

Supply Chain & Vendor Management — Workbook

This workbook turns the course into a working supply chain. As you move through it you will write a real specification, qualify suppliers on a weighted scorecard, build a protective purchase order and choose your incoterm, compute your own safety stock and reorder points, and stand up the KPI scorecard and risk plan that keep vendors managed rather than merely repeated. Use the templates to keep your sourcing, ordering, and supplier performance organized in one place so nothing slips at a deadline or a dock.

Sourcing and Qualifying Suppliers

Define exactly what you are buying, gather a real candidate pool, and qualify suppliers on total value rather than sticker price.

Worksheet: One-Page Product Specification

Complete this spec for the single product or component you most depend on. If you cannot fill in a field, that gap is your first sourcing task. This document becomes the basis of every RFQ, contract, and quality inspection.

Product / component name and internal SKU

Material, ingredients, or components (with grades)

Key dimensions and tolerances

Finish, color, and any branding or labeling

Packaging requirement (unit, inner, master carton)

Applicable standards / certifications / test reports

Trial order quantity

Expected steady-state order quantity

Stretch volume if the product succeeds

Exercise: Build Your Landed-Cost Comparison

Pick one overseas candidate and one domestic or nearshore candidate for the same item. Work each one up from unit price to full landed cost using the course build-up, then answer the prompts. The point is to see how often the cheaper sticker price loses.

- List every cost component for each candidate: unit price, tooling/sample fees, freight, duties (by HS code), brokerage and port fees, payment costs, and carrying cost.

- What is the all-in landed cost per unit for each candidate, and which one actually wins?

- How much cash does each option tie up at once (MOQ x unit price plus one-time fees), and can you fund it?

- If your bestseller spiked 50 percent next month, which supplier could you re-order from fast enough, and what does that reliability gap cost you?

Worksheet: Weighted Supplier Scorecard (Qualification)

Score each shortlisted supplier 1 to 5 on every criterion, multiply by the weight, and total. Order and pay for a sample from your top two before committing. Record the totals in the sourcing template so you can compare side by side.

Supplier name and country

Factory or trading company? (confirmed how)

Price / landed cost score (weight 25%)

Quality: sample + certifications score (weight 25%)

Reliability / lead time score (weight 20%)

Communication / responsiveness score (weight 10%)

Financial stability / years in business score (weight 10%)

Flexibility: MOQ / trial / terms score (weight 10%)

Weighted total score

Checklist: Before You Place a First Order

- Written one-page specification is complete with no blank fields
- Same RFQ sent to every shortlisted supplier so quotes are comparable
- Confirmed factory versus trading company for each finalist
- Ordered and physically evaluated a paid sample against the spec
- Verified the supplier (business license, export history, or third-party audit)
- Compared finalists on weighted scorecard, not lowest quote alone
- Confirmed MOQ, first-order vs repeat lead time, and sample-to-production consistency plan

Purchase Orders, Incoterms, and Payment

Turn the chosen supplier into a protective contract: a complete PO, the right incoterm with a named place, and payment milestones tied to proof, not the calendar.

Checklist: Complete Purchase Order Audit

- Sequential PO number, date, and both parties' legal names and addresses
- Line items with exact spec/SKU, quantity, unit price, and line total
- Currency, order total, and agreed quantity tolerance (e.g. +/- 2%)
- Incoterm with named place (e.g. FOB Ningbo) and required ship/delivery date
- Packaging, labeling, and carton/pallet marking requirements
- Quality terms: AQL levels, inspection rights, and remedy for rejected goods
- Payment terms: amounts, milestones, method, and documents required to release payment
- Reference to the governing supply or quality agreement

Exercise: Choose Your Incoterm Deliberately

For your actual next shipment, reason through the incoterm rather than accepting whatever the supplier quotes. Use the four terms a small importer meets (EXW, FOB, CIF, DDP) and decide consciously.

- Under each candidate term, who pays freight, who clears import customs, and where does risk of loss transfer to you?

- Which term do you want, and what is the named place that completes it?

- If you chose FOB or EXW, who is arranging marine cargo insurance for the main carriage, and is it bought?

- If a DDP quote looks effortless, what is your check that the duty estimate and HS classification are not lowballed?

Worksheet: Payment Milestone Plan

Design the payment structure for your next order so neither side holds all the leverage. Tie every release to a verifiable event, never to elapsed time alone.

Deposit amount and % (trigger: start of production)

Balance amount and % (trigger event, e.g. passed pre-shipment inspection + bill of lading)

Payment instrument (T/T, L/C, escrow/Trade Assurance, card)

Order value and whether it justifies an L/C (roughly >50k)

Pre-shipment inspection booked? (firm, cost, date)

Document(s) required before final release

Target future terms once trust is built (e.g. net 30)

Lead Times, Quality Control, and Inventory Buffers

Make lead time a number you can plan around, build AQL inspection into receiving, and compute the safety stock and reorder point for your key SKUs.

Worksheet: Lead-Time Breakdown

For one key SKU, fill in the days each stage actually takes (use your own records, not the supplier's optimistic estimate). Record both a typical and a worst-case figure so you can see the spread your buffer must cover.

