



Portfolio Evidence for Unit 1 **richerSOUNDS**

THE UK'S HI-FI, HOME CINEMA & FLAT PANEL TV SPECIALISTS

Introduction

1. In this portfolio Evidence, I will be investigating two businesses, both based in the United Kingdom, operating in two different sectors and markets. From the research I have done, my aim will be to create a report comparing both businesses, concentrating particularly on the following areas:

- aims and objectives
- Activities
- Location
- Functional areas
- Communication Methods
- External influences

I will look at a range of different areas of the businesses and suggest possible ways to improve them. The two businesses I will focus on are Cadbury Schweppes and Richer Sounds, both leading companies in their industry.

Activities of Cadbury Schweppes

1. Cadbury Schweppes Plc is the world's largest confectionary and Beverages Company by sales values, operating in a vast number of countries globally. Its main brands include: Cadbury, Schweppes, Dr Pepper and many more. It operates in the manufacturing (secondary) sector and is the leading company in confectionary and beverages market. The manufacturing sector, particularly the food and beverages industry, employs over 550,000 people and has a turnover of £64 billion, accounting for 17% of the total manufacturing sector. This sector is certainly improving due to population growth and increased consumer wealth.

The table below shows the number of companies and the total turnover in the marketing sector between 1995 and 2003.

| Year | Number of enterprises | Total turnover | Total employment - average during the year |
|-------------|------------------------------|-----------------------|---|
| | | (£ million) | (Thousand) |
| 1995 | 171,518 | 425,963 | .. |
| 1996 | 164,808 | 450,177 | .. |
| 1997 | 169,663 | 469,787 | .. |
| 1998 | 169,376 | 460,677 | 4,416 |
| 1999 | 170,196 | 461,771 | 4,269 |
| 2000 | 167,289 | 469,146 | 4,143 |
| 2001 | 164,718 | 461,898 | 3,969 |
| 2002 | 162,212 | 450,090 | 3,762 |
| 2003 | 158,528 | 447,178 | 3,534 |

Due to the size of the market, there will be some factors which affect the business. Cadbury Schweppes has many competitors, so it develops many new products in order to stay at the top of the market.

Activities of Richer Sounds

2. Richer sounds are a leading electronics retailer, specializing in audio and plasma TV's, based in the United Kingdom operating in the services sector, wholesalers and retailers, and operate more than 45 stores which include one franchise in Belfast, Northern Island. The retail sector is a significant contributor to the UK's economy. At the moment, the retail sector in the UK is growing and employs more than 3 million people and had a total turnover of £260 billion in 2006. There are some factors which affect this sector which include: change in customer behavior, advances in technology and government regulations. Retailers respond to these changes by reviewing their sales methods, marketing strategies and prices.

Aims and Objectives of Cadbury Schweppes

3. Cadbury's states that their main core purpose is 'working together to create brands people love'. Their goals for 2004 to 2007 are:
 - Deliver superior shareowner performance
 - Profitably and significantly increase global confectionery share
 - Profitably secure and grow regional beverages share
 - Ensure our capabilities are best in class

- Nurture the trust of our colleagues and the communities in which we do business

Its objective is to consistently deliver superior shareowner returns. For it achieve these goals, they hope to focus on delivering faster and bigger innovations to its customers.

Aims and objectives of Richer Sounds

4. Richer Sounds is a leading company in its industry, and in order for it to progress it has set itself aims and objectives. There main aim is to be the best at what they do and for them to do that they review and change the range of products to make sure customers get the best price for the items they are buying. Consequently, they also have something called the ‘suggestion scheme’ where members of staff contribute ideas in order for the company to improve.

They also have many objectives:

- **Consolidate the business and improve our profitability**
- **Develop the audiovisual home cinema range** and increase the sales of plasma TVs and LCDs.
- **Keep the business fun.** We measure the success of this through our yearly Colleague Attitude Survey.
- **Keep the level of excellence of customer service** above 90% for the company as a whole. We measure the success of this through our customer till receipt questionnaires.
- **Control our costs** through the cost control group to keep these to budget levels.

