***Supply Chain Management – Outsourcing***

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| ***Procurement of Material******Outsourcing of Functions*** |
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| ***Advantages*** | ***Disadvantages*** |
| **\*Lower Cost****\*Increased Flexibility****\*Focus on Core Competencies** | **\*Loss of Control****\*Increased Coordination****\*Loss of Brand Identification** |

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| **Outsourcing Products**(*Fine & Whitney*) |
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|  |  | *Make/Buy Decision* | Capacity |  |
|  |  |  | **Capacity Exists** | **Capacity Lacking** |  |
|  | Knowledge | **Knowledge Exists** | *Keep In House**(Optimize Control)* | *Outsource**(Opportunity* *to Lower Cost)* |  |
|  | **Knowledge Lacking** | *Outsource**(Opportunity to* *Enhance Quality)*  | *Outsource Risky**(Why In Business?)* |  |
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| **Outsourcing Components**(*Fine*) |
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|  | *Component Criteria* |  |  |  |
|  | Customer Importance | High | Low |  |
|  | Clockspeed | Fast | Slow |  |
|  | Competitive Position | High | Low |  |
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|  | Outsourcing Strategy | **In House** | **Outsource** |  |
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| **Procurement Supply Strategies** |
| Factors in Procurement of Material (*Kraljic*).\*Profit Impact. Monetary influence on cost, revenue, and growth.\*Supply Risk. Logistical influence on supply, availability, and service. |

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|  | ***Kraljic’s Supply Matrix*** |  |
|  |  |  | ***Profit Impact*** |  |
|  |  | Low | High |  |
|  | ***Supply Risk*** | High | **Bottleneck Items***(Long-term Contracts)* | **Strategic Items***(Top Management Focus)* |  |
|  | Low | **Non-Critical Items***(Spot Purchase)* | **Leverage Items***(Supply Contracts)* |  |
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| **Supplier Footprint** |
| Two Types of Products (*Fisher*).\*Functional Product. Slow clockspeed, low demand variability and low profit margins.\*Innovative Product. Fast clockspeed, high demand variability and high profit margins. |

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|  | **Fisher’s Product Framework** |  |
|  | *Criteria* | **Functional Product** | **Innovative Product** |  |
|  | **Product Clockspeed** | Slow | Fast |  |
|  | **Predictable Product Demand** | High | Low |  |
|  | **Product Profit Margins** | Low | High |  |
|  |  | PUSH | PULL |  |
|  | **Strategy** | >Cost< | >Service< |  |
|  |  | Offshoring | Onshoring |  |
|  |  |  |  |  |

**e-Markets**

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| **Supplier links through e-markets in business-to-business** |
| ***Characteristics*** | **🡪** | ***Drivers*** |
| Increased Competition | 🡪 | Lowering Cost |
| Increased Flexibility | 🡪 | Enhance Bidding Capabilities |
| Increased Knowledge | 🡪 | Increased Standardization |
| Increased Value | 🡪 | Supports Strategic Alliances |

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| Monetization. \*Transaction Fee. Percentage of sale paid by supplier, buyer, or both.\*Licensing Fee. Vendor licensing capability to access network.\*Subscription Fee. Market charges membership fee to use the system. |

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| **e-Markets** | **Public** | **Consortium** |  | **Content** | **Private** |
| **Basis** | Competition-based | Buyer Negotiation-based |  | Supplier Marketing-based | Collaboration-based |
| **Benefits** | ServiceVariety | Standardizationof Services |  | Standardization ofMaterial(MRO & Industry-specific) | Control(Reverse Auction) |
| **Owners** | Supplier driven | Buyer drivenWith Suppliers Collaborated |  | Supplier drivenWith Buyers Collaborated | Buyerdriven |