

# Advanced certificate in procurement and supply operations

## Unit content guide



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# Introduction

The Chartered Institute of Purchasing & Supply qualifications ladder has five levels of awards. For details of the entry requirements for each level, please refer to [www.cips.org](http://www.cips.org).

The CIPS Advanced certificate in procurement and supply operations is a vocationally related qualification. It has been accredited by the Office of Qualifications and Examinations Regulator (Ofqual) in the UK and appears on the Register of Regulated Qualifications. Please refer to <http://register.ofqual.gov.uk>.

The Advanced certificate in procurement and supply operations consists of five compulsory units. Assessment for each unit is by examination.

If you wish to study for the advanced certificate it is expected that you will undertake 30 guided learning hours per unit, ie a total of 150 guided hours. The definition of guided learning hours is:

“A measure of the amount of input time required to achieve the qualification. This includes lectures, tutorials and practicals, as well as supervised study in, for example, learning centres and workshops.”

If you study at a CIPS study centre, you will find that they may vary on the exact format for delivery of the study programme. Additionally we would recommend that you also commit to a similar number of hours of self-study, including wider reading of the subject areas and revision to give yourself the best preparation for successfully achieving the advanced certificate.

Below is a list of the units, their qualification framework reference numbers and CIPS reference code which is used to identify the unit for examination purposes.

## Advanced certificate in procurement and supply operations

### Qualification number:

Unit Title:	Qualification Number	CIPS Reference
Procurement and supply environments		AC01
Procurement and supply operations		AC02
Procurement and supply workflow		AC03
Inventory and logistics operations		AC04
Procurement and supply relationships		AC05

# Glossary of qualification terms

## Assessment

Assessment is the way in which CIPS will measure whether or not a learner is able to demonstrate their knowledge, understanding and be able to apply their learning in a given situation.

## Assessment criteria

Assessment criteria specifies the standard that a learner is expected to meet to demonstrate that the learning outcomes of a unit have been achieved.

## Business essentials

These are commonly occurring themes through the qualifications, that do not warrant a unit in their own right, but that are important holistically to the learning undertaken within the qualifications:

- business finance
- information technology
- legislation
- leadership
- management
- strategy

## Command words

Command words are generally verbs that are used to indicate the level of learning undertaken. They tend to be hierarchical in nature. For example, when studying towards the advanced certificate a command word could be ‘classify’ or ‘assess’, whereas a command word

for the professional diploma might be ‘critically assess’, or ‘critically evaluate’. These words reflect the level of complexity of your learning and ultimately your assessment at that level.

## Compulsory units

These are units that constitute necessary knowledge and understanding to fulfil learning requirements for CIPS qualifications.

## Entry level

This is the point at which you will enter the CIPS qualifications ladder. This entry will be based on pre-requisite knowledge, understanding and experience.

## Exemptions

Learners who have successfully completed other relevant qualifications may apply for exemptions from equivalent CIPS units in their programme of study. To earn an exemption from a qualification or specific units within CIPS qualifications you should contact CIPS or see [www.cips.org](http://www.cips.org)

Please note that gaining an exemption, does not mean that you gain an exit award at that level, rather that you bypass that level of learning because of equivalent learning and achievement gained elsewhere.

**Exit award**

An exit award is in essence a qualification. CIPS has five exit awards in total

- Certificate in procurement and supply operations
- Advanced certificate in procurement and supply operations
- Diploma in procurement and supply
- Advanced diploma in procurement and supply
- Professional diploma in procurement and supply

For each qualification you successfully complete, you will receive a certificate of achievement confirming your exit award.

**Indicative content**

The indicative content is an indication of the knowledge required in order to fulfil the assessment criteria to achieve the learning outcome.

**Learning outcome**

The learning outcome within a unit sets out what a learner is expected to know, understand, or be able to do as a result of a process of learning.

**Ofqual**

CIPS is an Awarding Body recognised by Ofqual. Ofqual regulate qualifications, examinations and assessments in England and vocational qualifications in Northern Ireland. It is their duty to ensure all learners get the results they deserve and that their qualifications are correctly valued and understood, now and in the future.

**Optional units**

These are units where you have choices to specialise in an area of interest. There is an

opportunity to select two optional units at advanced diploma and two optional units at professional diploma.

