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**2009BUD005**

# **Business Management**

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# Question 1

## Difference between marketing and sales

Marketing involves the process of managing task and decisions to successfully meet opportunities and threats. They do this by developing and transferring an offering to consumers in such a way that the objective of the business, the consumer and the society is achieved. Sales are when managers or employees are physically selling the products to consumers in the shop. The consumer goes to the company and buys the product from the person responsible for selling it.

## Classification of consumer products on the basis of consumer buying habits

- Convenience products

These products are products that are within easy reach of the consumer, for example sweets or cigarettes. The quality and prices of these products are basically all the same and you don't need to go through a lot of trouble to sell these products and the seller of the products doesn't have motivation to sell a certain brand before another one.

- Shopping products

These are products where the buyer wants to compare quali ty, price and style before he/she buys it, for example jewelry or clothing. The buyer goes around looking at the various places offering the product to get information on the product, because they hardly ever have enough information on a product to just go to one shop and buy the product.

- Speciality products

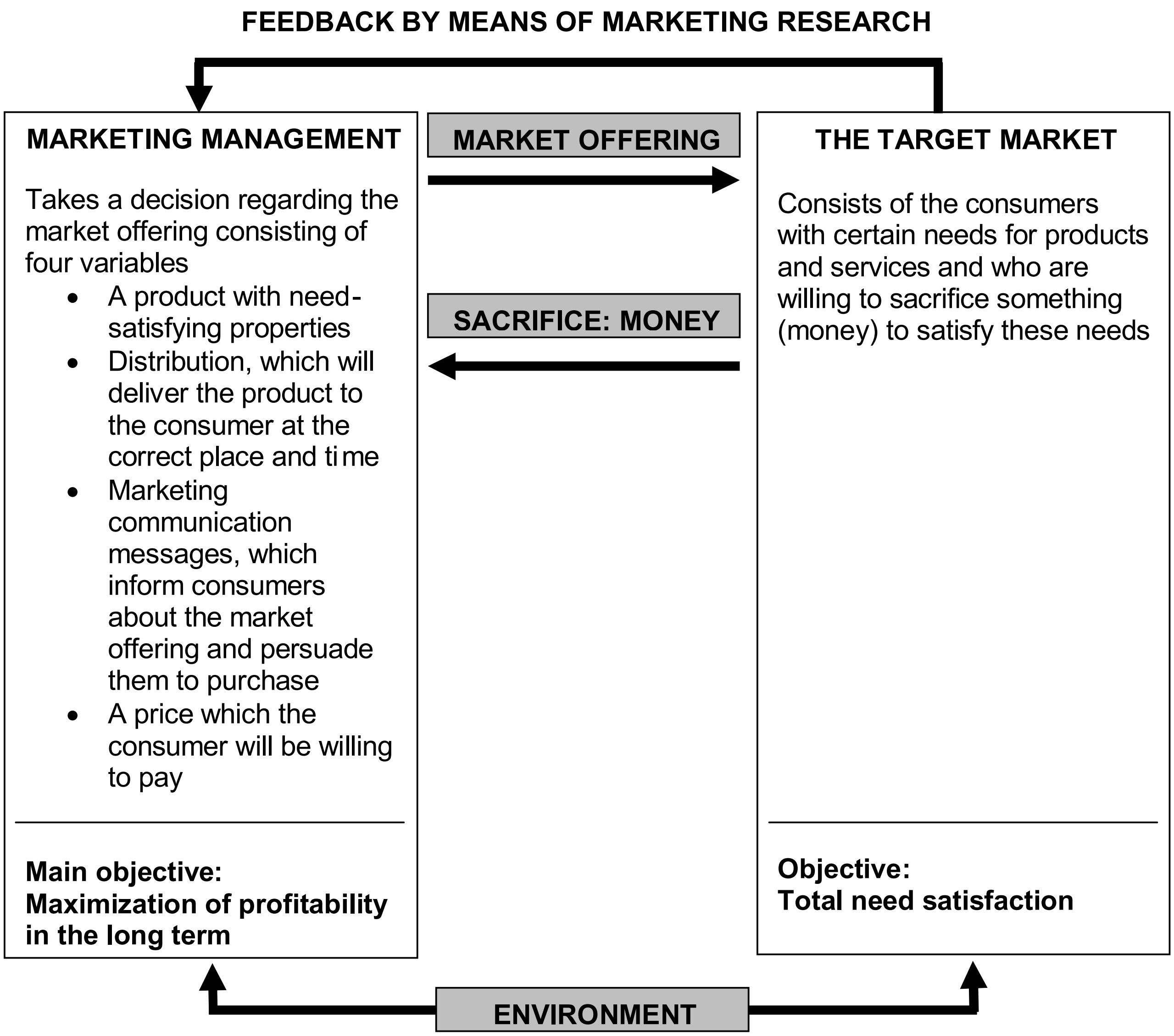
These are products that have exclusive characteristics. Consumers will make a special effort to buy these products. When buying products like these , buyers are almost always looking for a certain brand , for example BMW or Panasonic.

