

Specification of Competency Standards
for the Retail Industry
Unit of Competency

Functional Area - Merchandising / E-commerce Merchandising

Title	Formulate purchasing strategy
Code	111296L6
Range	This unit of competency (UoC) is applicable to the purchasing department of the retail industry. Practitioners have the ability to evaluate the purchasing resources and effectiveness of the organisation 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	6 (For Reference Only)
Competency	<p>Performance Requirements</p> <p>1. Integrate different purchasing knowledge and principles, and formulate purchasing strategy related knowledge based on the organisation's business strategy</p> <ul style="list-style-type: none"> • Master the organisation's business strategies • Understand the importance of purchasing strategy • Master different parts of knowledge in purchasing, e.g.: <ul style="list-style-type: none"> ○ Optimising supplier ○ Total Quality Management (TQM) ○ Risk management ○ Global purchasing ○ Environmental purchasing ○ Supplier development • Understand the concept of product category, including: <ul style="list-style-type: none"> ○ Consumer decision tree ○ Sales space and resources allocation ○ Role and strategy of product • Master the application of the five rights principle of purchasing, namely: <ul style="list-style-type: none"> ○ The right supplier ○ The right price ○ The right quantity ○ The right quality ○ The right time • Master the importance of payment method and capital flow to purchasing strategy • Master the purchase cycle procedure • Know about laws and legal requirements related to purchasing <p>2. Formulate purchasing strategy</p> <ul style="list-style-type: none"> • Confirm purchasing strategy in order to support the organisation's overall business, e.g. economical purchasing, centralised purchasing, quality management, etc. • Analyse the sales and inventory record of retail products to ensure adequate supply without overstocking • Analyse the organisation's purchasing process to ensure its effectiveness, e.g. the effect on operation needs, the relationship with suppliers, criteria for purchasing, etc. • Conduct Strengths, Weaknesses, Opportunities and Threats (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 • Look for an appropriate new purchasing method e.g. e-purchasing

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	<ul style="list-style-type: none"> • Formulate a new purchasing strategy according to the organisation's business strategies, the "five rights" purchasing criteria and the legal requirements, and confirm the support of manpower, financial and other resources • Formulate key performance indicators (KPI) to measure the effectiveness of the purchasing process • Formulate purchasing system, review the purchasing strategy and measures to prevent abuse of power or malpractice <p>3. Exhibit professionalism</p> <ul style="list-style-type: none"> • Ensure that the purchasing strategy is for the benefit of the organisation • Adhere to related legal requirements and job ethics when formulating purchasing strategy
Assessment Criteria	<p>The integrated outcome requirements of this UoC are the abilities to:</p> <ul style="list-style-type: none"> • Formulate an effective purchasing strategy to meet the organisation's overall business need; • Formulate KPI for purchasing to measure the effectiveness of the purchasing process; and • Formulate a purchasing system, review purchasing strategy and measures to prevent malpractice for personal gain.
Remark	This UoC is adopted from 104994L6. The QF credit is adjusted from 9 to 6.