

# CHAPTER 4

## Factors Affecting Business Success

### KEY TERMS

e-business  
intranet  
extranet  
market niche  
demography  
baby-boom generation  
perseverance  
front-line employees  
quality control  
product recall  
ISO standards

### Specific Expectations

After studying this chapter, you will be able to

- identify various factors affecting business activity that have contributed to the success of Canadian companies and entrepreneurs
- compare levels of customer service and quality of goods and services among a variety of competing companies
- identify factors that influence employees' attitudes and the quality of their work

Many different factors contribute to the success of any business. Businesses today have to be able to respond to change quickly, and they have to use the new information technologies—like the Internet—wisely. They need to understand demography and how it affects market demand so that they can satisfy consumers' needs and wants.

Successful business people know that they have to take risks, but not foolhardy risks. They need to have a vision and passion for what they do, and they need to have perseverance to get them through the rough times. More and more business people are working in teams to achieve their goals of providing quality products and customer service. Wise business people also know that they need to foster the kind of employee attitudes that bring about quality work.

## *Bombardier*

Two visionaries enabled the Canadian company Bombardier Inc. to become a spectacular success: J. Armand Bombardier, who invented the snowmobile, and Laurent Beaudoin, who helped the company become a global business leader.

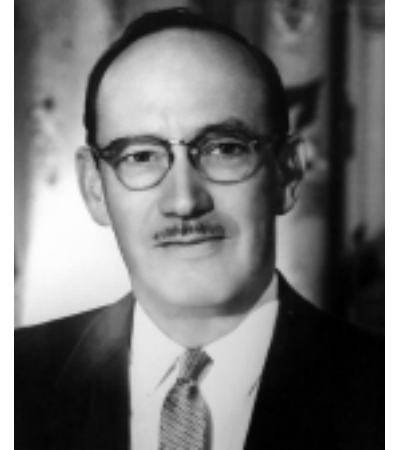
When Armand Bombardier started his small private company more than half a century ago, it manufactured his new invention, the snowmobile. Today, Bombardier has 79 000 employees in 23 countries and is a leading competitor for airplane and mass transit contracts all over the world. It has railway and subway cars in Disneyland, Montreal, New York, Asian countries, and the Chunnel, a tunnel under the English Channel connecting France and England. It has sold airplanes to companies around the world.

Why did Bombardier become so successful? How did a small local company become a global leader in each of the markets it entered? How was Bombardier able to respond so well to change in some of the most competitive global markets?

Back in 1922, in Valcourt, Quebec, when he was 15, Armand Bombardier built his first snowmobile, using an old sleigh, a propeller, and the motor from a Ford Model T automobile. He and his brother promptly smashed the new invention into a barn. But that didn't stop the young inventor. He continued to work on his plans for a snow car. He knew, long before others did, that such a vehicle would be useful during Canadian winters.

In 1942, Armand Bombardier started his company to manufacture tracked vehicles—snowmobiles—that could travel over the snow. During World War II, he diversified by developing wide-tracked troop carriers for the Canadian military. These vehicles could drive through snow, swamp, and deep mud. After the war, he again successfully diversified by introducing a wide-track, all-terrain Muskeg Tractor for construction work. By 1959, he was producing his first Ski-Doo's. Armand Bombardier died in 1964, at the early age of 52.

Bombardier became a public company in 1969. By 1974, the high price of fuel had caused sales of Bombardier snowmobiles to fall by 70 percent. They were just too expensive for people to run. The company



**Figure 4-1** The J. Armand Bombardier Foundation contributes 3% of the company's pretax dollars, \$6 million in 1999, to national and regional organizations in education, health, culture, and social services.



**Figure 4-2** Laurent Beaudoin began his career as a chartered accountant. How might this background have helped him bring Bombardier through its rough periods?



**Figure 4-3** Bombardier has become one of Canada's leading exporters of business jets, regional aircraft, rail transportation equipment, and motorized recreational products. The company's headquarters remains in Montreal, even though it does business all over the world.

was in trouble. Laurent Beaudoin, the president of Bombardier, knew that the company would have to change if it was going to become successful again.

Beaudoin decided that Bombardier would become a leader in the transportation industry. He began by taking calculated risks on transportation companies that were in trouble. Over the next 20 years, Bombardier acquired four aircraft companies: Canadair in Montreal, Learjet in Kansas, Shorts in Northern Ireland, and de Havilland in Toronto. Because Beaudoin negotiated government support for these takeovers, he was also able to save local jobs.

Today, one of Bombardier's most successful products is the Canadair Regional Jet, which airlines in 14 countries have bought. This product fills a growing market niche for smaller regional jet planes. These aircraft allow smaller airlines to carry passengers to places that were considered out of the way a few years ago.

Bombardier continues to focus on product quality and customer service. It has to! Otherwise it could not succeed in its highly competitive markets where a single contract can be worth billions of dollars. By January 2001, the gross revenues of the company were \$16.1 billion. As you read this chapter, keep these two visionaries—Armand Bombardier and Laurent Beaudoin—in mind.

Ask yourself, how vision, perseverance, and the ability to respond to technological and market change led to their success? Why can some business people spot market trends before their competitors do? How do commitments to quality and to customer service contribute to a company's success?

## Qualities of a Successful Business

Some businesses, like Bombardier, become very successful. Other businesses do not do as well. What makes the difference? How do some businesses manage to make the right product or offer the right service, just when people want it?

One factor that improves chances of success is the ability to respond well to change. Change happens frequently in today's world. Competition for customers is fierce. If you don't adapt in order to meet your customers' demands, you can be sure that your competitors will.

You also have to know your target market well and find out everything about new opportunities and the new needs people will have. Then you have to focus on filling your market's needs and wants before your competitors do.

### Responding to Change

At a time when technology changes quickly and when companies can easily operate around the world, businesses have to change or risk failure. As you saw in Chapter 2, the business environment in Canada and other industrialized nations is changing rapidly. To succeed, businesses have to respond quickly and effectively. Those companies that use the new technologies, especially the Internet and other communication technologies, and that take advantage of the global market will have a better chance of succeeding than those that do not.

Because of their size, small businesses are often able to respond to changing consumer demands more quickly than larger businesses. Small businesses are also likely to be in closer contact with their customers, so they know when their needs and wants change. This knowledge can give smaller companies a competitive advantage, at least in the short term.

However, some very large companies have also responded successfully to technological change. For example, today automated banking machines and



**Figure 4-4** Both small and big business have to respond to the changing business environment. On its trains, VIA Rail Canada provides fully-equipped meeting facilities for small and medium-sized businesses. Why might this service convince business travellers to go by train rather than by airplane?

