

Notes Lecture 23 to 45 - Introduction to Business _MGT 211

Lecture 23

Difference between Marketing and Selling

Marketing	Selling
Marketing starts before decision of production.	Selling starts after decision of production.
Marketing is a whole system.	Selling is part of marketing.
Marketing is a long term process.	Selling is a short term process.

✿ **Classification of products**

★ **Consumer products**

Consumer products are consumed after certain uses. E.g. Tea, soap, tooth paste, shaving cream, cooking oil etc.

★ **Industrial products**

Industrial products are used in industry. E.g. Raw material, machinery, chemicals, computer hardware and software.

★ **Relationship Marketing**

Developing a long term relationship with the customers.

★ **Transactional Marketing**

Transaction with the customer.

✿ **Factors influencing the Marketing System**

1. External Marketing Environmental Factors
2. Internal Marketing Environmental Factors

✿ **External Marketing Environmental Factors**

- ★ Factors which are outside the organization and influence the system.
- ★ External factors are generally beyond the control of one marketing firm. These include:
 - ★ Economic Forces
 - ★ Demographic Forces

- ★ Forces related to population.
- ★ Cultural Forces
- ★ Political and legal forces
- ★ Competition
- ★ Natural Forces

✿ **Marketing Manager**

A person who plans and executes all marketing activities.

✿ **Role of Marketing Manager**

- ★ To identify the unsatisfied needs of the customers.
- ★ To design the product.
- ★ Product Development.
- ★ Pricing Decisions.
- ★ Product Distribution.
- ★ Communication with the customers.
- ★ Marketing Research.
- ★ Appointment of staff in marketing department.

✿ **Marketing Plan**

- ★ A plan for marketing programs.
- ★ Components of marketing plan are:
 - ★ Executive Summary.
 - ★ Current market situation.
 - ★ Opportunity Analysis.
 - ★ Marketing objectives.
 - ★ Marketing Strategies.
 - ★ Projected income statement.
 - ★ Control.

Lecture 24

✿ **Marketing Mix**

- ★ A combination of four P's.
- ★ Four P's are:
 - ★ Product
 - ★ Price
 - ★ Place
 - ★ Promotion

✿ **Product**

A set of physical and tangible attributes assembled in an identifiable form.

A set of things, an organization offer for sale.

✿ Price

Expected price is that price at which customers consciously or unconsciously value the product.

✿ Place

Place in terms of distribution.

✿ Promotion

Promotion is also called marketing communication.

Techniques used for promotion are:

✿ Advertising

Any paid form of non personal presentation for the promotion of goods, services and ideas to the potential customers.

- ★ Personal Selling
- ★ Sales Promotion
- ★ Public Relations
- ★ Development of direct link with general public.

✿ Market Segmentation

- ★ Dividing the total market into smaller parts.
- ★ Market is heterogeneous/dissimilar.
- ★ By segmentation, heterogeneous market is converted into homogeneous components.

✿ Basis for segmentation

- ★ Geographic Basis.
- ★ Demographic Basis.
- ★ Psychographic Basis.

✿ Market Targeting

Who will be the customers of the organization?

✿ Product Differentiation

- ★ To differentiate the product from other products on the basis of features.
- ★ Product differentiation is used to avoid competition.

Lecture 25

✿ Marketing Research

- ★ Marketing research is a Decision support system (DSS).
- ★ Collecting information from the market.
- ★ Data Analysis.
- ★ Dissemination of Information.

✿ Categories of Market Research

- ★ Market research has two categories:

- ★ Problem identification
- ★ Problem solving
- ✿ **Problem Identification Research**
- ★ To know about potential in the market for a certain product.
- ★ Market share of the organization.
- ★ Image of the product in the market.
- ★ Forecasting about demand of the product in the market.
- ★ General Trend in the market.
- ★ Cultural Trends
- ★ Business Trends
- ✿ **Problem Solving Research**
- ★ Segmentation Research
- ★ Product Research
- ★ Pricing Research
- ★ Distribution Research
- ★ Promotion Research
- ✿ **Steps Involved in Marketing Research**
- ★ **Problem Identification**
- ★ **Designing a theoretical framework**
- ★ **Possible answers to the questions (Hypothesis)**
- ★ **Research Design**
 - ★ Data Collection
 - ★ Sampling
 - ★ Scaling
- ★ **Data Collection**
- ★ **Data analysis**
- ★ **Data reporting**
- ★ Data can be reported to :
- ★ Marketing People
- ★ Production people
- ★ General Administration of the company

Lecture 26

✿ **Data collection**

Data collection techniques will change from situation to situation.

✿ **Types of Research Methods**

★ **Observational Research**

Observing the things and making opinions.

★ Survey Method

- ★ Survey can be:
- ★ Through Questionnaire.
- ★ Through Interview.
- ★ Interview is used at that place where detailed information is needed.

✿ Types of Research Methods**★ Focus Group**

- ★ This technique is applied at problem identification stage.
- ★ A group is selected through a process and is invited at a place where they have meeting through a mediator.
- ★ Mediator is a person who monitors, control and coordinates the activities.
- ★ Everything should be recorded in this type of technique.
- ★ Place of focus group should be very relaxed.
- ★ Focus group can be:
- ★ Single focus group
- ★ Double focus group

★ Experimentation

Relationship of cause and effect.

✿ Consumer behavior

Study of decision making process by which people decide to buy or not to buy.

✿ Influences on Consumer behavior**★ Psychological Factors**

- ✿ What customer feels about himself or herself.
- ✿ These include:
- ✿ Age
- ✿ Gender
- ✿ Experience
- ✿ Self concept
- ✿ Role in the society

★ Sociological Factors

- ✿ Many decisions are made because of sociological factors.
- ✿ Many people buy a particular product because of social needs.

★ Steps for Decision Making Process

- ✿ Recognition of need
- ✿ Someone feels that something is missing.
- ✿ Collection of information
- ✿ Comparison of alternatives

- * Purchase decision
- * Post purchase decision

Lecture 27

✿ **Product**

- * Anything that can be offered for sale by an organization.
- * Product can be:
 - * Tangible
 - * Intangible
- * Benefits are basic features of the product.
- * Every product has a set of features to identify itself.

