

MGT301 SOLVED BY ABDUL SABOOR

Answer # 1:-

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Jamal is Using Production Concept

Babar is using Product Concept

Tauqeer is using Selling Concept

Ali is using Social Marketing Concept

Answer # 2 :-

There are a number of factors which can contribute to an impending crises or cause the failure of a business. We will now examine two causes that can impact on a business' performance – inadequate financial control and competition.

Inadequate Financial Control

Inadequate financial control is a common cause of business decline and impacts on management's ability to identify areas in a business that are losing money and "burning" cash.

It is common to see failed businesses that have not had proper financial controls. To successfully control a business' financial affairs, it is important to have regular and accurate information. Additionally, effective systems are fundamental to providing key information and reporting on a frequent basis.

Inefficient systems can be divided into the following four categories:

1. Complex systems and irrelevant information

Management is provided with comprehensive monthly reports that go into too great a detail to report the results of the business. Often these are too cumbersome and fail to provide the specific information relevant to managers for decision-making.

Examining the timeliness, reporting methods and data produced from your own internal accounting packages, or those externally utilised, is an important step in addressing the information which is actually available and beneficial to management.

2. Ineffective use of information

Preparation and review of regular monthly management accounts or reports is an effective way of ensuring that management is basing decisions on timely and consistent information. Additionally, tailoring your accounting package to produce reports specific to your individual requirements will assist in the production and interpretation of meaningful data.

3. Organisational structure hinders decision-making

Information must be disseminated and provided to the relevant manager in order to effectively interpret and implement strategies. For example, inefficiencies may arise when a company has a centralised operation and reporting structure, yet the information for decision-making occurs at the “coal face”.

4. Inaccurate method of overhead cost allocation

A reflection of product or divisional performance and costs may be distorted by a company’s method of overhead cost allocation. Accurate costing must be implemented to ensure that products and divisions are appropriately managed, and decisions are based on correct information.

Competition

Competition is another cause regularly cited for corporate failure, and is classified as either price competition or product competition. It is common to see a business involved in both price and product competition simultaneously.

1. Product competition

Products have a distinct life cycle, the length of which varies significantly on the product and industry. A failure to consider a product’s life cycle and respond to changing markets may lead to business decline.

Inefficiencies occur when management lack the expertise to interpret the information provided, which is often an overview of the results achieved in previous months. This results in decisions being made without sufficient input and forward planning.

To ensure a business does not succumb to the obsolescence of its product, it is critical the stages of the life cycle are identified and responsive strategies developed and implemented to move with the times.

Such strategies may include:

- o development of new products/replacements;
- o improvement in the technical know-how to develop better products;
- o diversification into new product areas; and
- o establishing joint ventures.

2. Price competition

Price competition can lead to corporate failure. Though other factors played a part, the business demise of these companies was largely affected by competitive pricing strategies in their respective markets.

Some markets will be more price sensitive than others due to the nature of their industry, with businesses operating in these highly sensitive markets being less profitable. Industry participants with higher cost structures find it increasingly difficult to compete and suffer a lack of profitability.

Ultimately, the ability of a business to prosper whilst in a price competitive market depends on their internal controls and strategies. Success over a competitor is usually attributed to several factors where one business outperforms

the others.

These factors can include:

- o a product focused for its market;
- o product differentiation; and
- o Lower costs.

There are many factors which can impact on a business' success or failure.

Regular assessment of the status of your business is critical and where symptoms and causes are identified, remedial action is to be implemented on a timely basis

1- Early expansion- Production of goods and services increase rapidly. Interest rates and inflation are low as consumer confidence rises. People tend to borrow and spend more. Blue Collar Investors are more bullish during this phase.

3- Peak- Economic growth rate peaks and begins to drop. We usually see a decline in consumer confidence oftentimes due to increased interest and mortgage rates. We should be more conservative in our investment strategy (sell in-the-money strikes for example).

4- Recession...the "R" word- Two consecutive quarters of negative GDP is the most adhered to definition. We are always in a recession long before we know it or until the previous quarters GDP figure becomes public. Consumer demand declines as does corporate production and employment. Needless to say, stock prices decrease and we are bearish investors during this phase. Recessions normally last between 6 to 16 months with an average of about 10 months. Should a recession last 18 months or more, the economy is said to be in a depression.

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2- Late expansion- Demand for goods and supplies surpass supply causing prices to increase. Heavy borrowing leads to increased interest rates. Stock prices continue to rise but may be nearing a top.

5- Recovery- The economy hits bottom and begins to grow. Interest and mortgage rates have dropped causing increased consumer confidence and spending. The stock markets are geared to take off and we must be prepared to take advantage. We're getting that bullish (out-of-the-money strikes) feeling again.

Strategies to overcome recession for established companies

It is true that recession is a curse to any business, but this recession can also be a big opportunity to attract new clients and boost the sales if one knows how and has mastered the marketing and sales methods that work best in recessionary times.

Below are some strategies and marketing techniques which can be employed during recession to increase sales and profits.

Reactivate dormant accounts

Reactivate old leads

It is said that most of the sales people give up too early or in other words with very little more efforts you could have added that client to your business. According to the study, 80 percent of

sales to businesses are made on the 5th sales call, but only 10 percent of salespeople call beyond three times! So you have probably not followed up on leads diligently enough, and the new business you need may already be right in your files. So the best way to get them back is to call them back and enquire for projects. This technique can be profitably used on prospects who have inquired within the last year or two. The best prospects, however, would probably be those who contacted you within the past 6 months.

