**1-Describe how purchasing become aware of purchase requirement.**

**Introduction**

This question will define the term purchase which refers to the function that occurs behind the scenes of organizational operations and outside views of the end users.

However, the below describe how purchasing become aware of purchase requirement**;**

Purchasing must identify or anticipate needs for material or services that are needed. This is the first step of the purchasing cycle. Normally purchasing requirements are expressed by other department, and purchasing is then contacted and informed about this need in various ways: Purchasing requisition- this is an internal document, which a user sends to purchasing, expressing a specific need for material or services. It can be done on paper or electronically via a particular requisition system or even simply by email. Forecasts or customer order - those can cause the need for new material.

**Purchasing and Market**

Purchasing- Acquisition of products (right product, in right amount of time, at the right price) knowledge of market involves finding sources of supply & determining which food can be obtained from which supplier, Buyers must know market and products, and have general business acumen.

**Recorder point system**

This is a widely used way of determining needs. It is usually an automated computerized system that keeps track of the inventory and informs when stocks are running below a certain threshold.

**Marketing Channel**

Buyer has powerful influence on supply chain when they are able to Listens to desire of customer, Determines what is grown & packaged, Understands how items are processed or manufactured, shipped, sold, & consumed

Marketing Channel- indicates exchange of ownership from producer through processor or manufacturer & distributor to the customer The marketing Channel has five major components: producers, processors, manufacturers, distributors, suppliers, & customers. Value & cost added in each component & are reflected in final price**.**

**Stock checks**

Those involve the physical checking of the inventory, and can result in requests for additional material, if stocks are running low. In addition to that the EDI system ­ in a company that internally is running on electronic inventory systems, orders can be place into this computer system directly by user - so the information either goes to purchasing to take the necessary steps to buy the material needed, or if a purchasing system is linked directly the sellers system, a user’s request may go there directly, if such agreements are made beforehand and the user has the authority to do so.

**The Market**

Market- The medium through which change in ownership moves commodities from producer to consumer most goods that are purchased go through a chain of distribution from the producer, to Manufacturer and Distributors.

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

To succeed in the digital economy, organizations must manage the integration of business, technology, people, and processes not only within the enterprise but also across extended enterprise. Supply chain management system facilitates inter-enterprise cooperation and collaboration with suppliers, customers, and business partners. Although this system can bring benefits and competitive advantage to organizations, the management and implementation of the system pose significant challengers to organizations.

**Globalization**one of the biggest challenges that companies are facing is how to reduce their supply chain cost. In order to satisfy customers’ price expectations, companies have opted to relocate manufacturing to low cost countries around the world in an effort to reduce direct and indirect costs and to minimize taxes. But, having global suppliers contributes significantly to complexity that comes from extended delivery lead times. Customers not only want lower prices, but they also want their products on time.

**Customer Preferences**as stated above, global supply chains are complex. Add to that product features that are constantly changing, and the challenge is even greater. A product is released and customers rapidly pressure companies to come up with the next big thing. Innovation is important since it allows companies to stay competitive in the market, but it’s also a challenge. To enhance a product, companies have to redesign their supply network and meet market demand in a way that’s transparent for customers.

**Market Growth**Another factor that presents a challenge is the pursuit of new customers. The cost of a developing a product, from R&D to product introduction, is significant. Therefore, companies are trying to expand their distribution to emerging markets in order to grow revenues and increase market share. Companies all around the world are expected to expand in their home and foreign markets. The introduction to new markets is difficult due to trading policies, fees, and government policies.

Customers’ expectations nowadays are more demanding than ever. As described here, companies have responded with global networks, product innovation, and market expansions. This means that companies now rely on supply chain managers to optimize their value chains in order to stay competitive. As such, it’s no surprise that these professionals are in high demand. So customers, rest assured - experts in supply chain management, including our own Grainger Center graduates - are behind the scenes tackling these complexities each and every day and are eager to delight the customer experience.

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

**Purchasing**

Most organizations include purchasing as a major supply chain activity.

**Inbound Transportation**

Larger organizations usually have a specialized traffic and transportation function to manage the physical and informational links between the supplier and the buyer. For some organizations, transportation is the single largest category of single costs, especially for highly diversified organizations. Although a firm may have minimal common purchase requirements among its operating units, there usually are opportunities to coordinate the purchase of transportation services**.**

**Quality Control**

Quality control has taken on increased importance during the last fifteen years. Almost all organizations recognize the importance of supplier quality and the need to prevent, rather than simply detect, quality problems. The emphasis has shifted from detecting defects at the time of receipt or use to prevention early in the materials sourcing process. Progressive organizations work directly with suppliers to develop proper quality control procedures and processes.

