Chapter-3

# Enterprise Marketing

## BUSINESS GOAL

- **What is the goal of a business?**
- The fundamental goal of business is to make a profit; this always need not be in terms of money but improved customer relations, goodwill, etc.,
- **What is goal setting?**
- Establishing a target to be achieved, keeping in mind various constraints in which a business operates. "Establishing short or long term objectives, usually incorporating deadlines and quantifiable measures."

## IMPORTANCE OF GOAL SETTING

- Goal Setting is an important exercise for ensuring the appropriate performance.
- Goal setting ensures clarity of vision, alignment to the organizational goals, clarity of purpose, and higher probability of achieving the goals.
- Goal setting allows us to be proactive, instead of just being reactive.

## RULES FOR GOAL SETTING

- **Business goals need to be relevant.**
- Business owners sometimes make the mistake of choosing pointless business goals. To be relevant, a business goal has to be profitable.
- **Business goals need to be actionable.**
- An even more common mistake when setting business goals is to choose business goals that are too vague or abstract. When you're setting business goals, be sure that you have developed them from general statements. Goals without action plans are just pretty words.
- **Business goals need to be achievable stretches.**
- A business goal should be worth pursuing. The business goal should be balanced and accomplish the dual aspect of achieving and self-satisfaction.

## S.M.A.R.T. GOALS

- **SPECIFIC:** Great goals are well defined and focused, answering questions such as who, what, when, where, why, and how.
- **MEASURABLE:** A goal should be measurable. This helps in assessing and controlling the actions which help in goal attainment and helps a business to know whether it is on the track or not.
- **ATTAINABLE:** Businesses should set goals as realistic and achievable.
- **RELEVANT:** Goals should be based on the current conditions and realities of the business climate.
- **TIME BOUND:** Business goals and objectives should necessarily be defined concerning a time frame.

**MARKETING STRATEGY**

- Marketing strategy means a comprehensive plan to facilitate and promote the exchange of goods and services.
- ➢ COMPONENTS OF MARKETING STRATEGY
- Marketing strategy includes all basic and long-term activities in the field of marketing that deal with the analysis of the strategic initial situation of a company.
- It also includes the formulation, evaluation, and selection of market-oriented strategies and therefore contributes to the goals of the company and its marketing objectives.
- A marketing strategy is composed of several strategies for growth as well as interrelated components called the marketing mix

**MARKETING MIX**

- Marketing mix refers to the ingredients or the tools or the variables in which the marketing mixes to interact with a particular market.
- A marketing mix is the mixture of controllable marketing variables that the firm uses to pursue the sought level of sales in the target market.
- The marketing mix is the term used to describe the combination of the four inputs which constitute the core of a company's marketing system: the product, the price structure, the promotional activities, and the distribution system.

**PRODUCT**

- It refers to the items been sold means goods or services or anything of value, which is offered in the market for exchange.
- The important decisions related to a product are:
- ➢ Deciding about quality, design, features, sizes, etc. of the product or service.
- ➢ Deciding the brand name of the products.
- ➢ Designing the package of the products.
- ➢ Designing the labels to be put on the package of the products.
- ➢ Deliver a minimum level of performance.

**PRODUCT MIX**

- It involves planning and developing the right type of product that will satisfy fully the needs of customers.
- The components of the product mix are:
- ➢ Branding
- ➢ Labeling
- ➢ Packaging
- ➢ Logo and taglines

**BRANDING**

- It is the most important element of the product mix.
- Branding is an effective determination strategy commonly adopted by marketers when dealing with the products which cannot be easily distinguished in terms of tangible features.

EVOLUTION OF BRANDING

- "BRAND", Norwegian word meaning "to burn" led to the origin of the word "Brand". In olden days, the farmers used to put some kind of an identification mark (using burning hot iron) on the body of the livestock to distinguish their possession from that of others.

