

Marketing Essentials



Chapter 23

purchasing

Section 23.1

The Role of the Buyer

Section 23.2

The Purchasing Process

The Role of the Buyer



Before You Read

CONNECT What happens when you cannot find a product you need at a store because it is sold out?

The Role of the Buyer

OBJECTIVES

- **Define** the terms used to describe organizational buyers.
- **Explain** how planning purchases differs between an industrial market and a resellers' market.
- **Describe** the six-month merchandising plan and explain its calculations.
- **Explain** the concept of chain-store buying.

The Role of the Buyer

THE MAIN IDEA

Purchasing for a business is important because the costs of running a business are affected by the buyer and by the services needed to run the business.

The Role of the Buyer

VOCABULARY

- organizational buyers
- wholesaler and retail buyers
- six-month merchandise plan
- open-to-buy (OTB)
- centralized buying
- decentralized buying

The Role of the Buyer

Graphic Organizer

Write Two or Three Sentences
Describing These Markets

Market	Notes
Industrial	
Resellers	
Government	
Institutional	

The Role of the Buyer

Graphic Organizer

Write Two or Three Sentences
Describing These Markets

Market	Notes
Industrial	called purchasing managers, industrial buyers, or procurement managers; buy goods and services for use in the business
Resellers	can be wholesale or retail buyers; buy for resell; must forecast customer's needs and wants
Government	buy for federal, state, and local agencies; make up one of the largest single markets in the world
Institutional	consist of institutions and nonprofit organizations; may buy for internal use or for use in the production of their own goods or services

The Role of the Buyer

Getting Ready to Sell

Organizational buyers must have knowledge about:

- § The products they buy
- § The manufacturing and service operations of their firm



organizational buyer

One who purchases goods for business purposes, usually in greater quantities than that of the average consumer.

The Role of the Buyer

Getting Ready to Sell

Organizational Buyers and Industrial Markets

Direct involvement with production planning

Reviewing production schedules

Materials requirement planning (MRP)

Knowledge of production capacity

Ensuring time lines are followed

The Role of the Buyer

Getting Ready to Sell

Wholesaler and Retail Buyers

Forecasting customers' needs and buy necessary products

Planning far in advance of the selling season



wholesale and retail buyers

Buyers who purchase goods for resale.

The Role of the Buyer

Getting Ready to Sell

Six-Month Merchandise Plan

Goal of the current year is derived from last year's sales

Buyers ensure there is enough stock for planned sales

The end-of-month (EOM) stock figure is related to the beginning-of-the-month (BOM) figure

Buyers take into account planned retail reductions

During the buying season, a buyer may want to know the open-to-buy (OTB)



six-month merchandise plan

The budget that estimates planned purchases for a six-month period.



open-to-buy (OTB)

