

purchasing



SHOW WHAT YOU KNOW

Visual Literacy Buyers in the clothing industry view designs prior to purchasing new collections. They must budget and plan seasonal purchases. New designs are presented at trade shows and in private business settings. *What might be some sources for information about suppliers of products, materials, and services?*

Discovery Project

From Producer to Final User

Essential Question

How does a buyer at a retail store plan purchases for upcoming resale?

Project Goal

You and a partner are buyers for a retail store or chain of stores. Select a product or group of products for resale at the store. With your partner, learn all you can about how to plan a purchasing program for the coming months or season. Conduct research and also interview at least three store buyers or managers. Share your purchasing plan with the class.

Ask Yourself...

- What will you investigate in your research?
- What questions will you ask buyers and managers during your interviews?
- What information is contained in a purchasing plan?



Solve Problems What are some criteria you would use for selecting goods for purchase?

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Activity

Get a worksheet activity about planning purchases.

Evaluate

Download a rubric you can use to evaluate your project.

DECA Connection

DECA Event Role Play

Concepts in this chapter are related to DECA competitive events that involve either an interview or role play.

Performance Indicators The performance indicators represent key skills and knowledge. Your key to success in DECA competitive events is relating them to concepts in this chapter.

- Explain the nature and scope of purchasing.
- Place order/reorders.
- Persuade others.
- Select vendors.
- Evaluate vendor performance.

DECA Prep

Role Play Practice role-playing with the DECA Connection competitive-event activity at the end of this chapter. More information on DECA events can be found on DECA's Web site.

ENGAGE

Visual Literacy

Ask students: *What might be some sources for information about suppliers of products, materials, and services?* *magazines, journals, and Web sites that cater to a specific trade, such as athletic wear or home furnishings, trade shows, fellow buyers* Then ask these guiding questions to activate prior knowledge.

Guiding Questions

List What are the five rights of merchandising?

(1) right goods; (2) right time;
(3) right place; (4) right price;
(5) right quantity

Analyze What part of the marketing plan contains sales forecasts? What should a company do if it fails to meet a specific sales forecast?

The implementation portion contains the sales forecast. If a company fails to meet sales forecasts, managers should attempt to determine why and, if appropriate, take corrective action to modify future forecasts.

Discovery Project

From Producer to Final User To start a discussion about purchasing, ask students the Discovery Project Essential Question: *How does a buyer at a retail store plan purchases for upcoming resale?* A buyer for a retail store would likely plan purchases of goods to be sold in coming months by preparing a six-month merchandise plan, which would be based on past sales, changing market conditions, and so on. Factors such as the types of products, available capital, space for storage, available sources, and delivery time affect merchandise plans.

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Discovery Project Resources Send students to the Online Learning Center to download a rubric to evaluate their projects.

ENGAGE

Introduce the Chapter

Chapter 23 discusses how different types of buyers make purchasing decisions along with the tools and resources they use in making these decisions. These main concepts are introduced and discussed:


- Fundamentals of planning purchases
- The six-month merchandise plan
- How to calculate figures such as open-to-buy and beginning-of-the-month inventory
- Planning purchases for chain-store operations
- Centralized and decentralized buying
- Government and institutional markets
- Types of purchase situations
- Selecting suppliers
- Negotiating terms
- Internet purchasing

Discussion Starter

Importance of Planning Purchases Ask students if they would enjoy shopping—with someone else’s money. Then ask if any of them have ever considered becoming a buyer, either one who buys goods for a retail store or one who buys goods to operate a business. Point out that two types of buyers—industrial and resale buyers—will be discussed here. Encourage students to discuss what they think each job entails and to give their opinions as to whether the job would be fun, interesting, or challenging.

DECA Connection

Discuss the performance indicators listed in the DECA Connection feature. Explain to students that performance indicators tell them how to demonstrate their acquired skills and knowledge through individual or team competitive events.

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Competitive Events Workbook For more DECA Role Plays, send students to the Online Learning Center to download the Competitive Events Workbook.

PRINT RESOURCES

- ▶ **Student Edition**
- ▶ **Teacher Edition**
- ▶ **Student Activity Workbook with Academic Integration** includes worksheets and activities correlated to the text.
- ▶ **Mathematics for Marketing Workbook** provides math activities for every unit in the text.

TECHNOLOGY TOOLBOX

- ▶ **Connect**
- ▶ **ConnectPlus**
- ▶ **ExamView Assessment Suite** is a comprehensive solution for creating, administering, and scoring tests.

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Online Learning Center provides a variety of resources to enrich and enhance learning.

SECTION, CHAPTER,
AND UNIT RESOURCES

- ▶ **Graphic Organizers** for organizing text concepts visually.
- ▶ **Digital Nation Activities** and **Green Marketer Activities** extend learning beyond the text features.
- ▶ **Career Chatroom Career Profiles** allow students to explore different marketing occupations in depth.
- ▶ **After You Read Answer Keys** for students to check their answers.
- ▶ **Discovery Project Rubrics** and **Marketing Internship Project Rubrics** for students to evaluate their projects.

PROGRAM
RESOURCES

- ▶ **Student Activity Workbook with Academic Integration Teacher Annotated Edition** includes annotated answers for the activities and worksheets.
- ▶ **Marketing Research Project Workbook** provides a step-by-step approach for students to complete their own marketing research studies.
- ▶ **School-to-Career Activity Workbook** helps students relate their class work to on-the-job experience and involves work-site analysis and working with mentors.
- ▶ **Competitive Events Workbook** helps prepare students for state and national marketing education competitions.
- ▶ **Inclusion in the Marketing Education Classroom** provides teaching resources for working with students with special needs.
- ▶ **PowerPoint Presentations** provides visual teaching aids and assessments for this chapter.

READING GUIDE

Before You Read

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

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 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.

Vocabulary

Content Vocabulary

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

Academic Vocabulary

- You will find these words in your reading and on your tests. Make sure you know their meanings.
- predicts
 - technical

Graphic Organizer

Draw or print this chart to write two or three sentences describing these markets: industrial, resellers, government, and institutional.

Market	Notes
Industrial	
Resellers	
Government	
Institutional	

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Print this graphic organizer.

STANDARDS

ACADEMIC

English Language Arts

NCTE 5 Use different writing process elements to communicate effectively.

Mathematics

NCTM Problem Solving Solve problems that arise in mathematics and in other contexts.

NCTM Algebra Represent and analyze mathematical situations and structures using algebraic symbols.

NCS National Council for the Social Studies

NCTE National Council of Teachers of English

NCTM National Council of Teachers of Mathematics

NSES National Science Education Standards



Common Core Speaking and Listening

Prepare for and participate effectively in a range of conversations and collaborations with diverse partners, building on others' ideas and expressing their own clearly and persuasively.

MARKETING CORE FUNCTION

Channel Management



Section 23.1

The Role of the Buyer

PLANNING PURCHASES

Organizational buyers purchase goods for business purposes, usually in much larger quantities than purchased by the average consumer. They must have knowledge about the products they buy and understand the operations of their firm. Knowledge of the manufacturing and service operations is especially important.

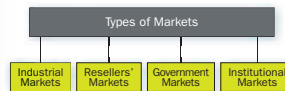
As You Read

Compare Identify the similarities and differences of the four markets.

INDUSTRIAL MARKETS

In manufacturing and service businesses, the people responsible for purchasing may be known as *purchasing managers, industrial buyers, or procurement managers.*

Although their specific job titles may vary, all of these individuals share the same function in common—to purchase goods and services for use by the business.



In manufacturing businesses, planning purchases often requires industrial buyers to be directly involved with production planning.

Consider the following case of a purchasing manager for a manufacturer that makes specialty clothing designed for outdoor activities. This example will help give you an idea of the various duties and responsibilities involved in planning purchases for a business.

Initially, the purchasing manager reviews the company's master production schedule for details of production needed to meet sales requirements. Let's say that the marketing department **predicts** that the company will be able to sell 500 of the manufacturer's Style Number 1900 jackets in the coming season.

The purchasing manager must know exactly how much fabric, insulation, and thread and how many zippers it will take to produce a single Style Number 1900 jacket. This list is called a "bill of materials." The total of all the materials necessary to make one jacket can then be multiplied by 500. The resulting figure will show exactly what needs to be purchased in order to produce the number of jackets that will meet the sales goal.

“ Having a handle on business trends that affect a buyer's industry is important, especially when buying for resale purposes. ”

In order to determine when to buy the items needed, the purchasing manager would be responsible for materials requirement planning (MRP). MRP includes a **technical** analysis of when to make the purchases so they are available when needed, according to the production schedule. The purchasing manager must therefore know the capacity of the manufacturing facility. The individual must make sure the company has enough room to house all the supplies and raw materials and the inventory of finished goods.

ENGAGE

Anticipation Activity

Improving Student Achievement Organize students into teams of five. Each team should research the purchases needed to open a 50-seat restaurant. Have teams present a list of goods to purchase, a proposed budget, and a list of vendors to contact.

Objectives

- **Define** the terms used to describe organizational buyers. *Purchasing managers, procurement managers, and industrial buyers each obtain goods and services either for business use or to resell.*
- **Explain** how planning purchases differs between an industrial market and a reseller's market. *industrial—based on business needs; reseller's—based on consumer wants, needs*
- **Describe** the six-month merchandising plan and explain its calculations. *It is the sales for next six-month period and it includes projected sales, BOM, reductions, and purchases.*
- **Explain** the concept of chain-store buying. *Allows the chain to forge a unified image and obtain quantity discounts.*

Graphic Organizer

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

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iWB

Graphic Organizer Send students to the Online Learning Center to print this graphic organizer.

