Professional Certificate in Purchasing, Supplier Management And Negotiation

Procurement Planning

Auction: An auction is a procurement method where suppliers submit bids, and the contract is awarded to the supplier with the best offer. Related terms include tender, bidding, and quotation. In the context of procurement planning, auctions can be used to procure goods or services, especially when the requirements are well-defined and the market is competitive. For example, a company may use an auction to procure raw materials or equipment.

Best Value: Best value refers to the optimal combination of quality, price, and other factors that meet the procurement requirements. Related terms include value for money, cost-effectiveness, and procurement ethics. In procurement planning, best value is a key concept, as it ensures that the procurement decision is based on a thorough evaluation of the suppliers' offers. For instance, a company may evaluate suppliers based on their technical capability, price, and delivery lead time to determine the best value.

Benchmarking: Benchmarking is the process of comparing an organization's procurement practices with those of other organizations to identify areas for improvement. Related terms include best practices, performance metrics, and procurement benchmarking. In procurement planning, benchmarking can help organizations identify opportunities to improve their procurement processes, reduce costs, and enhance supplier relationships. For example, a company may benchmark its procurement cycle time with industry averages to identify areas for improvement.

Bidding: Bidding is the process of submitting a proposal or offer to supply goods or services in response to a procurement opportunity. Related terms include tendering, quotation, and proposal. In procurement planning, bidding is a critical stage, as it requires suppliers to demonstrate their capability to meet the procurement requirements. For instance, a company may invite suppliers to bid on a contract to supply equipment, and the supplier with the best offer wins the contract.

Cost-Benefit Analysis: A cost-benefit analysis is a method used to evaluate the potential costs and benefits of a procurement decision. Related terms include return on investment, total cost of ownership, and procurement evaluation. In procurement planning, cost-benefit analysis is essential to ensure that the procurement decision is based on a thorough evaluation of the potential costs and benefits. For example, a company may conduct a cost-benefit analysis to determine whether to outsource a service or perform it in-house.

Contract Management: Contract management refers to the process of managing contracts with suppliers, including contract negotiation, contract administration, and contract close-out. Related terms include contract law, contract negotiation, and supplier relationship management. In procurement planning, contract management is critical, as it ensures that the contract is properly managed and that the supplier meets the contractual obligations. For instance, a company may have a contract management team that oversees the contract with a supplier and ensures that the supplier delivers the goods or services as agreed.

Demand Management: Demand management refers to the process of managing and controlling the demand for goods or services within an organization. Related terms include supply chain management, inventory management, and procurement planning. In procurement planning, demand management is essential to ensure that the procurement decision is based on a thorough understanding of the organization's demand for goods or services. For example, a company may use demand management techniques to forecast demand and adjust its procurement plans accordingly.

E-Sourcing: E-sourcing refers to the use of electronic platforms to source goods or services, including online auctions, e-tendering, and online marketplaces. Related terms include e-procurement, electronic sourcing, and digital procurement. In procurement planning, e-sourcing can help organizations streamline their procurement processes, reduce costs, and enhance supplier relationships. For instance, a company may use an e-sourcing platform to invite suppliers to bid on a contract and manage the bidding process electronically.

Incoterms: Incoterms refer to the International Commercial Terms (Incoterms) that define the terms of delivery for goods, including the responsibilities of the buyer and seller. Related terms include delivery terms, shipping terms, and logistics management. In procurement planning, Incoterms are essential to ensure that the procurement decision is based on a clear understanding of the delivery terms and the responsibilities of the buyer and seller. For example, a company may specify the Incoterms in the contract with the supplier to clarify the delivery terms.

Inventory Management: Inventory management refers to the process of managing and controlling the inventory of goods or materials within an organization. Related terms include supply chain management, logistics management, and procurement planning. In procurement planning, inventory management is critical, as it ensures that the organization has the necessary goods or materials to meet its needs. For instance, a company may use inventory management techniques to optimize its inventory levels and reduce waste.

Logistics Management: Logistics management refers to the process of managing and controlling the flow of goods, services, and information from the point of origin to the point of consumption. Related terms include supply chain management, transportation management, and procurement planning. In procurement planning, logistics management is essential to ensure that the goods or services are delivered to the right place, at the right time, and in the right condition. For example, a company may outsource its logistics operations to a third-party logistics provider to improve its logistics management.

