

SUPPLY CHAIN MANAGEMENT

LESSON 7: SOURCING

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Chapter Description

- Aims
 - To provide general overview on the role of sourcing, in-house and outsource, 3PL and 4PL
- Expected Outcomes
 - Students should be able to
 - Identify the role of sourcing
 - Elaborate in-house and outsource
 - Single and Multiple, 3PL and 4PL
- References
 - Chopra, Sunil, and Peter Meindl. (2016) Supply Chain Management: Strategy, Planning, & Operation. 6th. Ed. Upper Saddle River, NJ: Prentice Hall.
 - <http://smallbusiness.chron.com/difference-between-outsourcing-insourcing-32400.html>



Chapter Outline

- 7.1 Role of Sourcing in Supply Chain
- 7.2. In-House or Outsource
- 7.3 Single and Multiple Sourcing
- 7.4. 3PL and 4PL Logistic Providers



LEARNING OUTCOMES

To identify the role of
sourcing in SC

1



Objectives

2

To elaborate in-
house and
outsource

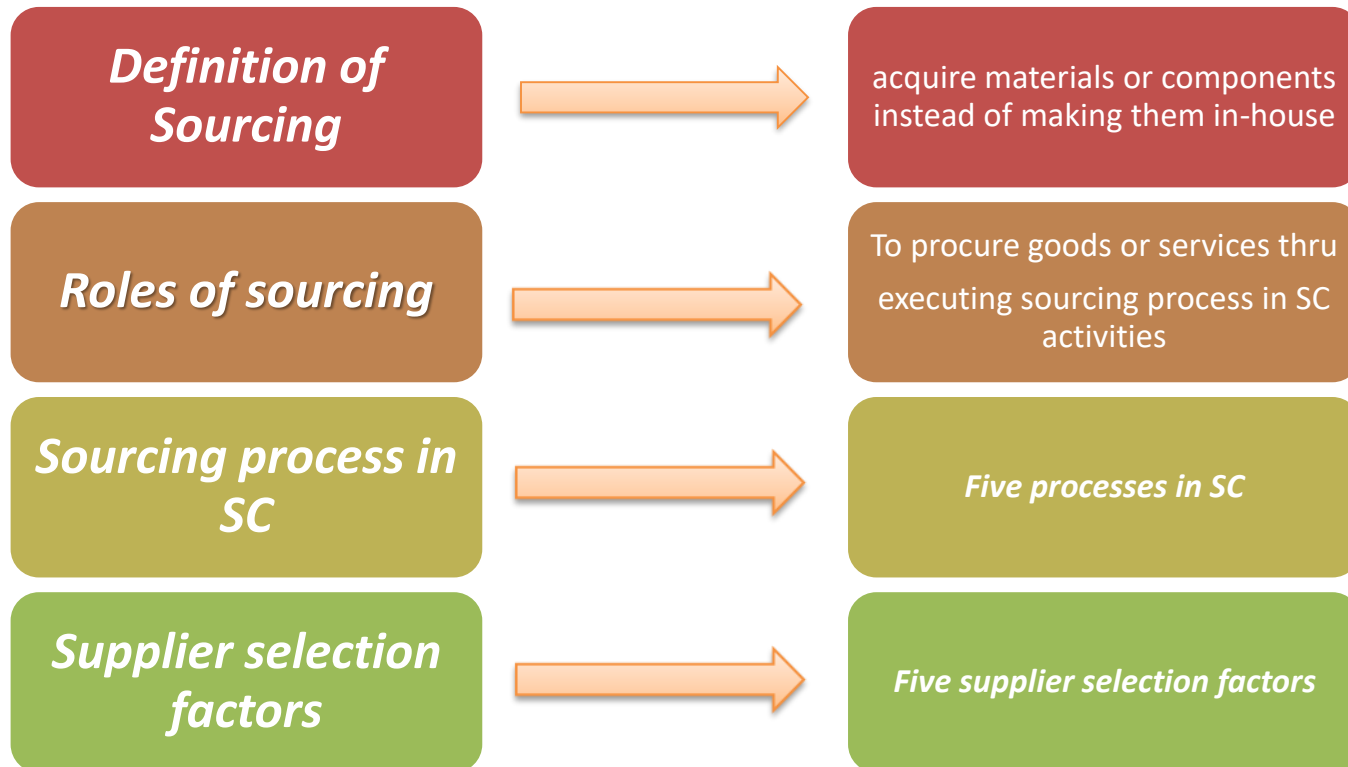


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To explain single and
multiple, 3PL and 4PL

