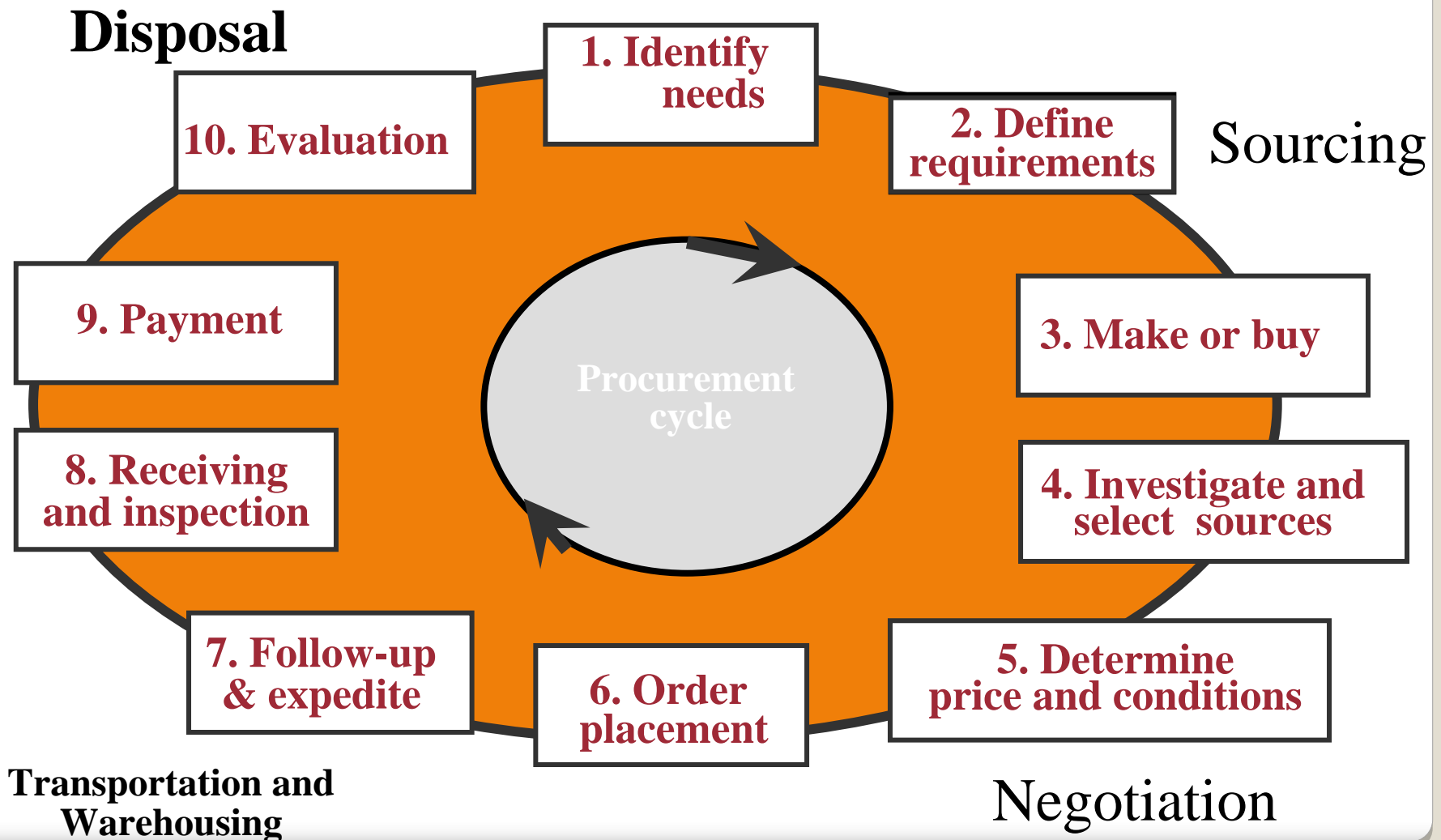


# Impact of global procurement on supply chains

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***Academy of Economic Studies from Bucharest***

# The Procurement Cycle



# A good purchase is that optimizes 7 procurement parameters, namely:

- Quality
- Quantity
- Time
- Place
- Source
- Service
- Cost

# Examples of supply chain management related arbitrations

<b>A single source permits simplifying management process, allowing a reduction of volumes</b>	<b>Number of providers</b>	<b>Multiple sources avoid organization dependence, can generate long-term price reductions</b>
<b>Local suppliers are able to respond more quickly to customer requests. Local suppliers management reduces complexity associated to international purchase</b>	<b>Origin of suppliers</b>	<b>Foreign suppliers may offer terms (price or quality) higher than those offered by local suppliers</b>
<b>A single location (factory or warehouse) can generate economies of scale</b>	<b>Number of sites</b>	<b>Multiple sites (factories and warehouses) can be located closer to areas of consumption, which enables improved services, reducing delivery times</b>

