# ASSIGNMENTS

1. Describe how purchasing become aware of purchase requirements.

From the definition borrowed from businessdictionary.com, purchasing is defined as; ***The activity of acquiring goods or services to accomplish the goals of an organization.***  
  
**From module I** purchasing is defined as acquisition of products (in the right quantity, quality, and price and at the right time).

Therefore in my understanding, **Purchasing** is the process of acquiring goods or services for an organization, individual or company based on the requirements to achieve the desired objectives. Purchasing in this discussion is a section or department within a company/organization that is tasked in carrying out acquisition of goods and services as per the objectives and goals of the company/Organization.

There are several ways purchasing department is made aware of the need to acquire goods or services in-order to keep the operations up and running as follows:

**EDI files:** these are electronic generated information that contain details of what has been used and what is required to replenish stock, for example at my current work place we use SSR file (site stock request) to send weekly site stock requirement to our Central Supply Chain for our global sourcing requirements.

**Re-order point:** when stock reaches a certain quantities set by the user, the system will send or signal a need to order information usually by highlighting the item in a different color to alert the user to make requisitions. Through this system, purchasing will be made aware for ordering purposes.

**Requisition form:** this is a form that notifies purchasing department of a certain requirement from another section or department for example an office supply such as laptops with specific requirements that need to be purchased. A good example is a PIR form (purchase information request) I normally receive while procuring goods for our workshop.

**Stock checks and forecast method:** through cycle counts and stock consumption rate will help purchasing make amicable plans to organize for purchases.

1. Describe the challenges organizations face as they attempt to integrate

organizational activities into the supply chain?

**Customer order management:** with dynamic lifestyle changes customers are becoming more demanding and thus their level of demand for greater services are drastically changing with many customers preferring customizing their orders, so for organizations to remain profitable they must adapt to an ever-changing customer demand.

**Logistic management:** supply chain logistics in multi-sites companies can be complex for example where I am currently working it has become more complex with time for our project manager to determine which sites should get what quantity and at which period. It has become difficult to answer basic questions in our complex supply chain network.

**Globalization:** although many companies would want to move to low cost countries or regions where they can operate at minimal direct and indirect costs, the effect of global supply chain suppliers has significantly contributed to the complexity that comes out of extended delivery lead times, customers not only want lower prices but they also want their products on time.

**Trying to predict the unpredicted:** political actions in a country, natural disasters, labor strikes, or civil unrest can drastically affect supply chain and have major impact on shipping and transportation, Supply chain can also be affected by shortage of raw materials.

**International regulations and standards:** complacency with quality standards, import and export restrictions, safety and packing regulations around varies across the globe. For companies new to international trade, ensuring that materials provided by a foreign supplier meets all domestic entry regulations can be a daunting task or a mountain to climb in meeting all the regulations undertaking.

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

**Supply chain strategy:** this is a way or a certain method of doing something to achieve a desired target.

From an article published by **Merriam-Webster dictionary** defines **strategy** as, *a careful plan or method for achieving a goal, usually over a long period of time.* For example, when one is determined to reduce costs say by 5% he or she would do everything possible to achieve 95% service level. Having clear strategic supply chain plans implemented will ultimately bring across success.

**Supply chain network design:** having reliable distribution networks and especially the part dealing with outbound products from warehouses and manufacturers is very instrumental in determining the success or failure of the business. It will be great to have a predefined structure for moving materials and products through the stages of fulfillment.

**Supply chain costs:** this is the cost of meeting customer demands. The strategy of controlling costs most importantly on processes or services that brings less income to the business will determine the performance of supply chain management.

From a borrowed article published on **logisticsbureau.com**, *involves investigating the****costs of serving customers****is one way to understand the way supply chain costs affect business success. The use of a methodology known as “cost to serve analysis” often reveals shocking realities about supply chain costs.*

The article emphasis on the need to identify the less profitable customers and costly materials that brings less income and taking steps to reduce the cost of serving them.

**Supplier performance:** to some extent suppliers determines the success of business, it is very necessary to have a strong working collaboration with key primary suppliers to try and minimize uncertainties for example inventory shortages.

**Ethical procurement and corporate responsibility:** there can be a possible uptick for business suffering tarnished brand products because of unethical practices from suppliers. If it is in the public domain that your suppliers are not ethically approved by your customers there can be a failure in business and consequently financial loss as many customers perceives whatever you are getting from unethical suppliers is not viable or genuine.