## Definition of product differentiation

Product differentiation means a business make s a distinction of its product, physically and/or psychologically from other products that is the same as their product. They do that so that consumers of a specific target market consider their product as different.

# Question 2

## The marketing process



# Question 3

## Definitions and ratios of financial concepts

- Cost-volume-profit relationship

The profit a business makes is determined by the unit selling price of its product, the cost of the product and the level of production and sales. If any of those components change, the total profit of the business will change. That is w hy the components have to be in combination with each other and not separately.

- Break-even-analysis

This is where the break-even point is achieved when total costs are equal to total income. At this point there is no profit or loss. You can work the break -even point out with the next formula:

$$N = \frac{F}{(SP - V)}$$

N-number of units
SP-sales price
V-variable cost

To get the break-even point you can also use a graph. If at any time the income decreases, the break-even point will change as well.

- Financial analysis and ratios

Financial analysis is used to monitor where the business stands financially. It also helps the business to avoid the risk of financial loss in the business. This analysis can also be used to determine the streng ths and weaknesses of the business to ensure the necessary steps can be take n early enough. Financial analysis include income statements, balance sheets, funds flow statements and financial ratios.

Financial ratios are used for efficient financial analysis . A financial ratio gives the relationship between two items in the financial statements. Here are a few examples:

- Liquidity ratio- 2:1
- Debt ratio - 50%
- Gearing ratio – 1:1

- Asset management

This is the decision-making process regarding the investment in current and fixed assets. These decisions directly influence the wealth increase or decrease of stakeholders. When managing current assets, managers should keep in mind the risk of having too much or too little invested in them. There are two factors that play a role, they are cost and risk.

- The importance of NPV in investment decisions

NVP determines the difference between the present value of all net cash inflows and the present value of all cash outflows. NVP helps to forecast the three elements of project cash flows as precisely as possible. It helps to decide on a suitable discount ratio and it calculates the NVP of the project, where it could be positive or negative. It also accepts projects with a positive NVP and throws out those with a negative NVP.

- Debtor and inventory management

Debtors are created when a business sell products on credit to clients. These accounts have to be settled in a certain period of time. This period can also be extended. The debtor's accounts have to be recovered as soon as feasible to the business cash requirements. Debtor management involves the credit policy, the credit terms and the collection policy.

Inventory management involves keeping the lowest possible amount of stock, keeping stock turnover as high as possible and keeping enough stock to ensure the business doesn't run out, so that production eruptions don't occur and cause loss of sales.

- Optimal capital structure

This includes the effective satisfying of capital requirements of the business. This is done by ensuring that capital is acquired at the lowest possible price and under favourable conditions, for example deciding on the ratio of debt to equity.

# Question 4

## Human resource

HR management strategies should be included with the rest of the businesses plan s and in order with business strategies. The main role of the HR function is that of strategic partner. HR strategies have to indicate the strategy involving people, profit and general efficiency. One of the main roles of a HR manager is to see to the improvement of employee skills and to the business making a profit.

## Public relations

The main purpose of this function is to make decisions that will help the business listen more efficiently, value and respond better to those people that is valuable to the organization in reaching its mission and vision . This is a carefully planned process required to keep good communication between the business and its public. The main elements of public relations are:

- It is a deliberate activity
- It is a planned activity
- It is a sustained activity
- It is a communication process
- It deals with publics – both internal and external

## Operations

The operating function focuses on the transformation process. The function and management of operations is in other words responsible for creating a product and or giving a service to achieve the goals of the business. You can also say that the operations function takes resources to produce a product and/or service.

## **Purchasing and supply**

This function focuses on providing the right materia ls, services and equipment at the right price, satisfy quality needs, and that they are delivered at right place and time and in the right quantities. In other words purchasing and supply management involves the planning, organizing, leading and control of all actions associated with the purchasing of materials or services from an external supplier. It also aims at maintaining and rising the businesses profitability and efficiency of client service. The purchasing and supply function must:

- Select suppliers
- Purchase and arrange for materials to be transported to the business
- Decide what prices they will choose
- Decide on the quantity and quality of materials or services
- Speed up and receive materials
- Control the materials in the warehouse and the holding of th e stock
- Determine the timing of purchases

# Question 5

## Definition of productivity

Productivity can be defined as the ratio between goods and services produced **(output)** and the resources **(input)** used to produce them. It also shows the productive effectiveness with which the labour, capital and materials are used to produce the goods and/or services to satisfy the needs of the consumer .

$$\text{Productivity} = \frac{Q_u}{Q_i}$$

Where $Q_u$ = quantity of outputs of goods and services.