EXPLORE



Before You Read

Read the Before You Read question aloud: *What happens when you cannot find a product you need at a store because it is sold out?* Sample answers: I look for the product in another store. In the future, I may not return to the sold-out store because I don't want to take a chance that they might be sold out again. Then ask: *What does this tell you about the importance of a retail store having knowledgeable buyers?* Knowledgeable buyers are vital if a store is going to be competitive in the marketplace.

Preteaching Vocabulary

Have students go to the Online Learning Center at glencoe.com for the Section 23.1 Preteaching Vocabulary online quiz.

Content Vocabulary

Tell students to work individually to write a quiz consisting of six true/false questions, one for each of the Content Vocabulary words. When finished, students should trade questions with a partner and take one another's quizzes. Sample question: *While wholesale buyers are a type of organizational buyer, retail buyers are not.* (False—both are types of organizational buyers)

Academic Vocabulary

Predicts—Usage Display the word *predicts* for the class and ask: *What does it mean when a weather forecaster predicts tomorrow's weather?* The forecaster attempts to tell what the weather will be like in the future, based on current conditions, conditions in surrounding areas, science, past experience, and so on. Discuss that, like the weather forecaster, we try to make predictions based on a variety of factors, including our past experiences and events happening around us.

Technical—Denotative Meaning Display the word *technical* and explain that it means “to have specialized, usually practical knowledge.” Read aloud this sentence: *Purchasing managers must make a technical analysis of which materials are required to manufacture a specific product.* Discuss that the manager must have *specialized* knowledge that is applied in a *practical* way (to make a list of needed materials).



PROFESSIONAL DEVELOPMENT

MINI CLIP 

Reading: Preparing to Read

Go to the Online Learning Center for a video in which a teacher uses multiple instructional strategies to prepare students to read a persuasive essay.

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Section 23.1

The Role of the Buyer

PLANNING PURCHASES

Ask these guiding questions to focus the discussion on planning purchases.

Guiding Questions

Describe What kinds of knowledge must an organizational buyer have?	product knowledge and an understanding of manufacturing and service operations
Contrast Why does an industrial buyer often have to be directly involved in production planning?	The industrial buyer must know details such as how much will be manufactured and when, so they will know which materials to order.
Infer In the term <i>procurement manager</i> , what do you think the word <i>procurement</i> means?	buying or obtaining the materials, products, and supplies needed to run a business



As You Read

Read to students the As You Read statement: *Identify the similarities and differences of the four markets.* **Similarities:** All require buyers to be knowledgeable about their products, the operations of their firms, and current trends. They also must plan far in advance of the selling season. **Differences:** Industrial buyers purchase goods to be used in the manufacturing process and therefore frequently are directly involved with production planning. Wholesale and retail buyers purchase goods for resale. Unlike industrial buyers, government buyers and institutional buyers purchase goods for use by local, state, and federal governmental agencies and nonprofit organizations.

Expert Advice

Read the quote to students:

“Having a handle on business trends that affect a buyer's industry is important, especially when buying for resale purposes.”

Tell students that this quote emphasizes how important it is for buyers to stay on “the cutting edge.” Ask students: *If you were a buyer for a sporting goods store, what kinds of trends would you watch for?* increases or decreases in the percentage of Internet sales, changes in the popularity of certain sports, and changes in technology of equipment, such as new technologies in fishing reels.

Timelines and delivery of all supplies must be followed and checked on a regular basis to maintain the master production schedule. This ensures that everything is as it should be for manufacturing to progress at an appropriate rate.

RESELLERS' MARKETS

The resellers' market is found in wholesaling and retailing operations where the person responsible for purchasing is simply called a "buyer." **Wholesale and retail buyers** purchase goods for resale. They forecast customers' needs and buy the necessary products. All buyers must plan far in advance of the selling season to know how much of each item to purchase.



Buy to Sell Buyers decide which goods are best, choose suppliers, negotiate prices, and award contracts ensuring the product's timely receipt.

SIX-MONTH MERCHANDISE PLAN

Buyers plan their purchases by preparing a **six-month merchandise plan**, which is the budget that estimates planned purchases for a six-month period. (See **Figure 23.1** on page 540 for a nearly completed merchandise plan.)

The first figure calculated on a merchandise plan is the planned sales figure. In most cases, buyers determine this figure by using the previous year's monthly sales figures. Then they adjust them to reflect the firm's current-year sales goal.

Suppose sales for a particular month last year totaled \$100,000, and this year's goal is to increase sales by 10 percent. This year's planned sales for the month would be calculated as follows:

$$\text{Desired increase: } \$100,000 \times .10 = \$10,000$$

$$\text{Planned sales: } \$100,000 + \$10,000 = \$110,000$$

You could also reach the same result in a single step:

$$\$100,000 \times 1.10 = \$110,000$$



Purchasing and inventory control go hand in hand. Buyers need to know what sells and what does not. Companies need to figure out their projected sales to order the correct quantities of merchandise. *What can happen if a this dress shop runs out of a popular dress just before prom season?*

Buy to Sell

The company goal for the current year is derived from a study of last year's sales, current market and economic conditions, and an analysis of the competition. Projection of accurate planned sales figures is important because all other figures on the merchandise plan are computed on the basis of this figure.

Buyers must ensure that there is enough stock to accommodate the planned sales volume. This is also known as *beginning-of-the-month (BOM) inventory*. To project this figure, a buyer checks the previous year's records for how much stock was needed in relation to monthly sales. Sales were \$40,000 in a given month, and the BOM stock value for that month was \$120,000. Therefore, the stock-to-sales ratio is 3 to 1. The buyer can apply that same ratio to the planned figure for another month if both economic and market conditions are similar.

Here is how the BOM figure on the merchandise plan is calculated. Suppose the stock-to-sales ratio is 2:1 (usually reported as 2). This means that to accommodate a given sales volume, twice that amount of stock must be kept on hand.

In other words, BOM inventory should be twice the amount of anticipated sales. If sales are \$5,000, then the BOM would be \$10,000.

The end-of-the-month (EOM) stock figure is closely related to the BOM stock figure. The BOM stock figure for any given month is the EOM stock figure for the previous month.

Planned retail reductions take into account reductions in the selling price, shortages of merchandise caused by clerical errors, employee theft, and customer shoplifting. Such reductions in earnings and merchandise shortages ultimately affect the amount of money that must be planned for purchases.

Planned retail reductions can be calculated in two different ways. One is to calculate reductions as a percentage of planned sales. Suppose planned reductions have historically been 10 percent of planned sales. If planned sales for the month are \$25,000, planned reductions for that month would be calculated as follows:

$$\$25,000 \times .10 = \$2,500$$

MARKETING CASE STUDY

Frito-Lay Buys Local



When you buy a bag of chips and crunch into them, you are eating a product that started out as a potato in the ground—from California, Texas, or other states. That was the idea behind Frito-Lay's "Local" campaign, which speaks to the trend of buying products obtained from local suppliers.

Meet the Suppliers

"While Lay's Potato Chips have been one of the most popular snacks since they were introduced, what people might not realize is how many communities across the country play a role in the creation of America's favorite potato chip," said a Frito-Lay vice president. The company purchases potatoes from 80 different farms in 27 states. Some of the actual farmers appeared in Lay's TV ads, which emphasized the notion that the company is "closer to home than people might expect."

English Language Arts/Writing

Discuss You are the buyer for a competing potato chip manufacturer and have decided to buy potatoes from local growers. What type of purchase is buying potatoes for potato chips? What information would you need before you could plan your purchase?

NOTE 1 Read texts to acquire new information.

EXPLAIN

Activate Prior Knowledge

Reteach Wholesale versus Retail Ask students: *What is the difference between wholesale and retail buyers?* Wholesale buyers sell goods that will be resold. Retail buyers sell to the final customer.



Buy to Sell Display a list of these responsibilities of buyers: (1) Choose goods to buy; (2) Choose suppliers; (3) Negotiate prices; (4) Award contracts, making certain goods will be received when needed.

Critical Thinking

Discuss the roles of a buyer. Ask students: *Which responsibilities of a buyer do you think would be the most difficult to meet? Why?* I think it would be hard to choose what goods to buy, especially in a trendy market such as a boutique clothing store. Styles change quickly, and it would be difficult to stay on top of the latest fashions.

Visual Literacy

Buy to Sell Caption Answer Read the caption question to students: *What can happen if this dress shop runs out of a popular dress just before prom season?* Consumers might go to another store or the Internet to look for the product. If they are satisfied with this new source, they might become loyal to it and not return to the original store. Ask: *Has this, or a similar situation ever happened to you?* *What did you do?* Yes, I wanted to buy a particular digital camera, but the store I usually go to was sold out. The salesperson said they should have another shipment in a week, but I needed the camera for a birthday party, so I went to another store. I would have looked on the Web, but I did not have time to wait for delivery. Then ask: *Have you shopped at the store since that time? If not, what might it take to get you back into that store?* The point that students should understand is that if a store loses a customer because it does not have what the customer wants, it may be difficult to get the customer to return to the store.

ELABORATE

SIX-MONTH MERCHANDISE PLAN

Discuss with students that clearly-stated goals help buyers focus on where they are heading. To encourage a discussion of the six-month merchandise plan, ask these guiding questions.

Guiding Questions

Analyze Why is it important that the projection of the planned sales figures be reasonably accurate?

If these figures are not reasonably accurate, there will be problems with the entire plan because all other figures are computed from these figures.

Predict Describe a situation in which one year ago, a store had monthly sales for March of \$85,000 and beginning-of-the-month stock value of \$250,000. For this year, the planned March sales were increased by 6 percent, but the BOM stock was unchanged. What might happen?

Possible answer: The planned sales figure might not be reached because the BOM inventory does not support the increase in sales.

