

THE  
CHARTERED INSTITUTE OF  
PURCHASING & SUPPLY®



# LEVEL 3

## Unit content guide

### Certificate in purchasing and supply

The units that make up the award are:

- Understanding the purchasing environment
- Purchasing operations
- Client and supplier relationships
- Securing supply
- Purchasing in action - integrative unit

Revised  
content

**September  
2009**



## LEVEL 3

# Certificate in purchasing and supply

## Introduction

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

The CIPS Certificate in purchasing and supply is a Level 3 vocationally related qualification. It has been accredited by the Office of the Qualifications and Examinations Regulator (Ofqual) and appears on the National Database of Accredited Qualifications (NDAQ). Please refer to [www.accreditedqualifications.org.uk](http://www.accreditedqualifications.org.uk)

The Level 3 Certificate in purchasing and supply consists of five compulsory units. One of these, Purchasing in action, is an integrative unit which is designed to draw together the knowledge and understanding achieved in the other four units and to demonstrate how these units combine and integrate in a working environment. The integrative unit should be taken after the compulsory units have been completed.

Assessment for each unit is by examination, with the exception of the integrative unit when there is a choice for students in the UK. If your study centre has been approved you can choose either a closed book examination or a work-based assessment.

If you wish to study for this award 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.”*

You will find that study centres vary on the exact format for delivery of the study programme. Additionally CIPS would recommend that you also commit a similar number of hours of self-study, including wider reading of the subject areas and revision to give yourself the best chance of successful completion of the award.

Below is a list of the units, their NDAQ reference numbers and CIPS reference codes which are used to identify the units for examination purposes.

### LEVEL 3 – CERTIFICATE IN PURCHASING AND SUPPLY NDAQ QUALIFICATION NUMBER 100/6111/3

Understanding the purchasing environment	A/500/1702	CIPS ref code L3-01
Purchasing operations	F/500/1703	CIPS ref code L3-02
Client and supplier relationships	T/500/1701	CIPS ref code L3-03
Securing supply	J/500/1704	CIPS ref code L3-04
Purchasing in action - integrative unit	L/500/1705	CIPS ref code L3-05

## LEVEL 3

# Certificate in purchasing and supply

## Glossary of terms

### Assessment

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

An assessment could be an examination, assignment or project.

### Business essentials

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

They are areas of importance, innovation and some emerging themes, such as:

- Quality management
- International issues
- Business finance
- Information management
- External factors

### 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, at Level 3, a command word will be 'demonstrate' or 'explain', whereas a command word at Level 6 will be 'synthesise', 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 you must take 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 upon pre-requisite knowledge, understanding and experience.

### Exemptions

Students who have successfully completed certain post-school studies may apply for exemptions from equivalent courses in their programme of study. To earn an exemption from either levels of qualifications or option units within 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 six exit awards in total.

- Introductory certificate in purchasing and supply
- Certificate in purchasing and supply
- Foundation diploma in purchasing and supply
- Advanced diploma in purchasing and supply
- Graduate diploma in purchasing and supply
- Executive diploma in purchasing and supply

# LEVEL 3

## Certificate in purchasing and supply

### Glossary of terms

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

#### Indicative content

The knowledge required in order to fulfil the learning objectives and achieve the learning outcomes – in other words what you need to know.

#### Integrative units

Integrative units are intended to help students see connections between all aspects of their learning within a particular level of qualification. For the purpose of CIPS qualifications, awards at levels 3 and 6 will have an integrative unit.

#### Learning objectives

Determines the level of learning you must undertake in order to achieve the learning outcomes.

#### Level

The level determines the complexity of learning, the depth of learning and the comparison of learning with other qualifications.

CIPS has qualifications at levels 2 to 7. The levels are as follows:

- **Level 2**  
Introductory Level – this is for somebody new to the purchasing and supply profession and often in a junior capacity
- **Level 3**  
Junior technical – also potentially new to learning
- **Level 4**  
Operational/junior manager/new to the profession
- **Level 5**  
Manager/specialist role
- **Level 6**  
Senior managers/specialist professional
- **Level 7**  
Postgraduate strategic leader

The levels are determined by Ofqual, who are the Government regulator for education, and enable a clear understanding nationally of the level of a person's learning and ability in that field.

#### National Qualifications Framework

This framework is a government framework, where qualifications that are approved by Government, as being fit for purpose, and meeting the quality criteria, are listed.

Qualifications listed within this framework are monitored against a variety of measures to ensure quality of qualification, associated procedures and delivery.

#### Ofqual

Ofqual is the Government regulator for professional bodies such as CIPS, and act as the caretaker of qualifications included in the National Qualifications Framework.

## LEVEL 3

# Certificate in purchasing and supply

## Glossary of terms

### **Optional units**

These are units where you have choice and opportunity to specialise in an area of interest. There is an opportunity to select two optional units at advanced diploma and two optional units at graduate diploma.

