PURCHASING MARKET STUDY

Nato Samnidze
GTU, Ph.D Student

Resume

The structured purchasing procedures and documents facilitate the purchasing process. The reason for having the purchasing procedure, which describes the purchasing process with purchasing activities in it, is its ability to provide a framework in order to accomplish the activities efficiently and effectively.

Each organization is unique and operates in the specific industry with various characteristics, different purchasing activities in the existing purchasing models should be analyzed in order to find the best suited one to the organization. All the models involve market study as one of the prime importance component in purchasing procedures. Generally, the market study normally is done when the purchasing is identified and the supplier selection process is ongoing, but before the supplier negotiation process begins.

Due to the fact that purchasing price of raw material determines 60% of the final product price. It is of critical importance for the organization to have a best offer for the product on the market.

Key words: Purchasing, Purchasing Structure, Purchasing Structure Components, Market Study, Market study for Purchasing, Buyer's Market, Seller's Market, Equilibrium Price.

ძირითადი ტექსტი

Weele (2000) states that both buyer and seller operate in the same market, where buyer is the demand side and seller is the supply side. As stated by Lysons and Farrington (2006), economic theory shows that demand and supply are balanced by the influence of price, the equilibrium price indicating the point at which demand and supply are equal (Figure 1). When demand exceeds supply, prices tend to rise and this market is called as seller's market. Contrariwise, prices tend to fall when supply exceeds demand and the market is buyer's market. For the purchaser's point of view, the ideal situation when searching for certain product would be the Buyer's market situation, the fare situation would be equilibrium price when Seller's market and Buyers market meet in harmony, the worst situation for the purchaser is when market situation is shifted to Seller's market.

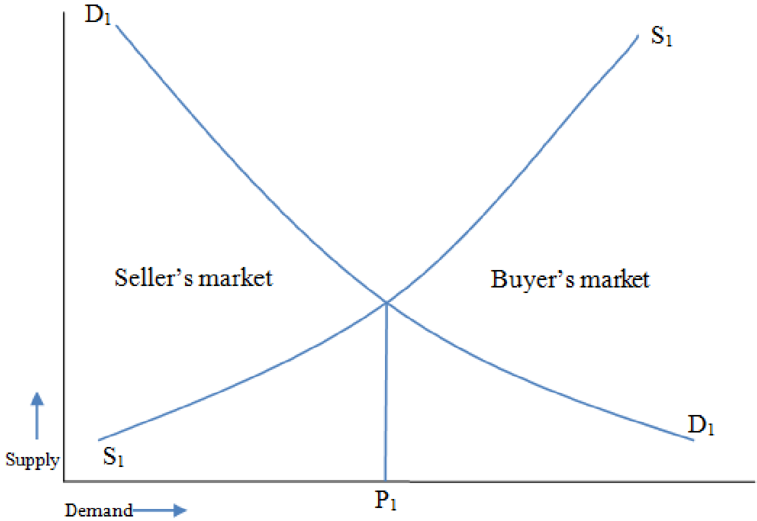

Figure 1. Supply, demand and equilibrium price (Lysons and Farington, 2006, p.435)

Weele (2000) states that knowledge about the market facilitates decision making process for industrial purchaser exclusively while purchasing raw materials. Market condition can be different, due to time, prices, actors on market and economic situation. The characteristics and dimensions of each market from supply side are shown in Table 1.

Types of situation in market				
Important Dimensions	**Pure Competition**	**Oligopoly**	**Monopolistic Competition**	**monopoly**
Uniqueness of each company's Product	None	None	Some	Unique
Number of Competitors	Many	Few	Many to few	Some
Size of competitors (compared to size of market	Small	Large	Large to small	None
Elasticity of demand facing company	Complitely elastic	Kinked demand qurve	Either	Either
Elasticity of industry demand	Either	Inelastic	Either	Either
Control of price by company	None	Some (with care)	Some	Complete

Table 1. Important dimensions of market situations (Perreault and McCarthy, 2003,p.466)

The pure competition can be discussed as an ideal state for the market, according to Perreault and McCarthy (2003) the pure competition is market situation which arises when market has:

- ✓ Homogeneous products;
- ✓ Large number of buyers and sellers, which are aware of market;
- ✓ Easy access for new customers and companies.

A market is oligopoly when there is more than one but still few suppliers in the market (Hirshleifer, Glazer and Hirshleifer, 2005). The oligopoly according to Perreault and McCarthy (2003) appears when market has:

- ✓ Homogenous products;
- ✓ Relatively less number of sellers;
- ✓ Fairly inelastic industry demand curve.

Monopolistic competition is a market structure where:

- ✓ Products produced by sellers have little differentiation;
- ✓ Producer is able to set its price without affecting market as a whole (Perreault and McCarthy, 2003).

On the other hand, there is monopoly- which is discussed as market situation when:

- ✓ An industry contains only one company;
- ✓ If the company can drive out competitors by lower production prices then it becomes natural monopoly (Hirshleifer, Glazer and Hirshleifer, 2005).

