

Business Brief

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A company's **product** is its goods or services (what it makes and sells).

Goods are things you can touch: bananas, computers, cars, cell phones, toys

Services are things you do for people: tourism, restaurants, lawyers, car wash, beauty salons, entertainment, transportation, banks, insurance, consultants

A **customer** is someone who shops at a particular store. The word customer is **specific** to one store. For example:

"This man is my regular customer, he comes here all the time;"

OR

"Most of Sogo's customers are women;"

The word **consumer** is similar to customer. The word consumer, however, is an **economic term** used to describe *all the people* in a society who have **buying power** (the ability to buy). The word consumer is not specific to any one shop, store, or business. For example:

"The Wall Street Journal reports that consumer spending is down this month" (all the people who could be out shopping are not spending money)

Types of businesses (ownership)

1. **Sole proprietor** = 1 person, ends at death
2. **Partnership** = two or more persons, ends at death
3. **Corporation** = A company whose owner's are stockholders (shareholders). A legal entity acting in the same capacity and with the same legal obligations as an individual. They last forever (unlimited lifetime)

A **firm** is a type of partnership and is usually a group of professionals like lawyers, accountants, or other type of **consultants** (marketing consultants, management consultants).

Advantages

An advantage of a **sole proprietor** is complete *flexibility* in running the company.

An advantage of a **partnership** is to *combine* the investment and knowledge/expertise of more than one person.

An advantage of a **corporation** is that if the corporation fails, you *do not lose* your personal money or property (*personal assets*). Also you can **mass market** more easily

Disadvantages

A disadvantage of a sole proprietorship is the lack of initial investment to start a company, and also, if the company fails you may lose your personal assets (the property, money, and things you own). In other words, *your personal assets are not protected*.

The disadvantage of a partnership is the same as for a sole proprietor. Also, you may not have the same freedom and flexibility in running the company because you have a shared responsibility in decision-making with the other partners.

A disadvantage of a corporation is the lack of flexibility and control that sole proprietors and partnerships have.

A share of **stock** is the piece of paper that gives you **ownership** and the right to **vote** in a corporation. You get one vote for each share—if you have 100 shares you can vote 100 times.

A person who owns a share of stock is called a **stockholder** or **shareholder**. The shareholders vote to **elect** the board of directors. Many people buy stocks for **investment** purposes only and do not **exercise** their right to vote.

The **board of directors** is the group of people (committee) who run a corporation. They make the major decisions for the company, but they don't run the company on a day-to-day basis. They often have other jobs, or they are rich, so they don't come to the company everyday. They only meet once a month or just a few times each year.

The head of the board of directors is called the **Chairman of the Board**, or just **Chairman**.

The board of directors **appoint** the **CEO** (Chief Executive Officer). The CEO runs the company on a day-to-day basis. Only the board of directors can fire the CEO. The CEO is the boss of everyone in the company (except the board members).



A **stockbroker** is a professional who buys and sells stocks for other people. If I want to make an investment or buy some stock, I will call a stockbroker.

Revenue is equal to a company's overall *income*, all the money they take in.

Expenses are the money you have to *spend* or the bills you have to pay—like rent, utilities, and salaries.

Net Income (Profit) = Revenue – Expenses

Note: Revenue is a *company's* overall income but the money made by an *individual* that works for a company is called **personal income** or **salary**.

Assets = property, cash, and investments

(everything a company own's or has legal possession of—this includes land, buildings, machines, vehicles, cash, and investment holdings.)

Liability = a company's **debts** (what the company owes)

Owners Equity is the **resale value** of a business. (What you would get if you sold your company)

The basic **accounting equation** for all businesses: **Assets = Liability + Owners Equity**

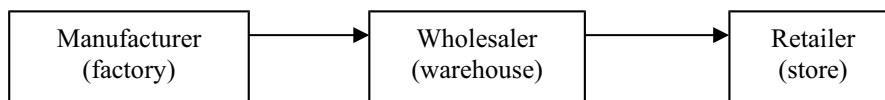
Manufacturers (or the manufacturing industry) are the people who make the products (goods).

Wholesalers (or the wholesale business) are company's who buy, sell, and ship their products in **bulk** to the retail stores (like department stores).

Retailers (or the retail business) are the final place to sell a product, like a department store.

