

In General, Planned Buying Is A(n): A. Five-step OR B. Seven-step Process That Is Intended To Result

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Understanding the purchasing process is essential for businesses aiming to optimize their procurement strategies, improve supplier relationships, and ensure cost efficiency. Among the various approaches to buying, planned buying stands out as a systematic method designed to streamline decision-making and minimize risks. Whether it is characterized as a five-step or seven-step process depends on the specific framework adopted by an organization, but the core objective remains consistent: to establish a structured, intentional approach to purchasing that results in optimal procurement outcomes. In this comprehensive article, we explore the nuances of planned buying, its key steps, advantages, and how it can be effectively implemented to benefit businesses of all sizes.

What Is Planned Buying?

Planned buying is a proactive, strategic approach to procurement that involves careful planning, analysis, and decision-making before making a purchase. Unlike impulsive or reactive buying, planned buying emphasizes thorough evaluation of needs, supplier options, costs, and risks, ensuring that each purchase aligns with the organization's overall goals and budgets.

Key Characteristics of Planned Buying:

- Systematic Process: Follows a defined set of steps to ensure consistency and thoroughness.
- Strategic Focus: Aligns purchasing decisions with long-term business objectives.
- Risk Reduction: Minimizes uncertainties by evaluating options and gathering relevant information.
- Cost Efficiency: Aims to reduce costs through better negotiations and supplier selection.
- Enhanced Relationships: Fosters better communication and trust with suppliers.

The Frameworks of Planned Buying: Five-step vs. Seven-step Process

Depending on organizational preferences or industry standards, planned buying can be

structured as either a five-step or a seven-step process.

The Five-step Process

This simplified framework emphasizes core activities such as need recognition, supplier selection, and purchase execution.

The Seven-step Process

This more detailed approach incorporates additional phases like post-purchase evaluation and continuous improvement strategies, making it suitable for complex procurement environments.

Both frameworks serve the same purpose: to guide organizations through a disciplined buying process that results in effective procurement decisions.

The Five-step Planned Buying Process

The five-step process is widely used due to its straightforward approach, making it suitable for small to medium-sized organizations or straightforward procurement needs.

1. Identifying Needs

The process begins with recognizing a specific requirement within the organization. This involves:

- Analyzing current resources and inventories.
- Consulting relevant departments to understand their needs.
- Defining the specifications and quantity of the required goods or services.

2. Specification Development

Once needs are identified, detailed specifications are developed to ensure clarity:

- Technical requirements.
- Quality standards.
- Delivery timelines.

This step ensures suppliers understand exactly what is needed, reducing misunderstandings.

3. Supplier Search and Evaluation

This phase involves locating potential suppliers and assessing their capabilities:

- Conducting market research.
- Requesting proposals or quotations.
- Evaluating supplier reliability, financial stability, and reputation.

4. Negotiation and Selection

Organizations negotiate terms such as prices, delivery schedules, and payment conditions:

- Comparing offers.
- Negotiating discounts or favorable terms.
- Selecting the supplier that best meets the criteria.

5. Purchase and Follow-up

The final step involves placing the order and monitoring its progress:

- Issuing purchase orders.
- Confirming delivery schedules.
- Inspecting received goods and ensuring quality compliance.

The Seven-step Planned Buying Process

The seven-step process expands on the five-step model by adding critical stages that enhance decision-making and post-purchase management.

1. Recognizing the Need

Same as in the five-step process, this initial stage establishes the purpose of the purchase.

2. Defining Specifications

Developing detailed, clear specifications to guide supplier selection.

3. Analyzing the Market

Conducting a thorough market analysis to identify potential suppliers and assess market conditions.

4. Searching for Suppliers

Proactively seeking suppliers through various channels, including trade shows, online directories, and industry contacts.

5. Evaluating and Selecting Suppliers

Assessing suppliers based on criteria such as quality, cost, delivery, and service levels, followed by selection.

