

**MARTIN de TOURS SCHOOL OF MANAGEMENT
DEPARTMENT OF MARKETING**

**Lesson Plan
MKT 3515
Purchasing & Supply Chain Management**

Introduction

MKT3515: Purchasing & Supply Chain Management is a major required course for department of marketing students. The pre-requisite for the subject is MKT2280 Principles of Marketing.

Course Description

This course is designed to provide students with solution for providing current and thorough coverage for critical area of the supply chain. Topics include the scope and objective of negotiation in procurement, participation and relationship of functional elements of the organization of the purchasing department; preparation, conduct and recording of negotiations; analysis of sources of supply, contract cost, price, profit, investment and risk; cost principles; techniques of negotiation; make or buy, transportation service.

Course Objectives

1. Students should gain contextual insights and knowledge into the strategies, processes, and practices of purchasing through use of the many cases and examples.
2. Understand the thorough approach to the conduct and management of purchasing and materials management functions.
3. Focus on the principles and strategies in the field, coupled with the function's interrelationships with the other principal business functions-product design, operations, marketing, and finance.

Teaching and Learning Process

The main teaching techniques are both lecturing and active learning approach toward the use of more active, participatory and collaborative techniques in the classroom.

Furthermore, the course is designed to motivate students to present up-to-date insights that lead to greater understanding of the purchasing process.

Mark allocation

In-class participation	5%
In-class workshop and assignments (related to individual attendance)	10%
Individual assignments	5%
Project Report	15%
Project Presentation	5%
Midterm Examination	25%
Final Examination	35%
Total	100%

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Lesson 1: Introduction to Purchasing & Supply Chain Management (Chapter 1)

Time Allocation: 3 hours

Learning objectives	Brief contents	Teaching/ learning strategies	Teaching aids/ material	Evaluation
<p>To enable students to</p> <ul style="list-style-type: none"> • To provide an overview of purchasing and supply chain Management. • To discuss the important of supply chain enablers • Understand the differences between purchasing, supply management, supply chains and value chains • Identify the activities that are part of supply chain management • Identify distinct time periods in purchasing and supply chain history. 	<p>1. A new competitive environment: Increased competition changes buyer/seller balance of power.</p> <p>2. Why purchasing is important: as companies struggle to increase customer value by improving performance, results of good supply management</p> <p>3. What are purchasing, supply management, supply chain and value chain? -Purchasing is a functional group/activity that supplies the organization with materials referred as procurement. -Supply Management is a progressive approach to managing supply base and the supply chain. -Supply chain is three or more organizations linked directly by one or more upstream or downstream flows of products, services, finances, and information from a source to a customer. -Value chain is a sequence of business functions in which utility is added to products or services as they move from supplier to end customer.</p> <p>4. Primary and support Activities: -Inbound logistics -Operations -Outbound logistics -Marketing and sales</p>	Lecture	Powerpoint presentation or transparencies for overhead projector	Questioning and answering question in class.

Lesson 2: The Purchasing Process (Chapter 2)

Time Allocations: 1.5 hours

Learning objectives	Brief content	Teaching/ learning strategies	Teaching aids/ material	Evaluation
<p>To enable students to</p> <ul style="list-style-type: none"> • To introduce the key objectives of any purchasing function • To discuss the purchasing process, and the role of e-procurement tools in the • Understand the responsibilities of the purchasing function • Understand the different types of purchases made by organizations • Discuss how organizations are seeking to improve the purchasing process 	<p>1. The key objectives of purchasing function.</p> <ul style="list-style-type: none"> - Support Operational Requirements (Uninterrupted flow of high-quality material). - Manage the Purchasing Process Efficiently and Effectively (Limited resources necessitate best use of resources). - Supply Base Management (Develop reliable, high-quality sources of supply. - Develop Strong Relationships with Other Functional Groups (Strong cross-functional relationships must exist internally). - Support Organizational Goals and Objectives (Purchasing must follow organizational directives). - Develop Integrated Purchasing Strategies That Support Organizational Strategies (Purchasing's goals must be aligned with company's goals). <p>2. The Purchasing Process as a Cycle consists of five major stages.</p> <ul style="list-style-type: none"> - Identify user need - Evaluate potential suppliers - Bid, negotiate and select supplier - Purchase approval - Release and receive purchase requirements - Measure supplier performance <p>3. When to use competitive bidding:</p> <p>3.1 Conditions for Competitive Bidding:</p> <ul style="list-style-type: none"> - High enough volume - Clear specifications - Competitive marketplace - Adequate time for the process - If no preferred supplier exists <p>3.2 Conditions for Negotiating:</p> <ul style="list-style-type: none"> - When a criteria for competitive bidding is missing. - When price is not the only deciding factor. - When Early Supplier Involvement 	Lecture	Powerpoint presentation or transparencies for overhead projector.	Questioning and answering question in class.

