

# PURCHASING



# The Role of the Buyer



What you'll learn . . .

- The terms used to describe organizational buyers
- How planning purchases differs between an industrial market and a reseller's market
- The six-month merchandise plan and its calculations
- The concept of chain store buying

# Organizational Buyers

- Buy goods for business purposes, usually in much greater quantities than the average consumer.
- Much of what they buy requires technical knowledge and knowledge of the operations of the firm, especially in manufacturing and service departments.



# Two types of markets

- Industrial

What kinds of purchases would the BMW factory be making?



- Reseller





# INDUSTRIAL MARKETS

- Buyers may be called purchasing managers, industrial buyers, or procurement managers.
  - They buy goods or services for use in the business rather than to resell them.

# BILL OF MATERIALS

MAX2641 1.575GHZ EV KIT BILL OF MATERIALS

5/2/00

BOM REV: 1.0

BOARD REV: 1.0 (lumped element)

- The total list of all the materials necessary to make one unit of product.

DESIGNATION	QTY	DESCRIPTION	
C1	1	1.5pF $\pm$ 0.1pF ceramic caps (0402) Murata GRM36C0G1R5B050 or Taiyo Yuden EVK105CH1R5JW	
C2	1	1.0pF $\pm$ 0.1pF ceramic caps (0402) Murata GRM36C0G010B050 or Taiyo Yuden EVK105CH010JW	
C3	1	6800pF 10% capacitor (0402) Murata GRM36X7R682K025 or Taiyo Yuden TMK105 B682KW	
C4	1	220pF $\pm$ 0.1pF ceramic caps (0402) Murata GRM36C0G221B050 or Taiyo Yuden EVK105CH221JW	
C5	1	150pF $\pm$ 0.1pF ceramic cap (0402) Murata GRM36C0G151B050 or Taiyo Yuden EVK105CH151BW	
C6	1	0.01pF $\pm$ 0.1pF ceramic cap (0402) Murata GRM36C0G103B050 or Taiyo Yuden EVK105CH103BW	
C7	1	not installed	
L1, L2	2	6.8nH 5% inductor (0402) Murata LQP10A6N8B00	EL_____
* LNAIN, LNAOUT	2	SMA Connector (PC Edge Mount) EF Johnson 142-0701-801 DIGI-KEY J502-ND	
U1	1	MAX2641	EU_____
VCC/GND	1	2 pin header	

# Purchasing Manager

- Responsible for Material Requirement Planning ((MRP) which includes an analysis of when to make the purchases so they are available when needed.



# RESELLERS

- Wholesaler and retailer operations that buy goods for resale.
- Buyer – person responsible for purchases.
  - Forecast customer needs
  - Buy the necessary products
  - They must plan far in advance of the selling season



# SIX-MONTH MERCHANDISE PLAN

- The budget that estimates planned purchases for a six-month period.
  - Planned Sales Figure
  - Sales goals and last year's figures.





Figure 23.1

## Six-Month Merchandise Plan

- Making Merchandise Plans** This nearly completed model merchandise plan is based on the following assumptions: sales are expected to increase by 10 percent over last year; last year's stock-to-sales ratios should be used to compute this year's BOM stock figures; this year's planned reductions should be 5 percent lower than last year's; and the planned BOM for August is \$264,000.

*What are the planned purchase figures for May through July?*

Spring Season 20\_\_

Department Toys  
No. 6124

		February	March	April	May	June	July	Total
Sales	Last year	82,000	96,000	90,000	100,000	94,000	80,000	
	Plan	90,200	105,600	99,000	110,000	103,400	88,000	
	Actual							
Retail Stock BOM	Last year	328,000	336,000	297,000	360,000	291,400	224,000	
	Plan	360,800	369,600	326,700	396,000	320,540	246,400	
	Actual							
Retail Reductions	Last year	12,300	14,400	13,500	15,000	14,100	12,000	
	Plan	11,685	13,680	12,825	14,250	13,395	11,400	
	Actual							
Purchases	Last year	N/A	N/A	N/A	N/A	N/A	N/A	
	Plan	110,685	76,380	181,125				
	Actual							

# BEGINNING OF THE MONTH INVENTORY

- The amount of stock to accommodate sales volume.
- Last years sales in ratio to last years BOM.



# END OF THE MONTH INVENTORY

- The BOM figure for any given month is the EOM figure for the previous month.



# PLANNED RETAIL REDUCTIONS

- Reductions in the selling price and shortages of merchandise caused by clerical mistakes, employee pilferage, or customer shoplifting.
- An additional amount must be purchased to make up for the shortage caused by the reductions.



SHOPLIFTING



A photograph of three business professionals standing in a line. On the left is a woman in a red blazer and black skirt. In the middle is a woman in a black blazer and white shirt. On the right is a man in a dark suit and tie. They are all looking towards the right.

# PLANNED PURCHASES

- Formula for planned purchases:
  - $(\text{Planned Sales} + \text{EOM stock} + \text{Reductions}) - \text{BOM stock} = \text{Purchases}$ .

# OPEN-TO-BUY

- The amount of money left for buying goods after all other expenses have been considered.
  - $P - (\text{Goods Received} + \text{Goods Ordered}) = \text{OTB}$



# PURCHASES FOR CHAINS



# CENTRALIZED BUYING

- Centralized buying – purchasing for all branches in a chain store operation, usually in a central location.
  - Creates a unified image through identical products in each store.
  - Quantity discounts.
  - Can relocate stock to accommodate needs.



# DECENTRALIZED BUYING



- When authority for retail decisions is made at low levels in the organization.
- Each store or region buying for their stores.

# GOVERNMENT MARKETS

- Federal , state or local agencies responsible for purchasing goods and services.
  - One of the largest single markets for retail goods and services.



# INSTITUTIONS

- Schools, colleges, churches, civic clubs, and hospitals.

