

# 1 KNOWLEDGE PROCESS Outsourcing Services

The Practice Nagpur besides its ERP Consulting Division also works extensively on Operations and Supply Chain consulting combining its vast experience in ERP Consulting with its extensive functional expertise.

As part of this activity TPN would like to offer the following outsourced services to its customer

1. Indirect Procurement-KPO
2. Contract Logistics-

## **1. Indirect Procurement KPO -**

Lately we have been hearing a lot about Procurement Business Process Outsourcing (P-KPO). Fueled by the economic downturn, companies are experiencing lowered demand and growth, tighter margins and cash flows and increased focus on sustainability. To meet these demands, businesses are focusing on core strategic issues and seeking reliable partners and value-add alternatives for all other non-core functions.

## **2. What is P-KPO?**

P-BPO is basically an outsourcing agreement for the management of specific phases in the purchasing cycle for a chosen category(s) of goods or services. P-KPO is considered a transformational type of outsourcing where a portion of the savings generated from the initial change-over can be used to finance and expand the transformation.

### 3. Why Outsource?

In large enterprises Procurement can be a complex and sometimes cost consuming function. Businesses see outsourcing as an opportunity to increase efficiency, lower costs, and increase savings.

P-KPO generally involves the purchase of indirect or non-critical materials/services, management of transactional processes (i.e. Requisitioning, compliance tracking, expediting) and other non-core competencies. These tactical procurement activities are generally centered on commodities and services that offer savings opportunities but have limited strategic impact. For smaller firms outsourcing is often much more economical than tying up limited resources or trying to build world-class competence internally.

Some of the drivers and expected benefits for P-KPO are:

- Better collaborative business processes and world-class procurement capabilities.
- Cost reduction from head count, training, office space and computerization.
- Reduced procurement processing and transaction costs,
- Improved response times and speed of sourcing cycle times.
- Improved management of supplier performance and market leverage allowing for better discounts.
- Leverage economies of scale and offer a Highly skilled staff that specialize in purchasing.
- Better freight rate and logistics management with better execution capabilities.

Negotiations

handled by trained professionals.

By transferring the day to day tactical activities to a Procurement Service Provider (PSP), in-house Procurement professionals can focus more on important strategic core activities that have the highest impact and benefit to the organization. PSPs can aggregate category volumes across clients allowing them to provide focused niche category professionals and also use those increased volumes to leverage suppliers.

## The Basics of Procurement Business Outsourcing (P-KPO):

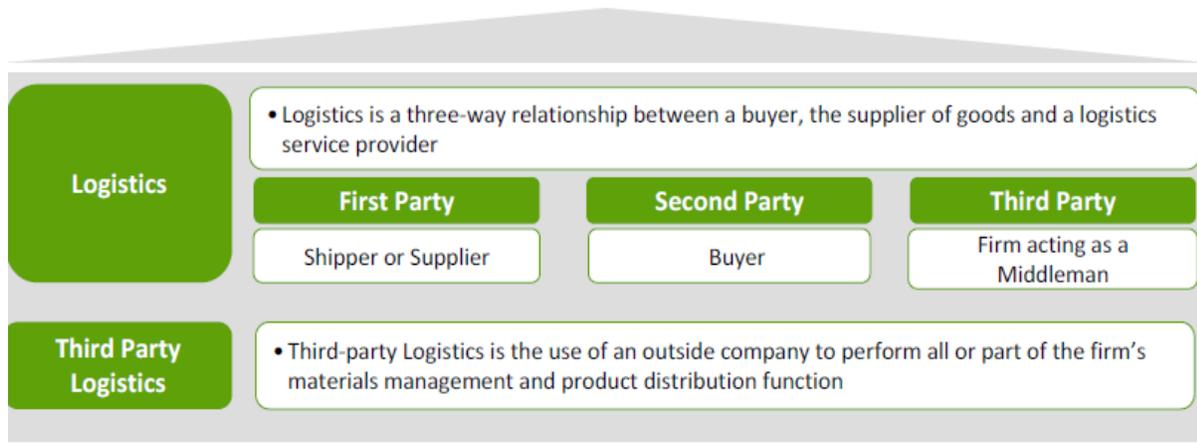
P-KPO can take on different forms depending on the scope of the agreement with the Procurement Service provider (PSP). At a basic level, the company may seek only to augment or add support to its existing capabilities. This may be in the form of moving in-house staff and/or adding contracted staffing, adding/enhancing equipment & technology, providing better service availability, or providing limited supplier and service management. The next level may go a little farther taking on more responsibility for management of actual processes. This may include the previous level in addition to managing e-Procurement systems to automate and streamline manual transactional purchasing processes. Through intuitive technology PSPs can provide the client organization with improved spend visibility, compliance, and process efficiencies. Going to the next level almost all tactical processes and control of indirect or commodity categories are managed by the PSP. Supplier management, order and pricing compliance management, and policy enforcement will all be handled by the PSP. This involvement is aimed at providing the organization with improved services levels and reduced costs.

## CONTRACT LOGISTICS-OUTSOURCING SERVICES

TPN's Outsourcing Division Offers to its clients 3PL (Third Party Logistics) services to manage their various functions in Supply Chain so that the principal can focus on core competencies and better manage and utilize company assets and resources and optimize inventory and personnel.

- Integrate and Manage Logistics Functions
- Inbound and Outbound Logistics
- In-plant Logistics
- Procurement -Vendor Coordination
- Reverse Logistics.

3PL firm acts as a 'third party' facilitators between manufacturers and the buyers



**Value added services in this area would be as under:**

1. Kitting of Valve components from various Bought Out Vendors of NSSL.
2. Purchase Order Management: Procurement Coordination&Supply Coordination
3. Just in time inventories, Warehouse Management and Line feeding
4. Vendor Managed Inventories.
5. Indirect Procurement: Outsourcing procurement of all indirect materials such as spares, consumables-except production components.
6. Order Management: Despatch process.
7. Performance report: KPIs –Analysis and reports to NSSL management
8. Reverse Logistics: Customer complaints, repair and rework.