

# Knowledge Organisers

## Edexcel GCSE Business



### Theme 1: Investigating Small Business

Name:

# How to use this booklet

This booklet contains knowledge organisers for each topic within *Theme 1: Investigating Small Business*.

After each knowledge organiser, there is a blank page. This page is for you to use as retrieval practice.

Study the knowledge organiser. When you feel confident that you can recall the information on it, turn the page and write down everything that you can recall. You may do this by trying to recreate the knowledge organiser, or draw a mind map with colours and pictures that help you to organise your memories onto the page.

When you have spilled everything you can remember out onto the page, compare it with the knowledge organiser. Whatever you have missed out are the parts that you need to keep on revisiting until it is locked into your long term memory.

Of course, you can repeat this process as many times as you need. All you need to do is get 22 blank sheets of paper and staple them into a retrieval practice booklet.

Remember, repetition is key to being able to store your learning in long term memory for you to retrieve in the future... and it takes lots of practice! Now is the time to make memories!



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Subject Content	What students need to learn?
1.1.1 The dynamic nature of business	<p>Why new business ideas come about:</p> <ul style="list-style-type: none"> <li>• changes in technology</li> <li>• changes in what consumers want</li> <li>• products and services becoming obsolete.</li> </ul> <p>How new business ideas come about:</p> <ul style="list-style-type: none"> <li>• original ideas</li> <li>• adapting existing products/services/ideas.</li> </ul>

#### Why do new business ideas come about?

##### **1. Changes in consumer demand**

New business ideas come about because of changes in what consumers demand. For example, Activia yoghurts have recently experienced a decrease in demand. This may be because of consumer taste e.g. they now prefer Greek-style yoghurt.

#### Why do new business ideas come about?

##### **2. Changes in technology**

New technology is a cause of new business ideas. 3G was launched in 2004 but no mobile phone devices could use it. Apple developed the iPhone in 2007. This was the first mobile phone that could use the 3G technology.

#### Why do new business ideas come about?

##### **3. Products and services becoming obsolete**

A product or service is obsolete if no one wants it any longer. There is no longer great demand for chimney sweeps, as few people have an open fire. As people change their behaviour some businesses become irrelevant.

#### Key Definitions:

##### Enterprise

Business Enterprise involves starting something of your own. It is usually a business but it might also be a charity or sports club.

##### Entrepreneurship

An entrepreneur is willing to put his or her career and financial security on the line and take risks in the name of an idea, spending time as well as capital on an uncertain venture.

#### How do new business ideas come about?

##### **1. Original Ideas**

These are ideas that have not been done before. For example the launch of the iPhone in 2007 which was 3G enabled. This allows a business to gain a competitive advantage over their rivals.

##### **2. Adapting existing products/services**

Developing new products based on the original one such as Wall's white chocolate magnum.





Subject Content	What students need to learn?
1.1.2 Risk and Reward	<p>The impact of risk and reward on business activity:</p> <ul style="list-style-type: none"> <li>● risk: business failure, financial loss, lack of security</li> <li>● reward: business success, profit, independence.</li> </ul>



**Rewards:**

1. Business Success
2. Profit and wealth
3. Independence

Risk	Reward
<b>Risk is about chance. What is the chance that a particular outcome will occur?</b>	<b>Risks are taken in the hope they will generate rewards</b>

**Profit** = The difference between sales revenue and total costs. If the figure is positive, then the business has made a profit. This is the main aim of most businesses!

**Independence** = being able to make your own decisions and be your own boss.

Why are entrepreneurs concerned about the following risks?	Reason:
<b>Business failure</b>	Half of UK business start-ups fail within five years. This means they are no longer able to keep trading. It can also be very expensive if they have invested a lot of money.
<b>Financial loss</b>	If a limited company gets into financial trouble they are personally protected from the losses. However, an unlimited company is not. Their own possessions may be seized to cover the debt.
<b>Lack of security</b>	When you start a business you are not guaranteed to get paid each month unlike a regular job. If you have responsibilities this can be a worry.







Subject Content	What students need to learn?
1.1.3 The role of business enterprise	<p>The role of business enterprise and the purpose of business activity:</p> <ul style="list-style-type: none"> <li>● to produce goods or services</li> <li>● to meet customer needs</li> <li>● to add value: convenience, branding, quality, design, unique selling points.</li> </ul> <p>The role of entrepreneurship:</p> <ul style="list-style-type: none"> <li>● an entrepreneur: organises resources, makes business decisions, takes risks.</li> </ul>

### Adding Value Example!

#### • Tyrrells Potato Chips

- Will Chase had been farming potatoes for 20 years (loss-making)
- Wanted to produce something with more added value
- Came up with idea to make hand-fried chips with distinctive flavours and packaging
- Successfully created a premium product and turned Tyrrells into a profitable business



#### The role of business enterprise and the purpose of business activity:

##### 1. To produce goods and services

A business needs to make goods and services that satisfy consumers wants and needs. The profit made is reinvested by businesses, leading to further growth. Business enterprise has an important role to play in society by creating jobs and wealth.

##### 2. To meet customer needs

A business needs to meet customer needs by offering them products and services that they want. A business will not succeed if they are unable to do this.

##### 3. Adding Value

Adding value is the difference between the price of the finished product/service and the cost of the inputs involved in making it. There are a number of ways of adding value:

- Convenience and speed: in Britain most people will pay extra to save their own time e.g. takeaways are more expensive than cooking your own meal from scratch.
- Branding: A Nike tick adds tens of pounds to the 'value' of a pair of trainers. A Mercedes badge adds thousands of pounds to a new car.
- Quality and design: Good quality and well-designed products command higher prices as they are more desirable
- Unique selling point (USP): an original feature that competitors aren't offering which customers are willing to pay more for.

