



# The Global Standard for Procurement and Supply

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# Segment 4.1 Effective Purchasing Practice

**Level:** Tactical

**Theme:** Spend Management

Knowledge: Will know and understand	Capabilities: Will be able to
<p>The typical proportions of organisational costs accounted for by procurements of goods and services</p>	<p>Explain the importance of procurements of goods and services to the organisation</p>
<p>Different types of procurements such as;</p> <ul style="list-style-type: none"><li>• capital and revenue purchases</li><li>• products, services and constructional works</li><li>• direct and indirect</li><li>• outsourcing and insourcing</li></ul>	<p>Advise internal stakeholders on the different types of purchases that will typically be contracted for by the organisation</p>
<p>The five rights of purchasing and definitions of value for money;</p> <ul style="list-style-type: none"><li>• price/total cost</li><li>• quality</li><li>• time</li><li>• quantity</li><li>• place</li></ul>	<p>Apply the 5 rights of purchasing and value for money criteria to any purchase of goods or services</p>
<p>Total costs of ownership (or whole life costs) criteria such as the costs involved in purchasing, ownership, usage and disposal</p>	<p>Explain how the purchases of goods or services can be evaluated on the basis of the total costs of ownership (or whole life costs)</p>

Knowledge: Will know and understand	Capabilities: Will be able to
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The roles of procurement and supply professionals in making expenditures with suppliers

Explain the importance of spending the organisation's money with suppliers to achieve value for money outcomes

The roles of staff with devolved responsibilities for the procurement of goods and services

Identify staff with devolved responsibilities for the procurement of goods and services and explain how they can create orders and agreements with external suppliers

The main pricing methods used for the purchasing of goods or services including;

- fixed pricing, lump sum pricing and schedule of rates
- cost reimbursable and cost plus arrangements
- variable pricing
- target pricing
- risk and reward pricing

Explain the advantages and disadvantages of a range of pricing methods and apply these in the procurement of goods and services

Data that relates to the pricing of goods or services purchased by the organisation including:

- price changes compared to historic figures
- margins and mark ups
- total costs of ownership
- Open book costing/accounting

Calculate basic financial analysis of costs and prices and use this data to negotiate with suppliers

### Related CIPS Knowledge Links

[Category Management - http://www.cips.org/Knowledge/Procurement-topics-and-skills/Strategy-policy/Category-Management/](http://www.cips.org/Knowledge/Procurement-topics-and-skills/Strategy-policy/Category-Management/)

[Contract Management - http://www.cips.org/Knowledge/Procurement-topics-and-skills/Developing-and-managing-contracts/Contract-Management1/](http://www.cips.org/Knowledge/Procurement-topics-and-skills/Developing-and-managing-contracts/Contract-Management1/)

[Data Analysis / Business Intelligence - http://www.cips.org/Knowledge/Procurement-topics-and-skills/Understand-Need---Market-and-options-assessment/Data-Analysis--Business-Intelligence/](http://www.cips.org/Knowledge/Procurement-topics-and-skills/Understand-Need---Market-and-options-assessment/Data-Analysis--Business-Intelligence/)

[Financial Analysis and Reporting for Purchasers - http://www.cips.org/Knowledge/Procurement-topics-and-skills/People-and-skills/Financial-Analysis-and-Reporting-for-Purchasers/](http://www.cips.org/Knowledge/Procurement-topics-and-skills/People-and-skills/Financial-Analysis-and-Reporting-for-Purchasers/)

[Leadership and Promotion of Procurement and Supply Management - http://www.cips.org/Knowledge/Procurement-topics-and-skills/People-and-skills/Leadership-and-Promotion-of-Procurement-and-Supply-Management1/](http://www.cips.org/Knowledge/Procurement-topics-and-skills/People-and-skills/Leadership-and-Promotion-of-Procurement-and-Supply-Management1/)

[Value Generation - http://www.cips.org/Knowledge/Procurement-topics-and-skills/Efficiency/Value-Generation1/](http://www.cips.org/Knowledge/Procurement-topics-and-skills/Efficiency/Value-Generation1/)

[Whole Life Costing - http://www.cips.org/Knowledge/Procurement-topics-and-skills/Strategy-policy/Whole-Life-Costing/](http://www.cips.org/Knowledge/Procurement-topics-and-skills/Strategy-policy/Whole-Life-Costing/)