Critical Thinking

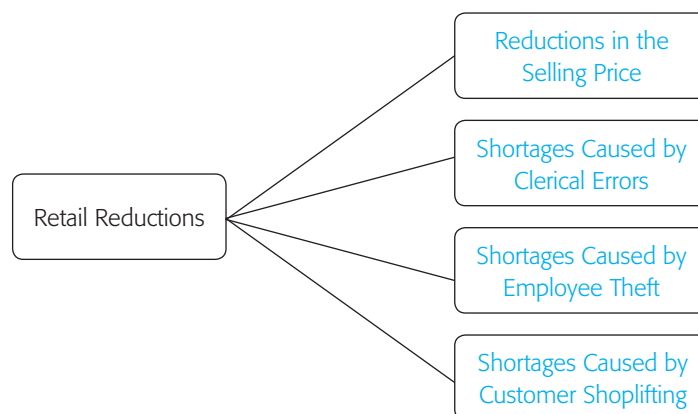
Lead a discussion about the implications of a poorly planned six-month merchandise plan. Point out that having too much or too little inventory can be a major problem for a business as it affects sales and profit. Encourage students to discuss the kinds of difficulties that might occur. *If there is too much inventory, capital resources are tied up, preventing the money from being spent in other ways. Inventory must be stored, which is expensive. Prices will probably have to be reduced to get rid of excess inventory, thereby reducing or eliminating profits. If there is too little inventory, consumers are likely to go where the selection is better, and may not return, even if selections improve at a later time.*

MARKETING CASE STUDY

English Language Arts/Writing Answer Students should state that buying potatoes is an industrial purchase. Information might include answers to these questions: Can suppliers provide the type and quality of potatoes needed? Can they provide the necessary quantities? Could suppliers deliver potatoes, or would the buyer have to hire someone to do this? Another consideration would be whether suppliers could supply potatoes year-round as needed by the manufacturer, or whether the manufacturer needs storage facilities. The second option might allow the manufacturer to save money on potatoes, but it would increase overhead for storage.

Graphic Organizer

Display this graphic organizer. Then work with students to fill in four common causes of retail reduction.



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iWB

Graphic Organizer Send students to the Online Learning Center to print this graphic organizer.

Mini Project

Differentiated Instruction

Verbal Learners Organize the class into pairs. One student in each pair should teach the other how to perform each of these calculations: (1) Planned sales; (2) Beginning-of-the-month (BOM) inventory; (3) End-of-the-month (EOM) inventory; (4) Planned retail reductions based on a percentage of planned sales. Encourage students to make up their own figures. *Pairs should take turns explaining each of the listed calculations. Sample: The beginning-of-the-month inventory is calculated using the ratio from the previous year. So, if planned sales for a month are \$85,000 and the BOM ratio is 3:1, the BOM inventory should be \$255,000 ($85,000 \times 3$).*

Extension

Researching Trade Shows Point out to students that many wholesale and retail buyers keep up with their markets by attending trade shows. Have students choose a retail market in which they are interested and research trade shows aimed at that market. Instruct students to create a listing of the major shows. Each listing should contain: the name of the trade show, a brief description of the show, the location of the next show, and the date(s) for the next show. *Each listing should contain the specified information. For example, jewelers and gemstone dealers from around the world attend the Tucson JOGS Jewelry & Gem Show every winter to buy and sell gemstones and finished jewelry*

FIGURE 23.1 Six-Month Merchandise Plan

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 complete 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	13,595	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							

Some companies set goals of reducing planned reductions from the previous year. Assume that a firm's goal is to reduce this year's planned reductions by 5 percent from last year's figure. Last year's reductions totaled \$700; therefore this year's planned reductions would be figured this way:

$$\text{Desired decrease: } \$700 \times .05 = \$35$$

$$\text{Planned reductions: } \$700 - \$35 = \$665$$

This result could also be reached in a single step: $\$700 \times .95 = \665

The planned purchase entry shows the retail-dollar purchase figures that a firm needs to achieve its sales and inventory projections for each month. Planned sales, BOM stock, and reductions are all necessary for determining planned purchases (P). That includes planned sales (PS), planned EOM/BOM stock, and planned reductions (R).

The formula for planned purchases is:

$$(PS + EOM \text{ stock} + R) - BOM \text{ stock} = P$$

Assume that planned sales are \$10,000, planned EOM stock is \$25,000, planned reductions are \$500, and BOM stock is \$20,000. Using the formula, planned purchases would be calculated this way:

$$(\$10,000 + \$25,000 + \$500) - \$20,000 =$$

$$\$35,500 - \$20,000 = \$15,500$$

OPEN-TO-BUY

During the buying season, a buyer may want to know the **open-to-buy (OTB)**, which is the amount of money a retailer has left for buying goods after considering all purchases received, on order, and in transit.

OTB is calculated this way:

$$P - (\text{goods received} + \text{goods ordered}) = \text{OTB}$$

Assume that merchandise received against the planned purchase figure just calculated is \$6,500 so far, and merchandise on order against it is \$2,000. The present OTB would be as follows:

$$\$15,500 - (\$6,500 + \$2,000) = \text{OTB}$$

$$\$15,500 - \$8,500 = \$7,000$$

This \$7,000 figure represents the retail value of the goods that the buyer may purchase at the time. However, the problem is not solved here.

There is a way to determine the actual money the buyer has to spend. You must calculate the markup percentage used by the buyer and deduct that figure from the retail value. Assume that the markup percentage is 45 percent, based on the retail value of the merchandise.

Here is the formula for determining the OTB at cost:

$$100\% - \text{markup \%} =$$

$$\% \text{ attributed to cost of the item}$$

$$\% \text{ attributed to cost} \times \text{retail value} =$$

$$\text{OTB at cost}$$

$$100\% - 45\% \text{ markup} = 55\% (\text{cost})$$

$$55\% (\text{cost}) \times \$7,000 (\text{retail}) =$$

$$\$3,850 \text{ OTB at cost}$$

Therefore, in the end, the buyer has \$3,850 to spend with all other costs considered. You can see how this extra step makes a big difference in the final amount.

Reading Check

Identify What is the six-month merchandise plan?



Buyers need to understand their customers and the products they sell in order to make purchasing decisions. *How can the knowledge of a company's customers and products improve a buyer's purchasing power?*

Purchasing Power

EXPLAIN

Visual Literacy

Figure 23.1 Caption Answer

Read the caption question to students: **What are the planned purchase figures for May through July?** May: \$48,790; June: \$42,655; July: \$117,000 Ask students: **Assume that the planned Retail Stock BOM for February is \$315,700. What stock-to-sales ratio would this be?** 3.5:1 Then ask: **How does this stock-to-sales ratio compare with the one shown for February in this figure?** Because the ratio in the table is 4:1, a BOM of \$315,700 would be 0.5 percent less.



PROFESSIONAL DEVELOPMENT

MINI CLIP

Math: Multiple Approaches to Problem Solving

Go to the Online Learning Center to view a video clip in which a teacher and students discuss various options of problem solving and then apply one, working backward, to a problem.

Critical Thinking

After students have studied Figure 23.1, point out that the plan covers the months February through July. Tell students that some retail markets are very active only at certain times of the year. The market for candy, for example, centers on holidays such as Halloween and Valentine's Day. In such cases, it is important for buyers to be able to project sales by the month because the variation from month-to-month can be great. Ask: **What other retail markets might vary greatly depending on the time of year?** bedding plants are typically purchased in the spring; winter clothing sales are higher in the late summer and fall; school supply sales are up during the weeks before and after the start of the school year.

Reinforce Vocabulary

Open-to-Buy—Usage Explain that in this situation, *open* refers to money that is available for use in purchasing new inventory. Likewise, the term *open stock* is stock that is available for consumers to purchase. Ask: **Can you think of other situations in which open is used in this sense?:** The pool has open swimming from 1:00 to 5:00.

ELABORATE

OPEN-TO-BUY

Ask these guiding questions to focus the discussion on the topic of open-to-buy.

Guiding Questions

Explain Why must the cost of goods on order be taken into account when determining the open-to-buy number?

Goods have already been ordered, but not paid for; their cost must be subtracted to determine how much money is left for additional purchases.

Calculate Assume that a buyer's planned purchase figure is \$35,500. Goods already received are \$20,000 and goods on order are \$4,000. The markup is 40 percent, based on the retail value of the merchandise. What is the actual amount of money the buyer has left to spend?

First calculate the retail cost of the goods that can still be purchased: $(35,500 - 20,000 - 4,000) = \$11,500$. Then, determine the markup and subtract it from 100. Multiply this cost percentage by the retail value of the goods: $11,500 - (100 - 0.40) = \$6,900$.



Reading Check Answer

Read the Reading Check question to students: *What is the six-month merchandise plan?* It is a budget that estimates planned purchases for a six-month period.

Visual Literacy

Purchasing Power Caption Answer

Read the caption question to students: *How can the knowledge of a company's customers and products improve a buyer's purchasing power?* A buyer's knowledge of the company's customers helps the buyer to understand the kinds of products or services that will appeal to that customer. For example, older customers are more likely to want clothes that are more conservative and can be worn for a longer time period to a variety of functions. Younger customers may want clothes that are trendier and may only wear the clothes for a relatively short time period. A buyer must be aware of the products the company is currently selling in order to purchase new products that will complement, but not duplicate, current products.



MARKETING

Meta Markets

A Meta Market is a special market found on the Web that caters to a specific event or industry. Complementary products are included in the Meta Market. A Meta Market can be established for business-to-consumer (B2C) and for business-to-business (B2B). Meta Markets create a one-stop shopping for consumers. For example, there could be a Meta Market for anglers that include businesses that sell boats, fishing poles, line, reels, and other equipment and accessories. B2B Meta Markets generally center around an industry, such as the chemical industry or auto industry. B2B companies can get rid of excess inventory by trading items with other vendors and can easily attract new buyers who visit a Meta Market.

