

**SECTOR: BUSINESS SERVICES**

**SUB-SECTOR: BUSINESS SERVICES**

**LEVEL 4**



## **BUSDB401 DIVERSIFICATION OF BUSINESS**

<b>Elements of competence</b>	<b>Performance criteria</b>
1. Establish areas of specification	1.1 Proper making of a list of areas of operation in accordance with market demand. 1.2 Appropriate making of comparisons of performing and non performing areas 1.3 Proper determination of areas in which to specify the right business model
2. Match resources with needs	2.1 Correct listing of required resources in accordance with customers' requirements 2.2 Proper outlining of all needs with right resources need and used on customer level 2.3 Correctly match resources with needs to correct requirements according to policy and procedures of the institution.
3. Negotiate with business partners	3.1 Correctly make a list of all business partners on the policy standards of an institution 3.2 Properly make a list of prices according to market in accordance with the organizational requirements 3.3 Efficiently make proposal of prices in line with cost of investment as organizational policy and procedures

4. Review business periodically	4.1 Properly identify key actions done and reports within designated timelines 4.2 Revise business plan in comparison to activities done designed with work plan 4.3 Clearly outline arrears to be revised according to findings as requirements of the company.
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**LEARNING OUTCOME 1.1: LIST AREAS OF OPERATION IN ACCORDANCE WITH MARKET DEMAND**

**DESCRIPTION OF OPERATION AREAS**

**Operation area** means the area on which an activity is being conducted.

An organizational chart should play an integral role in the determination of an employee’s operational area. Examples of operational areas and additional guidance regarding the identification of operational areas are identified below. How is an operational area used? An operational area is currently used in the academic staff layoff and non-renewal for reasons of budget, program decision, or funding loss. Beginning July 1, 2015, operational areas will be used in the university staff layoff process as well. Layoffs within an operational area are determined by layoff group. University staff layoff groups are organized by title. Academic staff layoff groups generally are organized by positions within an operational area that perform similar functions. How will employees know their operational area? An employee’s operational area should be identified in the employee’s appointment letter or other formal notification. If an employee moves into a new position or the operational area changes, the employee should receive a letter documenting the updated operational area. An assigned operational area may change as a result of a change in an employee’s duties, reorganization within the division, changes in research or funding shifts.

An operational area may be a:

1. Department, college, school or division.
2. Overall administration of a department Example: (Department/Division) Administration

An administrative operational area may include, for example, all HR, payroll, IT, Finance, student service and/or outreach positions for the entire department.

3. Research laboratory.

4. Program area within a larger research laboratory.

5. Program area outside of a research laboratory, such as a center, institute or fee for service operation..

6. Off-campus physical location.

7. Or, other defined criteria.

**CRITERIA USED IN LISTING AREAS OF OPERATION**

- Customers needs
- Accessibility
- IT support
- Geographical factors
- Location
- Profit
- productivity

**Learning Outcome 1.2: COMPARE PERFORMING AND NON PERFORMING AREAS**

➤ **INDICATORS USED TO IDENTIFY PERFORMING AND NON PERFORMING AREAS:**

- Productivity.
- Sales volume
- Facilities
- market position
- lower Costs
- Customer Satisfaction
- Profit

➤ **THE ELEMENTS USED FOR COMPARISON AND CONTRAST**

- Similarities
- Differences
- Strengths
- Weaknesses
- characteristics

## **Learning Outcome 1.3: DETERMINE AREAS IN WHICH TO SPECIFY THE RIGHT BUSINESS MODEL**

### **INTRODUCTION TO BUSINESS MODEL**

A **business model** describes the rationale of how an organization creates, delivers, and captures value,<sup>[1]</sup> in economic, social, cultural or other contexts. The process of business model construction and modification is also called *business model innovation* and forms a part of business strategy.

The following examples provide an overview for various business model types that have been in discussion since the invention of term *business model*:

- Bricks and clicks business model

Business model by which a company integrates both offline (*bricks*) and online (*clicks*) presences. One example of the bricks-and-clicks model is when a chain of stores allows the user to order products online, but lets them pick up their order at a local store.

- Collective business models

Business system, organization or association typically composed of relatively large numbers of businesses, tradespersons or professionals in the same or related fields of endeavor, which pools resources, shares information or provides other benefits for their members. For example, a science park or high-tech campus provides shared resources (e.g. cleanrooms and other lab facilities) to the firms located on its premises, and in addition seeks to create an innovation community among these firms and their employees.<sup>[50]</sup>

- Cutting out the middleman model

The removal of intermediaries in a supply chain: "cutting out the middleman". Instead of going through traditional distribution channels, which had some type of intermediate (such as a distributor, wholesaler, broker, or agent), companies may now deal with every customer directly, for example via the Internet.

