

Introduction to Commercial Awareness for Geography students

Ian Hodges
Careers Consultant

01392 724493
careers@exeter.ac.uk

Aims of the session

- Help you understand what commercial awareness is and why it is important in graduate recruitment
- Provide an opportunity for you to gain an awareness of the commercial pressures facing a multinational business by undertaking a SWOT analysis
- Help you to demonstrate to a recruiter that you are commercially aware
- Provide ideas of how to further develop your commercial awareness
- Signpost sources of further help & information

Why is it important?

“Too many candidates are applying to jobs but clearly have no knowledge of how the industry or company works”

Brian Hood, Head of Campus Recruitment at Citigroup Corporate and Investment Bank

Why is it important?

- It's a **major** criteria for selecting candidates
- It's often deemed a competency in short supply
- It shows your commitment to the job you are applying for
- It gives you more to discuss at an interview
- It improves your knowledge of a particular industry or company so therefore.....
-helps you with career choice

What is commercial awareness?

Employers aren't sure what it is and how to get it!

What is commercial awareness?

- An understanding of how '*businesses*' operate through:

Observation

and /or

Participation

and.....

What is commercial awareness?

- An understanding of how *'the economy'* operates through:
Observation

What is commercial awareness?

'businesses' include:

any organisation where there is a need to operate to maximise opportunities within financial and operational constraints

ie commercial, public or not for profit sectors

What is commercial awareness?

It's about:

People

Organisations & their strategies

Money

Definition:

- understanding how a business operates
- understanding what factors enable it to succeed
- understanding the challenges it may face in relation to it's wider commercial context:
 - political
 - economic (local and global)
 - social
 - technological

Definition:

Includes:

- an awareness of the need for:
 - *efficiency*
 - *cost-effectiveness*
 - *customer care*
- a *knowledge of the market place* in which the business operates including:
 - current economic climate
 - major competitors

Isn't this only relevant to banks?

- Almost **all** employers look for 'commercial awareness', not just banks or companies operating in the commercial sector
- Public sector organisations, charities and volunteering organisations also need business savvy people to raise funds and/or manage available resources as effectively as they can

Examples

- **Teachers:** must work to financial constraints - many state schools are now Academies
- **Journalists:** must know about efficiencies from new technologies eg move to multiformat and web journalism
- **Environmentalists:** must be aware of the latest government initiatives and impact on profit margins
- **Hospital managers / administrators:** need to know about the NHS operating constraints

Commercial skills for the NHS



Commercial Skills for the NHS

“The purpose of this document is to describe our proposed approach to improving services for patients and value for money to taxpayers by:

- supporting staff at local level to develop appropriate commercial skills
- supporting local commissioners and providers by facilitating access to specialist commercial expertise and infrastructure from a regional and national level”

Case study: Recycling Officer

Money: budget holder; monitor markets for fluctuations in prices of recycled products (glass, steel, aluminium, paper)

People: management of staff; management of contractors; reporting to Council members; local community; Public Relations

Strategy: recycling schemes aligned with local/regional/national waste strategies and central government targets.

Enterprising: subsidised home composting scheme for local residents – successful bid adding income to Recycling Officer budget

Case study: Recycling Officer

Political dimension – Bureaucracy and Council members saying 'NO'

Socio- economic – Impact of recycling strategy on local employment

Environmental – Environmental impact of selective recycling strategy eg partial plastic recycling when cost effective

Other terms used by employers

understanding customers' needs

business acumen

client **focus**

commerciality

business focus

passion for business

SWOT Analysis of.....



Strengths



- IKEA is amongst the biggest retailers of furniture in the world
- Environmentally friendly business with a focus on sustainability
- In 2011 IKEA recycled more than 85% of its packaging and waste
- IKEA imposes strict control measures on its suppliers
- IKEA scores highly in customer satisfaction surveys, often ranked in the top 10
- The business sells more than 10,000 furnishing products from well over 300 stores in 40 countries
- The company offers low prices and products that offer good value
- The company has in excess of 600 million visitors to its stores and its website attracts a similar number of hits each year

Weaknesses



- The business is experiencing problems in the European markets having opened a greater number of stores
- IKEA hasn't seen an overall increase in customers and the number of visitors is now divided between a greater number of stores
- Flagship stores aren't located in city centres or near large populations
- Consumers often have to travel large distances to visit stores
- Collection of large items can pose problems for customers who've travelled long distances and delivery can add to cost

Opportunities



- IKEA is famous for its diversification strategies, for example, selling food products in their stores
- The online avenue of trading using advanced e-commerce technology provides excellent options
- Use of IT can counteract the problems linked to out-of-town stores
- Costs can be further reduced by using low-cost manufacturing nations such as China and India
- Links with China and India may open doors to potentially lucrative developing consumer societies

Threats



- IKEA may struggle in the long term against the larger portfolio suppliers such as TESCO
- Only a matter of time before other companies diversify into kitchen and bedroom furniture
- As a global organisation the company has to compensate for global economics
- Interest rates need to be low enough for citizens to be able to afford to borrow money to equip their homes
- The lack of low cost housing in certain countries can be detrimental to growing the business
- The new emerging markets may make it difficult for the brand to embed itself as a supplier to new consumers

SWOT analysis of.....