## Biz.Bites

“This ‘telephone’ has too many shortcomings to be seriously considered as a means of communication. The device is inherently of no value to us.” (An internal memo, written by a Western Union employee in 1876)

Internet banking are available 24 hours a day. These technologies allow us to avoid long line-ups at Canadian banks. In the food industry, checking-out at large supermarkets became quicker in the 1970s when the food industry put universal bar codes on products and used scanners to collect information. Some supermarket chains, Dominion for example, are now experimenting with allowing customers to check themselves out.

## E-Business

**E-business**, which is short-form for “electronic business,” is business that is conducted over the Internet. E-business involves buying and selling as well as providing services and customer support. Both small and large businesses use the Internet to buy supplies and parts, to do research, to bid on proposals, and to work together. By using e-business, companies can work with business partners anywhere in the world.

Companies like Amazon.com and eBay have been able to use the Internet successfully. Some other companies, such as Lands’ End (see page 114), have not been as successful in responding to this business change. As the failure of many e-businesses show, being quick to respond to change is not enough. Businesses also need to do research and develop a workable business plan to compete successfully in the e-business world.

More and more people are using the Internet to purchase everything from books (at Chapters’ site) to computers (at Future Shop’s site). However, some consumers are still concerned about the security issues of using their credit cards to purchase items over the Internet.

## Intranets and Extranets

E-business also includes development of intranets and extranets, both of which are supposed to be secure networks that can be used only by those the company wants to let onto the network.

However, some of these aren’t all that secure. They have been quite spectacularly broken into by hackers who consider the word “secure” to be a challenge to their hacking skills.

An **intranet** is a network of computers that are connected within the company. As an employee, you can feel free to share company information without being overheard by people outside the company. An **extranet** allows businesses

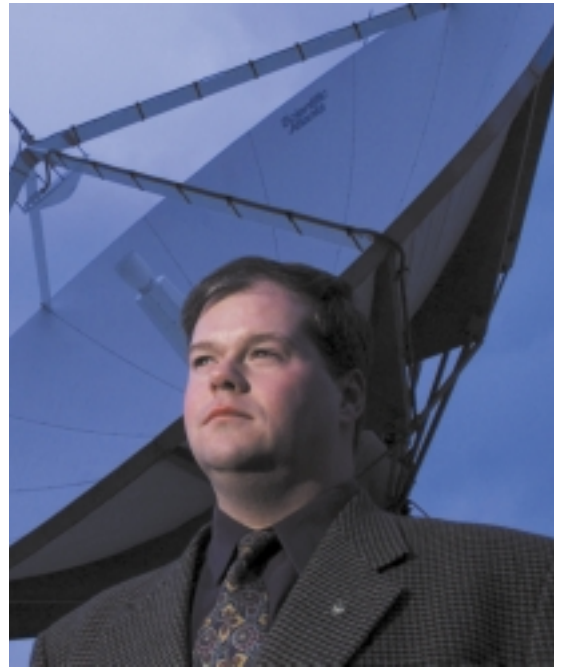
### Web Connect

<http://www.mcgrawhill.ca/links/exploringbiz>

Visit eBiz4Teens to find out more about ebusiness and to read some real-life success stories of teenagers who have become eBiz entrepreneurs.

to share information with selected suppliers or with other businesses. Extranets allow businesses to serve their business customers quickly and efficiently.

Shoppers Drug Mart has built its own satellite network which is owned and operated by the company itself. (See Figure 4-5.) David Parket, who administers the program, calls it a “lifeline to our stores.” The stores get clearance for credit card and debit card transactions over their network. They use it to manage inventory, order supplies, and receive weekly marketing and operational information from their head office. Eventually, Shoppers intends to use the network to train employees through distance learning.



### Competing for Sales on the Internet

In the battle for Internet sales, some companies have been very successful. Others have failed. In between these extremes are businesses that are building and adapting their online presence with greater or less success. For example, during the Christmas season of 2000, eToys Inc. expected to double its sales over the 1999 season. Instead, sales dropped and the company had to lay off 70 percent of its employees. Because it had spent so much to set up its Web site and distribution channels, the company didn't have much cash to fall back on when income dropped.

### Retail Sales Problems

During the same 2000 Christmas season, Eatons (now owned by Sears), Hudson's Bay, and Canadian Tire ventured into the treacherous Internet waters to sell products at their web sites. How did these new e-tailers measure up?

According to Marina Strauss of the *Globe and Mail*, “there were flaws in the process at all three e-tailers.” Customers had problems getting accurate information about products at the Web sites or even understanding some of the shipping and delivery instructions. Some orders arrived on time, but the wrong product had been sent. According to Ms Strauss, one of the main problems shoppers had was the lack of adequate customer service and accurate information when they called to correct an error in the shipment.

**Figure 4-5** Dave Parket, of Shoppers Drug Mart, wants to use the company's network for distance learning for employees. How might this use of technology contribute to both employees' attitude towards Shoppers and to the quality of their work?



**Figure 4-6** How has eBay managed to establish itself as a successful e-business when so many others are either still struggling or have failed?

## The Success of eBay

On the other hand, eBay has managed to successfully respond to the challenge of selling on the Internet by using an entirely different approach.

When Pierre Omidyar and Jeff Skoll started eBay in 1995, it was a small auction Web site that specialized in collectibles, like Beanie Babies. Since then, eBay has become a major force in Internet selling. eBay doesn't actually sell items; it serves as a site where sellers with things to sell can connect up with buyers who want to buy. One thing that Omidyar and Skoll did that many other start-up e-businesses don't do is hire a highly skilled business professional to run their company. They chose Meg Whitman, who had lots of experience as a consumers products executive.

eBay is still an auction site. But now it offers Sun Microsystems servers (for approximately \$15 000), GM cars through eBay Motors, and even authentic Disney studio props such as Cruella De Vil's costumes from *102 Dalmations*.

## Filling a Market Niche

As a business person, you need to know where your best business opportunities are. You need to know to whom you want to sell your goods and services. You'll ask yourself: Do I want to try to sell in larger markets where there are many competitors and products? Or do I want to focus on a market niche?

A **market niche** is a small segment of the larger market. Some business owners look for these smaller, profitable markets and then design goods and services to serve them. Many small businesses focus on one particular market niche and try to position themselves as the specialist in that market. For example, a restaurant that specializes in chocolate desserts will not appeal to all consumers. But if the desserts are always delicious, then chocolate-dessert lovers will be regular customers.

In the computer field, users need many different components: printers, monitors, scanners, modems, and so on. Sometimes the big retailers and providers don't stock all of these components. Or, if they do, they can't readily help customers find the best item among the wide range of products available.

However, smaller companies, like Mark McLane's Printer Works (Figure 4-7), have seen a business opportunity in this computer component problem. They fill a market niche by knowing a great deal about the limited range of products they sell. Mark can offer his customers sound advice and good customer support, as well as the printers and scanners that they need.