The aims and objectives for both businesses seem to be very relevant in order for it to expand and progress in the future.

Ownership of Cadbury Schweppes

5. Cadbury's was founded by John Cadbury and Schweppes by Johann Jacob Scheppe. In 1969 both Cadbury's and Schweppes merged to form Cadbury Schweppes. Cadbury Schweppes is a public limited company and is listed in the London stock exchange with many shareholders. This means the general public can purchase a share in the company and be a 'shareholder'.

Ownership of Richer Sounds

6. Richer Sounds was founded by Julian Richer and his first store was opened in 1978 at London Bridge Walk. In 1978 its legal status was limited company; however, from 1990 it became an **Unlisted Public limited Company** meaning that it would not be listed in the London Stock Exchange. Julian Richer purposely chose to do this because of the many advantages such as being in full control of the company without having to inform shareholders about decision making. This decision makes it easier for them to gain suppliers as they (suppliers) can trust them to make payments promptly without hassle. It seems that this was an appropriate choice for the business to survive and run smoothly.

Location of Richer Sounds

7. There are currently 45 Richer Sounds stores with the majority in London due to the increased number of customers available. When searching for new locations for their stores they consider many aspects before finalizing a decision. They take into account the number of sufficient potential customers for them to be profitable and also the distance between each store as they want to attract new customers from various locations. They are very cautious when it comes to expanding the business as it can cause many financial problems in the future. Unlike many other electronics

retailers who tend to open larger stores in more expensive areas, the directors working in Richer Sounds take a different approach. Their aim is to locate stores in inexpensive areas, the reason for this is because if they hadn't they would not be able to offer customers better deals on products as a substantial amount of money would be spent on rents and rates. In addition to their stores, they have one major warehouse situated in Lancashire which is also a distribution centre. The factors which influenced their decision were:

8. **The cost** – a distribution centre is large and takes up a lot of space, making it expensive to rent or buy. Therefore the cost of the site is critical.
9. **Accessibility to motorway networks** – because we deliver all over the country

Suggestions

I suggest Richer Sounds introduce a new range of products and they should start to sell different types of electronics such as vacuum cleaners, washing machines etc. This may cost more money but it would attract more customers to their stores who may be willing to spend more on other items.

Similarly, Cadbury Schweppes should start to manufacture products such as breakfast cereals which may attract more young children. This would expand the business and may be profitable.

Section B

Functional Areas of Richer Sounds

10. There are many functional areas at Richer Sounds:

- **Finance**
- **Colleague Support**
- **Purchasing, warehousing and distribution**
- **Store Operations**

- **Marketing**
- **Administration and IT support**
- **Customer Service**

Finance Department

11. At Richer sounds the finance department is lead by John Currier, the finance director. Most of the work done by colleagues in the department includes accounts, payroll, purchase ledger and stock control.
12. As there are various different money transactions taking place within the business, the employees of that particular department must produce specific documents for it stay organized. One example of a document is an invoice which is sent to the customer after an order has been placed. Similar documents created are credit notes which are also sent to the purchaser stating any refunds which have been made to them due to problems with the products e.g. too many items sent to the purchaser.
13. Correspondingly, the company regularly makes payments to different people such as suppliers (e.g. for heating, electricity and other general overheads) and staff salaries. Most payments to suppliers are made through **Direct Debit** as it is quick, safe and cost-effective (no extra postage payments have to be made). In the same way, staff payments are made by direct debit (credit transfer) however, in the case of emergency payments can be made by **Cheque**.

