

# Introduction to Business: Business Activities



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# Objectives

- To understand the major business functions/activities
- To understand the management of various business functions/activities
- To be able to apply knowledge with daily life and work in the future

## ***Challenges:***

- Teaching business to non-business students
- Quickly grasp an overview of business components



# Agenda

Topic	Duration	Reference
<b>Part 1: Business Model Canvas</b> - Explain BMC - Practice: BMC Brainstorming	1h30m	<ul style="list-style-type: none"><li>• Osterwalder, A., &amp; Pigneur, Y. (2010). Business model generation: a handbook for visionaries, game changers, and challengers (Vol. 1). John Wiley &amp; Sons.</li><li>• <a href="http://www.itd.or.th/wp-content/uploads/2020/01/itdevent03022020-04.pdf">www.itd.or.th/wp-content/uploads/2020/01/itdevent03022020-04.pdf</a> (also in GDrive)</li></ul>
<b>Part 2: Primary Activities</b> - Marketing - Operations	1h30m	<ul style="list-style-type: none"><li>• Needle, D., &amp; Burns, J. (2010). Business in context: An introduction to business and its environment. Boston: South-Western Cengage Learning.</li><li>• Kotler, P.T. &amp; Armstrong, G. (2018) Principles of Marketing, 17e, Pearson.</li><li>• Solomon, M.R. et al. (2013). Marketing: Real people, real decisions. Pearson.</li><li>• Heizer, J. et al. (2020). Operations management. Prentice-Hall.</li><li>• Krajewski, L. J. et al. (2022). Operations management: Processes and supply chains. Pearson.</li></ul>
<b>Part 3: Supporting Activities</b> - Human Resource Management - Finance & Accounting - Management Information System	1h30m	<ul style="list-style-type: none"><li>• Needle, D., &amp; Burns, J. (2010). Business in context: An introduction to business and its environment. Boston: South-Western Cengage Learning.</li><li>• Bright, D.S. et al. (2019). Principles of management. OpenStax.</li><li>• Dessler, Gary. Human resource management. Pearson Educación, 2000.</li><li>• Brigham, E. F., &amp; Houston, J. F. (2021). Fundamentals of financial management: Concise. Cengage Learning.</li><li>• Libby, R. et al. (2020). Financial Accounting, McGraw-Hill.</li><li>• Laudon, K. C., &amp; Laudon, J. P. (2021). Management information systems: Managing the digital firm. Pearson.</li></ul>

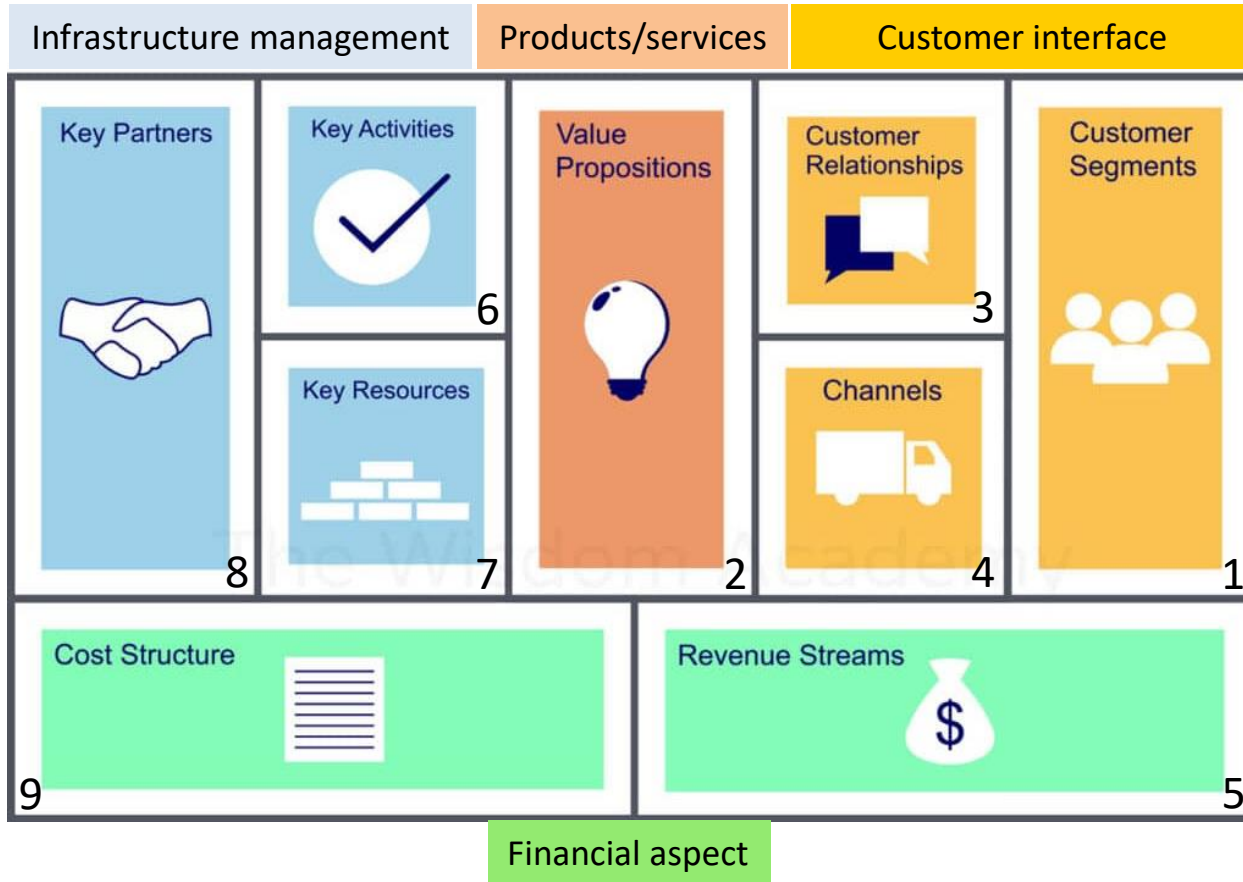
# **Part 1: Business Model Canvas**

## **A Big Picture**

# Why Business Model Canvas?

- BMC helps entrepreneurs understand a business in a concise and organized way;
- BMC provides a comprehensive framework describing the crucial elements of any business enterprise;
- BMC offers a process of exploration and analysis prior to any a deeper understanding of business functions (Holdford et al., 2022)

# BMC: 9 boxes



*Can you apply BMC with these businesses?*



*Please think about this after the class*

# Customers/Segments & Value Propositions

## Customers and Segmentations

- Who are our customers?
- Customer need? Pain point? What do customers value?
- Segmenting: income, demographic (e.g., genders, ages), etc.
- You can access and serve more than one group of customers!!



## Value Propositions

- Goods/services answer the customer needs, solve their problems
- Goods/services must have significant differences from competitors



**Multi-side-market:** more than one customer segments (Grab, YouTube)



# Channels & Customer Relationships

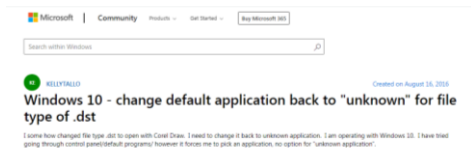
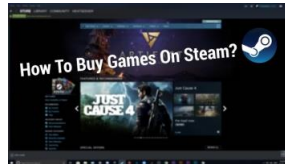
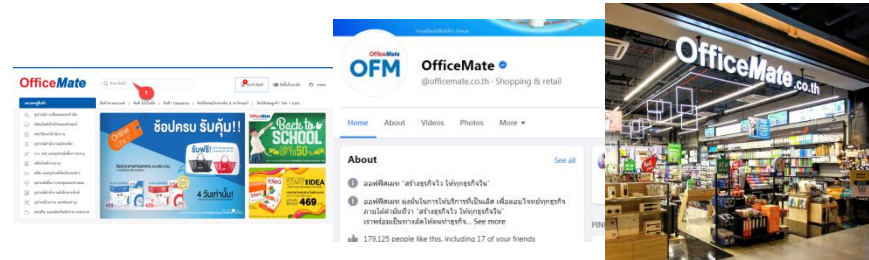
## Channels