✿ **Classification of Products**

- * Products are classified in various ways. Mainly, these are divided into:
 - * Consumer Products
 - * Industrial Products

✿ **Categories of consumer goods**

- * **Convenience goods**
 - * Goods which are convenient to buy for the customer.
 - * Customer has complete awareness of the product.
 - * Customers buy these products frequently.
- * **Shopping Goods**
- * **Specialty goods**
 - * For these products, customers have strong brand loyalty.

✿ **Industrial Goods**

- * Goods used in the industry.
- * **Categories of industrial goods**
 - * Capital items
 - * Expense items
- * **Capital Items**
 - * These are long lived and expensive goods.
 - * Sometimes copyrights are purchased. These are also capital goods.
- * **Expense Items**
 - * These can be:
 - * Raw Material
 - * Some utility items
 - * Oil
 - * Grease

- ★ Some tools
- ★ **Product Mix**
- ★ All those products offered by an organization for sale.
- ★ **Product Line**
- ★ Products which are similar to each other.

- ✿ **Steps for Product Development**
- ★ **Recognition of unsatisfied needs.**
- ★ **Idea Generation.**
- ★ **Idea Screening.**
- ★ **Prototype**
- ★ Physical shape of the product.
- ★ **Product Testing**
- ★ Tests are of two types:
- ★ Laboratory Test.
- ★ Market Test or Test Marketing.
- ★ Product is sold on trial basis.
- ★ **Commercialization**
- ★ Product is sold on commercial basis. This concept is also called Mass marketing.

Lecture 28

- ✿ **Product Life Cycle**
- ★ **Introduction stage**
- ★ A stage when a new product is introduced in the market.
- ★ There are one or few manufacturers in the market.
- ★ **Growth Stage**
- ★ Sale of the product will increase due to:
- ★ Repeated orders of the old customers.
- ★ New customers will also enter the market.
- ★ **Maturity Stage**
- ★ Highest level of sales in the market because of awareness about the product.
- ★ More sellers will also enter in the market.
- ★ **Decline Stage**
- ★ Sale will start decreasing.
- ★ At this stage, product will disappear from the market.

- ✿ **Use of Product Life Cycle in Decision Making Process**
- ★ **Introduction Stage**

- ★ Marketers can dictate more of their policies.
- ★ At this stage, customers of the product are venturesome (Who like to try new ideas).
- ★ Marketers can keep the prices high because:
- ★ Customer can afford to spend more money.
- ★ High Cost.
- ★ There will not be much profit at this stage.
- ★ **Growth Stage**
- ★ Marketers will earn more profit due to:
- ★ Small number of manufacturers
- ★ Less Competition
- ★ High Sales
- ★ **Maturity stage**
- ★ Marketers will:
- ★ Reduce the price due to more competition.
- ★ Spend money on research and development.
- ★ Spend money to promote the brand name of the product.
- ★ Marketers will also revise their marketing strategies. I.e. they will find new segments of the market for their product.
- ★ Per unit profit might reduce at this stage.
- ★ **Decline Stage**
- ★ Marketers should sell the products to selective customers.
- ★ At this stage, marketers will introduce innovations in the product to keep their sales high.

✿ **Branding Products**

- ★ Brand is a symbol, a sign, a type of writing, a color, a design or a combination of all these things to identify a product.
- ★ Branding is a process in which any identification is suggested for the product.
- ★ Brand Equity is the loyalty of the customers attached to the product.
- ★ Brand awareness is the extent to which a customer knows or recalls the brand of the product.
- ★ **Types of Brand Names**
- ★ **National Brands**
- ★ A brand that is sold throughout the country.
- ★ **License Brands**
- ★ Seller buys the right to sell that brand in the market.
- ★ **Private Brands**
- ★ Manufacturers use the brand of some retailer while manufacturing the product.

✿ **Packaging and Labeling**

★ Packaging

- ★ Dress of the product.
- ★ Designing and making of the wrapper of the product.

★ Labeling

- ★ Part of package containing name, contents and name of manufacturer of the product is called a label.

Lecture 29

✿ Pricing

- ★ Price is the value which a seller receives in exchange of a good or a service.
- ★ Pricing is a process of determining what a company will receive in exchange for its products.

✿ Objectives of Pricing

- ★ Maximization of profit.
- ★ Increasing market share.
- ★ Psychological advantage.
- ★ Get rid of stock.

✿ Cost Based Pricing

- ★ Cost of product is considered and amount of profit is added to it.

✿ Breakeven Analysis

- ★ An analysis that tells us at what point the organization will be at no profit no loss point.
- ★ To calculate breakeven point, we need to consider:
 - ★ Fixed cost
 - ★ Variable cost
- ★ Fixed cost will remain fixed regardless of number of units produced.
- ★ Variable cost vary with the number of units produced.
- ★ Total Cost = Fixed cost + Variable cost
- ★ Concept of breakeven analysis is used in cost based pricing.

✿ Pricing of a new Product**★ Price Skimming**

- ★ A strategy through which a product is introduced in the market with higher price than the market expectations.

★ Advantages of price skimming

- ★ If there is any mistake in calculation of cost, price skimming strategy will absorb that mistake due to initial higher price.
- ★ Sometimes, customers value the quality of the product with its price.

★ **Penetrating Pricing**

- ★ Initial lower price than the market expectations.
- ★ **Advantages of Penetrating Pricing**
- ★ A larger market share can be captured through this pricing strategy.
- ★ Pricing depends upon the objectives of the organization.

✿ **Fixed Price Vs. Dynamic Price**

★ **In fixed pricing method, we do not consider:**

- ★ Type of customer
- ★ Type of community
- ★ Location of the sale point

★ **In dynamic pricing, price will vary from:**

- ★ customer to customer
- ★ market to market

✿ **Factors to be considered while setting International Pricing**

- ★ Currency
- ★ Exchange rate
- ★ Taxes by the Government
- ★ Tariff
- ★ Freight
- ★ Insurance

✿ **Distribution Mix**

- ★ Combination of all channels which an organization is using for distribution of product in the market.
- ★ Distribution mix will vary from product to product and market to market.