**VARIOUS TERMS RELATED TO BRANDING**

- 'Brand' is a comprehensive term. It is used to denote a name, term, sign, symbol, design, or Combination of them to Identify the products of one firm and differentiate them from those of the competitors.

- **Brand name:** A brand name is "that part of a brand which can be vocalized i.e. can be spoken. It is like naming a new-born child. Mercedes, Woodland, Asian Paints, Pepsi, Maggie, Uncle Chips, etc. are a few examples of the brand names.
- **Brand mark:** A brand mark is that part of a brand which can be recognized but cannot be vocalized I. e.is non-utter able. It appears in the form of a symbol, design, or distinct colour scheme. For example, 'Girl' of Amul, 'Maharaja' of Air India, 'Ronald' of McDonald, etc.
- **Trademark:** A brand or part of a brand that is given legal protection against its use by other firms is called a trademark. Thus, a trademark is essentially a legal term, protecting the seller's exclusive right to use the brand name/mark.

## CHARACTERISTICS OF A GOOD BRAND

- While selecting a brand name, an entrepreneur should choose a name which is:
- Short, simple, and easy to pronounce.
- Noticeable, easy to recognize, and remember.
- Pleasing, impressive when uttered.
- Neither obscene, negative, offensive, or vulgar.
- Adaptable to packaging, labelling requirements, to different advertising media and languages.
- Linked to the product, symbolically eye-catching.
- Contemporary, capable of being registered and protected legally.

## TYPES OF BRAND NAME

- **Individual brand name**
- Here entrepreneurs can choose distinct names for each of his offerings, i.e. every product is promoted based on a separate brand name.
- **Family brand name**

  An entrepreneur can opt to use a common or successful family name for their several products. Either the entrepreneur's name or the company's name may be used for all the products. It is even referred to as Umbrella branding.
- **Corporate names**

An entrepreneur can choose to utilize their corporate name or logo together with some brand names of individual products, for example, Godrej, Tata, Bajaj, etc.

- **Alpha-numeric names**

  The entrepreneur has an option available to brand his/her products alpha-numerically too. In many industrial products, an alpha-numeric name often signifies its physical characteristics, thus creating a distinctive identity of the product. For example, SX4, Liv52, ANX Grandly, i10, i20, etc.

## LOGO

- The logo is short for the logotype and is an identifying symbol for a product or service. The logo serves the following purposes:
- Logos are a critical aspect of business marketing. As the company's major graphical representation, a logo anchors company's brand.
- Corporate Logo is intended to be the "Identity" of an enterprise because of displaying graphically enterprise's uniqueness.
- Through a set colour combination, fonts, images, impression, and/or pattern, logos provide essential information about a company that allows customers to relate to the enterprise's core brand.
- Enterprises normally resort to logos' as a short path for advertising and other marketing materials.
- Logos act as the key visual component of an enterprise's overall brand identity.

## TAGLINE

- Taglines are simple but powerful messages that help to communicate an enterprise's goals, mission, distinct qualities and so much more. Thus, a 'tagline' is a small amount of text which serves to clarify thought and is designed with a dramatic effect. They can come in the form of:
- Questions
- Statements
- Exclamations

## PACKAGING

- It refers to the act of designing and producing the container or wrapper of the product.
- The critical decisions that must be made on the package are concerned with the functions that the product pack will perform.

## LEVELS OF PACKAGING

- Primary package
- Secondary package
- Transportation package.

## IMPORTANCE OF PACKAGING

- The packaging is important because it helps in:
  - Product identification
  - Product protection
  - Product promotion
  - Product differentiation
  - Easy handling
  - Maintaining rising standards of health and sanitation
  - Innovational opportunity for promoting the product

## LABELLING

- It is the display of information about a product on its container, packaging, or the product itself.

## IMPORTANCE OF LABELLING

- It describes the product and specifies its contents.
- It helps in the identification of the product or brands.
- It helps to grade the products.
- It helps in the promotion of the products.
- It helps in providing information as required by law.