- Communicate with / access to targeted customers
- Deliver the value proposition (goods/services)
- Significant numbers of targeted customers
- Efficient & Effective



## Customer Relationships

- **Get new** customers, **keep current** customers, **increase** purchases, and **win-back** past customers
- Personal assistance, automated service, self-service, communities





# Revenue Streams

- Business offers a set of value propositions (goods/services); customers pay for obtaining/using goods/services.
- Many customer segments = many revenue streams
- !! Revenues > Costs = Profits



## Types of Revenue Streams

- Asset sale (goods/products): land, snack



- Lending/renting/leasing: car, apartments
- Usage fee (services): taxi, barbers, massage
- Subscription fee: Netflix, fitness
- Licensing: songs, logos, technology
- Commission fees: AirBnB, Agoda, Grab
- Advertising: Google

# Key Activities & Key Resources

## Key Activities

- Key activities required for producing the value propositions
- Production, problem solving

## Key Resources

- Physical (buildings, platforms)
- Intellectual (brand, patents, copyright, data, knowledge)
- Human, employee, labour (knowledge, skills)
- Money
- Traffic, user base, customer base
- Trust



# Key Partners

## Key Partners

- Buyer-supplier: HP-Intel, Grab-taxi, Android-developers
- Strategic alliances (non-competitors): Apple Watch Nike
- Cooperative partners (competitors): Star Alliance, Taxi association
- Joint ventures (develop new businesses): YGMM, SCB-CP, United Launch Alliance (Boeing and Lockheed Martin)

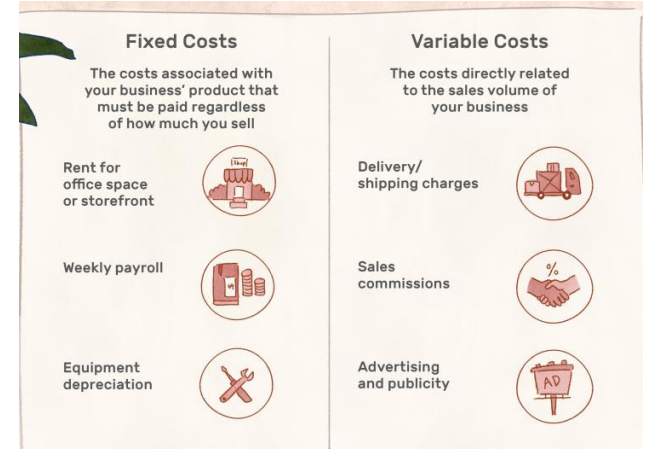


# Cost Structure

## Types of Costs

- Fix costs: buildings, machines, staff (admin), license
- Variable costs: materials, fuels