**Demand and Supply Planning**

Demand planning identifies all the claims (or demand) on output. This includes forecasts of anticipated demand, inventory adjustments, orders taken but not filled, and spare-part and aftermarket requirements. Supply planning is the process of taking demand data and developing a supply, production, and logistics network capable of satisfying demand requirements.

**Receiving, Materials, and Storage**

All inbound materials must be physically received as it move from a supplier to a purchaser. Inn a non-just-in-time environment, material must also be stored or staged. Receiving, materials handling, and storage are usually part of the materials management function because of the need to control the physical processing and handling of inventory. Receipts from users indicating that services have been performed are also run through receiving to trigger invoice payment.

**Materials or Inventory Control**

The terms materials control and inventory control are sometimes used interchangeably. Within some organizations, however, these terms have different meanings. The materials control group is often responsible for determining the appropriate quantitate to order based on projected demand and then managing materials releases to suppliers. The includes generating the materials release, contacting a supplier directly concerning changes, and monitoring the status of inbound shipments. Materials control activities are sometimes the responsibility of the purchasing department, particularly in smaller organizations.

The inventory control group is often responsible for determining the inventory level of finished goods required to support customer requirements, which emphasizes the physical distribution (i.e., outbound or downstream) side of the supply chain. Integration supply chain management requires that the materials and inventory control groups coordinate their efforts to ensure a smooth and uninterrupted flow to customers.

**Order Processing**

Order processing helps ensure that customers receive material when and where they require it. Problems with order processing have involved accepting order before determining if adequate production capacity is available, not coordinating order processing with order scheduling, and using internal production dates rather than the customer’s preferred date to schedule the order. Order processing is an important part of supply chain management---it represents a link between the producer and the external customer.

**Production Planning, Scheduling, and Control**

These activities involve determining a time-phased schedule of production, developing short-term production schedules, and controlling work-in-process production. The production plan often relies on forecasts from marketing to estimate the volume of materials that are required over the near term. Because operations is responsible for carrying out the production plan and meeting customer order due dates, order processing, production planning, and operations must work together closely.

**Warehousing/Distribution**

Before a product is shipped to the customer, it may be stored for a period in a warehouse or distribution center. This is particularly true for companies that produce according to a forecast in anticipation of future sales increasingly, as information systems become more sophisticated, this part of the supply chain may become less important.

**Shipping**

This activity involves physically getting a product ready for distribution to the customer. This requires packing to prevent damage, completing any special labeling requirements, completing the required shipping documents, and/or arranging transportation with an approved carrier. For obvious reasons, shipping and outbound transportation must work together closely.

**Outbound Transportation**

Fewer organizations own the transportation link to their customers, compared with just a few years ago. Increasingly, full-service transportation providers called third party logistics providers (3PLs) are designing and managing entire distribution networks for their clients. Firms operating in this space include familiar names as UPS, DHL, CH Robinson, and Ryder**.**

**Customer Service**

Customer service includes a wider set of activities that attempt to keep a customer satisfied with a product or service. The three primary elements of customer service are pre transaction, transaction, and post-transaction activities.

**4- What is the difference between a supply chain and a value chain?**

The difference between the Supply chain and the Value Chain is usually very important two concepts that are mixed or weighted on one side and hindered on the other side.

While the supply chain is a process involves all parties to fulfill the demand of the customer, we can say that value chain is placing a series of interrelated activities involved in the realization of this process to a position, which will create competitive advantage.

Michael Everett porter, Professor of Business and Economics at Harvard University’s Business Department, is the pioneer of the Value Chain idea. The five steps in the Value Chain he had mentioned are listed as flow: Inbound Logistics, Operations, Outbound Logistics, Marketing and Sales, and Service. These steps in the Value Chain are also referred to as the primary step creates a positive value in the cost of materials or services they provide to their customers. It is quite possible that a business employing even only one of these five steps at maximum level in their activities would have a competitive advantage in their own sector.

Inbound logistics, includes procurement, storing and inventory management.

