SECTOR: BUSINESS SERVICES

SUB-SECTOR: BUSINESS SERVICES

RTQF LEVEL 4

BUSCA401:

COMMISSION ACTIVITIES

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Competence: Perform commission activities

<u>ELEMENTS OF COMPETENCE</u>

L.U.1: IDENTIFY SUPPLIERS

1.1 Precise listing of suppliers according to the area of operation.

1.2 Proper categorizing of suppliers as per of specification.

1.3 Appropriate description of suppliers in accordance with their practices.

1.4 Right selection of suppliers as per his /her uniqueness.

L.U.2: IDENTIFY QUALITY PRODUCTS

2.1 Proper listing of alternative products in accordance with the demand.

2.2 Convenient classification of the product as per standards

2.3 Correct choosing of the product according to customer's request

2.4 Right recommendation of the product in accordance with the budget and/or customer demand.

L.U.3: IDENTIFY FAVORABLE PRICES

3.1 Precise listing of alternative prices according to the available products.

3.2 Proper determining of favorable prices as per customer's needs.

3.3 Efficient choosing of the prices according to the budget and purchasing power

L.U.4: FIX COMMISSION CHARGES

4.1 Accurate determination of charges according to the work done

4.2 Proper fixing of the margin fee according to the commissioning standards

4.3 Proper negotiation of commission fees according to the standards

4.4 Adequate elaboration of the contract according to the standards

L.U.1: IDENTIFY SUPPLIERS

L.O. 1.1: List suppliers according to the area of operation

Definition of **supplie**r: a person or organization that provides something needed such as a product or service.

Types of suppliers

- ✓ Manufacturers and vendors
- ✓ Wholesalers and Distributors
- ✓ Importers and exporters

Identification of areas of operation

A part of a company's **operations**. In accounting, **business areas** allow balance sheet items, such as accounts receivable or fixed assets, to be assigned to a particular **operational** component. Examples of **business areas** include product lines, subsidiaries, and branch offices.

L.O.1.2: Categorize suppliers as per specification

Determination of categorization criteria's

- ✓ Reputation
- ✓ Nature of product /service

Determination of supplier's specifications

Classification of suppliers

- ✓ Core (main) supplier
- ✓ Strategic suppliers
- ✓ Substitute suppliers

L.O. 1.3: Describe suppliers in accordance with their practices.

KEY FACTORS DRIVING SUPPLIER MANAGEMENT

- **Increasing operational scale** that results in increasing need for local as well as global suppliers
- **The increasing complexity of supply chains** which also result in a rising depth of the organization's supplier base
- **Growing risks in a supply chain** which can make the organizations more vulnerable to performance failure if their involved suppliers are not managed and evaluated effectively
- **Managing supplier data** that allows organizations to streamline crucial supplier data to provide meaningful insights for improving supplier management
- **Establishing long-term supplier relationships** that will enable suppliers and organizations to meaningfully collaborate and create synergies for maximized performance for the long-run
- **Leveraging supplier relationships** in times of organizations or external distress to ensure business performance doesn't fluctuate
- **An increasing competition** which implies organizations have to identify and improve aspects of their business processes that can provide them a competitive advantage
- **Matching industrial standards** of supplier performance so that organizations can achieve best-in-class performance

L.O.1.4: Select suppliers as per his /her uniqueness

here are eight common supplier selection criteria, in no formal order:

- **Cost**.

- Quality & Safety.
- Delivery.
- Service.
- Social Responsibility.
- Convenience/Simplicity.
- Risk.
- Agility.

Steps for Identification of supplier uniqueness

Step 1) Identifying supply partners that are the right strategic fit

Step 2) Qualifying supply partners efficiently and effectively

Step 3) Engaging supply partners to quickly build credibility

L.U.2 IDENTIFY QUALITY PRODUCTS

L.O.2.1: List alternative products in accordance with the demand

1.Product Specification: is a document with a set of requirements that provides **product** teams the information they need to build out new features or functionality.

2. Product Purpose:**Product**-driven **businesses** focus first on making a **product**, then try to get customers to buy it

3.Product Availability: A**vailability** is a time estimate for how long it will take us to receive your order, acquire the items in your order, and prepare the items for shipment. It **does** not include the amount of time it takes for the item to be shipped to you.