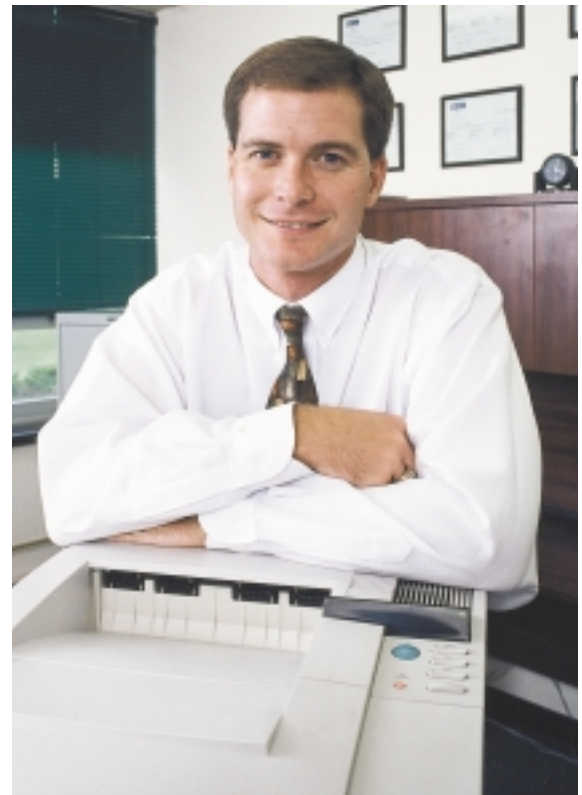
Ani-Mat Inc., another small and specialized business, manages to address a market niche and help solve an environmental problem at the same time. The company recycles vehicle tires to create rubber mats which are designed for animal comfort. Dairy farmers, who are also in a very competitive market these days, find that these mats improve their animals' productivity. The fact that Ani-Mat has tripled its sales in three years shows that they have identified and are successfully serving a niche market.

## Understanding Demographics

**Demography** is the study of statistics relating to populations or communities. Demographers keep track of statistics relating to births, deaths, age, income levels, population movements, and so on. Studying demographic trends helps business people assess how population changes may affect the growth and development of the economy and business.

How do demographic statistics provide business opportunities? They give clues to the growth markets of the future. Creative and innovative entrepreneurs can spot the needs that will be created by these trends, and come up with ideas to fill those needs.

For example, if more people are moving into a geographic region than are moving out, a home builder may decide that it is a good place to build new homes. On the other hand, if a large proportion of the population is getting older, a business owner may decide to focus on products or services that the growing segment of the population will use.

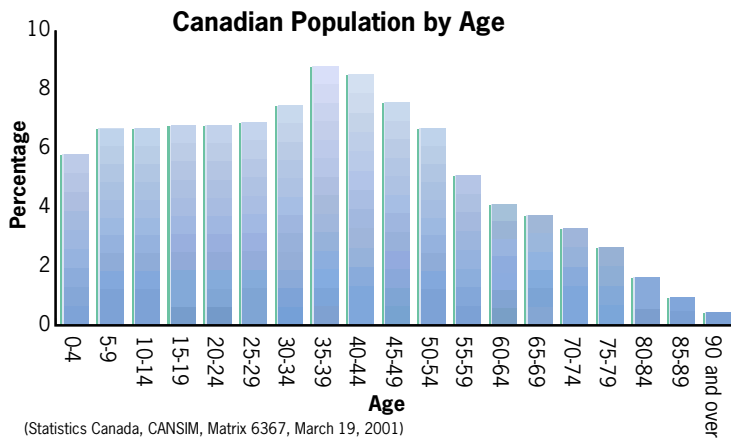


**Figure 4-7** Mark McLane has identified a market niche in his home province of PEI. Mark's company, Printer Works, specializes in the sale, service, and supplies of printing and imaging software. Since 1995, sales at the company have grown at the rate of 40 to 50 percent each year.

### Biz.Bites

Statistics Canada projects that by 2016 there will be more seniors than children in Canada. By 2016, seniors are expected to make up 20 percent of the population.





**Figure 4-8** Where is the biggest bulge in this population bar graph? What kinds of markets would serve the demographic group represented by the bulge? How will this consumer group's needs and wants change over the next 20 years?

The highest concentration of the **baby boom generation**—people who were born between 1947 and 1966—is presently between the ages of 35 and 55. This group makes up about 30 percent of the total population, so it is a very large market for businesses. Baby boomers influence demand and the kinds of goods and services that businesses offer.

Approximately 12 percent of the population are now over the age of 65, and this segment will increase over the next decade. People are living longer than they did in the past because they are

paying more attention to health, fitness, and proper nutrition. Advances in medicine are also helping people live longer (See Figure 4-8).

### Demographics and Teenage Markets

Marketers study the demographics of your age group because, especially in North America, you and your friends are an important group of consumers. Many teenagers have money to spend. Marketers also believe that if they can attract you now, you will remain customers in the future. Think about your own needs and wants. What kinds of goods and services are you interested in? What businesses provide you with those goods and services?

One example of a product that is of interest to the teenage market is MP3 players. These players allow you to use new technologies to download and listen to music from the Internet or a computer network. There are two types of MP3 players: internal (SoundJam, MusicMatch) which stay in your computer, and external (Nomad and Rio) which you can carry around. A market exists for these players, especially the external ones. As you might expect, the main demographic group purchasing these players is teenagers and young adults.

The market for MP3 players didn't exist until a few years ago because the technologies to create them didn't exist. Once the technologies were developed, there was a market for such



**Figure 4-9** Jones Juices targets the youth market with its unique soda flavours: Blue Bubblegum, Vanilla Cola, Pineapple Upside Down, and many more. The soda labels are created from photographs sent in by customers. You can even order cases with personalized labels.

players. Many companies, both large and small, leapt on the MP3 bandwagon. As you read in Chapter 1, Napster and MP3.com were two of the first businesses to take advantage of the new MP3 technologies.

## Check Your Understanding

### Knowledge/Understanding

- 1 What is e-business? Explain how a company could use e-business to gain a competitive advantage over other companies in the same industry.
- 2 How would demographics be useful if wanted to start a business?

### Thinking/Inquiry

- 3 Write a paragraph in which you explain your answers to the following questions:
  - How and why did both Armand Bombardier and Laurent Beaudoin diversify Bombardier's product line?
  - How do their actions show that companies need to respond to change in order to be successful?

### Communication

- 4 Discuss, in small groups, why companies advertising on the Internet might target teenagers and young adults. Consider advertisements for products that are in demand among you and your peers. Develop a Web page advertisement for a new product that would appeal to this target market.

