**CHAPTER TWO**

**PERSPECTIVES ON THE ORGANIZATIONAL BUYER**

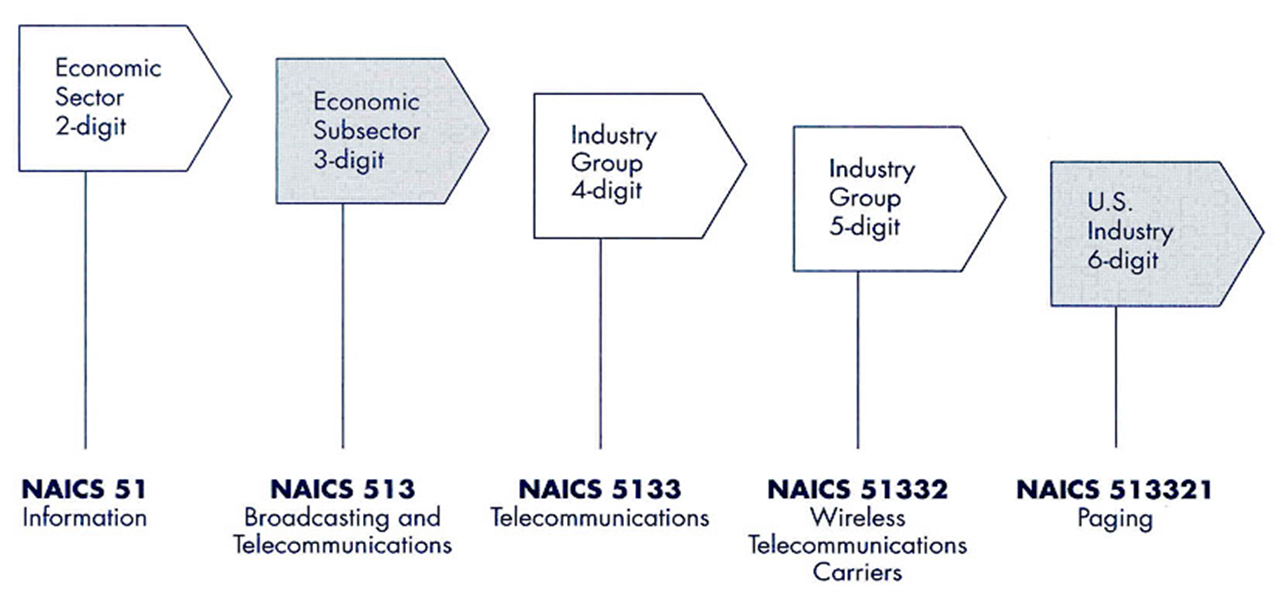
**Manufacturers & Geographics**

* Half are located in eight states
* Important implications:
* First, can concentrate marketing efforts
* Second, with distribution centers in large volume areas rapid delivery is possible
* Third, sales personnel may not be tied to specific geographic areas

**Classifying Commercial Enterprises**

* NAICS organizes business activity into economic sectors and identifies groups of business firms that use similar production processes.
* Result of NAFTA.
* Replaces SIC system.

