

PURCHASING (BUYING) FUNCTION – COMPONENT OF THE INTER ORGANIZATIONAL MARKETING

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Abstract: The conceptual approaches regarding purchasing, buying, supplying or procuring are numerous and different. The organizational buying may be defined as a function of the organization referring to buying, renting, etc., of the equipments, materials, supplies and services necessary for their usage in the product process. The buying decision process- laborious and complex - comprises more steps. The buying function knows a continuous evolution in optimizing the production costs, leading to its “integration” and reinforcing the role of “integrated marketing”, harmoniously including the upstream marketing.

1. The Concept and the Importance of the Purchasing Function within the Organization

Most of the managers watch the enterprise as a producer and products and services offerer, being less conscious about the responsibilities resting upon the purchasing activity. The purchasing function has become a permanent and important preoccupation for the assurance of the organization profit, taking into account the fact that the buying activity of raw materials, materials, etc. can influence the financial results, - as well as, the production, innovation or, sale activity. The management of the organization largely adopts a new view regarding the purchasing function and the department of techno-material assurance, considering them not only expenses centres, but also, profit centres, or even, responsibility centres.

The conceptual approaches regarding purchasing, buying, supplying or procuring are numerous and different and, the above mentioned terms are treated either as synonyms, or similar, or even as different words. The supplying – delivering chain assures the interface of the organization with the suppliers – in order to plan, get, store and deliver the necessary materials, goods and services, so that the organization may satisfy the clients’ requests – in the conditions of obtaining the profit and those of respecting the social orders.

The functions of the supplying– delivering chain are:

- it contributes to the expressing, communication and applying the strategies of the organization;
- it contributes to creating and improving the systems regarding the buying; creating the data basis;
- obtaining the materials, goods, services;
- delivery of the goods to the clients by means of the distribution, transport, storage;
- following and controlling the chain of buying, delivering, storing, distributing and transporting;
- contribution to an efficient activity.

The organizational buying (1) may be defined as that function of the organization that includes buying, renting, etc. of the necessary equipments, materials, supplies and services, – in order to use them within the production.

Other authors (2) consider the buying as being the goods purchasing and necessary services, at an optimal cost, from competent and sure sources.

In the speciality literature (3) they are suggesting the usage of three different terms:

- supplying is an internal function of the organization, the relationship with the supplier being determined for a short term;
- buying is a function of purchasing the material resources directed to the exterior, the relationship with the supplier being determined for a middle term;
- buying' marketing is a function of administrating the material resources for a long term.

The subject of buying is formed by inputs which are to found in the finished products (raw materials, materials, components), by inputs which aren't to be found in the finished products offered to the clients (articles for repairs, operation and maintenance, etc.) as well as by production, office and other service equipments. The function of buying does not include in the subject of buying the obtaining of human resources (that constitutes a management function of the human resources), the obtaining of funds (financial – book-keeping function).

As a conclusion, the buying process is that they are using to take decisions in order to purchase the goods and services necessary to the organization, process by means of which the suppliers and the marks are estimated, and also, those who are satisfying - at an upper level - the needs of the organization are chosen. The organizational buying process is set up by more stages, being a simple one, in case of the repeated supply, of routine, or laborious, in case of the complete commands or contracts, of big value, or different from the previous ones. The buying may be done in three types of situations: repeated, modified and new.

Types of purchasing

1. The repeated buying means that the buying process is repeated on the basis of the satisfaction produced by the previous purchase, the need is constant (e.g. consumables), and the suppliers are traditional.

2. The modified buying may be practiced when a part of the buying routine is modified (product, price, delivering conditions, etc.).

3. The new buying appears when the organization doesn't have any experience in purchasing the product or the respective service.

The comparative analyse of the three buying types for organizations can be illustrated as follows (4):

Table III.1. Buying situations for organizations

Buying types Characteristics	Repeated	Modified	New
Consumed time	Little	middle	Much
Centre following	Low	middle	High
Information need	Minimum	moderate	maximum
Considered variants	One	few	Many
Newness degree	Low	middle	High
Decision complexity	Reduced	middle	High
Frequency	High	middle	Low

The efforts made by the enterprise is different in each case of the buying type. A new supplier for the repeated buying will penetrate very hardly the market, speculating the weaknesses of the current supplier. Focusing the efforts in the situation of the new buying is made by offering some new viable solutions and supporting the buying centre in

developing the technical specifications. In this case, the specialists in marketing offer consulting concerning the identifying of those members of the buying centre who have the maximum influence in the buying decision.

The buying function of the enterprise is materialized in a packet of objectives, which are also set up in criteria for substantiation the buying decision.