### Application

- 5 Create a timeline of changes in one successful business that you are familiar with. You could use a business in your community or you could select one from the Web Links index at the McGraw-Hill Ryerson Web site. Your timeline should show how responses to change, use of technology, and demographics have been factors in the business's success.

### Skills Appendix

---

analysing media

### Skills Appendix

---

critical thinking

# Qualities of the Successful Business Person

For a business to be successful, the entrepreneurs who start it and the employees who continue to develop it and contribute to its success must have certain qualities. These qualities include risk-taking, vision and passion, perseverance, and the ability to work in a team. We'll have more to say about these qualities—as they relate to entrepreneurs—in Chapter 13.

## Risk-taking

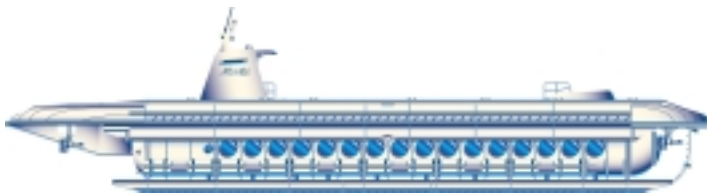
Successful business people see problems as opportunities. For some people, the bigger the problem they have to solve, the greater the satisfaction. This risk-taking should be calculated, of course, not foolhardy. You need to examine risks before you act. What are the possible advantages of taking this particular business risk? What might be the disadvantages? What do you stand to win or lose? How much will it cost if you lose? How much will you gain if you succeed?

It is important to remember that the road to success is often paved with failure. Sometimes avoiding failure means passing up success. The best business leaders understand that with risk comes the possibility of failure and that such failures can be used to the company's advantage.

An IBM engineer took a risk on a project and lost \$1 million of the company's money. Tom Watson (the former president of IBM) called the engineer into his office. The engineer said to his president, "I guess you want my resignation?" Watson replied "Why? We have just spent over \$1 million on your education." Watson knew that failure was an important element of success.

### Biz. Bites

"Someone who tries to do something and fails is a lot better off than someone who tries to do nothing and succeeds."  
Anonymous



**Figure 4-10** Vancouver's Dennis Hurd of Atlantis Submarines International, took a calculated risk when he launched the world's first passenger submarine, and then went on to develop the underwater sightseeing industry.

### Atlantis Submarines

Dennis Hurd, of Atlantis Submarines International, thought that tourists in places like Hawaii, Guam, and Barbados would be interested in going under the surface of the sea. (See Figure 4-10.) He believed they would enjoy exploring the coral reefs and seeing exotic fish and old shipwrecks.

Hurd was right. By the year 2000, Atlantis Submarines had taken more than 6 million passengers on undersea adventures aboard its 28-, 48-, and 64-passenger submarines. Among these passengers were more than 40 000 local school children whose classes participated in the company's Living Classroom program. Hurd's fleet has grown to 14 submarines, and Atlantis Submarines had become a \$20-million business.

## Vision and Passion

Many business owners and entrepreneurs have a vision and are passionate about making that vision become a reality. Without such visions, many useful and exciting businesses and products that we enjoy today would not exist.

As you saw in the Business Profile that opened this chapter, Armand Bombardier had a dream that people might someday be able to travel safely through the snow in Canada. Laurent Beaudoin's plan for Armand Bombardier's company may have been different from the founder's, but it too was visionary. Because he could see where the transportation industry was going, Beaudoin diversified Bombardier into rail transportation and aircraft. Two different visions, but in each a passionate dedication to seeing those visions become reality.

The ability to recognize trends and market demands long before others is a characteristic of some of the most creative successful business people and their companies.

For example, when the two young engineers, William Hewlett and David Packard, started out as partners working in a garage, they had only their creativity and skills to go on. Their first product—the resistance capacity audio oscillator (HP 200A), an electronic instrument used to test sound equipment—may have been very new, but they found a buyer who needed and wanted it. Walt Disney used it in 1938 for his original version of the movie *Fantasia*.

Bob Simmonds and George Cope of Cleartnet also had this vision and passion (see page 29). So did Steve Jobs and Steve Wozniak of Apple Computers (see page 57).

## The Radar Ball

Today's young entrepreneurs also have this vision and passion. They are turning their creative ideas into products that consumers want. Dave

### Biz.Bites

In 1899, Charles H. Duell, who was Commissioner of the U.S. Office of Patents for new inventions, wanted to close down the department. He believed that, "everything that can be invented has been invented."



**Figure 4-11** Dave Zukatin plans to continue to invent sports equipment, perhaps a softball version of Radar Ball, or other baseball products for different age and skill levels.

Zakutin invented and developed a product that caused a “now why didn’t I think of that” reaction in his industry. (See Figure 4-11.) Dave developed the Radar Ball, a baseball that measures the speed of pitches thrown by baseball players. Dave, whose company Zakutin Technologies is located in Waterloo, Ontario, is a 1996 mechanical engineering graduate.

Dave has partnered his business with Rawlings Sporting Goods Company, a large producer of baseball equipment. Most of the major league baseball clubs use the Radar Ball to train their pitchers.

## Perseverance

**Perseverance** is the drive and determination you need to have if you want to turn your ideas into reality, to solve problems, and to achieve your goals. Successful business people must keep going because it is the only way they will overcome all the obstacles along the way to building a successful business.

### Web Connect

<http://www.mcgrawhill.ca/links/exploringbiz>

Visit the Web site of the Business Development of Canada’s Young Entrepreneur Awards and Mentor Program to read more business success stories about some of Canada’s brightest young entrepreneurs.

Before he invented the light bulb, it is reported that Thomas Edison made several hundred experiments. After about 500 attempts, his assistant asked him, “Why do you persist in this folly? You have tried 500 times and you have failed 500 times.” Edison was quick to respond, “Oh but I have not failed once. Now I know 500 ways of how not to make a light bulb.”

## Company’s Coming

Perseverance has been an attribute of the Company’s Coming Publishing Limited since Jean Paré started the company in 1981 in Vermilion, Alberta.

Jean Paré launched her small publishing company with her first *Company’s Coming* cookbook. Jean, who was a successful caterer, marketed her book by travelling around Alberta, convincing store owners to sell her book. Her son, Grant Lovig, joined Jean in the company, and the

pair persevered even though they were competing against some of the largest publishing houses in the world. By 2000, Company's Coming had sold 15 million cookbooks worldwide.

But Jean and Grant also knew where to stop. For years, they tried, unsuccessfully, to break into the U.S. market. In 1998, they decided that the return wasn't worth the effort and cost. In 10 years, the company had never earned a profit in the U.S. market. So they stopped trying to sell Company's Coming cookbooks there. However, they have been more successful selling Spanish editions in Mexico and Central America.

