

THE DYNAMIC NATURE OF BUSINESS

- 1 Which one of the following is a reason for a product to become obsolete?

Select **one** answer:

Target
Grade
2

- ☐ A The product breaks
- ☐ B An accessory for the product is introduced
- ☐ C The product is unique
- ☐ D New technology is introduced

(1 mark)

- 2 Explain **one** way that changing consumer needs could create a new opportunity for a business.

Consumer needs may change due to shifts in lifestyle, fashion and economic conditions.

Target
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4

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(3 marks)

- 3 Explain **one** reason why a business owner might want to develop new ideas from existing products and services.

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(3 marks)

- 4 Discuss a factor that an entrepreneur should consider before opening a new business.

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(6 marks)

RISK AND REWARD

- 1 Which **one** of the following is a factor that could increase the level of risk in a business?

Target
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1

Select **one** answer:

- ☐ A Seasonal demand
- ☐ B Having a large target market
- ☐ ~~C Having low fixed costs~~
- ☐ D Employing a large number of employees

Having low fixed costs is an advantage for a business because it will need to sell fewer products before it starts to make a profit, so it does not increase risk.

(1 mark)

- 2 Explain **one** reason why running a business can involve high levels of risk.

Target
Grade
4

Think about the reasons why some businesses fail.

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(3 marks)

- 3 Discuss a method that a business owner may use to reduce the level of risk in the running of their business.

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Research and planning are two ways that a business owner could reduce the risk. Write a detailed sentence explaining how good planning and good research could reduce risk.

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(6 marks)

THE ROLE OF BUSINESS ENTERPRISE

Target
Grade
1

- 1 Which **one** of the following is the purpose of a business?

Select **one** answer:

- ☐ A To produce goods and services
- ☐ B To minimise profit
- ☐ C To meet the needs of suppliers
- ☐ D To only work for the government

(1 mark)

Target
Grade
1

- 2 Which **one** of the following is **most** likely to be a customer for a marketing agency that produces brochures for tour operators?

Select **one** answer:

- ☐ A The public sector
- ☐ B The general public
- ☒ C ~~The business that supplies the agency with paper~~
- ☐ D A business selling adventure holidays in Africa

It isn't option C because the business is a **supplier** not a **customer**.

(1 mark)

Target
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4

- 3 Explain **one** way that a business can meet the needs of its customers.

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Some customers buy products and services because they have a specific function or solve a certain problem. Often customers prioritise price over all other features, but they may also value quality and good customer service too.

(3 marks)

PAPER 1 CONTENT

THE IMPORTANCE OF ADDED VALUE

Ellie Harrison owns the Witney Flower Shop, located in the high street in Witney, Oxfordshire. The business is established and successful. Ellie believes the success is the result of her unique selling point: Ellie imports exotic flowers such as orchids for her customers. No other flower shop in the area provides this service.

**Target
Grade
1**

- 1 State the Witney Flower Shop's USP.**

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(1 mark)

- 2** Outline **one** method the Witney Flower Shop could use to add value to its products.

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(2 marks)

- 3** Analyse the impact on the Witney Flower Shop of the business's location.

[illegible]

(6 marks)

**Target
Grade
6**

THE ROLE OF ENTREPRENEURSHIP

Target
Grade
1

1 Which **one** of the following best defines the role of an entrepreneur?

Select **one** answer:

- ☐ A Someone who enjoys working in the service sector
- ☐ B Someone who wants to avoid paying income tax
- ☐ C Someone who owns and runs their own business and takes risks
- ☐ D Someone who runs a business while the owner is away on holiday

(1 mark)

Target
Grade
2

2 Which **two** of the following are characteristics of an entrepreneur?

Select **two** answers:

- ☐ A A willingness to undertake a new venture
- ☐ B A very wealthy family background
- ☐ C A preparedness to take risks
- ☐ D Not willing to take financial risks
- ☐ E ~~An education at least up to A-level~~

It isn't option E because people do not need academic qualifications to be an entrepreneur.

(2 marks)

Target
Grade
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3 Discuss an impact that entrepreneurs have on the economy.

