GCSE Business Studies Unit 1: Businesses in the Real World:
Purpose + Nature of Business, Business Ownership, Aims + Objectives, Stakeholders, Location, Business Planning, Expanding a business

The nature and Purpose of Business

- The reasons for starting a business: including producing goods, supplying services, distributing products, fulfilling a business opportunity and providing a good or service to benefit others
- Factors of Production: land, labour, capital, enterprise
- Opportunity cost: Giving up the opportunity to do somethings in order to choose to do something else
- Three sectors of primary, secondary and tertiary. Primary = Extracting raw materials Secondary = Manufacturing turning raw materials into goods Tertiary = Service sector
- Characteristics of an entrepreneur, such as hard working, innovative, organised and willingness to take a risk
- Objectives of an entrepreneur, including to be their own boss, flexible working hours, to pursue
- an interest, earn more money, identify a gap in the market and dissatisfaction with current job
- Businesses face a constantly changing business environment due to changes in technology, economic situation, legislation and environmental expectations.

Business Planning: The purpose of business planning:

- To help set up a business successfully identifying problems in advance
- To help raise finance
- Set objectives that can be reviewed to check progress
- Co-ordinate the business activities in different department to make sure everyone has the same goal

The main sections within a business plan:

Objectives	Market information	Marketing	HR
Operations	Information about the product or service	Finances (costs, revenue and profits)	

Problems of using a business plan:

- Uncertainty
- Lack of experience
- Change

Reducing the risk of business planning:

- Conducting Primary and Secondary Market Research
- Talk to experts and consultants
- Plan for different outcomes
- Regularly review and update the plan so it can be kept relevant and up to date

SOLE TRADERS & PARTNERSHIP have……. UNLIMITED LIABILITY

REDUCE this RISK of UNLIMITED LIABILITY

By becoming a ……… PRIVATE LIMITED COMPANY OR PUBLIC LIMITED COMPANY you will have … LIMITED LIABILITY

Stakeholders

Stakeholder	**Objectives**
Owners/Shareholders	High dividends
Employees	High pay
Customers	Quality Affordable prices
Suppliers	Long term contracts
Local community	Jobs created Environmental consideration

Conflict:
Shareholders and Workers
Shareholders and Customers
Shareholders and Local Community

Business Ownership

	Advantages	Disadvantages	Features
Sole Traders:	Quick & easy to set up. 100% decision making =fast decisions 100% of profits.	100% decision making = Stressful Pressure running all aspects of the business: making, finance, HR, Operations Difficult to raise money RISKY for banks to loan to so higher Interest rates. No revenue generates if sick/holidays	Unlimited Liability
Partnerships:	Shared workload Shares skills: finance, marketing, HR etc More sources of finance than a Sole Trader	Many be disagreements. Shared profits Liable for other partner's decisions	Unlimited Liability
Private Limited Company (ltd)	Limited Liability Better status in the eyes of customers Continues after the death of the founder Can bring in investors (good source of finance)	Have to register as a company = expensive Have to disclose information on sales and profits Have to have accounts independently checked If these are other investors, then the original founder is not in full control of the business	Limited Liability
Public Limited Company (plc)	Same as above…. And…. Shares can be advertised to the general public meaning more potential investors and greater funds that can be used to expand the business. Public companies attract media attention…… this can be cheap publicity.	Same as above……. and… Media coverage could be bad Can't control who buys the shares (competition and threat of takeover) Has to send information to Shareholders (time consuming and expensive) Original owners and investors may clash	Limited Liability
Not-for profit org	Set up to achieve objectives other than profit "SOCIAL OBJECTIVES". Profits are reinvested into the business to help society.		

Business Location

The factors that influence where a business is located including:

- Proximity to the market
- Costs
- Transport Links
- Labour
- Technology
- Competition

Overseas Location: Benefits

- Cheaper labour
- Access to resources that are not easily available in the UK
- Financial incentives from foreign governments
- Avoiding protectionist measures by foreign governments
- The market overseas may be growing fast

Overseas Location: Drawbacks

- There may be different rules and regulations in different countries
- Customers may have different tastes

Setting Business Aims and Objectives

The main aims and objectives for businesses:

Survival	Growth (domestic and international)	Social and ethical objectives	Shareholder value
Profit maximisation	Customer satisfaction	Market share	

Objectives set will differ between businesses (reasons include the size of the business, level of competition faced and type of business (not-for-profit organisations)

The objectives of larger more established businesses might differ from smaller start-up businesses, eg becoming the dominant business in the market, international expansion, increasing shareholder value and ethical and environmental considerations

Success of a business can be measured in other ways than profit: reputation, market share,

Expanding a Business

Benefits of expansion:

- Economies of scale: reduced costs per unit as the business gets bigger. Occurs due to technical and purchasing Economies of Scale
- More power in the market, more well-known brand, more market share, higher profit