Make-or-Buy Decision: A make-or-buy decision refers to the decision to either produce a good or service in-house or procure it from an external supplier. Related terms include outsourcing, insourcing, and procurement strategy. In procurement planning, the make-or-buy decision is critical, as it requires a thorough evaluation of the costs and benefits of producing a good or service in-house versus procuring it from an external supplier. For instance, a company may decide to outsource its manufacturing operations to a contract manufacturer to reduce costs.

Market Analysis: A market analysis refers to the process of analyzing the market conditions, including the supply and demand, to inform the procurement decision. Related terms include market research, market intelligence, and procurement planning. In procurement planning, market analysis is essential to ensure that the procurement decision is based on a thorough understanding of the market conditions. For example, a company may conduct a market analysis to identify the best suppliers, assess the market trends, and determine the optimal procurement strategy.

Negotiation: Negotiation refers to the process of discussing and agreeing on the terms and conditions of a contract with a supplier. Related terms include contract negotiation, supplier negotiation, and procurement negotiation. In procurement planning, negotiation is critical, as it requires a thorough understanding of the supplier's needs and the organization's requirements. For instance, a company may negotiate with a supplier to agree on the price, delivery terms, and payment terms.

Outsourcing: Outsourcing refers to the practice of contracting with an external supplier to perform a function or provide a service that was previously performed in-house. Related terms include insourcing, procurement strategy, and supply chain management. In procurement planning, outsourcing is a key concept, as it requires a thorough evaluation of the costs and benefits of outsourcing a function or service. For example, a company may outsource its information technology operations to a third-party provider to reduce costs and improve efficiency.

Procurement Ethics: Procurement ethics refer to the principles and values that guide the procurement decision-making process, including fairness, transparency, and accountability. Related terms include procurement integrity, procurement compliance, and supply chain ethics. In procurement planning, procurement ethics are essential to ensure that the procurement decision is based on a thorough evaluation of the suppliers' offers and that the procurement process is fair, transparent, and accountable. For instance, a company may have a procurement ethics policy that outlines the principles and values that guide the procurement decision-making process.

Procurement Plan: A procurement plan refers to the document that outlines the procurement strategy, including the procurement objectives, procurement methods, and procurement timelines. Related terms include procurement strategy, procurement budget, and procurement schedule. In procurement planning, the procurement plan is critical, as it ensures that the procurement decision is based on a thorough understanding of the procurement requirements and that the procurement process is properly managed. For example, a company may develop a procurement plan that outlines the procurement strategy for a specific project or initiative.

Procurement Strategy: A procurement strategy refers to the overall approach to procurement, including the procurement objectives, procurement methods, and procurement timelines. Related terms include procurement plan, procurement budget, and procurement schedule. In procurement planning, the procurement strategy is essential, as it ensures that the procurement decision is based on a thorough understanding of the procurement requirements and that the procurement process is properly managed. For instance, a company may develop a procurement strategy that outlines the procurement approach for a specific category of goods or services.

Quality Management: Quality management refers to the process of managing and controlling the quality of goods or services, including quality planning, quality assurance, and quality control. Related terms include total quality management, quality certification, and procurement quality. In procurement planning, quality management is critical, as it ensures that the goods or services meet the required standards and specifications. For example, a company may have a quality management system that ensures that the goods or services meet the required standards and specifications.

Request for Proposal (RFP): An RFP is a document that outlines the procurement requirements and invites suppliers to submit proposals to supply goods or services. Related terms include request for quotation, request for tender, and procurement invitation. In procurement planning, the RFP is a critical document, as it ensures that the suppliers understand the procurement requirements and that the procurement decision is based on a thorough evaluation of the suppliers' offers. For instance, a company may issue an RFP to invite suppliers to bid on a contract to supply equipment.

Risk Management: Risk management refers to the process of identifying, assessing, and mitigating risks associated with the procurement process, including supply chain risks, contract risks, and procurement risks. Related terms include risk assessment, risk mitigation, and procurement risk management. In procurement planning, risk management is essential, as it ensures that the procurement decision is based on a thorough understanding of the potential risks and that the risks are properly managed. For example, a company may conduct a risk assessment to identify potential risks associated with a procurement project and develop a risk mitigation plan to minimize the risks.

