

SECTOR: BUSINESS SERVICES
SUB-SECTOR: BUSINESS SERVICES
RTQF LEVEL 4



BUSOM401 BUSINESS ORDERS MANAGEMENT

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By the end of the module, the trainee will be able to:

Elements of competence Performance criteria

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- 1.1 Efficient verification of the products in stock in order to avoid stock out
- . 1.2 Proper Checking of products that are available and respect storage practices
- . 1.3 Efficient determination of total cost of goods and services in line with accounting principles.

2. Process orders

- 2.1 Clear processing of orders according to the client needs
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LEARNING UNIT1 VERIFY THE AVAILABILITY OF STOCK.

Learning Outcome 1.1: Verify the products in stock in order to avoid stock out

DEFINITION OF KEY WORDS:

- **Stock**
- **Inventory**
- **Stock out**

Stock the goods or merchandise kept on the premises of a shop or warehouse and available for sale or distribution

Inventory a complete list of items such as property, goods in stock, or the contents of a building.

Stock out a situation in which an item is out of stock.

STOCK VALUATION METHODS

FIFO(First in First Out)

FIFO" stands for **first-in, first-out, meaning** that the oldest inventory items are recorded as sold **first** but do not necessarily mean that the exact oldest physical object has been tracked and sold. In other words, the cost associated with the inventory that was purchased **first** is the cost expensed **first**.

□ LIFO(Last in First out)

Definition: Last in, first out (LIFO) is an accounting inventory valuation method based on the principal that the **last** asset acquired (the newest), is the **first** asset sold.

□ Average method

Simple Average Method. It is a **method** for inventory valuation or delivery cost calculation, where even if accepting inventory goods with different unit cost, the **average** unit cost is calculated by multiplying the total of these unit costs simply by the number of receiving.

DIFFERENT TYPES OF PRODUCTS

- Differentiated product
- Customized product
- Augmented product
- Potential product

-Differentiated product

In economics and marketing, **product differentiation**(or simply **differentiation**) is the process of distinguishing a **product** or service from others, to make it more attractive to a particular target market. This involves **differentiating** it from competitors **products** as well as a firm's own **products**

- Customized product

Mass **customization** is the process of delivering wide-market **goods** and services that are modified to satisfy a specific customer need. ... Mass **customization products** may also be referred to as made to order or built to order.

- Augmented product

The **augmented product** is the non-physical part of the **product**. It usually consists of lots of added value, for which you may or may not pay a premium. So when you buy a car, part of the **augmented product** would be the warranty, the customer service support offered by the car's manufacturer and any after-sales service

- Potential product

A conceptual set of qualities or characteristics capable of development into an actual **product**. Typically a **product definition** is formed based upon market research and other information, and then a prototype is created. Once reviewed, the prototype is adapted or accepted as a **product** model.

INVENTORY CONTROL TECHNIQUES FOR STOCK

the fact or process of ensuring that appropriate amounts of stock are maintained by a business, so as to be able to meet customer demand without delay while keeping the costs associated with holding stock to a minimum.

1) Establishing Annual Stocking Policies

When implementing a stock control policy:

1. Identify stock you always need and make sure you have sufficient supply.
2. Tighten the process of buying stock – knowing the volume sales per stock item will help you buy the right amount.
3. Keep accurate stock records and match them to a regular physical count, at least once a year – if there's a big difference between the records and physical count, do the count more often until you've worked out what's causing the difference
4. Negotiate deals with suppliers – avoid volume discounts (unless you're actually selling large volumes of the item), try to negotiate discounts for quick settlement (unless your cash position is poor), or negotiate for smaller and more frequent deliveries from your suppliers to smooth out your cash flow.
5. Don't let discount prices drive your stock buying decisions – buy stock you can sell at a profit in a reasonable time frame.

2) Preparation of Inventory Budgets

How to Budget for Inventory

If you manage inventory in your organization and plan to do a Cash flow or Balance Sheet Forecast then you will need to consider and budget for your inventory. There are two generally accepted principals used in accounting for inventory and they are Perpetual and Periodic.

In this help note we will help you identify what type of inventory you are using and highlight the required cash flow settings, plus suggest some general budget steps.

Cash flow is the difference in amount of cash available at the beginning of a period (opening balance) and the amount at the end of that period (closing balance). It is called positive if the closing balance is higher than the opening balance, otherwise called negative.