✿ **Parties involved in Distribution Mix**

★ **Whole Seller**

- ★ Those organizations which buy and sell in bulk quantities.
- ★ Whole sellers are the people who buy from the company and sell to those people who buy for resale purposes.

★ **Retailer is one who sells goods in small quantity to end buyers.**

✿ **Distribution Channel**

- ★ A network of interdependent bodies which make the flow of product possible from the marketer to the end buyer.

✿ **Distribution Channel for consumer products**

- ★ For a consumer product, members of distribution channel are larger in number.
- ★ Members add value to distribution process by reducing transactions.
- ★ Distribution channels work for place utility.

✿ **Activities performed by the Distributors**

- ★ Storage capacity
- ★ Financing to the company
- ★ Information/research function
- ★ Distribution function

Lecture 30

✿ **Agent**

- ★ A person who brings buyers and sellers together.
- ★ People who are technically sound.
- ★ Work for both parties.

✿ **Distribution channels for industrial product**

- ★ **Whole Seller**
- ★ Buys from company and sells to the industry.
- ★ **Supplier**
- ★ Supplies industry products to users on behalf of manufacturers.

✿ **Distribution Strategies**

- ★ **Intensive Distribution**
- ★ When there are large number of intermediaries.
- ★ This strategy is used for most consumer goods.
- ★ **Exclusive Distribution**
- ★ Sellers have an exclusive target market.
- ★ Few Intermediaries.
- ★ For low price consumer items, intensive distribution is used.
- ★ For high price items, exclusive distribution is used.

✿ **Channel Conflict**

- ★ Channel Conflict is created when there are differences between marketer and channel member.
- ★ **Channel Conflict can be on:**

- ★ Pricing
- ★ Supply of goods
- ★ Collection and recoveries.
- ✿ **Channel Leadership**
- ★ A person or an organization which carries more power in distribution decision making process.
- ✿ **Retailer**
- ★ A person who purchases in bulk quantity and sells to end buyers.
- ✿ **Types of Retailers**
- ★ **Product Line Retailer**
- ★ Who distributes a product line.
- ★ Product line is a chain of similar goods.
- ★ **Bargain Retailers**
- ★ Catalogue
- ★ Catalogue is a book or brochure which carries products' features and prices.
- ★ Retailers distribute catalogues to the buyers.
- ★ **Discount Houses**
- ★ Organizations which offer discounted prices.
- ★ **Factory outlet**
- ★ A shop adjacent to the organization where products of the organization are sold.
- ★ **Convenience Stores**
- ★ Offer services for longer hours.
- ★ Slightly higher prices than super stores.
- ★ Only those products are kept which are more in demand.
- ✿ **Physical Distribution**
- ★ An arrangement which makes possible physical movement of the product from manufacturer to end buyer.
- ★ For physical distribution of product. We consider:
- ✿ **Methods for distribution.**
- ★ Pricing, speed and other factors for distribution.
- ✿ **Modes of Transportations**
- ★ Air crafts are used when speed is more important.
- ★ Used for:
- ★ Flowers
- ★ Fruits
- ★ Vegetables
- ✿ **Selection of Mode of Transportation**

- ★ Changes in mode of transportation is considered:
- ★ Inter model transportation
- ★ More than one mode of transportation is available.

✿ **Factors to be considered for movement of product**

- ★ Cost
- ★ Nature of product
- ★ Distance
- ★ Requirement of the customers.

✿ **Promotion**

- ★ Using variety of techniques to communicate with the customers about product, price, features or policy of the company.
- ★ **Promotion Mix**
- ★ Variety of ways used to communicate with the buyer.
- ★ **Goals of Promotion**
- ★ Creating awareness.
- ★ Persuade the customer to like product.
- ★ Persuade the customer to buy product.

Lecture 31

✿ **Strategies for Promotion**

- ★ **Pull Strategy**
- ★ A strategy in which promotional campaign is targeted on end buyer.
- ★ End buyers are influenced through the media to go and buy the product from middle man.
- ★ **Push Strategy**
- ★ A campaign which is targeted on middle man.
- ★ Incentive is given to middle man for sale of product.
- ★ **Marketers work on both strategies simultaneously.**

✿ **Promotional Mix**

- ★ All promotional tools used by the organization to communicate with the customers.
- ★ It includes:
- ★ Advertising
- ★ Personal Selling
- ★ Public Relations

✿ **Buying Decision Making Process**

- ★ Identification of unsatisfied needs.
- ★ Search for objects to satisfy those needs.
- ★ Comparison of alternatives.
- ★ Buying Decision.
- ★ Post buying behavior.
- ✿ Advertising
 - ★ An unpaid form of any good, service or idea through non personal presentation on behalf of identifiable sponsor is called advertising.
- ✿ **Types of Advertising**
 - ★ **Persuasive Advertising**
 - ★ Customer is persuaded to buy the product in comparison with other customers.
 - ★ **Comparative Advertising**
 - ★ Product is compared with competitors' products.
 - ★ In some countries, this technique is not allowed.
 - ★ **Reminder Advertising**
 - ★ Customers are reminded about the product, the brand, the features or the manufacturers.
- ✿ **Advertising Media**
 - ★ Media is a way to communicate with target audience.
- ✿ **Variety of Media**
 - ★ **Print Media**
 - ★ All media in printed form. e.g. Newspapers and Magazines.
 - ★ **Advantage of Newspaper:**
 - ★ Easy access to general public.
 - ★ **Disadvantage of Newspaper:**
 - ★ Low literacy rate.
 - ★ Quality of printing.
 - ★ **Print Media**
 - ★ Life of magazines is longer than newspapers.
 - ★ To understand the message in newspaper, reader can read it again and again.
 - ★ **Electronic Media**
 - ★ Most extensively used media is television.
 - ★ **Advantages of Television**
 - ★ Available almost everywhere.
 - ★ Television offers variety of things together. i.e. watching and listening.
 - ★ Variety of opportunities available to make message more attractive.
 - ★ **Disadvantages of Television**