## TYPES OF INTELLECTUAL PROPERTY RIGHTS

- **Patents:** It grants an inventor the right to exclude others from making, using, selling, offering to sell, and importing an invention for a limited period, in exchange for the public disclosure of the Invention.

- **Copyright:** It gives the creator of original work exclusive rights to it, usually for a limited time. It means apply to a wide range of creative, intellectual, or artistic forms or work. For example, musical composition, literary work such as poems, plays, etc.
- **Industrial design:** It protects the visual design of objects that are not purely utilitarian. It can be a two or three-dimensional pattern used to produce a product, industrial commodity, or handicraft.
- **Trademark:** It is a recognizable sign, design, or expression that distinguished products or services of particular trades from the similar products or services of other traders.

## PRICE

- It refers to the value that is put on a product. It represents the sum of values that consumers are willing to exchange for the benefit of having or using the product.
- The price of a product depends upon:
  - Cost of production
  - Segment targeted
  - The ability of the consumer to pay
  - Market forces of demand and supply
- **Pricing strategy** refers to the method that the entrepreneur uses to price his/her products or services.



## COST-PLUS PRICING

- The most common technique is cost-plus pricing, where the manufacturer charges a price to cover the cost of producing a product plus a reasonable profit. Cost-plus pricing is typically based on a manufacturing estimate. Estimates of the costs associated with manufacturing tasks are made for many reasons. For example, to:
- justify the planned capital expenditure
- determine likely production costs for new or modified products
- focus attention on areas of the high cost
- **ADVANTAGES**

- The company knows exactly the amount of expenditure that has incurred on making a product and therefore they can add profit margin accordingly which helps in achieving the desired revenue for a firm.
- It is the simplest method to decide the price for a product
- Since the company is using its data for deciding cost which makes it easier for a company to evaluate the reasons for escalations in expenses and therefore it can take corrective action immediately.

➢ **DISADVANTAGES**

- This method does not take into account the future demand for a product which should be the base before deciding on the price of a product
- It also does not take into account the competitor's actions and their effect on the pricing of the product.
- It can result in the company overestimating the price of a product because this method includes sunk cost and ignores opportunity cost.

**PENETRATION PRICING**

- Penetration pricing is a pricing strategy where the price of a product is initially set at a price lower than the eventual market price to attract new customers. The strategy works on the expectations that customers will switch to the new brand because of the lower price.

ADVANTAGES

- It can result in fast diffusion and adoption. This can achieve high market rates quickly. This can take the competitors by surprise, not giving them time to react.
- It can create goodwill among the early adopter’s segment. This can create more trade by word of mouth.
- It creates cost control and cost reduction pressures from the start, leading to greater efficiency.
- It discourages the entry of competitors. Low prices act as a barrier to entry
- It can create high stock turnover throughout the distribution channel.
- This can create critically important enthusiasm and support in the channel.

DISADVANTAGES

- The main disadvantage of penetration pricing is that it establishes long–term price expectations for the product and image preconceptions for the brand and company. This makes it difficult to eventually raise prices.
- Another potential disadvantage is that the low-profit margins may not be sustainable long enough for the strategy to be effective.

CREAMING/ SKIMMING STRATEGY

- In this type of pricing strategy, entrepreneurs set their prices higher, so that fewer sales are needed to break-even. This strategy is usually employed to reimburse the cost of investment in the original research and is commonly used in the electronics market.
- This strategy targets the early adopters of a product or a service.

ADVANTAGES

- Price skimming helps the company in recovering the research and development costs which are associated with the development of a new product.
- If the company caters to consumers who are quality conscious rather than price-conscious, then this type of strategy can work in a great way for a company.