Marketing Department

14. At Richer Sounds the marketing director is Claudia Vernon. Marketing is one of the most vital functions of business. Techniques are used in order to identify the customer's needs and what they are seeking. The three main activities are:

- **Marketing** – investigate feedback from customers and information about competitors to identify future strategy.
- **Design** – The design team produces and come up with different advertising ideas.
- **Point-of-sale** – (POS) is in charge of store maintenance including fixtures, fittings, lighting, flooring and store posters and notices.

15. Customers are **stakeholders** at Richer Sounds which means they are very important to the business. Without customers the business would not make any profit and would struggle to survive. Therefore, Richer Sounds focuses on the needs of the customer and use techniques to improve customer purchases. Richer sounds uses various methods to recognize customer needs, some of these are:

- **We analyze every till receipt customer questionnaire.** You will also read about these in Customer Service in Unit 2.
- **We obtain key information about our customers** from our newly upgraded computerized point-of-sale (EPOS) system at the same time as we are giving a receipt and issuing a product guarantee.
- **We ask customers** where they heard about us when they order a catalogue from our catalogue order number.
- **We receive direct feedback** on customer comments from our stores and our call centre.

16. Similarly, **advertising** is a crucial aspect of marketing used to draw the attention of the customers; therefore, the business makes more sales revenue. Richer Sounds pays particular attention to the needs of customers and tries exceptionally hard to meet these needs. Most of the advertising and promotion is published in national press newspapers, mainly broadsheet, but also tabloids due to increased customer interests. They also advertise in specialist audio magazines such as ‘*what Hi-Fi?*’ As the product details may be of a large amount. For the business to stay up to date with customers, regular checks are made on the level of their responses by offering

a 'special coupon' in every advertisement in newspapers and the number of people who take advantage of this and use them in stores indicates their interest.

Administration/IT Support Department

17. The IT department plays a significant role in keeping the business up and running. There are many specialist employees in this particular area as various problems are bound to occur and have to be solved by one of them. They also contribute to the development of the business and especially the IT system. The IT director at Richer Sounds is Julie Abraham and is supported by three other colleagues. However, they are not responsible for the company website as this is dealt by the marketing department as mentioned before. The two main responsibilities are the:

- **Maintenance of the current IT system and support for users.**
- **Planning for the future and implementing agreed future developments.**

18. Security of the IT system is very important as valuable information is held on these networks and can be easily lost if certain measures are not taken. The entire system is protected by a firewall and the emails used for communication are frequently checked by message labs that prevent any malicious viruses entering the system. Computers are always used at Richer Sounds stores as they use an EPOS till to process every transaction. This is used instead of bar-coding as large items have to be in certain positions and are sometimes difficult to handle. It makes it easier for the sales colleague the information of the item can be obtained from the stock database which is automatically updated after every transaction.

19. The IT department has to solve major system problems that affect all computer users. In 2002 the main email server failed and the department was responsible coming up with a solution. Most communication is now done by email, this is

significantly beneficial as it has cut down the usage of fax and the bill for this type of communication has decreased.

How these functional areas together

20. At richer sounds, or in any business, it is essential that all individual functional areas work together as a whole for the business to run proficiently. Information which is vital, for the business to operate accurately, has to be passed on from one to person to another in order for decisions to be made. A continuous flow of communication is essential for any business to function effectively as up-to-date information is needed to make decisions. This is the usual four-stage process of communication:

- (a) Obtaining the information**
- (b) Sharing information with relevant colleagues**
- (c) Deciding what action should be taken**
- (d) Communicating the decisions or plans for action**

21. One example of communication between the finance, IT and marketing departments is as follows: The marketing department may want to advertise and promote more of their products in newspapers, so the person in charge may send an email to the finance department for information on the department's budget. Another example is: If the marketing department has trouble creating POS material due to problems with the computer system, they are most likely to inform the IT department for assistance. Consequently, the IT department may need to purchase further equipment to resolve the problem so they may inform the finance department about the situation.

