

# The Business Empowerment Course

## Course 1: Business Behaviours

### Handout 2



**The MBA Academy**

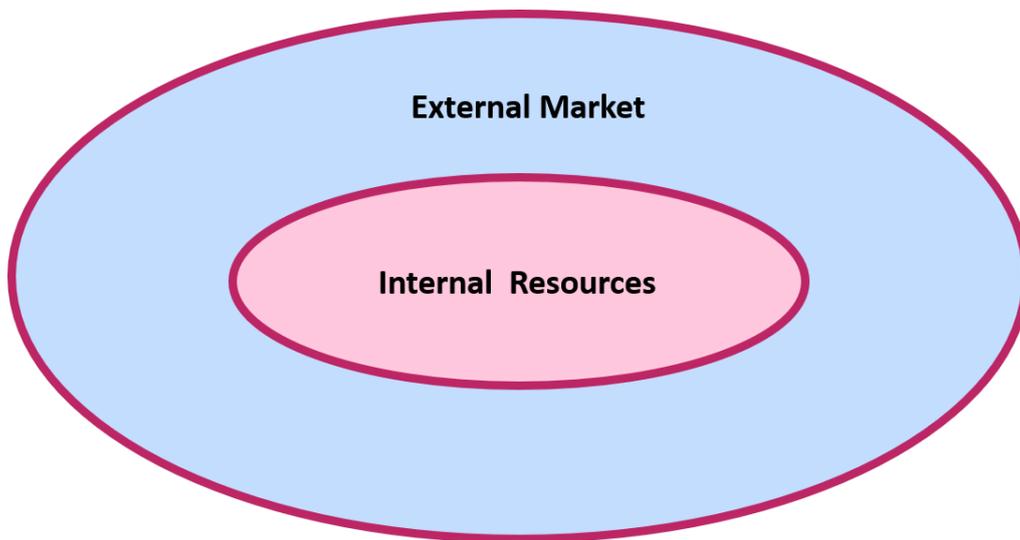
Empowering People by Making Business Accessible

## The Business Empowerment Course

### Course 1: Business Behaviours

#### Handout 2

The first handout highlighted that the essence of strategy is to find the best way in which a business can use its **internal resources** in relation to the opportunities presented to it by its **external market**.



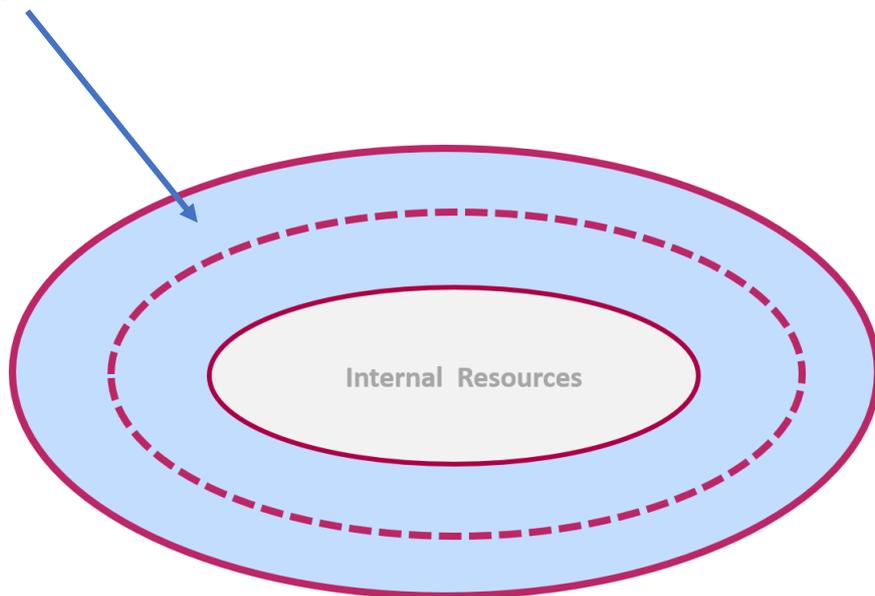
Therefore, the internal resources of a business and its external market are interrelated.

In fact, before we think about how we develop a business's strategy, we need to know something else about the **external market**.



