

Clambake 2010



The 2010, NAPM – Greater Syracuse, Inc., Annual Clam Bake at Hinerwadel’s was a great success. Our bake was enjoyed by all who attended. As usual we offered unlimited steamed clams, raw clams, muscles, chicken, salads, desert and a host of other foods. With great weather, excellent unlimited clams, unlimited cold beverages and good company we all had a

wonderful time! There was a noticeable increase in attendance over last year which was greatly appreciated by all the folks here at NAPM.

As we look to the future of our clam bake, remember not only is it a fantastic time but it’s our number one source of fundraising. We can’t thank our attendees enough as we look forward to seeing you all and new attendees next year. We would also like to thank those members that made this clam bake the success that it turned out to be. Thank you to the NAPM President Maria Falcone, Clam Bake Chair Doug Isbell, Co-Chair James Graham, 50/50 Coordinator Chris Webber and all gate and 50/50 volunteers. We couldn't have pulled this off without you!

As we close another summer in CNY, NAPM looks forward to seeing all of our membership this fall, winter and spring for another year of professional development, dinner speakers, seminars, certification and leadership training. This is all made possible not only by membership dues but by participation and attendance at our annual clam bake. Again we look forward to seeing you all again July, 2011 for another successful NAPM Clam Bake.

Regards,
Doug Isbell
Clam Bake Chair Person

James Graham
Clam Bake Co-Chair Person



September

Clambake 2010 - 50/50 Raffle



NAPM Clam Bake 2010,

Bonnie Townsend, Ann Casey, Maria Falcone and
Chris Webber seen here at the 50/50 Raffle table

50/50 winning numbers

005230, 005527, 005177, 004594, 821353

We have 2 unclaimed winning tickets: The numbers would be one of the following listed below.

821445

004466

484272

484544

534270

484719

484847

If anyone has a ticket that matches one of the 7 numbers listed above please contact Dawn at ACLS to claim your \$100.00 prize. dawn@aclsmail.com

Good people, good fun, good weather!!!!



The food was wonderful!





Letter from the President

NAPM Greater Syracuse Inc.

Sept 2010

Dear Fellow NAPM Members

Hope that everyone had a terrific summer and that it was all that you hoped it would be. 2009/2010 exited with a well-attended May meeting, which seems like it just occurred. It's hard to believe that the new NAPM season is upon us.

The Clambake was a huge success this year with the attendance up by approximately 20% from 2009. The added success of this event allows us to bring greater opportunities to the membership. The BOD is still working on the calendar of events. As the development and updates occur, the calendar on the website will be updated. The membership will be notified of any major changes. To kick off the season, a plant tour is scheduled for the 9/8/10 meeting. Offering plant tours for the first member meeting of the year has drawn great interest. Hence, were following suit this year.

The plant tour for the first meeting will be at FW Webb with the dinner meeting immediately following at Casa di Copani. The 2010/2011 calendar is still incomplete; however, the October meeting will also be a plant tour at Welch Allyn. More info will follow.

In addition to the dinner meetings and monthly workshops – this year CPSM study guides and Satellite Seminar DVDs have been purchased for member use on a loaner basis. The BOD budgeted for this expense helping to defray costs to members. For those who have already obtained the CPSM certification, the learning materials were quite costly. Please take advantage of this opportunity. Contact Ed Wilson to obtain the materials at ewilson@omni-ops.com or phone 443-8086. In addition ACLS can also assist – 457-7121.

It looks like we have another exciting year ahead of us with lots of focus on professional development and career enhancements. An addition to the newsletter this month, will be articles chosen from the ISM publications. With the busy schedules and workload of our profession, it is sometimes easier to read articles recommended by others. If there is an item that you come across that you feel of value, please forward it to me for future newsletters at maria.falcone@lmco.com.

Don't forget to share any concerns with your Board members...we are all ears and happy to serve.

See you on September 8th.

Maria Falcone, President

MEMBER DUES NEWS:

For those members who have not yet renewed their membership we have an installment option available for you. The Board can offer a 50% (2 installments) payment if the first is received by September, 2010. Your second installment would be due by January, 2011. Please note that if you are unemployed and wish to stay as a member we have a one year membership available at no cost to you.

There are exciting plans for professional development and networking opportunities this year.

Read more about it in the newsletter or visit our website at:
<http://www.napmsyr.org/>.

We look forward to hearing from you soon!

WEDNESDAY, SEPTEMBER 8, 2010 DINNER MEETING & TOUR

The plant tour for the 1st meeting will be at FW Webb

The Dinner Meeting will be held at Casa Di Copani following the tour.

