

**Purchasing ,Sourcing and Supply Management
Approaches used by Wholesalers in the North West
Province of South Africa**

*The Research Report Presented to the Graduate School of
Business & Government Leadership
University of the North West*



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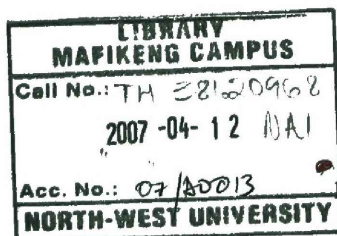
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**In partial fulfilment of the requirement for the
Masters Degree in Business Administration**

By

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June 2005



Acknowledgements

This research is dedicated to my wife Lydia , children Krizia Genevieve, Sherilyn Shale , Cayden Kresten , my late mother Ellamma Naidoo , my in-laws Dick, Tholsiemma Rajanah and my brother Jayce Naidoo , with sincere thanks and appreciation.

I certify that, as noted above , the report is my own work and all references used are accurately reported.

Signed

Dated

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Chapter 1

Orientation

1.1 Introduction

The North West Province wholesale industry is facing tough times (Hasenfuss 2001:1). This is the result of emerging trends such as intense global Competition which requires businesses to be quick, agile and flexible; new technology available to any business willing to adopt it; more advanced customer expectations; and the implementation of new strategic, proactive management approaches (Monczka, Trent & Handfield 2002:8).

Thus a new era for business has emerged globally. It is becoming increasingly difficult for businesses to gain a competitive advantage, more so than ever before. Sustaining such an advantage is almost impossible (Greenhalgh 2001:1). In order to survive in this environment, wholesaling operations must be professionally managed to achieve success (Lamb, Hair & McDaniel 2002), or risk losing considerable market share (Khan 2001:1).

Mediocrity will not be tolerated in this new era. In fact, wholesalers will only succeed if they can effectively integrate strategy, processes, business arrangement, resources, systems and empowered workforces to effectively render their core business (Greenhalgh 2001:1). The core business of

wholesaling includes all activities involved in buying a large variety of materials or products and selling them to those buying for resale or business use (Kotler 2000). Purchasing is therefore an important business function of any wholesale organisation.

- **Purchasing**

The purchasing function evolved from an independent administrative activity, involved in a simple transferral of goods, to an interdependent managerial function acknowledging the continuous interaction between variables to efficiently realise the organisation's mission and objectives (Hugo, Badenhorst-Weiss & Van Rooyen 2002:5). This was known as tactical purchasing (Monczka et al 2002:11).

- **Strategic sourcing**

According to recent developments, the purchasing function is managed as a fundamental unit of the integrated supply chain management philosophy, known as strategic sourcing. Strategic sourcing is a cross functional process used to manage, develop and integrate supplier capabilities to achieve a competitive advantage, involving members from all functions of the organisation (Monczka et al 2002:11).

- **Supply chain management**

The supply chain management approach forms the umbrella management philosophy. This implies that all supplier and buying organisations involved in the process from raw materials to final consumer products are perceived and managed as a unified entity (or process) called a supply chain. An

empowered managing team consisting of key members from all organisations involved in the supply chain is formed, their aim being to jointly contribute and add value to manufacturing goods and rendering services effectively to meet customer demands (Reeds 2000:3).

The objectives of this management approach include customer satisfaction, Value adding, long-term profitability and the achievement of a competitive advantage of the supply chain as a whole. The building blocks of this management approach are focused on managing information flows, financial resource flows, and product and services flows between the various organisations to the benefit of the supply chain (Cronin 2001:3).

• **Wholesaling**

Choosing suppliers and purchasing products are significant activities in and often determine the success of wholesalers. The introduction of new purchasing, sourcing and supply management approaches provides the means for wholesalers to achieve objectives such as enhanced customer satisfaction, greater value adding, long-term profitability and the achievement of a competitive advantage (Crowley 1998:559).

Wholesaling institutions vary considerably in terms of size, activity, style of business, types of products provided and services rendered (Semenik & Bamossy 1998:506). These variables imply that the complexity of wholesaling activities differs. It therefore stands to reason that the level of sophistication with which these wholesalers manage their purchasing, sourcing and supply activities, may differ.

The level of sophistication with which wholesalers manage their purchasing, sourcing and supply function may vary from traditional management approaches to advanced integrated management approaches. The use of the new management approaches by businesses is an important instrument in facilitating change, thus developing more focused, specialised and high performance organisations (Carter 2001:47). It further enables businesses to adapt to the intense global competition, information revolution and the emergence of new forms of inter organisational relationships by increasing customer satisfaction, market share and profits (Wisner & Tan 2000:2).

1.2 Background to and Demarcation of the Study

1.2.1 Wholesaling

Wholesaling constitutes an important industry in South Africa with a contribution of R24 347 000 in 2000, R27 116 000 in 2001 and R30 167 000 in 2002 to the quarterly gross domestic product at current prices (Statistics South Africa 2002). Despite this vital contribution to the North West Province economy, studies on wholesaling have unfortunately been neglected. The research has created a much-needed opportunity to investigate certain aspects of this industry in the North West Province context.

Wholesaling was an important part of business activities in earlier centuries.

1.2.1.1 The global development of wholesaling

Wholesaling originated in ancient times. The concept was a natural extension of commerce as primitive societies became more economically sophisticated.

Regional and national markets emerged to facilitate the evolution from self sufficiency to fuller satisfaction of wants and needs with the growth of specialised physical goods production (Beckman et al 1979:62).

Late in the Middle Ages (AD 500-1500), markets and fairs in Europe made a distinction between wholesale and retail trade. Most dealers sold both *en gros* (at wholesale) and *en detail* (at retail) as the opportunity presented itself. The powerful guild system later determined whether one could engage only in wholesale trade, also sell as a retailer, or trade with foreigners in foreign markets. Wholesaling was generally international, because internal trade was relatively small in volume. Consequently, wholesaling was largely associated with importing and exporting. Much of the trade was transacted at fairs, where there was buying and selling of goods of various descriptions. The wholesaler was a large-scale assembler who sold his or her goods to retailers, and sometimes directly to consumers (Beckman et al 1989:66).

Mercantilism marked the Commercial Era (1500-1800). Based upon an excessive emphasis of the complete identity of money and wealth, mercantilism encouraged the importation of gold and silver. Simultaneously, restrictive legislation was introduced to defend newly formed nations. However, trade could not be restrained. The prevailing system of production enhanced the importance of wholesalers, because it was their task to organise and control the selling functions. Wholesaling institutions emerged, including licensed brokers (their function being to make bargains between merchants and traders for merchandise and bills of exchange) and auctions (a

general method of wholesale trade on exchanges) (Beckman et al 1989:72).

The Industrial Revolution had a huge impact on wholesaling, with infinite benefits obtained with the new application of power to machinery. This, combined with other changes (such as the changing modes of transportation, improvements in communication, development of organised banking and the changing attitudes of governments) saw the emergence of modern wholesaling.

1.2.1.2 The development of wholesaling in South Africa

In South Africa, wholesaling evolved with the establishment of South African import houses in Durban and Cape Town in the 1600s. These institutions sold a number of different product ranges mainly imported from Europe. Retailers developed in the coastal areas of South Africa, obtaining their merchandise from the import houses. As a result of the migration to the northern areas of South Africa, wholesalers were established in Grahamstown, Kimberley, Graaff-Reinet, Pretoria and Pietermaritzburg. Most of these wholesalers were affiliated to the import houses in Durban and Cape Town, and received their merchandise from them (Van Scheers 1992:62).

South Africa's economic structure changed after the discovery of gold in 1886 as the focus shifted from agriculture to industry. Johannesburg became the largest distribution centre in the country with the development of a large consumer market and an effective infrastructure. The establishment of local manufacturers, from which the wholesalers acquired merchandise, further enhanced the rapid growth of North West Province wholesalers. Some of these

manufacturers set up their own wholesaling operations, but others continued to make use of the more cost-effective wholesaler (Van Scheers 1992:65). During the period 1960 to 1970, North West Province full-service wholesalers were mainly responsible for the distribution of products to retailers. These Wholesalers provided a full set of services such as carrying stock, using a sales force, offering credit, making deliveries and providing management assistance (Van Scheers 1992:65).

In the early 1970s, limited-service wholesalers emerged. Limited-service wholesalers specialised in certain services rendered to their suppliers and customers. A case in point was the truck wholesalers who performed a selling and delivery function of a limited line of goods (such as dairy products) that they sold for cash as they made their rounds of institutions (such as cafes, restaurants and hospitals) (Van Scheers 1992:65).

Today, the North West Province wholesaling industry is still marked by these limited service wholesalers (Strydom, Cant & Jooste 2000:274). Limited-service wholesaling affords entrepreneurs excellent opportunities to enter mainstream business activities in the North West Province . The relevant definitions, different types of wholesalers, the various functions they perform and current trends in wholesaling will be discussed in chapter 2 to obtain sufficient insight into wholesaling operations.

1.2.1.3 Definitions

Various authors define wholesalers, wholesaling and wholesale management from a different perspective. The following definitions are but a few of the

many that exist.

- **Wholesalers**

Wholesalers embrace all persons or establishments encompassing business activities involving the purchase and storage of large quantities of a variety of products. Bulk stock is assembled, sorted and delivered to conform to an order placed by customers. Wholesalers can further be defined as being concerned with the activities involved in selling to users for industrial, institutional and commercial purposes (Stern, El-Ansery & Brown 1989:97).

Wholesalers form part of the supply chain as a consolidator, linking manufacturers to retailers. They provide value-adding services which may include the design and operation of the supply channel arrangement between customers and manufacturers without a distribution function (Ross 1998:155). According to Pride and Ferrell (2003), wholesalers include those individuals or organisations that are responsible for facilitating and expediting exchanges that are primarily wholesale transactions. They add that "occasionally, a wholesaler does engage in sales directly to the ultimate consumer".

Wholesalers are also defined as "businesses that buy products/services of which more than 50% is sold to other business organisations including general dealers, speciality stores, convenience stores and spaza shops" (Strydom et al 2000:274).

In this study, a **wholesaler** is defined as a consolidator in the supply chain providing more than half of its purchases to other business organisations.

- ***Wholesaling***

Semenik & Bamossy (1998:501) define wholesaling as all sales transactions except those to individuals or households for their personal consumption - in other words, all sales of raw materials, the sale of business goods from one producer to another or from a distributor to a producer, the sale of import and export goods, and all sales to retailers. Wholesaling therefore includes all activities involved in selling finished products to those who buy for resale or business use (Kotler: 2000).

For the purpose of this study, **wholesaling** can therefore be seen as the process of pushing manufactured products through the supply channel to users, or pulling products from the manufacturers in response to the end users' demands, for industrial, institutional and commercial purposes.

- ***Wholesale management***

Wholesale management was traditionally described as identifying the principles, practices, policies and techniques conducive to the fullest accomplishment of major organisational objectives in a profit -motivated competitive economy. Wholesale management occurred in an independent manner, as an independent organisation, pushing the manufactured products through the distribution channel to the retailers and other users who buy the products for industrial, institutional and commercial purposes (Beckman et al 1989:291).

Recently, the management of a wholesaler has advanced to the planning, organising, activating and control of all the activities as an integrated whole,

guided by the maximum satisfaction of the end user (Pride & Ferrell 2003). This entails pulling the products from the manufacturers in response to the end users' demands.

Wholesale management therefore entails the planning, organising, leading and control of wholesale operations to function as a link in the process to satisfy the needs of the end user or final customer by providing goods or services as per customer requirement.

1.2.1.4 The essence of wholesaling

In the context of this study it is important to note the following: A wholesaler exists because of the functions he or she performs for the suppliers of goods and customers he or she serves, including buying and selling, negotiating, warehousing, risk bearing, financing, transportation and assistance to clients (Stern et al 1989:97).

This clearly implies that:

- the purchasing function is prominent in the reason for the existence of a wholesaler, and therefore one of the primary functions to manage
- it is of utmost importance to a wholesaler to source goods and services from the most suitable supplier and manage those relationships
- the wholesaler has a vital role to play in distribution channels (which developed into and extended to the "supply chain" concept)

The wholesaler's purchasing, sourcing and supply function is shaped by the vast economic task of supply and demand, bridging the time and space gap

between periods and places in which products are produced and consumed.

The key aspects in the management of a wholesaler, namely cooperation and coordination with suppliers and customers, timing and optimal costs are all embedded in and part of the modern purchasing, sourcing and supply management philosophy.

1.2.2 The development of purchasing to strategic sourcing, and the evolution of supply chain management

1.2.2.1 Development of purchasing, sourcing and supply chain management

The purchasing function originated as an independent, clerical activity mainly concerned with the processing of orders. Purchasing was not regarded as a vital business function, and was therefore assigned to employees who had neither the skill nor the aptitude to lead this function towards its full contribution to the success of an organisation.

Purchasing, however, was responsible for a representative component of the cost of the goods sold, and a large share of business's quality problems (Burt et al 2003:24).

As managerial philosophies advanced, the purchasing function acknowledged the continuous interaction between the variables to efficiently realise the organisation's mission and objectives (Hugo et al 2002:4). During the 1960s and 1970s, the purchasing function expanded to also include inventory management. A limited number of purchasing staff were equipped with tertiary education, and the use of automation ensured that production lines functioned

smoothly. Despite this, the purchasing function remained mechanical.

Purchasers were mainly concerned with the purchase price, the prevention of line shutdowns and the management of inventory.

Then the world of purchasing changed. Training and education were offered to equip professional staff to meet the demands of the challenge posed by the constantly fluctuating environment, globalisation, major technological advancements, automation in production processes, outsourcing and inflation (Burt et al 2003:26). Materials costs increased as a percentage of the cost of goods sold. Firms initiated the growth of the materials management concept during this period combining related functions such as purchasing, inventory control, receiving and warehousing under the authority of one individual (Monczka et al 2002:15).

During the early 1980s, physical distribution management was seen as part of materials management. This became known as logistics management, embracing all movement and warehousing activities from where the materials are purchased, through the transformation process to the final consumer (Cronjé, Du Toit & Motlatla 2000:397). By the late 1980s, competition became fierce, global firms increasingly captured world market share, the rate of technological advances was unprecedented and the ability to coordinate worldwide purchasing activities increased with the use of global data networks, and the World Wide Web emerged (Monczka et al 2002:16). The transition was made from tactical purchasing to a more integrated and

strategic approach, known as “strategic sourcing”, Supply became a competitive global weapon and supply strategies were integrated with organisational strategies. Strategic sourcing entails a cross functional process to manage, develop and integrate supplier capabilities to achieve a competitive advantage. The strategic sourcing process is run by a strategic sourcing team (including members from the engineering, quality, design, manufacturing, marketing, accounting, strategic planning or other departments, as needed) (Monczka et al 2002:11).

In addition to the evolution of the purchasing function into strategic sourcing, another phenomenon developed – supply chain management – as depicted in (Rich and Hines 1997:51) suggest that the evolution of the supply chain management concept should be viewed in terms of organisational integration. At first, each business function operated in complete isolation from other business functions. A limited degree of integration between these functions developed, as inbound functions merged to form materials management and outbound functions united to form distribution management. Internal integration between materials management, internal operations and distribution followed. Cross functional processes were established to link design, quality and cost, and managed by multifunctional teams (Chandra & Kumar 2000:100).

Interest in the concept of supply chain management steadily increased in the 1980s, when organisations realised the benefits of collaborative relationships within and beyond their own borders. External integration saw the

incorporation of suppliers, customers and the internal activities of the focal firm (the strongest leading firm in a distribution channel to propel the product through the market), as it expanded to include the collaborative activities of all organisations involved in producing a specific product or rendering a specific service. This became known as the "supply chain" of a specific product or service. Organisations became more specialised and sought suppliers who could provide low-cost, quality materials rather than their own sources of supply (Lummus & Vokurka 1999:11).

Industry groups now work together to improve the integrative processes of supply chain management and accelerate the benefits through successful implementation (Lummus & Vokurka 1999:15). This entails activities such as the establishment of multifunctional or multi organisational teams, strategic relationships or alliances, management of processes, business process re-engineering, total cost of ownership, customer focus and mutual sharing of risks and rewards (Monczka et al 2002).

However, supply chain management developed further as a management philosophy, crossing the boundaries of the chain of organisations that is responsible for transforming raw materials into a final consumer product. The information chain developed, and enabled cross functional teams from around the globe to coordinate supply chain functions and activities via electronic mobility, such as telephone, fax, e-mail, the Internet and the World Wide Web. This became known as virtual supply chain management (Carter 2001). From the above discussion it is clear that the purchasing function developed

from a clerical function to strategic sourcing, which in turn became an integrated part of the broader supply chain management approach.

1.2.2.2 Definitions

The evolution of purchasing, sourcing and supply management resulted in the development of new concepts in supply – from traditional purchasing to strategic sourcing and supply chain management. The following section defines the concepts that were used to manage materials flow during the evolution process.

- ***Materials management***

Materials management can be seen as an organisational concept that is designed to enhance coordination and control of the various materials activities including inventory management, receiving activities, stores and warehousing, transportation, in-plant materials handling, production planning, scheduling and control (Burt et al 2003:623).

Ross (1998) adds that materials management is associated with the incoming flow of information and materials into the organisation supporting the cycle of materials flow from the planning, purchase and control of inventory, to the manufacture and delivery of finished goods to the distribution channel system. He divides the material activities into two main categories: product acquisition (including supplier management, purchasing and receiving) and inventory management (receiving, materials handling and storage, work-in-process inventories, value-add processing and the delivery of goods to the distribution

channel).

Gadde and Hakansson (2001) suggest that materials management is a functional centre aimed at improving the integration of materials activities, such as product scheduling, purchasing, transportation and distribution. For the purpose of this study, **materials management** is defined as a functional centre established to enhance the integration and control of information flow and activities related to materials.

