PROCUREMENT DOMESTICALLY AND INTERNATIONALLY

The case of companies A and B

Francesca Xiaoying Zhang

Bachelor's thesis
May 2012
Degree Programme in
International Business
Options of Supply Chain Management and Financial Management

TAMPEREEN AMMATTIKORKEAKOULU
Tampere University of Applied Sciences

ABSTRACT

Tampereen ammattikorkeakoulu
Tampere University of Applied Sciences
Degree Programme in International Business
Options of Supply Chain Management and Financial Management

AUTHOR: Francesca Xiaoying Zhang
Title of thesis: Procurement Domestically and Internationally
The Case of Companies A and B
Bachelor's thesis 45 pages,
May 2012

This thesis aims to compare domestic and international procurement operations & business systems in company A and B. Company A is a multinational overseas company with domestic procurement and sales in China. Company B is a Finnish company with international procurement from Far East and sales in Nordic countries.

Procurement is directly linked to business or organizations' ability to deliver value in the market place. It is increasingly recognized by managers as a key business driver. Procurement decisions fundamentally affect business success because costs on purchased parts and services represent more than half of the sales revenues of most companies today. Companies having contacts of globally distributed supply base, are not necessarily limited to domestic purchase, moreover they can purchase internationally.

Conducting and managing international procurement is more complex than undertaking domestic procurement. Some key aspects that differentiate international procurement from domestic procurement are that international procurement deals with a wider range of issues: trade between different nationalities, less mobility of factors of production, customer heterogeneity across markets and use of different currencies, governmental economic policy and political issues, culture, distance, customs and tax systems.

This case study with a practical approach intends to create a holistic picture of domestic procurement in company A and international procurement in company B. By comparing their procurement operations and business systems, I conclude that company A had more advantages in choosing suppliers, better payment terms than company B, while company B has the advantages of the whole procurement department staff working as a team and the procedure is simpler. Lastly, the author had generated some suggestions which may benefit the procurement operations of company B.

The author obtained firsthand procurement operations knowledge of both companies because of her seven years work in company A and three months practical training in company B. This thesis contains some confidential information (business systems) that does not appear on the published version.

Key words: Procurement, Domestically, Internationally, Comparing, Improve

TABLE OF CONTENTS

1 INTRODUCTION

1.1 Background and Motivation

Company M is originally a Dutch chain of warehouse clubs, the first store opened in 1968 in Amsterdam. Company M extended its business to Asia in 1980s. Company A was established in 1995, it was a joint venture between company M and its Chinese partners, Company A was one of the top five food and non-food wholesale and retail commercial operators in China from 1995 to 2007. It had altogether 12 membership chain stores in Beijing and a few other cities. The core customer base of the company was retailers, caterers and professionals in the service sectors which are registered members of the company. The company was sold to a Korea corporation in 2008.

I worked for Company A in Beijing, China seven years from 2000 to 2007. I started as a management trainee and left the company as a commercial manager. Over the years, I was involved in various departments for different business activities, sales, finance and procurement department. I worked in the procurement department of the head office for four years, two years as an assistant buyer, and two years as a food division procurement manager. These experiences enabled me to acquire knowledge and information on how the procurement department was operated in Company A.

Company B was established in 1954, it is a Finnish import and export company, quite a lot of products of the company are imported from the Far East. It is a leading wholesale of consumer goods and Logistics Company in the Nordic region. The turnover of the company is about 68 million Euros per year and with over 165 skilled professional employees. The company's products cover the basic needs of consumers from novelties to everyday items. The company has a broad range of clients, including leading department stores, cash and carry outlets as well as retail shops in Nordic and Baltic countries. The company operates quite well currently.

I had conducted my practical training in procurement department of Company B in Tampere, Finland from September to December 2011 as part of my international business studies. I was mainly in charge of ordering from the Far East and coordinate with Chinese suppliers. My practical knowledge about international procurement had been further improved and enhanced over the three months, and I received permission from the company that I can use the company's information in my thesis project.

Based on my experiences in the two companies, I observed distinctive differences in the procurement operations and business systems of the two companies. I consider the differences worthy of analyzing and noting. During my practical training, I also noticed Company B did not use standardized sales contract, the coordination between buyers purchasing from same supplier was not sufficient and the buyers rely more on purchasing from trade fairs which is very costly for the company. And I hope to generate some suggestions to company B by comparing the procurement operations of the two companies so that the procurement department of Company B can have more effective commercial operation.

This case study with a practical approach aims to present a holistic picture of domestic procurement in Company A and international procurement in Company B from the Far East to Finland. The thesis starts with the definition, importance, objectives, process and the different types of procurement. It is followed by addressing matters of purchase volume and some techniques of supplier management. Then the thesis goes deeper into the field of international procurement, the important characteristic terms and payment mechanism in international procurement. Then the thesis continues with the two companies' operations and business systems of procurement. By comparing their operations and business systems of procurement, the author find out some advantages and disadvantages in both companies' procurement operations, for example: company A had more advantages in choosing suppliers and better payment terms than company B, while company B had the advantage that the whole procurement department staff work as a team, the procedure was simpler. The thesis is closed with a summary and suggestions to company B aiming to further improve procurement operations in Company B so that the cost and time will be reduced, the quality and output will be increased.

From an educational perspective, this thesis is intended to introduce a wide theoretical introduction with procurement and its application in international procurement; this will provide readers with more general understanding and knowledge about the topic. From personal perspective, it will bring valuable updates and highlight in my professional life, especially in international procurement by conducting the thesis. This case study is dedicated to the colleagues and friends who have helped and supported me with their professional knowledge and enthusiasm during my work in company A and practical training in company B.

1.2 Research Methods and Limitations

The main sources of information in this thesis come from internet resources, journal articles, and scientific literature of procurement and purchasing. I also interviewed some colleagues whom I had worked together with. Business systems screens are from procurement departments of the two companies, which I took during my work and practical training with the permission of respective supervisors for writing report and thesis purpose. Additionally, thoughts expressed in this thesis have been based on participant's observations and personal knowledge resulted from years of working experience in procurement departments.

Pseudonyms have been applied for the companies and their suppliers in the case to maintain the promise of confidentiality. Some important business files and business systems screens used in the thesis to support justifications and explanations will be excluded from public viewing but will be delivered to TAMK and company B respectively.

There are many other interesting aspects of procurement such as complex logistic networks, warehousing and quality control and how to reduce the risk of being defrauded (Ethics and legal matters). These all deserve far more attention. However, due to time limitation they are not discussed in this thesis. This case study focuses on purchasing operation as its importance in international procurement.

Lastly, the whole process of working on the thesis proposal and writing the thesis were valuable and challenging experience. As a beginner who just started a career in international business and with only three months internship experience in Company B, I may have limitation of depth knowledge to look at the issues further.