➢ DISADVANTAGES

- This strategy can backfire if there are close competitors and they also introduce the same products at a lower price then consumers will think that the company always sells the products at higher prices which will result in consumers abandoning other products of the company also.
- Price skimming is not a viable option when there are strictly legal and government regulations regarding consumer rights.
- If the company has a history of price skimming then consumers will never buy a product when it is newly launched, they would rather wait for a few months and buy the product at a lower price.

**VARIABLE PRICING**

- Variable pricing is a marketing approach that permits different rates to be extended to different customers for the same goods or services. The approach is often employed in cultures where dickering over the price of goods is considered the norm or potential buyers are allowed to participate in a bidding situation, such as in an auction. Even in countries where fixed pricing is the standard, variable pricing may come into play when the customer is committing to the purchase of large volumes of goods or services. When this is the case, the customer must usually comply with specific criteria to enjoy pricing that varies from the standard cost.

- ADVANTAGES

- Sellers can use this method of pricing to sell those goods and services that they have not been able to sell at the original price.
- By selling the products at a variable price, the sellers can earn a modest profit and recoup their investment in the product.

- DISADVANTAGES

- It can lead to losing other customers who paid the full price for their purchase if they find out that another customer was able to purchase the same product at a lower price.
- Goodwill of the business is adversely affected.

**PLACE MIX**

- Place refers to the point of sale.
- A channel of distribution or trade channel is defined as the path or route along which goods move from producers or manufacturers to ultimate consumers or industrial users.
- The channel serves to bridge the gap between the point of production and the point of consumption thereby creating time, place, and possession utilities.

- **A channel of distribution consists of three types of flows:**

- The downward flow of goods from producers to consumers.
- The upward flow of cash payments for goods from consumers to producers.
- The flow of marketing information in both a downward and upward direction.

Different types of channels of distribution

- **Producer-customer (Direct channel-zero level):** This is the simplest and shortest channel in which no middlemen are involved and producers directly sell their products to the consumers.

- **Producer-retailer-customer (Indirect-one level):** This channel of distribution involves only one middleman called 'retailer'. Under it, the producer sells his/ her product to big retailers (or retailers who buy goods in large quantities) who in turn sell to the ultimate consumers. This channel relieves the manufacturer from the burden of selling the goods himself and at the same time gives him control over the process of distribution.
- **Producer-wholesaler-retailer-customer (Two levels):** This is the most common and traditional channel of distribution. Under it, two middlemen i.e. wholesalers and retailers are involved. This channel is suitable for the producers who have limited finance, narrow product line, and need expert services and promotional support of wholesalers.
- **Producer-agent-wholesaler-retailer-customer (Three levels):** This is the longest channel of distribution in which three middlemen are involved. This is used when the producer wants to be fully relieved of the problem of distribution and thus hands over his/her entire output to the selling agents. This channel is suitable for the wider distribution of various industrial products.

Factors considered for selection of channel

- **Considerations related to the product:** When a manufacturer selects some channel of distribution he/she should take care of such factors that are related to the quality and nature of the product. They are as follows:
  - The unit value of the product
  - A standardized or customized product
  - Perishability
  - Technical nature
- **Considerations related to government:** Considerations related to the government also affect the selection of channels of distribution. For example, only a license holder can sell medicines in the market according to the law of the government.
- **Considerations related to market**
  - Number of buyers
  - Types of buyers

- Buying habits
- Buying quantity
- Size of market

- **Considerations related to manufacturer/company**
- Goodwill
- Desire to control the channel of distribution
- Financial strength
- **Others**

- Cost: A manufacturer should select such a channel of distribution which is less costly and also useful from other angles.
- Availability**:** Sometimes some other channel of distribution can be selected if the desired one is not available.
- Possibilities of sales: Such a channel which has a possibility of large sales should be given weightage. The challenges that an Entrepreneur's faces are many in taking the great idea or invention to a finished product.

## SALES STRATEGY

- A sales strategy consists of a plan that positions a company's brand or product to gain a competitive advantage. Successful strategies help the sales force focus on target market customers and communicate with them in relevant and meaningful ways. Sales representatives need to know how their products or services can solve customer's problems.
- A successful sales strategy conveys this so that the sales force spends time targeting the correct customers at the right time.