- ***Physical distribution management***

According to Ross (1998), **physical distribution management** is the management of all activities associated with the warehousing and movement of finished goods and service parts through the distribution channel in order to meet customer order fulfilment and delivery requirements. The researcher supports this definition for the purpose of this study.

- ***Logistics management***

Ross (1998) defines logistics management as the creation of time, place, quantity, form and possession utilities within and among firms and individuals through strategic management, infrastructure management and resource management in order to create products, services that satisfy customers through the attainment of value. He separates logistics management into two separate functions, materials management and physical distribution management.

- ***Purchasing management***

Purchasing management can be defined as the planning, organising, leading

and control of all the activities relating to the purchase of materials and services from an external source (Cronjé et al 2000:396). It is further aimed at maintaining and increasing business profitability by purchasing the right requirements at the right time and at the right price from the right source delivered at the right place, in the right way (Hugo et al 2002:9).

Burt, Dobler and Starling (2003:23) define purchasing management as the management of essential activities associated with the acquisition of the materials, services and equipment used in the operation of the organisation. A few of these activities include coordination with user departments to identify purchase needs, discussions with sales representatives, identification of potential suppliers, conducting of market studies for important materials, and negotiating with potential suppliers.

Fung (1999:362) adds that purchasing management requires a creative response to internal customers, emphasising the interlock relationship between input, throughput and output of goods and services by the organisation. Purchasing managers simultaneously have to maintain mutually profitable relationships with external customers. This is so because buyer and supplier organisations are active in performing similar tasks (such as preparing specifications to requirements, locating counterparts and attempting to control transactions).

Monczka et al (2002:11) define purchasing management as a functional activity concerned with the day-to-day management of materials flow and information. These activities generally ensure that products or services are

delivered to the right internal people at the right time, but are often not performed with a long-term vision in mind.

Purchasing management can therefore be defined as the organisation of all activities engaged in the acquisition of the correct goods or services from an external supplier in the most efficient and effective manner to be delivered to the right user (internal client of the organisation) at the right time. Chapter 3 looks at purchasing management in greater detail.

- ***Strategic sourcing***

Most authors define strategic sourcing by describing or highlighting the principal elements or activities, or describing it as a process. Some definitions focus on supplier relations, while others emphasise the concept of applying long-term business objectives to sourcing decisions. Furthermore, there is evidence that what is viewed as strategic sourcing varies according to organisational and personal understanding of the concept (Roberts 2002). The reason for this could be that firms find themselves on various levels of maturity in strategic sourcing.

Ricker (1997) defines strategic sourcing as “a systematic process that directs purchasing, sourcing and supply managers to plan, manage and develop the supply base in line with a firm’s strategic objectives”. He elaborates on his definition by adding that strategic sourcing is the application of current best practices to achieve the full potential of integrating suppliers into the long-term business process. The process of strategic sourcing starts with the establishment of cross functional teams who analyse the situation and decide

which strategy to follow in the procurement of specific products. The cross functional team researches, evaluates and implements the strategic sourcing programme, and identifies areas of cost reduction. The team is also responsible for:

- reducing the supplier base,
- driving down total acquisition costs,
- improving product design and technology.

According to the Institute of Supply Management in the USA, strategic sourcing is a process driven by an identified role or need and involves evaluating current and potential sourcing opportunities and relationships. The Institute adds that strategic sourcing involves assessing the value and relevance of these current and potential sourcing opportunities, according to long term-goals and overall business and supply management objectives, as well as formulating and applying action plans and processes for critical commodities or supply networks (Roberts 2002).

Strategic sourcing is thus a process that involves cross functional teams to identify, develop, manage and integrate an organisation's supplier base. The concept will be discussed in further detail in chapter 4.

• *Value chain*

The value chain is certainly not a new concept. In 1985, Porter introduced the value chain as a means to identify and analyse business activities that transform inputs. He suggested that stages in the value chain could be

explored to find interrelationships and common characteristics, which could lead to opportunities for cost reduction and differentiation.

Brown (1997) defines the value chain as a tool to divide a business into strategically relevant activities. This enables identification of the source of competitive advantage by performing these activities more cheaply or better than the business's competitors. The value chain of the business is part of a larger stream of activities performed by other members of the channel consisting of suppliers, distributors and customers.

According to Scott (1998), all firms, whether industrial or services, have a value chain where each part requires a strategy to ensure that it generally drives value creation for the firm as a whole. Value chain strategy requires that the individual manager is clear about what capabilities the firm needs to deliver effective market impact.

The value chain therefore becomes an integral component in the business strategy process: the evaluation of the organisation's core competencies, processes and assets and their response to the opportunities and threats posed by the business environment. If the organisation is then faced with declining profitability, and often productivity, it has two solutions - either cut costs or increase transactions (Walters & Jones 2001:1).

Some companies identify the total value expectations of customers (that is existing customers and potential customers) and develop holistic value producing structures that utilise supply chain efficiencies and integrate them with a demand chain strategy. This requires an ability to view the value chain

as a "multi-enterprise" organisation (Walters & Jones 2001:1).

To summarise the concept of a **value chain**: It is clear that customers' needs are identified and the process infrastructure is retraced to identify how the identified needs may best be satisfied with the performance of value-adding activities, while costs are optimised, extending beyond corporate boundaries.

- ***Supply chain***

The supply chain can conventionally be defined as the upstream portion of the value chain and is responsible for ensuring that the right materials, services and technology are purchased from the right source, at the right time, of the right quality (Burt et al 2003:7). Monczka et al (2002:4) add that a supply chain encompasses all activities associated with the flow and transformation of goods from the raw material stage (extraction), through to end users, as well as the associated information flows, both up and down the supply chain. Essentially, **supply chains** are a series of link suppliers and customers - every customer is, in turn, a supplier to the next downstream organisation until a finished product reaches the ultimate end user (Monczka et al 2002:4). The concept will be examined further in chapter 5.

- ***Supply chain management***

Numerous definitions of supply chain management are encountered in contemporary literature, because it is an evolving concept representing a collection of management philosophies rather than one approach (Ross 1998:365). New (1997:1) describes supply chain management as the most practically and intellectually significant theme in current managerial and

economic research. The term was originally used to describe the integration of logistics and physical distribution functions of a focal firm, and its suppliers and consumers (Wisner & Tan 2000:1).

Over time, supply chain management was viewed in operational terms, including sales, logistics and manufacturing as a linked system. An extended supply chain was eventually identified, including suppliers, manufacturers, wholesalers, retailers and customers. More recently, supply chain management was linked to strategy and became a critical point of business (Copacino 1997:1).

Ross (1998:365) suggests that supply chain management seeks to unify the competencies and resources of the business functions, found both within the business and its allied partners, located along intersecting supply channels into a highly competitive, customer-enriching supply system. It is focused on developing innovative solutions and synchronising the flow of marketplace products, services and information, to create unique individualised sources of customer value.

Pickowitz and Reekers (2000:1) defined supply chain management as the proactive management of a series of organisations that jointly create value for ultimate customers who are critical to a purchasing organisation's operations.

Reeds (2000:1) identifies the following characteristics of supply chain management: Supply chain management seeks to unify both internal and external competencies. The management approach fosters alliances and trust throughout the supply network of enterprises, demands innovation and

synchronisation of processes and optimises the delivery of products, services and information.

Wisner and Tan (2000:1) summarise all these opinions by defining supply chain management as the sum of all value-adding activities, from the extraction of raw materials through the transformation processes and delivery to the end user, spanning organisational boundaries within the supply chain as a unified entity.

Supply chain management is an evolving concept with no all-encompassing, clear definition. Therefore an effort will be made in this study to develop such a definition of supply chain management in light of the literature study documented in chapter 5.

This section explained the definitions of the various concepts pertaining to purchasing, sourcing and supply management approaches and provides the necessary background information to be able to put the definitions contained in chapter 3, 4 and 5 in perspective.

1.2.2.3 The importance of purchasing, sourcing and supply management

The importance of purchasing, sourcing and supply management has increased dramatically in recent years. Purchasing, sourcing and supply activities, as previously stated, are ultimately aimed at the successful achievement of organisational objectives through cost savings and the provision of the correct materials/services in time (Hugo et al 2002:12). Companies are therefore always trying to cut costs, while at the same time

striving to improve the quality of their own products and remaining competitive in an ever-changing marketplace (Lau & Lee 2000:598). The need for cost saving is critical because the scope of materials costs in relation to other cost elements is ever increasing (Hugo et al 2002:10).

Inventory holding and the related costs further elevate the importance of purchasing, sourcing and supply management. These costs include the cost of financing, warehousing, warehouse staff, insurance and obsolescence. Effective purchasing, sourcing and supply management can reduce inventory holding by an uninterrupted flow of materials of the right quality to the operation process (Cronjé et al 2000:401).

Cronjé et al (2000:400) conclude that purchasing, sourcing and supply costs are a business's main expense, and cost saving in the area has a profound influence on profit. This implies that if purchasing cost compounds a major portion of total costs of a business (specifically in wholesalers and retailers), a saving in such costs has greater profit potential than a similar increase in sales. This constitutes profit leverage.

Thus far this chapter has placed the evolution of wholesaling, globally and with reference to specific North West Province circumstances, as well as the development of purchasing, sourcing and supply management in perspective. The key definitions for the purpose of this study were also clarified. It will further formulate the problem statement, define the objectives of the study, describe concepts, explain the research method and methodology and outline the structure of the study.

1.3 Research Objectives

Intense global competition, the information revolution and more sophisticated customers are but a few of the factors that have compelled many businesses to find new and better ways to manage their purchasing, sourcing and supply activities. As a result, purchasing evolved from a transaction-based function, focused on unit costs to a strategic cross functional process that manages the total cost of the supply chain (Darrow 2000:1).

Wholesalers find themselves in the middle of supply chain networks, providing a critical link between manufacturers and retailers. Manufacturers cannot afford to deal directly with the thousands of small retailers because of the costs involved in selling small quantities and the resultant low profits for manufacturers (Lamb et al 2002). Wholesalers also perform vital services for retailers and other organisations. Hence, they play a pivotal role in the whole supply chain. Adapting to the supply chain management approach may dramatically influence the efficiency and effectiveness of wholesalers and can mean the difference between success and failure. It can also determine the continued existence of a wholesaler in the supply chain.

The probable advantages ultimately benefiting the wholesaler from the efficient adaption to supply chain management are infinite. The question is: *Have North West Province wholesalers adapted to the new demands and developments, specifically with regard to their approach to managing their*

purchasing, sourcing and supply function? In other words - do North West Province wholesalers play their rightful role in modern supply chain networks?

1.3.1 Primary objective

The primary objective of this study is to determine to what extent wholesalers in North West Province have adapted to new demands and developments in managing their purchasing, sourcing and supply function.

1.3.2 Secondary objectives

The secondary objectives of this study are to

- investigate the scope of wholesaling, with reference to the global and North West Province context.
- investigate the concepts of and the evolution of purchasing to strategic sourcing as part of the broader supply chain management approach
- analyse the scope and concept of supply chain management
- determine the purchasing, sourcing and supply management approaches used by the wholesale sector in North West Province.

1.4 Importance of the study

The importance of the study for the South African economy and society as a whole can not be emphasised enough. If the South African wholesalers can not compete in the global arena, it means the purchasing, sourcing and supply functions in South Africa will always be inferior, not efficiently managed and not effectively conducted. This will also severely hamper the supply chain with dramatic implications effecting the timeliness and cost effectiveness of delivery to the man on the street.

The rate of innovation and technological improvements in the wholesale market have been dramatic over the past ten years. With this wave of development, several new determinants have emerged that are leading some countries developing much faster than others. The new growth theory states that growth is driven by innovation, innovation is fuelled by competition and competition comes from international trade (Gnepa, 2001). Over the past ten years, wholesaling encapsulating the purchasing, sourcing and supply chain management functions , has grown rapidly, indicating that national economies are becoming more integrated. The world is changing at such a pace that if South Africa does not change with it, South Africa will surely be left behind and be part of the group that always ask for assistance because they cannot look after themselves.

The South African economy is at a critical stage of transition and development. With global trade, with the specific emphasis on wholesaling, increasing by the day, South Africa can not afford not to be part of the increasing pattern of globalisation, or the process of globalisation. The South African economy need a to develop into a global player and avoid the pattern where so many African countries have in part isolated itself over the past number of decades. So many African countries have the resources to prosper and give their people the opportunities to develop and grow out of poverty, but with the policies and attitudes, nearly all have failed the crucial test thus far.

Wholesalers find themselves in the middle of supply chain networks, providing a critical link between manufacturers and retailers. Manufacturers cannot afford to deal directly with the thousands of small retailers because of the costs involved in selling small quantities and the resultant low profits for manufacturers (Lamb et al 2002). Wholesalers also perform vital services for retailers and other organisations. Hence, they play a pivotal role in the whole supply chain. Adapting to the supply chain management approach may dramatically influence the efficiency and effectiveness of wholesalers and can mean the difference between success and failure. It can also determine the continued existence of a wholesaler in the supply chain.

The probable advantages ultimately benefiting the wholesaler from the efficient adaptation to supply chain management are infinite.

By being a successful player in the global arena the South African wholesale industry, with specific emphasis on the North West, can become a driving force behind production output, thereby increasing job creation, increasing local knowledge development, which in all will result in the general upliftment of the people of South Africa.

1.6 The Plan

The study is set out in five chapters.

An overview of the evolution of wholesaling, with reference to the global situation and North West Province(South Africa) circumstances. Definitions of wholesaler, wholesaling and wholesale management, including the essence of wholesaling are supplied. The evolution of purchasing management to strategic sourcing, and the development of supply chain management are explained. Definitions of the various concepts and approaches are included. The importance of purchasing, sourcing and supply chain management is highlighted. The various concepts relating to purchasing, sourcing and supply chain management are defined. The problem statement and objectives of the study are established and the research method and methodology outlined.

In chapter 2 literature review and theoretical foundation and the definitions of the concepts of wholesaler, wholesaling and wholesale management are revisited. The different types of wholesalers are identified and their activities explained. The chapter concludes with a discussion of the trends in wholesaling.

Chapter three research problem and critical elements are identified, an overview of traditional purchasing management, including purchasing objectives, the purchasing process and additional purchasing activities.

Chapter four sets out the research designs and analysis which focuses on the further development of the purchasing function, known as strategic sourcing. The scope and definition, objectives and activities of strategic sourcing are expounded.

Chapter five sets out the results of the study. Detailed information on the answers received from the field study is set out in separate tables and graphs. The results are compiled and analysed against the various characteristics identified in the literature to indicate the applicability. The chapter will conclude with a comparison of the purchasing and strategic sourcing management approaches.

Chapter six is where the results will be discussed, conclusions drawn from the body of the text, and recommendations will form an important part of the study and several possible solutions will be suggested.

Chapter 2

Literature Review and Theoretical Foundation

2.1 Purchasing, Sourcing and Supply Management Approaches Used by Wholesalers in North West Province.

2.1.1 Introduction

This study focuses on the purchasing, sourcing and supply activities of wholesalers in North West Province. Chapter 1 provides background to the wholesaling industry by explaining the development of wholesaling globally and with reference to specific North West Province circumstances, and also defining the concepts of "wholesalers", "wholesaling" and "wholesale management".

In this chapter, "wholesaling" is discussed in further detail by revisiting the definitions as presented in chapter 1. Furthermore, the activities of wholesaling (the reason for its existence) will be outlined and types of wholesalers identified. The chapter ends with a discussion of trends in wholesaling.

2.1.2 Definitions

Definitions of the concepts relating to wholesaling were formulated in the first chapter to serve as part of the demarcation of the study, which will be highlighted in this section.

2.1.3 Wholesalers

Wholesaling operations, commonly referred to as wholesalers, were defined in chapter 1 by considering the opinions of Stern et al (1999:97), Ross (1998:155), Strydom et al (2000:274) and Pride and Ferrell (2003).

Wholesalers are defined as consolidators in the supply channel providing more than half of its purchases to other business organisations.

2.1.4 Wholesaling

Considering the statements of Semenik and Bamossy (1998:501) and Kotler (2000), **wholesaling** was defined as pushing manufactured products through the supply channel to users, or pulling products from the manufacturers in response to the end users, for industrial, institutional and commercial purposes.

For clarification purposes it is crucial to note that the users or end users referred to in the above definition include institutions (mostly retailers) that distribute products to the final user. It also includes other institutions (hospitals, schools, etcetera) that are used to perform basic functions, and raw materials, component parts and finished goods to institutions (mostly manufacturers) that will incorporate the item into a final product (Lamb et al 2002).

2.1.5 Wholesale management

Including the views of Beckman et al (1989:291) and Pride and Ferrell (2003), **wholesale management** was defined as the planning, organising, leading and control of wholesale operations to function as a link in the process of satisfying

the needs of the end user or final customer by providing goods or services as per customer requirement.

2.1.6 Activities of Wholesaling

Wholesaling continues to exist and develop, despite evolving technology and business models that change the way companies make, sell and move products (Democker 2000:141). This is because of the vital role it fulfils in production and consumption. Products are rarely consumed in the specific place and at the specific rate at which they are produced (Semenik & Bamossy 1998:502).

Wholesaling activities therefore ensure that the required assortment of products is at the place where and when it is needed (Strydom et al 2000:273). The objective is to bridge the gap between the manufacturer and the retailer responsible for selling the products to the ultimate consumer.

These wholesaling activities do not have to be performed by a wholesale institution, but can be executed by the manufacturers or retailers themselves (Pride & Ferrell 2003). However, in most instances, manufacturers cannot afford to deal directly with the thousands of small retailers because the quantities purchased and resultant manufacturer profits are too small (Lamb et al 2002). The existence and development of wholesaling can therefore be justified if the wholesaler performs the needed activities in a more cost-effective way than any available alternative (Hoover 1990:236).