Operations are value creation activities for the transformation of inputs into outputs.

Outbound logistics includes activities for delivering end-products to the customer.

Marketing and sales activities are the processes related to finding buyers to purchase products.

Service, include activities like post-sale maintenance, customer support in order to increase value of the product.

Important secondary activities that support the Value Chain are Procurement (purchasing), Human Resources Management, Technology Investment and Infrastructure.

Supply Chain includes information, products, materials, the different steps of selling and creating a product, that is, the entire flow. Each in step in this flow; creation of the product/service, production, transportation of it to some place for sale and then selling, refers to the supply chain of the firm. The supply chain covers all functions, including the realization of customer requests and the receipt of customers. These functions include; Product development, Marketing, Operations, Distribution, Finance, Customer service.

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

Warehouse preserves goods on a large-scale in a systematic and orderly manner. They provide protection to goods against heat, wind, storm, moisture, etc. and also cut down losses due to spoilage, wastage etc. This is the basic function of every warehouse. In addition to this, warehouse nowadays also perform a variety of other functions.

Warehouses perform the following functions- Storage of goods, Protection of goods, Risk bearing, Processing, Grading and branding, and Transportation.

We shall now discuss each of these functions.

**Storage of goods**

The basic function of warehouse is to store large stock of goods. These goods are stored from the time of their production or purchase till their consumption or use.

**Protection of goods**

A warehouse provides protection of goods from loss or damage due to heat, dust wind and moisture, etc. It makes special arrangements for different products according to their nature. It cuts down losses due to spoilage and wastage during storage.

**Risk bearing**

Warehouse take over the risks incidental to storage of goods. Once goods are handed over to the warehouse-keeper for storage, the responsibility of these goods passes on to the warehouse-keeper. Thus, the risk of loss or damage to goods in storage is borne by the warehouse keeper. Since it is bound to return the goods in good condition, the warehouse becomes responsible for any loss, theft or damage, etc. Thus, it takes all precautions to prevent any mishap.

**Financing**

When good are deposited in any warehouse, the depositor gets a receipt, which acts as a proof about the deposit of goods. The warehouse can also issue a document in favor of the owner of the goods, which is called warehouse-keeper’s warrant. This warrant is a document of title and can be transferred by simple endorsement and delivery. So while the goods are in custody of the warehouse-keeper, the businessmen can obtain loans from banks and other financial institutions keeping this warrant as security. In some cases, warehouse also gives advances of money to the depositors for a short period keeping their goods as security.

**Processing**

Certain commodities are not consumed in the form they are produced. Processing is required to make them consumable. For example, paddy is polished, timber is seasoned, and fruits are ripened, etc. Sometimes warehouse also undertake these activities on behalf of the owners.

**Grading and branding**

On request warehouse also perform the functions of grading and branding of goods on behalf of the manufacturer, wholesaler or the importer of goods. It also provides facilities for mixing, blending and packaging of goods for the convenience of handling and sale.

**Transportation**

In some case warehouse provide transport arrangement to the bulk depositors. It collects goods from the place of production and also sends goods to the place of delivery on request of the depositors.

**Price Stabilization**

Warehouse plays an important role in process of price stabilization. It is achieved by the creation of time utility by warehouse. Fall in the price of goods when their supply is in abundance and rise in their price during the slack season are avoided.

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

The term cross docking refers to moving product from a manufacturing plant and delivers it directly to the customer with little or no material handling in between. Cross docking not only reduces material handling but also reduces the need to store the products in the warehouse.

In most cases, the products sent from the manufacturing area to the loading dock have been allocated for [outbound deliveries](https://www.thebalancesmb.com/inbound-and-outbound-deliveries-in-sap-2221331). In some instances, the products will not arrive at the loading dock from the manufacturing area but may arrive as a purchased product that is being re-sold or being delivered from another of the company’s manufacturing plants for shipment from the warehouse.

Cross docking solutions allow companies to expedite shipments to customers, which mean that customers often get what they want when they want it - the goal of optimized supply chain. But the risks of cross docking, which will be examined below - make it a process that's best left for the one-offs and not implemented into your standard operating procedures.