## Teamwork

In many successful companies, people work in teams. Today, managers are less likely to tell people what to do and more likely to serve as a coach and member of a team of employees. Employees share decision-making with their supervisors and managers and have the power to put their decisions into action.

Teamwork skills are so important that the Conference Board of Canada lists them as one of the three main categories of employability skills that companies look for. (See pages 76-77) for a further breakdown of Conference Board teamwork skills.) Successful team members must be able to work with others in order to jointly and clearly establish the purpose for their project and then to follow through.

What skills does it take to function successfully in teams in business? Many are the same skills that you use to accomplish successful team or group assignments in school. Team members need to

- work together towards a common goal
- take responsibility for their share of the work
- communicate with each other frequently
- keep assessing their progress as they work towards their goal

When these teams work, they motivate employees and make them more productive and efficient in responding to customers' needs.

**Figure 4-12** How does working in teams affect the quality of your work? What are some of the advantages and disadvantages of teamwork?





**Figure 4-13**

This Boeing 777 was built by teams of workers. Why would cooperation among team members be very important in building these huge airplanes?

**Skills Appendix**

writing reports

**Skills Appendix**

giving oral presentations

## Teams at Boeing

When The Boeing Company redesigned its 747 airplane, it ran into a major production problem. The many parts that were supposed to fit together, didn't. It took many workers a long time to resolve the problems of the incompatible parts.

When Boeing was about to build its 777 airplane, the company decided that teams should build them. All the members shared their expertise and information with each other. The teams made their own decisions and even solved their own problems.

Boeing had a much easier time building the 777s than they did the redesigned 747s. When the huge planes were to be assembled, the components fit together to within thousandths of an inch. The teams has succeeded in working to all the quality standards and specifications required of them, adapting and learning as they went, and assuring the success of their huge project.

### Check Your Understanding

#### Knowledge/Understanding

- 1 List two characteristics of successful business people, and explain, in your own words, how they contribute to business success.
- 2 Write a paragraph explaining why perseverance is important in business today. Use current business stories to illustrate your main idea.

#### Thinking/Inquiry

- 3 What business skills do the business examples in this chapter demonstrate? Use the Conference Board of Canada Employability Skills chart on pages 76-77 to help you with this activity.

#### Communication

- 4 Think about a successful business person that you know personally or have heard about. Create a monologue, in role, in which you explain how vision and commitment have contributed to your success.

### Application

- 5 Working in small teams, create a graphic organizer (concept web, mind map, or flow chart) to illustrate some of the challenges that the Boeing teams might have faced as they built their first 777. First, pool your knowledge about building and about how teams work. Then decide what would have been the greatest challenges faced by the Boeing teams.

### Skills Appendix

brainstorming

## Competing for Customers

In today's business environment, a company will not continue to be successful unless it can provide its customers with a quality product and excellent service. There are simply too many competing products for consumers to choose from. Can you think of any market where there is only one good or service available? In a competitive business environment, customers buy from businesses according to the quality of their products and customer service.

Today, every business must decide who its target market is and then develop a strategy to sell to the consumers in that market. In 1908, when Henry Ford produced the Model T, he painted the one model in one colour—black. He reportedly said that the consumers could have any colour they wanted so long as it was black. But that situation didn't last long. Consumers began to demand other colours—and other models. Competitors entered the market, and the highly competitive automobile market was born.

## Providing Customer Service

Successful businesses know that their customers are the most important people in their business equation. If a business doesn't take care of you quickly and efficiently, you'll find another that will. If customers don't come back, a company will have no business. By providing good customer service, a business can gain and keep an advantage over its competition.

This is one of the reasons why Canadian Tire uses as its slogan "To be the best at what our customers value most." Of course, what customers want most will change from one business to another, depending on the particular goods or services and on their reasons for buying that good or service.

### Biz.Bites

Old customers are cheaper than new customers. Study after study shows that businesses spend 5 and even 10 times as much money to acquire new customers than to retain old ones.



## Connecting Business with *Demographics*

### **FACES**

For years, Canadian women of colour tried to find makeup that was suitable for them. Their choices were limited and the products that they did find were often very expensive. Most Canadian retailers considered these women's needs to be a small niche market that would not bring in enough revenue for them to bother with. Recently, though, the Canadian cosmetics industry has started to realize the business opportunity in providing women of colour with the products they've been requesting for years.

According to Statistics Canada, 11.5 percent of Toronto's population is of East and Southeast Asian descent, 7 percent is of South Asian descent and 5.5 percent has African or Caribbean roots. Only 40 percent has a British, French, or northern European background.

These multi-ethnic markets have simply become too large to ignore, says a representative of FACES, a Canadian chain of franchised cosmetics stores with 45 kiosks in malls across Canada. FACES checked out the market for their products carefully first. "We talked to a lot of women and asked them how they were served, and found that there was an over-all dissatisfaction with the availability of face makeup for them," Shelley says.

So, FACES decided to create a range of foundations, powders, and concealers to fill this market niche. The company offers a wide array of colours, for example, 200 shades of lipstick, 150 shades of nail enamel, and 125 shades of eye shadow. The FACES kiosks also sell skincare and bath products at affordable prices. All products are hypo-allergenic and none are tested on animals.

Because FACES franchised outlets are stand-alone boutiques that sell only FACES brand cosmetics, the



**Figure 4-14** Why would not having to compete for shelf space be an advantage for FACES franchisors?

company's products don't compete for shelf or makeup counter space as they would if they were sold in large retail stores. FACES franchisees own and operate their boutiques in high-traffic areas of shopping malls, after they receive training from the franchisor.

### **ACTIVITIES**

- 1 What market conditions have contributed to FACES success?
- 2 What demographic trend in your community could provide an opportunity for a new business venture?
- 3 Work with a partner to create a comparison chart of the advantages and disadvantages of owning a FACES franchise.

Successful businesses recognize how important their front-line employees are. **Front-line employees** are those who take the orders from customers, help them find what they want, respond to complaints, and help solve problems. This need to provide a fast and efficient response to customers has caused some of the most successful companies to change their organizational structure and focus. To support the front-line workers, other departments also focus on customer service.

Employees are being given more power to take the initiative and make the decision that will keep the customer coming back to the company time and time again.

### Customer Service at SkyDome

Companies that care about customer service put a lot of emphasis on how their employees treat their customers. For example, SkyDome, the entertainment and sports complex in Toronto, hires many part-time employees to work as ushers, ticket takers, elevator operators, and guest service representatives.

As far as SkyDome management is concerned, “During an event, other than the entertainment, our event staff are the most important people in the building.” The company makes sure its service employees know how important they are. Employees are rewarded by receiving excellence awards on the spot (movie tickets, cash, CDs, concert tickets) or by receiving points that can be accumulated and cashed in for larger prizes (walkmans, TVs, microwaves).

