

# Marketing Essentials



## Chapter 34

### risk management

#### Section 34.1 Business Risk Management

#### Section 13.2 Handling Business Risks

# Business Risk Management



## Before You Read

**PREDICT** What are some possible risks for businesses?

## OBJECTIVES

- **Explain** the nature and scope of risk management.
- **Identify** the various types of business risks.

## **THE MAIN IDEA**

Risk is part of doing business. Businesses manage risks to benefit public interest, safety, and the environment and to comply with existing laws.

## VOCABULARY

- business risk
- risk management
- economic risk
- natural risk
- human risk



# Business Risk Management

Graphic  
Organizer

Identify Business Risks



# Business Risk Management

Graphic  
Organizer

Identify Business Risks



# Business Risk Management

## What Is Risk Management?

### Business Risk



#### **business risk**

The potential for financial gain, loss, or failure.

### Risk Management



#### **risk management**

The systematic process of managing an organization's risks to achieve objectives in a manner consistent with public interest, human safety, environmental needs, and the law.



## What Is Risk Management?

### Economic Risks

Competition

Changing Consumer Lifestyles

Population Changes

Limited Usefulness or Style of a Product

Product Obsolescence

Government Regulation

Inflation

Recession



### **economic risk**

A risk that results from changes in overall business conditions.

## What Is Risk Management?

### Natural Risks

Floods

Tornadoes

Hurricanes

Fires

Lightning

Droughts

Earthquakes



### **natural risk**

A risk that is caused by natural occurrences, such as floods, fires, and earthquakes.

## What Is Risk Management?

### Human Risks

Theft

Employees

Environment

Computers



### **human risk**

Risk caused by employee dishonesty, errors, mistakes, and omissions, as well as the unpredictability of customers or the workplace.

# Business Risk Management



## After You Read

## Section 34.1

1. **Explain** why changing lifestyles pose an economic risk for a business.

Changing lifestyles are a risk because if businesses fail to adapt goods and services to meet these changing interests and needs, they probably will not survive due to drops in sales.

# Business Risk Management



## After You Read

## Section 34.1

2. **List** three examples of natural risks.

Examples may include floods, tornadoes, hurricanes, fires, lightning, droughts, and earthquakes.



# Business Risk Management



## After You Read

## Section 34.1

### 3. **Identify** the causes of human risks for a business.

Causes for human risks include employee dishonesty, errors, mistakes, omissions, and the unpredictability of customers or the workplace itself.

# Handling Business Risks



## Before You Read

**PREDICT** What are some of the methods businesses use to handle risk?

# Handling Business Risks

## OBJECTIVES

- **Explain** effective security and safety precautions, policies, and procedures.
- **Describe** the various ways businesses can manage risk.
- **Explain** the concept of insurance.

## **THE MAIN IDEA**

Businesses use various strategies to help prevent, avoid, and protect against accidents, injuries, fires, thefts, defective products, and environmental and other disasters.

# Handling Business Risks

## VOCABULARY

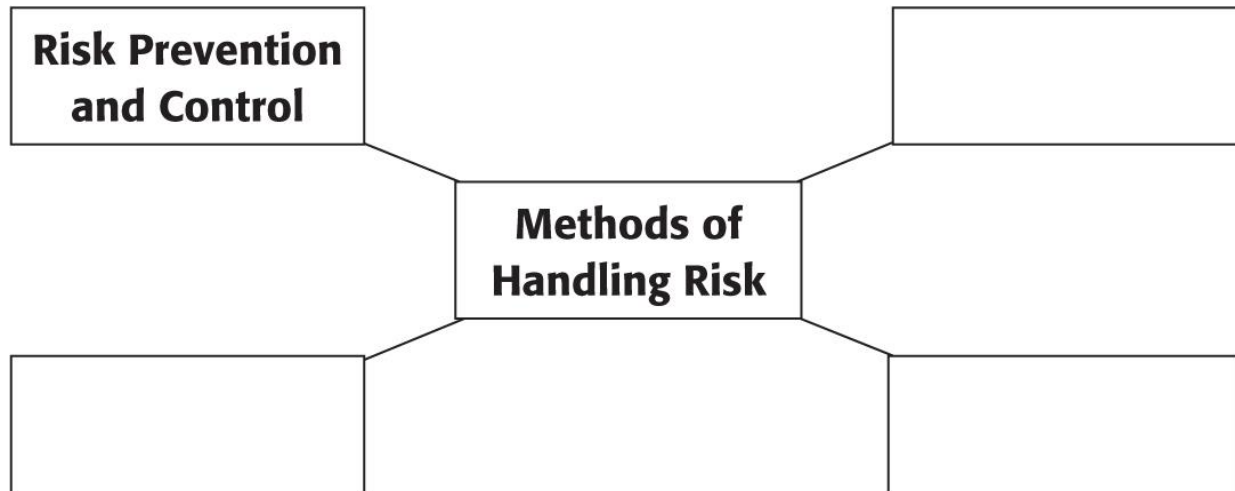
- insurance policy
- extended coverage
- fidelity bond
- performance bond



