

# COMMODITY REALIZATION IN MARKET —ON THE VIEWPOINT OF THE SUPPLY BY FIRMS—

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## I. *Introduction*

In ancient times, we usually got all goods and services by making ourself, but these days we get them, which were made by another person, by exchange with money.

So, the goods and services (object of the exchange with money = commodity), which form our daily life, are the means of getting a profit for commodity supplier (for example maker or retailer) on the other hand.

Therefore, the commodity can be exist in the market only when it can give satisfactions to two parties (consumer or liver and supplier). But we consider the conditions of existence as follows; they are not determined only by these two parties, but in the “environment” (in widemean), i.e. in social conditions, economical conditions, many laws and systems or conditions of nature etc. Furthermore, we can’t ignore the roles of administration to promote without a hindrance the flow from production to consumption in this environment. Including these situations for the realization of commodity, we intend to suppose the realization of commodity that commodity can get a social character in a series of the flow, that is, production, distribution, sale, purchase (buying), using, evaluating and taking a root, of commodity.

In the other words, the realization of commodity is that the commodity is recognized its existence in market for a certain period by many livers and its purchase and buying is repeated.

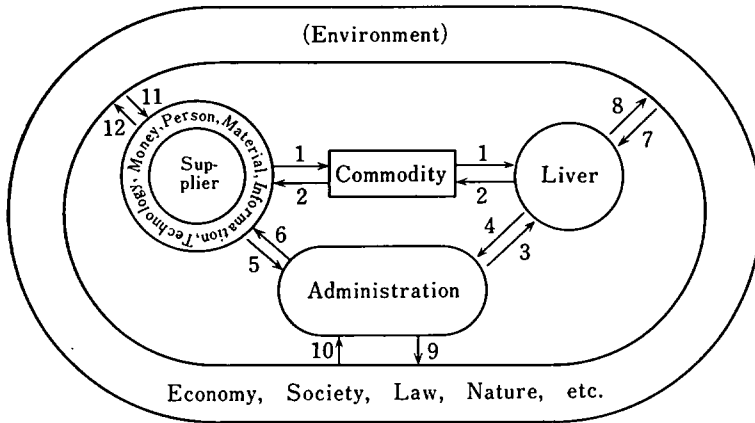
In this paper, we have our destination to following objects and we want to construct a model framework when the realization of commodity is actualized.

- (1) Which roles do supplier, liver, administration and environment carry respectively?  
And,
- (2) What interactions do they influence each other?
- (3) How relate do these facts actualize the realization of commodity? And furthermore,
- (4) To clarify the actual condition of the realization of commodity under the point of view at commodity supplier.

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FIG. 1 A FRAMEWORK OF THE MECHANISM OF THE REALIZATION OF COMMODITY



## II. *The Framework of the Identifications for the Realization of Commodity*

We will put in order our thinking of the realization of commodity which we say in the frame showed in Fig. 1 in Introduction. In this framework, we show roughly the mechanism of the changing a product to a commodity by the action of commodity supplier, liver, administration and their surroundings “environment”. This framework makes clear the relationships of “Supplier of Commodity,” “Liver” and “Administration” or “Public organization” as a controller. And, “Environment (Society, Economy, Law and so on)” having some effects upon these three subjects is showed and connected with these subjects.

We have following image about this framework; There are some interactions between the environment and these three subjects, and these interactions are stacked up couplingly, so in this process the realization of commodity will be revealed.

Therefore, Commodity will be realized not only by a will and power of supplier but as the results of the complications interactions between three subjects and environment. With a mind to above framework, we will study to make clear the role of firm (supplier) to the realization of commodity.

## III. *A Phase of Commodity-Supply by Firm*

### 3-1. Conception

A firm produces products, transports them to a market, and offers them to consumers (or buyers). Therefore, in this chapter we have to consider the commodity-supply phase as a behavior of firm. So we will make clear the concepts of three subjects and environment which are important concept in this frame.

- (1) Supplier of commodity  
All economic subjects related with from the producing a product to offer them to the final market;  
Maker(M), Retailer(R), Wholesaler(W)
- (2) Liver ( L); included Consumer (C), User(U), Buyer(B) and so on)  
Not only buyer or User of a commodity, but all human-beings composing the society.
- (3) Administration (or Public organization)  
The controller who takes some regulations, guidances, promotions for keeping a social discipline of the commodity transferred from supplier to liver.
- (4) Environment  
All elements giving some influences to the behavior of the commodity supplier, liver and administration.

