NATIONAL QUALIFICATIONS CURRICULUM SUPPORT

Business Management

Business Decision Areas I: Marketing *and* Operations

Revised Student Notes

[INTERMEDIATE 2]

Learning +Teaching Scotland

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The Revised Student Activities that accompany these Revised Student Notes are available separately.

Contents

Introduction

This pack contains student notes to support the learning and teaching process for part of Business Management (Int 2). It covers material from Outcomes 1 and 2 of the Business Decision Areas: Marketing and Operations (Int 2) unit of the course and relates to the following areas of the course content:

- **Marketing**
  The marketing concept
  The marketing mix
  Market research

- **Operations**
  Operations management
  Elements in the operations function
  Types of operation
  Quality

About this pack

The pack consists of student notes which are intended as a 'core text' for students and provide the basic material for Business Management at Intermediate 2. Students who have assimilated this material should have the requisite knowledge to enable them to achieve a satisfactory level of performance in this area of the course. However, depending on the capabilities of a particular group, teachers and lecturers may wish to provide additional material to help students achieve as high a grade of pass as possible.

In general, the student notes have been organised in a way that matches the order of the course content as set out in the Arrangements for Business Management (Int 2). This coincides with other material for the course such as the Course Planner and the Student Activities for Intermediate 2.

Using this pack

The student notes can be used in a number of ways, depending on teacher/lecturer preference. They can be given out as handouts which students may read in class or as homework. This may be at the beginning of a topic or to consolidate learning once a topic has been completed. The notes are complementary to the Student Activities for Business Management at Intermediate 2 and could be used in conjunction with them.

This pack is designed to stand alone but it is also complementary to the student notes at Higher level. In this case, the relevant sections are Business Decision Areas (H): Marketing and Business Decision Areas (H): Operations. As far as possible, given the differences in the course content between the two levels, the format of this pack matches the layout of the pack at Higher level. This should help teachers and lecturers who are required to deal with a bi-level group, and students who move from one level to another.

In using the pack, students should be encouraged to relate the material to any experience they may have of business and to developments in the local and national business environment. This can help to illustrate and exemplify the material in the student notes as well as helping to keep it current and up to date.

Section 1: Marketing

The marketing concept

What is a market?

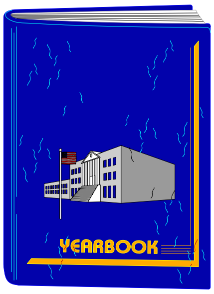
A market can be defined as a meeting place for buyers (consumers) and sellers. A market involves the sale of goods to customers by any means – e.g. in a shop, over the telephone, by post, on the internet.

What is marketing?

Marketing is a management process which involves finding out what consumers want and satisfying consumer requirements profitably. This is done by:

- carrying out research to find out what products customers want
- researching and developing products for the market
- deciding on suitable packaging for the products
- deciding where to sell the products
- setting a suitable price for the products so that a profit is made and
- advertising, promoting and selling the products.

Why is marketing important?



Marketing is important because it ensures that organisations produce what people want and it makes people aware of the products available. If organisations make products or provide services that people want, they will achieve their objectives – for example, to make a profit. Marketing also helps organisations to introduce new products. Marketing is important to non-profit making organisations as well as profit making organisations. Schools, hospitals and charities use marketing to become more effective in making sure that their customers – namely pupils and parents, patients and relatives and people receiving aid from charities – get what they want.

Market share and market growth

Most businesses start as small ones. A common objective for businesses is growth. ***Market growth*** can be achieved by obtaining a larger market share, even if this means making a small loss for a short period of time. A firm's ***market share*** is its percentage of all the sales in the market. ***Market growth*** is more difficult in an established market where there is a great deal of competition than in a market which is growing, offering more potential for products to develop.

Objectives of marketing

Marketing is linked to the overall objectives of the organisation and its aims will therefore reflect these. Charities will wish to increase income whereas private sector companies will wish to increase profitability, and non-profit making organisations like public sector schools or hospitals will wish to offer the best possible service with the available resources.

