

Module 3

Section A: Aligning Sourcing to Demand

Term
Insourcing

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Landed cost

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Make-or-buy cost analysis

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Make-or-buy decision

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Offshore

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Outsourcing

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Subcontracting

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Total cost of ownership (TCO)

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This cost includes the product cost plus the costs of logistics, such as warehousing, transportation, and handling fees.

Using the firm's internal resources to provide goods and services. See: make-or-buy decision.

The act of deciding whether to produce an item internally or buy it from an outside supplier. Factors to consider in the decision include costs, capacity availability, proprietary and/or specialized knowledge, quality considerations, skill requirements, volume, and timing.

A comparison of all the costs associated with making an item versus the cost of buying the item.

The process of having suppliers provide goods and services that were previously provided internally. [This] involves substitution—the replacement of internal capacity and production by that of the supplier. See: subcontracting.

Outsourcing a business function to another company in a different country than the original company's country.

The sum of all the costs associated with every activity of the supply stream.

Sending production work outside to another manufacturer. See: outsourcing.