Defining types of demand

- ✓ **<u>Negative demand</u>**: **Negative demand** is a type of **demand** which is created if the product is disliked in general. The product might be beneficial but the customer does not want it. Example of **negative demand** is a) Dental work where people don't want problems with their teeth and use preventive measures to avoid the same.
    - ✓ **<u>Absence of demand</u>**: In economics, a shortage or excess **demand** is a situation in which the **demand** for a product or service exceeds its supply in a market. It is the opposite of an excess supply (surplus).
    - ✓ **<u>Latent demand</u>:Latent demand** is basically the desire for a product that a consumer is unable to satisfy because he is himself unable to point it out or doesn't realize what is missing until pointed out. ... Identification of gaps in the existing market often helps marketers to discover **latent demands**.
    - ✓ **<u>Declining demand</u>**: **declining demand**. A situation that occurs when potential buyers of a product start to purchase it less often or stop purchasing it altogether. A business operator might ask their marketing staff for a more detailed market analysis if they perceived a situation of **declining demand** for one or more of their key products.
    - ✓ **<u>Irregular demand</u>**: **demand** which is not consistent. The best example of **irregular demand** is seasonal products like umbrellas, air conditioners or resorts. These products sell irregularly and sell more during peak season whereas
      their **demand** is very low during non-seasons
    - ✓ **<u>Vibrant demand</u>**: full demand
    - ✓ **<u>Excessive demand</u>**:**Excess demand** refers to the situation when aggregate **demand** (AD) is more than the aggregate supply (AS) corresponding to full employment level of output in the economy. It is the **excess** of anticipated expenditure over the value of full employment output

L.O.2. 2: Classify products as per standards

- Identification of product standards

Determination of ways of classification

 Age based

 Climate

 Region

 Religious

 Country

Supplier uniqueness: Refers to valued, **unique** and tangible product differences that exist only in your **supplier's** products.

A **supplier** whose product or service is **unique** or has special attributes that you desire restricts your ability to shop around.

Factors for choosing best suppliers

- Cultural Fit – including values.
- Cost – covering price, Total Cost of Opportunity (TCO)
- Value – value for money and value generation opportunities.
- Experience in the market and current references.
- Flexibility.

L.O.2.3: Choose products according to customer's request

  - Identification of customer's request
- Categorization of customer's request
- Choosing of products in line with customer' request

i) Product availability

ii) Stock arrangements

iii) Visibility

Customer meaning:a person who buys goods or services from a shop or business

Ways to Select the Best Product Idea to Bring to Market

1. Affordable to Develop and Prototype.
2. Affordable to Scale to Mass Manufacturing.
3. Potential for a High Profit Margin.
4. Existing Competition.
5. No Dominating Competitors.
6. Easy to Reach Market.
7. Recurring Revenue.
8. Upfront Market Research

L.O.2.4: Recommend product in accordance with the budget and/or customer demand

Budget: A budget is a financial plan for the future concerning the revenues and costs of a business.

Tips for Effective Product Recommendations

- Incorporate in-depth behavioral data. Retailers collect a wealth of data about their known customers as well as their anonymous shoppers.
- Define and test your own recommendation strategies. Not all product recommendations are created equally.

- Leverage recommendations across the full experience.
- Incorporate social proof

The 5 Essentials for Aligning Your Budget with Your Business Strategy

- Get as many insights as you can.
- Have a long-term vision.
- Measure your performance indicators.
- Set realistic goals.
- Tweak your strategy as, and when, required.

Rules for Product Recommendations Success

- Use the best data possible. This sounds obvious, because you never want to use less than the best of anything.
- Make recommendations individually relevant.
- Deliver recommendations in real time.
- Leverage your product catalog without a feed.
- Manage recommendation strategies on your own

L.U.3: IDENTIFY FAVORABLE PRICES

L.O.3.1: List alternative prices according to the available products.

Price: **Price** is the value that is put to a product or service and is the result of a complex set of calculations, research and understanding and risk taking ability.

Types of price

- ❖ Premium pricing
- ❖ Penetration pricing
- ❖ Economy pricing
- ❖ Psychological pricing
- ❖ Skimming Neutral strategy
- ❖ Captive product pricing
- ❖ Optional product pricing
- ❖ Bundling price
- ❖ Promotion pricing strategy
- ❖ Geographical pricing

Pricing Principle:

1. Prices are first a function of recovering your four major costs of doing business.

2. Consumers determine value

3.Perceived value

4. Product qualities.

L.O.3.2: Determine favorable prices as per customers' needs

A **need** is a desire that causes a customer to buy a product. If customers buy products to satisfy needs, then needs provoke customers to buy products.

Types of needs

- ✓ Physiological needs
- ✓ Safety needs
- ✓ Social needs
- ✓ Esteem needs
- ✓ Self -actualization needs

L.O.3.3: Choose the prices according to the budget and purchasing power

Determination of basic elements to choose the effective price

- ✓ Competitors price
- ✓ Cost price Margin

- Regulators

1. Costs

- First and foremost, you need to be financially informed. Before you set your pricing, work out the costs involved with running your business. These include your fixed costs (the expenses that will come in every month regardless of sales) and your direct costs (the expenses you incur by producing and delivering your products and services).

2. Customers

- Know what your customers want from your products and services. Are they driven by the cheapest price or by the value they receive? What part does price play in their purchase decision?

Also look at what you are selling, are your current customers buying high-end or low-end products and services? This information will help you determine if your price is right, what level of service or inclusions you should be offering and lastly if you are targeting the right market. It may be that you need to change your market to make your business more profitable.