The objectives of marketing are to:

- target new markets or market segments i.e. new groups of people who are likely to buy the product
- increase income and revenue or profitability
- increase or maintain the market share
- improve the image of products or the organisation
- improve existing products or develop new products

Market-led organisations

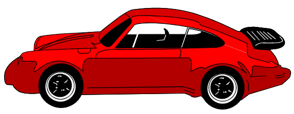
Market- or customer-led organisations focus on the consumer and what they want. The organisation changes its product to respond quickly to changes in the market. Organisations conduct market research to find out what customers want and can therefore anticipate market changes. They realise that their success depends on meeting the needs of the customer and are in a strong position to challenge any competition. This is a common type of business today, as there is a great deal of competition and increasing consumer awareness of available products. It is crucial to meet the changing demands from consumers.

Product-led organisations

Product led organisations assume that their product or service is the best on offer and that there is little or no competition for the product or service. It may be that the product is unique, and therefore does not have any competition. When advertising, the organisation will emphasise how good the product is rather than how it meets the wishes of the consumers. Many publicly funded organizations – like universities – tend to focus on their product and advertise what they can provide, rather than concentrating on what consumers want. This is an outdated philosophy in today's competitive market.

The consumer

What influences people to purchase one product instead of another, similar product – for example, why do some people buy a Porsche, a Mini or a Vauxhall? The factors influencing decisions are:



- age
- gender
- disposable income – how much the consumer has available to spend
- marital status
- taste/fashion
- social class – particular jobs tend to have certain life-styles attached. By dividing the market by job classification, appropriate products and services can be targeted towards particular groups.

Socio-economic group	Social 'class'	Most likely types of occupation	Examples
A	upper or upper middle	managerial/professional	surgeon/director/lawyers
B	middle	intermediate managerial/ professional	bank manager/ teachers/nurses
C1	lower middle	supervisory/clerical	bank clerk/shop assistants
C2	skilled working	skilled manual	joiner/cooks
D	working	semi skilled	driver/fitters
E	poorest in society	low paid	casual worker/state pensioner/long-term unemployed

This classification was updated in 1998 to reflect more accurately employment conditions such as job security and career prospects. The government table below differs from the ABC classification used by market researchers, which concentrates on income differentials.

Socio-economic group	**Description**	**Examples**
1	Higher managerial and professional occupations 1.1 employers and managers in large organisations 1.2 higher professionals	 1.1 Company director; corporate manager 1.2 Doctor, lawyer
2	Lower managerial and professional occupations	Nurse, journalist, police
3	Intermediate occupations	Clerk, secretary, computer operator
4	Small employers and own account workers	Farmer, taxi driver, window cleaner
5	Lower supervisory, craft and related occupations	Plumber, TV engineer, train driver
6	Semi routine occupations	Shop assistant, traffic warden, bus driver
7	Routine occupations	Waiter, road sweeper, cleaner
8	Never worked/long term unemployed	

The marketing mix

For marketing to be successful, an organisation has to combine a successful mix of the right product, sold at the right price, in the right place, using the most suitable promotion. The elements of marketing used by organisations are known as the 4 Ps:

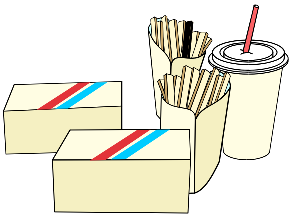
- **Product**
- **Price**
- **Place**
- **Promotion**

The Marketing Department must ensure that these four tools are used together in the correct way to obtain the best marketing mix. All four aspects are important to ensure that the product appeals to the customers.

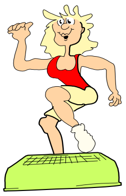
Product

The ***product*** must meet the needs of the customer and benefit the customer. The product may be goods or a service. Different versions of the same basic product may be offered by competing firms and can vary greatly in terms of quality, style, packaging and so on – for example, cola.

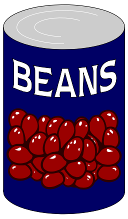
Branding
A brand is a product or a range of products with a unique and easily recognisable character. For example we all recognise Heinz, Cadbury, Virgin or Coca-Cola, not only by the logo, but also by the packaging, taste, advertising and other features. The aim of the manufacturer is to market the product, so that it is instantly recognisable to the consumer, and appears to be better than other, similar products.



Brand Loyalty
Some customers are loyal to a particular product, and the company tries to ensure that these customers believe that this product is better than any other similar product on the market. The product is also often sold in places that reinforce the brand image – for example, sports drinks in leisure centres.

