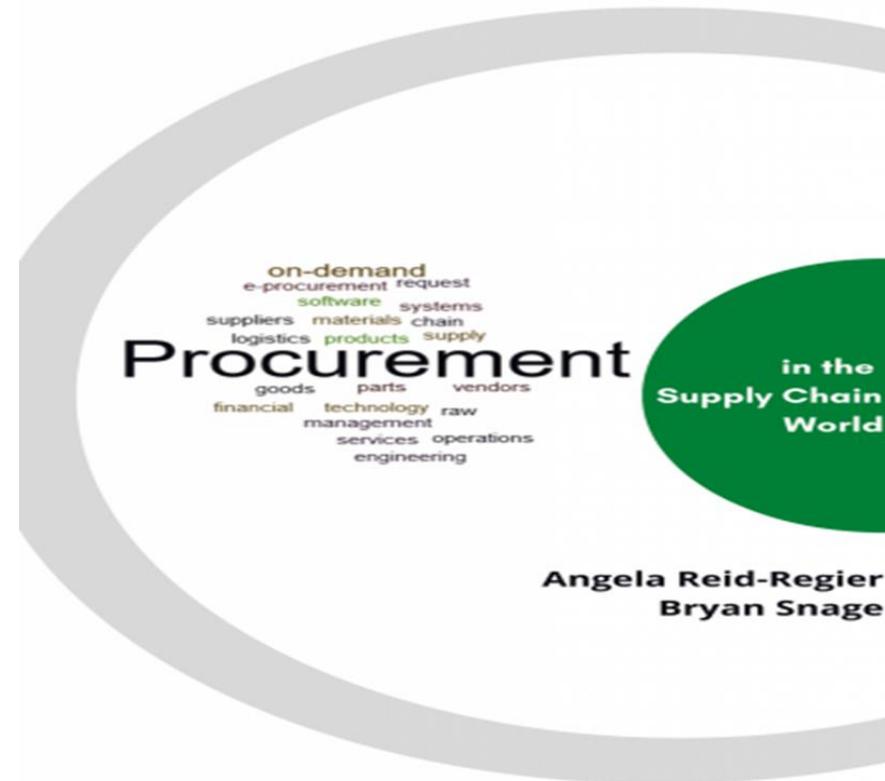


Procurement in a Supply Chain World

Chapter 7: Global Procurement



Accessibility Statement

- This PowerPoint is compatible with assistive technology
- Images have alternative-tags applied
- Complex images have long descriptions and are available in the notes section of each slide
- We welcome your feedback if you notice an area not addressed, please contact the authors listed here

Learning Objectives

Learning Objectives:

- Explain the need for identifying and evaluating global suppliers.
- Outline the advantages of global sourcing.
- Know the pros and cons of sole-sourcing and multi-sourcing.
- Know how to source successfully internationally.
- Understand the impact Trade Agreements have on sourcing internationally.

Introduction

Most companies are under constant pressure to contain and reduce their costs, which largely explains the motivation behind global sourcing; the primary reason companies source from around the world is to obtain lower prices.

Finding Global Suppliers and Supply Classifications

Supply managers use a classification scheme to segment suppliers which helps when searching databases for potential suppliers. The classification scheme is as follows:

- Local supplier
- Domestic supplier
- Regional supplier
- Multi-regional supplier
- Global supplier

Global Procurement Classification

- Offshoring
 - Offshore to distant countries
- Nearshoring
 - Nearby country or neighbouring country
- Onshoring
 - In another city in your country

Skelia (2019)

Global Sole-Source Versus Multi-sourcing

Global sourcing refers to buying the raw materials or components that go into a company's products from around the world, not just from the headquarters' country. Considerations to:

- Sole-source
 - One supplier exclusively
- Multi-source
 - Multiple suppliers

Sole-Sourcing vs. Multi-Sourcing

Sole-Sourcing

Advantages

- Price discounts based on higher volume
- Rewards for loyalty during tough times
- Exclusivity brings differentiation
- Greater influence with a supplier

Disadvantages

- Higher risk of disruption
- The supplier has more negotiating power on price

Multi-Sourcing

Advantages

- More flexibility in times of disruption
- Negotiating lower rates by pitting one supplier against another

Disadvantages

- Quality across suppliers may be less uniform
- Less influence with each supplier
- Higher coordination and management costs

Ethics in Action

- Most encountered ethical issues in global sourcing
 - Child labour
 - Dangerous working conditions and health and safety issues
 - Bribery and corruption
 - Exploitation of the workforce

Incoterms

When procuring goods and services globally, transportation becomes more challenging. The International Chamber of Commerce has created 11 rules to provide internationally accepted definitions and rules of interpretation for most common commercial terms used in contracts for the sale of goods

Successful International Sourcing

Considerations:

- Figure out where to source your products
- Get sample products
- Shop around
- Contracts can be renegotiated
- Learn everything you can about the sourcing process

Marquit (2017)

Trade Agreements

When sourcing globally, trade agreements should be considered.

- Canada - United States – Mexico Agreement (CUSMA)
- Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)
- Canada-United Kingdom Trade Continuity Agreement
- Canada-European Union Comprehensive Economic and Trade Agreement (CETA)
- World Trade Organization Agreements

Key Takeaways

- Advantages of global sourcing include access to higher quality or lower prices
- Sourcing decisions include using one supplier or multiple suppliers
- There are different classifications of global sourcing based on geographical locations
- Successful international sourcing includes:
 - Research into products and suppliers
 - Negotiating contracts by understanding the supplier's country and culture
 - Trade agreements

References

Marquit, M. (n.d.) *5 Tips for Sourcing Products from Overseas*. Don't Do It Yourself. <https://ddiy.co/sourcing-overseas/>

Skelia. (2019, January 18). *Nearshoring vs. offshoring vs. onshoring: when which and why?* <https://skelia.com/articles/nearshoring-vs-offshoring-vs-onshoring-when-which-and-why/>