6. Negotiating and Making the Purchase

Engaging in negotiations to finalize terms and issuing purchase orders.

7. Post-Purchase Evaluation

After procurement, evaluating supplier performance and the quality of goods or services:

- Ensuring compliance with specifications.
- Gathering feedback for future improvements.
- Addressing any issues that arise.

Advantages of Planned Buying

Implementing a structured buying process offers numerous benefits for organizations:

- **Cost Savings:** Through thorough market analysis and negotiation, organizations can secure better prices and terms.
- **Risk Management:** Systematic evaluation reduces the likelihood of acquiring substandard or incompatible products.
- **Improved Supplier Relationships:** Clear communication and consistent processes foster trust and long-term partnerships.
- **Efficiency and Time Savings:** Following defined steps streamlines procurement activities and reduces delays.
- **Quality Assurance:** Detailed specifications and evaluations ensure that purchased goods meet quality standards.
- **Strategic Procurement:** Aligns purchasing activities with overall business goals, supporting growth and competitiveness.

Implementing Planned Buying Effectively

For organizations looking to adopt or improve their planned buying processes, consider the following best practices:

Conduct Thorough Needs Analysis

- Engage relevant stakeholders early.
- Avoid unnecessary purchases by clearly defining real needs.

Develop Clear Specifications

- Use precise language.
- Include quality, technical, and delivery requirements.

Market Research and Supplier Evaluation

- Use multiple sources for supplier identification.
- Assess suppliers based on objective criteria.

Negotiate Strategically

- Focus on value, not just price.
- Build mutually beneficial relationships.

Monitor and Follow Up

- Track order progress.
- Evaluate supplier performance regularly.

Continuous Improvement

- Gather feedback from procurement teams and end-users.
- Adjust processes based on lessons learned.

Conclusion

In essence, planned buying—whether structured as a five-step or seven-step process—is an indispensable approach for organizations seeking to optimize their procurement practices. By systematically analyzing needs, evaluating suppliers, negotiating effectively, and conducting post-purchase reviews, businesses can achieve significant savings, mitigate risks, and foster stronger supplier relationships. As markets become increasingly competitive and complex, adopting a disciplined, planned buying methodology becomes not just beneficial but essential for sustainable growth and operational excellence.

Whether you choose the streamlined five-step process or the detailed seven-step framework, the key is consistency and commitment to a strategic procurement approach that results in smarter purchasing decisions and long-term success.

Frequently Asked Questions

What is the primary purpose of planned buying in a business context?

Planned buying aims to systematically identify, evaluate, and select products or services to meet an organization's needs efficiently and cost-effectively.

Is planned buying typically a five-step or seven-step process?

Planned buying is generally considered a seven-step process, providing a comprehensive framework for making purchase decisions.

What are the key steps involved in the planned buying process?

The key steps include recognizing needs, defining specifications, researching options, evaluating suppliers, selecting a supplier, ordering, and follow-up.

Why is a structured approach like planned buying important in procurement?

It helps ensure consistency, reduces risks, improves supplier relationships, and optimizes the value of purchases.

How does planned buying differ from impulse or unplanned purchasing?

Planned buying involves deliberate and systematic decision-making, whereas impulse or unplanned purchasing is spontaneous and often less cost-effective.

Can planned buying be adapted for small businesses or individual consumers?

Yes, while more common in larger organizations, the principles of planned buying can be adapted for small businesses and consumers to make more informed purchasing decisions.

What role does evaluation play in the planned buying process?

Evaluation involves comparing options based on criteria like price, quality, and supplier reliability to select the best purchase option.

How does the seven-step planned buying process contribute to organizational efficiency?

It ensures thorough analysis and decision-making, reducing errors and leading to better resource utilization and cost savings.