*Think!!!: airline, hotel, car manufactures*

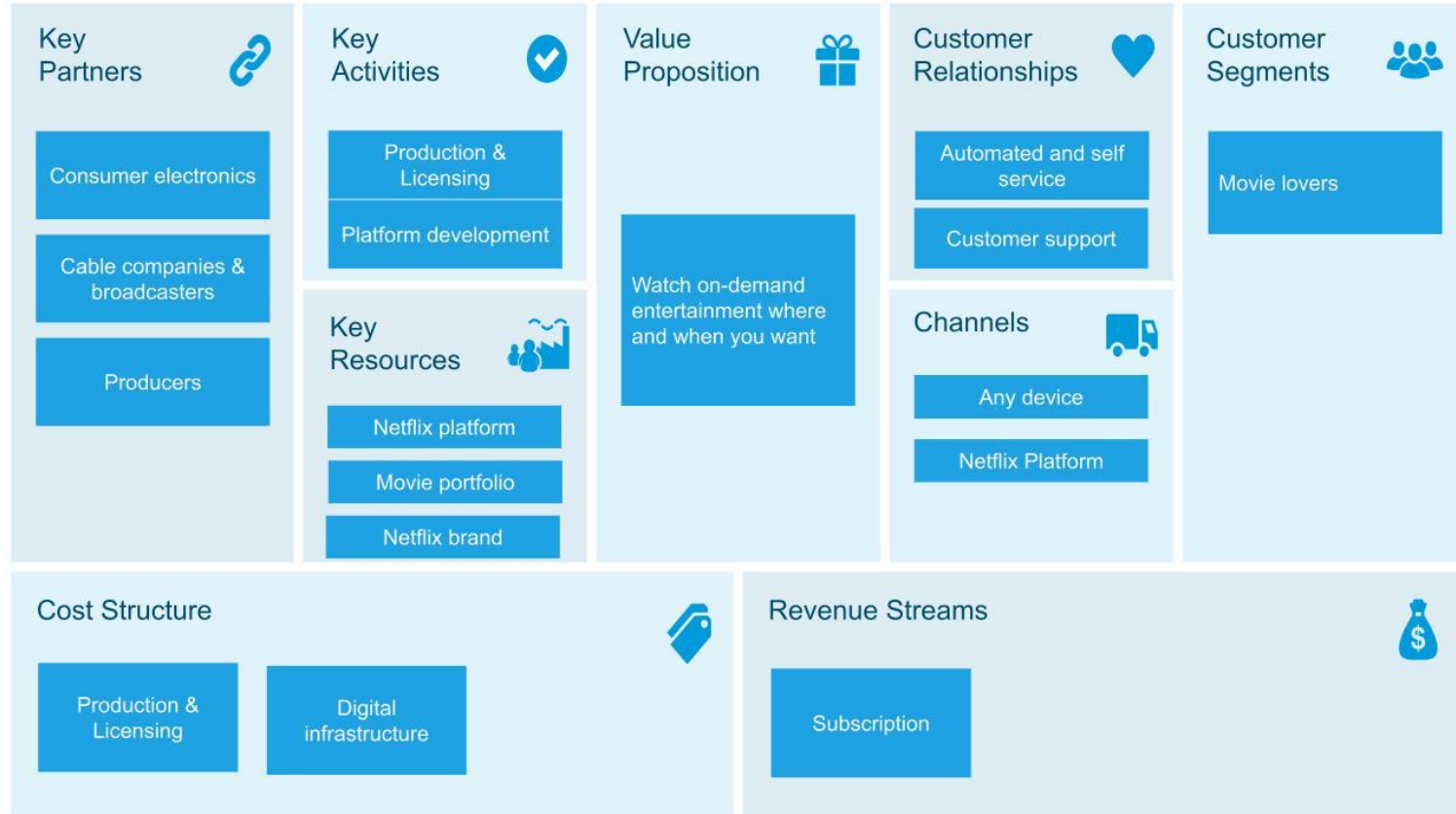


## Types of Business

*Cost-driven business model vs. Value-driven business model*

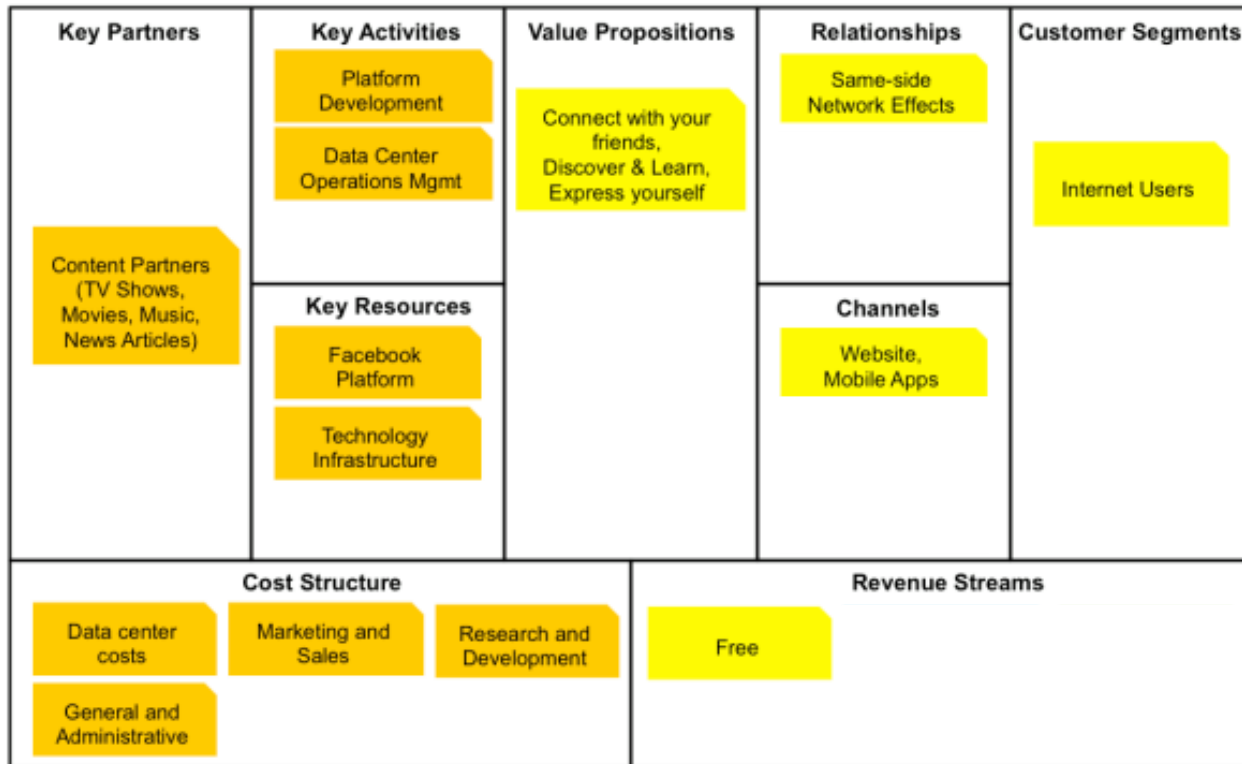


# Netflix



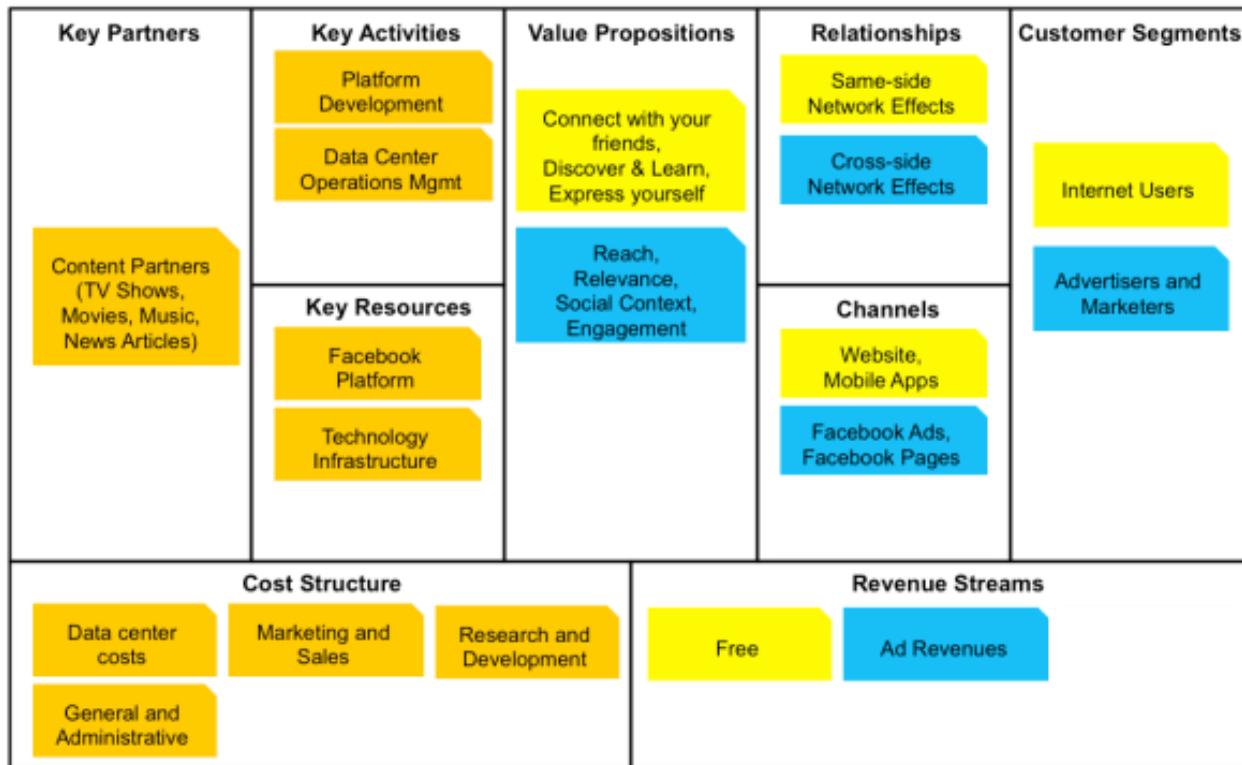
# Facebook

## Facebook – World's leading Social Networking Site (SNS)



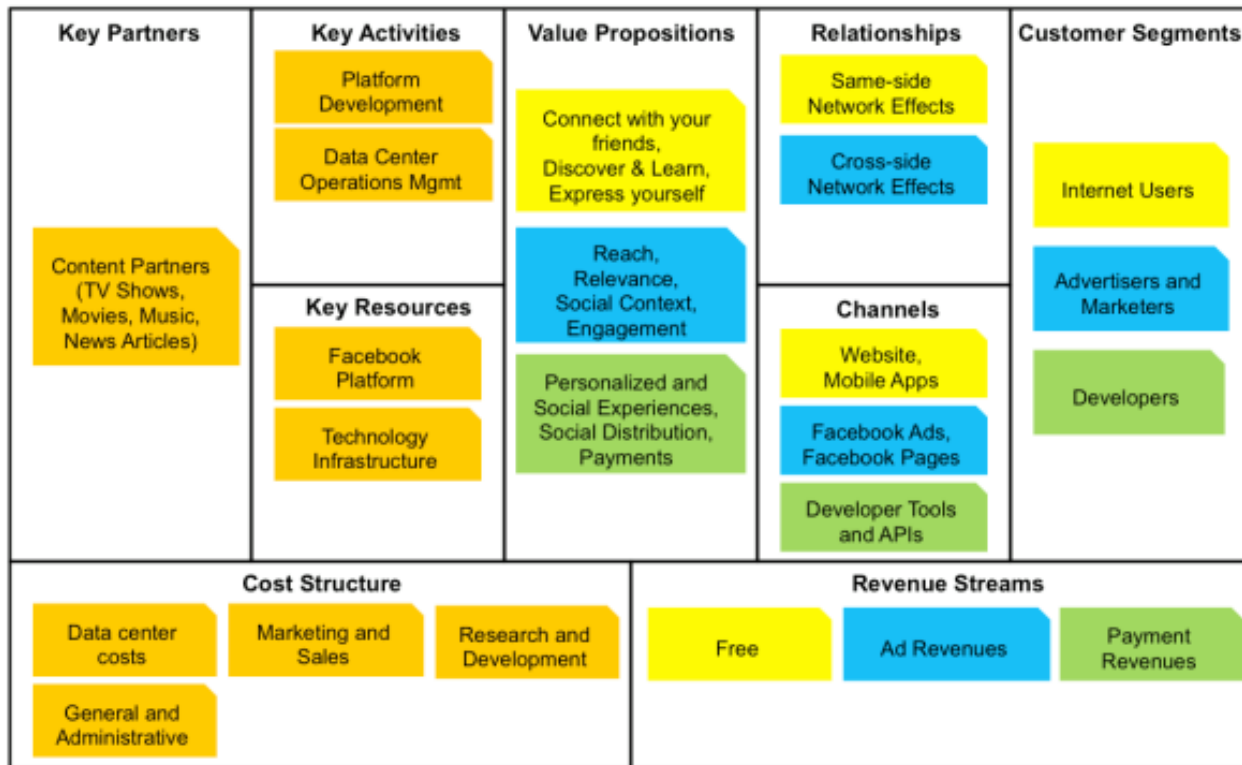
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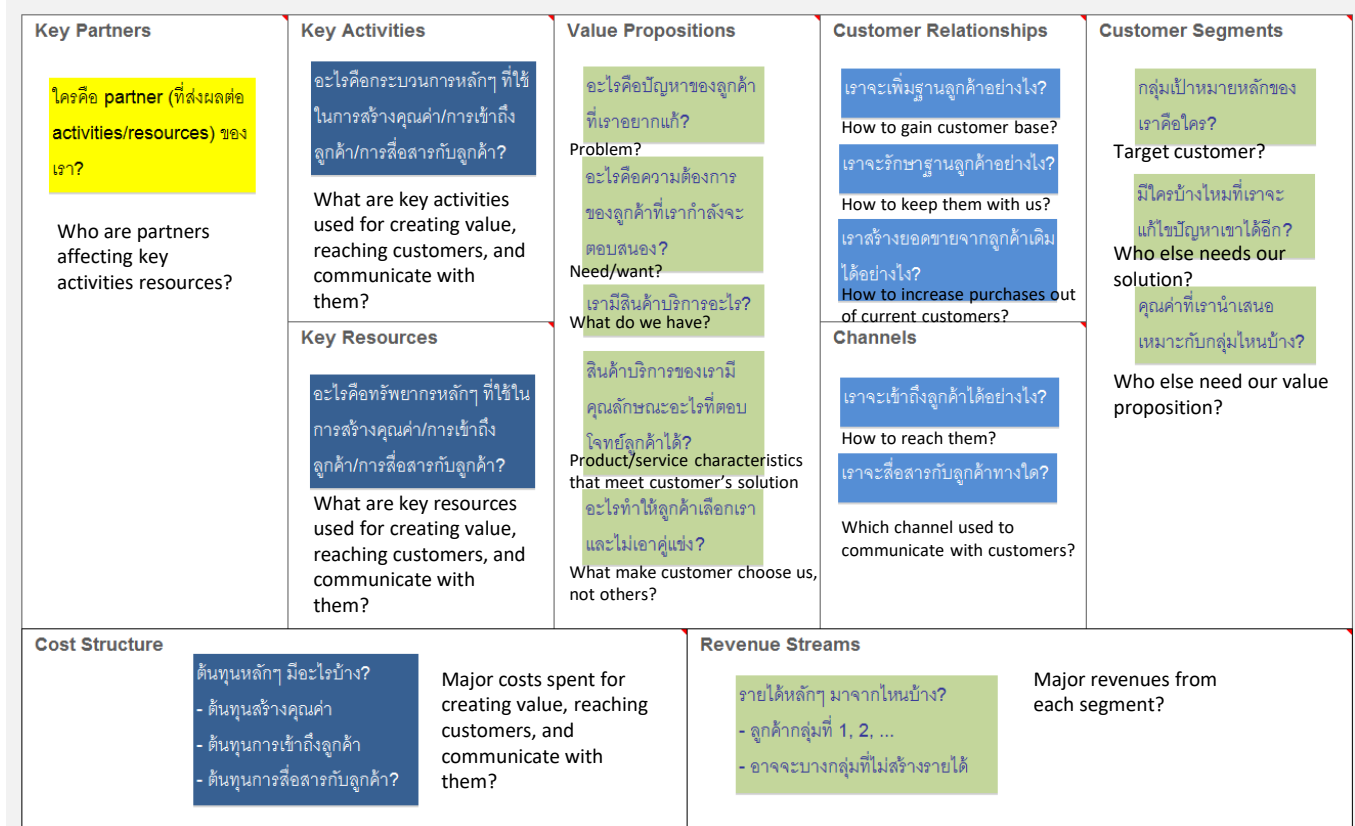
# Brainstorming: Orange juice

*Please open the excel file*



# Practice: Develop your BMC

- Develop your BMC by using this guideline, starting from 1 to 9
- It can be your own business or your role in an organisation



## **Part 2: Primary Activities**

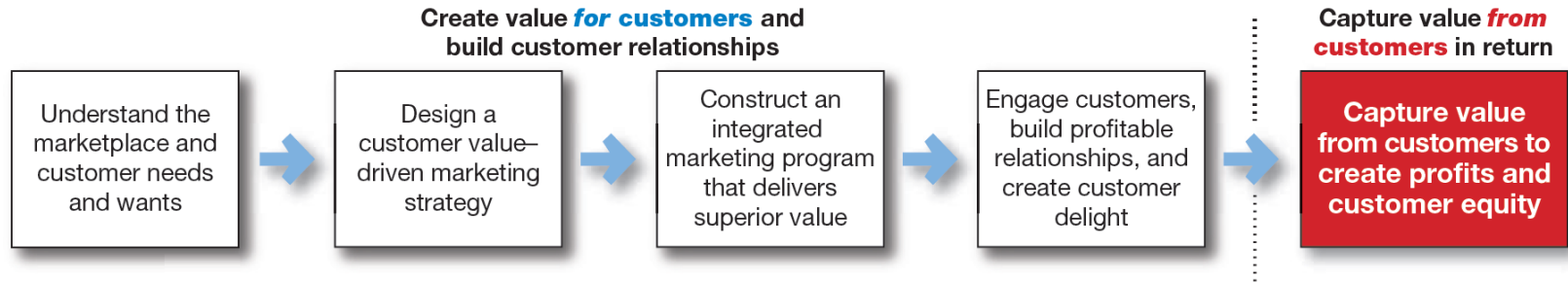
### **Marketing & Operations**

# Marketing

## Definition

- Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large (AMA, 2017).

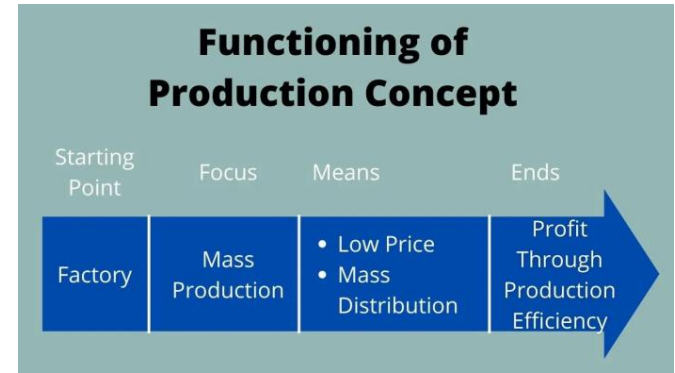
The Marketing Process: Creating and Capturing Customer Value



# The Historical Evolution of Marketing Concepts

## *Production Concept*

- **Assumption:** consumers will favour products/services that are available and highly affordable (price)
- Firms focus on improving production and distribution efficiency.
- **Examples:** Lenovo and Haier (price-sensitive, low labour costs, high production efficiency, and mass distribution)
- The Ford Company's Car Model T: affordable, simple, and durable [\$260 to \$850]
- **Myopia:** focusing too narrowly on operations, losing sight of the real objective — satisfying customer needs and building customer relationships.



# The Historical Evolution of Marketing Concepts

## Product Concept

- **Assumption:** consumers will favour products/services that offer the most quality, performance, and features.
- Marketing strategies focus on product quality and improvement.
- “Build a better mousetrap, the world will beat a path to their doors.”
- **Examples:** engineering tools, Apple (early days)
- **Myopia:** buyers may look for alternative solutions (e.g., house cats, chemical spray) to a mouse problem.