## What Customers Want

Finding out what customers want and then providing it for them is not always easy. How do you know what your customers want?

You need to talk with them, to try to get them to explain their problems rather than just going to a competitor to solve them. The best companies follow up to find out if their products and services are satisfactory, and if they are not, why not. If a customer has a problem, they try to fix it and not let it happen in the future. If you are a customer of a business with this attitude, aren't you likely to be loyal to the company?

Companies also need to decide which wants and needs they will focus on fulfilling. As you will learn in the marketing chapter, businesses target a group or a type of customer and focus on their specific needs and wants. Look back at the Saturn advertisement on page 7 in Chapter 1. What does

this advertisement tell you about what Saturn has decided that its customers want? How has Saturn focused on these wants in the advertisement?

Fulfilling customers' wants can also get complicated. Sometimes the drive to satisfy customers in a fast-changing and very competitive marketplace can lead to disaster.

### Lands' End

One problem with buying clothes on the Internet is knowing which size to order. In the fall of 2000 Lands' End Inc., a catalogue and Internet clothing retailer, thought it had found a unique solution to this problem. The company mounted a campaign to get people to use the virtual model facility at its Web site. The problem of ordering clothes without trying them on would be solved. Lands' End set up trailers in 14 North American cities where people could have an actual image made of their body. They could then access their images on the company's Web site whenever they wanted to buy clothes.

Although it sounded like a good plan, the software program didn't work because it didn't give consumers an accurate clothing size. Sam Taylor, a vice-president at Lands' End, was asked why the program had been rushed to market before it was ready. He replied that the company had wanted to provide customers with a solution before the competition did. Lands' End was afraid that if it waited, "someone else would beat us to the punch." In the meantime, the faulty process brought the company a lot of bad press, including the article "Lands' End touts virtually useless cybertool" from which this story was taken.



**Figure 4-15** In a retail store, consumers can try on clothes to see which size fits them. In a virtual store on the Internet, cloths can't be tried on. Internet clothing retailers are experimenting with different ways to solve this problem.

## Providing Quality Products

Controlling the quality of your company's products and services is another important factor in getting and keeping customers.

A product is of poor quality if it doesn't perform properly, wears out too soon, or breaks down. A company that ignores quality will quickly lose its reputation. Customers will stop buying from the company and go to the competition.

**Quality control** is achieved by developing a set of standards that are used to decide which products can be sold and which ones must be rejected. The emphasis is on producing quality products that satisfy customers's wants.

A large company may have its own quality control department. An industry and/or government agency may also set quality control standards, which are meant to protect consumers from defective or unsafe products.

## Comparing the Quality of Products

The way the quality of particular products is defined also depends on what consumers demand from the product.

For example, if you were considering buying an MP3 player, what quality issue would be the most important for you as you compared the different brands? Would you be concerned about the size of memory of the player, since memory size determines how much music you can take with you at one time? Or would you be more concerned with how long it took to download the music from your computer to your player? Or would ease of use be the quality issue for you? Perhaps it would be the quality of the sound? Price will also have an effect on how you view quality. How much are you able (or willing) to pay to get the highest quality product?

As you can see in the comparison chart in Figure 4-16, there are a number of product features that you'd want to consider before deciding which product to buy.

## Product Recalls

A product may be recalled when it poses a hazard or health risk. **Recalls** are done to protect consumers and to correct any feature of quality control that has been missed in the manufacturing process. Companies can either recall products voluntarily, or they can be ordered to do

### Biz.Bites

Siegfried Falk, a Mechanical Engineering Manager at Hewlett-Packard in Germany, keeps a note from Dave Packard that states in no uncertain terms the company's commitment to providing quality products. Packard wrote, "If I hear of anyone refusing to reject a bad lot (of components) because it is needed on the (manufacturing) line, I will see that he is fired."

### Web Connect

<http://www.mcgrawhill.ca/links/exploringbiz>  
Visit Marketplace on the CBC or the Canadian Food Inspection Agency to see which products are currently being recalled and why they are being recalled.

## Comparison of Some MP3 Players Features

MP3 Player	Price	Memory	Download time	Ease of use	Performance	Other features
Nomad Jukebox	\$749.00	<ul style="list-style-type: none"> <li>stores music from over 100 CDs (a 6-gigabyte hard drive)</li> </ul>	<ul style="list-style-type: none"> <li>has fast transfer of files</li> <li>can change standard CDs to MP3 files</li> </ul>	<ul style="list-style-type: none"> <li>includes a good manual and quick-start guide</li> <li>has a backlit, easy-to-read LCD panel</li> </ul>	<ul style="list-style-type: none"> <li>is skip-free and has good audio technologies</li> </ul>	<ul style="list-style-type: none"> <li>communicates with both Mac and Windows machines</li> <li>can record in real time</li> </ul>
RIO 600	\$299.99	<ul style="list-style-type: none"> <li>can only record 30 minutes of music (has 32 MB of memory)</li> </ul>	<ul style="list-style-type: none"> <li>has fast transfer of files</li> </ul>	<ul style="list-style-type: none"> <li>very easy to use and has a good manual</li> <li>has an adjustable LCD light</li> </ul>	<ul style="list-style-type: none"> <li>headphones are poor quality</li> </ul>	<ul style="list-style-type: none"> <li>can be upgraded to 64MB (in the future) for \$299.00</li> </ul>
Audiovox MP1000	\$299.00	<ul style="list-style-type: none"> <li>can only record 30 minutes of music (has 32 MB of memory)</li> </ul>	<ul style="list-style-type: none"> <li>has slow transfer of files</li> <li>has no USB connectivity</li> </ul>	<ul style="list-style-type: none"> <li>has an LCD panel but the font size is too large and it isn't backlit</li> </ul>	<ul style="list-style-type: none"> <li>some of its software is not compatible with current software</li> </ul>	<ul style="list-style-type: none"> <li>very light, compact player.</li> <li>can be upgraded to 64 MB for \$199.00</li> </ul>

**Figure 4-16** The prices of these players come from a StreetCents (CBC) show that aired in November, 1999. Compare the price and features of MP3 players on the market today with the prices and features in this chart. Why do you think that both the prices and the features have changed?

so by government agencies. These government agencies, such as the Canadian Food Inspection Agency, warn consumers of problems in products and notify them of recalls.

Some companies will replace the recalled product or refund the cost. Other companies will repair the product or offer consumers a kit or method to repair the product.

For example, in August 2000, Fisher Price Canada decided to recall its Lift'n Lock swings and Get Up & Go walkers. There had been reports that the small children who were using their products suffered minor injuries. Even though the Health Canada Product Safety Division did not order the recall, Fisher Price decided that there was a risk for children. So it issued a warning to parents to stop using the products and offered a repair kit that would make the products safe.

