

APPENDIX E-504 P

EVALUATIONS FOR QUANTITY DISCOUNT STOCK BUYS

1. PURPOSE

This procedure is applicable to chapter 3 and describes the evaluations by which solicitations from vendors are requested for quantity discount stock buys.

2. APPENDICES USED IN THIS PROCESS

a. Recommended Buy/Batch Repair Transaction - Appendix E-139 P.

b. Amendment Transactions and Status Requests for Stocks and/or Direct Delivery Buys, appendix E-506 P.

3. RESPONSIBLE ORGANIZATIONAL ELEMENTS

a. Directorate of Supply Operations is responsible for:

(1) Selecting candidate items for solicitation of quantity discount prices.

(2) Annotating Purchase Requests for stock with the notation: SOLICITATION FOR QUANTITY DISCOUNTS REQUESTED.

(3) Evaluating quantity discount information and returning decision to DP&P within two workdays.

(4) Preparing and submitting requests to DP&P for quantity changes to PRs for items purchased with quantity discount prices.

b. DP&P is responsible for:

(1) Soliciting quantity discount information on properly annotated PRs from vendor sources.

(2) Upon vendor(s) response, furnishing to DSO the discount percentages from base price for the greater quantities.

(3) Ensuring that requests from DSO for changes to PRs are processed IAW the timeframes established at each DSC.

(4) Annotating the DLA Form 1128 to indicate that the requested action was accomplished or a brief explanation of why the action was not accomplished and returning same to DSO.

(5) Input DLA Form 1128 for changes to PRs initiated by DSO when the action can be accomplished.

#### 4. PROCEDURES/INSTRUCTIONS

##### a. Requirements for candidates selected for quantity discount prices.

(1) All possible care should be taken to select only high and medium demand value items with a consistent history of sales.

(a) Items with procurement cycles greater than 24 months should be excluded.

(b) Items with nonextendable shelf-life periods should be excluded.

(c) Items comprised of hazardous material should be excluded.

(2) Those items, with a positive (+) out of track signal and with the tracking signal correction counter equal two, should be excluded if the out of track is in the same direction. Reviewing Standard Supply Control Studies from previous forecast periods will assist in this determination.

(3) Those items identified to declining programs, i.e. end item phase out or weapon system phase out should also be excluded.

(4) At the time a recommended buy has generated on the candidate item selected, Special Annotation Code AA (appendix A-68) will be entered in pos. 28-29 of the batch transaction, DIC-ZSJ. Upon processing, the Purchase Request will output to DSO for special instructions/ annotations. The notation: Solicitation for Quantity Discounts Requested plus name, organization symbol, and telephone number of the DSO contact will be entered on the Purchase Request.

##### b. Evaluation of Quantity Discount Information.

(1) DSO operating personnel, either IMs or supervisors will evaluate the discount percentages from base price for the greater quantities when furnished by telephone from DP&P.

(2) The decision rule to be used is as follows:

$$Q1 = \frac{8d(QFD)}{r} + (1-d) Q_0 \quad \text{where:}$$

d = the discount percentage from base price for the greater quantity (D)

r = the holding cost percentage

Q<sub>0</sub> = the basic buy quantity which was solicited

(3) After computing Q<sub>1</sub>, use the following logic:

(a) Let D equal the minimum quantity required to get the discount d.

(b) If D is greater than Q<sub>1</sub>, buy the basic buy quantity Q<sub>0</sub>.

(c) If D is less than or equal to Q<sub>1</sub>, buy D.

(4) A calculation of the above decision rule is required for each discount rate obtained from solicitations.

(5) DSO should furnish a decision to DP&P within two workdays with a prepared DLA Form 1128 if the basic buy quantity is to be changed (appendix E-506 P). If the basic buy quantity is to be purchased, the reply can be furnished by telephone.

c. While following this procedure, DSCs must adhere to established obligation budgets. The traditional 36 month constraint on procurement cycles still applies, although valid nonrecurring requirements (e.g. SPRs) within the procurement cycle may be considered. Each DSC should report to HQ DLA the holding cost percentage used in computations. Auditable records should be kept for future review whenever this procedure is used.