2 PROCUREMENT

2.1 Definition and Importance of Procurement

“Procurement is the acquisition of goods and services. It is favorable that the goods/services are appropriate and that they are procured at the best possible cost to meet the needs of the purchaser in terms of quality and quantity, time and location. Corporations and public bodies often define processes intended to promote fair and open competition for their business while minimizing exposure to fraud and collusion.”

Procurement derives its importance to an organization from two sources: cost efficiency and operational effectiveness. Managers with good negotiating skills and strong relationship with suppliers save their organizations large sums relative to the competition. Identifying the right production equipment and buying it at a good price can create a competitive cost advantage that lasts for longer term. Good procurement practices helps to avoid operational problems. Current trends suggest that top management demands more of procurement in the future than low-cost goods and the avoidance of problems. Procurement will be expected to ensure supply to generate profits, not just reduce costs.

TABLE 1. Comparison of Superior, Average, and Below Average Procurement Organizations-Effect on the Bottom Line

(In Millions Euro)

	Superior Procurement	Average Procurement	Below Average Procurement
Total revenue	100	100	100
Cost of procurement	57	60	63
Other expenses	30	30	30
Total expenses	87	90	93
Gross profit	13	10	7
40% Taxes	5,2	4	2,8
Net profit	7,8	6	4,2
Sales increase required to equal superior profit	0	30 % or 30	85,7% or 85,7

(Bloomberg, LeMay, Hanna, 2002, 13) describes how much more sales percentage is needed to generate same profit with slightly different cost of procurement.

We can easily see how important procurement is to cost savings from the table above; to get the same additional profit; the average firm would have to increase sales by 30 percent, to 130 million Euro. The below average firm would have to increase sales from 100 million Euro to 185, 7 million Euro to get the same net result.

Without effective procurement practices, operations in a firm may be disrupted, customer service levels may fall, and long-term customer relationships may be damaged. Before any product can be manufactured, supplies must be available- and the availability must meet certain conditions. Meeting these conditions may be considered the goal of procurement. (Bloomberg, LeMay, Hanna, 2002, 13)

2.2 The Objectives of Procurement and Process

The efficient acquisition of products and services requires the right materials, in the right quantity, in the right condition, at the right time, from the right source, with the right service, and at the right price. More explicitly, procurement is expected to accomplish the following nine objectives:

- Provide an uninterrupted flow of materials, supplies and services.
- Minimize inventory investment and loss.
- Maintain adequate quality standards.
- Find or develop competent suppliers.
- Standardize, wherever and whenever possible, the items bought.
- Purchase required items and services at the lowest ultimate price.
- Improve the organization’s competitive position.
- Work harmoniously with other departments in the organization.
- Accomplish the objectives at the lowest possible level of administrative costs.

These objectives fit the overall objectives of procurement, and are inclined to provide desired customer service levels while minimizing total costs. To meet these objectives, procurement usually follows an identifiable process that is discussed in the next section. (Bloomberg, 2002, 13─15)

Procurement Process

While individual purchases may appear quite different, there is a general and underlying procurement process; the process may be divided into five procedures: recognizing a need, identifying a supplier, qualifying and placing an order, monitoring and managing the delivery process, and evaluating the purchase and the supplier.

- Recognizing a need
- Identifying a supplier
- Qualifying and placing an order
- Monitoring and managing the delivery process
- Evaluating the procurement and the supplier

A particular procurement may go well or poorly. Most procurement organizations summarize the accumulated experience with a supplier through many transactions and purchases. When one transaction goes awry, procurement may contact the supplier to avoid future problems. When many transactions fail to meet standards, procurement then seeks new suppliers. (Bloomberg, 2002, 15)

2.3 Types of Procurement

Although procurement managers buy a variety of materials for a firm, the majority of purchases fall into eight categories:

- Component parts (production purchases)
- Raw materials (production purchases)
- Process materials (nonproduction purchases)
- Accessory equipment (parts and services purchases)
- Major equipment (nonproduction purchases)
- Operating supplies (nonproduction purchases)
- Finished product (corporate sourcing purchases)
- Services (nonproduction procurement)

These eight procurement categories fall into four distinct buying situations. Companies may not refer to these four situations by the exact names listed below, but the definitions should be the same.

- Routine orders, Includes situations where the product has been purchased many times and order procedures are established.
- Procedural problems. Includes no routine purchases that may require the employees to learn how to use the product.
- Performance problems. Includes no routine purchases of products that are designed to be substitutes for current products but which must be tested for performance.
- Political problems. Includes non routine purchases of products whose use would affect many departments of the firm; thus, many people in the firm are involved in the decision process.

Today, procurement managers rely heavily on the computer to assist in these buying situations. The computer does not alter the decision-making steps in analyzing a purchase; it merely speeds up the process.

One important use of computers in procurement is electronic data interchange (EDI). Areas of primary interest are (1), brining suppliers online to share more timely and accurate information. (2), applying barcode technology in receiving inbound shipments and generating orders. (Bloomberg, 2002, 19)

2.4 Quantities to Purchase

When purchase large amounts of materials or items it is essential to identify which ones will have most impact on the overall inventory cost and which categories need special management and controls as through efficient use of inventory resources it could influence overall costs (Vollmann 1997, 720─722). To resolve this problem, an ABC analysis (Selective Inventory Control) can be used.

In an ABC analysis the inventory is grouped into three categories: “A”- important and approximately 10% of items or 66, 6% of value, “B”- moderate almost 20% of items or 23,3% of value and “C”- marginal largely 70% of items or 10,1% of value (wild 2004, 102). Alternative percentage levels exist for the ABC selection groups. Typically the ABC analysis groups prioritizing inventory control on A and B may be characterized by:

A- Close control, frequent check of schedule revisions, little or no safety stock, and high turnover targets (12-24 times/year)

B- Moderate control, check on demand changes, moderate safety stock, and high turnover targets (6-15 times /year)

C- Looser control, visual check or two –bin system, large safety stock, and low turnover targets (1-5 times /year)

One of the most important matters to be addressed is "how much should be purchased?" To answer this question, many attempts have been made to create a practical formula that besides basic considerations would also take into account many other influencing factors. Some of these are: item unit cost in various lot sizes, average inventory resulting from purchases in different quantities, number of orders issued, negotiation and issuing of procurement orders costs, and inventory related transportation costs. One widely accepted effective solution is the Economic Order Quantity (EOQ) describing the balance point between acquisition (purchase order) costs and holding costs. Holding costs increase with the quantity of items purchased. At the same time, the order costs are lower with larger orders as fewer orders need to be placed.

