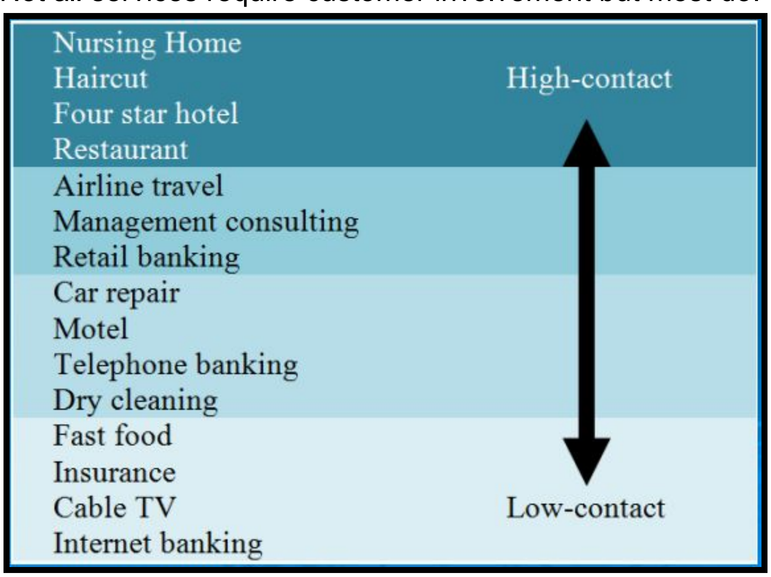
Lecture Notes:

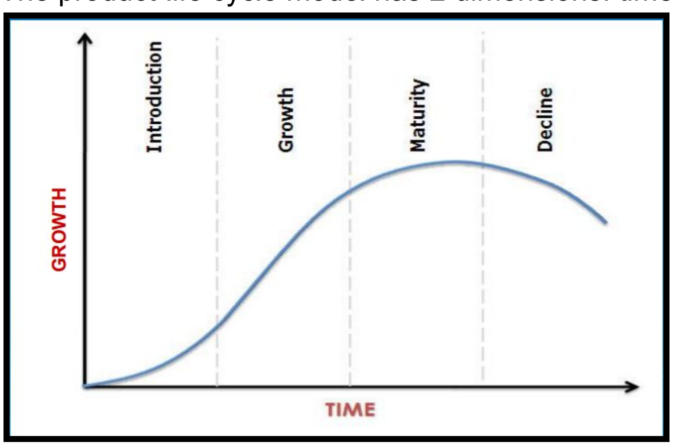
- **Products** are what the purchaser hopes to get, or believes to be getting, when they purchase a good or service. It is a good or service that fills the buyer's need or satisfies a want. When a consumer needs or wants something, they place a value on it.
  There are two kinds of products: **goods** and **services**.
- **Good:** A product you can see and touch (It is tangible).
  E.g. Jeans, Computer, Table, Pens
- **Service:** A product that you "experience" (It is intangible).
  E.g. Education, taxi rides
- In Canada, services are much more important.
- ~80% of Canadians work in services.
- Services are more difficult to provide because of 3 reasons:
  1. **Immediacy:**
  - Most services can't be stored.
    E.g.
    A good, such as a bar of soap, pencils, etc, can be stored.
    A service, such as haircuts, education, etc, can't be stored.
  - To provide a service, the business must work harder at planning and scheduling.
  2. **Customer involvement:**
  - Services often need the customer to be there.
  - E.g.
    Most goods, such as a bar of soap, can be made without the customer.
    Most services, such as tutoring, cannot be made without the customer.
    Service providers need people skills.
    Not all services require customer involvement but most do.



  3. **Customisation:**
  - Each service customer wants something different.
  - E.g.
    Most goods, such as bars of soap, pairs of jeans, etc should be identical.
    Most services, such as tutoring, hair cuts, etc should be different.
  - Service providers must be more versatile.