**Purchasing  
may refer to**

goods

services

direct materials

indirect materials

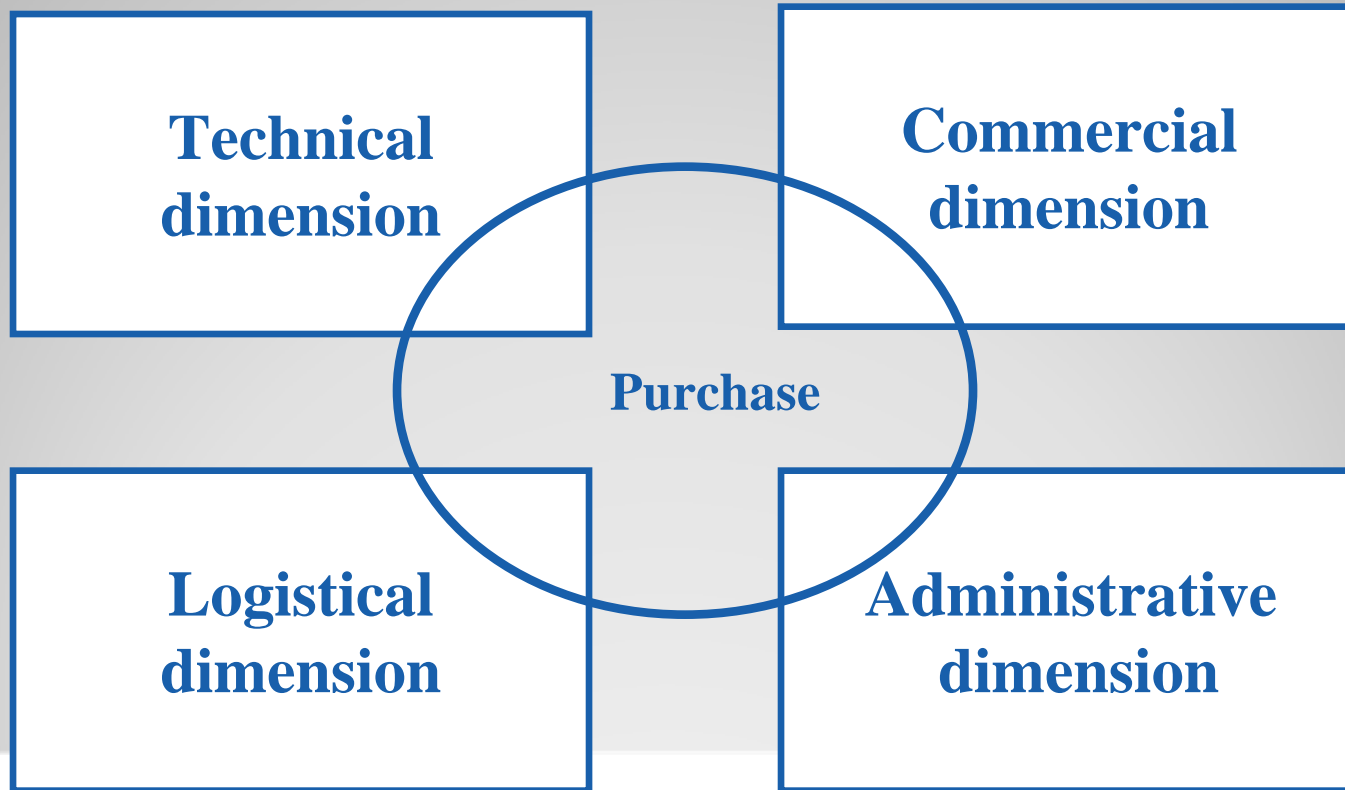
consumer goods

immobilizations

spot

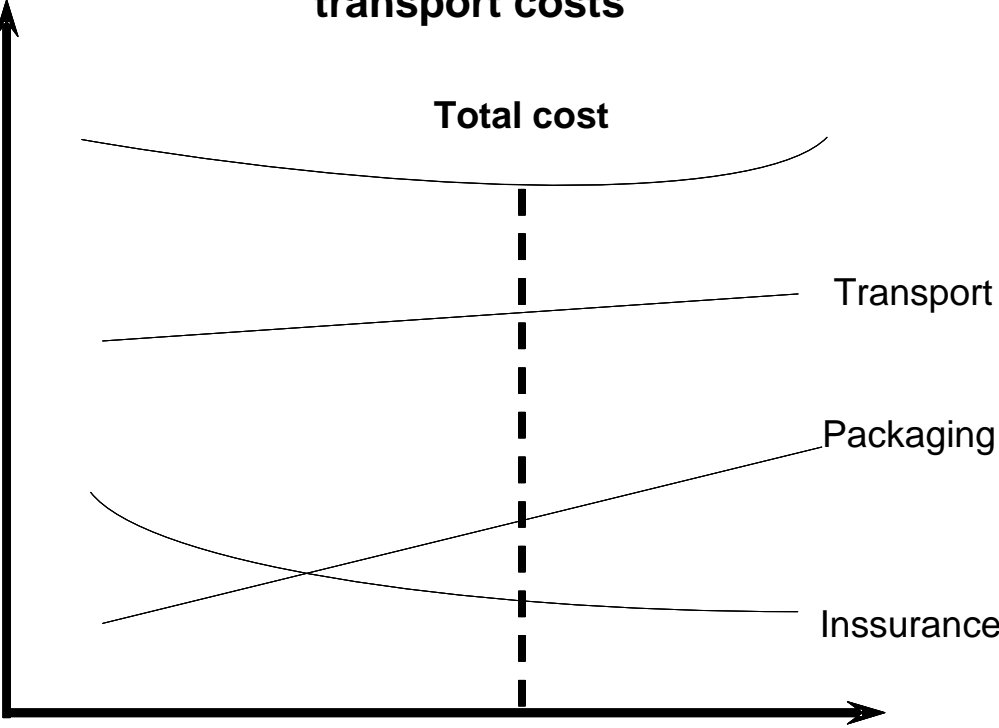
repetitive

# Four dimensions of purchase



# Relationship between packaging and transport costs

Unit logistics cost



Total cost

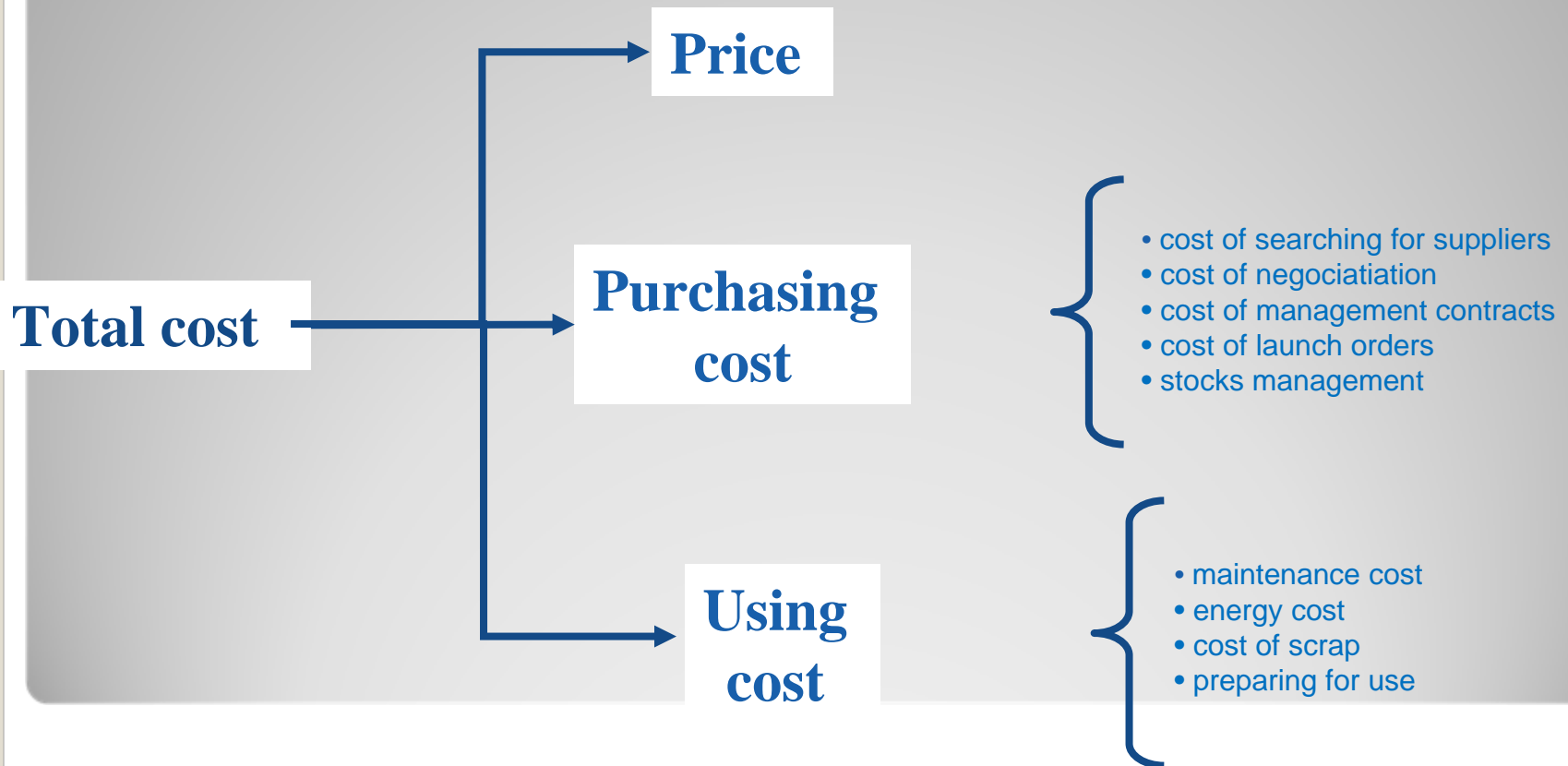
Transport