The EOQ balance point represents the place where the sum of the holding and purchase order costs is minimized (Waters 2003, 260; Hugos 2006, 60):

$$EOQ = \sqrt{\frac{2 \times annual\ usage \times order\ cost}{annual\ holding\ cost\ per\ unit}}$$

When using EOQ one also needs to be aware of its drawbacks and limitations. Though largely serving its purpose, the EOQ assumption of constant usage and instant or immediate replenishment of inventories is not always practical. A safety stock is usually required in practice as deliveries from supplier could be unavoidably delayed or there may be an unexpected demand for stocks. EOQ also assumes that the demand is constant and clearly known, often untrue as it may fluctuate with various factors up to a certain level of uncertainty. Moreover, the assumption of unlimited storage space and delivery quantities and discounts, together with possible changes in cost structures (e.g. reduced by e-commerce) are also overlooked. As a result computational errors may appear and could materialize as slightly incorrect number of orders to be placed especially when fractions or decimals are involved (Waters 2003, 260; Hugos 2006, 60).

If an organization is to be profitable, it should be operating according to some plan. This is also the case with procurement. Naturally according to the business size and resources available the decided plan might have various levels of complexity and coverage. Focusing on objectives, any procurement plan starts however by fundamental actions such as collecting and organizing the significant data in a logical sequence for review and reference. A basic presentation of a purchase plan for a rather simple commodity should contain at least the following information:

- Item description and specification
- Past and future demand prognosis
- Market size
- Major producers and suppliers
- Distribution of current suppliers (percentage & numeral splits)
- Supplier strengths (price, quality, service)
- Supplier weaknesses
- Contract types, lengths, methods
- Short- term (one year) and long term (five years) plans
- Quality improvements and cost reductions resulting from the plan.

In relation to forecasting, which is more of an educated assessment of the most probable course of events or a range of probabilities, than a highly organized activity, planning aims to establish what should be done in response. (Bowersox, Closs & Cooper 2002, 143)

3 SUPPLIER MANAGEMENT

3.1 Supplier Selection

It is obvious that selecting good suppliers is a very important issue for every company. as bad partners could easily lead to the impossibility of performing its own business adequately. The following table shows some sources to find suppliers.

TABLE 2. Supplier Selection Sources

Internal company staff	Catalogs
Trade journals	Trade directories
Sales representatives	Samples
Supplier and commodity files	Visits to suppliers
Colleagues	Procurement files
Yellow pages	Mail advertisements
Trade intermediaries	Trade exhibitions
Government agencies	Newspapers
Banks	Trade associations
Chambers of commerce	Internet

(Bloomberg, 2002, 22) describes some sources for supplier selection.

As the supplier selection process is a very time consuming one it is usually employed only in the cases of major suppliers, and it follows an iterative approach similar to:

- Build a long list of qualified suppliers who can deliver the products.
- Compare organizations on this long list and eliminate those who are, for any reason, less desirable
- Continue eliminating organizations until you have a shortlist (usually four or five) of the most promising suppliers.
- Prepare an inquiry, or request for quotation, and send it to the shortlist
- Receive bids from the shortlist.
- Do a preliminary evaluation of bids and eliminate ones with major issues.

- Do a technical evaluation to see if the products meet all specifications.
- Do a commercial evaluation to compare the costs and other conditions.
- Arrange a pre-award meeting to discuss bids with the remaining suppliers.
- Discuss condition bids, which are specific conditions that have to be agreed.
- Choose the supplier that is most likely to win the order
- Arrange a pre-commitment meeting to sort out any last minute details
- Award orders to be preferred supplier

(Cavinato & Kauffman 1999, 97, 182,264,826, 995; Heinritz, Farrell, Giunipero & Kolchin 1992, 150─160)

In a more simplified schematic form the supplier selection process can be described in four major stages: the survey stage, the inquiry stage, the negotiation and selection stage, and the experience stage. When looking for various sources of supply, several basic aspects need to be taken into consideration:

Manufacturer vs. distributor – depends on the services required from the supplier (i.e. product distribution included or not) and own warehousing possibilities.
Local vs. national suppliers – national may offer higher service levels while local might complement by responsiveness and flexibility
Small vs. large vendors – usually correlated with the order size to avoid dependability.
Domestic vs. foreign – the latter is more complex and multi-dependent on various factors.
Open tender vs. limited tender – encourage open competition or reduce administrative effort by imposing certain requirements on suppliers (e.g. experience, size, financial status)
(Quayle 2006, 38─41; Heinritz, Farrell, Giunipero & Kolchin 1992, 153─155)

3.2 Supplier Evaluation

Whether the firm has one or a hundred suppliers, it must evaluate each of them. Based on many studies, suppliers are normally evaluated on price, quality, customer service, and delivery. The Variables can be divided into key aspects. The following table shows one researcher’s findings on supplier evaluation:

TABLE 3. Supplier Evaluation Variables Breakdown

Price Variable:	Service Variable
Price of the materials	Ease of operation or use
Financing terms	Ease of maintenance
	Reliability of service
Delivery Variable:	Sales service
Reliability of delivery	Supplier flexibility
Total transit time	Training offered
	Training time required
Quality Variable:	Technical service offered
Overall supplier reputation	Ordering convenience
Product reliability	
Technical specifications	

(Bloomberg, 2002, 23) describes some aspects to evaluate the suppliers.

TABLE 4. Supplier Evaluation Form

The following table presents a supplier evaluation form. Each Supplier should be given a copy of the evaluation form prior to accepting any purchasing contracts. That way, the supplier will know the basis for evaluation.

	Rating of Supplier (1 = Worst Rating; 5 = Highest Rating)					**Importance of Factor to Your Firm (0 = No Importance 5 = Highest Importance)**					**Weighted Composite Rating (0 = Minimum; 25 = Maximum**
Factor	**1**	**2**	**3**	**4**	**5**	**1**	**2**	**3**	**4**	**5**	
Supplier A											
Product reliability											
Price											
Ordering											
.											
.											
.											
After-sale service											
Total for supplier A											
Supplier B											
Product reliability											
Price											
Ordering											
.											
.											
.											
After-sale service											
Total for supplier B											
Supplier C											
Product reliability											
Price											
Ordering											
.											
.											
.											
After-sale service											
Total for supplier C											

(Bloomberg, 2002, 24)

3.3 Supplier Measurement

Like any activity in a firm, procurement is subject to performance measurement. Common performance measures include price effectiveness, cost savings, workload, administration control, efficiency, vendor quality, delivery, material flow control, compliance with regulations, societal measures, environmental measures, procurement planning, research, competition, inventory, and transportation.