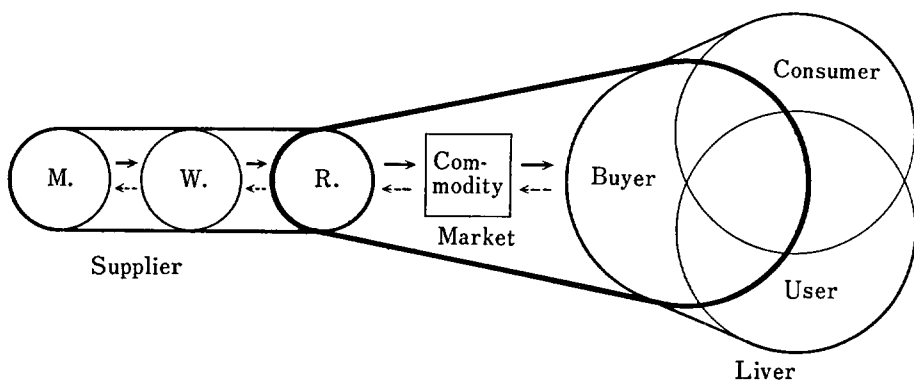
### 3-2. Commodity-Supplier and Its supply

We cannot understand the dynamic actual realization of commodity only by the description of the ordinary realization like a textbook. We must clarify these dynamism of actual realization.

We can assume that the suppliers have different behaviors according to the difference of commodity-characteristic or the maturity of the commodity in market. We want to arrange by the putting our analitical aspect on these diffences.

So, we, at first, will divide the commodity supplier into maker(M), wholsaler(W) and retailer(R). And next, bearing the roles of these three subjects in mind, the actual condition of commodity-supplier's behavior will be put in order according to some "Analytical Aspects (AAs)" shown in following.

FIG. 2



→ The flow of materials (products)

- - -> The flow of non-materials (money, information etc.)

A concept of commodity-supply is illustrated in Fig. 2.

This Fig. indicates especially the concept of the relationship of supplier and liver concerning of commodity and also indicates the relationship of "inter-suppleir" and "inter-liver." Many types of commodity-supply to market by supplier are observed, but there may be some identical properties in these types. So we will put in order these many types of commodity-supply phenomena into some supply patterns through our "Analytical Aspect (AAs)," and make clear the meaning of these patterns.

That is, we will analyze the supply-pattern through some AAs. Of course, the purpose of this analysis is to clarify the meaning of the commodity-supply by AAs, but it is also important purpose to propose the looking at commodity-supply in a new light.

It is difficult to show the meaning of commodity-supply in clarified form, but we are convinced that the approach for clarification of the meaning and its point of view can be picked out in this paper.

#### IV. Commodity-Supply Judging Through AAs

##### (AAs-1) Needs-Oriented Supply (NO-S)

In this paper the needs are limited in the conscious of the liver.

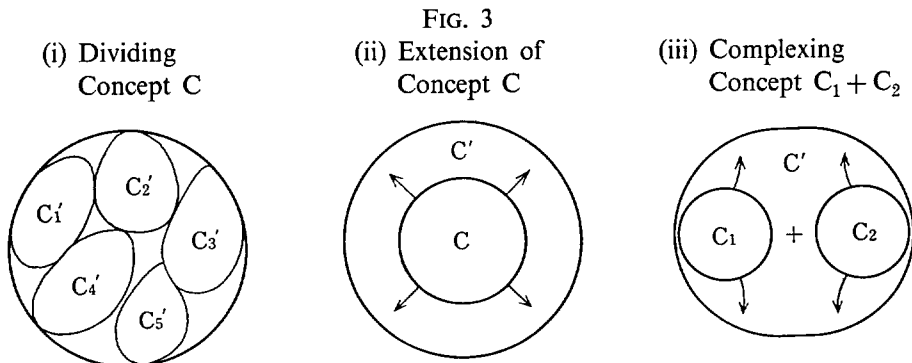
In this pattern, supplier analyzes the needs of the market (Buyer, User, Consumer, most widely Liver), and he supplies consciously the commodity fitted for the market needs.

The peculiar properties in AAs-1 pattern are pointed out as follows.

First, it is presumed that the concept of the commodity concerned has been confirmed already in a most extensive frame, and that a social agreement will be formed about this concept. Therefore, the commodity-supply will advance in following three methods (i)~(iii).

- Method-(i):    Differentiation and Dividing the Concept of the Commodity into Small Segments
- Method-(ii):   a Concentric Circular Extension of the Concept
- Method-(iii):  Complexing or Mixing of Some Near Mean Concepts

These three methods are illustrated in Fig. 3 in conceptual.



The second peculiar property is that the fundamental technology of the production of the commodity concerned is on the same level in any firms.

