

Taking Risks and Making Profits within the Dynamic Business Environment

Dr. Péter POPOVICS PhD.

Assistant professor, coach

*Dept. Enterprise Development
Team Academy Debrecen*

Learning Goal 1

Relationship between **profit and risk**, and show how **businesses and nonprofit organizations can raise the standard of living for all**.

Business

Def: Any activity that seeks to provide **goods and services to others while operating at a **profit**.**

Goods

Def: Tangible products such as computers, food, clothing, cars, and appliances.

Services

Def: Intangible products (products that can't held in your hand) such as education, health care, insurance, travel and tourism.

Material Services

Material Services always aim some kind of goods/products.

e.g.: **delivering** - you will transport sg. from one place to another,

a car mechanic - will repair your car.

Non-material Services

A **non-material services** always aim the people.

e.g.: doctor, policeman, army, theatre, etc.



Revenue



Def: The **total amount of money a business takes in during a given period by selling goods and services.**

Profit

Def: The **amount of money a business earns above and beyond what it spends for salaries and other expenses needed to run the operation.**

Loss

Def: When a business's **expenses are more than its revenues.**

If a business loses money over time, it will likely have to close, putting its employees out of work.

Risk

Def: Risk is the chance an entrepreneur takes of losing time and money on a business that may not prove profitable.

Profit calculation:

e.g.: selling hot dogs from a cart in the summer time

Costs:

- cart rental fee
- material costs
- pay for someone to run the business
- your salary
- taxes

After you payed the costs, any money left over would be profit.

Keep in mind that profit is over and above the money you pay yourself in salary!

Matching Risk with Profit

Not all enterprises make the same amount of profit.
Those they take the **most risk** may take the **most profit**.

e.g.: open a business **in an inner city or in suburban areas**
Which has higher risks and why?

business in an inner city the risk is higher, because insurance and rent are usually higher, than in suburban areas, but reduced competition makes substantial profit possible.

Big risk, big profits!

Standard of Living and Quality of Life

Why we pay taxes? Who should pay it? What happen with the money we pay in?
What would happen if no one pay taxes?

Businesses and their employees pay taxes that the government and local communities use to build hospitals, schools, libraries, playgrounds, roads and other public facilities.

Also help to keep the environment clean, support people in need and provide police and fire protection.

Taxes help everyone in their communities.

Businesses are part of an economic system that contributes to the standard of living and quality of life for everyone in the country.

Standard of Living

What is it mean? Where is the highest in the world?

Def: **Standard of living** refers to the amount of goods and services people can buy with the money they have.

The **USA** has the **highest standards of living** in the world.

Interesting question: workers earn average more money per our in other countries e.g.: Germany, Japan, than in the USA.

How can that be?

Prices for goods and services in Germany and Japan are higher than in the States, so a person in those countries can buy less than what a person in the USA can buy with the same amount of money.

bottle of beer: 7 in Japan and only 3 in USA

reasons: higher taxes, stricter gov. regulations

Quality of life

Def: **Quality of life** refers to the general well-being of a society.

It means political freedom, natural environment, education, health care, safety, amount of leisure and rewards that add to than satisfaction and joy that other goods and services provide.

The more money businesses create, the more is potentially available to improve the quality of life for everyone.

Working to build a higher standard of living may cause lower quality of life if it means less time with the family or more stress.

Stakeholder

Def: **Stakeholder** are all the people who stand to gain or lose by the policies and activates of a business and whose concerns the business needs to address.

They include customers, employees, stockholders, suppliers, dealers (retailers), bankers, people in the surrounding communities, the media, environmentalists and elected government leader.

Outsourcing

Def: **Outsourcing** means contracting with other companies (often in other countries) to do some or all the functions of a firm, like production or accounting tasks.

Outsourcing has had serious consequences in some states where jobs have been lost to overseas competitors.

The other side of the outsourcing coin is **insourcing**.
Insourcing creates many new jobs and helps off-set those being outsourced.

Thank you for your attention!

Understanding Economics and How It Affects Business

Dr. Péter POPOVICS PhD.

Assistant professor, coach

*Dept. Enterprise Development
Team Academy Debrecen*



John Maynard Keynes (1883-1946)

- Had a great influence on U.S. economic policy
- **Stabilizing the economy by the use of fiscal policy (taxes, spending)**

- If the **economy was in recession**, the government should *increase spending* (e.g., on infrastructure, bridges, schools, etc.) and *cut taxes* in order to stimulate the economy.
- The goal of cutting taxes would be to **increase consumer spending** to revive businesses.

- Conversely, when **the economy seems to be growing too fast and inflation results**, Keynesian theory suggests *cutting back on government spending* and *increase taxes*.

- **Most famous book (1936): The General theory of Employment, Interest and Money**

Economic conditions affect business

- The U.S. is a **relatively wealthy country** compare to Mexico - Why?
- Major part of the **US business success** in the past was due to an **economic and social climate** that allowed most businesses to operate freely.
- Any **change in the US economic or political system** has a major influence on the success of the business system.
- **Global economics and global politics** also have a major influence on businesses in the US.

Economics

Def: **Economics** is the study of **how society chooses to employ resources to produce goods and services** and distribute them for consumption among various competing groups and individuals.

Macroeconomics

Def: **Macroeconomics** looks at **the operation of a nation's economy as a whole** (e.g.: the whole US)

Microeconomics

Def: **Microeconomics** is the part of economic study that looks at the **behavior of people and organizations** in particular markets.

Resources - Five factors of production

1. Land

Def: Land and other natural resources are used to make homes, cars, and other products.

2. Labor

Def: People have always been an important resource in producing goods and services, but many people are now being replaced by technology.

3. Capital

Def: Capital includes machines, tools, buildings, and other means of manufacturing.

4. Entrepreneurship

Def: All the resources in the world have little value unless entrepreneurs are willing to take the risk of starting businesses to use those resources.

5. Knowledge

Def: **Information technology has revolutionized business**, making it possible to **quickly determine wants and needs** and to respond with desired goods and services.



Thomas Malthus (1766-1834)

- Malthus followers (who called **neo-Malthusians**)
- **too many people** in the world
- **solution to poverty:** radical birth control, including forced abortions and sterilization

- latest statistics: **population growing more slowly than expected**
- In some industrial countries - Japan, Germany, Italy, Russia, US - so slow: there will be **too many old people and too few young to care for them**
- In the developing world - **population climb relatively quickly** and it may lead to **greater poverty and unrest**

- Macroeconomists believe - large population, especially an **educated one, can be valuable resource**

What might motivate you to start your own business?



Adam Smith (1723-1790)

- Scottish economist
- **Father** of modern economics
- Envisioned: **creating more resources so that everyone could become wealthier**
- Most famous book: **The Wealth of Nations**, 1776

- He believed **freedom** was vital to the survival of any economy, especially the **freedom to own land or property**.
- He believed **people will work long and hard** if they have **incentives** for doing so. (**keep the profits** from working the land or running the business)
- The **economy will also prosper**, with the plenty of food and all kinds of products available to everyone.
- **invisible hand:** A phrase coined by Adam Smith to **describe the process** that turns **self-directed gain** into **social and economic benefits for all**.

Questions for the final exam?

- **What is the difference between macroeconomics and microeconomics?**
- **What is better for an economy than teaching a man to fish?**
- **What does Adam Smith's term “invisible hand” means? How does the invisible hand create wealth for a country?**

Free- market capitalism

- basing the ideas of Adam Smith on free-market principles businesspeople in the US, Europe, Japan, Canada and etc. **began to create more wealth than ever before**
- they **hired workers** to work on their farms and in their factories and their **nations began to prosper** as a result
- Businesspeople soon **became the wealthiest** people in society (large homes, fancy cars, etc. - workers lived in humbles)
- **Promise of better time!**

- **One way to become wealthy to start a successful business of your own!**

Capitalism

Def: An economic system in which **all or most of the factors of production and distribution are privately owned and operated for profit.**

The Foundations of Capitalism

- *People have four basic rights:*

1. The right to **own a private property.**
2. The right to **own a business and keep all that business's profits.**
3. The right to **freedom of competition.**
4. The right to **freedom of choice.**

Thank you for your attention!

Doing Business in Global Markets

Dr. Péter POPOVICS PhD.

Assistant professor, coach

*Dept. Enterprise Development
Team Academy Debrecen*

The Dynamic Global Market

What is **Globalization** means?

Def: The worldwide movement toward economic, financial, trade, and communications integration.

- 90% of the companies doing business globally
- US is a market of 310 million people, but 6,9 billion potential customer in the 194 countries that make up the **global market**

World population:

- Asia 60,2%
- Africa 14,9%
- Europe 10,7%
- North America 7,4%
- South America 6,3%
- Australia 0,5%

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Importing

Importing is buying products from another country.

Exporting

Exporting is selling products to another country.

Which one is better for a country? Why?

Which nation is the largest in importing?

United States

Which nations are the largest in exporting?



- 1. China**
- 2. Germany**
- 3. United States**

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Why trade with other nations?

- No nation can produce all the products **its people want and need**.
- **Self-sufficient nations**
- **Venezuela and Russia:** abundance of natural resources, but limited technological know-how
- **Japan and Germany:** have sophisticated technology, but few natural resources

- **Global trade:** enables nation to produce what it is most capable and buy what it needs from others



Free Trade



Def: **Free trade** is the movement of goods and services among nations without political or economic barriers.

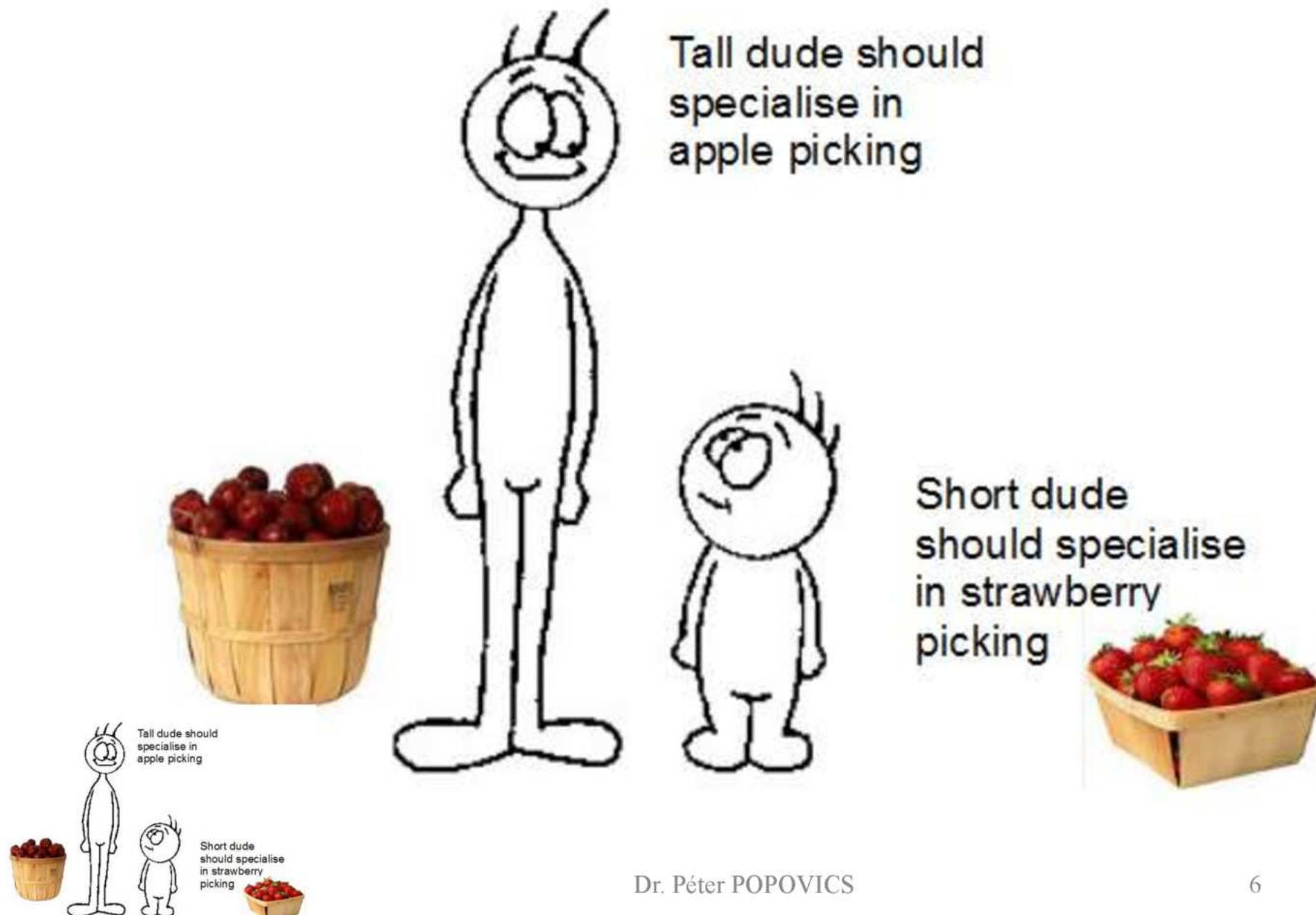
Pros:

- Global market - **6,9 bil pot.cust.**
- **Productivity grows** when they produce g&s in which comp.ad.
- Global competition & less costly imports **keep prices down**, so inflation does not curtail ec.growth
- **Inspires innovation** for new products
- Continuous flow of capital gives **countries access to foreign investments**, which help keep interest rate low.

Cons:

- **Domestic workers can lose jobs** due to increased imports or production shifts to low-wage global market
- Workers may **be forced to accept pay cuts** from employers
- **Moving operations overseas**, because of intense competitive pressure.
- Domestic **companies can lose their comp. ad.** when competitors build production in low-wage countries.

Comparative advantages theory



Absolute advantages theory

Def: The advantage that exists when a country has a monopoly on producing a specific product or is able to produce it more efficiently than all other countries.

- absolute advantages in natural resources does not last forever
- e.g.: South Africa once had an absolute advantage in *diamond production*, but that is no longer the case



Comparative vs. Absolute advantages

Units per worker per hour



Chocolate



Olive Oil

Switzerland



8

2

Palestine



3

3

Importing Goods and Services

Students attending collages and universities abroad often notice that **some products widely available in their countries** are unavailable or more expensive elsewhere.

- e.g.: Howard Schultz ???
- CEO of Starbucks
- found his opportunity while traveling in Italy
- He liked: **the ambience, the aroma, and especially the sense of community** in the 200.000 Italian coffee and espresso bars
- He felt such gathering places **would be great in the US.**
- He **bought** the original Starbucks coffee shop in Seattle and **transformed it according to his vision.**



Measuring Global Trade

Balance of trade

Def: The total value of a nation's **exports compared to its imports** measured over a particular period.

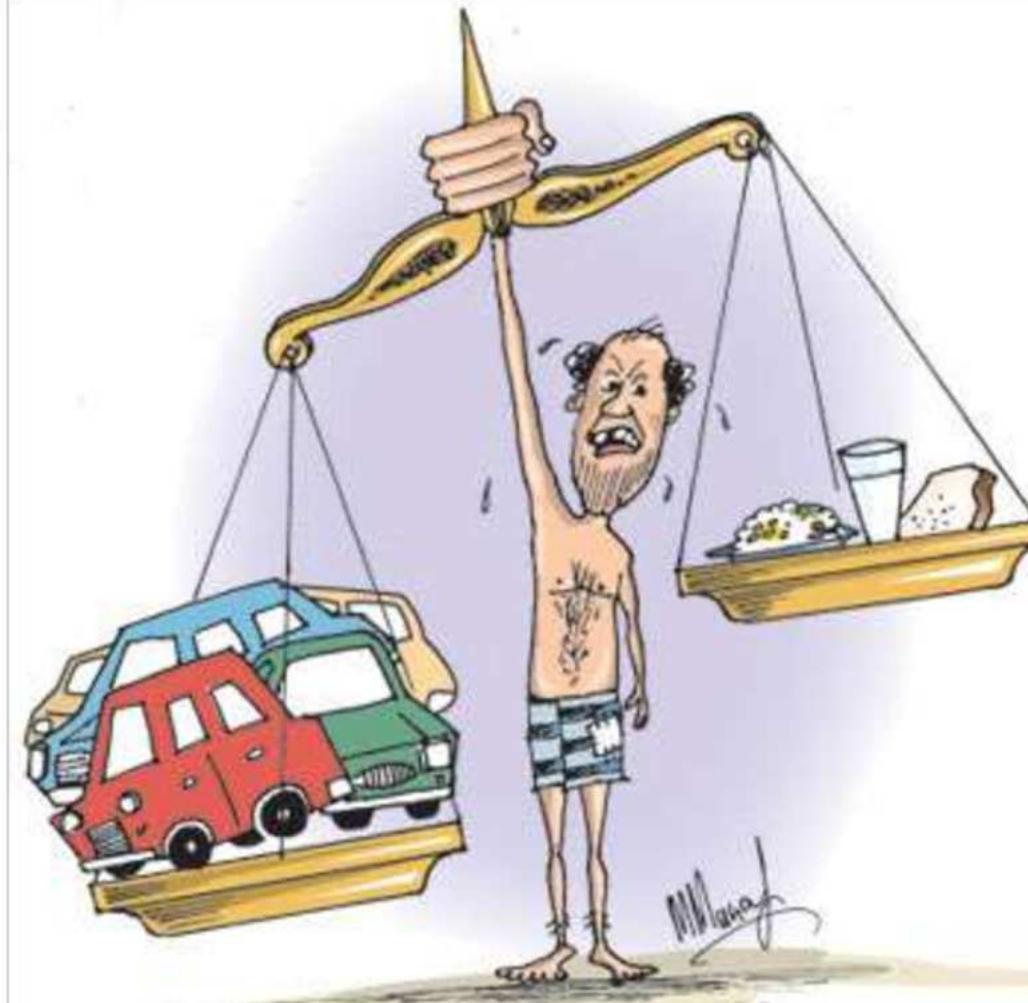
Def: A favorable balance of trade.

e of a country's

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Def: An unfavorable balance of trade.

the value of a country's exports.



e.g.: The US imports most of its toys from China
- and so does the rest of the world.

China now produces and exports 80% of the toys manufactured in the world.



The highest US trade deficit is with China.

- What are the products do you use that are imported from China?

Balance of payments

Def: The balance of payments is the *difference between money coming into a country (from exports) and money leaving the country (for imports) plus money flows coming into or leaving a country from other factors* such as tourism, foreign aid, military expenditures, and foreign investment.

Goal: is to have more money flowing into the country than out!

Dumping

Def: Dumping is **selling products in a foreign country at lower prices than those charged in the producing country.**

- predatory pricing tactic
- goals:
 - sometimes used to **reduce surplus** products in foreign markets
 - to **gain a foothold** in a new market
- Some **governments may offer financial incentives** to certain industries to **sell goods in global markets for less** than they sell them at home.
- China, Brazil, Russia, etc. have been **penalized for dumping steel** in the US

How to Form a Business

Dr. Péter POPOVICS PhD.

Assistant professor, coach

*Dept. Enterprise Development
Team Academy Debrecen*

Outline of the chapter

- Compare the advantages and disadvantages of sole proprietorships
- Differences between general and limited partners
- Corporations: C corporation, S corporations and Llc's
- Fanchises
- The role of cooperatives



All business owners must decide for themselves which form of business is best for them.