# Segment 4.2 Effective Inventory Control

**Level:** Tactical

**Theme:** Spend Management

Knowledge: Will know and understand	Capabilities: Will be able to
<p>The classifications of different types of inventory such as:</p> <ul style="list-style-type: none"><li>• Opening stock, work in progress and finished goods</li><li>• Safety stocks</li><li>• ABC classifications of stock that may apply</li><li>• Dependent demand and independent demand items of stock</li></ul>	<p>Explain to colleagues and other internal stakeholders the classifications of inventories that are supplied</p>
<p>The direct and indirect costs of holding inventories</p>	<p>Explain the direct costs and the indirect costs that are associated with holding inventories and take actions to reduce costs whilst mitigating any negative impact on service levels</p>
<p>The main techniques associated with managing inventories including:</p> <ul style="list-style-type: none"><li>• Re-order quantities</li><li>• Re-order levels</li><li>• MRP and MRPII</li><li>• Just in Time</li></ul>	<p>Make comparisons between and use techniques for managing inventories</p>
<p>The use of bar coding in inventory operations</p>	<p>Use bar coding to select and control the range of stock items held by the organisation</p>

Knowledge: Will know and understand	Capabilities: Will be able to
<p>The use of forecasting for inventories to identify and resolve any problems that can affect the scheduling of supplies</p>	<p>Explain the use of subjective and objective methods that can be applied to forecast inventories and identify and resolve any problems that can affect the scheduling of supplies</p>

## Related CIPS Knowledge Links

[Application of Technology - http://www.cips.org/Knowledge/Procurement-topics-and-skills/eCommerce---systems/Application-of-Technology/](http://www.cips.org/Knowledge/Procurement-topics-and-skills/eCommerce---systems/Application-of-Technology/)

[Demand Management - http://www.cips.org/Knowledge/Procurement-topics-and-skills/Developing-and-managing-contracts/Demand-Management1/](http://www.cips.org/Knowledge/Procurement-topics-and-skills/Developing-and-managing-contracts/Demand-Management1/)

[Operations Management - http://www.cips.org/Knowledge/Procurement-topics-and-skills/#6909](http://www.cips.org/Knowledge/Procurement-topics-and-skills/#6909)

# Segment 4.3 Effective Logistics Control

**Level:** Tactical

**Theme:** Spend Management

Knowledge: Will know and understand	Capabilities: Will be able to
<p>The principles of stores and warehousing facilities such as;</p> <ul style="list-style-type: none"><li>• the effective and efficient flows of inventory</li><li>• reduction of life cycle costs</li><li>• space optimisations</li></ul>	<p>Explain how stores and warehouses can be designed and located to ensure efficiency and effectiveness</p>
<p>Key aspects associated with the storage of inventories</p>	<p>Explain the use of materials handling equipment and palletisation and unit loads, packing and packaging and the use of automation in warehousing</p>
<p>The main modes of transportation in logistics</p> <ul style="list-style-type: none"><li>• Road</li><li>• Rail</li><li>• Air</li><li>• Sea</li></ul>	<p>Identify the strengths and weaknesses associated with the main modes of freight transportation</p>

## Knowledge: Will know and understand

## Capabilities: Will be able to

The documentation that is used in transportation of supplies such as:

- The single administrative document
- Packing list, waybill, consignment notes, bill of lading
- Certificate of origin
- Letters of credit or other financial documentation

Check that documents used in the transportation of supplies are completed and authorised correctly

The main types of Incoterms in international logistics E, F, C and D terms

Provide advice to stakeholders on the use of the different classifications of Incoterms in international logistics

Legislation and regulations on supplies from international sources

Ensure compliance with legislation and regulations for supplies from international sources

## Related CIPS Knowledge Links

[Logistics - http://www.cips.org/Knowledge/Procurement-topics-and-skills/Operations-Management/Logistics1/](http://www.cips.org/Knowledge/Procurement-topics-and-skills/Operations-Management/Logistics1/)

[Warehousing - http://www.cips.org/Knowledge/Procurement-topics-and-skills/Operations-Management/Warehousing1/](http://www.cips.org/Knowledge/Procurement-topics-and-skills/Operations-Management/Warehousing1/)