Additional Resources

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Introduction to Planned Buying

In the complex world of commerce, purchasing decisions are rarely made on impulse. Instead, they are often part of a structured approach known as planned buying, a methodical process designed to optimize procurement outcomes. Understanding whether planned buying is a five-step or seven-step process is crucial for marketers, procurement professionals, and organizational decision-makers aiming to streamline their purchasing strategies. This detailed exploration delves into the nuances of planned buying, examining the core processes involved, their significance, and how they influence successful buying outcomes.

Defining Planned Buying

Planned buying refers to a deliberate, organized approach to purchasing goods or services. It involves systematic steps that guide the buyer from recognizing a need to evaluating the purchase and ensuring post-purchase satisfaction. This process minimizes risks, ensures value for money, and fosters strategic relationships with suppliers.

In essence, planned buying is about making informed, rational decisions rather than spontaneous or emotionally driven purchases. It is a strategic activity that aligns organizational goals, budget constraints, and operational needs with procurement practices.

The Core Frameworks: Five-step vs. Seven-step Processes

The debate over whether planned buying encompasses five or seven steps stems from different models used in marketing, procurement, and sales literature. Both frameworks aim to encapsulate the essential phases of a disciplined buying process, but they differ in detail and emphasis.

- The Five-step process is a streamlined model emphasizing the main stages of purchase decision-making.
- The Seven-step process offers a more granular view, breaking down each phase into sub-steps for greater clarity and control.

Understanding both models provides a comprehensive perspective on how planned buying is conceptualized and practiced.

The Five-step Process of Planned Buying

Overview of the Five-step Model

The five-step process is a simplified, widely accepted framework that encapsulates fundamental stages involved in planned buying. It is especially prevalent in basic marketing and sales education because of its clarity and ease of application.

The five stages are:

1. Problem Recognition
2. Information Search
3. Evaluation of Alternatives
4. Purchase Decision
5. Post-Purchase Behavior

This model emphasizes the sequential nature of decision-making and underscores critical points where buyers evaluate options and reflect on their choices.

Detailed Breakdown of Each Step

1. Problem Recognition

- The starting point of any purchase process.
- Occurs when the buyer perceives a need or a gap between the current state and desired state.
- Triggers can include internal stimuli (hunger, fatigue) or external stimuli (advertisements, peer influence).
- Example: A company realizes their current computers are outdated, affecting productivity.

2. Information Search

- The buyer seeks relevant information to address the recognized need.
- Sources include internal data, friends, colleagues, online resources, salespeople, and advertisements.
- The scope of search depends on the purchase's complexity and importance.
- For high-involvement purchases, the search is more extensive.

3. Evaluation of Alternatives

- The buyer compares different options based on criteria such as price, quality, features, brand reputation, and after-sales service.
- This step involves analyzing trade-offs and prioritizing needs.
- Tools such as comparison charts, reviews, and demonstrations are used.

4. Purchase Decision

- The buyer selects the most suitable alternative.
- Influencing factors include purchase convenience, vendor reputation, contractual terms, and personal preferences.
- Sometimes, internal negotiations or approvals are involved before finalizing.

5. Post-Purchase Behavior

- After the purchase, the buyer evaluates satisfaction.
- This phase influences future buying behavior and brand loyalty.
- Positive experiences lead to repeat purchases and brand advocacy; negative experiences may result in returns or complaints.

Implications of the Five-step Model

- Provides a clear roadmap for marketers to align their strategies.
- Highlights critical touchpoints where marketing efforts can influence decision-making.
- Emphasizes the importance of after-sales service and relationship management.

The Seven-step Process of Planned Buying

Overview of the Seven-step Model

The seven-step process builds upon the five-step framework by adding depth to each phase, especially focusing on stages like supplier selection, order handling, and evaluation of the purchase's success.

The seven stages typically are:

1. Problem Recognition
2. General Need Description
3. Specification Development
4. Search for Suppliers
5. Proposal Solicitation and Supplier Selection
6. Order Routine Specification
7. Performance Review and Feedback

This model reflects a more comprehensive approach, especially suited for large-scale or complex organizational purchases.