Packaging

Insurance

Packaging quality

# Total cost parameters

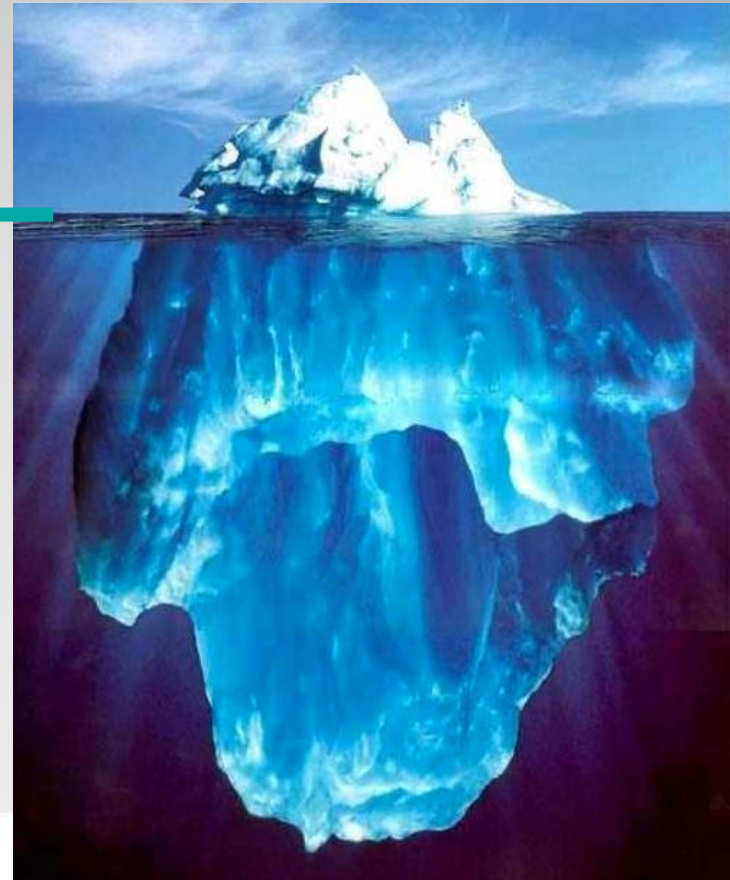


# Total Cost

**Visible - Price**

**Invisible - Costs**

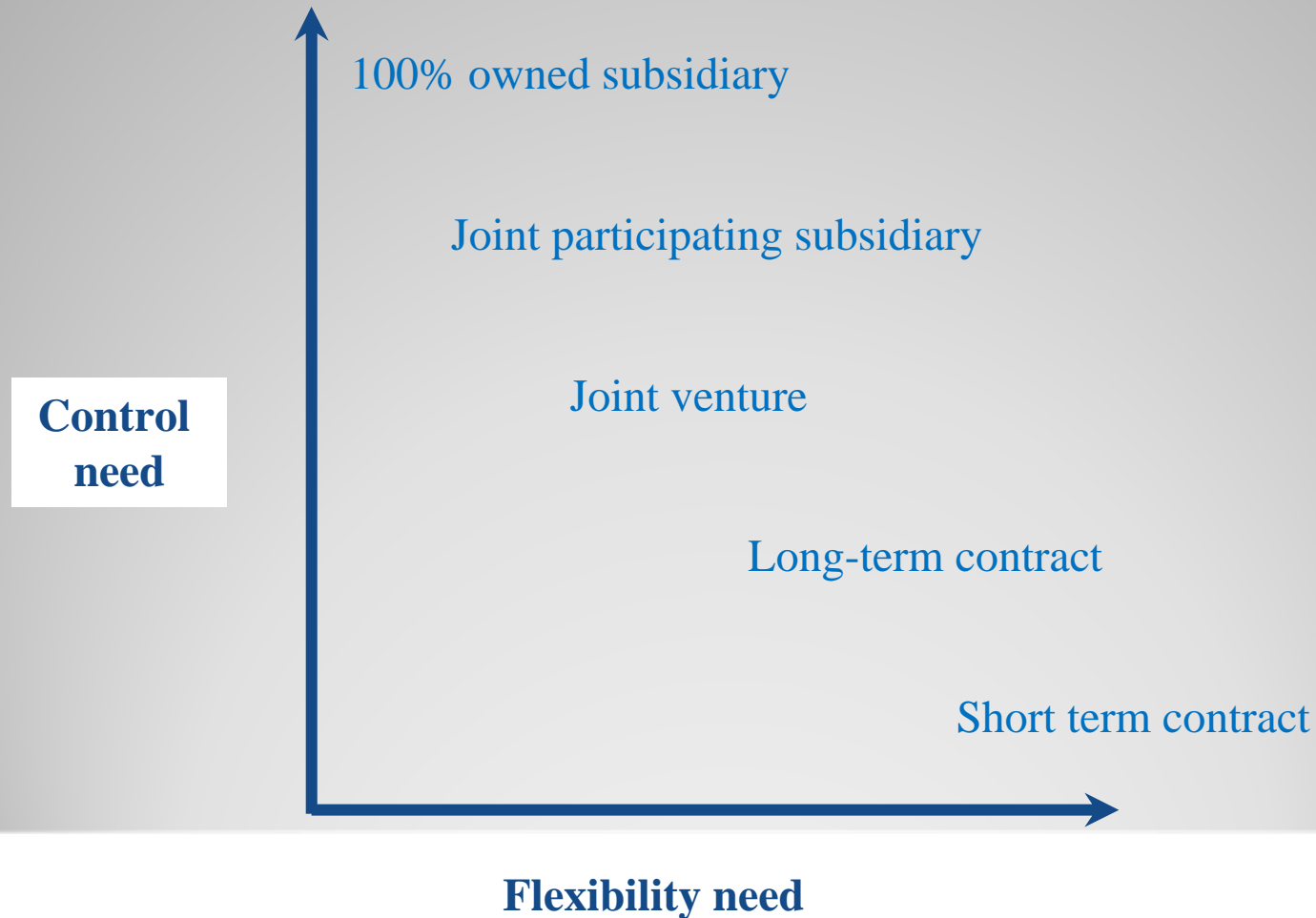
Immobilizations  
Service  
Accounts suppliers  
Energy  
Stocks  
Handling  
Distribution



# Two major approaches of supplier relationship management

	<b>Antagonist</b>	<b>Collaborate</b>
<b>Duration of relationship</b>	Short term	Long term
<b>Aimed objectives</b>	Price cutting	Total cost cutting
<b>Suppliers' involvement</b>	Null	In the activities with bigger added value
<b>Strategic information sharing</b>	Null	Towards strategic information
<b>Suppliers market conditions</b>	The presence of numerous sources of supply	Providers willing to assume more responsibility

