

MGT211

FINAL TERM NOTES

LECTURE 23 TO 45

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Lecture no 23 THE MARKETING ENVIRONMENT

Difference b/w marketing and selling

Marketing	selling
Marketing starts before decision about production	Selling starts after decision about production
Marketing is a total system and selling is one of its parts	Selling is the transfer of ownership
Marketing is a long term process	Selling is a short term process

Classification of products

- Consumer products.
- Industrial products.

Consumer products:

Consumer products after certain uses, e.g. tea, soap etc

Industrial products:

Industrial products are used in industry, e.g. raw material, machinery,

Relationship marketing

Developing a long term relationship with the customers, by making phone calls to the customers, sending gifts to customers etc

Transactional Marketing

Transactional marketing is a business strategy that focuses on single, "point of sale" transactions. The emphasis is on maximizing the efficiency and volume of individual sales rather than developing a relationship with the buyer.

The marketing environment

- **Political and legal environment** (From taxes to regulations to laws, the political and legal environment has a profound impact on marketing.)
- **Social and cultural environment** (in which social or cultural changes act to affect the firm's marketing effort)
- **Technological environment** (New technologies create new goods and services, but also make some existing products)
- **Economic environment** (The term economic environment refers to all the external **economic** factors that influence buying habits of consumers and businesses)
- **Competitive environment** (A competitive environment is a system where different businesses compete with each other by using various marketing channels, promotional strategies, pricing methods, etc)

Substitute product competition:

Products that are dissimilar from those of competitors, but can fulfill the same need

Brand competition:

Occurs between similar products (e.g. Zest bar soap and Irish Spring bar soap)

International competition:

Matches the products of domestic marketers against those of foreign competitors

MARKETING MANAGER:

A person who plans, executes and responsible for all marketing activities.

Role of Marketing Manager

- ❖ To identify the unsatisfied needs of the customers
- ❖ To design the product
- ❖ Project development
- ❖ Pricing decisions
- ❖ Product distribution
- ❖ Communication with the customers
- ❖ Marketing research
- ❖ Appointment of the staff in marketing department

Marketing Plan

A written document which describes the overall marketing activities for a particular time period.

Components of marketing plan

- Executive summary
- Current market situation
- Opportunity analysis
- Marketing objectives
- Marketing strategies
- Projected income statement
- Control

Lecture no 24

The Marketing Mix

Consist of product, place, price and promotion

Product

The good, service, or idea that is marketed to fill consumer wants and needs

Product differentiation

Creation of a product or product image that differs enough from existing products to attract consumers

Pricing

Selecting the most appropriate price at which to sell a product. Lower prices generally lead to higher sales volume, while higher prices generally lead to higher profits per unit.

Place

Determining the most effective and efficient way to get products from producers to consumers

Promotion

All of the activities a firm undertakes to communicate and promote its products to the target market.

Target marketing

A target market refers to a group of customers to whom a company wants to sell its products and services, and to whom it directs its marketing efforts

Market Segment

A market segment refers to a sub-group of customers that share common characteristics such as interests, geography, age, demographic, or lifestyle.

Market Segmentation

Market segmentation is the process of dividing a target market into smaller, more defined categories.

Factors of market segmentation

- **Geographic segmentation** is a marketing strategy used to target products or services at people who live in, or shop at, a particular location.
- **Demographic segmentation** groups customers and potential customers together by focusing on certain traits such as age, gender, income, occupation & family status.
- **Psychographics** are the attitudes, interests, personality, values, opinions, and lifestyle of your target market.
- **Behavioral segmentation** is the process of sorting and grouping customers based on the behaviors they exhibit.

Important Questions of this lecture

Define the marketing mix and its components

Define the market segmentation and its factors

Lecture no 25

This lecture will not be include in final term exam

Market research:

Market research is an organized effort to gather information about target markets and customers.

Market information:

Market information is making known the prices of the different commodities in the market, the supply and the demand.

Market segmentation:

Market segmentation is the process of dividing a target market into smaller, more defined categories.

Market trends:

A trend is the overall direction of a market or an asset's price. In technical analysis, trends are identified by trend lines or price action that highlight when the price is making higher swing highs and higher swing lows

Market research process

There are four steps of market research process

- Defining the research problem
- Establishing the research design
- Collecting and analyzing data
- Formulate findings

Defining the research problem

The step defining the research problem exists of two main steps

- Formulating the problem
- Establishing research objectives

Formulating the problem:

Formulation of a research problem means to state the problem in a way that is researchable.

Establishing research objectives:

Research objectives should be closely related to the statement of the problem and summaries what you hope will be achieved by the study.

Establishing the research design

The step establishing the research design consists of 3 main steps.

- Select the research design
- Identify information types and sources
- Determine the design research instrument

Select the research design:

The design allows researchers to hone in on research methods that are suitable for the subject matter and set up their studies up for success.

Identify information types and sources:

Business magazines and journals published periodically contain data which is very useful for marketing research;

Determine the design research instrument:

Research Instruments are measurement tools (for example, questionnaires or scales) designed to obtain data on a topic of interest from research subject.