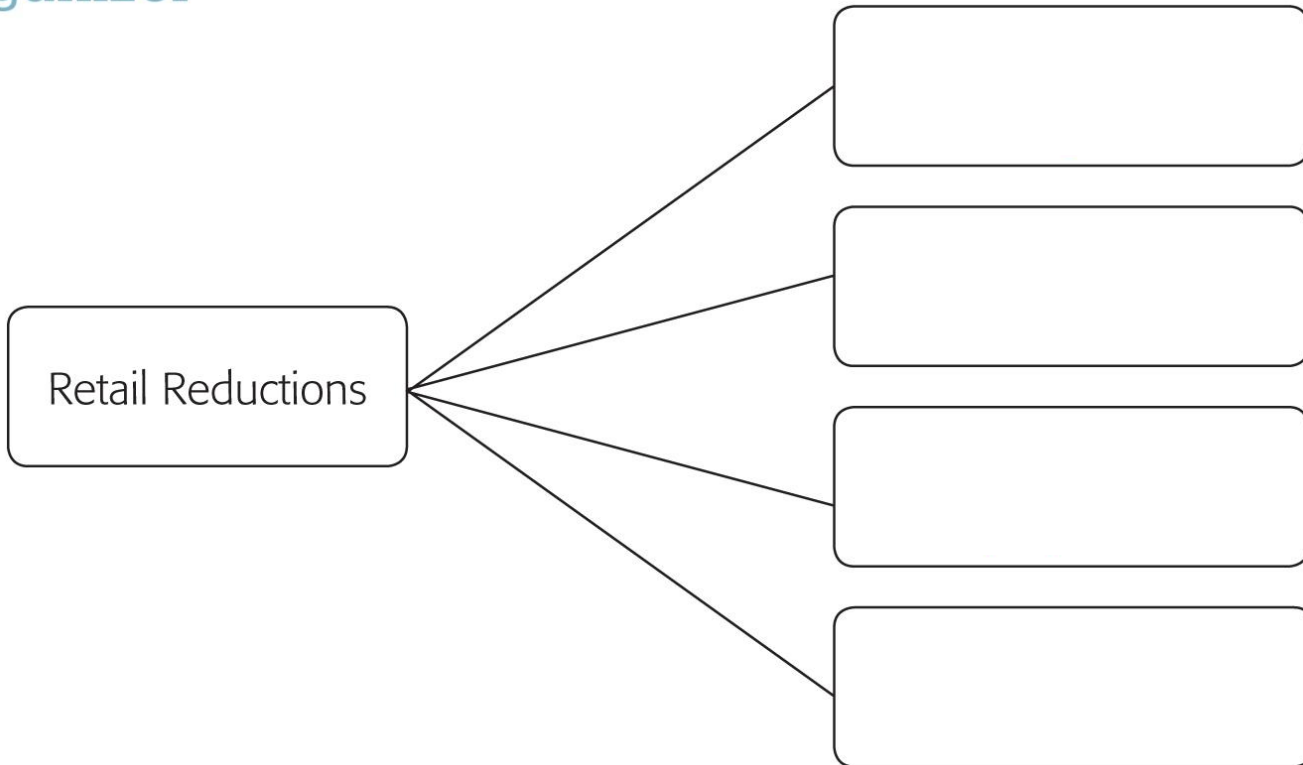
The amount of money a retailer has left for buying goods after considering all purchases received, on order, and in transit.