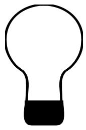


Own brand



Many large retailers – for example, Tesco, Sainsbury and Boots – sell a wide range of branded goods under their own name or own brand names. These retailers have managed to claim more than 20 per cent of all retail sales. This challenge to the known brand names by own brands has been successful as the products are of a similar quality, with similar packaging but are much cheaper than branded goods.

Generic goods



Very little marketing is carried out by companies who sell generic goods as they are seen by consumers to have no differences between them – for example, light bulbs or matches.

Packaging

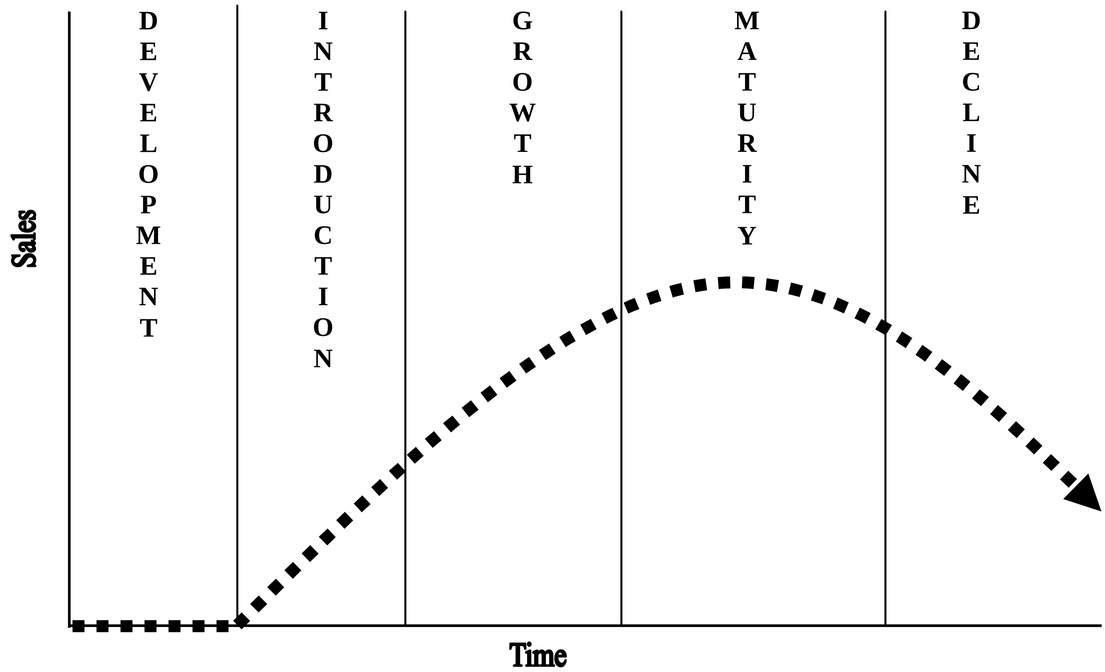
Packaging provides:

- protection during transport
- customer appeal
- easy access to the product.

In addition, packaging will also have legally required information printed on it such as ingredients, weight, etc. This is a requirement under laws such as the Trade Descriptions Act and the European Union rules on food additives.

The product life-cycle

The product life-cycle shows the different stages a product will pass through and the level of sales that can be expected at each stage. The product is researched and tested during the *development* stage – there are no sales but costs of development may be high. The *introductory* phase is when customers are first becoming aware of the product. The *growth* phase is when sales are rising quickly as more customers become aware of the product. The *maturity* stage is when the product is fully established. When competitors join the market, sales may fall and the product may enter the *decline* stage. People may turn to other products because of a variety of different reasons – for example, taste, fashion or technological superiority. Some products will be forced out of the market at this stage. All products go through this cycle, and some may only spend a relatively short time in the marketplace before entering the decline phase and being withdrawn – for example, the latest fashion items. On the other hand, other products last much longer and may not yet have entered the decline stage – for example, Mars bars.



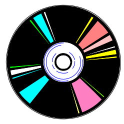
New marketing strategies – for example, new packaging or an advertising campaign – can extend the growth period of a product or even halt the decline of a product by making it more appealing, or by targeting a new sector of the market.

