

Global sourcing of materials.

Sourcing: Sourcing is the set of business processes required to purchase goods & services

Purchasing/procurement is the process by which firms acquire raw material, components, products, services or other resources from suppliers to execute their operations whereas sourcing refers to the entire set of business processes required to purchase goods & services

International purchasing.

- International purchasing involves a commercial transaction between a buyer and a supplier located in different countries.

Global sourcing.

- It involves integrating and coordinating common items , materials, proceses, technologies, designs and suppliers across world wide buying , design and operational locations.

Global sourcing five levels.

- 1. domestic purchasing only.
- 2. international purchasing only as needed.
- 3. international purchasing as a part of sourcing strategy.
- 4. global sourcing strategies integrated across world wide locations.
- 5. global sourcing strategies integrated across world wide locations and functional groups.

Reasons for global sourcing.

- Lower prices
- Better quality
- An overseas supplier holding a product patent.
- Faster delivery to foreign units
- Better services and better process
- Product technology.

Reasons for global sourcing.

- Foreign suppliers may even maintain inventory and set up support offices in the host country to compete with domestic sources and to provide better services.
- Firms may buy from foreign suppliers to support the local economy where they have subsidiaries.

Potential challenges for global sourcing.

- The complexity and costs involved in selecting a supplier , dealing with duties, tarriffs, customs clearance, currency exchange, political, cultural, labour and legal aspects are considerable challenges for the international buyer.

Challenges of global sourcing.

- Unlike the domestic supplier the cost involved in identifying, selecting and evaluating foreign supplier can be a costly affair.
- If the foreign supplier is located at a distance place customs clearance , transportation and other logistical issues may render delivery lead time unacceptable especially for perishable goods.

Challenges of global sourcing.

- Global purchases also deal with more complex shipping terms than domestic buyers. The international chamber of commerce created a uniform set of rules called incoterms to simplify international transaction of goods with respect to shipping costs , risk and responsibilities of buyer , seller and shipper. Incoterms do not deal with transfer of title of goods.
- Supplier certification authenticity.

- Price : raw materials price continues to fluctuate.
- Inventory availability.
- Demand has been skewed in multiple directions the buyers should ask the following for themselves.
- How much inventory is available for current and future need.
- When do I secure inventory.

- Capacity of supplier.
- Geo environmental issues.
- Predicting the future demand. Buyers must put price inventory capacity and geo environmental factors together to predict the demand.