

Methods of Production

1. Flow - where identical, standardised items are produced on an assembly line. Example: Cars

Advantages	Disadvantages
▶ High quantities of products can be produced than when using other methods.	▶ High initial costs – Machinery, Computers, Training
▶ With long production runs, unit costs are low so products can be sold at lower prices.	▶ Mistakes or problems can shut down whole process
▶ Workers can be very skilled at what they do as they are doing the same job over and over.	▶ Repetitive work leading to low motivation
▶ Short training periods are required as workers need to be taught only a small number of skills.	▶ Standardised products only

2. Batch - where groups of items are made together. Each batch is finished before starting the next block of goods Example: Loaves and wallpaper

Advantages	Disadvantages
▶ More products can be produced to allow for higher sales.	▶ Products no longer produced to a unique specification.
▶ Costs for producing each product (unit costs) are lower.	▶ Quality is not as high compared to job production as less time and care is taken on individual products.
▶ Production is more efficient as workers can specialize in performing specific tasks.	▶ High level of stock may be needed so materials have to be stored and this is expensive.
	▶ Machines have to be cleaned and re-set before producing a different batch - this takes time and adds to costs.

3. Job - where items are made individually and each item is finished before the next one is started Example: Designer dress

Advantages	Disadvantages
• The production of one off items to meet the needs of each individual customer	• More expensive to produce (per item)
• Easy to set up	Time consuming to produce
• Specialist service	
• Meet specific needs of customers	

Quality

What is Quality?

A quality product or service is one that matches the requirements of the customer. E.g. a BESPOKE suit vs an 'off the peg' one.

How is Quality achieved?

- ▶ Purchasing – ensuring that the right quantity and quality of raw materials or components are available for the production process.
- ▶ Operations – structuring and managing the manufacturing process to reduce errors.
- ▶ Finance – ensuring that capital is available for appropriate investment to have the right equipment.
- ▶ Human resources – ensuring that the labour is available in the right quantities with the right skills and providing suitable training.
- ▶ Marketing – providing market research information in order that customer wants can be satisfied.

Quality control - Checking and reviewing work that has been done. Inspection of products and services during and at the end of the operation process.

Quality assurance - Built-in quality control throughout the production process. Quality does not come from inspection but from improvement of the process.

Why is Quality important?

- ▶ Satisfying customer expectations – businesses want customers to become loyal and come back to the business to make repeat purchases.
- ▶ Increasing customer satisfaction – this is when the quality goes beyond what is expected and gives the customer an excellent experience with the product or service.
- ▶ Increasing sales – if customers are happy with the product they will become regular customers.
- ▶ Reducing costs – an effective quality assurance process will reduce waste, substandard products and customer refunds or replacement products.
- ▶ Reducing waste – with zero defects there is minimal waste which is not only good for the business by having reduced costs, but also good for the environment and for worker morale.

What are the problems with poor quality?

- ▶ Customers will be lost – dissatisfied customers will look elsewhere
- ▶ The reputation of the business will suffer – they may develop a reputation for faulty or poor standard products and services
- ▶ Increased costs - in wastage and the recall and replacement of faulty products
- ▶ Storage costs – for unwanted products that consumers do not want
- ▶ Legal action – if the product causes harm to consumers

Supply Chain

What is the supply chain?
The supply chain is the various stages of the movement of supplies from their source to the end user.

Stages of the supply chain?