	<p>is needed.</p> <ul style="list-style-type: none"> - When supplier can't determine risks and costs. - When development and production time are lengthy. <p>4. Types of Purchase</p> <p>4.1 Classifications of Goods and Services:</p> <ul style="list-style-type: none"> -<u>Raw Materials</u> : <i>petroleum, coal, lumber</i> -<u>Semifinished Products and Components</u>: <i>subassemblies, semi finished products</i> -<u>Finished Products</u>: <i>a complete, saleable product</i> -<u>MRO</u>: <i>maintenance, repair and operating items</i> -<u>Production Support Items</u>: <i>packaging materials, tapes, glues, etc.</i> -<u>Services</u>: <i>payroll services, lawn care, snow removal</i> -<u>Capital Equipment</u>: <i>production machinery, new manufacturing facilities</i> -<u>Transportation and Third Party Purchasing</u>: <i>logistics services, management of inbound and outbound materials.</i> 			
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Lesson 3: Purchasing Policy and Procedures (Chapter 3)

Time Allocations: 1.5 hours

Learning objectives	Brief content	Teaching/ learning strategies	Teaching aids/ material	Evaluation
<p>To enable students to</p> <ul style="list-style-type: none"> • Understand why purchasing policies are important • Discuss the different types of purchasing policies • Discuss the different types of purchasing procedures 	<p>1. What role does purchasing policy and procedures have in today’s business environment.</p> <p>2. What makes a policy effective? -Characteristics of effective policies: - Action oriented - Relevant - Concise - Unambiguous/well understood - Timely and current - Guides problem solving and behavior</p> <p>3. Well developed purchasing policies help purchasing managers define: - The role of purchasing - The conduct of purchasing personnel - Social and minority business objectives - Buyer-seller relationships - Operational Issues</p> <p>4. Purchasing policies -Defining the Role of Purchasing: - Defining Conduct of Purchasing Personnel: - Defining Social and Minority Business Objectives: - Defining Buyer-Seller Relationships: - Benefits of Procedure Manuals: - Valuable to train employees - Offers tool for consistency - Way of documenting “industry-best” practices</p>	Lecture	Powerpoint presentation or transparencies for overhead projector.	Questioning and answering question in class.

Lesson 4: Purchasing Integration (Chapter 4)

Time Allocations: 3 hours

Learning objectives	Brief content	Teaching/ learning strategies	Teaching aids/ material	Evaluation
<p>To enable students to</p> <ul style="list-style-type: none"> • Understand why integration is important, and the role that purchasing plays in internal and external integration • Understand the role of cross-functional teams in promoting integration • Understand how purchasing can work with engineering and suppliers to develop new products and services 	<p>1. Integration-What is it? - Bringing people together with different points of view to work on common problems. - Utilizing information systems to link members. - Creating a common understanding of an end goal or purpose.</p> <p>2.What groups should integrate? Involves bringing those internally together as well as integrating external groups. - New Product Development Teams - Cross-location teams - Commodity teams - Cross functional teams</p> <p>3. Closer buyer-seller relationships improve external integration. - No longer “Three-Bids and a Cloud of Dust!” - Mutual Trust - Long-term Contracts - Joint Development of Technology - Joint Cost Reduction Efforts</p> <p>4. Cross-functional teams can improve internal integration. - Brings together knowledge and resources required for responding to new sourcing demands. Benefits: - Reduced time to complete tasks - Increased innovation - Joint ownership of decisions - Enhanced communication between functions - Synergy and improved problem resolution Drawbacks: - Potential productivity loss if some members not motivated. - Thoughts of individuals can get overrun by other team members. - Groupthink can occur.</p> <p>5. Purchasing’s part in new product development and order fulfillment.</p>	Lecture	Powerpoint presentation or transparencies for overhead projector.	Questioning and answering question in class. Case study discussion

Lesson 5: Purchasing Organization (Chapter 5)