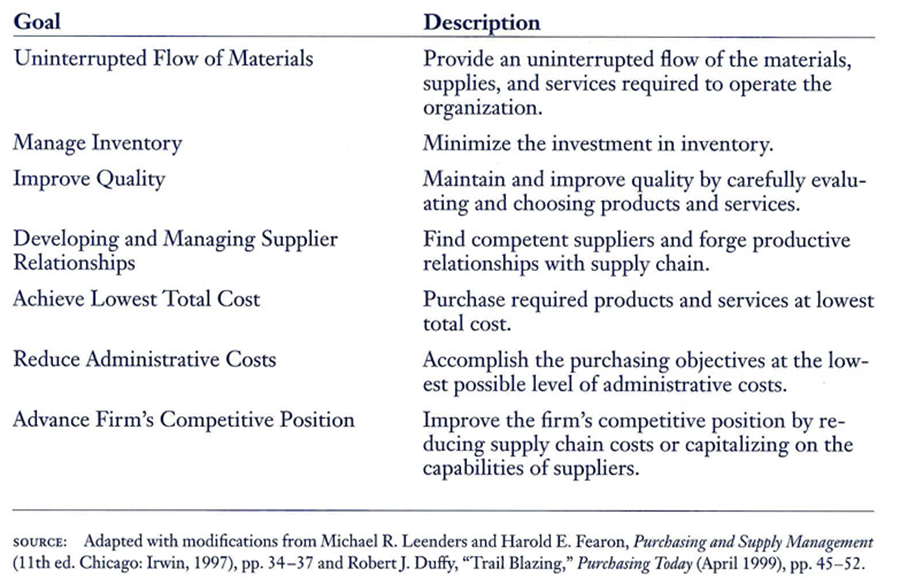
North American Industrial Classification System



**Purchasing Function Goals**

* To address the needs of business customers of all types.
* May have to juggle a number of different objectives that clash.

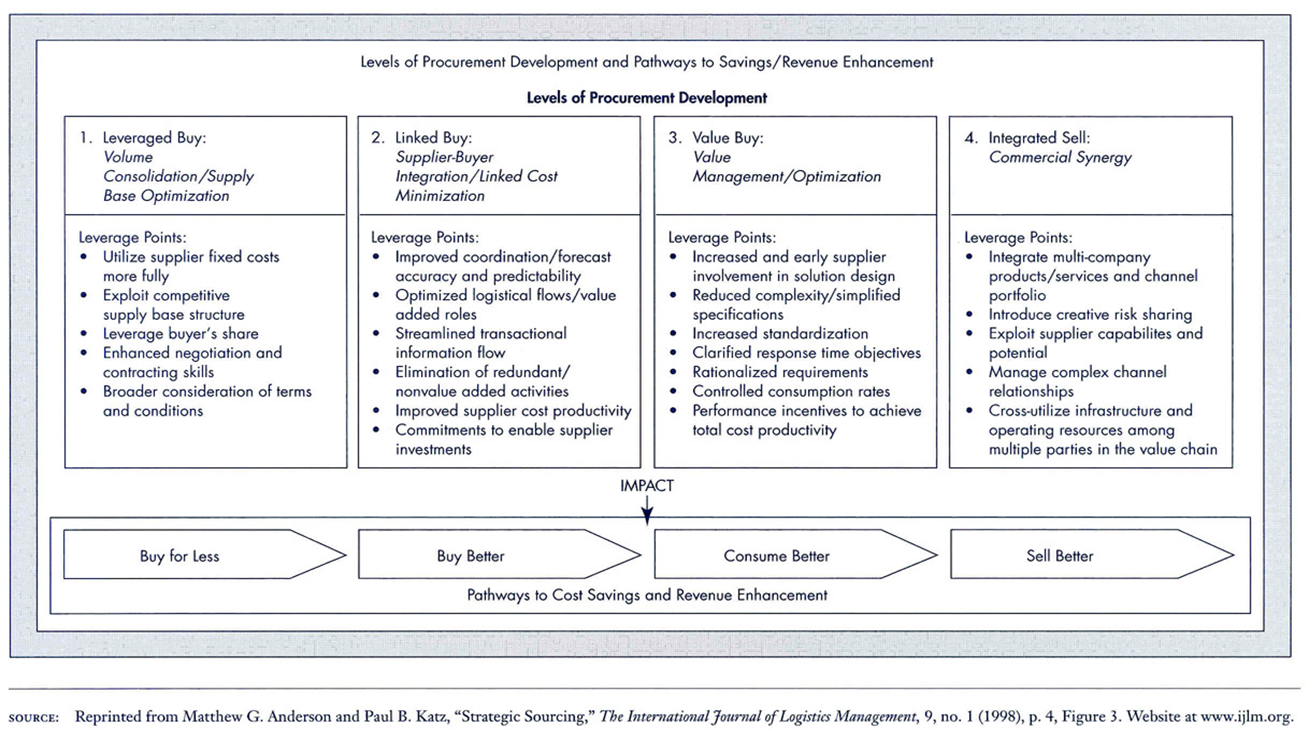
The Goals of Purchasing:

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**Total Cost Considerations of a Product or Service**

* Factors that drive total cost.
* Acquiring and managing costs.
* Quality, reliability over the life cycle.
* The value a firm/ customers.