1. Procurement - purchasing of raw materials, goods and services for a business.
 - The cost
 - The quality
 - The delivery time
 - Reliability of the supplier
 - Reputation of the supplier
 - Ethical and environmental actions of the supplier
 - Payment terms and contractual issues (late or non-delivery of stock penalties)
2. Logistics - management of the flow of products, services, equipment, people, money and information from the source to the end user.
 - Transportation of supplies
 - Storage (warehousing) of supplies
 - Storage (warehousing) of finished products
 - Inventory of supplies and finished goods
 - Packaging of finished goods
 - Transportation and distribution of finished products
 - Organisation of individuals working in logistics
 - Security of supplies and finished goods
- 3 Stock control – management of stock

JIC - This is when stock is ordered in advance and stored. (Just in Case)	JIT - Supplies and products are delivered only when they are needed
Advantages – always have stock when it is needed.	Advantages Lower stock holding means a reduction in storage space which saves rent and insurance costs
Disadvantages: Money spent on stock Large quantities of stock have to be stored (securely) Stock can be damaged or stolen Certain types of stock, such as food and other perishable products, has a short life	Disadvantages There is little room for mistakes as minimal stock is kept for re-working faulty products As stock is only obtained when it is needed, less working capital is tied up in stock There is less likelihood of stock perishing, becoming obsolete or out of date Production is very reliant on suppliers and if stock is not delivered on time, the whole production schedule can be delayed There is no spare finished product available to meet unexpected orders, because all product is made to meet actual orders – however, JIT is a very responsive method of production

Impact on Stakeholders:

- ▶ **Costs to the business** - the business needs to make a profit for the owner or shareholders.
- ▶ **Quality of finished goods** – customers will require value for money. They want a high quality product. The suppliers need to provide a high quality raw material.
- ▶ **Reliability of delivery** – supplies have to be in place at the right time. Products must be available in the location that customers expect.
- ▶ **Production process** – supplies have to be suitable and reliable for production. Production workers have to be able to work with the materials and the material must be suitable to use with equipment.
- ▶ **Price** – does the cost of supplies allow finished products to be sold at competitive prices and will a change in supplier affect the price? It is no good producing a high quality product if it is sold at a loss.
- ▶ **Customer satisfaction** – are products made to the required standards and are they available when the customer wants them?
- ▶ **Reputation** – poor quality or unreliable products will not develop customer loyalty. A disruption in the supply chain like what happened to KFC can damage this.
- ▶ **Sales and profits** – this is the main objective for most businesses.

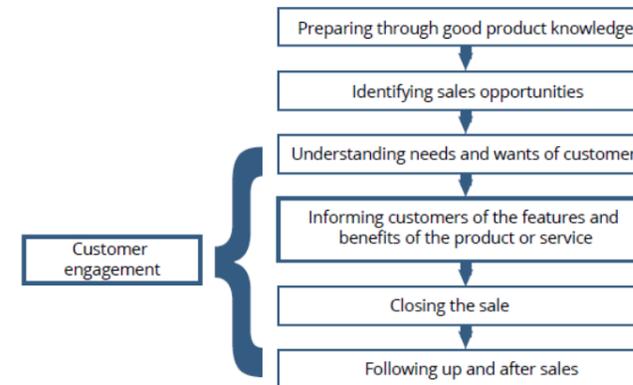
Sales Process

The sales process is how the business interacts with its customers and receives revenue.

The sales process depends on;

- The product - is technical knowledge of the product required by the customer?
- The market – what is the expectation of the customer and the normal ways sales are conducted?
- The price – low value or high value
- The customer – consumer or business
- The place – how the product is sold, face-to-face, online, telephone, etc.
- The quantity – the number being bought

Stages of the sales process:



Customer service is the support that a business gives to its customers. This can be before, during and after the sale. Good customer service can result in customer loyalty and ensuring customers return to the business. Poor customer service can result in losing customers and gaining a poor reputation in the marketplace.

Good customer service should result in:

- ▶ Increased customer loyalty
 - ▶ Increased customer spend
 - ▶ A good reputation
 - ▶ Attract new customers
- Features of good customer service:**
- ▶ **Greeting the customer**
 - ▶ **Interacting with the customer**
 - ▶ **Identifying customer needs and wants**
 - ▶ **Encouraging feedback from the customer**
 - ▶ **Responding to feedback**

Online customer services:

- Allow instant interaction
- 24/7 communication
- Encourage instant feedback