A firm which is a market leader has a dominant position in the market place. Profits for a product which is a market leader can be very high in its maturity stage, because the initial development and launch costs will have been recovered by the time the product life-cycle reaches maturity stage. A product with a strong market position will still be able to charge high prices, which will generate high profits.

Price

The price is what the consumer has to pay in order to obtain the product. The product must be priced so that an organisation covers its costs and can make a profit. If the product has too high a price the customer will not buy it, particularly if a competitor has a similar more reasonably priced product on the market.

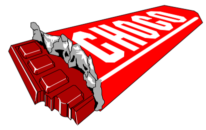
The simplest way of determining price is ***cost-plus pricing***. The firm calculates the cost of producing the product and adds on a percentage to that price to arrive at the selling price.



Some companies practice ***competitive pricing***. This is when rival companies charge similar prices for similar products – for example, petrol, CDs and videos.

Firms often charge high prices for new products. Some consumers are prepared to pay this price in order to have the product first – for example, video games. This is known as ***price skimming***.

When a firm wishes to bring in a new product into a competitive market, it will often introduce it at a low price in order to break into or penetrate the market – for example, new chocolate bars or new brand of coffee. ***Penetration pricing*** attracts a large number of customers, and once market penetration has been achieved, prices can be increased.



Place

The way in which the product is distributed – i.e. where it is sold and how it gets there – is important to the success of the product. The choice of where a product will be sold will depend on the type of product or service being sold. The product may be sold through retailers who buy small quantities and sell to the public, through wholesalers who buy in large quantities and sell to retailers, direct to the customer through the sales force or by direct mailing from the factory.

Possible routes taken by a product as it passes from the producer to the consumer (***channels of distribution***) are as follows:

Producer → Consumer

Producer → Retailer → Consumer

Producer → Wholesaler → Retailer → Consumer

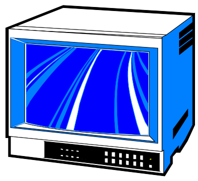
Promotion

Promotion is the way in which the organization makes the consumer aware of the features and benefits of the product. An organisation promotes its products or services to gain new customers or retain existing ones.

The aims of promotion are to:

- persuade customers to buy the product
- inform customers about the product
- to remind consumers that an established product still exists.

The two main types of promotion are:



- **below the line** – which is directly controlled by the business – e.g. direct mail, personal selling, trade fairs. It allows businesses to target the consumer they hope will be interested in their product more directly.
- **above the line** – which makes use of independent media such as television, radio and newspapers to allow businesses to reach a large audience. This, however, targets everyone – even those who are not interested in the product.

Advertising and promotion of products is necessary to ensure customers are aware of its existence, its qualities, price, features and benefits over other products. Promotion is particularly important for new products. It is important to know which sector of the market to target products at. Businesses have to identify their market segment so that promotions will reach them.

There are many ways products and services can be promoted. The choice will depend on:

- cost
- audience to be reached
- advertising used by competitors.

Possible forms or advertising are:

- radio/television
- magazine advertising
- sponsored events
- network of shops/outlets
- word of mouth
- packaging
- internet
- sales people
- direct mail
- posters
- newspapers
- cinema.

Shops may also hold sales to encourage customers to buy what they would not have purchased at the full price. Sales can encourage customers who would not normally go to the shop to venture in, and possibly make an impulsive purchase.

What is market research?

Market research provides managers with information about what customers want and need and what will influence them to buy a product.

Market research is used to find out:

- consumer wants regarding existing products
- what makes consumers buy a firm’s products
- consumer reaction to new products
- consumer wants to help in the development of new products
- information about the company’s competitors.

Importance of market research

Market research:

- indicates the size of the market and potential growth of the market
- provides information about where the best place would be for selling the product
- provides information which can help firms develop marketing plans by finding out what people want because, otherwise, they would not sell their product and would lose out to the competition
- help firms find out why some products are more successful than others, and how to make their product more successful
- help firms avoid costly mistakes – for example, making products that people don’t wish to buy
- gives firms ideas about how to promote or advertise their products
- takes some of the risk out of launching new products or redesigning products as firms are making decisions based on information that they collect and can rely on
- allows firms to decide on the target market – i.e. the particular segment of consumers a firm wishes to sell to.