# Handling Business Risks

## Graphic Organizer

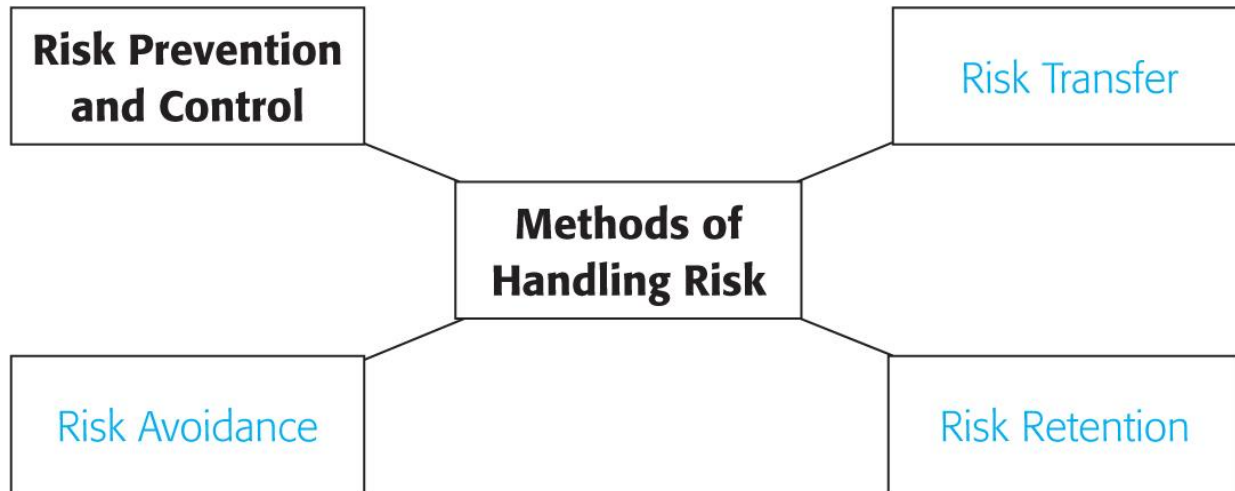
### Different Methods of Handling Risk



# Handling Business Risks

## Graphic Organizer

### Different Methods of Handling Risk



# Handling Business Risks

## Ways of Handling Business Risks

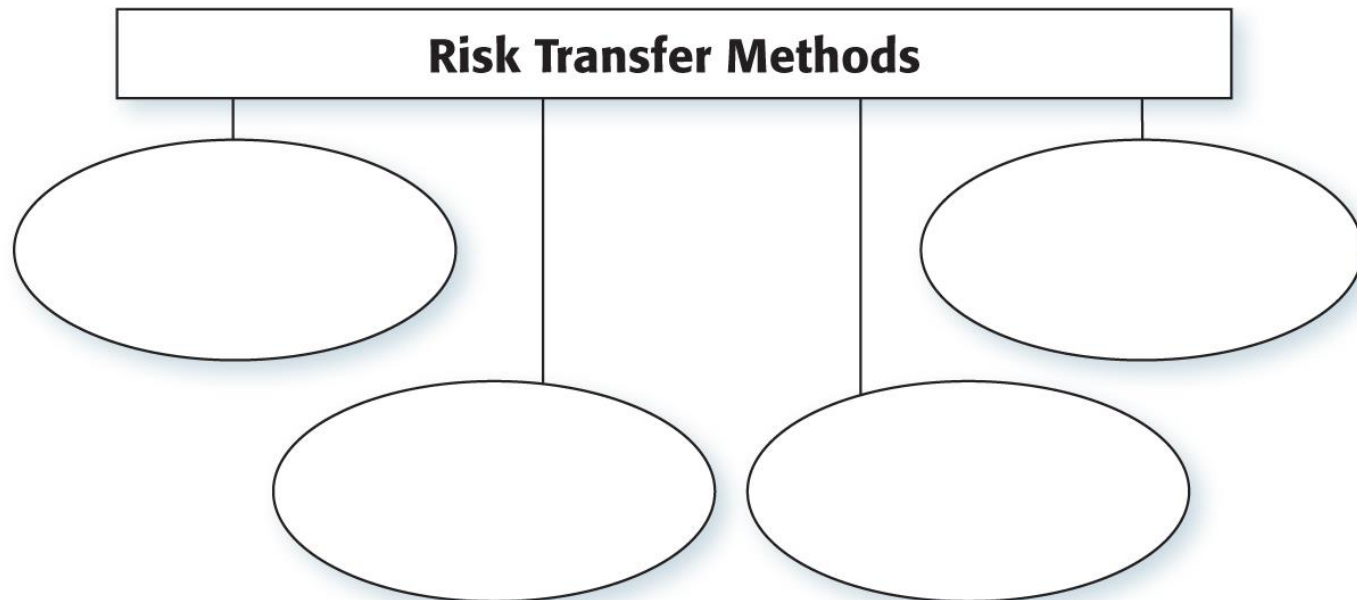


# Handling Business Risks

## Ways of Handling Business Risks

Graphic  
Organizer

### Four Risk Transfer Methods

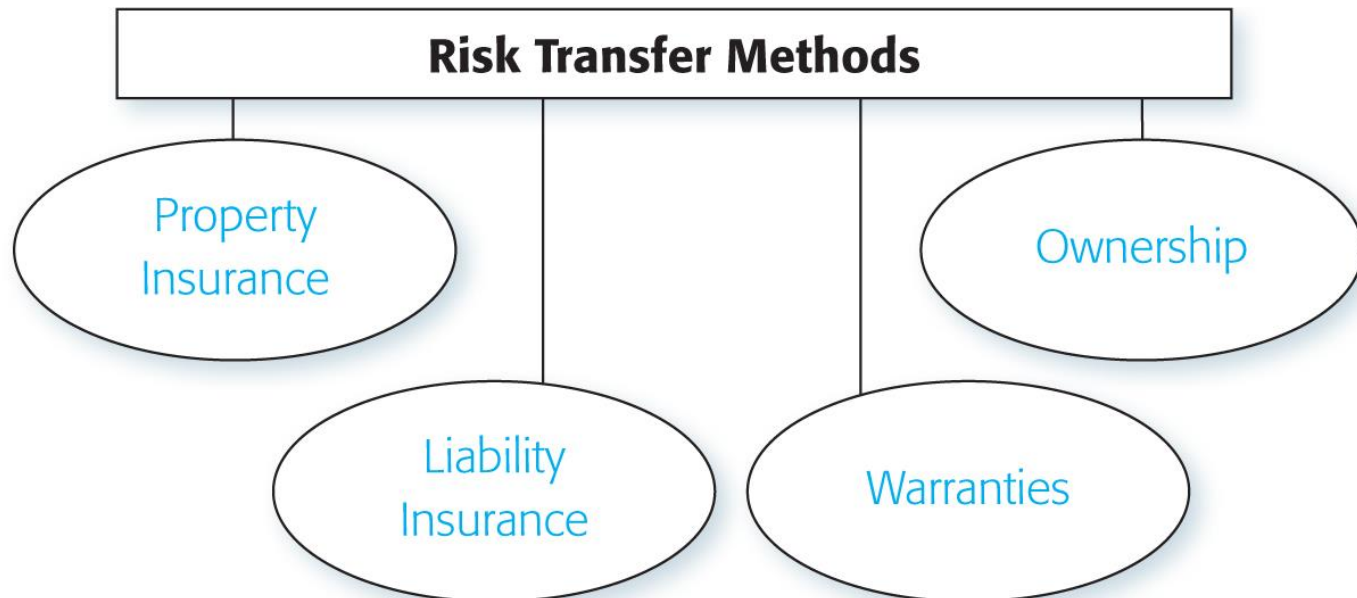


