

A THEORETICAL APPROACH OF THE SUPPLY PROCESS

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Abstract

In a permanently changing economy, organizations need to achieve more goals with fewer resources in order to remain competitive. A key component in this effort is the design and coordination of distribution and supply networks. Each product has a particular distribution channel to the end customer, which is often long and complex. The supply process has an important contribution to achieving results of economic, industrial and productive organizations and has direct responsibilities related to reducing costs. This article aims to present some of general questions relating to the supply process, such as the definition, classification, stages and phase of the supply process using a comparative study of literature as a research method. The article also presents a variety of information that underlying the preparation of approved vendors list.

Keywords

customer; supply; resources; purchase; approved vendors

JEL Classification

M0

Introduction

To achieve this article the research method used is a comparative study of literature.

The supply is one of the component activities of commercial function through which businesses fall in economic relations with other companies.

The material resources supply is that activity through which it provides the necessary elements for work with a view to obtaining a higher profit for organizations. The supply is essential in any business organization, manufacturing or industrial, especially in situations where material resources have a high share in the cost of production, or when the range of the supplied articles is large or when the market for such products suffer fluctuations between demand and offer.

1. Definition, classification and supply stages

The supply is a very complex activity that involves a laborious decision-making process that defines any action that aims procurement of goods and services necessary for the production processes, service delivery and sale of goods to the population.

The supply includes all activities carried out within the enterprise version to ensure all resources necessary to the optimum version of its activity.

In organizing the chain of activities in economic organizations, industrial production or the supply of material resources, we can mention a few technical terms that define specific actions the supply process, such as:

- the purchase is the phase of the supply process reflected in a monetary transaction which falls between prelude (which include the following: identification of the necessary material resources and setting of deadlines

and quantities purchased) and the following actions (which include the following: negotiating the supply and material resources to effectively in the enterprise).

- the purchase is phase of supply process in which the transfer of ownership of material resources from supplier to customer, using payment instruments.
- supply, which constitutes the final action of the supply process with material resources, through which the shift towards consumption of material resources purchased from the supplier; basic actions that make up the supply activity are: the issuance of deposits required quantities of material resources; working with power points amounts and schedule.

Depending on the activities to be carried supplies and material resources to the nature of these resources or services necessary industrial enterprise, the following types of supply main activity:

- supply production base, which deals with procurement of all types of material resources needed to conduct the current business of the undertaking, namely: raw materials, components, sub-assemblies, parts, measuring instruments and control collaboration for the execution of components or technological operations, electricity, fuel and lubricants and packaging, consumables etc.;
- the supply for investment, which relates to procurement of equipment necessary for physical development in accordance with the investment objectives of enterprise development strategy;
- collaboration for supplied delivery material resources transport, if providers do not provide this service, or delivery of finished products to customers;
- technical cooperation for the realization of benefits, intellectual or otherwise, as: maintenance, logistical benefits, computer programming, market research, surveillance and security, etc.

Dumitru M. (2005) presents a range of influences and circumstances on which they perform upon organization supplies:

- generate administration costs involved salary;
- requires financial resources to obtain materials, components, equipment and services;
- add value to the product by value analysis, negotiation and supply strategy;
- generate revenue by selling surplus material, in counterpart arrangements or sales - leaseback type;
- has the authority to decide on the determinants of profit;
- has its own budget;
- reducing costs is a proper performance evaluation criterion.

Supply process consists of several *stages*. These stages are:

- establish what needs must be met and the products to be purchased;
- searching and selecting the suppliers that will allow meeting the needs expressed;
- purchase constitutes the third stage, depicting the result of her confrontation between supplier and buyer.
- the last stage is the one that refers to the period after making the purchase action.

Presentation stages of the supply process and the content phase shown in table no.1.

Table no.1
The main stages of the supply process for production material resources

<i>Step</i>	<i>Stage name</i>	<i>Content phase</i>
Step 1	Information on material resources and suppliers	Collecting preliminary information on material resources and suppliers. Suppliers interested potential customers to provide all required
Step 2	Launch of the order	The staff in charge of the buying process launching Purchase Order requesting the required material resource.
Step 3	Registration order to the supplier and the shipment of goods	Supplier achieved record order and sending material resources required quantity and at the agreed term
Step 4	Invoice payment	On delivery of materials / goods provider sends the customer invoice, containing the following data: quantity delivered, payment due date and amount.
Step 5	Recording material resources	Goods received from the supplier is registered and added to the existing stock.
Step 6	The invoice verification	Invoice received is checked from the point of view of the correspondence between the quantity of materials/products entered into it and actually received.
Step 7	Invoice payment	On the basis of verified payment invoice by the supplier.