When it comes to transporting goods from one facility to another, you need a strategy that is fast, efficient, and productive. Otherwise, your goods could arrive delayed or be shipped to the wrong place. This is why cross-docking is so important. Cross-docking involves unloading cargo from an incoming truck or container and immediately re-loading it onto an outbound carrier. This ensures that the process flows quickly. While most distribution strategies have a standard distribution center, cross-docking facilities is more of a fast moving distribution center. They don’t require nearly the amount of storage. Instead, much of the space is designated for inbound and outbound lanes, conveyor belts, and forklifts to make sorting and re-loading a cinch.

Reduction in [labor costs](https://www.thebalancesmb.com/product-pricing-direct-and-indirect-costs-393470), as the products no longer requires picking and put away in the warehouse. Reduction in time from production to the customer, which helps [improve customer satisfaction](https://www.thebalancecareers.com/monitor-customer-satisfaction-2275994). Reduction in the need for warehouse space, as there is no requirement to storage the products.

**7- Discuss activities profiling in a warehouse**

Two main categories of profiles make up a basic warehouse profiling set: customer order profiles and item activity profiles. Customer order profiles represent the outbound activity, i.e., how the customers are ordering the products. Item activity profiles provide insight into viable storing and slotting options for each item within the warehouse are discuss below

**Customer Order Profiles**

There are three most basic customer order profiles used in an organization which include the defined below.

**Order Mix Distribution:**

These distributions answer warehouse zoning questions such as “Should my fast, medium, and slow movers be zoned separately in the warehouse?” To answer this question, a distribution of the orders for fast, medium, or slow movers is compared with any combination of the three. If warehouse data indicates that most orders call for a mix of fast and slow movers, zoning the items by velocity will have order consolidation impacts that need to be considered. Order mix profiles are also used to analyze the percentage of order lines for full cartons, broken cartons, or a combination of the two. Analysis of this information provides options on storing full and broken cartons together. The goal is to determine what percentage of your customers is ordering full and broken carton quantities of the same item, before investing time and money in changing the current storage strategy.

**Order Increment Distribution:**

The order line distribution of the percent of a full carton ordered is beneficial when evaluating if the current packaging is in logical increments for the customer. For example, if results indicate that 90% of the customers are ordering ¸ carton quantities, the warehouse can consider effective alternatives. Options could involve first the supplier by changing the carton size, second the warehouse operations by breaking down cartons at receiving in order to save time during picking, and third, the marketing department by encouraging customers to order in full carton quantities.

**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. If your graph looks like figure 1 and you have a significant number of single-line piece-pick orders you may want to consider batch label picking these orders.

**Item Activity Profiles**

Item Activity Profiles are beneficial when analyzing products’ activities for the purposes of determining storage mode, product slotting, and facility layout options.

There are several types of item profiles, the three most basic are defined next.

**8-Describe the various storage systems used in a warehouse for different applications.**

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.

Books or documents would benefit from this type of system.

A problem side to automated storage would be the potential for computer or mechanical failure resulting in an inability to access your goods. One positive aspect would be safety as there is no need for a worker to climb to retrieve goods.

**Pallet racking**

Compared to some other systems, pallet racking can be a much cheaper and efficient option. By pallets in a framework it is possible to access any particular pallet at any time without the potential failures involved with other systems. Human pickers with ladders or forklift trucks can access stock located anywhere in the warehouse.

Find out more about [pallet racking](https://www.palletrackingsystemsltd.co.uk/products/pallet-racking/) here.

**Block stacking**

This is the simplest and cheapest system available and may not require the purchase of additional storage equipment. Depending on the product you may or may not need forklift trucks or pallet trucks.

As an efficient use of space, block stacking can be unbeatable. The obvious downside is when you need to get to goods that are at the bottom of a big pile.

**Pallet flow**

Within a pallet racking framework. The conveyor belts allow for heaving goods to be more easily moved which means that forklifts, which might normally be required to shift the goods, won’t be needed.

The real benefit of a pallet flow system is that a picker can be stood in one spot to unload goods. Once the first container has been emptied, then next container will automatically travel down the conveyor ready to be picked. The obvious downside is that goods in the middle of the system are much harder to reach.

**Push back storage**

Again, works within a pallet racking framework but operates more like a vending machine. The next product moves to the front once the first has been removed. This is often on a much larger scale than the pallet flow system and requires the use of forklifts. The downside being that you can’t always access goods in the middle of the system.

This system is best used for goods that will be loaded and unloaded at the same time so that it is unlikely you will ever need to access one container in the middle of the system.