# Handling Business Risks

## Ways of Handling Business Risks

Graphic  
Organizer

### Four Risk Transfer Methods





# Handling Business Risks

## Ways of Handling Business Risks

### Types of Insurance Policies

#### Property Insurance

- Extended Coverage



#### **insurance policy**

A contract between a business and an insurance company to cover a specific business risk.



#### **extended coverage**

A property insurance endorsement that provides protection against types of loss that may not be covered under a basic property insurance policy.

#### Liability Insurance

- Fidelity Bonds
- Performance Bonds



#### **fidelity bond**

A bond that provides insurance that protects a business from employee dishonesty.



#### **performance bond**

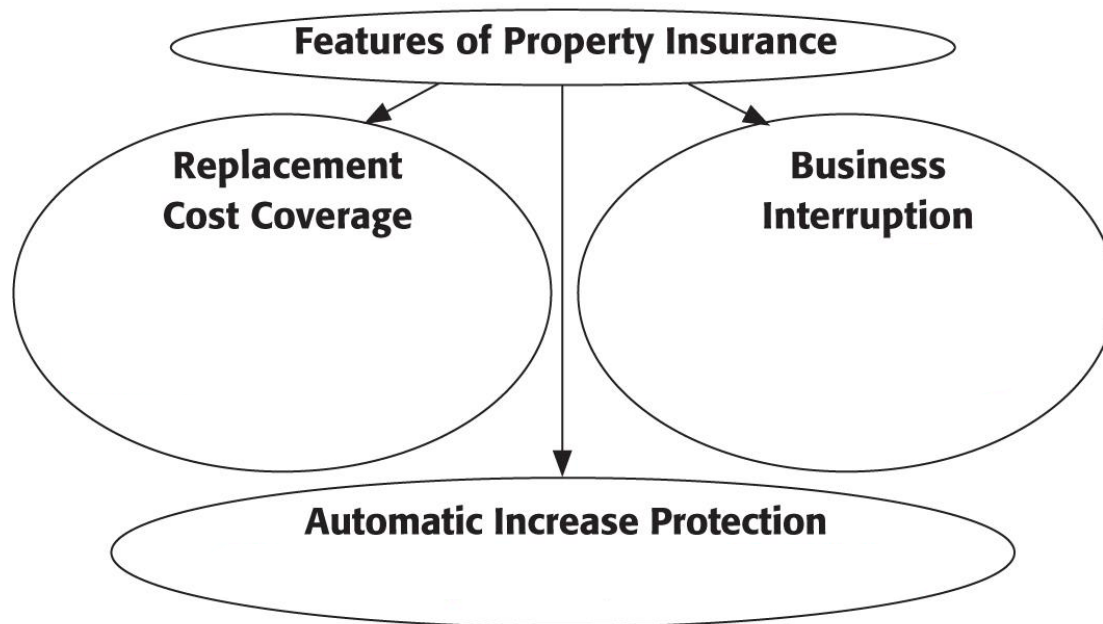
Also called a surety bond, a bond that provides financial protection for losses that might occur when a construction project is not finished due to a contractor's impaired financial condition.