**Qualifications ladder**

This ladder represents the hierarchical nature of CIPS qualifications. The ladder has five steps within it. It starts with a Certificate through to the Professional Diploma. Each step of the ladder is represented by a qualification with an 'exit award'.

**Unit**

A segment of learning within the CIPS qualifications. Each unit is individual, has its own title, rationale and content. A unit will also have an assessment attached to it in order to demonstrate achievement and conclusion of the learning.

**Unit purpose and aims**

Unit aims provide additional information about the unit; a succinct statement summarises the learning outcomes of the unit.

Each unit has four to five learning outcomes which outline what will be achieved as a result of learning in that particular unit.

**Weightings**

Each unit has a number of learning outcomes that are equally weighted for example: If a unit that has four learning outcomes totalling 100%, each learning outcome will be equally weighted ie 25% (100% divided by 4 = 25%).

This weighting indicates the level of input and learning required by the study centre and the learner in order to complete the subject area.

# Definition of additional terms used in this guide

**4ps approach to marketing**

Marketing Model Mix – can be used by a marketer, as a tool to assist in implementing a marketing strategy, the four ps consist of product, price, place and promotion.

**7ps approach to marketing**

Extended Marketing Mix – expands the number of controlled variables, from the four in the main marketing model mix, these being product, price, place, promotion, people, process and physical evidence.

**Bullwhip Effect**

Also known as “Whiplash Effect” it is an observed phenomenon in forecast-driven distribution channels. The oscillating demand magnification upstream in a supply chain is reminiscent of a cracking whip. The concept has its roots in J Forrester's Industrial Dynamics (1961) and thus it is also known as the Forrester Effect.

**CSR • Corporate social responsibility**

CSR means the commitment to a systematic consideration of the environmental, social and cultural aspects of an organisation's operations. This includes the key issues of sustainability, human rights, labour and community relations, as well as supplier and customer relations beyond legal obligations; the objective being to create long-term business value and contribute to improving the social conditions of people affected by an organisation's operations.

**Duopolistic market**

A situation in which two companies own all or nearly all of the market for a given product or service.

**FIFO • First in, first out**

Warehouse term meaning first items stored are the first used. In accounting, this term is associated with the valuing of inventory such that the latest purchases are reflected in book inventory. While generally considered an accounting notion, FIFO usage is common where products may have a shelf life.

**GDP • Gross domestic product**

A measure of the market value of all recognised final goods and services produced within a country in a given period.

**GNP • Gross national product**

A measure of a nation's output; the total value of all final goods and services produced during a period of time.

**JIT • Just in time**

Originally a concept imported from Japan, based on the idea that only sufficient quantities should be manufactured or be made available to satisfy customers' immediate needs. Relies on an efficient supply chain for its success.

**Kanban**

A Japanese term, which translates literally as “card.” It is the system of record cards that accompany components through the production process. In other words, a signal that triggers deliveries of specific quantities of supplies in a just-in time system.

**KPIs • Key performance indicators**

Also known as key success indicators. They are financial and non-financial metrics used to reflect the critical success factors of an organisation or contract. They are used in business intelligence to assess the present state of business or a contract and to prescribe the next course of action.

**LIFO • Last in, first out**

Warehouse term meaning last items stored are the first used, also an accounting method of valuing inventory that assumes that the latest goods purchased during a given accounting period are also the first goods used.

**Macro-economics**

Major external and uncontrollable factors that influence an organisation's decision making, and affect its performance and strategies. These factors include the economic, demographics, legal, political, and social conditions, technological changes, and natural forces.

Factors that influence a company's or product's development but that are outside of the company's control. For example, the macro environment could include competitors, changes in interest rates, changes in cultural tastes, or government regulations.

**Micro economics**

Factors or elements in an organisation's immediate area of operations that affect its performance and decision-making freedom. These factors include competitors, customers, distribution channels, suppliers, and the general public.

**Monopolistic market**

A situation in which a single company or group owns all or nearly all of the market for a given type of product or service.

**MRP • Material requirement planning**

A product orientated computerised technique aimed at minimising inventory and maintaining delivery schedules

**MRPII • Manufacturing resource planning II**

MRPII is concerned with almost any resource entering into production, including manpower, machines and money in addition to materials. This is why the word ‘resource’ is usually substituted for ‘requirement’ when referring to MRPII.