*Starting a business for yourself,
going into a business with a partner,
forming a corporation,
or someday being a leading franchisor,*
**it's important to know that each of ownership has
advantages and disadvantages.**

Basic forms of business ownerships

- More than 600.000 new businesses are started in the US in each year.
- the three major forms:**

1. sole proprietorships

2. partnerships

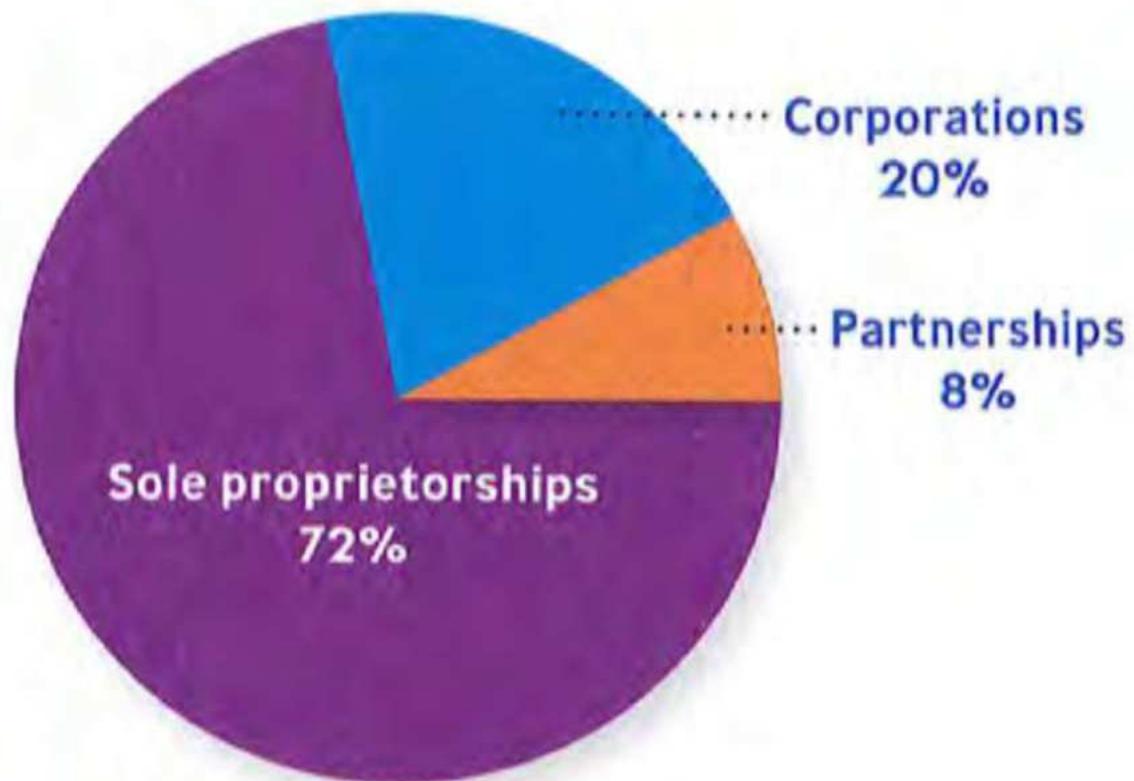
3. corporations

Basic forms of business ownerships

- 1. sole proprietorships:** a business that is owned, and usually managed, by one person.
- 2. partnerships:** a legal form of business with two or more owners.
- 3. corporations:** a legal entity with authority to act and have liability apart from its owners.

Forms of business ownerships

Percentage of Businesses

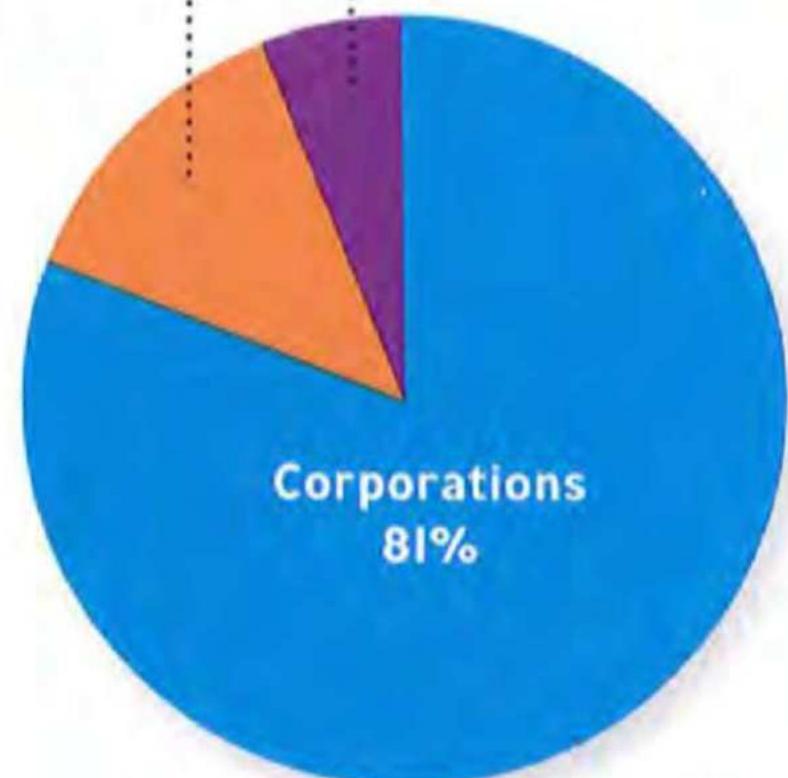


Percentage of Total Receipts

Sole proprietorships
Partnerships

13%

6%

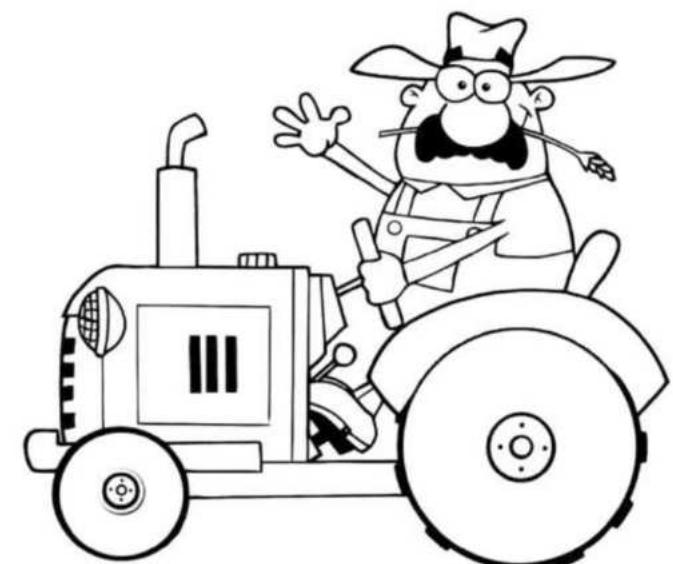


1. Sole Proprietorships

- the easiest kind of businesses
- joys and frustrations of being in business on their own

Advantages:

1. Ease of starting and ending the business
2. Being your own boss
3. Pride of ownership
4. Leaving a legacy
5. Retention of company profits
6. No special taxes



1. Sole Proprietorships

- Often difficult to save enough money to start and keep it going
- The costs of supplies, insurance, advertising, rent and so on may be too much cover alone

Disadvantages:

1. Unlimited liability - the risk of personal losses
2. Limited financial resources
3. Management difficulties
4. Overwhelming time commitment
5. Few fringe benefits
6. Limited growth
7. Limited life span



2. Partnerships

Before plunging into a partnership, you should ask yourself these questions:

1. Do you share the **same goals**?
2. Do you share the **same vision** for the company's future?
3. What **skills** does the person have?
4. Are those skills the same as yours or do they **complement your skills**?
5. What contract, resources will the person **bring to the business**?
6. What **type of decision maker** is the person?
7. Is this someone with whom you could happily **share authority** for all major business decision?
8. Do you **trust** each other?

2. Partnerships

A **partnership** is a legal form of business with 2 or more owners.



Types:

- 1. general partnerships:** in which all owners share in operating the business and in assuming liability for the business's debts.
- 2. limited partnerships:** a partnership with one or more **general partners** and one or more **limited partners**.
- 3. master limited partnerships (MLP):** looks much like a corporation (acts like a corp., and traded on a stock exchange) but is taxed like a partnership and thus avoids the corporate income tax.

2. Partnerships

- much easier to own and manage business with partners
- he may be skilled in accounting, while you do selling or servicing

Advantages:

1. More financial resources
2. Shared management and complementary skills and knowledge
3. Longer survival
4. No special taxes



2. Partnerships

- Any time 2 people must agree, conflict and tension are possible.
- partnerships can cause splits between relatives, friends and spouses

Disadvantages:

1. Unlimited liability
2. Division of profits
3. Disagreement among partners
4. Difficulty of termination



**Check the elements of the
written partnership agreement!!!**

(page: 122, figure 5.2)

	Partnerships			Corporations		
	Sole Proprietorship	General Partnership	Limited Partnership	Conventional Corporation	S Corporation	Limited Liability Company
Documents Needed to Start Business	None; may need permit or license	Partnership agreement (oral or written)	Written agreement; must file certificate of limited partnership	Articles of incorporation, bylaws	Articles of incorporation, bylaws, must meet criteria	Articles of organization and operating agreement; no eligibility requirements
Ease of Termination	Easy to terminate: Just pay debts and quit	May be hard to terminate, depending on the partnership agreement	Same as general partnership	Hard and expensive to terminate	Same as conventional corporation	May be difficult, depending upon operating agreement
Length of Life	Terminates on the death of owner	Terminates on the death or withdrawal of partner	Same as general partnership	Perpetual life	Same as conventional corporation	Varies according to dissolution dates in articles of organization
Transfer of Ownership	Business can be sold to qualified buyer	Must have other partner(s)' agreement	Same as general partnership	Easy to change owners; just sell stock	Can sell stock, but with restrictions	Can't sell stock
Financial Resources	Limited to owner's capital and loans	Limited to partners' capital and loans	Same as general partnership	More money to start and operate; may sell stocks and bonds	Same as conventional corporation	Same as partnership
Risk of Losses	Unlimited liability	Unlimited liability	Limited liability	Limited liability	Limited liability	Limited liability

Management and Leadership

Dr. Péter POPOVICS PhD.

Assistant professor, coach

*Dept. Enterprise Development
Team Academy Debrecen*

Outline of the chapter

- management
- functions of management
- How management differs from leadership?



Management

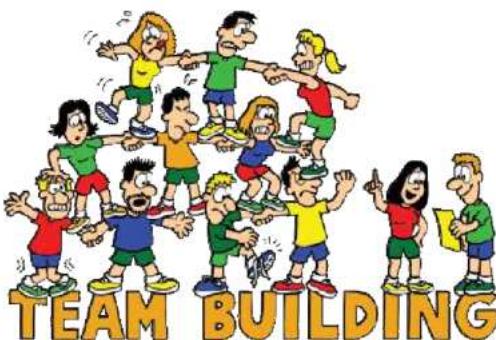


dreamstime.com

Management

- At one time managers were called “bosses” and **their job consisted of telling people what to do**, watching over them to be sure they did it, and reprimanding those who didn’t.
- Many managers **still behave that way**.
- Some managers tend to be **more progressive**:

- 1.emphasize teams**
- 2.team building**
- 3.change the def. of work from a task you do for a specified period in a specific place to sg. you do anywhere, anytime**
- 4.tend to guide, train, support, motivate and coach employees, rather than tell them what to do**
- 5.emphasize teamwork and cooperation rather than discipline and order giving**





The people entering management today are different from those who entered in the past:

1. tend to be younger
2. more of them are female
3. fewer of them educated at elite universities

Management demand a new kind of person:

1. skilled communicator
2. team player
3. well planner, organizer, motivator and leader
4. more globally prepared
5. adaptability skills
6. foreign languages skills
7. ease in other cultures



Management

- Def: Management is the process used to accomplish organizational goals through planning, organizing, leading, and controlling people and other organizational resources.



What managers do



What managers do

Planning

- Setting organizational goals.
- Developing strategies to reach those goals.
- Determining resources needed.
- Setting precise standards.

Leading

- Guiding and motivating employees to work effectively to accomplish organizational goals and objectives.
- Giving assignments.
- Explaining routines.

Some modern managers perform all of these tasks with the full cooperation and participation of workers. Empowering employees means allowing them to participate more fully in decision making.

chart) showing lines of authority and responsibility.

- Recruiting, selecting, training, and developing employees.
- Placing employees where they'll be most effective.

- Monitoring performance relative to standards.
- Rewarding outstanding performance.
- Taking corrective action when necessary.



Def: Planning a management function that includes anticipating trends and determining the best strategies and tactics to achieve organizational goals and objectives.

One of the major objectives of organizations is to **please customers.**

Trend today is to have **planning team:**

1. help monitor the environment
2. find business opportunities
3. watch for challenges

A GOAL
WITHOUT A
PLAN IS JUST
A DREAM.
-dave ramsey



Def: Organizing a management function that includes *designing the structure of the organization and creating conditions and systems* in which everyone and everything work together to achieve the organization's goals and objectives.

Many of today's organizations are being designed around **pleasing the customer at a profit.**

They must remain **flexible** and **adaptable**, because when **customer needs change**, firms **must change with them.**





Def: Leading: Creating a vision for the organization and guiding, training, coaching, and motivating others to work effectively to achieve the organization's goals and objectives.

The trend is to **empower employees**, giving them as much freedom as possible to become *self-directed* and *self-motivated*.



- Managers **no longer tell people what to do** because knowledge workers and others often know how to do their jobs better than the managers does.
- Still necessary to **keep employees focused** on the right tasks at the right time.



Def: Controlling: a management function that involves **establishing clear standards** to determine *whether or not an organization is progressing towards its goals and objectives*, rewarding people for doing a good job and taking corrective action if they are not.

It means **measuring** whether what actually occurs **meets the organization's goals**.





Planning and decision making

Planning, the first managerial function, is setting the organization's **vision (incl. its mission statement), goals, and objectives.**

Vision is more than a goal; it's a broad explanation of why the organization exists and where it's trying to go.

Mission statement: an outline of the fundamental purposes of an organization.

- 1.The org.'s self-concept.
- 2.Its philosophy.
- 3.Long-term survival.
- 4.Customer needs.
- 5.Social responsibility.
- 6.Nature of the product or service.

**MISSION
POSSIBLE**



Goals vs. objectives



Goals are the broad, long-term accomplishments an organization wishes to attain.

Objectives: specific, short-term statements detailing **how to achieve the organization's goals.**

SWOT analysis: a planning tool used to analyze an organization's strengths, weaknesses, opportunities and threats.





Decision Making: Finding the Best Alternative

Decision making: Choosing among two or more alternatives.

The rational decision making model (7 Ds of decision making):

1. Define the situation.
2. Describe and collect needed information.
3. Develop alternatives.
4. Develop agreement among those involved.
5. Decide which alternative is best.
6. Do what is indicated (begin implementation).
7. Determine whether the decision was a good one, and follow up.



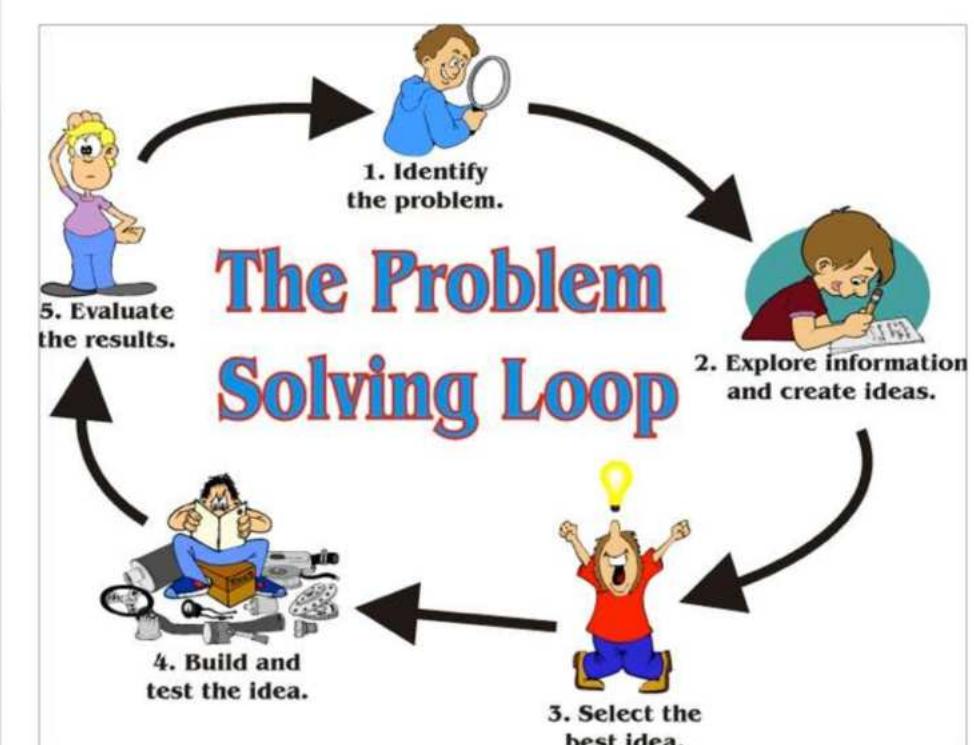


Problem solving

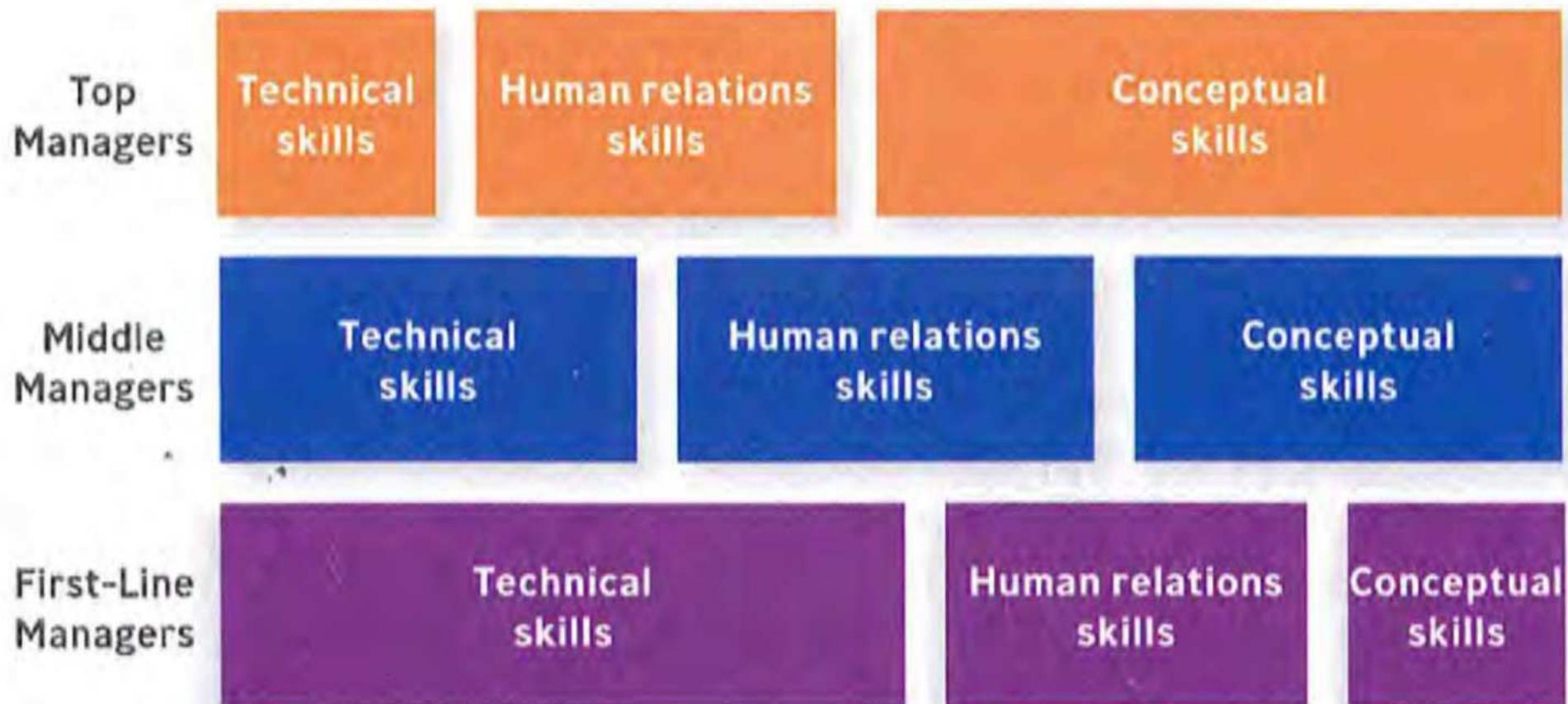
The process of solving the everyday problems that occur. Problem solving is **less formal** than decision making and usually calls for **quicker action**.

