

Procurement Cycle

The procurement cycle occurs at the manufacturer/supplier interface and includes all processes necessary to ensure that materials are available for manufacturing to occur according to schedule. During the procurement cycle, the manufacturer orders components from suppliers that replenish the component inventories. The relationship is quite similar to that between a distributor and manufacturer with one significant difference. Whereas retailer/distributor orders are triggered by uncertain customer demand, component orders can be determined precisely once the manufacturer has decided what the production schedule will be. Component orders depend on the production schedule. Thus it is important that suppliers be linked to the manufacturer's production schedule. Of course, if a supplier's lead times are long, the supplier has to produce to forecast because the manufacturer's production schedule may not be fixed that far in advance.

In practice, there may be several tiers of suppliers, each producing a component for the next tier. A similar cycle would then flow back from one stage to the next.

Chopra, Sunil and Peter Meindl. Supply Chain Management. 2 ed. Upper Saddle River: Pearson Prentice Hall, 2004.