#### The role of a café entrepreneur:

##### 1. Organising resources:

- Physical resources e.g. premises, kitchen equipment
- Daily resources e.g. drinks, crockery
- Human resources e.g. good chef

##### 2. Making important decisions e.g. closing a loss making café

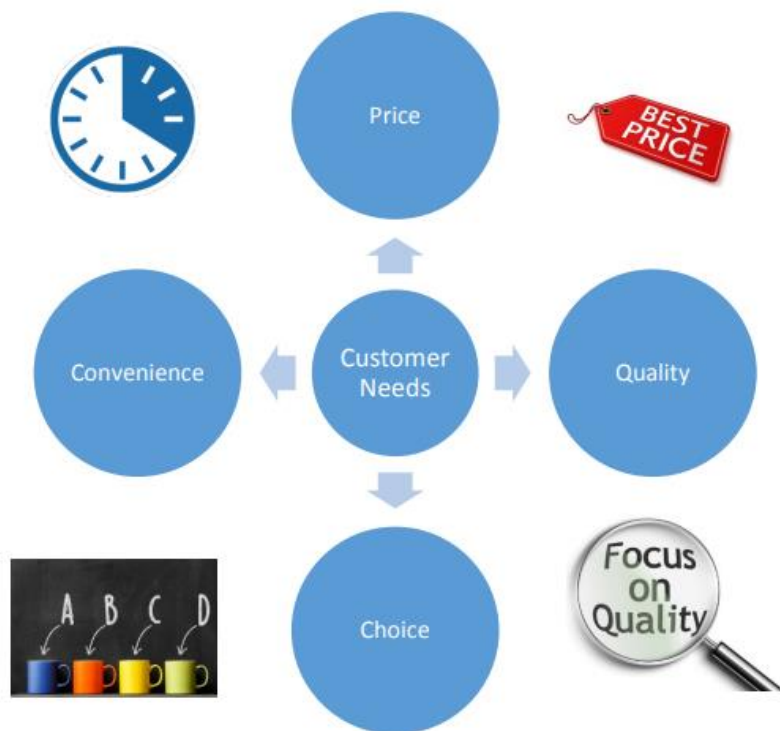
##### 3. Taking risks e.g. opening a café in a new location







Subject Content	What students need to learn?
1.2.1 Customer needs	<p>Identifying and understanding customer needs:</p> <ul style="list-style-type: none"> <li>• what customer needs are: price, quality, choice, convenience</li> <li>• the importance of identifying and understanding customers: generating sales, business survival.</li> </ul>



### Identifying and understanding customers

**Identifying customers:** Finding out who they are including the following:

- Age
- Gender
- Incomes
- Where they live
- What they want

**Understanding customers:** Learning why customers do what they do, making it easier to see how to make a product that better suits them.

If a business understands their customers, they can develop a product that they want to buy. As long as it is priced correctly, sold in the right place and marketed effectively, the business is likely to be successful.

They are more likely to generate high volumes and sales and survive for a long period of time.

### **Key Terms:**

**Price:** For most people price is a critical factor when purchasing. The price point needs to be in line with the type of product and its key features.

**Quality:** To a customer quality means getting what they want or perhaps better than expected. Businesses aim to delight their customers.

**Choice:** Giving customers options and increasing the chance that the product will be perfect for the tastes/habits of one type of customer.

**Convenience:** Making life easier for customers, perhaps by a great location (next to a bus stop) or a product that saves time in preparation or consumption.



Subject Content	What students need to learn?
1.2.2 Market research	<p>The purpose of market research:</p> <ul style="list-style-type: none"> <li>● to identify and understand customer needs</li> <li>● to identify gaps in the market</li> <li>● to reduce risk</li> <li>● to inform business decisions.</li> </ul> <p>Methods of market research:</p> <ul style="list-style-type: none"> <li>● primary research: survey, questionnaire, focus group, observation</li> <li>● secondary research: internet, market reports, government reports.</li> </ul> <p>The use of data in market research:</p> <ul style="list-style-type: none"> <li>● qualitative and quantitative data</li> <li>● the role of social media in collecting market research data</li> <li>● the importance of the reliability of market research data.</li> </ul>

**Key Definition:** Market research involves gathering information about consumers' needs and preferences.

#### Methods of Market Research:

**Primary:** New research the business carries out themselves.

- Surveys
- Questionnaires
- Focus groups
- Observations

**Secondary:** Research carried out in the past either by the business or somebody else.

- Internet
- Market reports
- Government reports

#### The purpose of market research:

1. To identify and understand customer needs - what do they want?
2. To identify gaps in the market – this allows them to identify which customer requirements are covered and which are not.
3. To reduce the risk of spending a lot of money on developing a product that nobody wants
4. To inform business decisions – by conducting market research a business can make informed business decisions that are more likely to be successful.

#### The use of data in market research:

**Qualitative data:** In depth research into opinions and views. It can provide an insight into why consumers buy what they buy. (Detailed)

**Quantitative data:** Factual research that is based on statistics and data. (Numerical)

**The role of social media in collecting data:** Social media feedback has now become invaluable. E.g. 48.9% of 7000 Center Parcs visitors rated the experience excellent. This provides quantitative information. Individual comments are also very useful. This provides qualitative information.

**Importance of reliability of market research data:** Market research is important however you need to be careful that the information is actually valid and reliable. If it is not, then this could influence the business to make the wrong decision.





