

**Module 3**

*Section D: Supplier Selection, Contracting, and Use*

**Term**

Annualized contract

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Bilateral contract

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Blanket purchase order

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Consortia trade exchanges (CTX)

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Contract

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Contracts for the international sale of goods (CISG)

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Cost-based contract

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Cost-plus 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.

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.

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.

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 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.

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.

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Cost-plus-fixed-fee contract

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Cost-plus-incentive-fee contract

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Expedite

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Firm fixed-price contract

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Fixed-price incentive fee contract

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Horizontal marketplace

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Incentive arrangements

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Incentive contract

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

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

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

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.

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

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

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.

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.

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Negotiation

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Operating exposure

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Payment terms

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Portal

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Private trading exchange (PTX)

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Purchase order

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Reverse auction

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Service-level agreement (SLA)

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

The process by which a buyer and a supplier agree upon the conditions surrounding the purchase of an item or a service.

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.

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.

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.

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.

A document that represents the terms of performance for organic support.

An internet auction in which suppliers attempt to underbid their competitors. Company identities are known only by the buyer.

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Terms and conditions

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Trading partner agreement

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Vertical marketplace

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Virtual trading exchange

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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.

All the provisions and agreements of a contract.

An online trading exchange that enables both information integration and collaboration between multiple trading partners.

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