The Role of the Buyer

Getting Ready to Sell

Graphic
Organizer

Four Common Causes of Retail Reduction

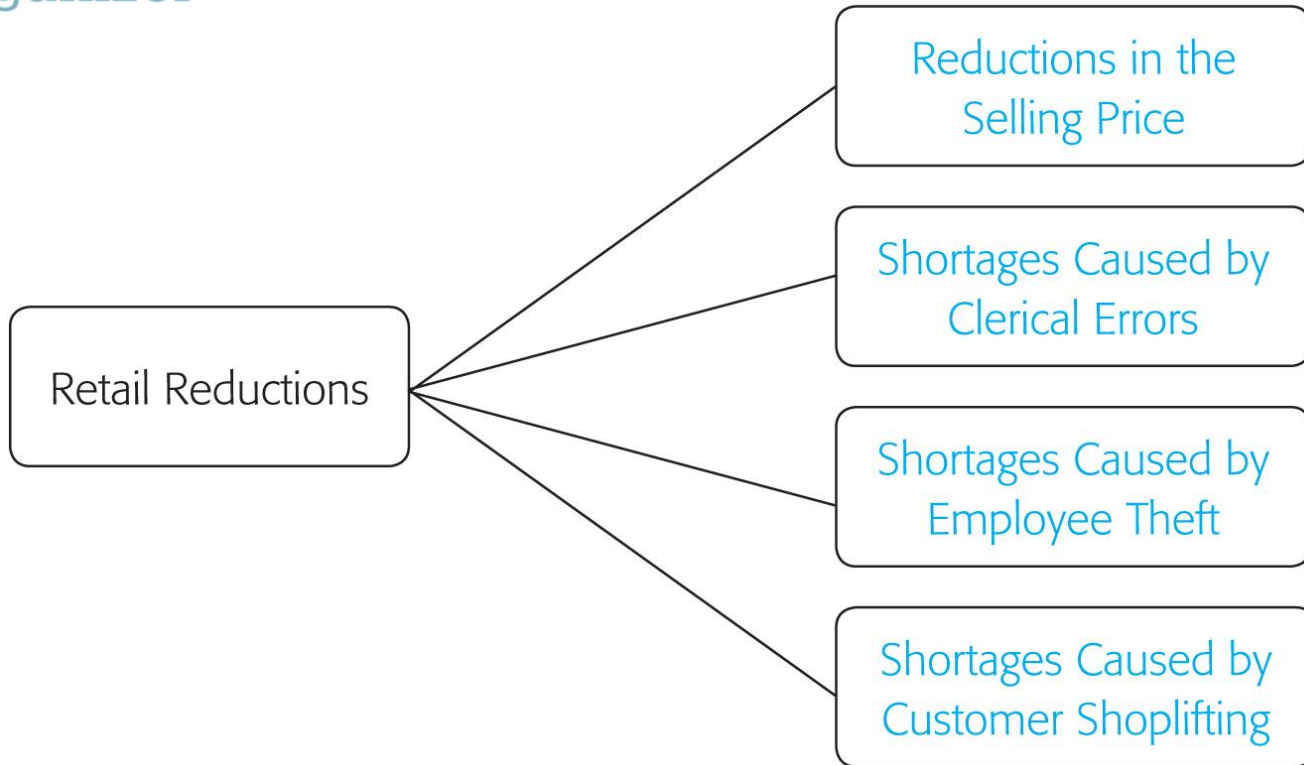


The Role of the Buyer

Getting Ready to Sell

Graphic
Organizer

Four Common Causes of Retail Reduction



Getting Ready to Sell

Benefits of Centralized Buying

Coordinates Buyers' Efforts

Creates a Unified Image

Power to Negotiate Prices



centralized buying

The buying process for all branches in a chain-store operation done in a central location.

The Role of the Buyer

Getting Ready to Sell

Benefits of Decentralized Buying

**More
Sales Potential**

**More
Local Control**



decentralized buying

The buying process in which local store managers or designated buyers are authorized to make special purchases for their individual stores.

The Role of the Buyer

Getting Ready to Sell

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Organizer


Centralized Versus Decentralized Buying

Causes



Effect

Centralized
Purchasing



Decentralized
Purchasing

The Role of the Buyer

Getting Ready to Sell

Graphic Organizer

Centralized Versus Decentralized Buying

Causes

- Need to create a unified image
- Desire to make efficient purchasing decisions
- Desire to obtain quantity discounts

Effect

Centralized
Purchasing

- Desire to increase sales
- Desire to tailor merchandise to local markets

Decentralized
Purchasing

The Role of the Buyer

Getting Ready to Sell

Government markets make up one of the largest single markets for retail goods and services.

Institutions and nonprofit organizations include:

- Hospitals
- Museums
- Libraries
- Prisons
- Schools
- Places of worship
- Civic clubs
- Foundations

The Role of the Buyer



After You Read

Section 23.1

1. **List** three job titles that can be used to describe people responsible for purchasing in manufacturing and service businesses.

Three job titles that can be used to describe people responsible for purchasing in manufacturing and service businesses include: purchasing managers, industrial buyers, and procurement managers.

The Role of the Buyer



After You Read

Section 23.1

2. **Explain** how a bill of materials is used in planning purchases.

A bill of materials gives the total of all materials necessary to make one item. This can be multiplied by the total number of items to determine the exact quantity of materials that must be purchased.

The Role of the Buyer



After You Read

Section 23.1

3. **Identify** two benefits of centralized buying.

Centralized buying helps to create a unified image for the chain; merchandise can be transferred from one store to another where it is selling better; and quantity discounts can be negotiated due to large-volume purchases.

The Purchasing Process



Before You Read

CONNECT How do you decide where to buy products that are offered at different stores?