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

From the article published on key differences.com website

**Supply Chain** is described as; *a tool of business transformation, which minimizes costs and maximizes customer satisfaction by providing the right product at the right time at the right place and the right price. Conversely,* **Value Chain** *is a way of getting a competitive advantage, through which a company can beat its competitors along with fulfilling customer requirements.*

**Supply chain** therefore represents the steps it takes to get a product or service to a customer whereas **Value chain** is the process of getting raw materials and adding value through manufacturing and other processes to get a desired product as required by the customers.

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

**Public warehouse** which is also called as **Duty paid warehouse** is a storage facility open to public to store their product for short or long-term basis at a fee depending on space and time required. They do offer packaging and picking services to small- and large-scale business owners, they also conduct inventory services using their own ERP systems. They do hire warehouse staffs on behalf of product owners, but all these services are charged to product owners.

1. Describe about ―cross-docking and its importance

Borrowed from an article published by medium.com ***Cross-docking*** *is closely related to logistics. Cross-docking is the process of transporting manufactured products from the plant directly to customers without storing them in a warehouse.*

**Cross docking** is a logistics process where products from a supplier to another supplier are distributed from an inbound truck to another outbound truck with no storage services or costs incurred.

**Importance of cross-docking**

Reduces storage costs as small space is needed and associated costs for just few hours or days to cross-dock products from one truck to another

Cost associated with material handling such as inventory management, security, packing, damages and storage is immensely reduced thus providing competitive advantage to customers related to costs.

1. Discuss activity profiling in a warehouse

An article published by Eleanor Williamson on slideplayer.com website defines Activity profiling in a warehouse as; *Warehouse Activity Profiling is the analysis of historical sales transaction data for the purposes of projecting warehouse activity and determining storage mode, physical layout, work flow processes, and labor and equipment requirements.*

There are two types of activity profiling in a warehouse, customer order profile which deals with the behavior of orders from customers most importantly, the outbound activities from the warehouse because of customer orders. Item activity profile that gives an in-house profile of activities taking place in a warehouse such as frequency of stocks, this one helps in designing a layout that will ultimately reduce walking time from one end to another for fast moving items.

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

Warehouse storage differs with respective to the size and the type of products stores in a warehouse. There are different types of warehouse storage systems.

**Palletizing:** an article from business dictionary.com website, defines palletizing as a; *Method of storing and transporting goods stacked on a pallet, and shipped as a unit load. It permits standardized ways of handling loads with common mechanical equipment such as fork-lift trucks.*

**Shelving:** commonly used in supermarkets or in spare parts warehouses to store parts that are handy and does not need forklift to pick or pack them in bins.

**Mezzanine flooring:** this a construction of another floor above the existing aisle for extra storage space.

**Racking:** they are usually used where there is huge stock of items to be stored and mostly forklifts does come in use under this type of storage.

**Multi-tier racking:** this type of storage system works well while stacking items in a vertical racking. This type of racking is achieved on a multiple mezzanine floors all the way up to the maximum roof point, stairs are used or scissor lifts to access the stock.

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

Warehouse location determines the success of business, determining where to locate it is of paramount importance. The following are factors to be considered while selecting warehouse location;

**Customer base:** a warehouse set-up close to the pin-point or core area of your desired customers keeps check of shipping costs as well as making faster deliveries to the satisfaction of customers.

**Proximity to carrier services:** a balance should be made in selecting a location where carrier services and proximity to customers is not wide in-order to reduce costs.

**Storage requirement:** planning of time in getting ample space and desired place will save time and costs. It is therefore prudent to project growth of business and select an ideal location for storage purposes.

**Workforce availability:** the demographic factor of a place is very importance, not every place selected has the right labor skills set and price as low workforce and high demand will automatically drive salaries up. Understanding the workforce is important as it will impact employee retention and turn-over rates.

**Longevity:** is your business growing? Well the selection of warehouse location should be framed in a manner that will allow you to have enough space for expansion. If one is dealing with seasonal business, then it is advisable to lease in those areas where storage facilities are hired on seasonal basis.

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

**Backdoor or maverick purchasing** is a defined as an external vendor purchasing practice without following the defined purchasing policies.

The following are possible risks associated with backdoor purchasing:

**Inferior or low-quality goods:** maverick buying is unlikely to use preferred suppliers and as a result the goods or services received will simply not match approved suppliers’ timeliness, quality, price and customer support.

**Contract crisis:** when suppliers are unmanaged, it becomes easy for contracts to collide and consequently bring conflicts that will eventually expose the business to compliance risks.