Brainstorming: Coming up with **as many solutions to a problem as possible** in a short period of time no censoring of ideas.

PMI: Listing all the **Pluses** for a solution in one column, all the **Minuses** in another, and the **Implications** in a third.

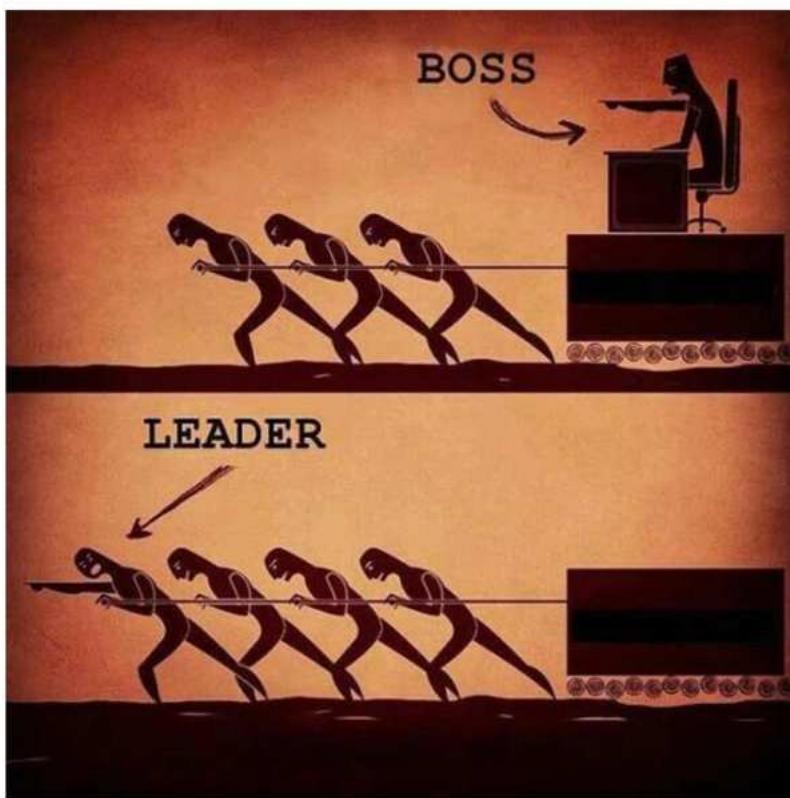


Skills needed at various levels of management



Manager vs. leader

Manager: plans, organizes, and controls functions within an organization.



Leader: has vision and inspires others to grasp that vision, establishes corporate values, emphasizes corporate ethics, and doesn't fear change.



8. Adapting Organizations to Today's Markets

9. Producing World-Class Goods and Services

Dr. Péter POPOVICS PhD.

Assistant professor, coach

*Dept. Enterprise Development
Team Academy Debrecen*

Outline of the chapter

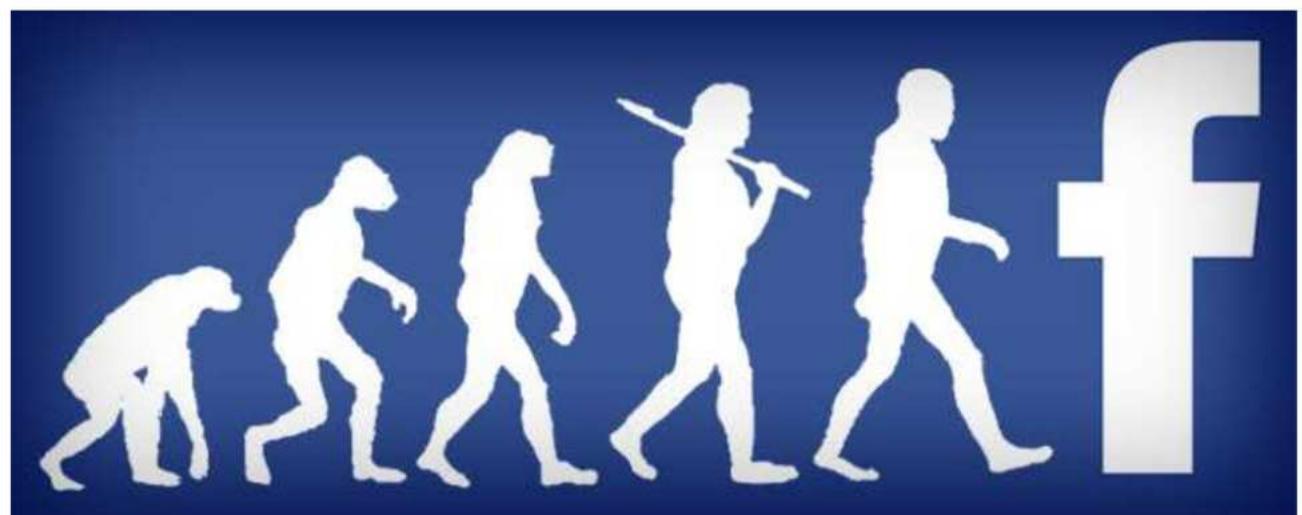
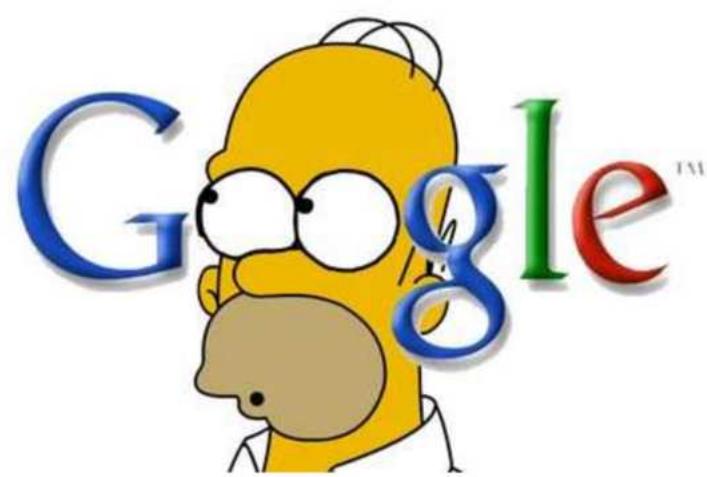
- basic principles of organizational management
- comparing the organizational theories of Fayol and Weber
- structuring organizations
- organizational models



Organization management

What is happening today to American businesses?

- they are adjusting to **changing markets**
- normal function in capitalist economy
- **big winners** vs. **big losers**:
 - Google, Facebook, etc.
- **the key to success**:
 - remaining flexible and adapting to the changing times



Organization management

What are the principles of organization management?

● Structuring an organization:

- division of labor (*job specialization*)
- set up teams or departments (*departmentalization*)
- assign responsibility and authority

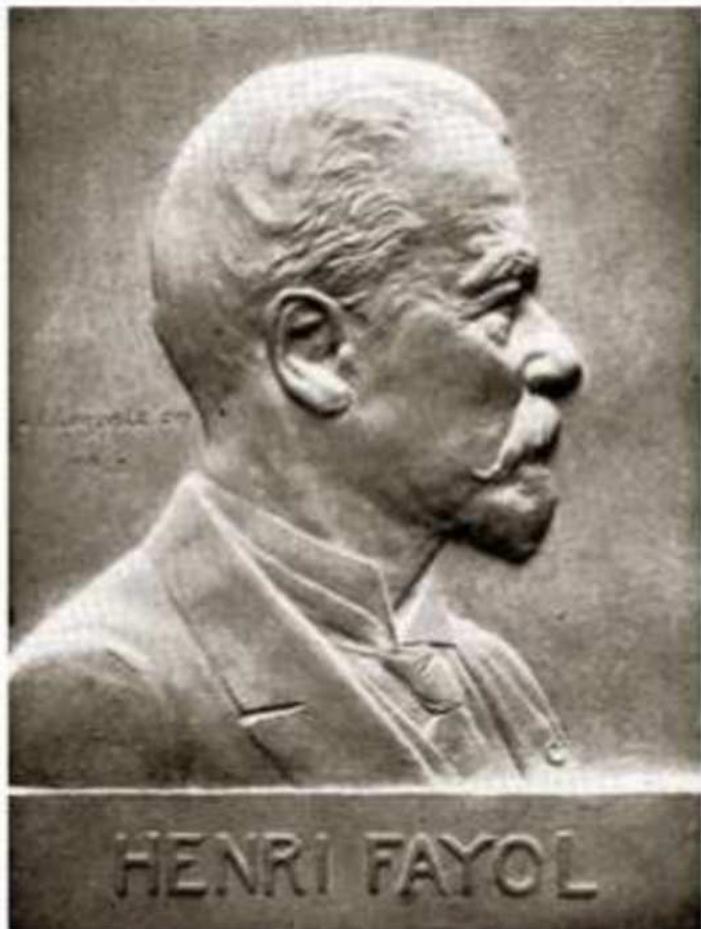
● Allocate resources:

- such as funds
- assign specific tasks
- establishing procedures for accomplishing the organizations objectives

● Managers have to make **ethical decisions** about *how to treat workers.*

Compare Organizational theories

HENRI FAYOL



- **Henri Fayol**, a French industrialist, is now recognised as the Father of Modern **Management**.
- In year 1916 Fayol wrote a book entitled "*Industrial and General Administration*". In this book, he gave the **14 Principles of Management**. These 14 principles of management are universally accepted and used even today. According to Henri Fayol, all managers must follow these 14 principles.

14 Principles of Management by Henri Fayol

<https://www.youtube.com/watch?v=aMwm2zq1Krl>

Table 2.1 Fayol's 14 Universal Principles of Management

1. **Division of work.** Specialization of labor is necessary for organizational success.
2. **Authority.** The right to give orders must accompany responsibility.
3. **Discipline.** Obedience and respect help an organization run smoothly.
4. **Unity of command.** Each employee should receive orders from only one superior.
5. **Unity of direction.** The efforts of everyone in the organization should be coordinated and focused in the same direction.
6. **Subordination of individual interests to the general interest.** Resolving the tug of war between personal and organizational interests in favor of the organization is one of management's greatest difficulties.
7. **Remuneration.** Employees should be paid fairly in accordance with their contribution.
8. **Centralization.** The relationship between centralization and decentralization is a matter of proportion; the optimum balance must be found for each organization.
9. **Scalar chain.** Subordinates should observe the formal chain of command unless expressly authorized by their respective superiors to communicate with each other.
10. **Order.** Both material things and people should be in their proper places.
11. **Equity.** Fairness that results from a combination of kindness and justice will lead to devoted and loyal service.
12. **Stability and tenure of personnel.** People need time to learn their jobs.
13. **Initiative.** One of the greatest satisfactions is formulating and carrying out a plan.
14. **Esprit de corps.** Harmonious effort among individuals is the key to organizational success.

The Nature of Bureaucracy

- Weberian Model - Developed by German sociologist Max Weber, who viewed bureaucracies as rational, hierarchical organizations in which decisions are based on logical reasoning.
 - Organized hierarchically and governed by formal procedures
 - Power flows from the top downward



Weber's principles

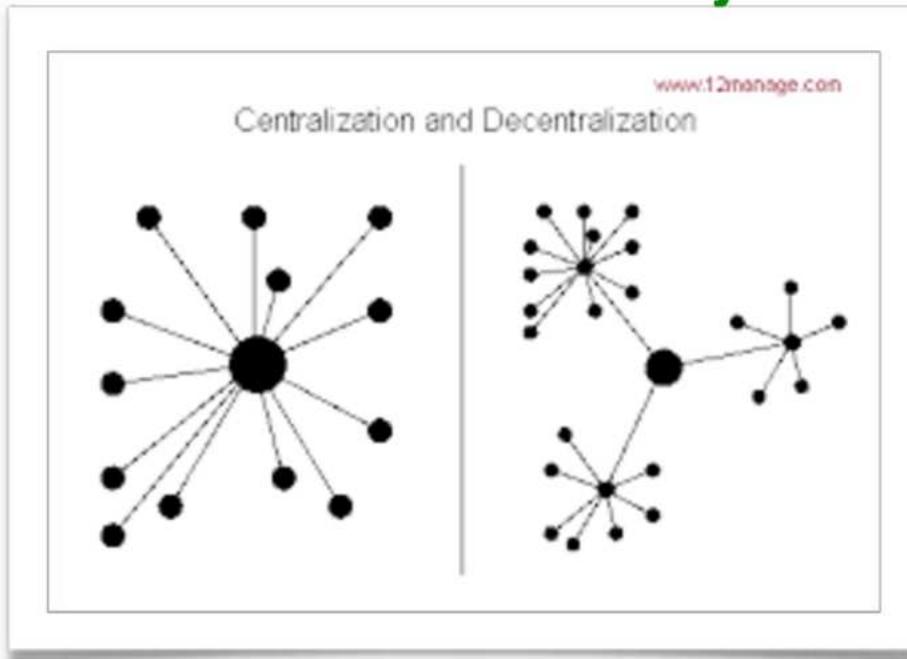
- **pyramid-shaped organization structure**



- put **great trust in managers** and felt the firm would do well if employees simply did what they were told
- for the employees the **less decision making** they had to do, the better
- reasonable way to operate if you are dealing with relatively uneducated and untrained workers (such was generally the case at the time Weber was writing)
- **job description**
- **written rules, decision guidelines**
- consistent procedures, regulations, and policies
- **promotion based on qualifications**

Structuring organizations

What are the four major choices in structuring organizations?



Centralized vs. decentralized

ADVANTAGES

Centralized

- Greater top-management control
 - More efficiency
 - Simpler distribution system
 - Stronger brand/corporate image



Centralization and Decentralization

www.12mengge.com

Centralization and Decentralization

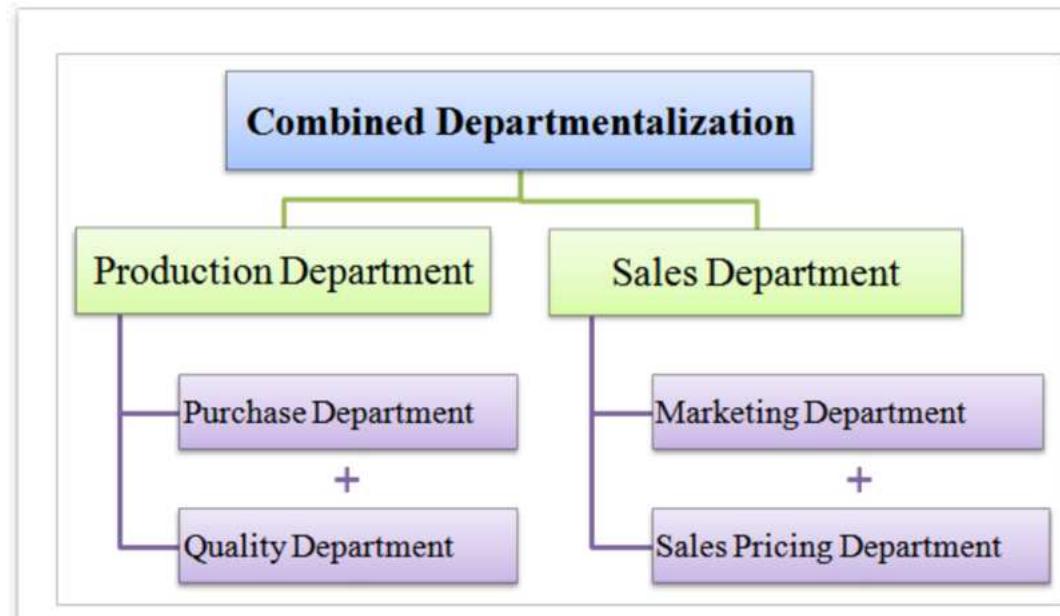
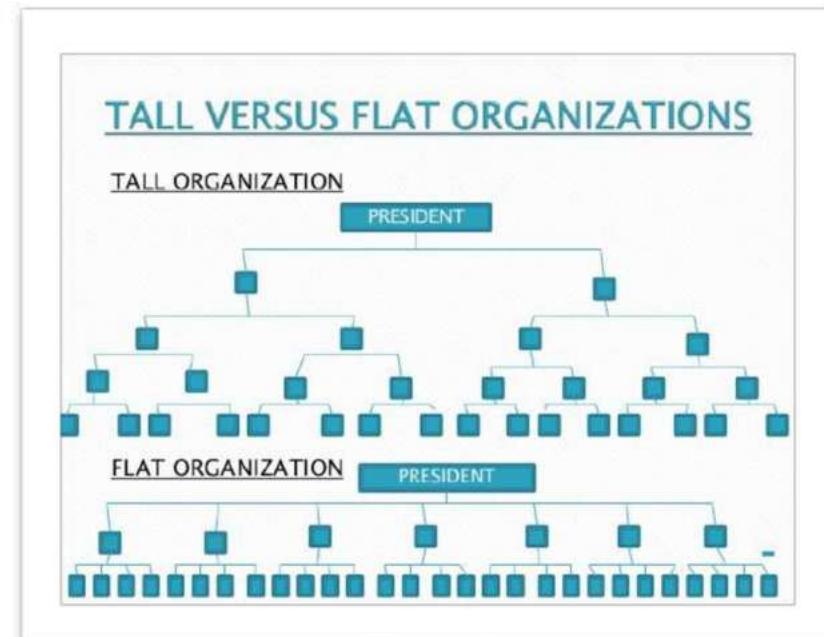
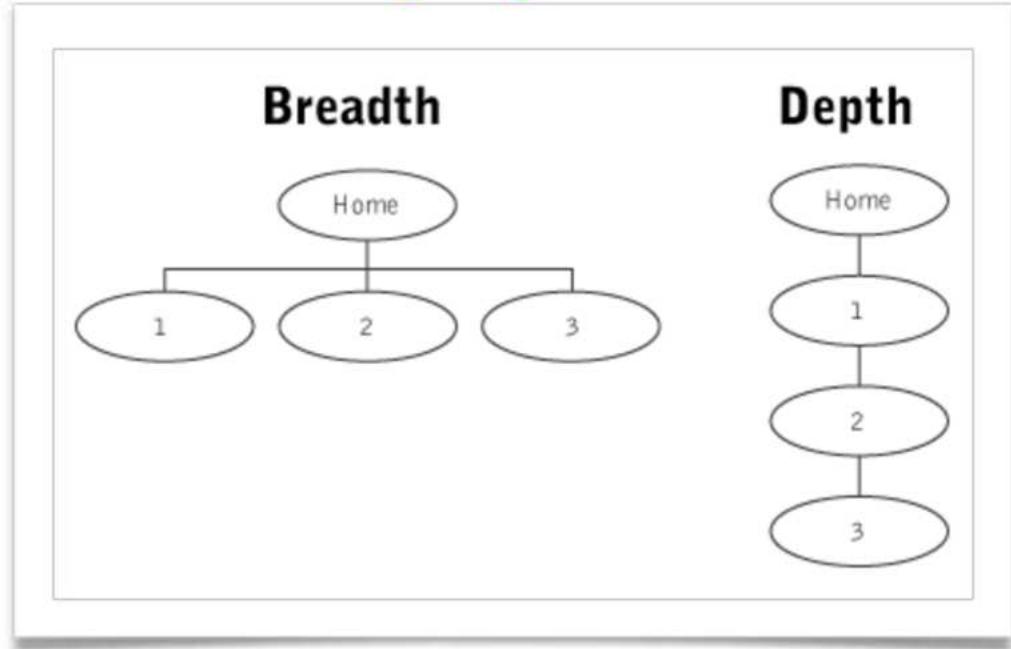
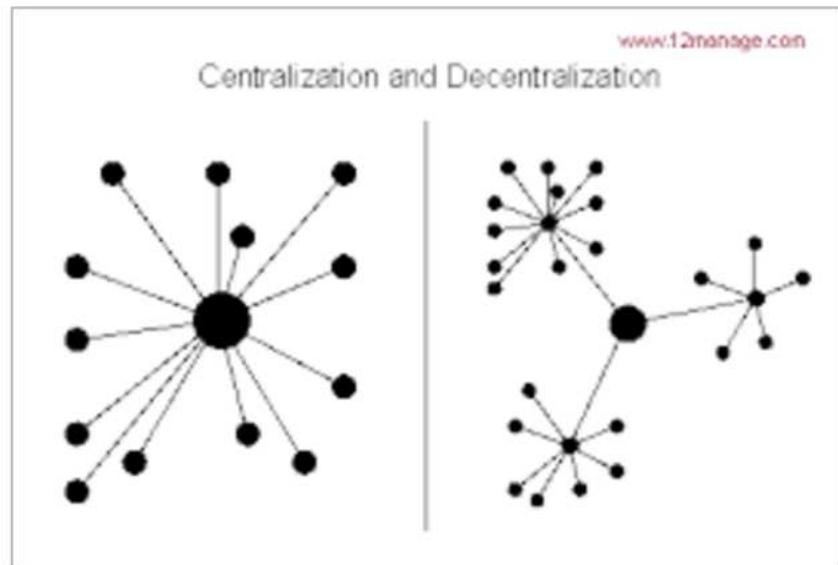
www.12manage.com