The Purchasing Process

OBJECTIVES

- **List** the three types of purchase situations.
- **Explain** the criteria for selecting suppliers.
- **Name** the factors involved in negotiation terms of a sale.
- **Describe** the various Internet purchasing methods.

The Purchasing Process

THE MAIN IDEA

The details of the purchasing process help describe the buyer's job responsibilities.

The Purchasing Process

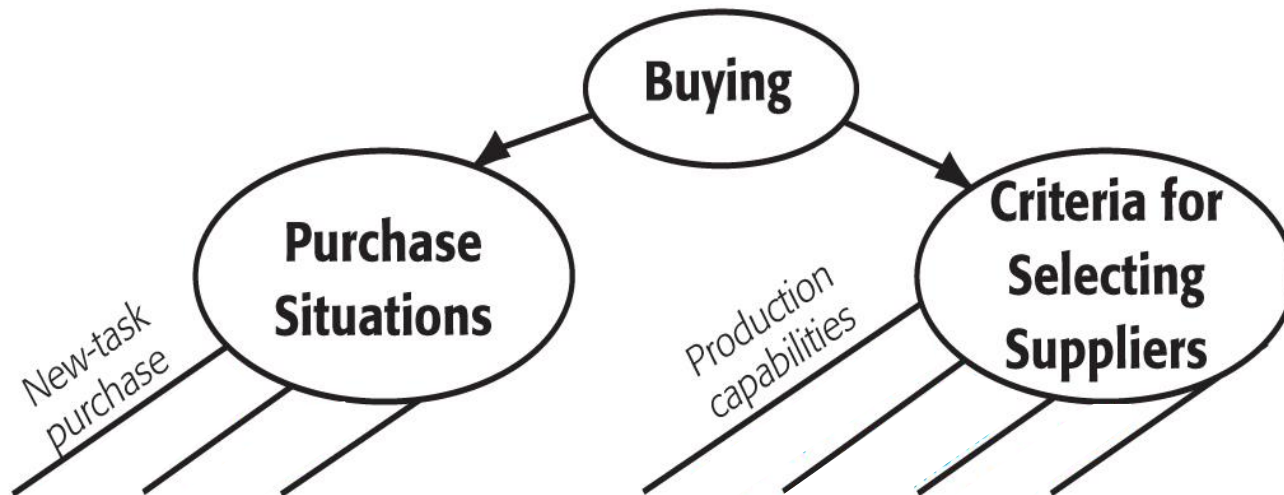
VOCABULARY

- want slips
- consignment buying
- memorandum buying
- reverse auction

The Purchasing Process

Graphic Organizer

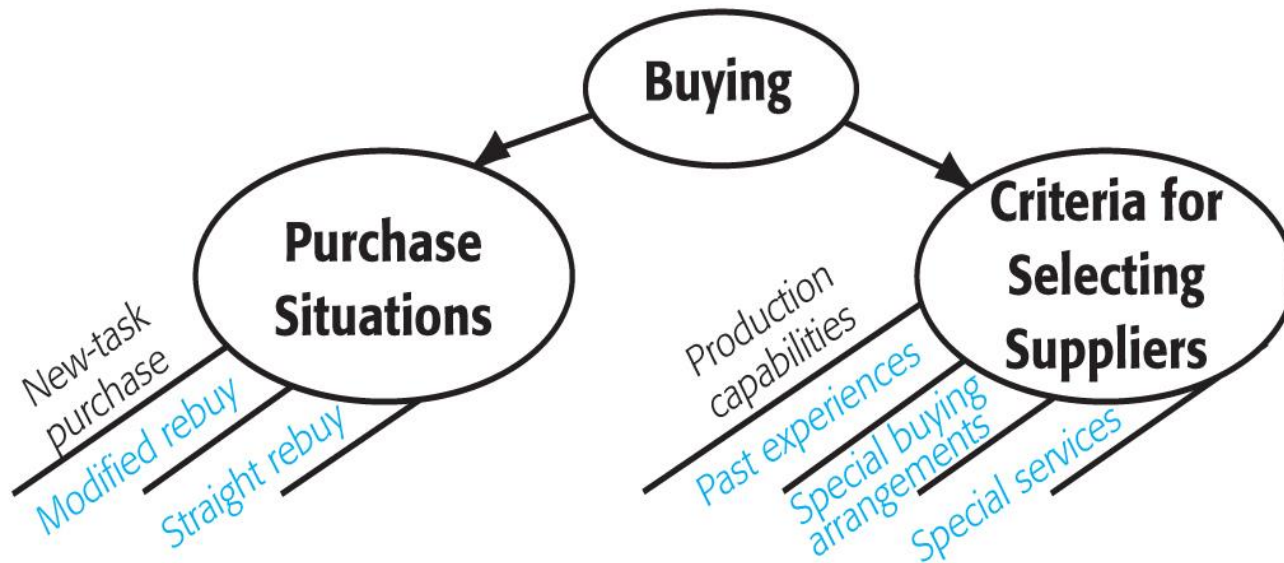
Three Types of Purchase Situations and Four Criteria for Selecting Suppliers