2.1.7 Buying and selling

The core business of a wholesaler is typically to buy from manufacturers and sell to retailers (Hoover 1990:236). Wholesalers accumulate the goods of several

manufacturers to a single location, and resort the goods to fill orders from retailers (or manufacturers who further transform the products). This activity vastly reduces the number of transactions associated with the movement of goods (Semenik & Bamossy 1998:502). Thereby enhancing economic value for both the manufacturer (by voiding the sales function) and the retailer (by largely eliminating or simplifying the buying function) (Hoover 1990:236).

2.1.8 Negotiation

Wholesalers generally bring together an assortment of products by negotiating with a number of different sources example , importing, manufacturing and branding (Stern et al 1989:98).

Wholesalers therefore serve as the purchasing agent for retailers (Pride & Ferrell 2003). Over the years, the growth of nationally distributed manufacturers and retail brands, the massive size of manufacturing and retail operations and lack of innovation at wholesale level have eroded the power base of the wholesaler – leading to degradation of the wholesaling operation as a successful negotiator between sources (Lamb et al 2002).

This degradation, however, is countered by the consistent and intimate relationship wholesalers have with local markets, the possibility they present in the local availability of stocks and a sales force in touch with the local customer's needs (Lamb et al 2002).

2.1.9 Bulk breaking

Wholesalers provide a maximum degree of market coverage of all types of retailers. Most manufacturers cannot afford the time and expense related to developing and maintaining an entire sales force to sell a single or few product lines to retailers only (Semenik & Bamossy 1998:503). Therefore wholesalers provide retailers with an assortment of goods after breaking the bulk bought from various manufacturers.

The efficiency of a wholesaler's operation in bulk breaking would be difficult for a manufacturer to match as well. Retailers order an allotment of merchandise from wholesalers, consisting of a vast variety of volumes of different product ranges (Semenik & Bamossy 1998:503). In this way, wholesalers help manufacturers to reach many small retailers at a low cost (Kotler 2000).

2.1.10 Warehousing

A wholesale warehouse is a stock reservoir from which retailers can draw amount of merchandise needed, considerably reducing the need for their own large inventories to maintain adequate supply (Semenik & Bamossy 1998:504).

Manufacturers can hold stock or arrange for storage near retailers, but this is more costly than the specialisation of a wholesaler's operation (Semenik & Bamossy 1998:504). Warehousing performs a wide spectrum of varied materials-flow activities, thereby providing a smooth flow of merchandise from the suppliers to the next point of sale. This includes ;

- receiving goods into the warehouse,
- identifying, sorting and labelling the goods,

- despatching the goods into a temporary storage area, and
- recalling, selecting or picking the goods for shipment (Lamb et al 2002).

2.1.11 Risk bearing

Wholesalers hold inventories, thereby reducing the risks of manufacturers and retailers. This includes taking ownership of the products that can deteriorate or become obsolete, bearing the cost of thefts and all the costs involved in safeguarding the merchandise (Kotler 1985: 408).

Wholesalers can also help the manufacturers to reduce risk by providing objective information to suppliers and customers including technical features, appropriate usage, availability, product quality and competitive conditions (Stern et al 1989:98).

2.1.12 Financing

Wholesalers finance their suppliers (manufacturers) by ordering early, and paying their bills before the merchandise has been resold (Kotler 2000). Often wholesalers may make merchandise advances to new retailers or carry a running credit for others. This allows retailers to spend more funds on activities that may stimulate demand and potentially increase sales.

Manufacturers will not easily perform this credit function because they are far removed from the retailer's activities. For the wholesaler, correct credit administration can ultimately reward the wholesaler with greater revenue (Semenik & Bamossy 1998:505).

2.1.13 Transportation

Transportation is costly because it reflects the investment in equipment, people, fuel, taxes, insurance and maintenance (Hoover 1990:236). Hence the vital part wholesalers play in the transportation of goods from manufacturers to retailers (Semenik & Bamossy 1998:503).

A single manufacturer may ship enough of its entire product range to serve several hundred retailers. Retailers necessarily need products from a variety of manufacturers to serve their customers. Wholesalers are able to resort merchandise into an assortment, ordered by each retailer from the stock of different manufacturers, and provide quicker delivery because they are closer to the retailers (Kotler 2000).

A smaller number of large volume (bulk) shipments of merchandise are able to move from the manufacturer to wholesalers in comparison with the large number of shipments that would be required to transport smaller volumes to retailers. This reduces the transportation cost per unit and improving efficiency significantly (Semenik & Bamossy 1998:503).

2.1.14 Assistance to suppliers and clients

Wholesalers also provide their suppliers and clients with management services and advice. This includes assistance to their suppliers in the form of considerable credit arrangements and advice on new product development. Service to clients

entails advice to the retailer on the training of their sales clerks, improving their store layouts and displays and implementing accounting and inventory control systems.

Wholesalers further provide market information on competitors, new products and price developments (Kotler 2000).

It is clear from the above discussion that wholesalers perform vital activities which are part and parcel of supply chain management (buying, selling, negotiation, bulk breaking, warehousing, risk bearing, financing, transportation and assistance to suppliers and clients). Furthermore, the nature of wholesaling activities fits the whole philosophy and associated concepts such as value adding, cost effectiveness in the supply chain (distribution), outsourcing of activities, concentration on core business activities and close coordination (often seen as integration) of parties in the supply chain.

Wholesalers thus represent a significant function or link in the supply chain, according to the supply chain management approach.

2.1.15 Types of Wholesalers

Wholesalers adjust their functions as the contours of the economic environment change. Many types of wholesalers therefore meet varying needs of manufacturers and retailers. New wholesaling establishments develop in response to the growing number of manufacturers. This is contrary to new developments that dictate the outsourcing of none-core activities, and some retailers performing the wholesaling activities themselves (Pride & Ferrell 2003).

Wholesalers are classified according to several dimensions. Factors in the classification include ownership of the wholesaler, ownership of the stock or inventories, the range of services provided and the breadth and depth of their product lines (Pride & Ferrell 2003). Using these factors, two general types of wholesaling establishments can be identified namely (1) wholesalers with a specialised product line, and (2) general dealers (Semenik & Bamossy 1998:502; Lamb et al 2002; Pride & Ferrell 2003).

2.1.16 Wholesalers with a specialised product line

These wholesalers are distinguished in the realm of wholesaling in that these institutions take title and ownership of the specific goods they sell (Semenik & Bamossy 1998:507). Lamb et al (2002) define a this wholesaler as an institution that performs the following activities: Firstly, it purchases specialised goods from manufacturers for the wholesaler's own account and resells them to other businesses (such as retailers), government agencies and other wholesalers, and secondly, it operates one or more warehouses in which it receives and takes title to specialised goods, stores them and later reships them.

These wholesalers' customers are primarily small- or moderate-sized retailers, but can also include manufacturers and other institutional clients (Lamb et al 2002). These wholesalers include limited-service wholesalers.

2.1.17 General Dealers

The typical full-service (also known as the full-function) wholesaler offers the widest possible range of wholesaling activities (Pride & Ferrell 2003). These wholesalers therefore engage in all the wholesaling activities. Customers rely on

them for services such as product availability, suitable assortments, bulk breaking, financial assistance and technical advice.

Full-service wholesalers often obtain higher earnings than other wholesalers, but their expenses are also higher because of their wider range of services (Pride & Ferrell 2003).

According to Semenik & Bamossy (1998:508), there are three types of fullservice merchant wholesalers.

- *Industrial distributors* are establishments that trade in a complete line of industrial materials and/or supplies and sell mainly to retailers and industrial users such as mines, factories, public utilities and similar industries. They provide storage, sales personnel, delivery, order taking, credit and repair services.
- *Farm product assemblers* exist because it is necessary to gather the output from many small farm producers and provide efficient transportation, storage, packaging and distribution of agricultural goods. They buy directly from the farmers and operate on a regional basis.
- *Importers and exporters* are also classified as full-service merchant wholesalers. Importers are establishments that buy primarily from foreign sources, and exporters are primarily engaged in selling to foreign markets. Both of these institutions often sell to other wholesalers rather than directly to retailers.

2.1.18 Trends in Wholesale Management

Progressive wholesalers constantly look for better ways to meet the changing needs of their suppliers and target customers. They recognise that the only reason for existence is to increase the efficiency and effectiveness of the supply channel in which they operate as a link - thus adding value. To achieve this aim, wholesalers must constantly improve their services and reduce their costs (Kotler 2000).

The wholesaler faces several key challenges. The manner in which wholesalers respond to these challenges will determine their success (Nelles 1999:1). This necessitates a discussion of these challenges and the principal trends in wholesale management.

2.1.19 Wholesaler consolidation

Wholesalers are forced by more demanding customers to improve and extend their services at a lower cost. In pursuit of this there is a global trend towards the consolidation and merging of various wholesalers to achieve greater efficiency in response to price and competitive pressures (Pride & Ferrell 2003).

Larger wholesalers can afford to purchase and implement new technology to increase their productivity and service (Semenik & Bamossy 1998:513).

Larger wholesalers also have more buying power. New technology and buying power are necessary to survive because retailers command more price concessions and more manufacturers are establishing direct marketing channels

– thus eliminating wholesaling operations from the supply channel (Semenik & Bamossy 1998:513).

2.1.20 New types of wholesalers

A trend towards larger wholesalers allows expanded product lines, creating opportunities for the emergence of new types of wholesalers (Pride & Ferrell 2003). This includes adapting to a broader service role, and even performing certain retail functions such as selling directly to household customers (Semenik & Bamossy 1998:513). This allows wholesalers to respond more effectively to customer requirements.

2.1.21 Competition and technology

Being good at something is no longer enough (Greenhalgh 2001:1). The level of competition in both domestic and international markets demands that businesses be fast, responsive and flexible (Monczka et al 2002:8).

Unprecedented technological development has made information and communication technologies increasingly available to anyone smart enough to adopt it (Greenhalgh 2001:1). Wholesalers will only comply with the requirements of being fast, responsive and flexible if they adopt new technologies.

2.1.22 Integrated supply chain

Historically, supply chain management was only associated with manufacturing environments. However, in recent years it has become part of the wholesaling and other nonmanufacturing arenas (Pickowitz & Reekers 2000:1). Integrated supply chain management evolved as a core competitive strategy for wholesalers, after they realised they must work on a cooperative basis with the

other organisations in their supply chain to provide better quality products and services to their customers at faster lead times (Monczka et al 2002:658).

With the implementation of the supply chain management approach wholesalers experienced a great deal of pressure because the whole supply chain (suppliers and customers) seeks more value (better service at lower cost). If the wholesaler cannot deliver this, its existence will be threatened.

The other parties in the supply chain may decide that they can perform the wholesaling activities better themselves or they may source other wholesalers. They are thus forcing wholesalers to assume an integral intermediary role in almost all integrated supply chains.

2.1.23 Summary

The next section on wholesaling is discussed in greater detail. The section will begin by highlighting the definitions of "wholesalers", wholesaling" and "wholesale management". It was established that wholesalers play a pivotal role in supply channels by providing retailers (and other businesses) with products bought from manufacturers. The activities of wholesaling were also documented (including buying, selling, negotiation, risk bearing, financing, warehousing, transportation and assistance to clients). The various types of wholesalers outlined in this section emphasise the fact that they assume a number of different forms. It was clear from these two sections that wholesalers perform vital activities that are part and parcel of supply chain management aimed at to adding value and cutting costs for suppliers and customers alike.

Wholesalers thus represent a vital link in the supply channel. This was confirmed by the discussion on trends in wholesaling.

2.2 Purchasing Management: An Overview

2.2.1 Introduction

The main purpose of this research is to establish the level of sophistication of the purchasing, sourcing and supply management approaches used by wholesalers. The previous paragraphs provided the necessary background on wholesaling. It is now necessary to understand the above-mentioned purchasing, sourcing and supply management approaches. The following sections will assist in this objective, and this section starts by giving an overview of the concept of purchasing management.

Chapter 1 documented the development of purchasing management to strategic sourcing as illustrated in the different stages - (stage 1 - reactive purchasing; stage 2 - mechanical purchasing; stage 3 – proactive purchasing; and stage 4 – strategic sourcing). For the purpose of this study, purchasing management therefore refers to the more traditional, reactive or mechanical purchasing approach as reflected in stages 1 and 2, better known as "tactical purchasing".

This section contain only an overview of purchasing management because as explained in previous sections, a wholesaler's core business is typically to perform the buying function (Hoover 1990:236). The definition of purchasing management (as in chapter 1) will be revisited. A brief discussion of the

purchasing management objectives, purchasing process and other purchasing activities will also be included.

2.2.2 Definition of Purchasing Management

According to Hugo et al (2002:8), the purchasing function constitutes the essential activities associated with the acquisition of materials, services, and equipment used in the operation of an organisation. Hence the management of the purchasing function is of vital importance to any organisation.

After considering the opinions of various authors (Burt et al 1996:19; Fung 1999:362; Cronjé et al 2000:396; Hugo et al 2002:9; Monczka et al 2002:11) **purchasing management** was defined in chapter 1 as the organisation of all activities performed in the acquisition of the correct goods or services from an external supplier in the most efficient and effective manner to be delivered to the right user (internal client of the organisation) at the right time.

It is clear from the above-mentioned definition that purchasing management is concerned with the acquisition of suppliers' goods and services in order to provide the user with the right quantity at the right time, thereby contributing to the objectives of the organisation. However, these purchasing tasks focus largely on an organisation's tactical (or administrative) objectives.

2.2.3 Objectives of Purchasing

The objectives of the purchasing function should support the organisation's objectives. The objectives of an organisation should always be focused on the profitable satisfaction of consumers' needs (Hugo et al 2002:9). The basic

objective of any institution is therefore to obtain the highest possible return (output) with the lowest possible use of production resources (input). The purchasing function is also supposed to operate purposefully, efficiently and productively.

2.2.4 Purchasing Activities

Monczka et al (2002:9) regard purchasing as critical because as it helps organisations to realise the following benefits: cost reduction or improvement, improved material delivery, a shorter cycle time, access to product and process technology and quality improvement. This can only be achieved if an organisation performs its purchasing activities effectively and efficiently.

Purchasing activities can be defined as the essential activities associated with the acquisition of the materials, services and equipment used in a business organisation (Burt et al 2003:35).

The purchasing cycle indicates specific activities that should be performed by purchasing personnel to achieve the purchasing objectives. The purchasing cycle constitutes a series of successive purchasing activities to be performed for most transactions, but may vary from one organisation to the next. The following (Hugo et al 2002:22-32; Monczka et al 2002:28-35; Burt et al 2003:62-75;) are therefore regarded as a general overview of the activities included in a purchasing cycle:

2.2.5 Identification and definition of the material or service needs

Material or service needs originate with the organisation's operating departments or in its inventory control section (Burt et al 2003:64). They determine the quality, quantity and time at which the goods are needed by internal customers and would have to notify the purchasing department of their specific need (Hugo et al 2002:24).

2.2.6 Description of the need

It is of utmost importance to describe the requirements of users for goods and services as specifically as possible, in order to ensure the acquisition of the correct product. Purchasing personnel therefore need to establish open communication channels with the end user, as well as the external source from which the acquisition will be made (Monczka et al 2002:28).

2.2.7 Investigate, evaluate and select the supplier

Once the purchasing need has been specified, the purchasing department must investigate, evaluate and select possible suppliers of the specific goods or services required. For routine items the supplier selection process is relatively simple and quick, but intensifies and is more prolonged for new or strategic items.

The supplier selection process starts with a list of potential suppliers, who have been thoroughly investigated. Purchasing personnel can then evaluate each supplier by using different performance criteria (such as past performance, technical ability and cost performance). Final evaluation often leads to visits to the suppliers' plants and facilities.

The most suitable supplier is then selected. This is possibly one of the most vital activities performed by the purchasing department because its effects may be damaging and longlasting (Monczka et al 2002:33).

2.2.8 Prepare, place and issue the purchase order or contract

The preparation for placing the purchasing order is of vital importance because issuing an official order is a legally binding step. The purchasing order or contract must include detailed information on quantities, prices, delivery dates, points of delivery, quality and discounts, in order to ensure a satisfactory contract (Hugo et al 2002:27).

2.2.9 Follow up the order

The purchasing department must follow up orders before the delivery date and if orders have not been received, ascertain the expected delivery date. Suppliers must be routinely reminded, telephonically or in writing, that the orders must be delivered on time or kept informed if they will be late. The purchasing department must also ascertain the cause of the delay, and notify the suppliers that they have not complied with the terms of the purchasing order (Hugo et al 2002:30).

2.2.10 Receipt and inspection

The receiving process should be as efficient as possible (Monczka et al 2002:34). The receiving clerk must use the packing slip (which itemises and describes the content of the shipment) to ascertain whether the consignment of goods complies with the requirements of the purchasing order. If everything has been inspected and has been found to be in order, a receiving report is compiled (Burt et al 2003:72).

2.2.11 Distribution

The orderly distribution of deliveries to the user departments follows, and a receipt from the user is obtained (Hugo et al 2002:30).

2.2.12 Supervising faulty consignments and rejections

The handling of faulty consignments and rejections can lead to serious disagreements and even litigation. Hence, the purchasing department must manage the negotiations with suppliers with diplomacy and responsibility (Hugo et al 2002:30).

2.2.13 Audit the invoice

To ensure that the purchasing department makes proper payment for goods actually received, a review procedure has to be in place prior to payment. A typical procedure involves a simultaneous review of the purchase order, receiving report and the invoice. Although this is a repetitive, time-consuming task it is imperative for sound accounting practice (Burt et al 2003:74).

2.2.14 Contract administration

Once the invoice has been audited, the order is closed. This entails consolidating all documents and correspondence relevant to the order. The completed order is then filed in the closed-order file, which constitutes a historical record of all activities encompassing the total purchasing cycle (Burt et al 2003:74).

Although the activities performed by the purchasing function vary from one organisation to the next, one aspect remains the same – the efficient and effective management of purchasing activities is regarded as a fundamental stepping stone to the success for any organisation (Russill 1997:19).