Collecting and analyzing data

Data collection is defined as the procedure of collecting, measuring and analyzing accurate insights for research using standard validated techniques. The data analysis stage in a market research project is the stage when qualitative data, quantitative data or a mixture of both, is brought together and scrutinized in order to draw conclusions based on the data.

Formulate findings

Market research is the process of determining the viability of a new service or product through research conducted directly with potential customers. Market research allows a company to discover the target market and get opinions and other feedback from consumers about their interest in the product or service.

Important question of this chapter

Examiner can be asked about the steps of market research, steps of establishing the research design and the steps of defining the research problem in long or a short question.

Define the market research, market segmentation, market trends and market information.

Lecture no 26

Research methods

This lecture will not be include in final term exam

Observation

Market Research technique that involves simply watching and recording Consumer behavior

Survey market research

Market survey is the survey research and analysis of the market for a particular product/service which includes the investigation into customer inclinations.

Focus group market research

A technique in which a small group of people is gathered, presented with an issue, and asked to discuss it in depth.

Experimentation

A market research technique that attempts to compare the responses of the same or similar people under different circumstances

Influence in customer behavior

Consumer behavior is essentially the study of why consumers purchase and consumer Products. Four key factors influence consumer behavior:

I. Psychological:

Motivations, perceptions, ability to learn, attitudes

II. Personal:

Lifestyle, personality, economic status

III. Social:

Family, opinion leaders, reference groups (e.g. Friends, associates)

IV. Cultural:

Culture, subculture, social class

The Consumer Buying Process

Problem/Need recognition:

The consumer buying process begins with recognizing a problem or need

Information seeking:

Sources of information can range from personal sources, to market sources, to public sources, to experience.

Evaluation of alternatives:

This step is essentially a matching process: How do the attributes of the products you are considering match with your needs and wants?

Purchase decision:

Purchase decisions are typically based on a combination of rational and emotional motives. Rational motives are based on logical evaluation of

Product attributes (e.g. Cost, quality, and usefulness). Emotional motives are based on non-objective factors (e.g. "All my friends have 4-inch high heel shoes!").

Post-purchase evaluation:

This includes everything that happens after the sale. Satisfied customers are likely to repurchase products they have used and enjoyed, while unhappy customers are not only unlikely to repurchase, but also are prone to broadcast their negative experience to other potential consumers.

Lecture no 27

PRODUCT, TYPES OF PRODUCTS & STEPS FOR PRODUCT DEVELOPMENT

What is product?

A product is anything that can be offered for sale by an organization and in return it can Earn profits for the firm.

Define the form of products. OR differentiate b/w tangible and intangible products.

Tangible:

All the products that can touch physically or smelled or felt with fingertips are called Tangible ones

Intangible:

All the products that cannot be touched physically are called intangible ones.

Define the classification of products.

Consumer product:

A final goods or consumer goods are a commodity that is used by the consumer to satisfy current wants or needs.

Industrial product:

Products that are used to prepare other products are called as industrial products.

Categories of consumer goods

- **Convenience goods** (Convenience goods are items consumers buy often and easily these include newspapers, magazines, most grocery items, and petrol.)
- **Shopping goods** (consumer goods that are usually purchased only after the customer has compared price, quality, and style)
- **Specialty goods** (Specialty products are products with unique characteristics or brand identification.)

Categories of industrial goods

- **Capital items** (Capital goods are fixed assets such as machinery, equipment, buildings, vehicles, computers)
- **Expense item** (raw material, utility items such that oil, grease)

Steps for product development

- Recognition of unsatisfied
- Idea generation
- Idea screening
- Prototype (physical shape of product)
- Product testing (laboratory test and market test. In market testing product is sold on trial basis)
- Commercialization (product is sold on commercial basis)

Important questions of this lecture

- Differentiate b/w tangible and intangible form of products.
- Differentiate b/w consumer and industrial products.
- Define the characteristics of consumer products.
- Define the characteristics of industrial products.
- Write down the steps of product development.
- What is mass marketing (product is sold on commercial basis this concept is known as mass marketing)

Lecture no 28 PRODUCT LIFE CYCLE, BRANDING, PACKAGING & LABELING

Introducing stage

The introduction stage is the first stage in the product life cycle where a company tries to build awareness about the product or service in a market where there is less or no competition.

Growth stage

The growth stage is the period during which the product eventually and increasingly gains acceptance among consumers, the industry, and the wider general public.

Sale of the product increase due to:

- Repeated order of old customers.
- New customer will also enter the market.

Maturity stage

The maturity stage of the product life cycle shows that sales will eventually peak and then slow down

Decline

The



stage

decline stage of the product life cycle is the terminal stage where

sales drop and production is ultimately halted.

Brands

A brand is a name, term, design, symbol or any other feature that identifies one seller's good or service as distinct from those of other sellers

Types of brands

- **National brands** (If a same brand is sold throughout the country then it's called as National Brand.)
- **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

Packaging is the science, art and technology of enclosing or protecting products for distribution storage, sale, and use.

Labeling

Labeling or using a label is describing someone or something in a word or short phrase.