# Handling Business Risks

## Ways of Handling Business Risks

Graphic  
Organizer

Descriptions of Each Feature  
of Property Insurance

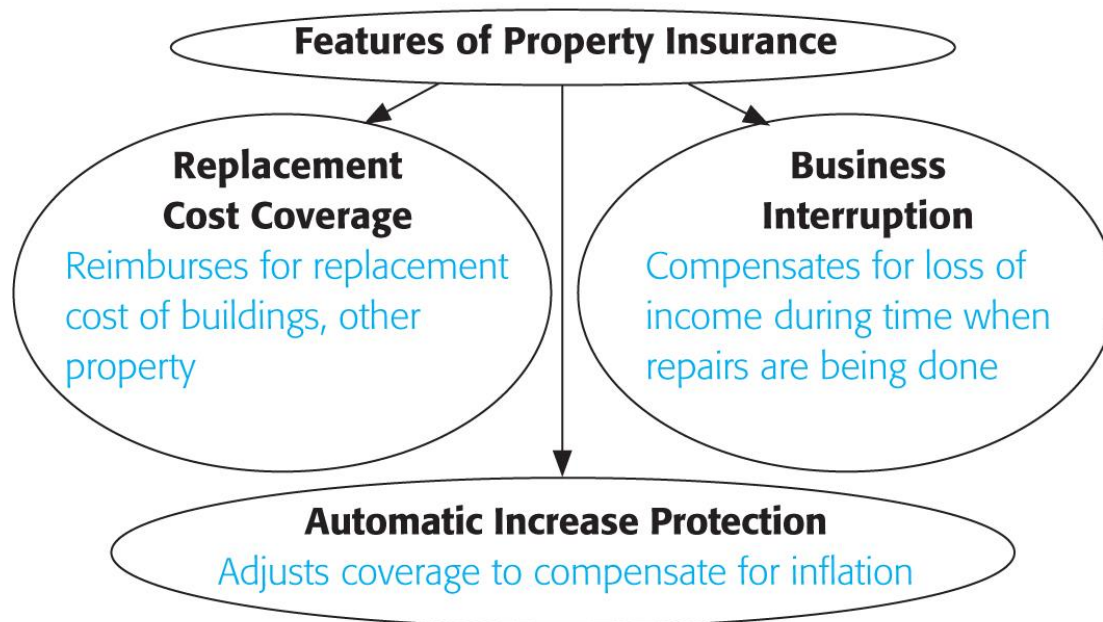


# Handling Business Risks

## Ways of Handling Business Risks

Graphic  
Organizer

### Descriptions of Each Feature of Property Insurance



# Handling Business Risks

## Ways of Handling Business Risks

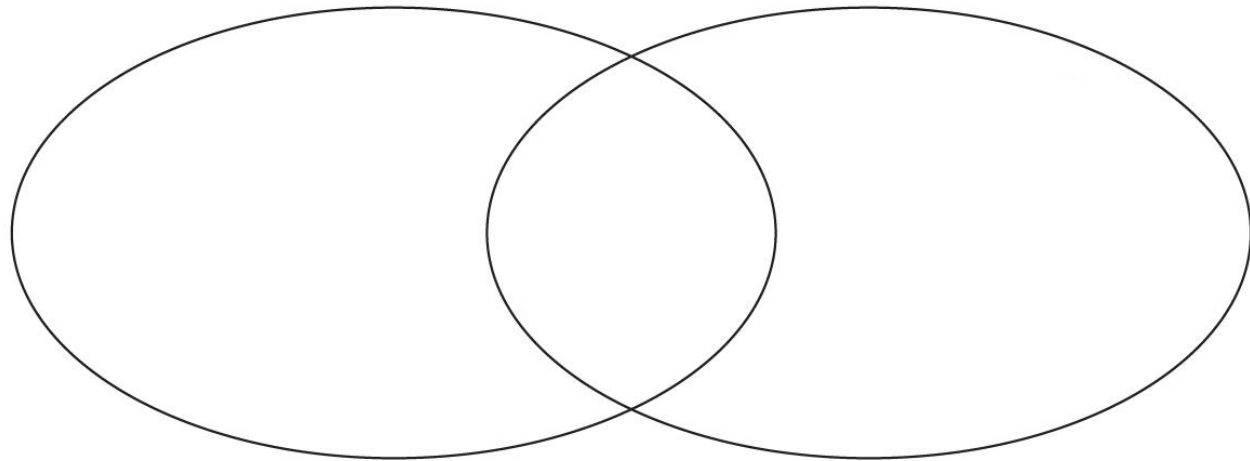
Graphic  
Organizer

Characteristics of Fidelity Bonds and Performance  
Bonds and Characteristics of Both