## Firestone Tire Recall

On a much larger scale, also in August 2000, the Bridgestone/Firestone tire company recalled 6.5 million tires in the U.S. Consumers had complained that the treads on this particular brand of tire were separating and causing accidents. The tires were used by Ford on its popular Ford Explorer sport utility vehicles.

The problem created a serious safety hazard. The U.S. National Highway Traffic Safety Administration had reports of over 100 deaths and 500 injuries resulting from accidents involving Firestone tires. Bridgestone/Firestone was also sued by people who lost family members, or who were injured in these accidents themselves.

This tire recall was expected to cost Bridgestone/Firestone hundreds of millions of dollars. It also cost the company the loss of a great deal of consumer confidence.



**Figure 4-17** How might the Firestone tire recall affect consumers' belief in the quality of the company's products? What do you think will be the short- and long-term effects of the recall? How will the recall likely affect competitors in this market?

## Global Quality Standards

With people able to buy products from around the world, there was a need for global standards of quality and measurements. The **International Organization for Standardization (ISO)** is an organization that has been helping companies standardize quality and measurements since the end of World War II. Such standardization can be very important for Canadian companies.

For example, how can the Northern Ontario small-business owner who assembles computers be sure that the parts he has ordered from Japan, Mexico, the U.S., and Sweden will all be compatible? If all of the companies have put ISO standards into effect, the computer assembler will be able to depend on quality controls and standard measurements in the components.



**Figure 4-18** An ISO International Standard helped standardize the format of credit cards, phone cards, and “smart” cards. Adhering to the standard, which defines such features as an optimal thickness (0.76 mm), means that the cards can be used worldwide. Why would this kind of standardization be important for today’s business person?

You may have seen signs outside manufacturing companies that state that the company is ISO compliant. This means that the company has created and has documentation that will prove that it uses “guidelines to ensure that materials, products, processes, and services are fit for their purpose.” ISO standards increase the quality, reliability, and effectiveness of the goods and services you depend on every day. International standards ensure that specifications for health, safety, and environmental protection are carried out.

For Canadian businesses that want to export to Europe, adhering to these standards is very important. The countries of the European Union require that any company that wants to do business with them must be certified by ISO standards.

## Employee Attitudes and Work Quality

Ask business owners about their major concerns and you are likely to hear something about employees. One key to the success of a business is its ability to hire the most suitable employees for the job and to be able to motivate them to do their best. You will learn more about the importance of employees in Chapter 6. For this chapter, we’ll look briefly at some factors that affect employees’ attitudes towards the business they work for.

Many studies have found that satisfied employees tend to work harder, produce higher quality products, and stay longer with the employer they enjoy.

In general, the employees of small- and medium-sized businesses tend to be more satisfied with their workplaces than employees who work in big businesses or in the public sector. This is interesting because usually the salary in smaller workplaces is less than that in larger workplaces. Trust seems to be a very important factor, as is open communication between management and employees. The level of flexibility for

meeting personal needs and the availability of opportunities for personal growth are also considered very important by employees.

## Factors Affecting Employee Attitude

In the past, employees often had less independence than they have today. Managers tended to give specific instructions and expected the employees to carry out those instructions. Although this is still the case in many businesses, more and more managers are giving their employees the right to make decisions on their own. This allows employees to act quickly in response to the needs of their customers. Such independence can result in employees being more highly motivated and more productive. It can also result in more satisfied customers, which is very important in the highly competitive business world of today.

As you learned in Chapter 3, employees who know that they are working in a safe and healthy environment are also more likely to produce a better quality of work and take less time off. The kind of teamwork and personal responsibility that is practiced at Boeing (page 110) also increases employees' self-esteem and enables them to do their best work.

In addition, employees have a better attitude towards their work when they feel they are working for a company that is committed to fairness, quality, lifelong learning, and trust. In the Canadian Tire profile (page 63), Brian Toda noted that the best companies create "a sense in an organization that when people come in to work at that company, it is worth a day of their life each day." It is the company's attitude towards its employees that makes the difference.

At Hewlett-Packard, this attitude has been developed into a company philosophy that affects the entire company. Dore Thompson, a Learning

### Ranking of Aspects of Workplace Satisfaction

Rank	Aspect
1	Quality of decision makers
2	Work ethic
3	Personal growth opportunities
4	Communication between manager and employees
5	Level of innovation
6	Relations between managers and employees
7	Level and range of responsibility
8	Physical work environment
9	Flexible about personal needs
10	Training opportunities
11	Salary
12	Job security
13	Service/product quality
14	Work hours
15	Attitude towards environment
16	Benefits
17	Relations among employees
18	Amount of time off

**Figure 4-19** An October 1999 study on Workplace Satisfaction in the Private and Public Sectors found that employees gave this ranking to aspects of the workplace. Why do you think the survey respondents ranked the aspects in this order? Does the ranking surprise you?



Technology Instructor with HP said that he learned from Dave Packard and Bill Hewlett's example "the belief that people will do well, if given the right tools and resources and treated with respect, trust and encouragement." People are motivated to be more productive when they feel that their work is appreciated and they themselves are valued. You will learn more about the effect of different management styles in Chapter 6.

## Check Your Understanding

### Knowledge/Understanding

- 1 Explain, in your own words, why good customer service is so important to a company's success.
- 2 List and explain some of the ways that businesses can make sure that their products meet quality standards.

### Thinking/Inquiry

- 3 Work with a partner to investigate three recent product recalls. Using a chart, list the product and the manufacturer of that product, the reasons for the recall, and each company's response to the recall.

### Communication

- 4 Create a poster of five of the quality products that you own or would like to own. Write captions for each product to explain why you judge it to be a quality product and which quality standards might have been used.

### Application

- 5 Have a round table discussion, with a group of classmates, on the factors that affect your attitude and the quality of your work at home, at school, in the community, and in the workplace. After the discussion, independently rank the factors from most to least important to you personally and explain your ranking to your group.

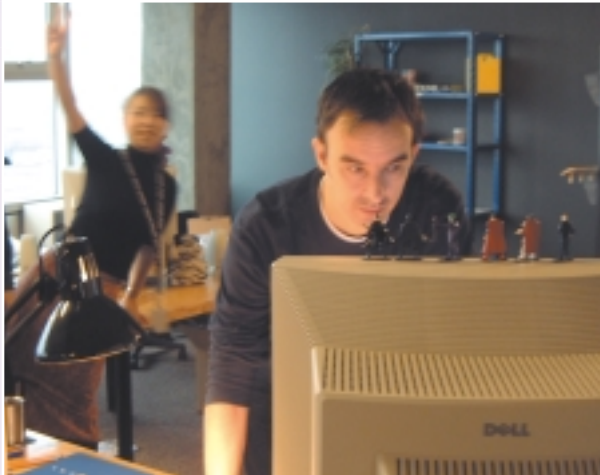
### Skills Appendix

researching

### Skills Appendix

building an argument

### Working at Radical Entertainment



**Figure 4-20** How would Radical Entertainment's corporate culture affect employees' attitude and quality of work? What characteristics of this workplace might make it a place where you could enjoy spending each work day?