Perpetual Inventory

With this method the inventory and cost of sales are updated continuously on each purchase and sale. Purchases are directly debited to the inventory accounts meaning your purchase invoices are raised against the inventory (Asset) accounts. At the time inventory is sold the inventory account is credited to reduce the inventory on hand value and cost of goods debited to record the cost of sales expense. If your accounting system or some other add-on manages inventory then you are most likely using the perpetual inventory method, with the above records being recorded automatically.

Cash flow Settings for Perpetual Inventory

For a full explanation on Cash flow and Balance Sheet forecasting including cash flow settings please refer to the following help articles:

- [Preparing a cash flow Forecast](#)
- [Understanding Balance Sheet Budgets](#)

Budgeting for Perpetual Inventory

We recommend following these 3 steps.

1. [Budget for Sales](#)

2. Budget for Cost of Sales
3. Budget for Inventory Movement (Purchases – Cost of Sales)

Let's look at the full process in detail.

Step 1 - Budget for Sales

You can create your sales projections however you like but here are a few suggestions.

- Use the Budget Factory to create your full P&L budget based on last year's actuals with some percentage adjustments.
- Use Budget Shortcuts to bring in last year actuals or last year's budgets with some percentage adjustments.
- Build sales budgets in Excel and import them into Calxa. Check out the example using Excel below.

Step 2 – Budget for Cost of Sales

Under a perpetual inventory system Cost of Sales has a direct relationship with Sales and hence the suggestion to budget for your Cost of Sales after budgeting for Sales. Once again you can create your budgets however you like but here are a few suggestions.

- If you used the Budget Factory suggestion above you may also set the Cost of Sales as a percentage of Income (Sales) during the same process.
- Use Budget Shortcuts to calculate Cost of Sales as a percentage of Sales.
- If more complex calculations are required for your Cost of Sales budgets you can use Excel and import them into Calxa. Check out the example using Excel below.

Step 3 – Budget for Inventory Movement

A simple approach to inventory movement is to budget based on last year's actuals or based on your own expectations. A positive budget represents an increase to inventory while a negative budget represents a decrease. If your inventory does not change much from month to month then zero budgets will be sufficient.

3) Maintaining A Perpetual Inventory System

Also known as “the automatic inventory system”, this method is designed to keep a constant track of the quantity and value of each stocked item.

4) Inventory Turnover Ratio

The **inventory turnover ratio** is an efficiency **ratio** that shows how effectively **inventory** is managed by comparing cost of goods sold with average **inventory** for a period. ... In other words, it measures how many times a company sold its total average **inventory** dollar amount during the year.

This is a calculation used to determine how quickly inventory is used up or “turned over” in a given time period. The higher the ratio the shorter the shelf life of the inventory and typically leads to higher sales volume and profitability for companies with lower profit margins.

5) Establishment of Optimized Purchasing Procedures

In order to ensure that inventory is under adequate control, management must adopt purchasing procedures that align with actual sales history and demand pattern data. All inventory items that have not had an inventory turnover or have not been sold within an accounting period, typically 12 months, should be classified as obsolete stock and should be liquidated from inventory to eliminate unnecessary carrying costs.

6) ABC Analysis and ABC Classification

Inventory optimization in supply chain, **ABC analysis** is an inventory categorization method which consists in dividing items into three categories, A, B and C: A being the most valuable items, C being the least valuable ones.

HOW CAN OPTIMIZATION BE ACHIEVED

- Categorize your inventory
- Automate demand forecasting (seasonal demand, market trends, economic conditions)
- Replenishment automation (centralized inventory management)
- Continuous process improvement
- Invest into inventory optimization technology

Learning Outcome 1.2: Check products that are available and respect storage practices

DEFINITION OF:

Storage is the action or method of storing something for future use.

STORAGE AND INVENTORY CONTROL

Storage and inventory control processes include the activities related to holding material and the processes of counting and transacting the material as it moved through the warehouse.

STORAGE PROCEDURES

Storage Temperatures and Procedures

A food service operation needs to have clearly defined storage areas and procedures for several reasons. First, by providing storage facilities it is possible to purchase supplies in quantities large enough quantities to get price breaks. Second, the ability to store supplies on the premises reduces the cost and time needed to order supplies and handle them upon delivery. Third, menu planning is easier when you are aware of the quality, quantity, and types of supplies that are on hand. If there is a run on a particular menu item, it is nice to know there are enough materials on hand to ensure that everyone who orders the item can be served.

Dry Foods

The storeroom for dry foods should be located near the receiving area and close to the main kitchen. Unfortunately, the storeroom for dry foods is often an afterthought in food service facility designs, and the area designated for storage is sometimes in an inconvenient location.