Detailed Breakdown of Each Step

1. Problem Recognition

- Same as in the five-step model; identifying the need.

2. General Need Description

- The buyer clarifies the broad nature of the need.
- For example, replacing aging machinery or upgrading software systems.

3. Specification Development

- Precise technical or qualitative specifications are developed.
- Ensures that potential suppliers understand exact requirements.
- Involves collaboration among various departments.

4. Search for Suppliers

- The organization actively seeks potential suppliers.
- This can involve issuing Requests for Information (RFIs), conducting market research, or leveraging existing vendor relationships.

5. Proposal Solicitation and Supplier Selection

- Formal requests (RFPs, RFQs) are sent to shortlisted suppliers.
- Suppliers submit proposals based on specifications.
- The organization evaluates proposals, conducts negotiations, and selects the best supplier based on predefined criteria.

6. Order Routine Specification

- Finalizing purchase details such as delivery schedules, payment terms, and contractual obligations.
- Ensures clarity and minimizes misunderstandings.

7. Performance Review and Feedback

- After the purchase, the organization assesses supplier performance and the effectiveness of the product or service.
- Feedback informs future buying decisions and supplier relationships.

Advantages of the Seven-step Process

- Offers a detailed, systematic approach suitable for complex purchasing scenarios.
- Enhances organizational control over procurement.
- Encourages thorough evaluation and risk mitigation.

Comparison and Practical Implications

Aspect	Five-step Process	Seven-step Process
Complexity	Simpler, suitable for standard purchases	More detailed, suited for complex or high-value purchases
Focus	General stages, emphasizing decision points	Emphasizes supplier selection, specifications, and performance review
Use Case	Consumer markets, small business procurement	Large organizations, government procurement, industrial purchasing

Practical implications for organizations include choosing the appropriate model based on purchase complexity, organizational size, and strategic importance. Small-scale purchases may benefit from the streamlined five-step process, while larger, more complex procurements require the comprehensive seven-step approach.

Why Is Planned Buying Important?

Strategic Benefits

- Reduces impulsive buying, leading to cost savings.
- Ensures better quality and value.
- Promotes supplier relationships and loyalty.
- Enhances organizational reputation and operational efficiency.
- Mitigates risks associated with poor purchasing decisions.

Operational Benefits

- Improves procurement planning.
- Facilitates budget management.
- Encourages systematic evaluation, resulting in consistent decision quality.
- Supports compliance with organizational policies and regulations.

Challenges in Implementing Planned Buying

Despite its advantages, several challenges can hinder effective implementation:

- Resistance to change within the organization.
- Lack of information or market knowledge.
- Time-consuming processes that may delay procurement.
- Difficulty in coordinating multiple departments.
- Balancing thoroughness with the need for agility.

Overcoming these challenges requires management commitment, training, and leveraging technology like procurement software.

Conclusion

In summary, planned buying is inherently a structured process aimed at achieving optimal purchasing outcomes. Whether conceptualized as a five-step or seven-step process, the core principles revolve around systematic problem recognition, information gathering, evaluation, decision-making, and post-purchase review.

The five-step process offers simplicity and efficiency, making it suitable for routine, smaller-scale purchases. Conversely, the seven-step process provides a more detailed roadmap, particularly beneficial for complex, high-value, or strategic procurement activities.

Understanding these models allows organizations to tailor their purchasing strategies, improve decision quality, and foster long-term supplier relationships. Ultimately, planned buying is about making deliberate, informed decisions that align with organizational goals, minimize risks, and maximize value—an essential component of modern procurement and marketing practices.

In conclusion, planned buying can be seen as a process that, regardless of whether it involves five or seven steps, is designed to result in the most favorable purchase outcomes. Its systematic nature ensures that organizations are proactive in managing their procurement activities, leading to better resource allocation, improved quality, and sustained competitive advantage.

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