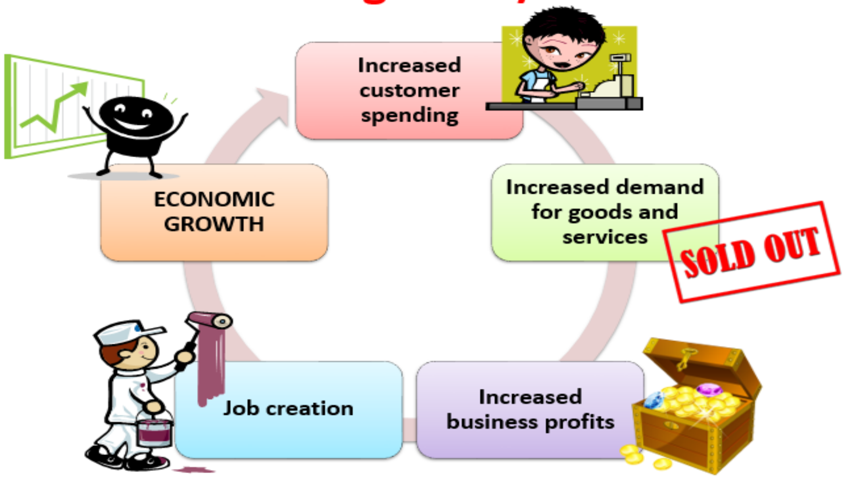
Drawbacks of expansion:

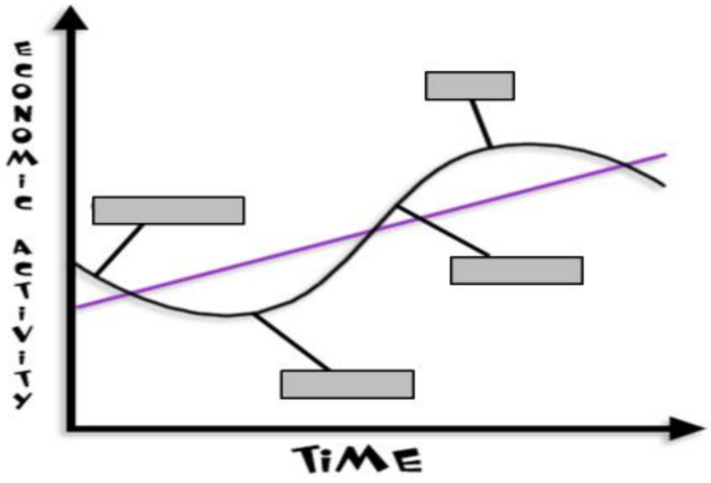
- Diseconomies of scale: It's more difficult to manage a large business: increased costs per unit as the business gets bigger. Occurring due to poor communication, coordination issues and reduced staff motivation
- Decision making becomes slower

Organic Growth: Selling more of your own products	**Inorganic Growth:** Integrating or joining with another company
• Franchising • Opening new stores/branches • E-commerce • Outsourcing	• Merger • Takeover Integration: 1.Horizontal: two firms join together at the same stage of the production process 2.Vertical: two firms join together at different stages of the production process either toward the customer (forward) or towards the supplier (backward) 3.Conglomerate: two firms join together with another firm in a different type of production process

GCSE Business Studies Unit 2: Influences on Business – The Economy

What causes economic growth/decline?



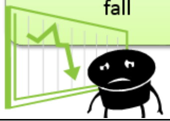


Stage of the business cycle	Key Features	Likely reactions by busines
Recovery/ Growth	• Increased consumer spending • Production rises so more jobs • Investment increases	• Opportunity to increase prices • New businesses start
Boom/Peak	• Some firms are unable to satisfy demand • Interest rates rise	• Prices likely to increase • Wages rise
Slump/Trough	• Falling profits • Rising unemployment • Lower levels of spending	• Firms lower prices • Some businesses close • Some workers laid off
Recession	• Low spending • Low profit • High unemployment	• REDUNDANCIES occur • Many firms close

How will a small business be affected?

When the economy is growing strongly (boom) people feel secure in their jobs and may be getting pay increases → So people have more money to spend on goods and services, especially luxury items → Businesses will therefore be producing more to satisfy demand which will lead to increased profits

When the economy is in decline (slow down) consumer confidence begins to fall → People are less willing to borrow money to buy large or expensive items so consumer spending goes down → Businesses may be forced to reduce production due to falling sales, and cut labour costs



If interest rates increase then a business may:

Reduce or cancel planned investment e.g. Purchase of new machinery

Reduce borrowing which may mean cutting costs i.e. labour

Reduce production, since they expect to sell less if consumers have less money to spend

– *Of course, a decrease in interest rates would have the opposite effect*

If the Bank of England puts interest rates **up** then a typical person will either:

Have to pay more back on their mortgage → So will have less money to spend in the shops

OR

Borrow less money since it now costs more → So reduce their spending in the shops

– *A decrease in interest rates would have the opposite effect*

Group	Effect of HIGH interest rates	Which means that...
Consumers	It becomes more expensive to borrow money to purchase things (e.g. car, furniture, conservatory, holidays etc.)	They reduce the amount of money they spend, especially on expensive or luxury items
Savers	If they save their money they get a better return on their savings	More likely to save instead of spending
Borrowers	Their loan repayments may increase	Less money to spend on other goods
Homeowners	Their mortgage repayments may increase	Less money to spend on goods and services
Businesses	-Loans to expand will cost more -Less customers will be buying their goods/services	-Less likely to buy new equipment -Reduced production -Sales revenue will decline

Reasons for changes in spending...