- ★ In many areas, facility of electricity is not available.
- ★ Target audience might not have time to watch television.
- ★ Television is very expensive.
- ★ **Radio**
- ★ Radio reaches almost everywhere.
- ★ Radio is working like a personal friend for many people.
- ★ Radio is much cheaper as compared to television.
- ★ **Limitations of Radio**
- ★ Radio does not offer pictures.
- ★ **Outdoor Media**
- ★ Hoardings show Bigger image of the product.
- ★ Colorful image.
- ★ **Limitations of Hoardings**
- ★ It is difficult to find an appropriate spot for hoardings.
- ✿ **Other ways for Promotion**
- ★ Cinema advertising.
- ★ Telephone Directory.
- ★ Yellow pages.
- ★ Railway Time Table.
- ★ Panels of Buses.
- ★ Messages in trains.
- ★ **Unique ideas for promotions**
- ★ Sky writing
- ★ Laser writing
- ★ **Choice of Media for promotion**
- ★ No single medium can be considered as best medium.
- ★ **It depends upon:**
- ★ Cost
- ★ Quality of production/printing
- ★ Circulation
- ★ Editorial Environment
- ★ Life of message
- ★ **Media Mix**
- ★ Using different medias at the same time for the production of goods.
- ✿ **Advertising Campaign**
- ★ Use of advertising tools to reach the customers.

✿ Advertising Agency

- ★ An independent body which have experts for various areas of promotions.
- ★ Most of the large institutions use advertising agencies for promotion of their products.

Lecture 32**✿ How to Design Advertising campaign**

- ★ Selection of those medias which are powerful and effective to achieve organizational objectives.

★ Identification of target market

- ★ Education class
- ★ Rural or urban customers
- ★ Age of the customers
- ★ Social class

★ Allocation of budget

- ★ Percentage of expected sales
- ★ Considering targets/objectives
- ★ Considering the competitors
- ★ How to Design Advertising campaign

★ Advertising objectives**★ Message creation**

- ★ Appropriate Language
- ★ Appropriate Words

★ Choice of appropriate Media**★ Evaluation of Advertisement**

- ★ Advertisement Research
- ★ Sales Volume

✿ Personal Selling

- ★ One to one communication.
- ★ **Personal selling is used where:**
- ★ Customers are not very large.
- ★ Customers want to know about the product in detail.
- ★ Personal Selling is needed more in technical products rather than in simple products.

✿ Use of Personal Selling

- ★ Personal Selling can be used for selling:
- ★ Consumer items
- ★ Industrial products
- ★ Pharmaceutical products

Lecture 33**✿ Tasks of Sales Manager**

- ★ To define the sales objectives.
- ★ Sales objectives can be:
- ★ Increasing sales
- ★ Controlling sales
- ★ Organization of a team.
- ★ Implementation of plans.
- ★ Territory management.

✿ Personal Selling Tasks

- ★ Booking of orders.
- ★ Processing of orders.
- ★ Creative selling.
- ★ Missionary selling
- ★ To sell products by helping the buyer.

✿ Personal Selling Process**★ Prospecting**

- ★ Finding the prospective customers.
- ★ It includes:
- ★ Location of the industry.
- ★ To know about decision maker of the organization.
- ★ Method for ordering in the organization.
- ★ Size of order.
- ★ Mode of payment.
- ★ Past practices of the organization.
- ★ Current problems.

✿ Techniques for Prospecting**★ Snowball Technique**

- ★ To ask a satisfied customer, about more customers to sell the product.

★ Cold Conversing Technique

- ★ Knocking everybody's door.

✿ Features of the prospective Buyer

- ★ Age of the person.
- ★ Interests of the person.

★ Preferences of the person.

✿ **Approaching the customer**

★ **There are two options for approaching the customer:**

★ Getting appointment from the customer.

★ Without getting appointment.

★ **Advantages of appointment**

★ Proper hearing

★ Customer will get the feeling that his time is being respected.

★ **Disadvantages of appointment**

★ Customer might say no.

★ Sales person might not be able to reach in time.

★ **Advantages of not getting appointment**

★ Time is in control of sales person.

★ Sales person does not have fear of getting no.

★ **Disadvantage of not getting appointment**

★ Customer might feel that person is not an organized person.

✿ **Barriers**

★ Sales person might face some barriers in approaching the customer.

★ These barriers can be:

★ Security guard

★ Receptionist

★ Junior officer

✿ **Final Checklist before presentation**

★ Does sales person has his equipment ready.

★ Equipment can be:

★ Calculator

★ Measuring tape

★ Price list

★ Photographs

★ Brochures.

Lecture 34**✿ Presentation Stage**

★ After approaching the buyer, sales person review the situation.

★ It includes:

★ Type of furniture

★ Wall hangings

★ Type of curtains

★ Personal Taste

★ Way to start conversation

★ Ask a question.

★ In case of appointment, direct conversation may be started.

★ Avoid unpleasant event to start discussion.

★ Interest Stage

★ Sales person will try to create interest of the customer in the product.

★ Interest of the customer can be:

★ Prices

★ After sale service

★ Guarantees and Warranties.

★ Objection Stage

★ Sales person will try to create desire in the customer to buy product.

★ Customers will start raising objections.

★ Sales person will handle the objections raised by the customer.

★ Closing Stage

★ Getting the order.

★ Follow up Stage

★ Follow up for execution of order.

✿ AIDA**★ AIDA stands for:**

★ Attention

★ Interest

★ Desire

★ Action

✿ Types of customers**★ Skeptic customers.**

★ Doubtful behavior of the customer because of deception from any seller in the past.

★ Aggressive Customers

✿ Innovation in Sales

- ★ E-Commerce
- ★ Tele-marketing or Tele-selling
- ★ Selling through telephone.

