



Unit 32: Buying for Business

Delivery guidance

For a business to remain competitive, success lies in its ability to acquire resources in a timely and cost-effective manner, then by adding value by producing commodities that meet market demand. This transactional process is made more difficult as buyers need to predict how many resources they need given current economic circumstances, potential seasonal demand and upturns and downturns in trends.

Understanding how to buy for a business requires wide-ranging and detailed knowledge of business principles, including economics and the law. This unit presents a range of practical issues for teaching and learning. Learners should be able to, in part, draw upon their own experiences of being a consumer and how they may have had to negotiate the purchase price of an item.

Access to a major producing company will give learners practical experience and expose them to the buying process. This could be in the form of learners' own research, a company visit or even work experience (but this is not essential).

Approaching the unit

Learners will need to know and understand the process that is followed when procuring goods or services within a business. Learners will need to cohesively present the procurement activities used by a business to build efficiencies within the business. Learners will also need to demonstrate their evaluative skills when writing a report that investigates the art of negotiation and producing contracts when securing products or services.

Learning aim A is primarily concerned with understanding the role of procurement for procuring resources and how it is used by a business to ensure that it receives goods that meets its requirements.

A critical concept for learners to understand is the need for goods to meet the five 'rights' of procurement, which are: quality, quantity, price, place and time. As an initial starting point, a simple factory floor production role-play scenario could be carried out, which could be designed to highlight the five rights. It is important to emphasise that any weaknesses within the production run would incur a cost for the business. Learners must also know that when they buy goods, they must meet stringent specifications. Learners must know the role that specifications play in ensuring businesses buy exactly what they ordered.

Learners must also understand the role that suppliers play in ensuring the procurement process runs smoothly in terms of supplying goods that meet the five rights. Ideally, learners need to experience the procurement process in action, therefore, by arranging a visit to a production or services company, learners could gain a first-hand insight into buying in business.

Learning aim B examines the activities that support an efficient procurement process. This learning aim contains quite a substantial amount of learning which focuses on the tendering process, legislative demands and changes that may occur through external factors. There is an opportunity here for learners to develop their planning skills, for example, using Gantt chart software to show the sequence of activities and time allowances in relation to a product or service



required from a supplier. This could be included as part of the presentation assessment evidence if linked to a specific business.

Learning aim C focuses on the role of negotiation and contracting in the procurement process. Learners need to understand that there are different ways to negotiate, including:

- exploring
- building relationships
- giving nothing unless getting something in return
- negotiating with decision makers
- summarising the deal at the end of negotiations.

This learning aim lends itself ideally to role-play scenarios, as this is an ideal environment for practising and developing negotiating skills. A crucial aspect of this learning aim is for learners to gain a solid understanding of contract law in relation to the procurement of goods and services. There is an opportunity here for learners to develop their practical knowledge of contract law by organising a meeting with the buying department of a large production or services business. This could potentially be one of the businesses that is going to be used as part of the assessment evidence.

Learners need to consider the purpose and functions of agreements with suppliers and customers and to understand that agreements are binding, in so far as what is specified is what will be supplied to the customer at the agreed price and quantity.



Assessment model (internally assessed unit)

Learning aim	Key content areas	Recommended assessment approach
A Understand the role of procurement for procuring resources	A1 Supplies that meet purchasers' requirements A2 Specifications A3 Suppliers	An individual poster presentation with a supporting leaflet, highlighting the adoption of effective procurement activities for a business that is seeking to improve the efficiency of its operations.
B Examine the activities that support an efficient procurement process	B1 Identifying procurement requirements B2 Sourcing supplies B3 Securing supplies at required times B4 Planning the procurement of goods from suppliers B5 Calculating supply and demand requirements B6 Procedural and regulatory requirements	
C Investigate the role of negotiation and contracting in procurement	C1 Negotiation C2 The law of contract C3 Agreements with suppliers C4 Agreements with customers	A report evaluating the role of negotiations and contracts in securing products or services for two contrasting businesses.



Assessment guidance

This unit is internally assessed through two independent tasks. Learners' evidence must be original work and be able to be authenticated. The summative assessments are indicated below.

The recommended relationships to the learning aims and criteria are:

- Learning aims A and B: A.P1, A.P2, A.M1, A.D1, B.P3, B.P4, B.P5, B.M2, B.M3 and B.D2.
- Learning aim C: C.P6, C.M4 and C.D3.

The main sources of evidence that should appear in the poster presentation for Learning aims A and B are likely to include records of visits to at least one business. This is ideally one of the businesses that the learner has chosen to investigate for Learning aim C. Other appropriate sources could include documents from the business (or businesses) being researched, which could include product specifications and documents that are used in the procurement process.