No matter where the location, there are several essential points to be observed in the care and control of the dry storeroom.

- The area should be dry and cool to prevent spoilage and the swelling of canned goods. The ideal temperature range is 10°C to 15°C (50°F to 59°F).
- The storeroom should be easy to keep clean and free from rodents and vermin. This means all wall, ceiling, and floor openings should be sealed and protected to prevent **access**.
- It should be designed so it is easy to arrange and rearrange supplies to facilitate stock rotation. The best arrangement is to have shelves situated in the middle of the room so they can be stocked from both sides. This allows you to rotate stock by simply pushing out old stock by sliding new stock in from the other side of the shelf. This guarantees that first items received will be the first items used, or the “first in, first out” (FIFO) concept in stock rotation

TYPES OF INVENTORY

There are three main types of inventory:

- Raw materials inventory – Raw materials inventory are raw materials that your business changes to produce its goods and/or services. For example, if you manage an ice cream business, raw materials inventory could include milk you use to make ice cream.

- Work-in-process inventory – Work-in-process inventory is any unfinished goods that your business has made. If your business makes and sells chairs, work-in-process inventory would include any unfinished chairs on hand that your business has made.
- Finished goods inventory – Finished goods inventory includes any finished goods that are ready to sell. If you have a retail business that buys and sells toys, the toys you buy would be finished goods inventory.

PRODUCT CHECKING TECHNIQUES

Learning Outcome 1.3: Determine total cost of goods and services in line with accounting principle

3.1 DEFINITION OF KEY TERMS

- Cost
- Cost of goods sold
- Accounting principle

Cost : The **cost of** something is the amount of money that is needed in order to buy, do, or make it.

Cost of goods sold: Cost of goods sold is the accumulated total of all costs used to create a product or service, which has been sold

Accounting principle : Accounting principles are the rules and guidelines that companies must follow when reporting financial data.

3.2 STEPS OF CALCULATION OF COST OF GOODS SOLD

Step One: The Basic Components of the COGS Calculation

The basic calculation is:

- Beginning Inventory Costs (at the beginning of the year)
- Plus Additional Inventory Cost (inventory purchased during the year)
- Minus Ending Inventory (at the end of the year)
- Equals Cost of Goods Sold

For							example:
\$14,000	cost	of	inventory	at	beginning	of	year
+	\$8,000	cost	of	additional	inventory	purchased	during
-			\$10,000		ending		inventory
=	\$12,000	cost of goods sold.					

The COGS calculation process allows you to deduct all the costs of the products you sell, whether you manufacture them or buy and re-sell them.

Step Two: Determine Direct Costs

Determine direct costs, including:
Cost to purchase the merchandise for resale
Cost of raw materials
Packaging costs
Work in process
Cost of inventory of finished products
Supplies for production
Direct overhead costs related to production (for example, utilities and rent for manufacturing facility)

Step Three: Determine Indirect Costs

Indirect costs include manufacturing materials and supplies

- Labor (for workers who actually touch the product)
- Costs to store/wholesale the products
- Depreciation of equipment used to produce, package, or store the product
- Salaries of administrators, managers overseeing production
- Equipment used for administrative work (not production)

Step Four: Determine Facilities Costs

Facilities costs are the most difficult to determine. This is where a good CPA comes in. Your CPA must allocate a percentage of your facility costs (rent or mortgage interest, utilities, and other costs) to each product, for the accounting period in question (usually a year, for tax purposes).

Step Five: Determine Beginning Inventory

Inventory includes merchandise in stock, raw materials, work in progress, finished products, and supplies that are part of the items.

Your beginning inventory this year must be exactly the same as your ending inventory last year. If it does not, you will need to submit an explanation for the difference.

Step Six: Add Purchases of Inventory Items

Most businesses add inventory during the year. You must keep track of the cost of each shipment or the total manufacturing cost of each product you add to inventory. For purchased products, keep the invoices and any other paperwork. For items you make, you will need the help of your CPA to determine the cost to add to inventory.

A Certified Public Accountant (CPA) is an accounting professional who has passed the Uniform CPA examination and has also met additional state certification and experience requirements.

Step Seven: Determine Ending Inventory

Ending inventory costs are usually determined by taking a physical inventory of products, or by estimating.

Ending inventory costs can be reduced for damaged, worthless, or obsolete inventory. For damaged inventory, report the estimated value. For worthless inventory, you must provide evidence that it was destroyed. For obsolete inventory, you must also show evidence of the decrease in value. Consider donating obsolete inventory to a charity.