Time Allocations: 3 hours

Learning objectives	Brief content	Teaching/ learning strategies	Teaching aids/ material	Evaluation
<p>To enable students to</p> <ul style="list-style-type: none"> • Recognize the important role of organizational design in purchasing and supply chain success • Understand the design features that organizations use as they pursue their purchasing and supply chain objectives • Appreciate the differences between centralized and decentralized placement of purchasing authority • Understand the hurdles that organizations face as they attempt to use teams within purchasing and supply chain management • Identify the features of the supply organization of the future 	<p>1. An effective organizational design helps purchasing and the organization reach its goals.</p> <p>2. Organizational design includes the structure, division of labor, coordination, control, authority and responsibility required to achieve goals</p> <p>3. This chapter looks at the formal aspects of the organization of the purchasing department: Purchasing’s position within the organizational structure: <ul style="list-style-type: none"> - Organizing the purchasing function - Placement of purchasing authority. - Organizing for supply chain management. - Using teams to organize - Creating the organization of the future. </p> <p>4. To Whom Does Purchasing Report? Does it matter? Four major areas of specialization within the purchasing department.</p> <p>4.1 Sourcing and Negotiating -Identifies potential suppliers.</p> <p>4.2 Purchasing Research -Long-range material forecasts -Boundary scanning Responsibilities and Tasks commonly performed by the purchasing function: <ul style="list-style-type: none"> -Buying -Expediting and Inventory Control -Transportation -Managing Countertrade Agreements </p> <p>4.3 Operational Support and Order Follow-up <ul style="list-style-type: none"> -Expediting orders -Releasing orders </p> <p>4.4 Administration and Support <ul style="list-style-type: none"> -Insourcing/ Outsourcing -Value Analysis -Purchasing Research/Material Forecasting -Strategic Supply Management </p>	Lecture	Powerpoint presentation or transparencies for overhead projector.	<p>Questioning and answering question in class.</p> <p>Case study discussion</p>

Lesson 6: Strategy Development (Chapter 6)

Time Allocations: 3 hours

Learning objectives	Brief content	Teaching/ learning strategies	Teaching aids/ material	Evaluation
<p>To enable students to</p> <ul style="list-style-type: none"> • Establish linkages between companywide or Strategic Business Unit (SBU) and purchasing strategy • Develop the overall purchasing strategy development process • Provide a commodity strategy development process • Identify critical purchasing strategy areas • Provide insight into outsourcing strategy and decision making 	<ol style="list-style-type: none"> 1. - Purchasing is a major contributor to a firm's competitive advantage. <ul style="list-style-type: none"> - Purchasing executives can contribute to the strategic plan at a companywide level. - Purchasing goals drive both strategic purchasing processes and commodity strategies. 2. This chapter provides a step-by-step process to translate corporate strategy objectives into purchasing commodity strategies. <ul style="list-style-type: none"> - Linking Purchasing and Corporate Strategy - Corporate strategy addresses long-term survival and a company's ability to compete in a changing competitive environment. 3. An organization must take in more revenues than it spends on operating costs in the long term to grow and increase profits. <ul style="list-style-type: none"> - Translating Corporate Objectives into Purchasing Goals - Strategic alignment occurs when purchasing activities are consistent with the nature of the business strategy. 4. In order to align with corporate strategy, purchasing must translate corporate objectives into purchasing goals. <ul style="list-style-type: none"> - Goals and objectives differ across four major dimensions: <ol style="list-style-type: none"> 4.1 <u>Time frame:</u> - Objectives are open ended; goals are time phased. 4.2 <u>Measurement:</u> - Objectives are stated in relative terms; goals are more specific. 4.3 <u>Specificity:</u> - Objectives are stated in broad, general terms; goals are in terms of a particular result. 4.4 <u>Focus:</u> - Objectives are externally focused; goals are internally focused. 	Lecture	Powerpoint presentation or transparencies for overhead projector.	Questioning and answering question in class.