Centralized vs. decentralized

ADVANTAGES	DISADVANTAGES
Centralized <ul style="list-style-type: none">• Greater top-management control• More efficiency• Simpler distribution system• Stronger brand/corporate image	<ul style="list-style-type: none">• Less responsiveness to customers• Less empowerment• Interorganizational conflict• Lower morale away from headquarters
Decentralized <ul style="list-style-type: none">• Better adaptation to customer wants• More empowerment of workers• Faster decision making• Higher morale	<ul style="list-style-type: none">• Less efficiency• Complex distribution system• Less top-management control• Weakened corporate image

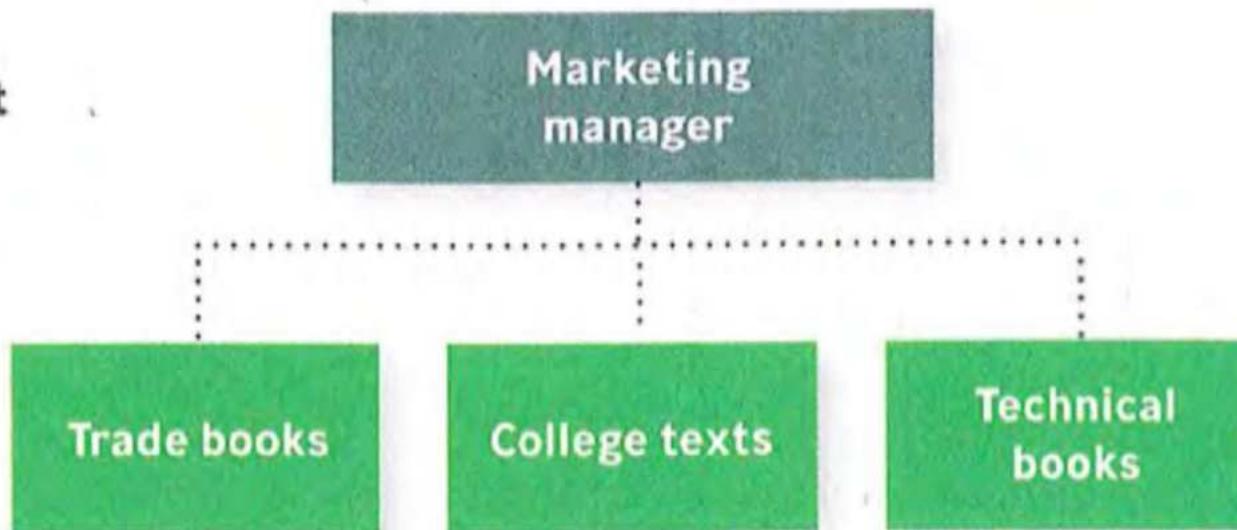
Structuring organizations

What are the four major choices in structuring organizations?

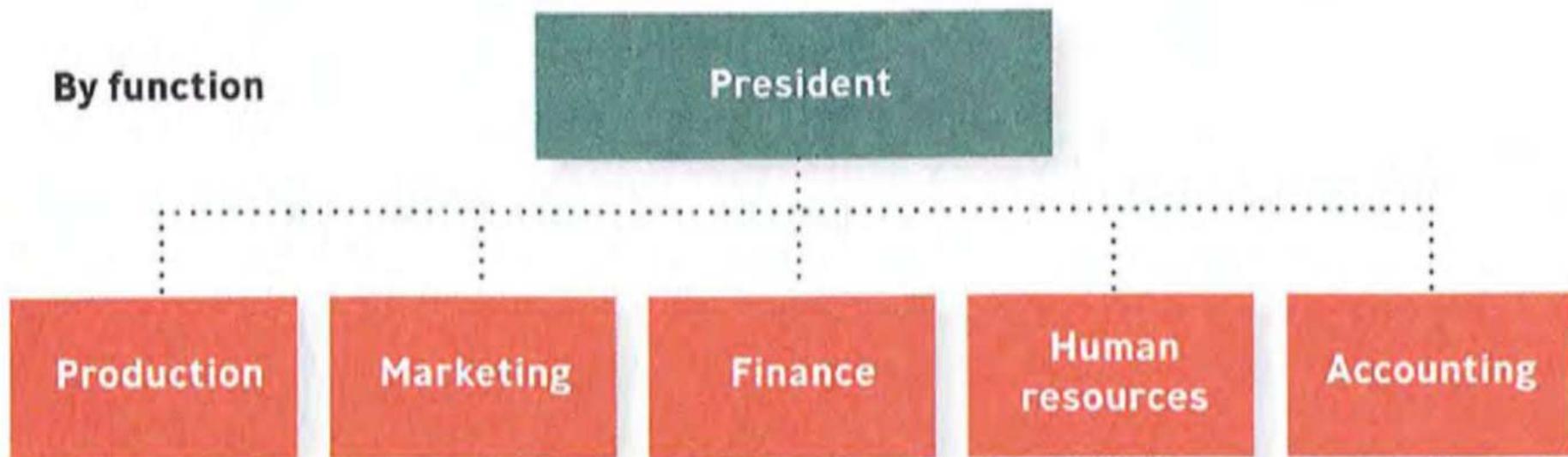


Ways to departmentalize

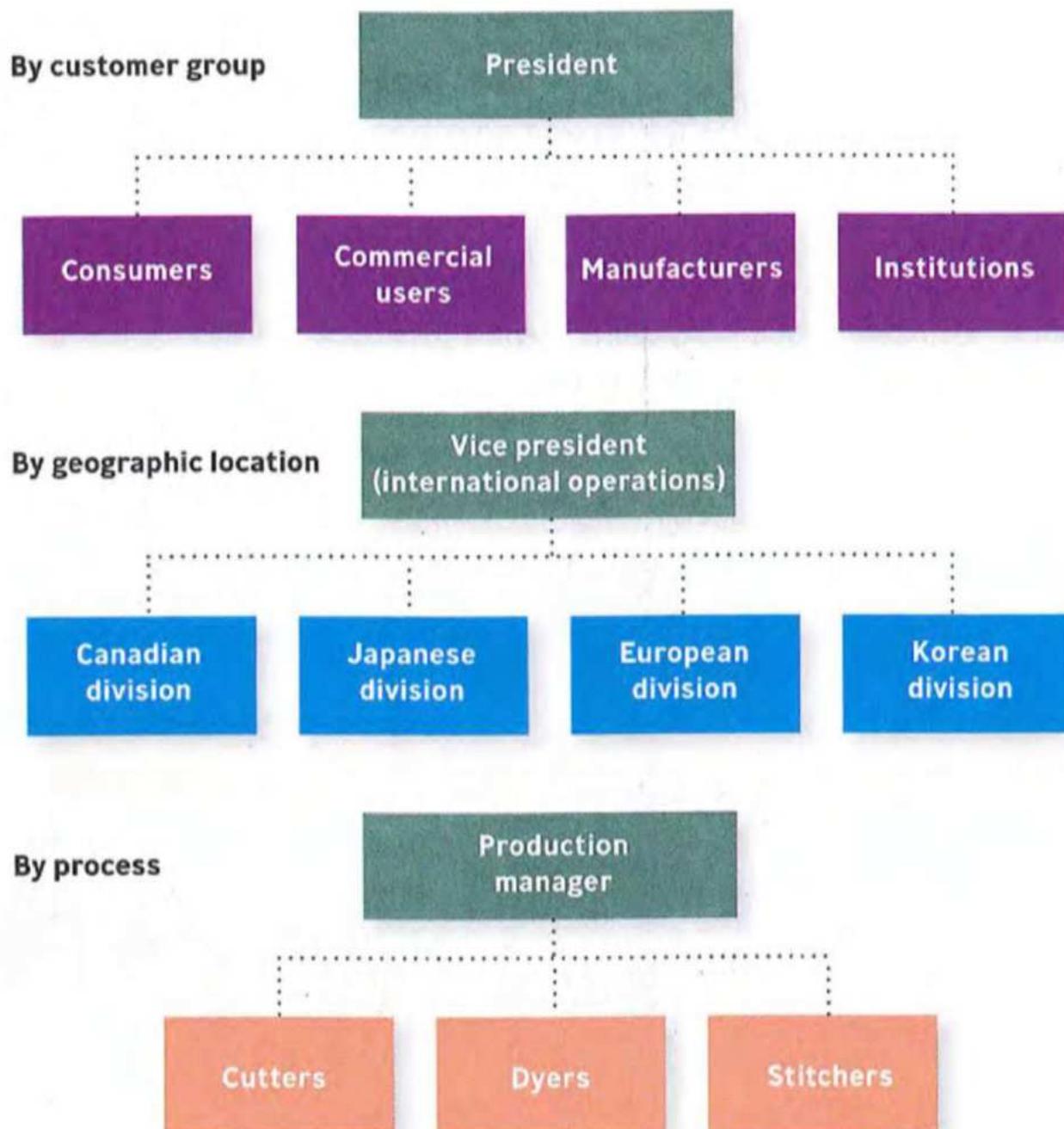
By product



By function



Ways to departmentalize



Structuring organizations

What are the latest trends in structuring?

- departments are often replaced by **matrix organizations**
- **cross-functional teams** that decentralize authority
- the span of **control become larger** as employees become self-directed
- **eliminate managers and flatten organizations**

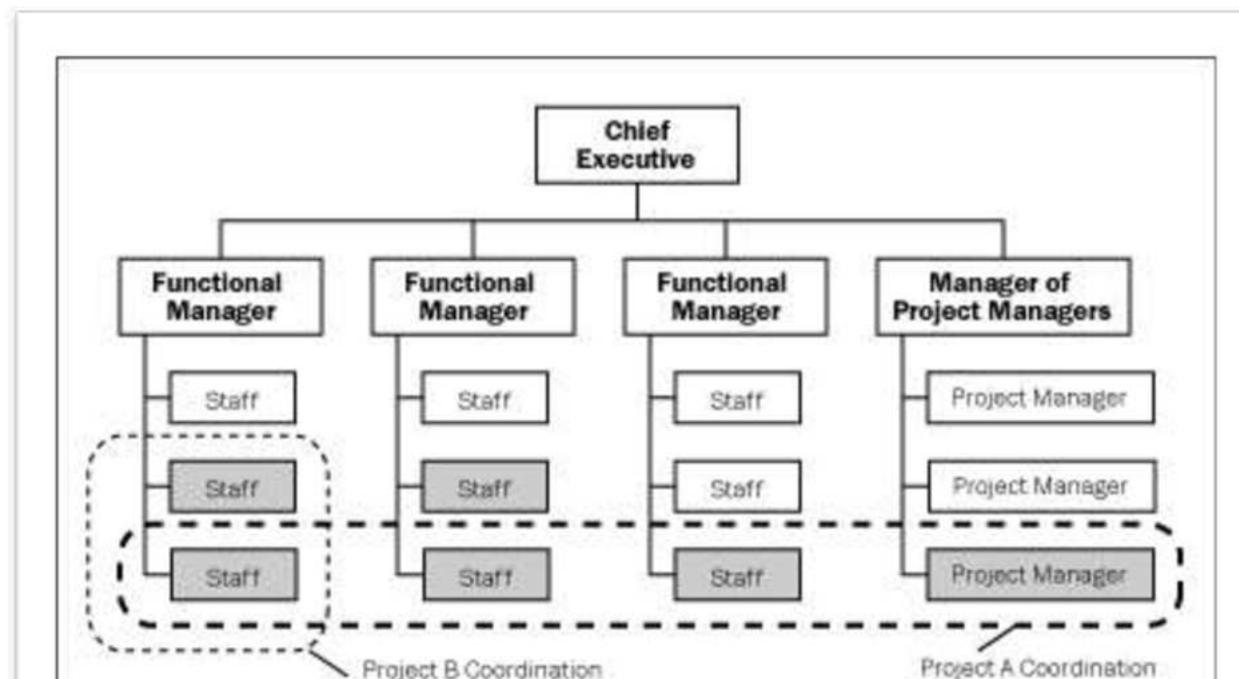
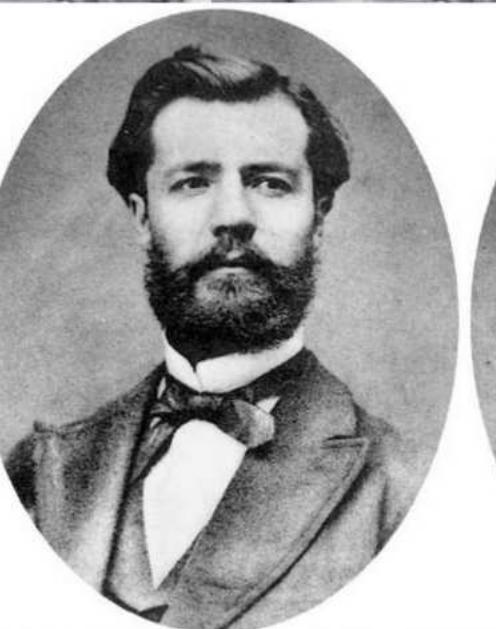
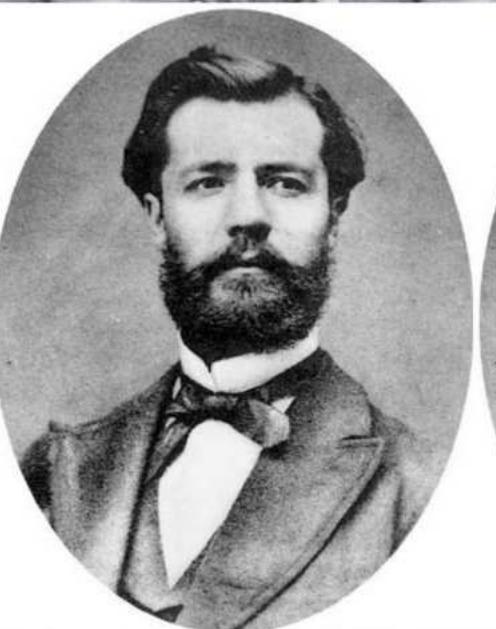


Table 2.1 Fayol's 14 Universal Principles of Management

- 1. Division of work.** Specialization of labor is necessary for organizational success.
- 2. Authority.** The right to give orders must accompany responsibility.



10. Motivating Employees

Dr. Péter POPOVICS PhD.

Assistant professor, coach

*Dept. Enterprise Development
Team Academy Debrecen*

Outline of the chapter

- the value of motivation
- understand the concepts, theories, and practice of motivation
- modern motivation theories
- how managers apply them



Motivation video

- What happened in this video?
- Who motivated who?
- How he did it?
- What is more important the **words** or the **act**?
- Think about **your life!** Is that ever happened with you?

In the business life:

- Who **should** be the motivator?
- Who **could** be a motivator?
- Why should it happen?
- How could it really works?



MAKE A
DIFFERENCE
TODAY

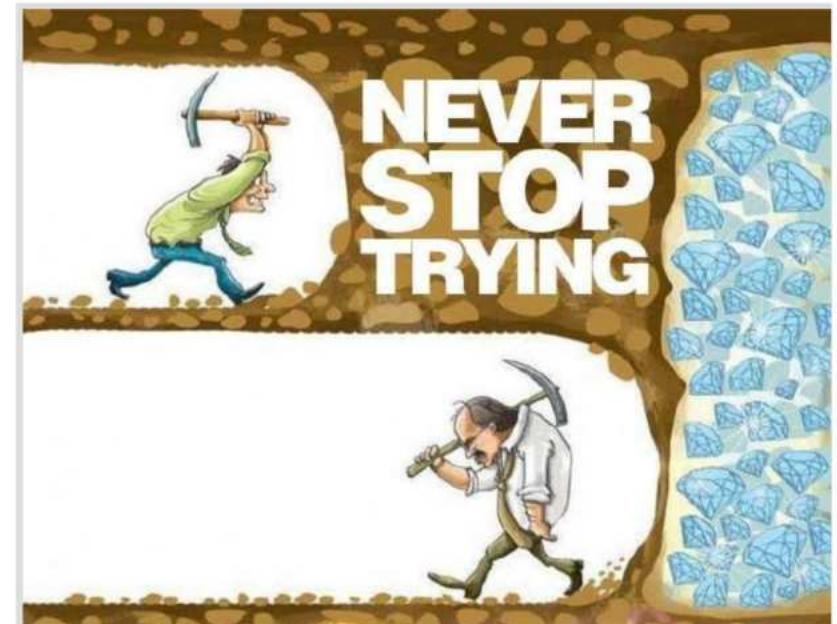
The Value of Motivation

- managers **make the effort** to motivate the workers

Why is workers' job satisfaction important?

- happy workers lead - happy customers
- happy customers lead - successful business
- on the other hand: **unhappy workers** leave the company
- losses are more than an experienced employee
- **soft costs:**

- loss of intellectual capital
- decreased morale of remaining workers
- increased employee stress
- decreased customer service
- interrupted production development
- poor reputation



Extrinsic vs Intrinsic



Frederick W. Taylor



Frederick Taylor is known today as the "father of scientific management." One of his many contributions to modern management is the common practice of giving employees rest breaks throughout the day.

