

Topic 2.3 Knowledge Organiser

Making operational decisions

- Operations is the name given to the part of the business that provides the customer with the good or service they have bought.

	Advantages	Disadvantages/Limitations
Job production – one-off production of a one-off item	Highly flexible; gives the customer exactly what they want Satisfying work for the individual as it requires skills and flexibility	It will always be expensive in a developed (high-wage) economy The skills may be in short supply, making it hard for the business to grow
Batch production – where a batch is made, then another batch is made.	Gain some cost advantages from producing several items at once ... yet still able to offer customers the colour/size they want	May be limited scope for automation, making production costs far higher than with flow production Not as flexible as job production
Flow production – continuous production of identical products	Can automate production fully, making it highly cost effective (which should be good for customers as well as suppliers) Many customers value consistency, and flow will provide an identical product each time	Likely to be expensive to set up and inflexible to use; could be a disaster if a product life cycle proves much shorter than expected Modern customers like to see products tailored to their specific needs

- Successful production involves producing the right quantity of products at the right time.
- Technology can help produce high and consistent standards of quality.
- Technology can help produce goods cost efficiently.
- Automation can help achieve successful production and increase productivity.
- Robots can be programmed to do tasks that can be done by humans, such as spraying new cars, which can also improve productivity.

Building relationships with suppliers

- **Quality** needs to be high in order to produce low priced goods as faulty items cost more money to replace.
- **Delivery**, where the supplies need to be brought to the business on time, is all about reliability.
- **Availability** means a supplier is needed who can cope with small orders to very large orders at different times. Deliveries may need to be flexible.
- **Cost** means finding the cheaper supplier giving the business lower variable costs and higher profit margins. For large businesses they can buy in bulk so will be able to drive costs down, whereas a small business may not have such buying power.
- **Trust** covers areas such as obtaining credit, where the supplier allows payment up to 60 days after delivery. Small businesses may not get credit easily so this can dictate the supplier.

Logistics

- Logistics means ensuring the right supplies will be ordered and delivered on time. Well managed logistics means:
 - better reputation for the business
 - lower costs of production, as the product can be completed quicker and sold quicker
 - high customer satisfaction, as the product is the right quality, the right price and delivered at the right time.

What is quality assurance?

- Culture is the accepted attitudes and practices of staff at a workplace.
- A quality culture is one where all staff employed in a business take responsibility for ensuring the product or service is delivered to the high expectations of the customers.
- This can include quality assurance and control, but also an excellent customer experience.
- Attitudes of staff such as honesty, integrity and determination to deliver excellence are part of the culture
- See the table for further examples.

	Production of goods	Production of services
Quality of initial impact	Well packaged and well presented (posh cars even need to smell new and posh)	Restaurant: food looks and smells great Hotel: room looks clean and smells fresh
Quality in usage	Few or no niggles at the start; reliable and hard wearing	Everything works well/tastes good/proves comfortable (in hotels, a great night's sleep)
Quality of after-sales service	Friendly follow-up call four weeks after purchase; any problems dealt with quickly and cheaply (preferably free)	When calling back for that lost iPhone, staff really care/look/find!

What is quality control?

- Quality is about meeting the needs and wants of the customer by charging the right price for the product or service.
- Quality control is putting measures in place to check that the customer receives an acceptable level of quality.
- Examples include inspection of goods at the end of a production line, a chef seeing every meal prepared before sent to customers in a restaurant, or asking customers how their stay in a hotel was before they leave.
- As workers do not see the end product, quality control after the fault has occurred has no ownership.

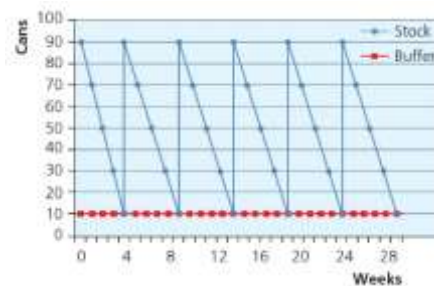


What is the sales process?

- The sales process is how the business engages with customer to get them to purchase their product or service.
- This means effective customer service which needs to be:
 - clear as to what customers value the most
 - practical and cost effective
 - a genuine wish to help
 - offered at the right place and time.

Bar gate stock graphs

- The traditional approach to managing stock is shown by the graph
- A bar gate stock graph is a diagram to show changes in the level of stock over time and takes into account three things:
 - level of demand for the product
 - buffer stock, which is the minimum stock level held at all times to avoid running out
 - how often to order from the supplier.



Buffer stock has a cost which the business can rarely profit from.

If buffer stock could be got rid of then this space can be used to sell more products and make more profits.

Just In Time (JIT) is running the business with so little stock that new supplies have to arrive 'just in time' before they run out.

Advantages	Disadvantages
Eliminating buffer stock cuts storage space, allowing more sales space	A greater risk of running out of stock and therefore disappointing customers
Low stock and more frequent supplier deliveries mean fresher produce	Buying smaller quantities more often means losing out on bulk-buying discounts
Less of the business' capital is tied up in stock	Any mistake or misjudgement could cause out-of-stock and poorer customer service

Tier 3 words

Batch production - Producing a limited number of identical products

Flow production - Continuous production of identical products, which gives scope for high levels of automation

Job production - One-off production of a one-off item for a single customer

Productivity - A measure of efficiency, usually output per person per time period

Automation - Using machines that can operate without people

Flexibility - The ability to switch quickly and easily from one task to another

Robots - Machines that can be programmed to do tasks that can be done by humans, such as welding, spray painting and packing

Bar gate stock graph - A diagram to show changes in the level of stock over time

Buffer (stock) - The minimum stock level held at all times to avoid running out

Just In Time (JIT) - Running the business with so little stock that new supplies have to arrive 'just in time' before they run out

Stock(s) - Items held by a firm for use or sale, for example components for manufacturing or sellable products for a retailer

Availability - Knowing how to get the right supplies quickly – just when you need them

Logistics - Ensuring that the right supplies will be ordered and delivered on time

Procurement - Obtaining the right supplies from the right supplier

Trust - Building a business relationship in which both sides know that the other won't let them down

Culture - The way we do things round here'; in other words, the accepted attitudes and practices of staff at a workplace

Quality - Meeting the needs and wants of the customer by charging the right price for the product or service

Quality control - Putting measures in place to check that the customer receives an acceptable level of quality

Warranty - The guarantee by the producer that it will repair any faults in a product for a specific period of time – often one year

Customer engagement - The attempt to make a customer feel part of something rather than an outsider

Customer feedback - Comments, praise or criticisms given to the company by its customers

Post-sales service - Service received after the purchase is completed, perhaps because something has gone wrong or as a way of promoting customer engagement

Product knowledge - How well staff know all the features of the products and the service issues surrounding the products

Vocabulary

FEAST – Write in full sentences

What is a full sentence?

- Sentences always begin with a **capital letter** and end in either a **full stop, exclamation or question mark**. A complete sentence always contains a **verb** (a doing word), **expresses a complete idea and makes sense standing alone**.

What do I need to remember?

- To check that you are writing in complete sentences, try reading your sentences aloud, pausing as indicated by the punctuation. Can each sentence stand alone as a complete thought? If further information is needed to complete the idea, then it is not a complete sentence.
- Vary the length and type of sentences you use to improve your writing.



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