

Last weeks content

Types of government: Federal and Unitary

Federal and Unitary

Four types of risk: Policies, Procedural (tax), Distributive, Catastrophic (disasters)

Affects how a business operates

Case example -Iphone

iPhone generations changing in colour from black to colourful

Who are the markets and who do they appeal to. The use of colours is important for specific countries, age and gender e.g. Asia likes bright phones (There biggest market is Asia so they use demographics to figure out what colours they like)

Lesson so far

Markets are not the same within countries

Markets are not the same between countries

It's important to use properly sampled data

Variation between and within countries can include income, age, sex, ethnicity, culture and preferences

How does this affect businesses?

We need to think about what sort of product to offer, and how the nature of and change in conditions in our target market may affect our ability to profitably produce (supply) and sell it (demand)

What is an Institution?

Formal and informal rules governing the way society works, thus affecting the business environment

"Systems of established and prevalent social rules that structure social interactions

A complex of positions, roles, norms and values lodged in particular types of social structures and organising relatively stable patterns of human resources with respect to fundamental problems in...sustaining viable societal structures within a given environment

Summary of Lecture

Demographics and demographic trends have a direct influence on business' future

Demographic analysis can help businesses look into the future: consumers & labour force

Ageing as a major challenge

The role of immigration

Demographic data are easily accessible and the dynamics behind it are not overly complex

The role of institutions in doing business, particularly when going abroad

Breaking down Demographics

Regions, provinces, states, cities

Broad segmentation

County, prefecture

More specific

Post code

Very specific

This is good for looking at median income to find where the people are. If you know how much someone is earning it is quite easy to target your product to that area or post code.

Class activity - BMW

Gender: Males

Income: High

Age: 40

Married

Growing children

Active or family centric lifestyle

Trying to sell a BMW 5 series, who should we target

Urbanisation

The increase in the proportion of people living in towns and cities compared to rural areas.

In what way could levels of urbanisation matter for businesses?

Where does my target group live?

Where can I find employees?

Basic demographic measures

Working age population: number of people aged 15-64

Dependent population: (number of people 0-14) + (number of people aged 65+)

Total dependency ratio*: (dependent population) / (working age population)

Businesses and demographic changes

A changing demography can lead to potential opportunities or a need to change business strategy

A country may have an ageing population, but there may be relatively youthful areas where demand for aged-care services is low

A country may have a rapidly growing economy, but there may be poorer areas where demand for luxury goods is low



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Businesses and demographic changes (cont)

Alternatively, a country may have a relatively low per-capita income, but there may still be a section of the population wealthy enough to afford luxury goods.

There are many more demographic related factors, but you need to work out which demographic changes are most relevant for your business

Do institutions matter to business?

Institutions shape the society in which businesses operate, as well as the culture of the people the business works with or sells to.

Institutions as agents of socialisation shape consumer preferences

Institutions have strong influence over the size, quality and composition of the workforce (e.g. education levels, labour laws, legal retirement age, anti-discrimination laws, cultural preferences, &c.)

Institutions enable or constrain business activities

Why businesses study demographics?

Product Segmentation

Decide where and when to locate products and services.

Explain what is driving changes in demand

Identify patterns to understand where demand will be greatest

Quantify demand for products and services, now and in the future

Class exercise: Average Demographics

Australia	America	China
Average person:	Average person:	Average Person:
Female, 38, Anglo--Celtic, Married with 2 children, Roman Catholic, Finished high school, \$1700 income pw, 40 hrs per week, net worth \$740,000, holiday location New Zealand, Toyota	Female, 38, Went to college, no degree, White, Single with 2 children, protestant Christian, English tongue, 35 hours per week, \$1000usd per week in income, net worth \$300,000, holiday location Florida, Toyota	Male, 35, Married with one child, no religion, finished middle school, 40hr per week, 60,000 RMB per year, Net worth \$25,000, holiday location Beijing or Shanghai

How age dependency affects businesses?

Labour force

Taxation rates

Aged-care market Massive industry

Other products?

Ageing/shrinking societies

Rapid Growth	Nigeria, Saudi Arabia, Guatamala
Slow growth	U.S, AUS, CAN
Zero Growth	Spain, Austria, Italy
Negative Growth	Germany, Bulgaria, Sweden

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The State

A product of national history, culture, as well as other institutions

Directly responsible for shaping political structures, economic policies, social policies, infrastructure, &c. and one of the few institutions that can mandate change

Legal and administrative institutions ideally create an enabling environment for business but can also restrain business

Indirect influence over legal structures, capital and labour markets, industrial relations and unions

Events that can shape institutions and values

War

Immigration policies that import other cultural values

State ideology and policies



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