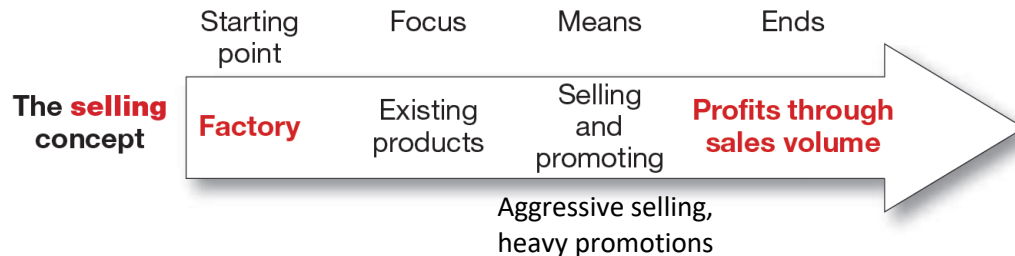


COMPARE	Concorde	Boeing 747	Airbus A380
London-New York Travel time (hours)	3.5hrs	7.6hrs	7.6hrs
Max speed (mph)	1,350	613	633
Range	4,140	8,350	9,750
Capacity (passengers)	100 ↑ Each = 10 people	345	525
Crew	9 ↑ Each = 1 crew member	15	25

# The Historical Evolution of Marketing Concepts

## *Selling Concept*

- **Assumption:** consumers will not buy sufficient goods and services unless they are persuaded to do so by advertising, sales promotion, and incentives to the sales force.
- To sell what the company makes rather than to make what the market wants
- **Examples:** typically practiced with unsought goods such as life insurance, blood donations, promotion of political candidates
- **Myopia:** aggressive selling focuses on creating sales transactions rather than on building long-term, profitable customer relationships.



# The Historical Evolution of Marketing Concepts

## Marketing Concept

- **Assumption:** consumer is sovereign
- The survival of any organisation depends upon the satisfaction of its customers.
- Firms need to know the needs and wants of target markets and deliver the desired satisfactions better than competitors do.
- Some cases, customers don't know what they want [tablet, digital cameras, EV]; so, understanding customer needs even better than customers themselves do.
- **Examples:** Southwest Airlines, 3M, Dell
- **Myopia:** conflicts between consumer short-run wants and consumer long-run welfare. We satisfy their immediate needs and wants but is that the best for them in the long run?

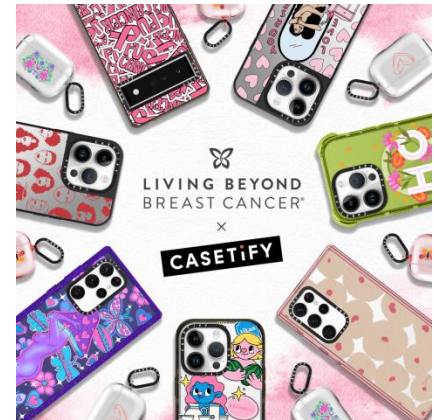
The **marketing** concept

Market

Customer needs

Integrated marketing

Profits through customer satisfaction

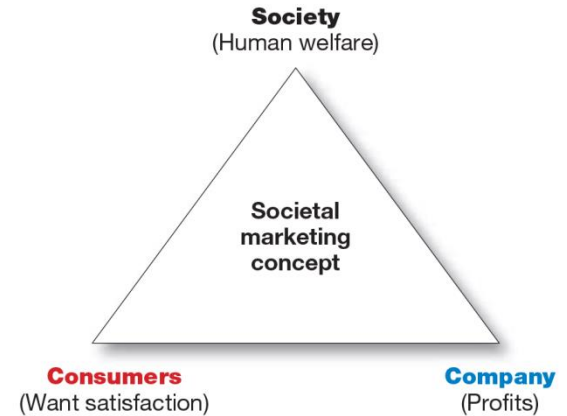




# The Historical Evolution of Marketing Concepts

## *Societal Marketing Concept*

- **Assumption:** a company's marketing decisions should consider consumers' wants, the company's requirements, consumers' long-run interests, and society's long-run interests.
- Marketing strategy should deliver value to customers in a way that maintains or improves both the consumer's and society's well-being.
- Sustainable Marketing, Socially and Environmentally Responsible Marketing
- **Examples:** Nestlé and Unilever are rethinking the interactions between society and corporate performance.



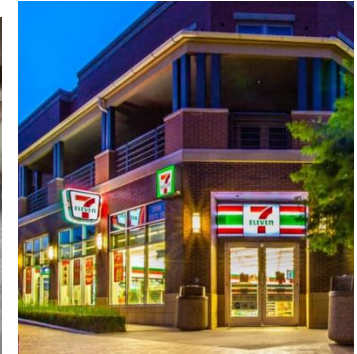
# Value = Perceived Utilities

**Form utility:** (conceptually) transforming raw materials into finished products

- A production activity is directed by marketing (McCarthy, 1960).



**Place utility:** making products available where customers want them



**Time utility:** storing products until they are needed

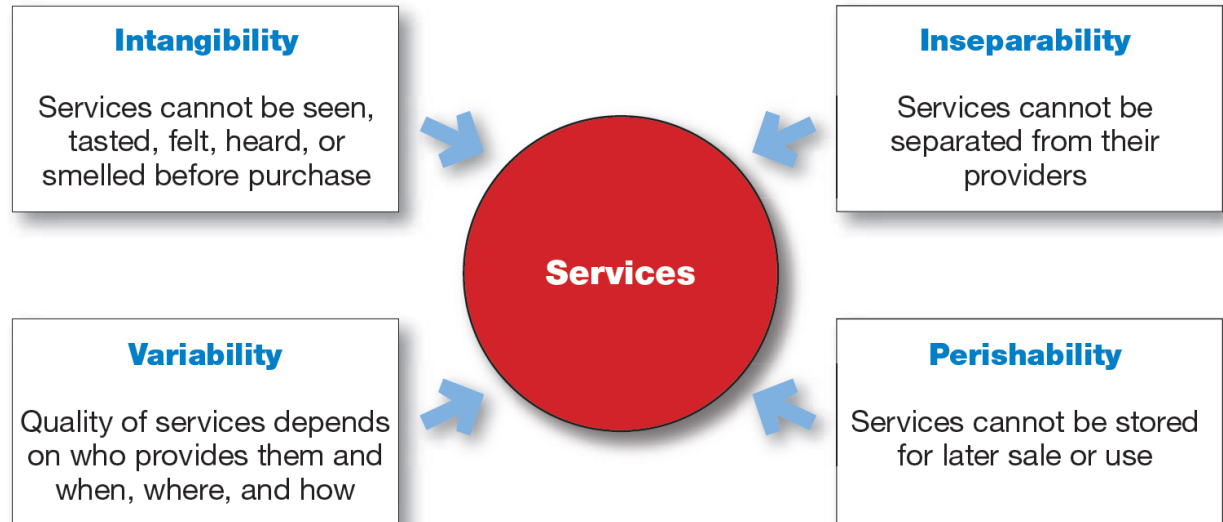
**Possession utility:** enabling the consumer to own and use the product or store it for future use



# Goods versus Services

- Although services are “products” in a general sense, they have special characteristics and marketing needs.
- The biggest differences come from the fact that services are essentially intangible and that they are created through direct interactions with customers.

Think about your experiences with an **airline** or **Google** versus **Nike** or **Apple**.



# Marketing Mix (4Ps)

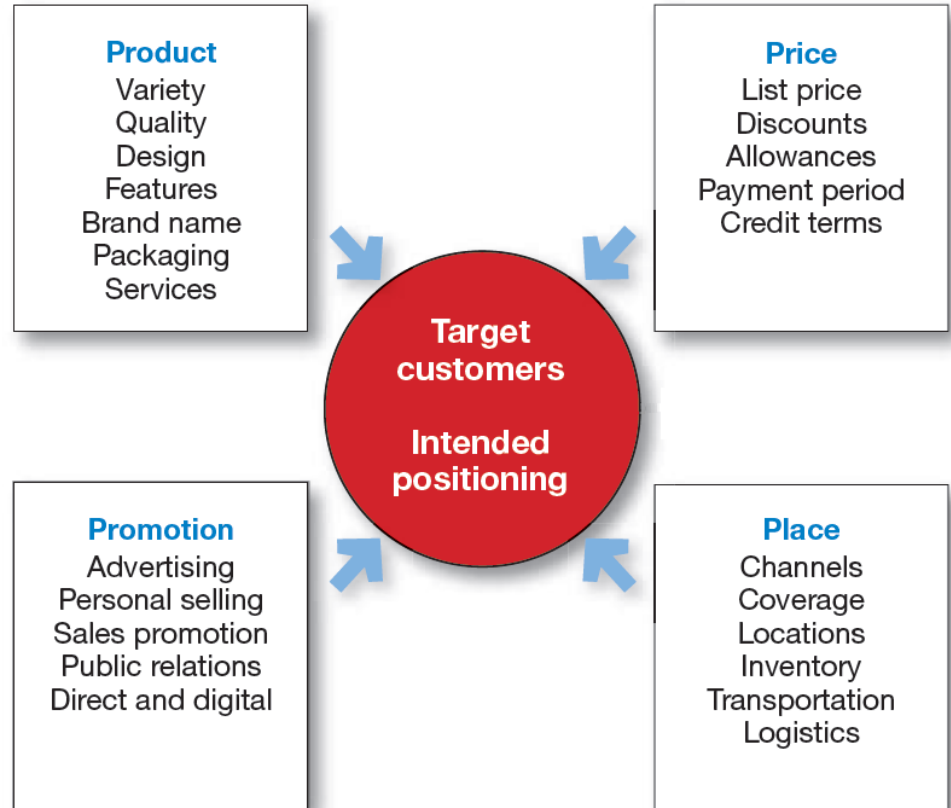
*The set of tactical marketing tools that the firm blends to produce the response it wants in the target market.*