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The economy refers to society, people, businesses and the government. Select two of the following words to help you answer this question:

- jobs
- tax
- exports
- spending.

(6 marks)

CUSTOMER NEEDS

Samit Singh works as a bus driver for a local transport company in Stratford-upon-Avon. He is keen to start his own business providing an express bus service between Stratford-upon-Avon and Birmingham Airport. He spent a week doing market research. Samit interviewed 200 airport users in Stratford-upon-Avon town centre and some of the results are shown below.

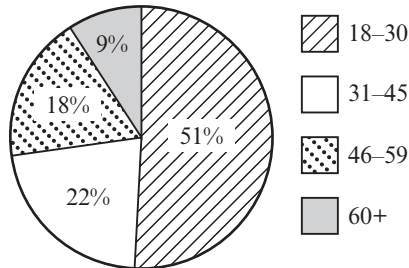


Figure 1 Age profile of people who would use the service

Return fare	% of people prepared to pay
£14–£16	94%
£17–£18	76%
£19–£20	59%
£21–£24	31%
£25–£28	12%
£29+	3%

Table 1: The proportion of people interviewed prepared to pay different fares

- 1 Identify the percentage of people willing to pay **more than** £20.

Target
Grade
2

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(1 mark)

- 2 Identify the percentage of potential customers aged 46 or over.

Target
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The answer is not 18%. Take your time and look at the age brackets carefully.

(1 mark)

- 3 Explain **one** reason why customer service is an important need that businesses should meet.

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(3 marks)

CUSTOMER NEEDS

Read the scenario about Samit on page 6.

Target
Grade
7

- 1 Samit wants to differentiate his airport service from the services provided by rival businesses in order to attract customers. He is considering two options to achieve this.

Option 1: A discount of 20% for people who book more than one return trip in a year

Option 2: A door-to-door pick-up service for customers over the age of 60

Justify which **one** of these two options Samit should choose.

You could discuss one or both options in your answer. Show balance in your answer by analysing the benefits and limitations of at least one option. How can you link your answer to the market research?

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Decide which option is best and give a clear justification.

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(9 marks)

PAPER 1 CONTENT

THE ROLE OF MARKET RESEARCH

A clothing shop wanted to find out about the views of its customers. Table 1 shows the results of a question asked to customers.

What is the major factor that attracts you to the shop?

	Number of responses
Value for money	28
Has the clothes that I want	36
Friendly staff	20
Well laid out	5
Late opening hours	11

Table 1

Target
Grade
2

- 1 State **one** conclusion that the shop could draw from the customers' opinions listed in Table 1.

What is the most important factor?
What is the least important factor?

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(1 mark)

Target
Grade
3

- 2 Outline **one** appropriate method that the shop could use to anticipate its customers' needs.

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(2 marks)

Target
Grade
4

- 3 Explain **one** reason why a business would carry out market research.

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(3 marks)

TYPES OF MARKET RESEARCH

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- 1 Give **one** method of primary research.

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(1 mark)

Target
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- 2 Explain **one** benefit to a business of using primary market research.

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Primary market research is first-hand and conducted by the business, rather than by a third party.

(3 marks)

Target
Grade
5

- 3 Discuss the benefit of using secondary market research as opposed to other methods of research.

When answering this question, you could:

- discuss one benefit of secondary market research with several points of development
- discuss two or more benefits of secondary market research with some points of development about each one.

You could also discuss and develop a disadvantage of primary market research.

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(6 marks)

MARKET RESEARCH DATA

Target
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- 1 Identify the sample size of customers surveyed by the clothing shop on page 8.

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(1 mark)

- 2 Explain **one** reason why market research data might contain bias.

Target
Grade
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Bias means that the people involved in the research are not impartial, which means that they are inclined to agree or disagree.

(3 marks)

- 3 Analyse a reason why the clothing shop on page 8 may also want to use a focus group to gather further market research.

Target
Grade
6

You may want to consider the following questions when you are planning your answer to this question.

- What are the limitations of the current research carried out by the clothing shop?
- How could using a focus group improve the quality of the research?
- How could you refer to the qualitative data in your answer?