Help existing clients or customers create new assignments or sales for you

When the economy is slow and your clients are not calling you for projects it is suggested that you call them and help them come up with assignments for you. So obviously the strategy here is “here is my idea that can help you Mr. Client and I would be happy to help you”. This will generate additional revenue and helps in building long term relationship with the client.

Give superior level of services to your customers and clients

In a recession, or during other times when business is slow, you want to do everything you can to hold onto your existing clients or customers-your “bread--and--butter” accounts. The best way to hold onto your clients or customers is to please them. And the best way to please clients or customers is to give them not their money's worth, but more than their money's worth. Now is the time to go the extra mile, give that little bit of extra service that can mean the difference between dazzling the client or customer vs. merely satisfying the client or customer. The best

Reactivating dormant accounts is nothing but re contacting the customers whom you served once and not working with him right now. Just go through your past client list and contact the old customer and make him know that you are interested in doing business with him again.

Quote reasonable, affordable fees and prices in bid situations

Use low cost “add-ons” to generate additional revenue

Try to add extra revenue generating business to the existing project or assignment that is being carried on to the customer. Often the current project may require additional service upon which the company can leverage to generate additional revenue. So it is always suggested to look for ways to add extra or ancillary assignments to the major assignment. It is good for you as it generates extra revenue and good for the client as it gets complete service.

Although it sounds good to be a prima donna when you think from your perspective, but think from the perspective of customer. The customer wants service as quickly as possible. Take an example of a very famous doctor. You want his services because he is an expert. But you hate to wait and you are constantly looking for an alternatives solution. And when the situation reverses and things are slow you need business, and the client or customer knows you need work from them, but they don't need you--they'll take revenge. And you'll be out. So always act like a pro like a helpful friend and consultant to your client. Make sure that you have business when you need it tomorrow by acting professionally and properly today.

Downgrade slightly your acceptable client or customer profile

Avoid being a prima donna

During recession businesses are unusually price sensitive. It is suggested to bid competitively, but reasonably. If you are high-priced to begin with, and you insist on getting top dollar, be prepared to lose out in some bidding situation. But don't reduce your price drastically as you won't be able to bring it up quickly. As a thumb rule it is suggested to adjust the price by 15-20% lower than usual. Always bid toward the middle or lower end of your published fee range, rather than at the maximum. Do not tell clients or customers that the fee is a special reduced fee. Simply present it as your bid on the project. If customers and prospects sense you are cutting fees because you are losing assignments, they will take advantage and try to force your prices even lower. So keep your pricing tactics secret, and simply present the price as you normally would.

protection against a downturn in new business is an active list of happy, satisfied clients or customers--people or firms who give you a steady stream of continuing assignments that pay the rent and feed the family. So cultivate your current clients or customers. Nurture them. Serve them well. Do everything in your power to make them happy and keep them satisfied with your product or service--so they keep coming back for more. You must provide not only a high quality product, but also exceptional customer service. When money's tight, clients expect more for their dollar. If you want to keep their business, you must keep them happy. Refine your customer service strategy to insure that every step from taking the order to delivering the product is client-focused and effective. You may want to conduct a customer satisfaction survey or two in order to make sure your customers' needs are being met. Also consider making your service more valuable to clients with faster delivery times, wider selections, or more flexible payment terms

Generally the company has set of guidelines and regarding your most valuable clients. During a depressed economy or personal business downturn, you may want to be more flexible in this area than you usually are. For instance, if you normally do business with Fortune 500 companies only, you may want to consider taking on assignments from smaller local firms ...provided the pay is decent and their credit rating is good. Or, if you normally work only on major annual reports, you might consider knocking out some small quarterly reports to generate needed revenue. This doesn't mean you throw your standards out the window and work for anyone who calls you. Far from it. Instead, you are simply readjusting your acceptable client or customer criteria during this temporary lull to accommodate a wider range of prospects and projects.

Postpone any planned fee increases

Plan an aggressive new marketing campaign

Repackage your services to accommodate smaller clients or customers and reduced budgets

These alternatives may not provide as complete a solution as the deluxe package. But they give the smaller client or customer the help he needs at the price he can afford. When the big companies are not giving you the big orders at the big prices, selling these alternatives to the less affluent segment of the market can put lots of extra dollars in your pocket

Freelancers, consultants, and other service providers can repackage their expertise and services in a variety of formats including hourly consultations. Manufacturers and other product sellers

One of the biggest mistakes business owners make during periods of economic slowdown is to cut back on marketing and advertising, doing this could be most detrimental to your business. Instead, your marketing needs to be more aggressive and more comprehensive than ever. Start by contacting past clients and simply touching base. Chances are a good number of them will have projects or assignments for which your services may be required. When things are slow, increase the percentage of your time spent on marketing and prospecting for new business. For instance, if you usually devote 10 percent of your time and energy to marketing and sales when things are fairly busy, increase this to 25 percent when things are slow. During a lull, make an extra effort to attract clients, follow up on leads, and close sales. In fact, to prevent a lull in business from ever happening in the first place, market consistently and aggressively all year long, every week not just when you need the business. Planning an ongoing marketing campaign ensures a steady stream of leads.

In the recessionary conditions always try to defer your plans to increase the fee for the services even if you feel you deserve it. Don't announce to your customers and prospects that you are "holding the line" on prices due to the recession and your desire to help them through it. Remember, even though you are feeling the effects of a soft economy, they may not be going through similar difficulties. Thus, your announcement would clue them into the fact that you are in trouble ...and some may take advantage of your perceived need of business by haggling on price with you. So leave your fee schedule as is and continue with business as usual.

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