Methods of market research

There are two basic types of market research:

- desk research
- field research.

Desk research

This involves the use of secondary data – i.e. information from a previously published source. There is a range of secondary data which is available from within the organisation and from outwith the organisation:

- internal information – for example, sales records, financial information
- external information – for example, newspapers such as *The Financial Times*, government statistics, trade magazines, journals, online databases

The advantages that desk research has over field research are as follows:

- it already exists, therefore it is relatively inexpensive to obtain and use
- it is quick to obtain, as the information is readily available.

However:

- data may be out of date
- the information may also be available to competitors
- the information may contain bias.

Field research

This involves the use of primary information – i.e. new information which can be found out using:

- surveys/questionnaires – questions specially designed for the task, which can be completed by holding an interview either face-to-face, over the telephone or by post. The size of the sample, or group of people selected to be representative of the target market chosen, will depend on the budget available for the research. However, the sample should be large enough to give a reasonably accurate response.
- test marketing – marketing the product to a small part of the total market – for example, one particular area of the country – to see if it is suitable for wider release
- consumer panels – where a selected group of people are given a product and asked to comment in detail

- sampling – a sample of the population is selected to try and give a representative view on a product. If the chosen sample is not representative, then the findings are likely to be invalid.

The advantages that field research has over desk research are as follows:

- it is more reliable as it has been gathered first hand and the source can be verified
- it is more likely to meet the needs of the organization.

However,

- it is more expensive to use as the data has to be collected and processed
- it takes time to gather the information.

When deciding on the most suitable method of research the following must be considered:

- cost
- time available
- alternatives.

Importance of marketing

Marketing is important to all types of organizations. It helps them to meet customers needs and also makes customers aware of what products are available. However, it may be carried out differently, depending on the product or service and the type of organisation.

For marketing to be successful for an organisation, it must combine a successful mix of:

- the right product
- sold at the right price
- in the right place
- using the most suitable promotion.

Type of organisation	Reasons and method of marketing
charities	• advertising and promotion encourages people to donate money. • charities tend to concentrate on letting people know what they have done, in the hope that this will encourage them to think that the charity is worth giving money to. • some charities do not target a particular market, but try to get donations from all sections of the community and target its marketing accordingly. Other charities like Greenpeace and Amnesty International target particular types of donor, as do local charities raising money for local markets – for example, kidney machines for the local hospital.
publicly funded organisations offering a service – e.g. schools/hospitals	• these organisations will produce documentation to attract customers by showing that they are offering a reliable, high quality service compared to other, similar organisations. As their customers do not always have the choice to go elsewhere for the service in the same way as customers in a shop, they tend to focus more on the product/service provided. • the organisation will only be viable if the customers continue to use the service on offer. • there is not be such a large amount of money invested in marketing as these organisations are not profit-making and do not tend to have a budget for marketing. • marketing may be in the form of prospectuses or positive publicity through local newspapers – for example, exam league tables.

privately funded companies offering a service – e.g. restaurant/bank/ insurance company	• marketing helps the company to provide what people want, and make customers aware of new products or services on offer. • marketing may be carried out differently as the company is providing a service, and these products often cannot be easily illustrated – for example, bank services. • sales personnel may need some specialised training. • if the company is a chain or a franchise, it may benefit from national advertising, but local businesses will market themselves on a much smaller scale. • marketing is important to maintain or increase the market share available to the business.
privately funded companies offering a product – e.g. food company, motor cycle company	• these companies are dependent on customers buying their products to make a profit. • without marketing, consumers will not be aware of the products or companies and may buy competitors' products. • privately owned companies usually have a large budget for marketing and often have a marketing department.

Glossary of terms

Some of the terms which are in the notes are explained a little more fully below. There are also some terms which have appeared in other units but which are also relevant to marketing included in the glossary.