Supplier Development: Supplier development refers to the process of improving the performance and capability of suppliers, including supplier training, supplier certification, and supplier development programs. Related terms include supplier management, supplier relationship management, and procurement development. In procurement planning, supplier development is critical, as it ensures that the suppliers have the necessary capability and capacity to meet the procurement requirements. For instance, a company may have a supplier development program that provides training and certification to suppliers to improve their performance and capability.

Supplier Management: Supplier management refers to the process of managing and controlling the relationship with suppliers, including supplier selection, supplier evaluation, and supplier performance management. Related terms include supplier relationship management, supplier development, and procurement management. In procurement planning, supplier management is essential, as it ensures that the suppliers meet the required standards and specifications and that the procurement decision is based on a thorough evaluation of the suppliers' offers. For example, a company may have a supplier management team that oversees the relationship with suppliers and ensures that the suppliers meet the required standards and specifications.

Supply Chain Management: Supply chain management refers to the process of managing and controlling the flow of goods, services, and information from the point of origin to the point of consumption, including supply chain planning, supply chain execution, and supply chain optimization. Related terms include logistics management, procurement management, and supply chain optimization. In procurement planning, supply chain management is critical, as it ensures that the goods or services are delivered to the right place, at the right time, and in the right condition. For instance, a company may have a supply chain management team that oversees the flow of goods and services from the point of origin to the point of consumption.

Sustainability: Sustainability refers to the practice of considering the environmental, social, and economic impacts of the procurement decision, including sustainable procurement, sustainable supply chain, and corporate social responsibility. Related terms include green procurement, responsible procurement, and procurement ethics. In procurement planning, sustainability is essential, as it ensures that the procurement decision is based on a thorough evaluation of the potential environmental, social, and economic impacts. For example, a company may have a sustainability policy that outlines the principles and values that guide the procurement decision-making process.

Total Cost of Ownership (TCO): TCO refers to the total cost of owning and operating a good or service, including the purchase price, operating costs, and maintenance costs. Related terms include total cost of acquisition, total cost of ownership, and procurement cost. In procurement planning, TCO is a key concept, as it ensures that the procurement decision is based on a thorough evaluation of the total costs associated with owning and operating a good or service. For instance, a company may calculate the TCO of a good or service to determine whether it is more cost-effective to purchase or lease.

Value Analysis: A value analysis refers to the process of evaluating the value of a good or service, including the functional analysis, cost analysis, and value engineering. Related terms include value engineering, value management, and procurement analysis. In procurement planning, value analysis is essential, as it ensures that the procurement decision is based on a thorough evaluation of the value of the good or service. For example, a company may conduct a value analysis to determine whether a good or service meets the required standards and specifications and whether it is more cost-effective to purchase or lease.

Value Chain: A value chain refers to the series of activities that create value for the organization, including the procurement process, production process, and delivery process. Related terms include supply chain, value stream, and procurement process. In procurement planning, the value chain is critical, as it ensures that the procurement decision is based on a thorough understanding of the activities that create value for the organization. For instance, a company may map its value chain to identify opportunities to improve the procurement process and reduce costs.

Value Engineering: Value engineering refers to the process of analyzing the function of a good or service and identifying opportunities to improve its value, including functional analysis, cost analysis, and value optimization. Related terms include value analysis, value management, and procurement engineering. In procurement planning, value engineering is essential, as it ensures that the procurement decision is based on a thorough evaluation of the value of the good or service. For example, a company may conduct a value engineering analysis to determine whether a good or service meets the required standards and specifications and whether it is more cost-effective to purchase or lease.

Vendor-Managed Inventory (VMI): VMI refers to the practice of allowing the supplier to manage the inventory of goods or materials, including the inventory levels, inventory replenishment, and inventory optimization. Related terms include supplier-managed inventory, inventory management, and procurement management. In procurement planning, VMI is a key concept, as it ensures that the inventory levels are optimized and that the goods or materials are delivered to the right place, at the right time, and in the right condition. For instance, a company may implement a VMI system to allow the supplier to manage the inventory of goods or materials.