**Product:** goods-and-services combination the company offers to the target market.

**Price:** the amount of money customers must pay to obtain the product/service.

**Place:** activities that make the product available to target consumers.

**Promotion:** activities that communicate the merits of the product and persuade target customers to buy it.



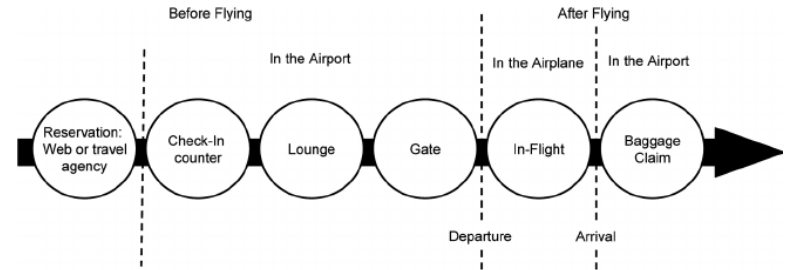
# Marketing Mix (7Ps)

Think about airlines, restaurants, banks, Disneyland

**People:** people delivering the service; the management and motivation of staff; staff performance influencing customer satisfaction, repeat custom, and financial performance

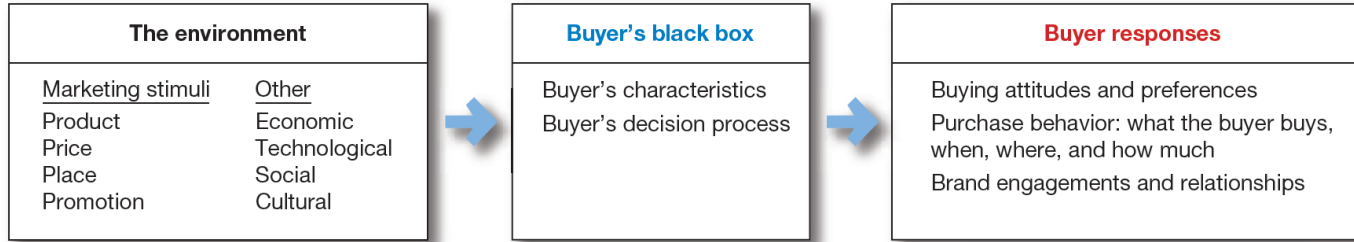
**Process:** the procedures, mechanisms, and routines producing the customer service experience and the delivery of value to the customer

**Physical evidence:** the environment where the service is delivered; all tangible cues relating to the service on offer

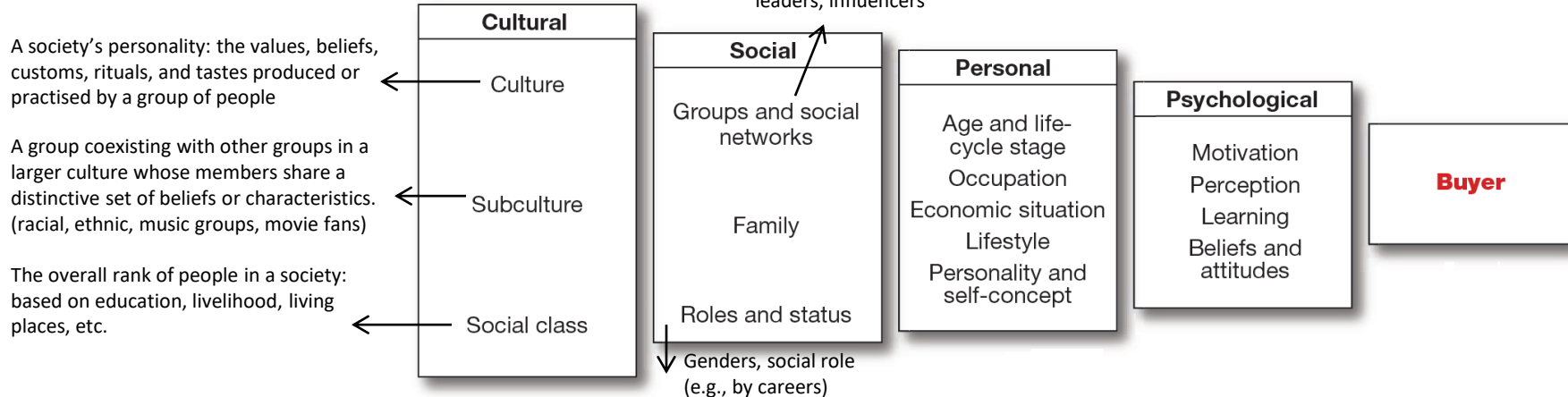


# Consumer Behaviour

## The Model of Buyer Behaviour



## Factors influencing consumer behaviour



# Decision Making Process

## Buyer decision process meets marketing strategy

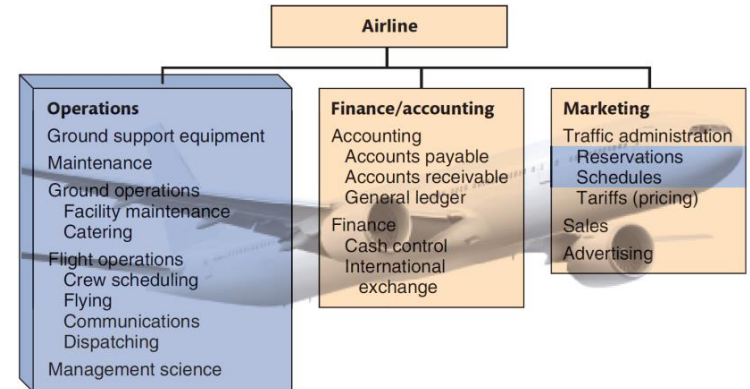
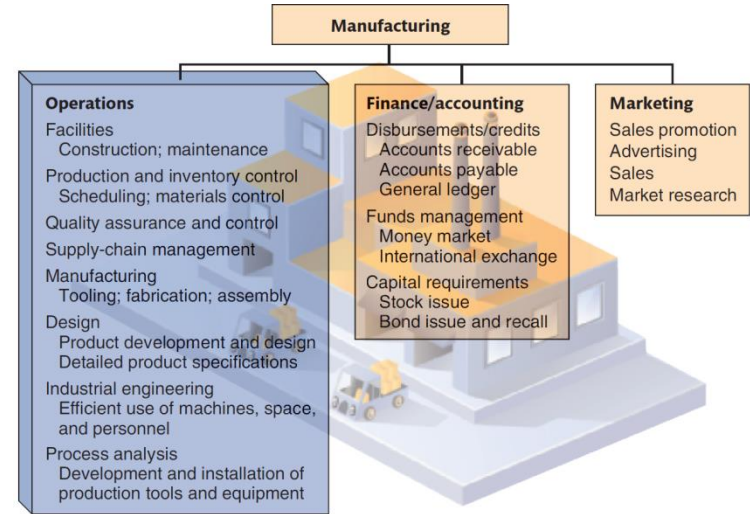
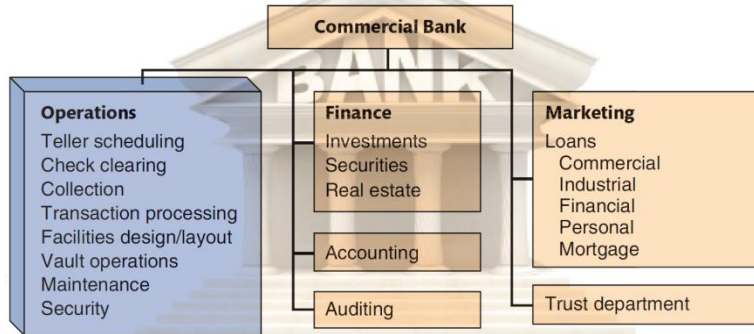


