Level 4 Diploma in Procurement and Supply

D3 - Sourcing in procurement and supply

EXAM EXEMPLAR QUESTIONS

CASE STUDY AND QUESTIONS
CASE STUDY - THE PROTECTIVE EQUIPMENT COMPANY

Introduction
The Protective Equipment Company (PEC) is a medium-sized enterprise in the private sector. PEC manufactures and sells a range of protective work-wear and equipment which is designed to withstand the most hazardous working conditions.

The products are made to extremely high quality standards and PEC constantly updates its products to reflect different operating environments and health and safety at work requirements. New product development is often focused primarily on technical excellence rather than profitability.

Procurement Activities
The current buyer at PEC has been in the position for six months having been promoted from purchasing assistant when the previous buyer retired. Due to her limited experience combined with the complexity of the product range and the need for high levels of quality, she has found it difficult to influence sourcing strategy. Formal procurement procedures and systems at PEC are very limited. Currently, the buyer waits to receive a requisition from the production function to place orders for equipment, materials and products. This means that orders are usually urgent and the buyer has little opportunity to review alternative suppliers or sourcing approaches.

Low value maintenance, repair and operations (MRO) requirements cause particular problems as the requisitions are difficult to aggregate. This causes excessive and time-consuming administration for the buyer.

Testing requirements
Pressure testing machinery used for testing the quality of seams in the protective work-wear is nearing the end of its life and will soon require replacement. Product testing is essential to confirm final quality of manufacture and conformance to industry standards.

The test equipment is highly specialised and will be costly to replace. Also, recent machine maintenance highlighted both the cost and the long lead times of the MRO items required to keep the machine operational. If the equipment is not replaced, the test work will need to be outsourced to a facility specialising in this type of service provision.

Supplier data
Recently, the buyer has become concerned that some of her key suppliers could be facing financial difficulties. However, she is uncertain how to investigate the financial position of these suppliers. The information left by the previous buyer is several years out of date and the current buyer is concerned that their position could now be significantly worse.

The buyer believes that she needs to research the supply market in order to gather more information on external supplier capabilities. This will allow her to identify alternative suppliers with the necessary technical and quality standards and good financial stability.
QUESTIONS

Q1  Learning outcome: 1.0

Examine THREE different sourcing approaches that could be used by the buyer at PEC to more effectively source safety products and materials from suppliers.

(20 marks)

Q2  Learning outcome: 2.0

(a) Explain how the new product development approach at PEC could impact on sourcing effectiveness.

(8 marks)

(b) Discuss the actions that the buyer could take to balance commercial and technical award criteria when selecting suppliers.

(12 marks)

Q3  Learning outcome: 3.0

(a) Identify FIVE signs that the buyer at PEC could look for to indicate that certain suppliers are experiencing financial difficulties.

(5 marks)

(b) Explain THREE approaches that the buyer at PEC could take to obtain reliable information about these suppliers’ financial positions.

(15 marks)

Q4  Learning outcome: 4.0

(a) Using relevant examples, explain the terms, ‘demand analysis’ and ‘supply market analysis’.

(6 marks)

(b) Suggest appropriate sources of market and supplier data that could be used by the buyer at PEC to research the supply market.

(14 marks)

Q5  Learning outcome: 5.0

(a) Examine the main legislative and regulatory requirements that PEC should consider when sourcing as an SME in the private sector.

(15 marks)

(b) Explain how these requirements might differ for a public sector organisation.

(5 marks)