Price effectiveness measurements determine actual price performance against the plan, against the market, and actual price performance among buying groups and locations. Cost savings refer to reducing unit cost. Also it evaluates cost avoidance, meaning that the new unit price is lower than the average quoted price. Workload relates to measuring new work, the backlog of work, and work accomplished. In administration and control, measurement normally compares actual cost to the procurement budget. Efficiency measures procurement outputs relative to procurement inputs. Common measures could include purchase orders per buyer, dollars committed per buyer, and contracts written per buyer.

Another performance measure is vendor quality and delivery. This includes the percentage of items accepted or rejected, the frequency and severity of defects, and the total cost of procurement a single unit of product from a supplier. Material flow control measures the flow of materials from suppliers to the buying firms. Regulatory, societal, and environmental measures show if procurement is meeting the various legal, societal, and environmental standards. These issues could include pollution control standards. Procurement planning and research deals with price forecast accuracy, lead-time forecasting, and number of plans purposed annually. In terms of competition, firms evaluate items like the number of purchases from a single source and dollars spent. Inventory measurement revolves around analyzing the inventory turnover ratio, Inventory levels and consignments. Finally, measuring transportation refers to how much materials moves by premium transportation, which is, using more costly transportation.

One very interesting and highly debated angle of this topic is the number of suppliers to be used. It has been so far emphasized that long-term relationships are desired as they build trust and confidence. This thinking also orients unavoidably toward single-

suppliers raising vulnerabilities and dependence on the performance of the single supplier. To avoid this, the same product is often purchased from several suppliers simultaneously according to various preferences or rules, e.g. at least two suppliers per material as traditionally accustomed or more than two requiring that a manufacturer should never account for more than 20% of the total revenue and a customer for more than 50% of the total resources. An adequate strategy decided by the careful consideration of the advantages and disadvantages of single versus multiple sources.
(Waters 2003, 235; Heinritz, Farrell, Giunipero & Kolchin 1992, 156)

Once good relations have been established, long-term supplier partnerships require more attention than usual suppliers as both parties need to get deeper involved with each other up to upper management levels, in order to keep up with the changing markets and technologies and improve. This implies that the buyer also becomes involved with cost and value analyses of the supplier’s operations. To ensure fair prices and to compensate for competitive bidding constant contact is maintained.
(Giunipero 1986, 1─2)

Transportation and related services

Another important aspect of procurement and supply chain concerns transportation and related services. By reducing delivery costs, improving carrier services, lowering inventory carrying costs, and helping to implement Just-in-Time (JIT) systems, procurement can achieve substantial contribution to profits. Through more careful consideration transportation can:

- Reduce inventories by reducing lead times and variability, improve production planning on tight schedules, reduce the requirement for protective inventory, and reduce forecasting errors.
- Reduce transportation costs by optimizing transportation services to meet the organization’s targets, limiting its carrier base and obtaining better pricing and services from carriers.
- Bring into consideration cost trade-offs and the total cost concept, such as speed of delivery, accessibility, reliability, damage, inventory carrying costs, lot sizes, and theft.

- Help implement Just-in-Time (JIT), quick response, and efficient consumer response.

(Cavinato & Kauffman 1999, 968–992)

4 DOMESTIC AND INTERNATIONAL PROCUREMENT

4.1 Definition

“Domestic procurement is conducted within a nation or a commercial entity that conducts economic transactions inside the borders of its home nation. A domestic procurement typically has the advantage of only having to deal with its local currency, customers, culture, regulations and tax system.”

In a global economy, international procurement is a term used to describe the process of allowing firms around the world to bid on contracts for goods and services. The concept has gained popularity as shipping and transportation costs have decreased due to an influx of cheap, readily available fuel. The globalization of large corporations has allowed them to reap the benefits of lower labor and materials costs while still selling the same quality and quantity of products.

There are three primary benefits to international procurement: lower costs, stimulation of a global economy, and increased consumer base. The lower costs that can be achieved through procurement services or goods from other counties are derived from currency valuation and the effects of product specialization, both of which are core concepts in economics.

In international procurement, industrialized nations purchase goods from countries with a lower dollar, gaining in the currency exchange. This rate varies over time, but the multiplying factor remains fairly static. The ability to purchase more with a dollar in another nation is one of the primary driving factors behind the appeal of this type of procurement. It is important to know the Inco terms and payment mechanism in international business.

4.2 Inco terms 2010

The Inco terms rules or International Commercial terms are a series of pre-defined commercial terms published by the International Chamber of Commerce (ICC) widely used in international commercial transactions. The Inco terms rules are intended primarily to clearly communicate the tasks, costs and risks associated with the transportation and delivery of goods to divide transaction costs and responsibilities between buyer and seller. The Inco terms rules are accepted by governments, legal authorities and practitioners worldwide for the interpretation of most commonly used terms in international trade. They are intended to reduce or remove altogether uncertainties arising from different interpretation of the rules in different countries.

4.2.1 Rules for Any Mode(s) of Transport

The seven rules defined by Inco terms *2010* for any mode(s) of transportation are:

EXW – Ex Works (named place of delivery)
FCA – Free Carrier (named place of delivery)
CPT - Carriage Paid To (named place of destination)
CIP – Carriage and Insurance Paid to (named place of destination)

DAT – Delivered at Terminal (named terminal at port or place of destination)
DAP – Delivered at Place (named place of destination)
DDP – Delivered Duty Paid (named place of destination)

4.2.2 Rules for Sea and Inland Waterway Transport

The four rules defined by Inco terms 2010 for international trade where transportation is entirely conducted by water are:

FAS – Free alongside Ship (named port of shipment).
FOB – Free on Board (named port of shipment)
CFR – Cost and Freight (named port of destination)
CIF – Cost, Insurance and Freight (named port of destination)

From the above information we can see Inco terms are divided into four basic groups:

“E” – terms

The goods are placed at the disposal of the buyer at the seller’s premises.

“F” – terms

The buyer is accountable for the cost and risk of the main international carriage.

"C" – terms

The seller pays for the main international carriage.

"D" – terms

The seller bears all transport-related costs and risks up to the delivery point at the agreed destination, which may be in the buyer's country or even at the buyer's premises.

It is clear that "E" and "F" terms are beneficial to the seller whereas "D" terms are better for the buyer. As for "C" terms, they fall somewhere in between. The most frequently used Inco terms and their definition are:

FOB – Free on Board (named port of shipment)
The seller must load the goods on board the vessel nominated by the buyer. Cost and risk are divided when the goods are actually on board of the vessel. The seller must clear the goods for export. The term is applicable for maritime and inland waterway transport only but not for multimodal sea transport in containers. The buyer must instruct the seller the details of the vessel and the port where the goods are to be loaded, and there is no reference to, or provision for, the use of a carrier or forwarder.

CFR – Cost and Freight (named port of destination)
Seller must pay the costs and freight to bring the goods to the port of destination. However, risk is transferred to the buyer once the goods are loaded on the vessel. Maritime transport only and Insurance for the goods is not included. This term is formerly known as CNF.

