

# loren inc. essay sample

[Science](#), [Chemistry](#)



Brent Miller, the raw material buyer at Loren Inc is preparing for the company's annual hexonic acid requirement, on June 15. Four suppliers have submitted substantially different bids for this contract which begins in August 1. Loren Inc. is the Canadian subsidiary of a larger chemical company, and have an excellent reputation for quality products and had substantial in total sale. Brent has been appointed raw material buyer, reporting to the manager of chemicals buying group, and the hexonic acid contract will need to be approved by his immediate supervisor and the director of department. Brent know that some of the company's policies and procedures should be considered in his recommendations. The purchasing department has worked hard with suppliers to establish a single bid policy, and long term supplier relationship with the best possible long term opportunities were considered Vital to procurement strategy. Multiple sources were favored over single sources, and frequent supplier switching was not recommended, although total volume placed with supplier might change depending on performance and new bids.

Hexonic acid is a raw material used in a number of company's products, and the company needs approximately 3000 tons of hexonic acid in the next year. Its requirement has grown in years and is expected to grow in the years to come. The requirement for the last year was 2750 tons which was supplied by Canchem and Alfo at 60 and 40 respectively. The previous staff at the purchasing department had suggested a split in the business of 60 percent to Canchem, and 40 percent to Alfo based on a number of factors. One reason was that Alfo was a start-up at that time, and its quotation was lower than Canchem, but it has been concerns if they can guarantee more

than 40% of Loren's hexonic acid requirement. Brent thinks that, the demand for hexonic acid has eased, and there has been excess hexonic acid inventories, and Brent thought it would be reflected in a buyer's market in the coming year and was looking forward to aggressive quotes from all potential suppliers. On May 14, a hexonic acid inquiry was sent to four suppliers, Alfo and Canchem, and 2 other American companies.

The deadline for bids was June 7. Brent met with Mr. Baker, the sales representative from Allfo on April 20. He said that they have unfilled capacity at their new plant were eager to receive an indication of Loren's future hexonic acid requirement. During another phone call with Mr. Wallance, sales representative of Michigan chemical, Brent was informed that they will be represented by their distributor in Canada Carter Chemicals Ltd. Michigan chemicals has supplied close to 99% of its commitment to the Loren US, and had a good reputation with them. Brent told MR. Wallance that the current suppliers held the advantage and they will need to offer better value in order for Loren to consider them. Their quoted price was 1268 \$ per ton. Mr Alder, sales representative of Canchem brought the quotation from his company in person and presented term to Brent.

They have offered the same price as what Lo ren is currently paying for delivered Canchem material(1384). Brent was disappointed by this and said he was expecting a more aggressive quote. Two representatives from Amchen chemical (American supplier) delivered their quotation, and presented it to Brent. They have just recently expnded their plant, and had the ability to Loren's requirements. Their quote was 1204 per ton, which was

dependent on the specific volume allocated to Amchen, and it was lower for the higher annual volume. LoreBrent searched if Loren had any previous contracts with Amcchen, and found out that Loren was supplied by them 7 years ago. And at that time they had quoted a proce below the Canadian suppliers, and have been allocated a porton of business.

Brent then called purchasing department of Loren in US to draw information about their experience with Amchenm. He was told that Amchen was their supplier once and they had excellent quality and services. However they pointed out that during the period of Hexonic acid shortage, fell short of its commitment bya great extent. Mr Baker, sales representative of Alfo delivered his quote and presented it to Brent as well. The contractual terms and price was the same as the current contract (1296 per ton).

So far Bren has received two quotesthat offered a better price than current suppliers. Mr. Aldo from Canchem, met with Brentagain after his earlier disappointment in the earlier meeting. And brought a new quotation. The new quote offered Loren a three-year contract for 1192\$ per ton. This price appeared to be the same as Brent received from 2 other us suppliers.

Although since Loren's comment on their earlier quote might have inspired Mr. Aldo to make this change, Brent was wary f accepting ths quote for fear he would be setting a bad precedent.

Brent discussed the matter with his supervisor, and was told to think the situation over in his own mind and make recommendations on how Canchem's second bid should be treated.