**Not for profit or third sector**

These are voluntary and community organisations such as charities and also social enterprises (social enterprises have social or environmental purposes as central to what they do). They are profit making but rather than maximising shareholder value their main aim is to generate profit to further their social and environmental goals.

**Oligopolistic market**

A situation in which a particular market is controlled by a small group of firms.

**P2P • Purchase to pay**

Refers to the business process that cover activities of requesting, purchasing, receiving, paying for and accounting for goods and services.

**Pareto analysis**

An analysis that compares cumulative percentages of the rank ordering of costs, cost drivers, profits or other attributes to determine whether a minority of elements have a disproportionate impact. Another example, identifying that 20 percent of a set of independent variables is responsible for 80 percent of the effect.

**PEST • Political, economic, social and technological**

An analytical tool that aids organisations developing strategies by helping them understand the external environment in which they operate now and in the future.

**RACI • Responsible, accountable, consulted, and informed**

The RACI matrix enables you to identify who is responsible, accountable, consulted, or informed, for every task which needs to be performed.

**RFID technologies • Radio frequency identification**

A generic term that is used to describe a system that transmits the identity (in the form of a unique serial number) of an object or person wirelessly, using radio waves.

**SMEs • Small and medium sized enterprises**

A small firm is an independent business, managed by its owner or part-owners and with less than 50 employees. A medium sized company must meet thresholds for annual turnover and have fewer than 250 employees.

**STEEPLE • Social, Technological, Economic, Environmental, Political, Legal, European (or International)**

An analytical tool extending PEST to also include, Environmental, Legal and European (or International) factors that can impact on Procurement and Supply.

**TIR Carnet • Transports Internationaux Routiers**

TIR is an international system allowing goods to travel across one or more international border with minimal customs involvement. It can be used to move goods to, from and between other European, North African and near Asian countries, that is, where it is not possible to use Community Transit.

# Procurement and supply environments

## LEARNING OUTCOMES

### 1.0 Understand the role and scope of procurement and supply in different economic sectors

#### 1.1 Summarise the functions of the private sector

- Definitions of organisations
- The size and scope of the private sector in different economies
- Functions of private sector organisations such as profit, growth, market share, share price, other financial measures, corporate and social responsibility

#### 1.2 Analyse the role and scope of procurement and supply in the private sector

- Sole trade, partnerships, registered companies, incorporated and unincorporated companies
- Small and medium sized organisations (SMEs)
- Multinational organisations
- The roles of procurement and supply in the private sector

#### 1.3 Analyse the role and scope of procurement and supply in the public sector

- Defining the public sector
- Central and local government
- The functions of public sector organisations
- The roles of procurement and supply in the public sector
- Commissioning and procurement
- Achieving budget savings and other sources of added value

#### 1.4 Explain the roles of the not for profit or third sector

- Defining the not for profit and third sector
- Public accountability for the not for profit and third sector
- The role of procurement and supply in the not for profit and third sector

### UNIT PURPOSE AND AIM(S)

On completion of this unit, candidates will understand a range of external factors that can impact on procurement and supply operations.

This unit focuses on the wider environment that impacts on procurement and supply in a range of different types of organisations, the public, private and not for profit or third sector can all be involved in fulfilling organisational needs.

### 2.0 Understand market forces that impact on procurement and supply

#### 2.1 Explain the implications of different types of competitive markets on procurement and supply

- Defining markets
- Perfect competition, imperfect, oligopolistic, duopolistic and monopolistic markets
- The impact of market competition on the procurement of supplies and services

#### 2.2 Analyse the principles of market demand and supply and how these impact on procurement and supply

- Defining micro economics
- Demand and supply curves
- Shifts in demand and supply
- Elasticity of demand and supply

#### 2.3 Explain the impact that market factors can have on organisations

- Market change
- The impact of demand and supply on pricing and availability
- The impact of product life cycles on demand

### 3.0 Understand the external environment and its impact on procurement and supply

#### 3.1 Use analytical tools to explain the impact of the external environment on procurement and supply

- The use of environmental scanning
- The use of PEST (political, economic, social and technological) criteria or STEEPLE (social, technological, economic, environmental, political, legislation and ethical) criteria that impacts on organisations' external environment
- The five forces model