1. Interest rates

High interest rates mean that it costs more to borrow money → So people have less money to spend on goods and services

2. Exchange Rates

When the pound is weak imports are more expensive to businesses → This increases business costs which may lead to increased prices

3. Employment

When there are low levels of employment → People have less income to spend on goods and services

Globalisation & Exchange Rates

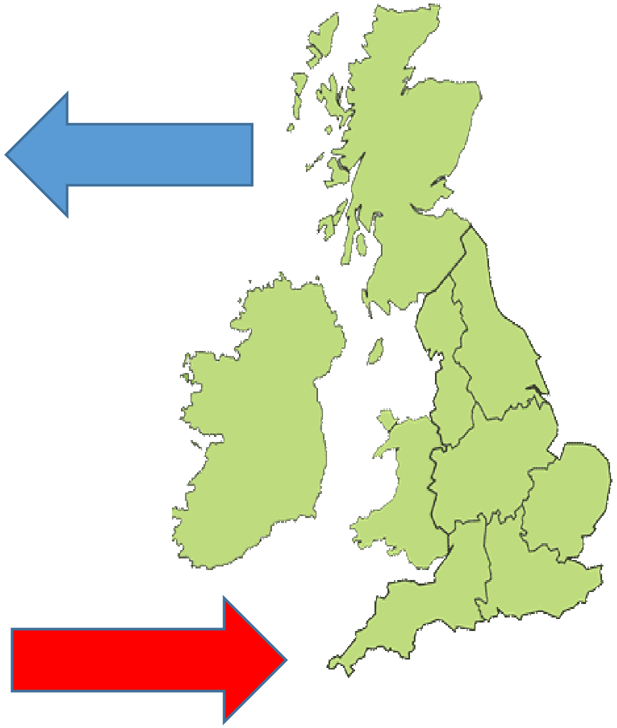
Imports

- Is a good or service that is purchased from a foreign business that leads to a flow of money out of the UK.

Exports

- This is the sale of a good or service to a foreign buyer that leads to a flow of money into the UK

Strong
Pound
Imports
Cheaper
Exports
Dearer



Is globalisation good or bad for UK businesses?

Benefits of Globalisation

1. Able to sell in **overseas markets**, especially fast growing markets
2. Can **specialize in high quality products** that developing countries cannot make
3. Can choose to **outsource** some parts of a business to lower cost countries
4. Efficiency gains from **sharing ideas/skills/technologies** across borders
5. Global businesses gain **economies of scale** which can lead to cheaper prices

Disadvantages of Globalisation

1. Local businesses face **competition from overseas**
2. UK factories **cannot produce as cheaply** as those in lower cost countries
3. External shocks, e.g. war, in other countries can **disrupt trade flows**
4. Dominant global brands may **squeeze out local producers**
5. Costs of goods and services are affected by changes in **exchange rates**

To improve evaluation, think if its good for an individual business; or for UK businesses overall.

Ethics:

Businesses decision are MORALLY right or wrong…. Ethical decisions are made on the basis of what is judged to be morally right.

Ethical Activity:

- Paying the living wage or more according to the age of the employee.
- No child labour
- Donating profits to charities
- Setting up businesses in areas of high unemployment to create jobs
- Advertise truthfully and fairly
- Treat employees fairly with good working conditions
- Pay suppliers on time and a FAIR PRICE
- Offer high quality training to staff (even if it means they may leave)

Marketing	Human Resources	Operations	Finance
Design product to reduce the impact on the environment. Eg, electric cars Avoid targeting children with junk food Avoid charging unacceptably high prices just because you are dominant in the market (Apple, Pharmaceutical companies)	Pay wages that enable staff to have a decent standard of living Offer staff training despite the cost	Buy raw materials from ethical suppliers eg not the ones who use child labour or who destroy rainforests Make products that can be recycled	Spend money on the local community to improve the facilities (parks, libraries etc) Pay workers to undertake charitable work in the local community (visit schools with projects) Pay the right amount of tax

Technology

Using computers and computer systems to do business more efficiently: faster and cheaper.

Intranet	Internal communication systems in a business
Extranet	Communication systems that can be accessed by internal and external stakeholders (such as suppliers)
E-Commerce	Buying and selling products using an electronic system such as the internet
M-Commerce	Buying a selling products through hand held devises such as smartphones
Software Robots	Advanced computer programmes that carry out administration tasks instead of employees. Including self service checkouts
Clouds	Storage of large amounts of data (safe)
Digital Communication	Transferring information electronically between computing devises (send images of prototypes, get feedback and amend quickly) Including: Emails, Texts, WEbchats, video conferencing, social media, apps)
Webchat	Communication in real time. Face to face on the computer. (employees could be in different counties, therefore cheap and efficient no cost and no travel/times)
Apps	Software applications for smartphones and tablets
Social Media	Online communication Groups of similar people (professional contacts)

Benefits:

- Quick to communicate and share information.
- Workers can work from home.
- Businesses work more efficiently.
- Less staff needed, therefore lower total costs.
- Data is collected and can be used to effectively target customers.
- Constant up to date market research: trends, changes in consumer behaviour can be detected and products amended accordingly.
- Businesses can target more customers in different markets (national and global markets) very important for small businesses
- Customers can easily communicated with the business and visa versa

Legislation

1. **Employment law:**

National minimum wage/living wage

The *Equality Act (2010)*

2. **Health and Safety law:**

Health and safety law including: the *Health and Safety at Work Act (1974)*

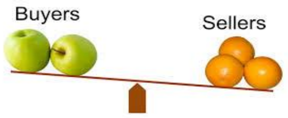
3. **Consumer law:**

Trade Descriptions

Effect of Legislation on Businesses:

1. Increase the businesses costs of production HOWEVER, can motivate worker making them more efficient and productive THEREFORE profits could consequently rise.
2. Businesses may employ less staff
3. Businesses may need legal advice to ensure they are adhering to the laws which could be expensive
4. Discrimination laws can benefits businesses, in not discriminating they may be employing the BEST person for the job.
5. Business are bring ETHICAL and doing the right thing which may lead to a positive reputation for the business.
6. Meting the requirement of the law avoid Business having to pay large fines

