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**SWEDEN**

# Purchasing and Supplier Management

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PPU426

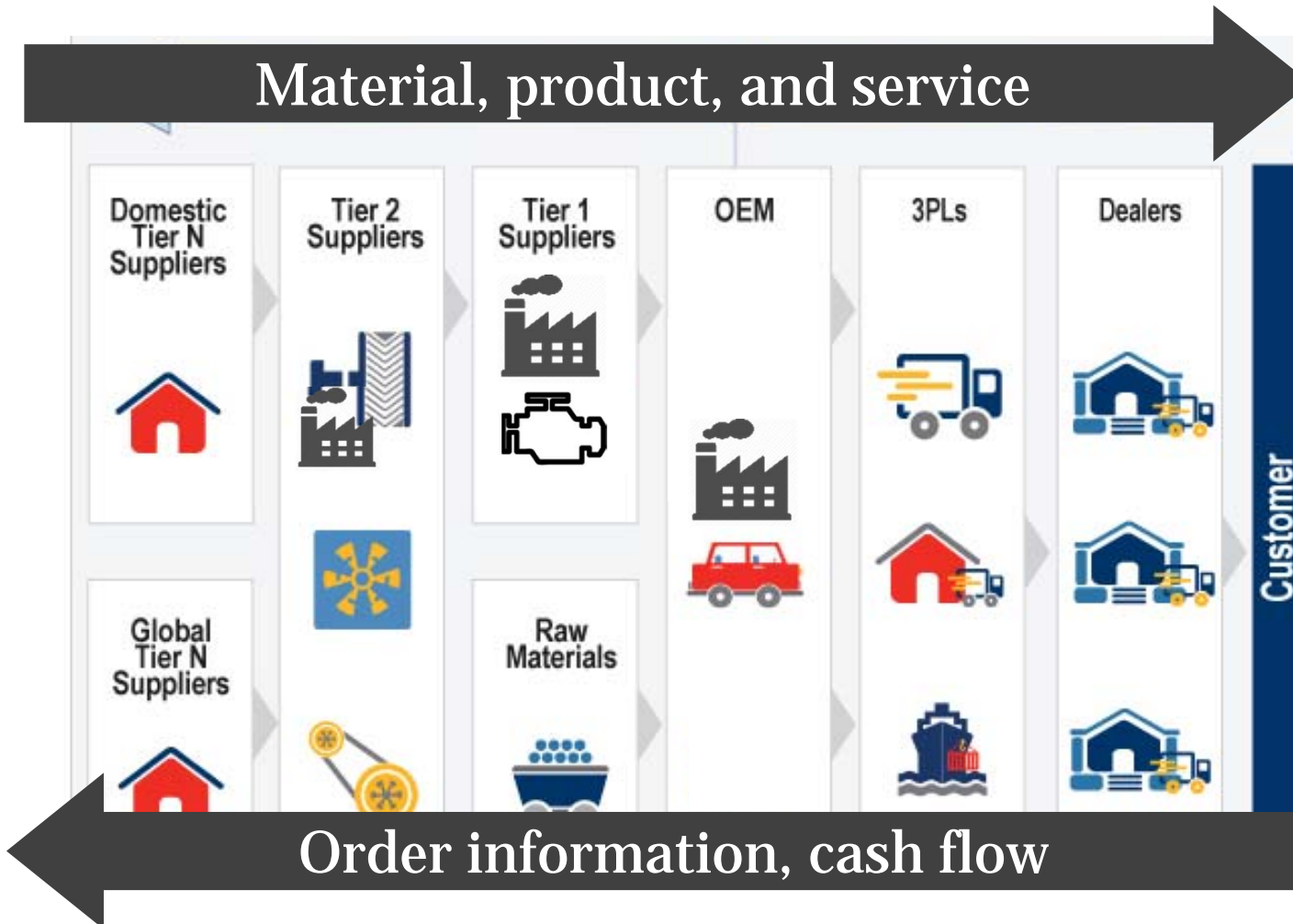


# Today's topic

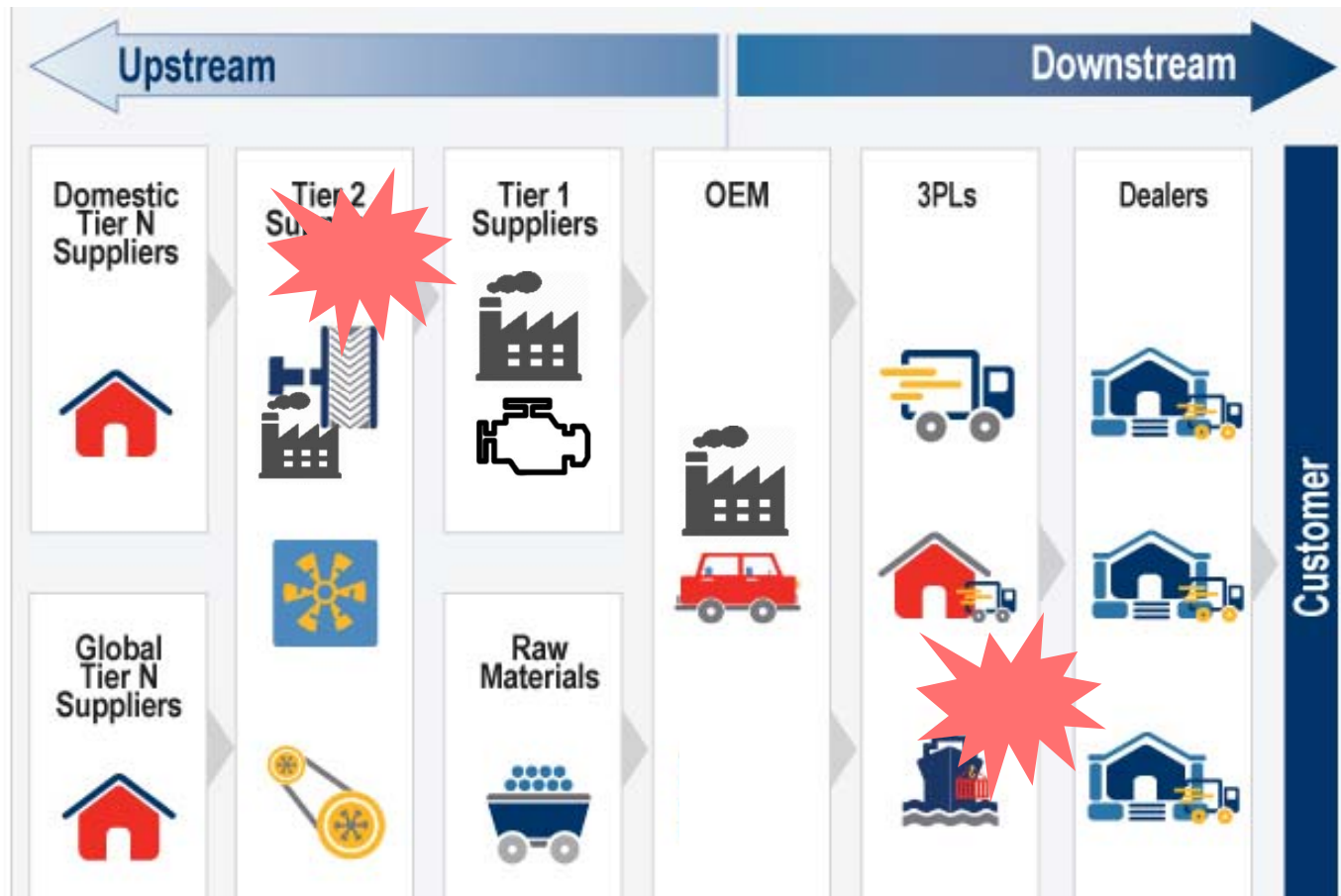
- What is Supply Chain Management (SCM)?
- Managing supplier relationship
- Supplier relationship at different phases