The main objectives of the modern buying are the following (5):

- availability of the goods and services at the adequate moment, in order to avoid the not paying in time the clients' orders and contracts - generating lack of profit and image;
- obtaining of an advantageous mixture of quality, price, service and time, for increasing the buying efficiency;
- reducing the afferent losses of stores, by optimizing the stores and avoiding the breaking of stores;
- developing the relationships with the competent suppliers, by an accurate estimation of the actual and potential suppliers' performances and forming some partnerships on a long term, identifying and developing of some alternative trusting sources, in order to reduce the dependence on a single source;
- monitoring the tendencies of the market and maintaining the position of the organization, by identifying of new sources and new directions in the practice of supplying the organizations;
- capitalizing the advantages of the standardization and simplification of the components of the manufactured product, with positive effects in reducing the costs;
- optimizing the inter functional relations of the purchasing department with the other departments of the organization, to harmonize the duties of the organization in order to carry out the planned objectives;
- accomplishing an efficient buying function;
- developing the professionalism in the range of buying.

Table III.2. The traditional concept vs the actual concept

Analysed aspects	Traditional concept	Actual organizational concept
<i>a) The level</i>		
1.Types of decisions	Operational and tactical decisions on short term	Strategical decisions on long term
2. Contributions to the part of the organization profit	Reducing the costs by negotiation of some lower prices, obtaining of discounts, better paying conditions, etc	Value addition as value chain
3. Organizational structure	Accent on organization to obtain the step economy	Directing to the decentralization, to be nearer to the problem
4. Internal relations	Distinct functional department, subordinated as against projection and production	Integrated activity, acting together with the other supplying, production searching and marketing links
5. Statute	Lower, having the function of a routine processing of the orders	Upper, integrating strategically to the organization
<i>b. The relations with the suppliers</i>		
1. Types of relations	Supplier as adversary	Supplier as partner

2. Negotiation	Income (gain)/ outcome (loss)	Income/income
3. Supplier basis	Large, many sources	Limited, the buying safety coming from the efficient logistic of the supplier
4. Supplier localization	Local/national	Global
5. Relations length of time	Short term	Long term
c) The operational factors		
1. Answer to the environmental conditions	Reactive	Proactive
2. Main activities	Launching the orders, accelerating the deliveries, determining the delivered quantities and paying	Investigation, cooperation and management of the suppliers (analyse of value, price, costs reducing, etc.)
3. Accent	Commercial	Commercial+technical+logistical
4. Communication with the suppliers	Orders and written documentations	E-mail, EDI, mailing
5. Stores	Great importance of the stores management and their controlling	Diminish the importance by using IT

Source: Lysons, Kenneth, Purchasing, Pitman Publishing, London, 1006, p. 15-16

The concept of buying determines the activities for procuring the goods and services necessary to the enterprise, from adequate external sources, having as aim the fulfilling of the clients' needs – forming the market-target (6). The concept and the practice of the buying activity have known important changes as against the traditional concept, both in the organizational range and those of the relationships with the suppliers and the operational concepts.

In the literature of speciality, in order to denominate the concept of buying (purchasing, provisioning) notions as “achat” and “approvisionnement” (French) and “purchasing” or “procurement” (English) are used.

To be noticed, the fact that the West-Europeans and Americans do not pay a great attention to the semantic content of the terms, the focusing being directed to the “image” that has to be transmitted. As a result, the buying is considered a commercial act comprising the identification of needs, selection of suppliers, negotiation of price and other conditions, and also following the orders until their delivery (7). The buying function is in fact, the activity for procuring good quality materials, at a desired quantity, with a good price, and from a good source (8).

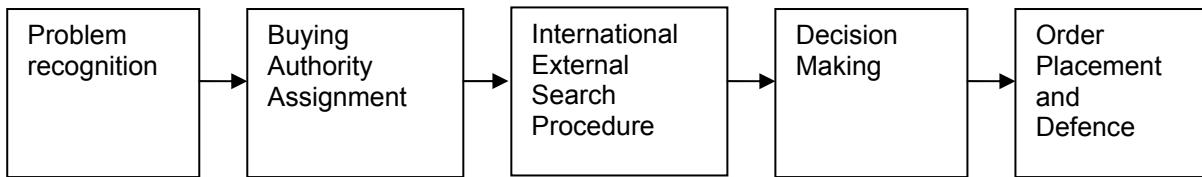
2. The Buying Decision Process

The buying process, indifferent if it is new, repeated or modified, it is a complex and laborious one, necessitating the roaming of some stages.