Competitive Environment



Buyers and Sellers come together in a market.
Market can be geographical like The Trafford centre or online.
Competition exists where businesses compete to attract the same customers

No of Firms	A large number of small/medium sized firms	A few large films	A single business =MONOPOLY
Examples	Indian restaurant. Painters/Decorators. Cafes/Coffee Shops.	Mobile phone manufacturers. Supermarkets.	Water suppliers Railways between some destinations (In the past: BT, Royal Mail, British Gas)
Products	Products can be similar or different from each other	Products will be different r advertised as if they are different	Only 1 main product is available
Prices	Generally low, especially if the products are similar	Can be high especially if firms compete in other ways	Prices can be high as little or NO competition
Other means of competing	Advertising High quality service Convenience of location	Advertising Launch new products	Little of no competition

Risk & Uncertainty:

Uncertainty: When there is a lack of information about a situation, therefore outcomes are difficult to predict.

Economic uncertainty (Interest Rates, Exchange Rates, Inflation, Unemployment, Disposable Income), Competitor uncertainty, Social change uncertainty

Risk: The possibility of something going wrong.

Prepareing an accurate business plan, Investing in training, using experts and consultants, selling in different markets (diversification)

GCSE Business Studies Unit 3: Business Operations:

The production process, The Role of Procurement, The concept of Quality, Good Customer Service

The transformation process describes what happens inside the business.
This is where value is added to inputs to create outputs

The production process: Methods of production:

Job: Products are supplied to meet the exact requirements of a customer.

Flow: Products more continuously from one stage of the production process to another

Advantages of Flow Production	Disadvantages of Flow Production
High volumes of output, high sales if demand	High initial costs buying the production line
Allows specialisation of workers (therefore more efficient as workers have fewer tasks to learn/complete)	RISKY: if demand is low or falls the machines may not be used and therefore the costs per unit is high.
Long Term cheap to produce = reduced costs per unit as the cost is spread over millions of units	Lack of flexibility: millions of similar items are produced
	Specialisation can lead to boredom and demotivated workers (High Labour Turnover, High Absenteeism – this is expensive)

Efficiency in production: How well a business uses its resources to produce products. Including:

1. How well employees are manage - link to motivation and cost per unit
2. How good suppliers are - reliability, quality, efficiency, cost per unit
3. Investment in technology and machinery - faster/ efficient = reduced cost per unit
4. Job or flow production used – faster/efficient = reduced costs per unit
5. How lean the business = minimising waste

Lean production: Minimise waste

Just in time (JIT) Holding as little stock as possible. Items are ordered just as they are needed

The Role of Procurement

Just In Time (JIT) **Businesses hold as little stick as possible, items are ordered just in time to be used**	**Just In Case (JIC)** **Businesses hold stock just in case there is a delay from suppliers or a sudden unexpected increase in demand**
Less money tied up in stock (lower opportunity cost)	Purchasing economies of scale could be gained as the business buys in larger quantities
Materials can't be damaged/stolen while waiting to be used	Stock is available for production good if demand increases = SATISFY DEMAND
Lesson space is needed to warehouse the materials (reduced rent/fixed costs)	Fewer deliveries and delivery costs
More deliveries, higher costs, less E of S and environmental impact	Larger factory needed for storage
Vulnerable to supplier delays, production may halt	

Procurement:
Selecting suppliers. Considerations include: price, quality, reliability.

The effects of procurement and logistics including: efficiency, lower unit costs.

Supply chain:
All the businesses, people and activities that take place in the production process from the start until it gets to the customer

Considerations when choosing Suppliers:

Costs	Quality	Range of product they supply
Speed of delivery	Reliability	Flexibility to change orders
Contract terms – compensation if late?	Reputation	Payment terms – Trade credit

The concept of Quality

Staff, Customers and Mystery Visitors can measure the quality of what a business is doing!

Benefits of good Quality	**Consequences of Poor Quality**
Recommendations and positive word of mouth	Customer dissatisfaction – damaging the brand
Saves money – cheaper to get it right the first time	Cost of recalling faulty products
Charge higher prices, higher revenue, higher profit margins	The cost of replacing goods
Improved brand name and reputation	The cost of waste: items thrown away that are poor or not demanded
	The cost of legal action

Total Quality Management (TQM)

- Everyone in the business to focus on improving quality.
- Prevent mistakes occurring rather than fixing them.
- Internal Customers: you pass the product onto the next worker/customers the product needs to meet the set standard before you pass it on. If it's not perfect the worker must send it back.
- Clear targets for quality for all workers.
- Workers must have the training and resources needed to complete their part of the production process to the required standard.

How does a firm maintain consistent quality?

1. Reliable suppliers that use good quality products themselves.
2. Train staff so they know how to do their job and so they know what the desired standards are.
3. Invest in equipment
4. Inspect products throughout the production process to check for defects (easier/cheaper to amend as you go not at the end)
5. Involve staff in improving the process (Kaizen groups)
6. Check suppliers and make sure they can deliver what you want when you want it.

As a business grows including franchising and outsourcing it may be difficult to monitor all aspects of production and quality.