CIF – Cost, Insurance and Freight (named port of destination)
Exactly the same as CFR except that the seller must in addition procure and pay for the insurance. It is used for maritime transport only.
(Inco terms 2010, 1; Inco terms 2011, 1)

4.3 Payment Mechanism

There are four basic payment methods available in international trade: 1, cash in advance, 2, documentary (letter of) credit, 3, documentary collections, and 4, open account. These are ranked in order from most advantageous to the seller to most advantageous to the buyer. (Hikelman 2008, 11.) The seller wants to make sure he gets paid while the buyer wants to make sure he gets the merchandise as ordered.

The bottom line is if both parties seek for a high level of payment security, then payment methods will be relatively more costly. Conversely, if payment security is not a priority, because the parties know or trust each other, then cheaper, simpler payment methods can be used. (Sénéchal & Collyer 2008, 147).

4.3.1 Cash in Advance

This method of payment provides the greatest security for seller but the greatest risk for buyer. The way how it works is simple. The buyer pays the seller before shipment of the goods ordered. The payments are made either by bank draft or cheque or through a wire payment to the bank account as specified by the seller. (Hinkelman 2008, 12.)

Generally cash in advance is required by
sellers who have unique or high demand products,
sellers receiving orders from unknown buyers in unstable countries,
small sellers need help to finance the manufacturing process of a large order and
Sometimes this payment method is used for shipping a small sample order to a buyer.
Overall, this method of payment requires the buyer to have a high degree of confidence and trust in the ability and willingness of the seller to deliver the goods as ordered.
(Hinkelman 2008, 11.)

4.3.2 Documentary (Letter of) Credit

After cash in advance, this is usually considered the next safest method for seller. Even though this provides security and almost equal risk for both buyer and seller, the buyer has to take care of additional costs for the handling of the documentary credit.

In short, “a documentary letter of credit is a bank’s promise to pay a seller on behalf of the buyer so long as the seller complies with precisely defined terms and conditions specified in the credit.” (Hinkelman 2008, 13.) A documentary letter of credit is often abbreviated as L/C.

This method of payment requires long and cumbersome preparations. To begin with, the exporter (seller) and importer (buyer) agree on a contract of sale. The importer then goes to its bank and requests to open a letter of credit. In order to open a L/C, the importer is required to fill out an application form which should be in conformity with the contract of sale. Before approving the application, the importer’s bank (also known as the issuing bank) will first check the applicant’s financial situation and credibility. When the application is approved, the issuing bank will issue the credit and request exporter’s bank (confirming bank) to add its own irrevocable commitment to pay under the terms of the credit. If the exporter agrees with everything in the credit, the exporter then proceeds to ship the goods (or to start production of goods and then ship the goods). When the goods are delivered to the transport carrier, the exporter receives a transport document which, together with the other stipulated documents, is presented to the confirming bank for payment. The confirming bank will then examine the documents to see if they comply with the terms in the credit. If everything looks alright, the confirming bank will forward the documents to the issuing bank and at the same time ask for reimbursement. The issuing bank will examine the documents and if it also agrees that everything looks alright, it will reimburse the confirming bank. The issuing bank will then release the documents to the applicant, who can then use the bill of lading to obtain the goods from the carrier. (Sénéchal and Collyer 2008, 168─179.)

This payment method is most commonly used in international procurement because they provide a high level of security for both the buyer and the seller. This method, however, requires absolute consistency and accuracy when preparing and submitting documents for payment.

4.3.3 Documentary Collections

Documentary collections provide security and almost equal risk for both buyer and seller.

“The seller ships goods to the buyer but forwards shipping documents to the forwarding bank for transmission to the buyer’s bank. The buyer’s bank is instructed not to transfer the documents to the buyer until payment is made (this is known as documents against payment, D/P) or upon guarantee that payment will be made within a specified period of time (documents against acceptance, D/A). ”(Hinkelman 2008, 14) The main difference between this method of payment and letters of credit is that banks involved in the transaction do not guarantee payment but act only as collectors of payment. (Hinkelman 2008, 14) For this reason, documentary collection is less desirable from the seller’s point of view.

This payment method is suitable for buyers who wish to purchase goods without risking prepayment and without having to go through complicated letters of credit procedures. In addition, banks usually charge less because it is easier to use. (Hinkelman 2008, 14) Usually documentary collections are used when the buyer and seller have an established and ongoing business relationship.

4.3.4 Open Account

This is the best payment option for the buyer as the buyer is exposed to minimal amount of risk. On the other hand this option presents the greatest risk of the seller.

To put it simply, purchase on an open account means the buyer buys now and pays later. The buyer agrees to pay for goods ordered within a specified time after their shipment. Terms are typically 30, 60 or 90 days. The payments are made either by bank draft or cheque or through a wire payment to the bank account specified by the seller. (Hinkelman 2008, 15)

This payment method is generally used in
Domestic trade or
When goods are shipped to a foreign branch or subsidiary of a multinational company or
When there is a high degree of trust between seller and buyer.

Overall, if the transaction is with an unknown buyer, the seller is recommended to find an alternative method of payment. Buyers should not expect sellers to agree to this method of payment in a newly established business relationship. (Hinkelman 2008, 15)

4.4 Pro forma Invoice

A pro forma invoice is commonly used in international procurement as a preliminary invoice with a quotation. It is sent by a seller to a buyer including information such as general conditions, product description, quantity, value, and weight and transportation costs on the front side of the document. The basic idea is that the buyer can see in the pro forma invoice exactly what it will pay for if it goes through with the deal, the pro forma invoice should mirror the commercial invoice precisely. (Bertasi 2008, 26).

4.5 The Differences between Domestic and International Procurement:

A domestic procurement is procurement whose activities are carried out within the borders of its geographical location. A domestic procurement is one that confines its activities to the local market, might be a city, state, or the country it is in. It deals, generally, with one currency, local customs and cultures, business laws of commerce, taxes and products and services of a local nature. Company A, which I worked with before, carried out domestic procurement.

On the other hand, an international procurement is procurement whose activities are carried out across national borders. The international procurement deals with businesses and governments in one or more foreign countries and is subject to treaties, tariffs, currency rates of exchange, politics, cultural differences, taxes, fees, and penalties of each country it is doing business in. It may also be conducting business in its home country, but the emphasis is on trading in the international marketplace.

According to my working experiences and practical training, I found the following practical differences in addition to the above mentioned general differences:

Supplier selections:

It is easier for domestic procurement to look for or choose new suppliers, trust and coordinate with them, however, with international procurement, due to the language barrier and the far distance, it is hard to judge whether a new supplier is a trust worthy company or not.

