for these requirements are identified as: Invitation for Bids or Invitation to tender.

Risks associated with backdoor (Maverick) purchasing as opposed to open tendering in public procurement are as follows:

Purchasing policies and procedures will not be followed which will be dangerous for an organization when comes to auditing time.

Higher cost due to different prices from suppliers for same items An item that can be purchase at low price can be obtain at high price due different suppliers prices which is be cost to the organization.

There are high corruption cases due to different suppliers and buyers involved in procurement practices.

Inability to achieve efficiency and economy of scale by combining like purchases across a company. Purchasing is interested in controlling this business practice because it bypasses the control of purchasing authority.

Luck of prepare profiling since the policy and procedures are not followed. There will be missing document which can create the company or organization more issues to the donors.

**QN 11 Electronically transaction** is an [act](https://dictionary.cambridge.org/dictionary/english/act) of [buying](https://dictionary.cambridge.org/dictionary/english/buy) or [selling](https://dictionary.cambridge.org/dictionary/english/selling) products or [sending](https://dictionary.cambridge.org/dictionary/english/send) [money](https://dictionary.cambridge.org/dictionary/english/money) [electronically](https://dictionary.cambridge.org/dictionary/english/electronically), [especially](https://dictionary.cambridge.org/dictionary/english/especially) over the [internet](https://dictionary.cambridge.org/dictionary/english/internet).

**The advantages of electronically transactions between a buyer and seller are as follows**:

Increase in potential market share by increasing the customer base to access products at their location remotely.

Low labor costs, since electronically transaction is done online automatically, they have lower labor costs than manual payment methods, such as cheque, money order and cash involve physically.

Easy to compare prices. Everyone can easily compare product prices of different companies and products in terms of quality and quantity or the services provided. Prices can be easily comparable

It is accessible and convenience for 24 hours. The buyers can order from an online store hence they spend low operating costs. When goods and services are downloadable, shipping costs will be eliminated.

Global market place. Every customer all over the world can get the site, product and information without leaving the house in electrically transaction. No need to visit the business physically.

Fast transaction speed. Online transactions quickly provide feedback to the seller and customers. Shopping online makes someone to know the characteristics of the item he or she want to buy and compare the quality and its characteristics with another competitive brand available in the market.

Low risk of theft. After processing delays, online payments generally go straight into your bank account, so they have a low risk of theft. There is use of EDI and business to business data exchange since everyone can get involve in the business hence it will leads to low barriers to items want by the buyer.

**QN 12 E-procurement** is the acquisition of direct and indirect products and services using the internet and new technologies to facilitate a seamless, end-to-end stream of strategic procurement activities by connecting buyers with suppliers. This is according to International Business Machines Corporation (IBM) (2012)).A properly implemented system can connect companies and their business processes directly with suppliers while managing all interactions between them.

**Challenges or problems affecting the E- procurement implementation are**:

Lack of supplier confidence in the system simply because the product will not reach at the right time or exactly what you want.

Systems security, since you are ordering a product online with physical contact of the supplier and buyer, you may not guarantee that safety of an item hence affect the e-procurement system.

Software integrity, the software are changing time to time due to technology revolution as a result access the information about the item will be difficult which affect the e-procurement system operation efficient and effectively.

Password controls and audit trails also affect the implementation e-Procurement since few people will manage the system and the absence of those people, audit trails will be slow down where information will be limited.

Limited access by suppliers, the system require knowledge to operate but few will have the information to access hence it reduce the number of supplier who does not have the knowledge about the product.

Limited e-Legislation to support transactions, since it direct order for an item or product, the rules and policies of procurement is not open to the public where lawmakers are bypassed in processes of acquiring an item.

Lack of resources to develop, implement and maintain in terms of integration and interfacing with existing systems has inability to integrate with existing ERP and Procurement systems,

There is inability to on-board and support suppliers (in large numbers) therefore reduce the implementation of e-procurement system.

Limited infrastructure and web services also affect the implementation of e-procurement since there are few organization who are on ground practices this system.

**QN 13 Supplier performance measure and monitor** are the tools used to determine whether a supplier is doing their work as expected.

Supplier performance measuring and monitoring is use by organizations, companies and individuals to analysis performance, directions, development and losses of any work designed the management.

The goal of performance measurement and monitoring is to improve supplier performance. It is important to measure and to monitor supplier performance improvement over time for the following reasons:

The company can differentiate between high performing and low performing suppliers.

Continuous measurements allows improvements opportunities in purchasing cycle to be identified along the way.

Feedback can be provided to the suppliers based on objective measurements to track their improvement development efforts.

The firm can also gather the quantitative data to support future purchase decisions, particularly continuing or discontinuing a supplier relationship.

It track supplier performance on cost and savings-related, the information provided by Supply Performance system can contribute to cost avoidance and savings achievements because it centralizes supplier data into a single source of truth for everyone interacting with vendors.

Supplier performance measuring and monitoring increase efficiency of any organization day to day operation since loop holds are identified and solved immediately.

Consolidation of the supply chain which will become more and more is its performance and source certain activities.

There will be continual improvement of operation when supplier performance is measure or mounted from time to time.

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