Step Eight: Do the COGS Calculation

At this point, you have all the information you need to do the COGS calculation. You can do it on a spreadsheet, or have your accountant help you.

3.3 THE BASIC COMPONENTS OF THE COST OF GOODS SOLD

- ❖ Beginning inventory cost(at the beginning of the year)
- ❖ Inventory cost (Inventory purchased during the year)
- ❖ Ending inventory cost(at the end of years)

3.4. DETERMINE DIRECT COSTS

- ❖ Cost of raw materials
- ❖ Packaging costs
- ❖ Work in progress

3.5 DETERMINE INDIRECT COSTS

- ❖ Labor cost
- ❖ Cost of store
- ❖ Depreciation of equipment used to produce, package, or store the product)

3.6 DETERMINE FACILITIES COSTS

- ❖ Rent
- ❖ Utilities :is Large firm that owns and/or operates facilities used for generation and transmission or distribution of electricity, gas, or water to general public.

3.7 DETERMINE BEGINNING INVENTORY

3.8ADD PURCHASE OF INVENTORY ITEMS

3.9. DETERMINE ENDING INVENTORY

LEARNING UNIT 2 PROCESS ORDERS

Learning Outcome 2.1: Process orders according to the client needs

2.1.1DEFINITION OF KEY WORDS

- ❖ Order
- ❖ Process order

- ❖ Clients
- ❖ **Order** A confirmed request by one party to another to buy, sell, deliver, or receive goods or services under specified terms and conditions

An **order** is an instruction to buy or sell on a trading venue such as a stock market, bond market, commodity market, financial derivative market or cryptocurrency exchange. These instructions can be simple or complicated, and can be sent to either a broker or directly to a trading venue via direct market access. There are some standard instructions for such orders.



LOGO

Purchase Order

Date: 1/1/2010
PO: #####

Vendor

Name
Title
Primary Address
Address 2
Phone: 555-555-5555
Fax: 555-555-5555
E-mail: someone@example.com

Ship To

Name
Title
Primary Address
Address 2
Phone: 555-555-5555
Fax: 555-555-5555
E-mail: someone@example.com

Shipping Method	Shipped Date	Terms	Reference

Qty	Description	Quantity	Unit Price	Line Total
1				
2				
3				
4				
5				
6				
7				
8				
9				
10				

1 Note 1
2 Note 2
3 Note 3

Subtotal:

Processing Fees:

Tax Rate:

Tax:

Total:

- ❖ **Process order** The expected period of time between the date an order is placed and when it is shipped

Clients a person who receives services

2.1.2. COMPONENTS OF PLACING ORDERS

- ❖ Order number or reference
- ❖ Date the order was placed
- ❖ Delivery date
- ❖ Quantity ordered
- ❖ Address of customer and supplier
- ❖ Signature and stamp

2.1.3 STEPS TO AN EFFECTIVE ORDER PROCESSING SYSTEM

- ❖ Use a standard order-taking form
- ❖ Do not accept incomplete order forms
- ❖ Confirm the order with the customer
- ❖ Circulate the filled out order form internally
- ❖ Let the customer know the order status
- ❖ Ask for customer feedback

2.1.4 THE FIVE STAGES TO EVALUATE THE CUSTOMER'S BUYING PROCESS

- ❖ Problem/need recognition
- ❖ Information search
- ❖ Evaluation of alternatives
- ❖ Purchase decision
- ❖ Post- purchase behavior

2.1.5 STAGES OF A SUCCESSFUL SALES PROCESS

- ❖ Qualification : **Qualification** denotes fitness for purpose through fulfillment of necessary conditions such as attainment of a certain age, taking of an oath, completion of required schooling or training, or acquisition of a degree or diploma.
- ❖ Preparation : **preparation**: State of making something ready for use
- ❖ Presentation : Formal and pre-arranged meeting, usually at a customer's place (or at a neutral premises, such as a hotel) where a salesperson or a sales team presents detailed information (often including live demonstration) about a product or product-line

Realization : is Conversion of assets, goods, or services into cash or receivables through sale. Also called actualization.

- ❖ Communication
- ❖ Continuation

Learning Outcome 2.2: Communicate to satisfy customers requirements

2.2.1 DEFINITION OF THE FOLLOWING TERMS:

- ❖ Communication
 - ❖ Customers satisfaction
 - ❖ Customer requirements
-
- ❖ **Communication:** The sharing of information between people within an enterprise that is performed for the commercial benefit of the organization.
 - ❖ **Customers satisfaction** the degree of satisfaction provided by the goods or services of a company as measured by the number of repeat customers.
 - ❖ **Customer requirements: Customer Requirements.** Characteristics or specifications that should be present in a product for it to be deemed desirable by the **consumer**.