Order processing (decision to paid PO) — typical / worst

Production — typical / worst

Inspection & pre-shipment — typical / worst

Freight & transit — typical / worst

Customs clearance & port handling — typical / worst

Inbound logistics (receiving to sellable) — typical / worst

Total lead time — typical / worst

Supplier holiday/shutdown dates to plan around (e.g. Chinese New Year)

Exercise: Set AQL Levels and Run a Mock Lot Decision

Define your acceptable quality limits in writing before any order ships, then practice the accept/reject logic so it is routine when real goods arrive.

- For your product, list 2 to 3 example defects in each class: critical, major, and minor.
 - What AQL will you set for each class (e.g. critical 0, major 2.5, minor 4.0) and why?
 - For a 5,000-unit lot at General Inspection Level II, what sample size and accept/reject numbers do the AQL tables give you?
 - If your sample shows 1 critical, 3 major, and 6 minor defects against your limits, do you accept or reject the lot, and what is the contractual remedy?
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Worksheet: Safety Stock & Reorder Point Calculator

Compute the buffer and trigger for one fast-moving, high-margin SKU using the course formulas. Safety stock = (max daily sales x max lead time) - (avg daily sales x avg lead time). Reorder point = (avg daily sales x avg lead time) + safety stock.

Average daily sales (units)

Maximum daily sales (units)

Average lead time (days)

Maximum lead time (days)

Safety stock (units) — computed

Reorder point (units) — computed

Alert set in inventory/e-commerce system? (Y/N)

Date to revisit the numbers (quarterly)

Checklist: Receiving and Replenishment Discipline

- Quality agreement with AQL levels travels with every PO
- Pre-shipment inspection booked for meaningful orders before final payment
- Goods inspected again on receipt against the same standard and result logged
- Actual lead time recorded for every received order
- Safety stock and reorder point computed per key SKU, not across the board
- Reorder point set as an automatic alert, not a memory task
- Buffers reviewed when demand shifts or a supplier's reliability changes

Managing Supplier Relationships and Risk

Turn vendor management into a measurable discipline with KPIs and reviews, then map your single points of failure and build a continuity plan.

Worksheet: Supplier KPI Scorecard (Ongoing)

Pull these metrics straight from your POs, receiving logs, and inspection results for each critical supplier this quarter. Share the completed scorecard with the supplier at your review.

Supplier name

On-time delivery rate (% of orders by promised date)

Quality acceptance rate (% passing inspection)

Order accuracy / fill rate (% complete and correct)

Lead-time reliability (actual vs quoted; variability)

Responsiveness (avg time to answer/resolve)

Price trend vs last quarter and vs alternatives

Weighted quarterly rating

Trend vs last quarter (improving / flat / sliding)

Exercise: Plan Your Quarterly Business Review

Prepare the QBR for your single most important supplier. Keep it structured but not elaborate; the goal is to turn a transactional relationship into a managed one.

- What does the scorecard say about this supplier's quarter, and what one number will you lead with?
 - Which quality or delivery issue needs a root-cause discussion, and what outcome do you want?
 - What is your demand outlook for the next two quarters that they need to plan capacity for?
 - What one thing could each side do to make the relationship better (a volume discount, a lead-time cut, you as a better customer)?
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Worksheet: Single-Point-of-Failure Risk Map

List every supplier and rate the damage if you lost them and how hard they'd be to replace. The critical-and-hard-to-replace rows are your priority risks and each needs a continuity plan.

Supplier name

Item(s) supplied

Impact if lost (high / medium / low)

Ease of replacement (easy / hard)

Single-sourced? (Y/N)

Backup supplier qualified in advance? (name / none)

Extra safety stock held to bridge a disruption (units / weeks)

Switch lead time to the backup (days)

Checklist: Supplier Continuity Readiness

- Every supplier mapped on impact-if-lost and ease-of-replacement
- Critical-and-hard-to-replace suppliers flagged as priority risks
- At least one backup pre-qualified (with a small trial order) for each priority risk
- Extra safety stock held for single-sourced critical items
- Specs, tooling files, and quality agreements documented and in your possession
- One-page contingency plan written per critical supplier (backup, switch lead time, bridging buffer)
- Geographic concentration reviewed (are all key suppliers in one country/port?)

Your Action Plan

1. Write the one-page specification for your most important product and fix any blank fields before contacting suppliers.
2. Gather five to ten candidate suppliers from channels suited to your category, and confirm factory versus trading company for each.
3. Send one identical RFQ to the shortlist, build landed-cost comparisons, and score finalists on the weighted scorecard.
4. Order and physically evaluate a paid sample from your top two suppliers before committing to a production order.
5. Issue a complete purchase order with the right incoterm and named place, and a payment plan tied to a passed inspection rather than the calendar.
6. Book a pre-shipment inspection against written AQL levels for your first meaningful order, and inspect again on receipt.
7. Compute safety stock and the reorder point for your top three SKUs and set the reorder points as automatic alerts.
8. Record actual lead time for every order received and review the typical-versus-worst-case spread each quarter.
9. Stand up the supplier KPI scorecard, run a first quarterly business review with your most critical supplier, and share the scorecard with them.
10. Map your single points of failure, pre-qualify a backup for each priority supplier, and write a one-page contingency plan per critical supplier.