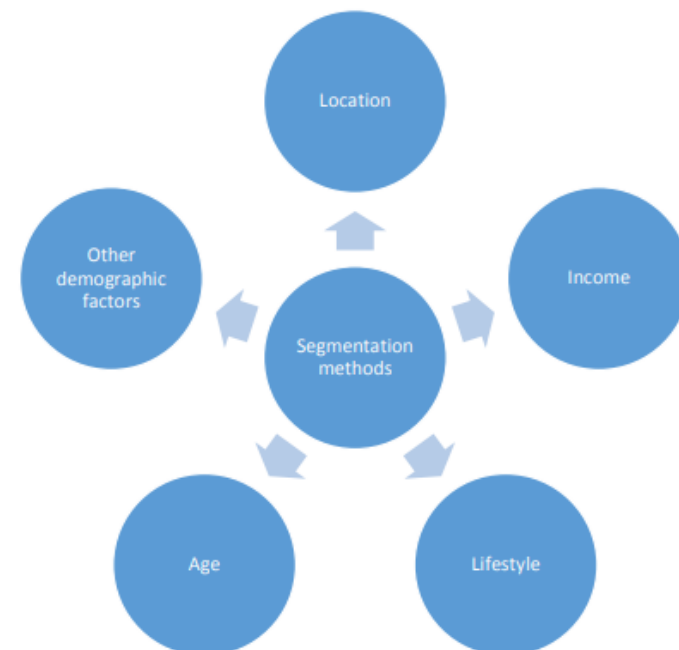
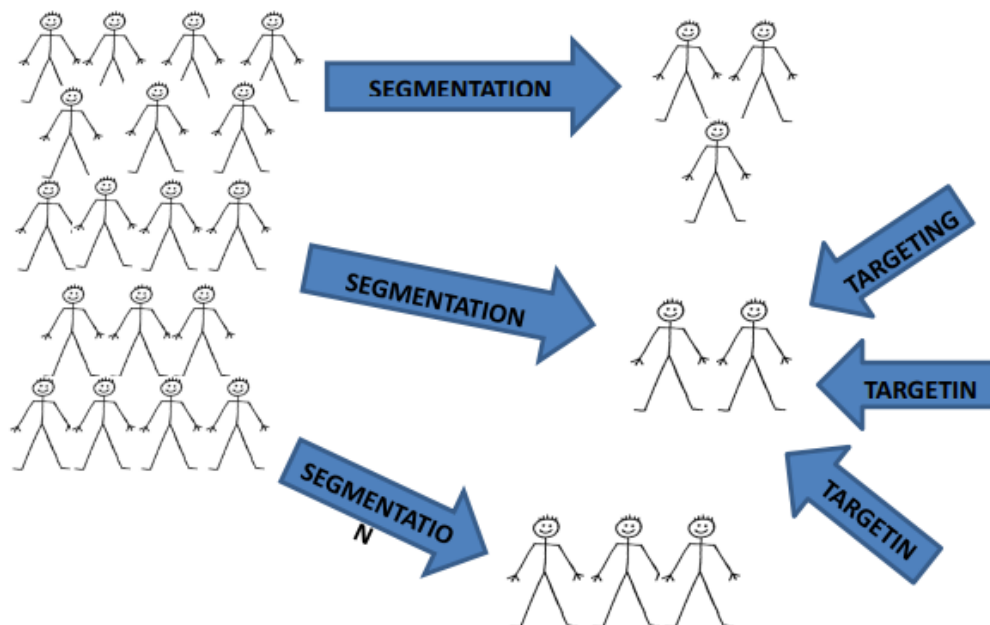
Subject Content	What students need to learn?
1.2.3 Market segmentation	How businesses use market segmentation to target customers: <ul style="list-style-type: none"> <li>identifying market segments: location, demographics, lifestyle, income, age</li> <li>market mapping to identify a gap in the market and the competition.</li> </ul>

#### Market Segmentation:

Market segmentation means dividing customers within a market into smaller groups with common wants or needs. The business then creates/finds a product or service that fulfils those wants or needs.

#### Segmentation methods:

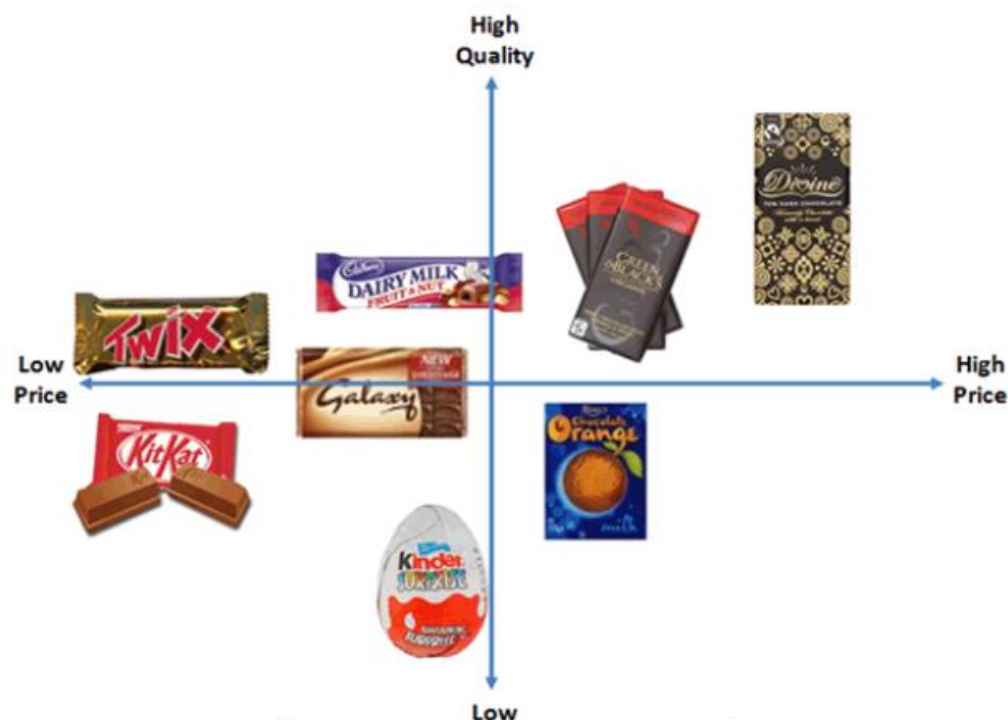
- **Location:** Are there regional differences in preference? E.g. Yorkshire tea in the North of England.
- **Income:** Is their income high or low? What is their disposable income like?
- **Lifestyle:** Are they vegetarian? What are their hobbies/sports?
- **Age:** Which age bracket should you focus on? Under 18's? Over 50's?
- **Other demographic factors:** Gender, race religion?





Subject Content	What students need to learn?
1.2.3 Market segmentation	<ul style="list-style-type: none"> <li>market mapping to identify a gap in the market and the competition.</li> </ul>

**Market mapping** measures where existing brands sit on a two factor grid. For example, high/low quality and high/low price.



Market map of the chocolate market!

**Market mapping** involves setting out the key features of a market on a diagram, then plotting where each brand fits in.