Important questions of this lecture

- *Explain the life cycle of product*
- *Differentiate b/w maturity stage and decline stage*
- *When the sale of the product increase*
- *Define the type of brands*
- *Differentiate b/w the packaging and labeling*

Lecture no 29

PRICING & DISTRIBUTION MIX

Pricing

Price is the value which a seller receives in exchange of a good or a service.

Objectives of pricing

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

Cost based pricing

Cost-based pricing is a pricing method that is based on the cost of production, manufacturing, and distribution.

Breakeven Analysis

Break-even analysis tells you how many units of a product must be sold to cover the fixed and variable costs of production.

In order to consider the breakeven point, we need to consider:

- Fixed cost
- Variable cost

Pricing of a new product

- Price skimming
- Penetrating pricing
- Fixed price
- Dynamic price

Pricing skimming

It is 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

Penetration pricing is a marketing strategy used by businesses to attract customers to a new product or service by offering a lower price during its initial offering.

Advantages of penetrating pricing

- A larger market share can be captured through this pricing strategy.
- Pricing depends upon the objectives of the organization.

Fixed pricing

A fixed price is a price set for a good or a service that is not subject to bargaining.

Dynamic pricing

Dynamic pricing, also called real-time pricing, is an approach to setting the cost for a product or service that is highly flexible.

The Distributing mix

The distribution mix is an important part of the marketing mix, ensuring that the right product gets to the right place at the right time.

Intermediary

Independent firms which assist in the flow of goods and services from producers to end-users; they include agents, wholesalers and retailers;

Wholesale-intermediary

They sell products to other businesses for resale to final consumers

Retailer-intermediary

They sell products directly to consumers.

Lecture no 30 WHOLESALE, RETAILING & PHYSICAL DISTRIBUTION

Agents and broker

Brokers and agents typically perform only a few of the marketing flows, and their main function is to ease buying and selling

Wholesaling

Wholesaling is the act of buying goods in bulk from a manufacturer at a discounted price and selling to a retailer for a higher price

Types of wholesaling

➤ Merchant wholesalers

A merchant wholesaler is an intermediary who buys goods from manufacturers and sells them to third parties - retailers, businesses, government institutions, or other wholesalers.

Types of merchant wholesalers

- **Full service merchant wholesaler** (Full-service wholesaler is a wholesaler who provides a full line of services: carrying stock, maintaining a sales force, offering credit, making deliveries, and providing management assistance.)
- **Limited service merchant wholesaler** (Limited-service wholesalers, who offer fewer services to their customers and suppliers, emerged in order to reduce the costs of service)
- **Drop shipper** (Drop shipper wholesalers take ownership of goods, sign sales contract but they do not take responsibility for physical transportation or delivery.)
- **Rack jobbers** (Rack jobbers are those wholesalers who buy and keep stock of goods for retailers. They don't have their own warehouse. They carry goods by their own means of transportation.)

Retailing

Retail is the process of selling consumer goods or services to customers through multiple channels of distribution to earn a profit.

Types of retailer

Product line retailer

- **Department store** (a large shop stocking many varieties of goods in different departments)
- **Super market** (a large self-service shop selling food and household goods)
- **Hyper market** (a very large self-service store with a wide range of goods and large car park, typically situated outside a town)
- **Specialty stores** (a specialty store is a shop that carries a deep assortment of brands, styles, or models within a relatively narrow category of goods)
- **Category killers** (a category killer is large retail chain superstore that is so competitive that it dominates its product category and put less productive and highly specialized merchants out of business)
- **Scrambled merchandising** (When a shop/retailer sells products in his shop which do not belong to the usual assortment of products he keeps or sells it is called scrambled merchandizing.)

Bargain retailer

- **Discount house** (a discount house is a firm that specializes in trading, discounting, and negotiating bills of exchange or promissory notes.)
- **Off price store** (Off-price retailers are retailers who provide high quality goods at cheap prices.)
- **Catalog showroom** (A catalog showroom is a retail outlet that consumers visit to make actual purchases of articles described in catalogs mailed to their homes or available for reference in the store.)
- **Factory outlet** (An *outlet store*, factory outlet or *factory shop* is a brick and mortar or online store in which manufacturers sell their stock directly to the public.)
- **Warehouse club** (A warehouse club is a retail store, usually selling a wide variety of merchandise, in which customers may buy large.)
- **Convenience store** (A retail store offering easy accessibility, extended hours, and fast service.)

Physical distribution

Physical distribution encompasses all activities required to move finished products from a producer to the consumer

Transportation Operation

Transportation modes are

- **Trucks** (used to door- to door delivery)
- **Railroads** (they are able to carry heavy and diversified cargo)
- **Water carriers** (boats are cheapest form of transport and carry bulk items)
- **Air transport** (it is fattest form of transport and used for unreliable and expensive material)
- **Pipelines** (it is expensive to build, operate and maintain)

Changes in Transportation Operations

- **Inter-modal Transportation**
(combined use of several different modes of transportation)
- **Containerization**
(uses of standardized heavy-duty containers in which many items are sealed at points of shipment and opened only at final destination.)
- **Physical Distribution and E-Customer Satisfaction**
(New ecommerce companies need to focus not only on sales but also on after-sale distribution.)

