

International Logistics

Supply Chain Management

Workshop 2



Project



*How to select the best supplier
on the international market?*



Project



The Analytical Model – *a selection procedure within SCM*



Project

TASK:



The Z Company is a manufacturer of the household equipment on the Brazilian market.

Based on the marketing research the new product line is produced by using the stainless steel cover for all household equipment. The demand for the stainless steel is at the level of 10 tons per 1 month.

Unfortunately, there is no manufacturer of that type of steel in Brazil. So the management of the Z Company is forced to search for a supplier abroad.

The task: To choose the best supplier of the stainless steel.

To deliver professional solution you have to create an appropriate analytical model / decision model.

Project



The procurement research DATA (1):



Supplier #1: It is a company of a very good reputation in area of stainless steel production. The term of delivery is planned at app. 9-10 weeks from the purchase order date. There is one assumption: it is a risk of 10 days in delay of the ordered delivery. The price of the steel is EUR 3300 / ton and the payment term: 90 days. The cost of transportation is covered by the supplier (included) – it is USD 1000 / 1 delivery. The insurance costs is at USD 500 / delivery – responsibility of the purchaser (Carriage paid to - CPT).



Supplier #2: It is a new american company (USA). They have quality NASA certificates . They plan to deliver the steel at app. 6-8 weeks: it is a risk of 10 days in delay of the ordered delivery. The price of the steel is at USD 4200 /ton - the payment term: 60 days. The transportation and insurance costs are included in the price (Delivered Ex Quay - DEQ).

Projekt



The procurement research DATA (2):



Supplier #3: It is relatively a new Portuguese company that cooperates with the Firm Z in delivering a regular type of steel. . The term of delivery is planned at app. 6-8 weeks from the purchase order date. There is a risk factor in the delay term range of about 15 days . The price of the steel is EUR 2900 / ton and the payment term: 60 days. The cost of transportation is covered by the purchaser - EUR 500 /1 delivery. The insurance costs is at USD 500 / delivery – responsibility of the purchaser as well (Ex Works - EXW).

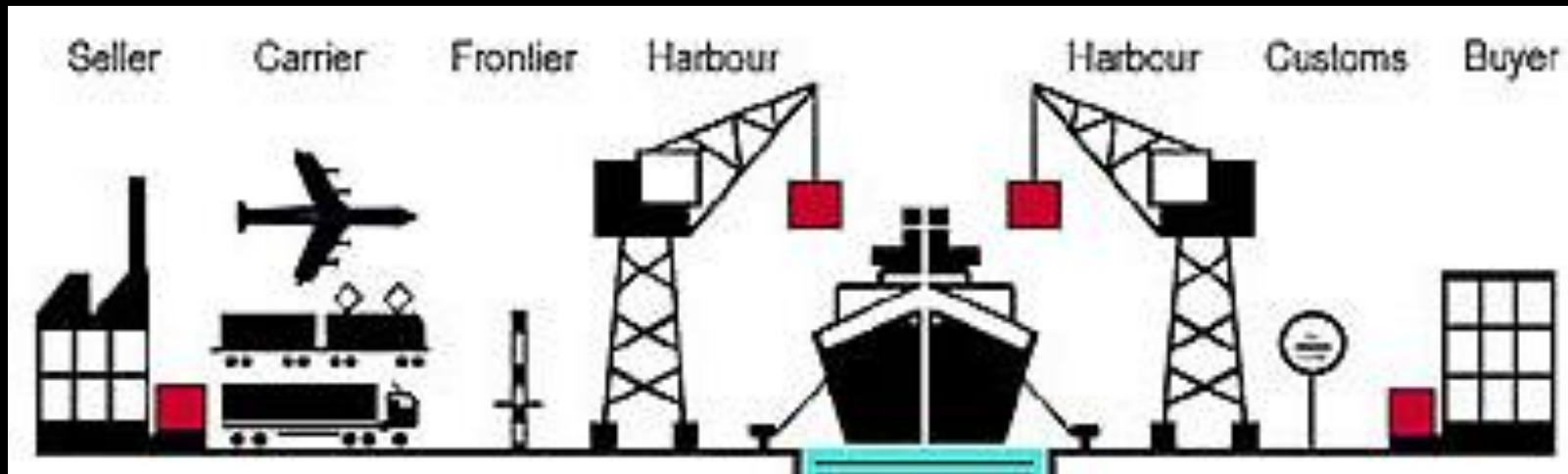


Supplier #4: It is a very well known Japanese manufacturer of steel for the auto industry. In the purpose of increasing sales level the company has set up a new line of production - stainless steel products. So far the company has not manage to sign any contract yet. They offer the following conditions: the term of delivery is 11-12 weeks from the purchase order date / at 5 days delay risk term; the price is EUR 4800 / ton; payment term 120 days. The transportation and insurance costs are included in the price (Delivered Ex Quay - DEQ).