Innovate and Create

Have students assume they are wedding planners or event planners for a business. They must put together all the details for an upcoming event. For a wedding the details will include: purchasing flowers, wedding invitations, favors, and a wedding cake, as well as finding the right venue, DJ, and caterer. For a business conference the details may include: catering food, finding a meeting site, ordering audio-visual equipment, arranging travel plans for participants, and organizing activities for the spouses of the conference attendees. After students conduct all the research for one of the above events, have them create a Meta Market Web site for other event planners to use in order to make their job easier. What complementary vendors would they include in their Meta Market for Event Planners? There is a Meta Market for weddings already in existence for consumers to use called "the knot," which you can view to see the vendors included. Students may add additional businesses such as photographers, videographers, bridal shops, and mother-of-the-bride dress shops. For event planning for business conferences, students may include hotels, airlines, restaurants, caterers, and local sightseeing companies.



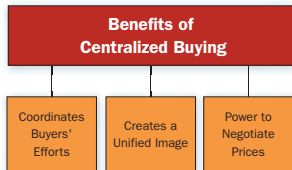
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eMarketing Worksheet Activity Send students to the Online Learning Center to download an eMarketing worksheet activity.

PLANNING PURCHASES FOR A CHAIN-STORE OPERATION

The buying process for all branches in a chain store operation is usually done in a central location, such as company headquarters. This process is called **centralized buying**. Buyers will purchase all the items for a department or part of a department. There may be three buyers for women's shoes—one for casual shoes, another for traditional shoes, and still another for better shoes. To coordinate the efforts of those three buyers, there would be a merchandise or division manager. This person would oversee all shoe buyers, which may include those for men's, children's, and women's shoes.

Chain stores use centralized buying to create a unified image for the chain. Another benefit of centralized buying is quantity discounts. Stores can negotiate with vendors because of the large volume of goods that they purchase at one time.



DECENTRALIZED BUYING

Sometimes chain stores want to have special goods in their stores that are not available elsewhere in the chain. In these cases, local store managers or their designated buyers are authorized to make special purchases for their individual stores. This is **decentralized buying**. Decentralization occurs when authority for retail decisions is made at lower levels in the organization.

Retailers constantly make trade-offs between efficiency and sales potential. Centralized buying is more efficient and decentralized buying has more sales potential. This potential is due to the decisions that tailor merchandise to local markets.

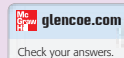
Benefits of Decentralized Buying



PRACTICE

On a separate sheet of paper, practice the following calculations that are necessary for creating a six-month merchandise plan:

- Last March a shop had sales of \$7,300. The owner's goal is to increase sales by 8 percent for this year. What would be the planned sales for this March?
- Last year's BOM for March was \$10,950. Calculate the stock-to-sales ratio.
- What should be the BOM stock figure for this March?
- Planned reductions have historically been 10 percent of sales. Using this figure, what would be the planned reductions for this March? The owner would like to cut planned reductions by 5 percent this year. Last year's reductions for the month were \$750. Therefore, what would be this year's target figure?
- Using the figures given or calculated in numbers 1, 3, and 4, determine the planned purchases for the shop if the EOM stock figure for March is \$12,000.
- Assuming merchandise received and ordered amounted to \$1,850, what would be the open-to-buy position at retail?
- The customary markup for an item is 60 percent. What is OTB at cost?



Check your answers.

GOVERNMENT MARKETS

There are also buyers for government markets. Federal, state, and local agencies are the government units responsible for purchasing goods and services for their specific markets. There are approximately 85,000 government units in the United States. These include the departments of sanitation, public libraries, and local school boards.

Government markets make up one of the largest single markets for retail goods and services in the world. In the United States, the federal government is a huge consumer of goods, ranging from food for school lunches to military equipment. No one federal agency is responsible for all government buying.

INSTITUTIONAL MARKETS

One final segment of the market includes institutions and nonprofit organizations that do not compete in the business world in the same way retailers and wholesalers do. These institutions include hospitals, museums, libraries, prisons, schools, colleges, places of worship, civic clubs, and various foundations that do not work solely for profit.

Many institutions and nonprofit organizations have unique buying needs. Some of these organizations may purchase goods and services for use in the production of their own goods or services.



After You Read Section 23.1

Review Key Concepts

- List three job titles that can be used to describe people responsible for purchasing in manufacturing and service businesses.
- Explain how a bill of materials is used in planning purchases.
- Identify two benefits of centralized buying.

Practice Academics

English Language Arts

- Work with a partner to create a role-play about purchasing for business. Consider presenting topics such as employee theft, customer shoplifting, disagreements about EOM/BOM totals, or whether to use centralized or decentralized buying. Submit a script for your role-play.

NCTE 5 Use different writing process elements to communicate effectively.

Mathematics

- An office supply company has planned purchases in the amount of \$23,000. If the company has goods received in the amount of \$7,500 and goods ordered in the amount of \$12,000, what is the open-to-buy (OTB) for the company?

Math Concept Algebra The open-to-buy (OTB) is the amount of money left for buying goods after all purchases received and on order have been considered.

Starting Hints To solve this problem, find the sum of the goods received and goods ordered. Subtract the sum you found from the planned purchase amount for the company.

NCM Algebra Represent and analyze mathematical situations and structures using algebraic symbols.



Check your answers.

For help, go to the **Math Skills Handbook** located at the back of this book.

ELABORATE

Reinforce Vocabulary

Decentralized Buying—Prefixes The prefix *de-* means “opposite of.” Thus, *decentralized* means “not centralized.” Ask for examples of other words that use the *de-* prefix. **deodorize, deflate, decompose**

ANSWERS TO PRACTICE 1

- Planned sales for this March = \$7,884 ($7300 \times .08 + 584 + 7300$)
- Stock-to-sales ratio = 1.5 ($10950/7300$)
- BOM stock figure for March = \$11,826 (7884×1.5)
- Reductions at 10% of sales = \$788.40 (7884×0.10); Reductions by 5% from last year = \$712.50 ($750 \times .05 = 37.50$, $750 - 37.50 = 712.50$)
- Planned purchases = \$8,846.40 [$P = (7884 + 12,000 + 788.40) - 11,826$]
- OTB at retail = \$6,996.40 ($8,846.40 - 1850$)
- OTB at cost = \$2,798.56 ($100 - 0.60 = .40$, $6996.40 \times .40$)

PLANNING PURCHASES FOR A CHAIN-STORE OPERATION

Tell students that most chains keep a tight rein on their individual stores, including the kinds of goods these stores offer for sale. To focus student discussion on planning purchases for chain-store operations, ask students these guiding questions.

Guiding Questions

Recall How are purchases for chain store operations typically made?

They are typically made at a single central location such as company headquarters.

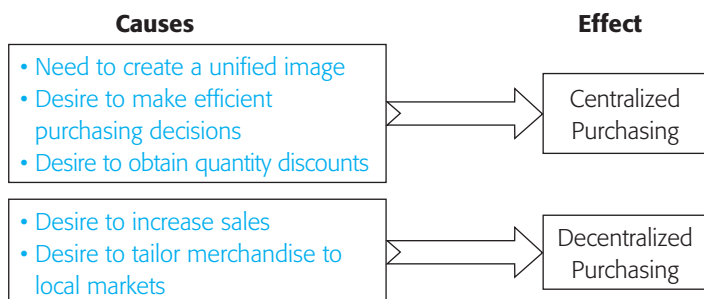
Make Judgments What might be a disadvantage if individual chain stores made their own buying decisions?

The overall unifying image of the chain may get lost; the stores might not get the same quantity discounts.

EVALUATE

Graphic Organizer

To encourage a discussion of centralized versus decentralized buying, display this cause-and-effect diagram. Ask students to provide reasons that centralized buying occurs. **Possible answers:**


glencoe.com

iWB

Graphic Organizer Send students to the Online Learning Center to print this graphic organizer.

Activate Prior Knowledge

Reteach Public Sector and Private Sector Remind students that government-financed agencies are part of the public sector. This sector purchases approximately one-third of all goods and services sold in the United States. Those businesses not associated with government agencies are part of the private sector. While the purpose of most private sector businesses is to make a profit, some of them, such as the International Red Cross, may operate like businesses, but are not intended to earn a profit.

Mini Project

Differentiated Instruction

Kinesthetic Learners Pair students and tell them they work for a large chain clothing store. One student is the store manager; the other is sales manager. The store is in a college town and the sales manager is often asked for specific clothing brands geared toward this market. Currently, all clothing is centrally purchased, and the store has little control over its inventory. Have students role-play a discussion in which the sales manager encourages the store manager to make a more decentralized purchases. **The sales manager should discuss how decentralized purchases will give the store more appeal in the market, which will result in more sales. The manager should state the advantages of centralized buying, such as setting a specific brand image and obtaining quantity discounts.**



After You Read

Section 23.1

Review Key Concepts

1. 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.
2. 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.
3. 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.

Practice Academics

English Language Arts

4. Students should submit a detailed, well-written script for a role-play in which they discuss making purchases for a business. Topics covered might include reductions related to customer shoplifting, employee theft, and how to establish BOM totals. In addition, students may choose to have a debate over the topics of centralized and decentralized purchasing. For example, one partner might believe that in order to meet local needs, the store needs to engage in some decentralized buying, while the other partner might support centralized buying in order to maintain the chain's brand.

Mathematics

5. The open-to-buy is \$3,500.
(23,000 – 7,500 – 12,000)


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Answer Key Send students to the Online Learning Center to check their answers.

READING GUIDE

Before You Read

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

Objectives

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

The Main Idea

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

Vocabulary

Content Vocabulary

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

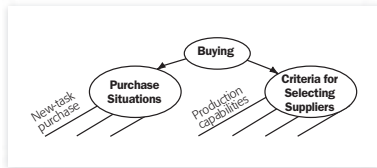
Academic Vocabulary

You will find these words in your reading and on your tests. Make sure you know their meanings.