Lecture no 31 PROMOTION & ADVERTISEMENT

Promotional strategies

- **A Push strategy**
It is a promotional approach designed to motivate wholesalers and retailer to push a producer's product to the end users.
- **A pull strategy**

It is a promotional approach that stimulates consumer demand, which then exerts pressure on wholesalers and retailers to carry a product.

Promotional Mix

A promotional mix is a combination of marketing methods including advertising, sales, public relations and direct marketing to achieve a specific goal.

Promotional Tools

- Advertising
- Personal selling
- Sales promotion
- Publicity OR public relation

The promotional tools depend on these factors

- The nature of the product
- The target audience
- Promotion and the buyer decision process
- The promotional mix budget

Advertising Promotion

Promotional tool consisting of paid, non-personal communication used by an identified sponsor to inform an audience about a product.

Advertising

Advertising is a marketing communication that employs an openly sponsored, non-personal message to promote or sell a product, service or idea.

Advertising strategies

- **Persuasive Advertising** (Advertising strategy that tries to influence consumer to buy one company's product.)
- **Comparative Advertising** (Advertising strategy that directly compares two or more products.)
- **Reminder Advertising** (Advertising strategy that tries to keep a product's name in the consumer's mind.)

Advertising Media

- Television
- News paper
- Direct mail
- Radio
- Magazines
- Outdoor Advertising
- The Internet

Media Mix

A media mix is the blend of paid communication channels that an organization uses to get its messaging and brand across to potential customers.

Advertising Agency

Independent company that provides some of all a client firm's advertising needs.

Steps to preparing the campaign an advertising agency

- Identify the target audience
- Establish the advertising budget
- Define the objectives of the advertising messages
- Create the advertising messages
- Select the appropriate media
- Evaluate advertising effectiveness

Lecture no 32 PERSONAL SELLING

Preparing the Campaign with an Advertising Agency

- **Identify the target audience**
 - Education class

- Income class
- Area
- Age
- Social class

➤ **Establish the advertising budget**

- Percentages of expected sales
- Considering our marketing objectives
- Considering the competitors

➤ **Define the objectives of the advertising messages**

- Are we going to introduce new product
- Are we going to advertise price change impact
- Are we going to launch new campaigns in response to our competitor's campaigns?

➤ **Create the advertising messages**

- Include all color selection, images, Cartons and illustrations
- Selection of language
- Select of appropriate words

➤ **Select the appropriate media**

- Radio for agricultural product
- TV for consumer products

➤ **Evaluate advertising effectiveness**

- Our message has changed customer's buying decisions or not?
- We have found desired image or not?
- Our meaning well communicated or not?

Personal Selling

A promotion tool in which a salesperson communication one-on-one with potential customers

Personal selling situations:

- **Retail sale**
Personal selling situation in which product are sold for buyers, personal and household use
- **Industrial selling**
Personal selling situation in which products are sold to business, either for manufacturing other products or for resale
- **Pharmaceutical products**
Sales persons communicate with doctors and products are presented to the doctors

Lecture no 33

Tasks of sales manager

- To increase the sale
- To control the sale

Organization of team

The team performs the tasks of implementation of all the decision relevant to sales. Sales manager chooses the persons for this team.

Implementation of plans

In this stage team implement all the plans made by sales manager

Territory management

Sales manager defines the rout plan of sales persons in this stage

Personal selling tasks

- **Booking the orders**
Consulting the customers and get their order booked for specified time period
- **Processing of orders**
Personal selling tasks in which salespeople receive orders and see to their handling and delivery
- **Creative selling**
Personal selling task, in which salespeople try to persuade buyers to purchase products by providing information about their benefits
- **Missionary selling**
To sell products by helping the buyer sales man provides voluntary service to the buyer and tries to put the order.

Personal Selling Process

Getting the appointment Prospecting

Prospecting is a process of identifying potential customers; qualifying identifies those who have the authority to buy and the ability to pay.

With the help of prospecting we will able to know

- Location of the industry
- To know about the decision maker
- Size of the order
- Mode of payment
- Past practices of the organization
- Current problems

Techniques for prospecting

- **Snowball technique**
To ask a satisfied customers, about more customers to sell the product
- **Cold-conversion technique**
Knocking every body's door

Features of the prospective buyers

- Age of a person
- Interest of the buyer
- Preferences of the buyer

Approaching the customers

Getting appointment

Advantages of the appointment

- Proper hearing
- Customer will get the feeling that his time is being respected

Disadvantages of the appointment

- Customer might say no
- Salesperson might not be able to reach in time

Without getting appointment

Advantages of not getting the appointment

- Time is in control of sales persons
- Salespersons does not have fear of getting no

Disadvantages of not getting the appointment

- Customer might feel that person is not organized person

Barriers

Customer may face the following barriers in reaching the customers

- ✓ Security Guards
- ✓ Receptionist
- ✓ Junior officer

Techniques to handle barrier

- Requesting to the security guard
- Using the name of organization
- Giving small gifts from the company in order to go in

Presenting and Demonstrating

A full explanation of the product, its features, and its uses, linking its benefits to the prospect's needs

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Lecture no 34 Sales Promotions

Sales promotion

A sales promotion is a marketing strategy where a business will use short-term campaigns to spark interest and create demand for a product, service or other offers.