Samples:

In domestic procurement, it is easy to send the samples to the buyers; the sales representatives can even take the samples to the buyer him/herself, the postage fee would be much cheaper than in international business if by express way. In international business, the samples are always sent by air (for light stuff) or shipping, the fee involved is much higher than domestic business.

The calculation of Sales, profit, cost etc:

In domestic procurement, the payment currencies are the same for the supplier and buyer, so it is easier to estimate whether the order can make profit or not. However, with international procurement, because of the currency fluctuation, the risk is higher. For example, in Company B, the products are sold at Euro currency, however while purchasing from Far East, the company has to pay with US dollar. It is more complicated to calculate how much profit the company has made during a certain period of time. In addition, different products have different percentages of tax in importing and exporting, these also make the calculation more complicated.

Order volume:

The requirement of order quantities of domestic business needs not consider so much about the delivery process. However in international business, because of the LCL shipment is much more expensive, so usually, when make an order, the buyers always have to try to make the container full if the quantities are not too much to sell out.

Terms of payment:

Domestic buyers with long term relationships with suppliers usually have longer payment terms in the Far East; however in international procurement, the suppliers generally propose a small percentage of cash in advance as a deposit and then the rest will be paid against the buyer having received a copy of the bill of lading. As for high value transactions if the supplier and buyer have no cooperation with each other before, usually 100% by letter of credit.

Custom duties, clearances:

In domestic procurement, both the suppliers and buyers need not consider so much about Custom duties; while in international procurement, it is one of the important parts. Goods can only be moved or exchanged freely after the custom check.

Lead time:

In domestic procurement, the lead time is much shorter than in international procurement. Normally, the suppliers do not need to book ships in domestic procurement; while in international procurement, it usually involves booking ships which is cheaper than air or road transportation. The shipping time from Far East to Finland usually takes around 40 days.

Political relations:

Compared to domestic procurement, International procurement obviously improves the political relations among nations, which give rise to Cross-national cooperation and agreements. Nations co-operate more on transactional issues. For example, quite a number of suppliers from Far East come to visit company B in Finland to ensure that the company operates well and look for long term cooperation etc. This also helps the relationship between different countries.

There are lots more other differences between domestic and international procurement which could not all be listed here. In general, purchasing goods and services within a territory is much easier than doing the same globally. Restrictions such as custom procedures do not bother domestic entities whereas globally purchasing firms need to follow complicated customs procedures and trade barriers like tariff.

5 PROCUREMENT IN COMPANY A

5.1 Procurement Operations in Company A

Company A's procurement is domestic procurement. As one of the top five food and non-food wholesale and retail commercial operators in China during 1995—2007, company A was mainly centralized procurement. The major advantages of centralized procurement are:

- It consolidated all the orders for the same and similar materials, in order to get quantity discounts through greater leverage.
- It reduces the costs of transport, stockholding and administration by coordinating associated activities.
- It ensures quality and standards;
- It develops specialized skills and improves procurement operations eliminating duplicated effort and random practices.
- It provides suppliers with consistent information, handling, and service through a single point of contact.
- It concentrates the responsibility of procurement, making management control easier and allowing others to concentrate on their own specific tasks.

Company A had a few local buyers too for fresh food and other local products to operate the stores outside Beijing well. It was important to have local buyers because they had better knowledge of local conditions and culture, improved relations with suppliers, more flexible operations and lower transport costs. As a result, the local buyers could perform better when using local procurement under a considerable degree of autonomy. Company A did not import from other countries directly though there were quite some products from foreign countries, such as, whisky, vodka, brandy and some cosmetic products. Some local importing companies supplied company A with the imported products.

In company A, the whole procurement department staff were divided into nearly 20 groups; around 10 groups for food and around 10 groups for non food, each group included one commercial manager (buyer) and one assistant buyer. The buyer and the assistant buyer were in charge of their section of products; The commercial manager was mainly in charge of negotiating with suppliers and sign different contracts and agreements. The assistant buyer was mainly in charge of inputting data to the business system, making orders, filling forms, filing etc.

I was in charge of purchasing alcohol products, cigarettes, soft drinks and other household beverages when I worked in company A. One of my main tasks as company A's buyer was to negotiate with suppliers and sign contracts with them to maximize the economic benefit of the company.

To reach the sales, profit and other income budgets, the buyers needed to analyze the everyday sales of the products for which the buyer was in charge of and arrange different promotion plans. One of the main means used by company A for promotions was mail promotion lists which were used to promote different items to customers every two weeks. In addition, some special brochures on special festivals were also distributed to the customers for events such as Chinese New Year, Mid- Autumn Festival etc. Another promotion strategy was through daily offers, whereby a special product would be highlighted on a given day which was cheaper than the competitors to motivate and attract more customers to come into the company A's stores.

The buyers were also in charge of making display plans, changing the selling prices, introducing new products according to the consumer needs or market trends. Market research was done every week to know better what the competitors were promoting and at what prices and then adjust company A's prices accordingly. The buyers were also responsible for controlling the cost of each products and stock, in case of minus margin or over stock; the buyers had to explain to the commercial director what the reasons were and tried to solve the problems. Coordinating with other departments in case of problems was also the buyers' responsibility. For example sometimes when the suppliers sent goods to the stores, the Goods receiving department found the item description in the business system was different from the real products, or some goods needed to be transferred from Beijing to Shijiazhuang by the logistic department. The buyers also coordinated with the Finance Department so that the suppliers could be paid on time or got the invoice on time.

Selecting or sourcing new suppliers was not so often in company A. The company had operated several years before I joined and maintained nearly 90% of its original suppliers; most of the partners were from Beijing, and only quite a few were from local areas where company A had stores. In case a new supplier was needed, it was important that the supplier had all the necessary licenses and had a good reputation in the industry. There were special procedures to follow before the suppliers could get an order and be paid after the goods had been delivered. The suppliers and buyers met quite often for different contracts or agreements because the geographic distance between each other was not far.

I think that company A did very well in the contract signing procedure according to my working experience in the procurement department. All the business partners, if they wanted to do business with company A, no matter how big the company was, for example, Coca Cola, Procter & Gamble and Nestle, the buyers had to use company A's special contract form which was a standard form that had been audited by a lawyer, in case of legal issues, This facilitates Company A better position to win the case within the contract conditions. Company A also did very well in the payment terms issue. Company A could pay cash only for a limited number of products which are popular but difficult to purchase. For all other purchased products, most of the suppliers could only get paid after 30, 60 or even 90 days. This secures Company A not to worry that the supplier would cheat for deposit payment or not deliver the goods after being paid. The suppliers became quite passive with this payment method.

I think that the coordination between the procurement department and sales department did not work very efficiently according to my work experience in company A. The buyers could decide alone what and how much to purchase most of times, the sales department staff could give some suggestions but did not have direct influence on the orders. There were many times that the sales and the procurement staff had different opinions and argued about why the sales in the stores were not good and blamed each other.