The main phases of the buying process are:

1. appearance and identification of need;
2. determining the specifications;
3. determining the sources and obtaining the offers;
4. estimation of offers;
5. buying;
6. estimation of the product and supplier's performances.

Other authors (9) consider that the buying decision process may be seen as a five-step process, as illustrated in figure:



The stages of the buying process are influenced by a series of factors, like as:

- . micro and macro medium factors;
- . corporatist culture;
- . personnel factors;
- . factors of inter human relationships.

The first phase of the decision buying process is the recognizing of a problem or a need which could be solved by buying a product or a service. Then, follows the definition of the characteristics of the products which will be bought to satisfy the identified need, by setting down the specifications of the product. These determine the characteristics of the desired product, dimensions, performances, etc. After all these, an analyse of the value - in order to compare the purchasing costs with the utility - , the value of using the desired product, are to be done.

The following phase is to determine the sources (suppliers) and obtain the tenders. In this phase, the enterprise has to take strategic decisions regarding the suppliers which are to assure the optimal solve of this problem.

In order to select the suppliers, the following criteria should be taken into account:

- . the number of suppliers (one, two or more);
- . the proximity of the sources (local, national, external);
- . the size of sources;
- . the origin of the market (internal or external).

The identification of the suppliers - which are existing on the market - supposes the obtaining of information outside and inside the enterprise:

- . producers and traders' personal catalogues;
- . firm annuals – sources of "Golden Pages" type;
- . speciality publications;
- . data bases;
- . fairs and exhibitions;
- . sale agencies;
- . buying agencies;
- . specialized organizations.

The identified potential suppliers are evaluated on the basis of some criteria (preliminary estimation and detailed estimation), being selected a number of 3-6 suppliers – these forming the list of the confirmed suppliers. The enterprise will make an offer request – mentioning the technical specifications, the quantity, the delivery term – the suppliers answering with the sale offer. The offers launching represents an accurate description activity of the enterprise's need – put down in a document that will be passed to the suppliers – in order to obtain from them some detailed contracting propositions.

The offer requests may be the following:

The open offer request, is usually launched by means of mass-media, requesting the offers, by a previous consulting of the specifications; the order is not launched yet, and the buyer may ask for supplementary information from each potential supplier.

The limited offer request is the most used variant and it consists in its dispatch together with the specifications to the potential suppliers whom the enterprise desires to work with; the order will be operational only after adjudication.

The stage of estimating the variants means their analyses by the members of the buying centre. Although, the price is an important element, when taking into account the industrial buying decision, they are using other criteria too, as the supplier's previous performances, offered technical support, maintenance cost, guarantees and other contracting clauses. Also, the perceived risk associated with the decision – a risk joined with the uncertainty of the situation – is taken into calculation to a larger extent in the industrial buying that is characterized by avoiding the risk, and so, the possible postpone of the decision.

According to the decision regarding the choosing of the suppliers by selecting the most appropriate variant, the enterprise will negotiate the delivery conditions, the methods of payment, etc. and will put forward the **order**. The supply from a unique source is advantaged as regarding the costs reducing, better quality controlling, etc., but, also disadvantaged – when referring to the dependence on a single supplier, increasing the influence in negotiations, etc. But, on a long term, the unique supplier's advantages are evident, forming true trading partnership relations, with reciprocal advantages.

The order gets the legal value of a contract concluded between both sides (buyer and seller) – as a result of the negotiations.

The order has to contain a certain quantity of information; so that, *the informative elements of the order* are, as a rule, the following:

- . the name and address of the requested organization;
- . the name of the buyer;
- . the number and date of the order;
- . the name and address of the organization;
- . referring to the price of the offer;
- . the denomination of the products;
- . quantity;
- . unit price;
- . total value;
- . the currency or money for buying;
- . the date of delivery;
- . assembling conditions;
- . conditions and methods of payment;
- . date of buyer's signature.

These information are considered to be generally valid for any buying process, they may be also with other information specific to the different products, services, purchasing enterprises or supplying markets. There are- in the practice of the purchasing process - some forms of ordering:

. The firm order is negotiated and used for a single operation of buying and comprises elements which are clearly defined, quantity, quality, price, term of delivery.

. The opened order is used in the conditions of the supplier's agreement with delivery of the products or services, in well defined conditions, and for a delimited term; the price is previously determined, while the quantity and the date of delivery are statutory by a mutual agreement.

. The cadenced order stipulates to space out the deliveries on dates which had been previously fixed – depending on their consuming at the buyer.