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(6 marks)

MARKET SEGMENTATION

Target
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2

- 1 Give **two** possible ways in which a market could be segmented.

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(2 marks)

Target
Grade
4

- 2 Explain **one** limitation of market segmentation.

One limitation of market segmentation is

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Use the sentence structure below to give one reason and two linked strands of development.

(3 marks)

Target
Grade
5

- 3 Discuss **one** reason why a business may choose to target a specific segment of a market with its products and services.

How might market segmentation make it easier for a business to:

- develop products
- advertise its products and services
- conduct market research?

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(6 marks)

MARKET MAPPING

Mario Tevez wants to open a restaurant specialising in South American cuisine. He thinks there might be a gap in the market in his home town of Odmoor in Yorkshire. Figure 1 is a market map that he has drawn up to identify whether there are any gaps in the market. There are currently eight restaurants in Odmoor.

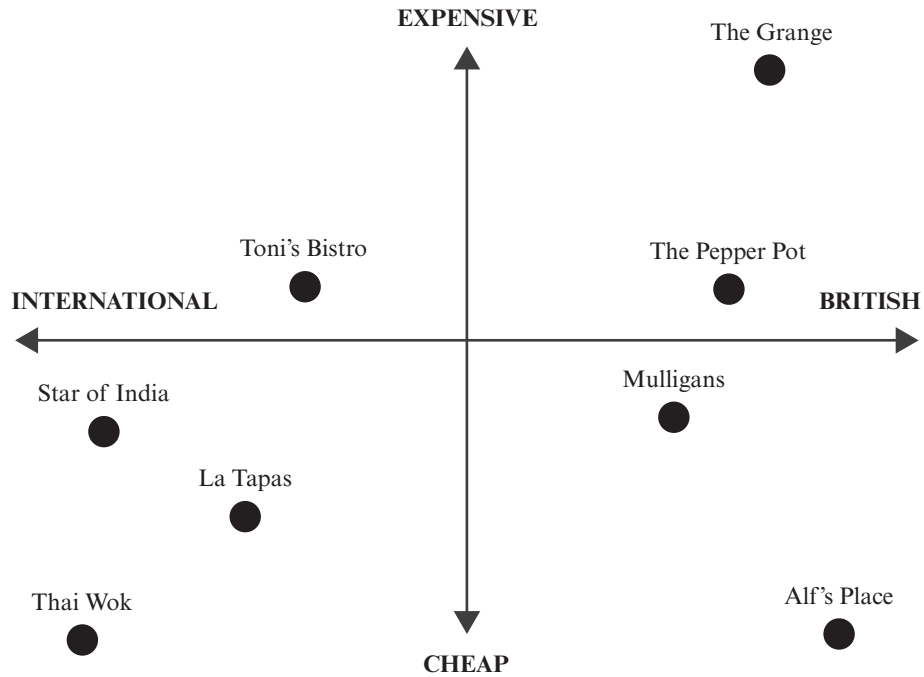


Figure 1

Mario is considering two options for the type of restaurant he would like to open in Odmoor.

Option 1: A premium-priced restaurant serving South American cuisine

Option 2: A medium-priced restaurant serving British cuisine

Although it seems that there is a gap in the market for this type of restaurant, make sure you consider some of the limitations and issues Mario should bear in mind.

1 Justify which **one** of these options Mario should choose.

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(9 marks)

PAPER 1 CONTENT

COMPETITION

Valerie and Norman Trembath own a dairy farm in Cornwall. In 2015, they decided to use some of the milk they produced to make their own brand of ice cream. Their analysis of the local competition showed that there was only one supplier of premium-priced ice cream in the area, so they developed a brand called ‘Truro’s Best’. It is very rich and creamy, and it is sold at a premium price. Most of their customers are in the catering industry – hotels and restaurants. Valerie and Norman now have an established product range and can produce ice cream in any flavour ordered by their customers, which larger ice cream manufacturers cannot do.

Target
Grade
2

- 1 State **one** reason why the Trembaths thought there was an opportunity in the local market for their premium ice cream.