Businesses use market mapping to identify **gaps** in the market or to show where a particular section of the market is overcrowded.

They aim to produce a product that fills the **gap** in the market.

If they can do this successfully, there is more chance that the product will be successful as that part of the market is not

#### Key Terms:

**The Competition:** companies operating in your market or market sector.

**Gap in the market:** An area on a market map where few or no existing brands operate, implying a business opportunity to fill an unmet consumer need.



Subject Content	What students need to learn?
1.2.4 The competitive environment	Understanding the competitive environment: <ul style="list-style-type: none"> <li>• strengths and weaknesses of competitors based on: price, quality, location, product range and customer service</li> <li>• the impact of competition on business decision making.</li> </ul>

#### The competitive environment:

The strength of competition between companies in the same market.

What are the **strengths** and **weaknesses** of your competitors:

- Prices: What do they charge for their products?
- Quality: This is now more important than ever before, if your competitor's products are poor quality it could lose them customers.
- Location: Location, location, location! Is still as important as ever. You may have a good business with loyal customers but if a new business opens up in a better location they may be in danger.
- Product range: it is important to have a range of different products so all customer needs can be met or they will go to a competitor.
- Customer service: Customers expect efficiency, speed and politeness. In some areas after sales service is just as important.



Careful analysis of the local competition is a must for a new business! If all rivals are really strong, you may decide not to set up at all. Unless you know how you can be better than the competition, you should not risk your money.

Competition forces businesses to be at their best – always!

- Offer good products and a good service
- Keep prices down
- Bring in new, innovative products or services to break away from fierce price competition.

Fierce competition may force a firm to:

- Cut costs by cutting staff – bad for the staff and also service may decline
- Take short term action such as price cutting which may damage the long term health of the business
- Adopt unethical practices such as dumping waste materials or injecting water into meat to plump it up







Subject Content	What students need to learn?
1.3.1 Business aims and objectives	<p>What business aims and business objectives are.</p> <p>Business aims and objectives when starting up:</p> <ul style="list-style-type: none"> <li>• financial aims and objectives: survival, profit, sales, market share, financial security</li> <li>• non-financial aims and objectives: social objectives, personal satisfaction, challenge, independence and control.</li> </ul> <p>Why aims and objectives differ between businesses.</p>

Financial	Non-Financial
Survival	Personal satisfaction
Break even	Challenge
Improve reputation	Independence
Increase motivation of staff	Control
Increase market share	Helping others
To grow	Being your own boss
To sell in a new market – e.g. abroad	Something to be proud of

**Ethical and socially responsible objectives** – organisations like the Co-op or the Body Shop have objectives which are based on their beliefs on how one should treat the environment and people who are less fortunate

**Aim:** Business aims are the broad targets that an entrepreneur has at the back of their mind.

**Objective:** Business objectives are clear, measurable targets of how to achieve business aims. (The stepping stones for how they are going to achieve them.)



**Charities, social enterprises and voluntary organisations** – their aims and objectives are led by the beliefs they stand for e.g. Divine Chocolate want to support the cocoa growers by giving back profits to help them get education and jobs so they are no longer living in poverty

**Public sector businesses like the leisure centre, schools, doctors or library in Witney** are run to not only generate a profit but provide a service to the public. This service will need to meet the needs of the less well off in society or help improve the ability of the economy to function: e.g. cheap and accessible transport service



Subject Content	What students need to learn?
1.3.2 Business revenues, costs and profits	<p>The concept and calculation of:</p> <ul style="list-style-type: none"> <li>● revenue</li> <li>● fixed and variable costs</li> <li>● total costs</li> <li>● profit and loss</li> <li>● interest</li> </ul>

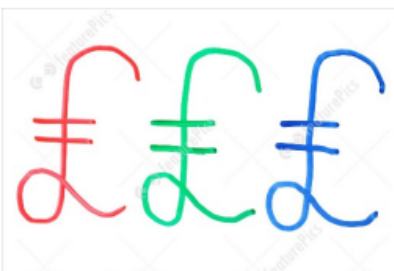
Before a business starts to sell their products and services, money needs to be spent setting up the business so it can run properly.

#### START – UP COSTS

Start-up costs are not paid on a regular basis and are often one off. E.g. buildings, equipment and machinery.

#### RUNNING COSTS

A business will also have costs that they have got to pay regularly as a normal part of trading. These are usually paid monthly. These are known as **running costs**. Eg. Rent, raw materials, **wages**.



**COSTS** are the spending that is necessary to set up and run a business.

#### FIXED COSTS

Are costs that **DON'T** change when sales go up or down i.e. they **DO NOT** vary with output. E.g. Rent, salaries, insurance.

#### VARIABLE COSTS

Are costs that **DO** change when sales go up or down. i.e. they **DO** vary with output. E.g. Raw materials, electricity, wages.

**Variable Costs = Variable cost per unit x Output**

#### TOTAL COSTS

All the costs a business must pay in a set period of time.

**Total Costs = Fixed Costs + Variable Costs**

#### REVENUE

Revenue is the money generated from selling products/services. It is often referred to as sales revenue. **Revenue = Selling price x Quantity Sold**

#### PROFIT

Profit is the amount of money the business has to keep once all costs have been covered.

**Profit = Sales Revenue – Total Costs**

If the figure is **positive**, the business has made a **profit**. If it is **negative**, the business has made a **loss**.

#### INTEREST

Interest is the **cost of borrowing** money. When you take out a bank loan you must pay back the amount with interest. E.g. a loan of £100 at a rate of 5% interest you pay back £105.

It is also the **reward for saving**. If you saved £100 in your bank account with an interest rate of 1%, by the end of the year you would have £101 in your account.