★ Sales Promotion

- ★ Promotion of a good or a service for a short time.

✿ Techniques for Sales Promotion

- ★ Arrangements for a contest.
- ★ **Tradeshows:**
- ★ Display of products at different places.
- ★ Advertisement of product through entertainment.
- ★ POP (Point of purchase promotion) or
- ★ POS (Point of sale promotion)
- ★ **Promotional material at point of sale can be:**
- ★ Hangings
- ★ Promotional messages
- ★ Window Display
- ★ Wracks

✿ Publicity

- ★ An unpaid form of promotion through mass media.
- ★ **Publicity can be:**
- ★ News about the company in the newspaper.
- ★ Advantage of publicity
- ★ Publicity is more reliable because of unpaid form of promotion.
- ★ **Public Relations**
- ★ All activities through which a relationship is developed with the public.

Lecture 35

✿ Production

- ★ Conversion of raw material into finished goods.
- ★ Adding value to raw material, processing it and making it a new useful product.

✿ Utility

- ★ Ability of a product to satisfy a need.

✿ Forms of Utility

★ Time Utility

- ★ Getting a product when required.

★ Place Utility

- ★ Product is manufactured at one place and is sold at another place.
- ★ Utility of the product is increased due to its mobility.

★ Form Utility

- ★ Changing the form of the product and converting it into some useful form.

★ Operational Planning

- ★ Operation manager Decides about:
- ★ The product capacity of the organization.
- ★ The appropriate location of the industry.

✿ Factors for Location of Industry

- ★ Availability of skilled workers.
- ★ Availability of infrastructure.
- ★ **It includes:**
- ★ Electricity
- ★ Gas
- ★ Water
- ★ Telephone
- ★ Access to road transport and railways
- ★ Availability of raw material.
- ★ Climatic conditions.

✿ Facilities to be organized for Production Process

- ★ Productive facilities.
- ★ Non productive facilities.
- ★ Support facilities.

✿ Layout Plan

- ★ Internal arrangements in the organization.
- ★ **These include:**
- ★ Placement of machinery.
- ★ Movement of people.
- ★ Water storage.
- ★ Entry and exit points.

✿ Layout Designing Options

- ★ Considering the product.
- ★ Process involved in production.

- ★ Cellular layout.
- ★ Product layout.
- ★ Placement layout.
- ★ **Other layouts.**
- ★ U-Shaped layout.
- ★ Straight line layout.
- ✿ **Reasons for designing a Layout**
- ★ To increase efficiency.
- ★ To reduce cost.
- ★ To avoid accidents.
- ★ To avoid delays.

Lecture 36

✿ **Tools for Production Planning**

- ★ **Gantt Chart**
- ★ This chart is for scheduling purposes.
- ★ Bar charts are drawn in this schedule. Each bar describes an activity.
- ★ This chart will help to know, which activity should start at what time.
- ★ Comparison of planning with actual output.
- ★ Tools for Production Planning
- ★ **PERT Network**
- ★ **PERT stands for:**
- ★ Program
- ★ Evaluation
- ★ Review
- ★ Techniques
- ★ **PERT Network**
- ★ All activities in an organization are drawn in a single chart and in the same sequence in which these activities are performed.
- ★ **Pert chart Includes:**
- ★ **Critical Path**
- ★ Maximum time consumed to complete a project.
- ★ Events
- ★ Activities
- ★ **Slack Time**
- ★ Delay expected due to any reason.
- ✿ **Challenges for Material Management**
- ★ Flow of material

- ★ Standardization

✿ Areas for Material Management

- ★ Transportation of material
- ★ Storage
- ★ Record keeping
- ★ Inventory control
- ★ Quantity control
- ★ Cost control

✿ Costing of Material

- ★ LIFO – Last in First out.
- ★ FIFO – First in First out.
- ★ Average cost.

✿ Steps for purchasing Process

- ★ Selection of the suppliers.
- ★ Evaluation of the suppliers.
- ★ Negotiation
- ★ Maintenance of suppliers.

✿ Just-In-Time (JIT)

- ★ Getting material when required. I.e. without any delay.

★ Benefits of JIT

- ★ To avoid delays.
- ★ Favorable cash flow of the organization.
- ★ To avoid uncertainties.

★ Application of JIT

- ★ In production
- ★ In Marketing

★ Just-In-Case

- ★ Sometimes we get timely supplies, sometimes we don't.
- ★ Sometimes we get quality raw material, sometimes we don't.

Lecture 37

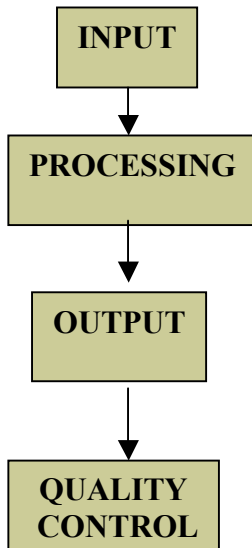
✿ Total Quality Management

- ★ Collection of all activities in an organization being performed for producing quality products.
- ★ Productivity
- ★ More output with less input.

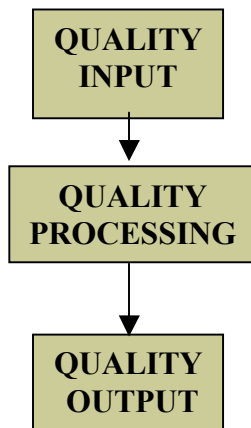
★ Quality

★ Fitness for use.

✿ Quality Control System



✿ Quality Assurance System



✿ Prominent Features of Dr. Demming's 14 Points

- ★ Organization should adopt the philosophy of quality rather than quantity.
- ★ Training of employees should be a continuous system.
- ★ Training is the key to achieve Total Quality Management.
- ★ Modern techniques should be used to train the staff in the organization.
- ★ Workers should bring creative ideas to improve quality of the product.
- ★ It is very important to assure the workers that new ideas will be encouraged.
- ★ Barriers between different departments should be removed.
- ★ Statistical Methods should be used to control quality.