Source: Brabie Gheorghe (2001), *Logistică industrială*, Editura Junimea, Iași, pp.50

2. Objectives and supply specific activities

The main *objective* of supply (Stan, A. 2012) is focused on providing complete, comprehensive and timely economic unit with the appropriate technical resources quality materials and equipment in place and deadlines. To achieve this objective more specific activities are carried out such as:

- *Identifying and fixing the amount and structure of materials and energy for the design parameters of activity of the organization.* This is done by studying and collecting information on energy and material resources needed for all consumer destinations throughout range, layout and quality.
- *Technical and economic substantiation of the plan and the programmes for the supply of material and energy.* For this purpose shall be used and the manufacturing plan, the rules for the whole structure of manufacturing needs for other destinations of use of material resources, the structure and level of existing stocks, own resources during the period covered by the foundation.

- *Sizing based technical documentation - economic consumption and energetic resource materials-* work provides the technical elements for calculating energy and material needs and is focused on the elaboration of specific consumption norms analytical, technical and economic grounded: by using these technical regulations consumer prevents irrational consumption, waste of materials and energy and thus unduly increasing economic costs.

- *Develop material and energy balances* which help to highlight how the use of resources, as well as tracing their concrete form during processing. Base is the foundation of these instruments manufacturing programs and rules specific consumption estimated in the technical and economic documentation for the execution of the products, works or services.

- *Sizing on economic grounds and stocks lots of material resources for command and supply;* the action is complex in nature, being justified by the importance of its economic aspect that is highlighted not only by the amount of material resources but also by spending it generates whose weight is 25-30% over the average value of stocks.

This action it shall be attached to the establishment of quantitative levels or timing calendar of supply orders.

- *The domestic and foreign market exploration of resources and materials for energy and real sources and potential location to be used.* The action involves the issuance of invitations to tender, investigations at fairs and exhibitions, international and domestic commodities exchanges, studying commercial catalogues, leaflets, flyers, other sources of information and publicity, commercial representations, dialing units specializing in the commercialization of products and materials, the collection and use of reusable materials.

- *The choice of material resources and technical equipment* that meet the best characteristics for consumer applications, presents the best delivery conditions etc.

- *Choosing suppliers whose offer presents the best economic conditions and ensure certainty in future deliveries on short or long term.* The choice of sources of supply will be made after several criteria including significant are those who are considering the quality of resource materials, terms, the distance of transmission, the possible form of transport used, the price level, potential suppliers, distribution channels used, etc.

- *Elaboration of strategies in the purchase of resources in relation to the market of internal and external supply.* The action is carried out after prior analysis of the characteristics of market supply, suppliers, of influencing the purchasing strategy.

- *Testing the reliability of suppliers you select in order to highlight moral uprightness, guarantees enjoyed by business, the seriousness in complying with obligations and solvency.*

- *Fleshing out relations with suppliers chosen, action involving the establishment, through the agreement, all conditions will delivery between partners.* Completion of your purchase is done by issuing orders and conclusion of commercial contracts.

- *Stock tracking of contracts of insurance material, preparation of charts tracking stock supplies suppliers and resources.*

- *Ensure normal conditions reception lots of incoming materials suppliers;* this involves setting up special discharge spaces - reception rooms appropriate technical means, to set up commissions reception - Reception and organization of work; their formations of workers for conducting these operations .

- *Securing storage spaces, equipping them with adequate furniture, internal organization of traffic flows, choosing efficient storage systems, storage operations-setting of material resources in the storerooms and warehouses;* in the same vein is

the inclusion of views of the resource entries received and accepted, so the conditions of storage and conservation required by the nature of the material stored and theft prevention, fire safety.

- *Organize system serving rhythmic material resources consumption subunits of the organization consistent with manufacturing programs;* In this framework shall ensure the development of programs optimal movement consumption correlation moments of liberation transmission of material from deposits subunits consumer ones that are actually necessary, staggering judicious in time of serving to prevent expectations, the overcrowding service points, blocking internal transport, loading irregular workers in warehouses.