Subject Content	What students need to learn?
1.3.2 Business revenues, costs and profits	<ul style="list-style-type: none"> <li>• break even level of output</li> <li>• margin of safety.</li> </ul> Interpretation of break even diagrams: <ul style="list-style-type: none"> <li>• the impact of changes in revenue and costs</li> <li>• break even level of output</li> <li>• margin of safety</li> <li>• profit and loss.</li> </ul>

#### Calculating break even without using a graph.

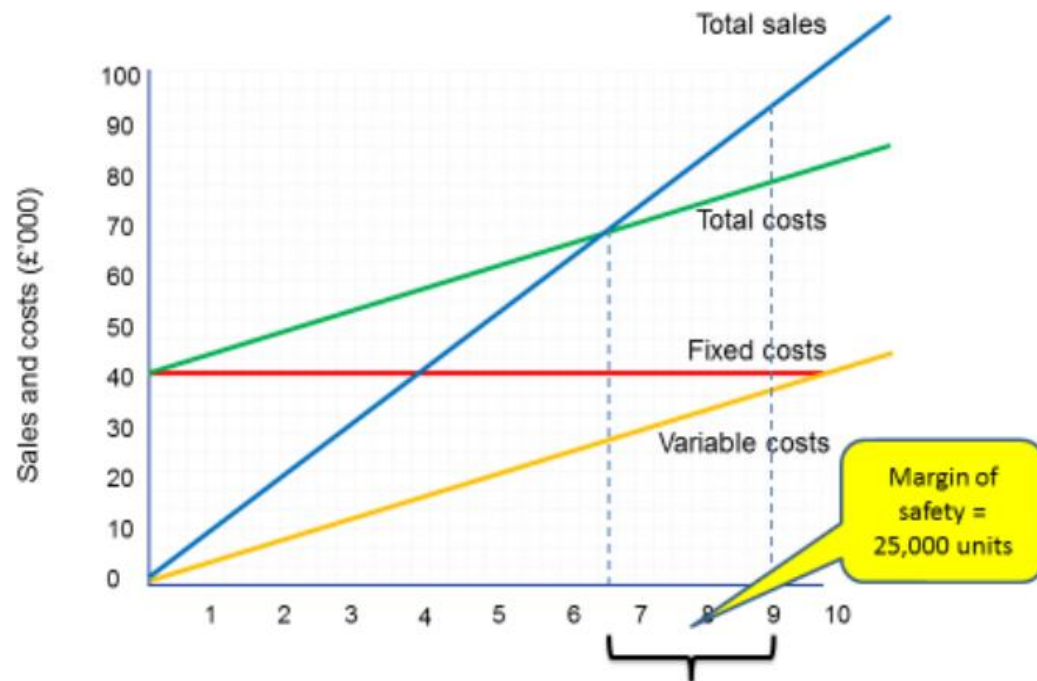
Break even charts can be time consuming to make so often a formula is used instead:

$$\text{BREAK EVEN} = \frac{\text{FIXED COSTS}}{(\text{SELLING PRICE} - \text{VARIABLE COST PER UNIT})}$$



#### BREAK EVEN =

The point at which sales revenue = total costs. At this point the business is neither making a profit nor a loss.



#### MARGIN OF SAFETY =

The difference between the break even level of output and actual level output.

$$\text{MOS} = \text{CURRENT OUTPUT} - \text{BREAK EVEN OUTPUT}$$

In this example = 90,000 – 65,000 = **25,000 units**



Subject Content	What students need to learn?
1.3.3 Cash and cash-flow	<p>The importance of cash to a business:</p> <ul style="list-style-type: none"> <li>• to pay suppliers, overheads and employees</li> <li>• to prevent business failure (insolvency)</li> <li>• the difference between cash and profit.</li> </ul> <p>Calculation and interpretation of cash-flow forecasts:</p> <ul style="list-style-type: none"> <li>• cash inflows</li> <li>• cash outflows</li> <li>• net cash flow</li> <li>• opening and closing balances.</li> </ul>

### Cash Flow

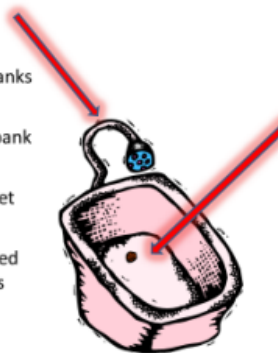
Cash flow is the money that **flows into and out of the business on a day to day basis**

Money that flows **INTO** the business are known as **CASH INFLOWS**

Money that flows **OUT** of the business are known as **CASH OUTFLOWS**

### **IN**

- Sales
- Loans from banks
- Interest on money in the bank (savings)
- Sale of an asset (like a Lorry)
- Money invested by a businesses owners
- Grants from governments



### **OUT**

- Purchase of stock/raw materials
- Wages/salaries
- Interest on loans
- Bills (electricity)
- Rent/mortgage
- Taxes
- Business rates
- Start up costs

### Key Definitions:

**Cash:** 'The money a firm holds in **notes** and **coins** and in its bank **account**.'

**Cash Flow:** 'The movement of money **in** and **out** of the business.'

**Cash Flow forecast:** 'Estimating the **likely** flows of cash over the coming months – therefore showing the state of a business's bank balance

### Why is cash important?

Cash is like air; profit is like food. You need cash all the time but you can survive for a while without profit.

Cash is needed to:

- Pay suppliers
- Overheads e.g rent
- Employee wages

Cash and profit are **DIFFERENT** – you need to remember this and understand the reasons why

If a business does not have enough cash to pay for these things it is likely they will fail as they will have become **insolvent**. (Not enough cash to pay their debts.)

### Cash flow forecast

- Cash **IN**
- Cash **OUT**
- **Net cash flow** – the difference between cash in (inflows) and cash out (outflows). You want this to be in **CREDIT**
- **Opening balance** – a businesses cash position at the start of the month (*Use last months closing balance*)
- **Closing balance** – how much a business has at the end of the month. **It is calculated by: adding the net cash flow and the opening balance.** This figure then becomes the opening balance for next month



Subject Content	What students need to learn?
1.3.4 Sources of business finance	<p>Sources of finance for a start-up or established small business:</p> <ul style="list-style-type: none"> <li>• short-term sources: overdraft and trade credit</li> <li>• long-term sources: personal savings, venture capital, share capital, loans, retained profit and crowd funding.</li> </ul>

#### Short term finance:

This is money the business borrows and pays back within one year.