Sourcing: Roles in a Supply Chain



The Role of Sourcing in a SC

Sourcing Process

Supplier scoring and assessment

Supplier selection & contract negotiation

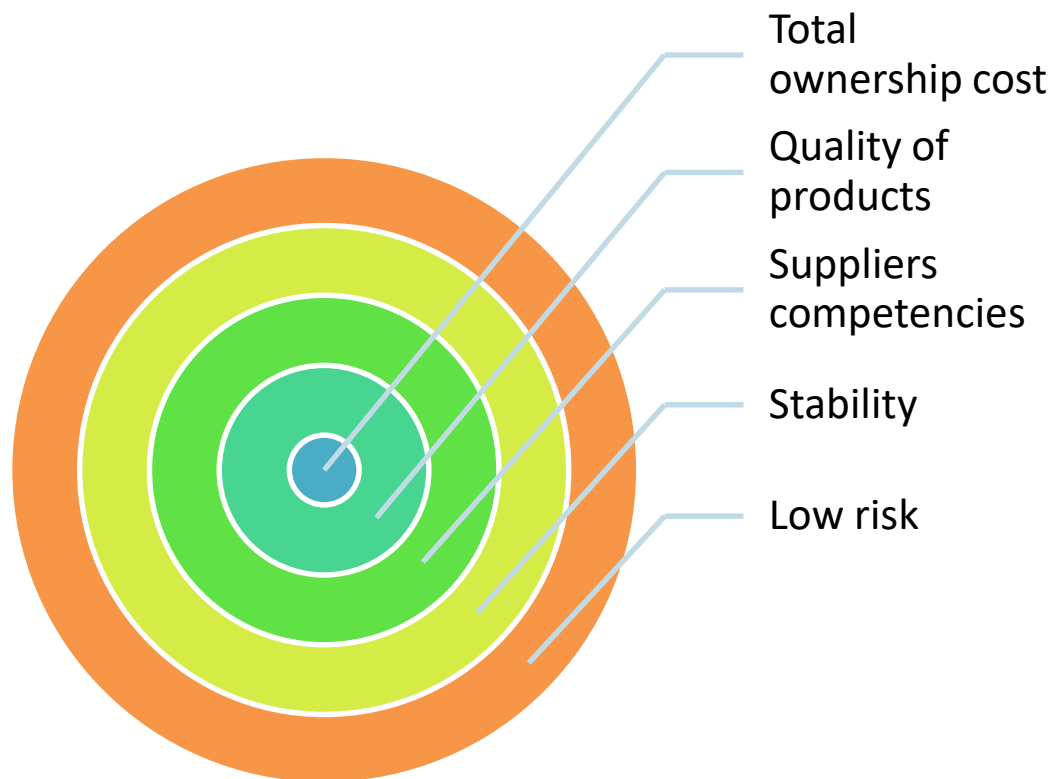
Design collaboration

Procurement

Sourcing planning and analysis



Supplier Selection Factors



In-house vs outsource

Working capital

Does it make sense to produce own raw materials?

Business Innovation

Internal resources may be trap into their own business thus limits their creativity and innovation.

Risk

Which types of sourcing exposed business to risk?

Control

Does control over business easier to be conducted with in-house or outsource?