A basic technology concerning of this commodity production is not expected to develop further. Therefore the more superior product will not be put on a market technologically. Thus, the methods of (i)—(iii) in Fig. 3 will be carried out for making a new concept. To put it concretely, new product will be produced and supplied into market by the ways of

- (i) giving new factors of message peculiarity (characterization, systemization, culturization, etc.).
- (ii) giving or mixing new function or another function, or
- (iii) gradual advancing of a part of qualities or functions.

#### (AAs-2) Seeds-Oriented Supply (SO-S)

In this pattern, we are imaging of commodity-supply as follows: that is, new commodity, which has never exist in the society as a concrete concept, is supplied in a market by the development of the fundamental technology or by the new application or new combination of existing technology. These type commodities are supplied into a market by the leadership of "maker" who directly produces these techno-oriented products.

The peculiar properties in AAs-2 pattern are followings,

- (i) It is the most important job that a maker must make any efforts actively to fix the commodity concept in a market.
- (ii) At the first step of supplying, there are some differences among the concepts of each makers who produce same type new product. In this pattern, as the progress of technology in this field will be rapid in a main and fundamental technology, the cycles of being put on sale into market will be short. Therefore, the concept of the commodity will be in flux in a certain period in time. Because, also in the earlier time of this pattern, every maker tends to have different concepts (discrepancy of concepts) each other, and expansion of concept-frame by addition and mixing of concepts may be carried out.
- (iii) New entry in the same market will occur by many firms. The creation of new market leads to the creation of new demand, and to meet the demand new supplier will enter to the market soon.

#### (AAs-3) Emphasize-on-Quality Supply (EQ-S)

As a commodity reached at the maturity period in its life-cycle is generally in saturated state in quantity, we will not able to obtain good results in the quantitative competition at the time of commodity-supply. So, it is important method in this AAs-3 type whether the supplier can hold a dominant position by the supplying a commodity which have a superiority of quality or not. Therefore, it is the important turning point to divide the advantage line of the commodity-supply whether the supplier can hold this qualitative superiority in this same commodity field. The commodity supplier have a large objectives to realize this superiority.

The content of this qualitative superiority will be summarized as follows:

- (1) Differentiation of the commodity by a emphasis in heterogeneity.
- (2) Emphasis of superior characteristic
- (3) Differentiation by the methods in services or payment

(AAs-4) Power-relationship of Inter-supplier Supply (PR-S)

Under the view point of the commodity-supply concerning of the formation of the commodity realization, it will be expected that the power relationship decide its details and its mechanism of formation. In this paper, we divide the supplier to two parts, producer (maker(M)) and distributor (wholesaler(W), retailer(R)).

In this paper we use "distributor" concept including retailer. And we will discuss the variations of the commodity supply or realization by the examination of this power relationship analysis.

Two divided suppliers, producer(P) and distributor(D) is applied in four categories by the level of the dealing quantity of the commodity as shown in Table 1. In this discussion, we use "scale" in above dealing quantity of commodity, i.e. producer—quantity of out put, distributor—sales volume.

TABLE 1.

		distributor (D)	
		scale	large
producer (P)	large	category-1	category-2
	small	category-3	category-4

We will consider the varieties of the commodity-supply in these four categories.

(a) category-1 《large P—large D》

In this category, the production scale of P and the sales volume of D are both large, and we consider the case that the power-relationship among them decide the different commodity realization.

If the power of P is stronger than D, D will become the organization to play a role to transfer merely the commodity from producer to consumer.

The initiative of the commodity-supply is in a hand of P in this case.

If the power of P is weaker than D on the contrary, it will happen that P produce the P.B. for D, and D have a price leadership about this commodity.

Moreover, the products by P may laid itself to attack the price reduction pressure by D. The commodity in this category is produced by the firm of large scale production, so the commodity characteristic of this category is summarized as follows:

- (1) The commodity will be possible to be produced in mass production, this means that the commodity have a uniform standard. That is, the economy of scale works in this case easily.
- (2) The number of brands may be relatively limited in this field, and oligopoly of supply will be soon progressed.
- (3) Consumer will not need the delicate variety of desire in a quality of the commodity.

## (b) category-2 «large P—small D»

In this category, the commodity which is produced by some big firms holds high concentrated ratio, so the number of the same kind of commodity is a few. In this case, the commodity produced by big firms is not sold in large scale and remained in small scale sale.

One of these reasons may be followings. At the sales of this commodity, it is very important point that retailer must offer the special services to the consumers taking a carefully thought. In the other words, it is typical feature in this category that the commodity sales at retailing take the form of the sales the commodity adding special service in conviding form.

We can point out the samples of services discussed in this category. They are

- (Type-1) delivery service (alcoholic drinks, fuels, piano\*, etc),
- (Type-2) repairing and maintenance service (bicycle, sawing machine\*, piano\*, car\*, etc) and
- (Type-3) offering a special or technical knowledge service (consmetics\*, drags, etc).

