

Report

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Report

To the senior management and the shareholders of ASSI

From: Zhivko Panev – Planning manager for ASSI

Date: 23/06/23

Subject: Primary Objectives of ASSI, market structure and stakeholder issues

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Introduction

Following the statement of Mr Zole, as a planning manager, I want to introduce this report and clarify the advantages and disadvantages of strategies with a profit maximisation focus. The following pages will discuss the maximisation theory and provide examples and applications within the light of ASSI. As a Business Planning Manager and author of this report, myself

Mr Zhivko Panev will advise the respectful board of directors and our shareholders to approach profit maximisation strategies, which would avoid Stakeholders issues and secure our image after so many years of being a leader in the market. Our business environment is dynamic, and our competitors are adaptive; this report will discuss our best future market structure and business objectives. Applying appropriate economic theories in this report will identify recommended options for ASSI's management.

Profit Maximization Theory

The principle that most firms operate to make a profit is also known as profit maximisation theory. Profitable cost companies can achieve this by selling more products at higher prices and reducing production costs. But there are other options nowadays to maximise a company's profit, especially for a company such as ASSI, as we have been operating for many years and should rely on our loyal customers and shareholders.

In the production cycle, there is a point where the cost of goods is reducing the company's profit. The profit maximisation theory could be used to allocate the maximum output for our business and show us where we are most profitable. Applying the profit maximisation theory will help the business sell goods where the marginal cost and marginal revenue are equal (Agarwal, 2022).

In every theory in economic law, we can meet advantages or disadvantages; discussing examples of how profit maximisation could benefit our business and analysing the risks is a necessary process to avoid loss in profit and make informed decisions regarding each organisation.

Advantages:

1. Shareholders most likely would benefit from higher profit figures which will increase their share of profit (Bottomley, 2021).

Shareholders are essential for huge organisations, especially if they hold massive shares from the company. Increasing the company profit would benefit the business with the possible attraction of new investment sources and give us a chance to improve the production process, machinery, technology, and other factors which are keen for the sustainability of the business (Kovvali, 2022).

2. Well-being of employees is another factor. Profit maximisation may reflect increasing company wages if we link employees' salaries with the business's profit (Pettinger, 2016).

If the generated profit increases, the firm could allocate more finance to increase the

employee's wages and encourage them to be more focused and productive.

3. Profit maximisation could ensure our position in the stock market

Companies listed on the stock market with high-profit levels will reduce the risks of takeovers; with low profits, the organisation may disappoint their shareholders with ordinary dividends (Vaidya, 2023). However, the argument is that the firm may need to invest correctly in its short-term gain, meet a drawback from wrong decisions, and lose its long-term success. Focusing on short-term profit may ignore the long-term investment plans and shape the position within an organization's business environment.

Maximising the profit of an organisation will bring satisfaction to both internal and external stakeholders. Still, most importantly, a higher yield will ensure the market position and make us more competitive regarding the business environment.

Disadvantages:

1. Profit maximisation sometimes leads to unethical practices, directly impacting our stakeholders, the face of our employees and customers. Conversely, we could see environmental degradation as our competitors will gain customers, and we may lose by increasing our prices.
2. The short-term focus on profit may impact the decision-making that may cause us to lose our long-term positions and push away the interests of our stakeholders.
3. Prioritising profits above consumer preferences will reduce our quality and increase the prices we currently deliver. Decreasing customer service will lead to customer dissatisfaction and impact brand loyalty.

In the production cycle, there is a point where the cost of goods is reducing the company's profit. The profit maximisation theory could be used to allocate the maximum output for our business and show us where we are most profitable. Applying the profit maximisation theory will help the business sell goods where the marginal cost and marginal revenue are equal.

In the light of ASSI, profit maximisation is crucial as the company operates with large amounts of cash; being on the market for over one hundred years brings us growth, which is sometimes highly risky to control. Taking significant steps to understand and analyse the business environment can benefit our business and help us to make informed decisions. There are some risks which the company must consider before ending with barriers which can stop us.

The idea of Mr Zole to increase prices could harm the organisation; even with our brands, there are risks; some of the products need to match the elasticity in their price compared to other essential products.

Example of Profit Maximization

Let's presume we are a small shop, and our primary objective is to keep our shop open for more hours to generate more profit. Here we should analyse whether the additional hour will cost less than the revenue we generate.

If we can financially secure the extra work hours, this would generate more profit; if we can't, this will still be gross profit, but the company will lose money.

Profit would be maximised when the marginal income equals the marginal cost. What specific strategies is the author recommending for ASSI to achieve profit?

What specific strategies is the author recommending for ASSI to achieve profit maximisation?

Many businesses refer to maximising the financial and net income processes; various ways exist to approach this financial position in the business environment. Pricing strategies are the first strategies applied in nowadays business.

But this doesn't necessarily mean increasing; sometimes, reducing the price is a better strategy. Other options are cost control protocols and resource management. As the company is part of a competitive environment, we must consider the competitor's position in the market. Profit maximisation is a process which may involve ethical considerations for our industry. Our stakeholders are the main reason for us to hold 40% of the market in the United Kingdom. This is the first reason first to analyse customer preferences.

As a managing planner, the position of our team is that after the economic downturns.