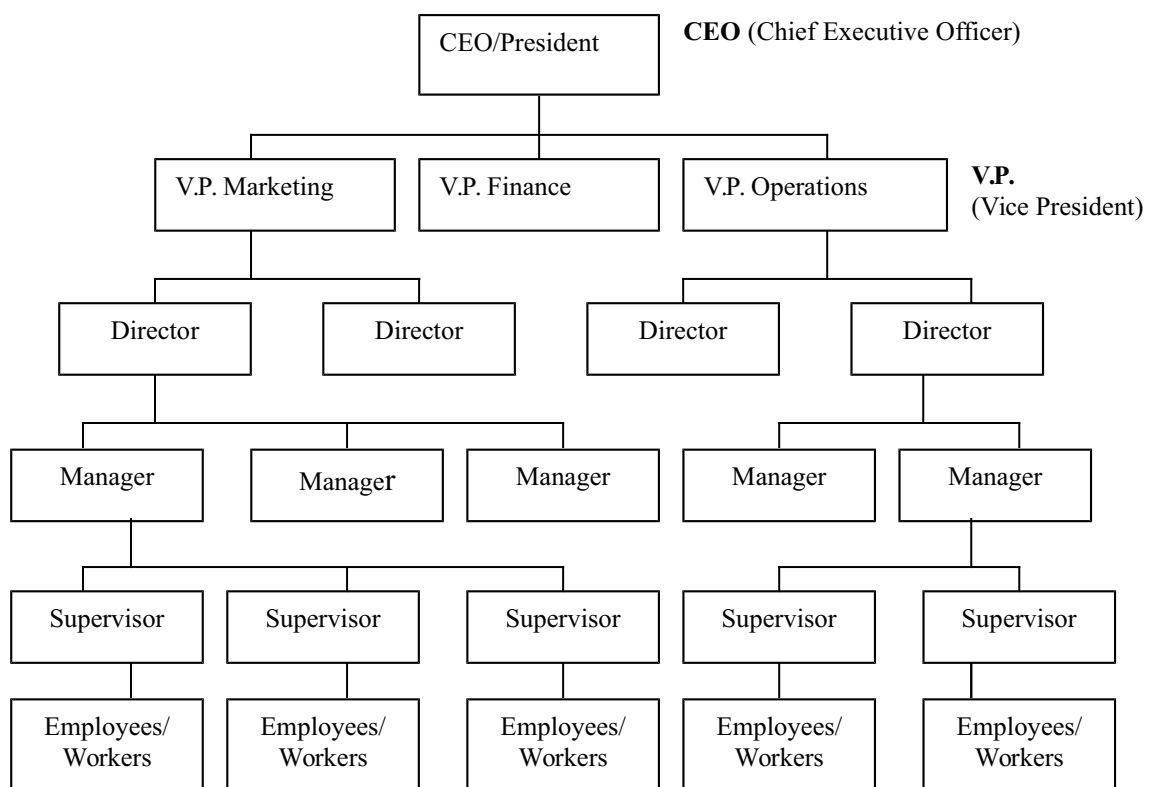
Marketing distribution is the process of getting the goods/products to the consumer.

The basic *marketing distribution flow chart* is below:

