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Term
Annualized contract

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Term
Bilateral contract

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Contract

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Term
Contracts for the international sale of goods (CISG)

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Cost-based contract

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Cost-plus-fixed-fee contract

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Cost-plus-incentive-fee contract

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Firm fixed-price contract

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An agreement wherein each party makes a promise to the other party.

A negotiated agreement with a supplier for one year that sets pricing, helps ensure a continuous supply of material, and provides the supplier with estimated future requirements.

Govern the sale of goods in the international environment. They enable exporters to avoid choice-of-law issues.

An agreement between two or more competent persons or companies to perform or not to perform specific acts or services or to deliver merchandise. A contract may be oral or written. A purchase order, when accepted by a supplier, becomes a contract. Acceptance may be in writing or by performance, unless the purchase order requires acceptance in writing.

A contract in which the seller is paid for costs specified as allowable in the contract plus a stipulated fixed fee.

A type of purchasing contract where the price of goods or services is tied to the cost of key inputs or other economic factors such as interest rates.

A contract in which the seller is paid a set price without regard to costs. Syn.: fixed-price contract.

A contract in which the seller is paid for costs specified as allowable in the contract plus a profit, provided certain provisions are met.

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Fixed-price incentive fee contract

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Incentive arrangements

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Incentive contract

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Multisourcing

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Term
Procurement

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Purchase order

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Routing guide

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Single-source supplier

Incentive contract that allows for the sharing of the cost responsibility between the buyer and seller. Incentives are incorporated into the contract to motivate the supplier to improve its performance in areas such as quality, on-time delivery, and customer satisfaction. There are three elements of an incentive agreement: target cost, target profit, and the sharing agreement.

A contract in which the seller is paid a set price and can earn an additional profit if certain stipulations are met.

Procurement of a good or service from more than one independent supplier. Syn.: multiple sourcing. Ant: single sourcing. See: dual sourcing.

A contract where the buyer and seller agree to a target cost and maximum price. Cost savings below the target are shared between buyer and seller. If actual cost exceeds the target cost, the cost overrun is shared between buyer and seller up to the maximum price.

The purchaser's authorization used to formalize a purchase transaction with a supplier. [When given to a supplier, this] should contain statements of the name, part number, quantity, description, and price of the goods or services ordered; agreed-to terms as to payment, discounts, date of performance, and transportation; and all other agreements pertinent to the purchase and its execution by the supplier.

The business functions [of...] planning, purchasing, inventory control, traffic, receiving, incoming inspection, and salvage operations.

A company that is selected to have 100 percent of the business for a part although alternate suppliers are available. See: sole-source supplier.

A shipping tool used to manage logistics activities for shipments between two points. It contains mode and carrier information, freight rates, and service requirements.

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Sole source

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Term
Sourcing

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Strategic sourcing

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Tactical buying

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Terms and conditions

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Terms of sale

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Trading partner agreement

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The process of identifying a company that provides a needed good or service.

The situation where the supply of a product is available from only one organization. Usually technical barriers such as patents preclude other suppliers from offering the product. See: single sourcing.

The purchasing process focused on transactions and nonstrategic material buying. Closely aligned with the “ordering” portion of executing the purchasing transaction process. Its characteristics include stable, limited fluctuations; defined standard specifications noncritical to production; no delivery issues; and high reliability concerning quality-standard material with very little concern for rejects. See: strategic sourcing.

A comprehensive approach for locating and sourcing key material suppliers, which often includes the business process of analyzing total-spend-for-material spend categories. Includes a focus on the development of long-term relationships with trading partners who can help the purchaser meet profitability and customer satisfaction goals. From an information technology applications perspective, includes automation of requests for quote (RFQ), requests for proposal (RFP), electronic auctioning (e-auction or reverse auction), and contract management processes.

In international trade, the element of a contract that states the delivery and payment terms between a buyer and a seller. It includes when and where the transfer of goods will occur, documentation that is required, and liabilities for both parties while the goods are in transit.

All the provisions and agreements of a contract.

A contract between trading partners that describes all facets of their business together. A legal and binding agreement suitable for legal purposes as well as standard working agreements.