### **Qualifications ladder**

This ladder represents the hierarchical nature of CIPS qualifications. The ladder has six steps within it. It starts with an Introductory Certificate through to the Graduate Diploma.

Each step of the ladder is represented by qualification with an 'exit award'.

### **Statements of practice**

A goal for attainment, which indicates what you need to know and be able to do to complete your studies in a particular subject area.

Each unit has six to seven learning outcomes which outline what you will achieve as a result of your learning in that particular unit.

### **Student**

Member who is studying a CIPS qualification.

### **Unit**

A segment of learning within the CIPS qualifications, which has a value in terms of hours of learning. 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.

### **Weightings**

Weightings are allocated to each unit, to determine how the learning can be sensibly split.

Each unit has a content weighting of 100%. Within each unit, each subject area is given a weighting eg 20% or 25%.

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

However, the weightings do not necessarily reflect the marks that may be allocated to a question in that subject area of the unit.



**LEVEL 3**

**Certificate in purchasing and supply**

**Glossary of terms**

## LEVEL 3

# Certificate in purchasing and supply

## Acronym guide

### **ABC Analysis • Stock categorisation method**

Application of Pareto's Law of the 80/20 rule: ABC classifications are determined in ascending rank order of all products according to the product classification as a percentage of the total purchasing spend. Ranking can also be by volume, value, weight etc.

### **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.

### **DBFO • Design, build, finance and operate**

A contract strategy generally deployed in the public sector that uses a single contractor to act as the sole point of responsibility for the management and delivery of a construction project on time and to budget. This will be in accordance with a pre-defined output specification using reasonable skill and care.

### **EDI • Electronic data interchange**

The exchange of documents/information between computers using telephone lines.

### **EFT • Electronic funds transfer**

Financial or value transactions carried out between parties by means of computer systems. It can also refer to financial information about transactions being passed.

### **EFTPS • Electronic funds transfer at point of sale**

Payment at an electronic terminal that enables the movement of funds electronically over computer networks.

### **EOQ • Economic order quantity**

Also known as the Wilson EOQ Model or simply the EOQ Model. It is a model that defines the optimal quantity to order that minimises total variable costs required to order and hold inventory.

### **EPOS • Electronic point of sale**

A system that allows the flow of inventory/products from warehouse to point of sale in an optimal time.

### **EU • European Union**

The European Union was created in 1992 following the signing of the Maastricht Treaty. Its aim is to create an environment for the free movement of goods, services, labour and capital across the member states. There is also an emphasis on the abolition of trusts and cartels and the development of joint and reciprocal policies on labour, social welfare, agriculture, transport and international trade.

### **Incoterms • International consignment delivery terms**

There are 13 Incoterms developed which are intended to make international trade easier and help traders in different countries to understand one another. Using the term enables those reading them to understand who is responsible for risk, transport and costs as well as other issues.

## LEVEL 3

# Certificate in purchasing and supply

## Acronym guide

### **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 customer's 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.

### **MRP • Material requirement planning**

A product-oriented computerised technique aimed at minimising inventory and maintaining delivery schedules.

### **PFI • Private finance initiative**

An agreement that promotes partnership between both private and public sectors which enables utilisation of a wide variety of assets and services available in the private sector. The objective is to improve the quality and quantity of public sector capital products, and to also provide more efficient public services.

### **PPP • Public private partnership**

A PPP refers to any alliance between public bodies, local authorities or central government and private companies. PPPs typically involve the joint ownership of a special purpose vehicle established under company law.

### **RFID • Radio frequency identification**

Technology enabled efficiencies within the supply chain by tracking goods and services from point of manufacture through to retail point of sale (RPOS).

### **SLA • Service level agreement**

Service Level Agreement is a document which defines the relationship between two parties: the provider and the recipient. This is clearly an extremely important item of documentation for both parties. If used properly it should:

- Identify and define the customer's needs
- Provide a framework for understanding
- Simplify complex issues
- Reduce areas of conflict
- Encourage dialogue in the event of disputes
- Eliminate unrealistic expectations.

### **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.

### **The third sector**

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. Examples of social enterprises are The Big Issue and the fair-trade chocolate company Divine Chocolate.

## LEVEL 3

# Certificate in purchasing and supply

## Understanding the purchasing environment

### COMPULSORY UNIT

#### UNIT CHARACTERISTICS

This unit is designed to develop an understanding of the impact of the external national and international business environment upon the purchasing function in a range of different organisations and sectors.

Purchasing has a critical role to play in ensuring that value for money is achieved in both profit making and not-for-profit making organisations. In addition, to understanding the macro/micro environment, purchasing professionals must have a commercial and financial awareness relating to ensuring best value is achieved.

By the end of this unit students should be able to recognise the implications of the purchasing environment for a variety of organisations, in a variety of sectors, and have an awareness of business and commercial issues associated with achieving best value in the purchasing function.