**Picking**

A picking area is set up for the ease of an individual or a team of pickers. Goods may be stored around a central area where they can be easily located. This is ideal for smaller items and is not well suited to large goods or goods that might be stored at an excessive height.

**Spinlock**

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. When a product is required, the entire storage system automatically moves to where this product is.

**Mezzanine**

Story of flooring within an existing structure. Within this structure, many of the above systems can be utilized. In many cases, this doubles 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.

Double deep racking can improve storage for up to 15% depending on the layout of the warehouse.

**Drive In**

This works on a first in, last out rotation basis where pallets are stored back to back. 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.

**9-Describe briefly about the qualitative factor rating method for the selection of location of a warehouse?**

Warehouse Management and physical Distribution are important flow control activities in the supply chain network. Regardless of the efficiency with which all preceding activities have been conducted, these activities have major influence in determining the degree to which total customer service level is achieved.

Should warehouse be use, what forms of warehousing should be used (public or private), What should be the size and number of warehouses utilized, Where should warehouse be located, and What warehouse layout and design approach should be followed.

**Mobile Shelving**

Often used for archiving and data storage, mobile shelving uses storage shelves fitted with a traction system.

The kind of stock kept in this environment can be kept in closely packed, compact storage when access isn’t needed, making it an ideal solution for archiving and retail store back areas.

For smaller premises where space is at a tight premium, mobile shelving represents an ideal way of making the most of the available storage space.

Typically, mobile shelving units are on a level track way, with the track either built into the floor or mounted on top.

In order to specify the tracks, a clear definition of the type of flooring in the premises is needed, and in particular whether it is possible to lay tracking which will be stable, remain in place and not degrade the floor integrity.

Mobile shelving solutions also use a locking mechanism on the shelves to keep them secured when they aren’t in use. Consideration should also be given to whether manual or mechanical mobile shelving system is request.

**Multi-Tier Rocking**

Multi-tier racking is ideal if you want to take full advantage of the vertical space you have in your warehouse. Multi-tier racking systems have different tiers, much like floors, so that stock can be accessed manually all the way up to the maximum limit of vertical storage.

Often this is achieved with a system of mezzanine flooring and stairs, although sometimes scissor lifts are also used. The storage they offer is very dense, so it’s most effective when you have large quantities of stock with a relatively small individual unit size.

**Mezzanine Flooring**

A warehouse mezzanine floor can yield a massive amount of extra storage space. Effectively, you’re just constructing a second floor above existing aisles, which provides extra shelving space, working areas for staff to pick and pack or check and move stock on.

Mezzanines don’t always need to be restricted to a single level; they can provide two or even three extra levels.

Mezzanine flooring technology has advanced dramatically in recent years, with a whole variety of custom designs on offer.

Because of these advances, virtually all mezzanine flooring is custom designed and fitted to integrate with most storage situations in virtually any warehouse situation

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It’s best to use a company that can manage the whole process for you – from designing and installing bespoke mezzanine systems to advising on how you should fit out and make best use of your additional space, as well as embedding the important additional features you may need.

Options typically include suspended ceilings, integrated light fixtures, lift systems (automatic or manual), through-floor conveyers and fire safety appliances. Take careful note of how heavy or fragile your stock is when deciding.

[Acorn Warehouse Solutions](http://www.awsltd.biz/) has decades of experience in warehouse planning, fit-outs, maintenance and expansion – including installation of [mezzanine floors and flooring](http://www.awsltd.biz/mezzanine-floors/)and repurposing of [racking](http://www.awsltd.biz/storage-systems/warehouse-pallet-racking/) space. For us, warehouse safety is second nature.

**10-What are risks associated with backdoor (maverick) purchasing as opposed to open tender most common in public procurements?**

Backdoor or maverick buying is a perplexing problem that plagues many purchasing organizations. The methods to counteract this behavior are highly dependent upon the cultural climate and ethical standards of your organization. There is no universal solution. People’s behaviors are influenced by consequences. If there are no consequences for backdoor buying the behavior will continue and grow. Some of my suggestions are drastic, others are more reasonable. Purchasing professionals must use their judgment to select the appropriate actions that fit their particular organization.

An important aspect to solving this issue is to remain objective and to try to gather data on the costs of backdoor buying. These could include lost discounts, lost rebates, and extra transactional work by purchasing and others. Many purchasing organizations know the average transactional cost of a regular transaction with an approved supplier. Try to calculate the extra cost with an unapproved supplier. Always control your emotions when discussing this issue.