- evaluates
- journals

Graphic Organizer

Draw or print this chart to write in three types of purchase situations and four criteria for selecting suppliers.



glencoe.com

Print this graphic organizer.

STANDARDS

ACADEMIC

English Language Arts

NCTE 12 Use language to accomplish individual purposes.

Mathematics

NCTM Problem Solving Solve problems that arise in mathematics and in other contexts.

NCSS National Council for the Social Studies

NCTE National Council of Teachers of English

NCTM National Council of Teachers of Mathematics

NSES National Science Education Standards



Common Core

Writing Write informative/explanatory texts to examine and convey complex ideas and information clearly and accurately through the effective selection, organization, and analysis of content.

Writing Write narratives to develop real or imagined experiences or events using effective technique, well-chosen details, and well-structured event sequences.

MARKETING CORE FUNCTION

Channel Management

me

Section 23.2

The Purchasing Process

UNDERSTANDING THE PROCESS

The ways that buyers select suppliers, how the terms are negotiated, and how the Internet is used are all factors that affect the entire buying or purchasing process. In addition, there are many types of purchase situations.

As You Read

Compare Consider the differences between the types of purchase situations.

TYPES OF PURCHASE SITUATIONS

How difficult is the task of a purchasing manager or a buyer? The answer depends on which type of purchase situation is considered. Let's review the three types of purchase situations: new task purchase, modified rebuy, and straight rebuy.

NEW-TASK PURCHASE

In a new-task purchase situation, a purchase is made for the first time. It can be triggered by a formerly unrecognized need, a new manufacturing process, or organizational change. This can be the most complicated buying situation, because it involves a first-time purchase. In a retail or wholesale operation, salespeople prepare **want slips**, which are customer requests for items not carried in the store. The buyer **evaluates** want slips to determine if the requests warrant the purchase of new merchandise.

“The level of difficulty for a buyer varies depending on the type of purchasing situation.”

MODIFIED REBUY

In a modified-rebuy situation, the buyer has had experience buying the good or service, but some aspect of the purchase changes. Perhaps the buyer is purchasing from a new vendor because the previous vendor went out of business or increased prices significantly. Other reasons for investigating new vendors may come from an analysis of the competition through comparison shopping. Buyers may also analyze current trade information found in trade publications or trade shows.

Finally, retail buyers may hire the services of a resident buying office. Resident buying offices are retailers' representatives in a geographic area where many suppliers of a given product are located. New York City's garment district, for example, is a central market for clothing. Resident buying offices send information to retail buyers on a regular basis. They inform buyers about new merchandise offerings, closeouts, or fashion trends.

STRAIGHT REBUY

In a straight-rebuy situation, the buyer routinely orders the goods and services purchased from the same vendor(s) as in the past. Staple goods such as office supplies fall into the straight-rebuy category for wholesale and retail buyers. The purchase of certain manufacturing supplies may be considered a straight rebuy.

SELECTING SUPPLIERS

The criteria for selecting suppliers fall into a few key categories. They include production capabilities, past experiences, product quality, special buying arrangements, special services, and negotiated terms such as pricing.

ENGAGE

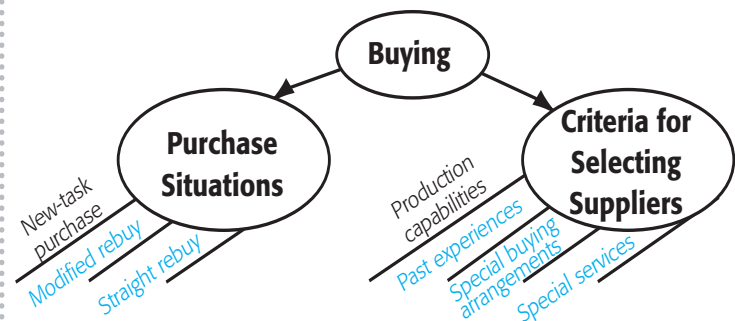
Anticipation Activity

Improving Student Achievement Organize students in groups and explain they are going off to college. They want to rent a house rather than live in a dorm. Have them determine how they will establish their needs, determine available housing, and reach a final decision.

Objectives

- **List** the three types of purchase situations. *new-task purchase, modified rebuy, straight rebuy*
- **Explain** the criteria for selecting suppliers *production capabilities, past experiences, product quality, special buying arrangements, special services, negotiated terms*
- **Name** the factors involved in negotiating terms of a sale. *dating terms, delivery arrangements, discounts*
- **Describe** the various Internet purchasing methods. *Web sites for direct purchases, electronic exchanges, online auctions*

Graphic Organizer



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iWB

Graphic Organizer Send students to the Online Learning Center to print this graphic organizer.

EXPLORE



Before You Read

Read the Before You Read question aloud: *How do you decide where to buy products that are offered at different stores?* Sample answers: If it is a large item, such as an expensive electronic device, I watch the ads and go to a store that offers a good price. If it is a small item or something I need quickly, such as a gift, I go to the store that is most convenient. Then ask: *How do you decide when to purchase an item online rather than at a brick-and-mortar store?* Sample answers: When I don't have time to shop or cannot find an item locally. Sometimes I buy an item online if it is less expensive, but I have to be careful to factor in any shipping charges.

Preteaching Vocabulary

Have students go to the Online Learning Center at glencoe.com for the Section 23.2 Preteaching Vocabulary online quiz.

Content Vocabulary

Display the following terms for students to read: *want slips*, *consignment buying*, *memorandum buying*, *reverse auction*. Go around the classroom, assigning each student a number from 1 to 4. Assign students the term that corresponds to their number (for example, the student with number 3 would be assigned *memorandum buying*). Display the following sentence for the class to read: *How does this term affect the buying process?* Each student should use his or her assigned term to write a single sentence that answers this question. When students are finished, ask for volunteers to read their sentences aloud. Sample sentence: *Buyers use want slips to help determine which products to order.*

Academic Vocabulary

Evaluates—Usage Explain to students that *evaluates* means “to determine the significance, worth, or condition of.” Display these three sentences and ask students whether each sentence is concerned with an object or event’s *significance*, its *worth*, or its *condition*:

1. She evaluates the book as being in poor shape. **condition**
2. The American historian evaluates the Continental Congress as an important turning point. **significance**
3. My realtor evaluates the house at \$135,000. **worth**

Journals—Denotative Meaning Tell students that a *journal* typically is a record of current transactions or events. Explain that people in business often keep journals to record transactions. Be sure to emphasize that a journal is a record of transactions or events as they happen.



The Purchasing Process

UNDERSTANDING THE PROCESS

Ask these guiding questions to focus student discussion on different purchase situations.

Guiding Questions

Analyze Why might a buyer hire the services of a resident buying office?

Resident buying offices are often located close to many suppliers; because they specialize in a particular product, they can provide inside information, such as fashion trends and closeouts.

Apply Assume that you are a leisure wear buyer for a large department store. You are going through a stack of want slips. What determines whether you order any of the requested products?

Possible answers: The number of customers requesting a specific product, its availability, whether the product will continue to be popular or is just a fad.



As You Read

Read the As You Read statement aloud: *Consider the differences between the types of purchase situations.* New-task purchases require the most research and time because the buyer has no previous experience; modified rebuys require some time because a change in buying patterns has occurred; straight rebuys are routine and therefore require little of the buyer’s time.

Expert Advice

Read the quote to students:

“The level of difficulty for a buyer varies depending on the type of purchasing situation.”

Describe these two purchasing situations. In the first, a buyer is purchasing basic supplies for an office. In the second case, a buyer is purchasing cameras that use the latest digital technology. Ask: *Which of these purchases is likely to be more difficult and time-consuming? Why?* The second, because the buyer must determine types of cameras to purchase, where the best prices can be obtained, and so on. The first buyer will probably purchase the office supplies from the company’s regular vendor.

PRODUCTION CAPABILITIES

When dealing with a source for the first time, buyers may request specific information about the source's production capabilities. They may even visit a facility in person to see it in operation. Buyers may ask for business references to determine the source's reputation in the industry. These factors would be extremely important when selecting suppliers and transportation businesses as partners in a just-in-time production arrangement.

Issues of production capabilities for some companies go beyond the actual physical plant and focus on ethical and social issues. Companies may require a review of facilities to ensure that they are not operating sweatshops. Sweatshops are factories characterized by poor working conditions and negligent treatment of employees. Being associated with a sweatshop can be very damaging to a companies' reputation.

Some companies also try to determine whether suppliers are following green environmental practices. The popularity of green marketing has led more companies to take environmental concerns very seriously.

PAST EXPERIENCES

Many buyers maintain resource files and **journals** that document past experiences with vendors. All basic information, such as products carried, prices, delivery and dating terms, and the names of sales representatives, is recorded. Buyers also note evaluations of products, delivery performance, and customer service.

A major factor in selecting a supplier is the quality of goods it offers. Retail buyers keep accurate records of customer returns and the reasons for the returns. Returns relating to the quality of the goods may cause buyers to stop doing business with the supplier. It is important to clearly define standards of quality for products that buyers will purchase from suppliers. Standards should be explained to suppliers so they understand the criteria by which product quality is measured.

SPECIAL BUYING ARRANGEMENTS

Most suppliers may have specific policies regarding merchandise returns and sales arrangements. Two special types of sales and return policies are consignment buying and memorandum buying.

In **consignment buying**, goods are paid for only after the final customer purchases them. The supplier owns the goods until the wholesaler or retailer sells them. Many suppliers offer consignment buying as an incentive when introducing a new line of goods. However, a problem can arise with consignment buying when merchandise is stolen or damaged, raising the question of who must pay.

Memorandum buying occurs when the supplier agrees to take back any unsold goods by a certain pre-established date. The buyer pays for all the goods purchased but is later reimbursed for all the goods returned under the terms of the agreement. This buying arrangement allows for returns.