## CRITERIA FOR SOUND SALES STRATEGY

- Sales strategy should be well defined and presented in unambiguous statements.
- They should have a specific product-market focus.
- They must act towards gaining a competitive advantage for the firm.

## Significance of sales strategy

- Creating awareness about the business environment: Planning, an effective sales strategy, requires looking at long term sales goals and analyzing the business sales cycle, as well as meeting salespeople and familiarizing them with career goals. This will help owners and managers to gain more precise knowledge of sales intervals, seasonal changes, and motivating factors about the sales team.
- Helps in measuring short term performance of sales: After creating long term goals, sales managers create monthly and weekly strategies. This allows for short term performance evaluation of the sales team and allows taking remedial action if targets are not achieved.

## Types of sales strategy

- Direct sales strategy: Organizations opting for direct sales strategy hire representatives to sell their products/ services directly to the customers or sell through the internet.
- Indirect sales strategy: Companies operating an indirect sales strategy, to market their products through intermediaries such as wholesalers, distributors, or retailers who may sell products of competitors also.

## Components of sales strategy

- Product placement
- Promotion
- Testimonials
- Core selling strategies

## Functions of sales strategy

- New customer acquisition
- Customer retention

## Considerations while formulating sales strategy

- Creating an effective sales strategy requires market knowledge, awareness of competitor activities, awareness of current trends, and detailed business analysis. Small business owners wishing to create and implement a sales strategy for the first time may want to hire a professional business consultant to help guide the process.

## Promotion strategy

- Promotion is the method to spread the word about the product or service to customers, stakeholders, and the broader public.
- Promotion strategy is a comprehensive plan that aims at finding an appropriate market for a product or service, utilizing all aspects of promotion such as advertising and discounts used to promote the product or service in a particular market or we can also that it chooses a market and then formulates the most appropriate promotion mix to influence it.

**Various approaches to promotion**

- **Above-the-line:** This type of promotion focuses on advertising to a large audience. It uses mass media methods of promotion such as:
  - Advertising in press
  - Online banner advertisement
  - Place advertisements on billboards.
  - Website development
  - Television and cinema advertising
- **Through-the-line:** "Through the line" refers to an advertising strategy involving both above-and below-the-line communications in which one form of advertising points the target to another form of advertising thereby crossing the "line".
- **Below-the-line:** Below-the-line methods are very specific, memorable activities focused on targeted groups of consumers. They are under the control of the organization. The purpose of these activities has been to develop the brand by creating awareness and building a brand profile, which includes:
  - sponsorship
  - sales promotions
  - public relations
  - personal selling
  - direct marketing

## Promotion mix

- Promotion mix refers to the combination of promotional tools used by an organization to reach the targeted market.
- These tools are also referred to as elements of the promotion mix. These elements can be used in different combinations, depending on the nature of the market, budget, objectives of promotion, etc.

## ADVERTISING

- Advertising is a paid form of communication designed to persuade potential customers to choose the product or service over that of a competitor. Successful advertising involves making the products or services positively known by that section of the public most likely to purchase them. It should be a planned, consistent activity that keeps the name of the business and the benefits of products or services uppermost in the mind of the consumer.
- **Objectives:**

➢ Make business and product name familiar to the public
➢ Create goodwill and build a favorable image
➢ Educate and inform the public
➢ Offer specific products or services
➢ Attract customers to find out more about your product or service

Rules of advertising

- **Aim -** What is the primary purpose of the advertisement? Is it to inform, sell, produce listings, or improve the image of the business?
- **Target -** Who is the target? From which sector of the public are we trying to achieve a response? For example, is it male, female, adult, teenager, child, mother, father, etc.
- **Media** – Bearing the aim and target in mind, which are of the media available is the most suitable – i.e. TV, radio, press, or Internet?
- **Competitors –** What are the competitors doing? Which media channel do they use? Are they successful? Can you improve on their approach and beat them in competition?