Here are some reasonable tactics to create an organizational atmosphere and climate that helps discourage backdoor buying. In my experience the biggest offender is usually the engineering department. So involve engineering in cross-functional supplier selection teams and standardization initiatives. Make them a stakeholder in approving suppliers. Get the vice president of engineering on board with OEM (Original Equipment Manufacturer) standardization and have them participate in OEM standardization processes.

Consider establishing a policy of no gifts or gratuities to be accepted from supplier by both purchasing and all other employees (zero tolerance). This discourages lunchtime promises or promise buys to suppliers by non-purchasing employees. Another alternative is to have purchasing have their own modest budget to entertain, socialize and conduct work sessions with suppliers.

Get your compliance employees on board with your policy i.e., your legal department and accounting. Craft an approved supplier only purchasing policy and make it clear that unauthorized purchases will not be honored by accounts payable. Keep the list of approved suppliers visible and updated. Use your software safeguard controls to limit buying privileges and cross reference the approved supplier list. Many purchase cards can be limited to specific approved suppliers and or categories of goods. Meet with your approved preferred suppliers and ask them to use the grapevine to communicate any purchases from unauthorized suppliers directly to you. Most will gladly do this.

One of the most effective drastic actions occurred when I worked for a global chemical company. The company had just spent over $200 million on a worldwide ERP system. The CEO sent out a strong memo saying that all purchases must be made on the ERP system and only from the approved suppliers in the ERP system.  Employees were required to use the new ERP system. The very first day four employees went off system to purchase some items from a non-approved supplier. The CEO personally fired them and publicized the results of the incident to all employees. Needless to say there were no more such purchases.

Do you’re networking and informal work before you institute your policy. Meet one-on-one with stakeholders or in small meetings to explain your reasons for your policy and get their buy-in before you roll it out.

Establishing a policy against backdoor buying requires some deft maneuvering by purchasing that correctly judges the culture of your organization. Instituting the appropriate policy will help reduce backdoor buying. More important, you must enforce the policy and reprimand employees who violate it. A backdoor buying policy unenforced, is both hollow and meaningless.

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

**Advantages for buyers**

Availability for 24 hours of 24 and 7 of 7

This availability independent on a certain program represents a major advantage for the clients who can purchase during night too when they are not busy with other urgent problems (job, household).

**Facilities**

Due to the electronic comer there is no need to go to the commercial places or to the shop next to corner. Everybody may place order from home sitting in front of the PC and thoroughly analyzing and comparing different products.

**Access to information and different products without any restrictions**

The apparition of the electronic commerce gave a new meaning of the term globalization For example in order to buy handcrafted items from Madagascar it is not necessary to travel to that destination but only to open the browser at the address of a shop that is trading such items (address that can be found using the searching motors). Before buying the product the potential future buyer has more free and cheap access to the offers of the producers or trading companies.

**Advantages for traders**

The possibility of the small companies to compete with the large companies

Due to small expenses incurred by a virtual shop small companies are confronting with one less barrier in penetrating the markets already dominated by the large companies. More than this due to her flexibility and perception toward new the small company has a major advantage in comparison with a large one dominated by biro racy and conservatorium.

**Permanent contact with customers for 24 hours and 7 days**

Comparing with the common employees who need salaries, a working time table, vacation, with a varying productivity and being subjective a web site is offering information about the company and her products or she is taking and processing orders for 24 hours of 24 and 7 days of 7 continuously with minim costs. This is bringing an advantage, too in case of the expansion on the foreign markets when the hourly difference making more difficult the contacts between the companies. It also improves the communication with the customers that have not to observe a strict time table thus being able to obtain information and place orders any time.

**International markets penetration facilities**

The world network is not limited by borders, it does not belong to anyone and the access and publication costs are extremely low. The communication with a customer positioned to the opposite pole of the world is as easy as the communication with someone in the next room. Any producer now can sell his products in any country by the means of the web site and no contacts with local companies or large investments are necessary anymore.

**The decrease of the functioning costs**

The costs may be drastically diminished by the automatics of the orders process. There is also the possibility of total automatics by the integration with the administration system thus leading to the increase of the general productivity of the company.

