Preferred Supplier

SYSPRO 8

Reference Guide

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SYSPRO™
Simplifying your Success

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Preferred Supplier

Exploring

Where it fits in?

The **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.

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

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.

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.

Navigation

The programs related to this feature are accessed from the **Program List** pane of the SYSPRO menu:

- *Program List > Inventory*

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Terminology

Sourcing policy

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

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.

Multi-Sourcing

A threshold amount is defined as either a value (i.e. 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.

- The **Purchase Order Review** program suggests requisitions using the first preferred supplier in the sequence, regardless of whether the quantity of the first suggested requisition exceeds the threshold defined against the first preferred supplier in the policy. This is because the policy is not referenced at the time the suggested list is generated.

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You must close and re-open the program after creating the first purchase order from the suggested requisitions for it to use the next preferred supplier in the sequence.

- In addition, if you create a purchase order (either manually using **Purchase Order Entry** program or using the **Purchase Order Review** program) and the first order exceeds the supplier's threshold amount, then the system creates a purchase order for the quantity entered. It will check the threshold and suggest the next supplier on the policy for the next order created.

Lowest Cost

The preferred supplier is assigned based on the lowest cost defined against the Supplier/Stock Code Cross-reference table (i.e. `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 also takes into account the lead-time defined in the Supplier/Stock Code Cross-reference table (i.e. `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.

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.

The suppliers defined per warehouse are recorded in the Inventory Warehouse table (i.e. `InvWarehouse`).

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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.

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Starting

Security

eSignatures

You can restrict access to the eSignature *transactions* within a program at operator, group, role or company level (configured using the **eSignature Setup** program). Electronic Signatures provide security access, transaction logging and event triggering that gives you greater 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

- Sourcing policies are captured for a certain period. Therefore, only one sourcing policy can be in force at a time (i.e. date overlapping is not allowed).

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Using

Process

To implement a sourcing policy and preferred supplier setup for a stock code, you need to do the following:

1. Configure the applicable stock codes to use preferred suppliers by enabling the **USE PREFERRED SUPPLIER** option within the **Stock Code Maintenance** program.
2. Create the sourcing policies you require using the **Sourcing Policy Maintenance** program.
3. Configure the applicable eSignatures in the **eSignature Setup** program for specific operators, roles, groups or company-wide.

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 verified and a preferred supplier is suggested for that demand. However, this preferred supplier may be overridden and a different supplier used, if the **Inv Preferred supplier overridden** eSignature is allowed.

> 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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