#### STATEMENTS OF PRACTICE

On completion of this unit, students will be able to:

- Explain how different organisations and sectors interact in the business environment, both nationally and internationally
- Describe the different types of market structures in which organisations operate
- Outline the importance of understanding and meeting stakeholder expectations in the purchasing environment
- Explain how analysing the external environment can assist in making informed purchasing decisions
- Demonstrate an understanding of the importance of analysing financial information relating to the external environment.

## LEVEL 3

# Certificate in purchasing and supply

## Understanding the purchasing environment

### LEARNING OBJECTIVES AND INDICATIVE CONTENT

#### 1. UNDERSTANDING DIFFERENT PURCHASING CONTEXTS

*(Weighting 40%)*

##### 1.1 Describe the different types of organisational structures and sectors involved in purchasing goods and services:

- Public sector
- Private sector
- Small, medium enterprise
- Third sector
- Primary sector, manufacturing sector, retail sector, service sector.

##### 1.2 Explain the effects of different market conditions on the following:

- Perfect competition
- Imperfect competition: monopolistic competition, monopolies
- Oligopolies.

##### 1.3 Discuss how different market forms affect the degree of competition in a market and how this impacts on how purchasing operates in the market

- Sole suppliers: monopolies
- Large supplier base giving competitive advantage
- Restricted supply markets.

##### 1.4 Identify the different stakeholder groups involved in the public and private sector purchasing functions, and explain the concept of stakeholder co-operation:

- Employees
- Customers
- Suppliers
- Shareholders
- Local government
- Local businesses
- Charities
- Political parties
- Pressure groups
- Stakeholder co-operation.

#### 2. UNDERSTANDING THE LOCAL, NATIONAL AND INTERNATIONAL EXTERNAL FACTORS IMPACTING UPON PURCHASING

*(Weighting 40%)*

##### 2.1 Explain the impact of political factors affecting purchasing locally, nationally and internationally:

- Political initiatives and drivers: changes in public and private sectors
- Private finance initiatives (PFI)
- Public private partnerships (PPP)
- Design, build, finance and operate (DBFO)
- Government policy and funding
- Political drivers
- International politics and policies
- Trade sanctions
- Political directives.

## LEVEL 3

# Certificate in purchasing and supply

## Understanding the purchasing environment

### 2.2 Identify economic factors affecting purchasing locally, nationally and internationally:

- Interest rates
- Exchange rates
- Investment programmes
- The business cycle – boom and bust
- International economics.

### 2.3 Explain how social factors can affect purchasing locally, nationally and internationally

- Culture
- Demographics
- Local practices
- Language
- Behaviour
- Communications
- Ethics
- Local working practices and working hours.

### 2.4 Identify and explain how technological factors can affect purchasing at local levels, nationally and internationally

- Technology as a way of opening up new markets
- New communication technologies
- Government initiatives with technology
- Evolving nature and scope of e-procurement
- Different paces of technological development nationally and internationally, in developed and developing economies
- E-sourcing.

### 2.5 Identify environmental factors affecting purchasing at local levels, nationally and internationally and explain their potential impact

- Environmental policy
- Pollution, removal of rain forests, ie issues relating to environmentally friendly practices
- Reducing and disposing of waste in the purchasing function
- Legislation on emissions
- Kyoto agreement and its impact upon commercial operations.

### 2.6 Explain and provide examples of the main sources of English law:

- Statute law,
- Common law
- European law.

## LEVEL 3

# Certificate in purchasing and supply

## Understanding the purchasing environment

### 3. UNDERSTANDING FINANCIAL TOOLS FOR ANALYSING THE EXTERNAL PURCHASING ENVIRONMENT

*(Weighting 20%)*

#### 3.1 Identify the legal obligations relating to financial reporting of public, private and not-for-profit organisations

- UK legal requirements to put accounts into the public domain.

#### 3.2 Use a range of basic ratio analysis tools for assessing financial data on suppliers and competitors active in the purchasing environment including:

- Gross profit ratio
- Net profit ratio
- Current ratio
- Acid test ratio.

## LEVEL 3

# Certificate in purchasing and supply

## Purchasing operations

### COMPULSORY UNIT

#### UNIT CHARACTERISTICS

This unit is designed to introduce students to a variety of purchasing activities. Students should be aware of the operational objectives of purchasing and the need to balance considerations of cost, lead-time and quality.

Included in the basic principles of purchasing is the need to understand the variety of key activities that purchasers are involved in including project administration activities, contributing to the development of specifications, contract formation and the process of sourcing suppliers.

By the end of this unit, students should be able to understand the key operational processes and principles involved in the specifying, sourcing and contracting of suppliers.

