Lesson 4: Procurement, stock and suppliers

KNOWLEDGE ORGANISER

🎯 Learning goals

- ✓ Explain procurement, logistics and the supply chain
- ✓ Compare JIT and JIC stock management
- ✓ Explain the factors that affect the choice of supplier
- ✓ Explain the value of effective supply chain management

🔑 Key words

Procurement Sourcing and buying the goods and services a business needs.

Logistics Managing the movement and storage of goods.

Supply chain All the stages that produce and deliver a product to the customer.

Just in case (JIC) Holding spare (buffer) stock in case demand rises.

Reliability How dependable a supplier is at delivering on time.

📘 What you need to know

A supply chain links every stage from supplier to customer.

1. Procurement, logistics and the supply chain

Procurement is the process of sourcing and purchasing the goods and services a business needs. **Logistics** is managing the movement and storage of those goods. The **supply chain** is all the stages involved in producing and delivering a product to the customer.

> *"Good procurement and logistics get the right goods, in the right place, at the best price."*

2. Managing stock: JIT vs JIC

A business can hold stock **just in time** (only when needed) or **just in case** (spare buffer stock to cope with extra demand).

JIC — advantages

- ✓ Prevents lost sales if demand rises.
- ✓ Buffer stock copes with delivery problems.
- ✗ High storage and holding costs.

JIT — advantages

- ✓ Lower storage and holding costs.
- ✗ No buffer if a supplier is late.
- ✗ Needs reliable suppliers.

3. Choosing a supplier

Three key factors are **price**, **quality** and **reliability**. Reliability matters because late deliveries can stop production. Buying in **bulk** can cut costs through purchasing economies of scale — but frequent small deliveries trade lower stock costs against higher delivery costs.

4. Effective supply chain management

Managing the supply chain well means working with suppliers so key processes run efficiently, getting goods for the best price and value, and cutting waste to create a streamlined process and fast production times. The benefit of lower costs must be balanced against the quality of service.

✅ Test yourself

Cover the answers below, answer Q24–Q33, then check.

Q24 What is procurement?

Q25 What is logistics?

Q26 What is a supply chain?

Q27 What is Just in Case (JIC) stock management?

Q28 Give one advantage of JIC.

Q29 Give one disadvantage of JIC.

Q30 State three factors affecting the choice of supplier.

Q31 Why is reliability important when choosing a supplier?

Q32 Why might buying in bulk reduce costs?

Q33 What trade-off must businesses consider with frequent deliveries?

ANSWERS

A24 The process of sourcing and purchasing goods and services.
A25 The management of the movement and storage of goods.
A26 All stages involved in producing and delivering a product to the customer.
A27 Holding spare stock to deal with unexpected increases in demand.
A28 Prevents lost sales if demand increases.
A29 High storage and holding costs.
A30 Price, quality, reliability.
A31 Late deliveries can stop production.
A32 Purchasing economies of scale.
A33 Lower stock costs vs higher delivery costs.