- Direct sales model

Direct selling is marketing and selling products to consumers directly, away from a fixed retail location. Sales are typically made through party plan, one-to-one demonstrations, and other personal contact arrangements. A text book definition is: "The direct personal presentation, demonstration, and sale of products and services to consumers, usually in their homes or at their jobs."<sup>[51]</sup>

- Distribution business models, various
    - Fee in, free out

Business model which works by charging the first client a fee for a service, while offering that service free of charge to subsequent clients.

- Franchise

Franchising is the practice of using another firm's successful business model. For the franchisor, the franchise is an alternative to building 'chain stores' to *distribute* goods and avoid investment and liability over a chain. The franchisor's success is the success of the franchisees. The franchisee is said to have a greater incentive than a direct employee because he or she has a direct stake in the business.

- Sourcing business model

Sourcing Business Models are a systems-based approach to structuring supplier relationships. A sourcing business model is a type of business model that is applied to business relationships where more than one party needs to work with another party to be successful. There are seven sourcing business models that range from the transactional to investment-based. The seven models are: Basic Provider, Approved Provider, Preferred Provider, Performance-Based/Managed Services Model, Vested outsourcing Business Model, Shared Services Model, and Equity Partnership Model. Sourcing business models are targeted for procurement professionals who seek a modern approach to achieve the best fit between buyers and suppliers. Sourcing business model theory is based on a collaborative research effort by the University of Tennessee (UT), the Sourcing Industry Group (SIG)[1], the Center for Outsourcing Research and Education (CORE)[2], and the International Association for Contracts and Commercial Management (IACCM). This research formed the basis for the 2016 book, *Strategic Sourcing in the New Economy: Harnessing the Potential of Sourcing Business Models in Modern Procurement*.<sup>[52]</sup>

- Freemium business model

Business model that works by offering basic Web services, or a basic downloadable digital product, for free, while charging a premium for advanced or special features.<sup>[53]</sup>

➤ ELEMENTS USED TO DESCRIBE THE RIGHT BUSINESS MODEL:

- Cost
- Quality
- Price
- inventory
- Focus group
- Beliefs
- security

## **2. MATCH RESOURCES WITH NEEDS**

### **Learning Outcome 2.1: LIST RESOURCES IN ACCORDANCE WITH CUSTOMERS REQUIREMENTS**

➤ DESCRIPTION OF RESOURCES

RESOURCE is an economic or productive factor required to accomplish an activity, or as means to undertake an enterprise and achieve desired outcome.

Three most basic resources are **land, labor, and capital**; other resources include energy, entrepreneurship, information, expertise, management, and time.

➤ **COMPONENTS CONSIDERED AS RESOURCES :**

- human resources
- capital resources/financial
- land
- technological resources

**CRITERIA USED IN DECIDING RESOURCES ALLOCATION**

- Types of business
- Intended use of resources
- Size of the business
- Geographical location
- Scope of operations
- Customers requirement

**Learning Outcome 2.2: OUTLINE ALL NEEDS WITH RIGHT RESOURCES NEEDED AND USED ON CUSTOMER LEVEL**

**IDENTIFICATION OF ALL NEEDS**

Needs are not directly assessed, but rather, the identification of needs is the result of a complex process that requires integration and synthesis of many factors, including the results from numerous assessments. The assessments synthesised into needs include:

- (1) The pre-event levels of function;
- (2) The amount and types of damage sustained initially and existing at the current time; current
- (3) Levels of function and the levels of function detected by the last assessment;
- (4) The presence of a surge;
- (5) The demands of the population affected;
- (6) The culture in which the event occurred;
- (7) The climate in the affected area;
- (8) The geography and access to the affected area; and politics.
- (9) The process consumes resources (costs). The transformation process (synthesis) of these many factors requires that those charged with synthesis have knowledge, field experience, insight, and experience using the process.

**IDENTIFICATION OF AREAS FOR THE RIGHT BUSINESS MODEL**

## **IDENTIFYING CUSTOMER NEEDS**

Before you start promoting your business you need to know what your customers want and why. Good customer research helps you work out how to convince your customers that they need your products and services.

### **METHODS USED IN IDENTIFYING CUSTOMERS NEEDS:**

- ✓ Existing data
- ✓ Interviews
- ✓ Observation
- ✓ Surveys
- ✓ Analysis of competitors

## **DESCRIPTION OF RIGHT RESOURCES**

### **RESOURCE**

Is An economic or productive factor required to accomplish an activity, or as means to undertake an enterprise and achieve desired outcome. Three most basic resources are land, labor, and capital; information, other resources include energy, entrepreneurship, information, expertise, management, and time.