Strengths



- Thriving business since 1955
- High percentage of managers started as restaurant level employee
- Invest hugely in staff training & development
- One of the world's most recognizable logos (the Golden Arches)
- Global company – such a spread enables them to weather localized economic fluctuations
- Successful in adapting their global restaurants to appeal to cultural differences *e.g lamb burgers in India*
- Efficient, assembly line style of food preparation = convenience for customer
- It only serves name brand processed items *e.g Heinz ketchup*
- Lots of charitable contributions

Weaknesses



- Test marketing for pizza failed to yield a substantial product
- High fat content of foods has turned health conscious people away
- High employee turnover
- They have yet to capitalize on the trend towards organic foods
- Problems with fluctuations in operating and net profits which ultimately impact investor relations

Opportunities



- Could introduce a healthy hamburger to capitalize on today's health conscious societies
- Introduce upscale restaurant settings and move away from industrial, Formica restaurant settings – some progress has been made with this already
- McDonalds has already set up coffee shops – potential to develop this further as the move to selling hot specialist coffees has been very successful

Threats



- They have been criticized by parents groups for their 'cradle to grave' marketing e.g enticing young people into their restaurants with special meals, toys, playgrounds etc in an attempt to get them 'hooked' on their food for life
- Sued many times for having 'unhealthy' food, allegedly with addictive qualities – documentary '*Super Size Me*'
- Any contamination of the food supply e.g e-coli
- Major competitors e.g Burger King, Starbucks, KFC etc
- It has become the symbol of American capitalist economy with it being accused of exploiting its workers. This may not be true but it has damaged customer confidence

How can you prove to a recruiter that you are commercially aware?

COMMON QUESTIONS FOR ASSESSING COMMERCIAL AWARENESS

1. What are the key challenges facing the economy at the moment?
2. What are the key challenges facing the banking and financial services sector and how do those challenges impact Lloyds compared to other banks?
3. Who are the key competitors to Lloyds Banking Group and what makes us different?
4. How are environmental factors challenging organisations to revise their business strategy?
5. Describe any recent activity in the market which may affect Lloyds Banking Group as a bank.
6. What is the share price of the Group and how has that changed in recent months?

These questions are sent by Lloyds Banking Group to candidates to help them prepare for their assessment centres.

Remember.....

Observation and Participation

- Use your work experience
- Get involved in student activities
- Use your interests
- Keep up to date and do your research
- Read the quality press
- Find out what is going on in the world

Work experience

- Through *any* work experience, voluntary work or part-time jobs you will have seen how a company or organisation operates - enhancing your commercial awareness
- Keep a record of what you learn

Interests

- Have you raised funds for charity?
- Have you taken part in
 - Young Enterprise at school
 - ExFactor at Exeter
- Have you researched into savings accounts or loans?
- Do you manage any investments (real or virtual)?

Interests (continued)

- Have you researched a large purchase e.g car or computer?
- Have you bought or sold at a car boot sale?

All of these show that you have commercial
and business awareness

Keep up to date with the world economy

- What is happening in the markets
- Read the *Financial Times* or business pages of the broadsheets
- Check out Business and money section of the BBC website – good source of business and topical news
- Develop **opinions** about what is happening on the world stage

Read quality press

- Particularly related to the sector you are interested in, e.g. *Environmental Guardian*, *Media Guardian* or *Times Educational Supplement*
- Plus any relevant professional journals – check out job profiles on www.prospects.ac.uk for details of journals

Listen / Watch

Radio

- Radio 4 Business Updates, The Bottom Line
- Radio 5 Wake up to Money

TV

- Breakfast updates
- Dragons' Den
- The Apprentice
- Other programmes eg Credit Crunch / Globalisation

Listen / Watch

Films

- Margin Call (Kevin Spacey)
- Inside Job (Matt Damon narrates)
- Wolf of Wall Street ?????

Get involved in student activities

- Particularly those that relate to business, or take on a 'business' role within a society eg treasurer or fundraiser
- Participate in relevant workshops / business games / employer-led case studies / skills sessions which often have a commercial focus – www.exeter.ac.uk/careers - training and events pages
- Register for the Exeter Award and/or Exeter Leaders Award

When applying, research into....

How the business / organisation operates (try a SWOT analysis)

- Staffing structure: nature of job roles that exist within it and the professional development / training opportunities available to staff
- Processes: financial management / accounting, human resources, IT systems in use, production / service delivery processes, legislation it has to comply with

When applying, research into....

- Mission statement: Purpose of the organisation, what it aims to achieve in the future
- Values: Ethos and culture, management style, diversity policies, impact on the community and approach to Corporate Social Responsibility

When applying, research into....

- Products / services provided
- Marketing:
 - customers and how it retains them,
 - market niche
 - competitors
 - key players in the sector
- Suppliers
- Growth rate and profitability
- Share price, where appropriate

When applying, research into....

Context:

- Issues facing the sector in which the organisation operates
- Political: eg import / export agreements
- Economic: general state of the economy, effect of competition
- Social: impact on the environment / local community

When applying, research into....

- Issues connected with an organisation's impact on the environment and sustainable development
- Technological advances
- Media coverage: recent deals or mergers, funding awards, negative press

Additional information

- Book: *All you need to know about Commercial Awareness*, Christopher Stoakes – loan and reference copies available from Careerzone
- www.targetjobs.co.uk
- www.insidecareers.co.uk
- Reuters and Bloomberg provide business and financial news www.reuters.com & www.bloomberg.com
- Career Mentor Scheme



Questions?