

Procurement in a Supply Chain World

Chapter 3: Finding, Evaluating and Selecting Suppliers



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

Chapter 3 Learning Objectives

Learning Objectives:

- Discuss the various sources of market intelligence.
- Recognize the use of market intelligence in identifying potential suppliers.
- Understand key supplier evaluation practices.
- Explain the need for identifying and evaluating global suppliers.
- Understand the key aspects of procurement contract execution.
- Implement the various forms of procurement enablers.
- Analyze the key forms of documentation used in procurement.
- Evaluate key aspects of managing the procurement process and managing the internal processes involved in procuring goods and services.

Supplier Identification and Evaluation

Procurement takes the lead to evaluate prospective suppliers against specific criteria and metrics.

- Inclusion and Exclusion for Suppliers
- Importance of the Supplier Identification and Evaluation Process

Market Intelligence for Identifying Suppliers

There are a variety of aspects to finding suitable suppliers and credible market intelligence.

- Process of Obtaining Supply Market Intelligence
- Elements of Supply Market Intelligence
 - Commodity profile information
 - Cost structure
 - Supply base information
 - Market information
 - Competitive analysis information
 - Quality

Uses, Categories, and Levels of Market Intelligence

Market intelligence can be gathered through the following levels:

- Macro environmental level
- Country level
- Industry and Commodity Level
- Supplier Level

Supplier Evaluation Objectives

After suppliers have been identified it is necessary to evaluate suppliers with steps like pre-screening and competitive bidding by using:

- Supplier Evaluation Criteria
- Current Supplier Evaluation
 - Location
 - Employee capabilities
 - Cultural and language differences
 - Cost structure
 - Infrastructure and assets
 - Citations and awards
 - Working conditions
 - Process and technological capability
 - Management capability
 - Environmental regulation compliance
 - Financial stability
 - IT capability
 - Suppliers' own supplier network
 - Employee turnover
 - Quality capabilities
 - Evaluation of customer base

Global Supply Management

Procurement groups in many companies seek overseas sources of supply to achieve lower costs.

- Sourcing Globally
- Finding Global Suppliers and Supply Classification
 - Local supplier
 - Domestic supplier
 - Regional supplier
 - Multi-regional supplier
 - Global supplier

Purchasing Orders

Once suppliers have been approved a specific purchase order (PO) or blanket PO, material purchase release, or contract will be awarded.

Almost all POs include the following:

- PO number
- Item description
- Material specifications, including any references to SOWs and engineering drawings
- Quantity requirements
- Quality requirements
- Price
- Delivery due date and method of shipment
- Ship-to address
- Order due date
- Name and address of purchasing firm
- Payment terms

Purchasing Approval Key Terms

- Weighted Scorecard
- Blanket Purchase Orders (BPO)
- Award Purchase Orders
- Goods Receipt
 - Material Packing Slip
 - Bill of Lading
 - Discrepancy Report
- Evaluate Supplier Post-Purchase Performance
 - Weekly performance metric reports
 - Quarterly, mid-level review meetings for supply chain managers between buyers and suppliers
 - Annual, executive-level meetings about SCM between buyers and suppliers

Procurement Enablers

A variety of tools and techniques are available to procurement professionals; they can be used to enable and support the sourcing process.

- E-Procurement and Electronic Purchasing
- Procurement Cards
- Long-Term Purchasing Agreements
- Electronic Data Interchange (EDI)
- Electronic Catalogs
- Automation of Bidding

Procurement Documents

A number of procurement documents are used to obtain information and proposals from prospective suppliers.

- These include the following:
 - Request for Information (RFI)
 - Request for Proposal (RFP)
 - Request for Quote (RFQ)

Commonly Used Procurement Documents

- Requisition
- Sourcing information/justification
- Statement of Work (SOW)
- Contract
- Requirement Definitions
- Bill of Materials (BOM)
- Shortlist
- Progress Reports
- Correspondence with Contractor
- Proof of payment
- Offers Received
- Evaluation Report
- Proof of Receipt
- Receipt and Inspection Reports
- Supplier Evaluation Reports
- Amendments to Solicitation Documents
- Amendments to Contract

Key Takeaways

- Discovering potential suppliers is the process of searching for suppliers who will be able to deliver the products, materials, or services required by a company.
- Supply market intelligence is the outcome of the process of obtaining and analyzing information relevant to a company's current and potential supply markets with the objective of supporting effective decision-making.
- The main objective of the evaluation process is to reduce purchase risk and maximize overall value, and the time that goes into evaluating suppliers should be a function of the importance of items purchased.
- Tactical aspects of the procurement process to enable the placement and approval of POs with suppliers, the information needed for a comprehensive purchase requirement, the necessary forms and documents, and the necessary elements in the post-award process that must be managed.