And the Covid Pandemic, it's more important to secure suppliers and satisfy customers; in this scenario, both external and internal stakeholders would be satisfied so that we will ensure our position in the market.

Investing in technology to analyse customer preferences and research the value-added products we sell would benefit us with long-term success. Understanding the customer needs and gathering their feedback will help us to make an informed decision, there we can start to analyse the elasticity of a product price and find our most profitable point to secure the theory of equaling the marginal profit with revenue cost, with long-term strategi the ASSI would generate the necessary information to guarantee their long-term profit maximisation.

Profit Maximisation Approach

Adopting a profit maximisation approach is a healthy solution for our organisation in the face of securing the operating cash flow. As a top competitor in the market, the amount of cash we generate from our core operations is a significant factor for our future. Following the statement of Mr Zole as a planning manager, I will advise you with my strategic business growth plan that suits our organisation and will secure our companies.

As we are a leader in the market, the most strategic approach to maximise our profits is to avoid holding inventory that doesn't sell and to reduce the employee's hours that don't generate profit.

This approach will benefit the organisation by holding products without selling them, giving us more inventory to order products our customers buy more. The system would avoid

arguments for overpricing products without justifying our reasons. ASSI has been operating for years, and our loyal customers must meet their satisfaction in the face of our organisation. There are other areas where the company could see improvement; implementing technologies for monitoring the production process and learning from our competitive environment will allow us to invest in the right technologies.

Our approach for profit maximisation would be to research the customer preferences and start to sell more of what they want and avoid cost losses around the processes of delivering our goods to the store.

Objectives

As a company leader in the market in the past years, ASSI has been suffering in the face of profit.

Here the company should set processes to ensure the best output and price levels for our products. Our first objective must be analysing our customer's purchasing habits and bringing in new sales and production costs, which will push our clients to buy more.

Hoping to maintain the success of our growth, we need to track our business in each part of it. We can analyse products close to the equilibrium price by applying measurable tools to support the law of supply and demand, which means the collection matches the request. This will guarantee our turnover from the products, and the elasticity of those exact products will show us if there is a chance to increase the price of it (TRIRIGA, 2017).

As a market leader, we must consider the chance for customer dissatisfaction, as companies which prioritise profit above customer satisfaction lose their brand loyalty; ASSI has been a market leader for many years now, so the planning management team suggest not increasing prices but instead look for other objectives to maximise our profit. Structuring our market strategy to maintain our loyal clients could guarantee a long-term profit, as inflation is expected to meet deflation, securing us from external stakeholders' issues.

The company objectives are the main factors for the well-being future of our organisation.

Stakeholders Issues

Mr Jole, please consider the following information before further statements to adopt strategies to increase prices to maximise profit. Our Stakeholders in the face of employees, suppliers, competitors, and customers are our guaranteed factor for us to be a market leader for so many years now. Let's discuss several stakeholder issues that may arise when we post profit-oriented objectives by increasing the prices of our products.

If we increase the price unjustified or just because we are the market leader, our customers may perceive the price hike as affecting stakeholders purchasing power (RATHBURN,

2023). Therefore, customers may look for alternative products from other brands, which will not necessarily bring us even our marginal required profit. Secondly, our employees may need help with this as well, increasing prices unjustified may impact the sales figures which will downsize our orders. Price increases may affect customer and employee satisfaction, so we must keep this as one of our strengths as a market leader.

Shareholders may consider price increases positively as they can lead to more profit; however, if the price increase impacts the organisation negatively, this could affect the trust in our shareholders long-term (McCormick, 2016).

It is significant to make informed decisions as the stakeholder issues directly impact our business, and there is a potential negative impact (Tamasy, 2021). Engaging with stakeholders and increasing products only with transparent explanations that will satisfy them will help avoid these issues and maintain a favourable position in the market, maximising our profit with a long-term plan.

Conclusion

In conclusion, profit maximisation is a significant objective for businesses' financial stability, growth and values. This report has discussed the application of profit maximisation theory in the context of All Seasons Supplies Incorporated (ASSI) and Jesse Zole's statement. Profit maximisation is crucial, but it is essential to address other issues of importance to improve the company's performance and ensure long-term success.

Profit maximisation should be viewed as one aspect of a business strategy. Adopting an approach that incorporates sustainability and social impact can position ASSI as a responsible and successful organisation; simultaneously, we can fulfil our commitment to profit and shareholder value.

Recommendations

ASSI is a long-time leader in the market; hence, as a planning manager, I recommend not making profit maximisation our goal but instead implementing a plan to maximise revenue or market share. Increasing our market share and sales could lead to lower profit, but we can benefit our consumers and workers.

Pursuing sales may allow us to push competitors out of business, attracting customers loyal to other companies with lower prices. We can ensure the level of income which will bring us profit in the long-term. Getting the reputation of a reasonably priced organisation without profit-driven beliefs will ensure we secure a more significant per cent of the market around the country.

This strategy may not pay off in a short-term plan. However, revenue maximisation may allow us to increase long-term profitability. Gaining more market share would enable more excellent sales; therefore, ASSI will gain more chances to increase prices in the future.

ASSI is a market leader that influences the business environment. Therefore, the advice from the planning management to Mr Zole is to rely on the influence ASSI have in society. This will secure our current financial position and allow us to invest in new technologies to reduce costs and control the arms of the organisation, which then will maximise our profit.

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