The Purchasing Process

Graphic Organizer

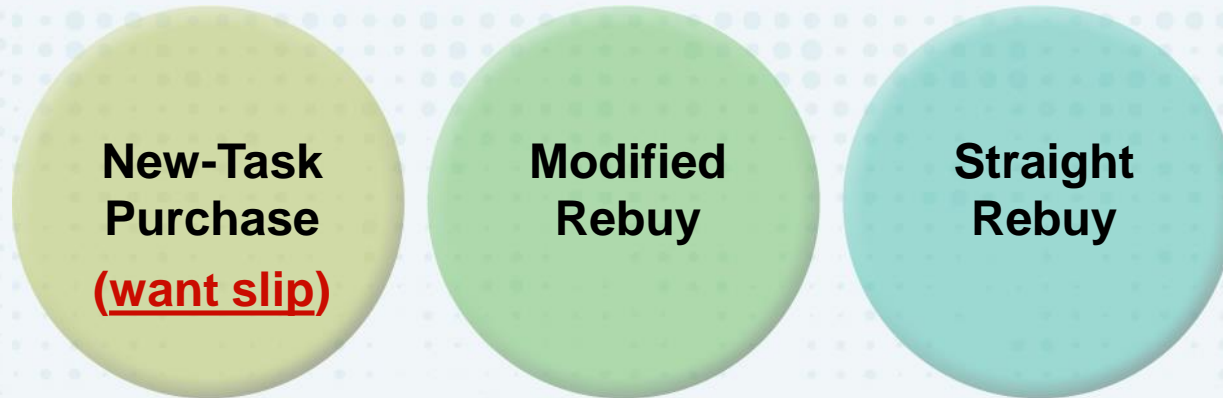
Three Types of Purchase Situations and Four Criteria for Selecting Suppliers