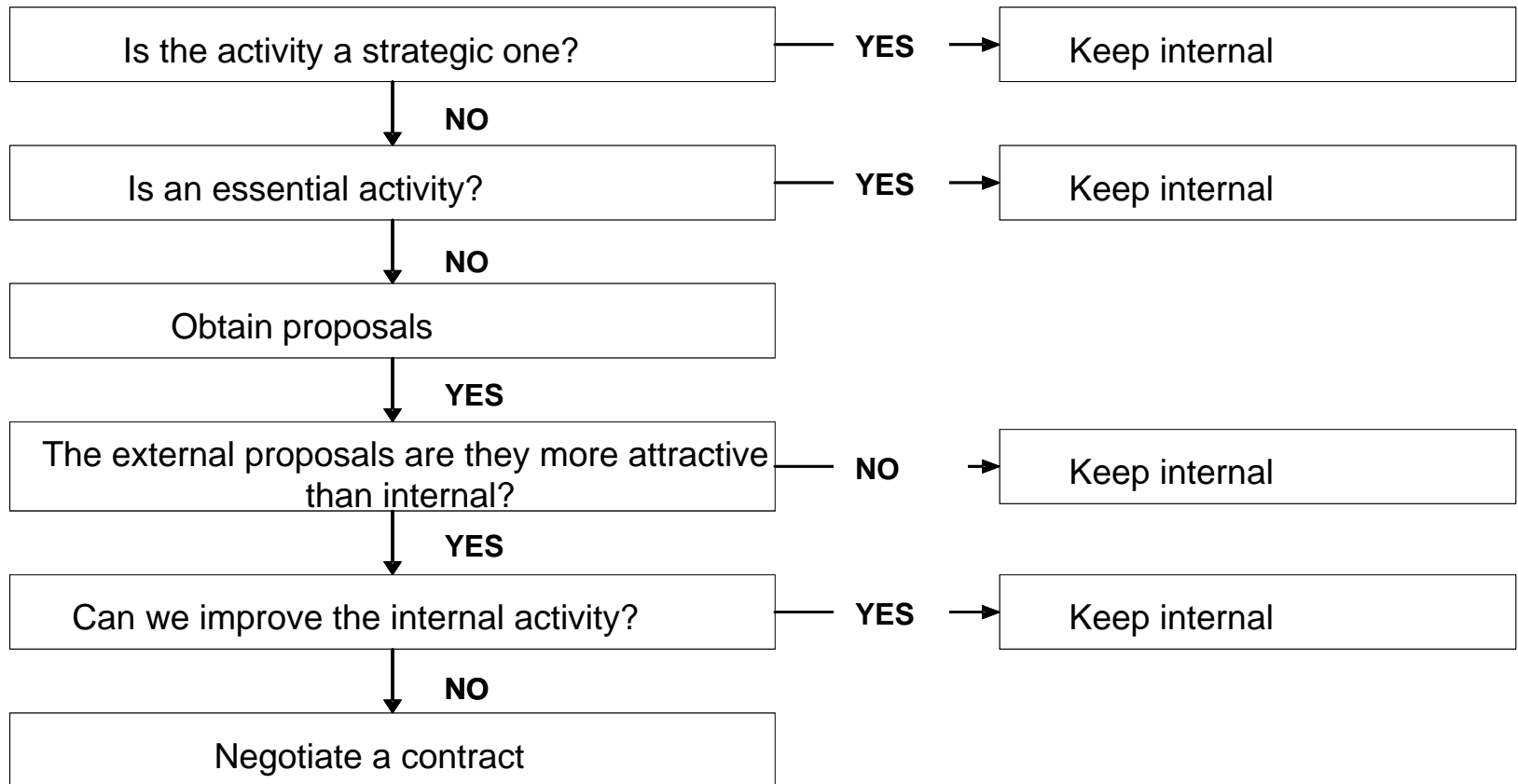
# Contractual relations



# Features of some countries/regions

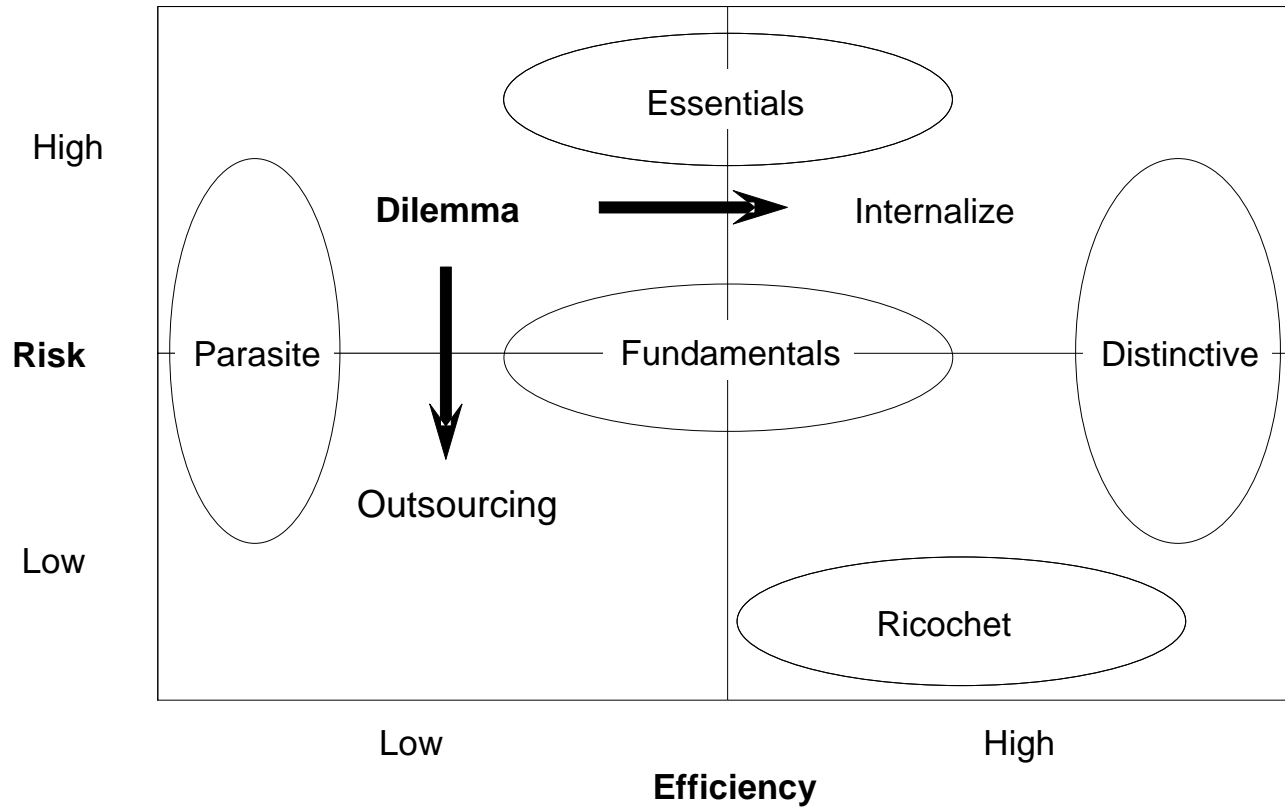
Country/region	Products	Advantages	Inconvenient
<b>India</b>	Engineering, pharmacy, textile, data treatment	English widespread, high training engineers, low cost labor	Administrative delays, logistical bottlenecks, ethical risk
<b>China</b>	Automotive, textile, household appliances, mechanical, electronic	Low costs of labor, specialization in large quantities, infrastructure	Fakes, deficient management
<b>South Korea</b>	Information technology, shipbuilding, semiconductors, household appliances	Large investments in R & D, outsourcing in China	Costs of labor close to the western countries
<b>Turkey</b>	Automotive, textiles, raw materials, household appliances	Strong export experience, low cost labor	Political instability
<b>Maghreb</b>	Call centers, textile, electronics and household appliances subcontracting	Francophone, potential of raw materials untapped	Few suppliers of raw materials, local market sluggish
<b>Eastern Europe</b>	Automotive, consumer goods, mechanical subcontracting	Strong mechanical know-how, labor costs still low.	Multiplication of languages, corruption