### **CLASSIFICATION OF CUSTOMERS :**

- ✓ Business to business
- ✓ Repeat customers
- ✓ Rational customers
- ✓ Loyal customers
- ✓ Lapsed customers

## **Learning Outcome 2.3: MATCH RESOURCES WITH NEEDS TO MEET REQUIREMENTS ACCORDING TO POLICY AND PROCEDURES OF THE INSTITUTION.**

### **• ASSESSING NEEDS AND RESOURCES/DEVELOP A PLAN**

*What do we mean by needs and resources ?*

\_\_\_ Needs can be defined as the gap between what is and what should be

\_\_\_ Resources, or assets, can include anyone or anything that can be used to improve the quality of life

*Why develop a plan for assessing local needs and resources ?*

\_\_\_ It will help you gain a deeper understanding of the community

\_\_\_ An assessment will encourage community members to consider the community's assets and how to use them, as well as the community's needs and how to address them

\_\_\_ It will help you make decisions about priorities for program or system improvement

- \_\_\_ It goes a long way toward eliminating unpleasant surprises down the road
- \_\_\_ It allows you to involve community members from the very beginning of the process
- \_\_\_ An assessment is a great opportunity to use community-based participatory research, further involving community members and increasing community capacity
- \_\_\_ A good plan will provide an easy-to-follow road map for conducting an accurate assessment
- \_\_\_ A planning process will give community members the opportunity to voice their opinions, hopes, and fears about the community

***Who should be involved in developing a plan for assessing local needs and resources?***

- \_\_\_ Those experiencing needs that should be addressed
- \_\_\_ Health and human service providers
- \_\_\_ Government officials
- \_\_\_ Community leaders
- \_\_\_ People whose jobs or lives could be affected by the eventual actions taken as a result of the assessment
- \_\_\_ Community activists
- \_\_\_ Businesses, especially those that employ people from populations of concern

**. IDENTIFICATION OF CUSTOMER REQUIREMENTS**

**Effective Ways to Identify Customer Needs**

**1. Pay attention to new customers**

Sometimes a new customer who is yet to experience your product or service may require a different, more personalized approach. Using the same strategy for recurring customers with a new customer may be quite confusing and can ruin the quality of the experience. Ask your new customers to put in writing just what they expect to receive from your product or service. If it matches with what you are offering, then this is a potential client. If not, it will show you areas of possible business expansion.

**2. Ask what they think about you and your competitors**

Comparisons sometimes hold a negative connotation and can seem a little cliché. However, understanding how your customers see you in relation to your competitors can be very helpful in developing a better strategy to improve the quality of your product or service. It also highlights what the competitor may provide that is helping them succeed, conveying where your business may have room for improvement.



### 3. Anticipate the customer's future needs

Once your business has a better understanding of your customer base, don't be afraid to take a risk and anticipate what your customers will want and need from your products and services in the future. If you anticipate correctly, then this shows you have a solid understanding of what your customer base is looking for.

Keeping your business's content up-to-date plays a vital role in meeting your customers' needs and if your business doesn't have a website then you are already losing to your competition.

#### **L.U.3NEGOTIATE WITH BUSINESS PARTNERS**

#### **Learning Outcome 3.1: LIST ALL BUSINESS PARTNERS ON THE POLICY STANDARDS OF AN INSTITUTION**

##### **DESCRIPTION OF BUSINESS PARTNER**

An individual or company who has some degree of involvement with another entity's business dealings. The term 'business partner' can have a wide range of meanings, with one of the most frequent being a person who, along with another person, plays a significant role in owning, managing, or creating a company (two best friends who start a business together would consider themselves business partners). The term is also frequently used for two businesses that cooperate, to any degree, such as a computer manufacturer who works exclusively with another company who supplies them with parts.

##### **• CRITERIA USED IN LISTING BUSINESS PARTNERS:**

- ✓ Loyalty
- ✓ Potentiality
- ✓ Gender
- ✓ Age
- ✓ Location
- ✓ Beliefs
- ✓ Accessibility
- ✓ Partners need

#### **Learning Outcome 3.2: LIST THE PRICES ACCORDING TO THE MARKET IN ACCORDANCE WITH THE ORGANIZATIONAL REQUIREMENTS**

##### **DESCRIPTION OF PRICES**

**Definition: 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.

A **pricing** strategy takes into account segments, ability to pay, market conditions, competitor actions, trade margins and input costs, amongst others.

### **CRITERIA USED IN DETERMINING PRICES**

- ✓ Know the market
- ✓ Choose the best pricing technique
- ✓ Work out your costs
- ✓ Consider cost-plus pricing
- ✓ Set a value-based price
- ✓ Think about other factors

### **IDENTIFY DIFFERENT PRICING STRATEGIES**

Absorption pricing : **Absorption pricing** is a method for setting **prices**, under which the **price** of a product includes all of the variable costs attributable to it, as well as a proportion of all fixed costs. ... The term includes the word "**absorbed**," because all costs are **absorbed** into the determination of the final **price**.