## Chapter 1 - The External Market

The external market consists of a broad range of factors and it is necessary to split these factors into **2 different layers**:



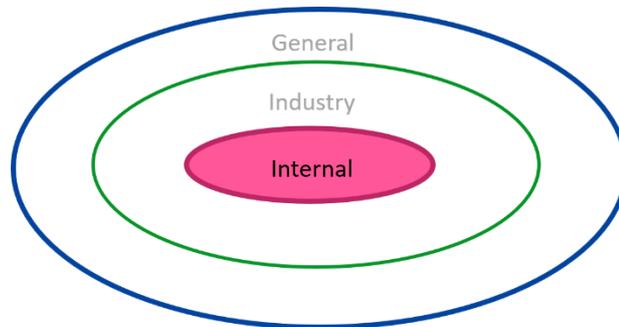
1. One of these layers includes external market factors such as the business's customers, its suppliers and its competitors. This is called **The Industry Layer**
2. The other layer includes all of the other external market factors such as economic conditions, fashions, tastes trends, laws, regulations and technologies. This is called **The General Layer**.



## Chapter 2 - Three Layers

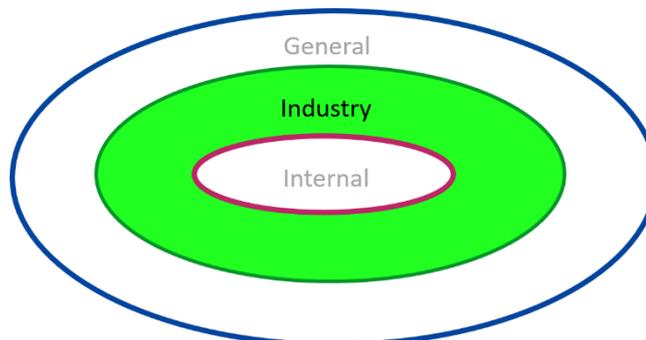
Therefore, in total, internally and externally, there **are 3 Layers**.

- **There is one Internal Layer** - which includes all of a business's internal resources such as the money the business has in the bank, its premises such as its offices, stores, warehouses and manufacturing plants, its vehicles and equipment, its brand and the energies, skills and talents of its employees.

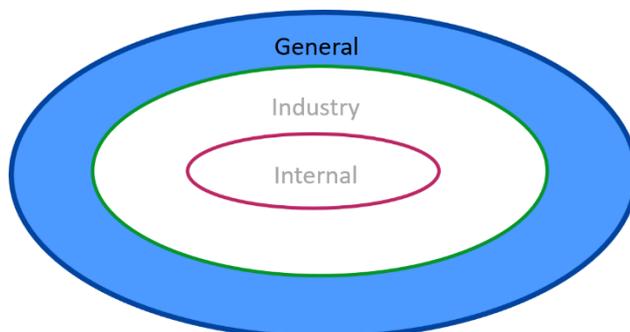


And there are **Two external layers**:

- The **Industry Layer** – which consists of a business's customers, competitors and suppliers.