## Outsourcing approach



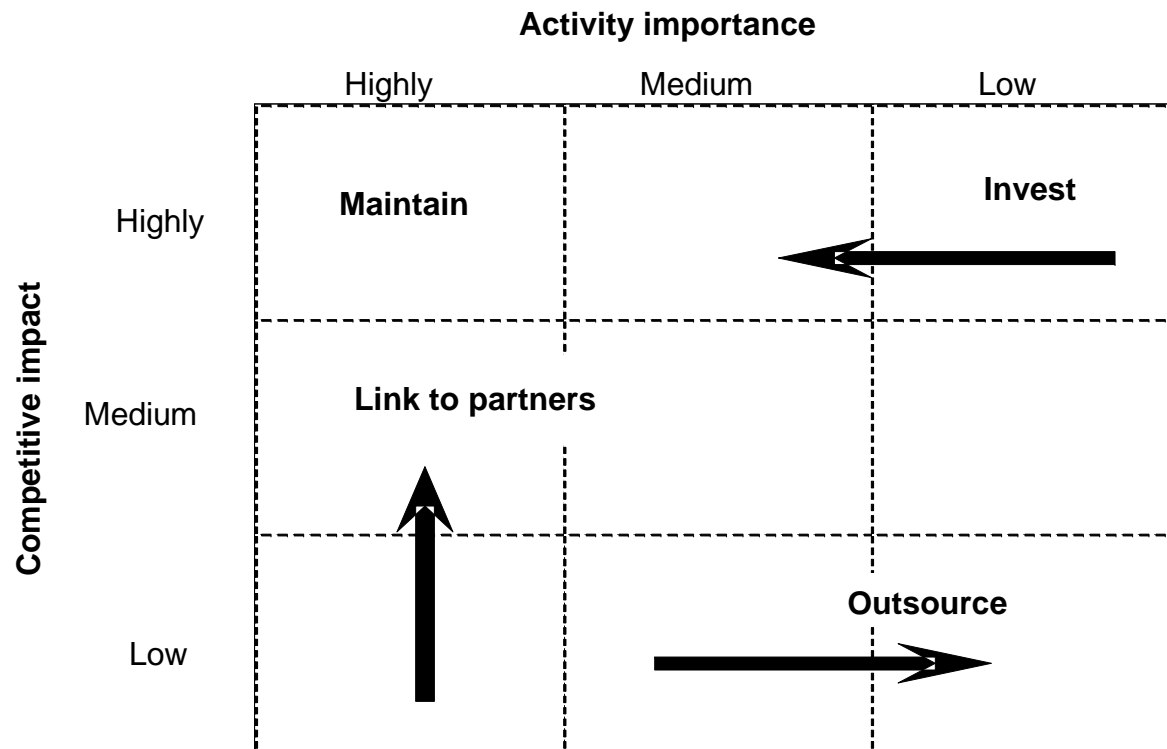
Source : Leenders et al., 1998

# Organizational competencies positioning matrix



Source : Cordon et al., 1999

## Investment and disinvestment matrix



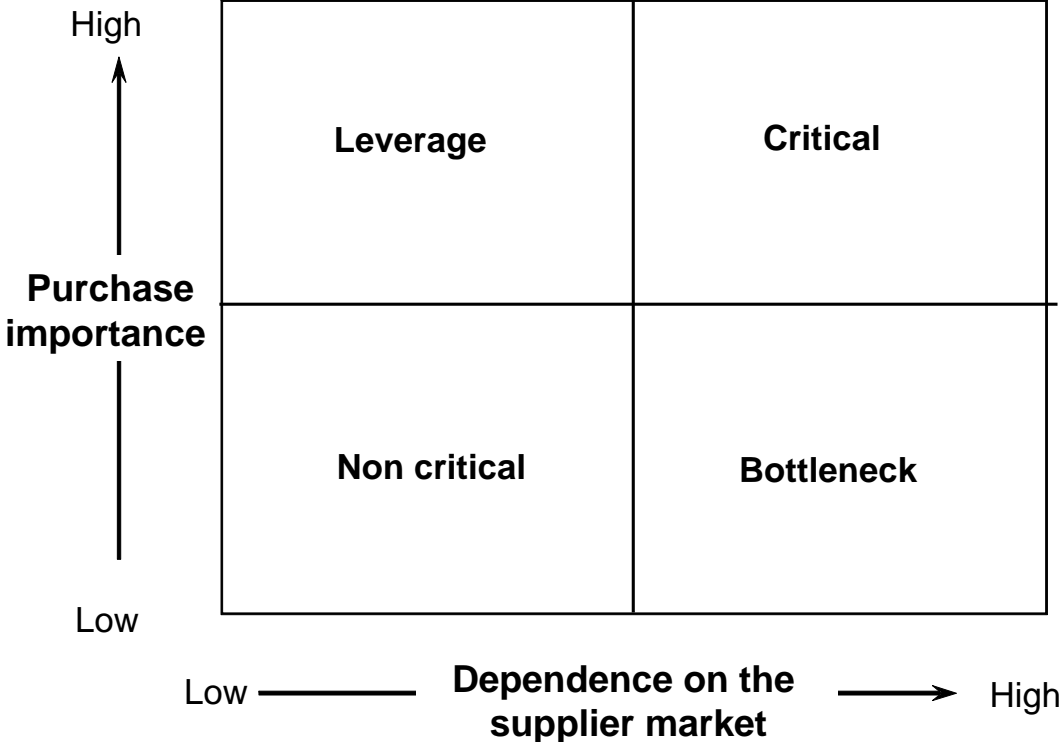
Source : Tarondeau, 1994