If learners choose to undertake evidence that requires an observation, then BTEC assessors could assist in the completion of this task. Observations by themselves will not be sufficient and must be supported by original evidence generated by the learner.

The delivery of the content should enable learners to work independently. You may give support, but this must not include feedback which explains how learners should improve their work. You must give minimal support and therefore the choice of teaching materials used and how they are used should be carefully considered. However, assessors should consider approaches that develop the required skills that integrate practical learning, experiential learning and theory. This could be achieved through classroom- and field-based learning.

Learners are free to produce their own research and preparatory evidence in any way that they choose. However, the final evidence produced must be in the form of a poster presentation and in report format. Learners must acknowledge all of the sources that they use during the course of evidence gathering and report writing.

For Learning aims A and B, learners are required to investigate the procurement process from the perspective of the supplier and consider the planning and sourcing process in detail. Learners must also consider the economics principle of supply and demand when deciding quantities to purchase. Finally, learners must be aware of the regulatory and procedural frameworks that are in place which govern the purchasing and supply of goods and services.

For Learning aim C, learners must research two businesses that provide products or services. As part of the research, learners need to evaluate the role of negotiation and contracts in the process. To do this, learners need to understand the process by which negotiation takes place, contract law and how agreements with suppliers and customers support the efficient buying of goods or services in business. To do this successfully, learners will need to be taught the higher order skill of evaluating written materials. This can be demonstrated in a generic way by use of other forms of documentation which are not related to the assessment.



Getting started

This provides you with a starting place for one way of delivering the unit, based around the recommended assessment approach in the specification.

Unit 32: Buying for Business

Introduction

This unit is designed to give learners an insight into the procurement processes that are used in business. The unit is wide ranging in scope and investigates understanding the role of procurement for procuring resources, the activities that support an efficient procurement process and the role of negotiation and contracts in the procurement process. As part of their research, learners will gain an insight into the legal aspects and regulatory frameworks that surround buying for business.

To ensure learners consolidate their learning, three formative assessments have been suggested. This unit is designed to take 60GLH. Due to the amount of work required to complete the assignments for Learning aims A and B and Learning aim C, you may wish to allocate 40GLH to Learning aims A and B and 20GLH to Learning aim C. This should be inclusive of time required to complete the formative assessments.

Learning aim A – Understand the role of procurement for procuring resources

- Learners need to understand how the procurement process is underpinned by the five 'rights', the drafting of specifications and the correct selection of suppliers by carrying out analysis of the market.
- For Learning aim A1, teaching should focus on understanding the five 'rights' of procurement:
 - right quality
 - right quantity
 - right price
 - right place
 - right time.
- To develop understanding, the tutor could ask learners to create a presentation on the importance of each of the five rights.
- Teaching the immediate and long-term benefits of why these five principles are key to successful procurement will enable learners to understand how this leads to an effective and cost-efficient system. An approach to developing this understanding may be through a production line role-play scenario, where any outage in the system costs the business money.
- For Learning aim A2, learners need to understand how specifications for the procurement of products and services differ in terms of the way they are written. Learners may be given theory notes on conformance and outcome/output-based approaches of writing specifications. These specifications may include:
 - drawings
 - samples
 - technical descriptions.



- For learners to fully understand the different types of specifications and their content, it could be beneficial if tutors source examples of each and ask learners to create their own version based on similar content to the real ones.
- Learners must also understand the role of contracts with employers. Learners need to know that contracts form a legal document and include very detailed specifications of the products required. Learners could be presented with a range of contracts and then asked to critique them in the form of a presentation. Learners should also consider the importance of specifications in their presentation.
- Facilitate a tutor-led discussion or class debate on which approaches are appropriate and in which situations. It may also be useful to introduce a guest speaker who can give practical examples of where the different methods have been used in their business.
- For Learning aim A3, delivery should focus on suppliers and ensuring that they have the capacity to provide the goods or services in a timely and cost-effective manner that meets the five 'rights' of procurement. Learners need to know the significance of a supplier being able to ensure that they can meet the five 'rights'. Often, this can be the difference between a supplier winning or losing a contract to supply. You may choose to use a contract negotiation role-play scenario to examine this point.
- Learners also need to understand that buyers carry out research into the businesses they are considering as suppliers. Tutors should explain to learners that this is done through analysis of Key Performance Indicators. For example, a buyer may wish to know how a supplier compares to competitors in terms of price and quality. This would inform a buyer on the reliability of a supplier. The tutor could guide a discussion around the Learning aim of KPIs.
- Learners also need to know how suppliers are held accountable against KPIs. Contacting an employer who acts as a supplier will enable learners to gain a practical insight into why these requirements are important to a smooth-running procurement process.
- To check learners' understanding of Learning aim A, you may choose to set a formative assessment quiz using, for example, the Kahoot! app.