2.2.2 WAYS TO COMMUNICATE MORE EFFECTIVELY WITH CUSTOMERS

- ❖ Beware of interrupting
- ❖ Listen actively
- ❖ Avoid negative questions
- ❖ Be sensitive to differences in technical knowledge
- ❖ Use analogies to explain technical concepts
- ❖ Use positive instead of negative statements
- ❖ Be careful of misinterpreted words and phrases
- ❖ Remember that technical problems involve emotional reactions
- ❖ Anticipate customer objections and questions
- ❖ Keep customer informed

2.2.3 THE IMPORTANCE OF EFFECTIVE COMMUNICATION WITH CUSTOMERS

➤ Customer service

Communication Leads To Higher Satisfaction Levels

Communication can help you increase customer satisfaction levels and improve customer experiences. When you communicate properly with your clients and listen to them, you understand their needs better and can ensure they are satisfied.

Communication Paves The Way For Strong Relationships

Maintaining a strong relationship is a great way to increase sales. How would you do this? You can provide customers with quality products, but more importantly, be friendly with them. Reach out to them through email, social media or any other channel you want. Start fulfilling their requirements and be available whenever they have a problem. Explain the solution to them in simple terms and help them fix whatever issue they are facing. Soon enough, you will be

establishing relationships with them. Keep communicating with them, nurturing and strengthening the relationship in the process.

Communication Helps Retain Customers

Retaining customers is one of the best strategies to increase your sales. Customers you have dealt with in the past are easier to attract than new potential clients. But once again, communication is the tool which you will have to use. You can entice customers to do more business with you when you reach out to them effectively and meet their expectations, every single time.

➤ **With customers**

Communicating with Customers

It is incredibly important that you develop the best communication skills possible with your customers. Some of these skills include speaking clearly, effectively, efficiently, and politely. You also need to employ empathetic listening in your customer service setting. Excellent **communication skills** are important because communicating in this way shows customers that you understand what they actually mean instead of what they are simply saying.

Speaking Clearly and Effectively

Speaking clearly and effectively with your customers is an extremely important skill. You want to be able to explain procedures, policies, and other aspects of your company to your customers so they walk away without any questions. Clear and effective speaking also gives the customer a good impression of you as well as your company. Customers do not want to speak with someone who mumbles or cannot articulate points clearly. Lastly, speaking effectively leaves no room for error. Both you and the customer have a solid understanding of the company or the issue that you are fixing for them. This sort of understanding will lead to a long lasting relationship with the customer.

Speaking Efficiently and Politely

Customers want their questions answered as quickly as possible and in a polite manner. Doing this shows that your company appreciates their business. Speaking efficiently shows that you are knowledgeable on the topic or problem you are speaking to the customer about. It is all about getting right to the point instead of going off on a different subject. As mentioned earlier, customers want the answer fast! Speaking politely to your customers is extremely important, as this is a sign of respect and a reflection of the company and its reputation. I am pretty sure that everyone can remember a time when they dealt with a rude employee. It doesn't exactly make you want to return to that place of business again.

➤ **Within the company**

Enhanced Job Satisfaction

Providing job satisfaction to its employees forms the key element for a successful organization. Open communication between the managers, subordinates and other vendors creates a hassle-

free environment and each of the employees feels considered upon. This helps to build loyalty and trust within that organization.

Increased Productivity

Improper communication leads to lack of information and wastage of useful resources, whereas better communication leads to better understanding of the matter, which in turn improves the productivity and the turn around time.

Good Relationships with Co-workers

Open communication is highly important for each employee to understand different view points and suggestions. If each person shows willingness to enquire about others' opinions on a particular subject and feels free to express their own views, then it's easy to maintain better relationships at workplace. Team work is very essential for any organization to be successful. Good relationship among the team members uplifts the team spirit and that leads to a positive well-rounded growth for the employees as well as the organization.

Optimum Utilization of the Resources

Miscommunication can result in delays in delivery and reduced quality outputs. Each organization should make sure that there are enough communication channels established within the organization which helps its employees to have a friendly and healthy environment. Clarity in communication also helps the managers and the employees to plan and schedule different resources so as to ensure optimum utilization. This in turn increases the productivity.