2.2.15 Purchasing Tools

There are certain important purchasing tools that are inherently part of the purchasing cycle that were not included in the above discussion. They will be explained in this section (Lysons 1996:72; Pooler & Pooler 1997:9; Burt et al 2003:33).

2.2.16 Negotiations

Pooler and Pooler (1997:215) regard negotiation as the keystone of effective purchasing. As organisations continue to develop closer relationships with selected suppliers, negotiations (either face-to-face or electronically) become one of the reaching instruments in establishing a cooperative approach (Monczka et al 2002:33).

Pooler and Pooler (1997:215) argue that buyers need to negotiate proactively by following six key steps: (1) prepare for negotiations, (2) define objectives, (3) organise the team, (4) develop a strategic plan, (5) control the climate or behaviour and (6) seek alternative solutions to reach an agreement acceptable to the interests of both parties.

2.2.17 Electronic data interchange (EDI)

Electronic data interchange involves a communication standard enabling the electronic transfer of purchasing documentation and information (computer to computer) in a cooperative effort between the buyer and seller (Monczka et al 2002:34). Loughlin (1999:1) adds that electronic data interchange is an electronic commerce technology that affects communication and is used for ordering and order processing, payment and delivery arrangements.

Lankford and Johnson (2000:1) explain that electronic data interchange provides a tool that enables organisations to adapt to changing market needs in a more flexible manner in the global economy. Electronic data interchange, however, is intended as a completely standardised set of protocols, ensuring that an organisation has to be linked to all suppliers to do business electronically, which is not possible without a huge financial investment – a drawback for smaller suppliers (Loughlin 1999:1).

2.2.18 Logistics management

Logistics management was defined in chapter 1 as the creation of time, place, quantity, form and possession utilities within and among firms and individuals by planning, implementing and controlling the efficient, effective flow and storage of raw materials, in-process inventory, finished goods, services and related information from point of origin to point of consumption according to customer requirements. It was also established that logistics management consists out of materials management and physical distribution management .

All these management concepts play an integral part in the efficient and effective management of the purchasing function. For example, the focus on inventory reduction in today's competitive market has caused many organisations to look closely at the quality of the inbound delivery service they receive from suppliers. Consumers, however, have become just as demanding in their requirements (Gattorna 1998:274). The just-in-time system was developed to reduce the

delivery lead times through smaller batch-size production to satisfy customer demand more effectively (Gattorna 1998:139).

2.2.19 Total quality management (TQM)

TQM requires suppliers to initiate a philosophy of zero defects, while endorsing continuous improvement. This can be achieved by initiating statistical process control (SPC), design of experiments, process capability studies, quality audits, improved problem identification and demonstrative corrective action capabilities. TQM is an essential tool embedded in the management of the purchasing function because it emphasises the need to meet and exceed the requirements as specified by the end user (Monczka et al 2002:185).

2.2.20 Research

The purchasing management environment in which purchasing decisions are made has become so dynamic in the past few years that information generated by research has become critical. Purchasing research can be defined as the systematic collection, classification, analysis and interpretation of information on all issues related to materials supply with the objective of making scientifically based decisions (Hugo et al 2002:248).

It is clear from the above discussion that the correct use of purchasing tools is inherently part of the optimum management of the purchasing function.

2.2.21 Summary

This section presented an overview of the more traditional purchasing approach. The definition of purchasing management emphasised the importance of the purchasing function to acquire goods and services to satisfy the needs of the internal customer, but also highlighted that the contribution of the function to the organisation's objectives is generally at a tactical level. It was established that the effective and efficient management of purchasing activities and tools contributes to the bottom line of any organisation - cutting costs and adding value.

Purchasing management is poised to make a significant contribution to business success and competitive advantage. However, this is not a universal perception (Russill 1997:16). The concept of traditional purchasing management has fallen into disfavour in the literature and in modern organisations because of the outdated management approach it represents. A new response from purchasing management is demanded. The next section will therefore examine the strategic importance of purchasing to organisations.

2.3 Strategic Sourcing: A Further Development of the Purchasing Function

2.3.1 Introduction

All the functions of a business must combine to form a unified whole if management is to fulfil its basic responsibility of maximising profit. To this end, the purchasing function has become a more integral part of the operation of an

enterprise, shaping the purchasing operations with a strategic planning objective (Burt et al 2003:24).

The previous section contained an overview of the more traditional (reactive and mechanical) purchasing management approach. It is now necessary to investigate the purchasing management approach as part of central value creation in an organisation, better known as strategic sourcing. The aim of chapter 4 is to analyse the essence of strategic sourcing, by assessing the scope of various perspectives on, the definition, objectives and activities of strategic sourcing. The chapter will conclude with a comparison of the purchasing and strategic sourcing management approaches.

2.3.2 Scope and Definition of Strategic Sourcing

The scope of strategic sourcing will emerge from a consideration of the various perspectives on the concept. The opinions of Ricker (1997) and Roberts (2002) were considered in chapter 1, and the following definition formulated on the basis of their opinions: Strategic sourcing is a process that involves cross functional teams to identify, develop, manage and integrate the supplier base of an organisation.

Slaight (1999:43), however, adds that strategic sourcing is "a periodic event that includes the identification and selection of initial commercial arrangements with a selected supplier that either creates or resets a relationship". He views strategic sourcing as a process whereby organizations divide their total spending into categories and then classify the categories on the basis of the importance of that product and service, and on the complexity of the supplier marketplace.

The organisation and the supplier must then recognise that various relationships are required. At one end, the least strategic suppliers may be based on cost, while at the other, the most strategic suppliers may be chosen for their ability to create new business opportunities or technological advances. Targeting and searching for suppliers in such a formalised manner is what strategic sourcing is all about. Strategic sourcing leads organizations to join with suppliers, spur innovation, apply joint expertise to product development and create a genuine supply advantage.

Kauffman and Crimi (2000) indicated that strategic sourcing consists of identifying those purchased items that are important to the achievement of strategic business objectives and then developing and implementing short and long-range plans for the procurement of those items. Roberts (2002:33) defines strategic sourcing as "the use of strategy to rule sourcing decisions".

This implies that the supply/sourcing manager makes sourcing decisions consistent with the firm's long-term objectives. This requires careful evaluation of the current supply situation, understanding the organisation's objectives and creating a relationship with suppliers that can help to meet those objectives.

To round off of the above discussion of the scope of strategic sourcing, it is necessary to formulate a clear definition of strategic sourcing. **Strategic sourcing** can be regarded as a process whereby spending is analysed and categorised according to the importance and cost of the purchases, and the complexity of the supplier base. The supply base is then investigated to ensure that the correct relationship is formed with suppliers in the various categories of

goods. The strategic sourcing process is managed by cross functional teams according to best practices in support of strategic business objectives.

2.3.3 Objectives of Strategic Sourcing

Monczka et al (2002) identify six primary objectives of strategic purchasing or strategic sourcing. Firstly, strategic sourcing must support organizational goals and objectives. This objective implies that sourcing can directly affect total performance (either positively or negatively) and must be recognised as a strategic asset that provides a powerful competitive advantage in the marketplace. The second objective is the development of integrated sourcing strategies that support organisational strategies. To achieve this, executive management must realise the benefits a progressive sourcing function can provide. The training and selection of sourcing personnel must therefore be done in such a manner that they have the ability to participate in the highest levels of corporate planning. The third objective is that strategic sourcing must support operational requirements.

The fourth objective involves the development of strong relationships with other functional groups to understand the major needs of the organisation's using departments. These needs can then be translated into materials support actions in a proactive and cost-effective manner. The fifth objective involves the efficient and effective management of the sourcing process. An organisation has limited resources available to manage the sourcing process, and must continuously work towards improved utilisation of these resources.

The last objective of strategic sourcing entails the selection, development and maintenance of sources of supply. Strategic sourcing must focus on selecting and managing a supply base capable of providing performance advantages over the long-term, pertaining to product cost, quality, technology, delivery or new product development. Strategic relationship management plays a pivotal role in achieving this objective.

The objectives of strategic sourcing move far beyond the traditional belief that the primary goal of purchasing is to obtain goods and services in response to user requirements. Strategic sourcing is not regarded as a narrow functionalism, but a driving force behind organisations' long-term success (Russill 1997:20).

2.3.4 Activities of Strategic Sourcing

From the above discussion of the perspectives, definition and objectives of strategic sourcing, the following key activities of strategic sourcing can be identified (Ricker 1997; Slaughter 1999; Kauffman & Crimi 2000; Sislian & Satir 2000; Litton 2001:10, Roberts 2002 and Monczka 2002:22):

- Establish, manage and develop cross functional teams.
- Analyse the total supply market.
- Evaluate the current supply situation of the supply chain.
- Reduce the supplier base of the supply chain.
- Identify and evaluate the sourcing opportunities of the supply chain.
- Assess the value of sourcing opportunities to the long-term goals of the supply chain organisations.

- Identify cost reduction opportunities from a purchasing and sourcing perspective.
- Formulate strategies for critical commodities of the supply chain.
- Analyse arrangements with the suppliers of the various requirements of the supply chain.
- Analyse the total procurement spending of the supply chain.
- Categorise products/services in terms of the importance and complexity of the market.
- Establish appropriate relationships with suppliers in the various categories of the supply chain.
- Apply "best practices" in the management of the suppliers.
- Make outsourcing decisions about the supply chain.
- Create a portfolio for each supplier involved in the supply chain.
- Apply continuous tracking and performance management of the partners in the supply chain.
- Identify total cost opportunities of the supply chain.
- Understand different supply chain economies.

As in the case of purchasing activities, the strategic sourcing activities performed vary from organisation to organisation. The organisation that successfully implements these strategic sourcing activities, however, has also developed the capacity to continually reach beyond success to set new standards for others to follow (Russill 1997:95).

2.3.5 From Purchasing Management to Strategic Sourcing

The traditional (reactive and mechanical) purchasing management approach, as well as the more recent (proactive and strategic) sourcing management approach were discussed in the previous sections respectively. For the purpose of this study it is now necessary to compare these management approaches to identify their similarities and differences.

2.3.6 Summary

The concept of strategic sourcing was discussed in this section. The definition of strategic sourcing emphasised the strategic importance of the management approach and its contribution to the success of the organisation. The objectives of strategic sourcing highlighted the long-term value added by the effective and efficient management of the strategic sourcing activities. The similarities of and differences between the purchasing and strategic sourcing management approaches were then identified. The conclusion drawn was that elements of both the traditional purchasing management approach and the strategic sourcing management approach can be found in one organisation.

The aim of this study is to identify which of these management approaches is implemented by wholesalers and at what level of sophistication. Before this can be done, it is necessary to analyse the remaining part – the supply chain management approach.

2.4 Supply Chain Management: An Analysis

2.4.1 Introduction

The aim of this study is to ascertain the management approaches used by wholesalers in the management of their purchasing, sourcing and supply activities. The previous sections discussed the concepts "purchasing management" and "strategic sourcing" in detail. In this chapter, the supply chain management approach as an evolving notion will be analysed, which will include the concept of the supply chain, the scope and definition, objectives, the activities and the trends in supply chain management.

2.4.2 The Supply Chain Concept

The supply chain definition was briefly explained in chapter 1. The conclusion was drawn from the definitions of Burt et al (2003:7) and Monczka et al (2002:4) that supply chains are essentially a series of linked suppliers and customers; every customer is in turn a supplier to the next downstream organisation until a finished product reaches the ultimate end user. It is however important to understand the supply chain concept properly because it forms the basis of the supply chain management approach discussed in this section.

From the above definition it is clear that the supply chain links suppliers and customers from the extraction of raw materials until the product reaches the ultimate end user. Monczka et al (2002:4) emphasise the fact that the supply chain links organisations in the upstream as well as the downstream flows of materials and information. A supply chain therefore comprises a physical element (the strategic partnering of various market-focused, responsive organisations involved in the transformation of specific goods) and the information element (controlled sharing of business data and processes). A supply chain can

therefore be viewed as the formation of a value chain network consisting of individual functional entities committed to the controlled sharing of business data and processes (Lau & Lee 2000:598).

Organisations in the supply chain focus on their core activities and outsource the remaining operations to other business partners (Lau & Lee 2000:598).

This results in strategic partnering in various segments of business. Democker (2000:141) adds that supply chains consist of a focal firm (hub organisation) that builds portals linking buyers and suppliers – providing a platform to exchange information about products, inventory, capacity, shipment and payment. Linking such buyers and suppliers as a supply chain is achieved via the implementation of an efficient and effective information flow system – for the organisation and its business partners (Lau & Lee 2000:599).

Christiaanse and Kumar (2000:270) are of the opinion that, in order to compete successfully, a supply chain needs to be responsive to the customer's demands, provide mass-individualised products or services at the lowest cost and response time at an acceptable level of quality.

Chopra and Meindl (2001:3) state that a supply chain consists of all stages involved, directly or indirectly, in fulfilling a customer request. The supply chain may include suppliers, manufacturers, distributors, retailers and customers. Within each of these organisations (or stages), a supply chain includes all functions involved in filling a customer request. These functions include but are not limited to, new product development, marketing, operations, distribution, finance, purchasing and customer service.

This section is concluded with an discussion of a basic supply chain. It is clear that a **supply chain** is a series of linked stages (or organisations) involved in the manufacture and distribution of a certain product/service aimed at satisfying end consumers' needs, managed according to an integrated management philosophy, and creating value through a constant flow of information, materials and funds.

2.4.3 Scope and Definition of Supply Chain Management

The views of Ross (1998:365), New (1997:1) Copacino (1997:1), Pickowitz and Reekers (2000:1), Reeds (2000) and Wisner and Tan (2000:1) were incorporated into the discussion in chapter 1 in the definition of supply chain management as the sum of all value-adding activities, from the extraction of raw materials through the transformation processes and delivery to the end user, spanning organisational boundaries within the supply chain as a unified entity.

Management of the supply chain, however, has evolved over the last two decades from an emphasis on integrating logistics and lowering costs to the provision of better products and services to customers more quickly and cheaply (Gattorna 1998:18). Handfield and Nicholas (1999:1) agrees with him by defining supply chain management as a dynamic enabler for organizations to realise the challenge of delivering products to consumers in a cost-effective manner when, where, how and in the quantity required.

According to Fawcett & Magnan (2002:7), organisations need to possess several essential characteristics if they want to successfully integrate supply chain management as an enabler to form part of their value-adding processes

Organisations must be relentlessly customer centric; driven to improve asset efficiency; recognise inter-business collaboration as critical; focus on processes rather than functions; view open communication as a must; factor people into every decision; invest in information technology as an enabler; and be obsessed with performance measurement.

Monczka et al (2002:5) emphasise that supply chain management is the integration of all activities associated with the flow of goods from the raw materials stage through to end users, as well as the associated information flows both up and down the supply chain. The increasing importance of supply chain management is compelling businesses to adopt the new management approach.

Mentzer, Dewitt, Keebler, Min, Nix, Smith and Zacharia (2001:6) studied the various definitions of the concept of supply chain management in depth. They concluded that supply chain management can be defined as the systematic, strategic coordination of the traditional business functions and the tactics across these business functions within a particular company and across businesses within the supply chain, for the purpose of improving the long-term performance of the individual companies and the supply chain as a whole.

Firstly, interfunctional coordination of the focal firm (and its suppliers and customers respectively) is emphasised. This entails shifting the focus from a functional approach to establishing processes managed by cross functional teams to incorporate the marketing, sales, research and development, forecasting, production, purchasing, logistics, information systems, finance and customer service tasks. To achieve this, organisations must have cross

functional trust, commitment, a sharing of risks, behaviour and established interdependence.

Once the respective organisations in the supply chain have achieved interfunctional coordination and interorganisational relationships between the organisations involved has been established, different supply chain flows are experienced. This firstly entails the secure upstream and downstream flow of information on to the supply and demand situation of the particular supply chain, followed by information regarding products, services and financial resources.

With these perspectives of supply chain management as background, the following definition of supply chain management may serve as summary: **Supply chain management** can be regarded as the enabler of organizations to identify formal processes to integrate all activities associated with the flow of goods from extraction to the final consumer by strategically establishing inter business collaboration and information sharing, with emphasis on value added activities and total cost savings.

2.4.4 Basic Objectives of Supply Chain Management

Supply chain management is fast becoming a vital economic growth engine improving the quality of products and services, reducing total cost, increasing flexibility, integrating relationships, creating lean manufacturing and optimizing value (Pickowitz & Reekers 2000:1). Pooler and Pooler (1997:37) indicate that

supply chain management focuses on control of the entire supply chain – placing strategic emphasis on value-added activities and total cost savings.

Gattorna (1998:18) suggests that corporate and supply chain goals must be united, to improve profitability and growth – thereby increasing shareholder value.

According to Chopra & Meindl (2001:5), the basic objectives of supply chain management are to maximise the overall value generated by the supply chain, as well as benefiting the organisations involved in the supply chain. The value a supply chain generates is the difference between what the final product is worth to the customer and the effort the supply chain expends in filling the customer's request. For most supply chains, value will be strongly correlated with supply chain profitability, the difference between the revenue generated from the customer and the overall cost of the supply chain.

All the objectives discussed in this section is based on the principle that the major objectives of supply chain management are to achieve customer satisfaction, add value, and to increase the profitability and competitive advantage of the supply chain as a whole, and for the individual organisations involved in it (Mentzer et al 2001:19).

2.4.5 Principles and Activities of Supply Chain Management

Supply chain management encompasses a variety of principles and activities that can be regarded as vitally important - depending on how advanced an organisation is in the purchasing strategy development process (Monczka et al,

2002:184). These principles or activities may be unique to certain supply chains, organisations or even commodities.