**Fidelity Bonds**

**Both**

**Performance Bonds**

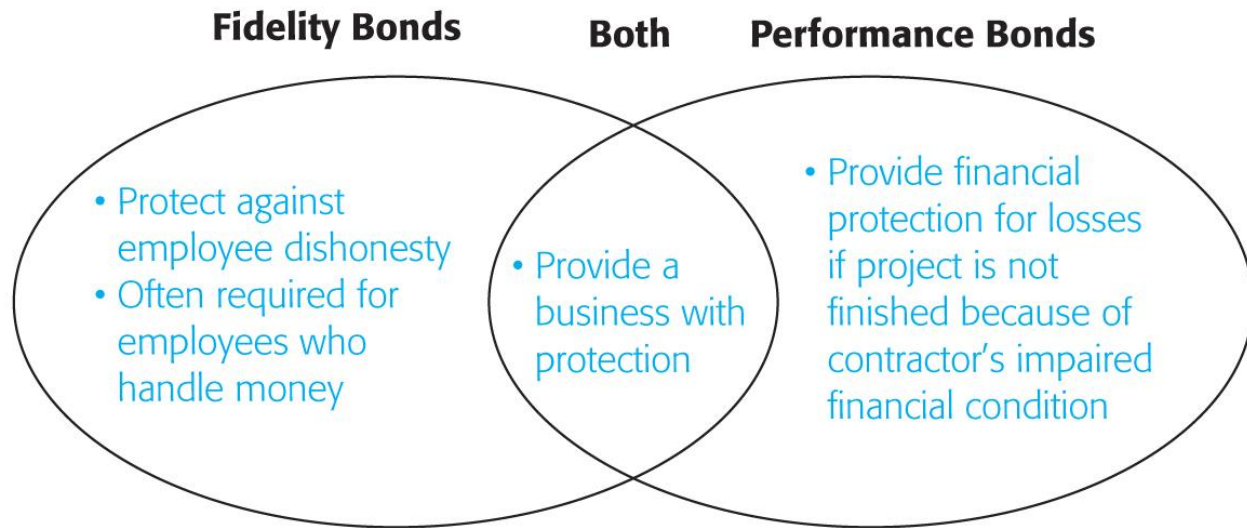


# Handling Business Risks

## Ways of Handling Business Risks

### Graphic Organizer

#### Characteristics of Fidelity Bonds and Performance Bonds and Characteristics of Both





# Handling Business Risks

## Ways of Handling Business Risks

### **Risk Retention**

Assuming the financial responsibility for the consequence of loss

### **Risk Avoidance**

A business refuses to engage in a particular activity

# Handling Business Risks



## After You Read

## Section 34.2

1. **Identify** the strategies used for risk prevention and control.

Strategies used for risk prevention and control include screening and training employees, providing safe conditions and sufficient safety instruction, preventing external theft, and deterring employee theft.

# Handling Business Risks



## After You Read

## Section 34.2

### 2. **Explain** the purpose of an insurance policy.

The purpose of an insurance policy is to transfer risk from the business to an insurance company.

# Handling Business Risks



## After You Read

## Section 34.2

3. **List** three different ways that a business can transfer risks.

Three different ways a business can transfer risks are by purchasing insurance, promoting product and service warranties, and transferring risk through business ownership.



# Marketing Essentials



## End of **Chapter 34** **risk management**

### **Section 34.1** **Business Risk Management**

### **Section 13.2** **Handling Business Risks**