**Transaction overload:** unmonitored spending or rogue(bad) spending creates high volumes of transaction rates and unnecessary processing fees.

**Wasted working hours:** a lot of man hours are wasted in chasing suppliers and because of this procurement section which is supposed to be using that time in making plans does not have time to add value to the company.

**Excess Vendors:** there is always higher chances of having too many vendors scrambling to secure purchase orders, too many vendors are hard to control and might bring cost redundancies and contract issues to an already crowded table.

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

Electronic transaction or payment is a system that allows your customers to make cashless payments for goods and services through cards, mobile phones or the internet.

Advantages of using electronic transactions

**Time saving:** money transfer between virtual accounts either via mobile banking or bank transfers usually takes few minutes to settle the payment unlike queuing in bank or sending it via postal transfers which might take several days or hours.

**Reduced risk of theft or loss:** it will be next to impossible to lose your virtual wallet as compared to money or cash in hand transactions.

**Convenience:** all electronic transactions can be performed anywhere and at anytime provided one has access to internet.

**Reduced transaction costs:** travelling or making trips to the bank to make payments either by cheque or cash will typically cost money unlike using virtual account which saves businesses or individuals thousands of cash in transaction fees.

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

**E-procurement** is an internet business to business medium of placing purchasing orders.

Borrowed from an article published on business.uonbi.ac.ke website ***Electronic Procurement*** *is the use of electronic computer systems to manage the entire*

Challenges involved in e-procurement systems are as follows;

**System security:** this may include lack of information from the technology provider when new versions of the systems are launched. As a result internet attacks may be used to interfere with businesses of the competitors through creation of internet viruses. There are also issues on lack of adequate security measures to protect data; and trust issues between buyers and sellers.

**Cost:** acquiring business software licensing and enterprise fielding is quite expensive depending on the size of the business/company. Other costs may include purchasing license and maintenance from the software vendor.

**Supplier enablement:** most suppliers are not e-procurement enabled because they are not ICT compliant, this system requires suppliers to be willing and able to do business electronically. It will be very hard to convince suppliers who are not willing to adopt the company preferred trading method.

**Legal infrastructure:** most developing nations may not have solid legal frame works that gives business owners rights to own e-procurement systems, this may be due to lack of specific legal regulation, different national approaches, validity and enforceability problems.

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

Constant monitoring and measuring of supplier performance will help the business to spot potential risks and how to manage them before they escalate to unmanageable level. The following are some of the benefits of following up with supplier performance.

**Fewer defects:** increased supplier-customer communication has been proven to be the most effective way of knowing what need to be improved and by so doing fewer defects are recorded.

**Better coordination:** effective consultations between business (customer) and the supplier brings about efficient service delivery, it will be possible for supplier to know when extra orders are required by the purchaser. The coordination helps the supplier to work together and in tandem with the purchaser to purge out any issues that might hinder operations.

**Competitive edge:** maintaining constant supplier performance evaluation is a useful tool that helps in keeping check of fewer defects, supply chain problems (stock/inventory shortage) and overall efficiency in cost reduction. In doing so the business is in good position to save unnecessary costs and thus remain or gaining a competitive advantage within a dynamic market trend.

**Managing supplier risks:** it is hard to completely erase risks but there are measures to reduce risks which can be easily spotted when constant supplier evaluation is done, lack of materials and cashflows are some of the supplier risks and by taking supplier performance evaluation, the business can take actions to keep risks at bay way before they explode or run out of control and hence affecting the normal operations which can be detrimental to the success of business.

**References:**

**Websites:**

Read more about the definition of Purchasing under the following link;

<http://www.businessdictionary.com/definition/purchasing.html>

Read about the definition of cross-docking and its importance from the following link;

<https://medium.com/@PaikNellieVWR/the-importance-of-cross-docking-ab77d49be35>e

Read more on definition of palletizing and various types of palletizing on the following link;

<http://www.businessdictionary.com/definition/palletization.html>

Read about the reasons why supply chain matters to business from the following website;

<https://www.logisticsbureau.com/7-reasons-why-the-supply-chain-matters-to-business-success/>

Get more information on the difference between the supply chain and value chain from the following website;

<https://keydifferences.com/difference-between-supply-chain-and-value-chain.html>

**Articles:**

Read about the definition of strategy from;

Merriam-Webster dictionary.com

Explanation about e-procurement can be further read from a published article below;

Procurement process Francois (2012). <http://business.uonbi.ac.ke/node/12858>

Read more on warehouse profiling from an article published under the following link;

<https://slideplayer.com/slide/6581921/>