5.2 Business System of Procurement Department in Company A

Company A used its mother company Company M's business system, which had an advanced system to support the whole company's operations as an international operator. The procurement system was only one sub-system of the entire business system, which included the suppliers' contact information, all the products information, promotion list and making orders. The orders could then be transferred to the suppliers' fax machine automatically in the evening, and moreover, the suppliers could also view the company A's website to check whether there were new orders, how their own products were sold in company A's stores, how much stocks were left etc. The business system could also generate an order proposal list according to the sales of each product every evening.

The following screens can show how the business system in procurement department worked efficiently.

(Confidential information)

FIGURE 1. Price Change in the Procurement Business System in Company A

The data only needed to be inputted once in the article information screen when changing the price in the business system. There was no need to change both in the article and order screens.

(Confidential information)

FIGURE 2. How the historic prices were saved in the business system.

Historic prices (both buying and selling) were stored in special data menu. in case of the buying prices of one product had been changed, for instance, in the above mentioned screen, the purchasing price of the NB computer table was 1545,45RMB (after tax) originally. Later the price was changed to 1409, 09RMB because the supplier changed idea and willing to lower the price to sell out more products, in a promotion during March 2000, it was 1380, 91RMB, after the promotion, the price was changed back to 1409, 09 RMB again.

Suppose one product the price was 11 Euro at the beginning, the price becomes 10 Euro now,

There are 2 steps to do in the business system for this change

1, Change the price in the business system and input the date from which the buyer and supplier plan to change the price.

2, One agreement must be signed which mentions how many products left in the stock, suppose 50 left unsold, the supplier agreed to give the price from 11 Euro to 10 Euro now, then the supplier would compensate 50 Euro to company A with the agreement.

This way the supplier made up the price difference of the stock.

(Confidential information)

FIGURE 3. How the product information can be stored in the same screen.

Stock, whether there was on order or not, how the sales situation of the product in each store (Dms stands for daily means sales), how much was sold recently, which day was the last selling and receiving date of the product, the selling situation of the product in each month, all these information could be seen in one screen. No need went through different screens for one product’s different information.

We can see from the above screen that store 5 only have 1 table left, it needed to Place an order. Store 2 had ordered 50; we can also see Store 4 sold very well in this product in average it sold 4,34 tables each day, Store 4 sold 355 tables in August.

6 PROCUREMENT IN COMPANY B

6.1 Procurement Operations in Company B

Company B's procurement more engage in international procurement, such as procurement from China, India to Finland. I was mainly in charge of dealing orders from China to Finland when I did my practical training in the company. I will discuss my experience of international procurement as such.

The whole procurement staff works as a big team in company B; the products are divided into seasons and different buyers are in charge of different seasons' products. When each buyer's season comes, the buyer who is in charge of the products might be very busy. If she or he had problems in finishing ordering all the products, other colleagues who are not so busy could help her or him.

The procurement department cooperates with the sales department better in company B compared to company A; they decide what to purchase and how much, what color preferences and so on together. After the sales and procurement departments have decided items and quantity to purchase, the order (including the article price, quantity, payment term and shipping date) will be inputted to the business system, and then the order will be changed to special file and sent to the supplier. If the supplier doesn't agree with the prices or cannot accept the quantities due to some products having minimum order quantity, or cannot accept the payment term or the shipping date, then the buyer or buyer assistant could negotiate with suppliers again. The suppliers need to follow the special requirements of labels for Finnish market.

When both parties agree with the terms and conditions, the orders can then be confirmed as sales contract. A certain percentage deposit of the order's value would be sent to the supplier's account. After the supplier received company B's deposit, they begin to produce the products following company B's order instructions. The quantities were changed quite often due to company B's customers placed new order or to make the container full to save the cost of shipping.
After the supplier shipped the goods, they will send company B the documents including: copy of Bill of lading, Pro forma invoice and packing list. The finance department

will transfer the rest of the order's amount to the supplier if all the documents read in align with sales contract terms. After the supplier has received the rest amount of the order, the supplier will then post the documents to company B, so that company B can take the goods with the documents when they arrive in Finland.

In this procurement process, the procurement staff in company B seldom meets the international suppliers; most communication is done by e-mail or telephone calls because of the geographic distance. Also because there is only one supplier for one product usually, in case of the cooperation doesn't work out, company B will have to invest time and cost for alternatives as soon as possible since some part of the order has been ordered by its customers.

One problem worth mentioning is that company B does not have its own standard sales contract even though it is a big company in the Nordic countries; different suppliers send back the confirmed sales contracts in a different form to company B. I even witnessed that some suppliers writing on the sales contract that the arbitration would be in Asia if the disagreement could not be solved by both sides. I would think it is fair to solve the problem by an international court, not limited to the countries the sellers are located. I also observed that nobody from the seller's side signed on some sales contracts. This seems risky to follow up to whom of the suppliers' part to contact for that special order in case of a problem.

Company B uses Inco term FOB for procurement from Far East in general, while Inco term CIF is more common in most international procurement. The main differences between the buyers' responsibilities with Inco term FOB and CIF are that which party (buyer or seller) will pay for the insurance and freight. With FOB term, all risks are passed from the seller to the buyer when the goods pass the vessel's rail at the port of shipment (port of loading). While with CIF term, if the buyer wishes to have the protection of greater cover (i.e. *Clauses A & B*), the buyer would either need to agree with the seller as explicitly as possible or to make his/her own extra insurance arrangements (O'Connor 2008, 98). The buyer bears all risks of loss of or damage to the goods from the time they have been placed on board of the vessel. When everything goes well during the transportation, Inco term FOB is more favorable to the buyer because it is cheaper than CIF. However, the buyer will have to cover any risks that may occur during the transportation.

With regard to payment, Company B's most orders are paid by cash in advance (some percentage deposit first, the rest by receiving copy of documents), On a occasional basis, They use Documentary (letter of) credit, because it is more complicated to pay the supplier in this method compare with the method of cash in advance. This can cause risk sometimes. For example, I heard from one colleague it happened before my practical training, one supplier got the deposit for willow basket products in 2010, but the supplier could not offer enough products (not even enough for the deposit amount products) due to weather problem (there were not enough willow grew out). The result turned out that Company B suffered some financial loss from that order. Risks such as fraud seller send e-mails saying that the account has been changed. Please send the deposit money to the new account. When this happens, it is always recommendable to make a phone call to check it out.

6.2 Business System of Procurement department in company B

(Confidential information)

FIGURE 4, How the Prices are changed in the system of Company B

Price changes have to be done in two screens , both on the article description screen and the order screen, then the order prices can finally be changed.