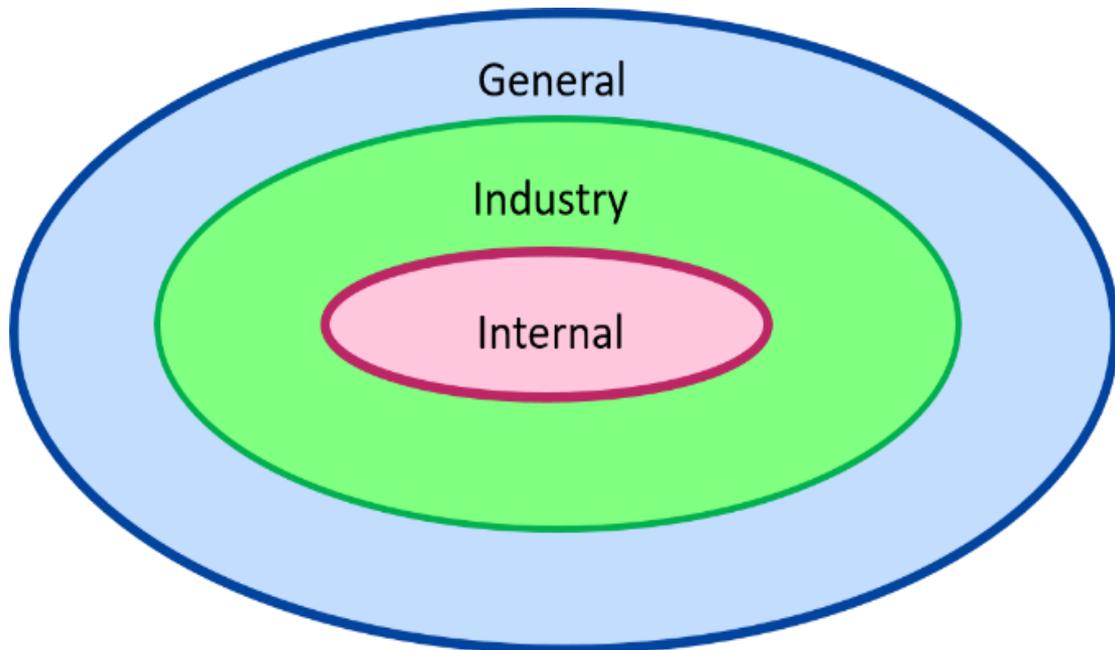


- the **General Layer** – which consists of economic conditions, fashions, tastes trends, laws regulations and technologies.



## Chapter 4 - A Step-by-Step Approach

In order to develop strategy, for a business we need to look at each of these three layers in a particular order.

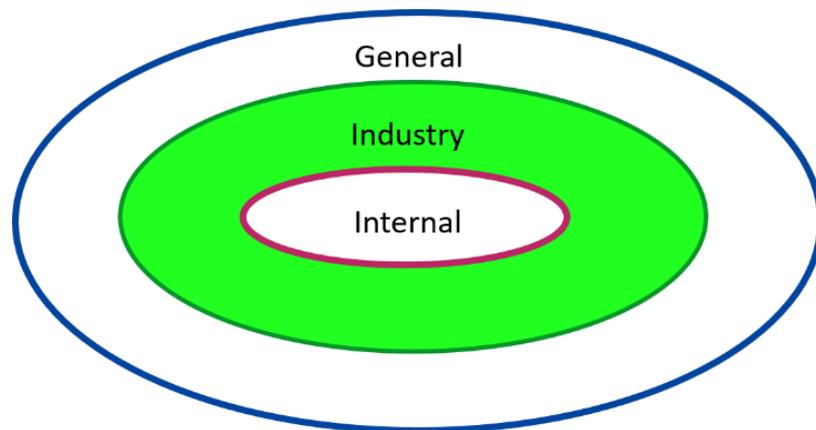


We will focus on one layer at a time.

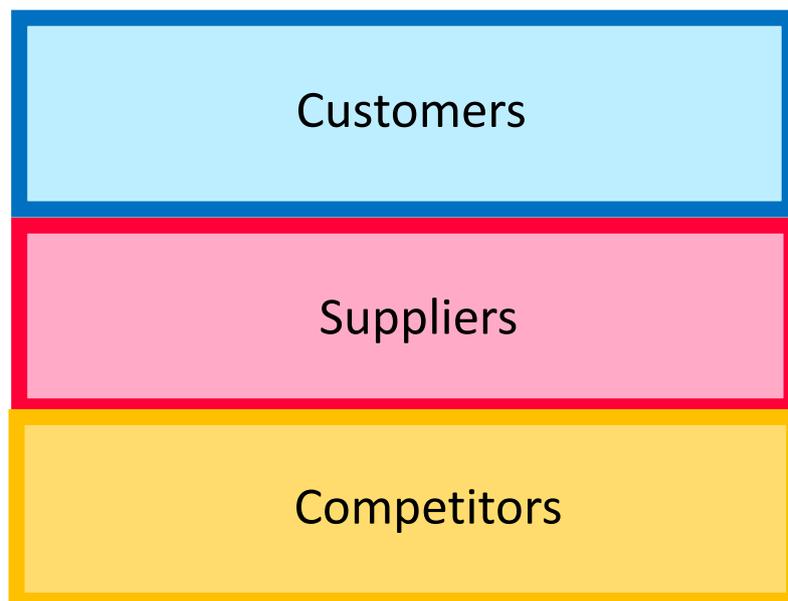


## Chapter 5 – The Industry Layer

The first layer we need to focus on is the industry layer



As highlighted above, the Industry Layer consists of the following factors:



Therefore, to understand the Industry Layer of a business we need to know more about each of these.

