

Topic 2.3.2 Working with suppliers

BUSINESS: *Creating informed, discerning employees, consumers and future leaders*

Key Vocabulary

Stock – items held by a firm for use or sale. Also called inventory

Bar gate stock graph – a diagram to show changes in the level of stock over time

Maximum stock level – highest level of stock to be held by a business

Minimum stock level – also called buffer stock level. The lowest level of held to avoid running out

Re-order level – the level of stock that will trigger the business to order more

Lead time – number of days or weeks that it takes from ordering stock until it arrives

Order quantity – the number of items ordered by the business

JIT – Just in Time. Running the business with so little stock that supplies have to arrive 'just in time' before they run out

JIC – holding buffer stock levels, 'just in case' there is a sudden increase in demand

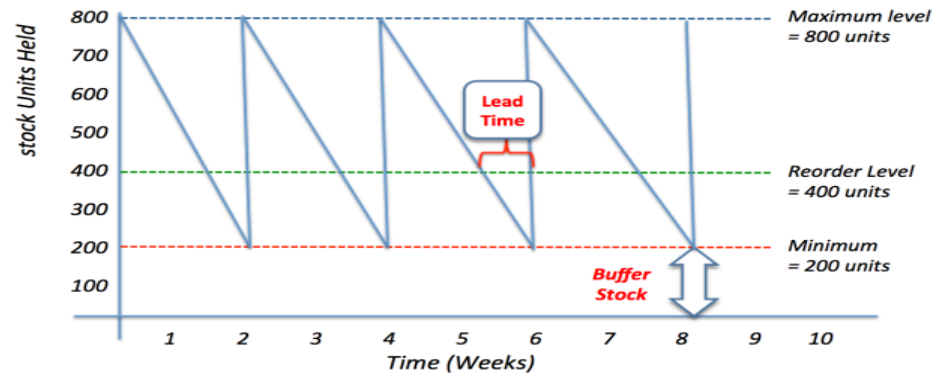
Procurement – obtaining the right supplies from the right supplier

Logistics – ensuring that the right supplies will be ordered and delivered on time

Core Knowledge

The operations department has a role to ensure that there is enough stock to meet demand, so they must work closely with suppliers as well as managing the stock that is in the business effectively.

The amount of stock held is shown in a bar gate graph:



Benefits of JIT	Limitations of JIT
Less storage space needed saving costs	Greater risk of running out and disappointing customers
Fresher produce due to more frequent deliveries	No bulk-buying discounts
Less capital tied up in stock	

Misconceptions

- Remember not all business that hold stock are shops – it could be a factory, restaurant, bakery
- The cheapest supplier may not be the best if they are not reliable
- Not all businesses will be able to get trade credit from a supplier – trust may need to be built first



Application

Supermarkets – most run JIT systems to have more selling space and save costs on storage

Restaurants – may limit their menu choices to ensure ingredients are fresher and less stock is wasted



Topic Links



Cashflow – holding less stock improves cashflow because the stock is more likely to be sold before payment to suppliers is due

External factors – changes to economic factors can affect the type of products consumers demand

Customer needs – if quality is a concern more than price, this will need to be considered when choosing a supplier

Location – this could affect the logistics for a business