**New possibilities for performing a direct marketing (one-to-one)**

Comparing with a human being the computer may retain not only the name and personal data of all customers as well as their preferences being capable to adapt the offer and products presentation according to each customer’s profile. The study of the customers on internet may be achieved using all available data such as: location, type of browser and operation system, the site where they do come from navigation habits but the customers will not realize at all that they are subject of such studies. This is why many consider this as an infringement of the personal intimacy.

**12-Describe the challenges involved in implementing e-procurement system?**

E-procurement is an automation tool for corporate purchasing process. The core definition is a business to business sale using the internet as the medium for order processing. E-procurement is more than the simple shortening of the supply chain with Internet closing time and distance obstacles between suppliers and users of products.

* ERP implementation is difficult because it involves a fundamental change from a functional process approach to business.
* ERP systems are expensive due to customization of standard modules to accommodate different business process is involved- it has been estimated that some 50 percent of ERP implementations fail to deliver the anticipated benefits and the costs is often prohibitive for small enterprise.
* Cost of training employees to use ERP system can be high.
* There may be a number of unintended consequences such as employee stress and resistance to change and sharing information that was closely guarded by departments or functions.
* ERP systems tend to focus on operational decisional and have relatively weak analytical capabilities.
* Other challenges to implementation include, as with any other new system fielding, push-back from users. Both internal users and event some vendors can create friction and resist the change. For leaders in organizations, it is critical to prepare both internal customers and actively communicate with vendors to ensure they are on-board with the program.
* The challenge is that in a capital-tight environment, the cost of acquisition and fielding of an e-procurement system can seem prohibitive. For pure-play systems, software licensing and enterprise fielding costs can run from $500,000 to $100,000 depending on the size of your organization.

**13- Why is it important to measure and monitor supplier performance improvement over time?**

Supplier lifecycle management is the process of qualifying, evaluating, classifying, developing and analyzing and managing supplier performance to reduce costs, mitigate risk and drive continuous improvements in value and operations.

**Best Practices to Measure Suppliers**

Best-in-class organizations consistently employ the following best practices to consistently measure supplier performance:

* Identify metrics, thresholds and targets: Capturing key performance metrics within the supplier’s contracts ensures that all key terms/measures are contract complaint and visible. Second, gather input from key relationship managers to understand their supplier performance objectives and use the information to establish metrics that are aligned with overall strategy. These metrics and targets should be shared with suppliers and mutually agreed to, so both the company and suppliers can create a meaningful performance management program.

* Collect data through various mechanisms: On a consistent and frequent basis, the company should collect information to calculate current values on an agreed upon set of metrics, thresholds and targets. Various methods to gather this data include supplier assessment surveys, ERP system information, homegrown operational systems, instant supplier feedback, etc.

* View and analyze aggregate information: Once data is collected, it should be aggregated to report on performance versus plan. While spreadsheets and other basic tools can be used for analysis, supplier performance management systems significantly improve the ability to properly analyze the information. For example, KPIs allow companies to monitor the progress of their suppliers, ensuring they get early warnings if suppliers are under-performing. KPI scores can be compared with contract terms to ensure contract compliance and scorecards further aggregate this information and offer the ability to view supplier performance at a moment in time or to monitor trends over a certain period.

* Identify gaps, prioritize and communicate: Scorecards, trend reports and alerts help identify gaps between target and actual performance for every supplier. The purchasing organization should use this information to review the impact of performance gaps on their business in order to prioritize them and then communicate with the supplier regarding the issues and ask for a remediation plan with specific targets. Collaborative supplier portals that provide this information to suppliers, along with securing the ability to set priorities, ensures that nothing falls between the cracks and that both parties agree on what is working and what needs improvement.

* Implement continuous tracking and optimization: Supplier performance management is not a one-time process. Performance should be tracked on an ongoing basis—both to ensure that previously identified gaps have been remediated and to keep the focus on continuous benchmarking and improvement. This approach empowers an organization to make the best supplier decisions moving forward, for example, phasing-out a supplier or altering contracts to include financial penalties if remediation targets aren’t achieved after performance gaps have been addressed. Reactive actions and proactive actions have to be set-up and controlled to ensure a sustainable improvement of the supplier base.

**Conclusion**

Conclusively the thirteen questions above are discussed on the introduction to the purchase which refers to the function that occurs behind the scenes of organizational operations and out view of the end users.

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