Frederick W. Taylor, 1856-1915

Taylor's Theory of Scientific Management (in 1911)



- one best way to do a job
- proper selection of workers for a job
- proper training

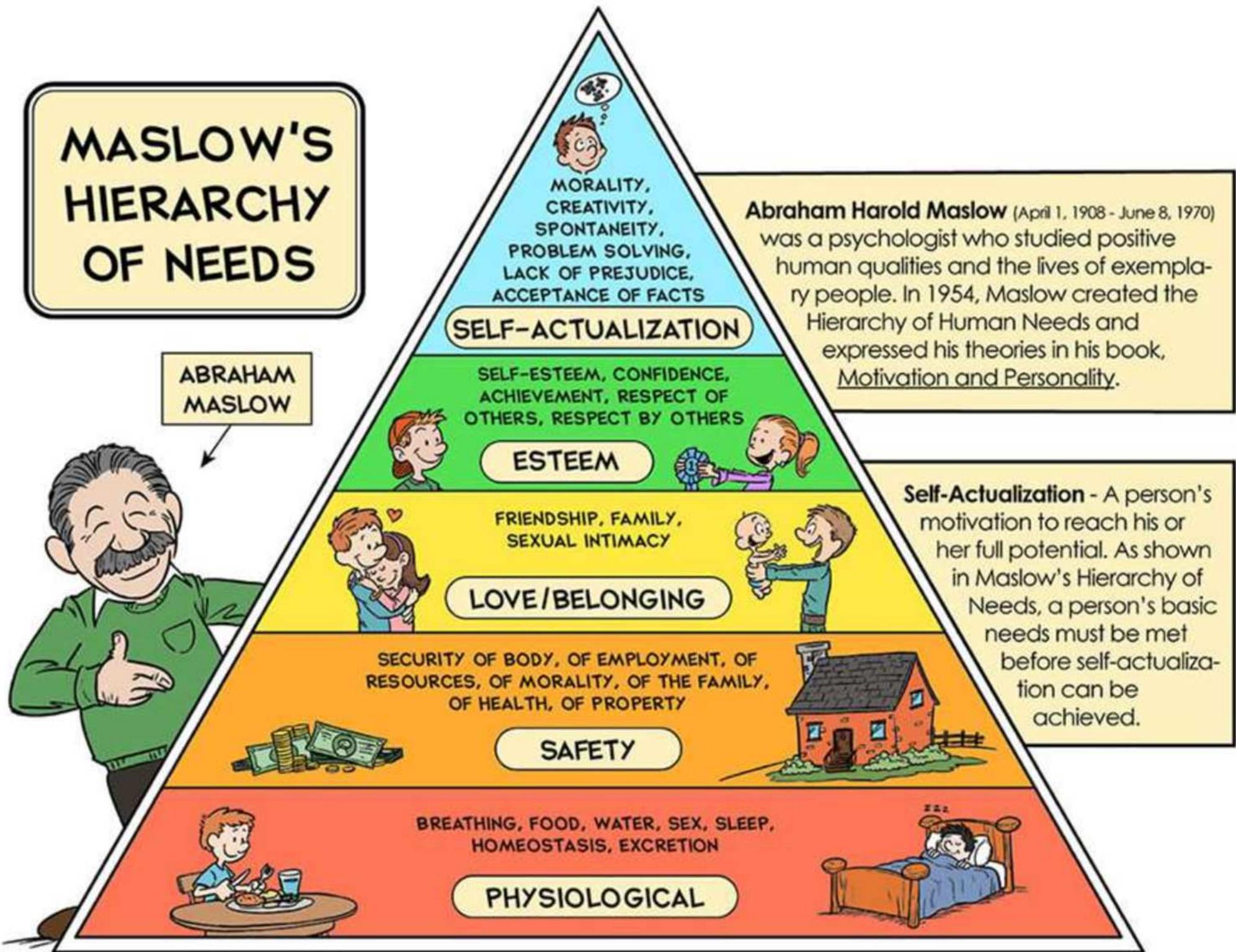
Learn the most efficient way of doing a job and then trained workers in those procedures.



The tendency for **people** to behave differently when they know they are **being watched/studied**.

Elton Mayo (1920-30s) found that **human factors** such as **feelings of involvement and participation** led to greater productivity gains than did physical changes in the workplace.

MASLOW'S HIERARCHY OF NEEDS



Frederick Herzberg

- Frederick Irving Herzberg: April 18th 1923 - January 19th 2000 in Massachusetts.
- He was an American psychologist.
- One of the most influential names in business management for introducing:
 - Job enrichment
 - The Motivator-Hygiene theory.



Herzberg: The motivator-Hygenie theory

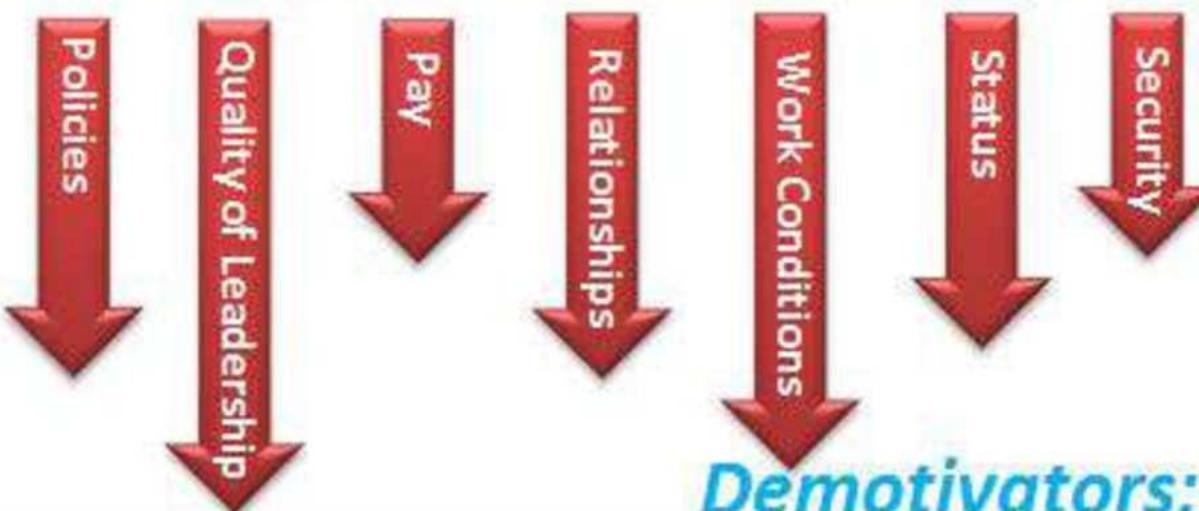


Hygiene factors: can cause **dissatisfaction** if missing but that do not necessarily motivate employees if increased.

Motivators: job factors that cause employees to be productive and that give them **satisfaction**.

Herzberg's Motivational Theory

Motivators:



Demotivators:

Goal-setting theory

Based on the notion that setting **ambitious but attainable goals** will lead to *high levels of motivation and performance* if the goals are accepted and accompanied by feedback, and if conditions in the organization make achievement possible.



Management by objectives (MBO)

System of goal setting and implementation; it includes a cycle of **discussion, review, and evaluation of objectives** among top and middle-level managers, supervisors, and employees.





MBO: Key Advantages and Disadvantages

Advantages

- MBO programs continually emphasize what should be done in an organization to achieve organizational goals.
- MBO process secures employee commitment to attaining organizational goals.

Disadvantages

- The development of objectives can be time consuming, leaving both managers and employees less time in which to do their actual work.

Do not forget...

expectancy theory

reinforcement theory

equity theory

**How managers put motivation theories into
action?**





*Thank
You*

11. Human Resource Management:

Finding and keeping the best employees

Dr. Péter POPOVICS PhD.

Assistant professor, coach

*Dept. Enterprise Development
Team Academy Debrecen*

Human resource management (HRM)

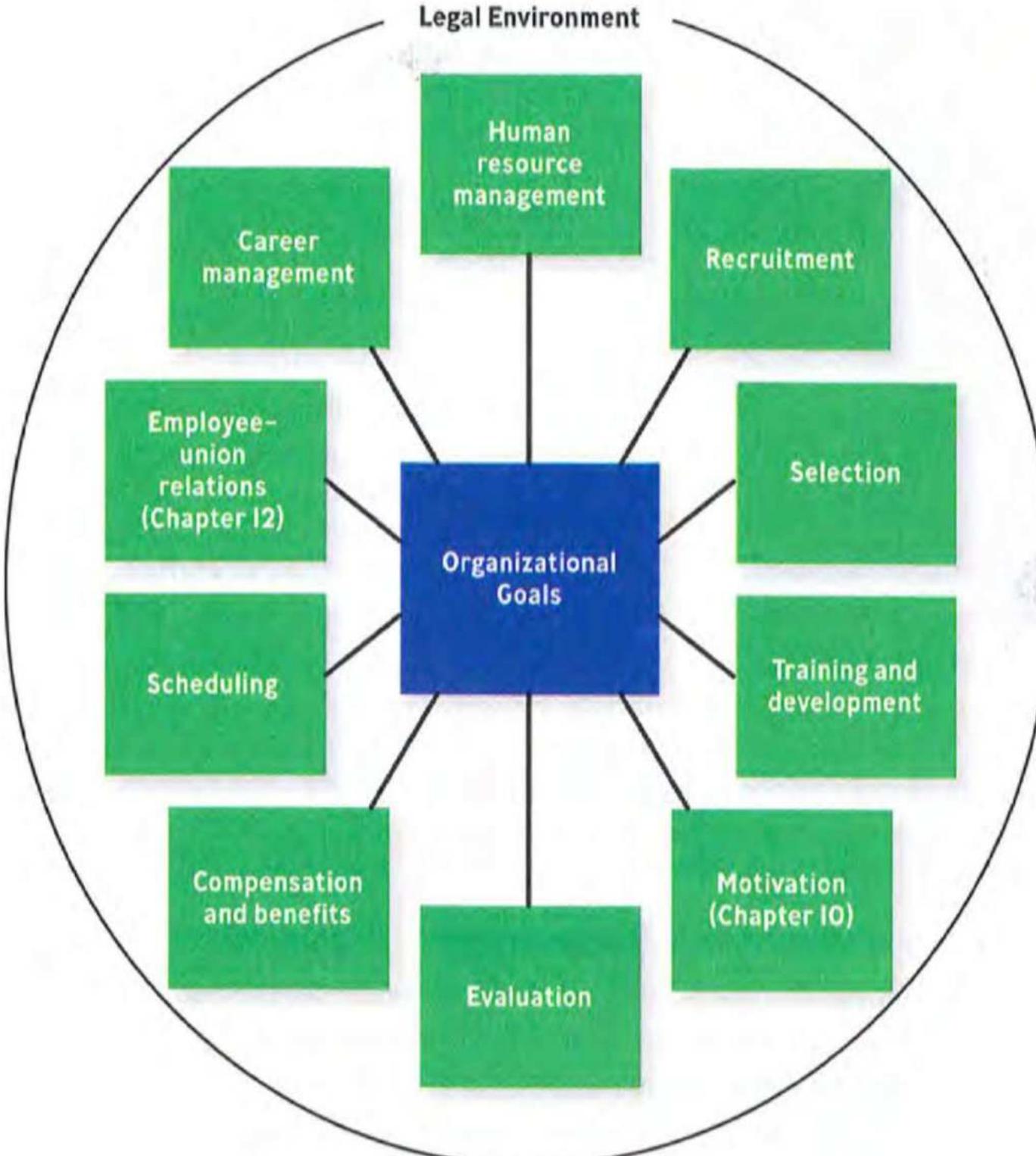
Def: the process of determining human resource needs and then *recruiting, selecting, developing, motivating, evaluating, compensating, and scheduling* employees **to achieve organizational goals.**



figure II.1

HUMAN RESOURCE MANAGEMENT

As this figure shows, human resource management is more than hiring and firing personnel. All activities are designed to achieve organizational goals within the laws that affect human resource management. (Note that human resource management includes motivation, as discussed in Chapter 10, and employee-union relations, as discussed in Chapter 12.)



Five steps in human resource planning

- 1. preparing a **human resource inventory** of the organization's employees**
- 2. preparing a **job analysis****
- 3. assessing **future demand****
- 4. assessing **future supply****
- 5. establishing a **plan for recruiting, hiring, educating, appraising, compensating, and scheduling employees****



Selection Process

1. Preliminary Interview
2. Selection Tests
3. Employment Interview
4. Reference and Background Analysis
5. Physical Examination
6. Job Offer
7. Employment Contract

How do managers evaluate performance?

1. establish performance standards
2. communicate those standards
3. compare performance to standards
4. discuss results
5. take corrective action when needed
6. use results for decisions about promotions, compensation, additional training, or firing



What are the main tasks of HR?



STRATEGIC: Linking human resource stagey with organizational mission and the work of people in the organization.

OPERATIONAL: Managing functional human resource activities and serving an 'employee champion.'

ADMINISTRATIVE: Recordkeeping, process administration and compliance efforts.

1
2
3

STRATEGIC

OPERATIONAL

ADMINISTRATIVE

PRESENT

STRATEGIC

OPERATIONAL

ADMINISTRATIVE

PAST

1

STRATEGIC

2
3

OPERATIONAL

ADMINISTRATIVE

PRESENT

STRATEGIC

OPERATIONAL

ADMINISTRATIVE

PAST



ACTIVITIES:

- Policy
- Investigations
- Labor relations
- Employee rights

ACTIVITIES:

- Employee safety
- Security
- Work Comp

ACTIVITIES:

- Compensation
- Benefits
- Recognition
- Work-Life

ACTIVITIES:

- Appraisal
- Improvement
- Intervention

ACTIVITIES:

- Analysis
- Planning
- Effectiveness
- Metrics
- Technology

ACTIVITIES:

- Equal Employment
- Federal regulation
- State regulation
- Local regulation

ACTIVITIES:

- Recruitment
- Interviewing
- Selecting
- Hiring

ACTIVITIES:

- Training
- Development
- Career planning

STRATEGY AND PLANNING:

Identifies and manages current and future needs to achieve organizational goals. Activities:

- Analysis
- Planning
- Effectiveness
- Metrics
- Technology

TALENT MANAGEMENT:

Integrated processes to attract, motivate, and retain productive, engaged employees. Activities:

- Recruitment
- Interviewing
- Selecting
- Hiring

TOTAL REWARDS:

Financial and non-financial tools used to attract, motivate and retain employees. Activities:

- Compensation
- Benefits
- Recognition
- Work-Life

SAFETY AND HEALTH:

Ensuring the safety, health and welfare of people at work. Activities:

- Employee safety
- Security
- Work Comp

Challenges in HR

Challenging and opportunities in human resource area

Many challenging and opportunities arise from changing demographics:

- more women
- minorities
- immigrants
- older workers in the workforce
- shortage of trained workers
- abundance of unskilled workers
- skilled workers in declining industries requiring retraining
- changing employee work attitudes
- complex laws and regulations



GENDER

Women constitute about 50% of the U.S. workforce, but they may be a majority in certain occupations.

DIVERSITY

Racial and ethnic minorities such as Hispanics and African Americans account for a growing percentage of the overall labor force.

AGE

The population is aging, resulting in an older workforce. A significant number of experienced employees will be retiring in the near future, changing to part-time work, or otherwise shifting their employment.

SKILLS

Various regions of the United States and different industries face significant workforce shortages because of an inadequate supply of workers with the skills needed to perform emerging jobs.

TECHNOLOGY

The increased use of technologies in the workplace is greatly impacting the way HR activities and other managerial functions are performed in organizations.

COSTS

An overriding theme facing managers and organizations is the need to operate in a “cost-less” mode, which means continually looking for ways to reduce costs of all types, including operational, equipment, and labor expenses.

THANK
you!



Chapter 13

Marketing:

Helping buyers buy!



Dr. Péter POPOVICS PhD.
Assistant professor, coach

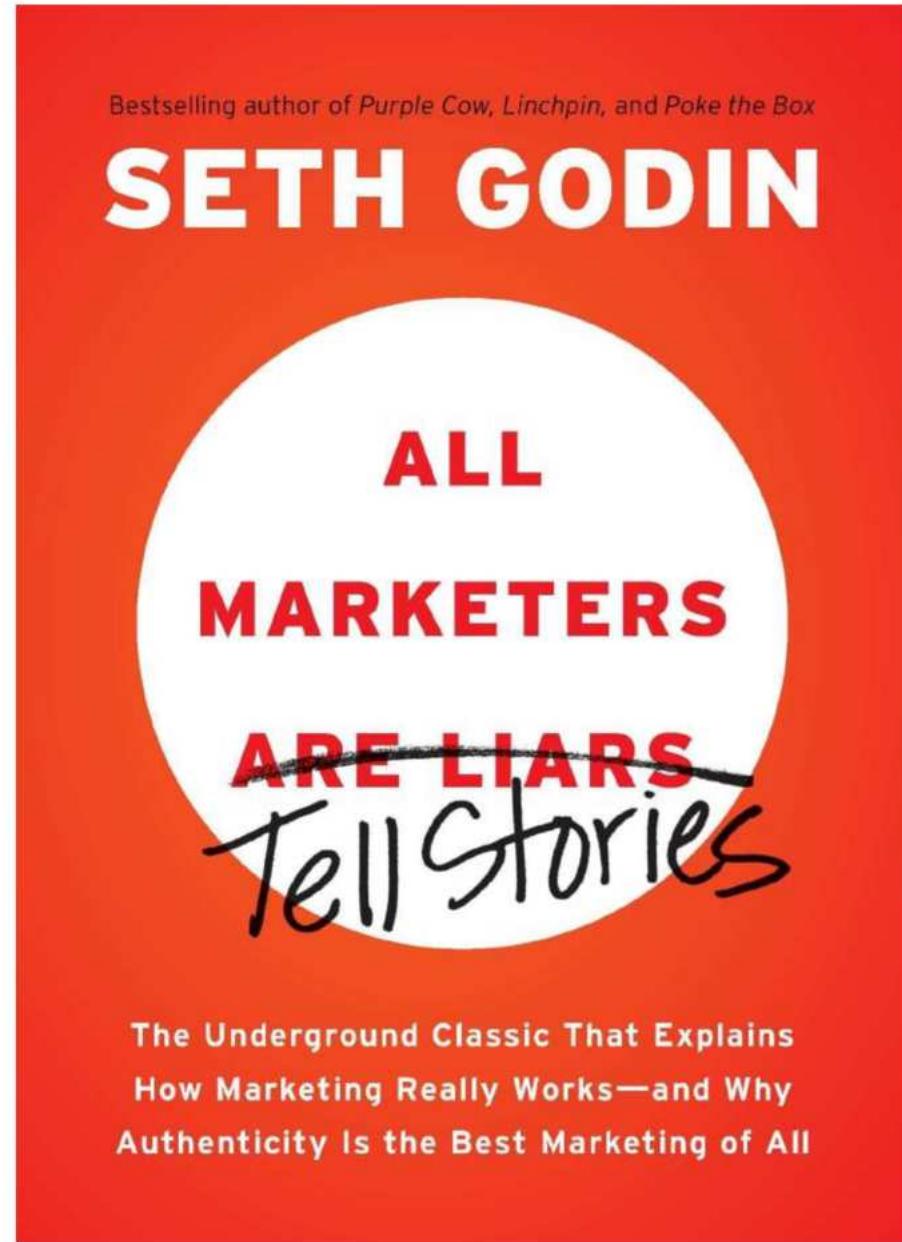
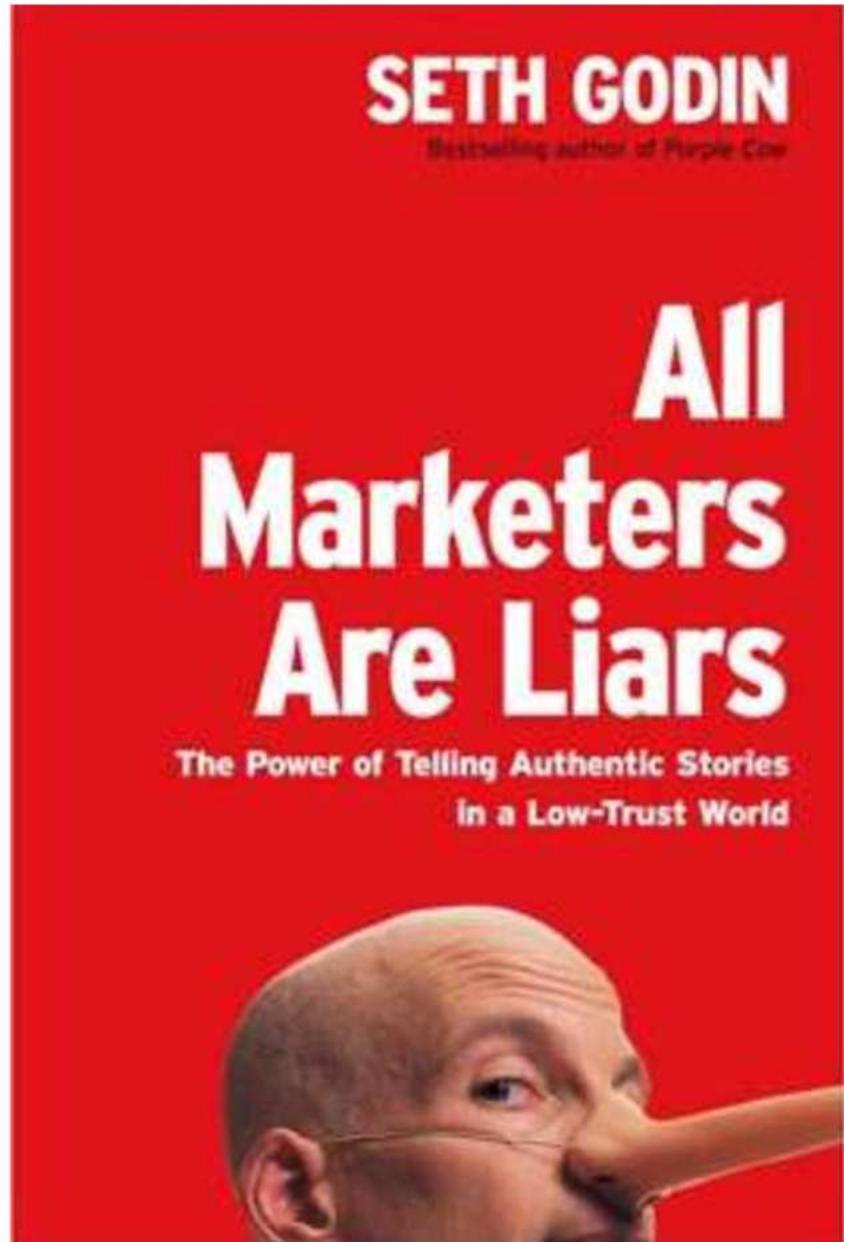
Dept. Enterprise Development Team Academy Debrecen

Contents

- 1 Marketing....
- 2 Four Ps of Marketing
- 3 Marketing Environment
- 4 Consumer market
- 5 Business-to-business Market and consumer Market

1

Marketing....