The Purchasing Process

Understanding the Process

Three Types of Purchase Situations



want slip

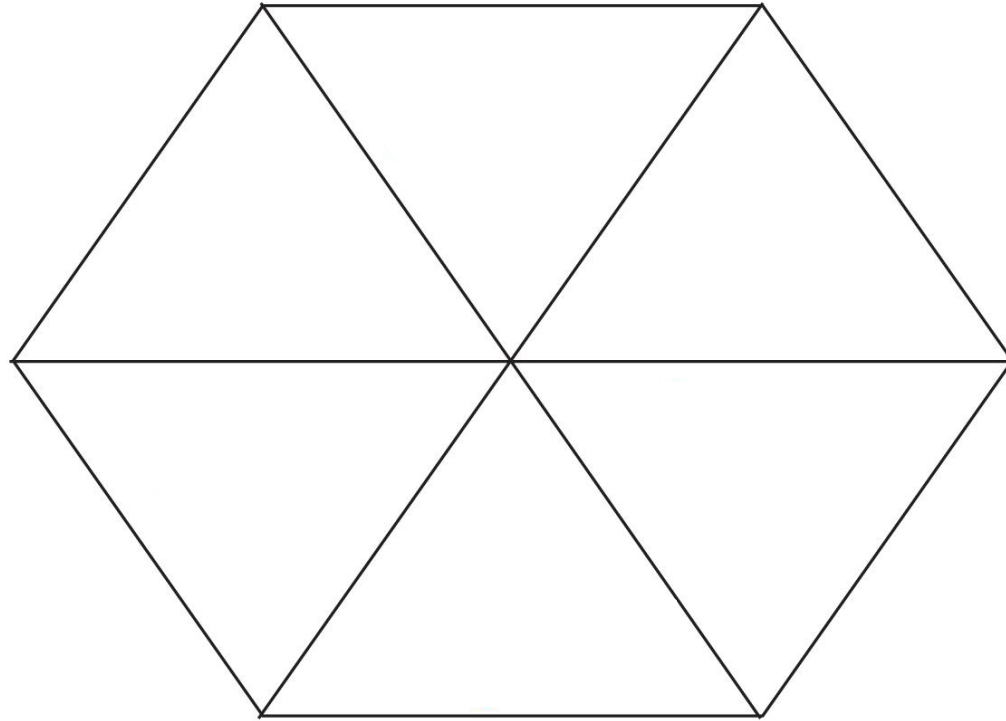
Customer request for an item or items not carried in the store.