#### Long term finance:

This is money the business borrows and pays back over a long period of time, over one year.

#### Short Term Finance

**Overdraft:** This allows a business to spend more money than it has in its account. The bank and business will agree on a limit and interest is charged when the account goes overdrawn.

**Trade Credit:** This is when businesses buy raw materials and components and pay for them at a later date, usually within 30-90 days.



#### Long Term Finance

**Personal savings:** Owners may be planning to set up their own business for a number of years. This will involve regular saving in order to have enough capital to set up the business/keep it running.

**Venture Capital:** These are industry experts who invest in small and medium sized businesses in return for a stake in the company.

**Share capital:** This is money raised through the selling of shares in the business. There are two main types – ordinary shares and preference shares.

**Bank loans:** This is an arrangement where the amount borrowed must be repaid over a clearly stated period of time, in regular instalments. The amount is paid back with interest.

**Retained Profit:** Profit kept within the business that is not paid out in dividends to the shareholders. This source of finance is the best if the business wants to expand.

**Crowd funding:** Raising capital online from many small investors to fund a project. (This does not involve the stock market)





Subject Content	What students need to learn?
1.4.1 The options for start-up and small businesses	<p>The concept of limited liability:</p> <ul style="list-style-type: none"> <li>• limited and unlimited liability</li> <li>• the implications for the business owner(s) of limited and unlimited liability.</li> </ul> <p>The types of business ownership for start-ups:</p> <ul style="list-style-type: none"> <li>• sole trader, partnership, private limited company</li> <li>• the advantages and disadvantages of each type of business ownership.</li> </ul> <p>The option of starting up and running a franchise operation:</p> <ul style="list-style-type: none"> <li>• the advantages and disadvantages of franchising.</li> </ul>

**Unlimited liability:**

If the business gets into debt, the owner of the business is **liable**. They will need to find the money to pay off these debts. This could mean they have to sell off their car or house to cover the debt.

**Limited Liability:**

If the business gets into debt, the shareholders are **not required** to pay these off. The shareholders only lose the money they **originally invested** in the business, no more.

	Description	Advantages	Disadvantages
<b>Sole Trader</b>	Owned and controlled by one person, who usually also manages the business.	<ul style="list-style-type: none"> <li>• Easy to set up</li> <li>• Own boss</li> <li>• Keep all profits</li> </ul>	<ul style="list-style-type: none"> <li>• Finance difficult to raise</li> <li>• No established reputation</li> <li>• Unlimited liability</li> </ul>
<b>Partnership</b>	Controlled and owned by 2-20 people. Each have a share in the business. All or some of the partners manage the business	<ul style="list-style-type: none"> <li>• Shared workload</li> <li>• Share ideas and expertise</li> </ul>	<ul style="list-style-type: none"> <li>• Disagreements</li> <li>• Share profits with partners</li> </ul>
<b>Private limited company</b>	Owned and controlled by a group of private individuals. Shares can be sold to family and friends NOT TO THE PUBLIC.	<ul style="list-style-type: none"> <li>• Control over who sell shares to</li> <li>• Seen as reputable due to private limited company status</li> <li>• Limited liability</li> </ul>	<ul style="list-style-type: none"> <li>• Shares can only be sold to family and friends – not as easy to raise finance as a public limited company</li> <li>• Dividends (share of the profits) must be paid to shareholders</li> </ul>
<b>Franchising (buying into a franchise like McDonalds)</b>	Paying a franchise owner for the right to an established business name, branding and business methods.	<ul style="list-style-type: none"> <li>• Benefit from brand image</li> <li>• Loyal customers</li> <li>• Greater chance of success then setting up new business</li> </ul>	<ul style="list-style-type: none"> <li>• Royalty payments to franchisor (% of profits goes back to McDonalds)</li> <li>• No freedom to bring in new ideas</li> </ul>



Subject Content	What students need to learn?
1.4.2 Business location	<p>Factors influencing business location:</p> <ul style="list-style-type: none"> <li>● proximity to: market, labour, materials and competitors</li> <li>● nature of the business activity</li> <li>● the impact of the internet on location decisions: e-commerce and/or fixed premises.</li> </ul>

#### Location

This is where the business is based e.g. high street, shopping centre, online.

#### Fixed premises

Buildings that have to be where they are (for example, the high street, e-commerce buildings can be located anywhere.

#### Proximity

How near a business is to key factors that might influence their success. For example, suppliers and competitors.

### **Factors influencing business location, proximity to:**

#### **Market**

How near are they to their customers? E.g. for a physical service like a shop, restaurant or hotel, customer convenience will be critical to revenue.

#### **Labour**

Are there staff nearby who are willing and able to work for you?

#### **Competitors**

Lots of a businesses want a location far away from competitors e.g. local corner shop. However, some businesses e.g. restaurant chains find it better to be on the busy high street where other competitors are.

#### **Nature of activity**

Depending on what the business is will influence what is the most important factor to consider. For example, a manufacturer would need to be near materials, whereas a shop will want to be near the market (consumers).

#### **Impact of the internet**

If the business is online, location is not as important as customers can access their products no matter where the head office is based. E.g. ASOS head office is in North London, while their distribution depot is in Barnsley.





Subject Content	What students need to learn?
1.4.3 The marketing mix	<p>What the marketing mix is and the importance of each element:</p> <ul style="list-style-type: none"> <li>• price, product, promotion, place.</li> </ul> <p>How the elements of the marketing mix work together:</p> <ul style="list-style-type: none"> <li>• balancing the marketing mix based on the competitive environment</li> <li>• the impact of changing consumer needs on the marketing mix</li> <li>• the impact of technology on the marketing mix: e-commerce, digital communication.</li> </ul>



### Product

Targeting customers with a product that has the right blend of functional and aesthetic benefits without being too expensive to produce.

### Price

Setting the price that retailers must pay, which in turn affects the consumer price.

### Place

How and where the supplier is going to get the product or service to the consumer, it includes selling products to retailers and getting the products displayed in prominent positions.