The convention is a document that confirms to the supplier the intention of the buying organization to order the raw materials, products or services on a defined period of

time and, in specified conditions, defined by means of the both sides' agreement. The clauses of the convention have to guarantee the future procuring of the products, which are in fact, the object of the convention:

The elements of a convention are:

- . products definition and destination;
- . quality criteria or reference to a specification;
- . delivery term;
- . availability of the convention;
- . estimated quantities;
- . transport and package conditions, delivery and payment conditions;
- . cancellations or annulments, refusal of deliveries;
- . definition of the contracting sides.

The contract represents a will agreement, a personnel convention that allows the creating of new rights and obligations between seller and buyer – regarding the supply of materials, products and services.

The main clauses that may be comprised in the contract are:

- . the nomination of the contracting sides;
- . the object of the contract;
- . quantity, time, price;
- . conditions of payment;
- . intermediate and final reception;
- . penalties for delay;
- . guarantees, post selling service;
- . cancellations;
- . arbitration.

The contract accepted by the supplier has as object, - not only the obligation to carry out technically, the established labour conscription, - but also, the obligation to fulfil the objective defined in contract.

From this point of view, the contract may stipulate a large number of additional clauses, as: protecting clause, emergency clause, penal clause, resolute clause, confidentially clause, compromise clause, etc. The buying process is practically performed by the "buying achievement". The last phase of the buying decision process consists of the estimation of the product and supplier's performances. The suppliers' estimation means the checking of the measure in which the performance request have been fulfilled , by using of some quantity methods, like as: level-headed criteria method and price index method (10). The management of the suppliers' basis has as object the maintenance or the development of the performances of this resource of the enterprise, in order to fulfil efficiently the buying needs of the organization; in that, the

- . to select following major decisions are to be set down:
- . to maintain the suppliers having appropriate performances;
- . to give up the inadequate suppliers;
- . to select new buying resources;
- . to establish, develop and change the relationships with the actual suppliers.

The buying process is a decision one, and the assuming the staff's responsibilities significantly involved, are put together in the so-called buying centre. This is a group, a communication network, that differs from a buying to another, from an enterprise to another –advancing dynamically on the whole course of the buying decision process stages.

The dimensions of the buying centre are:

- . vertical involving (levels of involved hierarchy);

- . horizontal involving (number of structural compartments);
- . extending (number of involved persons);
- . connexion (inter action, number of joints);
- . centralization (share of number of inter actions of the person with the other members of the centre).

The members of the centre have specific parts, so:

- . the users (initiators) utilize the product and identify the appearance of need;
- . members of the centre;
- . the prescriptors are those who having a schooling of speciality, – influence the buying process;
- . the decidents are the managers who approve the buying;
- . the filters (guards) are the blocking or facilitating factors of the informational circuit;
- . the commercial agent puts forward the order and follows the product to reception.

If we take into account the needs associated with the buying, they can identify the influences emitted by an economical, technical and a user buyer – each of them expressing his specific needs:

- . *the economical buyer* takes the decision of buying – having in view financial and economical criteria, while the technical characteristics are to be found on the second plan;
- . *the technical buyer* has in view the technical characteristics, as a rule being an engineer, a technician, etc.;
- . *the user buyer* is the person who'll have to operate the apparatuses, the machines, and the achieved materials – having influence upon the repeating of buying.

3. Towards an Upstream Marketing

Ones can affirm that the interlocutor of the decident in the industrial marketing is both the person and the group deciding the purchase; for that it is necessary to know the attitudes and the motivations which determine the buying (11). The buying behaviour is mainly rational, but includes affective motivations, too – a fact that has been confirmed by the performed studies and the practice showed on market. The industrial buyer's importance in the inter organizational marketing knows a continuous increasing, while the buying (purchasing) function of the enterprise, which has remained for a long time as a "Cinderella", sees improvements, reorganizations and, as a result, a development of the importance and its part in the general management of the organization. After the development of the administration function of the production and downstream management, a development of the upstream management it was imposed, too – the purchasing processes – making the link in the productive and value chain almost inert. Due to its special importance in optimizing the production costs, - the purchasing (buying) function of the enterprise will play an important part in increasing the profitability of the organization, and implicitly, in performing its objectives by satisfying the clients and the society, generally speaking. This predictable evolution will lead to the "integration" of the buying function and strengthening the part of "integrated marketing", multiplying the specialists' importance and their part in the range. On the other hand, they imposed the elaboration of a real purchase strategy – having in view the search and analyse of the suppliers' market (an authentic management of the suppliers' marketing), the study of micro and macro medium, as well the forming of an efficient purchasing mix, by using of some specific and differing techniques and procedures – depending on the suppliers' market. Thus, they could talk about the marketing emergency, by promoting a marketing of development, the marketing of purchases.

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