22. Both descriptions are examples of how different functional areas communicate and work together to keep the business running appropriately. It is obvious that different departments play different roles in the business such as the finance area deals with

work mostly based on money and the production of financial documents. However, the marketing department has the responsibility of promoting products and attracting more customers which are significant to the business as they (customers) are the ones who purchase products and increase profit.

Evaluation

23. On the whole, the functional areas work together effectively; however, there may be occasional difficulties. Richer Sounds has set itself some aims and objectives so the company can run efficiently and meet certain targets. Moreover, the marketing department has a very important role and for it to work effectively it must abide by the aims and objectives of Richer Sounds.
24. The majority of the goals are met by the marketing department. One example is the 'point-of-sale' which is responsible for keeping the stores looking attractive which contributes to one of their goals — '**keeping the business fun**'. The department also pays careful attention to how products are advertised and the cost of it as it doesn't want to spend too much money or profit levels would decrease, this also contributes to another goal '**consolidate the business and improve our profitability**'.
25. The IT department has a major role in the business as computers are very widely used in the world, especially in businesses, and many tasks cannot be done without them. Richer Sounds has a vast computer system which enables employees to communicate with each other both internally and externally. However, computer networks are extremely vulnerable to many threats such as viruses and in 2002 the main email server failed and caused serious problems. Fortunately, the IT department resolved the problem by choosing the best solution and decided that the email server should be backed up by a third party. As a result of their decision, all the stores would be able to send emails; therefore, fax use would decrease resulting in the fax bill being reduced. This would also contribute to one other goal '**to be profitable to ensure our long term growth and survival**'.

Business Communications

26. Communication inside a business is essential as colleagues and various other people outside the business need to stay informed about what is happening in and around the business. There are numerous types of communication in business, these are:

- ***Informal***
- ***Formal***
- ***Internal***
- ***External***

All these types of communication types are vital for the business to be successful to some extent. The two factors which decide whether a communication is formal or informal are:

- The reason for the communication.
- The relationship between the people communicating and how well they know each other.

27. These two factors will influence the type of communication and its tone. **Informal** communication may take place between people who contact each other frequently such as colleagues working in the same department who may have a brief chat about a certain issue. However, if someone was to communicate with someone who in an executive position in the business, that person would probably be addressed more formally. The use of **Formal** communication usually occur when the situation is important and is normally sent in written form as it provides a written record which can be referred to in the future.

28. **Internal** communications are usually made to a person who is working in the same organization, whereas when a person who communicates with someone from outside their business, such as their suppliers, are known as **External Contacts**. People who work in different functional areas need to co-operate for the business to

run effectively. Similarly, directors need to make decisions based on what has been happening inside the business, so the information they receive needs to be accurate.

There are four main methods of communication:

- **Oral** – such as telephones, meetings, telephone conferencing
- **Video** – such as video conferencing, internet video link
- **Written** – such as memos, letters, financial documents, advertisements and email attachments
- **Graphical** – such as production drawings, graphics on screen (PowerPoint), graphics sent over the internet.

29. Internal communication may be used to inform staff on new policies, arrangements, developments, processes etc. Another reason is because instructions or requests may be transmitted from one person to another, for example from marketing director to sales manager to floor staff. Communications between different functional areas are vital as they need to co-operate for the business to operate efficiently. They may communicate, and are more likely to, by using electronic mail which is one of the main methods of communication both internally and externally as it fast and is transmitted without any delay. This type of communication may be used to inform other members of the same departments about an important matter, such as significant changes which have been made to the company.

30. An example of communication between departments is when the finance department allocates budget statements, which is held on the computer system and is sent by email. Correspondingly, purchasing, stock control and the warehouse are in constant contact by email, faxes or by telephone. After the purchasing departments have placed their orders, the suppliers need to inform the warehouse about when the products will be delivered.

31. Moreover, at Richer Sounds both oral and written communication is used to a great extent. Colleagues communicate with people who work within the business and also people who work in different organizations. One example of written communication is between managers and colleagues. Staff working in stores need be informed about their performance during the week, and whether it has improved from the previous week. In order for them to stay informed, senior managers send staff financial documents about the businesses sales, repairs costs, customer service results and other key items.