## Productivity problems experienced in South Africa

Productivity in South Africa has a very small effect on our economy , in other words, if productivity improves then economic growth will increase. If higher economic growth is achieved, then the living standards will improve, be cause it creates more job opportunities and it decreases unemployment. Cost-push inflation can be improved by just enhancing productivity. Higher productivity allows the better use of resources, which in turn will save money and that will in turn result in lower inflation rates. Higher productivity will also allow our manufacturing companies to improve their products quality and allowing them to compete better against international and national companies. Better productivity will have a positive effect on c ompany profits, it could result in higher wages and salaries to employees, higher dividends could be paid out to stakeholders and products and services will improve largely. Basically productivity will improve the community s well as the companies in South Africa.

# Question 6

**Economic and environmental factors enhancing productivity**

1. The size of the market
2. Stability of the market
3. The mobility of production factors
4. The quality and availability of raw materials
5. The availability of capital and credit
6. The tax structure
7. Available training facilities
8. Research and exchange of information
9. Technological innovation and mechanization
10. Locality advantages

# Question 7

## Components of globalization

There are two components namely the globalization of markets and the globali zation of production.

- The globalization of markets refers to the merging of detached and historically distinct markets into one incorporated place. This helps to form a global market place for consumers with various preferences.
- The globalization of prod uction refers to companies using resources from locations all over the world to take advantage of the different materials and quality of thes e materials at different prices. In other words, companies are trying to lower the cost of their product and trying to improve the quality of their product.

## Causes of globalization

- Trade liberalizations and the easing of barriers to trade and investment by governments worldwide.

After the $2^{nd}$ World War nations strived to removing barriers and allow the flow of goods, capital and services. That goal was achieved by the General Agreement on Tariffs and Trade. That was late replaced by the World Trade organization.

- Rapid technological advantages in communications

Global communication has improved over the last few years due to satellites, wireless technologies, internet and the World Wide Web. The cost of communicating has decreased, communicators can respond much quicker than before and the establishing of e-commerce has allowed companies to expand their global presence at a much lower cost. The web also allows buyers and sellers to find each other much easier.

- Rapid technological advances in transportation

Advances in transportation has made globalization much easier, for example jet aircrafts have decreased the time it takes to get from one point to another, even if it is in another country. Containerization has made it much cheaper to transport goods on ships from one place to another across the ocean.

- The changes from formally centrally planned economies to freer ma rket economies

Past communist countries of Asia and Europe contribute to democratic politics and free-market economies. Today these countries trade on a big scale with each other, where in the past western trade was closed, but still the potential of trade with China hasn't been exploited fully yet.

- The increasing importance of multinational enterprises worldwide

In the 1960's, large multinational businesses in the USA controlled global activity to a large extent. These days' businesses from Japan, Britain, Germany, and France are also competing. South Africa n companies have invested in other countries and other companies have exploited international capital markets through listening to foreign stock exchanges. These multinational companies have an enormous affect on world trade.

## Measuring globalization

One way of measuring globalization is by the ratio of world trade to output (GDP). Another way is by foreign direct investment (FDI). FDI takes place when a firm invests directly in productive facilities in a foreign country where an equity interest of at least 10% is regarded as a direct investment.

## Advantages and disadvantages of globalization

| Advantages | Disadvantages |
|---|---|
| It allows business to sell their products internationally | Globalization forces companies to compete on an international level and not just with local rivals |
| It allows companies to base production in the best possible location | Globalization creates the possibility of people loosing their jobs, because companies move their production facilities to paces with cheaper rates |
| Globalization results in better efficiency , which results in lower prices for goods and services | |

# Question 8

## Definition of knowledge management

Knowledge management is the procedure for identifying, collecting , storing and changing data and information into an intellectual asset that is made available to employees. It intends to build a base of intellectual capital be getting information and sharing knowledge with employees. Knowledge management is introduced to increase workplace efficiency, save time, reduce costs and retain, re -use and exchange knowledge.

## Intellectual assets

Intellectual assets is a term used for indicating the knowledge that has been acquired by a company from its employees, it is a process of identify ing, collecting, storing and transforming data and information.

## Knowledge hierarchy

The knowledge hierarchy consists of three blocks namely data, information and knowledge.

- Data is the most basic building block in the knowledge hierarchy.
- Data becomes information when it is sorted in a logical manner . The data has been given meaning.
- Knowledge is an organized body of information; it shapes the foundation of insights and opinions and judgments.

## Benefits of knowledge management

- **Less frustration**
  Staff has easy access to information.

- **Better customer service**
  Staff can easily find information needed by a client .

- **Decreased vulnerability when staff leaves**
  Work processes of staff are documented, which makes it easier for some who comes in new to just pick up on the tasks without confusion.

- **Increased competitiveness**.
  Management can notice much easier where strong and weak points are.

- **Improved productivity**
  By having the right information they don't have to waste time looking for it.

- **Improved internal communication and teamwork**

- **Possibility of automation some tasks**
  This can happen when enough information has been collected.

- **Improved market forecasting**
  The company can easily adjust inventory and other expensive products by using the knowledge manager's forecasts of supply and economic problems.