### Promotion

All the methods the business uses to persuade customers to buy for example branding, packaging, advertising to boost the long term image of the product and

A firm must make sure that its marketing mix is **co-ordinated and coherent**. E.g. a stylish product aimed at a stylish market should have a high price, be promoted in stylish magazines and stocked in stylish shops.

A firm will base their marketing mix on the **competitive environment** in which it operates. E.g. Rolls Royce is not in a very competitive environment as it is one of a kind. EasyJet, however will have to compete with Ryanair on their prices.

Changes to **consumer needs** affect the marketing mix. Firms will have to adapt them based on consumer needs. E.g. cooked breakfast gave way to cereals, cereals have given way to breakfast bars and other on the go foods.

Due to advances in **technology** firms are now changing certain parts of their marketing mix. E.g. Apps, promotions.





Subject Content	What students need to learn?
1.4.4 Business plans	<p>The role and importance of a business plan:</p> <ul style="list-style-type: none"> <li>to identify: the business idea; business aims and objectives; target market (market research); forecast revenue, cost and profit; cash-flow forecast; sources of finance; location; marketing mix.</li> </ul> <p>The purpose of planning business activity:</p> <ul style="list-style-type: none"> <li>the role and importance of a business plan in minimising risk and obtaining finance.</li> </ul>

Business plan sections	What is it?
Business idea	What have you decided to do? Product? Service?
Aims and Objectives	What are the aims/objectives for the business?
Target market	Who is your product aimed at and why?
Marketing plan	What promotional activities are you going to do? TV? Billboards? Online? Social media?
Forecasts of revenue, costs and profits	What are your predictions for sales revenue, costs and profits? When do you expect to reach them?
Cash flow forecast	Plan of the money coming in and going out of the business
Sources of finance	How will you raise finance, which methods are you going to use and why?
Location	Where will you be based? Physical store? Online? Both?
Marketing Mix	Product? Price? Promotion? Place?

A **business plan** is a detailed document setting out the business idea and **showing HOW** it is to be financed, marketed and put in place

It is a **CRUCIAL** part of getting finance from external sources e.g. a bank loan and helps **COORDINATE** all of the different tasks and strategies, so the business is more likely to be successful

A business plan allows a business to:

- Think carefully about each step of the process – maximise success
- May help them realise they are lacking in skills – hire specialist help
- Attract investors if plan is good
- Plan is written down if entrepreneur gets ill

A business plan can cause some problems:

- If entrepreneur not experienced the predictions may be wrong
- Can be too rigid, a new business can be unpredictable so a flexible approach is needed
- Time consuming to create when time could be better spent elsewhere





Subject Content	What students need to learn?
1.5.1 Business stakeholders	<p>Who business stakeholders are and their different objectives:</p> <ul style="list-style-type: none"> <li>shareholders (owners), employees, customers, managers, suppliers, local community, pressure groups, the government.</li> </ul> <p>Stakeholders and businesses:</p> <ul style="list-style-type: none"> <li>how stakeholders are affected by business activity</li> <li>how stakeholders impact business activity</li> <li>possible conflicts between stakeholder groups.</li> </ul>

### Stakeholders

Individuals or groups of people who have an interest in a business  
A stakeholder will be **affected** by the decisions and actions of a business.  
Stakeholders are important to businesses as they can have a big **influence** on them.

### CONFLICT

A disagreement or argument between people / groups.  
As Stakeholders all have different objectives, businesses need to minimise the conflict between the groups.

Stakeholder	Objective
<b>Shareholders</b>	Private limited companies - long-term organic growth Public limited companies – high share price in short term, as much profit as possible for big dividends
<b>Employees</b>	Employment security, opportunities for promotion / career development, fair pay, good fringe benefits (e.g. pension, holiday, company car)
<b>Customers</b>	Consistently high quality, value for money, honesty, fairness, innovative products
<b>Managers</b>	Employment security, opportunities for promotion / career development, fair pay, good fringe benefits (e.g. pension, holiday, company car)
<b>Suppliers</b>	Honesty and fairness, especially on pricing and credit terms, good communication, regular orders, loyal customers
<b>Local community</b>	Honesty and fairness, especially on plans that affect local employment and the environment.
<b>Pressure groups</b>	Honesty and fairness, especially on plans that affect customers and the environment
<b>The government</b>	Honesty and fairness, especially on paying tax, high levels of employment

These stakeholders all have different objectives (expectations) of the organisation. It is important that organisations are aware of who their KEY stakeholders are, so they can meet their objectives.



Subject Content	What students need to learn?
1.5.2 Technology and business	<p>Different types of technology used by business:</p> <ul style="list-style-type: none"> <li>• e-commerce</li> <li>• social media</li> <li>• digital communication</li> <li>• payment systems.</li> </ul> <p>How technology influences business activity in terms of:</p> <ul style="list-style-type: none"> <li>• sales</li> <li>• costs</li> <li>• marketing mix.</li> </ul>

### Social Media

Interactive channels of communication via words, photos or videos such as blogs, Facebook and Instagram.

### Digital Communication

Messages conducted via email, text or social media.

This may revolve around social media but it is important to remember **email**. This is a cheap method of communication and is effective with one to one communication.

### Online payment systems

Methods of paying electronically such as PayPal.

Payment systems such as PayPal are at the heart of all e-commerce. Before PayPal people were concerned about the online security of their money when using e-commerce.

- Electronic funds transfer – payments settled and bills paid online.

### E-commerce

This means selling **online** rather than in a physical one to one transaction. This might be done through a PC/laptop via a website or more commonly through a smartphone via an app.

This mobile form of e-commerce is called **m-commerce**.

Technology affects every area of business management, but there are three areas of special focus: sales, costs and the marketing mix.