Thus better communication goes hand in hand with the success of an organization or any workplace, for that matter. So it's ideal for the organizations to introduce professional communication skills training for all its employees. Such training leads to professional success.

Reducing Confusion

Confusion is not only a major distraction at work, but can also reduce productivity. In addition to these problems, confusion can also lead to anger and resentment among employees and supervisors. When a boss, owner or supervisor is not clear in communicating what they expect, and then the employee gets in trouble for not doing something properly, this leads to resentment.

2.2.4 REASON WHY EFFECTIVE COMMUNICATION SHOULD BE FOCUSED IN YOUR BUSINESS

- ❖ Build and maintains relationships
- ❖ Facilitates innovation
- ❖ Builds an effective team
- ❖ Managing employees

- ❖ Contributes to growth of the company
- ❖ Ensures transparency

Learning Outcome 2.3: Use coding system or database systems to input and track orders throughout the process

2.3.1 INTRODUCTION TO CODING AND DATA BASE SYSTEMS

Coding :is the process of assigning a code to something for classification or identification.

Definition of key words:

Coding system: A **coding system** is a plain list of classes or a categorial structure where all classes assigned by some unique symbol sequence.

Data : information, especially facts or numbers, collected to be examined and considered and used to help decision-making, or information in an electronic form that can be stored and used by a computer

Database system : A database (DB) is a collection of data that lives for a long time. Many systems fit this definition, for example, a paper-based file system, a notebook, or even a string with knobs for counting.

Database management system: **database management system** - a software system that facilitates the creation and maintenance and use of anelectronic database

2.3. ADVANTAGE OF CODING SYSTEM

- ❖ Simple to use
- ❖ Understandable
- ❖ **Concise** : giving a lot of information clearly and in a few words; brief but comprehensive.
- ❖ **Precise** : 1. exact and accurate: 2. very careful
- ❖ **Expandable** : able to increase in size

2.3CHARACTERISTICS OF GOOD CODING SYSTEM

1. Keeping track of something
Classifying information.
2. Concealing information.
3. Revealing information.
4. Requesting appropriate action.

2.4 TYPES OF DATA BASE

- ❖ Distributed database

- ❖ Operational database
- ❖ Rational data base
- ❖ Online database

2.5 ADVANTAGES OF DATA BASE SYSTEM

- ❖ Controlling data redundancy
- ❖ Elimination of inconsistency
- ❖ Better service to the users
- ❖ Flexibility of the system is improved
- ❖ Integrity can be improved
- ❖ Standards can be enforced
- ❖ Security can be improved
- ❖ Organization's requirement can be easily identified
- ❖ Data model must be developed
- ❖ Provides backup and recovery

2.6 DISADVANTAGES OF DATA BASE SYSTEM

- ❖ Data complexity
- ❖ Substantial hardware and software start-up
- ❖ Damage to database effects virtually all applications programs
- ❖ Extensive conversion costs
- ❖ Initial training required

2.7 WAYS TO MANAGE YOUR CUSTOMER DATABASE

- ❖ Customers database of daily deals booking
- ❖ Customer database and email marketing
- ❖ Customers database of manual internal bookings

LEARNING UNIT 3 PACKAGE THE PRODUCTS

Learning Outcome 3.1: Package system that meets customers' requests

3.1.1 DEFINITION OF KEY WORDS:

Package : Bottle, box, can, carton, cover, pouch, sack, wrap, etc., used for containment, preservation, promotion, and/or protection of an article. See also packing and packaging .

- Packaging protects the product.
- Packaging keeps the product from going bad.
- Packaging decreases costs.
- Packaging informs.
- Packaging provides hygiene.
- Packaging means economy.
- Packaging is a preventive measure.

Learning Outcome 3.2: Deliver goods and services as requested by customers

DEFINITION OF KEY TERMS

Goods are things that are made to be sold.

Services A service is something that the public needs, such as transport, communications facilities, hospitals, or energy supplies, which is provided in a planned and organized way by the government or an official body.

Delivering of goods: Delivery of Goods in the Sale of Goods Act is defined as a voluntary transfer of possession from one person to another

MODE OF DELIVERY OF GOODS AND SERVICES

Sea Transport

Shipping by sea can be for various reasons such as commercial, recreational or military. Almost anything can be transported by sea, but it is not practical to ship cargo when time is a key issue in delivery. The goods or cargo that gets transported by sea can be packaged into boxes, cases, pallets and barrels.

Land Shipping

Probably one of the earliest form of transporting cargo and good, land shipping is very useful in transporting goods within a country or across borders which are not very far away. Just like sea cargo transportation, land shipment can transport goods of almost any size.