#### STATEMENTS OF PRACTICE

On completion of this unit, students will be able to:

- Identify the different types of operational objectives relevant to the purchasing function in a variety of different sectors
- Explain the importance of the good practice relating to setting objectives within purchasing
- Describe how to prepare supplier specifications
- Explain policy and information requirements of the organisation when preparing specifications
- Outline the stages of identifying and sourcing suppliers
- Describe the different approaches for verifying supplier information
- Identify the essential elements of a legally binding agreement.

## LEVEL 3

# Certificate in purchasing and supply Purchasing operations

### LEARNING OBJECTIVES AND INDICATIVE CONTENT

#### 1.0 IDENTIFYING OPERATIONAL NEEDS OF THE PURCHASING FUNCTION

*(Weighting 25%)*

#### 1.1 Identify the differences between operational objectives in the purchasing function of a variety of organisation contexts:

- Manufacturing
- Services
- Retailing
- Assembly
- Factoring and wholesaling
- Public sector
- Third sector.

#### 1.2 Define good practice in purchasing in all sectors in terms of obtaining the 'right quality'

- Definitions of quality
- The costs of getting quality wrong
- Specifications and quality
- Approaches to managing supplier quality
- The concept of zero defects.

#### 1.3 Define good practice in purchasing in all sectors in terms of obtaining the 'right quantity'

- Understanding economic order quantities (EOQ)
- Calculating demand
- Concept of buffer stocks
- Concept of insurance stocks
- Concept of dependant demand.

#### 1.4 Define good practice in purchasing in all sectors in terms of 'right place'

- Selecting transport types
- Ensuring availability of appropriate documentation
- Incoterms
- Types of transport packaging .

#### 1.5 Define good practice in purchasing in all sectors in terms of 'right time'

- Internal, external and total lead-time
- Expediting and measuring delivery performance
- Demand factors
- The need for buffer stocks
- Minimum stock levels
- Supplier's production times
- Logistics operator's operational systems.

#### 1.6 Explain good practice in purchasing in all sectors in terms of obtaining the 'right price'

- Price elasticity
- Pricing strategies: skimming, penetration, psychological
- The concept of cost building
- The concept of break-even analysis
- The elements of price: materials, labour, overheads, marketing, logistics and profit
- Understanding a supplier's cost base and profit margins
- Examining what the market will bear
- Maintaining profit margins
- Link between cost and price .

## LEVEL 3

# Certificate in purchasing and supply

## Purchasing operations

### 2.0 CONTRIBUTING TOWARDS THE DEVELOPMENT OF SPECIFICATIONS

*(Weighting 25%)*

#### 2.1 Explain the meaning of specifications and tolerances:

- The definition of a specification
- Why it is regarded as the heart of the contract
- What are the implications of zero defects
- The need for the buyer to drive the specification
- The legal aspects of letting the supplier drive the specification.

#### 2.2 Explain the importance and purpose of developing specifications for purchasing products and services

- Expressing the control of the buyer
- Providing scope and definition
- Avoiding misinterpretation
- Methodology in delivering a product or a service.

### 2.3 Identify the different types of specification and explain the different contexts in which they are used:

#### Methods:

- Blueprint/design
- Brand name
- Sample
- Market grade
- Standards
- Performance/functional
- Chemical/physical properties

#### Used in sectors:

- Engineering, projects, construction
- Small businesses, consumers
- Textiles, commodities
- Commodity trades
- Engineering, manufacturing
- Manufacturing, electronics and most sectors
- Chemical engineering, engineering, construction.

#### 2.4 Describe how buyers and suppliers can contribute towards effective specification development

- Liaison with users
- Understanding the user's needs
- Understanding the legal implications
- Minimising the tolerances
- Early supplier involvement (ESI).

#### 2.5 Explain information requirements for developing effective specifications

- Technical requirements: project specifications, material specifications
- Timelines: schedules
- Delivery requirements for supply: times required
- Availability of commercial products or services
- Features of effective specifications
- Use of international standards.

## LEVEL 3

# Certificate in purchasing and supply Purchasing operations

### 2.6 Identify areas within specifications where legislation and company policy might impact upon the development of purchasing specifications

- Corporate social responsibility (CSR), ethics, conflict of interest
- Quality kite marks, processes, procedures
- Minimum standards of practice and performance.

### 3.0 AN INTRODUCTION TO SOURCING SUPPLIERS

*(Weighting 25%)*

#### 3.1 Identify the different stages of sourcing suppliers:

- Identifying the needs
- Establishing the specification
- Surveying the market
- Sourcing the market
- Appraising (audit) suppliers
- Inviting quotations (tenders)
- Analysing quotations and select the most promising supplier
- Negotiating the best value for money
- Awarding the contract
- Monitoring, reviewing and maintaining performance.

#### 3.2 Identify information sources to locate potential sources of supply:

- Internet
- Networking
- Trade fairs and exhibitions
- Visits from company representatives
- Advertisements
- Sales literature
- Trade directories.