Tour will start at 4:30-5:30 and dinner will start at 6pm

Tour Location:

FW Webb

158 Syracuse St

Syracuse, NY 13204

www.fwwebb.com

FW Webb Specializes in Plumbing and heating equipment & supplies. The tour will focus on the efforts of FW Webb supply chain manufacturing and other cost savings and issues. FW Webb has approx 1-2000 employees and was founded in 1866.

Please RSVP to dawn@aclsmail.com by Friday, September 3rd.

ISM NEW YORK/NEW JERSEY FORUM CONFERENCE

The ISM NEW YORK/NEW JERSEY FORUM CONFERENCE 2010 is being held in Glens Falls this year on Friday Nov 5th and 6th at the Queensbury Hotel.

Registration deadline is October 25th.

Oct 15th..Early registration fee..\$275.00 per attendee

Oct 15th..team of 5 or more from each affiliate \$250.00 per attendee at the group rate

After Oct. 15th registration fee..\$300.00 per attendee

So sign up early and save.

The NAPM of Greater Syracuse will contribute \$50.00 to any members' personal out of pocket expenses attending this Conference.

Each person is responsible for making their hotel reservations. Special room rate is \$89.00 plus tax. Dead line for special room rate is Thursday October 14th,2010.

Conference Location: Queensbury Hotel
 88 Ridge Street
 Glens falls, NY 12801

Telephone: 800-554-4526

<http://www.queensburyhotel.com>

Hope to see you at the Conference

Sherri Pappas

Each month our newsletter will highlight an item of interest or of education value to the membership with Supply Change Management.

This month highlights CPSM questions and understanding Total Cost of Ownership.

If you have never visited the site below...try it out...it is a great tool for sharpening your skills.

The below is published in ISM



At web site www.ism.ws/pubs/eside/esidearticle



3 Questions, 3 Answers

May/June 2010, *eSide Supply Management* Vol. 3, No. 3

New in 2010, eSide offers three sample questions — and answers — from the CPSM[®] *Diagnostic Kit* to help you prepare to pursue your CPSM[®] certification. First, answer all three questions; then, scroll down to the "3 Answers" section to find out how you fared. 3 Questions

Question #1: When developing specifications, a buyer may consider information from which of the following?

- I. Suppliers
 - II. Industry Standards
 - III. Professional Organizations
 - IV. Competitors
- A. I and IV only
 - B. II and III only
 - C. I, II and III only
 - D. I, II, III and IV

Question #2: A home medical testing device includes a very sensitive sensor with a customized, easily readable display. This sensor is low-cost but high-risk because shortages could stop production at the buying organization's plant. In this situation, which term BEST describes the sensor?

- A. Bottleneck item
- B. Non-critical component
- C. Leverage buy
- D. Routine component

Question #3: Which of the following is an example of a mission statement for a supply management organization?

- A. "The supply management organization will ensure the right price for the right products or services at the right time, with required quality and supporting documentation."
- B. "The supply management organization will effectively manage supply management activities and supplier relationships to satisfy internal stakeholders of the company."
- C. "The supply management organization will ensure that all personnel perform their responsibilities in an efficient and effective manner."
- D. "The supply management organization will provide a minimum of \$200,000 of cost savings or cost avoidance during the upcoming fiscal year."

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3 Answers

Question #1: Option D is correct because all four sources of information can be important to the supply management professional. Suppliers (I) provide not only specifications for current products (which can be compared to be sure specs aren't unduly restrictive) but also advance looks at new products or technologies. Industry standards (II) are especially useful for common parts or materials or for those routinely tested by third-party services or labs. Professional organizations (III) offer resources such as training, examples of standard specifications, and networking among peers. Being aware of competitors' (IV) innovations, problems, and solutions can yield valuable perspective.

References: CPSM® *Study Guide*, 1st Edition (Book 1 — *Foundation of Supply Management*), pages 1-2; ISM *Professional Series* (Book 1 — *Foundation of Supply Management*), pages 114-115.

Question #2: Option A is correct because bottleneck items are low-value, high-risk products with customized specifications and/or technologies. To minimize supply interruptions, inventory levels are closely monitored and supply management may search for alternate suppliers. Non-critical or routine components (Options B & D) have little effect on the organization's profitability and competitiveness. They can be standardized, and substitution is feasible. Leverage buying (Option C) is used when items are low-risk and a large number of suppliers are available. The organization's volume can be leveraged to obtain lower prices.

Reference: CPSM® *Study Guide*, 1st Edition (Book 2 — *Effective Supply Management*), pages 8-9.

Question #3: Option B is correct because it addresses overarching purposes of the supply management function as they relate to the larger organization. Options A and C are strategies in support of the mission. Option D is incorrect because goal setting (such as specific savings targets) evolves from strategies.

