

# Specification of Competency Standards of the Retail Industry

## Unit of Competency

### Functional Area: Merchandising and Supply Chain Management

Title	Formulate purchasing strategy
Code	104994L6
Range	This unit of competency (UoC) is applicable to the purchasing department of the retail industry. It covers the abilities to critically analyze and judge; evaluate the purchasing resources and effectiveness of the organization in order to formulate a purchasing strategy to promote the retail business development and reduce excess inventory so as to achieve maximum investment return.
Level	6
Credit	9 (for reference only)
Competency	<p>Performance Requirements</p> <ol style="list-style-type: none"> <li>1. Knowledge of purchasing strategy <ul style="list-style-type: none"> <li>• Master the organization's business strategies</li> <li>• Understand the importance of purchasing strategy</li> <li>• Master different parts of knowledge in purchasing, e.g.: <ul style="list-style-type: none"> <li>• Optimizing supplier</li> <li>• Total Quality Management (TQM)</li> <li>• Risk management</li> <li>• Global purchasing</li> <li>• Environmental purchasing</li> <li>• Supplier development</li> </ul> </li> <li>• Understand the concept of product category, including: <ul style="list-style-type: none"> <li>• Consumer decision tree</li> <li>• Sales space and resources allocation</li> <li>• Role and strategy of product</li> </ul> </li> <li>• Master the application of the five rights principle of purchasing, namely: <ul style="list-style-type: none"> <li>• The right supplier</li> <li>• The right price</li> <li>• The right quantity</li> <li>• The right quality</li> <li>• The right time</li> </ul> </li> <li>• Master the importance of payment method and capital flow to purchasing strategy</li> <li>• Master the purchase cycle procedure</li> <li>• Know about laws and legal requirements related to purchasing</li> </ul> </li> <li>2. Formulate purchasing strategy <ul style="list-style-type: none"> <li>• Confirm purchasing strategy in order to support the organization's overall business, e.g. economical purchasing, centralized purchasing, quality management, etc.</li> <li>• Analyze the sales and inventory record of retail products to ensure adequate supply without overstocking</li> <li>• Analyze the organization's purchasing process to ensure its effectiveness, e.g. the effect on operation needs, the relationship with suppliers, criteria for purchasing, etc.</li> <li>• Conduct SWOT analysis and competitive analysis to strengthen the competitiveness of the retail products in the stores (e.g. promotions, pricing, location, etc.), so as to achieve better sales than the competitors</li> <li>• Look for an appropriate new purchasing method e.g. e-purchasing</li> <li>• Formulate a new purchasing strategy according to the organization's business strategies, the "five rights" purchasing criteria and the legal requirements, and confirm the support of manpower, financial and other resources</li> <li>• Formulate key performance indicators (KPI) to measure the effectiveness of the purchasing process</li> <li>• Formulate proper purchasing system, review the purchasing strategy and measures to prevent abuse of power or malpractice</li> </ul> </li> <li>3. Exhibit professionalism <ul style="list-style-type: none"> <li>• Ensure that the purchasing strategy is for the benefit of the organization</li> <li>• Adhere to related legal requirements and job ethics when formulating purchasing strategy</li> </ul> </li> </ol>

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Assessment Criteria	The integrated outcome requirements of this UoC are the abilities to: <ul style="list-style-type: none"><li>• Formulate an effective purchasing strategy to meet the organization's overall business need;</li><li>• Formulate KPI for purchasing to measure the effectiveness of the purchasing process; and</li><li>• Formulate a proper purchasing system, review purchasing strategy and measures to prevent malpractice for personal gain.</li></ul>
Remark	