★ Human Resource Management for Total Quality Management**★ Selection Stage**

- ★ HR Manager must make sure that quality people are selected in the organization.
- ★ Quality people are those who focus on quality rather than quantity.
- ★ HR Manager should see whether that particular person has attitude required in the organization or not.

★ Human Resource Management for Total Quality Management**★ Attitude includes:**

- ★ Being flexible.
- ★ Being adaptable.
- ★ Quality conscious.
- ★ A person who can work in a team.

★ Training Stage

- ★ HR Manager should train employees in the field of:
 - ★ Quality awareness.
 - ★ Quality achievement.
 - ★ Statistical Techniques.

★ Training Stage

- ★ HR Manager should train employees in the field of:
 - ★ **Personality development:**
 - ★ Team leading.
 - ★ Mind adjustment.
 - ★ Changing paradigm.
 - ★ Avoiding box thinking.
 - ★ Developing Creative ideas.

★ Compensation

- ★ HR Manager should develop special systems for compensation.
- ★ These include
 - ★ Compensation should be given to the whole group.

★ Performance Appraisals

- ★ Collective performance appraisals.

★ Statistical Process Control**★ Using statistical techniques in:**

- ★ Planning
- ★ Execution
- ★ Problem Analysis
- ★ Control

- ★ Use of graphics to display data.
- ★ Graphics include:
 - ★ Bar charts.
 - ★ Pie charts.
 - ★ Fish bone diagram.

Lecture 38

☼ Cost of Quality

- ★ Cost paid in the market for not having quality products.

☼ Types of costs**★ External Failure Costs**

- ★ Cost incurred for managing the problems faced in selling the product in the market.
- ★ External failure costs include:
 - ★ Cost incurred on sales return.
 - ★ Repair cost of faulty goods.
 - ★ Customer service cost.
 - ★ Repair cost of returned goods.
 - ★ Cost for investigation of defects.
 - ★ Cost of product recalls.
 - ★ Cost for product liability suits.

★ Internal Failure Costs

- ★ Costs are paid within organization.
- ★ Internal failure costs include:
 - ★ Cost of scrap.
 - ★ Cost for re-work on product.
 - ★ Cost for inspection of re-work.
 - ★ Cost for downgrading
 - ★ Product is graded below standard due to some fault.
 - ★ Cost for failure analysis.

★ Appraisals Costs

- ★ Appraisal costs include cost of:
 - ★ Inspection
 - ★ Laboratory testing
 - ★ Laboratory equipment maintenance.
 - ★ Calibration of testing equipment.

★ Prevention Costs

- ★ Cost incurred to prevent faults in the products.
- ★ Prevention costs include:
- ★ Cost for making a preventive network.
- ★ Managerial work for quality. It includes:
- ★ Quality planning.
- ★ Training

★ **Prevention costs include:**

- ★ Cost for quality improvement process.
- ★ Cost for using statistical methods.
- ★ Cost for maintenance of machinery, equipment etc.
- ★ Cost for hiring experts.

✿ **ISO 9000:2000 Certification Program**

- ★ A standardized system which provides a set of systems to the organization.
- ★ ISO is a certificate which shows that organization is following some system and that system might lead to some quality product.

✿ **ISO 14000**

- ★ A system for environment.
- ★ Organizations are responsible for environment.
- ★ A system that certifies the organization for protecting the environment is called ISO 14000.

★ **Value Chain Management**

All activities performed are working in a chain to produce a valued product.

Lecture 39

✿ **Benchmarking**

- ★ Comparison with others.
- ★ **Comparison of:**
- ★ Products
- ★ Processes
- ★ Instruments
- ★ Culture of organizations.

✿ **Zero Defect Level**

- ★ A stage where there is no defect in the product, process and organization.

✿ **Considerations in Benchmarking**

- ★ **Identification of processes to be benchmarked.**
- ★ Sale forecasting

- ★ Pricing
- ★ Distributions
- ★ To maintain financial record.
- ★ Technology
- ★ **Key variables in a process**
- ★ **Product**
- ★ Shape of product
- ★ Color
- ★ Size
- ★ Weight
- ★ Angle
- ★ Performance
- ★ Selling and Marketing
- ★ Cost
- ★ Variety of heads in costing
- ★ Productivity
- ★ Mixture of ingredients
- ★ Timeliness
- ★ Differentiation of products
- ★ Purchasing
- ★ **Identification of the best plan.**
- ★ **Measurement of own performance.**
- ★ **Action to bridge the gap.**

- ★ Organization should go for benchmarking when there is more competition in the market.
- ★ Benchmarking can be done for two entirely different products or organizations.
- ★ Organization should benchmark its processes or products with the best organization in that class.
- ★ Benchmarking can be used for personality development.

Lecture 40

✿ **Communication**

- ★ Transmission of information from one place, person or organization to another place, person or organization.
- ★ “Communication is the blood of the organization”.

✿ **Flow of Communication within the organization**

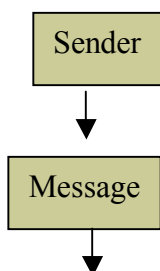
- ★ Upward Communication
- ★ Downward Communication
- ✿ **Hierarchy of Management**
- ★ **Top Management**
- ★ Chief Executive, Managing Director, Board of Directors.
- ★ **Middle Management**
- ★ Directors and Senior Managers.
- ★ **Lower Management**
- ★ Officers and Executives.
- ✿ **Flow of Communication within the organization**
- ★ Downward Communication
- ★ Flow of communication from top to bottom.
- ★ Upward Communication
- ★ Flow of communication from bottom to top.
- ✿ **External Vs. Internal Communication**
- ★ **Internal Communication**
- ★ Communication within the organization.
- ★ **External Communication**
- ★ Communication with the outside bodies.
- ★ **Process of Communication**
- ★ Two parties for communication are:
- ★ Sender
- ★ Receiver
- ★ Sender is a person or organization that communicates.
- ★ Receiver is a person or organization who receives the message.
- ✿ **Encoding Vs. Decoding**
- ★ **Encoding**
- ★ Conversion of message into understandable form.
- ★ Sender is called encoder.
- ★ **Decoding**
- ★ Giving meanings to the message.
- ★ Receiver is called decoder.
- ★ Effective communication will take place when climate of encoder and decoder is similar.
- ★ Jargons are the words of a particular profession.
- ★ **Verbal Vs. Non verbal Communication**
- ★ **Verbal Communication**
- ★ Written or oral communication