The following is a list of the principles and activities of the supply chain management approach (Cooper et al 1997; Pooler & Pooler 1997; Spekman, Kamauff & Myhr 1998; Gattorna 1998; Pickowitz & Reekers 2000; Handfield & Nicholas 1999; Mentzer et al 2001):

- focusing on the satisfaction of customer needs
- integrated behaviour (interfunctional, interorganisational, system, process and strategy integration)
- strategic partnering (relationships and alliances) with suppliers and customers of the focal firm
- uniform goals of all organisations in the supply chain
- cooperation and joint strategic planning of all organisations in the supply chain
- strategic focus of long-term profitability and growth of the supply chain as a whole and all participating organisations
- mutual sharing of risks and rewards among all participating organizations of the supply chain
- value adding, enhancing the performance of the supply chain as a whole and all participating organisations
- business process re-engineering to restructure the work processes of the supply chain as a whole and all participating organisations

- total quality management and continuous improvement of all aspects of the performance of the supply chain
- human resource training and development of all personnel involved in the supply chain
- mutually sharing of flows of products, services, information and financial resources among all organisations involved in the supply chain

Some of the key principles of supply chain management merit a more detailed study.

2.4.6 Strategic focus and integration

The building blocks of this management approach have a strategic focus in the management of information and strategic relationships. This implies that all supplier and buying organisations involved in the process from raw materials to final consumer products are perceived as a unified entity. An empowered management team consisting of key members from all organisations involved in the supply chain is formed in order to jointly manufacture goods and render services effectively to meet the demands of the customer (Reeds 2000:3).

2.4.7 Customer focus and service

Chopra and Meindl (2001:4) are of the opinion that a customer is an integral part of the supply chain. The primary purpose of the existence of any supply chain is to satisfy customer needs. Supply chain activities start with a customer order and end when a satisfied customer has paid for his or her purchase.

Customer service can be defined as the manner in which a business organisation responds to the need and expectations of the customer in a manner that

maximises profitability (Gattorna 1998:23). The primary purpose of customer service is consequently to ensure that effective customer support is rendered to meet all the requirements of the customer as efficiently as possible.

2.4.8 Multifunctional and multi-organisational sourcing teams

Supply chain management is by its nature multifunctional and multiorganisational (Monczka et al 2002:185). Hence - implementing the supply chain management approach results in the integration of the functions of a business to a certain extent, and the collaboration of the core competencies of the different businesses involved in the supply chain (Hugo et al 2002:61). This is why businesses in the supply chain utilise various teams to make crucial purchasing, sourcing or supply decisions.

Representatives from the purchasing function, quality control, engineering, new product development and marketing inside the business form a multifunctional team (Hugo et al 2002:61). Should such a team include representatives from different businesses in the supply chain, the team is referred to as a multiorganisational team.

Electronic data interchange (EDI), e-mail, the Internet and the World Wide Web enable multifunctional and multiorganisational groups from across the globe to direct and coordinate activities relating to the supply chain – interacting only through electronic mobility (Crowley 1998:551). These portals (links) can evolve towards online business communities and this simplifies the timeous and expensive distribution channels of the past (Van Hoek 2001:24).

The use of multifunctional and multiorganisational teams may be beneficial in areas such as providing different perspectives and expertise of team members, responsiveness to user needs, increased acceptance by users of the products, time reduction, increased innovation, joint ownership and enhanced communication (Hugo et al 2002:61).

2.4.9 Strategic relationships and alliances

Relationships between suppliers and purchasers vary considerably. They may range from low-value, transaction-based interactions to partnerships that are high in strategic and financial value for the organisation (Gattorna 1998:294).

Such partnerships are one of the most crucial elements in supply chain management architecture (Greenhalgh 2001:21).

Gattorna (1998:289) captures the essence of strategic partnerships by stating that a formal alliance with suppliers provides the best opportunity to ensure that both parties join forces in realising the same goals. This can be achieved through joint development and continuous improvement programmes to provide products, while reducing total cost – with both parties benefiting from combined strengths.

Managing such a strategic relationship requires certain measures to maintain the balance of the high-value, long-term relationship:

- the partnership needs to be clearly defined from the start via contractual relations;
- information must be transparent to all parties involved;
- performance evaluation is critical;
- parties should be able to initiate cost reductions;

(5) managing a partnership requires legal proficiency and complex negotiation skills (Gattorna 1998:295).

The key to strategic alliances is information sharing (Gattorna 1998:281).

Open communication regarding all events, processes and operations from the procurement stage right through to the final manufacture and sale of items or services is therefore essential. Another crucial element of strategic partnerships is the continuous assessment or evaluation of the partners involved to ensure that a supplier is living up to expectations and performing in terms of the contract.

2.4.10 Process management

A supply chain is a sequence of processes and flows that take place within and between different business organisations and combine to fill a customer need for a product. It is important to note that most of the activities in a supply chain are managed as processes, including the customer order cycle, replenishment cycle, manufacturing cycle and the purchasing cycle (Chopra and Meindl 2001:7). It is consequently crucial to manage the respective processes to maintain optimal profitability in a supply chain.

2.4.11 Business process re-engineering

Business process re-engineering has become a powerful force in many organisations. It entails organisations restructuring their work processes to eliminate non value-adding activities, reduce costs, increase profits, shorten cycle times and enhance the effectiveness of their operations (Copacino 1997:189).

Hugo et al (2002:271) emphasise the fact that business process reengineering entails a radical change in performance measured by cost, cycle times and quality. It is achieved by implementing a variety of tools and techniques that focus on the business as a set of related customer-oriented core business processes rather than a set of organisational functions.

Integration and performance measurement are therefore part of business process re-engineering.

2.4.12 Total cost of ownership

Total cost of ownership is increasingly important for businesses involved in a supply chain, to achieve the lowest total cost of possible sources of supply – both internally and externally. Total cost of ownership is the process of identifying cost considerations beyond unit price, transport and tooling when evaluating purchase proposals or supplier performance (Monczka et al 2002:187). This includes the full cost of the commodity - including price, use and administrative costs (Gattorna 1998:297). To implement the total cost of ownership approach the organisation must define and measure the major cost components associated with a purchased item (Monczka et al 2002:187).

This enables businesses to use the total cost measurement information in a variety of managerial decisions. A few benefits of the total cost of ownership approach are as follows: supplier non-performance can be identified and corrected, negotiations can be more constructive and supplier selection can be more effective (Monczka et al 2002: 443). This creates a win-win outcome for the supplier-buyer relationship (Gattorna 1998:296).

2.4.13 Strategic global sourcing

Strategic global sourcing is an approach that promises substantial improvements in an organisation's competitiveness. It requires the organisation in the supply chain to view the entire world as a potential source for providing components, services or even finished goods (Monczka et al 2002:185), thereby identifying the most appropriate source, in accordance with the importance of the item to the organisation's overall business objectives. It therefore stands to reason that more time and effort will be spent to the items that are of the highest strategic and financial importance to the business (Gattorna 1998:300). This approach can provide immediate and dramatic improvements in cost, superior quality, gain access to new markets, exposure to new technology, increase the number of available sources, satisfy counter-trade requirements and introduce global competition to domestic suppliers (Monczka et al 2002:185).

2.4.14 E-business

Rapid developments in technology (specifically the Internet) in the past decade have enabled businesses to communicate in a far more sophisticated and cost-effective manner than electronic data interchange allowed. Not a single aspect of a business's internal and external environment has been left untouched by the demands and benefits of the new phenomenon – e-business.

Business-to-business electronic commerce worldwide is expected to exceed \$4,3 trillion by the end of 2005. The South African market will reach an amount of R310 billion in the same year at a compound annual growth rate in excess of 100% (Gibson 2001).

The supply chain consists of both intra-company and inter-company value adding functions, which span company and functional boundaries. E-business enables a supply chain to automate enterprise resource planning (ERP) systems with workflow add-on tools. This creates a well-functioning execution system for the supply chain, entailing a live logistics system and a fully integrated workflow engine which will automate operational functions and be a provider of live manufacturing data.

The supply chain management approach will only be able to add value for the organisations involved if the principles and activities discussed in this section are implemented successfully. It is therefore essential to fully understand each concept.

2.4.15 Trends in supply chain management

As mentioned earlier, supply chain management is a developing concept. Management approaches have to adapt to certain trends. A number of trends that will identify the supply chain management field are identified below.

2.4.16 The knowledge revolution

A few decades ago it was a extremely expensive and time-consuming exercise to extract relevant facts about competitors and suppliers. Today, organisations filter readily available facts into meaningful knowledge in an efficient and effective manner utilising electronic data transfer and Internet communications media (Crowder 1998).

Fact-based decision making is replacing traditional negotiation methods. Decision models are used to produce optimal solutions to supply problems because organisations possess complex databases on the Internet of real time knowledge, which includes all aspects necessary to consider when making a sourcing or supply decision (Carter 1999). Information and technology can be expected to continue playing a crucial role in supply chain management decision making in the future.

2.4.17 Continuous improvement requirements

Strict customer requirements and intensifying competitive markets require continuous improvement across all major performance categories. This includes a variety of improvement targets that supply organisations expect to achieve in the years ahead:

- There will be continuous improvement in internal and external cycle time, cost, quality and delivery performance.
- The reduction of time, specifically during product and process development will become increasingly important.

Continuous improvement expectations make the contribution of supply management crucial to the longer-term success of the organisation.

Purchasing, sourcing and supply approaches, policies and practices must be linked to and support continuous business improvement targets (Monczka et al 2002). The pressure of continuous improvement with regard to cycle time, quality cost and delivery performance is expected to continue in the future.

2.4.18 Lean thinking

Increasingly more organisations are adopting the lean management style to ensure successful implementation of the supply chain management approach. Lean principles and practices were originally used by the Japanese Automotive System and typically associated with manufacturing. However, lean thinking is highly relevant to supply chain management in both manufacturing and service organisations (Gordon 2002).

Lean thinking is a way of improving processes in order to maximise value and eliminate waste. Lean thinking has the following main goals:

- focus on the customer's needs;
- build what is already sold;
- supply what is consumed;
- simplify the flow of materials and production;
- promote flexibility in response and production (Noë 2001).

The results of applying lean thinking both to organisations and supply chains include shorter cycle times, lower costs and better quality. As customers and suppliers work together as an extended enterprise, they function together efficiently and seamlessly. In order to maximise each other's business contribution to the end customer and to deliver on time and with the best cost and quality, waste is eliminated from the supply chain (Gordon 2002).

Lean thinking inevitably leads to the establishment of the lean organisation. Lean organisations will typically manage their business by focusing attentively on a number of key processes running cross functionally across the organisation

(Hines 2002). This management style is in contrast to the traditional functional approach adopted in mass production. Lean supply organisations will adopt flatter forms with less emphasis on hierarchy and less distinction between position. Functional silos will become obsolete. The traditional functions of marketing, engineering, purchasing, finance and personnel will become less important (Carter 1995).

As a result, staff from the different functions is encouraged to focus on the key goals of the company rather than traditional narrow functional targets.

This allows for :

- the avoidance of functional optimisation at the expense of company optimisation,
- cross functional buy-in to decision making and implementation.

While the number and description of these cross functional processes vary among companies, the three most important qualities are invariably quality, cost, and delivery, with the latter usually divided between new product delivery and existing product delivery (Hines 2002).

Fundamental restructuring and re-engineering will become a way of life in most lean-oriented organisations. The primary focus will be new market driven emphasis on creating value for customers, as well as greatly increased flexibility, and a new business-driven attack on global markets which includes deployment of information technology and fundamentally new jobs (Carter 1995).

2.4.19 A values-based infrastructure

Obtaining supply chain management objectives to the advantage of all organisations involved in a supply chain is difficult. It becomes an obstacle when a vast array of ethical frameworks across the globe are involved (Crowder 1998). The manner in which supply personnel respond to an ethical situation is determined by four variables:

- *Organisational environment.* Every organisation has an informal or formal set of accepted ethical behaviour or norms. These norms may, however, differ from one business to the next, and even from manager to manager.
- *Personal experience.* Each supply employee's personal experience will affect his or her personal moral and ethical beliefs about what is right and wrong.
- *Cultural environment.* Society has a huge effect on the ethical perspective of a supply organisation or employee. Certain behaviour may be accepted in one culture, but totally unacceptable in another. The cultural environment might have the strongest influence on behaviour, especially through laws and regulations applicable to the organisation, and thus to the employee.
- *Industry environment.* Accepted or common practices in an industry also define acceptable boundaries of behaviour for a supply organisation or employee (Monczka et al 2002).

A supply chain necessitates the formulation of a generally accepted set of ethical norms to which the organisations (and employees) involved can align their different frames of reference and value systems (Crowder 1998). This enables a supply chain to define the boundaries of ethical behaviour, thereby identifying common principles associated with appropriate versus inappropriate actions, moral duty and obligation to which the supply chain can conform. Moral and ethical issues are expected to receive more attention in supply chains of the future.

2.4.20 The greening of supply chain management

The emphasis placed on environmental issues will increase even more as the pressure on supply chains to be more responsive to environmental concerns increases (Crowder 1998). Changes in the state of the environment, leading to subsequent public pressure and environmental legislation have necessitated a fundamental shift in manufacturing business practices. No longer is it acceptable or cost effective to consider only the local and immediate effects of products and processes; it is now imperative to analyse the entire life-cycle effects of all products and processes.

Therefore, the traditional structure of the supply chain must therefore be extended to include mechanisms for product recovery. This extension presents an additional level of complexity to supply chain design and analysis; more specifically, the addition of the product recovery mechanism gives rise to numerous issues affecting strategic and operational supply chain decisions. Consequently, the extension of the traditional supply chain requires the

establishment and implementation of new performance measurement systems based on continuous improvement that will enable organisations to become and remain competitive while achieving sustainable processes (Beamon 1999).

2.4.21 Virtual supply chain management

Virtual supply chain management is a further development of the evolving supply chain management concept. Changing global market conditions are forcing organisations to constantly redesign and reconstruct supply chains in order to meet consumer expectations (Carter 2001). Rapid changes in technology will generate quick changes in products and services. The opportunities for profit will be short - hence the time needed to pull products and services through the supply chain to the ultimate consumer should be minimal.

A supply chain network comprises the physical element (physical supply chain) and the information element (information supply chain). In a physical supply chain, the resource flow and value of entities are added by the successive elements of designers, suppliers, carriers, fabrication sites and distribution centres. However, the information supply chain is of utmost importance in order to meet consumer expectations more responsively.

This implies that participants in the supply chain network must create an environment in which information flows freely between the business functions within an organisation, as well as across business boundaries. This enables the supply chain to respond accurately to customers' demands with minimized inventory levels enhancing efficiency levels with reduced labour costs and faster lead times, providing flexibility of destination choice and product presentation.

This is executed under tight control, coordination and synchronisation with the use of expert information and telecommunication systems (Lau & Lee 2000).

Virtual supply chain management includes the importance of sharing knowledge and intellect in creating value, where electronic data interchange, e-mail, the Internet and the World Wide Web plays a vital role (Graham & Hardaker 2000).

This is possible through the establishment of intraorganisation communication in which all relevant information (contracts, supplier database, and so forth) is available by using an Intranet facility, with the appropriate security and authorisations in place. Information between organisations is shared via interorganisation communication, by utilising the

Internet. Again, the appropriate security is implemented to prevent unauthorised viewing of data, protect intellectual property rights and authenticate senders (Carter 1999).

Virtual supply chain management thus allows intra-organisational and interorganisational supply chain management groups from across the globe to direct and coordinate activities relating to the supply chain by interacting only through electronic mobility (Crowley 2000). This evolves into towards online business communities, simplifying the timeous and expensive distribution channels of the past (Van Hoek 2001). It is clear that virtual supply chain management dramatically changes supply markets. Purchasers have information on potential suppliers from around the globe and can do online supplier evaluation. Similarly, suppliers have information on all sources of potential demand. Organisations continue to enter into long-term partnerships, but are

able to meet purchaser demand with supply capacity at the lowest possible prices efficiently and effectively (Carter 1999).

The next decade might bring change beyond the expectations of supply management professionals. The manner in which they plan for and adapt to the future developments in supply chain management will determine the efficiency and effectiveness of supply organisations to come.

2.4.22 Summary

This section endeavoured to explain supply chain management and its related concepts, by firstly defining supply chain and supply chain management. A supply chain is defined as a series of linked stages (or organisations) involved in the manufacturing and distribution of a certain product/service aimed at satisfying end consumers' needs, managed according to an integrated management philosophy, creating value through a constant flow of information, materials and funds.

Supply chain management can be regarded as the enabler of organisations to identify formal processes to integrate all activities associated with the flow of goods from extraction to the final consumer by strategically establishing inter business collaboration and information sharing, with the emphasis on value added activities and total cost savings.

The basic objectives of supply chain management were established as achieving customer satisfaction, adding value, and increasing the profitability and competitive advantage of the supply chain as a whole, and for the individual organisations that it comprises. The principles and activities of supply chain

management were also covered. It was documented that the principles and activities are the building blocks of the successful implementation of supply chain management.

According to trends in supply chain management, the next decade will bring change beyond the expectations of supply management professionals. The manner in which they plan for and adapt to the future developments in supply chain management will determine the efficiency and effectiveness of supply organisations to come.

This concludes the literature Review and Theoretical foundation part of this study. A summary of conclusions on the information contained in previous sections will be drawn in later sections.

The empirical research aimed at testing the level of sophistication of the purchasing, sourcing and supply management approaches used by wholesalers in North West Province , is outlined in chapter 5.

Chapter 3

Defining the Problem and Research Questions

3.1 Introduction

The previous two chapters contained background information on wholesale management, purchasing management, strategic sourcing and supply chain management which form the essential topics of this study. The aim of this chapter is to define the problem, discuss the rationale to the problem, to distinguish between primary and secondary problems and to formulate the research questions.

The chapter starts by revisiting the research objectives and importance of the study. A discussion of the research method is also included. The results of the statistical analysis will also be discussed.

3.2 Background to the Problem

Intense global competition, the information revolution and more sophisticated customers are but a few of the factors that have compelled many businesses to find new and better ways to manage their purchasing, sourcing and supply activities. As a result, purchasing evolved from a transaction-based function, focused on unit costs to a strategic cross functional process that manages the total cost of the supply chain (Darrow 2000:1).