#### 3.2 Explain the implications of economic criteria that impact on procurement and supply

- Macro economic criteria such as interest rates, inflation, exchange rates, level of economic activity (GDP/ GNP) that impacts on organisations
- Micro economic criteria such as demand and supply that impacts on organisations

**3.3 Explain the implications of political and legislative criteria that impact on procurement and supply**

- Political criteria such as stability and instability that impacts on organisations, different economic sectors and on countries
- Legislation that impacts on organisations such as on standards, health and safety, environmental standards and employment law

**3.4 Explain the implications of environmental and ethical criteria that impact on procurement and supply**

- Environmental criteria such as natural risks, waste emissions, pollution and energy efficiency that impact on organisations
- Ethical and social criteria such as employment rights, community benefits, working conditions and standards that impact on organisations

**3.5 Explain the implications of social criteria that impact on procurement and supply**

- Changing societal preferences, tastes and fashions, demographics, labour and fair-trade standards and how these can impact on organisations



# Procurement and supply operations

## LEARNING OUTCOMES

**1.0 Understand the main techniques that can achieve added value through procurement operations****1.1 Explain techniques to obtain supplies to the purchaser's requirements**

- The five rights of procurement
- Defining sources of added value
- Defining value for money
- Applying the five rights to procurement of both products and services

**1.2 Analyse techniques to secure competitive pricing**

- Using competition to obtain quotations on prices
- Comparing prices quoted to historical data
- Suppliers' approaches to pricing
- The link between costs and prices
- Negotiating improved prices
- Securing competitive pricing through competition or collaboration with suppliers
- Measuring achieved savings

**1.3 Explain techniques to achieve quality supplies**

- Defining quality
- Quality standards, processes and procedures
- The use of quality assurance
- The concept of zero defects
- Assessing quality of supplies of products and services

**1.4 Assess techniques to secure required quantities at required timescales**

- Internal, external and total lead time
- Expediting and measuring delivery performance
- Planning milestones and activities
- The use of scheduling
- Inventories and their costs

### UNIT PURPOSE AND AIM(S)

On completion of this unit, candidates will be able to identify a range of considerations in formulating agreements with external organisations.

This unit assesses procurement and supply operations and is structured around the achievement of the five rights namely price, quality, time, quantity and place.

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**2.0 Understand the main tasks associated with each stage of the sourcing process**

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**2.1 Explain how procurement needs are identified**

- Liaison with users and customers and understanding their commercial needs
- Reviewing needs from customers
- The make or buy decision
- Definitions of specifications

**2.2 Explain criteria that should be applied in creating specifications**

- The importance of specifications in contracts with external customers and suppliers
- Creating specifications for products and services
- Conformance and output or outcome based approaches to developing specifications
- The role of key performance indicators (KPIs)

**2.3 Assess approaches to the sourcing of supplies**

- Surveying the market
- Supplier appraisal
- Inviting quotations and tenders
- Assessing quotations and tenders
- The use of e-sourcing technologies
- Measuring supplier performance

**2.4 Explain approaches to the formation of agreements with external organisations**

- Dealing with queries and clarifications
- Ensuring transparency and fairness with suppliers
- Mistakes and second bids in tenders
- The use of reverse auctions/ e-auctions
- Forming agreements with customers and suppliers
- Transition and mobilisation arrangements

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**3.0 Understand the impact of technology on procurement operations**

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**3.1 Explain the impact of electronic procure to pay (P2P) systems on procurement operations**

- The stages of the sourcing process from identification of needs to the award of agreements
- Creating approvals and their timescales
- Defining procure to pay (P2P) systems
- Automating requisitions, purchase orders and invoices
- Integration of systems between organisations

**3.2 Explain how the use of internet technologies can support procurement operations**

- Providing data to smooth demand and supply
- Communicating via the internet
- Web based solutions such as e-requisitioning, e-sourcing, e-ordering, e-invoicing

# Procurement and supply workflow

## LEARNING OUTCOMES

### 1.0 Understand the workflow involved when making agreements with suppliers

#### 1.1 Explain the details that should typically be created in a purchase requisition

- Documentation that enables procurements of supplies and services
- The use of requisitions
- Interpreting the details that should be included in requisitions