#### 3.3 Explain the pre-qualification criteria for new suppliers:

- Financial status
- Capacity of the company to produce
- Technical capability
- Environmental Management and ISO14001
- Adherence to systems and procedures, ISO9001
- Corporate social responsibility (CSR)
- Conformance to legislation
- The supplier's supply chain
- The supplier's customer base
- The culture of the company
- The identified costs of the proposed purchase.

#### 3.4 Explain the different ways of verifying the information provided by suppliers including:

- References
- Financial assessments
- Ability to manage high volumes
- Delivery and quality records.

### 4.0 AN INTRODUCTION TO CONTRACTS FOR PURCHASING

*(Weighting 25%)*

#### 4.1 Provide an overview of the legal system and the sources of law as they relate to purchasing operations:

- The basis of the legal system in the UK and in Europe
- The difference between statutes and case law
- The role of parliament and the judiciary
- EU directives and procurement.

## LEVEL 3

# Certificate in purchasing and supply

## Purchasing operations

### 4.2 Outline the key components of the formation of contract:

- Offer
- Acceptance
- Consideration
- Intention to be legally bound
- Capacity.

### 4.3 Explain the concept of contract terms and conditions

- Defining terms and conditions
- Force majeure
- Liquidated damages
- Express and implied terms
- Understanding the need for terms
- Examining basic terms: termination, payment, ownership, risk, sub-contracting
- Use of standard/model forms of contracts.

### 4.4 Identify the key aspects of UK legislation relating to purchasing operations and explain the key implications

- Sale of Goods Act - implied terms
- Caveat emptor
- Supply of Goods and Services Act - implied terms
- Unfair Contract Terms Act - exemption clauses
- Contract, Rights of Third parties Act 1999 – concept of privity.

### 4.5 Describe different approaches to resolving contractual disputes

- Negotiation
- Arbitration
- Adjudication
- Through a court of law.

### 4.6 Identify and explain the legal remedies available for a breach of contract

- Rescind
- Repudiate
- Specific performance
- Damages through a court of law.

## LEVEL 3

# Certificate in purchasing and supply

## Client and supplier relationships

### COMPULSORY UNIT

#### UNIT CHARACTERISTICS

This unit is designed to enable those working in purchasing to understand the nature and scope of operational supplier and stakeholder relationships in order to optimise the performance of key suppliers.

The need to add value through relationships is central to the success of any commercial relationship and developing a strong customer focus is central to achieving organisational goals.

Students will be able to act as internal consultants representing the purchasing function in operational relationships.

There is a variety of skills involved in developing a strong customer/supplier interface, including basic communication and information seeking.

Students will be able to contribute towards the improvement of purchasing efficiency and ensure that operational relationships are both maintained and improved within the supply chain.

#### STATEMENTS OF PRACTICE

On completion of this unit students should be able to:

- Explain how to maintain effective commercial operational relationships within the supply chain
- Explain how to distinguish between internal and external customers
- Explain to provide excellent customer service and high standards of communication to both internal and external customers
- Outline the need for effective and efficient purchasing processes
- Identify the information requirements of those involved in operational relationships
- Explain how to improve operational supply relationships.

## LEVEL 3

# Certificate in purchasing and supply Client and supplier relationships

### LEARNING OBJECTIVES AND INDICATIVE CONTENT

#### 1.0 UNDERSTANDING THE NATURE AND SCOPE OF OPERATIONAL RELATIONSHIPS

*(Weighting 30%)*

##### 1.1 Explain the role of purchasing as a service provider function

- Distinguishing between suppliers and customers
- Stakeholder management
- Customer relationship management
- Relationships in the supply chain
- Key components of a relationship.

##### 1.2 Describe the importance of multi-tasking and cross- functional activities within the purchasing process

- Cross-functional relationships within the organisation
- The part cross-functional activity plays in an organisation
- Cross-functional relationships in the supply chain
- Implications of working across a diverse customer base
- The role of the purchasing professional as an internal consultant.

##### 1.3 Describe the contribution effective teams can make to the management of operational relationships in the purchasing function

- Importance of team working in the purchasing environment
- Different stages of team formation
- Barriers to effective team working
- Roles within teams
- Profiling teams
- Idea generation
- Joint responsibility
- Continuity.

##### 1.4 Identify the information requirements of all stakeholders in the supply chain and explain how this information contributes to effective management of operational relationships

- Internal consultancy as a means of understanding requirements
- Data gathering tools and techniques
- Types of information required across the supply chain
- Quantitative versus qualitative data.

## LEVEL 3

# Certificate in purchasing and supply Client and supplier relationships

### 2.0 UNDERSTANDING THE IMPORTANCE OF OPERATIONAL RELATIONSHIPS BETWEEN THE THE PURCHASING FUNCTION AND OTHER STAKEHOLDERS.