Start of sales presentation

Presentation stage

After approaching the buyer sales person reviews the situation.

It include

- Type of furniture
- Wall hanging
- Type of curtains
- Personal taste

Start the conversation

Interest stage

Interest of the customer can be

- Price
- After sale service
- Guarantee and Warrantee

Objection stage

In this stage sales person will try to create desire in the customer to buy the product. Customer will start raising the objections or the questions. If the buyer starts to take the interest in asking the questions about the product, it means salesperson has convinced him in buying.

Closing stage

In this stage the order is booked and agreement is signed by the seller and buyer.

Follow up stage:

In this stage the order is fulfilled and goods are being distributed according to the agreement.

AIDA

It stands for Attention, Interest, Desire and Act.

Skeptic Customer

It refers to the doubtful behavior of the customer because of deception from any seller in the past.

Innovation in sales

Tele Marketing

Tele Marketing helps to receive quicker response and avoid long distances.

Techniques for Sales promotions

➤ Agreement of a contest

Customers, distributors, and sales reps may all be persuaded to increase sales by means of contests.

➤ Tradeshows

Customers, distributors, and sales reps may all be persuaded to increase sales by means of contests.

➤ Point-of-purchase also called Point-of-Sales

Point of purchase (POP) or Point of sales (POS) displays is devices used to show a product in a way that stimulates immediate sales.

Made by orange monkey team □ □ □ □ □ □

Lecture no 35 THE PRODUCTIVITY

Productivity

Productivity is the measure of the effective use of the organization's resources.

Production

Conversion of raw material into finished goods.

Utility

Ability of a product to satisfy a need is known as utility

Form 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 increases due to its mobility.)
- **Form utility** (changing the form of the product and then converting it into some useful product.)

Operation planning

Operations managers decide about the production capacity of the organization.

Capacity planning

Optimum level of production needed by the organization

Factors for location of industry

We have to ability of

- Skilled workers
- Electricity, gas, water and telephone
- Access to the road and railway
- Raw material
- Climatic condition

Facilities to be organized for production process

➤ **Productive facilities**

It includes units and plants which contain assembly lines and machines in order to convert the raw material into finished products.

➤ **Non-productive facilities**

A process that is not directly involved in the production process but are related to the production, for example storing the raw material

➤ **Support facilities**

It includes departments like management, purchasing, finance, human resource and others which support to run the factory.

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Lecture 36 TOOLS FOR PRODUCTION PLANNING

This lecture will not be include in final term exam

Non important And No Thing

Lecture no 37 TOTAL QUALITY MANAGEMENT

Managing quality

Total quality management

The sum of all activities involved in getting high quality products into the marketplace.

Planning for quality

- **Performance quality**

The performance features offered by a product.

- **Quality reliability**
Consistency of a product's quality from unit to unit

Quality

Directing for quality means that managers must motivate employees throughout the company to achieve quality goals.

Quality Control System

Inspection

Inspection is a method, method and tactics used to minimize defects in products or services

Quality control

The prime purpose of quality control is to assure that processes are performing in an acceptable manner

Quality assurance

The prime purpose of quality control is to assure that processes are performing in an acceptable manner

Lecture no 38 TOTAL QUALITY MANAGEMENT

Types of costs

- External failure costs
- Internal failure costs
- Appraisal costs
- Prevention costs

External failure costs

External failure costs are incurred to remedy defects discovered by customers. These costs occur when product or services that fail to reach design quality standard are not detected until after transfer of the customers.

Internal failure costs

Internal failure costs are incurred to remedy defects discovered before the product or service is delivered to the customer.

Appraisal costs

Appraisal costs are fees a company pays to detect in its product ahead of delivering them to customers.

Prevention costs

Prevention costs are any expenditure incurred that are intended to minimize the number of defects in products and services

ISO

ISO is a certification which shows that organization is following some system and that system might lead to some quality product.

ISO 2000: 9000 Certification programs

It is a standardized system which provides a set of systems to the organization.

ISO 14000

It is 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.

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Lecture no 39 BENCHMARKING

Benchmarking

Process by which a company implements the best practices from its own past performance and those of other companies to improve its own products

- **Internal benchmarking** (Uses the firm's own performance to evaluate progress and set goals)
- **External benchmarking** (begins with a critical review of competitors or even companies in other businesses to determine which have "best practices.")