The Purchasing Process

Understanding the Process

Graphic
Organizer

Criteria for Selecting Suppliers

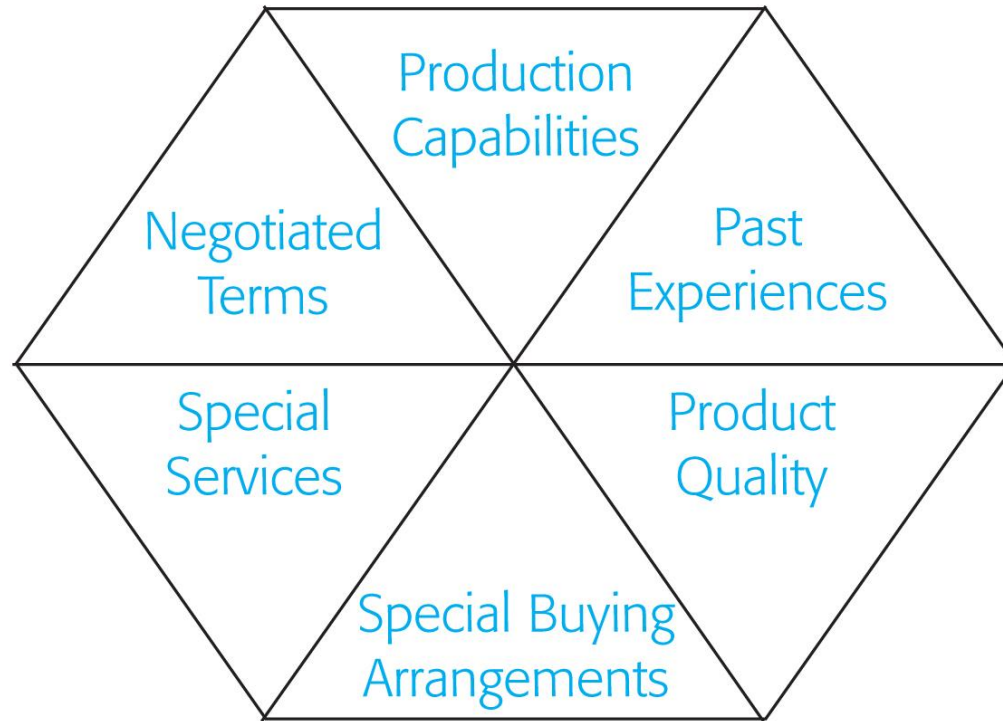


The Purchasing Process

Understanding the Process

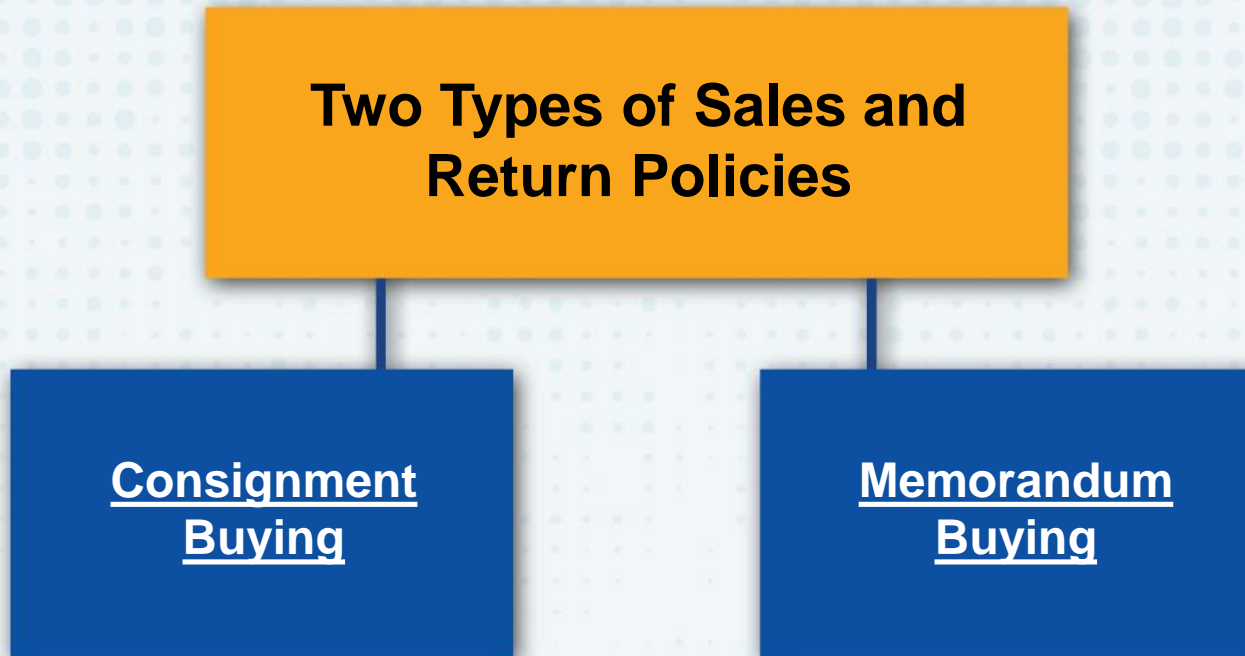
Graphic
Organizer

Criteria for Selecting Suppliers



The Purchasing Process

Understanding the Process



consignment buying

A buying process in which goods are paid for only after the final customer purchases them.



memorandum buying

The buying process in which the supplier agrees to take back any unsold goods by a pre-established date.

The Purchasing Process

Understanding the Process

Negotiated Terms



The diagram consists of four colored circles arranged horizontally. The first circle is olive green and contains the text 'Prices'. The second circle is light green and contains the text 'Dating Terms'. The third circle is teal and contains the text 'Delivery Arrangements'. The fourth circle is purple and contains the text 'Discounts'. All circles have a slight gradient and a shadow effect.

Prices

Dating Terms

**Delivery
Arrangements**

Discounts

The Purchasing Process

Understanding the Process

Internet Purchasing

The volume of B2B transactions is higher than all other types of online transactions