*(Weighting 40%)*

#### 2.1 Explain the benefits of maintaining good operational relationships within the purchasing function: strong relationships, improved business efficiency and greater effectiveness

- Benefits of excellent relationship management
- Potential costs to the organisation of poor relationship management
- Managing long-term relationships
- Pros and cons of long-term relationships.

#### 2.2 Describe the difference between good and bad customer service

- Defining customer service
- The characteristics of good customer service
- The characteristics of internal customer relationships
- The characteristics of external customer relationships
- Operational requirements of good customer service
- The value to the organisation of good customer service
- Understanding the customer's perspective.

#### 2.3 Explain the importance of determining and maintaining service level agreements both internally and externally within the purchasing function, and how service levels aid efficiency and consistency

- Service level agreements and their relevance in the purchasing function
- Objectives of service level agreements
- How to construct a service level agreement
- Problems with maintaining and monitoring service level agreements.

## LEVEL 3

# Certificate in purchasing and supply Client and supplier relationships

### 2.4 Outline each stage of the communications cycle and its relevance in enhancing effective communication

- The communication process: the key steps
- Barriers to effective communication
- Overcoming barriers to communication
- Importance of managing communication.

### 2.5 Explain how to communicate effectively within the supply chain through use of the following communication tools:

- Writing emails
- Writing letters
- Writing memoranda
- Writing reports
- Preparing documentation
- Verbal and non-verbal communication.

### 2.6 Explain how effective communication programmes ensure that stakeholders within the relationships are consulted on issues of importance:

- Definition of a communication programme
- Why communication programmes fail
- Stakeholder communication techniques
- Focus groups
- Consultation forums
- Briefings and seminars.

### 2.7 Explain how new technologies can impact on communication and relationships in the supply chain:

- Supplier and customer networks
- Electronic data interchange (EDI)
- Internet
- Intranet
- Short message service (SMS) and Multi-media service (MMS)
- Virtual conferencing.

### 2.8 Explain how to negotiate effectively in order to achieve supplier co-operation on day-to-day operational issues:

- Building rapport
- Tactical negotiation in the context of an existing relationship
- Supplier management
- Role of an account manager
- Understanding the supplier's perspective.

## LEVEL 3

# Certificate in purchasing and supply Client and supplier relationships

### 3.0 MAINTAINING AND IMPROVING OPERATIONAL RELATIONSHIPS

*(Weighting 30%)*

#### 3.1 Identify and describe a range of tools for monitoring operational relationship success

- Supply chain management versus supplier management
- Gaining executive sponsorship
- Benefits of managing operational relationships
- The different stages of trust in the buyer/supplier relationship
- Key performance indicators
- Key components of relationship mapping.

#### 3.2 Explain how purchasing plans are used as a means of communication within the purchasing function

- The importance of purchasing plans
- Purchasing plans as a means of communication
- Feedback mechanisms
- Barriers to successful monitoring.

#### 3.3 Identify ways of developing opportunities within the operational relationship including:

- Stages of relationship development
- Problems in relationship development
- Broadening supply
- Improving supplier commitment and co-operation
- Supplier development programmes
- Risks of failing to develop opportunities.

#### 3.4 Describe techniques to improving operational relationships

- Improving communication
- Profiling suppliers
- Profiling customers
- Improving delivery and adherence to service standards
- Carrying out supplier performance appraisal
- Developing supplier loyalty.

## LEVEL 3

# Certificate in purchasing and supply

## Securing supply

### COMPULSORY UNIT

#### UNIT CHARACTERISTICS

This unit is designed to enable those who work in purchasing to gain a broad understanding of the key requirements of controlling the supply of goods. Additionally, inherent within securing supply is the importance of stores and warehouse management, along with materials handling.

Students should be able to contribute towards the assessment of stock requirements, and assist in the scheduling of the flow of supplies.

By the end of this unit students should be able to understand the implications of effective scheduling of stock, and the importance of inventory control as a method of improving efficiency while, at the same time, driving down costs associated with holding stock.

#### STATEMENTS OF PRACTICE

On completion of this unit, students will be able to:

- Explain the implications of holding stock
- Describe the different methods used to value stock
- Demonstrate an understanding of a variety of inventory control methods
- Define the terms 'safety stock' and 'service levels', and describe their effect on order quantities
- Explain how the scheduling of the flow of supplies meets the requirements of an organisation
- Explain how to contribute to providing information on the principles of stores and warehouse layout, including design and layout
- Explain the advantages and disadvantages of different types of materials handling equipment
- Calculate stock demand.

## LEVEL 3

# Certificate in purchasing and supply

## Securing supply

### LEARNING OBJECTIVES AND INDICATIVE CONTENT

#### 1.0 UNDERSTANDING THE IMPLICATIONS OF HOLDING STOCK

*(Weighting 30%)*

##### 1.1 Explain why organisations need to secure supply

- The reasons for holding stock
- Risks associated with stocking out
- The costs of stocking out
- The different categories of stock, eg vulnerable supply
- Stockholding policies.