Wholesalers find themselves in the middle of supply chain networks, providing a critical link between manufacturers and retailers. Manufacturers cannot afford to deal directly with the thousands of small retailers because of the costs involved in selling small quantities and the resultant low profits for manufacturers (Lamb et al 2002). Wholesalers also perform vital services for retailers and other organisations. Hence, they play a pivotal role in the management of purchasing, sourcing and supply activities of the whole supply chain. Adapting to the supply chain management approach may dramatically influence the efficiency and effectiveness of wholesalers and can mean the difference between success and failure. It can also determine the continued existence of a wholesaler in the supply chain.

The probable advantages ultimately benefiting the wholesaler from the efficient adaptation to supply chain management are infinite. The question is: *Have North West Province wholesalers adapted to the new demands and developments, specifically with regard to their approach to managing their purchasing, sourcing and supply function?* In other words - do North West Province wholesalers play their rightful role in modern supply chain networks?

3.3 Rationale to the Problem

The North West Province wholesale industry is facing tough times (Hasenfuss 2001:1). This is the result of emerging trends such as intense global competition which requires businesses to be quick, agile and flexible; new technology available to any business willing to adopt it; more advanced customer

expectations; and the implementation of new strategic, proactive management approaches (Monczka, Trent & Handfield 2002:8).

Thus a new era for business has emerged globally. It is becoming increasingly difficult for businesses to gain a competitive advantage, more so than ever before. Sustaining such an advantage is almost impossible (Greenhalgh 2001:1). In order to survive in this environment, wholesaling operations must be professionally managed to achieve success (Lamb, Hair & McDaniel 2002), or risk losing considerable market share (Khan 2001:1).

3.4 Defining the Problem and Research Questions

A critical area that has to be given sufficient importance is the current status of the wholesale market in North West Province and the key role players therein. Furthermore it is important to benchmark the wholesale and its building blocks against practices in the global market.

3.4.1 Primary Problem

The primary problem of this study is to determine to what extent wholesalers in North West Province (South Africa) have adapted to new demands and developments in managing their purchasing, sourcing and supply function.

3.4.2 Research Questions Based on the Primary Problem

- Have North West Province Wholesalers adapted to new demands and developments in managing their purchasing, sourcing and supply function?

3.4.3 Secondary Problem

The secondary problems of this study are:

- investigate the scope of wholesaling, with reference to the global and North West Province context
- investigate the concepts of and the evolution of purchasing to strategic sourcing as part of the broader supply chain management approach
- analyse the scope and concept of supply chain management determine the purchasing, sourcing and supply management approaches used by the wholesale sector in North West Province

3.4.4 Research Questions Based on Secondary Problems

- What is the scope of wholesaling, with reference to the global and North West Province context ?
- What are the concepts of and the evolution of purchasing to strategic sourcing as part of the broader supply chain management approach?
- What are the scope and concept of supply chain management in determining the purchasing, sourcing and supply management approaches used by the wholesale sector in North West Province ?

The literature study ensured that the first three of the secondary objectives was achieved. The empirical study will help to determine what purchasing, sourcing and supply chain approaches are used by wholesalers in North West Province .

Chapter 4

Research Design and Analysis

4.1 Introduction

In this chapter survey methods and sampling techniques will be discussed and thereafter the population from which findings will be made, will be defined. All of these could only be achieved after having outlined and discussed what the primary and secondary problems and the attendant research questions is, as captured in the previous chapter. The study is intended to research on the extent wholesalers in North West Province and South Africa has a whole, have adapted to new demands and developments in managing their purchasing, sourcing and supply function. The method of survey will be discussed and finally, a statistical analysis, which is informed by all the above, will be arrived at.

The opinions to be collected for the research were to come from two groups and they are directors and non-directors of companies.

Though much of the research method used is deductive research, descriptive research is used as well. The reason for this combination is that the former research, which is formal and structured in nature is best suited for this kind of study in that it is based on deals mainly with the analysis of quantitative data emanating from representative samples. The latter research then deals with the part of describing, explaining and exploring relationship amongst variables. Both methods, when merged, result in a holistic research.

4.2 Sampling Techniques

(Bless 2002) defines a sample as:

"...a subset of the whole population which is actually investigated by a researcher and whose characteristics will be generalized to the entire population" p86.

In keeping with the afore-mentioned, one of the most practical and convenient methods used for the collection of relevant data is through the process of sampling, which is the technique used in this study. Random sampling as a probability sampling technique has been utilized in this study and therefore each member of the targeted group had known the equal chance of being selected in the sample. One of the advantages of probability sampling is that it is a good representation of the target population, particularly if the study is effectively carried out. However, a compounding limitations, is that the researcher is compelled to be dependant on a schedule of the prospective respondent, within the targeted group. For practical and cost effective considerations I have decided to utilize the method of a random selected questionnaire to collect our research input.

4.3 Measuring Instrument

A carefully planned and properly designed measuring instrument is essential for the collection of the required data. Whilst many options may be used for the collection of relevant information, this research was conducted through the

medium of a questionnaire (**Appendix 1**), the reason being that a questionnaire is the most practical and cost effective means available to the researcher which will pose acceptable input data to be utilized for applying further statistical analyses to provide concrete output, containing six carefully planned structured questions, which each question having various categories that were completed by the target population. This was the most convenient and expeditious method as opposed to any other approach because of the wide geographical spread of the respondents.

4.3.1 Questionnaire

In order to meet the objectives as set out in this dissertation , a carefully planned questionnaire (**Appendix 1**) was designed and distributed for completion by members of the identified sample group. The sampling was therefore carried out through the collation of the data as contained in the questionnaires that were completed by the respondents.

4.3.2 Population

The population is highly dependent on the questions to be asked. Seeing that the study wants to know more about the extent to which wholesalers in South Africa have adapted to new demands and developments in managing their purchasing, sourcing and supply function, it becomes obvious that the respondents are those in the wholesale sector. The respondents will be from the North West and other geographical areas outside of the North West

Province example Gauteng and Northern Province. The sample size is 69 which was the determined by number of questionnaires sent out.

4.3.3 Survey Methods

The type of survey method was a questionnaire. The process was direct in that the questions posed were in a prearranged order. Except for the biographic questions, the questionnaires were structured in a multiple-choice format so that the respondents would have to mark/tick the appropriate box which best describes their situation with the continuum of 'Strongly disagree, Disagree, Neutral, Agree and Strongly agree'. Seventy (70) questionnaires were sent out and sixty nine (69) were returned.

4.3.4 Data Collection

The required data were obtained with the utilization of questionnaires, that encapsulate six strategically formulated questions, that were forwarded to a random selection of companies and their responses were captured as the input data to the research. As the questionnaires were distributed amongst the targeted respondents the survey represented 99% of the said respondents. This achievement elevated the research to a new dimension, the results of which are encapsulated in chapter five of this study.

4.3.5 Research Method

This study aims to determine if North West Province wholesalers have adapted to new approaches to manage their purchasing, sourcing and supply functions. The study is by nature descriptive and explorative, and contains quantitative and qualitative elements. There are two reasons for this approach.

- Crucial elements of the study are based on existing research and secondary data on wholesaling and the purchasing, sourcing and supply approaches.
- Primary sources needed to be explored to determine the level of sophistication in the purchasing, sourcing and supply management approaches currently employed by North West Province wholesalers.

4.3.6 Phases of the study

The study was conducted in several phases. *Firstly*, literature research was initiated to gather and integrate secondary data to (1) expound definitions, importance, types, activities and trends of North West Province wholesalers; and (2) to investigate the development of purchasing to strategic sourcing and evolution of supply chain management, and to give an overview of purchasing, strategic sourcing and supply chain management. *Secondly*, a questionnaire was developed containing all relevant issues identified by the

literature studies to enable the researcher to establish how far North West Province wholesalers have advanced in adopting new approaches to managing the purchasing, sourcing and supply function. This questionnaire was pretested on two respondents to refine the research instrument, before proceeding to the next step.

Thirdly, a letter and the refined and tested questionnaire were mailed to all the wholesalers identified to be involved in the survey, informing them of the research study and soliciting their cooperation. The letter requested the participants to return the questionnaire via facsimile. *Fourthly*, in order to improve the response rate, after the date for the return of the questionnaire had lapsed, additional questionnaires were faxed to those respondents who had not completed the initial questionnaire.

4.3.7 Research population

The questionnaire was posted to a sampling frame, which was construed from a database compiled by the Bureau of Marketing Research of the University of Natal (2001). This database includes a list of 5 104 wholesalers.

Probability sampling was used as the database ensured that each member of the population had the same chance of being included in the sample. By utilising simple random sampling every fourth wholesaler was chosen to be included in the sample. This ensured that the sample constituted approximately 1 289 wholesalers situated in North West Province and other parts of South Africa.

4.3.8 Statistical Method Used

The statistical method used in this study to analyse the data emanating from the survey is descriptive statistics. This form of data analysis is used to describe, explain and explore the relationships amongst the variables. In order to present the data collated from the respondents in an orderly manner, tables, graphs, frequency counts and percentages have been utilized. The research results culminate in an appropriate discussion on the outcome of the study, which is complimented by relevant suggestions and recommendations for the future. In addition, other statistical methods utilized for the testing of significance included F- Test and t – Test.

4.4 Concluding Remarks

From the afore going account, it is evident that the nature of the challenges at hand will play a significant role, in determining the type of instrument to be used for the collection of relevant data. This statement highlights the need for the usage of questionnaires in this study particularly in the light of the fact that the research revolved around opinions and attitudes, surveyed through the medium of closed ended questions.

The analysis of the information obtained, highlights the need for the establishment of a comprehensive data bank on how North West Province wholesalers have adapted to the new trends. The accomplishment of this task will enable all interested parties to understand the wholesale market in comparison to its global counterpart.

This chapter dealt with the research design and is closely linked to chapter five where the results emanating from the study is interpreted and examined.

Chapter 5

Results and Intrepretation

5.1 Introduction

This part of the dissertation deals with the results that were arrived at from the computations that were done in chapter four and it will later deal with the interpretations of the same results after having analysed them; that is, what exactly do they mean. The responses from the questions are intended to cover the requirements of the extent wholesalers in North West Province and other parts of South Africa have adapted to new demands and developments in managing their purchasing, sourcing and supply function.

The method used to collate is the descriptive one. Seventy questionnaires were distributed and sixty nine of them were returned after having been completed.

The make-up of the chapter will be such that the chapter will firstly deal with the statistical fit informed by the data collected and secondly, deal with the influences that the biographical responses have in arriving at the probabilities and lastly, there will be tables encompassing the responses collected and an analysis of such responses will be embarked on.

5.2 Statistical fit of Data Collected from Questionnaires

5.2.1 Editing of Data

All the questions in all questionnaires were responded to except for question seventeen from one questionnaire which was not responded to. It therefore

means that responses from sixty nine questionnaires were used for statistical analysis.

The data used for the testing of statistical significance are interval data as opposed to ordinal data. This stems from equality of intervals in the Likert scale where the questions were evenly averaged as a way of rating the sphere covered by such a question.

5.2.2 Distribution of Data

The ANOVA Test was applied to determine if the data used is normally distributed. ANOVA stands for analysis of variance. The F-ratio is the test statistic for the ANOVA and it is a ratio between the variance of between-groups and within-groups.

Table 5.1: Anova test for Normal Distribution of Data

ANOVA						
Source of Variation	SS	df	MS	F	P-value	F crit
Between Groups	3207.017	17	188.6481121	361.34972	0	1.63112901
Within Groups	638.485	1223	0.522065184			
Total	3845.503	1240				

The above table was computed using MS-Excel and the main interest was P-value. Stemming from what the above table depicts, it is safe to conclude that 95% of the data for each of the data series fits a normal distribution.

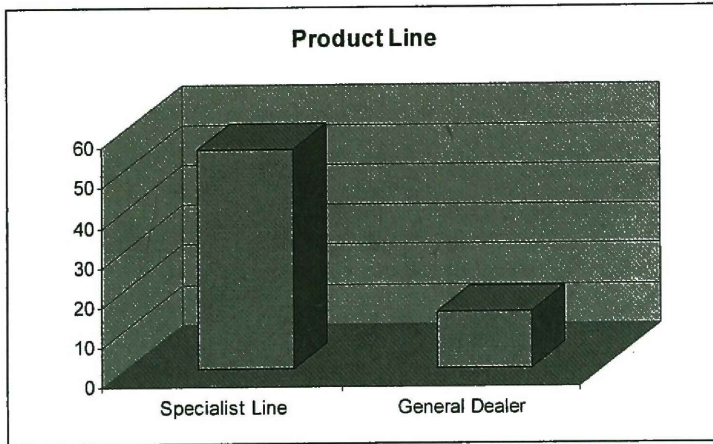
5.3 Biographical Analysis

5.3.1 Biographical Distribution of Population Per Designation, Age, Gender and Income

All the biographical data as per the above heading, are reflected in Table 5.2. This table is to be read in conjunction with the graphs showed that follow it. A brief analysis will follow each graph.

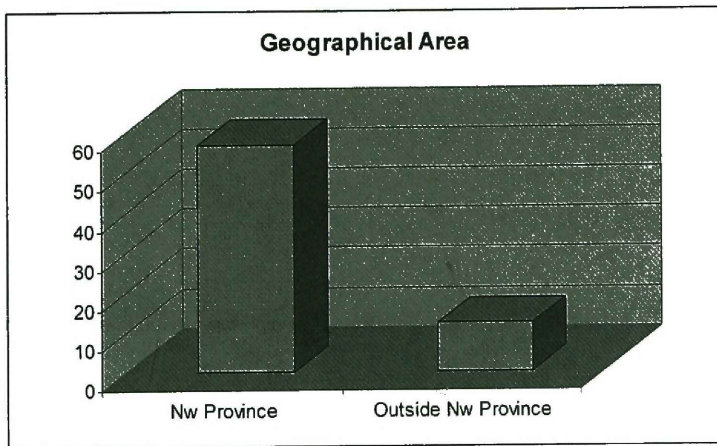
Table 5.2: Segmentation summary of the respondents divided into Total Number of Respondents, Product lines of the various respondents, Geographical location, number of Employees per respondent and Turnover per respondent

	Number of respondents				
	Population	Product Line	Geographical Area	Number of Employees	Turnover
Questionnaires	69				
Specialist line		55			
General dealer		14			
North West Province			57		
Outside North West Province			12		
1-10				0	
11-20				0	
21-30				4	
31-40				15	
41-50				18	
>50				32	
0-999999p.a					2
1000000-1999999p.a					7
2000000-2999999p.a					12
3000000-3999999p.a					14
4000000-4999999p.a					19
>5000000					15
Total	69	69	69	69	69



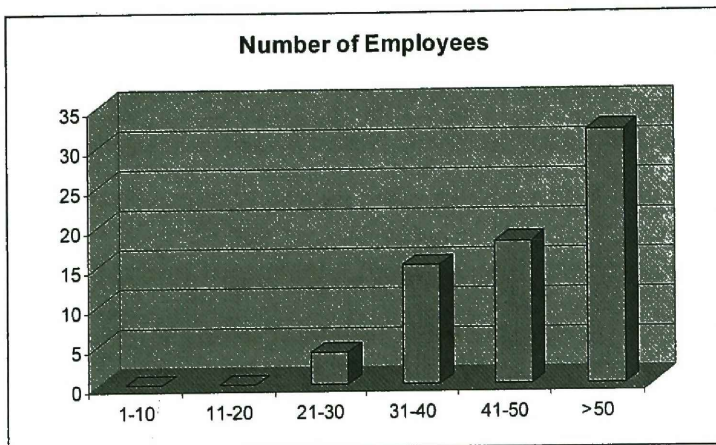
Graph 5.1 :Product Line

Table 5.1 shows that of the sixty nine respondents interviewed, fifty five was the specialist product line and fourteen were general dealers. This accounts to 79.7% and 20.3% of the population interviewed, respectively. The sheer difference in number as well as the graphical presentation(Graph 5.1) shows that most interviewees were in specialist product lines.



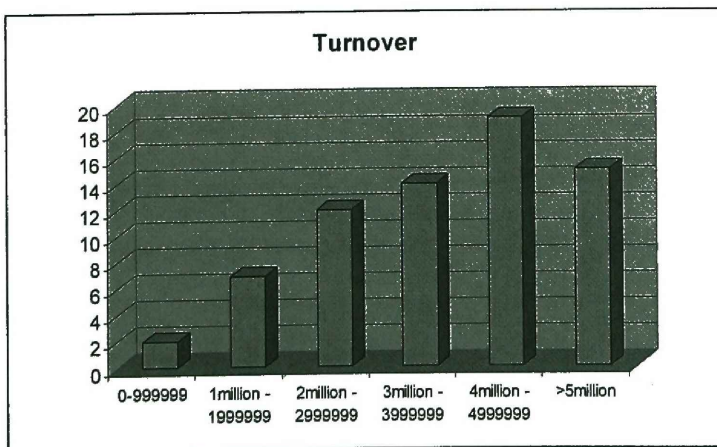
Graph 5.2 : Geographical Area

Table 5.2 shows that of the respondents that have responded, 82.6% were located in the North West Province and 17.4% were located outside of the boundaries of the North West Province. This accounts to 79.7% and 20.3% of the population interviewed, respectively. The combination of these percentages as well as Graph 5.2 show that most interviewees were located within the North West Province.



Graph 5.3 : Number of Employees

Of the respondents interviewed, there were none who had a number of employees in the ranges 1 - 10 and 11-20 but from 21 upwards. The range 21-30 is 5.8% of the population under study whilst range 50 and more is 46.38. In fact, there are a higher number of respondents with higher levels of employment.