Good Customer Service

The product	Product or service meets customer Needs and Wants
Reliability	Goods should do what they are meant to do
Safety	Products and businesses should focus on customer safety
Customer Engagement	Businesses build a positive relationship with customers
Good product Information	From labels, trained knowledgeable staff, websites
Post sales service (after sales)	Delivery, exchanging goods, repairing goods, dealing with complaints
Premises	Clean, clear signage, disabled and baby facilities
Different Methods of Payment	Cash, cheques, electronic payment
Managing Customer Expectations	Businesses should not disappoint customers they should meet/exceed their promise.

Benefits of good customer service, including:

- Increase in customer satisfaction
- Customer loyalty
- Increased spend
- Profitability

Dangers of poor customer service, including:

- Dissatisfied customers
- Poor reputation via word of mouth
- Reduction in revenue

The ways in which advances in ICT have allowed customer services to develop:

- Websites:

Pictures, Videos, lots of product information so customers can make a well informed choice.
Advertises a small business to the mass market leading to increased sales.
Frequently asked questions (FAQ's) provides information/answers to customers.
Emails can be sent to check information, solve problems or complain.

- E-commerce/M-commerce

Customers can view items 24/7 all over the world
Customers can read other peoples reviews
Online support teams enable customers to ask questions
Customers may get suggestions of other products to look at
Customers benefits from lower prices than the high street

- Social media.

Facebook, twitter, snapchat, Pinterest: Promote and communicated to existing and potential customers

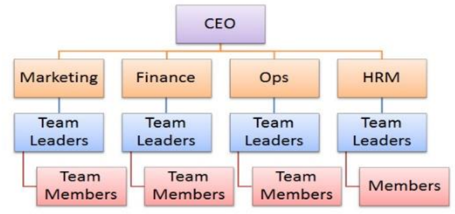
- Data Analysis

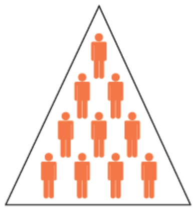
Using data to inform decision making

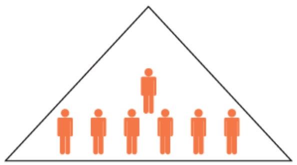
GCSE Business Studies Unit 4: Human Resources
Organisation Structure, Recruitment and Selection, Motivation, Training

Organisational Structure:

- The way a business arranges itself to carry out activities
- Shows who **line manages** who and who has **authority** over others to make a decision **(chain of command)**
- **Span of Control:** The number of employees managed by a direct line manager
- **Level of hierarchy:** The layers of authority in a business (4 below)
- The CEO has ultimate **authority** within the business
- **Delayering**: removing one or more levels of hierarchy from the organisational structure to reduce costs. Junior managers might have to take on more responsibility and senior managers might have a very wide span of control then the level of hierarchy is removed
- **Delegation:** passing authority to more junior employees.
- In small businesses the Entrepreneur makes the decisions, as a business grows this is impossible (lots of decisions and specialists in different areas are needed)




Organisation A


Organisation B

- Tall Organisational Structures – a narrow span of control and a large number of levels of hierarchy. Line managers can monitor workers closely. Communication can take a long time; messages can be distorted. Decision making might also take a long time.

- A flat organisational structure – a wide span of control and few levels of hierarchy. Managers/supervisors must be able to delegate.

Centralised	Decentralised
A small number of senior managers in the business takes all the important decisions	**Employees in all areas of the business take decisions**
	Workers in branches, departments or factories are given authority to make decisions
	Motivating and empowering for workers who often have good decisions as they know customers' needs and wants.
	Reduced pressure on senior managers who can concentrate on raising finances and strategy.
	Fast decision making on a branch level as managers don't need to wait for approval
	Decisions must be made in the best interests of the business not a branch, communication to senior managers must be strong they need to know what's happening and training will be needed

Recruitment & Selection:

Stage 1: The business has a need to employ more staff (growth, employees leave)
Stage 2: Job Description and Person Specification drawn up
Stage 3: Jobs are advertised internally or externally.
Stage 4: Applications are received by internal and external candidates

Internal Recruitment	External Recruitment
Candidates have experience of the business, know the other workers and have already had induction training	Wider choice of candidates with different skills and experience
No external advertising therefore, cheaper	Fresh ideas and enthusiasm are brought into the business
Motivating for workers looking to progress within the business	Workers have the skills and experience needed to complete the job so less need for expensive training
Adverts on notice boards, internal websites, employee newsletters, certain employees will be invited to apply by owners/managers	Can be expensive and the business don't know the applicants and they could make a mistake.

Recruitment Process:

Job Description : Duties and tasks of the job: hours, place of work, title etc
Person specification: Qualifications, skills, experience
Job Advert: Job title, location, pay, hours, who to apply to
Application Form and Curriculum vitae (CV): personal information, qualifications, employment history and interests

Selection Process:

Interviews	One on one or panel interviews with several interviewers
Psychometric Test	MCQ, checking the personality of candidates "will they fit in"
Assessment Centres	Roles plays, psychometric tests, interviews, practical tasks

Benefits of effective recruitment and training:

High level of productivity – you've appointed the best person hopefully skilled and experienced
High quality products or customer service – the worker is motivated, skilled and experienced

Full Time Employment	Part Time Employment
Working the whole week, easier to communicate and might be better skilled	Flexible to work more if demand increases Small businesses might need workers with specialist skills (they don't need them all the time)
Less likely to need a second job and more likely to be considered for promotion as can work more and attend training.	Workers can work around other commitments like children or elderly relatives Suitable for retired people who want to work some hours but not full time.