32. Similarly, oral communication is vital for the business to operate properly. An example of oral communication is between the purchasing department and suppliers. If an email is sent to a particular person but he/she is unable to respond because they are away, then an automated message will be left including details of how to contact the person who sent the message. Oral communication is most likely to occur when two people are face-to-face, such as a customer and a colleague working at a store. Customers with complaints regarding to the business can write to Julian Richer himself, and the customer receives a written reply from him.

33. Another example of oral communication is when training seminars are held every two years where colleagues can discuss any issues without the presence of a senior member. This is particularly an effective communication method given the fact that there is a large group of people participating so it saves time without having to ask colleagues individually.

34. When the purchasing department decides to order products it has to contact the supplier. This can be done using electronic devices and orders can be placed immediately without any delay; this is an example of ICT use.

35. The most appropriate way of communication within one functional area is probably orally (face-to-face communication with someone). By doing this, colleague's can share information more effectively because they are speaking to them directly

without having to wait a long period of time for a response. Colleagues are most likely to communicate informally as they may contact each other frequently. ICT can also be used inside a functional area as it a fast way of contacting someone or sending important documents in email attachments.

36. Communication between different departments is common and they are in regular contact with each other. Various methods may be used for communication, for example email is vastly used and can be used to send financial documents also it is speedy and there are hardly any technical difficulties involved.

37. The most obvious and common communication method between departments is probably the use of telephones (**oral communication**). This is extremely effective as two people can have a conversation directly with each other and they may get a response quickly. Also, telephone conferencing can take place where several people are linked simultaneously so that they can have a discussion, however, the type of telephone system will limit the number of links that are possible at any one time.

38. Correspondingly, communication between functional areas and external contacts is essential as each functional area needs co-operation from the others so as to be able to operate efficiently. As external contacts may be a long distance away only certain communication methods are available such as electronic mail which can be used in urgent situations. Written communication can be used, however, it may take a significant amount of time to get a response, so this may be avoided. The most appropriate way is probably telephone use as it is the obvious option if a quick response is needed immediately (**two way communication**).

Suggestions

39. Richer Sounds appears to have very good communication techniques and therefore it will be able to operate well. There may be ways to improve the way they communicate with each other; one example is within a functional area. Although

automated messages can be left during the absence of a staff member, important information may need to reach that person immediately. In this case, it can be suggested suggest every member working inside the functional area carries a device which alerts them to contact a specific person e.g. pagers.

40. ICT is a very common and effective method of communication and staffs at Richer Sounds do a lot to maintain a very good computer system such as updating software or using a third party to manage their email system. However, if the company was to grow in size then problems may occur which may cause difficulties to the computer system. As more employees would be using email the system may break down due to the increased number of information being processed In this case, it would be necessary for the company to use a better third party to manage its email system.

External Influences on Richer Sounds

41. All businesses have many external influences which affect their business to a certain extent and Richer Sounds is no exception. These are the main external influences which affect Richer Sounds:

- **Action by business competitors**
- **Changes in economic conditions**
- **Environmental Constraints**

Business Competitors

42. As there are thousands of businesses in the retail industry, Richer Sounds has got many competitors who may offer products at a reduced price. This is a problem for Richer Sounds as customers will shop at places where the products are cheaper. Action must be taken to stay at the top of the industry, so Richer Sounds monitor the behavior of competitors. There are methods used to do this, one of them is faxing the prices of other similar businesses to the purchasing department. Another

way is they check the prices advertised by other companies which are then compared. Lastly, staffs at Richer Sounds secretly go into the stores of competitors to see how affective their customer service is.

