**The Business Environment**

* PEST analysis – Political, economic, social, technological (newspapers)
* Porters 5 forces – Buyer/supplier power, threat of new entrants/substitutes, rivalry

**Creating a Business**

**Innovation and Entrepreneurship** – (subway, self-driving car, Google tv)

* Innovator explores the unknown – markets, technologies, business models
	+ Druckers 7 sources of innovation
		- Unexpected occurrences
		- Incongruities between industry assumptions and realities
		- Process Needs- fixes a problem
		- Industry and market changes
		- Demographic changes
		- Changes in perception
		- New knowledge
* Entrepreneur seizes the opportunity to create something of value
	+ Creative destruction – replaces the old technology (eg blockbuster 🡪 Netflix)
	+ Radical change – complete redesign (eg telegram 🡪 landline phone 🡪 mobile)
	+ Incremental change – small improvements (eg iPhone 4 🡪 4S)

**Business Models** –(Nepressso, Netflix)

* Value creation, customers prefer the products of this firm, value to customer
* Value capturing, customers willingness to pay, value to the firm
1. Customer segments – all the people you are creating value for, users/customers
2. Value propositions – products and services that create value for customers
3. Channels – how are you are interacting with customers and delivering value
4. Customer relationships –self explained
5. Revenue streams – how and through which pricing mechanisms business model is capturing value
6. Key resources – shows which assets are most important to create, deliver and capture value
7. Key activities – show which things you need to be able to perform well
8. Key partnerships – who can help you leverage your business model as you can’t do it all yourself
9. Cost structure – Low cost, high quality etc

Sustainable development – Cadbury

* Is development that meets the needs of the present without compromising the needs of future generations to meet their own needs
1. Reduce our dependence on fossil fuels and heavy metals – coal, oil, gas
2. Reduce our dependence on synthetic chemicals that persist in nature
3. Reduce our destruction of forests
4. Meet human needs fairly and efficiently

**Meeting the Market**

**Markets** – McDonalds

Consumer market – Businesses selling to individuals for their use, purchases with emotion and wants

Organisation market – Businesses selling to businesses, less impulse buying, rational and needs

Motivation is what effects our involvement

* Low involvement: Needs recognition (they run out) 🡪 Purchase
* High involvement : Information search, evaluation of alternatives 🡪 Purchase

Marketing Myopia

* Businesses adopting a short-sighted, restrictive approach to their marketing.
* They view the industry narrower than what it is
* Leads to missing out on opportunities or the other half of the industry taking over

Four Eras of marketing history

* Production: A good product will sell itself
* Sales: Creative advertising and selling will overcome consumers resistance and make them buy
* Marketing: The consumer rules! Find a need and fill it
* Relationship: Long term relationships with customers and other partners lead to success

**Marketing Strategy – Segmentation, Targeting and Positioning –** McCain Potatoes, Air NZ

Segmenting – Anchor Milk

* Marketers cannot expect to satisfy everyone’s wants and needs with one product, so we need to determine our target markets of groups of people
* Demographics (age, gender etc), Psychographics (interests, lifestyles, values etc), Geographics

Targeting

* Is choosing which products are targeted at which segment

Positioning – Coke zero/diet coke

* Putting that product in the front of the customers mind – on their shopping list
* By creating a competitive advantage – service, cost, faster, easier, quality etc

**The Marketing Mix – Product, Price, Place, Promotion**

Product – Samsung Smart watch, iPhone, Diamonds

* Core product – is what the basic product is
* Actual product – more functions and features such as design or quality
* Augmented – additional features such as accessories and service after sale

Price – Air NZ

* Must succeed in delivering value but must also make a profit
* Value is what you get for what you pay
* Different channel pricing for different segments. Skim, high price. Penetration, low price.