- The combination of the three attributes listed below determine a product's value, which is how much customers will pay for a product:
  1. **Function:**
  - What product is intended to do.
  2. **Features:**
  - Specific, additional attributes which contribute improved usefulness or enhanced experience.
  - E.g.
    A car has a convertible roof.
    A car has air conditioning.
  3. **Benefits:**
  - The advantages derived from purchase.
  - Frequently these are intangible (status, image, reputation).
  - E.g.
    A car gives you independence.
    A car gives you status with friends.

  function + features + benefits = "value package"
  The bundle of tangible and intangible functions, features and benefits that a business offers its customers determines the "value" to the customer.
  Business managers must understand what customers need and want and what customers are willing to pay for.
- Products, technologies, industries have finite lives. They begin small and weak, they grow quickly, they mature and decline.
- The product-life cycle model has 2 dimensions: time and growth.



- Time can be measured several ways, such as weeks, months, years, decades.
  Some products have very short lives, such as movies, fashions, technologies.
  Some products have very long lives, such as coffee, bread, pencils.
- Possible measures of business growth are volume of sales, number of customers, volume of production, number of units sold, number of stores/outlets, profits, etc.
- There are 4 stages in the product-life cycle model:
  1. **Introduction:**
  - The product or technology is brand new, little known, expensive, and hard to find.
  - Sales is low.
  - Price is high.
  - No profits yet.

- There are few customers.
- There are few or none competitors.

2. **Growth:**

- The product or technology is better known, more popular, more available.
- Sales begin increasing quickly.
- Prices begin to fall.
- Profits begin to increase.
- There are more customers.
- New competitors enter.

3. **Maturity:**

- The product or technology is standard. Everyone has it. The market is saturated. There is little product development.
- Sales peak and are flat.
- The price is stable.
- Profits are as high as possible. There's no more growth.
- Unlikely to have more customers.
- There are no new competitors.

4. **Decline:**

- The product or technology is old fashioned.
- Sales: declining
- Profits: declining
- Customers: laggards
- Competitors: declining

- When everyone knows about your product and already buys your product, launch a new variation or an update. This is called **extending a product's life**. Extending a product's life is any effort to re-package, re-launch or update a mature but well known product. E.g.

<u>Textbook Notes (Chapter 2):</u>

- **The Theory of Factors of Production:**
- The term **factors of production** refers to the factors that are required to produce goods and services. They are the basic building blocks that, in combination, are required to make a business, and produce things.
- There are 4 factors of production:
  1. **Natural resources (raw materials):**
  - **Natural resources** are things found in nature and the resources that grow out of the earth or can be extracted from it. Examples of natural resources are land, water, wood, coal, cotton, oil, and wheat.
  - Canada has abundant land and natural resources.
  - In the 15th and 16th centuries, the Portguese came to our Atlantic coast in pursuit of fish.
  - In the 16th century, France came to what is now Quebec in search of fur.
  - In the 18th and 19th centuries, the British established businesses to exploit the supply of timber.
  - Currently, Canada is the world's 6th largest supplier of wheat and has the 2nd highest supply of oil.
  - Furthermore, some of Canada's largest businesses rely on natural resources for their main activities. Examples include:
    a. Suncor Energy, Canada's 3rd biggest business ranked by revenue, extracts oil from northern Alberta tar sands.
    b. Domtar, headquartered in Montreal, is the world's largest paper company.
    c. Barrick Gold is the world's largest gold mining company.
  - Businesses whose activities are predominantly dependent on the production or use of natural resources are called **resource intensive**. An example of a business that is resource intensive is farming.
  2. **Labour (people):**
  - **Labour** is the people who contribute their efforts to a business.
  - No businesses can exist without people. Every business needs at least one person to organise and plan things.
  - Many organizations, both not-for-profit organizations and businesses, use many workers. A business that employs many people is called **labour intensive**.

The World's 10 Largest Employers[1]		
Employer	**Employees**	**Headquarters**
United States Department of Defense	3.2 million	United States
People's Liberation Army	2.3 million	China
Walmart	2.1 million	United States
McDonald's	1.9 million[2]	United States
National Health Service	1.7 million	United Kingdom
China National Petroleum Corporation	1.6 million	China
State Grid Corporation of China	1.5 million	China
Indian Railways	1.4 million	India
Indian Armed Forces	1.3 million	India
Hon Hai Precision Industry (Foxconn)	1.2 million	Taiwan

1. List and employment totals are current as of 2012

Canada's Largest Employers[1]	
Company	**Employees**
Onex Corp.	238,000
George Weston Ltd.	155,000
Magna International	96,600
Empire Company	90,000
Royal Bank of Canada	72,126
Bank of Nova Scotia	70,772
Toronto-Dominion Bank	68,725
Bombardier Inc.	65,370
Metro Inc.	65,000
Canadian Tire Corp.	56,900