#### 1.2 Explain the process for receiving quotations for the supply of goods or services

- Creating requests for information, quotations and proposals
- Dealing with queries and ensuring equality and fairness
- Receiving quotations

#### 1.3 Assess the implications of contractual provisions that may be included in quotations for the supply of goods or services

- Analysing and comparing quotations
- Terms relating to prices, payment, delivery, quantities, conformance to order and liabilities
- Interpreting terms used by purchasers and suppliers
- Dealing with variations to terms

### 2.0 Be able to develop a standard purchase order for goods or services

#### 2.1 Analyse the details that should typically be created in a purchase order

- Formats of purchase order documentation
- The fields and contents of standard purchase orders
- The use of cost centres and budgets

#### 2.2 Complete a purchase order for goods or services

- Completing the details that should be included in purchase orders

### UNIT PURPOSE AND AIM(S)

On completion of this unit, candidates will be able to interpret a range of data to help develop effective administration processes required when dealing with external organisations.

This unit identifies the typical work flows that procurement and supply personnel can be involved in working on.

### 3.0 Be able to interpret data relating to the workflow involved in procurement and supply

#### 3.1 Calculate future demand from relevant data used within procurement and supply

- Sources of data on historic demand
- Qualitative and quantitative forecasts
- Performing calculations from equations
- Extrapolating historic data to form forecasts of demand
- Revising forecasts and establishing reasons for variances

#### 3.2 Use data that relates to the pricing of goods or services for procurement and supply

- Direct and indirect costs
- Break even analysis (cost and volume profit formula)
- Analysing margins and mark ups
- Estimating whole life costs

#### 3.3 Use financial data supplied in sets of accounts to gauge the financial standing of organisations in procurement and supply

- Sources of information on organisations
- Annual accounts
- Financial statements such as: balance sheet, profit and loss and cash flow

#### 3.4 Draw conclusions from the operation of financial budgets for procurement and supply

- Comparing forecasts with actual expenditures
- The use of budgets
- Variance analysis

### 4.0 Understand how to deliver effective customer service to improve workflow in procurement and supply

#### 4.1 Review how customer service improves workflow in procurement and supply

- Definitions of customer service
- The role of procurement and supply in customer service
- Managing expectations
- Achieving excellence in customer service

**4.2 Explain how to clarify requirements when communicating with stakeholders**

- The communications process with stakeholders
- Verbal and non-verbal communication, person to person and group communication
- Communicating by telephone
- Effective writing of letters, emails, memoranda and reports
- Preparing documentation
- Building rapport

**4.3 Explain how technology impacts on communications in procurement and supply**

- Supplier and customer networks
- Producing plans and information on intranets and web-pages
- Electronic newsletters and catalogues
- Messaging technology
- Sending data to external suppliers or customers



# Inventory and logistics operations

## LEARNING OUTCOMES

### 1.0 Understand the main implications of purchasing and supplying inventory

#### 1.1 Classify the main types of inventory

- Definitions of inventory and inventory stock management
- Opening stock, work in progress and finished goods
- Safety stocks

#### 1.2 Assess the costs involved in holding inventory

- Acquisition and holding costs
- Methods for the valuation of inventory such as LIFO, FIFO, average cost and standard cost
- The profit and loss entry of cost of sales and goods sold
- The balance sheet entry for inventory

#### 1.3 Explain the main techniques for the monitoring and control of inventory

- Pareto analysis and ABC classifications of inventory
- Dependent and independent demand
- MRP and MRPII
- Just in time supply and kanban systems
- Consignment stocking and vendor managed inventory

#### 1.4 Analyse the main techniques for calculating the future demand of inventory

- Economic order quantity
- Reorder point and periodic review systems
- MRP and MRPII
- The bullwhip effect
- Service levels for inventory and working with sales and marketing
- Qualitative and quantitative approaches to forecasting

### UNIT PURPOSE AND AIM(S)

On completion of this unit, candidates will be able to select appropriate techniques to ensure the right inventory can be purchased or supplied.

This unit focuses on the techniques that can be applied to achieve the availability of inventories through the flow of materials and information.

