Chapter 1

Managers & Managing

A business turns factors of production into products that people want.

Identify and research target market **-->** develop product and set price **-->** operations (create product) **-->** promote and distribute products **-->** measure and control

System – A series of interconnected parts or activities, that are organised for a common purpose and work together

Value Chain- model that suggest businesses are systems that turn factors into goods and services that people want. The theory devolved by Michael porter introduces two types of activities

- **Primary Activities:** Activities that are directly involved with making the good or the service that the business provides to its customers.
  - taking money
  - making a sandwich
  - engaging with customers
- **Support Activities:** Activities that are not directly involve the customer or the making of the product but which are necessary for the organisation to function.
  - Leadership and strategy
  - Human Resource Management – Need people
  - Financial Management – Need Capital

Business is formed for a purpose

- What the purpose is
- How to accomplish that purpose

Businesses need leadership

Leaders: Determine the organisation's purpose and direction. They guide and inspire others to go along their path.

Managers: People who plan, organise, lead, and control resources in order to realise a goal. Managers and leaders can be considered synonymous.

Managing is NOT the arbitrary exercise of power. Managing involves GETTING THINGS DONE!

Managing is done through 4 activities:

- **Planning**
- **Organising** ← possible midterm question
- **Leading**
- **Controlling**

Planning: Determine what needs to be done, and the best way to achieve it
Organising: Gathering and preparing the necessary resources needed to complete the task
leading: Guiding and motivating others to meet the organisation's objectives.

How?

- **By teaching and demonstrating (leading by example)**
- **Controlling –**
  - **Set Standards (desired outcome)**
  - **Measure Performance (actual outcome)**
  - **if necessary, improve or correct performance (to meet standards)**

Managing why?

Get people to perform to achieve organisation goal. It occurs in everyday life not just businesses eg. Parents, coaches, generals.

What does managers do?
They take the factors of production labor, capital, natural resources into products that people want and need.

Business Function- A process or activity that is routinely carried out by a business.

- **Marketing:** The activities involved with interacting with customers and potential customers
- **Operations:** The activities involved with transforming the factors of production into the goods or services that customer wants.
- **Information Management:** The development of systems for collecting data that can be organised in such a way that it produces information of use to the manager of a business.
- **Accounting:** The system for collecting, analysing and communicating financial information
- **Strategic Management:** The activities undertaken by an organisations senior leadership to determine the organisations long term goals and objective
- **Financial Management:** Planning, organising, leading and controlling the use of capital
- **Human Resource management:** All of the activities involved with planning, organising, leading, and controlling organisations of people (HAIFSON)

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Chapter 2

Businesses exist for 2 reasons: To satisfy customer needs, and to make profit

No customers = no profit

Marketing: planning and organising: the development of product. Determine the price people will pay making the product known and making it available to customers

The marketing concept: A business philosophy that stresses that the business resources should primarily be directed toward serving customer needs

Product focus: An orientation toward producing improved goods and services for which an organisation has proven expertise

Customer focus: An orientation toward determining the needs and wants of customers in the market and developing the goods and services that meet those needs/

No business has unlimited time, resources, can sell everything, to everybody

Therefore marketers begin by determining the target market

Target Market: The specific group of similar people who have similar needs and wants. The business targets these as most likely / intended customer

Market Segmentation: Marketers divide population into groups or categories of similar people

- People likely to have similar characteristics, habits, or attitudes
- People whose needs and wants likely to be similar
  Some ways markets can be segmented:
- Demography: external traits
- Psychography: internal traits
- Geography: where people live

Demographic segmentation: a person's external traits

- Age, gender, race, income

Psychographic segmentation: a person's internal traits

- Beliefs: religion vs atheist vs agnostic
- Values: liberal vs conservative, prolife vs pro choice
- Motivations: materialist vs conservationist

Example: political parties, charities

Geographic segmentation: Where people live

- Region: Alberta vs Quebec
- Rural vs. urban
- Climate: hot vs cold, dry vs rainy

An example combining all 3: Nike

Age: 15-30 year old, Nationality: American, Address: Urban, Gender: Males, Attitude: Competitive, Self-Image: “Macho”

Markey Research: Systematic study of what buyers need and how best to meet those needs

Having identified the “managers must create products:

With features that people want - **Product**
at prices they will pay - **Price**
that the know about - **Promotion**
that they can easily get **– Place**

PPPP or P^4 (product, price promotion, place) is called the marketing mix

Market Research: Systematic study of what buyers need and how to meet those needs

Secondary Market Research Vs Primary Market Research

Secondary Market Research: Collecting information from already published sources (book, website, stats Canada, public opinion surveys)

- What have others already learned
- Suggests there may be a market
- Does NOT answer, is there a market for your product

Primary Market Research: Market research you do yourself

- To answer your specific questions:
- What features do you want?
- What price will you pay?
- What promotion media reach you?
- Where do you want to get it?