Term	Meaning
competition	where other firms attempt to take some of the market share for themselves.
consumer goods	inexpensive goods that are purchased frequently.
demand	amount of a product which is wanted by the customer.
distribution	the way in which goods get to the customer.
franchising	the right to market and sell a particular brand or goods or services.
generic goods	goods which are all the same as each other.
globalisation	moving a business into the whole-world marketplace.
image	general idea which the public has of a product or of a company.
launch	to put a new product on the market, usually advertising or promoting it in some way.
logo	distinguishing lettering or markings which make one product different from any other.
market growth	the rate at which a market as a whole, consumers and suppliers, is increasing – e.g. by 5 per cent per year.
market share	the proportion of total sales in a market taken by one product, or the products of one organization.
profit	the amount of revenue left after all costs have been covered.
profitability	the ability to make a profit or the amount of profit made as a percentage of costs.

promoting products	encouraging consumers to buy the goods.
public companies	companies funded by the government.
revenue	the value of the sales of a business.

Section 2: Operations

Operations Management

Role and importance of operations in organisations

Operations is the name given to the process of transforming inputs into finished goods.

An organisation’s product is the goods or service it supplies to customers. The goods and services must meet the needs of the customers. To fulfil these needs the producer must use market research to find out what the customer wants.

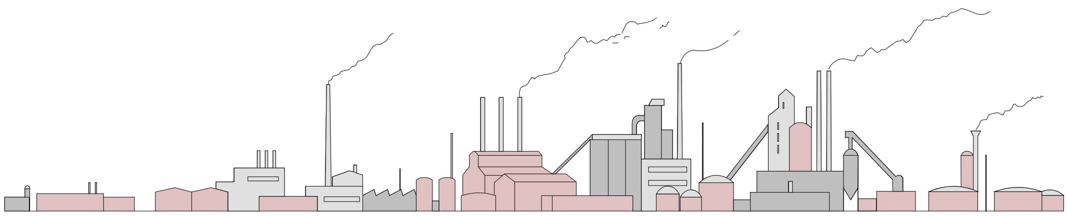
Depending on the type of organization, there will be a different mix of labour and machinery used in operations. This is called a production system. There are three main types of production system:

- capital intensive – where mainly machines are used
- labour intensive – where mainly people are used
- automation – where operations are controlled by a computer.

Organisation of raw materials, labour and machines is essential to guarantee a successful product which is produced efficiently. The method of organising the resources to achieve the desired outcome is known as an ***operating system***.

Operating systems have three stages:

INPUT	⇨	**PROCESS**	⇨	**OUTPUT**
Raw materials + Labour		Using different amounts of different resources in order to produce a different end product		The actual goods or services for sale



Interaction with other departments

The Operations Department is dependent on other departments in the organisation if it is to run smoothly. The following departments will assist with:

Marketing Department 	• the correct types of packaging to appeal to customers • where to distribute products • research and development of products.
Finance Department 	• which suppliers to use • efficient warehousing • methods of payment to be used for employees • departmental budgeting.
Human Resources Department 	• recruiting staff • training or organising training for staff • disputes/grievances involving staff.

Elements of the operations function

The work of the Operations Department in a business consists of a number of different elements. These are:

- purchasing
- system design
- system operation.

Purchasing

The purchasing element of the operations function is about buying the materials and other resources used in the production process. The operations department must buy the correct quantities of materials and other resources at the correct time. Materials and other resources must be there so that production can take place. Purchasing is also known as materials management.

An important part of purchasing is picking a suitable supplier to buy materials from. When choosing a supplier, the operations department must make sure that the supplier:

- is reliable
- can deliver the correct quantity
- can deliver on time.

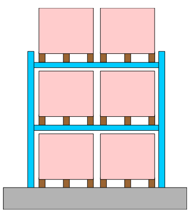
The Finance Department will work with the Operations Department to make sure that they are buying at the best price and getting the best terms – such as discounts. Often the firm will buy in bulk to get better discounts as it is important to get good value for money.

System design

The Operations Department must decide on the best operating system. This involves working out a suitable factory layout. It also means deciding on the flow of work and the distribution of finished goods. The Operations Department must decide on the labour requirements needed for efficient production. Management must decide which combination of machinery and people will be best for the business. They will have to decide whether investment in machinery, rather than humans, is the best investment for the business in the long run.

Some companies employ very few people but have high output levels, as they are automated and use the latest computer controlled equipment. These firms often produce items which are the same or very similar, and are known as capital intensive firms. Other companies use humans rather than machinery to produce goods – particularly where a single product or a few of the same types of product are being produced. This is known as the labour intensive system.