**Developing effective advertising (AIDA)**

- **Attention** – It catches the eye or ear and stands out amid the clutter of competing advertisements.
- **Interest –** It arouses interest and delivers a sufficient impact on the message or offer**.**
- **Desire –** It creates a desire to learn more or crave ownership**.**
- **Action –** It spurs an action that leads to the achievement of the ad's original objective – i.e. it prompts potential customers to purchase or use your product or service.

Commonly used media

- Stationary
- Window display or office front
- Press advertising
- Radio
- Television
- Direct mail
- Outdoor
- Ambient
- Cinema
- Point of sale
- Online
- Directory listings



Personal selling

- It means selling products personally. It involves an oral presentation of the message in the form of conversation with one or more prospective customers to make sales. Companies appoint salespeople to contact prospective buyers and create awareness about the company's product. Thus a salesperson plays three different roles:

- Be persuasive
- A service provider
- Be informative

Sales promotion

- Sales promotion relates to short–term incentives or activities that encourage the purchase or sale of a product or service. Sales promotions initiatives are often referred to as —below the line activities.
- Sales promotion activities can be targeted towards final buyers (consumer promotions), business customers (business promotions), retailers and wholesalers (trade promotions), and members of the sales force (salesforce promotions). Here are some typical sales promotion activities:

- Consumer promotions
- Business promotions
- Trade promotions
- Salesforce promotions

## Public relations

- It is deliberate, planned, and sustained effort to establish and maintain mutual understanding between an organization (or individual) and its (or their) public.
- Put more simply, public relations is about building good relations with the stakeholders (public) of the business by obtaining favorable publicity, building a good corporate image and handling or heading off unfavorable rumors, stories, and events.
- By building good relationships with the stakeholders, particularly customers, we can generate positive word of mouth and referrals from satisfied customers.

## Tools of public relations

- News creation and distribution (media releases).
- Special events such as news conferences, grand openings, and product launches.
- Speeches and presentations.
- Educational programs.
- Annual reports, brochures, newsletters, magazines, and Audiovisual presentations.
- Community activities and sponsorships.

## NEGOTIATION

- Negotiation is a process where two or more parties with different needs and goals discuss an issue to find a mutually acceptable solution. In business, negotiation skills are important in both informal day-to-day interactions and formal transactions such as negotiating conditions of sale, lease, service delivery, and other legal contracts.

- Good negotiations contribute significantly to business success, as they:
  - help in building better relationships
  - deliver lasting, quality solutions - rather than poor short-term solutions that do not satisfy the needs of either party
  - Helps in avoiding future problems and conflicts.

## METHODS OF NEGOTIATION

- **Integrative:** Integrative negotiations are commonly referred to as —win-win. In this type of negotiation, each side is working towards a solution where everyone wins something. They can make tradeoffs, look at multiple issues, and try to expand the pie rather than divide it. Integrative negotiations foster trust and good working relationships.
- **Distributive:** Distributive negotiations are referred to as —win-lose. One party gets what they want, and the other party has to give something up. This can be the case when you negotiate a lease on office space, for example. If you feel like you got a good deal and the property manager had to give something up for you, you —won. If you feel like the property manager had the upper hand and you got ripped off, you —lost.
- **Inductive:** The inductive method involves starting on small details and working upward until a settlement is reached. This can be the case where, for example, an employer and a labour union are negotiating the details of an employee pension and investment plan. Small details are addressed one at a time.
- **Deductive:** Deductive negotiations start with an agreed-upon strategy. They rely on established principles and a formula to frame the negotiation while the parties work out the details.
- **Mixed:** Mixed negotiations are the most common; they are a blend of inductive and deductive methods.