Observation vs. Communication:

1. By watching them
2. By talking to them

Observation: Watch peoples habits and behaviour

Advantage: No interviewer bias

Interviewer bias: the idea that the interviewer will plead you, flatter you intimidate you, to influence your response

Disadvantage: you can't probe deeper (Not helpful if product / service is new)

Communication; Ask about their needs and preferences

Advantages: you can give samples, you can sell, you can ask why?

Disadvantages: interviewer bias (people tell you what you want to head)

Quantitative vs Qualitative

Quantitative: Facts and numbers (data that is statistically analyzable

Qualitative: ideas and impressions (subjective data, intended to give insight, answer why?)

Example of services:

Postal Survey

Advantages: relatively low cost, can send anywhere, no interviewer bias

Disadvantages: poor response rate, poor turnaround time

Telephone Surveys

Advantages: Wide geographic coverage, ensures correct respondent

Disadvantages- Labour intensive, poor response rate

Man in Street Surveys

Advantages: You can see the respondent

Disadvantages: Interviewer bias, labour intensive

Internet Survey

Advantages: Low cost to design, low cost to send, quick to analyse data, easy to compute

Disadvantages: only nerds respond

Census: Research that involves collecting data from every member of a population

Sample: Research that involves collecting data from a selected number of the members of a larger population

Random sample: A sample taken from a larger population where each person has an equal chance of being selected.

In-depth Interview: A method of collecting qualitative data, in which researchers sits down for an extended, open ended discussion with the respondent

Focus Group: In depth, unstructured discussion typically 6-10 participants

Marketing Mix: The specific combination of product features and benefits, price, promotional and distribution methods used to sell a product to a target market. (PPPP) (SUGGESTED BY JEROM MCARTHY)

Product – features and benefits
Price – The price people are willing to pay
Promotion- product is known
Place- readily available

Product Chapter 3

Product: Whatever the purchaser hopes to get, or believes to get when a good or service is purchased. It is a good or service that fills a buyer's needs or satisfies wants.

3 Attributes of products:

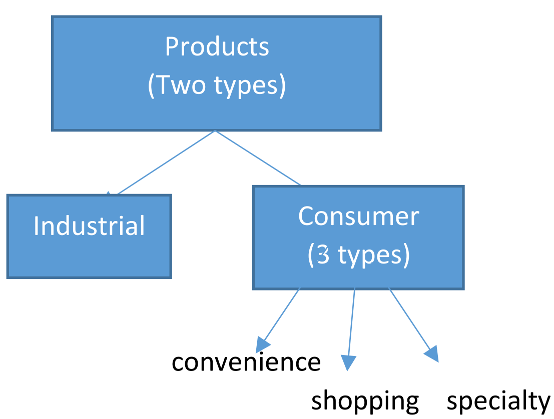
- **Function**: What a product is intended to do restaurant provide food)
- **Features**: Additional Attributes which contribute to an improved usefulness or experience
- **Benefits:** Advantages that are derived from purchasing that product. Usually intangible (status, image, reputation)

Value Package: The bundle of tangible and intangible functions, features and benefits that a business offers its customers.

Value package/Product Value = Function + Features + Benefits

Value: The regard with which a product is held by potential buyers expressed as its financial worth

Midterm questions HINTED : Define product, functions of the product, features of the product, benefits of the product



Industrial Products: Purchased by other businesses, used directly or indirectly to produce other products.

- Possible small number of buyers, although buyers are probably knowledge.
- Function is key criterion and pricing is an important criterion.
- either oligopoly, monopoly, or monopolistic competition
- NOT!! PERFECT COMPETITION

Consumer Products: Purchased by individuals, generally for their own use

- Probably large amount of customers
- Name Recognition likely to be important
- Packaging likely to be important
- Branding likely to be important
- Monopolistic Competition or Perfect Competition

Convenience Products: Sometimes referred to as FMCG's (Fast moving consumer goods). Inexpensive and purchased frequently with little time and effort. Consumed quickly and regularly (newspaper razors, deodorants, cups of coffee)

Shopping Products: More expensive, bought less frequently than convenience products. More features than convenience products. Consumers spend more time evaluating alternatives (style, colour, and price). Laptops, life insurance, contractors, cars.