Job Sharing: Two or more employees agree to share a full time job
Zero Hours Contract: Allows businesses to employ staff without any guarantees hours of work
Contract of Employment: Legal document stating the hours of work, rates of pay, duties and other conditions under which a person is employed
Employee Retention: Keeping workers in the business (reduced R&T costs, better customers service, higher productivity as workers are trained and have worked in the business a long time.

Motivating Employees: Maslow's Hierarchy of Needs

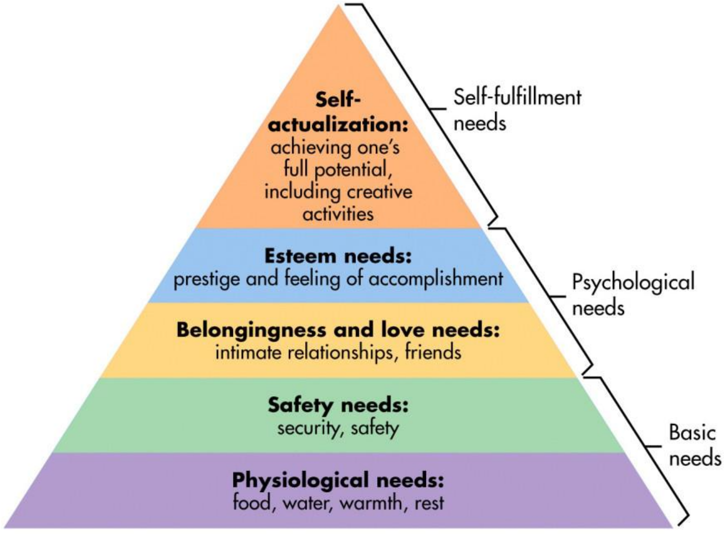
Self-Actualisation: Stretching and challenging employees. Giving them freedom to organise their own work/time.

Ego/Self Esteem: Praising employees for doing a good job. Recognise achievements including praise, paying them a bonus.

Love & Belonging: Workers want to be part of a group/make friendships. Workers could work in teams or businesses can offer social events.

Safety Needs: Workers want to be safe at work (trained to do dangerous jobs) and also job security

Physiological Needs: Basic needs: Keeping warm, shelter, food etc. These needs are met through getting paid to buy these things and also having somewhere warm to work.



Benefits of Motivating Workers:

- Increased Productivity
- Increase employee retention rates
- Higher level of sales
- Improve recruitment and selection

Methods of Motivating Workers:

- Increased authority through job enrichment
- Training
- Management styles (authoritarian or democratic)

Financial Methods:

- Salaries
- Wages
- Piece Rate Pay
- Commission
- Profit Share

Training Employees

Types of Training

Induction Training	1st training an employee receives Workers familiarise themselves with the job and business and meet other workers and line managers. Workers feel integrates, are more productive as they know what to do and are less likely to leave (lower labour turnover)
On the Job Training	Workers learn on the job in the workplace including work shadowing, formal training from experienced employees, computer based training. Cheap way to train workers, targeted training to the exact needs of the business, e training on computers can be flexible and delivered anytime cheaply. However, this training is unlikely to bring fresh ideas into the workforce and leaves less workers
Off the Job Training	Workers learn outside of the workplace including studying at home, attending college courses or training days or university Brings new ideas and approaches into the business Can motivate workers as they are learning new skills that could improve their performance at work. However, its expensive and unaffordable for some businesses. Also Risky as workers may learn new skills then leave to work elsewhere.

Consideration when deciding which training to use:

The budget available to pay for the training/ financial position of the business
Type of training required
Skills and Experience of the current workforce

Identifying and Understanding Customers

Identify a business opportunity

Find out customer NEEDS & WANTS

Aim your product at Consumers/Customers

Improve the product, increasing the benefit to customers/consumers to increase sales

Choose the correct marketing mix: Product, Price, Place Promotion

Avoid costly mistakes

Be competitive

Segmentation

Ways of segmenting the market:

- Gender: clothing retailers, toy shops, cosmetics producers etc
- Age: theme parks, toys, clothing etc
- Location: McDonalds and KFC have different product in different countries to appeal to customer needs and wants
- Income: businesses target different income groups (high or low income earners)
- Stage of someone's life cycle: Housing companies sell flats, small houses and large houses depending on someone needs and wants. Travel agents have holidays for families, single people, couples, 18-30 holidays etc

Once a business knows who they are aiming their products at they can **target** the one it can compete effectively in and can be profitable in.

Marketing Maths

Market Growth:

Change in market size

____________________ X100

original market size

Market Share:

Sales of the product

__________________ X100

Market Research

Market research will gather information about:

Demand	Competitors
Market Share	Target Market

Types of Data:

Qualitative	Quantitative
• Thoughts, opinions and ideas. • Focuses on why people think something of behave in a certain way. • Generates reasons not statistics.	• Statistical data.

Methods of Market Research

Primary Market Research	Secondary Market Research
Gathering information for the first time to answer the question the business wants to answer	Using data/research that others have already gathered

Secondary Market Research:

Newspapers, Magazines, Books, Journals, The Internet

Advantages	Disadvantages
• Gathered quickly • Cheap • Can provide information on large sections of the population (government research)	• Data is out of date • Data might not be relevant to what you want to find out

Primary Market Research:

Observing behaviour, Experiments, Surveys (telephone surveys, questionnaires, Customer and supplier feedback, focus groups, internet research, newspapers and magazines)

Advantages	Disadvantages
• Can gather in-depth responses about why people believe something. • Cheap and quick to gather. • Can see how people react and therefore if they are being truthful.	• Time consuming • Small groups might not reflect the whole market

The Marketing Mix

Product	Price
Promotion	Place

Product: The design, specification and features of the product. Improve the product can increase its appeal for difference customers.
Product Life Cycle & Boston Matrix

Prices:

- Price Skimming: High price, high profit margins to repay research and development costs.
- Penetration Pricing: Low price to get sales quickly
- Cost Plus: Guaranteed profits, work out the costs and add on a percentage profit.
- Competitive: prices are similar to competitors such as supermarkets, insurance companies who openly compare
- Loss Leader: Selling some products at a loss or no profit to create awareness so customers buy other products.