### 2.0 Know the main methods for the storage and movement of inventory

#### 2.1 Describe the principles of stores and warehouse design

- Location of stores and warehouses
- Stores and warehouse design
- Factors that influence stores and warehouse layout
- Flow, space utilisation and flexibility

#### 2.2 Describe the use of product coding in inventory operations

- Systems for product coding
- Bar coding
- Order tracking technologies
- The use of RFID technologies

#### 2.3 Describe the use of warehousing equipment

- Materials handling equipment
- Palletisation and unit loads
- Packing and packaging
- Environmental standards for packaging
- The use of automation in warehousing

### 3.0 Understand the principles of transportation in logistics

#### 3.1 Explain the main modes of transportation in logistics

- Defining logistics and transportation
- Modes of freight transportation: road, rail, air and sea
- Transport planning and modeling
- Reverse logistics

#### 3.2 Explain documentation that relates to transport in logistics

- Common transit procedure
- TIR carnet
- Uniform customs and practice for documentary credits and letters of credit
- Packing list, waybill, consignment notes, bill of lading
- Certificate of origin
- Single administrative document
- Electronic documents

**3.3 Assess common types of incoterms in international logistics**

- The role of the International Chamber of Commerce
- The development of Incoterms
- Classification of terms – E, F, C and D terms
- Rules for sea and inland waterway transport

**3.4 Develop a plan for the transport of freight**

- Arranging the purchase or export of cargo
- The role of freight forwarders and customs agents



# Procurement and supply relationships

## LEARNING OUTCOMES

### 1.0 Understand the range of both internal and external relationships in procurement and supply

#### 1.1 Assess the roles of personnel within an organisation who may be involved in a relationship in procurement and supply

- Procurement and supply and its interactions with other functions
- Devolved purchasers
- The decision making unit (organisational buying behaviour)
- Account management

#### 1.2 Classify the stakeholders in a relationship between purchasers and suppliers

- Defining stakeholders
- Classifying internal and external stakeholders
- The RACI (responsible, accountable, consulted, informed) model as a classification tool
- Communicating with stakeholders

#### 1.3 Explain the appropriateness of cross functional working when making relationships in procurement and supply

- Forming cross functional teams
- The added value procurement and supply provides to cross functional working and internal marketing
- Barriers to team working
- Stages of team formation
- Characteristics of successful teams

#### 1.4 Assess the roles of personnel involved in a supply chain relationship

- Definitions of supply chain
- Examples of supply chains
- The concept of supply chain networks
- Stakeholder involvement in supply chains

### UNIT PURPOSE AND AIM(S)

On completion of this unit, candidates will be able to explain a range of main principles and techniques that help develop customer and supplier relationships. It is essential for procurement and supply personnel to form effective relationships with suppliers, internal and external customers and other stakeholders.

This unit introduces the principles of marketing, the importance of cross functional working and the need to communicate effectively both within the organisation and with people from external organisations.

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## **2.0 Understand the contribution that marketing makes to develop customer and supplier relationships**

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### **2.1 Review the principles and definitions of marketing**

- The marketing concept
- Market driven approaches compared to product or sales led approaches

### **2.2 Explain techniques associated with marketing**

- The 4ps and 7ps approaches to marketing
- The marketing mix
- Market segmentation
- Market targeting

### **2.3 Explain sources of competitive advantage sought through marketing**

- Sources of competitive advantage
- Competitor profiling and analysis

### **2.4 Explain the relevance of marketing principles to purchasers**

- Organisational buying behaviour
  - Applying the 4ps or 7ps to the work of procurement and supply functions
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## **3.0 Understand the elements of a commercial relationship between purchasers and suppliers**

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### **3.1 Explain the main techniques for the profiling of purchasers and suppliers**

- The application of the portfolio analysis matrix
- The application of the supplier perceptions and other matrices to procurement and supply

### **3.2 Classify the types of information that can be exchanged between purchasers and suppliers**

- Types of information exchange such as scheduling difficulties, demand forecasts, trends in costs and availability, designs and innovations and new product development

### **3.3 Explain how technologies may impact on a commercial relationship between purchasers and suppliers**

- Explanation of supplier and customer networks
  - The applications of the intranet and internet in commercial relationships
  - The use of electronic catalogues
  - The use of technology to exchange data
-