***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 |  |
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**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** | Service  Variety | Standardization  of Services |  | Standardization of  Material  (MRO & Industry-specific) | Control  (Reverse Auction) |
| **Owners** | Supplier  driven | Buyer driven  With Suppliers Collaborated |  | Supplier driven  With Buyers  Collaborated | Buyer  driven |