Place – Warehouse, Reduced to clear, Dairy

* Also called channel of distribution where products and services are sold
* Can be physical (shop) or online (TradeMe)

Promotion – Smith and Caugheys, Warehouse, XT, V jetpack

* Integrating the 4P’s to communicate a brands image (product), its position(placement) and the offer (price)
* Customer communication – word of mouth
* Say-do triangle
	+ What we say – Planned messages (advertising)
	+ What we do – Customers experiences (via products and services)
	+ What others say and do – Unplanned messages (reviews, blogs)
	+ “A brand is no longer what we tell consumers it is. It’s what consumers tell each other it is”
* Public relations, crisis management, engagement and talk ability

**Relationships with customers – Co-Creation of Value and Customer Lifetime Value**

Co-Creation of value – YouTube, Amazon, Gaming sites, Facebook

* Turn customers from passive to active, an audience to active players, recipients of value to creators of value by work alongside customers to create value based upon their needs.
* Listening on social media or forums, co-design – Nike

Customer Lifetime value – Fourth era of marketing

* The value of all cash flows created by the relationships by the relationship with the customers
* Emphasis on long term relationships rather than on short term sales – cheaper
* Time – The length of the relationship with the customer
	+ Deliver value to the customer, Good customer service, Loyalty programmes / Fly Buys
* Frequency – Number of times during a period that a customer purchases from a firm
	+ Extra purchase – buy one get one free, loyalty cards
* Share of wallet – The proportion of the customer’s spending that goes to the firm
	+ Bundling – combos, upselling, cross-selling

**Managing People and Processes**

**Managing and Motivating**

Things managers need to do

* Managing expectations, keeping employees happy, letting go, delegating responsibility, trusting, balance between friendship and professional relationship, positive attitude for employees, motivating employees, relating to people, juggling time, getting to know and understand people,
* Manage people, motivating, leading and helping others perform at their best
* Need Technical skills, Conceptual skills, Interpersonal skills, Decision-making skills

**Managing Systems and Operations**

* Transferring inputs (materials/labour/information) into outputs (goods and services)

Outsourcing can be good and bad:

* PROS – Lower costs / prices, better support for international customers
* CONS – Product safety issues, reduced jobs domestically

Quality control – Measure quality against established standards after the product has been manufactured

Quality assurance – Comprehensive policies across the company to ensure quality is consistent

* Quality control is important, but quality assurance is vital.

**Motivation Theories** – negative reinforcement, punishment, positive reinforcement

Theory X and Y

* X is that staff are lazy so managers use fear of losing jobs and promotions to motivate (extrinsic)
* Y is that staff are committed so they use intrinsic rewards (self-satisfaction/growth)

Herzberg’s Two factors

* Motivators influence satisfaction – Achievement/Recognition/Responsibility
* Hygiene factors influence dissatisfaction – Working conditions/Pay/Security/Managers

McClelland’s Three needs

* need for power – having and using control over others
* need for affiliation – being accepted by others and having social interactions with others
* need for achievement – accomplishing goals that are personally meaningful

Maslows Hierarchy of needs

* Physiological – basic needs, eg. salary
* Safety – health insurance, pension planning
* Social – sense of belonging, eg. friends at work :)
* Esteem – job title, recognition
* Self-actualisation – fulfilling potential, eg. leadership roles

Expectancy theory – Motivational force

* Expectancy – Effort leads to performance
* Instrumentality – confidence that your boss will notice you
* Valance – That the awards will appeal to you

Equity

* If senior management are getting paid unfairly more, then employees lower down the hierarchy will sense the lack of equity, which can demotivate them.

**Human Resource Management**

Trends in the workforce

* Growing workforce diversity (Age, Gender, Race, Religion, Ability)
* The ageing workforce
* The international division of labour
* Declining unionism

Mary Parker Follett

* Conflict is good and should be embraced – to resolve conflict, neither side should compromise, and finding alternatives which meet both their needs.
* Constructive conflict, power, giving of orders, authority, leadership, co-ordination, control

Three stages of human resource management

* Recruit – hiring new employees
* Reward – motivates employees
* Retain – managing employees in a way that makes them want to stay

Unions and bargaining – JB Hi-Fi

* Unions aim to protect and advance the interests of workers
* Unions rely on strength in numbers to engage in collective bargaining procedures with employers
* When negotiations break down unions uses strikes, boycotts, or negative publicity