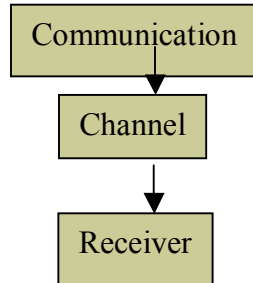
★ Non verbal Communication

- ★ Sources for non verbal communication can be:
- ★ Appearance
- ★ Colors
- ★ Sounds
- ★ Smell
- ★ Touch
- ★ Silence
- ★ Body language

Lecture 41**✿ Verbal Vs. Non verbal Communication**

- ★ Sources of non verbal communication can be:
- ★ **Body Language**
- ★ Body language is used during face to face communication.
- ★ **It includes:**
- ★ Postures
- ★ Gestures
- ★ **Face**
- ★ Eyes
- ★ **Smile**
- ✿ **Channel**
- ★ Carrier which carries the message from sender to receiver.
- ★ **Channel can be:**
- ★ Letter
- ★ Telephone
- ★ Fax
- ★ A person who carries the message to other person.

✿ Flow of Communication



★ **Noise**

- ★ All those factors which affect the communication process.

✿ **Letter Vs. Memorandum**

- ★ Letter is written for communication outside the organization
- ★ Memorandum is written for communication inside the organization.

✿ **Types of Letters**

- ★ Inquiry letter.
- ★ Reply to the inquiry letter.
- ★ Order letter.
- ★ Complaint letter.
- ★ Adjustment letter.
- ★ Informal language is used in memorandum.

✿ **Information System (IS)**

- ★ Arrangement of information into a form that can be used for decision making purposes.

✿ **Information Management**

- ★ Arrangement of information into a form which is useful for management.

✿ **Duties of Information Manager**

- ★ Information gathering
- ★ Information organizing
- ★ Information distribution

✿ **Users of Information**

- ★ Head of manufacturing department.
- ★ Marketing people.
- ★ Planning people.

✿ **Data Vs. Information**

- ★ Data is raw figures and facts.

- ★ Meaningful shape of data is called information.
- ✿ **Why Information System is important in the Organization?**
- ★ **Frequent use of information.**
- ★ **New technology.**
- ★ **New innovations, processes and methods.**
- ★ New communication devices:
 - ★ Telephone
 - ★ Intercom
 - ★ Video conferencing
- ★ **Digital business system.**
- ★ **Data communication network:**
- ★ Global network for receiving and sending the information globally, quickly and economically.

Lecture 42

- ✿ **Application of Information System in the Organization**
- ★ Changes in organization are:
 - ★ Linear organization
 - ★ An organization in which there is uniform communication in all parts.
 - ★ More flexible communication organization
 - ★ More diversified communication pattern.
 - ★ More independence
- ✿ **Enterprise Resource Planning (ERP)**
- ★ A system that helps the organization in planning its resources using computerized system.
- ★ Resources can be:
 - ★ Financial resources
 - ★ Administrative resources
- ✿ **Types of Information Systems**
- ★ **Levels of organization**
- ★ Information system for top management.
- ★ Information system for middle management.
- ★ Information system for lower management.
- ★ **Departments**
- ★ Separate information system is designed for every department.
- ★ Functions performed in the departments
- ✿ **Knowledge Worker**

- ★ A person who uses knowledge for decision making and creativity.
- ✿ **Considerations of Users for Information System**
- ★ Identification of users
- ★ Top managers
- ★ Middle managers
- ★ Lower managers
- ★ Functioning areas of the organization
- ✿ **Management Information System (MIS)**
- ★ A system which helps management in decision making.
- ✿ **Difference between Market Research and Management Information System**
- ★ Market research provides information regarding a particular problem.
- ★ MIS provides information regarding decision making of management.
- ✿ **Decision Support System (DSS)**
- ★ A system which support the decision of the management.
- ✿ **Executive Support System (ESS) OR Executive Decision System (EDS)**
- ★ A system which provides information to executives for decision making.
- ✿ **Computer Network**
- ★ Computers linked together are called computer network.
- ✿ **Components of Information System**
- ★ Hardware
- ★ Software
- ★ Controls
- ★ Database
- ★ People
- ★ Tele-communication
- ★ **Hardware**
- ★ Physical components of a computer.
- ★ **Software**
- ★ Instructions given to computer to do something.
- ★ **Icon**
- ★ A graphic designed to be more user friendly.
- ★ **Controls**
- ★ Controls make the computer work according to pre-defined procedures.
- ✿ **Accounting**
- ★ A system of recording, classifying, analyzing, summarizing and reporting the economic information in terms of money.

★ Economic Information

- ★ Every information is economic information where monetary exchange takes place.

✿ General Journal

- ★ A book in which all economic information of general nature is recorded.

✿ Ledger

- ★ A book in which all economic information is recorded category wise or heading wise.

Lecture 43

✿ Accounting**★ Accounting Period**

- ★ Time span in which accounts are terminated.

★ Summarizing

- ★ Summary of all revenues and expenses.

★ Income Statement

- ★ A statement which shows the position of revenues and expenses or profit and loss.

★ Profit

- ★ Excess of revenues over expenditures.

★ Loss

- ★ Excess of expenditures over revenues.

- ★ Accounting is called language of the business because it tells inner story of the business.

✿ Accounting Vs. Book Keeping

- ★ Recording the information in the books is called book keeping.
- ★ To draw a picture from the information is called accounting.

✿ Accounting Information System

- ★ A system that provides all information which is required to prepare financial statements.
- ★ It provides timely and accurate information.