# What is Supply Chain Management (SCM)?

- management of relationships between different operations

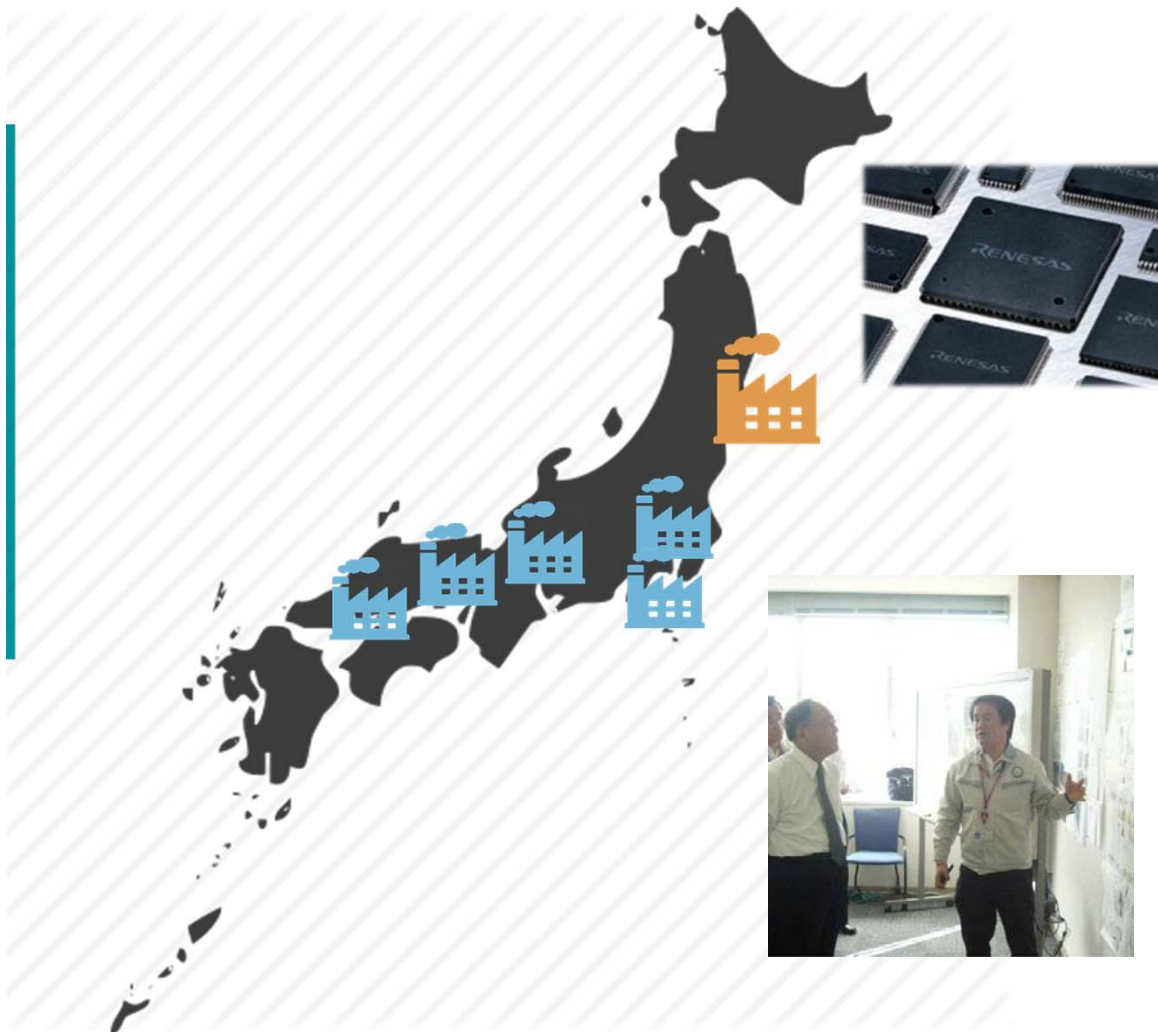


# Performance measures in supply chain



- Quality
- Speed
- Dependability
- Cost

# Supply chain shut down





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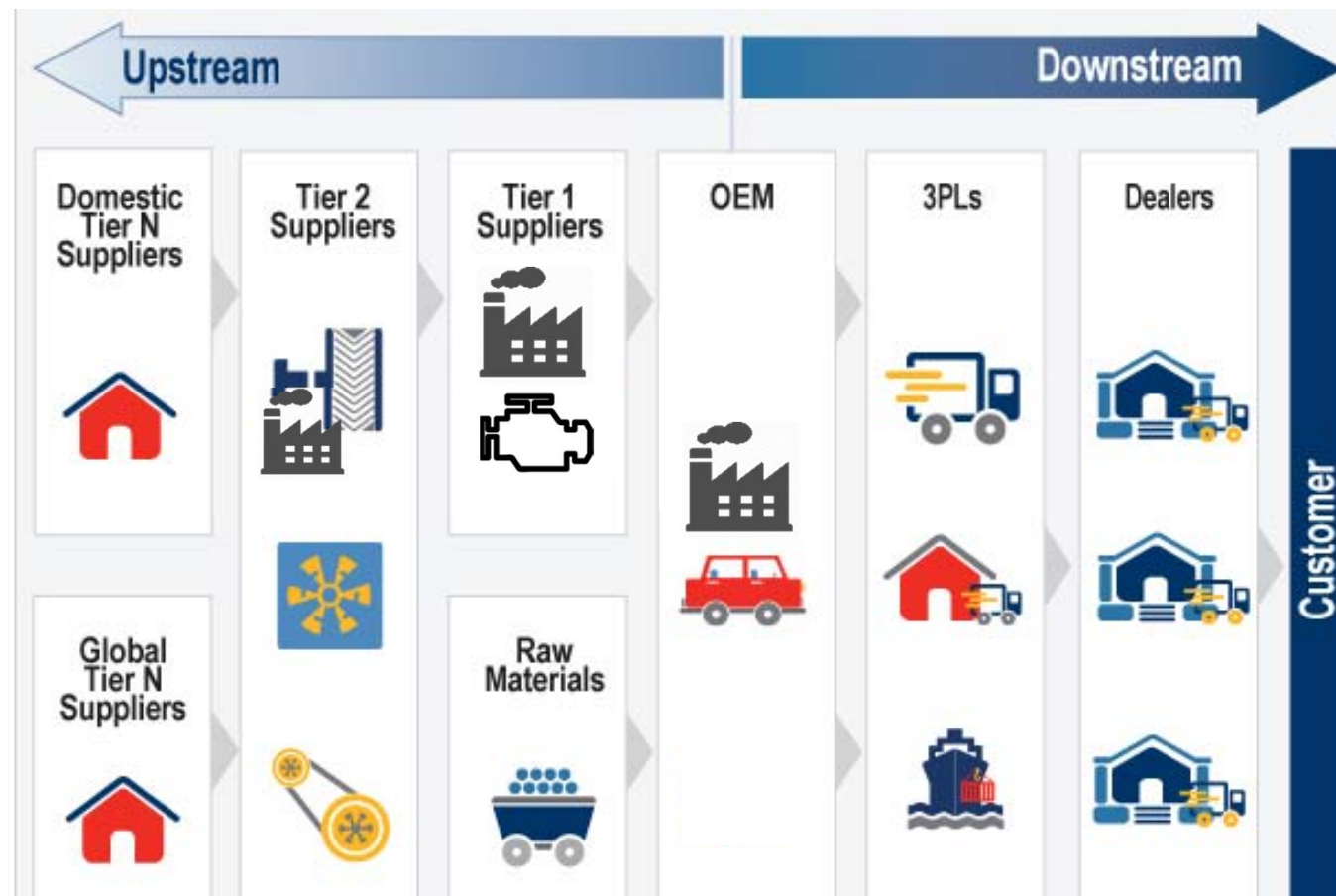


# Supply chain design

- Vertical integration
- Outsourcing
- Offshoring
- Efficient supply chain and Responsive supply chain

# What is Supply Chain Management (SCM)?

- management of relationships between different operations





# Offshoring

- moving a part of the operations outside of the country

Employees

Universities

Foods

Infrastructures

Parts  
suppliers

Equipment  
supplier

IT service

Transport  
companies

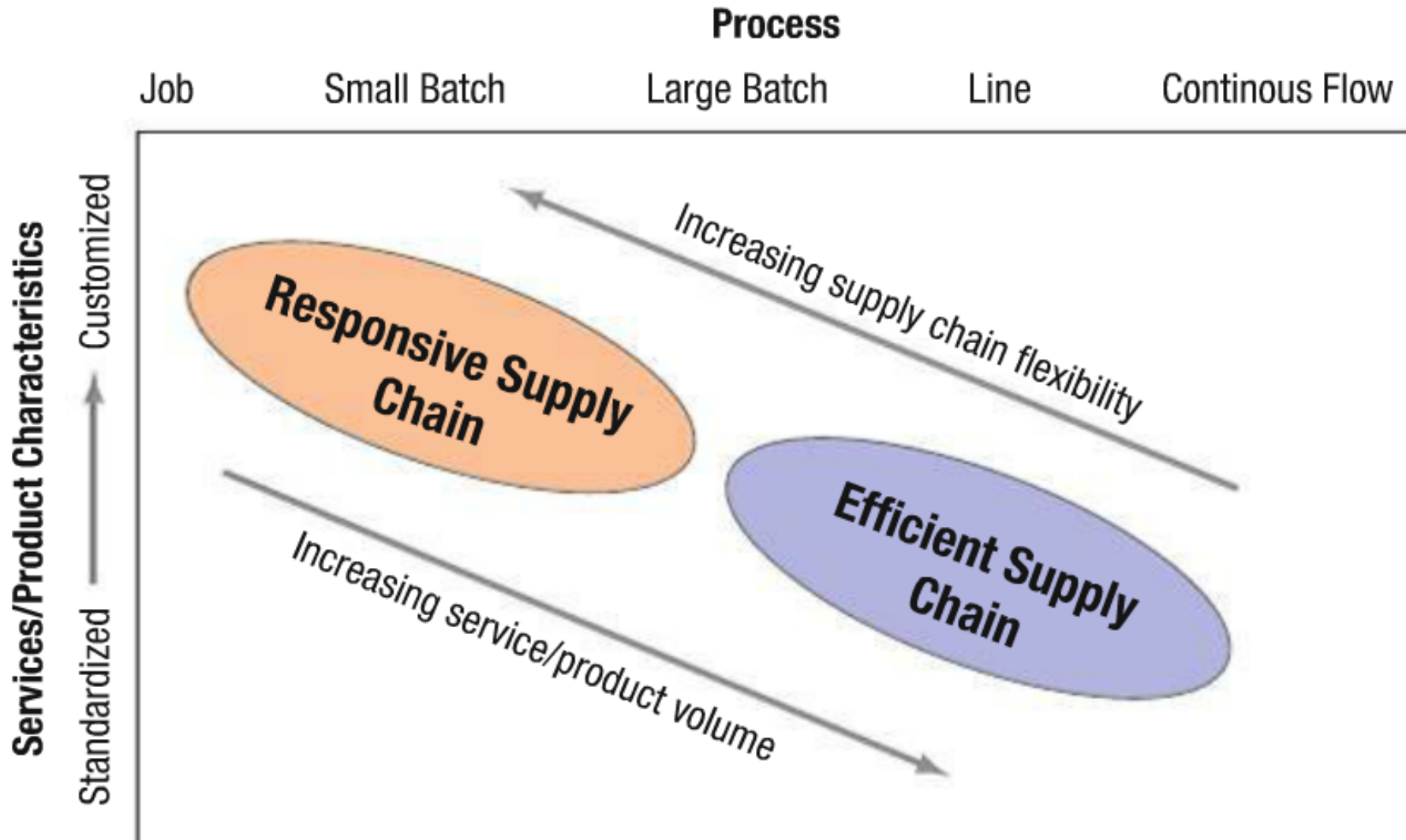


## Efficient supply chain and Responsive supply chain

| Factor                   | Efficient Supply chain                         | Responsive supply chain                           |
|--------------------------|--|---|
| Demand                   | Predictable, low forecast errors               | Unpredictable, high forecast errors               |
| Competitive priorities   | Low cost, consistent quality, on-time delivery | Customization, volume flexibility, variety        |
| New product introduction | Infrequent                                     | Frequent  |
| Product variety          | Low  | High  |
| Supply-demand design     | Build-to-Stock                                 | Assemble-to-Order, Make-to-Order, Design-to-Order |



# Efficient supply chain and Responsive supply chain



# Managing supplier relationship

Competitive orientation

Collaborative orientation



- Relation as zero-sum game
- Focus on price
- Short-term relation
- Detailed contract
- etc.