Zero defect level

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

Consideration in benchmarking

Process of benchmarking

- **Sales forecasting**
We can benchmark the order booking process
- **Pricing**
In pricing other organization pricing system is noted then pricing mechanism is prepared.
- **Distribution**
Organization should match the distribution channel with other organization.
- **To maintain financial record**
Record should be properly maintained in soft data as well as hard copy. There should be back up of that data at various places.
- **Technology**
Chose the technology which is most efficient and result oriented

Key variables in a process

- **Product**
 - shape of product
 - color of product
 - size of product
 - weight of product

Selling and Marketing

- **Cost:** Promotion cost with competitors, how to save cost?
- **Identification of unsatisfied needs of customers**
- **Productivity:** how a organization can increase its productivity
- **Mixture of ingredients:** what ingredient should be so that customer can satisfy?
- **Timelines :** save and reduce the time
- **Differentiation of products:** there should be uniqueness in product
- **Performance of a product:** performance of product should be according to customer's satisfaction

Identification of best plan

For benchmarking organization should identify the best plan or practices from different organizations. For example In mobile phones, one companies phone have better battery timing, Second has good design, third one has good display screen, fourth one has light weighted and good result of camera.

Example

Food restaurant, which one is best restaurant in following things;

- Services
- Parking
- Variety of dishes
- Interior
- Cutlery

Measurement of own performance

Organization should measure the own performance and keep in mind one important thing that not find the only one organization for benchmarking.

Example

Airline company should measure:-

- Handling of luggage
- Comfort wise with other air lines

- Safety record
- Time lines: less time from one place to another.

Action to bridge the gap

Identify the gap where we are lacking, where our performance is low and how we can improve our performance.

Lecture no 40 COMMUNICATION

This lecture will not be include in final term exam

Communication

Transmission of information from one place, person or organization to another place, person or Organization

In other words

“Communication is the blood of the organization”.

Flow of communication

- **Upward communication:** flow of communication from bottom to top
- **Downward communication:** Flow of communication from top to bottom

Hierarchy of management

Top management

- Chief Executive
- Managing director
- Board of directors

Middle management

- Directors
- Senior managers

Lower management

- Officers
- Executives

Internal communication

Communication within the organization is called internal communication.

External communication

Communication with the outside bodies.

Process of communication

Sender

Sender is a person or organization that communicates.

Receiver

Receiver is a person or organization who receives the message.

Encoding

Conversion of message into understandable form. Sender is called encoder.

Decoding

Giving meanings to the message. Receiver is called decoder.

Verbal communication

Written or oral communication, the basis of communication is the interaction between people. Verbal communication is one way for people to communicate face-to-face.

Non-verbal communication

Sources of non-verbal communication is

- **Appearance**
Appearance of people and surroundings. E.g. if we receive any letter, appearance of the letter can show from where it comes.
- **Colors**
Colors also indicate the nonverbal communication. For example red light at signal means to stop the vehicles.
- **Sounds**
Sound is also non verbal communication. For example voice of machine in organization show that machine is running and work is in progress.
- **Smell**
Smell is also a source of non verbal communication. In industry if there is fire anywhere then we can judge by smell that something is burning and can take the appropriate action.
- **Touch**
Touch is also source of non verbal communication. We can judge different object by touching them. Blind people judge different things by touching.
- **Silence**
Silence is also a source of nonverbal communication. For example Organization hires the employee and gives specific dates for joining but the employee does not join till given date. This silence creates two meanings in the mind of that organization that either he/she is not interested in this job or not received our letter.
- **Body language**
Body language is also non verbal communication. For example gesture, posture etc. Biting the nail, sitting at the edge of chair shows discomfort

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Lecture no 41 NON-VERBAL COMMUNICATION

This lecture will not be include in final term exam

Communication channels

- Letter
- Telephone
- Fax
- A person who carries the message to another person

Flow of communication

The sender sends the message through a channel and the receiver receives this message.
There is communication between two parties.

Letter

Letter is written for communication outside the organization

Types of letter

➤ **Inquiry letter**

In this type, organization collects the information. For example, purchasing of furniture, about raw material, transportation cost from goods transporter.

➤ **Reply to the inquiry letter**

In this type, organization gives the information. For example, give the information to customer about product cost, Method of delivery etc.

➤

➤ **Order letter**

In this type, organization places the order for purchasing something.

➤ **Complaint letter**

In this type, organization complaint about the already purchased products or acquired services. For example quality problem of product etc

➤ **Adjustment letter**

In this type, organization sends the letter for adjustment of accounts.

Memorandum

Memorandum is written for communication inside the organization. Informal language is used in memorandum.

Information system

Gather the information & 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

Data

Data is raw figures and facts.

Information

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

This lecture will not be include in final term exam

New Options for Organizational Design: The Networked Enterprise

- **Leaner Organizations**—Networked firms can accomplish more work with fewer resources.
- **More Flexible Operations**—Electronic networks allow businesses to offer customers greater variety and faster delivery cycles.
 - 1. **Mass-customization**—Flexible production process that generates customized products in high volumes at low cost
- **Increased Collaboration**: Networked systems make it cheaper and easier to work together.
 - 1. **Networking and the Virtual Company**: Networked systems can also improve collaboration between organizations through the so-called virtual company
- **Greater Independence of Company and Workplace**: Employees no longer need to work only at the office or the factory, nor are all the company's operations performed at one location. Geographically separate processes can be tightly coordinated via networking.
- **Improved Management Processes**: Because instantaneous information is accessible in a convenient usable format, more upper managers use it routinely for planning, leading, directing, and controlling operations.