**Estimation of hourly rates  
in manufacturing  
(in 2003)**

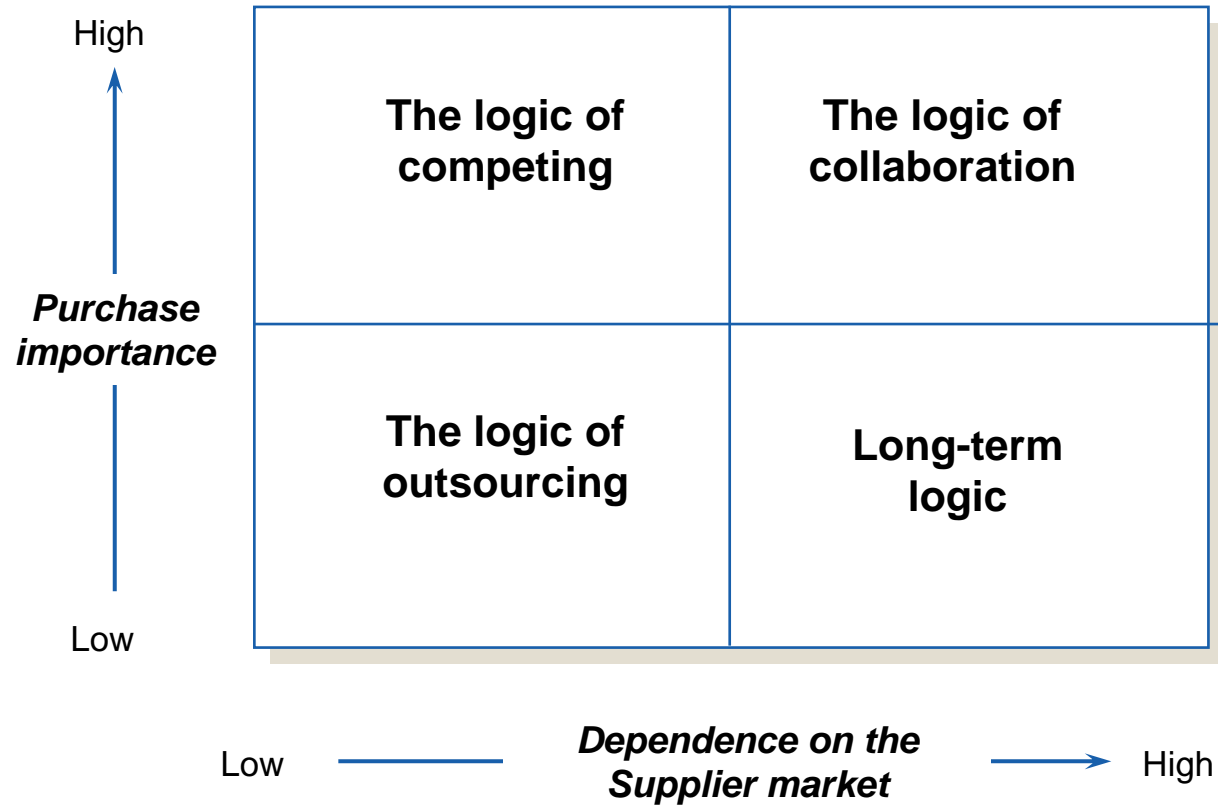
<b>Countries</b>	<b>Hourly rates (in US\$)</b>
Bulgaria	0,60
China	0,70
Mexico	1,80
Brazil	4,50
Taiwan	5,00
Hong Kong	5,60
Singapore	7,60
England	16,00
United States	19,10
Germany	28,80