Creaming/skimming : Price **skimming** is a product **pricing strategy** by which a firm charges the highest initial price that customers will pay and lowers it over time. ... The **skimming strategy** gets its name from **skimming** successive layers of **cream**, or customer segments, as prices are lowered over time.

Decoy pricing: **Decoy pricing** is a **pricing** method that is meant to “force” customer choice. When customers make a purchase they must often choose between products with different **prices** and attributes.

## **Learning Outcome 3.3: PROPOSE PRICES IN LINE WITH COST OF INVESTMENT AS ORGANIZATIONAL POLICY AND PROCEDURES**

### **DESCRIPTION OF PRICE PROPOSALS**

- **Price of something** is the amount of money that you have to pay in order to buy it.
- **Price proposal** is estimated amount of money that you have to pay in order to buy it.
- **Cost proposal** is a preliminary cost estimate submitted by a contractor for the purpose of Negotiations or planning for a job or project.

### **CRITERIA USED IN PROPOSING PRICES**

- ✓ Quantity
- ✓ Quality
- ✓ Products
- ✓ Services
- ✓ Raw materials
- ✓ Production cost
- ✓ Discount

## **L.U .4 REVIEW BUSINESS PERIODICALLY**

### **Learning Outcome 4.1: IDENTIFY KEY ACTIONS DONE AND REPORTS WITHIN DESIGNATED TIMELINES**

- **DESCRIPTION OF KEY ACTIONS DONE**

#### Key Action 1: Mobility of Individuals

This is all about providing opportunities for individuals to improve their skills, enhance their employability and gain cultural awareness. Under Key Action 1 organizations can apply for funding to run mobility projects to offer structured study, work experience, job shadowing, training and teaching opportunities to staff and learners.

#### Key Action 2: Cooperation for Innovation and Exchange of Good Practices

This is all about enabling organizations to work together in order to improve their provision for learners and share innovative practices. Under Key Action 2 organizations can apply for funding to work in partnership with organizations from other participating countries.

#### Key Action 3: Support for Policy Reform

This Key Action covers any type of activity aimed at supporting and facilitating the modernization of education and training systems.

- **OUTLINING THE REASONS OF IDENTIFYING THE KEY ACTIONS DONE:**

- ✓ To succeed in the mission
- ✓ To decide on workable ways to reach the goals
- ✓ To save time, energy and resources

### **Learning Outcome 4.2: REVISE BUSINESS PLAN IN COMPARISON TO ACTIVITIES DONE DESIGNED WITH WORK PLAN**

#### **DESCRIPTION OF BUSINESS PLAN.**

A business plan Is a written document that describes in detail how a business ,usually a new one is going to achieve its goals.

A business plan is also a road map that provides directions so business can plan its future and helps it avoid an increase in the road.

#### **ELEMENTS REVISED IN BUSINESS PLANNING:**

- ✓ Aim/objectives

- ✓ Operational information
- ✓ Financial information
- ✓ Progress
- ✓ Efficiency
- ✓ Competitor analysis
- ✓ Customer analysis
- ✓ Market analysis
- ✓ Strategic analysis

**IMPORTANCE OF REVISING A BUSINESS PLAN:**

- ✓ Profit maximization
- ✓ Falling short of goals
- ✓ Time change
- ✓ New opportunities
- ✓ New problems
- ✓ New competitors
- ✓ New strength
- ✓ New weaknesses
- ✓ New threat
- ✓ New policies
- ✓ New people
- ✓ Declining sales
- ✓ Losing customers
- ✓ Political issues
- ✓ Beliefs
- ✓ Geographical factors
- ✓ Demographic facts

**Learning Outcome 4.3: OUTLINE AREAS TO BE REVISED ACCORDING TO FINDINGS AS REQUIREMENTS OF THE COMPANY**

**• IDENTIFICATION OF AREAS TO BE REVISED**

REVISE MANING: examine and make corrections.

**THE AREAS YOU NEED TO LOOK AT ARE:**

- **Your market performance and direction** - how well you are performing through your sales results, which markets to aim for next and how to improve your performance.
- **Your products and services** - how long your existing products will meet your customers' needs and any plans for renewal.
- **Operational matters** - your premises, your methods, and technologies used your processes, IT and quality. Are there any internal issues that are holding your business back?
- **Financial matters** - how your business is financed, levels of retained profit, the sales income generated and your cash flow.
- **Your organisation and your people** - your structures, people planning issues, training and development.

• **CRITERIA USED IN OUTLINING AREAS:**

- ✓ Objectives
- ✓ Problems
- ✓ Threats
- ✓ Performance
- ✓ Profit
- ✓ Customer's needs
- ✓ Weaknesses