Learning aim B – Examine the activities that support an efficient procurement process

- This learning objective gives learners knowledge of the procurement process in identifying a need through to tendering for goods or services. This includes complying with legislative requirements and dealing with external factors.
- For Learning aim B1, delivery should focus on understanding the business and commercial needs of users and customers. Learners need to understand that in order to make good buying decisions, the needs of stakeholders must be clearly understood. To gain this knowledge, learners could investigate a large retailing business and identify its stakeholders, explaining the interest that each one of them has in the business.
- Learners will also need to know how to carry out calculations that support the buying decisions. Learners could carry out independent research to find out the types of decisions that businesses need to make during the procurement process. This information should be included in the poster presentation.
- For Learning aim B2, teaching should focus on the ability of businesses to obtain information from suppliers. All requests for information or quotations should meet the five 'rights' criteria. Learners must also understand the processes for selecting a



supplier. Again, this will be underpinned by the five 'rights' philosophy and ensuring that they provide value for money.

- At this point it might be useful for the tutor to introduce ISO quality standards, in particular ISO 9001 which ensures the quality of goods supplied. Learners could be directed to www.iso.org by the tutor to research and record the standards that relate to the supply of goods.
- In ensuring that the product or service meets the needs of the end user, the procurement process will have to ensure that goods are produced in a timely manner and to the highest of standards. Learners will need to understand how e-sourcing technology and quality standards and assurance procedures ensure products and services meet these requirements. It would be beneficial for learners to witness how technology (e.g. e-sourcing systems) are used to source goods, and the processes by which quality is assured, by contacting an employer and organising a visit. Alternatively, learners could conduct their own research into how technology is used in practice.
- For Learning aim B3, this could be taught in a practical way based on a production scenario with changing variables in terms of lead times and milestones. As the time variables change throughout the simulated production run, learners will experience how planning is essential to the successful delivery of goods on time. Time and cost penalties could be introduced to emphasise the impact of missed deadlines.
- The production scenario could be supported by a visit from a production manager, who could give realistic insight into this process. They can discuss the following criteria and facilitate a Q&A session for learners:
 - lead times, including internal, external and total lead time
 - expediting and measuring delivery performance
 - planning milestones and activities for the supply of inventories
 - scheduling to ensure the timely supply of goods and services
 - inventories and inventory holding costs.
- For Learning aim B4, you should emphasise that procurement is not simply placing an order and waiting for the goods to arrive. Teaching should concentrate on the procedures which govern the planning of the procurement of goods from suppliers. It would be useful for learners to carry out some independent research into concepts such as:
 - procurement policies and procedures
 - planning horizons (such as short-, medium- and long-term)
 - procurement process objectives (with plans including SMART objectives)
 - selection criteria by which suppliers are chosen
 - the methods by which procurement contracts are issued (such as price, life cycle costs, technical merit and value added).

The research could be supported by a visit from a procurement manager from a local business.

- For Learning aim B5, the delivery here should focus on the market analysis and metrics used to calculate supply and demand for a product. Learners should be reminded of the factors which influence pricing, primarily supply and demand, elasticity of demand and the availability of resources required to produce goods.
- Learners also need to know the techniques that are used in buying. Typical examples include:
 - fixed pricing (an agreed fixed price is agreed for a given quantity)



- cost-plus pricing (the cost of production has a mark-up added to create the selling price)
- price indexation (where the goods of a price increase by a certain percentage periodically, typically linked to changes in lending and borrowing rates)
- incentivised pricing (where an incentive is offered to the buyer, maybe in the form of extra goods or a price discount if they agree to buy a certain quantity).

This could be taught in the form of a tutor-led lesson using publications such as the 'Supply Chain: Demand Forecast & Replenishment' PDF by Blue Yonder (see Resources).