- *A systematic check of the actual evolution of stocks* in relation to limits to avoid adverse economic consequences that it may cause overstocks or lack of materials in stock on economic activity of the enterprise, its financial situation.

- *Monitoring and control of materials and energy resource consumption destinations.* This activity aims to prevent consumption beyond the limits set by calculation wastage during transport and storage of non-compliance with technological discipline or original destination of use of material resources.

3. The approved vendors list

In order to establish this list needed some information which can be grouped into several categories. The first category refers to data provider identification (name, address, Telephone/Fax:)

Another category is the nature of the provider's activity, services or products concerned and also their detailed specification.

As regards the evaluation criteria, they may cover:

a) certified company management systems:

* ISO 9001 : 2008;

* ISO 14001 : 2005;

* OHSAS 18001: 2008;

b) CE certification for products supplied:

* all products are certified;

* 50 % of products are certified supplied;

* certification pending;

c) an independent department of technical control / inspection products;

d) how to monitor the quality of raw materials and/or sub-assemblies they purchase, namely:

* control of documents attesting;

* check at reception;

* third party inspection.

e) verifying the quality of finished products before shipment to beneficiaries;

f) a system of evaluating their suppliers;

g) the existence of a procedure for handling non-conformities;

h) handling of complaints regarding the quality of products:

* product remediation;

* replacement product;

* amount paid for the product return.

i) specification complaint deadline:

* 24 hours;

* 48 hours;

* more.

- k) specification of the term / payment terms agreed: delivery, 30 days, 60 days; other
- l) specification agreed payment methods:
 - * cash;
 - * payment order;
 - * CEC;
 - * promissory note;
- m) a minimal amount / orders;
- n) to customers specifying your traditional facilities:
 - * discounts;
 - * priority delivery;
 - * free shipping;
 - * payment term;
- o) technical documentation accompanying your products provided:
 - * yes;
 - * no;
 - * on demand;
- p) accompanying documentation as required by law provided your products:
 - * yes;
 - * no;
 - * on demand;
- q) providing post sales collateral for supplies? Yes; No
- r) deadline for providing product specification order:
 - * 24 hours;
 - * 5-7 days;
 - * 15-30 days;
 - * > 30 days;
- s) ensuring the supply of the product ordered at your destination:
 - * yes;
 - * no;
 - * on demand.

Before launching a contract when the need arises procurement is established the necessary raw materials, materials, equipment to be purchased and the services or works to be subcontracted.

The supply of raw materials, components, equipment, machinery and subcontracting activities or services - necessary for the performance of contracts, must be made known recording of supply, which includes at least the following:

- identification of products, services or works to be supplied/sub;
- deadlines for the completion of works supply or subcontractors;
- potential subcontractors;
- quality requirements for products, services, contracted work;
- conditions required for subcontractors;
- the applicable editions of the specifications and drawings (if deemed necessary).

Conclusions

The conclusions of this article will be focused on the following areas:

- Highlighting the essential aspects of the procurement process;
- Summary of key information for a proper development of the supply process;

- Mention of issues concerning of purchased product verification for optimal completion of the supply process.

Regarding the procurement process can be summarized as following:

- the organization must ensure that purchased product conforms to specified purchase requirements and that the product supplied complies with the requirements specified supply.
- type and extent of control applied to the supplier and purchased product must depend on the effect of purchased product on subsequent product realization or the final product;
- the organization must evaluate and select suppliers geared their ability to supply product in accordance with the requirements of the organization;
- it is appropriate to establish criteria for selection, assessment and reassessment .
 - must maintain records of the results of evaluations and any necessary actions arising from the evaluation.

Also, in the interests of good conduct of the process it is necessary to supply the following details of the outcome of the procurement information:

- information should describe the product for supply of stocked including, where appropriate, requirements for approval of product, procedures, processes and equipment.
- information should describe the product for supply of stocked including, where appropriate, requirements for staff qualifications.
- information should describe the product for supply of stocked including, where appropriate, requirements for quality management system .
- the organization must ensure that the specified requirements are adequate supply before communicating them to the supplier.

For an optimal completion of the procurement process must be given two points that refer purchased product verification, including:

- the organization must establish and implement the inspection or other activities necessary to ensure that the product supplied meets the requirements specified supply.
- when the organization or its customer intends to perform verification at the supplier, the organization should specify the information to supply arrangements envisaged verification and method of product release.

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