Source : Hurteau, 2009

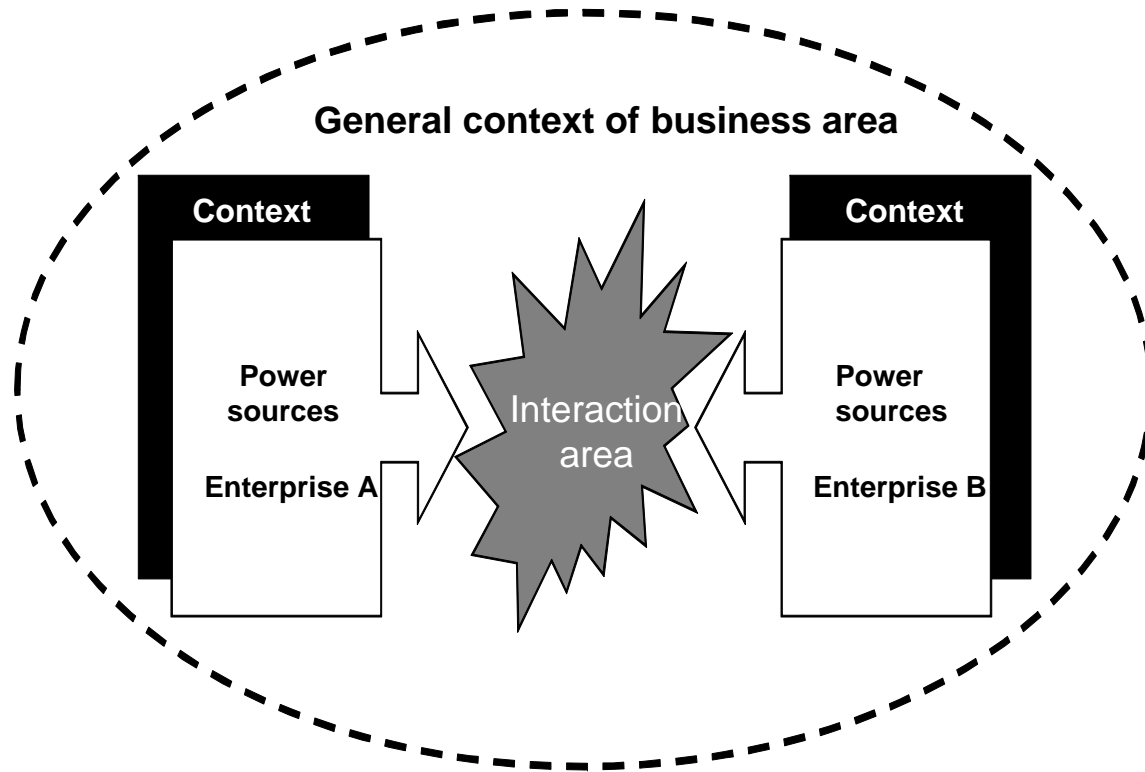
# The purchases portfolio



## Relationship portfolio



## Analysis of power sources



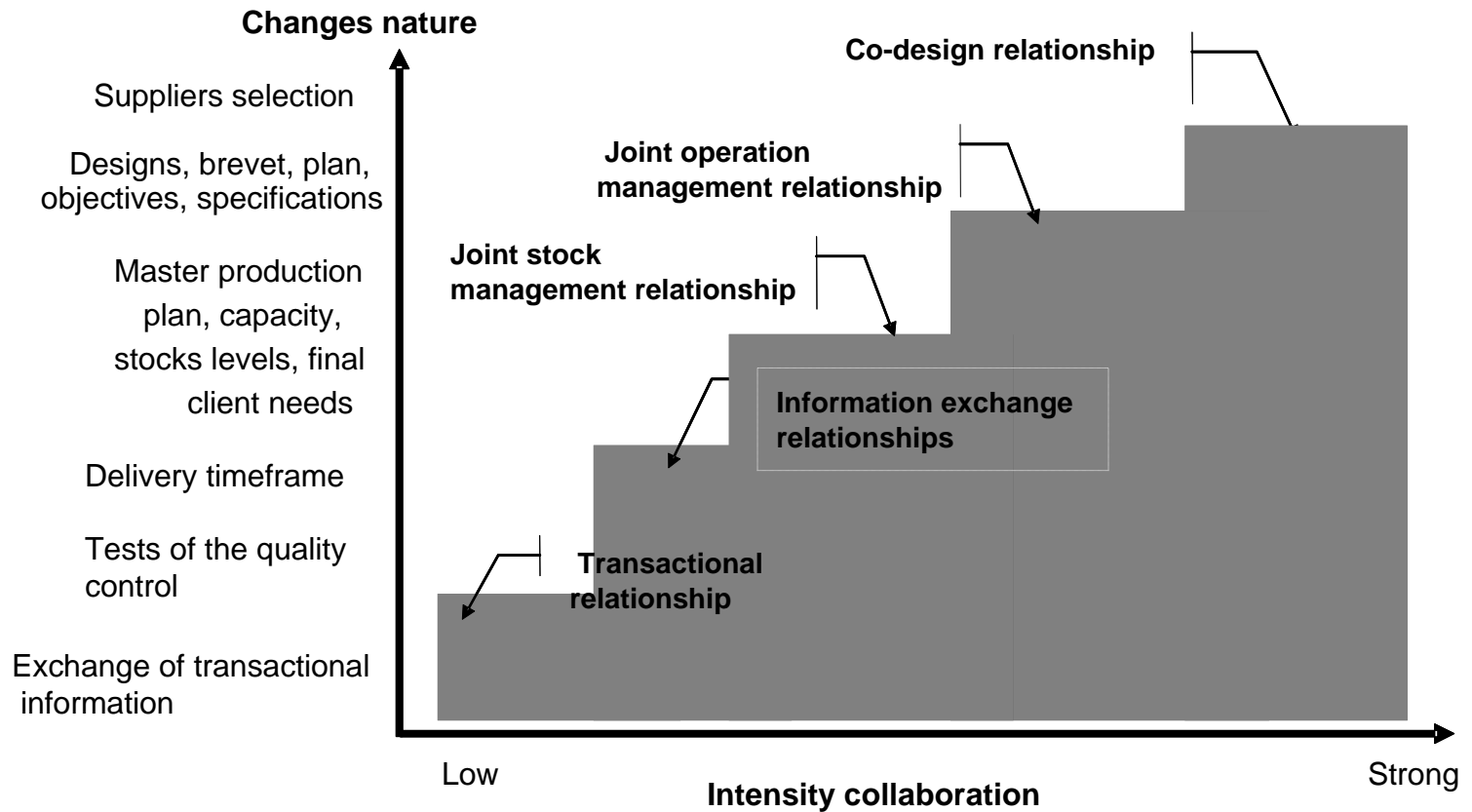
# Reasons for using 3PL's

- Reduce costs
- Focus on critical activities
- Improve operational efficiency
- Flexibility
- Acquire expertise
- Customer service

# 3PL's: Services offered

- Transportation
- Warehousing
- Consolidation
- Consulting
- Carrier selection
- Packaging and labelling
- Information systems
- Tariffs negotiation
- Fleet management
- Reverse logistics

## Levels of collaboration in the supply chain



Source : Frayret *et al.*, 2003

# Consequences of global procurement

- Reducing production and supply costs
- Increasing costs of transportation, storage and stocks management
- Increased purchasing from countries with low costs lead to opening new distribution centers in developed countries
- Increased customer and consumer requests by:
  - ✓ Reducing production cycle times
  - ✓ Increasing complexity - variety of products and packaging
  - ✓ Request greater flexibility, higher quality services, ISO standards etc.
  - ✓ Unique services– mass customization

# The influences of global supply

- supply chains with slower reaction time, leading to growth stocks
- fragility of global supply chains, higher risk with consequently growth stocks
- increased use of highways, which cause traffic jams
- need to build new distribution centers