1

Marketing....

What is Marketing?

- Marketing is just “ selling” or “ advertising”?

What is marketing?

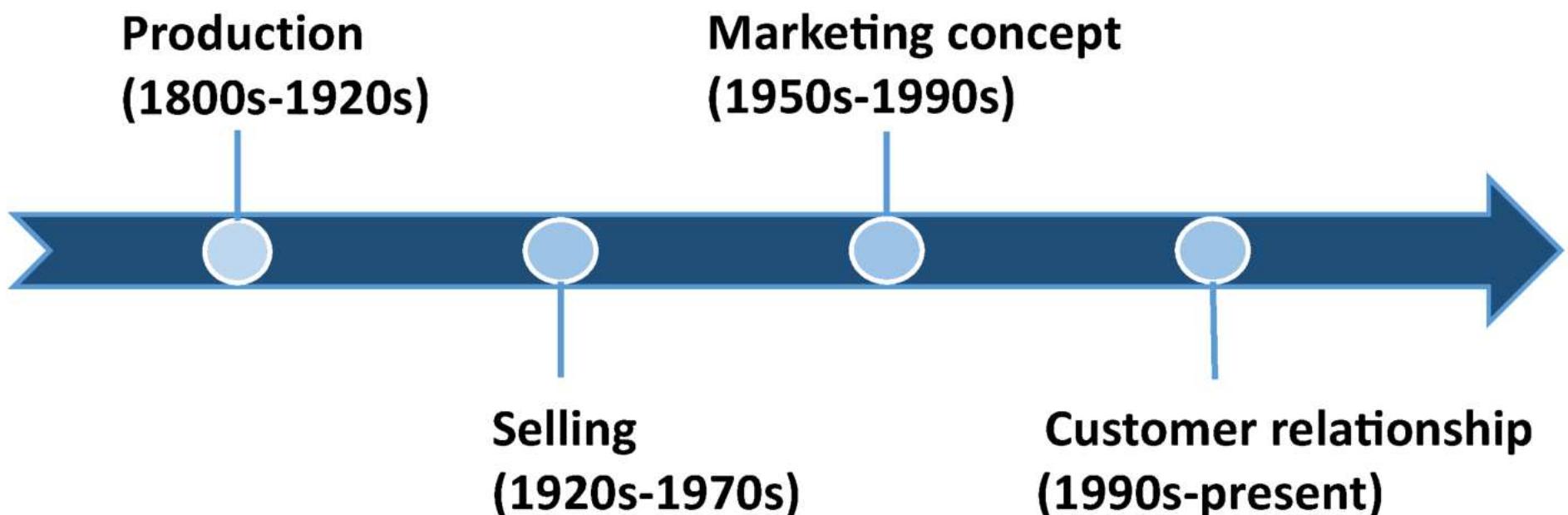
- 1.The American Marketing Association has defined marketing as the activity, set of institutions and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners and the society at large.
- 2.Marketing is creating the interest to buy.
- 3.Marketng is a process for helping the buyer to buy and helping the seller to sell.

1

Marketing....

1.2. The evalution of Marketing

- Marketing in the US has passed through four eras:



1

Marketing....

1.3. What kind of organization are involved in marketing?

All kind of organizations use marketing, including for profit and nonprofit organization



FB: Vientiane International Half Marathon



FB: Vientiane International Half Marathon

②

Four PS of Marketing

2

Four Ps of Marketing

2.1. What is four Ps?

Product



Price



Place



Promotion



These four factors are called the **marketing mix** because businesses blend them together in the well-designed marketing program.

2

Four Ps of Marketing

The idea behind the four Ps is:

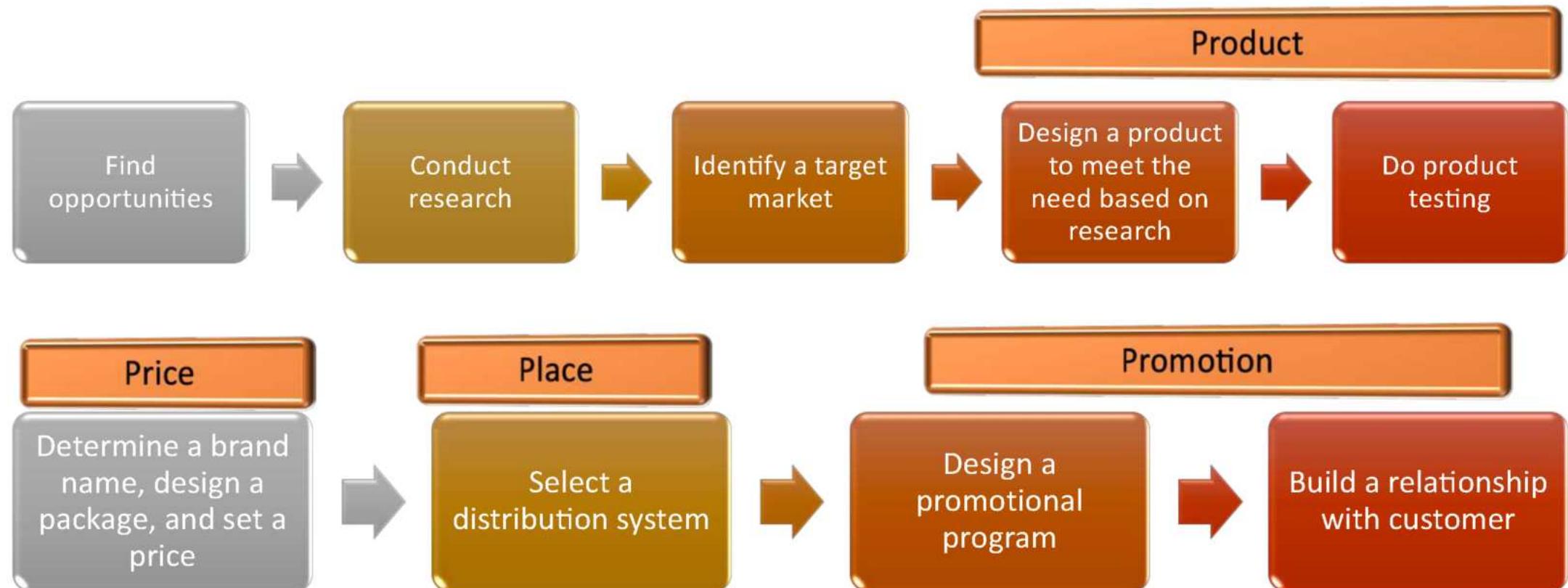
- To design **Product** people want
- To **price** it competitively
- To **place** it where customers can find it easily
- To **Promote** it so customers know it exists.

7 Ps of Marketing



2

The marketing process with the 4 Ps



2

Four Ps of Marketing

2.2. The marketing research process

- Define the problem or opportunity
- Collect data
- Analyze the data
- Choose the best solution

3

Marketing Environment

3

Marketing Environment



- **Environmental scanning** is the process of identifying the factors that can affect marketing success.

3

Marketing Environment

- Marketing managers should be aware of the surrounding environment when making marketing decisions.

These factors include:

1. **Global factors:** such as globalization and internet. Half of the companies can get in touch with their clients across the globe with just a click.
2. **Technological factors:** Using consumers databases, blogs, social networks companies can create goods and services that match closely customers needs.
3. **Sociocultural factors:** Marketers must monitor social trends time by time to maintain their close relationship with their customers, since population growth and changing demographics can have effect on sales.
4. **Competitive factors:** Marketers must pay attention to the dynamic competitive environment.
5. **Economic factors:** Marketers must pay attention to the economic environment.

④

Consumer market

4

Consumer market

Market segmentation

Main dimension	Dividing by
Geographic segmentation	Cities, countries, states or region
Demographic segmentation	Gender, age, income and education level
Psychographic segmentation	Values, attitudes and interests
Benefit segmentation	Benefits customer prefer
Volume segmentation	Usage (Volume of use)

4

Consumer market

The difference between mass marketing and relationship marketing

- **Mass marketing** means developing products and promotions to please large group of people. The mass Marketer tries to sell the same product to as many people as possible.
- **Relationship marketing** tends to lead away from mass production and toward custom-made goods and services. Its goal is to keep individual customers over time by offering them products and services that meet their requirement.

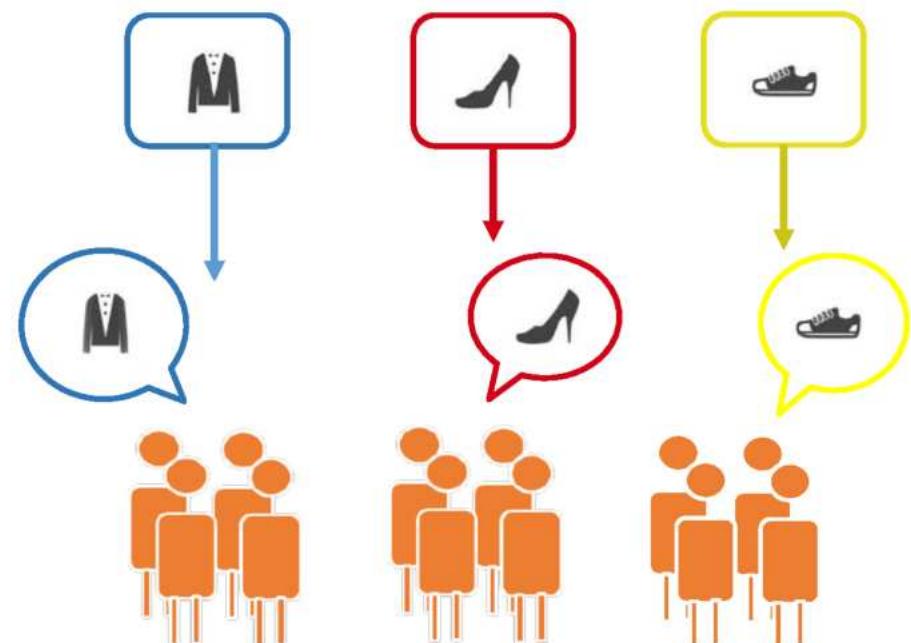
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Consumer market

Mass marketing

VS

Relationship marketing



Clothing symbol: www.google.com

5

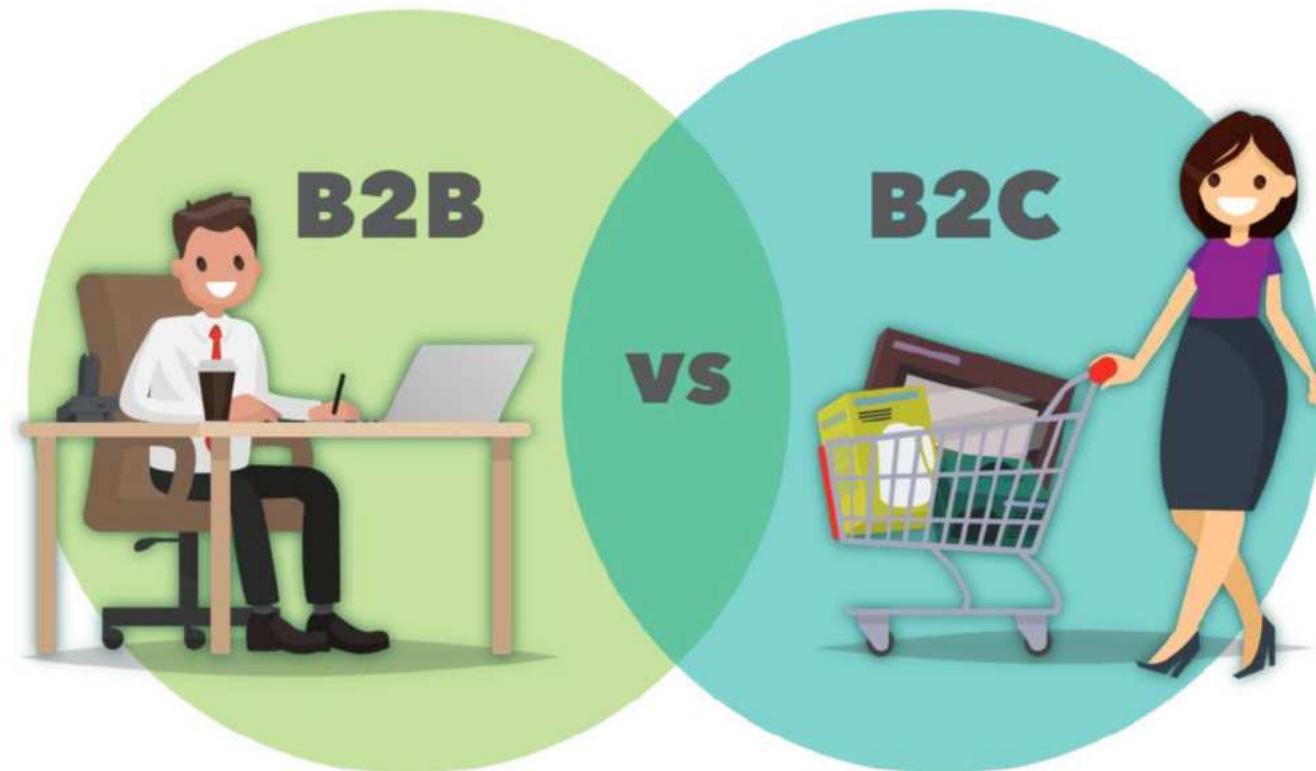
Business-to-business Market and consumer Market

5

Business-to-business Market and consumer Market

Business to business

All the individuals and organizations that want goods and services to use in producing other goods and services to sell, rent or supply goods to others.



Consumer market

All the individuals or households that want goods and services for personal consumption or use.

Business-to-business Market and consumer Market

BASIS FOR COMPARISON	B2B	B2C
Meaning	The selling of goods and services between two business entities is known as Business to Business or B2B.	The transaction in which business sells the goods and services to the consumer is called Business to Consumer or B2C.
Customer	Company	End user
Focus on	Relationship	Product
Quantity of merchandise	Large	Small
Relationship	Supplier - Manufacturer Manufacturer - Wholesaler Wholesaler - Retailer	Retailer - Consumer
Relationship horizon	Long term	Short term
Buying and Selling cycle	Lengthy	Short

Summary

- **Def:** Marketing is the activity and processes for communicating, delivering and exchanging offering that have value for customers, partners and society at large.
- Marketing has passed through **four eras**.
- **All kind of organizations** use marketing. (profit – non profit)
- Marketers use four Ps as the **marketing program**.

Summary

- Marketers use **environmental scanning** to identify factors that can affect marketing success.
- **Market segmentation** is process of dividing total market into groups and select the target marketing.
- **Business to business market** is the transaction of businesses.
- **Business to consumer** is the transaction of business to consumer.



DEVELOPING & PRICING PRODUCTS & SERVICES MARKETING

Dr. Péter POPOVICS PhD.

Assistant professor, coach

*Dept. Enterprise Development
Team Academy Debrecen*



LEARNING OBJECTIVES

- PRODUCT DEVELOPMENT & OFFER
- PRODUCT DIFFERENTIATION
- PRODUCT PACKAGING
- BRANDING & EQUITY
- NEW-PRODUCT DEVELOPMENT
- PRODUCT LIFE-CYCLE
- COMPETITIVE PRICING

SPAR

PRODUCTS

With over 1000 products to choose from, I get great quality and I don't have to pay a fortune. No standing and staring at shelves, struggling to make the right choice. All I have to do is put SPAR Products in my basket. So not only do I save money, I save time too.



PRODUCT DEVELOPMENT AND TOTAL PRODUCT OFFER

DISTRIBUTED PRODUCT DEVELOPMENT

Distributed product development: Handing off various parts of your innovation process – often to companies in other countries.

Distributed product development is distinct from traditional outsourcing arrangements, which typically involves only a small set of vendors executing on tightly defined specifications over which they have little or no influence.

e.g. SPAR



PRODUCT DEVELOPMENT AND TOTAL PRODUCT OFFER

DEVELOPING TOTAL PRODUCT OFFER

A **total product offer** consists of everything consumers evaluate when choosing among **products**, including price, package, service, and reputation.

Product offer that consumers evaluate before making a buying decision.



PRODUCT DEVELOPMENT AND TOTAL PRODUCT OFFER

PRODUCT LINE & PRODUCT MIX

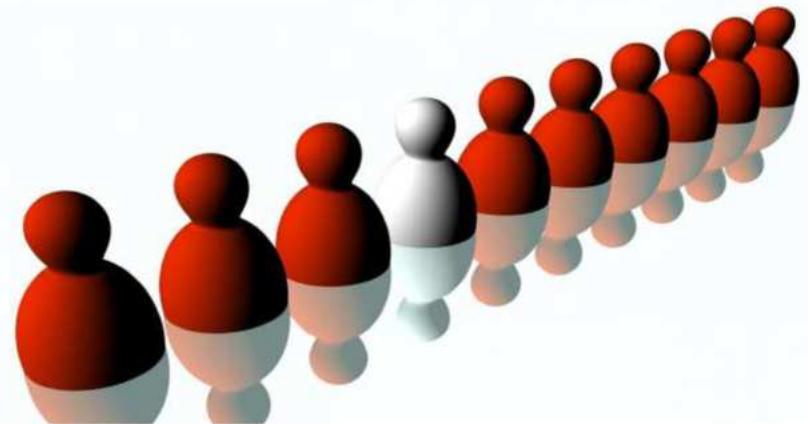
The **product line** is a group of closely related **products** manufactured and / or sold by a business(subset of Product mix)

i.e. HELL energy drinks with different flavors

The **product mix**: the combination of product lines offered by a manufacturer.

The **product mix** is a group of everything a company sells.
e.g. Apple products





PRODUCT DIFFERENTIATION

product differentiation

The creation of real or perceived product differences.



MAKING DIFFERENT CLASSES OF
CONSUMER GOODS & SERVICES

MAKING DIFFERENT CLASSES OF CONSUMER GOODS & SERVICES

CONVENIENCE GOODS & SERVICES

PRODUCTS THAT CUSTOMER WANTS TO BUY FREQUENTLY AND WITH MINIMUM EFFORT



SHOPPING GOODS & SERVICES

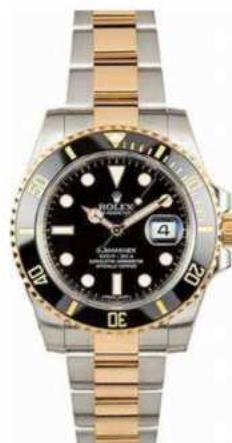
PRODUCTS THAT CUSTOMER BUYS AFTER COMPARING PRICE, QUALITY, VALUE AND STYLE



MAKING DIFFERENT CLASSES OF CONSUMER GOODS & SERVICES

SPECIALTY GOODS & SERVICES

CUSTOMER BUYS FOR SOMETHING SPECIAL
CONSUMER PRODUCTS WITH UNIQUE CHARACTERISTICS
AND BRAND IDENTITY.