(Confidential information)

FIGURE 5. The Quantities and Prices can be shown in one screen, but not changed in the same screen.

If one product's price and quantity have been changed, they could not be done within one screen, after changing the price, the system user has to change the quantity in another screen. It should be possible, when making an order, if the price and quantity change, they could be done on the same screen, and no need input the article number twice to save time and labor.

(Confidential information)

FIGURE 6, The defaulted payment term is 75 in the system, while term 59 are used most often.

in the system, payment term screen, term 59 -- 20% 80% should be the defaulted payment term instead of others, because 20% 80% payment way is the most commonly used term. so that the system user need not change it mannually many times.

The good part of the business system in company B: it is very easy to change one product to another supplier, all one needs to do is to change the supplier number. While in Company A, if one product had been changed to another supplier, the whole product information has to be inputted again under the new supplier.

7 CONCLUSION

Conducting and managing international procurement is more complex than undertaking domestic procurement. Some key aspects that differentiate international procurement from domestic procurement are that international procurement deals with a wider range of issues: trade between different nationalities, less mobility of factors of production, customer heterogeneity across markets and use of different currencies, governmental economic policy and political issues, culture, distance, customs and tax systems. These are the factors that make international business much more complex and a difficult activity.

By comparing procurement operations and business systems in company A and B, I conclude that the procurement of company A was domestic procurement; however, the procurement in company B is more of international procurement. Both companies purchase finished products, the procurement types are corporate sourcing purchases. Company A had more routine orders. Most of the suppliers were long term suppliers; however, company B has more new suppliers. Company A had more advantages in choosing suppliers, better payment terms than company B, while company B has the advantages of the whole procurement department staff working as a team and the procedure is simpler.

After comparing the operations in procurement departments of the two companies, my suggestions to company B are as following:

Standardize the sales contract, since it is a legally binding document. It is therefore advisable to seek legal advice before implementing the standardized contract. It can be an electronic version. The seller’s party must have the person who is responsible for the order to sign the contract.

Improve the business system where possible with the help of IT expert while combining advices of the system users. The system of company A can be at least taken for reference.

Coordination between buyers purchasing from the same supplier should be more frequent, so that it is not necessary to make two or three orders while one order is sufficient.

More internet purchasing should be involved instead of going to Fairs; the cost of going to Fairs is quite high. The company should also try to establish long term relationships with more and more suppliers.

Some information should be shared with the Far East office, suppliers and the shipping controller on internet instead of sending e-mails every time.

The buyers should also be able to check the new customers' orders from the business system. There is no need for the sales staff to send e-mails to tell please add some certain quantities to the order because we have one new order from our customer all the time.

It has been an interesting but rather challenging experience from analyzing the thesis topic to finish writing the thesis. The author had to focus only on the procurement operation instead of the whole company's operations in the two companies due to the time limitation. She believes that she could have done more for the thesis project given more than only three months' internship experience in Company B to gain more information. Finally, hope the suggestions can be useful to Company B so that the commercial operation of procurement department in Company B will have better outcome.

REFERENCES

Alibaba. (2009). Common import/export documents. Read February 20, 2012, from http://resources.alibaba.com/topic/634405/Sales_Contract_Proforma_Invoice_Commercial_Invoice_Packing_list.htm

Answers. What are the differences between international business and domestic business? Read March 12. 2012.

http://wiki.answers.com/Q/What_are_the_differences_between_international_business_and_domestic_business

Barrat, C. & Whitehead, M .2004. Buying for Business. Insights in Purchasing and Supply Management. Wiley

Bloomberg, David J, Lemay Stephen, Hanna. Joe B. 2002 Purchasing and Supply Management . Prentice Hall.

Bowersox, D.J. Closs, D.J. & Cooper, M.B. 2002. Supply Chain Logistics Management. McGraw-Hill/Irwin

Business Dictionary. (2011). *domestic business.* Retrieved February 23, 2012 from http://www.businessdictionary.com/definition/domestic-business.html

Business Dictionary. (2011). *Pro forma invoice*. Read on February 25, 2012 from http://www.businessdictionary.com/definition/pro-forma-invoice.html

Cavinato, J.L. & Kauffman, R.G.1999. The Purchasing Handbook: A Guide for the Purchasing and Supply Professinal. McGraw-Hill.

Giunipero, L. 1986. JIT Purchasing. NAPM Guide to Purchasing. 3(19). Tempe AZ, 8.

Heinritz, S., Farrell, P.V., Giunipero, L. & Kolchin, M. 1992. Purchasing: Principles and Applications. Eight Edition. Prentice-Hall International Inc.

Hinkelman, E. 2008. Short course in international payments Ebrary Reader version. Retrieved from Ebrary database.

Hubpages. Major difference between domestic and international business. Read March 25th. 2012.
http://dilipchandra12.hubpages.com/hub/Major-Difference-between-Domestic-and-International-Business

Hugos, H.M. 2006. Essentials of Supply Chain Management. Second Edition. Wiley.

International Chamber of Commerce. 2010. Inco terms 2010: ICC rules for the use of domestic and international trade terms. Paris: International Chamber of Commerce

International Chamber of Commerce. 2011. ICC uniform customs and practice for documentary credits 2011 ed. Paris: International Chamber of Commerce

Linked in. Procurement Professionals. What is the difference between international purchasing and domestic purchasing. Read April 2nd. 2012.
http://www.linkedin.com/groups/what-is-difference-between-international-51126.S.55504568

Quayle, M. 2006. Purchasing and Supply Chain Management: Strategies and Realities. Idea Group Publishing.

Ramberg, J., Bertasi, S., Hassan, A., Jolivet, E., O'Connor, E., Schiavi. V., & Sénéchal, T. 2008. Guide to export-import basics: vital knowledge for trading internationally (third ed.). Paris: International Chamber of Commerce

Vollmann, E. T. 1997. Manufacturing Planning and Control Systems. Fourth Edition, McGraw-Hill.

Waters, C.D. J. 2003. Logistics. An introduction to Supply Chain Management. Palgrave Macmillan.

Waters-Fuller, N. 1995. Just-in-time Purchasing and Supply: A Review of the Literature. International Journal of Operations & Production Management. 15(9), 220─236.

Wikipedia. Inco terms. Retrieded March 28th, 2012 from
http://en.wikipedia.org/wiki/Incoterms

Wikipedia. Procurement. Read February 5th,2012.
http ://en.wikipedia.org/wiki/Procurement

William B.Wagner, "Changing Role and Relevance of Procurement: impact on organizational Effectiveness," International Journal of Physical Distribution and Logistics Management 23, no.9, p.20

Wisegeek. What is international procurement? Read March 20th, 2012.
http://www.wisegeek.com/what-is-international-procurement.htm