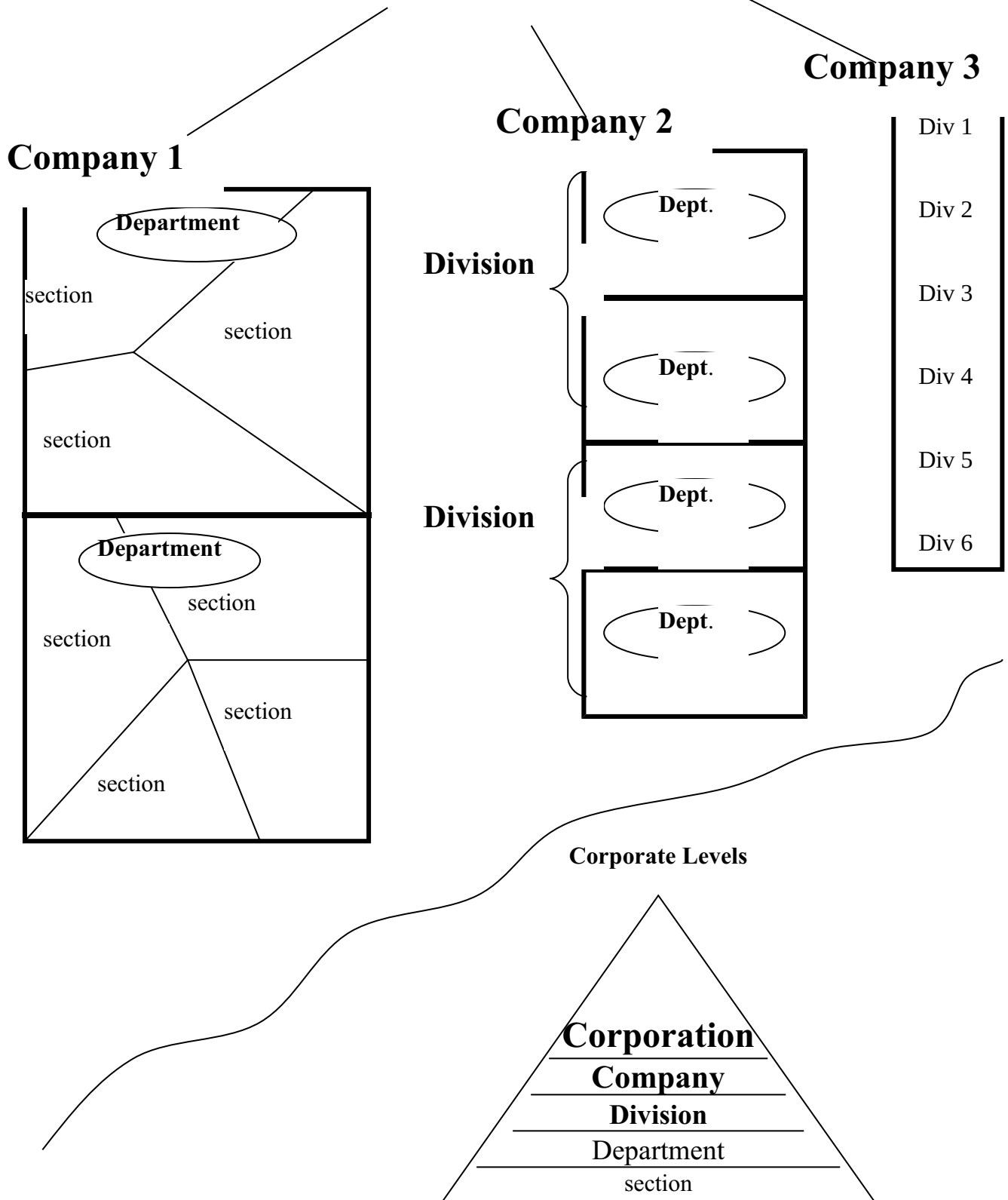


A wholesaler keeps his goods stored in a **warehouse**. Some retailers are large enough that they have *regional warehouses*.

A basic **organizational chart** by title looks like this:



Corporation



Target market

Who are you customers? Who are your ideal customers? Who will want to buy your product?

Will you Mass market or Niche market?

Mass Market—to sell to as many people as possible

Niche Market—to sell a special product or service to a small group with special needs or desires

Where do they live?

What is their family structure (number of children, extended family, etc.)?

What is their income?

What do they do for a living?

What is their lifestyle like?

How do they like to spend their spare time?

What motivates them?

Other things to consider:

- Age: children, teens, young, middle, elderly
- Gender: male, female
- Education: high school, college, university
- Income: low, medium, high
- Marital status: single, married, divorced
- Ethnic and/or religious background
- Family life cycle: newly married, married for 10 – 20 years, with or without children.
- Lifestyle: conservative, exciting, trendy, economical
- Social class: lower, middle, upper
- Opinion: easily led or opinionated
- Activities and interests: sports, physical fitness, shopping, books
- Attitudes and beliefs: environmentalist, security conscious.

Example: "My target customer is middle-class women in their 30s or 40s who are married and have children, and are environmentally conscious and physically fit."

How to Write a Mission Statement

A good mission statement should accurately explain why your organization exists and what it hopes to achieve in the future. It articulates the organization's essential nature, its values, and its work.

It must express the organization's purpose in a way that inspires commitment, innovation, and courage.

At the very least, your organization's mission statement should answer three key questions:

1. What are the opportunities or needs that we exist to address? (the purpose of the organization)
 - a. Who are you?
 - b. What do you do?
 - c. Who do you do it for?
2. What are we doing to address these needs? (the business of the organization)
 - a. How do you do it?
 - b. Where do you do it?
3. What principles or beliefs guide our work? (the values of the organization)
 - a. Why do you do it?

EXAMPLE

We are Jordan Sports Shoes company. We make and sell shoes for sports activities. Our customers are people who spend most of their free time and vacation time on sports activities. Our customers do different kinds of outdoor sports activities such as rock climbing, running, hiking, and cycling. We also provide shoes for people in the different kinds of ball sports, such as baseball, basketball, football, tennis, and soccer.

We do not make shoes for style, we make the highest quality sports shoes that can function well for those who participate in sports activities.

We believe sports activities are important for a balanced life. By providing the highest quality of sports shoes, we can help people have a better life.

Promotion

Promoting your product.

1) Advertising – Will you advertise on the internet, radio, television, loud-speaker truck, newspaper, or magazine? You can do a little of each, but you don't have an unlimited budget, so which two or three will you use at first, and why?

2) Publicity – Publicity provides free communications for a company through news stories or special activities. You can sponsor special events like a marathon race. You can get free publicity by sending a news release about the event to your local radio stations, TV stations, newspapers, and magazines. These events cost very little and are very effective.

What are your ideas for a special promotion event?

3) Sales promotion – Sales promotion includes special discounts on your product or service. You can give your product away for free so people can sample them. You can have a buy-one-get-one-free sale (also called two-for-one).

4) Promotional Events – Represent your company at a trade show (exhibition), if you are a restaurant, for example, you can have a special eating contest. Auto dealers can have a special car show at the mall. A clothing store can create a fashion show.

Advertisement/Commercial presentation:

Design a TV commercial or radio ad. Everyone must have a speaking part that is equal with everyone else.