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

Organizations depend on quality information to make good decisions and help them accomplish their goals. To design and develop good information systems, companies hire a top-level manager known as a CIO. A Chief Information Officer (CIO) is a strategic-level manager who oversees the company's information systems.

Types & levels of Information Systems in any organization can be:

- Information system for top management.
- Information system for middle management.
- Information system for lower management.

Information system for Departments

MIS (management information systems) is the department controlling hardware and software systems used for business-critical decision-making within an enterprise. The CFO oversaw MIS, ensuring the developers and administrators delivered what accounting needed.

Considerations of Users for Information System

- Managers at Different Levels:

First-line managers need information on the day-to-day details of their departments or projects. Middle managers need summaries and analyses for setting intermediate and long-range goals for their departments or projects. And top managers need information on broader economic and business trends, and overall company performance.

- Functional Areas and Business Processes:

Each business area (e.g. marketing, finance) has its own information requirements, and each business process (e.g. strategic planning, product development) also has specific information needs.

- Management Information System (MIS)

A system which helps management in decision making MIS provides information regarding decision making of management.

➤ Decision Support System (DSS)

A system which supports the decision of the management is called Decision support system. Pool of information is gathered after various internal & external researchers and this system provides a proper form to make this information functional for decision making.

Executive Support System (ESS) OR Executive Decision System (EDS)

A system which provides information to executives for decision making is called **Executive Support System**. Since executives have to take decision at broader levels so this special system is designed for them to provide very valid, accurate & timely information for top level decisions.

Computer Network

Computers linked together for the purpose of information sharing are called computer network.

COMPONENTS OF INFORMATION SYSTEM

- I. Hardware
- II. Software
- III. Controls
- IV. Database
- V. People
- VI. Tele-communication

Hardware:

Physical components of a computer system

- Inputting
 - I. **Input Device:** Part of the computer system that enters data into it.
 - II. **Central Processing Unit (CPU):** Part of the computer system where data processing takes place.
- **Main Memory:** Part of the computer CPU housing memory of programs it needs to operate.
- Programs
 - I. **Program:** Set of instructions used by a computer to perform specified activities.
 - II. **Output Device:** Part of the computer system that presents results, either visually or in printed form.

Software:

Programs that instruct a computer in what to do

- I. **System program:** Software that tells the computer what resources to use and how to use them.
- II. **Application program:** Software (such as Word for Windows) that processes data according to a user's special needs
- III. **Graphical User Interface:** Software that provides a visual display to help users select applications.

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

It is a book in which all economic information is recorded category wise or heading wise.

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Lecture 43 ACCOUNTING

This lecture will not be included in final term exam

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.

Bookkeeping: Recording of accounting transactions. It is just one phase of accounting

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 (AIS)

Organized means by which financial information is identified, measured, recorded, and retained for use in accounting statements and management reports.

Types of Accounting

- **Financial Accounting:** Financial accounting is used by external users.
- **Managerial Accounting:** Managerial accounting is used by internal users.

AUDITING

Auditing typically refers to financial statement audits or an objective examination and evaluation of a company's financial statements usually performed by an external third party. Audits can be performed by internal parties and a government entity, such as the Internal Revenue Service (IRS).

Accounting versus Auditing

- Accounting is concerned with recording of accounting information.
- Auditing is concerned with examination of accounting information.

TYPES OF AUDITORS

There are two types of auditors:

- I. Internal Auditors
- II. External Auditors

Internal Auditors

An internal auditor (IA) is a trained professional tasked with providing independent and objective evaluations of company financial and operational business activities. They are employed to ensure that companies follow proper procedures and function efficiently.

What is external audit?

External auditors are independent staff assigned by an auditing firm to assess and evaluate financial statements of their clients or to perform other agreed upon evaluations. Most external auditors are. Employed by accounting firms for annual engagements. They are called upon from the out side of the company

USERS OF ACCOUNTING INFORMATION

➤ Business Managers & Management

Set goals, develop plans, set budgets, and evaluate future prospects.

➤ Employees and Unions

Get paid, plan for and receive benefits

➤ Investors and Creditors (Owners)

Estimate returns to stockholders, determine company's growth prospects, and determine creditworthiness before investing or lending

➤ Banks

They would be interested in company's financial conditions as they would like to know when their loans will be paid

➤ Tax Authorities (Banks)

Plan for tax inflows, determine tax liabilities, and ensure proper payment

➤ Government Regulatory Agencies

Fulfill their duties to citizens

Lecture 44 TOOLS OF THE ACCOUNTING TRADE

This lecture will not be included in final term exam

The Accounting Equation

Accountants use the following equation to balance the data in journals and ledgers:

Assets = Liabilities + Owners' Equity

ASSETS AND LIABILITIES

Asset—any economic resource expected to benefit a firm or an individual who owns it.

- I. **Tangible Asset:** It includes Cash, Building, Automobiles, Machinery & raw Materials.
- II. **Intangible Asset:** It includes copyrights & good will etc. Assets are always equal to liabilities of the firm.