Factors influencing Price:

- Cost to make the product
- Demand: if D is high could increase price and vice versa
- Nature of the Market: Competitive therefore lower prices, offer a differentiated product therefore higher prices.
- Business objectives/approach to pricing: High M.S might mean low prices; image of quality will mean high prices.
- Position on the PLC: higher prices when the products is in high demand/growth, lower prices when the product is in decline.
- Rest of the Marketing Mix: all the elements work together to present a brand

Price & Demand:

- Increase the price demand will fall/ Reduce the price and demand will increase. The amount will depend on the brand name, image or USP of the product as well as how competitive the market is/ how competitors respond.

Place: The ways products are distributed by producers to consumers.

- Via the internet
- Via a retailer
- Via a wholesaler (who break bulky items up into smaller quantities
- Producer directly to the consumer

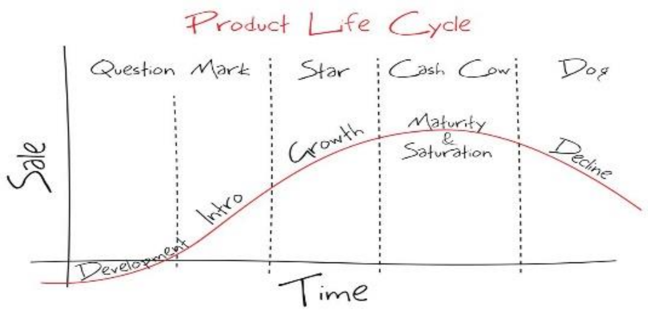
Promotion: Communicating information about the product or brand to consumers:

- Advertising in a local or national newspaper
- Advertising online
- Sponsoring an even
- Posters in the local area
- Sales promotions
- Public Relations activities
- Personal selling

Promotional Mix: combination of methods of promotion used by a business to communicate with its customers. Consider: Target audience, competitors, cost and finance, nature of the product.

Marketing Mix depends on:

- The product
- Competitors' products
- The target customers
- Business Approach



Product Differentiation:

Make products stand out.

Unique Selling Point.

Brand name/ Brand image/Logo.

New Product Development:

Generate an idea

Check the idea

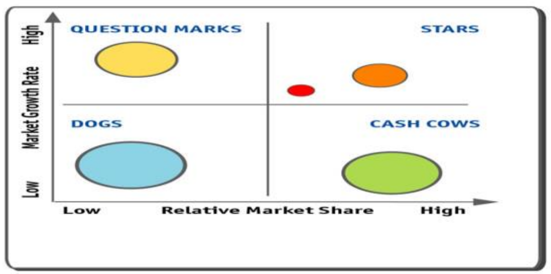
Develop the product

Trail the product

Launch it

Product Life Cycle: Products may change overtime.
Development: Designing the product and building prototypes. High outflows and no inflows.
Introduction: Product is launched and sales begin. Expensive in terms of advertising and promotion to convince distributors to stock it and consumers to buy it rather that a competitor brand.
Growth: High sales, new outlets/distribution channels found
Maturity: Sales slowdown, this might be as a result of competitor action. To boost sales firms might need to consider adapting the products (EXTENSION STRATEGIES)
Decline: Low sales, business must decide if to take the product off the market or try to improve it/spend more on marketing to remind customers.
EXTENSION STRATEGIES: cutting the price, advertise, update the packaging, adding more or different features, find a new product abroad, sell more of the product

Product Portfolio Analysis – The Boston Matrix: Analysing a product in terms of their share of the market and the growth of that market.
Dog: Low share of a low growth market
Choice: Remove the product from the market OR spend money redesigning the product and promoting it
Cash Cow: High market share in a low growth market
High sales, high profits, companies want to stock these products on their shelves such as Heinz and Cadburys, firms should use the capital from these products to develop new products
Question Mark: Small share of a large growing market like a new company in the technology, phone or computer games market. High marketing expenditure is needed to promote and adapt this product. It could be the next STAR or could become a DOG. CASH COWS will fund the expenditure on QUESTION MARKS.
Star: High share of a growing market "I phone"
High expenditure on marketing and new product development is needed so these products become the cash cows of the future.



Balanced Product Portfolio:

A business needs a mix of different product at different stages. Cash Cows = funding to help Question Marks and Stars. Too many Cash Cows are risky in the future as the market isn't growing. Too many Question Marks is risky too as many won't succeed.

GCSE BUSINESS STUDIES
Finance Module

Sources of Finance

	Definition	Internal	External
Owners Funds			
Retained Profit			
Sale of Assets			
Bank Overdraft			
Bank Loan			
Trade Credit			
Hire Purchase			
Government Grant			
Share Issue			
Mortgage			

Cash Flow Hokey Kokey

You put your **revenue** in
You take your **costs** out
Inflow less (-) **Outflow** equals (=) **Net Cash Flow**
If your **Cash Flow** is poor
You won't pay your bills
That's what its all about!
Ohhhhhh, the Cash Flow Hokey Kokey
Ohhhhhh, the Cash Flow Hokey Kokey
Ohhhhhh, the Cash Flow Hokey Kokey
Inflow!
Outflow!
Net Cash Flow!