UNSOUGHT GOODS & SERVICES

SOMETHING CUSTOMER BUYS UNWILLINGLY



PRODUCT DIFFERENTIATION

MARKETING INDUSTRIAL GOODS AND SERVICES



Industrial goods (B2B goods) are bought and used for **industrial** and business use. They are made up of machinery, **manufacturing** plants, raw materials, and any other good or component used by **industries** or firms.
e.g. computers, machines, etc.

PACKAGING CHANGES THE PRODUCT

GROWING IMPORTANCE OF PACKAGING

ATTRACT BUYERS ATTENTION



Functional: EASY USE



PROVIDE INFORMATION



BRANDING AND EQUITY

BRAND CATEGORIES

generic goods

Nonbranded products that usually sell at a sizable discount compared to national or private-label brands.

knockoff brands

Illegal copies of national brand-name goods.

CREATING BRAND ASSOCIATIONS



GENERATING BRAND EQUITY & LOYALTY

brand equity

The value of the brand name and associated symbols.

brand loyalty

The degree to which customers are satisfied with the brand, and are committed to further purchases.

brand association

The linking of a brand to other favorable images.





MAYA ALI
BRAND AMBASSADOR



BRANDING AND EQUITY

BRAND MANAGEMENT

COORDINATE PRICE, PRODUCT, PLACE AND PROMOTIONAL DECISIONS



NEW PRODUCT DEVELOPMENT

Idea Generation

Ideas from:

- Customers and users,
- Marketing research,
- Competitors,
- Other markets,
- Company people,
- Middleman, etc

Screening

- Strengths and weaknesses
- Fit with objectives
- Market trends
- Rough ROI estimate

Idea Evaluation

- Concept testing
- Reactions from customers
- Rough estimates of costs, sales, and profits

Development

- R&D
- Develop model or service prototype
- Test marketing mix
- Revise plans as needed
- ROI estimate

Commercialization

- Finalize product and marketing plan
- Start production and marketing “Roll out” in selected markets
- Final ROI estimate



Idea Screening

- Identify good ideas and drop poor ideas
- R-W-W Screening Framework:
 1. Is it real?
 2. Can we win?
 3. Is it worth doing?



NEW-PRODUCT DEVELOPMENT

NEW PRODUCT IDEAS

PRODUCT SCREENING

PRODUCT ANALYSIS

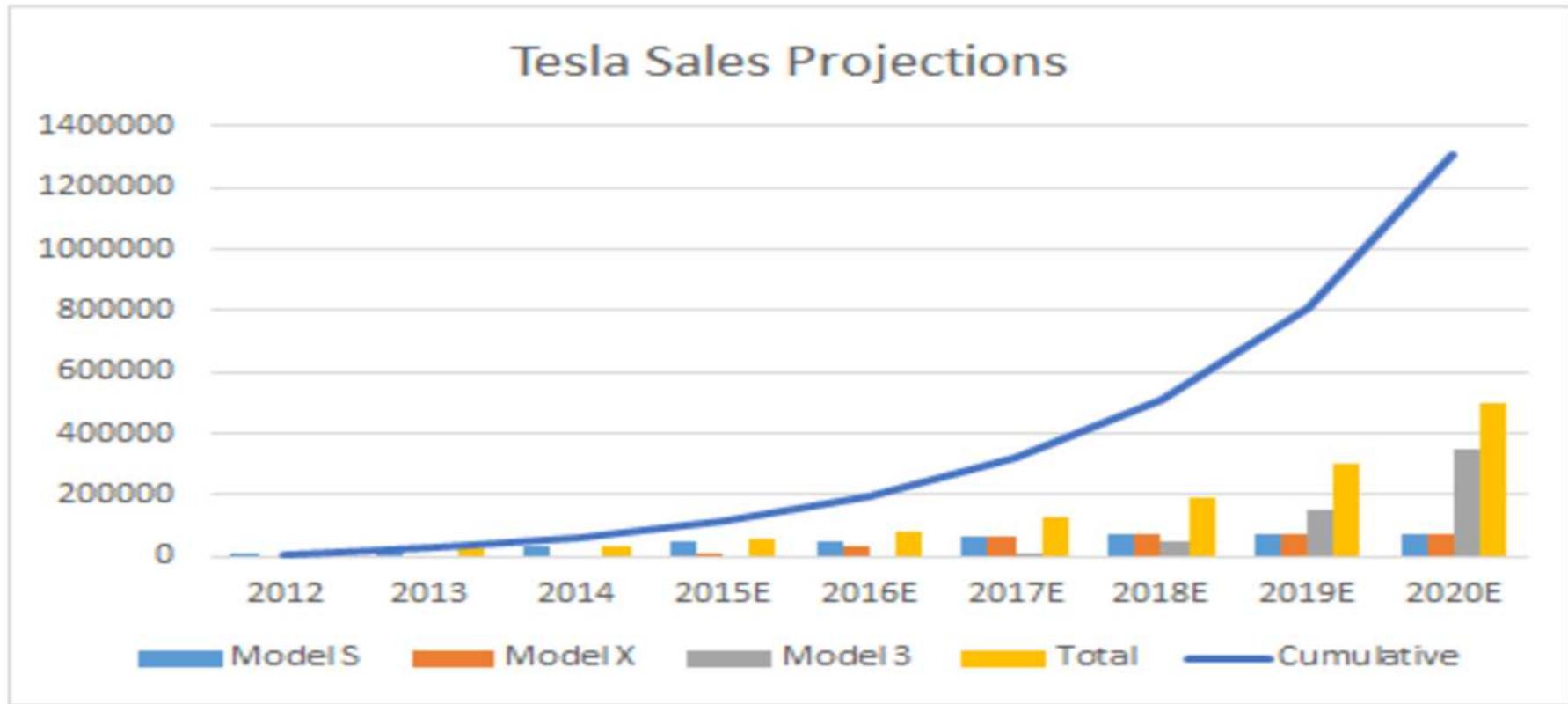
PRODUCT DEVELOPMENT(prototypes)

TESTING

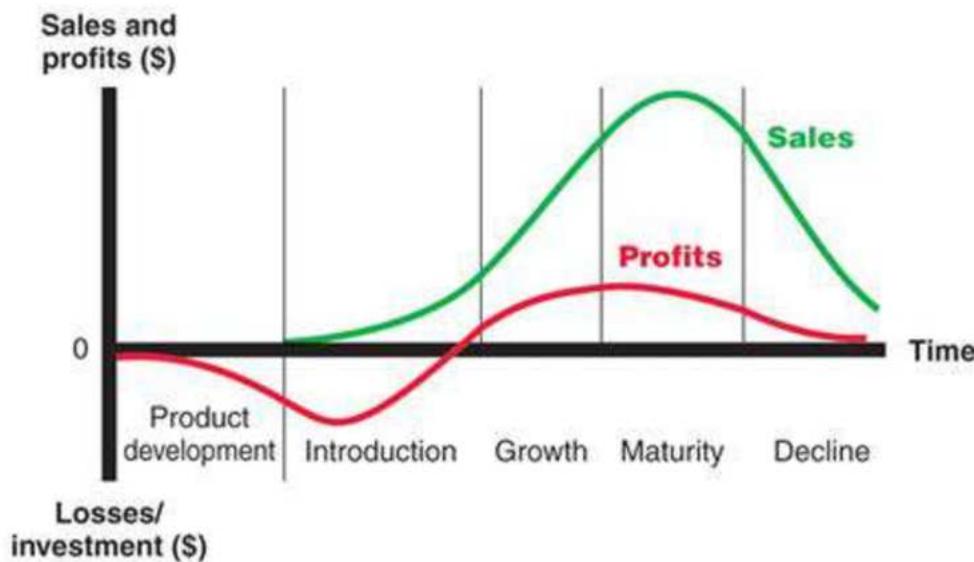
COMMERCIALIZATION



GROWTH PROJECTIONS



PRODUCT LIFE-CYCLE



LIFE-CYCLE STAGE	SALES	PROFITS	COMPETITORS
1. Introduction	<ul style="list-style-type: none"> • Low sales 	<ul style="list-style-type: none"> ❖ Losses may occur 	<ul style="list-style-type: none"> ○ Few
2. Growth	<ul style="list-style-type: none"> • Rapidly rising sales 	<ul style="list-style-type: none"> ❖ Very high profits 	<ul style="list-style-type: none"> ○ Growing number
3. Maturity	<ul style="list-style-type: none"> • Peak sales 	<ul style="list-style-type: none"> ❖ Declining profits 	<ul style="list-style-type: none"> ○ Stable then Declining
4. Decline	<ul style="list-style-type: none"> • Falling sales 	<ul style="list-style-type: none"> ❖ Profits fall becoming losses 	<ul style="list-style-type: none"> ○ Declining



PRICE IS WHAT YOU PAY.
VALUE IS WHAT YOU GET.

Warren Buffett

WHAT'S
NEXT

COMPETITIVE PRICING



COST-BASED PRICING

Cost - based pricing involves calculating the **cost** of the product, and then adding a percentage mark-up to determine the **price**

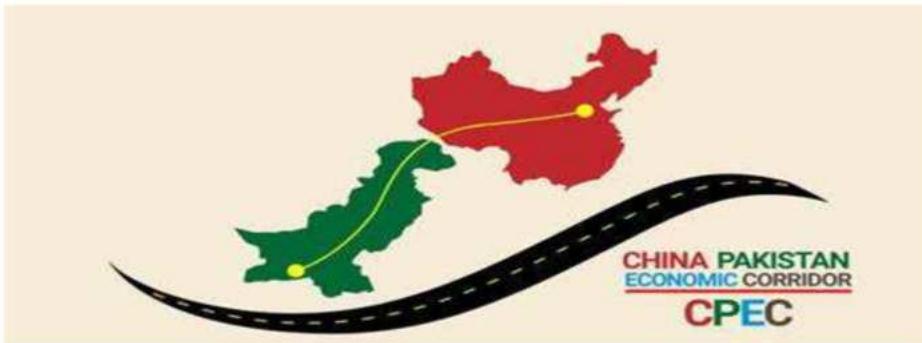
i.e. Iphone

DEMAND-BASED PRICING

Demand - based pricing is pricing a product so that it satisfies the customer and meets the profit margins desired by the firm.

i.e. PS5

COMPETITIVE PRICING



COMPETITION-BASED PRICING

competition-based pricing is a **pricing strategy** based on what other competitors are doing. The price can be set at, above or below competitor's price.

e.g. China vs rest of the world.

BREAK-EVEN ANALYSIS

It is the process used to determine profitability at various level of sales.

Break-even point is where revenue equals all costs

BEP= Fixed costs/price per unit – variable cost per unit

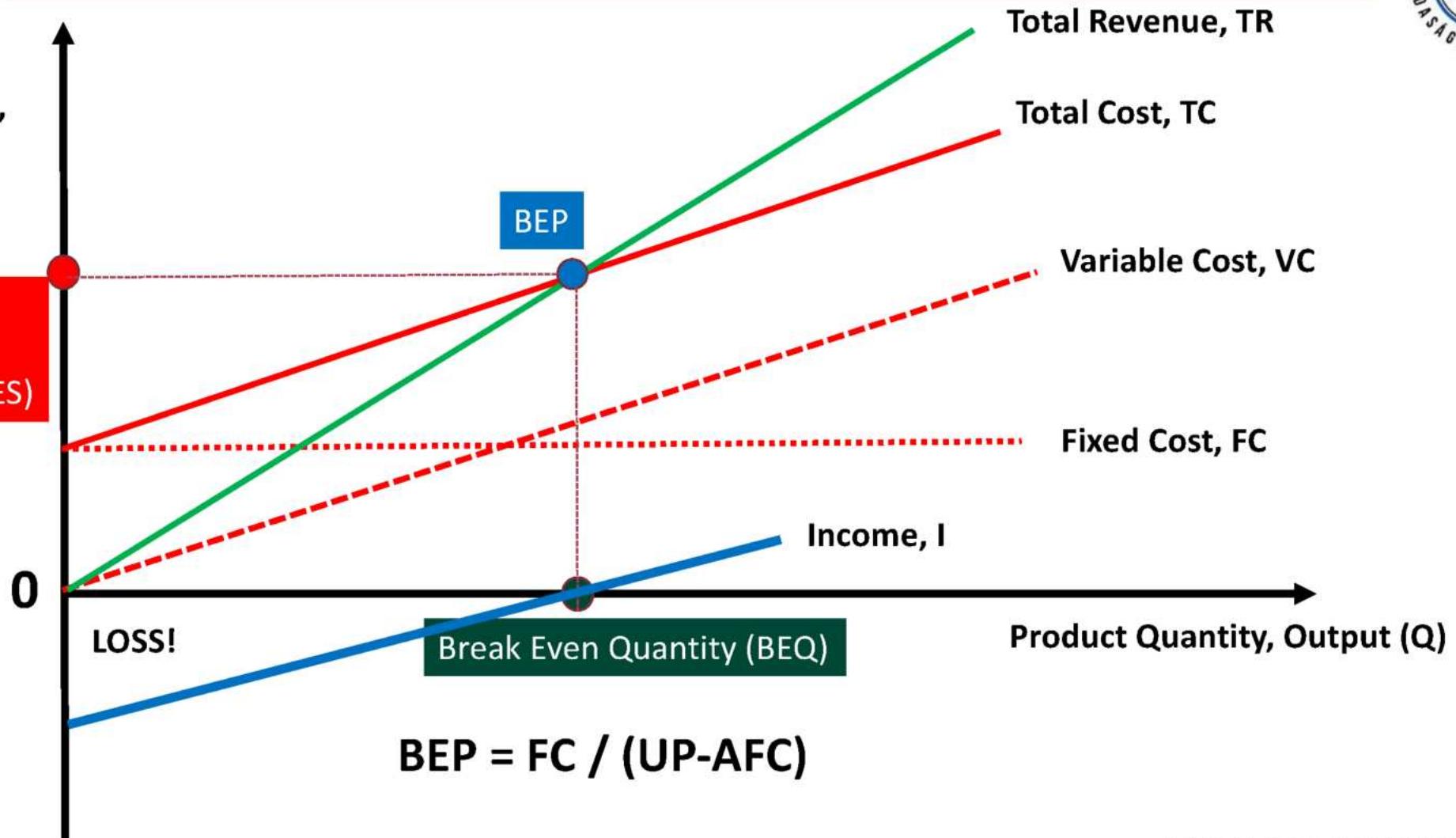


DEBRECENI
EGYETEM

Revenue,
Costs,
Income
(P)

Break
Even
Sum (BES)

Calculation of the Break Even Point (BEP) (BEQ and BES)



Calculation of the Break Even Point (BEP)

$$TR = TC = FC + VC$$

$$\text{Unit P} \times BEP = FC + (AFC \times BEP)$$

FC

$$BEP = \frac{FC}{\text{Unit P} - AFC}$$

NON-PRICE COMPETITION

COMPANIES COMPETE TO OFFER MORE IN SAME PRICE
EASIEST MARKETING STRATEGY TO COPY



MERCEDES

- Better Comfort

AUDI

- Driving Pleasure

BMW

- Bigger Engine

NON-PRICE COMPETITION

COMPANIES COMPETE TO OFFER MORE IN SAME PRICE

TESLA
CYBERTRUCK
TRI-MOTOR AWD

0-60
2.9 s

HORSEPOWER
800 hp

TORQUE
1,000 lb/ft

PRICE
\$69,900

@Voltly



GM
HUMMER
EV

0-60
3 s

HORSEPOWER
1000 hp

TORQUE
1,400 lb/ft

PRICE
\$70,000 (Unverified)





QUESTIONS

1. WHAT'S INCLUDED IN TOTAL PRODUCT OFFER?

Price, brand name and reliability in buying decision

2. HOW DO MARKETERS CREATE PRODUCT DIFFERENTIATION?

Using combination of pricing, advertising and packaging to make it look attractive and unique

3. WHAT DO BRAND MANAGERS DO?

Coordinate price, product, place and promotional decisions

4. WHY DO COMPANIES USE NON-PRICE STRATEGIES?

Easiest marketing strategy to copy



THANK YOU FOR YOUR KIND ATTENTION!

Distributing Products Quickly and Effectively

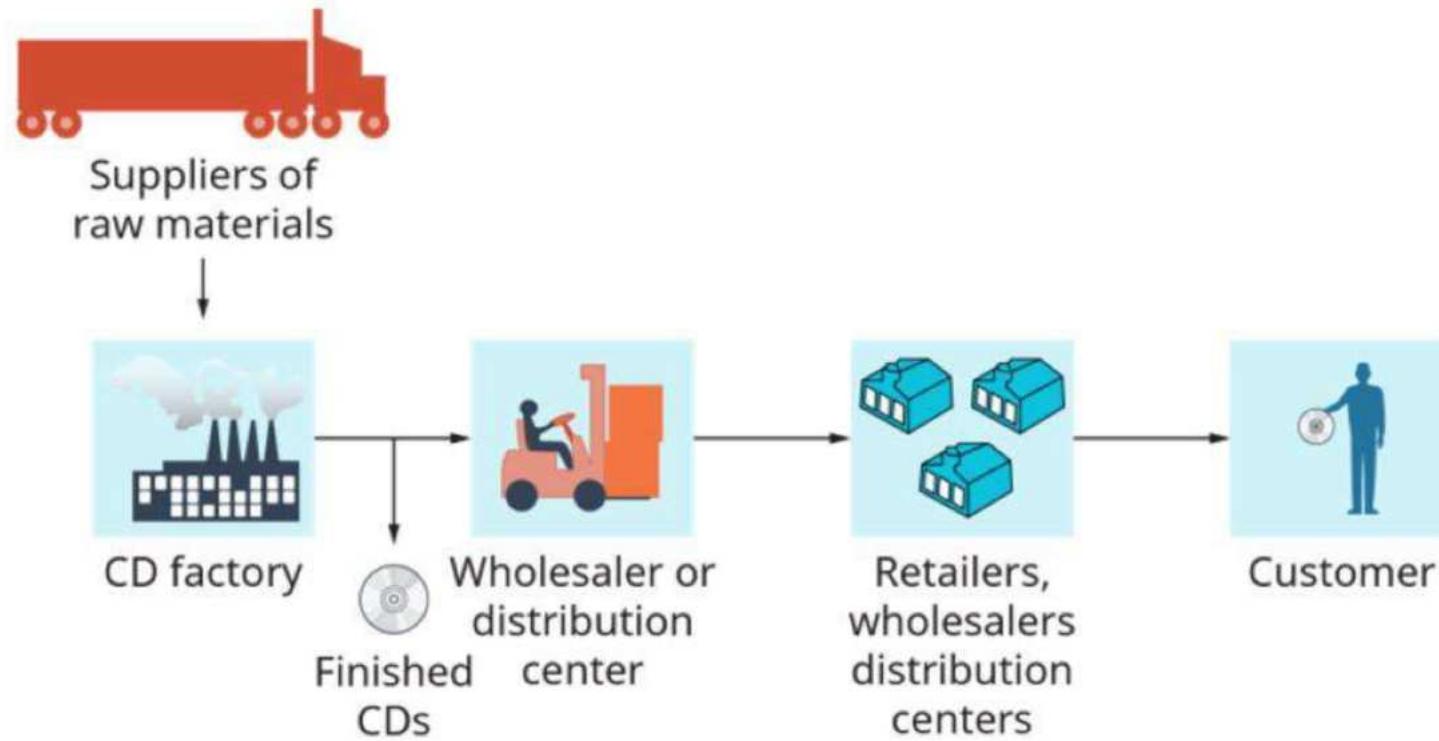
Dr. Péter POPOVICS PhD.
*Associate professor, coach
Dept. Enterprise Development
Team Academy Debrecen*

By getting into distribution and production, “I am actually widening my base”.