In the employee lounge at Radical Entertainment, an enormous log cabin is under construction. It will become an in-house theatre. In the nearby kitchen area, a handful of employees are helping themselves to a late breakfast—one employee eats Fruit Loops and another spreads cheese on a bagel. All the food in the kitchen is provided at company expense.

On the other side of the airy, bright space, another employee is taking a 10-minute time-out on a large couch, one of several provided for relaxation. Employees who prefer to exercise when they relax can head for a fully equipped gym, and take a shower afterward. And those who find nature relaxing can gaze at the spectacular view of the Coast Mountains from the building's top floor.

Radical Entertainment is one of North America's leading developers of digital entertainment. At the company's new eight-storey building on the eastern edge of downtown Vancouver, tak-

ing care of employees gets as much attention as taking care of business. That, says CEO Ian Wilkinson, is because the two are so closely linked. Wilkinson says the new workplace is integral to the company's identity and the success of its product, video games for clients like Sony Corp., Fox Interactive, and Microsoft Corp.

Working up a sweat on a stationary bike while he talks, Wilkinson says most of the people who work at Radical are just big kids, including himself. Nurturing that kind of energy and creativity is crucial to keeping the company competitive, he says. "We spend money when there is value to it, in human capital or revenue," Wilkinson says. "If creating a good place to work means that the people who work here will be inspired and that they will stay with us, then it's worth the cost."

So far, Wilkinson's corporate culture is working. In December 2000, Radical Entertainment was named one of Canada's Top 50 Best-Managed Private Companies. The award is presented by

Arthur Anderson, the Canadian Imperial Bank of Canada, and the National Post. In order to win the award, a company has to have revenues over \$5 million, have shown strong growth over the past three years, and be more than 50 percent owned by Canadians.

One of the management practices that Radical was recognized for was its open and regular communication between management and employees. Employees are asked for their opinion on everything from which technologies the company should adopt to what food it should stock in the kitchen. The Chief Financial Officer holds a seminar four times a year to explain the company's financial performance to employees. This practice helps employees understand where the company earns money and where it spends its revenues.

Radical Entertainment was also praised for the healthy, creative, and respectful work environment it provides for employees. The new Idea Review Senate (IRS) is one of the company's revolutionary business practices. The IRS is a team of nine employees drawn from all divisions, so it represents various viewpoints. Employees are encouraged to present their creative ideas to the IRS. If the team recommends that an idea be developed at Radical, then the employee and the company begin to do so.

If Radical does not develop the idea, it gets passed back to the employee who created it. This is revolutionary. In many companies, creative ideas thought up by employees are left to gather dust. But at Radical, the employee who created the idea can either develop it independently or even sell it to another company. The idea belongs to the employee.



**Figure 4-21** Visit Radical Entertainment's web site to learn more about the company's corporate culture.

In their very competitive market, Radical knows that it has to attract and keep the best employees it can get. The company believes it can do so by offering employees the kind of workplace where they are encouraged to use their imaginations and explore new ideas.

## ACTIVITIES

- 1 Why would a company like Radical Entertainment need to foster creativity in its employees?
- 2 Investigate the digital entertainment industry. What are some of the advantages of working in this industry? What might be some of the disadvantages?
- 3 If you worked for Radical, which of the company benefits would you enjoy? What would motivate you? Think of a place you have worked or volunteered. What, in addition to getting paid, made you want to do good work there?

# Chapter Review

## Points to Remember

- A successful business responds to change, fills a market niche, and understands demographics.
- A successful business person takes risks, has vision, passion, and perseverance, and can work in teams.
- Business compete for customers by providing good customer service, finding out what customers want, and providing quality products
- Employee attitudes and work quality affect the success of business.

## Activities

### Knowledge/Understanding

- 1 Identify and describe the following:
  - a) the qualities of a successful business
  - b) the qualities of a successful business person
  - c) how businesses compete for customers
- 2 Develop a list of five niche markets in teen's clothing, fast food services, and describe one factor or characteristic of the product that relates to its niche.
- 3 What are two industries or business sectors, not given as examples in the chapter, that have had to respond to change in the last two years? What did they change? What caused the change?

### Thinking/Inquiry

- 1 Read two articles from Canadian business magazines about a successful business or a businessperson. Identify the qualities of the successful business and business person and how the business competes for customers. Do these qualities and characteristics match any of the data you collected in Knowledge Activity 1.

**Skills**  
**Appendix**  
analysing media.

- 2 Think of a store or company in your community that has gone out of business. Why do you think the company closed? Was the cause external or an internal, something that the company itself did?
- 3 Ask someone you know about teamwork in their workplace . Find out what the person does as a team member and get a specific example. Ask what the person likes about teamwork and what the person finds hard about it. Write a report on what you learned.

### Communication

- 1 With a partner, conduct a survey of students in your school who hold part-time jobs with the goal of identifying factors that influence employees' attitudes and the quality of their work.
  - a) Brainstorm with your partner possible survey questions that you might ask your fellow students.
  - b) Draft and revise your questions, making sure that they will serve your purpose and be clear to your audience.
  - c) Conduct your survey of other students in your school.
  - d) Tabulate your results and draw conclusions from your findings.
  - e) Compare your findings with what you've learned in this chapter.
  - f) Give a brief oral report of your findings and compare your findings with those of your classmates.

### Application

- 1 Develop a poster listing the top ten initiatives that you would implement in a business that wants to achieve the following:
  - a) success of the business
  - b) success of the people in the business
  - c) high quality customer service and products
  - d) positive employee attitudes and high-quality work

Present your poster to the class and explain why you believe your initiatives will work.

- 2 Write a five paragraph essay on how Bombardier's business activities have contributed to the success of that company.
  - a) Draw up a plan for your essay based on your findings from Knowledge Activity 1.

**Skills**  
**Appendix**  
writing reports

- b) Outline your essay by deciding on your main idea (thesis). Be sure that you offer supporting evidence for this main idea.
- c) Write a first draft of your essay based on your outline, and share your draft with an editing partner.
- d) Review suggestions from your editing partner, then revise your essay and produce a final good copy.

### Internet Extension

- 1 Visit a number of e-business Web sites and analyse the components of the businesses in terms of their customer service, quality standards, and attitude towards their employees.

**Skills**  
**Appendix**  
researching

---