1. Employment figures are for mid-2012 Source: The Globe and Mail 1000

3. **Capital (money and technology):**
- **Capital** is money or the machines and technologies that money can buy.
- A business that requires a great deal of money is called **capital intensive**.
- The most capital intensive businesses are banks.
4. **Entrepreneurship (motivation of individuals to start a business):**
- Businesses are formed by people who are motivated to take the time to incur the costs and risks and make the effort to make something happen. We call these people **entrepreneurs**.
- An **enterprise** is a project or undertaking that requires energy and effort and whose outcome is uncertain.
- **Entrepreneurship** is the willingness or the motivation to take the initiative, and to accept the risk of failure in return for suitable gratification or reward.
- For most of the 20th century, in most of the world's largest countries, the assumption, either implicit or explicit, was that governments were best placed to assemble and organize the resources necessary to get things done. However, increasingly, business theorists subscribe to Adam Smith's view that it is only because of the entrepreneur's desire for profit that productive activity occurs. Without entrepreneurs, the other factors of production may exist, but would lack the organizing and coordinating influence.

- **Combining the factors of production:**
- No business can exist without some combination of labour, natural resources, and capital.
- **Replacing people with machines:**
- The history of the world changed dramatically during the **industrial revolution**, which was from 1760 to 1820. The industrial revolution is the name given to a rapid series of technological developments that first transformed the United Kingdom and then the rest of Europe and the U.S.
- The **Industrial revolution** was a series of technological developments and inventions (many of them labour saving) that transformed the manufacturing, agriculture, mining, and transportation industries in the 18th century.

- The industrial revolution was notable because of the speed with which a large number of innovations, many to do with the most important industries of the age, came within a short period of time.
- The rapid flow of technological innovations that occurred during the industrial revolution meant that many jobs that had previously been done by hand became obsolete. While thousands of people lost their traditional livelihoods, the time and cost to make the products fell. Furthermore, workers made unemployed from traditional jobs found work elsewhere, in one of the rising industries created by the outpouring of new technologies. As a result, the standard of living rose throughout Europe.
- The phenomenon of replacing human workers with faster, more efficient machines is called **factor substitution**.
- **The factors of production – A theory:**
- The existence of the factors of production is a **theory**. A **theory** is an idea, which is an attempt to explain something complicated, hard to understand, or hard to prove. Examples of theories include the big bang theory and the theory of evolution.
- Some theorists suggest that there is a fifth factor of production, information. These theorists suggest that businesses need to collect vast amounts of information to understand and successfully meet the needs of their customers, and effectively use their natural resources, labour, and capital.

Textbook Definitions:

- **Capital:** Money or the machines and technologies that money can buy.
- **Capital intensive:** A business or a process that requires a large amount of money, machines or technology to produce its goods and services.
- **Enterprise:** A project or undertaking that requires energy and effort and whose outcome is uncertain.
- **Entrepreneurs:** The people who are motivated to take the time, to incur the costs and risks, and make the effort to make something happen.
- **Entrepreneurship:** The willingness or the motivation to take the initiative, and to accept the risk of failure in return for suitable gratification or reward.
- **Factors of production:** The basic building blocks that, in combination, are required to make a business, and produce things. The 4 factors of production are natural resources, labour, capital and entrepreneurship.
- **Factor substitution:** Substituting one factor of production (for example capital) for another (for example labour) so that products can be made more quickly or cheaply.
- **Industrial revolution:** A series of technological developments and inventions (many of them labour saving) that transformed the manufacturing, agriculture, mining, and transportation industries in the 18th century.
- **Labour:** The people who contribute their efforts to a business.
- **Labour intensive:** A business or a process that requires a large amount of labour to produce its goods and services.
- **Natural resources:** Things found in nature. Resources that grow out of the earth or can be extracted from it. Examples of natural resources are land, water, wood, coal, cotton, oil, and wheat.
- **Resource intensive:** An activity that is predominantly dependent on the production or use of natural resources. An example of a business that is resource intensive is farming.
- **Theory:** An idea, which is an attempt to explain something complicated, hard to understand, or hard to prove. Examples of theories include the big bang theory and the theory of evolution.