##### 1.2 Identify and explain the problems associated with holding stock

- Potential for damage and deterioration
- Loss of value
- Theft
- Fraud
- Use of space
- Working capital and cash-flow.

##### 1.3 Explain the valuation of stock

- The reasons for stock valuation
- The methods of stock valuation
- Average cost
- Standard cost
- Replacement cost.

##### 1.4 Identify the range of payment techniques for stock and explain the issues associated with the passage of title with material flows

- Payment methods
  - payments in advance
  - open account
  - stage or partial payment
- Transfer of property and transfer of possession
- The passing of risk
- Delivery and acceptance
- Bailment.

#### 2.0 USING STOCK CONTROL METHODS EFFECTIVELY

*(Weighting 20%)*

##### 2.1 Calculate the demand for stock

- Stock categorisation methods (ABC analysis)
- Techniques for managing bottleneck items
- Forecasting techniques
  - Moving weighted average
  - Moving straight average
  - Delphi technique
- Coping with seasonal demand
- Factors influencing forecasts.

##### 2.2 Identify techniques for monitoring and controlling inventory

- Stock control techniques
- Kanban
- Vendor-managed inventory
- Consignment stocking.

## LEVEL 3

# Certificate in purchasing and supply

## Securing supply

### 2.3 Explain what is involved in fixed order point, periodic review systems and economic order quantities (EOQ)

- Demand, usage and lead times
- Fixed order point
- Periodic review
- Costs of acquisition
- How much to order, and the economic order quantity (EOQ).

### 3.0 INVENTORY MANAGEMENT FACTORS

*(Weighting 25%)*

#### 3.1 Explain the concept of standardisation and variety reduction in stock supplied

- Why stock proliferation occurs
- The advantages of standardisation
- Approaches to variety reduction
- The management of slow-moving and redundant stock.

#### 3.2 Explain the differences between dependent and independent demand in managing stock

- Definitions of dependent and independent demand
- Terminology: bills of materials, master production schedules
- Inventory control systems for dependent and independent demand
- Materials requirement planning (MRP).

#### 3.3 Define and explain safety stock and service levels

- Definitions of safety stock
- Definitions of service levels
- The relationship between safety stock, service levels and order quantities.

#### 3.4 Explain the concept of classification and coding

- Different coding systems available
- The benefits of coding systems
- The characteristics of a good coding system
- Types of coding systems.

#### 3.5 Explain how suitable data systems are used to collate and prepare data for analysis on securing supply

- Stock recording methods
- Stocktaking (periodic and continuous)
- Use of information technology (IT) systems in managing stock
- Current developments in IT.

### 4.0 PHYSICAL STOCK MANAGEMENT

*(Weighting 25%)*

#### 4.1 Explain the internal requirements to consider in selecting a warehouse location

- Location of a warehouse
- Transport networks
- Accessibility
- Functionality
- Size and flexibility of premises
- Costs
- Whether to lease or own premises
- Purpose-built site or adapt existing premises
- Proximity to operational premises and customer sites.

## LEVEL 3

# Certificate in purchasing and supply

## Securing supply

### 4.2 Identify the range of external factors to consider when selecting a warehouse location

- Understanding of local factors including: availability and cost of labour force, local infrastructure
- Political influences: grants and regional aid, business taxes, environmental factors (potential negative impact caused by noise and congestion) and power of local lobby groups.

### 4.3 Outline the factors which should be taken into account when designing effective stores and warehouses

- Principles of warehouse design
- Identification of potential problems that inhibit store and warehouse design
- Factors influencing warehouse layout
- Different layout techniques
- The use of IT systems and simulation in warehouse design.

### 4.4 Explain the general principles of store and warehouse layout and the following storage principles:

- Flow
- Space
- Utilisation
- Flexibility.

### 4.5 Explain the principles underpinning efficient materials handling:

- The range of materials handling solutions available
- The advantages and disadvantages of various materials handling solutions
- Live storage
- Palletisation and unit loads
- The principles of packing and packaging.

### 4.6 Outline the different stock transaction recording and stocktaking methods

- Paper-based
- Electronic documentation
- Databases.

### 4.7 Identify and explain methods of automated stock-handling and payment systems

- Barcoding
- Radio frequency identification (RFID)
- Electronic point-of-sale (EPOS)
- Electronic funds transfer at point-of-sale (EFTPS)
- Warehouse management systems.

### 4.8 Explain relative merits of stockless purchasing and just in time (JIT) inventory management

- Introduction to the principle of improving productivity and eliminating waste through JIT systems
- The development of JIT
- Advantages and disadvantages of JIT
- The impact of JIT on purchasing operations.

## LEVEL 3

# Certificate in purchasing and supply

## Purchasing in action

### INTEGRATIVE UNIT

#### UNIT CHARACTERISTICS

This unit is designed to consolidate the learning from all four modules in the Certificate in purchasing and supply and is an assessment vehicle. You will be assessed on the learning objectives.