Stage in the Decision Process	Marketing Strategy	Example
Problem recognition	Encourage consumers to see that existing state does not equal desired state	<ul style="list-style-type: none"> <li>• Create TV commercials showing the excitement of owning a new car</li> </ul>
Information search	Provide information when and where consumers are likely to search	<ul style="list-style-type: none"> <li>• Book advertising around TV programmes with high target-market viewership</li> <li>• Provide sales training that ensures knowledgeable salespeople</li> <li>• Make new-car brochures available in dealer showrooms</li> <li>• Design exciting, easy-to-navigate, and informative websites</li> </ul>
Evaluation of alternatives	Understand the criteria consumers use in comparing brands and communicate own brand superiority	<ul style="list-style-type: none"> <li>• Conduct research to identify most important evaluative criteria</li> <li>• Create advertising that includes reliable data on superiority of a brand (e.g., miles per litre, safety, comfort)</li> </ul>
Product choice	Understand choice heuristics used by consumers and provide communication that encourages brand decision	<ul style="list-style-type: none"> <li>• Advertise 'Made in Germany' (country of origin)</li> <li>• Stress long history of the brand (brand loyalty)</li> </ul>
Post-purchase evaluation	Encourage accurate consumer expectations	<ul style="list-style-type: none"> <li>• Provide honest advertising and sales presentations</li> </ul>

# Operations

## Definition

- A set of activities that creates value in the form of goods and services by transforming inputs (e.g., information, people, materials, finance, and methods) into outputs (for customers, firms, employees, and communities).
- *Services*, the production function may be less obvious; the services may be “hidden” from our eyes.





# The Historical Evolution of Operations

## Cost Focus

### Early Concepts 1776–1880

Labor Specialization  
(Smith, Babbage)  
Standardized Parts (Whitney)

### Scientific Management Era 1880–1910

Gantt Charts (Gantt)  
Motion & Time Studies  
(Gilbreth)  
Process Analysis (Taylor)  
Queuing Theory (Erlang)

### Mass Production Era 1910–1980

Moving Assembly Line  
(Ford/Sorensen)  
Statistical Sampling  
(Shewhart)  
Economic Order  
Quantity (Harris)  
Linear Programming  
PERT/CPM (DuPont)  
Material Requirements  
Planning (MRP)

## Quality Focus

### Lean Production Era 1980–1995

Just-in-Time (JIT)  
Computer-Aided Design  
(CAD)  
Electronic Data Interchange  
(EDI)  
Total Quality Management  
(TQM)  
Baldrige Award  
Empowerment  
Kanbans

## Customization Focus

### Mass Customization Era 1995–2005

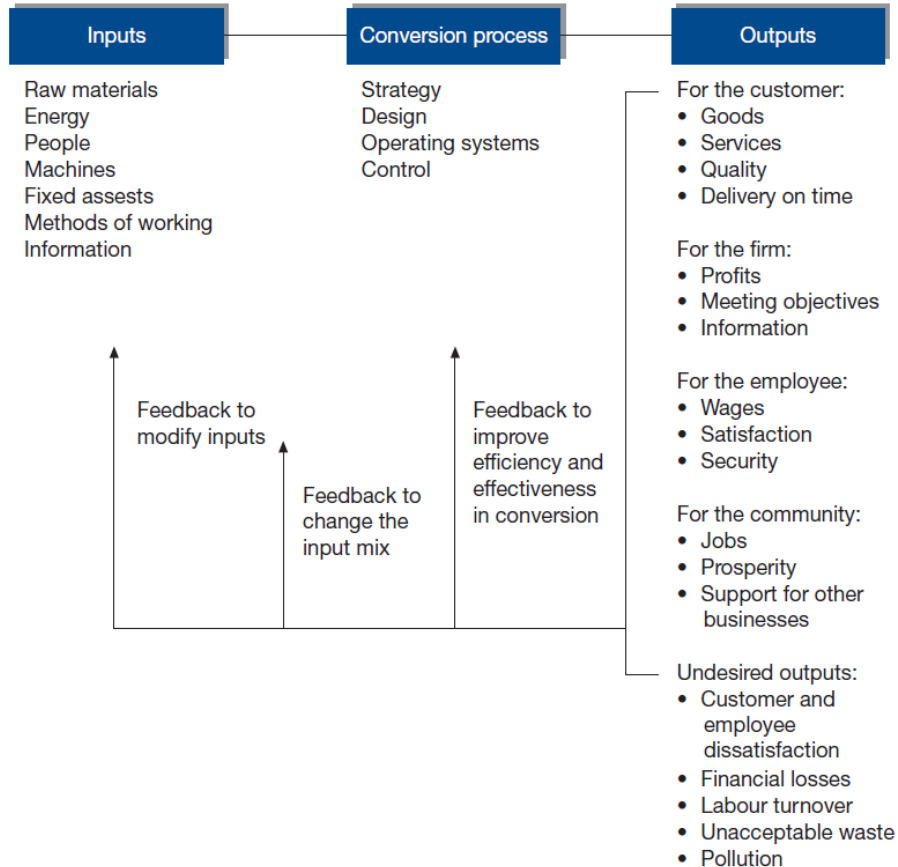
Internet/E-Commerce  
Enterprise Resource Planning  
International Quality Standards  
(ISO)  
Finite Scheduling  
Supply Chain Management  
Mass Customization  
Build-to-Order  
Radio Frequency Identification  
(RFID)

## Globalization Focus

### Globalization Era 2005–2020

Global Supply Chains  
Growth of Transnational  
Organizations  
Instant Communications  
Sustainability  
Ethics in a Global Workforce  
Logistics

# Operations as a System



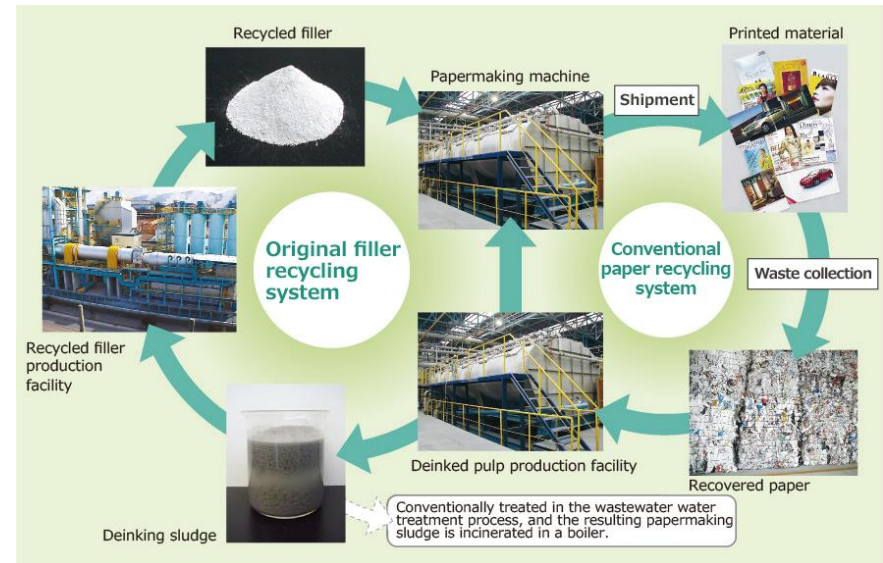
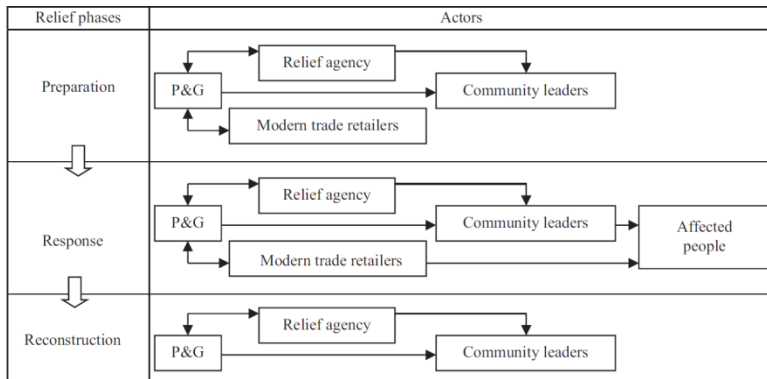
## Conversion