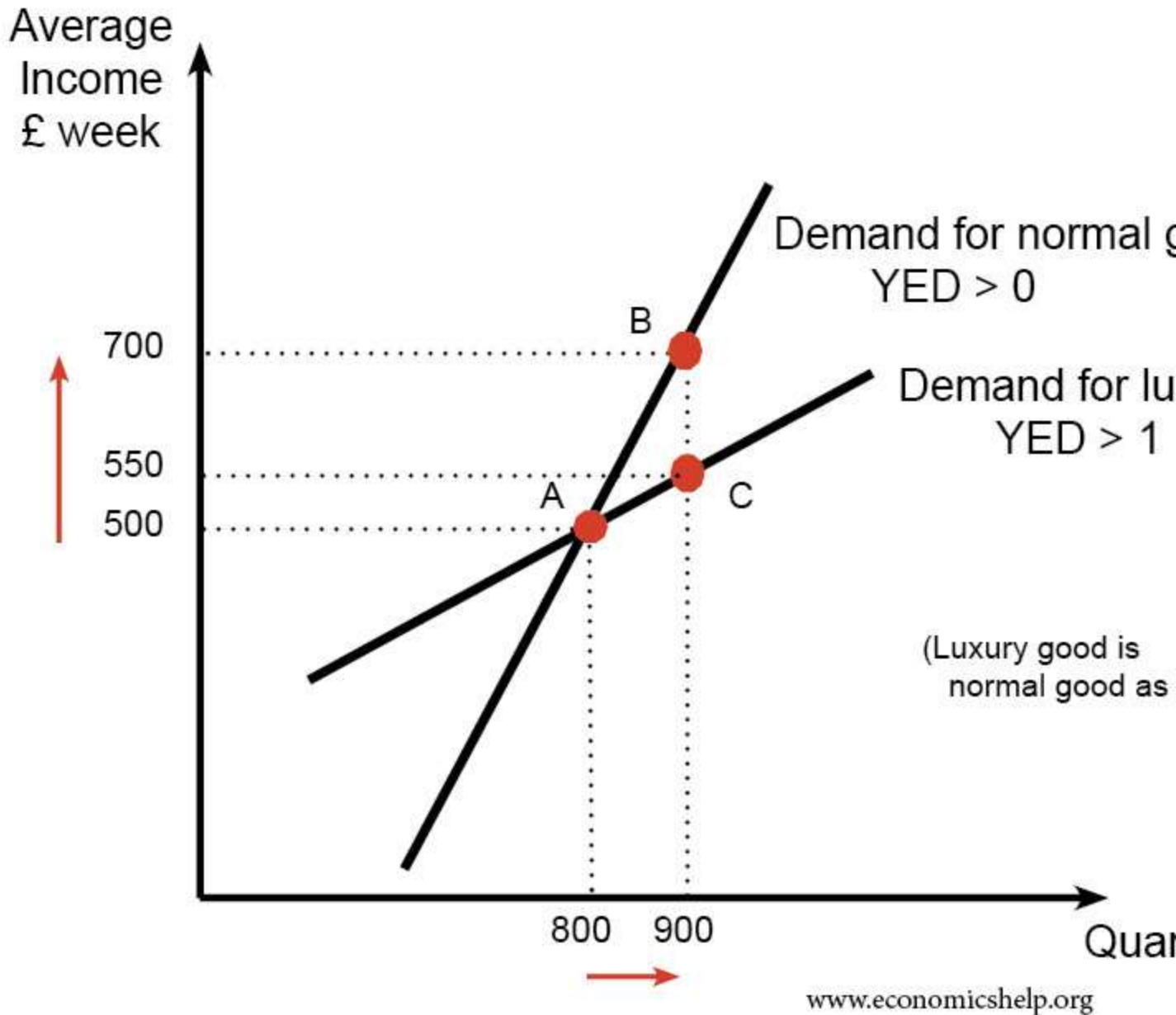
Air Freight

As for air cargo shipment, it makes use of aircrafts to transport goods. Items that are required to be delivered quickly can be transported via air cargo. These freight services can also deliver almost anything beside extremely big items that may not fit in the plane.

TYPES OF GOODS AND SERVICES

Normal good

- A **normal good** means an increase in income causes an increase in demand. It has a positive income elasticity of demand YED. Note a normal good can be income elastic or income inelastic.