A selection of some of the core areas from each module will be revisited in order to test understanding, with the emphasis on providing a route map which shows how all the subjects are linked together within the purchasing function.

All of the core areas will be reviewed in the context of the end-to-end purchasing process which brings together elements from a number of different modules at each stage.

The core areas being reviewed are:

**Purchasing operations:** how the function can make a difference by being involved at an early stage, from identification of need through to contract negotiation.

**Client and supplier relationships:** looking at the different relationships that exist in the supply chain and how purchasing can improve operational efficiency through effective management practices.

**Understanding the purchasing environment:** helping students appreciate the importance of internal and external analysis and how this can help when working with clients and suppliers at each stage of the purchasing process.

**Securing supply:** looking at the various methods available for securing supply, and how supplier relationship management can influence inventory control.

### STATEMENTS OF PRACTICE

On completion of this unit, students will be able to:

- Demonstrate knowledge of the key principles governing each unit within the Level 3 qualification and indicate how they link together
- Describe the end-to-end purchasing process and the key components within it
- Discuss the importance that relationships play within purchasing
- Outline the importance of purchasing consultancy and how this can be carried out within the organisation
- Explain how analysing the internal and external environment can assist in making informed purchasing decisions
- Discuss the relevance of contracts within the purchasing function
- Demonstrate an understanding of the part storage of supplies plays in the end-to-end purchasing process
- Explain how ongoing supplier management can improve overall purchasing efficiency.

## LEVEL 3

# Certificate in purchasing and supply

## Purchasing in action

### LEARNING OBJECTIVES AND INDICATIVE CONTENT

#### 1.0 UNDERSTANDING THE KEY COMPONENTS OF THE END-TO-END PURCHASING PROCESS: THE PURCHASING CYCLE

*(Weighting 30%)*

##### 1.1 Explain the role of purchasing within organisations and how to distinguish between functional and operational objectives

- Overview of the purchasing cycle: the end-to-end process
- Different types of operational objectives that exist in purchasing
- The differences between functional and operational objectives
- How to work across the function within the context of the cycle
- How the function works outside the organisation and within the supply chain.

##### 1.2 Discuss the importance of early purchasing involvement and ways of working in terms of stakeholder maps, project teams and communication programmes

- Working with internal and external stakeholders to develop specifications
- Identifying internal and external stakeholders
- Working as part of a team
- Communicating the process.

##### 1.3 Explain how to source suppliers and the process used to ensure maximum competition

- Information gathering
- Tools and techniques to aid the process
- Analysis of the external market
- Conditioning the supply market using request for quotations
- Communicating the process.

##### 1.4 Identify the important areas of communication required to ensure an effective purchasing process

- The need for close communication with other key internal functions
- The need for close communication with all key suppliers.

#### 2.0 WORKING WITH STAKEHOLDERS TOWARDS SUPPLIER SELECTION AND IMPLEMENTATION

*(Weighting 40%)*

##### 2.1 Describe how purchasing would work with internal customers to ensure success in relation to selecting the right supplier

- The stakeholder's perspective
- Purchasing's perspective
- Selection methods
- Information requirements when analysing suppliers
- Communicating the process.

## LEVEL 3

# Certificate in purchasing and supply

## Purchasing in action

### 2.2 Explain how the level of competitiveness within the market can effect the overall deal negotiated

- Different market conditions
- Supplier development
- Tactical negotiation versus strategic negotiation.

### 2.3 Explain how contracts can aid negotiation and identify the different stages of contract formation

- Types of legislation in existence that could effect a commercial contract
- Steps involved in forming a legally binding contract
- Working with internal stakeholders to ensure contract closure
- Working with suppliers to ensure contract closure
- Monitoring the contract.

### 3.0 WORKING WITH SUPPLIERS TO ENSURE IMPLEMENTATION AND SECURING SUPPLY FOR THE LONG TERM

*(Weighting 30%)*

#### 3.1 Explain the need for service level agreements (SLAs) once contracts have been agreed and how to involve the key stakeholders in relation to implementation of the SLAs

- Working with a supplier in order to create a service level agreement (SLA)
- The importance of building a relationship with the supplier
- How to involve internal stakeholders
- Communicating the process.

#### 3.2 Explain the importance of supplier development and how to create the right environment with both internal and external stakeholders in order to make this happen

- Supplier relationship management
- Tools and techniques
- How to involve and work with internal and external stakeholders in relationship building
- Communication programme.

#### 3.3 Provide an overview of how to work with suppliers to ensure adequate stock levels, stock utilisation, stock turn and ultimately inventory efficiencies

- Inventory, stockless purchasing and JIT
- Information requirements and how to obtain them
- Monitoring the situation and keeping all stakeholders informed
- Completing the end-to-end process.





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ED19/PP/V4/02/06/09