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(1 mark)

Target
Grade
3

- 2 Outline **one** way in which the Trembaths have differentiated their ice cream.

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(2 marks)

Target
Grade
3

- 3 Outline **one** method that the Trembaths could use to further differentiate their ice cream.

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(2 marks)

Differentiation is closely linked to adding value.

COMPETITIVE MARKETS

Read the scenario about Valerie and Norman Trembath on page 13.

Target
Grade
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- 1 Explain **one** impact upon a business of increased competition in a market.

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(3 marks)

- 2 Analyse an impact on the Trembaths' business if competitors entered the market.

Target
Grade
6

When answering this question, make sure that you:

- explain at least one impact on Valerie and Norman's business
- link your answer to the context of the scenario.

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What makes Valerie and Norman's ice cream stand out? How might this help them to beat the competition?

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(6 marks)

AIMS AND OBJECTIVES

Anna O'Neil had worked for a large supermarket chain for eight years and, by the age of 24, she wanted to run her own retail business. She was creative, driven and wanted to be her own boss. Her father lent Anna £40 000, plus she used £10 000 of her savings to open a shop. She chose to locate the shop in the town of Fort William in the Scottish Highlands, near Ben Nevis, in order to sell outdoor pursuits equipment and accessories. Her initial aim was to ensure that the business was still trading in two years' time.

After two years, Anna's business has started to make a small annual profit and has a strong cash-flow position. People such as climbers and skiers visit from all over Scotland, though usually only when visiting Ben Nevis and the surrounding area. The business has attracted publicity in national outdoor sports magazines because of its commitment to providing personal attention and advice for customers. It has also attracted a huge following on social media, where it shares pictures of its staff and customers climbing, skiing and mountain biking.

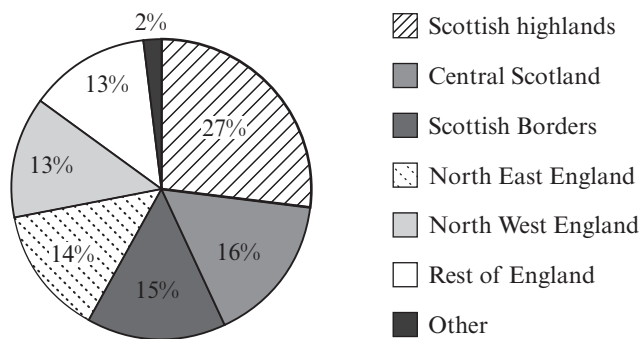


Figure 1 Where Anna's customers come from

Anna is now considering setting new objectives.

Target
Grade
2

- 1 State **one** non-financial objective that Anna had when she launched her own business.

..... (1 mark)

Target
Grade
3

- 2 Outline **one** non-financial objective that Anna's business could now adopt.

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 (2 marks)

Target
Grade
4

- 3 Explain **one** reason why a business owner might set an objective to break-even.

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 (3 marks)

Why is it important to break-even?

DIFFERING AIMS AND OBJECTIVES

Read the scenario about Anna on page 15.

- 1 Evaluate whether Anna should make her new aim to open a second shop. You should use the information provided as well as your knowledge of business.

**Target
Grade
8**

When you are answering this question, you may include:

- a paragraph that analyses why this objective might be suitable, making at least two points about its suitability
- a paragraph that analyses why this objective might not be suitable, making at least two points about its unsuitability
- a justified decision, explaining what factors the decision may depend upon
- a recommended course of action for Anna to take, considering the factors that she should take into account.

[illegible]

(12 marks)

Use additional paper to complete your answer.

PAPER 1 CONTENT

REVENUES AND COSTS

Philips is a small pottery business which specialises in ceramic plates. Table 1 contains financial information for one month (January).

Table 1

Number of ceramic plates produced and sold	200
Price per plate	£12
Variable cost per plate	£3
Fixed costs per month	£600

Target
Grade
5

- 1 Calculate the total costs for Philips during the month of January. You are advised to show your workings.

£.....

(2 marks)

Target
Grade
5

- 2 Calculate the total revenue for Philips during the month of January. You are advised to show your workings.

Revenue = Price × Quantity

£.....

