

Model for Analysis of Heterogeneity in Product Acquisition Procurement

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Abstract

The heterogeneity of vendors is conceived of as a critical factor in determining the most appropriate tender selection method for product acquisition. This measure's adoption was due to the difficulty of finding the best products at the least cost as stipulated in Taiwan's Government Procurement Law. Although quality/performance is considered a major contributor, there is no objective method to measure the heterogeneity of vendors. The current paper presents a new model, namely Price/Performance Analysis Model (P/PAM), that combines the economic utility function, price/performance relationship, and price elasticity for the purpose of establishing a quantitative model to analyze the heterogeneity of a product procurement. A case was selected from the literature to demonstrate the applicability of the proposed P/PAM.

Keyword : product acquisition, heterogeneity of procurement, quantitative analysis, best value, performance elasticity.