

Fold each printed sheet in half lengthwise. The left side of the document will list the term and the right side will list the definition. Tape or staple the open edges of your flashcards. Cut out your flashcards on the solid lines indicated and fold them on the dotted lines.

**Module 3**  
*Section A: Aligning Sourcing to Demand*

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**Term**  
Insourcing

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Using the firm's internal resources to provide goods and services. See: make-or-buy decision.

**Module 3**  
*Section A: Aligning Sourcing to Demand*

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**Term**  
Landed cost

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This cost includes the product cost plus the costs of logistics, such as warehousing, transportation, and handling fees.

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**Term**  
Make-or-buy cost analysis

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A comparison of all the costs associated with making an item versus the cost of buying the item.

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*Section A: Aligning Sourcing to Demand*

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**Term**  
Make-or-buy decision

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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.

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*Section A: Aligning Sourcing to Demand*

**Term**  
Offshore

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Outsourcing a business function to another company in a different country than the original company's country.

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**Term**  
Outsourcing

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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.

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*Section A: Aligning Sourcing to Demand*

**Term**  
Subcontracting

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Sending production work outside to another manufacturer. See: outsourcing.

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*Section A: Aligning Sourcing to Demand*

**Term**  
Total cost of ownership (TCO)

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The sum of all the costs associated with every activity of the supply stream.