Inflow – Outflow = Net Cash Flow
£ In
£ out

Typical Cash Flow For a Small Garden Centre

	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
Receipts													
Grant	5000												5000
Sales	1000	4000	12000	16000	25000	24000	18000	8000	2000	1000	2000	9000	
Total Receipts	6000												
Payments													
Setting up costs	6000												
Stock purchases	1000	2000	5000	7000	11000	11000	8000	4000	1000	500	1000	3000	
Motor expenses	300	300	300	300	300	300	300	300	300	300	300	300	
Office expenses	150	150	150	150	150	150	150	150	150	150	150	150	
Insurance	1200												
Wages	4000	4000	4000	5000	5000	5000	5000	5000	4000	4000	4000	4000	
Total Payments	12650												
Net Cash Flow	-6650	-2450											6900
Opening Balance	0	-6650											
Closing Balance	-6650	-9100											

Cash Flow Forecasts

________ – ________ = Net Cash Flow

Cash flow is simply about money coming and going from the business. Managers must make sure there is always enough cash to pay expenses.

Cash flow tells us nothing about **profit** – a profitable business can have poor cash flow, and still go bankrupt

Causes of Poor Cash Flow	Description
Poor sales	
Overtrading	
Poor business decisions	

Break Even Analysis

VARIABLE costs **CHANGE** with output
+
FIXED costs **DO NOT CHANGE** with output
=
TOTAL COSTS

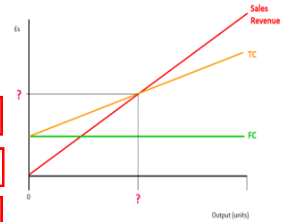
$$\text{Break Even} = \frac{\text{Fixed costs}}{\text{Selling price per unit} - \text{variable cost per unit}}$$

Fixed costs = £50,000
Variable cost = £10,000 per kitchen
Selling price = £15,000 per kitchen

Break Even = £50,000 / ________

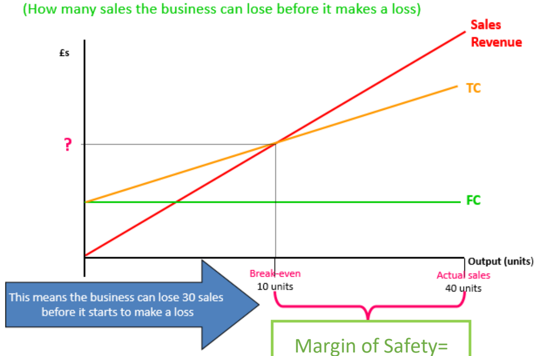
Break Even = ________

Revenue = ________



Margin of Safety

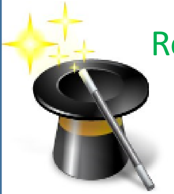
Actual output – Break-even output
(How many sales the business can lose before it makes a loss)



Margin of Safety=

GCSE BUSINESS STUDIES
Finance Module

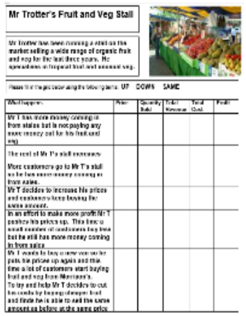
Costs, Revenue and Profit



Revenue = ____________ x ______________

Profit = ____________ – ____________

Total Costs = __________ + _____________



Average Rate of Return

A way of deciding if an investment is worthwhile and to compare investments

Average yearly profit = _____________

ARR = _______________ x 100

Which project gives the best return?

$ARR = \frac{\text{average yearly profit}}{\text{cost of investment}} \times 100$

A. A new delivery van will cost £40,000 and will increase profit by £6,500 a year

$ARR = \frac{6,500}{40,000} = 1.625 \times 100 = \mathbf{16.25\%}$

B. A new order system will cost £10,000 and will increase profit by £2,300 a year

$ARR = \frac{2,300}{10,000} = 0.23 \times 100 = \mathbf{23\%}$

Income Statement

An income statement is

Write a definition in each box to explain what that component of the Income Statement is

Example Company Ltd

Income Statement

Year Ended 31 December	2016
	£'000
Revenue	19,780
Cost of Sales	12,680
GROSS PROFIT	7,100
Overheads	4,890
OPERATING PROFIT	2,210
Tax and interest	700
NET PROFIT	1,510

Ratios

PROFIT FORMULAS

Gross Profit =

Operating Profit =

Net Profit =

PROFITABILITY RATIOS FORMULAS

Gross Profit Margin =

Net Profit Margin =

Balance Sheet

The Balance Sheet shows:
-
-

ASSETS (What it OWNS)

LIABILITIES (What it OWES)

Balance Sheet

For the year ending 31st December

	£000
FIXED ASSETS	
Vehicles	200
Plant and Equipment	500
	700
CURRENT ASSETS	
Stock	200
Cash at Bank	50
	250
Less CURRENT LIABILITIES	
Trade Creditors	150
	150
NET CURRENT ASSETS	100
LONG TERM LIABILITIES	
Mortgage	450
Bank Loan	200
	650
NET ASSETS	150
TOTAL EQUITY	
Share Capital	100
Retained Profit	50
	150

LEARN ALL THE FORMULAS / Use figures in every answer