In this Handout we will focus on Customers. In the next few handouts, we will focus on Suppliers and Competitors.

## Chapter 6 – Customers

# Customers

No business can exist without **customers**. It is essential that every business has a good idea of what is important to its customers and what drives their decision-making process.

The factors that drive a customer's decision-making process vary depending on the product or service they are buying.

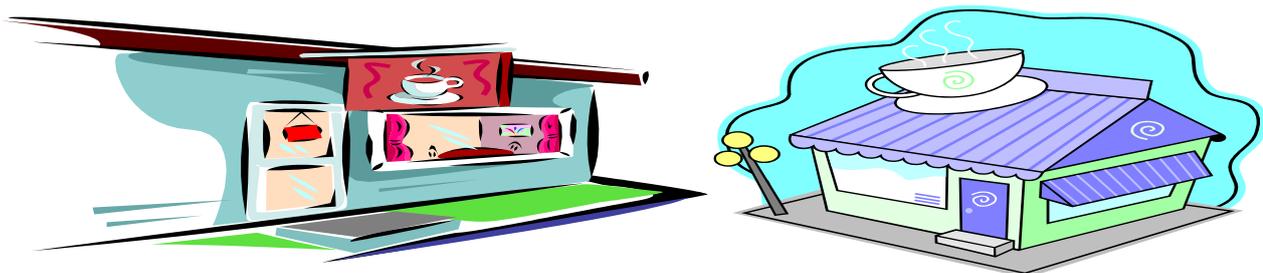
For example, a short haul airline like Ryanair knows that the main thing its customers care about is low price. It turns out that their customers do not care about food or seating choices. Ryanair knows that if it puts its prices up by just a very small amount its customers will fly with a cheaper airline. Short haul airlines are forced to keep their prices to an absolute minimum.

However, for other products price is not the only important factor. For example, in relation to soft drinks, every customer has a favourite soft drink. If a customer likes Coke more than Pepsi but then Coke decides to increase its price by a few pence, it is unlikely that the customer will automatically switch to Pepsi. The price would have to go up by more than a few pence for them to switch. Therefore, price is not the only factor driving their decision-making process when they decide which soft drink to buy. Taste is also an important factor when it comes to soft drinks.

There are often lots of reasons why a customer will choose one product or service rather than another.

For example, in the High Street Coffee shop market there might be lots of different reasons why one customer might choose one coffee shop rather than another. What do you think these might be?

Once you have thought of a few have a look at the suggestions over the page:





The different reasons why a customer might choose one coffee shop rather than another might be:

1. The **quality** of the coffee
2. The **range** of different coffee drinks they provide
3. The **location** of the coffee shop and is it convenient to get to (e.g. Is it near home or on the way to work)
4. **How long** they have to wait to be served
5. Are **food options** also available
6. The **price** of the coffee
7. How **friendly** the staff are
8. If they like the **seating and general atmosphere** in the coffee shop (e.g. is it clean, does it have toilets etc.)
9. If it provides free **Wi-Fi**
10. How **environmentally friendly** the coffee shop is

These different reasons are referred to as **Customer Needs**.

On the next page are a few more examples for you to have a go at.

There are no right or wrong answers to any of the examples. Just try to think of as many **customer needs** as you can.

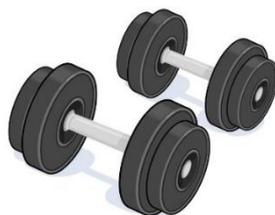
**Example 1** - If someone was to choose a **fast food restaurant** to eat in what factors would they consider? Try to think of as many **customer needs** as you can (Hint: some of these will be similar to the customer needs for high street coffee shops).



**Example 2** - If someone was **buying a car** what factors would they consider? Try to think of as many **customer needs** as you can.



**Example 3** - If someone was choosing a **gym to join** what factors would they consider? Try to think of as many **customer needs** as you can.



Finally, if you have **your own business idea**, what factors do you think will be important to your customers?

It is essential that every business is able to identify its **customer needs**. Once a business has listed its customer needs it will have a good idea of the **characteristics of its customers**.

Having considered the characteristics of customers in this handout, in the next handout we will begin to look at the **characteristics of suppliers**.

Suppliers