## CUSTOMER RELATIONSHIP MANAGEMENT

- CRM is the abbreviation for customer relationship management. It entails all aspects of interaction that a company has with its customer, whether it is sales or service-related. It is the process of carefully managing detailed information about individual customers to manage loyalty.
- CRM is often thought of as a business strategy that enables businesses to:
  - understand the customer
  - retain customers through better customer experience
  - attract new customer
  - win new clients and contracts
  - increase profitability
  - decrease customer management costs

How CRM is used today?

- Customer relationship management solutions enable companies to provide excellent real-time customer service through the effective use of individual account information. Based on what they know about each valued customer, companies can customize market offerings, services, programs, messages, and media. CRM is important because a major driver of company profitability is the aggregate value of the company's customer base.

## THE IMPACT OF TECHNOLOGY ON CRM

- Technology and the Web has changed the way companies approach CRM strategies because advancement in technology have also changed consumer buying behavior and offers new ways for companies to communicate with customers and collect data about them. With each new advancement in technology—especially the proliferation of self-service channels like the Web and smartphones, customer relationship is being managed electronically. Many aspects of CRM rely heavily on technology; however, the strategies and processes of a good CRM system will collect, manage, and link information about the customer to let you market and sell services effectively.

## BENEFITS OF CRM

- CRM allows all business data to be stored and accessed from a single location.

- CRM contains every bit of details of a customer.
- All the details in the CRM system are kept centralized which is available anytime on the fingertips. This reduces the processing time and increases productivity.
- It is very cost-effective.
- Efficiently dealing with all the customers and providing them what they need increases customer satisfaction.
- If the customer is satisfied, then they will always be loyal to the business. It results in an increased customer base and ultimately, enhancing the net growth of the business.

**TOOLS OF CUSTOMER RELATIONS**

- Let the customers know what you are doing for them
- Write to an old customer
- Remember special occasions
- Install CRM software

EMPLOYEE RELATIONSHIP MANAGEMENT

- Employee relationship management is a process that companies use to effectively manage all interactions with employees, ultimately to achieve the goals of the organization.
- The human resources department can play a critical role in this process, both in terms of training and coaching managers and executives on how to effectively establish and nurture relationships with employees and in measuring and monitoring those relationships to determine whether objectives are being met.

**FACTORS WHICH LEAD TO EFFECTIVE EMPLOYEE RELATIONSHIP**

- **Identifying objectives:** The first step towards effective employee management is identifying the objectives of the employee relationship management plan. For most companies, relationship management ascenders on items like attracting and retaining employees. Common measures of the effectiveness of these relationships include time to hire, turnover, and employee satisfaction.

- **Determining employee needs:** An organization should not only focus on identifying and achieving its objectives but should also be sensitive towards employee's needs. This can be done on one-on-one conversations that take place informally throughout the year, during formal employee evaluation meetings and through surveys and polls that can provide a quantitative indication of employee needs.
- **Balancing work and life needs:** Effective employee relationship management requires consideration of the whole employee. That means taking steps to ensure that the employee's work-life needs are well balanced. This can occur through creative staffing that might involve part-time, flextime, or even off-site work assignments.
- **Open and honest communication:** Communication is critical to establishing strong employee relationships. Managers must be committed to communicating regularly and honestly with employees about the issues that impact their work. The more open organizations can be, the more likely they are to establish strong relationships that lead to increased loyalty and productivity among employees and decreased turnover and dissatisfaction.
- **Measuring and monitoring results:** Effective employee relationship management requires ongoing attention. That means that managers and their HR departments should be alert at all times for signs of discontent, which can be subjective, as well as carefully monitoring the results of more formal assessments. These results should also be shared with employees.
- **Relationships are interpersonal:** Employee relationship management requires the same skills and processes required to manage any relationship; a clear understanding of employees' needs and a desire to meet those needs is foundational. Then steps must be taken to interact effectively with employees through a variety of communication channels, both interpersonal and formal. Finally, measurement of the effectiveness of these efforts should be frequent and ongoing.

