Module 3: Section A: Aligning Sourcing to Demand	Module 3: Section A: Aligning Sourcing to Demand
Term make-or-buy cost analysis	**Term** make-or-buy decision
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Module 3: Section A: Aligning Sourcing to Demand	Module 3: Section A: Aligning Sourcing to Demand
Term outsourcing	**Term** insourcing
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Module 3: Section A: Aligning Sourcing to Demand	Module 3: Section A: Aligning Sourcing to Demand
Term subcontracting	**Term** offshore
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Module 3: Section A: Aligning Sourcing to Demand	Module 3: Section A: Aligning Sourcing to Demand
Term total cost of ownership (TCO)	**Term** landed cost
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Definition The act of deciding whether to produce an item internally or buy it from an outside supplier. Factors to consider in the decision include costs, capacity availability, proprietary and/or specialized knowledge, quality considerations, skill requirements, volume, and timing.	**Definition** A comparison of all the costs associated with making an item versus the cost of buying the item.
Definition Using the firm's internal resources to provide goods and services. See: make-or-buy decision.	**Definition** The process of having suppliers provide goods and services that were previously provided internally. [This] involves substitution-the replacement of internal capacity and production by that of the supplier. See: subcontracting.
Definition Outsourcing a business function to another company in a different country than the original company's country.	**Definition** Sending production work outside to another manufacturer. See: outsourcing.
Definition This cost includes the product cost plus the costs of logistics, such as warehousing, transportation, and handling fees.	**Definition** In supply chain management, [this] is the sum of all the costs associated with every activity of the supply stream. The main insight that [this] offers to the supply chain manager is the understanding that the acquisition cost is often a very small portion of [this concept].

Module 3: Section B: Category Strategy for Sourcing	Module 3: Section B: Category Strategy for Sourcing
Term supplier partnership	**Term** strategic alliance
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Definition A relationship formed by two or more organizations that share information (proprietary), participate in joint investments, and develop linked and common processes to increase the performance of both companies. Many organizations form [these] to increase the performance of their common supply chain.	**Definition** The establishment of a working relationship with a supplier organization whereby two organizations act as one. Syn: collaborative supply relationship.

Module 3: Section C: Product Design Influence	**Module 3: Section C: Product Design Influence**
Term quality APICS CSCP Learning System © 2023	**Term** design APICS CSCP Learning System © 2023
Module 3: Section C: Product Design Influence	**Module 3: Section C: Product Design Influence**
Term design for the supply chain APICS CSCP Learning System © 2023	**Term** design for X (DFX) APICS CSCP Learning System © 2023
Module 3: Section C: Product Design Influence	**Module 3: Section C: Product Design Influence**
Term standardization APICS CSCP Learning System © 2023	**Term** standardized product APICS CSCP Learning System © 2023
Module 3: Section C: Product Design Influence	**Module 3: Section C: Product Design Influence**
Term modular design strategy APICS CSCP Learning System © 2023	**Term** modularization APICS CSCP Learning System © 2023

Definition

The conversion of a need or innovation into a product, process, or service that meets both enterprise and customer expectations. The design process consists of translating a set of functional requirements into an operational product, process, or service.

Definition

Conformance to requirements or fitness for use. [It] can be defined through five principal approaches: (1) [The transcendent type] is an ideal; a condition of excellence. (2) [The product-based type] is based on a product attribute. (3) [The user-based type] is fitness for use. (4) [The manufacturing-based type] is conformance to requirements. (5) [The value-based type] is the degree of excellence at an acceptable price. Also, [it] has two major components: (1) [conformance-it] is defined by the absence of defects, and (2) [design-it] is measured by the degree of customer satisfaction with a product's characteristics and features.

Definition

Also referred to as design for excellence. A design process that ensures the outcome is manufacturable, maintainable, cost-effective, and of high quality.

Definition

Enhancement of a firm's product design in consideration of the issues that will arise in the supply chain, from raw materials to the final stage of the product's life cycle.

Definition

A product that can be made in large quantities, or continuously, because it has very few product designs.

Definition

1) The process of designing and altering products, parts, processes, and procedures to establish and use standard specifications for them and their components.
2) Reduction of the total numbers of parts and materials used and products, models, or grades produced.
3) The function of bringing a raw ingredient into standard (acceptable) range per the specification before introduction to the main process.

Definition

In product development, the use of standardized parts for flexibility and variety. Permits product development cost reductions by using the same item(s) to build a variety of finished goods. This is the first step in developing a planning bill of material process.