(2 marks)

Target
Grade
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- 3 Explain **one** reason why a business owner might want to reduce the variable cost per unit.

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The difference between the unit price and variable cost per unit is the profit margin (also known as the contribution).

(3 marks)

PAPER 1 CONTENT

PROFIT AND LOSS

Philips is a small pottery business which specialises in ceramic plates. The owners would like to increase their profits, but they know that they are unlikely to increase their sales, so they are considering different options to increase profits. They would like to do this because the business made a loss last month.

Target
Grade
2

- 1 State **one** action that Philips could take to increase their profits.

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(1 mark)

- 2 Outline **one** reason why Philips may have made a loss last month.

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(2 marks)

Target
Grade
3

The owners of Philips are considering taking out a loan of £5000, which they will repay over four years. Their monthly repayment will be £116.50.

- 3 Calculate the total interest that Philips will pay for this loan as a percentage of the total amount borrowed. You are advised to show your workings.

Target
Grade
5

.....%

Give your
answer to two
decimal places.

(2 marks)

Target
Grade
5

- 4 The following table shows the costs, revenues and profits for Philips for a different two month period. Complete the table by filling in the **four** blanks.

	June	July
Total revenue	£3000	£3200
Fixed costs	£600	£600
Variable costs	(i) £2200	(iii)
Total costs	£2800	(iv)
Profit/loss	(ii)	£500

Total costs = Fixed + Variable costs
Profit = Total revenue – Total costs

(4 marks)

BREAK-EVEN CHARTS

Target
Grade
2

- 1 Which **one** of the following is a definition of the term ‘break-even level of output’?

Select **one** answer:

- ☐ **A** The level of output at which total profit = total costs
- ☐ **B** The level of output at which total fixed costs = total revenue
- ☐ **C** The level of output at which total variable costs = total fixed costs
- ☐ **D** The level of output at which total revenue = total costs

It isn't **A** because profit isn't used to calculate the break-even level of output.

(1 mark)

Yffects is a small recording studio that offers bands and singers a chance to record an album. It has constructed the break-even chart shown in Figure 1. It charges customers £500 for a session to record their album.

- Its fixed costs are £4000.
- Variable costs are £250 a session.

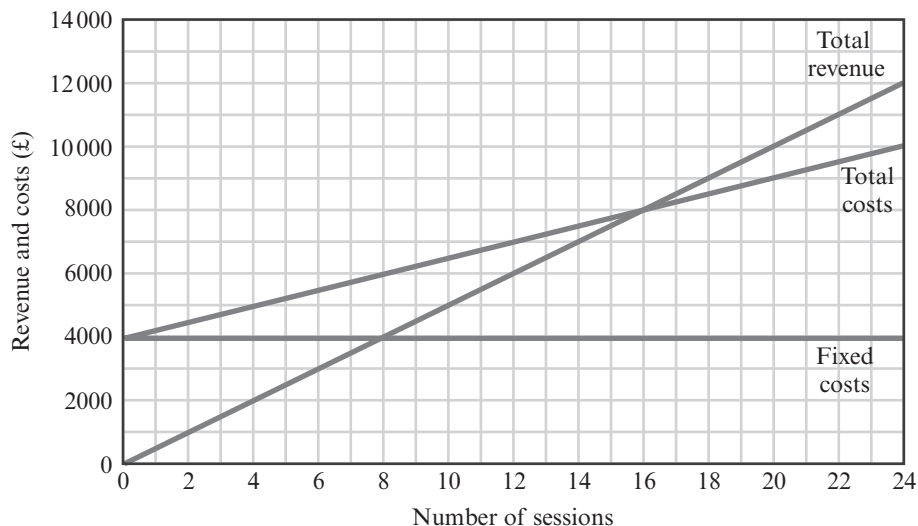


Figure 1 Break-even per month

Target
Grade
1

- 2 Using Figure 1, identify the number of sessions that the business needs to sell in order to break even.

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(1 mark)

Target
Grade
1

- 3 Using Figure 1, identify the total revenue of the business if it sold 20 sessions a month.