✿ Types of Accounting**★ Financial Accounting**

- ★ Financial accounting is used by external users

★ Managerial Accounting

- ★ Managerial accounting is used by internal users.

★ Auditing

- ★ Systematic examination of accounting record.

✿ Accounting Vs. Auditing

- ★ Accounting is concerned with recording of accounting information.
- ★ Auditing is concerned with examination of accounting information.
- ★ **Types of Auditors**
- ★ **Internal auditors**
- ★ People who are working within the organization.
- ★ **External auditors**
- ★ People who are not employees of the company.

- ★ **Users of Financial Information**
- ★ Managers
- ★ Employees
- ★ Owners
- ★ Investors
- ★ Partners
- ★ Banks
- ★ Tax authorities
- ★ Government
- ✿ **GAAP-Generally Agreed Accounting Principles**
- ★ Principles of accounting accepted all over the world.

Lecture 44

- ✿ **Accounting Equation**
- ★ $\text{Assets} = \text{Liabilities} + \text{Owner's equity}$
- ★ $\text{Assets} = \text{Liabilities}$
- ★ **Liabilities are of two types:**
- ★ Liability towards owner.
- ★ Liability towards other parties.
- ✿ **Assets**
- ★ Cash or anything convertible into cash.
- ★ Assets are owned by the company.
- ★ **Assets include:**
- ★ Cash
- ★ Building
- ★ Machinery
- ★ Automobiles
- ★ Furniture
- ★ Computers

✿ Types of Assets**★ Tangible assets**

★ Which can be physically touched.

★ Intangible assets

★ Which can not be physically touched.

★ Goodwill

★ The reputation, business has earned over the years.

✿ Liabilities

★ All payables.

★ All claims and obligations against a company.

★ Liabilities include:

★ Loan from banks.

★ Payable to suppliers.

★ Utility bills payables.

✿ Owner's liability

★ Money invested by the owner of the business.

★ It is called capital.

★ Owner's Equity

★ Right of the owner in the business.

✿ Double Entry System

★ Every transaction has two effects:

★ Debit

★ Credit

★ For every debit, there is always a credit.

★ For every credit, there is always a debit.

★ Debit and credit are always equal.

✿ Balance Sheet

★ A sheet which shows balances of assets and liabilities.

★ Balance sheet includes:

★ Title

★ Name of company

★ Name of statement

★ Period

★ Asset side

★ Liabilities and owner's equity

Perfect Posters, Inc. 555 RIVERVIEW, CHICAGO, IL 60606		Liabilities and Owners' Equity	
Perfect Posters, Inc. Balance Sheet As of December 31, 2004		Current liabilities: Accounts payable \$16,315 Wages payable 3,700 Taxes payable 1,920 Total current liabilities \$ 21,935	
Assets		Long-term liabilities: Notes payable, 8% due 2006 . 10,000 Bonds payable, 9% due 2008 . 30,000 Total long-term liabilities 40,000	
Current Assets: Cash \$7,050 Marketable securities 2,300 Accounts receivable \$26,210 Less: Allowance for doubtful accounts (650) 25,560 Merchandise inventory 21,250 Prepaid expenses 1,050 Total current assets \$ 57,210		Total liabilities \$ 61,935	
Fixed assets: Land 18,000 Building 65,000 Less: Accumulated depreciation . . (22,500) 42,500 Equipment 72,195 Less: Accumulated depreciation . . (24,815) 47,380 Total fixed assets \$ 107,880		Owners' Equity: Common stock, \$5 par 40,000 Additional paid-in capital 15,000 Retained earnings 56,155 Total owners' equity \$ 111,155	
Intangible assets: Patents 7,100 Trademarks 900 Total intangible assets 8,000		Total liabilities and owners' equity . . \$173,090	
Total assets \$173,090			

- ★ **Trial Balance**
- ★ A sheet in which we trial balances of ledger.
- ✿ **Trial Balance Errors**
- ★ Those errors which will affect debit and credit side.
- ★ If both sides of trial balance are equal, it does not mean that books of accounts are error free.

Financial Management

Lecture 45

- ✿ **Income Statement**
- ★ A statement which tells income or loss.
- ★ It is also called profit and loss account.
- ✿ **Revenue Vs. Profit**
- ★ Revenue is income.
- ★ Profit is obtained after deducting expenses from revenue.

✿ **Trading Concern**

- ★ An organization which buys goods for reselling.

Perfect Posters, INC.	
555 RIVERVIEW, CHICAGO, IL 60606	
Perfect Posters, Inc.	
Income Statement	
Year Ended December 31, 2004	
Revenues (gross sales)	\$256,425
Cost of goods sold:	
Merchandise inventory, January 1, 2004.	\$22,380
Merchandise purchases during year	<u>103,635</u>
Goods available for sale	\$126,015
Less: Merchandise inventory	
December 31, 2004	<u>21,250</u>
Cost of goods sold	104,765
Gross profit	151,660
Operating expenses:	
Selling and repackaging expenses:	
Salaries and wages	49,750
Advertising	6,380
Depreciation—warehouse and repackaging equipment	<u>3,350</u>
Total selling and repackaging expenses	59,480
Administrative expenses:	
Salaries and wages	55,100
Supplies	4,150
Utilities	3,800
Depreciation—office equipment	3,420
Interest expense	2,900
Miscellaneous expenses	<u>1,835</u>
Total administrative expenses	71,205
Total operating expenses	130,685
Operating income (income before taxes)	20,975
Income taxes	<u>8,390</u>
Net income	\$12,585

✿ **Finance**

- ★ Thinking and considering for long term investments.
- ★ Generating revenues to pay back these investments.
- ★ To perform day to day activities of an organization.

✿ **Ratio Analysis**

- ★ Ratios tell us relationship among financial figures.
- ★ **These can be:**
- ★ Relationship between current assets and current liabilities.

✿ **Budgeting**

- ★ A plan or an estimate for future expenses and revenues.
- ★ It will be prepared before the start of the business.