Definition

The strategy of planning and designing products so that components or subassemblies can be used in current and future products or assembled to produce multiple configurations of a product. [...].

Module 3: Section C: Product Design Influence	Module 3: Section C: Product Design Influence
Term universality	**Term** simplification
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Module 3: Section C: Product Design Influence	Module 3: Section C: Product Design Influence
Term design for manufacture and assembly (DFMA)	**Term** design for manufacturability
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Module 3: Section C: Product Design Influence	Module 3: Section C: Product Design Influence
Term design for service	**Term** design for quality
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Module 3: Section C: Product Design Influence	Module 3: Section C: Product Design Influence
Term design for six sigma	**Term** quality function deployment (QFD)
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Definition

Improving quality and cutting costs by removing complexity from a product or service.

Definition

The strategy of designing a product initially intended for one market in such a way that it can also be sold in other markets. A form of standardization.

Definition

Simplification of parts, products, and processes to improve quality and reduce manufacturing costs.

Definition

A product development approach that involves the manufacturing function in the initial stages of product design to ensure ease of manufacturing and assembly. See: early manufacturing involvement.

Definition

A product design approach that uses quality measures to capture the extent to which the design meets the needs of the target market (customer attributes), as well as its actual performance, aesthetics, and cost. See: total quality engineering.

Definition

Simplification of parts and processes to improve the after-sale service of a product. Syn: design for maintainability.

Definition

A methodology designed to ensure that all the major requirements of the customer are identified and subsequently met or exceeded through the resulting product design process and the design and operation of the supporting production management system. [It] can be viewed as a set of communication and translation tools. [It] tries to eliminate the gap between what the customer wants in a new product and what the product is capable of delivering. [This] often leads to a clear identification of the major requirements of the customers. These expectations are referred to as the voice of the customer (VOC). See: house of quality.

Definition

An approach to designing products and processes that attempts to ensure the firm can provide products or services that meet six sigma quality levels. These quality levels correspond to approximately 3.4 defects per million opportunities.

Module 3: Section C: Product Design Influence

Term

postponement

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Module 3: Section C: Product Design Influence

Term

product differentiation

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Module 3: Section C: Product Design Influence

Term

mass customization

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Module 3: Section C: Product Design Influence

Term

glocalization

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Module 3: Section C: Product Design Influence

Term

multicountry strategy

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Module 3: Section C: Product Design Influence

Term

design for the environment (DFE)

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Module 3: Section C: Product Design Influence

Term

design for remanufacture

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Definition

A strategy of making a product distinct from the competition on a nonprice basis such as availability, durability, quality, or reliability.

Definition

A product design, or supply chain strategy that deliberately delays final differentiation of a product (assembly, production, packaging, tagging, etc.) until the latest possible time in the process. This shifts product differentiation closer to the consumer to reduce the anticipatory risk of producing the wrong product. The practice eliminates excess finished goods in the supply chain. Sometimes referred to as delayed differentiation.

Definition

A combination of "globalization" and "localization." In a supply chain context, [this] is a form of postponement where a product or service is developed for distribution globally but is modified to meet the needs of a local market. The modifications are made to conform with local laws, customs, cultures, and preferences.

Definition

The use of mass production techniques to create large volume of products in a wide variety keeping production costs low while enabling customized output primarily utilizing postponement or delayed differentiation.

Definition

Considering health, safety, and environmental aspects of a product during the design and development phase of product development.

Definition

A strategy in which each country market is self-contained. Customers have unique product expectations that are addressed by local production capabilities. Syn: multidomestic strategy.

Definition

Products developed in a manner that allows components to be used in other products. This process is associated with green manufacturing.

Module 3: Section D: Supplier Selection, Contracting, and Use

Term

negotiation

Module 3: Section D: Supplier Selection, Contracting, and Use

Term

service level agreement (SLA)

Module 3: Section D: Supplier Selection, Contracting, and Use

Term

contract

Module 3: Section D: Supplier Selection, Contracting, and Use

Term

annualized contract

Module 3: Section D: Supplier Selection, Contracting, and Use

Term

bilateral contract

Module 3: Section D: Supplier Selection, Contracting, and Use

Term

contracts for the international sale of goods (CISG)

Module 3: Section D: Supplier Selection, Contracting, and Use

Term

trading partner agreement

Module 3: Section D: Supplier Selection, Contracting, and Use

Term

cost-based contract

Definition A document that represents the terms of performance for organic support.	**Definition** The process by which a buyer and a supplier agree upon the conditions surrounding the purchase of an item or a service.
Definition 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.	**Definition** 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.
Definition Govern the sale of goods in the international environment. They enable exporters to avoid choice-of-law issues.	**Definition** An agreement wherein each party makes a promise to the other party.
Definition 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.	**Definition** 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.