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(1 mark)

Target
Grade
1

- 4 Using the information in Figure 1, calculate the profit if the business sold 24 sessions a month. You are advised to show your workings.

£.....

The profit for 24 sessions can be read from the chart by comparing the difference between the total costs and total revenue lines for 24 sessions and reading from the y-axis.

(2 marks)

USING BREAK-EVEN

Yffects is a small recording studio that offers bands and singers a chance to record an album. It charges customers £500 for a session to record their album.

- Its fixed costs are £4000.
- Variable costs are £250 a session.

Target
Grade
2

- 1 State **one** action that Yffects could take to increase its margin of safety.

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(1 mark)

Yffects thinks its price is too low compared with other studios. It has decided to increase its price to £570 per session.

- 2 Calculate the break-even level of output following this decision.

Target
Grade
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(2 marks)

- 3 Analyse the impact of Yffects using break-even analysis to make business decisions.

Target
Grade
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It may help you to identify the different impacts of a decision if you remember that the impacts could be negative or positive.

(6 marks)

CALCULATING CASH-FLOW

Tees is a small business that prints T-shirts with designs on the front. In January, it had the following cash-flow information.

Opening balance	£18 000
Cash inflow	£17 000
Cash outflow	£21 000

- 1 Calculate the net cash flow for Tees at the end of January. You are advised to show your workings.

Target
Grade
5

Net cash flow =
Inflow – Outflow

£.....

(2 marks)

- 2 Calculate the closing balance for Tees at the end of January. You are advised to show your workings.

Target
Grade
5

£.....

(2 marks)

- 3 The business has the following figures in September, October and November. Complete the table with the **three** missing figures.

Target
Grade
5

	Sept (£)	Oct (£)	Nov (£)
Cash inflow	12 000	(ii) 14 000	8000
Cash outflow	19 000	22 000	24 000
Net cash flow	(i)	–8000	–16 000
Opening balance	20 000	13 000	5000
Closing balance	13 000	5000	(iii)

To find the **cash inflow** here subtract **net cash flow** from **cash outflow**.

(3 marks)

THE IMPORTANCE OF CASH TO A BUSINESS

Target
Grade
1

- 1 Which **one** of the following is a cash outflow from a business?

Select **one** answer:

- ☐ A Encouraging customer payment
- ☐ B Sales revenue
- ☐ C Receiving a bank loan
- ☐ D Purchasing assets

(1 mark)

Target
Grade
4

- 2 Explain **one** reason why a strong cash flow is important to a business.

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What could having a strong cash flow allow a business to do?

(3 marks)

Jayston Printing is a company that prints posters, magazines and leaflets. It has recently bought some new machinery with a loan, but has had problems owing to late payment by customers.

Delaying payments to suppliers is one method of improving cash flow.

Target
Grade
6

- 3 Analyse the impact on Jayston Printing of delaying its payments to its suppliers.

There must be at least five linked strands of explanation in your answer. You can analyse one or two impacts on the business, but your answer should relate to Jayston Printing.

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(6 marks)

SHORT-TERM SOURCES OF FINANCE

Target
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2

- 1 Give **one** method that a business could use to improve its cash flow.

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(1 mark)

Gurrinder is a sole trader who is a designer and decorator. Her business – Be Different – designs offices that will appear unusual and unique to customers. Gurrinder’s business has a healthy cash flow and is doing well. She would like to increase advertising and set up a new website.

Target
Grade
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- 2 Outline **one** short-term source of finance that Gurrinder could use to finance her planned business activities.

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(2 marks)

Target
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- 3 Explain **one** benefit to a business of using short-term sources of finance.

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(3 marks)

Expenses that could be paid using short-term sources of finance might include paying wages, supplier invoices and utility bills.

LONG-TERM SOURCES OF FINANCE

Gurrinder is a sole trader who is a designer and decorator. Her business – Be Different – designs offices that will appear different to customers. Her last job was making the inside of a computer design studio look like a computer. She wants to expand into designing shops, factories and even film sets. She knows this will not happen overnight and that she will need long-term sources of finance.

**Target
Grade
3**

- 1 Outline **one** long-term source of finance that Gurrinder could use to finance her business growth.