System operation



The Operations Department must control the flow of stocks to ensure that the correct quantity is available at all times to keep production going.

Stock

Stocks of materials must be held – either raw materials, work-in-progress or finished goods waiting to be sent to customers. The control of these stock levels is essential to ensure resources are not wasted.

The Operations Department must ensure that the correct levels of stock are held to use resources efficiently, balancing the needs of the production department with the costs of holding stock in storerooms or warehouses.

Stock levels

Stock can be recorded manually on cards, known as bin cards. It can also be recorded electronically using a database or spreadsheet. In this case, changes in stock are recorded as they take place, giving a running balance total. At any point in time this should be accurate, reducing the need for stock takes. Ordering can be linked to this system to allow automatic re-ordering when the re-order level is reached.

Stock levels can be checked by a physical stock check annually to provide figures for accounting purposes. If a running balance is kept then spot stock checks can be made on certain items so that theft can be monitored and stopped.

Economic (Maximum) Stock Level

This is the stock level that permits activities to continue without interruption but incurs the minimum cost for the company.

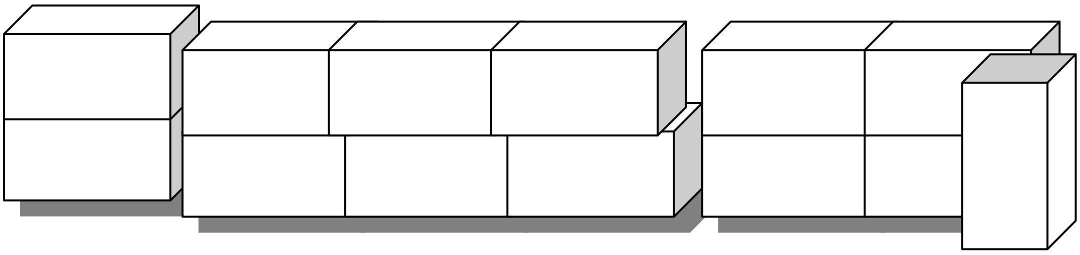
Minimum Stock Level

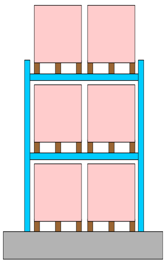
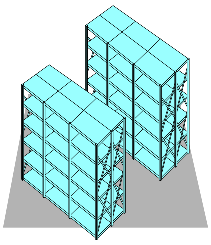
This is the stock level that ensures that there will always be stocks available for production, allowing for ordering and delivery times.

Re-order Level

This is the level at which new stock should be ordered. Usually worked out on the amount used per day plus the ***lead time*** (delivery time for new stock).

Re-order Quantity
This is the amount of stock required to return stock levels to economic stock level on the same day that new stocks arrive. Normally the re-order quantity is automatically ordered as soon as the re-order level is reached.



problems related to **overstocking** 	• costs related to the storage – insurance, heating and lighting, wages of warehousemen, space taken in storage • a great deal of cash is tied up as stock is a very expensive item • stock could perish, deteriorate or become obsolete depending on the type of stock and how long it is held for.
problems related to **understocking** 	• the business may not be able to cope with an unexpected order if stocks are low. This may upset customers who may take their business somewhere else. • if there are not enough stocks, production may have to be stopped – machinery will be idle and sales may be lost • the firm may have to place orders more often – this causes high administration costs and the firm may lose out on discounts for bulk buying.

Storage of stock
Stock is an expensive item which should be stored properly to avoid deterioration. Usually, the oldest stock is used first.

Stock can be stored centrally, in one location, or departmentally, where each department holds their own stock of supplies.

Stock should be stored in a room which is:

- dry
- well lit
- well ventilated
- locked.

Items of stock should be:

- clearly labelled
- stored with oldest stock to the front.

There should be a catalogue of products available from the stock room and these should be ordered on a Stock Requisition Form from the warehouse. The form should be countersigned by an authorised person – for example, a head of department or supervisor.

Just-in-time production
This is a method of stock control which involves getting stocks to arrive just before they are needed in the production process. This can improve cash flow as large amounts of money are not tied up in stock. It reduces waste as stock does not deteriorate and cuts down on warehousing costs. However, JIT requires very reliable suppliers. There is also the possibility that the firm may not be able to get supplies to cope with an unexpected increase in demand. Because of thus, it could let customers down and lose its good reputation.