	<p>5. Integrative Strategy Development</p> <ul style="list-style-type: none"> - Purchasing goals must be aligned with corporate objectives to be effective. - Corporate mission statements are often at the top of the strategy development process. - Goals must be integrated on four levels: <ul style="list-style-type: none"> - Corporate level - Business level - Purchasing level - Commodity level <p>6. Types of Purchasing Strategies</p> <p><u>Supply base optimization:</u> determining the appropriate number and mix of suppliers to maintain.</p> <p><u>Total quality management of suppliers:</u> working with suppliers to initiate quality processes and procedures to attain zero defect quality while endorsing continuous improvement.</p> <p><u>Global sourcing:</u> requires purchasing to view the world as a potential source for products.</p> <p><u>Longer-term supplier relationships:</u> the selection of and continuous involvement with suppliers.</p> <p><u>Early supplier design involvement:</u> participation of suppliers at the concept or pre-design phase of new-product development.</p> <p><u>Supplier development:</u> working directly with a supplier to facilitate improvement in a designated functional or activity area.</p> <p><u>Total cost of ownership:</u> identifying cost considerations beyond unit price, transport and tooling.</p> <p><u>E-reverse auctions:</u> using the internet to facilitate a group of pre-qualified suppliers competing against each other to win business.</p> <p>7. Critical Role of Insourcing/Outsourcing Strategy</p> <ul style="list-style-type: none"> - Insourcing/Outsourcing decision: whether to produce internally, or procure externally. - Decision now being applied to every process and process within the organization. - The primary driver has been cost reduction. 			
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Lesson 7: Supplier Evaluation and Selection (Chapter 7)

Time Allocations: 3 hours

Learning objectives	Brief content	Teaching/ learning strategies	Teaching aids/ material	Evaluation
<p>To enable students to</p> <ul style="list-style-type: none"> • Understand how a comprehensive supplier evaluation and selection process supports an organization's total quality objective • Design a process that leads to world-class supplier selection • Appreciate the many areas that supply professionals consider when evaluating potential suppliers • Understand how to develop tools to assess supplier capabilities • Identify ways to reduce the time associated with supplier evaluation and selection 	<p>1. Supplier Evaluation and Selection Process <u>Steps in selection Process</u> 1.1 Recognize need for supplier selection. <i>Discussion Question: How or when do we know that a need exists to evaluate and select a supplier?</i> 1.2 Identify key sourcing requirements. (What are you looking for in a supplier?) <ul style="list-style-type: none"> - Quality - Cost - Delivery Performance - Technological Capabilities 1.3 Determining sourcing strategy. (The sourcing will differ from requirement to requirement.) <ul style="list-style-type: none"> - Single source vs. multiple sources. - Short-term vs. long-term contracts. - Domestic vs. foreign supplier. 1.4 Identify potential supply sources. (Intensity of search differs from requirement to requirement based on capability of current supplier and strategic importance of the requirement.) <i>Discussion Question: What are the various sources of information available when identifying supplier candidates?</i> 1.5 Limit suppliers in selection pool. <ul style="list-style-type: none"> - Purchasers often perform a first cut or preliminary evaluation of potential suppliers to narrow the list - Time and resources prohibit in-depth evaluation of all suppliers - Methods to reduce suppliers in the pool-- <ul style="list-style-type: none"> - Financial risk analysis - Evaluation of previous performance - Evaluation of supplier provided information - What kind of information </p>	<p>Lecture</p>	<p>Powerpoint presentation or transparencies for overhead projector.</p>	<p>Questioning and answering question in class.</p>

	<p>should we ask suppliers to provide?</p> <p>1.6 Determine Method of Supplier Evaluation and Selection. (Once the pool is reduced you must decide how to evaluate remaining suppliers.)</p> <ul style="list-style-type: none"> • Review supplier provided information: <ul style="list-style-type: none"> – RFP's – Detailed cost breakdown information. • Supplier visits • Use of Preferred suppliers • External or Third-party information <p>Cross-functional teams often evaluate suppliers directly through on-site visits</p> <p>Possible areas to evaluate during a supplier visit--</p> <ul style="list-style-type: none"> • Cost structure • Delivery performance • Quality systems and performance • Management capability • Workforce capability • Supplier agility and flexibility • Supplier's supply chain management capabilities • Process and technological capability • Environmental compliance • Financial capability and stability • Information systems capability • Production scheduling and control systems – Longer-term relationship potential – Capacity – Other? <p>1.7 Select supplier and reach agreement</p> <ul style="list-style-type: none"> • Competitive Bid • Negotiations • Weighted factor approach <p>Key Supplier Evaluation Criteria</p> <ul style="list-style-type: none"> • Criteria most evaluations rate suppliers: <ul style="list-style-type: none"> • Cost/price • Quality • Delivery • <i>Is this effective criteria? Why or Why not?</i> 			
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Lesson 8: Supplier Quality Management (Chapter 8)