**Vendor management**

- Vendors are individuals or businesses that supply goods or services to other individuals or businesses.

- Vendor management is a term used to describe the process of finding, qualifying, and doing business with vendors. Common activities include:
- researching vendors
- negotiating contracts
- obtaining quotes
- evaluating performance
- creating and updating vendor files
- Ensuring that payments are made properly.

## STEPS INVOLVED IN THE PROCESS OF VENDOR MANAGEMENT

- Vendor selection
- Managing vendors
- Proper management records

## QUALITY

- Quality is the totality of features and characteristics of a product or service that bear on its ability to satisfy stated or implied needs. A company that satisfies most of its customer needs most of the time is called a quality company.
- Quality is the key to value creation and customer satisfaction.

## IMPACT OF QUALITY

- Product and service quality, customer satisfaction, and company profitability are intimately connected. A higher level of quality results in a higher level of customer satisfaction, which supports higher prices and (often) lowers costs. Companies that have lowered costs to cut corners have paid the price when the quality of the customer experience suffers.

## BUSINESS FAILURE

- Business failure refers to a company ceasing operations following its inability to make a profit or to bring in enough revenue to cover its expenses. A profitable business can fail if it does not generate adequate cash flow to meet expenses.

## CAUSES OF BUSINESS FAILURE

- **Lack of industry experience:** Every business has an environment in which it operates. The internal resources of a firm must match the needs of the environment to which the firm caters. Lack of experience in the industry will lead to poor organization of a firm and its resources.
- **Inadequate financing:** Financing is the lifeblood for growing business whether in the start-up phase or a later stage. Many businesses fail due to a lack of proper financing channels. It is not a matter of unavailability of funding, but the lack of planning for funding to support growth opportunities. Planning, rather than looking for financing just when needed, is a good practice.
- **Lack of adequate cash flow:** Cash flow is the measure of a firm's ability to maintain sufficient funding to meet its expenses for the day-to-day activities of the business. Many small businesses fail because owners have a difficult time projecting what cash will come in every month, and thus, how much can go out.
- **Poor business planning:** Nine out of ten business failures are caused by a lack of general business management skills and planning. A good business plan helps identify the mission; cost structure; market; external influences; and strengths and weaknesses of a business. The business plan can separately include a marketing plan, operating plan, etc.
- **Management incompetence:** Ninety percent of business failures are associated with "management inadequacy", which consists of either management inexperience or incompetence. Good management efficiently implements and monitors the strategic and operational plan of a business. .A good strategic plan is only good as the management's ability to implement changes in day to day operations.
- **Ignoring the competition:** Customers are always looking for the best deal, or at least, a better deal. And if the competition offers better products, services, or prices, the customers will succeed at the expense of the business.
- **Unworkable goals:** It is one thing to set goals and another thing to set workable goals. Entrepreneurial initiatives are fundamentally influenced by uncertainty. Setting realistic goals, within the bounds of acceptable risk-taking and optimism, is important.

- **Diminished customer base:** Diversifying the customer base is an important factor in building the business. Being flexible enough to adapt to new trends and ideas is important for staying in business. Competition can cause the customer base to diminish.
- **Uncontrolled growth:** Uncontrolled growth of the business can also cause it to fail if not handled appropriately. Successful growth requires a professional management team, flexible organization, and proper systems and controls.
- **Inappropriate location:** The old real estate maxim - location, location, location - may be even truer in the small business world. Even the best-run retail establishment will have a difficult time succeeding if it is in a poor location.
- **Poor system of control:** While setting proper goals to manage the business, a system of controls is also needed to measure performance. A lack of proper control over internal activities can eventually lead to business failure. Controls can be implemented in several aspects of the business.
- **Lack of entrepreneurial skills:** Mostly during the start-up phase of a new business, a lack of entrepreneurial skills in an owner can cause a business to fail.