Preferred Supplier

SYSPRO 8

Reference Guide

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Simplifying your Success

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Exploring

Where does it fit in?

SYSPRO's **Preferred Supplier** feature lets you configure and manage sourcing policies for your stock codes.

A sourcing policy determines who is the preferred supplier of a stock item and helps a company stay competitive by ensuring that purchasing agreements and policies are upheld when creating requisitions and purchase orders.

By implementing procurement policies, organizations can leverage whole-company spending potential in establishing long-term preferential agreements with suppliers. These policies could be to reduce risk associated with satisfying material demand, preferential negotiated rates, or demand planning optimization.

A purchasing strategy benefits buyers and suppliers - suppliers have guaranteed sales, while buyers can negotiate favorable terms.

Benefits:

- Improved value-to-price relationship (i.e. achieve cost reductions while maintaining or improving quality and service).
- Understanding of category buying and management processes to identify improvement opportunities.
- Examination of supplier relationships across the entire organization.
- Leveraging the entire spend of the organization.
- Developing and implementing multi-year contracts with standardized terms and conditions across the organization.
- Sharing best practices across the organization.

When an active sourcing policy for the stock code exists, the system takes this into consideration when creating purchase requisitions and purchase orders.

When an operator approves a purchase requisition, the preferred supplier is suggested according to the specifications in the sourcing policy. At the time of creating a purchase order from the requisition, the system establishes the preferred supplier from the requisition.

If a supplier, other than the preferred supplier is selected, the system displays a warning message. Depending on the authorization level assigned to the operator the change of supplier is accepted or denied.

Terminology used

Sourcing policies

A sourcing policy determines who is the preferred supplier of a stock item and helps a company stay competitive by ensuring that purchasing agreements and policies are upheld when creating requisitions and purchase orders.

Option	Description
Round-Robin	A list of suppliers is defined in a specific sequence. Each gets a turn at being the preferred supplier (i.e. on a rotational basis).
	For the first requisition of stock, the first supplier on the list becomes the preferred supplier. For the next requisition, the next supplier is assigned as the preferred supplier, and so on.
	Once all suppliers on the list have been used, the first supplier on the list is re-assigned.
	If a preferred supplier is overridden or skipped, they do not miss their place on the list, but are assigned as the preferred supplier for the next requisition of stock.

Option	Description
Multi-Sourcing	A threshold amount is defined as either a value (total procurement amount) or a quantity. Proportional percentages are then defined against multiple suppliers.
	This means that a percentage of the total spend is allocated to each supplier on the sourcing policy. The system then selects the next preferred supplier once the allocated percentage (amount or quantity) is exhausted.
	The next preferred supplier can be determined in one of two ways:

Sequence	The preferred suppliers are selected in the sequence in which they were added to the list (similar to a round-robin policy) provided they have not exceeded their allocated threshold percentage. Once the threshold is reached, they are excluded.
Threshold depletion	The first supplier in the list is the preferred supplier until their allocated percentage has been depleted. Only then will the next supplier be assigned as the preferred supplier.

Option	Description
Lowest Cost	The preferred supplier is assigned based on the lowest cost defined against the Supplier/Stock Code Cross-reference table (`PorSupStkInfo`).The cost of all suppliers for that stock code must be calculated to the same unit of measure. In this case, the system uses the stocking UOM.In addition, the lowest cost is converted to local currency to take account of foreign suppliers. Once this is calculated, the supplier with the lowest cost is assigned as the preferred supplier.
Lowest Cost within Due Date	Although similar to the lowest cost policy, this policy takes into account the lead-time defined in the Supplier/Stock Code Cross-reference table (`PorSupStkInfo`).
	Based on the stock requisition's due date, the system determines which supplier will be able to supply on the specified due date. Once this is determined, the supplier with the lowest cost is assigned as the preferred supplier.

Option	Description
Supplier by Stock Code	A single supplier is defined for this stock code and will always be assigned as the preferred supplier.
Supplier by Warehouse	A single supplier is defined for this stock code and will always be assigned as the preferred supplier. However, different suppliers may be defined as the preferred supplier for different warehouses.

Active sourcing policy

A policy where the procurement date falls within the start/expiry date specified in that policy.

Preferred vendor/supplier

A term used for a systematic selection of a supplier through pre-determined criteria.

Strategic sourcing

A deliberate policy-driven approach undertaken by an organization to consider multiple factors for supplier selection based on longer-term initiatives.

Starting

Access Control

eSignatures

You can restrict access to the eSignature transactions within a program at Operator, Group, Role or Company level. You configure these using the **eSignature Setup** program.Electronic Signatures provide security access, transaction logging and event triggering. These enable you to increase control over your system changes.

Inv Preferred supplier overridden

Controls the ability to override the preferred supplier for a stock code in the following programs:

- **Requisition Entry Maintenance**
- **Requisition Entry**
- **Requisition Create Purchase Orders**
- **Purchase Order Entry**
- **PO Creation**

Inv Sourcing policy added

Controls the addition of new sourcing policies in the **Sourcing Policy Maintenance** program.

Inv Sourcing policy changed

Controls the maintenance of existing sourcing policies in the **Sourcing Policy Maintenance** program.

Inv Sourcing policy deleted

Controls the deletion of sourcing policies in the **Sourcing Policy Maintenance** program.

Restrictions and Limits

- All changes made to a sourcing policy are authorized and logged using eSignatures.
- Sourcing policies are captured for a certain period and only one sourcing policy can be in force at a time.

- No date overlapping on sourcing policies is allowed.
- A sourcing policy can only be captured against an item if the **Use preferred supplier** option is enabled against the item in the **Stock Code Maintenance** program.

Using

Preferred Supplier Setup

To implement a sourcing policy and preferred supplier setup for a stock code:

1. Configure security access.

   Ensure that you have the applicable eSignatures authorized for your operator code, role, group or company in the **eSignature Setup** program.

2. Configure the stock code.

   Ensure that you have the applicable eSignatures authorized for your operator code, role, group or company in the **eSignature Setup** program.

3. Configure the sourcing policy.

   This can be done in two ways:

   - Within the **Stock Code Maintenance** program, select the **Edit** option in the **Sourcing policies** field which will open the **Sourcing Policy Maintenance** program, or

   - Open the **Sourcing Policy Maintenance** program directly from the SYSPRO program listing.

   Enter all applicable information regarding the sourcing policy required for the stock code.

When adding a purchase order or requisition for a stock code that has been flagged as using sourcing policies (and there is an active policy for that stock code) it is checked and a preferred supplier is suggested for that demand.

However this preferred supplier may be overridden and a different supplier used. If that happens, eSignatures can be used to log and authorize this.

> When a purchase order or requisition is added, changed or deleted, the sourcing policy's preferred supplier details are updated to reflect the demand.

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