In Type-1 the characteristic of the commodity is pointed out that these commodity have generally heavy weight and buyer will not carry it back to his house. In Type-2, it is generally difficult for consumer to repair or maintain the commodity during his using. In Type-3, the characteristic of the commodity in this type is that the consumer can use the commodity more availably or efficiently by taking the information of special knowledge or technical knowledge. And the commercial characteristics of this commodity in these types are generally shown in following two points.

- (1) It is easy to happen the price competition of a commodity among the inter-retailer, and
- (2) as the result of these state, the brand image of the commodity will go down.

Furthermore, from these characteristics, producer will have an intension to make a series in the retail stores. More, the commodities marked\* sign mentioned above Type-1 ~ Type-3 indicate that the retail stores of the commodity concerned is systematized in our country at present in the ratio of high degree.

In this category, we can point out that the main deciding factors of the degree of systematization are related to the cost of the display and the degree of the fashion. But, in this paper we want to abbreviate this problem in detail.

## (c) category-3 «small P—large D»

In this category the economy of scale dose not work at the production stage, that is, it is very difficult to produce the commodity of which mass production in stand-ardization goods is profitable. One of the typical examples of this type is fashion goods.

However, under the same conditions with above example, that is, under the condition of working no economy of scale, although the consumer's ability for evaluating the quality is very poor. Producer can enlarge his production scale in the case of commodity of which quality is highly evaluated by consumer.

Therefore, even in the case that the economy of scale does not work and that the commodity have not any fashion-character, the commodity, which consumer can evaluate the quality soon, is categorized in this type.

As distribution sector (D) has a strong power in this category, (D) can supply his commodity more dominantly than (P). So, we must point out the possibility to from the private brand by (D). This private brand are for example special store brand, retail store brand, large retail store (department store, supermarket) brand, non-brand brand, etc. Therefore one of the characteristics in this category is that it is possible to promote the brand competition by the distribution sector.

(d) category-4 《small P—small D》

The commodity, which is produced by many and small scaled makers and sold by many and small scaled retailers, is categorize in this category. The typical examples of this type are agricultural products or processing foodstuffs. Formerly many commodities in this category were produced and sold by same subject (production and retailing firm).

For example, we can cite bean curd (*tofu*), fried bean curd (*aburage*), croquette, Japanese deep-fat fried food (*tempura*), fry, bun with a bean-jam filling (*manjū*), cake, and so on. These commodities were the production-retailing type commodities, and the sales volume of the commodity was limited by the characteristics of it. So the mass production was impossible in that time.

However, at the present time, the production and retailing is first separated in this category's commodities by the progress of the enlarging retail stores. So, production sector can devote itself to production, and become to have an intension to mass production. And it is observed that large producer enters into this field.

As the distribution cost was over the economy of scale for long time, its market remained in small scale and sales volume also was a few. But the distribution cost was gradually going down by the development of technology. So, the market became larger, and the large scale production also became possible.

As the development of technology affected to the going down the cost, we can point out the following developments.

- (1) artificial preservations
- (2) refrigerating and freezing technology
- (3) means of transportation and so on

## V. Conclusion

In this paper we have tried to clarify the meanings of the commodity realization mainly from the phases of supplier through the view points of some Aspects(AAs). However, this study will not carry out under the sufficient conditions. We are now going on this study to create a new analytical method and new consideration for commodity science and to form more concrete framework for the phenomena of the commodity realization using new Aspects (AAs).

We can summarize the findings of our consideration as follows:



- (1) The characteristics of the commodity make widely change the patterns of supply, and also make change the commodity realization itself.
- (2) The type of the commodity realization will be largely changed by the power relationship between the producer (P) and the distributor (D).
- (3) The commodity analysis through new Aspects (AAs) will make possible to put in order the phenomena of the market behavior of commodity from a new standpoint.
- (4) Therefore, it will be needed to create the new AAs, and the commodity realization pattern must be summarized through the synthetical AAs pattern analysis.
- (5) We can find out the first step for the understanding of the commodity realization as the result of the competition by the economy subjects.

Though the purpose of this paper is to clarify the commodity realization through the Aspect (AAs), this paper may not be enough to clarify this thema. More detailed analysis for this problem will have to be left for another paper.

This paper is one part of the work made an oral report at the symposium of the Japan Society for Commodity Science 1983 at Kyoto. Thanks for constructive coments for our study are due especially to Prof. Imai, Prof. Nonaka, and also Associate Prof. Sakuma. We will express that the (AAs-4) part in chapter 4 in this paper is indebted to a book named *Shōhin to Shōhisha no Keizai-gaku* (Economic of Product and Consumer in Japanese) described by Prof. Tetsuo Ihara for our considerations.