**Levels of Procurement Development and Pathways to Savings/Revenue Enhancement**

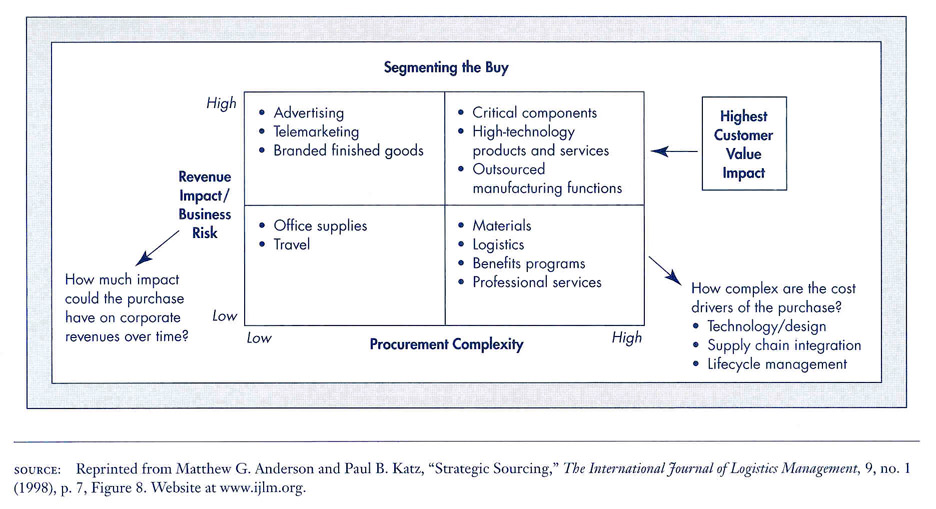
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**Segmenting Purchase Categories**

1st Point, each firm has a unique portfolio.

2nd Point, more attention on purchases having the greatest impact on revenue generation or the greatest risk to performance.

Segmenting the Buy:



**Procurement Complexity Considerations**

* Technical complexity.
* Scope of supply chain coordination required.
* Degree to which life cycle costs are relevant.

**Purchasing Managers & Performance**

The Weighted –Point Plan

* The buying organization weights each performance factor.
* Organization assigns relative importance to performance factors.
* Is more objective and flexible than the categorical method.

**Government Contracts “Programs”**

1. Compliance, requires government contractors maintain affirmative action programs.
2. Set-aside, a percentage of the contract is set aside for small minority businesses.
3. Minority, subcontracting- may require major contractors subcontract a certain percentage of the contract to minority firms.

**Two Types of Contracts**

1. Fixed-price contracts
   1. A price is agreed to before contract is awarded and payment is made at conclusion of work.
   2. Provides for the greatest profit potential.
   3. Poses greater risks.
2. Cost-reimbursement contracts
   1. Reimbursement for allowable costs may be allowed and sometimes a number of dollars above costs as profit is allowed.

**Government Procurement**

1. Defense-said to be the largest enterprise in the world (DOD).
2. Nondefense-procurement is administered by world wide variety of agencies.

**Two Procurement Strategies**

1. Formal Advertising—the government solicits bids from suppliers, and usually the lowest bidder is awarded the contract.
2. Negotiated Contract—used to purchase products or services that are not differentiated on price alone, competition is common.

Source:

Business Marketing management 8th edition, Michael D.Hutt, Thomas W. Speh