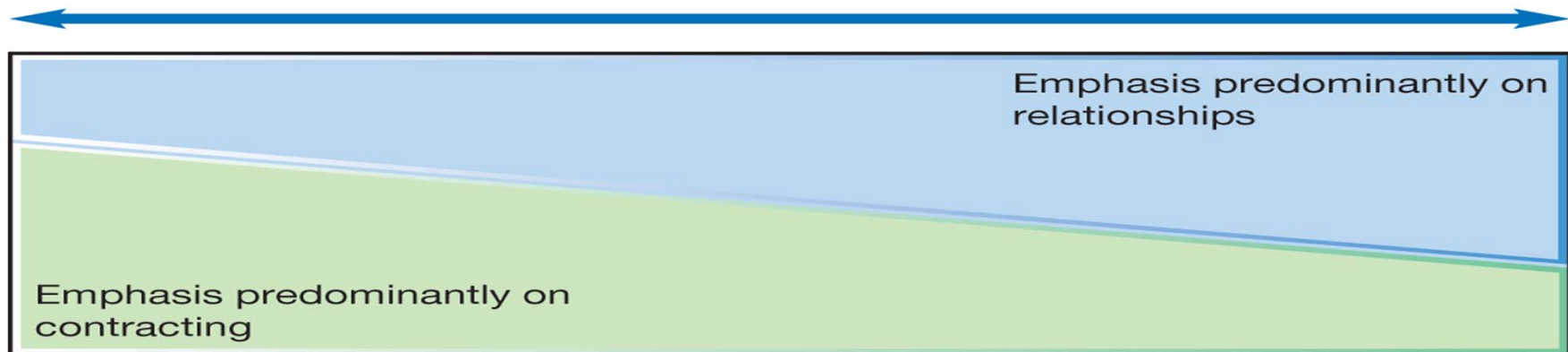
- Relation as partners
- Focus on co-operation
- Long-term relation
- Trust-based
- etc.



# Managing supplier relationship

Competitive orientation

Collaborative orientation



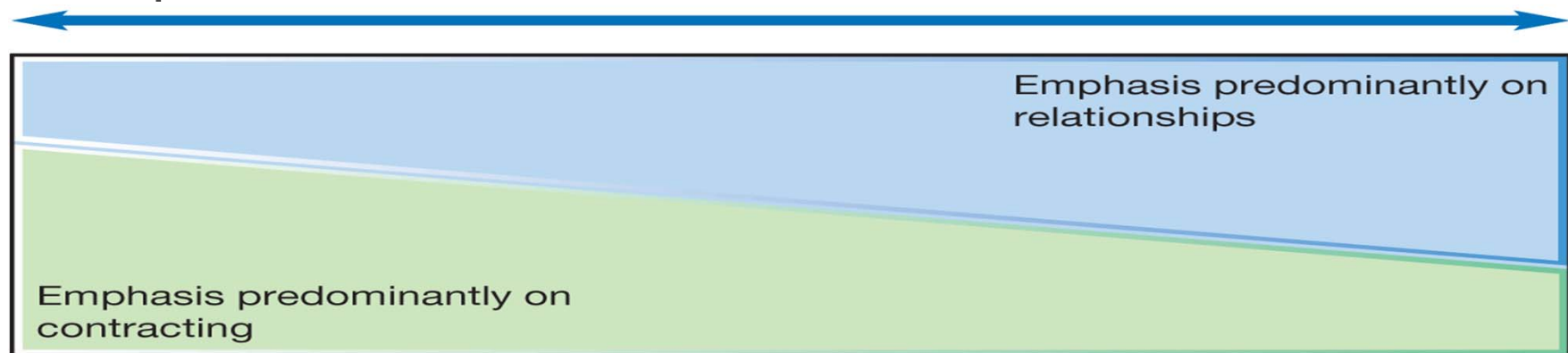
- + Less component price
- + Quick to change suppliers
- + Exploiting innovation
- Low supplier loyalty
- Less co-operation

- + Strong co-operation
- + Co-development
- + Sharing information
- Difficult or costly to change suppliers

