

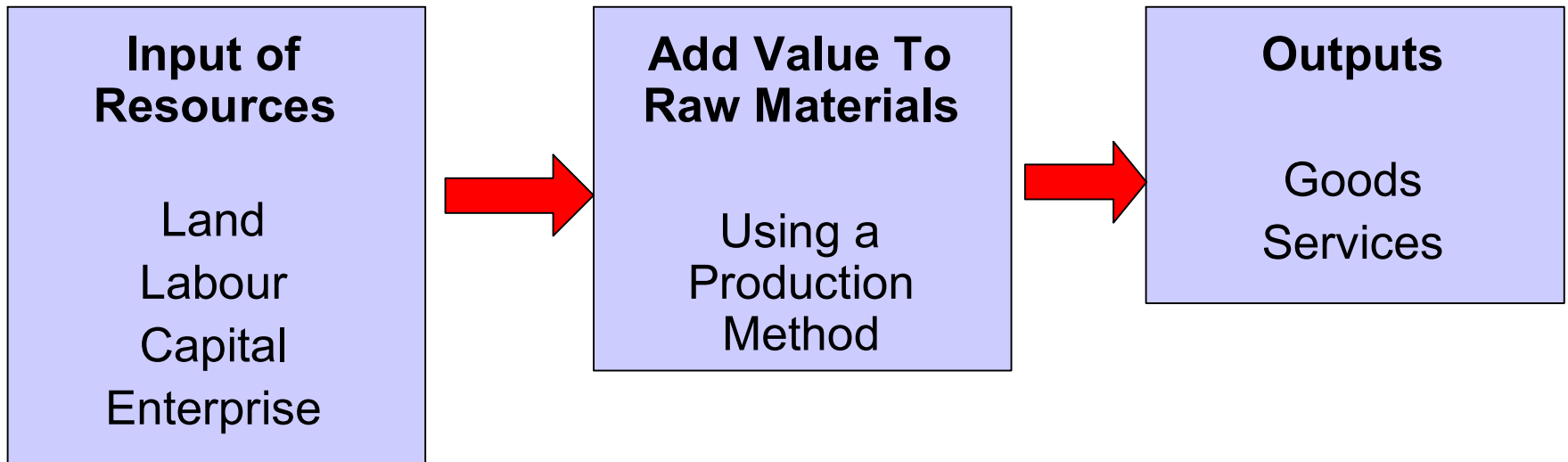


What Is Production?

- Production is closely linked to marketing
- It can be defined as:

“The process of using resources to add value to a product or service, so as to meet the needs of the customer”

- This involves the following:





Co-ordinating Production

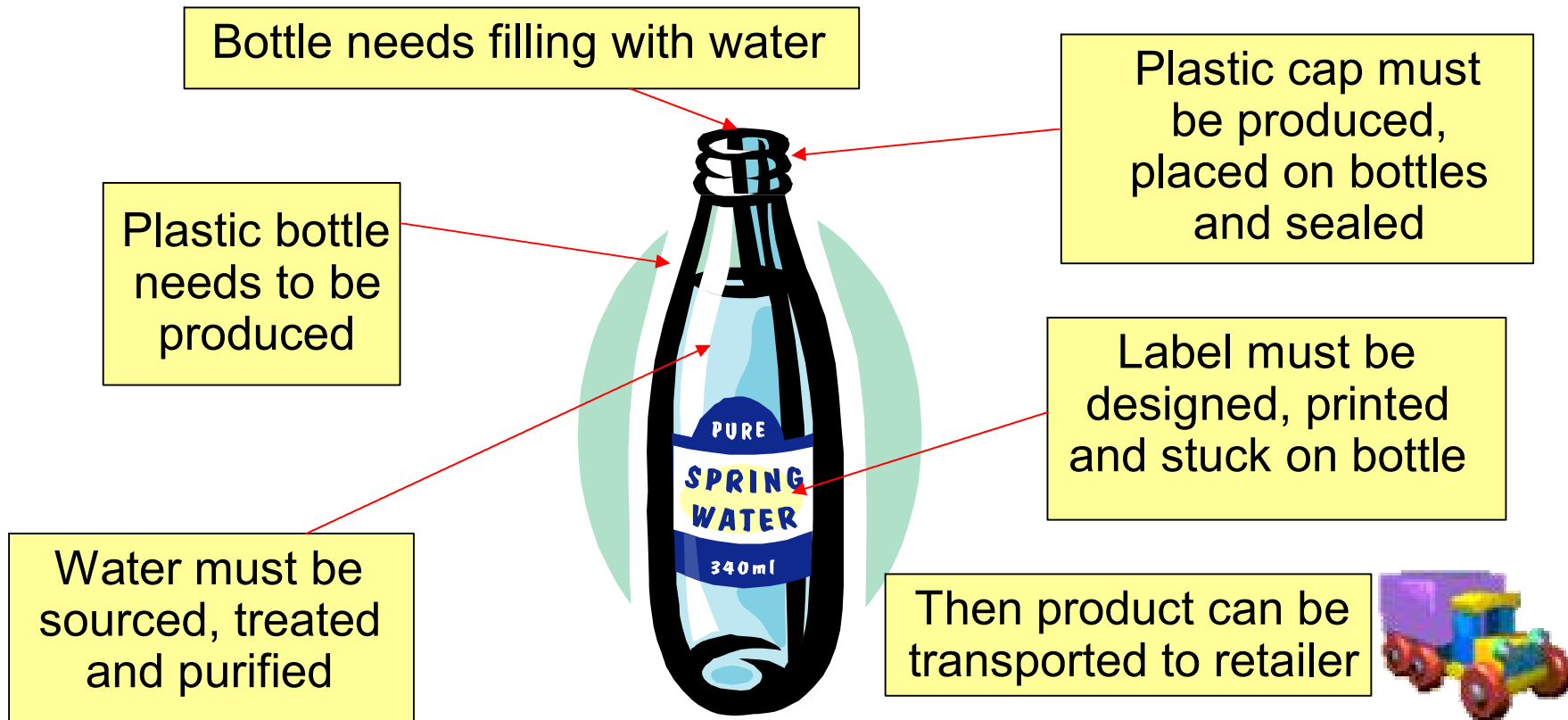
- Production is often more complicated than it looks.
 - Eg All of the raw materials need to be at the right place when they are needed
- Consider what needs to be done in order to get a bottle of water on to a supermarket shelf





Producing A Bottle of Water

- In order to get something as simple as a bottle of water on a supermarket shelf the following things must be done:





What Is Value-Added?

- This is an important business term
- It can be defined as:

“The increase in the benefits of a good or service which are created at each stage of production”

- This means that value can be added simply by making a product more appealing to customers
- Value-added is closely linked to the **CHAIN OF PRODUCTION**





Calculating Value Added

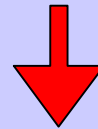
- The Value added at each stage of production is calculated using the formula:

$$\text{Value Added} = \text{Value of Output} - \text{Value of Input}$$

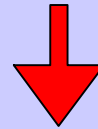
- For example:



Farmer sells Milk for £1000, that cost him £300 **£700**



Milk Packaging Firm sells the same milk in cartons to a supermarket for £2000 **£1000**



Supermarket sells the same milk to customers for a total of £3500 **£1500**
£3200

The Value that has been added at each stage is shown in red

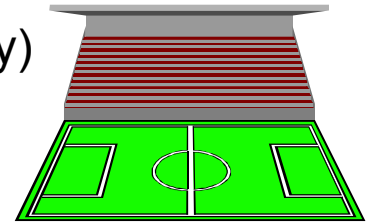


Methods of Production

● There are 3 main methods of production:

➤ Job Production

- Each item (or job) is completed before the next one is started
- Eg Tailor-made clothing, Construction jobs (ie Wembley)



➤ Batch Production

- Involves dividing work into different tasks
- Each task is completed on a number of products before they move onto the next task
- Eg Bread, Paint



➤ Flow

- Items are continuously moved from one task to another
- Sometimes called MASS production
- Eg car manufacturing, Tinned products