3. Positioning

- Once you understand your customer, you need to look at your positioning. Where do you want to be in the marketplace? Do you want to be the most expensive, luxurious, high-end brand in your industry, the cheapest, beat it by 10% brand or somewhere in the middle? Once you have decided, you will start to get an idea of your ideal pricing.

4. Competitors

- This is one of the key times you can give yourself permission to do a little competitor snooping. What are they charging for different products and services? What inclusions and level of service are they offering for those prices? What customers are they attracting with their pricing? And how are they positioned in the marketplace? The answers to these questions will give you an industry benchmark for your pricing.

5. Profit

- One of the most important questions business owners neglect to ask themselves is, "How much profit do I want to make?" They tend to look at what others charge and then pull a figure out of the air to be competitive without giving consideration to how much profit the want and need.

L.U.4: FIX COMMISSION CHARGES

L.O.4.1 Determine charges according to the work done.

Essentially, a company **charge** is a security interest held by a lender over the personal property of a company. The charge is given by the company (the chargor) to the lender (the chargee) to secure payment of a debt or obligation

Types of charges

- ✓ Direct charges
- ✓ Indirect charges

L.O.4.2: Fix margin fee according to the commissioning standards.

As a general term in **business** and commerce, **margin** refers to the difference between selling price and the seller's **costs** for the goods or services on sale, expressed as a percentage of selling price.

Commission is a payment made to employees based on the value of sales achieved. It can form all or (more often) part of a pay package. **Commission** is, therefore, a form of "incentive pay" (see also profit-related pay, bonuses). After all, **businesses** exist to sell goods and services for profit – not just to make thing

Gross margin vs net margin

Gross margin is the **difference between** revenues and the **cost of** goods sold, which leaves a residual **margin** that **is** used to pay **for** selling and administrative expenses. **Net margin is** the residual earnings left after all expenses have been deducted from revenue

L.O.4. 3 Negotiate commission fees according to the standards

Business Negotiations: Negotiation can be defined as a channel of communication intended to reconcile differences between parties and to settle conflict jointly.

Contract law: A contract is an agreement between two or more parties to perform a service, provide a product or commit to an act and is enforceable by law.

The requisite elements that must be established to demonstrate the formation of a legally binding contract are:

(1) offer;

(2) acceptance;

(3) consideration;

(4) mutuality of obligation;

(5) competency and capacity; and, in certain circumstances,

(6) a written instrument.

Identification of terms and conditions of MOU/contracts

 Parties

 Key objectives of contract

 Product or service specifications

 Payment mode

Different Types of Contracts: Everything You Need to Know

- **Lump Sum or Fixed Price Contract Type**:A **fixed-price contract** is a type of **contract** where the payment amount does not depend on resources used or time expended. This is opposed to a **cost-**plus **contract**, which is intended to cover the costs with additional profit made
- **Cost Plus Contracts:**A **cost-plus contract** is a construction **contract** under which the contractor gets paid for all construction-related expenses **plus** an agreed-upon profit. The term "**plus**" refers to the profit to be earned by the contractor.
- **Time and Material Contracts When Scope is Not Clear**: **Time and materials**: it is a standard phrase in a **contract** for construction, product development or any other piece of **work** in which the employer agrees **to** pay the contractor based upon the **time** spent by the contractor's employees and subcontractor's employees **to** perform the **work**, and for **materials** used in the business.

- **Unit Pricing Contracts**: **Unit Price Contract**. ... Under a **unit price contract**, a contractor is paid for the actual quantity of each line item performed as measured in the field during construction. Each **unit price** includes all labor, material, equipment, overhead, and profit attributable to that scope of work.

- **Bilateral Contract:**In a **bilateral contract**, two parties each promise to perform an act in exchange for something else. It is the most prevalent type of **contract**. ... In the reciprocal **agreement**, each party is agreeing to offer something and to get something in return, such as offering money in exchange for a service.
- **Unilateral Contract**: A **unilateral contract** is a **contract agreement** in which an offeror promises to pay after the occurrence of a specified act. In a **unilateral contract**, the offeror is the only party with a contractual obligation. **Unilateral contracts** are primarily one-sided.
- **Implied Contracts:**An **implied contract** is a legally-binding obligation that derives from actions, conduct, or circumstances of one or more parties in an **agreement**. ... The **implied contract**, on the other hand, is assumed to exist, but no written or verbal confirmation is necessary.
- **Express Contracts:**An **express contract** is a **contract** whose terms the parties have explicitly set out. This is also termed as special **contract**. In an **express contract**, all the elements would be specifically stated. In an **express contract**, the **agreement** of the parties is **expressed** in words, either in oral or written form.

Reference books:

1. *www.digitalistmag.com*
2. *www.yourarticlelibrary.com-economics*
3. *www.bizcenter.org-resources*
4. *m.infoentrepreneurs.org*