Specialty Products: Consumers will spend time and effort to find exactly what they want. These products justify time and effort because consumers attach a great deal of importance. Eg. Wedding gown or wedding service. Consumers expect to buy these products just once and will remember the purchase.

(PRODUCT LIFE CYCLE MODEL WILL APPEAR HEAVILY ON THE MIDTERM!! REMEMBER THIS)

Product Life Cycle

Products, technologies, industries- like people- have FINITE lives:

- They begin small and weak
- They grow quickly
- They mature
- They decline

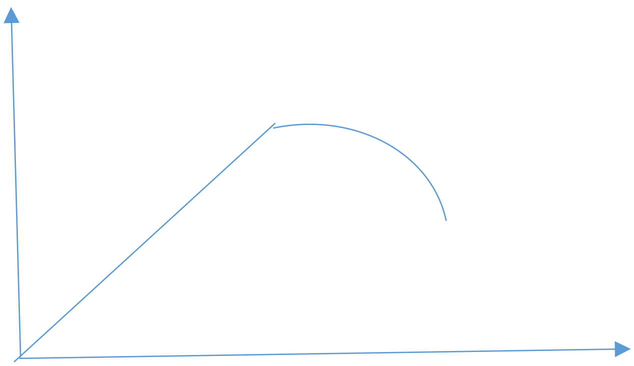
The model has two-dimensions:

- Time
- Growth

Question: As time passes, what happens to a new product's (new industry's) growth?

As time passes the new industry that grows was growing quickly slowly matures and declines.

Growth
# of units
$ of revenue
$ of profit
# of employees
Market Shares
Number of stores
# of customers



Time (days, weeks, months, years)

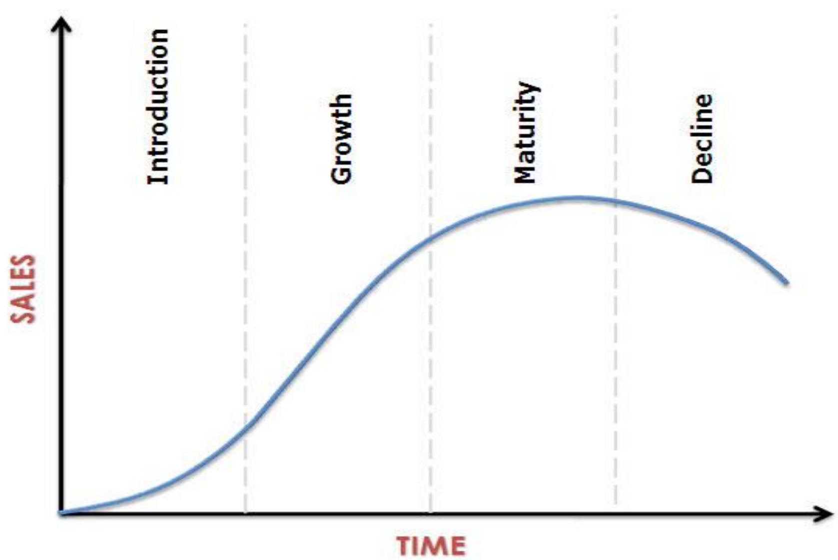
- Time can be measured several ways: weeks, months, years, decades.
- Some products have very short lives eg (movies, fashion, technologies),
- some products have very long lives (coffee, bread, pencils)

Growth – can be measured in various ways

If you were running a business, what metrics would suggest to you that the business was growing?

Profit, Revenue, # of employees, customer base, market share, volume of production,

The graph can be further broken down



Introduction: Product or technology is brand new, little known, expensive, hard to find

Sales- are low
Price- High
Profits- negative
Customers- a few innovators
Competitors- Few
Brand new, little known expensive, hard to find

Growth: Product or technology is better known, more popular, more available

Sales- increasing
Price – beginning to fall
Profits- beginning to rise
Customers- early adopters
Competitors- growing number