# Managing supplier relationship

Competitive orientation

Collaborative orientation

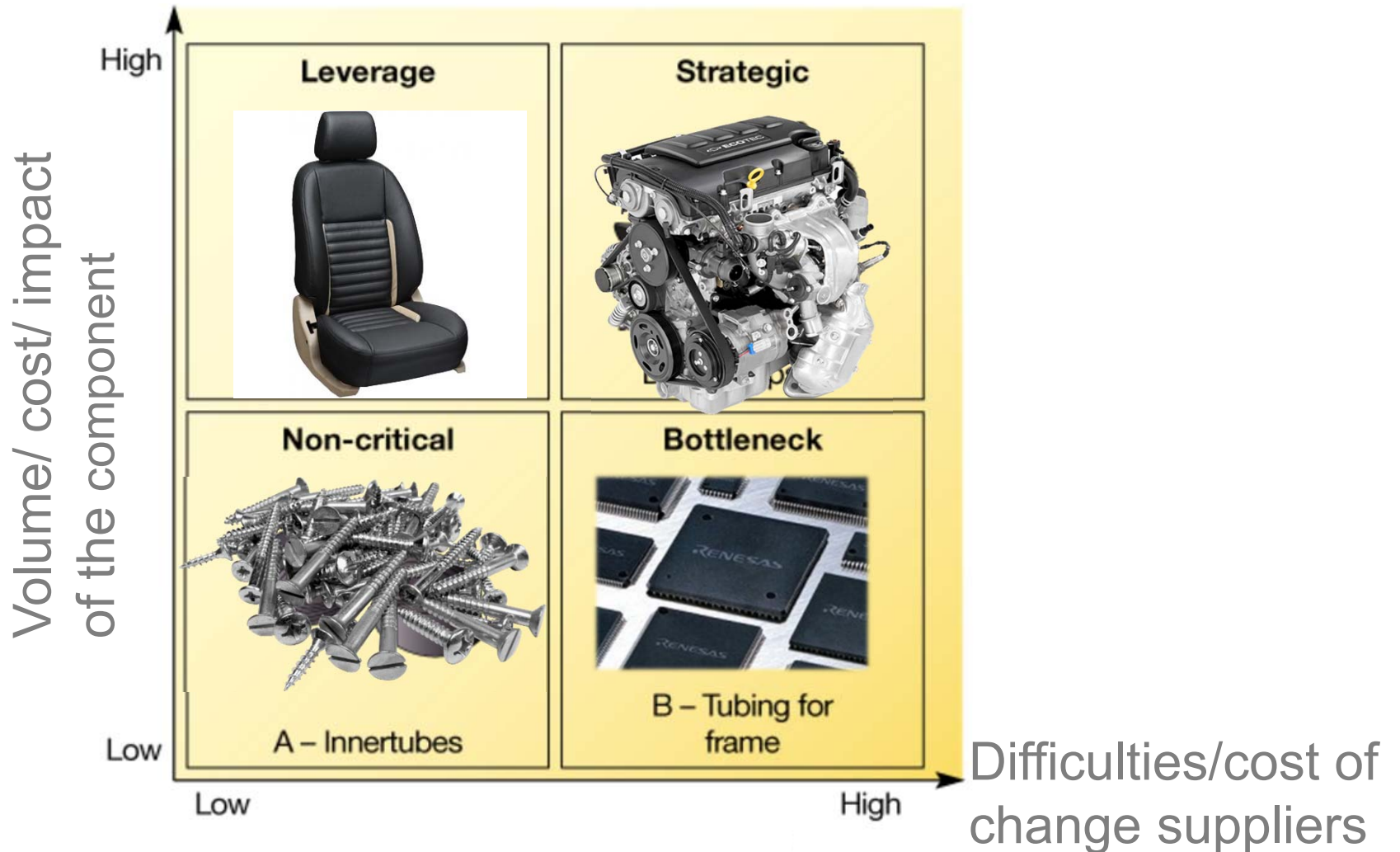




## Supplier relationship at different phases

- Sourcing (finding, selecting, contracting with suppliers)
- Handling day-to-day operations
- Improving supplier capabilities

# Categorizing sourcing items in terms of their strategic importance





# Using a preference matrix for selecting suppliers

In terms of QCDFE

| Criterion          | Weight | SCORE   |           |            |
|--------------------|--------|---------|-----------|------------|
|                    |        | Belfast | Hong Kong | Shreveport |
| Total Cost         | 25     | 5       | 8         | 9          |
| On-Time Delivery   | 30     | 9       | 6         | 7          |
| Consistent Quality | 30     | 8       | 9         | 6          |
| Environment        | 15     | 9       | 6         | 8          |

( 1 = poor, 10 = excellent )

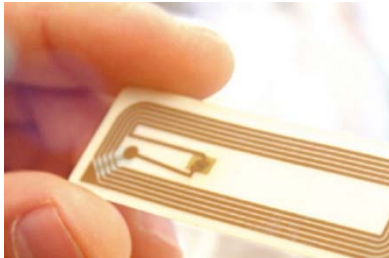
**Belfast weighted score**

$$= (25 \times 5) + (30 \times 9) + (30 \times 8) + (15 \times 9) = 770$$

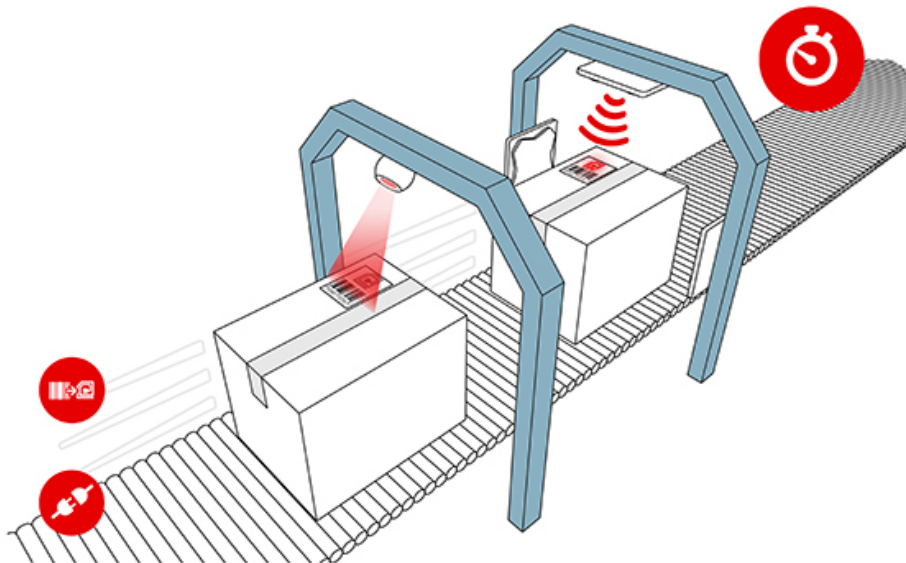
# Managing day-to-day operations



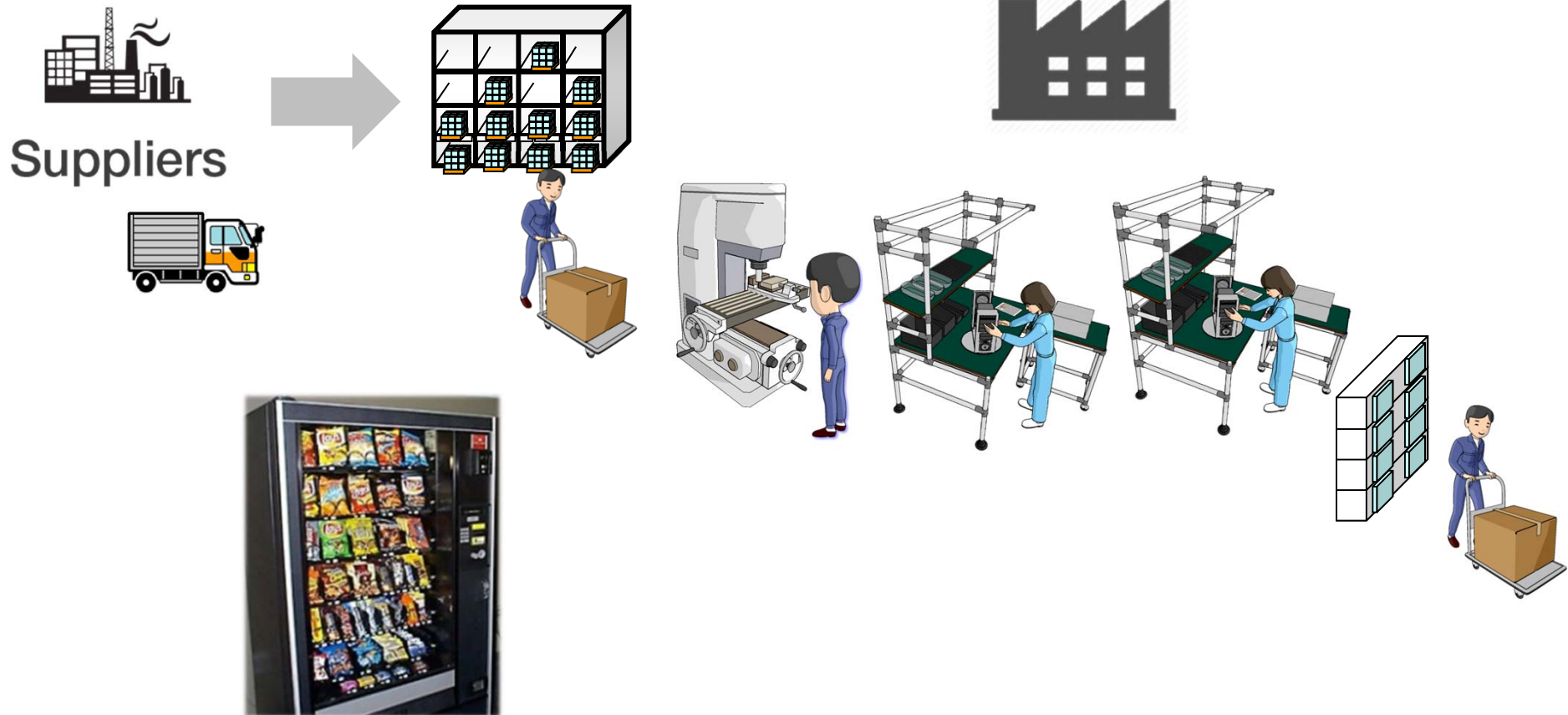
# Radio Frequency Identification (RFID)