Liability—debt owned by a firm to an outside organization or individual. These are all payables, claims or obligation of the firm. These can be payable to bank, to suppliers or to other institutions.

Liabilities are of two types:

- Liability towards owner
- Liability towards other parties

Owners' Equity

Amount of money that owners would receive if they sold all of a firm's assets and paid all of its liabilities.

It consists of two sources of capital:

- The amount the owners originally invested
- Profits earned by and reinvested in the company.

Double-Entry Accounting

To keep the accounting equation in balance, companies use a system developed by Fra Luca Pacioli, an Italian monk, in 1494.

Double-entry accounting is a way of recording financial transactions that requires two entries for every transaction, so that the accounting equation is always kept in balance

- a. Every transaction has two effects:
 1. Debit
 2. Credit
- b. For every debit, there is always a credit.
- c. For every credit, there is always a debit.
- d. Debit and credit are always equal.

FINANCIAL STATEMENTS

Any of several types of reports summarizing a company's financial status to aid in managerial decision making

Balance Sheet

A balance sheet is a financial statement that reports a company's assets, liabilities and shareholders' equity at a specific point in time, and provides a basis for computing rates of return and evaluating its capital structure.

A. A sheet which shows balances of assets and liabilities.

B. Balance sheet includes:

- a) Title
 - I. Name of company
 - II. Name of statement
 - III. Period

b) Asset side

c) Liabilities and owner's equity

Perfect Posters, Inc. 555 RIVERVIEW, CHICAGO, IL 60606 Perfect Posters, Inc. Balance Sheet As of December 31, 2004 Assets 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 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 Intangible assets: Patents 7,100 Trademarks 900 Total intangible assets 8,000 Total assets \$173,090		Liabilities and Owners' Equity Current liabilities: Accounts payable \$16,315 Wages payable 3,700 Taxes payable 1,920 Total current liabilities \$ 21,935 Long-term liabilities: Notes payable, 8% due 2006 . 10,000 Bonds payable, 9% due 2008 . 30,000 Total long-term liabilities ... 40,000 Total liabilities \$ 61,935 Owners' Equity: Common stock, \$5 par 40,000 Additional paid-in capital 15,000 Retained earnings 56,155 Total owners' equity \$ 111,155 Total liabilities and owners' equity .. \$173,090	
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Trial Balance

A trial balance is a bookkeeping worksheet in which the balances of all ledgers are compiled into debit and credit account column totals that are equal. The general purpose of producing a trial balance is to ensure the entries in a company's bookkeeping system are mathematically correct.

Key to preparing a trial balance is making sure that all the account balances are listed under the correct column. The appropriate columns are as follows:

Assets = Debit balance

Liabilities = Credit balance

Expenses = Debit Balance

Equity = Credit balance

Revenue = Credit balance

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.

Lecture 45 FINANCIAL MANAGEMENT

This lecture will not be include in final term exam

3) INCOME STATEMENT

It is a financial statement listing a firm's annual revenues and expenses so that a bottom line shows annual profit or loss. If the balance sheet is a "snapshot," the income statement is a movie."

- a. Cost of Goods Sold: Total cost of obtaining materials for making the products sold by a firm during the year.
- b. Gross Profit (or Gross Margin): Revenues obtained from goods sold minus cost of goods sold.
- c. Operating Expenses: Costs, other than the cost of goods sold, incurred in producing a good or service.
- d. Operating Income: Gross profit minus operating expenses.
- e. Net income Revenues: Funds that flow into a business from the sale of goods or services.
- f. (or net profit or net earnings)—gross profit minus operating expenses and income taxes

Example Corporation
Income Statement
Year ended December 31, 2020

Operating revenues	\$ xxxxx
Operating expenses	xxx
Operating income	xxx
Nonoperating revenues, expenses, gains, losses	x
Income before income tax expense	xxx
Income tax expense	x
Net income	\$ xx

See notes to the financial statements.

- Revenue is income.
- Profit is obtained after deducting expenses from revenue.

Trading Concern

An organization which buys goods for reselling is called trading concern. The difference between buying price & selling price is called revenue.

FINANCE IN AN ORGANIZATION

Thinking and considering for long term investments of the firm, Generating revenues to pay back these investments and to perform day to day activities of an organization is called finance.

The Role of the financial people in organization management

Corporate finance typically entails four responsibilities: determining a firm's long-term investments, obtaining funds to pay for those investments, conducting the firm's everyday financial activities, and helping to manage the risks the firm takes.

Responsibilities of the Financial Manager include planning and controlling the acquisition and dispersal of a firm's financial resources.

- I. **Cash-Flow Management:** Management of cash inflows and outflows to ensure adequate funds for purchases and the productive use of excess funds.
- II. **Financial Control:** Process of checking actual performance against plans to ensure that desired financial results occur.
- III. **Financial Planning:** A financial plan shows the funds a firm will need for a period of time, as well as the sources and uses of those funds. A strategy for reaching some

future financial position.

- IV. **Dealing with Banks:** Deal with almost every bank for debiting & crediting the funds, Manage foreign trade & short term loans.

Ratio Analysis

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

Haroon Baloshi