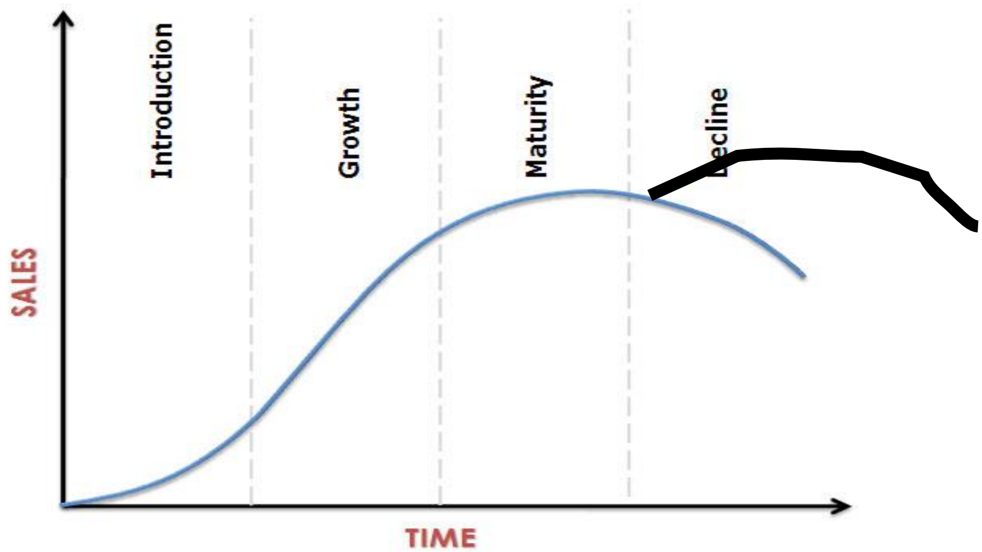
Maturity: Product or technology is standard everyone has one

Sales – at peak
Price- stable
Profits- stable, starting to decline?
customers – middle majority
Competitors – stable, no charge
Sales unlikely to grow much
Little new product development
Unlikely to be new market entrants
Customer switching

Decline: Product or technology is old fashioned

Sales- declining
Profits- declining
Customers – Laggards
Competitors - declining number

Chapter 4 Price



The black line represents life cycle extension

A company attempts to avoid the decline stage by extending a products life cycle by changing the product

Price- what the business will charge in exchange for its product.

- No formula for setting price, pricing involves judgement and choice.
- A business MUST cover its costs

Mark-up: What the business adds to "cost of goods sold" to arrive at its price

Eg. Pizza: cost of goods sold = $5.0
mark-up = $3.0

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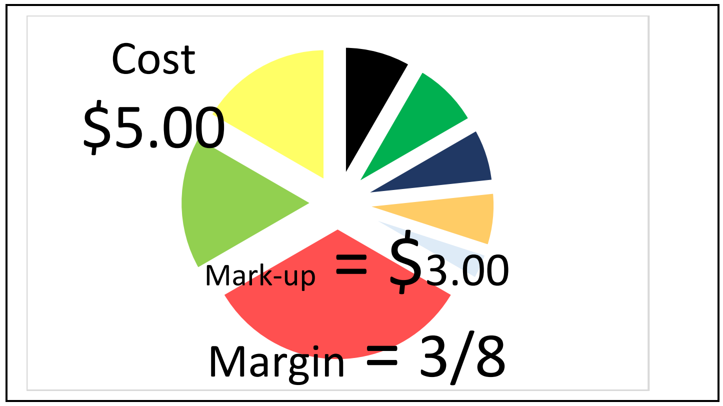
Selling price = $8.0

Contribution Margin = mark-up as % of price.



Mark up ensures that each pizza: has a "margin of error": cost overruns makes "contribution" toward profit

Pricing Strategies

NO formula determines "price", the size of markup is a choice

Two possible pricing strategies

Skimming: Set High Prices (large markup)

High price = small market = low sales

But, sales don't have to be large. Large contribution from each sale

eg. Rolls-Royce cars, Rolex watches, Mont Blanc pens

Penetration: Set low prices (small markup)