43. If a competitor is offering the same product for less, Richer Sounds will lower their price by £10.00, this must be informed to the purchasing department and they will take action nationally. Correspondingly, if a customer notices a product for a lower price they can inform Richer Sounds who will then lower that price by £100 seven days after purchase.

Economic Changes

44. Interest rates play a big part in the success of a business, as this can cause major problems. This has an affect on both the business and the customers. If the interest rates were to go up, then customers would probably spend less, but, if the interest rates were low then customers would have more money to spend, because they are paying less for their mortgages and other essential items. Also, they will be willing to pay more with their credit cards as the interest will be less. One advantage is that customers will want to but products of a good standard which is a benefit. This is one factor which must be considered when producing the cash flow forecast, so they are prepared.
45. Changes in prices, especially from suppliers, can be a problem as the business has to find another supplier offering reduced prices - otherwise prices of products in stores must be increased. However, their purchasing department has a large number of extra supplier details if one supplier is increasing prices.
46. In the same way, **exchange rates** can have an impact on Richer Sounds. This is because most goods bought by Richer Sounds is from Europe and it is a advantage

if the Pound is stronger than the Euro as products will be less expensive but if the pound is falling in value then the goods will be more expensive.

47. Environmental constraints don't affect the business then the factors mentioned above but Richer Sounds does aim to be environmentally friendly. They do this by focusing on the noise of the equipment, as Richer Sounds mostly sells audio products in their stores. They do not want the customer to be affected by the noise so they provide extra rooms to listen to a system which is soundproof. They try to minimize waste by turning off the computers and photocopiers at the end of the day.

Suggestions

48. I would suggest, for them to be more effective, that instead of using a third party to manage their email system, they create their own separate department within their organization. This is because using their own staff to control the system, would be more safe and cost effective.

Cadbury Schweppes External Influences

49. The confectionary industry is highly competitive, and Cadbury Schweppes competes with many other multi-national, national and regional companies. The top competitors of Cadbury Schweppes are Coca-Cola, Mars and PepsiCo. They compete for many factors, such as the quality, taste and price of products, and want to develop by introducing new products, new packaging, extensive advertising and promotional programs. Some business activity is constrained by the environment in which the business operates. There are a number of important components of this environment including:

- The actions of competitors.

- Legal requirements. E.g. what is legally expected
- Social requirements and expectations. The sorts of expectations that society has of businesses e.g. to operate in an ethical way
- economic constraints e.g. the amount of income that consumers generally have to spend
- Technological constraints. Often what businesses are able to produce and sell and how they operate is determined by the technologies available to them.

50. Cadbury Schweppes is dedicated to complying with environmental; health and safety laws with their global standards. They also regularly assess the compliance of their operations against these requirements. Their environmental goal is to 'minimize the environmental impacts of our businesses. They are committed to:

- Develop reliance on renewable energy
- Reduce carbon based fuels
- Use 100% recoverable or biodegradable packaging

51. Their global environmental targets are to reduce (from 2006 to 2010) by 10% (per tonne finished product) each of the following by 2010:

- Carbon dioxide equivalent emissions (CO₂)
- Energy use water use
- Solid waste
- Wastewater

52. Their carbon emissions intensity was reduced by nearly 15% between 2000 and 2005. Cadbury Schweppes are very committed to reducing overall packaging, and the use of recyclable packaging. Some examples of their actions in this area are:

- Developing lightweight packaging and reducing the amount of packaging material;
- Using multi-packs, lightweight secondary display packs, cartons;
- Using returnable bottles in markets where the reuse of bottles is well established;
- Seeking to innovate, through the use of the new materials

Suggestions

53. By and large it can be suggested that Cadbury Schweppes continues to be very competitive by producing and designing packaging more appealing to customers, which might increase sales of products, but, using less plastic materials would reduce the amount of harmful gases are released into the atmosphere. It also can be recommend that they use should less electricity in their factories as to the use of masses of fuel and releasing increased amounts of carbon dioxide. In order to do this, they should use, if possible, use solar panels.