References: CPSM® *Study Guide*, 1st Edition (Book 3 — *Leadership in Supply Management*), pages 1-4; ISM *Professional Series* (Book 3 — *Leadership in Supply Management*), pages 48-51; *Strategy: A View From The Top* (2nd Edition), pages 7-8; *Guide to Business Planning (The Economist Series)*, pages 27-29

Negotiating on Cost, Not Price

Author(s):

Rick Pay

May/June 2010, *eSide Supply Management* Vol. 3, No. 3

Understanding why TCO is an underused negotiation approach, and how to switch gears.

While the concept of total cost of ownership (TCO) has been around for more than 30 years, many companies are still using part price as the key component for negotiations with their suppliers.

TCO is clearly a more profitable approach, yet in industry after industry, supply management professionals continue to reduce part cost through intensive negotiations with suppliers. So, if TCO is such a good approach, why doesn't everyone adopt it to reduce supply chain costs?

In my experience, there are three major impediments to using TCO:

1. Purchasing departments often do not control the all cost elements of their materials/services purchases.
2. Supplier capabilities are not fully used.
3. Current product cost accounting systems do not reflect TCO approaches.

TCO, as its name suggests, is comprised of all the costs associated with the procurement of parts and services. Those costs include materials, labor, overhead and profit, as well as freight and logistics, quality, warranty and service, inventory holding costs, customs and duties, lead and cycle time, and engineering changes, among others. TCO embodies a longer time frame, usually at least 18 months and often the entire life cycle of the product.

For example, several of progressive companies I'm familiar with require a minimum 25 percent TCO reduction or they won't take production offshore. Other companies often just look for a part price reduction before they jump into the deep water of offshore supply.

Many companies do not follow a TCO model in their purchasing because often, the purchasing department does not own all of the components of TCO. For instance, one logistics department selects transportation suppliers, coordinates customs and duties, and tracks all paperwork and other regulatory requirements. That department reports to accounting. In many cases, delays in the accounting department result in missed due dates, expedited freight and other increased costs.

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Meanwhile, in a large, transportation-related company, quality, freight, engineering and purchasing all report to different vice presidents and have different objectives. Purchasing doesn't even consider the costs of those other elements in its sourcing decisions. In one case, they ship a metal part all the way across the United States because it is cheaper to buy the part on the West Coast than on the East Coast, even though the freight — for which they are not responsible — more than erases the savings.

Another reason that TCO is underused is that purchasing groups don't take advantage of their suppliers' services. Many lean companies successfully use pull systems, such as Kanban and supplier-managed inventory (SMI), to reduce inventory, cut transaction costs, decrease stock-outs and increase inventory accuracy. SMI programs can significantly reduce costs. In some SMI programs, supplier payments occur once or twice per month, lessening the burden on accounting. Some supply management departments feel uncomfortable using SMI because the part price might be slightly higher to help cover the supplier's cost of managing the inventory, or they actually don't trust the supplier. By taking a TCO approach, companies would normally see cost reduction through lower stock-outs, lower inventory and almost zero in-house handling of parts.

Many companies are still tied to outdated standard costing systems that track only materials, labor and overhead in the bill of materials, or BOM. Standard costing systems offer limited mechanisms to apply freight, handling, cost of inventory, quality and other TCO elements to the part. Because of that, those costs get lost in the overhead details and do not reflect on the parts themselves. Once again, if the purchasing department is held accountable only for part costs, the rest of the TCO elements will be ignored at best and costly at worst.

To better negotiate and control total cost of parts, companies should do three things:

- 1. First, they must develop TCO models that include cost-driver identification and ownership for various parts.** Cost drivers go beyond the basic cost elements to include things such as yield, transportation, warranty and service, and lot sizes. Understanding those cost drivers and communicating them to the entire organization brings into focus total cost reduction and overall profitability. Wherever possible, ownership of the transactional elements of cost should be in the supply chain group. Additionally, the supply chain group should be closely connected with design engineering and customer service functions to help assure that pre- and post-transaction costs are factored in to the total cost model, as well.
- 2. Next, companies should integrate supplier capabilities into the supply chain wherever possible.** Engage key suppliers not only in product design, but post-release (for example, warranty service) cost reduction efforts, too. Suppliers should participate in automatic-replenishment systems such as Kanban materials flow systems and SMI systems to reduce inventory and improve cycle/lead times.
- 3. Finally, companies should take a holistic approach to product costing, and include TCO in the cost models.** Review or replace standard cost systems with more advanced lean accounting structures that provide a stronger costing environment to enable broader cost reduction efforts.

With successful implementation of TCO, companies can significantly improve profit margins and cash flow. With stronger accountability, better cost modeling and trusting relationships with suppliers, they can move into the next decade ready to compete in a global marketplace.



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