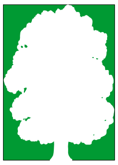
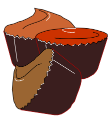
Computerised stock control
Where computers are used in stock control, new stock can be ordered automatically. When the stock level reaches the re-order level, an order for more of that product is automatically produced and then sent to the supplier.

Retailers use a computerised system called Electronic Point Of Sale (or EPOS). Purchases are scanned at the checkouts so that a running balance of how many goods are left in stock can be calculated. When the re-order level is reached, new stock is ordered automatically. The EPOS system also means that a manual stock count by staff is no longer necessary, although spot checks will locate stock shortages which reduces theft of stock as management can act on this quickly.

An EPOS system can help management make decisions regarding which products should be discontinued.

Types of operations

There are many different ways companies can go about producing goods for their customers, the most frequently found methods used in business are:

flow production 	Continuous process with production flowing from one operation to the next. Each stage adds to the production. This type of production often uses a production line for mass production of goods to the same specification. Examples: • Cars • Paper In flow production there is continuous output of products, all of which are much the same. The large scale production means that the organisation can benefit from economies of scale – e.g. they can buy in bulk and obtain discounts so that cost of production per unit falls as output increases.
batch production 	In this case, a number of products or batches of similar products are made. The products are similar but different ingredients may be used for different products. Examples: • Chocolate – e.g. dairy milk, fruit and nut, wholenut • Tins soup – e.g. tomato, chicken, scotch broth The products in each batch are the same, but products may vary from batch to batch. Work can be divided into different operations where each stage is completed before moving on. If batches are small then unit costs can be high as production has to halted and changed frequently.

job production 	This is where a company produces a single product or small number of products to specific requirements. It may be a one-off job to suit a customer's particular requirements. Examples: • a designer bridal outfit • a designer kitchen The emphasis with job production is on individuality, with a unique product or service designed and produced to individual taste. This type of production is frequently found in smaller businesses. It can motivate workers, as they feel involved in the final product. However, labour costs in skills and time tend to be high.

Quality

Today's highly competitive markets mean that quality products are extremely important to a firm.

To ensure that customers keep coming back, businesses must deliver products to customers which satisfy their needs and give good value for money. Businesses must keep customers happy and ensure that there are no customer complaints.

Quality means ensuring that actual products and services meet customer requirements. All businesses have to set standards of quality for each product or service they make. They also have to make sure that they meet these standards. Businesses use several method to check that their goods and services meet quality standards.

Quality control

Monitoring the standard of production to make sure products meet customer specifications. This usually happens once the product is finished.

Quality circles

Groups of workers involved in discussions to solve production problems.

Total Quality Management

This method has quality control at each stage of production. It involves continuous inspection of the production process. In this way, poor quality can be prevented before final production. The source of any problems can also be traced. Organisations which use this method make quality an important aim of every department and worker. People must work as a team for TQM to operate effectively.

Benchmarking

Bench marking uses a standard set by an established quality leader to discover the best methods of production. This best method then becomes the quality standard which the organisation can follow.

Quality assurance

This method is based on prevention of errors. It aims to create a situation in the production process where 'right first time, every time' becomes a real possibility. To achieve this quality is checked at every stage of the manufacturing process.

Glossary

Some of the terms which are in the notes are explained a little more fully below. There are also some terms which have appeared in other units but which are also relevant to perorations included in the glossary.

Term	Meaning
automation	a production system in which operations are controlled by computer.
capital intensive	this is where a high percentage of machines – as opposed to people – are used in production.
division of labour	this involves breaking down the work of an organisation into a series of tasks which allows specialisation of workers.
economies of scale	these are the benefits a business gains from growing larger.
inventory	a list of items of stock held in the organisation.
kitemark	a trademark which signifies quality.
productivity	the rate of output of a worker or machine.
shelf life	the amount of time a product has before it starts to deteriorate.
unit cost	the cost of one unit of production.
work study	a set of techniques which analyse a given area of work, to see whether performance can be made more efficient.
zero defects	the objective of a policy of total quality. The aim is to have every single item produced and delivered to the customer completely perfect.