- **Luxury good.** A luxury good means an increase in income causes a bigger percentage increase in demand. It means that the income elasticity of demand is greater than one. For example, HD TV's would be a luxury good. When income rises, people spend a higher percentage of their income on the luxury good.

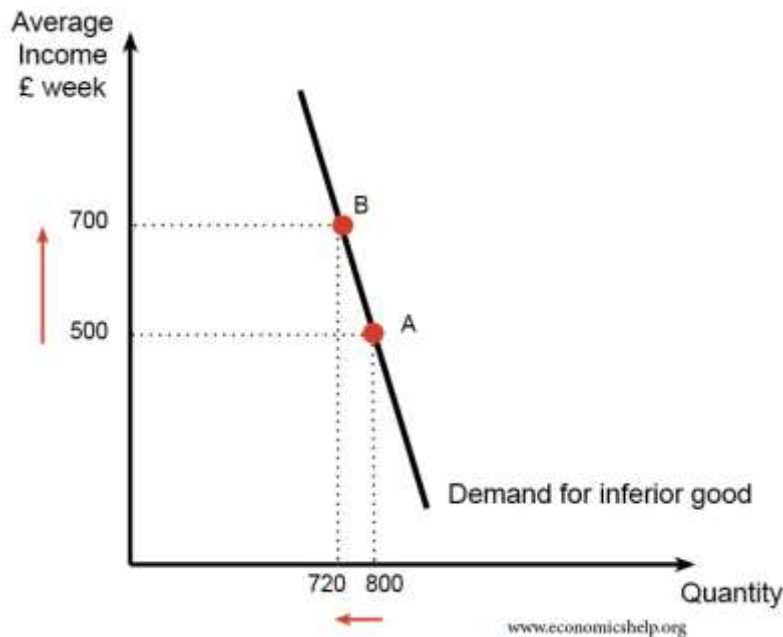
YED calculations

- In the above example of a luxury good, income rises (500-550) **10%**, demand rises 100/800 – **12.5%** $YED = 12.5/10 = \mathbf{1.125}$
- In the above example of a normal good, income rises (500-700) 40%, demand rises 100/800 – 12.5% $YED = 12.5/40 = \mathbf{0.3125}$

Note: a luxury good is also a normal good, but a normal good isn't necessarily a luxury good.

Inferior good

An inferior good means an increase in income causes a fall in demand. It is a good with a negative income elasticity of demand (YED). An example of an inferior good is Tesco value bread. When your income rises you buy less Tesco value bread and more high quality, organic bread.



Other types of goods

- **Complementary Goods.** Goods which are used together, e.g. TV and DVD player. see: Complementary goods
- **Substitute goods.** Goods which are alternatives, e.g. Pepsi and Coca-Cola. See Substitute goods.
- **Giffen good.** A rare type of good, where an increase in price causes an increase in demand. The reason is that the income effect of a rise in the price causes you to buy more of this cheap good because you can't afford more expensive goods. For example, if the price of wheat rises, a poor peasant may not be able to afford meat anymore, so has to buy more wheat. See: Giffen goods
- **Veblen / Snob good.** A good where an increase in price encourages people to buy more of it. This is because they think more expensive goods are better. See: Veblen good
- **Public goods** – goods with characteristics of non-rivalry and non-excludability, e.g. national defence. See: Public Goods

- **Merit goods.** Goods which people may underestimate benefits of. Also often have positive externalities, e.g. education. See: Merit goods
- **Demerit goods.** Goods where people may underestimate costs of consuming it. Often has a negative externalities, e.g. smoking, drug. See: Demerit goods
- **Private goods** – goods which do have rivalry and excludability. The opposite of a public good
See: private goods
- **Free goods** – A good with no opportunity cost, e.g. breathing air. See: Free good

Learning Outcome 3.3: Use packaging systems that comply with government requirement

QUALITIES OF GOOD PACKAGE

- ❖ Function
- ❖ Attraction
- ❖ Promotion
- ❖ Facilities purchase decision
- ❖ Differentiation
- ❖ Able to meet government rules and regulations

Functions of packaging

The various functions of packaging are divided into primary, secondary and tertiary functions. In contrast with the primary functions, which primarily concern the technical nature of the packaging, secondary functions relate to communications. Primary, secondary and tertiary functions are divided into the following sub-functions:

Primary functions

- Protective function
- Storage function
- Loading and transport function

Secondary functions

- Sales function
- Promotional function
- Service function
- Guarantee function

Tertiary functions

- Additional function

Types of packaging of goods

- Boxboard or paper board cartons
- Paper bags and sacks
- Corrugated boxes