Low price = large market = high sales

But, sales volume need to be large,

only small contribution from each sale. Eg. Honda civic, Casio, bic pens

Which pricing strategy to use depends on the **Break-Even Analysis**

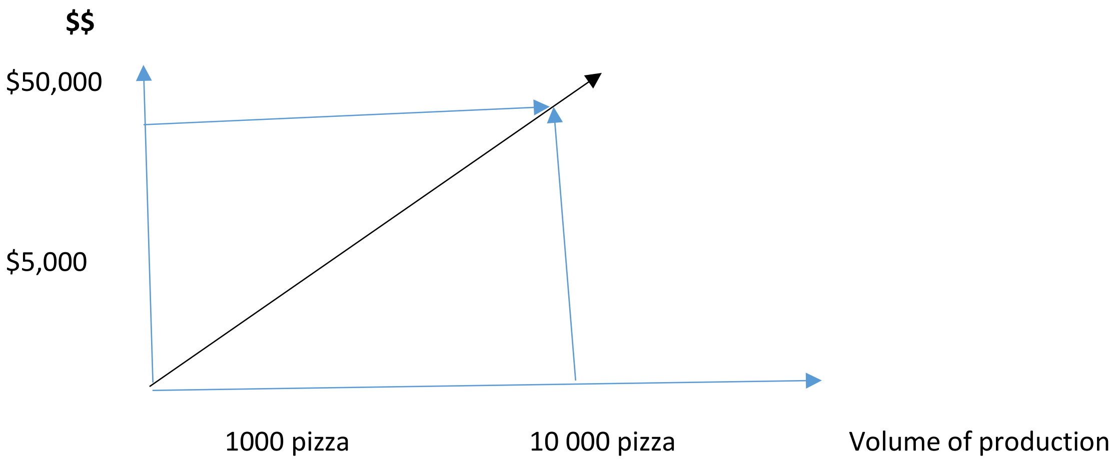
**** KNOW THIS FOR EXAM BELOW STUFF****

Break-even Analysis: Helps manager understand the relationship between: costs, chosen selling price, and necessary volume of sales.

Answer the questions: If I chose this price, how many units must I sell – to make a profit?

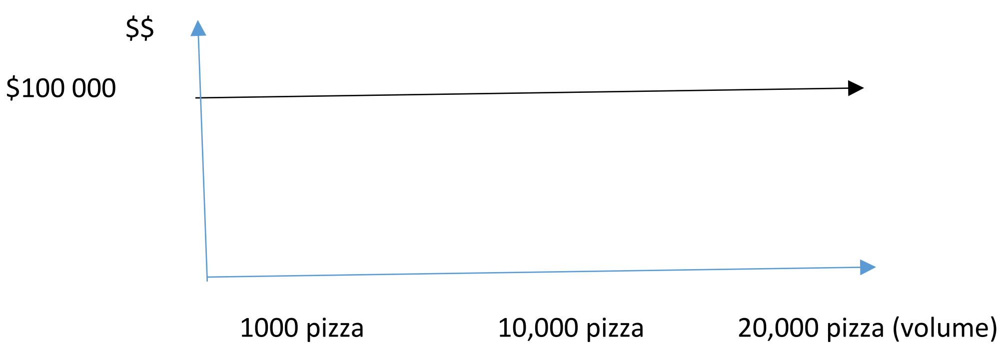
Business have 2 kinds of costs: Variable costs (VC) –increase with volume of activity

VC = costs of goods sold



Businesses have 2 kinds of costs:

Fixed cost (FC) – do not increase with volume of activity eg operating expense



Total Costs = Fixed + variable cost

TC = VC + FC

NO MAGIC FORMULA BUT ONE RULE: COVER YOUR COSTS OF GOODS!!

The mark-up pays for your fixed cost

HIGHER SLOPE = HIGHER REVENUE
profit can be made with less sales

Break Even Analysis

Break-Even Analysis tells you: The quantity you must sell in order to make a profit

B/E = Fixed Cost /(Selling Price – Variable Cost) **** KNOW THESE FORMULAS!!****

Fixed Costs / Profits from each sale = # of Units to Break Even

Eg. If your running a pizza business where it costs you $5 per pizza and the Fixed cost (FC) = $100,000 per year

3 possible pricing scenario

Gourmet = $15 Economy = $6 Mid-price = $10

$100,000/(15-5) = $100,000/10 = Break Even Must sell 10,000 gourmet pizza

$100,000/ (6-5) = 100, 000 = break even Must sell 100,000 value pizza

$100,000/(10-5) = 100,000/5 = Break even Must sell 20,000 mid price pizza

MIDTERM TEST QUESTION BREAK EVEN ANALYSIS FIND VC, FC, Pricing Scenarios, B/E Analysis

Other pricing Tactics:

Marketers must remember: Consumers aren't always rational

Psychological pricing tactics

- Odd-Even Pricing: $9.95 not $10.00
- Bundle pricing: "combos"- adding another item to the purchase