SPECIAL SERVICES

Businesses today demand more services from their suppliers. Almost all retailers demand that manufacturers place universal product codes (UPCs) on goods. Having the codes on all products saves the retailer time because individual items do not have to be marked with a price. The codes also allow retailers to track inventory easily as each sale is immediately recorded electronically in a central database.



See the Latest To get the most from trade shows sponsored by vendors and industry associations, a buyer should have an action plan.

NEGOTIATED TERMS

Buyers must negotiate prices, dating terms, delivery arrangements, and discounts. Discounts are any reductions from the quoted price. Such reductions are generally granted for the buyer's performance of certain functions. These are discussed in Chapter 26.

Dating terms include when a bill must be paid and the discount permitted for paying early. There are several dating variations for specific situations. A company may allow the dating terms to take effect later than the invoice date. This is known as advance dating. It is sometimes offered to businesses as an incentive to buy before the buying season.

Reading Check

List What are the criteria for selecting a supplier?

The GREEN Marketer



Walmart Checks Green Credentials

How can companies be sure that products and supplies they buy are made without harm to workers or the environment? In 2009, Walmart® introduced an original solution with its "Sustainability Index." Walmart asked suppliers how their actions affect the environment and local communities. Suppliers were given a survey. It assessed energy and climate, material efficiency, natural resources, and people and community.

Supplier Comparison The company prints this supplier information on product labels. This allows customers to compare the environmental impact of different items. In the long-term, there will be a global database with this type of information from all types of companies. This database will have information that will help consumers.

Mathematics

Calculate A study shows that consumers are willing to pay up to 15 percent more for green products. If a bottle of Clorox® Green Works cleaner costs \$3.49, and a bottle of standard Clorox cleaner costs \$2.99, will the green cleaner sell well?

NCTM Problem Solving Solve problems that arise in mathematics and in other contexts.

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Get an activity on green marketing.

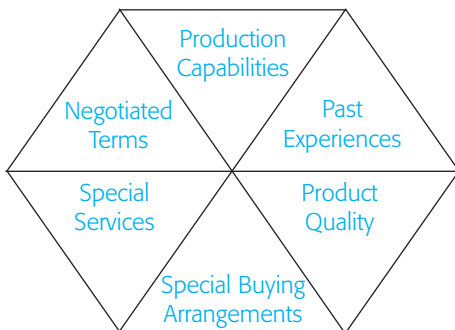


EXPLAIN

Graphic Organizer

Display this graphic organizer. Encourage the class to discuss the importance of the criteria used to choose a buyer. **Possible answers:**

Criteria for Selecting Suppliers



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iWB

Graphic Organizer Send students to the Online Learning Center to print this graphic organizer.

Visual Literacy

Country of Origin Caption Answer

Read the question to students: *Look at the tags on a few items of clothing (at home or at a store). List the countries in which the clothes were made. Lists will vary, but may include China, India, Indonesia, Vietnam, Jordan, Mongolia, Ukraine.* Ask students: *Have you heard of any bad publicity that some clothing or toy manufacturers have received regarding the mistreatment of workers in other countries? If so, what have you heard? I've heard that some companies make employees work long hours for little money and that some companies hire underage workers.*



VIRTUAL BUSINESS

PURCHASING

Introduce students to the concept of purchasing using Knowledge Matters' Virtual Business Retailing visual simulation, *Purchasing*. In this simulation, students will learn that purchasing inventory for a store is an important and complicated job.

ELABORATE

PRODUCTION CAPABILITIES

Ask these questions to focus discussion on production capabilities.

Guiding Questions

Explain What are three methods a buyer might use to evaluate a potential product source?

request information about the source's production capabilities; ask for business references; visit the production facility

Draw Conclusions Why would a company want to avoid purchasing products made in sweatshops?

The company might not want to profit from poor working conditions. Purchasing goods from sweatshops can also lead to negative publicity.

Critical Thinking

Ask students: *Why are a supplier's production capabilities especially important in just-in-time production arrangements? If the supplier is unable to provide the product when it is needed, the company can be left without any product. Because the company is using just-in-time production, it has no inventory to fall back on.*

SPECIAL BUYING ARRANGEMENTS

Ask these guiding questions to help students explore these special buying arrangements.

Guiding Questions

Analyze Who do you think benefits more from memorandum buying—the supplier or the buyer? Why?

The buyer does, because the goods can be returned for a previously agreed-upon price if they are not sold.

Judge Imagine a supplier has consigned a \$300 bracelet to a jewelry store. The bracelet is stolen in a burglary. Who should be out the \$300—the supplier or the jewelry store owner? Why?

It may seem that because the bracelet still belonged to the supplier, the supplier should suffer the loss. However, in most situations, the entity that actually holds the goods is responsible for insuring them against loss.



See the Latest Tell students that they are buyers for a furniture store and are attending a large trade show. They realize they can only visit about one-fourth of all the booths. How would they decide which to visit?



Reading Check Answer

Read the Reading Check question to students: *What are the criteria for selecting a supplier? The criteria include whether the supplier's production capabilities are adequate for the buyer's needs; past experience with the supplier; quality of products; whether the supplier can meet any specific buying arrangements; what kinds of special services the supplier can provide; and the terms the supplier is willing to offer.*

Mathematics Answer No, it may not sell well. Consumers are willing to pay up to 15 percent more for green products. The price for Clorox cleaner is \$2.99, and 15 percent more would be \$3.44. Clorox Green Works costs \$3.49, which is four cents over the maximum. Have students work with partners to research the information Walmart requests from suppliers to obtain its Sustainability Index. When they are finished, ask students to report their findings to the class. To obtain a Sustainability Index for each supplier, Walmart asks questions that focus on four areas: energy and climate, material efficiency, natural resources, and people and community.

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Hill glencoe.com

Activity Worksheet Send students to the Online Learning Center to download a Green Marketer activity worksheet.

Mini Project

Differentiated Instruction

Cooperative Learning Tell students that they are buyers for a large toy store. Students should conduct research to locate a new toy that they think will be especially popular next holiday season. Students should use a word processor to create a table that contains a list of questions they would ask potential suppliers of this toy. When students are finished creating their tables, they should exchange them with a partner. Each partner should evaluate the other's table for completeness, appropriateness of the questions, and correct spelling and grammar. Based on partner feedback, students should make any needed corrections. *Students' tables should contain questions such as: What are your production capabilities? Do you have any references? What special services can you offer?*

Career Chatroom

Alese Kern
Assistant Buyer
Forman Mills

What do you do at work?

I am an assistant buyer of men's furnishings and hosiery for Forman Mills, Inc. My responsibilities include selecting products, creating and maintaining relationships with vendors, keeping current on fashion trends, and updating merchandise assortments. I also assist in negotiating buying terms with vendors in terms of price, quantity, and delivery terms. In addition, I maintain all systems and reporting, manage the receipt flow, and manage allocations to accommodate the needs of all the stores.

What is your key to success?

My keys to success are excellent communication skills, time management skills, and eagerness to learn and grow. Doing a job you love and are passionate about is also very important.

What skills are most important to you?

Excellent communication skills, eagerness to learn and grow, and time management are very important to me and to my job.

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Read more about this career and get a Career Exploration Activity.

An invoice may be dated January 15 and include the following advance dating terms: 2/10, net 30, as of March 1.

In other situations, additional days may be granted for the discount (called "extra dating"). This special dating may be used to encourage a buyer to purchase new merchandise. In still another situation, the terms begin when the buyer's firm receives the goods, which is ROG dating (receipt of goods).

INTERNET PURCHASING

Business-to-business (B2B) e-commerce has revolutionized the purchasing function for businesses in the industrial and reseller markets. The volume of B2B transactions is much higher than all other types of online transactions combined. The main reason for this is that a lot more steps are involved in the manufacture of a product than in the sale to a customer. For example, a computer maker uses parts from several different suppliers, all of which require separate B2B transactions. However, only one transaction is needed to complete a sale to the customer. As a result, organizational buyers account for 80 percent of the total dollar value of all transactions conducted online.

The trend toward increased use of online buying is expected to continue. This is partly because organizational buyers have come to depend heavily on timely information from suppliers. Supplier information can be easily and quickly communicated via the Internet. Another advantage of online purchasing is that it dramatically reduces marketing costs for many types of goods and services.

B2B e-commerce transactions cover all aspects of a company's purchasing needs, from office supplies such as paper and staples to raw materials needed for manufacturing. Electronic procurement software and the Internet together make the process more efficient. Before e-commerce became possible, a company may have employed a large purchasing department to order supplies and other materials in person, over the phone, or through the mail. They would have to personally track and account for many individual purchases, which can result in errors and delays. Web-based systems make procurement simpler and more cost-effective.

Most companies have their own Web sites from which other companies may make purchases directly. Growing in popularity, however, are electronic exchanges where registered users can buy and sell their goods online. Most of these exchanges are in specific industries, such as Converge IT Product Procurement, an open market for electronic components, computer products, and networking equipment.

Another Internet purchasing trend involves online auction companies. An auction usually involves a seller setting an asking price and buyers trying to outbid each other. In other cases, a reverse auction takes place. In a **reverse auction**, companies post what they want to buy, and suppliers bid for the contract.

Purchasing online through third parties has both advantages and disadvantages. The biggest advantage is lower prices. However, as with most businesses on the Internet, privacy is a problem. Some companies fear that competitors will know how much was paid for materials and supplies.

In order to address privacy concerns, some companies, like Intel and General Electric, began operating reverse auctions. GE expanded its trading process network (TPN) to serve other companies, and later sold the division to a private buyer, GXS, which services 70 percent of Fortune 500 companies.

Another problem with the online purchasing process, especially in a reverse auction, is that unknown companies could artificially deflate prices by bidding low prices. Such a practice would benefit buyers but cause bad relationships with suppliers.