Graph 5.4 : Turnover

The range that earned less than R1,000,000 accounted for 2.9% of all the ranges. The pattern shows a steady rise until the last but one range of 4,000, 000 to 4,999,999 where is 27.54% the graph goes down to 21.73% for the last range.

5.3.2 : Testing Significant Biographical Influence of Designated Groups on the Answering of Questions

What follows are tests which were conducted to point out any biographical factors that may have caused the respondents the way they have responded.

5.3.2.1. Testing Significant Influence of Designated Groups on the Answering of Questions

Table 5.3 : Mean Response per Research Objective

Designation	Mean per research objective										
Specialist											
Product line	4.8	4.7	5.0	5.0	4.8	2.8	1.2	5.0	4.9	4.5	4.9
General Dealer	3.9	3.5	4.1	4.5	3.7	3.5	1.9	4.5	4.2	3.1	4.2

The table indicates the mean between to tiers; that of wholesalers with specialist product lines and general dealers. The companies with specialist product ranges are placed higher than the general dealers when the means are compared which is an indication of different reasoning or responding by virtue of respondents' product lines.

5.3.2.2 Testing Significant Influence of Geographical Location on the Answering of Questions

Two tests will be made to test if geographical location played a significant role in terms of answering the questions. The tests in question are F-test and t-test.

The reasons why the two tests are as follows:

The former is intended to determine whether all the samples have variances. The answer from this will in turn determine the existence of equal and unequal variances, a t-Test is to be used and further computation of the degrees of freedom, is to be applied in determining the critical value. The results of all of the above are shown in Table 5.4 below.

Table 5.4 : F-Test Two Sample for Variance

	<i>North West</i>	<i>Outside North West</i>
Mean	3.37745098	3.597836503
Variance	1.843852124	2.755295435
Observations	17	17
Df	16	16
F	0.669203056	
P(F<=f) one-tail	0.215261556	
F Critical one-tail	0.428544311	

The difference of the mean between two geographical locations is just over 0.22. This means two things. One, the data is a 95% fit and two, the difference of geographical location did not play a role when the questions were responded to. The latter was intended to determine the statistical differences between the means of independent samples. It is shown in Table 5.5 below

Table 5.5 : t-Test: Two-Sample Assuming Equal Variances

	<i>North West</i>	<i>Outside North West</i>
Mean	3.37745098	3.597836503
Variance	1.843852124	2.755295435
Observations	17	17
Pooled Variance	2.29957378	
Hypothesized Mean Difference	0	
Df	32	
t Stat	-0.423710133	
P(T<=t) one-tail	0.337305918	
t Critical one-tail	1.693888407	
P(T<=t) two-tail	0.674611837	
t Critical two-tail	2.036931619	

Both tests; that is F-test and t-test have revealed that the difference in geographical location is not in itself a determining factor when it comes to the

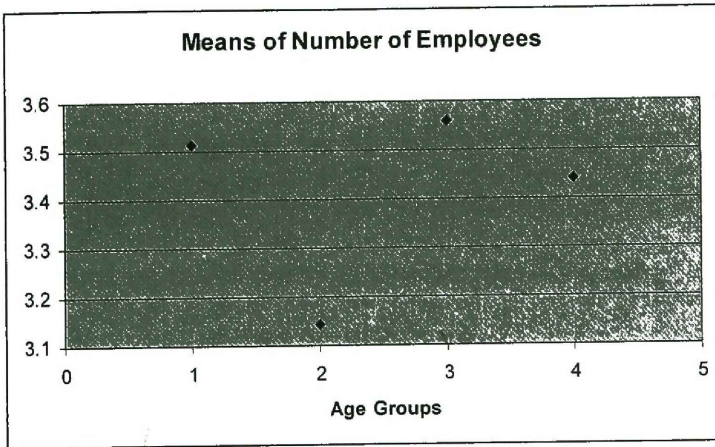
answering of questions. It is for that reason that it becomes prudent not to use information related to geographical location until the whole analysis is completed.

5.3.2.3 Testing the Significant Influence of Number of Employees Groups in Responding to the Questions

The ANOVA test, as represented by table 5.6 below, is used to test what significance does the number of employees play, if any, to influence the way the respondents have responded.

Table 5.6 : Anova : Single Factor

SUMMARY				
Groups	Count	Sum	Average	Variance
21-30	4	253	3.514	0.310
31-40	15	802	3.145	0.693
41-50	18	1153	3.559	0.374
50>	32	1978	3.441	0.291



Graph 5.5: Average Scores

Table 5.6 and graph 5.5 reveal that the number of employees did not play a significant role in determining the way the questions were responded. In the same way as the last analysis, the number of employees influence is to be regarded until the end of the analysis exercise.

As the last analysis, the number of employees influence is to be regarded until the end of the analysis exercise.

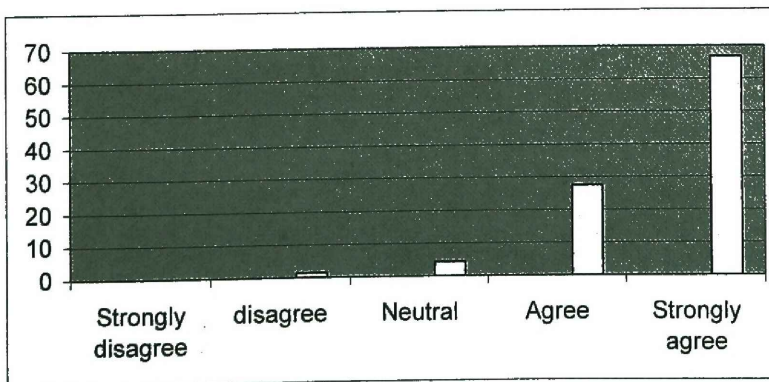
5.4 Presentation of Results

The ANOVA test for normal distribution of data was shown in table 5.1; the demographical questions were presented above by tables 5.2 to 5.6 and graphs 5.1 to 5.5. What follows now is the analysis of responses which are non-demographic. It is important to note that in all these cases that are to follow, the impact will be shown more by what wholesalers with a specialist product line

have responded as opposed to the general dealers because the respondents were more for the former (55) than the latter (14).

Table 5.7: Adapting to the demands and developments in managing the purchase, sourcing and supply functions has an influence on the overall success of the wholesaler

Response	Combined		Specialist Product		General Dealer	
	No.	%	No.	%	No.	%
Strongly disagree	0	0.00	0	0.00	0	0.00
Disagree	1	1.45	0	0.00	1	7.14
Neutral	3	4.46	0	0.00	3	21.43
Agree	19	27.50	12	21.82	7	50.00
Strongly agree	46	66.67	43	78.18	3	21.43
Total	69	100	55	100	14	100



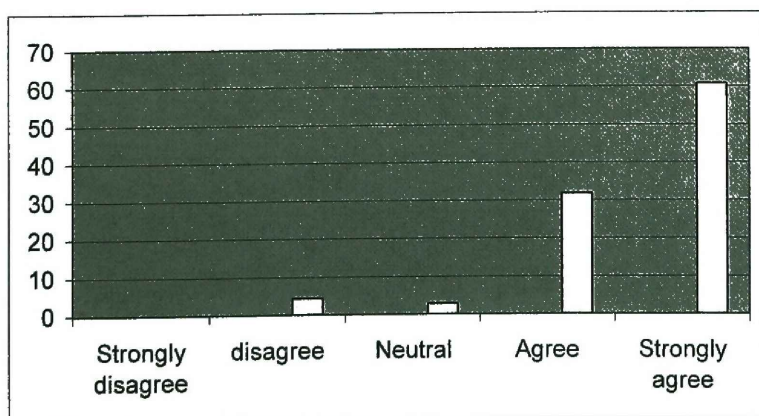
Graph 5.6 – The Influence on the overall Success of the Wholesaler

Graph 5.6 – The Influence on the overall success of the wholesaler

According to table 5.7 and graph 5.6 78.18% of wholesalers with a specialist product line strongly agree that adopting to the demands and developments in managing the purchase, sourcing and supply functions has an influence on the overall success of the wholesaler whereas 21.43 of general dealers believe so as well. The total of the two percentages account for 67 % of all responses to the same question. There is a strong skewness to strongly agreeing in the continuum from strongly disagreeing.

Table 5.8: Adapting to the demands and developments in managing the purchase, sourcing and supply functions should be treated with the same importance as the other functions in the company

Response	Combined		Specialist Product		General Dealer	
	%	No.	No.	%	No.	%
Strongly disagree	0	0	0	0.00	0	0.00
disagree	4.35	3	0	0.00	3	21.43
Neutral	2.90	2	0	0.00	2	14.29
Agree	31.88	22	14	25.45	8	57.14
Strongly agree	60.87	42	41	74.55	1	7.14
Total	100	69	55	100	14	100

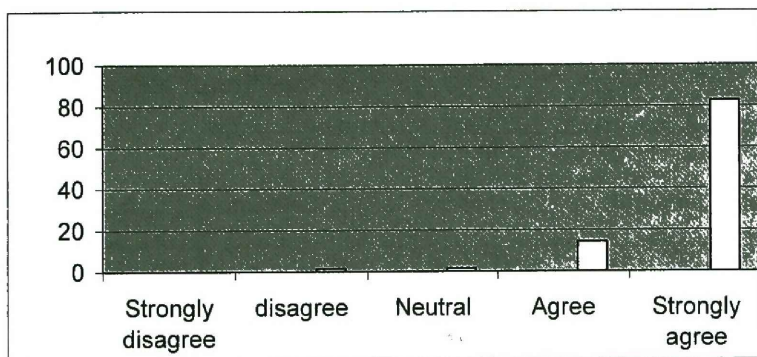


Graph 5.7 – Treated with the same importance as the other functions in the Company

According to table 5.8 and graph 5.7 there is skewness to strongly agree that adopting to the demands and developments in managing the purchase; sourcing and supply functions should be treated with the same importance as the other functions in the company. 74.55% of the wholesalers with Specialist products strongly agree with this statement whereas only 7.14% of the general dealers agree with this statement. The combined responses indicated that 60.87% of the respondents agree with this statement.

Table 5.9: Adopting to the demands and developments in managing the purchase, sourcing and supply functions are a simultaneous process which cannot be treated as separate functions

Response	Combined		Specialist Product		General Dealer	
	%	No.	No.	%	No.	%
Strongly disagree	0	0	0	0.00	0	0.00
Disagree	1.45	1	0	0.00	1	7.14
Neutral	1.45	1	0	0.00	1	7.14
Agree	14.49	10	2	3.64	8	57.14
Strongly agree	82.61	57	53	96.36	4	28.57
Total	100	69	55	100	14	100

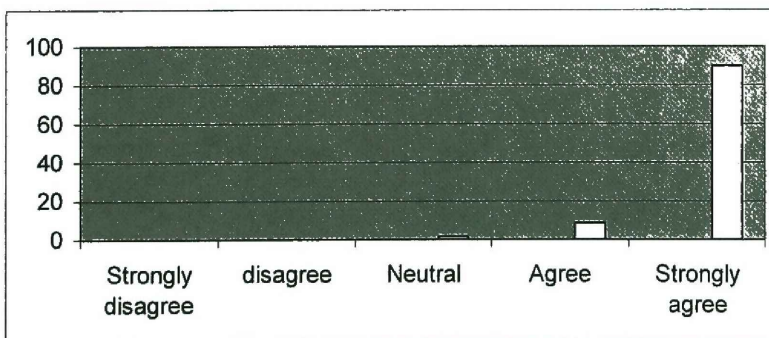


Graph 5.8 – Simultaneous process which cannot be treated as separate function

According to table 5.9 and graph 5.8 more than 96% of wholesalers with a specialist product range agree that adopting to the demands and developments in managing the purchase, sourcing and supply functions are a simultaneous process which cannot be treated as separate functions whereas only about 28% of the general dealers agree with this statement.

Table 5.10: The purchase, sourcing and supply functions are separateable functions

Response	Combined		Specialist Product		General Dealer	
	%	No.	No.	%	No.	%
Strongly disagree	0	0	0	0.00	0	0.00
Disagree	0.00	0	0	0.00	0	0.00
Neutral	1.45	1	0	0.00	1	7.14
Agree	8.70	6	1	1.82	5	35.71
Strongly agree	89.86	62	54	98.18	8	57.14
Total	100	69	55	100	14	100

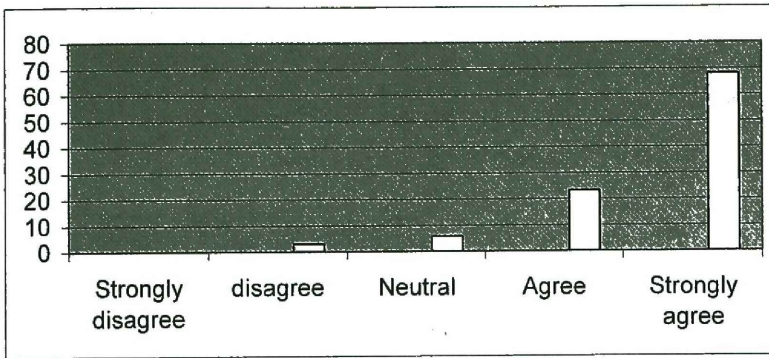


Graph 5.9 – Separateable Functions

According to table 5.10 and graph 5.9 98.18% of wholesalers with specialist product lines strongly agree that the purchase, sourcing and supply functions are separateable functions, whereas 35.71% of general dealers and 57.14% thereof agree and strongly agree respectively with this statement.

Table 5.11: Emphasis should be placed on the unique differences between the purchase, sourcing and supply functions for successful implementation thereof.

Response	Combined		Specialist Product		General Dealer	
	%	No.	No.	%	No.	%
Strongly disagree	0	0	0	0.00	0	0.00
Disagree	2.90	2	0	0.00	2	14.29
Neutral	5.80	4	1	1.82	3	21.43
Agree	23.19	16	10	18.18	6	42.86
Strongly agree	68.12	47	44	80.00	3	21.43
Total	100	69	55	100	14	100

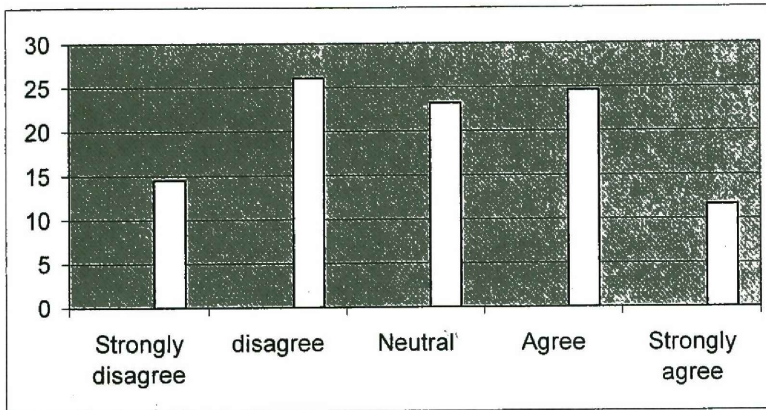


Graph 5.10 – Emphasis Should be Placed on the Unique Differences

There is a steady increase in the continuum in no one from the two groups strongly disagrees, 2% disagrees, 4% is neutral, 16% agrees and 47% strongly agrees that emphasis should be placed on the unique differences between the purchase, sourcing and supply functions for successful implementation thereof.

Table 5.12: There is a possibility that the purchase, sourcing and supply functions could be validly ignored when it has a strong cost implication

	Combined		Specialist Product		General Dealer	
	%	No.	No.	%	No.	%
Strongly disagree	14.493	10	9	16.36	1	7.14
Disagree	26.09	18	15	27.27	3	21.43
Neutral	23.19	16	12	21.82	4	28.57
Agree	24.64	17	17	30.91	0	0.00
Strongly agree	11.59	8	2	3.64	6	42.86
Total	100	69	55	100	14	100

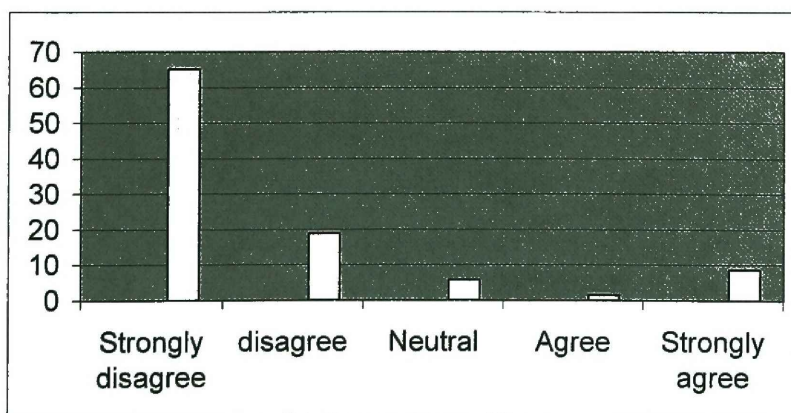


Graph 5.11 – VALIDITY TO IGNORE WHEN IT HAS A STRONG COST IMPLICATION

In table 5.12 and graph 5.11 the question of the possibility that the purchase, sourcing and supply functions could be validly ignored when it has a strong cost implication lead to some disagreement, in that there were lesser respondents to strongly agreeing and strongly disagreeing as opposed to disagreeing, neutral and agreeing. It would have been a perfect bell-shape if under the circumstances; 'neutral' scored the highest.