Time Allocations: 3 hours

Learning objectives	Brief content	Teaching/ learning strategies	Teaching aids/ material	Evaluation
<p>To enable students to</p> <ul style="list-style-type: none"> • Provide a working definition of supplier quality • Recognize the factors that influence purchasing's role in managing supplier quality • Link the principles of total quality management to supply management practices • Understand the concept of six sigma quality • Appreciate how the Baldrige award and ISO certification can help assess supplier quality systems and performance 	<p>1. What is Supplier Quality? The ability to consistently meet or exceed current and future customer expectations or requirements within critical performance areas on a consistent basis.</p> <p>2. Why be Concerned with Supplier Quality?</p> <ul style="list-style-type: none"> – Supplier Impact on Quality • Poor supplier quality can undermine a firm's total quality improvement effort. – Continuous Improvement Requirements • Constant competitive pressure to achieve continuous quality improvement. – Outsourcing of Purchase Requirements • The more suppliers contribute to final product, the greater the impact they have on overall quality. <p>3 Factors influencing purchasing's commitment to this role:</p> <ul style="list-style-type: none"> ▪ Supplier's ability to affect buyer's total quality. ▪ Resources available to support this role. ▪ Supplier's willingness to support quality. ▪ Buyer's ability to support quality-performance measurements. <p>4. Managing Supplier Quality with TQM</p> <p>5. Six Sigma is today's version of TQM.</p> <p>6. ISO 9000 registration is world renown.</p> <p>7. Baldrige criteria used by many businesses as a template for TQM</p>	<p>Lecture</p>	<p>Powerpoint presentation or transparencies for overhead projector.</p>	<p>Questioning and answering question in class.</p>

Lesson 9: Supplier Management and Supply base (Chapter 9)

Time Allocations: 3 hours

Learning objectives	Brief content	Teaching/ learning strategies	Teaching aids/ material	Evaluation
<p>To enable students to</p> <ul style="list-style-type: none"> • Recognize that supplier management and development includes a variety of actions intended to improve supplier performance • Appreciate the relationship between supplier measurement and supplier management • Understand how to develop different types of supplier measurement tools • Understand the importance of a manageable supply base in terms of size • Know when and how to apply supplier development tools, techniques, and approaches 	<p>1. What are Types of Supplier Measurement Techniques?</p> <ul style="list-style-type: none"> - Categorical - Weighted-Point - Cost-Based <p>2. What is Supply base optimization or rationalization?</p> <ul style="list-style-type: none"> - A continuous process that strives for the ideal number and mix of capable suppliers -As companies continue to rely on fewer total suppliers, the selection process takes on even greater importance <p>3. Why is optimization critical?</p> <ul style="list-style-type: none"> - The costs associated with multiple suppliers for each purchased good or service usually outweigh any perceived reduction in supply risk - Optimization is a critical prerequisite to the development of a world-class supply base <p>4. Optimization results in:</p> <ul style="list-style-type: none"> - Buying from World-class suppliers. - Use of Full-Service Suppliers. - Reduction of Supply Base risk. - Lower Supply Base maintenance costs. - Lower Total Product costs. - Ability to pursue Complex Purchasing Strategies. <p>5. Supply Reduction Methods</p> <p>Framework of reduction methods contain three primary elements:</p> <ul style="list-style-type: none"> - Initial supply base reduction - The selection of finalist suppliers - The selection of partnership suppliers. <p>6. Four methods to reduce the supply base.</p> <ul style="list-style-type: none"> - Twenty/Eighty Rule - “Improve or Else” approach - Triage Approach - Competency Staircase approach 	<p>Lecture</p>	<p>Powerpoint presentation or transparencies for overhead projector.</p>	<p>Questioning and answering question in class.</p>

	<p>7. A Process Map for Supplier Development</p> <ul style="list-style-type: none"> • Supplier development is the activity of buyers investing in suppliers to improve supplier performance or capabilities. • Effective supplier development requires a commitment of capital and human resources, and a sharing of timely and accurate information between the purchaser and supplier. 			
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Lesson 10: Worldwide sourcing (Chapter 10)

