

< BuyWays >

North American Procurement Organization | **Monthly Guide to New NAPO Procedures** | December 2006

> Choosing the Right Purchasing Channel

“Do I need a PO?” is the most important question to answer.

Before you buy anything – from petcoke to pencils – you need to choose the right channel. It can save you time and assure a smoother transaction.

You wouldn't expect to buy movie tickets at a shoe store, or a bucket of fried chicken at the pharmacy. To get what you want, you need to go through the right channels.

The same goes for buying things at work. Holcim (US) and St. Lawrence Cement (SLC) use several purchasing “channels,” or systems optimized for purchasing particular types of goods and services. So before you buy anything – from petcoke to pencils – you need to choose the right channel. It can save you time and assure a smoother transaction.

Channel choices

There are five channels:

1. SAP-initiated Requisition

This is the default procurement channel for all procedures. Unless you can use Ariba or P-Card, consider this channel as the primary requisitioning tool. This channel provides maximum tracking of data and greatest control over vendors and their payment.

2. Ariba-initiated Requisition

Use this channel when the goods or services you want are available from

an Ariba-enabled supplier. Ariba still produces an SAP purchase order (PO), and all of the control benefits that come with that. In addition, the pricing is pre-negotiated, and in most cases the vendor, or the system itself, can do the administrative work of data entry, pricing, etc.

3. Purchasing Card, or P-Card

This is the most convenient method, and very efficient. However, strict rules apply to what you can purchase. Make sure to understand the rules to make sure it is the correct channel for what you need.

It will soon be possible across Holcim (US) and SLC to allocate P-Card expenditures to different accounts, but there will still be only summary information (no line-item details) and expenses will be posted to the account in the month following the purchase.

4. Travel and Entertainment (T&E) Card

Pre-approved employees can use this for business related travel and expenses, as well as certain other purchases. For tax reasons, the appropriate purchases vary between Canada and the US, so be sure and check with NAPO in your area to make sure you use the card correctly.

5. FI Invoice and Check Request

SAP FI invoices and check requests represent direct entry of a supplier invoice without reference to an approved requisition or purchase



< The *BuyWays User's Guide* offers explanations, valuable tips and how-tos when it comes to choosing purchasing channels and understanding steps in the purchasing process.

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order and without a system documented receipt. This is controlled and administered by NABS. It is an appropriate channel in certain circumstances, but it offers no up-front approval and provides very little detailed information. In the absence of a signed contract, this channel reduces control over delivery schedules, specifications or scope of work, detailed receiving, and payment terms. For these reasons, unless it is specifically recommended, this channel should be a last choice.

To PO or not to PO?

While there are several key elements in determining what channel you should use, the single most important factor is whether or not you need a PO.

The *BuyWays Channels* table to the right gives you a quick idea of when you need to use POs. Although only NAPO can issue POs, you need to submit a purchase requisition in order to get one. (See the November 2006 BuyWays newsletter on the Holcim Portal for more about purchase requisitions.)

It is okay to try to avoid using a channel requiring a PO to save work. However, PO channels give you many excellent capabilities, such as being able to specify exactly what you

want and, if necessary, send out a Request for Quotation.

You need a PO if:

- > *You need documentation.*
Purchases must have documentation and confirmation of the specifications, terms, and conditions of the agreement with the supplier.
- > *Items have an SAP material number.*
These include raw materials, fuels, spare parts, wear parts, and other materials managed through MRP or attached to a Bill of Materials (BOM).
- > *Items or services require tracking.*

> *You need line item reporting.*

You may need to capture line item level detail to support company reporting requirements.

Help with guidelines

How you use the new BuyWays guidelines is critical to the success of the BuyWays program. It can help you get what you need and save you from problems such as parked invoices. If you have any questions or issues with any of the processes, make sure to touch base with your local NAPO representative.

Channel Surfing?

You can find valuable information on the Holcim Portal to help you both in choosing the right channel and in working with POs. Here are some great resources available in the BuyWays folder of NAPO Documents:

- > *BuyWays User's Guide*
- > Guides under the "User Reference Guides" section:

 - NA.12.003 Procurement and Payment Channel Selection Procedure
 - NA.12.R01 Requisition Creation - SAP - Goods
 - NA.12.R02 Requisition Creation - SAP - Services

BuyWays Channels

Channel	Examples	PO Req'd.
SAP-Initiated Requisition	<i>Inbound Bulk Material (InStock)*</i> : Coal, petcoke, slag, gypsum (solid fuels/raw material)	Yes
	<i>Maintenance Inventory Material (MRP)*</i> : Refractory, grinding balls, filter bags, motors	Yes
	<i>Direct Charge Goods</i> : CAPEX materials, one-time buys (non-Ariba MRO)	Yes
	<i>Services</i> : Refractory installation, janitorial, quarry, consulting, electricity, natural gas	Yes
Ariba-Initiated Requisition	Office supplies, consumables, lubricants, mobile parts, vendor managed items	Yes
P-Card	Locksmith, couriers (FedEx, UPS) small tool repairs, lawn service, water delivery, subscriptions, books, retail items	No
T&E Card	Travel, living, entertainment business-related expenses	No
FI Invoice & Check Request	Union dues, medical insurance payments, government entities, legal/financial services, employee reimbursements	No

*Material ID required