- **Materials processing:** transforming materials into products
- **Information processing:** transforming information to be something of value to the end user (e.g., doctors interpreting symptoms, accountants auditing, lecturers developing PPTs)
- **Customer processing:** changing the state of a customer (e.g., hospitals converting sick patients into healthy ones, hairdressers transform appearances, and airlines change a person's location).

# Operations as a System

## Outputs

- Not all the outputs are desired outcomes: waste, unused materials, pollution, customer dissatisfaction.
- Outputs of one system are invariably inputs to other systems, leading to developments in operations strategies and supply chain management.
- Outputs can be inputs into the same system: e.g., recycled materials, information, feedback from customers.



# Competitive Priorities and Capabilities

Cost	Definition	Processes Considerations	Example
<p>1. <b>Low-cost operations</b></p>	<p>Delivering a service or a product at the lowest possible cost to the satisfaction of external or internal customers of the process or supply chain</p>	<p>To reduce costs, processes must be designed and operated to make them efficient, using rigorous process analysis that addresses workforce, methods, scrap or rework, overhead, and other factors, such as investments in new automated facilities or technologies to lower the cost per unit of the service or product.</p>	<p><b>Costco</b> achieves low costs by designing all processes for efficiency, stacking products on pallets in warehouse-type stores, and negotiating aggressively with their suppliers. Costco can provide low prices to its customers because they have designed operations for low cost.</p>
Quality			
<p>2. <b>Top quality</b></p>	<p>Delivering an outstanding service or product</p>	<p>To deliver top quality, a service process may require a high level of customer contact, and high levels of helpfulness, courtesy, and availability of servers. It may require superior product features, close tolerances, and greater durability from a manufacturing process.</p>	<p><b>Rolex</b> is known globally for creating precision timepieces.</p>
<p>3. <b>Consistent quality</b></p>	<p>Producing services or products that meet design specifications on a consistent basis</p>	<p>Processes must be designed and monitored to reduce errors, prevent defects, and achieve similar outcomes over time, regardless of the “level” of quality.</p>	<p><b>McDonald’s</b> standardizes work methods, staff training processes, and procurement of raw materials to achieve the same consistent product and process quality from one store to the next.</p>

# Competitive Priorities and Capabilities

Time			
4. <b>Delivery speed</b>	Quickly filling a customer's order	Design processes to reduce lead time (elapsed time between the receipt of a customer order and filling it) through keeping backup capacity cushions, storing inventory, and using premier transportation options.	<b>Netflix</b> engineered its customer relationship, order fulfillment, and supplier relationship processes to create an integrated Web-based system that allows its customers to watch multiple episodes of a TV program or movies in rapid succession.
5. <b>On-time delivery</b>	Meeting delivery-time promises	Along with processes that reduce lead time, planning processes (forecasting, appointments, order promising, scheduling, and capacity planning) are used to increase percent of customer orders shipped when promised (95% is often a typical goal).	<b>United Parcel Service (UPS)</b> uses its expertise in logistics and warehousing processes to deliver a very large volume of shipments on-time across the globe.
6. <b>Development speed</b>	Quickly introducing a new service or a product	Processes aim to achieve cross-functional integration and involvement of critical external suppliers in the service or product development process.	<b>Zara</b> is known for its ability to bring fashionable clothing designs from the runway to market quickly.

# Competitive Priorities and Capabilities

Flexibility	Definition	Processes Considerations	Example
7. <b>Customization</b>	Satisfying the unique needs of each customer by changing service or product designs	Processes with a customization strategy typically have low volume, close customer contact, and an ability to reconfigure processes to meet diverse types of customer needs.	<b>Ritz Carlton</b> customizes services to individual guest preferences.
8. <b>Variety</b>	Handling a wide assortment of services or products efficiently	Processes supporting variety must be capable of larger volumes than processes supporting customization. Services or products are not necessarily unique to specific customers and may have repetitive demands.	<b>Amazon.com</b> uses information technology and streamlined customer relationship and order fulfillment processes to reliably deliver a vast variety of items to its customers.
9. <b>Volume flexibility</b>	Accelerating or decelerating the rate of production of services or products quickly to handle large fluctuations in demand	Processes must be designed for excess capacity and excess inventory to handle demand fluctuations that can vary in cycles from days to months. This priority could also be met with a strategy that adjusts capacity without accumulation of inventory or excess capacity.	The <b>United States Post Office (USPS)</b> can have severe demand peak fluctuations at large postal facilities where processes are flexibly designed for receiving, sorting, and dispatching mail to numerous branch locations.

# Types of Operations

**Project:** produce a large product specialized for the customer, taking a long period of time, low quantity, high quality

- Highways, aircrafts, submarines, space shuttle, movie production

**Job shop:** produce a wide variety of products, small amounts, considerable divergence, make products to order

- Paintings, machine tools

**Batch:** produce identical products, significant variety and quantity (more than job shop but less than line-flow)

- Medicines, restaurant foods, bakery

**Line-flow (assembly):** produce identical products simultaneously (between batch and continuous-flow), high volumes, standardised products (minimal divergence)

- Computers, automobiles, appliances, toys, food processes

**Continuous-flow:** the extreme high-volume standardized production, rigid line flows, no process divergence

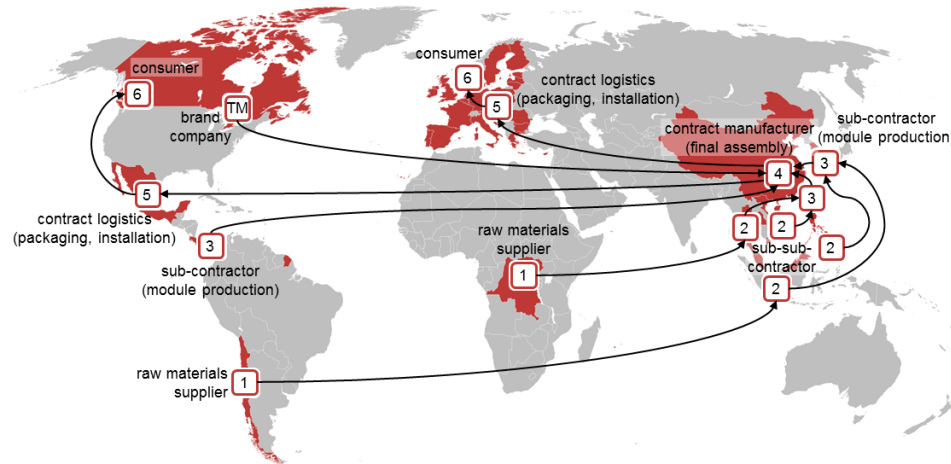
- Petroleum refining, chemical processes, paper manufacturing

# Trends in Operations Management

- **Production improvement:** productivity (output/input; cost efficiency and effectiveness)
- **Global competition:** most products are composites of materials and services from all over the world; think more about costs, locations, delivering.
- **Ethics, workforce diversity, environmental issues**
- **4<sup>th</sup> industrial revolution:** AI, automation
- **Additive manufacturing:** 3D printing



Carlo shoe was 3D printed and then polished and cleaned to remove any residue white powder.



Global Greenhouse Gas Emissions by Economic Sector

