

Bargaining power is
the ability to influence
the setting of prices

[Entertainment](#), [Games](#)



Bargaining power is the ability to influence the setting of prices. Buyer power refers to the ability of customers of the industry to influence the price and terms of purchase. The bargaining power of customers is also described as the market of outputs. The ability of customers to put the firm under pressure, which also affects the customer's sensitivity to price changes.

Bargaining power of buyers occurs when leverage is given to the buyer and demand for lower prices, increased quality and more services are made.

The amount of power enjoyed by a buyer group maybe determined by the concentration of buyers or volume of purchase. Additional occasion for high levels of buyer's power may occur when the purchase represents a large portion of the buyer's overall expenditures, if differentiation and switching costs are low, if there is likelihood of backward integration and if the buyer is fully informed about demand, market prices and supplier cost. The power of buyers is the impact that customers have on a producing industry.

In general, when buyer power is strong, the relationship to the producing industry is near to what an economist terms a monophony a market in which there are many suppliers and one buyer. Under such market conditions, the buyer sets the price. In reality few pure monopolies exist, but frequently there is some asymmetry between a producing industry and buyers. The following tables outline some factors that determine buyer power. Buyers are Powerful if: Buyers purchase a significant proportion of output distribution of purchases or if the product is standardized. or example-Circuit City and Sears' large retail market provides power over appliance manufacturers. Buyers are weak if: Buyers are fragmented, no buyer has any particular

influence on product or price. For example in garments industry there are so many kinds of customers there in the market. Prices are set by supply and demand and the market reaches the Pareto-optimal point where the highest possible number of buyers are satisfied at a price that still allow for the supplier to be profitable. In garments industry some of them are facing powerful buyers and some are facing weak buyers. Like sub-dealer of book stores have a limited set of potential clients, each commanding a large share of their market these industries are having strong buyers. When retailers face individual consumers with little or no power at all that means now the garments industry has a weak buyer. In the garments industry it is economically feasible for buyers to follow the practice of purchasing the input from several suppliers rather than one. The products are unimportant to the quality of the customer's product or service.

The buyers pose a threat of integrating backward to make the garments industry's products. In the garments industry the supplying industry is comprised of large numbers of relatively small sellers. They are concentrated and buy in large volume. The bargaining power of customers is also described as the market of outputs. The ability of customers to put the industry under pressure, which also affects the customer's sensitivity to price changes. These factors change with time and firm's choice of buyers-groups should be regarded as an important element in strategic decision-making.