Location

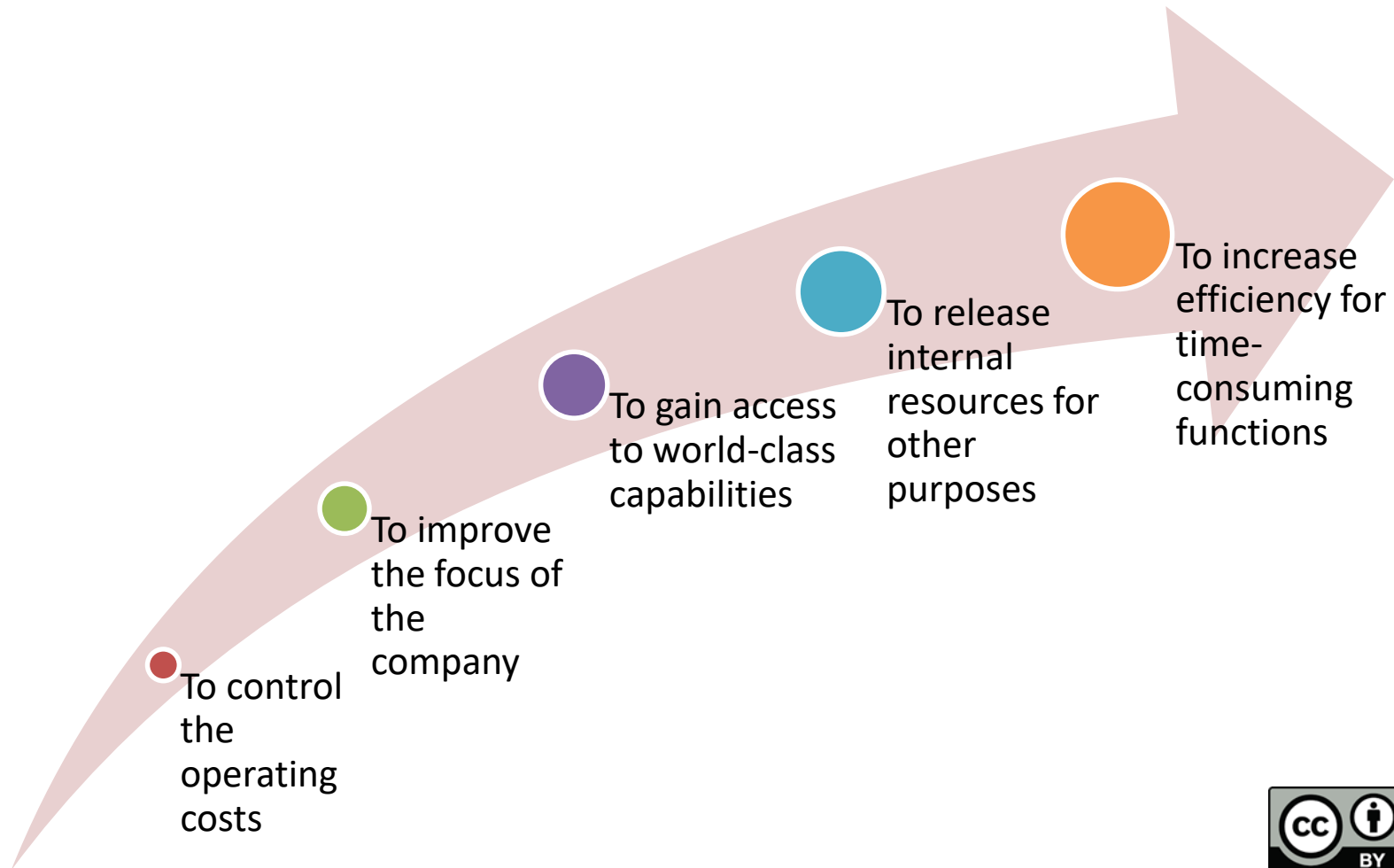
Company need to consider the location of the suppliers when outsourcing

Expertise

Company needs to consider whether they are willing to hire expert in particular operations or simply outsource.



Why does company outsource?



Why Single Sourcing?

Better price offered if buying in larger quantity

To avoid inconsistency in terms of product quality

Lower costs related to source, process and inspect

Streamline the procedure

Build stronger and longer-term relationships with supplier

Reduce inventory and lead time



Why Multiple Sourcing?

Protect buyer during shortage, strikes and other contingencies

As a Back up source

Maintain competitiveness

Avoid risk of depending on single supplier

Meeting the needs of the local market for the international manufacturing locations

When technology keep changing



What is 3PL and 4PL

3PL

- Provide the services of SC management functions
- Accumulates resources, capabilities and technologies for complete SC
- Focusses on niche areas
- Target a broad array including 3PL
- Includes warehousing and transportation activities

4PL

- Include SC planning, management, assistance, designing and optimizing
- Collaborate between in-house and outsourced activities
- All activities are outsourced
- Suitable to organizations on which needs to execute certain SC process
- Suitable to organization which needs beginning to end SC operations



Conclusion of The Chapter



- **Conclusion #1**
 - Sourcing is one of the important element in SC process to ensure the smooth operations in the business process.
- **Conclusion #2**
 - Decision on in-house or outsource depending on the capability of the firms and the types of products they produce.
- **Conclusion #3**
 - As 3PL focusing on the basic SC management function, 4PL on the other hand cover the entire SC activities