Try not to outline either of the long-term sources of finance suggested in question 2.

(2 marks)

- 2** Gurrinder is considering two options to finance the expansion of her business:

Option 1: Retained profit

Option 2: Crowd-funding

Justify which **one** of these two options Gurrinder should choose.

Work with the positive and negative aspects of Option 1 that have already been given.

(9 marks)

**Target
Grade
7**

This image shows a full page of a handwriting practice worksheet. It consists of approximately 28 horizontal rows. Each row is defined by two parallel dotted lines, creating a series of uniform gaps for letter height. The entire page is otherwise blank, with no margins, text, or other markings.

LIMITED LIABILITY

- 1 Which **one** of the following is a result of being a sole trader?

Target
Grade
1

Select **one** answer:

- ☐ A The owner is only liable for the money that they invest in the business
- ☐ B The business has to repay all loans instantly
- ☐ C The owner receives all of the business's revenue
- ☐ D The owner is liable for all of the business's debts

(1 mark)

- 2 Which **two** of the following are benefits of operating as a sole trader?

Target
Grade
2

Select **two** answers:

- ☐ A ~~The business owner can benefit from limited liability~~
- ☐ B The business owner is likely to face greater risk
- ☐ C The business owner will have greater control of the business
- ☐ D The business owner can take all the profits of the business
- ☐ E The business owner can sell shares to raise money

It isn't option A because sole traders have **unlimited liability**.

(2 marks)

- 3 Discuss the likely benefits to a business of changing from a sole trader to a private limited company.

Target
Grade
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What securities do the owners of private limited companies have that sole traders do not have?

(6 marks)

TYPES OF BUSINESS OWNERSHIP

Target
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- 1 Define the term 'private limited company'.

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(1 mark)

Target
Grade
2

- 2 Give **two** disadvantages of running a business as a sole trader.

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What are the limitations of being a small business?

(2 marks)

Target
Grade
4

- 3 Explain **one** reason why a business may choose to become a private limited company.

What can a private limited company do that a sole trader cannot do? Give a reason and then develop your explanation with two linked strands of development. These could be causes or consequences.

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(3 marks)

Target
Grade
5

- 4 Discuss a reason why customers may trust a private limited company more than a sole trader.

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(6 marks)

FRANCHISING

Happy Dog is a franchise operation providing pet services such as dog walking, pet grooming and pet care for absent pet owners. Sandie Robinson is an animal lover, and she also wants to start her own business. However, Sandie has never run her own business before and does not want to manage a high level of risk. She is considering taking out a franchise with Happy Dog, which costs £9995.

**Target
Grade
2**

- 1** State **one** benefit to Sandie of buying a Happy Dog franchise.

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(1 mark)

- 2** Sandie is considering two options to start up her own pet services business.

Option 1: Buy the Happy Dog franchise

Option 2: Set up her own business

Justify which **one** of these two options Sandie should choose.

**Target
Grade**
7

You could answer this question by:

- explaining the benefits and downsides of buying a franchise, applying the details that you are given about the Happy Dog franchise
- explaining the benefits and downsides of opening a new business.
- writing a justified conclusion outlining what Sandie should do.

[illegible]

(9 marks)

PAPER 1 CONTENT

BUSINESS LOCATION

- 1 Give **three** factors a business might consider when choosing a location.

**Target
Grade
2**

What things might a business want to be near to or have easy access to? For example, how close is the proposed location to services like public transport?

- 1
- 2
- 3

(3 marks)

- 2** Explain **one** reason why it might be an advantage for a business to set up on a busy high street.

**Target
Grade
4**

Think about how a business's location might be linked to promotion and awareness.

- [illegible]

(3 marks)

- 3 Discuss a factor that a business that exports its products should consider when choosing a location for its factory.

**Target
Grade
5**

You could choose to answer this question by explaining two different factors or by explaining one factor in a lot of detail.

- explaining factors or one factor in detail.

(6 marks)

THE MARKETING MIX

Target
Grade
1

- 1 Which **one** of the following relates to a business's ability to communicate with its customers?

