

Recommendations

[Business](#)



Purpose/ objective I undertake the responsibility charged with my department to ensure as purchasing manager, activities to do with purchases flow in the right direction. I wish therefore to take it upon myself to draw a decisive opinion on a make or buy dilemma the company has been experiencing for a while. We have initially been having central stores from where our products are supplied. Usually we buy products in bulk in bulk and store them in our central stores. This has worked for a long time since we have been having the advantage of economies of scale and thus discounts as well as the ability to avoid stock outs.

This has been convenient to our customers. We however have been contemplating the issue of outsourcing which I wish to carefully evaluate and come up with a viable solution for the same. Relevant Facts OPTIONS AND ANALYSIS The most cost-effective approach is what we shall buy. The costs involved in using the Central Stores Method are as follows: Average inventory: \$ 140, 000 Personnel and space: \$ 200, 000 Costs associated with outsourcing Average inventory: \$ 131, 600 OUTSOURCING COMMENTS AND CONCERNS Outsourcing is a viable option in that it will be cost effective. There are other advantages in this move: 1. It will save on costs of space.

The store has been occupying space which is usually paid for. It will be good if the company outsources to save on these costs. 2. Eradication of labor costs. It will be important for the company to lay off some workers. The amount that was being used to pay these persons can be channeled elsewhere.

3. Higher deliveries. The company can order 600 items in outsourcing as opposed to the initial 500 items. This means reduced instances of stock outs.
3.

The current staff should be evaluated based on performance. Non-performers should be laid off. Recommendations I recommend out sourcing. The company should however integrate stock management software to check on stocks. This will inform us on the appropriate time to make orders. There should also be a qualified professional in the stores to advice on the same.

Outsourcing Issues Stock outs may arise. Supplies are made in a cycle. This may be inconvenient. There shall also be constraints regarding which workers to lie off and who to keep. The process is more procedural unlike the current simple method