Organizational buyers depend heavily on timely information from suppliers

B2B e-commerce transactions cover all aspects of a company's purchasing needs

Auctions and reverse auctions are becoming more popular



reverse auction

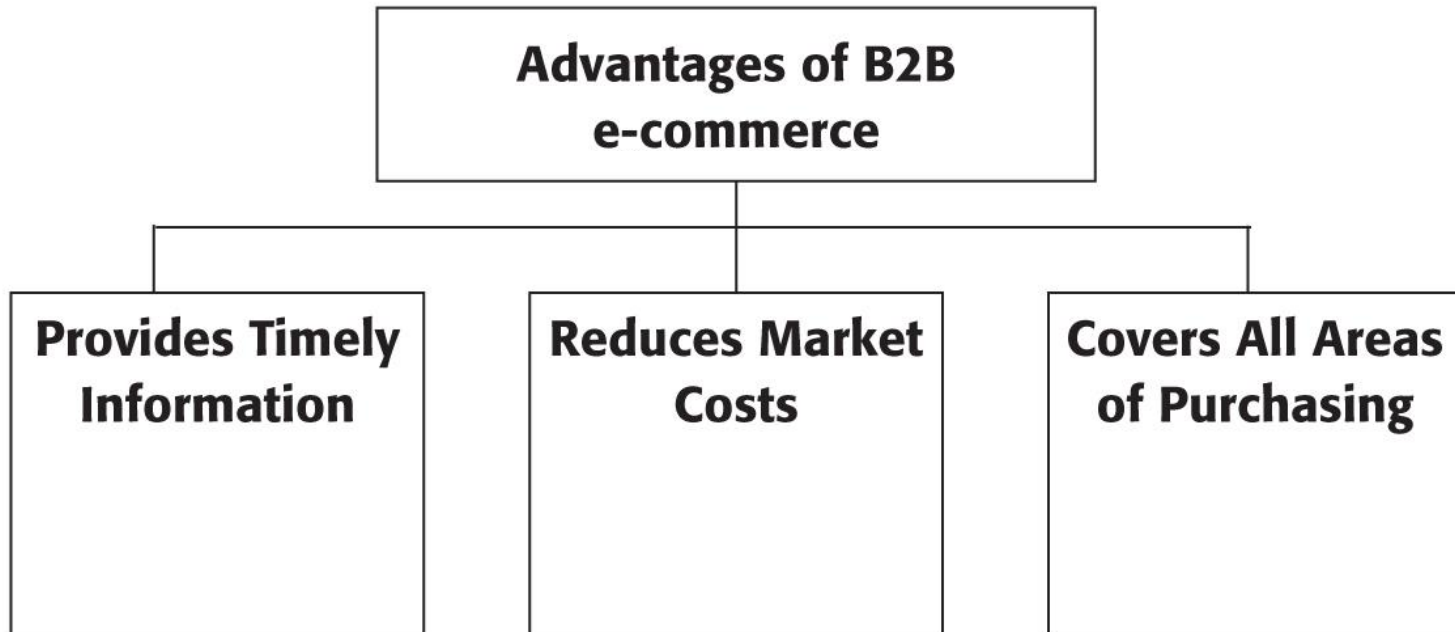
An auction in which companies post online what they want to buy, and suppliers bid for the contract.

The Purchasing Process

Understanding the Process

Graphic
Organizer

Internet Purchasing



The Purchasing Process

Understanding the Process

Disadvantages of Purchasing Online

Privacy

Artificially deflated prices in reverse auctions

The Purchasing Process



After You Read

Section 23.2

1. **List** three ways a buyer can acquire information for a modified rebuy.

A buyer can acquire information for a modified rebuy by analyzing competition by comparison shopping, by analyzing current information found in trade publications or at trade shows, or by hiring the services of a resident buying office.

The Purchasing Process



After You Read

Section 23.2

2. **Explain** the difference between consignment buying and memorandum buying.

Consignment goods are paid for when they are purchased from the reseller. Memorandum goods are paid for when purchased from the supplier, but the price of unsold goods may be refunded to the reseller.

The Purchasing Process



After You Read

Section 23.2

3. **Identify** one advantage and one disadvantage of purchasing online.

Advantages include timely supplier information, reduction of costs, and ease.

Disadvantages include potential privacy issues and not being familiar with the company from which goods are being purchased.

Marketing Essentials



End of Chapter 23

purchasing

Section 23.1 The Role of the Buyer

Section 23.2 The Purchasing Process