Working paper ABEC_1

Company Productivity

1) In the context of a firm, value of output is usually gross revenue. Count the productivity for a firm with revenue of $9 million dollars and 5 employees who work a total of 9750 hours.

Calculating Productivity in Employees

2) Let's say your company generated $80,000 worth of goods or services (output) utilizing 1,500 labor hours (input)and in one week with 30 employees. What is your labor productivity and productivity per employee?

Efficiency

3) For example, let's say the standard labor hours for a certain project is 80 and the actual amount of time worked is 92. You would divide 80 by 92, and multiply by 100, calculating your efficiency to be 87%.

As you compare productivity and efficiency, there are a few different ratios to consider:

- **Idle time ratio**: (Production downtime / total labor hours) x 100
- **Activity ratio**: (Expected hours needed to produce actual output / actual hours need to complete) x 100
- **Labor capacity**: (Actual hours worked / total budgeted labor hours) x 100

Business model

Types of Business Models		
Type of Model	**Description**	
Razor and blades	Consumer purchases a low-margin item like a razor handle or inkjet printer. Sale of necessary consumables such as replacement blades or ink are sold at a very high markup.	
Inverted razor and blades	Initial purchase has a high margin, but consumables are sold at a low margin to entice initial purchase or contrast to razor and blade competitor.	
Cheap chic	Marketing of stylish but inexpensive merchandise. Typically allows for high margins because merchandise sells at low price points but has an expensive feel.	
Bricks and clicks	Extension of in-store shopping to include online ordering with in-store pickup or items found exclusively online.	
Multilevel marketing	Leverage friends, family, and other personal networks to recommend products and act as a sales force. Works best for products needing recommendation to	

	facilitate purchase.	
Franchise	Sell the right to use the business model in exchange for a percentage of revenues.	
Anticipated upsell	High percentage of buyers ultimately purchase more than they expected. For instance, most new home buyers end up spending 1.2 times the base price of the home after extras. Builders bet on this upsell.	
Loss leader	This model offers velocity items for a very low margin in anticipation of additional sales at a higher margin.	
Subscription model	One of the more popular models because of recurring revenue. Typically involves creating a significant asset and renting a piece of it.	
Collective	Similar to a franchise. Involves many businesses coming together for purchasing, marketing, or operational purposes but with looser ties than a franchise. Typically, collectives aggregate buying power and don’t pay ongoing royalties like a franchise.	
Productization of services	Standardizing a predetermined bundle of services typically bought together and selling for a fixed price similar to a product. Many times it includes an element of flat-fee pricing as well.	
Servitization of products	Making a product part of a larger service offering.	
Long tail	Based on Chris Anderson’s famed 2004 *Wired*	

	magazine article. Selecting a tiny niche and serving it in ways mass marketers can’t. Hopefully, the tiny niche grows into a much larger one, as it did in the case of Fat Tire beer.	
Direct sales	Bypass the traditional sales channels to target end users. Methods include door-to-door sales and company-owned stores.	
Cut out the middle man	Removal of intermediaries in a supply chain. AutoZone bypasses traditional three-step distribution by skipping the warehouse distributor.	
Freemium business model	Product is offered for free. Typically 8% of users upgrade to become paying customers of virtual goods or to get expanded access.	
Online auctions	Create a community of buyers and sellers by using an auction-type selling process versus a set sales price.	
Hotel California model	Create a must-have product that traps customers into buying unrelated high-profit items like concessions at a baseball game.	
Network effect	Create a product in which the value to each user becomes higher as more people use it.	
Crowdsourcing	Leveraging users to co-create products and sell to other users.	
Users as experts	Gives users access to technology and tools typically reserved for company employees. Users then create their own designs or	

	versions of the product.	
Premium	Offer high-end products that appeal to brand-conscious consumers.	
Nickel and dime	Price the most cost-sensitive item as low as possible and then charge for every little extra.	
Flat fee	The opposite of nickel and dime. Most or all incidental purchases are bundled into one fee.	

4) Please choose the convenient business model to each company:

- Avon,
- YouTube,
- Hewlett-Packard,
- McDonald´s,
- Apple iPod & iTunes,
- IKEA,
- Airlines,
- MaryKay,
- Rolls-Royce,
- eBay.

5) Please fill the gaps of the value chain correctly:

- Procurement
- Technology development
- Operations
- Services
- Marketing and sales
- Margin
- Support activities
- Inbound logistic
- Primary activities
- Outbound logistic
- Firm infrastucture
- Human resource management