- Learners will need to consider the impact of pricing on profit and loss, cash flow and other budgets. For example, if a buyer takes advantage of incentivised pricing, this will then potentially positively impact on profit and loss and cash flow. Learners need to be directed to think about what the buyer will do with the unplanned surplus cash. This could be explored in the form of a discussion.
- Give learners further insight into the measures that are taken to calculate supply and demand requirements in a tutor-led discussion.
- Learners should understand that forecasts can be revised in both positive and negative ways. Much of the content covered in Learning aim B5 will have been covered earlier on in the course (primarily in Unit 3), therefore, learners should have some knowledge of the terminology used when discussing factors influencing product or service pricing. To consolidate and check learning, you may decide to set a written quiz based on the criteria for both Learning aims A and B.
- For Learning aim B6, delivery should focus on procedural and regulatory requirements, including the documentation used in the procurement process, such as purchase requisitions, purchase orders, goods received notes etc. A suggested way to teach this is through the use of an in-tray exercise that will demonstrate the flow of documents in a procurement transaction. This task will involve learners using the documents to simulate a transaction. This could be done independently or in groups.
- In addition, learners will have to understand what is likely to be contained in documentation for transportation, customs and finance. This information can be found by learners conducting independent online research.

Learning aim C – Investigate the role of negotiation and contracting in procurement

- This learning aim explores negotiation skills, the law of contract and agreements with suppliers and customers. Learners will need to understand how these protocols help meet the commercial needs of businesses.
- For Learning aim C1, teaching should concentrate on the key features that lead to successful negotiation. These are:
 - the approach to negotiation taken
 - preparing for the negotiation
 - factors that affect the negotiation
 - stages of a commercial negotiation
 - calculating the supply and demand of requirements.

This learning gives a good opportunity for a role-play scenario based on commercial negotiation. To make the activity more realistic, you could organise an



employer to visit the Centre who is involved in the negotiation. They could help to coach learners before they perform the role-play scenario. The employer could then observe the role play and give feedback. You may decide to use this task as a formative assessment activity.

- For Learning aim C2, learners should carry out independent research into the law of contract, focusing on the purchasing and supply of goods and services. This should also include law relating to the hire and leasing of assets. Information can be found online (e.g. www.gov.uk). Learners should make notes then, in pairs, compare and discuss their findings.
- For Learning aims C3 and C4, teaching should focus on what is included in the content of agreements between both suppliers and customers (see unit specification). Learners should also know how clear concise and accurate agreements lead to more efficient procurement transactions.
- For this task, learners could create a presentation which discusses what is contained in agreements between suppliers and customers. Information about the content of these documents can be found on websites such as Business Balls (see Resources).



Details of links to other BTEC units and qualifications, and to other relevant units/qualifications

- Unit 1: Exploring Business
- Unit 15: Investigating Retail Business
- Unit 27: Work Experience in Business
- Unit 33: Supply Chain Operations

Resources

In addition to the resources listed below, publishers are likely to produce Pearson-endorsed textbooks that support this unit of the BTEC Nationals in Business. Check the Pearson website (<http://qualifications.pearson.com/endorsed-resources>) for more information as titles achieve endorsement.

Textbooks

Jackson P, Crocker B and Carter R, *101 Models of Procurement and Supply Chain Management*, Cambridge Academic, 2016 ISBN: 9781903499870 – Provides a wide range of ideas and suggestions to augment learners' understanding of procurement.

Stanton D, *Supply Chain Management for Dummies*, John Wiley & Sons, 2018 ISBN: 9781119410195 – Provides an accessible overview to the majority of topics covered in this unit.

Videos

'Introduction to Procurement – Module 1 What is Procurement?' – A useful video that introduces procurement.

https://www.youtube.com/watch?v=wPR_KoSSofA

'Purchasing and Procurement' – A useful video which expands upon the concepts raised within this unit.

<https://www.youtube.com/watch?v=ntHnQrQBG2Y>

'Tendering - Background and Overview of the Procurement Process' – Provides information on the tendering process.

<https://www.youtube.com/watch?v=cpNCpI9Of3A>

Websites

https://www.blueyonder.ai/sites/default/files/by-en-brochure-demand-forecast-and-replenishment_0.pdf – 'Supply Chain: Demand Forecast & Replenishment' PDF document that outlines how to increase profits and ensure optimal stock availability for every store.

<https://www.businessballs.com/> – Website that provides information on legal and procurement training which will help with contract agreements for customers and suppliers.

<https://www.cips.org/en-GB/> – Provides information about the professional body that governs procurement.



<https://www.gov.uk/> – Search the government website for 'legislation' to find information on the law of contract and commercial agreements.

<http://smallbusiness.co.uk/beginners-guide-buying-selling-business-2537795/> – 'A beginner's guide to buying and selling a business' article, which provides guidance on what to look out for when buying for a small business.

Pearson is not responsible for the content of any external internet sites. It is essential for tutors to preview each website before using it in class so as to ensure that the URL is still accurate, relevant and appropriate. We suggest that tutors bookmark useful websites and consider enabling learners to access them through the school/college intranet.