After You Read Section 23.2

Review Key Concepts

- List three ways a buyer can acquire information for a modified rebuy.
- Explain the difference between consignment buying and memorandum buying.
- Identify one advantage and one disadvantage of purchasing online.

Practice Academics

English Language Arts

- You have been the buyer for a medium-sized department store for several years and were recently promoted to assistant manager. A salesperson who has assisted you in buying some product lines has been promoted to your old position. However, she is unsure about different types of purchases. Prepare a clear description of a new-task purchase, a modified rebuy, and a straight rebuy for your co-worker.

NOTE 12 Use language to accomplish individual purposes.

Mathematics

- Vendor A sells 144 (1 gross) coffee bowls at \$685.50 with free shipping. Dating terms are 2/10, net 30. Vendor A is offering a 2 percent discount on the cost of one gross. Vendor B's offer is \$5.25 per bowl for one gross, with shipping charges of \$25, and payment is COD. Which vendor is offering the better deal?

NOTE 13 Problem Solving Solve problems that arise in mathematics and in other contexts.

Math Concept Operations Knowing which operations to use, and when to use them, is critical in problem solving.

Starting Hints To solve this problem, determine the discount applied to Vendor A by multiplying the total cost of the bowls by .02 to determine the discount. Subtract the value of the discount from the total cost to determine Vendor A's price. Multiply Vendor B's price by 144 to determine the cost for a gross of their bowls, and add the cost of shipping to determine the total price.

For help, go to the **Math Skills Handbook** located at the back of this book.

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Check your answers.

ELABORATE

Career Chatroom

Ask students these guiding questions.

Guiding Questions

Recall What are Alese Kern's most important skills?

communication skills, eagerness to learn and grow, time management

Infer What does managing allocations to meet needs mean?

It may be to keep track variations in the stores among needed merchandise

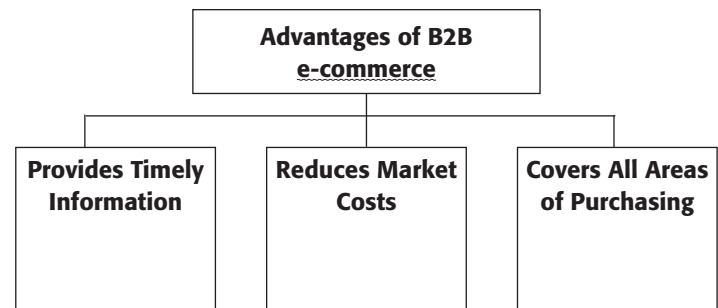


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Career Exploration Send students to the Online Learning Center to get a Career Exploration activity.

Graphic Organizer

To focus discussion on the advantages of business-to-business e-commerce, display this chart. Emphasize that B2B e-commerce has taken over organizational purchasing because it does an exceptional job of meeting the needs of organizational buyers. Have students research companies on the Internet that give examples of how they provide timely information, reduce market costs, and cover all areas of purchasing.



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iWB

Graphic Organizer Send students to the Online Learning Center to print this graphic organizer.

EVALUATE

INTERNET PURCHASING

Discuss that as e-commerce has grown, a number of services, including electronic exchanges and auction sites, have flourished. To encourage students to discuss Internet purchasing, ask these guiding questions.

Guiding Questions

Analyze Why are electronic exchanges growing in popularity?	They provide an efficient means for members of a specific industry to buy and sell goods.
Contrast How is a reverse auction different from a traditional auction?	Rather than suppliers offering goods and buyers bidding, companies post what they need and suppliers do the bidding.
Synthesize The textbook states: "... buyers have come to depend heavily on timely supplier information." What makes the Internet such a good resource?	Unlike other methods of updating supplier information, such as through phone calls or printed catalogs, Web sites can be updated whenever necessary, and changes appear immediately.

Mini Projects

Enrichment

Investigating the Advantages of Using an Electronic Exchange Have students imagine they are buyers for a large retail store such as a furniture warehouse or remodeling company. Students should research electronic exchanges to which they could belong. Have students choose the exchange that best meets their business's needs and write a report on the features it offers to retail buyers. *Reports will vary depending on the business. For example, FurnitureNet offers access to 160 furniture makers in a single forum. FurnitureNet claims to help "reduce paperwork, data entry, errors, faxes, and phone calls while accelerating order processing to shorten delivery cycles."*

Participating in Auctions To help students experience the auction and reverse auction, divide the class into two groups. Have one group decide on an item they want to buy and the other decide on an item they want to sell. Have each group conduct an auction. After the two auctions are completed, ask students to write a paragraph or two on each type of auction, describing their similarities and differences. *Similarities: Both involve auctioning goods or services. Differences: In traditional auctions, suppliers offer goods whereas in a reverse auction, companies post what they want to buy.*



After You Read

Section 23.2

Review Key Concepts

1. 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 hire the services of a resident buying office.
2. 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.
3. 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.

Practice Academics

English Language Arts

4. New-task purchase: A purchase is made for the first time, possibly triggered by a formerly unrecognized need, a new manufacturing process, or an organizational change. This can be the most complicated buying situation. The buyer typically must locate a vendor, evaluate the product's quality, negotiate a price, and so on. Modified-rebuy: The buyer has had experience buying the goods or service, but some aspect of the purchase changes. For example, the buyer might need to locate a new vendor because the previous vendor is no longer carrying the needed product. Straight-rebuy: The buyer routinely orders goods and services purchased from the same vendor(s) as in the past.

Mathematics

5. Vendor A (Vendor A = $685.50 \times 0.98 = \$671.79$;
Vendor B = $5.25 \times 144 + 25 = \$781$)


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Send students to the Online Learning Center to check their answers.

Purchasing

The three types of purchase situations are new-task purchase, modified rebuy, and straight rebuy.



Primary criteria for selecting suppliers are production capabilities, past experience, special buying arrangements, and special services.

Criteria for Selecting Suppliers

Production Capabilities	Past Experience
Special Buying Arrangements	Special Services

Written Summary

- Organizational buyers in industrial and resellers' (wholesale and retail) markets purchase goods in much greater quantities than the average consumer.
- Buyers for government markets make purchases of goods and services for one of the largest single markets in the world.
- The three types of purchase situations are new-task purchase, modified rebuy, and straight rebuy.
- The primary criteria for selecting suppliers are production capabilities, past experience, special buying arrangements (such as consignment buying and memorandum buying), and special services.
- The Internet has revolutionized purchasing in the industrial and resellers' markets.
- Online buying is expected to grow in the coming years.

Review Content Vocabulary and Academic Vocabulary

- Use each of these vocabulary terms in a written sentence.

Content Vocabulary

- organizational buyers (p. 537)
- wholesale and retail buyers (p. 538)
- six-month merchandise plan (p. 538)
- open-to-buy (OTB) (p. 540)
- centralized buying (p. 542)
- decentralized buying (p. 542)
- want slips (p. 545)
- consignment buying (p. 547)
- memorandum buying (p. 547)
- reverse auction (p. 548)

Academic Vocabulary

- predicts (p. 537)
- technical (p. 537)
- evaluates (p. 545)
- journals (p. 547)

Assess for Understanding

- List** What are three titles for manufacturing or service business buyers?
- Identify** What type of planning used to guide purchasing by organizational buyers and by resellers?
- Explain** What is a six-month merchandise plan?
- Justify** Why should chain stores use centralized buying?
- Contrast** What are the differences between the three types of purchasing situations?
- Create** What is a list of criteria you might use to evaluate suppliers?
- Decide** As the owner of an independent music store, will you use consignment buying or memorandum buying? Why?
- Consider** How would selling be different if the Internet could not be used?

EVALUATE

Visual Summary

Express Creativity Ask students to create a visual summary that illustrates a concept in the chapter. Encourage students to use different formats for their visual summaries, such as a Venn diagram, table, or poster. *Visual summaries will vary depending on the concept depicted.* Questions to ask when assessing a visual summary include:

- Is the summary clear, economical, and simple?
- Are any important steps or concepts left out?
- Are steps or concepts arranged in the same order as the original?
- Does the summary reveal a pattern that connects the details?
- Does the summary locate and highlight the most important information?

Review Content Vocabulary and Academic Vocabulary

- Organizational buyers**, such as **wholesale and retail buyers**, typically purchase goods in much larger quantities than the average consumer. Developing a **six-month merchandise plan** allows a buyer to establish a budget. The **open-to-buy** tells a buyer how much is left to spend. In an attempt to meet as many customer needs as possible, chain stores may use a combination of **centralized buying** and **decentralized buying**. If a customer asks a salesperson for an item the store does not carry, the salesperson may fill out a **want slip**. In **consignment buying**, goods are paid for only after the final customer purchases them whereas in **memorandum buying**, the supplier agrees to take back any unsold goods. When buyers post what they want to buy and different suppliers bid on the contract, a **reverse auction** is occurring. The buyer **predicts** what consumers will want in the future. Determining the materials required to make a specific product requires **technical** knowledge. A buyer **evaluates** want slips collected to help in determining what products to order. Many buyers keep **journals** on vendors.