From the demand side market can be pure competition, oligopsony and monopsony. Pure competition is same the market structure for both demand and supply side. Oligopsony is the market when there are not enough buyers for product, in other words market lacks of demanders (Kim, 2004). Monopsony, on the other hand, is when one buyer faces many different suppliers, i.e. market with a single buyer (Boal and Ransom, 1997).

Decision making process regarding the purchasing can be complex and uncertain. Therefore, decision making process should be coordinated in a way that the decision made is satisfactory to all parties involved (Weele, 2000). In order to have a clear idea before making the decision, purchaser should analyze the purchasing market.

Weele (2000) listed some important characteristics of markets as follows:

- ✓ Professional purchasing;
- ✓ Derived demand;

- ✓ Inelastic, fluctuating demand;
- ✓ Geographical concentration;
- ✓ Large order quantities and large amount of money involved;
- ✓ Limited number of customers;

Market study is highlighted as an important element of purchasing management by Weele (2000). Fearon (1976 cited in Lysons and Farrington, 2006) defines market research as "systematic gathering, classifying and analyzing data considering all relevant factors that influence the procurement of goods and services for the purpose of meeting present and future company requirements in such a way that they contribute to an optimal return." Developments in technology, changes in supply market dynamics; monetary developments are the reasons to conduct a purchasing market research (Weele, 2000). Information gathered thought the market analysis is important for procurement planning since it gives ability to see composition and growth of marketplace for both suppliers and buyers (Sollish and Semanik, 2007).For instance, analysis of suppliers and materials cost and price can be helpful in order to have a better understanding in supply market dynamics. Lysons and Farrington (2006) listed the factors to perform a market study as follows:

- ✓ Purchasing market study helps to forecast long-term demand;
- ✓ It is a tool to help forecasting the price trends, how cost affect the production cost, how it is reflected in the selling price;
- ✓ It shows the alternative material sources;
- ✓ It provides up-to-date information regarding to pay trends, commodity prices, political factors so that purchasing strategy to employ can be decided.

Leenders, et al. (2006) point out three different ways to conduct a market study. First way is to assign a purchaser employee to a full-time researcher position. Second way is to give a part-time responsibility to a purchaser employee. This way is preferable due to the lack of time in the purchasing department. Third way is to form a cross functional team in order to have an expanded knowledge in market study. On the other hand, Weele (2000) suggests outsourcing the market study because of the lack of time of purchasers and hiring a consultant company or form a team consisting of employees of purchasing department and researchers from consulting company.

According to Buvik (2001) market research must begin with identification and analysis of market structures, since it is base for purchasing decisions, and second step; therefore, should be discussions on role market structure plays in purchasing.

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შესყიდვების ბაზრის კვლევა

ნატო სამნიძე
სტუ დოქტორანტი

რეზიუმე

სტრუქტურირებული შესყიდვის პროცედურები და მათი დოკუმენტირება ხელს უწყობს შესყიდვების პროცესების სწორად განვითარებას. შესყიდვების პროცედურების არსებობა, რომელიც მოიცავს შესყიდვების პროცესებს და მასში შემავალ აქტივობებს, მიზნად ისახავს საქმიანობის ეფექტურად წარმართვას, არსებული სახელმძღვანელო წესების დახმარებით.

იმის გამო, რომ ნედლეულის შეძენის ფასი განსაზღვრავს საბოლოო პროდუქტის ფასის 60%-ს, მნიშვნელოვანია ორგანიზაციისათვის პროდუქტის საუკეთესო ფასის შეთავაზება ბაზარზე. ყველა შესყიდვების წესების სახელმძღვანელო მოდელი მოიცავს ბაზრის შესწავლას, როგორც ერთ-ერთ ძირითადი მნიშვნელობის მქონე კომპონენტს შესყიდვების პროცედურებში. ბაზრის შესწავლის პროცედურა იწყება შესყიდვების იდენტიფიცირების ეტაპზე, როცა მომწოდებელთა შერჩევის პროცესი მიმდინარეობს, თუმცა ბაზრის შესწავლის პროცესი მომწოდებლებთან მოლაპარაკამდე უნდა დასრულდეს.

თითოეული ორგანიზაცია უნიკალურია და ფუნქციონირებს სხვადასხვა მახასიათებლების მქონე კონკრეტულ ინდუსტრიაში, არსებული შესყიდვების ფუნქციონირების მოდელებიდან სხვადასხვა შესყიდვების აქტივობა უნდა გაანალიზდეს იმისათვის, რომ ორგანიზაციის ფუნქციონირებისთვის საუკეთესო მოდელი შეირჩეს.

საკვანძო სიტყვები: შესყიდვები, შესყიდვების სტრუქტურა, შესყიდვების სტრუქტურების კომპონენტები, ბაზრის შესწავლა, შესყიდვების საბაზრო კვლევა, წონასწორული ფასი.