Time Allocations: 1.5 hours

Learning objectives	Brief content	Teaching/ learning strategies	Teaching aids/ material	Evaluation
<p>To enable students to</p> <ul style="list-style-type: none"> • Identify the difference between international purchasing and global sourcing • Understand the reason why firms pursue worldwide sourcing • Identify the total costs associated with international sourcing • Understand what separates successful from less successful worldwide sourcing efforts • Appreciate the potential benefits from taking a worldwide perspective to sourcing 	<p>1. Why Source Worldwide:</p> <ul style="list-style-type: none"> • Cost/Price Benefits • Access to Technology • Quality • Access to Only Source Available • Introduce Competition to Domestic Suppliers • React to Buying Patterns of Competitors • Establish a Presence in a Foreign Market <p>2. Progressing to Worldwide Sourcing</p> <p>Where do you look for sources?</p> <ul style="list-style-type: none"> • Supplier selection issues – Don't assume the foreign supplier can meet your requirements. • Cultural understanding • Language and communication differences • Logistical issues - Don't underestimate the effects of an extended pipeline • Legal issues • Organizational Issues - What do International Purchasing Offices (IPOs) do to support international purchasing? • Countertrade Requirements • Costs associated with worldwide sourcing • Managing international currency risk 	<p>Lecture</p>	<p>Powerpoint presentation or transparencies for overhead projector.</p>	<p>Questioning and answering question in class.</p>

Lesson 11: Strategic Cost Management (Chapter 11)

Time Allocations: 3 hours

Learning objectives	Brief content	Teaching/ learning strategies	Teaching aids/ material	Evaluation
<p>To enable students to</p> <ul style="list-style-type: none"> • Understand the impact of strategic cost management on the supply chain • Understand the fundamental approaches to price management • Understand approaches for reducing supplier costs of production and delivery • Understand the concept of total cost of ownership • Identify collaborative approaches to cost management 	<p>1. Strategic Cost Management</p> <ul style="list-style-type: none"> • Price analysis-the process of comparing supplier prices against external price benchmarks, without direct knowledge of the supplier's cost. • Cost analysis-the process of analyzing each individual cost element that add up to the final price. • Total Cost analysis-applies the price/cost equation across multiple processes that span two or more organizations across a supply chain. • Strategic Cost Management-by applying above tools, purchasers can evolve toward a system that seeks to reduce costs across the entire supply chain. <p>2. Price Analysis</p> <ul style="list-style-type: none"> • External forces cause prices to rise or fall. • Competition as well as supply and demand drive prices in the marketplace. • The supplier's market condition has a major influence on price. • Market environment is driven by: <ul style="list-style-type: none"> - Number of competitors - Relative similarity of products - Barriers of entry for new competition <p>3. Pricing Strategy of the Seller</p> <ul style="list-style-type: none"> • Seller's pricing strategies at times have no relationship to actual cost. • Prices can be driven by competition or buyer's need for the product. • Seller's pricing models can be market-driven or cost- 	<p>Lecture</p>	<p>Powerpoint presentation or transparencies for overhead projector.</p>	<p>Questioning and answering question in class.</p>

	<p>based models.</p> <p>4. Market-driven Pricing Models</p> <ul style="list-style-type: none"> • <u>Price-volume Model</u> – An example of this is quantity discounts. • <u>Market-Share Model</u> – Also known as penetration pricing. • <u>Market-Skimming Model</u> – Prices are set to achieve a high profit on each unit sold. • <u>Revenue Pricing Model</u> – Used in downturns; supplier concerned with recuperating direct costs • <u>Promotional Pricing Model</u> – Special pricing to induce purchase of product requiring higher priced support services. • <u>Competition Pricing Model</u> – Strategy to determine highest price that can be charged that will still be lower than the competitors (reverse auctions). • <u>Cash Discounts</u> – Incentive discounts to encourage prompt payment of invoices (2% 10/ net 30) <p>5. Cost-based Pricing Models</p> <ul style="list-style-type: none"> • <u>Cost-markup Pricing Model</u> – Estimate of costs plus a markup percentage to obtain desired profit. • <u>Margin Pricing Model</u> – $Cost / (1 - \text{margin rate}) = \text{unit selling price}$ • <u>Rate-of-Return Pricing Model</u> – Supplier seeks a percentage return on total investment. <p>6. Break-Even Analysis</p> <p>7. Total Cost of Ownership</p> <p>8. Collaborative Approaches to Cost Management</p> <ul style="list-style-type: none"> • The most effective way to reduce costs for strategic commodities is through effective collaboration. 			
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Lesson 12: Supply Chain Analysis: Tools and Techniques (Chapter 12)