EVALUATE

Assess for Understanding

2. Three job titles that describe people responsible for purchasing in manufacturing and service businesses are: purchasing managers, industrial buyers, and procurement managers.
3. Organizational buyers plan purchases by reviewing the company's master production schedule to determine purchasing requirements. Resellers plan purchases by establishing a six-month merchandise plan. In most cases, this plan is based on the previous year's monthly sales figures for the same time period.
4. A six-month merchandise plan is a budget that estimates planning for a six-month period. It contains figures such as last year's sales figures, planned sales figures, retail stock BOM, retail reductions, and purchases.
5. 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.
6. In a new-task purchase situation, a purchase is made for the first time, possibly triggered by a formerly unrecognized need, a new manufacturing process, or organizational change. This can be the most complicated buying situation, because it involves a first-time purchase. In a modified-rebuy situation, the buyer has had experience buying the good or service, but some aspect of the purchase changes. In a straight-rebuy situation, the buyer routinely orders the goods and services purchased from the same vendor(s) as in the past.
7. Criteria that could be used to evaluate suppliers include: production capabilities, product quality, past experiences with that supplier, any special buying arrangements that are required, and special services that the supplier can provide.
8. Accept any answer for which the student provides appropriate reasons. An advantage to consignment buying is that the owner would only pay when goods were sold. However, suppliers generally only offer the consignment option under special circumstances, such as when introducing a new line of goods. In addition, problems can arise if merchandise is damaged, lost, or stolen. Memorandum buying has the advantage that the supplier will buy back unsold goods at a pre-established price; however, this price might be less than what the buyer originally paid.
9. Answers may include: supplier information would not be quickly and easily available online; purchasing would be more expensive because more time and labor would be involved; the ability to automate regular purchases through the Internet would not be available; buyers probably would not have access to as wide a variety of products as they do through the Internet.

Chapter 23 Review and Activities

21st Century Skills

People Skills

10. Supervisor as Teacher You are the supervisor of cashiers in a retail store. Today you observed one of the cashiers making mistakes keying in SKU codes when an item will not scan. When you asked her if she was having trouble keying in the codes, she said she was not having any trouble: "The customers like me to check them out fast, so if I make a mistake keying in all those numbers, I don't worry about it." Create a role-play script in which you explain the importance of correct SKU entry to this employee.

Financial Literacy Skills

11. Discounts and Profits You purchase computer components for resale at a trade discount of 40 percent. If you buy a monitor with a retail price of \$450, what is your discount? What is your net cost? When you resell the monitor for \$450, what will be your gross profit?

Everyday Ethics

12. Green Initiatives The eco-friendly, low-energy fluorescent bulb is replacing the standard light bulb. The European Union banned retailers from purchasing any more standard bulbs, so stores have hoarded them in stock. The fluorescents are more expensive. However, they use 80 percent less energy and last eight to ten years. Not everyone agrees with the EU's choice to ban the bulbs. Discuss with your class whether green initiatives should be mandatory.

e-Marketing Skills

13. Researching Web Sites Choose a product that you find interesting and might want to market in the future. Search out pages from at least six Web sites that look most interesting. Evaluate the pages, then describe what you believe are the best aspects of all of the sites you have reviewed.

Build Academic Skills

English Language Arts

14. Observing and Reporting You are a salesperson in a specialty clothing store. Over the past month, about ten people have asked about a line of clothing that your store does not carry. You have filled out several want slips and left them with the buyer. However, this new line has not been added to the store's stock. You feel sure that adding these items would increase sales. Write an e-mail message to the buyer stating why you believe adding these items would increase sales.

NOTE 12 Use language to accomplish individual purposes.

Science

15. Technology Investigate the ways in which technology is improving the coordination of products in supply chains. You may wish to research the use of Global Positioning Systems, Portable Digital Assistants, or tracking devices as they relate to supply chains. Share with your class one innovation you find interesting.

NSES A Develop abilities necessary to do scientific inquiry, understandings about scientific inquiry.

Mathematics

16. Calculate a Sales Total You prepare a purchase order for the following: 130 pants at \$14.15 each, 58 pants at \$16.99 each, 74 pants at \$21.30 each, and 45 pants at \$23.80 each. What is the total cost of the merchandise?

NCM Problem Solving Apply and adapt a variety of appropriate strategies to solve problems.

Math Concept Multi-Step Problems When a word problem involves multiple steps, it is helpful to outline the information you know before you solve.

For help, go to the **Math Skills Handbook** located at the back of this book.

Standardized Test Practice

Directions Read the following questions. On a separate piece of paper, write the best possible answer for each one.

- Planned retail reductions take into account:
 - Reductions in the selling price
 - Shortages of merchandise caused by clerical mistakes
 - Employee theft
 - Customer shoplifting
 - All of the above
- A want slip must be completed before purchasing goods in a straight-buy situation.
 - T
 - F
- The beginning-of-the-month and end-of-the-month inventories are indicated by the abbreviations _____ and _____.

Test-Taking Tip

If each item on a test is worth the same number of points, skip questions that are confusing, and then come back to them after you have answered all the rest of the questions.



DECA Connection Role Play

Buyer Coat & Jacket Department

Situation You are a buyer for a local department store. While at market recently, you viewed a new line of jackets manufactured by a vendor that your store has not used before. The sample jackets are of high quality and excellent construction. The styling of the jackets reflects the latest in teen fashion trends. Everything about the jacket line makes you want to purchase them for your store. The jackets show every sign of becoming best sellers.

Store buying policy is that all new vendors must be reviewed before orders can be placed with them, and that the merchandise manager (judge) must approve all orders before ordering from a new vendor. You have informally asked other buyers about the vendor's reputation and determined that other buyers view the vendor as reliable, that samples reflect the actual quality of items, and that the vendor ships as promised.

You want to add these jackets to your fall merchandise purchases. You would like to purchase a limited quantity of several styles from the jacket line. Before doing so you must discuss the purchase with your merchandise manager (judge) to win approval for the purchase.

Activity You are to discuss this situation with your merchandise manager (judge) and persuade the merchandise manager that the jackets will be a wise and profitable purchase for your department and store.

Evaluation You will be evaluated on how well you meet the following performance indicators:

- Explain the nature and scope of purchasing.
- Place order/reorders.
- Persuade others.
- Select vendors.
- Evaluate vendor performance.

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Role Plays Download the Competitive Events Workbook for more Role-Play practice.

EVALUATE

21st Century Skills

People Skills

10. Students should present a skit in which the supervisor emphasizes the importance of keying in the correct SKU code. The supervisor should explain that these codes are used to update the store's inventory. These inventory numbers are then used to automatically reorder product when the current stock gets below a certain level. If SKU numbers are incorrectly entered, the inventory will be off and replacement stock will not be ordered. This can lead to the store being out of some items that customers want. If the store cannot fill customer needs, they will go elsewhere, decreasing the store's sales and potentially leading to the necessity of reducing the number of employees.

Financial Literacy Skills

11. The discount is \$180 ($450 \times .40$), the net cost is \$270 ($450 \times .60$), and the gross profit is \$180.

Everyday Ethics

12. Students should discuss the positives and negatives of banning retailers from purchasing standard incandescent light bulbs. Even though fluorescent bulbs are much more efficient and longer lasting, some consumers object to the higher cost. Opinions on whether or not it is the government's responsibility to force consumers and business owners to conserve energy and behave ethically is a matter of debate. Some people think it is vital that the earth's resources be conserved and that we owe this to future generations. Others believe that if people understand the consequences of their actions, most will make environmentally conscience choices, which is preferable to the government forcing regulations on its citizens. Some students may think it is acceptable for retailers to hoard incandescent bulbs because they are only responded to their customers' wishes. Others may think these businesses are behaving irresponsibly.

EVALUATE

e-Marketing Skills

13. Students should choose a product that they might want to market in the future and then evaluate six Web sites that offer the product. They should evaluate the sites and describe what they believe are the sites' best assets. For example, if they chose sites that sell tennis rackets, the sites might compare the brands each one offers. In addition, they might evaluate sites as to price and information provided on each racquet, such as size, the type of material used in the frame, the type of grip, and so on.

Build Academic Skills

English Language Arts

14. Students should write an e-mail to the buyer specifically stating why they think the store should add this new line to its stock. They might state that numerous customers have requested these items and, in fact, have told the salesperson they are going to other stores to purchase the clothing. Students also might say that they are concerned these customers will not return to their store in the future to buy other clothing.

Science

15. Answers will vary. Global positioning systems can be used to track entire orders so that both suppliers and purchasers know where a shipment is at any given time, exactly when it is expected to be delivered, and if there are any unexpected delays, such as weather issues.

Mathematics

16. $\$5,472.12$ (130×14.15) + (58×16.99) + (74×21.30) + (45×23.80)

Standardized Test Practice

1. E (All of the above)
2. False
3. BOM; EOM

DECA Connection Role Play

Evaluations will be based on these performance indicators:

1. **Explain the nature and scope of purchasing.** Organizational buyers purchase goods for business purposes and typically buy in large quantities. In manufacturing businesses, industrial buyers must review the company's master production schedule to determine what supplies are needed and when they are needed. Wholesale and retail buyers, on the other hand, purchase goods for resale. They must be able to forecast customers' needs and to decide how much of each item to purchase.
2. **Place order/reorders.** Students should be able to explain how a merchandise plan can help in estimating planned purchases for a six-month period. Buyers determine estimated sales figures based on the previous year's figures, adjusted to reflect the current-year sales goals. Buyers must then order enough stock to accommodate the planned sales volume.
3. **Persuade others.** Students should be able to persuade others to agree with them by clearly stating reasons for their points-of-view. For example, they should be able to persuade a buyer that the buyer ought to purchase items that customers have been requesting by explaining how doing so will increase company sales.
4. **Select vendors.** The key criteria for selecting a vendor include production capabilities, past experiences with that vendor, product quality, special buying arrangements, special services, and negotiated terms, such as pricing. It is vital that the buyer make certain the vendor is capable of producing the specified goods when needed. This is especially important in just-in-time production arrangements.
5. **Evaluate vendor performance.** Buyers must continually evaluate their vendors and the market as a whole to make certain that the vendors they are using are meeting the company's needs. They must make certain product is being delivered at the needed times, the quality and prices are acceptable, and so forth. If conditions change, such as competitors offering lower prices, the buyer must determine whether the advantages of switching to another vendor are worth any perceived disadvantages.

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Role Plays For more DECA Role Plays, send students to the Online Learning Center to download the Competitive Events Workbook.