- Steve jobs



Concept of Distribution



THE MARKETING MIX



Marketing Intermediaries and Channel of Distribution

Intermediaries: These are the organisations that assist in moving goods from B2B and B2C. Also known as middlemen. For eg a good from producers to end consumers.

Channel of Distribution: A group of intermediaries that join together to transport and store goods from producers to consumers.

Types of Distribution Channels: Agents, Brokers, Wholesalers and Retailers.



Intermediaries and Efficiency.

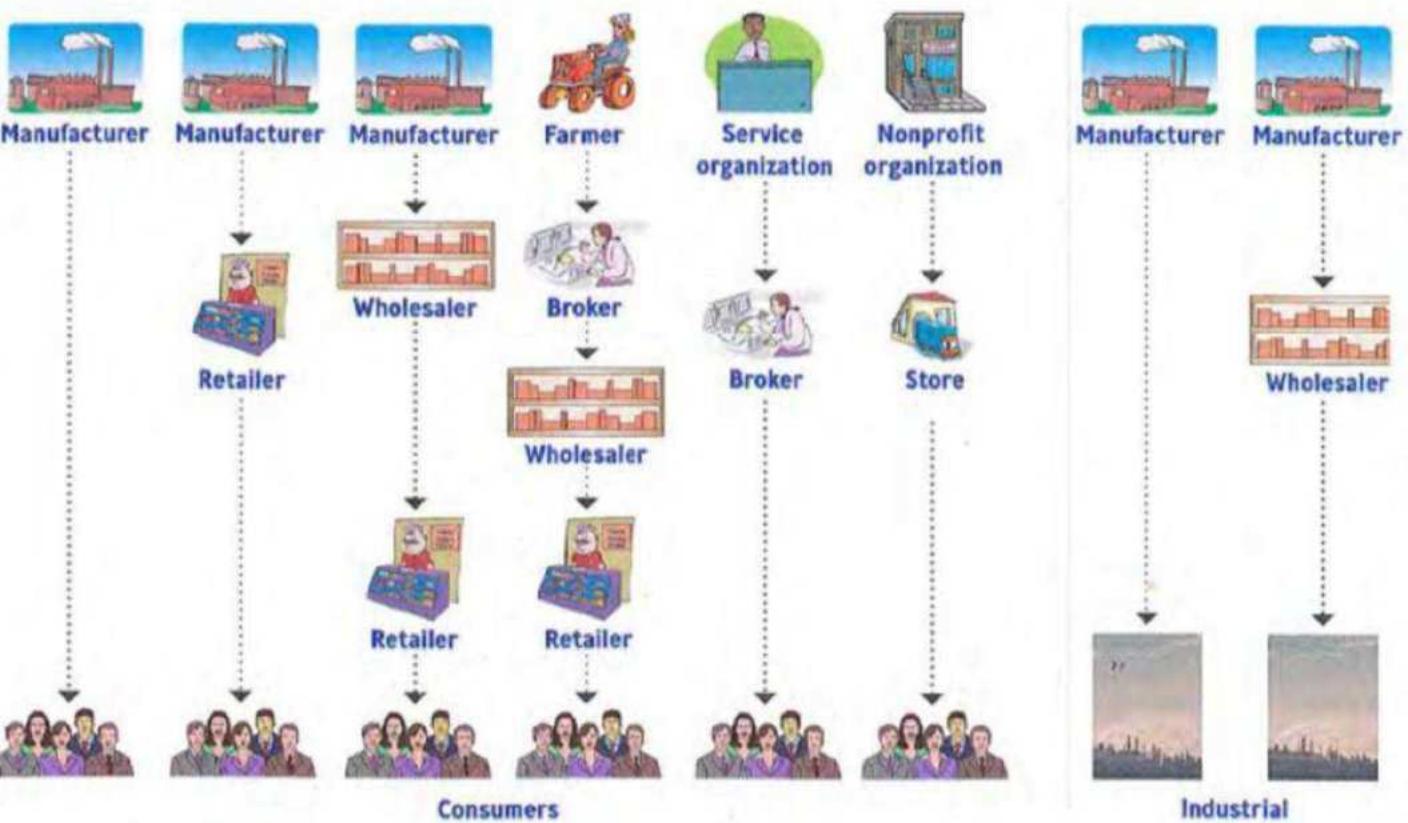
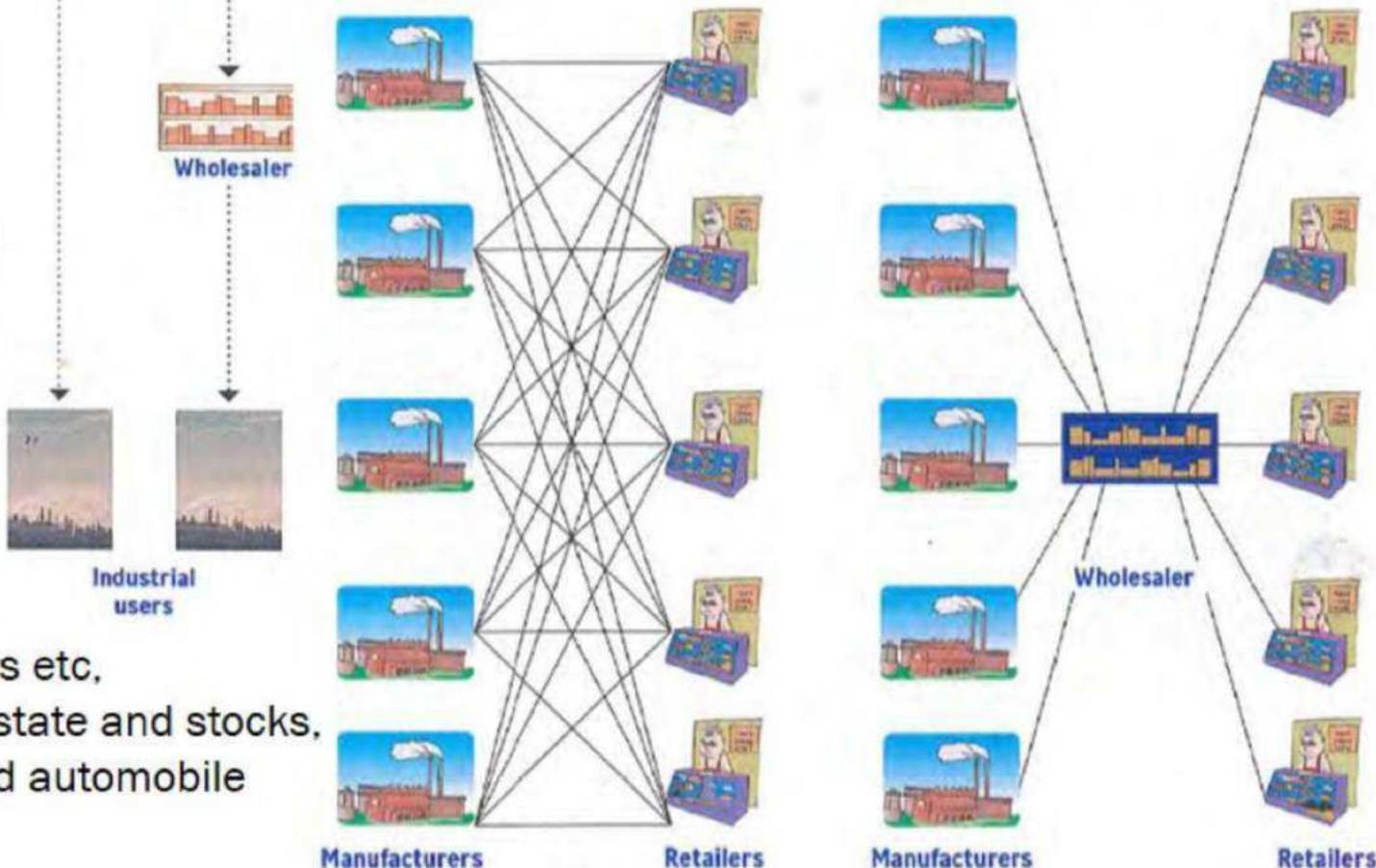
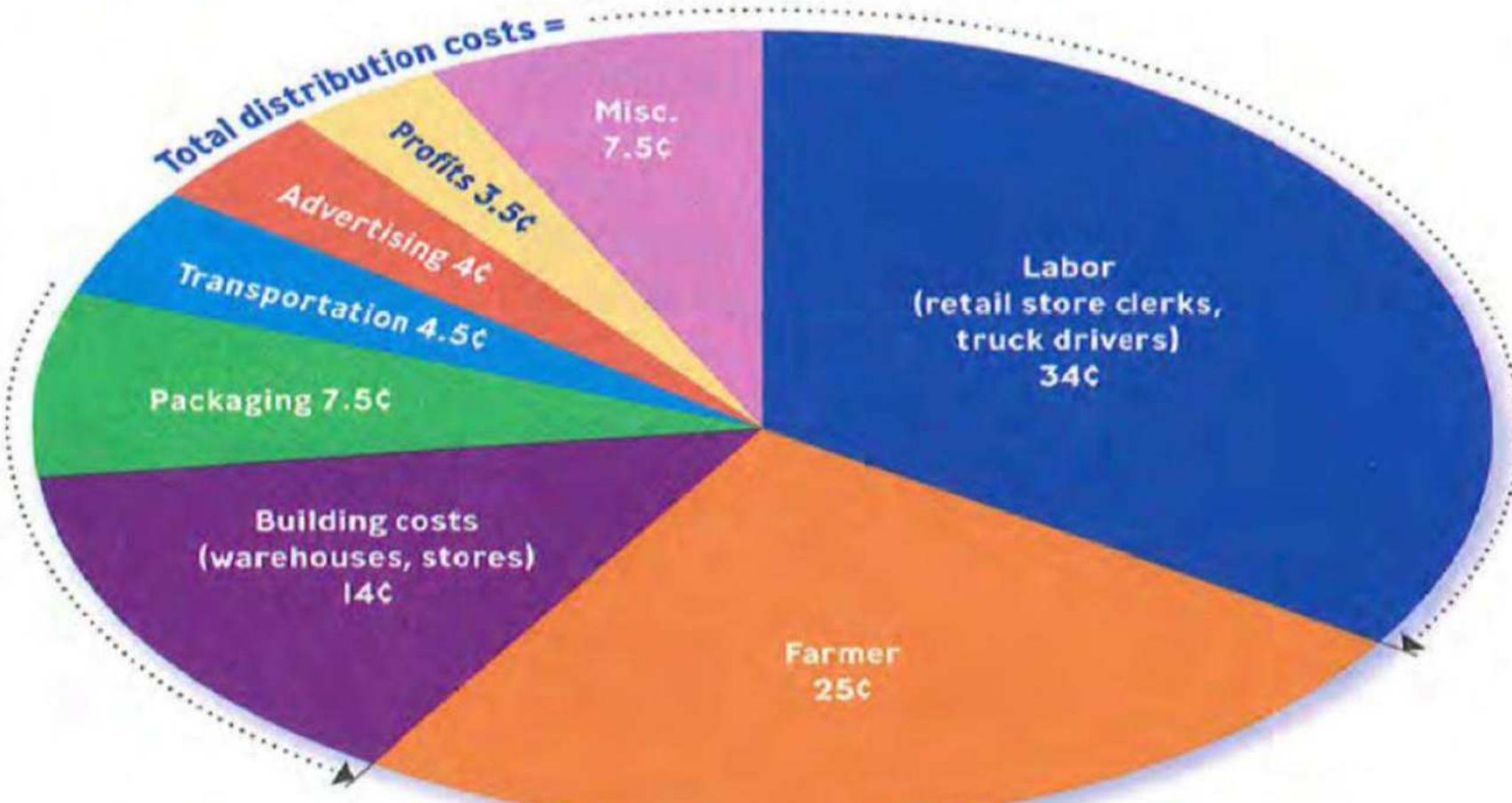


Figure1 Channels 1) Small farmers, 2) clothing, cars etc,
3) common grocery stores, 4) food items, 5) real estate and stocks,
6) museums and government support. 7) glass and automobile
8) wholesaler distribution

Figure2 Reduction in contacts from 25 to 10 creates efficiency. Role of wholesaler.



Distribution Cost/1\$.



Intermediaries create utility.

Utility; the want satisfying ability, or value, that organizations add to goods and services by making them more useful or accessible to consumers.

Six types of utility:

1. Form
2. Time
3. Place
4. Possession
5. Information
6. Service



- **Form Utility**: Changes raw material into useful final products.
Producers usually provide form utility.

For example: Starbucks makes coffee the way the customer wants it.
Dell offers various types of pc's to customers according to their needs.



- **Time Utility**: makes products available whenever the customer wants them.

many Mcdonald's 24hr home delivery options allow many time options.

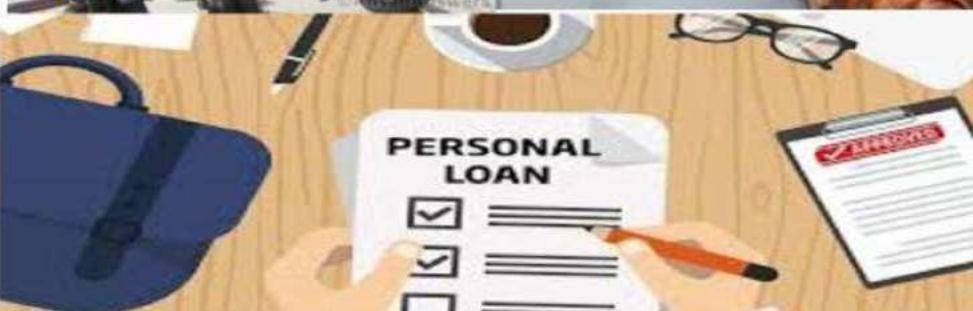
- **Place Utility**: Allows easy commute.

for eg many convenient bank atms in the city.



- **Possession Utility**: Helps transfer ownership from one party to another including providing credit.

For eg: A savings and loan office (SLO) offers a loan to home/cars buyers.



- **Information utility**: Opens a two way flow of information B/T marketing participants, for eg Website offers advice to shoppers.



- **Service Utility**: Provides service during and after a sale and teaches customer how to use the product, for eg Apple offers to help their computer buyers and etc.

Wholesale intermediaries

Wholesalers: make B2B sales often. For eg Walmart and Costco.

Types of wholesalers:

1. **Merchant wholesalers:** independently owned firms that take title to goods they handle. For eg Tesco.
2. **Rack Jobbers:** Furnish racks and shelves of merchandise. For eg rack for magazines.
3. **Cash & Carry Wholesalers:** Sells to small retailers with limited products. For eg Inter Spar.
4. **Drop Shippers:** Ship products direct from producer to consumer. For eg DHL.



Retail Stores and Types.



A retailer is an organization that sells to ultimate consumers. For eg grocery stores.

Retail Distribution Strategies:

1. Intensive: Puts products into many Retail outlets.
2. Selective: Uses only preferred outlets in an area.
3. Exclusive: Use of one retail outlet in a geographic area.

Types	Examples
Department Store	Sears, JC Penney, Nordstrom
Discount Store	Wal-Mart, Target
Supermarket	Safeway, Kroger, Albertson's
Warehouse Club	Costco, Sam's Club
Convenience Store	7-Eleven
Category Killer	Toys-R-Us, Bass Pro Shops, Office Depot
Outlet Store	Nordstrom Rack, TJ Maxx, Nike Outlet
Specialty Store	Jewelry store, shoe stores, bicycle shops

Forms of Non-Store Retailing



1. **Electronic Retailing**: Selling goods and services online to consumers. (Sale on website)
2. **Telemarketing**: Sale of goods and services via telephone. (Offers via phone)
3. **Vending Machines**: Dispense goods at convenience via a machine. (Coffee vendors)
4. **Social Commerce**: Use of social media to sell and buy goods and services (Facebook)



Goals of Electronic Selling:

Convenient return policies, established brands, user reviews, professional site designs, alternative payment methods.



Direct Selling vs Direct Marketing: Selling good to customers at home for eg Telemart.com.

Any activity that links manufacturers to consumers. For eg e-adverts.



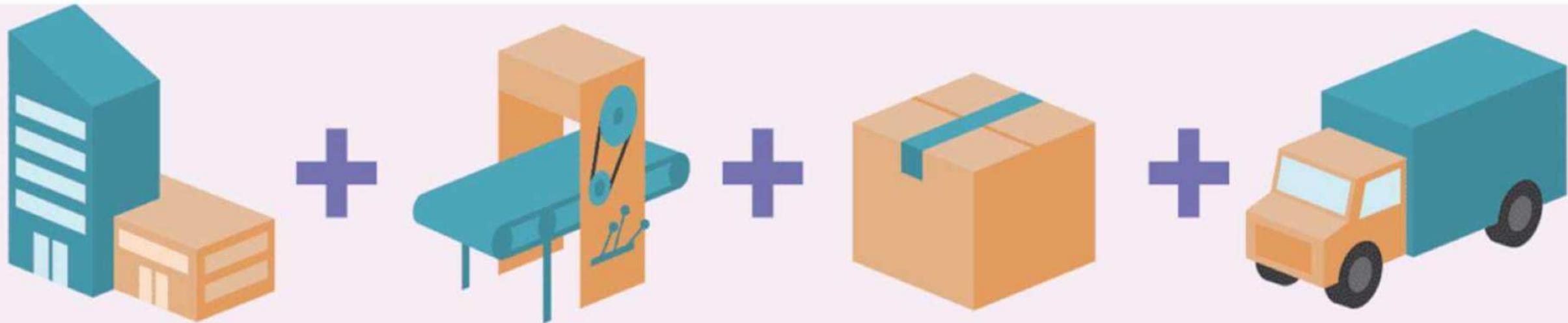
4 Distribution Channel Systems.

1. **Corporate Distribution System**: When 1 firm owns all organizations in the Channel of distribution. For eg Goodyear tyres.
2. **Contractual Distribution System**: Members are bound to cooperate through contractual agreement. For eg franchise systems of McDonalds or Baskin Robbins.
3. **Administered Distribution System**: Producers manage the marketing and retail. For eg Gucci or Ralph Lauren.
4. **Supply Chains**: Performs all the activities linked from raw materials to end consumer.

The channel is known chain whereas the information and process is known Supply Chain Management. For eg Nike products end to Nike stores.



Supply Chain Management (SCM)



Procurement

Avoid duplicate procedures in different departments.

Manufacturing

Improving quality and precision prevents defects and returned goods.

Warehousing

Keep inventory levels as low as is reasonable.

Transportation

Consolidate multiple products into a single shipment.



Modes of Logistics



- Truck Freight — Road **Transportation**. ...
- Ship — Marine **Transportation**. ...
- Train — Rail **Transportation**. ...
- Plane — Air **Transportation**.

Questions?



Questions are the path to Learning



Tell any 2 forms of utility
by intermediaries?



List any 2 types of
retailers?



What is the end Stage of
SCM?

Answers!!

1. Form, Time, Place , Possession, Information, Service.
2. Departmental store, outlet store etc.
3. Logistics.



شكراً جزيلاً

ekkür ederim

ngiyabonga

tesekkür ederim

paldies grazzi ma
gracias

djiere dieuf *tau* mochchakkeram *muk*
дядюшка *дядюшко* мамаша *мамаша*

дякую
go raibh maith agat

arigatō takk dakujem trugarez
dзаривадагалу shukriya мерси

merci

감사합니다!

danke

謝謝

lava vinaka blagodaram kia dank je misaotra matondo paldies grazzi mo
спасибі
köszönöm akun dankon aciu' djiere dieuf lau mochcha
ie chnorakaloutioun gracias ann gracies sulpnay go roihh moith
дякую

Баярлалаа
спасибо faafset

kiitos dankie
thanjavad

ankt bayatlaa **gracie** **hyala** **mauru** koszutott

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Sukriya kop khun krap  **arigatō**  **dakuiem**

Obingau mesi
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