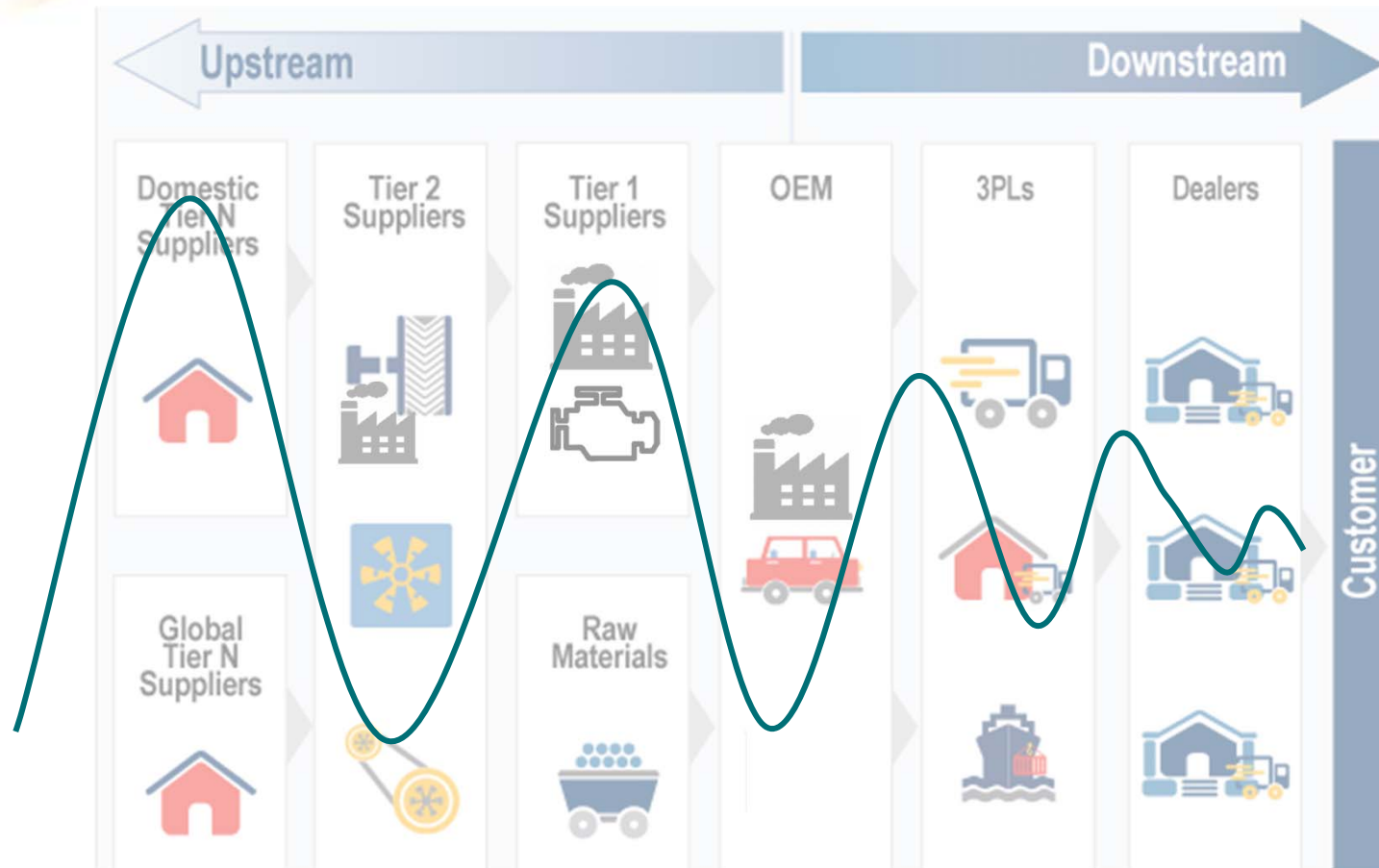
RFID tag



# Vendor Managed Inventory (VMI)

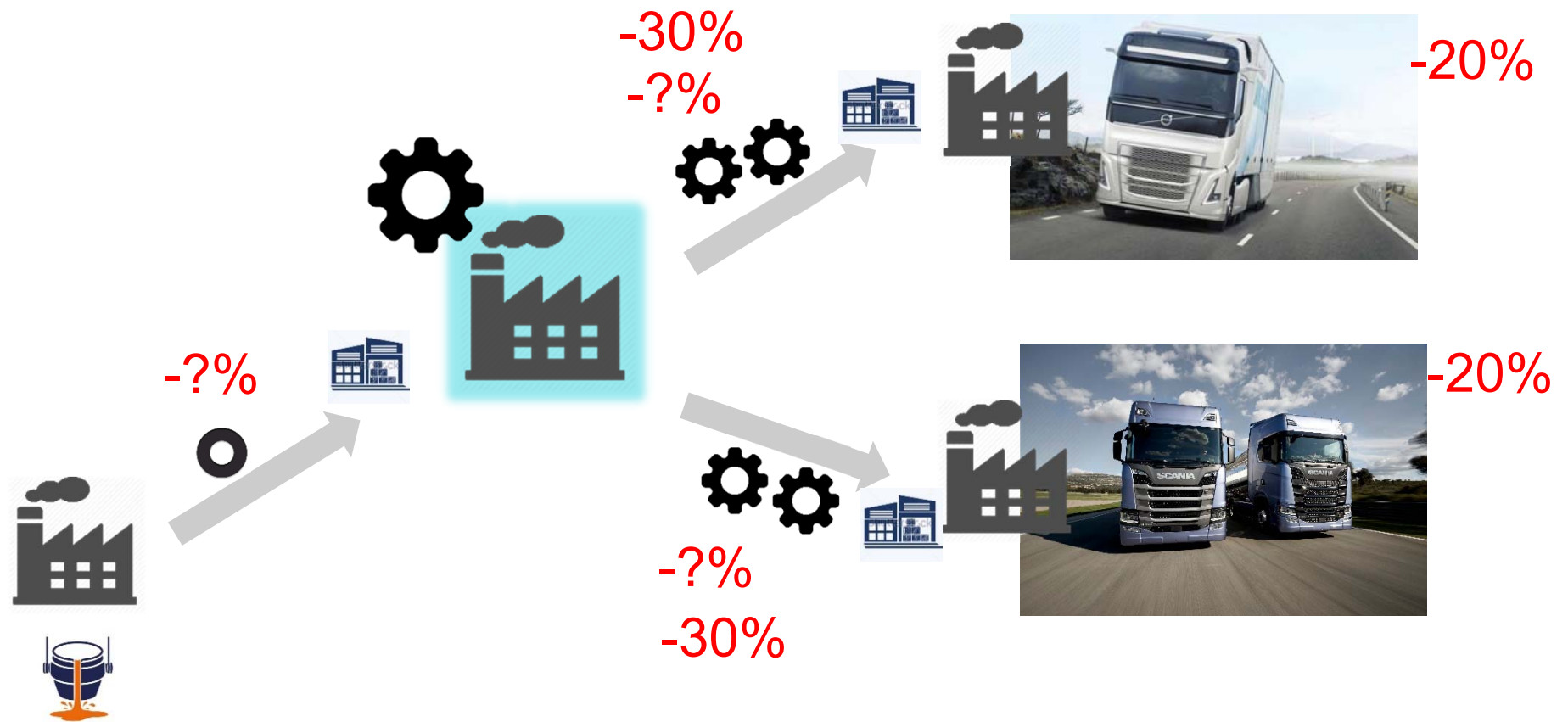


# Bullwhip effect