Project **INCOTERMS**

International Commercial terms

<http://www.iccwbo.org/Products-and-Services/Trade-facilitation/Incoterms-2010/Q-A-March-2012/>



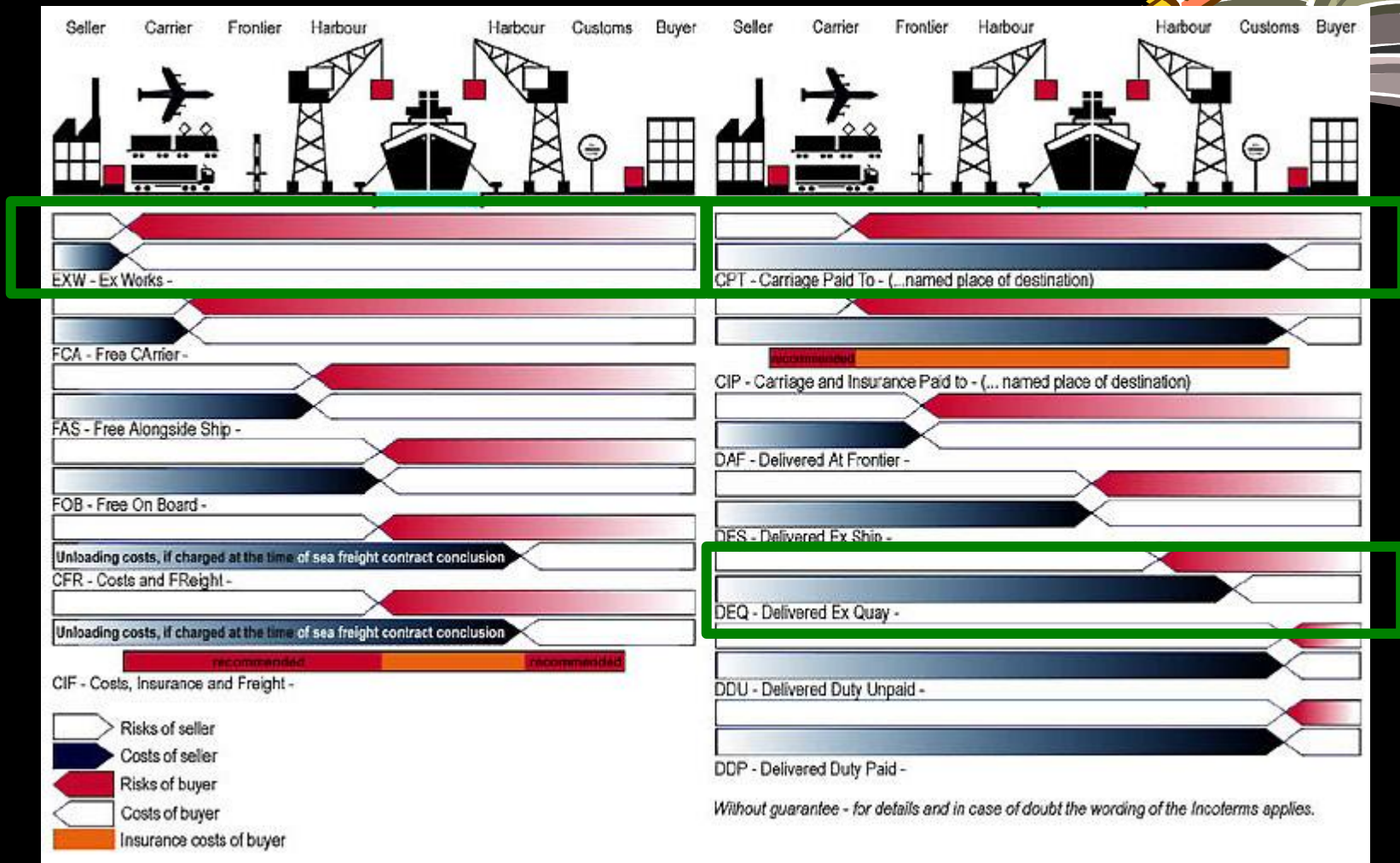
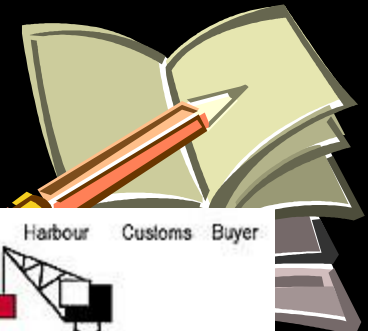
Who is responsible for:

- 1) Transportation costs**
- 2) Risk / Insurance costs**
- 3) Customs clearance**



Project INCOTERMS

International Commercial terms



Project



METHODOLOGY (road map):

1. Define the main objective and the scope of the project.
2. Build the analytical model to make rational decision / table / Excel.
3. Define up to 8 key decision indicators (KDI).
4. Define priorities / weights for every KDI (total 100%).
5. Define the evaluation scales for every KDI.
6. Evaluate the perfect match / the perfect supplier (benchmark).
7. Evaluate, based on the evaluation scales (1-5 points) the weighted value of every supplier.
8. Present all the results by using graphs.
9. Choose the best supplier.
10. Present and support your decision in the form of a short report.

Project

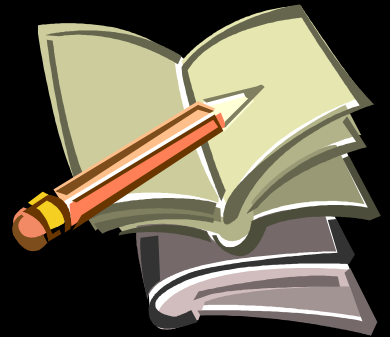
ANALYTICAL MODEL / Decision Table:



Key Decision Indicators (KDI)	Weight [100%]	PERFECT SUPPLIER		SUPPLIER #1		Difference [%]
		Score [scale:]	Weighted value	Score [scale:]	Weighted value	
TOTAL:						

Project

SOLUTION



dr . Marian Krupa

Project

Scales:



	Quantitative indicators scales:	
	PRICE	
1	Points	value [EUR]
	1	
	2	
	3	
	4	
	5	

Project

Scales:



Qualitative indicators scales:				
CULTURAL DIFFERENCES			Y=0/N=1	
Points	key terms	S#1		
1		0,2		
1		0,1		
1		0,5		
1		0		
1		0,8		
		1,6	point	

Questions?



- dr Marian Krupa