Time Allocations: 1.5 hours

Learning objectives	Brief content	Teaching/ learning strategies	Teaching aids/ material	Evaluation
<p>To enable students to</p> <ul style="list-style-type: none"> • Understand fundamentals of project management tools • Understand how to calculate effect of learning curves on supplier costs • Develop basis understanding of value analysis process • Develop basic skills in process mapping of supply chain applications 	<p>1. Project management</p> <ul style="list-style-type: none"> - Concept - Project Definition - Planning - Preliminary Studies - Performance - Post completion <p>2. Why should buyers be concerned with the learning curve? When should buyers use the learning curve?</p> <ul style="list-style-type: none"> • Learning Curves establish the rate of improvement due to learning as producers realize direct-labor cost improvements as production volume increases. • The learning rate represents the improvement as production doubles from a previous level. <p>3. Value engineering/value analysis</p> <ul style="list-style-type: none"> • Involves examining all elements of a component, assembly, end product, or service to make sure it fulfills its intended function at the lowest total cost. <p>4. Quantity discount analysis</p> <ul style="list-style-type: none"> • A technique to examine the incremental costs between quantities in the supplier's quote. • With this tool, the buyer can verify that the quantity discounts are reasonable. • The two primary types of quantity discount analyses involves prices at specific quantities and discounts over quantity ranges. <p>5. process mapping A tool that reduces process to their component parts or activities.</p>	Lecture	Powerpoint presentation or transparencies for overhead projector.	Questioning and answering question in class.

Lesson 13: Managing Inventory and Perfect Orders (Chapter 16)

Time Allocations: 3 hours

Learning objectives	Brief content	Teaching/ learning strategies	Teaching aids/ material	Evaluation
<p>To enable students to</p> <ul style="list-style-type: none"> • Identify the different categories of inventory • Identify the various costs associated with maintaining supply chain inventory • Assess the financial impact of managing inventory more effectively • Understand the right reasons for maintaining an investment in inventory • Appreciate the challenges of creating a lean supply chain • Identify ways to manage and improve inventory investment 	<p>1. What is working capital? Is inventory an asset or a liability? What are the categories of inventory?</p> <p>2. Types of Inventory/ Inventory-Related Costs/ Inventory Investment</p> <p>3. What is lean? “A philosophy that seeks to shorten the time between the customer order and the shipment to customer by eliminating waste” John Shook</p> <p>4. JIT Purchasing - Purchase in small lots with frequent deliveries - Mutual, consistent improvement by the buyer and supplier - Collaborative efforts between buyer and supplier</p> <p>5. What is the “perfect customer order?” Managing Inventory Investment</p> <ul style="list-style-type: none"> ▪ Achieve Perfect Record Integrity – The numbers have to be believable. ▪ Improve Product Forecasting ▪ Standardize and Simplify Product Design- ▪ Leverage Companywide Purchase Volumes ▪ Use Suppliers for On-Site Inventory Management. ▪ Develop Supply Chain Planning Systems and Support Structure – View the supply chain from an integrated or holistic perspective. ▪ Reduce Supplier-Buyer Cycle Time <p>Why is it important?</p>	Lecture	Powerpoint presentation or transparencies for overhead projector.	Questioning and answering question in class.

Lesson 14: Purchasing Services (Chapter 17)

Time Allocations: 3 hours

Learning objectives	Brief content	Teaching/ learning strategies	Teaching aids/ material	Evaluation
<p>To enable students to</p> <ul style="list-style-type: none"> • Understand the impact of indirect spending on company performance • Understand the fundamentals of transportation management and third-party logistics • Understand the role of third-party logistics providers in supply chain management • Understand the role of third-party logistics providers in supply chain management • Discuss best practices in managing indirect spending and purchasing of services 	<p>1. Transportation Management <u>Logistics</u> is the process of planning, implementing, and controlling the flow and storage of goods, services, and related information from point of origin to the point of consumption. <u>Transportation</u> is a key element of logistics, and logistics is a key element of supply chain management.</p> <p>2. Outsourcing Logistics to Third-Party Logistics Providers - Outsourcing transportation services to a third-party can positively affect service and performance throughout the supply chain. - Purchasing Managers should be very careful in selecting third party logistics providers. - Approach to selecting third-party logistics provider: <u>Plan</u> – key players to ensure buy-in Involve <u>Select</u> -Target “best in class” providers. <u>Implement</u> – Share information and build a relationship. <u>Improve</u> – Exchange performance measures and identify improvement opportunities <u>Partner</u> – Develop alliances, share risks.</p> <p>3. Methods for Managing Direct Spend - Internal methods of managing indirect spend: - External methods of managing indirect spend: - Enabling tactics and strategies for implementing an indirect spend purchasing strategy:</p> <p>4. Steps for buying professional services: - Have a clearly defined scope - Move to a centralized structure - Develop a professional services database - Develop a procedure for evaluating and selecting a provider</p>	Lecture	Powerpoint presentation or transparencies for overhead projector.	Questioning and answering question in class.