### Sales:

Advances in technology allow a business to produce a more high tech product therefore demand is high and sales increase (e.g. Games Consoles)

Ability for customers to order online e.g. Dominos therefore sales increase

### Costs:

Impact on fixed costs such as advertising – able to be reduced as they can focus on target market more easily

Impact on variable costs – easier to research who is the cheapest supplier and thus get cheap raw materials

### Marketing Mix:

- **Product** – improved technology can allow a product to gain high market share
- **Promotion** – improve effectiveness of marketing allowing costs to fall
- **Place** – Not only a physical shop but now online too
- **Price** – Now more competitive as customers more aware





Subject Content	What students need to learn?
1.5.3 Legislation and business	<p>The purpose of legislation:</p> <ul style="list-style-type: none"> <li>• principles of consumer law: quality and consumer rights</li> <li>• principles of employment law: recruitment, pay, discrimination and health and safety.</li> </ul> <p>The impact of legislation on businesses:</p> <ul style="list-style-type: none"> <li>• cost</li> <li>• consequences of meeting and not meeting these obligations.</li> </ul>

#### **Principles of consumer law:**

**Consumer law:** Acts of parliament that are intended to protect consumers from misleading or dangerous practices by companies.

There are two especially important pieces of consumer protection legislation:

#### **Consumer Rights Act 2015:**

This act states that:

- Goods must be fit for the purpose in which they are sold
- The buyer has their right to get their money back or could have it repaired at the seller's expense
- The person responsible for correcting any problems is the seller (shop) not the manufacturer

#### **Trade Descriptions Act 1968:**

This act states that:

- It is an offence for a trader to use false or misleading statements
- It is an offence to misleadingly label goods and services
- The act carries criminal penalties and can therefore lead to a jail sentence.

**Legislation:** Laws passed by acts of parliament; breaking these laws may result in a fine or even a prison sentence.


**Principles of employment law:** Parliament passes laws to protect employees from being exploited at work.

**Recruitment:** The main law involved in recruiting new staff is the Equality Act 2010. This brought together many other acts of parliament focused on preventing discrimination to certain characteristics.

**Pay:** Equal Pay Act 1970. Prevent pay differences between different groups of people e.g. men and women, age, race.

**Discrimination:** Prevent issues with regards to recruitment, promotion, men, women, race, religion.

**Health and Safety:** Health and safety at work act 1974. Employers must protect the 'health, safety and welfare' at work of all their employees, as well as others on their premises, including temps, casual workers, the self-employed, clients, visitors and the general public.

The impact of legislation on business	
Negatives	Positives
Lots of paper work that is not always relevant, time consuming and expensive	Helps a business to know what is acceptable and what is not
Rules can restrict creativity and initiative	Rules do take time and money, but not enough to ruin the business and their success
	Consumer protection law is too valuable to dismiss – stop people dying from unsafe cars, faulty food or drugs





Subject Content	What students need to learn?	<p><b>The economy:</b> The Economy concerns the interactions between people and groups of people in a certain area.</p> <p><b>Here are the rules to follow when making an exchange rate calculation:</b>  <b>Rule 1: When exchanging from pounds to a foreign currency, <u>multiply</u></b>  <b>Rule 2: When exchanging from a foreign currency to pounds, <u>divide</u></b></p>
1.5.4 The economy and business	<p>The impact of the economic climate on businesses:</p> <ul style="list-style-type: none"> <li>• unemployment, changing levels of consumer income, inflation, changes in interest rates, government taxation, changes in exchange rates.</li> </ul>	

Definitions	Descriptions:
<b>Unemployment</b>	When someone of working age wants a job but cannot get one.
<b>Changing levels of consumer income</b>	Consumer incomes is the amount households have available to spend after income taxes have been deducted.
<b>Inflation</b>	Inflation is the sustained increase in prices over a period of time.
<b>Changes in interest rates</b>	<p>Interest rates can take two forms:</p> <ul style="list-style-type: none"> <li>• The additional <b>cost of borrowing</b> money from a bank that has to be paid each month</li> <li>• The <b>reward</b> received each month for <b>saving</b> your money in a bank</li> </ul>
<b>Government taxation</b>	Charges placed by the government on goods, imported products and incomes of both individuals and businesses
<b>Changes in exchange rates</b>	The value of one currency expressed as another. There is not just one exchange rate, it is between 2 currencies only

**S**trong  
**P**ound  
**I**mports  
**C**heaper  
**E**xports  
**D**ealer

**Key terms:**

**Recession:** A recession happens when there is a significant decline in economic activity. It is visible in areas such as production and employment.

**Imports:** Bringing goods and services into a country from other countries in order to sell to consumers


**Exports:** Exports are the goods and services produced in one country but sold overseas.





Subject Content	What students need to learn?
1.5.5 External influences	<p>The importance of external influences on business:</p> <ul style="list-style-type: none"> <li>possible responses by the business to changes in: technology, legislation, the economic climate.</li> </ul>

**External influences** occur in the external environment that the business operates in. the main influences are: technology, legislation and the economic climate. The business has no control over these influences and will need to respond effectively.

Technology	Legislation	Economic climate
<p>Businesses will need to adapt to keep up with advances in technology. For example, black cab drivers had to respond to Uber entering the taxi market. In order to compete, Black cab drivers now have free ultra-fast Wi-Fi, contactless card readers and zero emissions cabs.</p> 	<p>New laws can present opportunities or threats to new businesses.</p> <p>Most business people tend to focus on the threats, calling the new legislation 'red tape'. This means they may have to hire new staff to cope with the additional paper work which could be expensive for the business.</p> <p>However, it can create opportunities for some. For example, changes to the Food Safety Act in 2013 forced businesses to take further measures to protect consumers. This included keeping records about who supplied each batch of food (traceability).</p> <p>Various new small businesses set up to provide simple software programs for recording food origins, and suppliers started to help restaurants and cafes by texting the source of the food.</p>	<p>The economic climate is like the weather; the economy can run hot or cold. The economic climate measures the position the economy – positive or worrying.</p> <p>As the economy is constantly changing businesses need to be able to respond to economic ups and downs.</p> <p>When the economy is doing well they will:</p> <ul style="list-style-type: none"> <li>Hire more staff</li> <li>Invest in new equipment</li> <li>Spend more on developing new products</li> </ul> <p>In the long term bigger companies respond to the changing climate by spreading their risk. Jaguar and Land Rover used to produce only in England but that left the business vulnerable if a rising pound hit export profitability. Now they have factories in China, Brazil, Austria and Slovakia.</p>