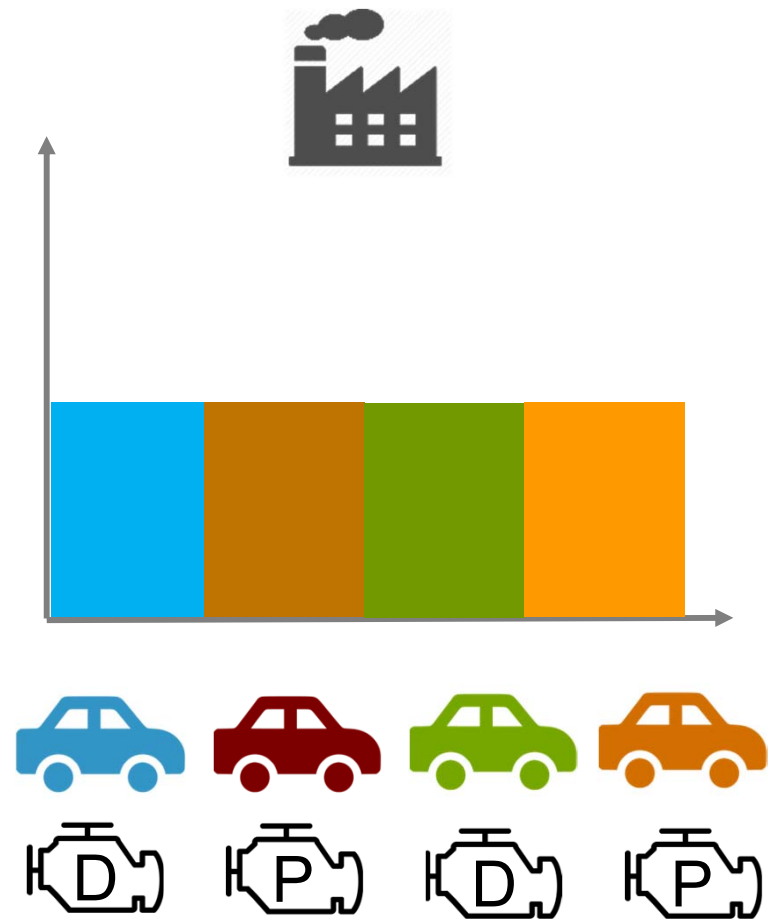
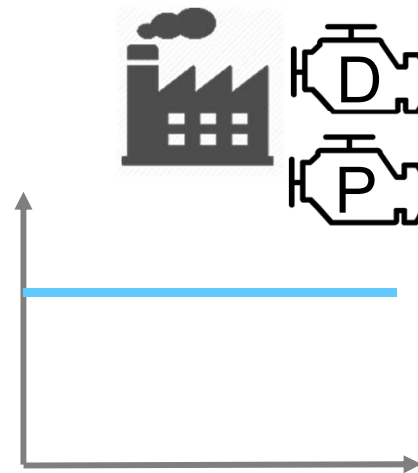


A small fluctuation (often volume) at a downstream can cause a large fluctuation at a upstream