Lesson 15: Information Systems and Electronic Commerce (Chapter 18)

Time Allocations: 3 hours

Learning objectives	Brief content	Teaching/ learning strategies	Teaching aids/ material	Evaluation
<p>To enable students to</p> <ul style="list-style-type: none"> • Identify the key types of information required in purchasing and supply chains • Develop a broad knowledge of the different types of systems in use • Understand the drivers underlying increased use of systems in supply chain management • Understand the primary elements of enterprise resource planning, purchasing databases, and electronic communication between buyers and sellers • Understand the benefits and limitations of emerging e-sourcing technologies 	<p>1. A Map of SCM Systems:</p> <ul style="list-style-type: none"> - Maps of supply chain management systems show how high-level strategic decisions span supplier relation management (SRM), decision support, customer relationship management (CRM), and network design systems. - Data from these systems are fed into a large integrated business transaction processing and reporting system known as an enterprise resource planning (ERP) system. <p>2. Drivers of New Supply Chain Systems and Applications</p> <ul style="list-style-type: none"> - Internal and External Strategic Integration: - Globalization and Communication: - Data Information Management: - New Business Processes: - Replacement of Obsolete Systems: - Strategic Cost Management: <p>3. Information Systems used in Managing Supply Chains</p> <p>Primary information systems used in managing supply chains:</p> <ul style="list-style-type: none"> - Enterprise Resource Planning - Data warehouses and purchasing databases - Electronic data interchange - E-sourcing applications 	<p>Lecture</p>	<p>Powerpoint presentation or transparencies for overhead projector.</p>	<p>Questioning and answering question in class.</p>

Lesson 16: Performance Measurement and Evaluation (Chapter 19)

Time Allocations: 3 hours

Learning objectives	Brief content	Teaching/ learning strategies	Teaching aids/ material	Evaluation
<p>To enable students to</p> <ul style="list-style-type: none"> • Introduce a Purchasing and Supply measurement framework • Review and provide insight into key purchasing and supply measurements • Review benchmarking and its importance • Identify key characteristics of effective measurement systems 	<p>1. Why is it important to measure and evaluate supply chain performance? Reasons for measuring and evaluating purchase and supply chain activities and performance:</p> <ul style="list-style-type: none"> - Support better decision making - Support better communication - Provide performance feedback - Motivate and direct behavior <p>2. What should we measure?</p> <ul style="list-style-type: none"> - Price Performance Measures - Price Performance Measures - Cost Effectiveness Measures - Quality - Time Related Measures - Technology/Innovation Measures - Physical Environment/Safety Measures - Asset and Integrated Supply Chain Measures - Administration and Efficiency Measures - Governmental/Social Measures: Internal Customer Satisfaction Measures - Supplier Performance Measures - Strategic Performance Measures <p>3. How do we develop a system to measure?</p> <ul style="list-style-type: none"> -Developing a measurement and evaluation system requires leadership, support, and commitment of executive management. - Commitment of financial resources necessary for system development must be made. - Executive management support sends a message about the seriousness of tracking and improving performance. - Development of a system follows a sequence of activities . <p>4. Benchmarking those who do it well. Benchmarking – The continuous measuring of products, services,</p>	<p>Lecture</p>	<p>Powerpoint presentation or transparencies for overhead projector.</p>	<p>Questioning and answering question in class.</p>

	<p>processes, activities, and practices against a firm's best competitors or those companies recognized as industry leaders.</p> <p>Types of Benchmarking:</p> <ul style="list-style-type: none"> - Strategic benchmarking involves comparisons against leading competitors. - Operational benchmarking focuses on different aspects of functional activity and identifies methods to achieve best-in-class performance. - Support-activity benchmarking involves comparisons of support functions within an organization to demonstrate their cost effectiveness against external providers of the same activity. 			
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