



INBOUND COST

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Lesson 01 - Supplier

In this first lesson of the inbound course, we will talk about costs that are related with the supplier. Several facts are impacting your inbound costs related to the supplier location, distance, transportation cost and time. The more close you have your supplier, the less transportation costs will occur and the quicker could be your access to parts. In case of unforeseen needs, the more distance you have between you and the supplier, the more likely can supply chain disruptions occur. The area is important because you need to evaluate if this relationship can be long term. In case of areas which have war, civil war, unstable economy, bribery, etc. It will be very likely that you face disruptions rather sooner than later. Import Duty depending on authority regulations, you might have to consider this kind of tax which is usually derived from your goods value. It is therefore also known as import tax but also customs duty or tariff are used interchangeable. It is a control to protect the country's economy by increasing the price of imports. Agreements, Parts Price, this is usually the main part within the supplier costs and that's why most have a specific focus on that. But for comparing the supplier you need to consider all costs together as the total cost of ownership. In the total cost of ownership you need to consider the obvious cost that I just told you about like transportation, customs, parts price but also some costs that are not so much within the first focus. Rejects claims returns which are having a broader impact. Rejects are impacting your manufacturing efficiencies putting additional workload on your indirect team and claims and returns impact your customer reputation in possible less sales. Taking total cost of ownership approach could identify that a different supplier would be the right choice. Minimum order quantity MOQ usually this is the quantity that a supplier needs to produce to create efficiently the negotiated price. Usually with higher MOQ, the parts price gets lower. Lot sizes this is the indicator that tells you the next quantity possible to add to your order if you order more than the MOQ Incoterms short for international commercial terms Incoterms define who pays costs occurring during transportation and who takes the risk of loss or damage. Therefore you can also get a big cost contributor if you negotiate an ex works or destination price. Does the supplier manage and pay for transportation risk or damage or loss or do you manage and pay that with the incoterms You can also manage all different scenarios in between and choose responsibilities until each of the different steps of the flow. Consignment supplier puts the goods already into your warehouse but still has full ownership of the goods. Transfer of title occurs once the goods are consumed from that area. The advantage for suppliers is that he will be sure that we will buy the parts from him. But you need to watch obligations in case you are obliged to take ownership of that period. Of time. Consignment inventory is often controlled with min max or supplier manages it per our forecast by himself. There is an indirect cost to that as well as you will need to provide the space to store the goods. Therefore you could go one step further and negotiate consignment stock at the supplier. But that also needs to be evaluated against the quick access of having the stock already inhouse. Buffers. As we speak about consignment at suppliers, there are also other types of buffer possible. Supplier can hold buffer to COVID uncertainties within your demand pattern to react. Quick buffer can be the final component or for example raw material with long lead time. his would then be a decoupling point for you. Same as with the consignment, you need to be aware of any obligations to buy those buffer. Same as with

consignment agreements. ISO Certification quality certified suppliers can reduce your receiving costs by having mature processes in place to deliver always in full inquality sample tests of correct quality could be sufficient. Speaking about supplier related costs, I want to give you as well a takeaway. Many companies try to reduce parts purchasing price to secure margins. Think about it that way. Every employee wants a pay raise annually to compensate inflation, right? So you will need either increased sale or decrease the cost associated with the sales to retain the same gross margin. But don't forget, the bitterness of poor quality remains long after the sweetness of a low price is forgotten. Thank you for watching this video and I would be happy to see you in the next lesson.