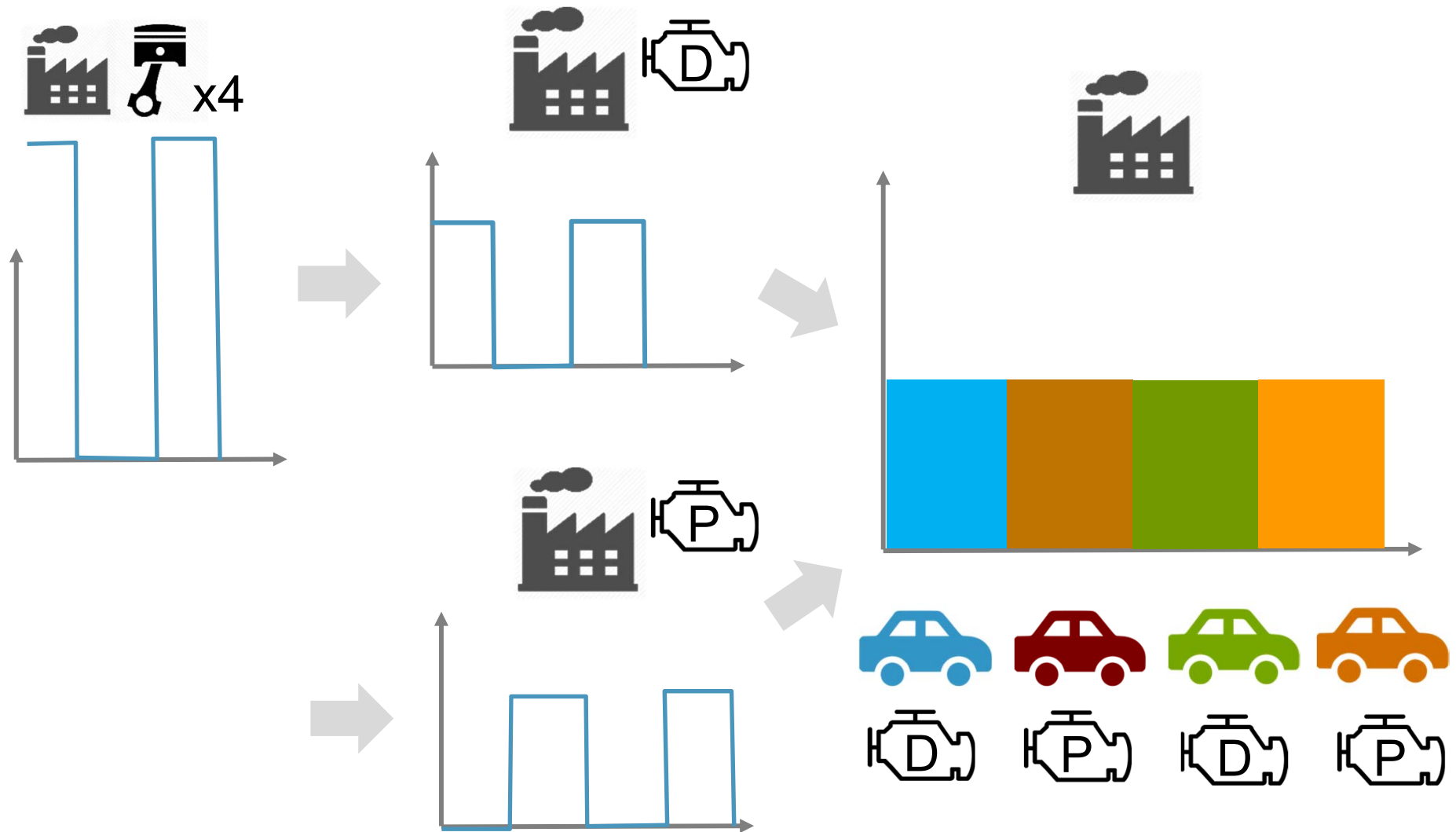
# Bullwhip effect



# Effect of levelling production on suppliers

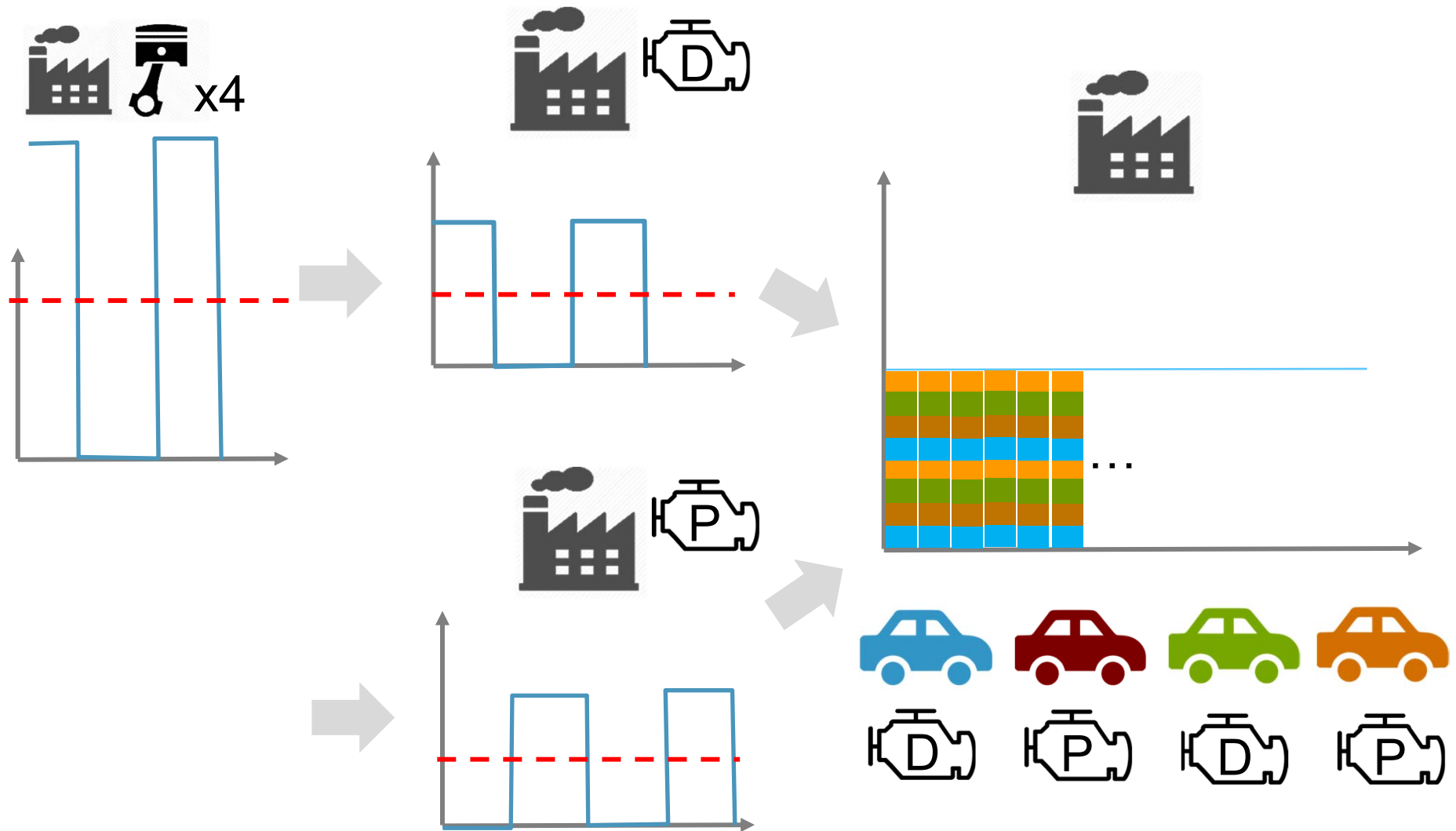


# Effect of levelling production on suppliers





# Effect of levelling production on suppliers





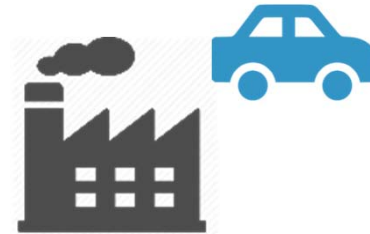
## Supplier relationship at different phases

- Sourcing (finding, selecting, contracting with suppliers)
- Handling day-to-day operations
- Improving supplier capabilities

# Improvement of supplier capabilities



Suppliers



Internal consultants help suppliers' improvement



Idea of cost reduction



Share the profit



# Today's topic

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