Module 3: Section D: Supplier Selection, Contracting, and Use	**Module 3: Section D: Supplier Selection, Contracting, and Use**
Term cost-plus contract	**Term** cost-plus-fixed-fee contract
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Module 3: Section D: Supplier Selection, Contracting, and Use	**Module 3: Section D: Supplier Selection, Contracting, and Use**
Term cost-plus-incentive-fee contract	**Term** firm fixed-price contract
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Module 3: Section D: Supplier Selection, Contracting, and Use	**Module 3: Section D: Supplier Selection, Contracting, and Use**
Term incentive contract	**Term** incentive arrangements
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Module 3: Section D: Supplier Selection, Contracting, and Use	**Module 3: Section D: Supplier Selection, Contracting, and Use**
Term fixed-price incentive fee contract	**Term** terms and conditions
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Definition

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

Definition

A pricing method where the buyer agrees to pay the seller all the acceptable costs of the product or service up to a maximum cost plus a fixed fee. Syn: cost-type contract.

Definition

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

Definition

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

Definition

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.

Definition

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.

Definition

All the provisions and agreements of a contract.

Definition

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

Module 3: Section D: Supplier Selection, Contracting, and Use	Module 3: Section D: Supplier Selection, Contracting, and Use
Term payment terms	**Term** operating exposure
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Module 3: Section D: Supplier Selection, Contracting, and Use	Module 3: Section D: Supplier Selection, Contracting, and Use
Term purchase order	**Term** blanket purchase order
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Module 3: Section D: Supplier Selection, Contracting, and Use	Module 3: Section D: Supplier Selection, Contracting, and Use
Term expedite	**Term** portal
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Module 3: Section D: Supplier Selection, Contracting, and Use	Module 3: Section D: Supplier Selection, Contracting, and Use
Term horizontal marketplace	**Term** vertical marketplace
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Definition

The risk introduced by flexible exchange rates when operating in the global environment, including their effect on production, storage, and buying and selling prices.

Definition

Conditions surrounding payment for a sale, providing a time frame in which a customer can pay without late penalties or additional fees. See: terms and conditions.

Definition

A long-term commitment to a supplier for material against which short-term releases will be generated to satisfy requirements. Often [these] cover only one item with predetermined delivery dates. Syn: blanket order, standing order.

Definition

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.

Definition

A multiservice website that provides access to data that may be secured by each user's role. Users can aggregate data and perform basic analysis. Ownership [of this] can be independent, private, or consortium-based. Business [types of this] are often connected with a customer relationship management or supplier relationship management system. [This] can include structured data such as ERP information, pictures, and documents. Unlike exchanges or marketplaces, [it] generally can display and aggregate data without integration between application software.

Definition

To rush or chase production or purchase orders that are needed in less than the normal lead time; to take extraordinary action because of an increase in relative priority. Syn: stockchase.

Definition

An online marketplace connecting buyers and sellers within the same industry. It enables lower prices by lowering transaction costs.

Definition

An online marketplace used by buyers and sellers from multiple industries. This marketplace lowers prices by lowering transaction costs.

Module 3: Section D: Supplier Selection, Contracting, and Use	Module 3: Section D: Supplier Selection, Contracting, and Use
Term private trading exchange (PTX)	**Term** consortia trade exchanges (CTX)
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Module 3: Section D: Supplier Selection, Contracting, and Use	Module 3: Section D: Supplier Selection, Contracting, and Use
Term virtual trading exchange	**Term** reverse auction
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Definition An online marketplace, usually owned by a third party, that allows members to trade with each other. Such sites lower members' search costs and enable lower prices for the buyer.	**Definition** A trade exchange hosted by a single company to facilitate collaborative e-commerce with its trading partners. As opposed to public e-marketplaces, a private exchange provides the host company with control over many factors, including who may participate (and in what manner), how participants may be connected, and what contents should be presented (and to whom). The ultimate goal might be to improve supply chain efficiencies and responsiveness through improved process visibility and collaboration, advanced integration platforms, and customization capabilities.
Definition An internet auction in which suppliers attempt to underbid their competitors. Company identities are known only by the buyer.	**Definition** An online trading exchange that enables both information integration and collaboration between multiple trading partners.