Table 5.13: Ignorance regarding the purchase, sourcing and supply functions does not lead to punishment in the profit margins of wholesalers

Response	Combined		Specialist Product		General Dealer	
	%	No.	No.	%	No.	%
Strongly disagree	65.217	45	44	80.00	1	7.14
Disagree	18.84	13	10	18.18	3	21.43
Neutral	5.80	4	0	0.00	4	28.57
Agree	1.45	1	1	1.82	0	0.00
Strongly agree	8.70	6	0	0.00	6	42.86
Total	100	69	55	100	14	100

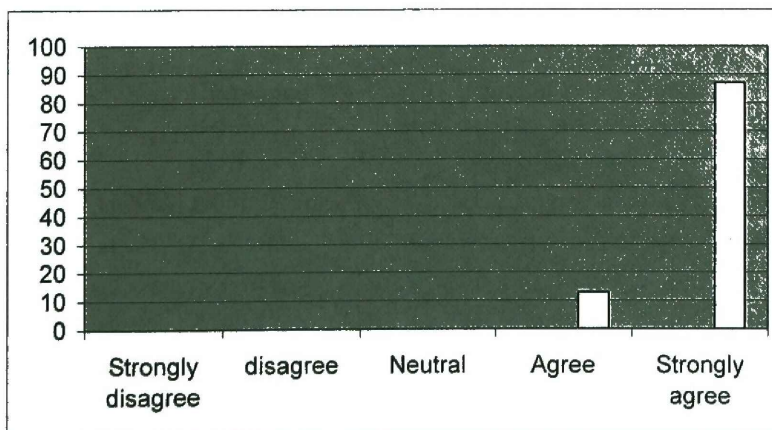


Graph 5.12 – Ignorance do not lead to Punishment in the profit margins of Wholesalers

In table 5.13 and graph 5.12 69% responded that ignorance regarding the purchase, sourcing and supply functions do not lead to punishment in the profit margins of wholesalers. But of this total, 80% of wholesalers with a specialist product range strongly disagree whereas in the case of general dealers it is 7.14% who strongly disagrees, 21.43% who disagree 28.57% who are neutral on this issue. But due to power in numbers, it appears as if two groups strongly disagree as shown by the above graph.

Table 5.14 : : Ignorance regarding any of the components of the purchase, sourcing and supply functions do lead to punishment in the profit margins of wholesalers

Response	Combined		Specialist Product		General Dealer	
	%	No.	No.	%	No.	%
Strongly disagree	0	0	0	0.00	0	0.00
Disagree	0.00	0	0	0.00	0	0.00
Neutral	0.00	0	0	0.00	0	0.00
Agree	13.04	9	2	3.64	7	50.00
Strongly agree	86.96	60	53	96.36	7	50.00
Total	100	69	55	100	14	100

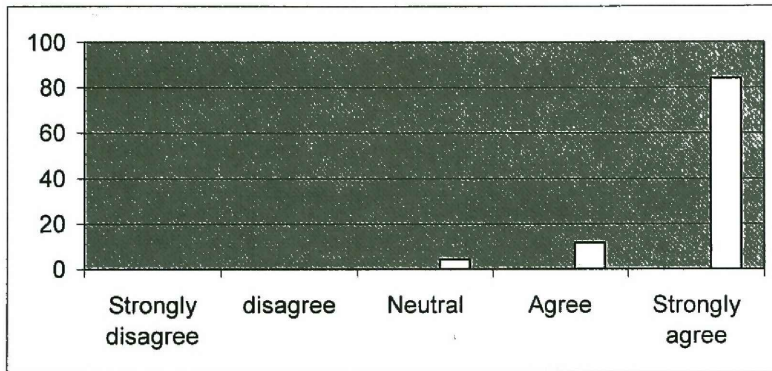


Graph 5.13 – IGNORANCE DO LEAD TO PUNISHMENT IN THE PROFIT MARGINS OF WHOLESALERS

In table 5.14 and graph 5.13 both groups agreed (13.05%) and strongly agreeing (86.96%) that : ignorance regarding any of the components of the purchase, sourcing and supply functions do lead to punishment in the profit margins of wholesalers. This shows some resemblance in the thinking process of the two categories of wholesalers.

Table 5.15: Serious intervention is necessitated if there is a suspicion that the purchase, sourcing and supply functions are undermined.

	Combined		Specialist Product		General Dealer	
Response	%	No.	No.	%	No.	%
Strongly disagree	0	0	0	0.00	0	0.00
Disagree	0.00	0	0	0.00	0	0.00
Neutral	4.35	3	0	0.00	3	21.43
Agree	11.59	8	3	5.45	5	35.71
Strongly agree	84.06	58	52	94.55	6	42.86
Total	100	69	55	100	14	100

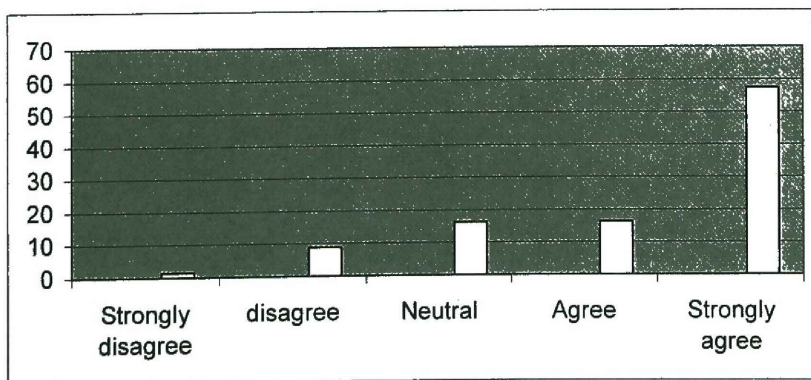


Graph 5.14 – SERIOUS INTERVENTION IS NECESSITATED IF THERE IS A SUSPICION THAT THE FUNCTIONS ARE UNDERMINED

In table 5.15 and graph 5.14 there is a tendency to strongly agree that upon suspicion that the purchase, sourcing and supply functions are undermined in that 84.06% responded so.

Table 5.16: Effective and Efficient implementation of the purchase, sourcing and supply functions, could contribute to the socio-development of a country

Response	Combined		Specialist Product		General Dealer	
	%	No.	No.	%	No.	%
Strongly disagree	1.47	1	0	0.00	1	7.14
Disagree	8.82	6	1	1.85	5	35.71
Neutral	16.18	11	8	14.81	3	21.43
Agree	16.18	11	10	18.52	1	7.14
Strongly agree	57.35	39	35	64.81	4	28.57
Total	100	68	54	100	14	100

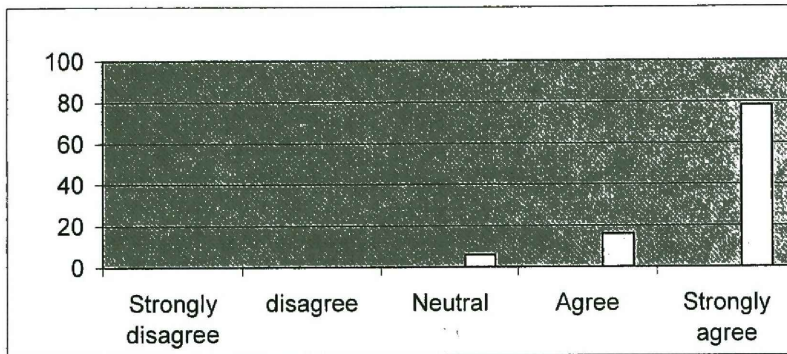


Graph 5.15 – EFFECTIVE AND EFFICIENT IMPLEMENTATION COULD CONTRIBUTE TO THE SOCIO-DEVELOPMENT OF A COUNTRY

In table 5.16 and graph 5.15 one respondent, but the effect thereof could not have been that significant unless it was for the general dealers with lesser numbers of participants. There is a smooth rise in the continuum from lesser respondents strongly disagreeing (1.47%) to more strongly agreeing (57.35%), that the effective and efficient implementation of the purchase, sourcing and supply functions, could contribute to the socio-development of a country

Table 5.17: Every wholesaler should have a clear understanding and well established understanding of the purchase, sourcing and supply functions

Response	Combined		Specialist Product		General Dealer	
	%	No.	No.	%	No.	%
Strongly disagree	0.00	0	0	0.00	0	0.00
Disagree	0.00	0	0	0.00	0	0.00
Neutral	5.80	4	3	5.45	1	7.14
Agree	15.94	11	2	3.64	9	64.29
Strongly agree	78.26	54	50	90.91	4	28.57
Total	100	69	55	100	14	100



Graph 5.16 – Every Wholesaler Should have a clear and well established understanding

As is evident from table 5.17 and graph 5.16 there is skewness of 78.26% responses showing that every wholesaler should have a clear understanding and well established understanding of the purchase, sourcing and supply functions

5.5 Conclusion

The responses were received presented in several tables and graphs analysed. What can be observed is that most of the questions were generally agreed on and mostly strongly agreed on. This is with the exception of the question whether there is a possibility that the purchase, sourcing and supply functions could be validly ignored when it has a strong cost implication. In this case, the responses were somewhat bell-shaped. Another exception is whether effective and efficient

implementation of the purchase, sourcing and supply functions, could contribute to the socio-development of a country.

Lastly, the outcomes of the research were discussed in this chapter and will be given attention in the next chapter, which is the last.

Chapter 6

Discussion, Conclusion, Implications and Recommendations

6.1 Introduction

This is the final chapter of the research study. It is wholly dependent on the findings in all the chapters with particular attention to responses to the questionnaires as discussed and analysed in the chapter preceding it as a way of soliciting responses to deliberately prearranged questions. This was premised on the understanding that the objective of this exercise gives ratification or not of the earlier mentioned primary and secondary question as reflected in chapter three. The rest of the chapter will now concentrate on the discussion, conclusion, implications and lastly, recommendations.

6.2 Discussion and Conclusion

The study is by nature descriptive and explorative, and contains quantitative and qualitative elements. There are two reasons for this approach:

- crucial elements of the study are based on existing research and secondary data on wholesaling and the purchasing, sourcing and supply approaches.
- Primary sources had to be explored to determine the level of sophistication of the purchasing, sourcing and supply management approaches currently

employed by wholesalers in the North West Province.

It would be safe to come to the conclusion that this research is reliable. This is informed by the fact that random sampling was used as a sampling technique. It can as well be said that there is a difference in the way the wholesalers with a

specialised product line and general dealers deal with the purchase, sourcing and supply functions.

The discussion that this chapter is to be involved in stems from the analysis on the research questions which in turn, are based on the primary and secondary problems and they are mentioned immediately hereafter.

6.2.1 Questions on Primary Problem

To what extent do wholesalers in North West Province have adapted to new demands and developments in managing their purchasing, sourcing and supply function?

6.2.2 Questions on Secondary Problems

- What is the scope of wholesaling, with reference to the global and North West Province context?
- What are the concepts of and the evolution of purchasing to strategic sourcing as part of the broader supply chain management approach?
- What is the scope and concept of supply chain management and how is it influenced by the purchasing, sourcing and supply management approaches used by the wholesale sector in North West Province?

In order to overcome this disparity, a lot needs to be invested in the education of both groups but with particular attention going to general dealers.

6.3 Responses to Questions on the Primary Problems

6.3.1 Adapting to the demands and developments in managing the purchase, sourcing and supply functions has an influence on the overall success of the wholesaler

As per Table 5.7, there was forty three (43) wholesalers with a specialised product line and fourteen general dealers who responded translated to 79.71% and 20.29% respectively. The table shows that on both groups, there is no respondent who strongly disagreed and only one general dealer disagreed that the purchase, sourcing and supply functions has an influence on the overall success of the wholesaler. That accounts for 7.14% of general dealers.

What is conspicuous as well is that in the continuum from 'strongly disagreeing' to 'strongly agreeing', there is a steady rise in agreement with the problem posed. This can be best expressed by the combined figures of 1.45% disagreeing, 4.35% neutral, 27.54% agreeing and finally, 66.67% strongly agreeing. As there are a total number of 55 wholesalers with a specialised product line and 14 general dealers, it follows then that most of the responses would have been from wholesalers with a specialised product line and as such this large difference will play a role in arriving at the responses; that is, more responses will come from wholesalers with a specialised product line. It will be a mystery as to what the results would have been like had the ranks been equal or had we had more general dealers than wholesalers with a specialised product line.

6.4 Responses to Questions on the Secondary Problems

Emphasis should be placed on the unique differences between the purchase, sourcing and supply functions for successful implementation thereof.

In order to clearly understand the third secondary research question, the other two were addressed in the literature review, which deals with the scope and concept of supply chain management and how is it influenced by the purchasing, sourcing and supply management approaches used by the wholesale sector in South Africa, it is essential for wholesalers to understand the differences between the purchase, sourcing and supply functions.

As is evident from the steady increase in the continuum in no one from the two groups strongly disagrees, 2% disagrees, 4% is neutral, 16% agrees and 47% strongly agrees that emphasis should be placed on the unique differences between the purchase, sourcing and supply functions for successful implementation thereof, there is a generalized clear understanding of the chain management in wholesalers through a clear understanding of its underlying building blocks.

6.5 Implications

From the above, it can be said that in more cases than not wholesalers with specialist product lines have responded in a manner that is not surprising of a wholesaler to respond as opposed to their general dealer counterparts. The implication could be that because of their day-to-day business, they intentionally or not, are exposed to a more educated management cadre as well as

personnel. It further shows that the wholesalers with specialist product ranges know what are the new trends of development in the wholesale market and what it takes to make a success in the very competitive arena; an issue we are not sure of when it comes to general dealers.

The most important implication is that the purchase, sourcing and supply functions developed into a specialist resource in any wholesaler, and that general dealers may soon find themselves at the wrong end of the profit line.

6.6 Recommendation

It is essential to revisit the primary and secondary research questions and to further recommend on future events regarding this matter.

On the question whether North West Province Wholesalers have adapted to new demands and developments in managing their purchasing, sourcing and supply function it is evident that much serious effort should be done to educate general dealers about the importance of the purchase, sourcing and supply functions to enable them to adapt to new demands and developments in managing their purchasing, sourcing and supply functions and by doing this to provide them with a leading edge advantage in the new and dynamic arena.

On the secondary research questions it is evident from evidence collected through this study that:

- The scope of wholesaling, with reference to the global and North West Province context has changed dramatically and that its has become more and more complex and much uncertainty

still exists as to the specific framework of North West Province and global wholesaling which is extremely diversified and at this stage pretty much undefined. It is therefore necessary and would be to the advantage of North West Province wholesalers that methods and methodologies should be designed and implemented to simplify the complex language of the purchase, sourcing and supply functions

- As part of the concepts of evolution of purchasing to strategic sourcing as part of the broader supply chain management approach much work need to be done to enlighten North West Province companies in adjusting to this dynamic evolution process and to improve willingness to more effectively and efficiently utilize the purchase, sourcing and supply functions to their own advantage. This could be done by for example implementing polishing courses to wholesalers with a specialized product line in order to improve willingness to more effectively and efficiently utilize the purchase, sourcing and supply functions to there own advantage and by making available more information publically regarding the purchase, sourcing and supply functions to empower wholesalers to compete in the global arena.

- As a last but general observation more studies should be made in order to get as much information about the subject as possible

The recommendations from this study will only be proper if North West Province wholesalers manage to come up with legalisms, as suggested above remedying potential important concerns as raised in the primary and secondary research questions.

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APPENDIX 1

Dear Respondent,

I am a student with North West University pursuing Masters in Business Administration. My dissertation is wholesale related; this is why the type of questions why used.

My research title is: **PURCHASING , SOURCING AND SUPPLY MANAGEMENT APPROACHES USED BY WHOLESALERS IN THE NORTH WEST PROVINCE OF SOUTH AFRICA.**

As part fulfilment towards this certificate, it is expected that a student (myself), conducts a dissertation informed by the research.

The objectives are the study is to, amongst others, find out if wholesalers:

- The primary objective of this study is to determine to what extent wholesalers in South Africa have adapted to new demands and developments in managing their purchasing, sourcing and supply function.
- investigate the scope of wholesaling, with reference to the global and South African context
- investigate the concepts of and the evolution of purchasing to strategic sourcing as part of the broader supply chain management approach
- analyse the scope and concept of supply chain management
- determine the purchasing, sourcing and supply management approaches used by the wholesale sector in South Africa

SECTION A: BIOGRAPHICAL INFORMATION

Instruction: Tick where appropriate

1. What product line suites your company best?

Specialist Line

--

General Dealer

--

2. What geographical area does your company falls under?

North West Province

--

Outside the North West Province

--

3. Number of employees employed by your company?

1 to 10 employees

--

11 to 20 employees

--

21 to 30 employees

--

31 to 40 employees

41 to 50 employees

more than 50 employees

4. What category suites your companies profile the best when referring to the turnover?

0 to R 999,999

R1,000,000 to R1,999,999

R 2,000,000 to R 2,999,999

R 3,000,000 to R 3,999,999

R 4,000,000 to R 4,999,999

More than R 5,000,000

SECTION B: WHOLESALE RELATED INFORMATION

QUESTION 1: Adapting to the demands and developments in managing the purchase, sourcing and supply functions has an influence on the overall success of the wholesaler

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
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QUESTION 2: Adapting to the demands and developments in managing the purchase, sourcing and supply functions should be treated with the same importance as the other functions in the company

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
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QUESTION 3: Adapting to the demands and developments in managing the purchase, sourcing and supply functions are a simultaneous process which cannot be treated as separate functions

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
------------------------------	-----------------	----------------	--------------	---------------------------

QUESTION 4: The purchase, sourcing and supply functions are separateable functions

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
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QUESTION 5: Emphasis should be placed on the unique differences between the purchase, sourcing and supply functions for successful implementation thereof.

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
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QUESTION 6: There is a possibility that the purchase, sourcing and supply functions could be validly ignored when it has a strong cost implication

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
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QUESTION 7: Ignorance regarding the purchase, sourcing and supply functions does not lead to punishment in the profit margins of wholesalers

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
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QUESTION 8: Ignorance regarding any of the components of the purchase, sourcing and supply functions does lead to punishment in the profit margins of wholesalers

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
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QUESTION 9: Serious intervention is necessitated if there is a suspicion that the purchase, sourcing and supply functions are undermined.

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
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QUESTION 10: Effective and Efficient implementation of the purchase, sourcing and supply functions, could contribute to the socio-development of a country

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
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QUESTION 11: Every wholesaler should have a clear understanding and well established understanding of the purchase, sourcing and supply functions

Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
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