Select **one** answer:

- ☐ A Price
☐ B Product
☐ C Promotion
☐ D Place

(1 mark)

Target
Grade
1

- 2 Which **one** of the following relates to a business's choice to sell its products through a particular retail store?

Select **one** answer:

- ☐ ~~A Price~~
☐ B Product
☐ C Promotion
☐ D Place

A business's choice of retail store affects the business's ability to get its product to its customers; not the price of its product.

(1 mark)

Goalz is a small sports and fitness business that is creating an app for sports people. The app will be used on mobile devices such as smartphones and tablets, and it will help people to record their sporting activities and track their achievements against their aims.

Market research shows that there are similar apps already on the market, but Goalz intends to sell its app at a slightly lower price than other apps. The Goalz app will also calculate a person's recovery time after exercise and provide personalised information to help improve their performance, which other apps do not. Goalz will advertise its app in national sports magazines and sell its app through popular app stores such as the Apple® App Store.

Target
Grade
3

- 3 Outline **one** element of the marketing mix that Goalz could use to promote its product.

Remind yourself of the 4 Ps:
Product, Price, Promotion and Place.

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(2 marks)

INFLUENCES ON THE MARKETING MIX

Target
Grade
4

- 1 Explain **one** way that the marketing mix might be influenced by technology.

Choose a specific element of the marketing mix and a specific type of technology to focus your answer and help provide examples.

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(3 marks)

Amy Wong is a party organiser. Her business – Parties Ltd – organises a wide range of parties for weddings, birthdays, anniversaries, office parties, Christmas and other social events in the Cheltenham area. The company finds party locations and organises catering, music, decoration, drinks, costumes, transport and any other service that is required by the client.

Target
Grade
6

Price and promotion are two elements of the marketing mix.

- 2 Analyse how price and promotion are connected for Parties Ltd.

Make sure that your answer is in the context of Parties Ltd.

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(6 marks)

THE BUSINESS PLAN

- 1 Which **one** of the following is **most likely** to be included in a business plan?

Target
Grade
1

Select **one** answer:

- ☐ A A copy of the business's headed notepaper
- ☐ B A forecast of cash flow for the two shops
- ☐ C A record of the profits of the two shops
- ☐ D A list of names of customers in the shop

(1 mark)

- 2 Which **one** of the following is the **most likely** reason to produce a business plan?

Target
Grade
2

Select **one** answer:

- ☐ A To guarantee shops make a profit
- ☐ B To attract customers to the shops
- ☐ C To reduce the chance of the shops failing
- ☐ D To train new staff in the shops

A **business plan** is a plan for the development of a business, giving forecasts of items such as sales, profits, costs and cash flow.

(1 mark)

- 3 Discuss a reason why a business owner might write a business plan.

Target
Grade
5

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Who might read a business plan once it has been written? What decisions might they make based on the business plan?

(6 marks)

THE NATURE OF BUSINESS PLANNING

Marcus is the managing director of Delicious Italia Ltd, a small chain of shops in the UK that sells food from Italy. There is an Italian café in each shop. He wants to open two new shops in London.

In order to open the new shops, Marcus requires £30 000 to renovate the two locations that he has identified. Both locations are in the centre of London, surrounded by a wide variety of other delis and cafés.

Marcus is considering two options to open his new shops.

**Target
Grade
7**

Option 1: Prepare a detailed business plan and seek a bank loan

Option 2: Try to raise additional share capital without preparing a business plan

1 Justify which **one** of these two options Marcus should choose.

When answering this question, you could:

- explain the benefits of one of the two options in the context of Delicious Italia Ltd
- explain the drawbacks of your chosen option in the context of Delicious Italia Ltd
- write a justified conclusion that outlines why you think Marcus should choose the option you have analysed.

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(9 marks)

PAPER 1 CONTENT

STAKEHOLDERS

Target
Grade
1

- 1 Which **one** of the following is **most likely** to be a disadvantage to a business of having stakeholders?

Select **one** answer:

- ☐ A Stakeholders can have different views
- ☐ B Stakeholders can have different skills
- ☐ C Stakeholders can work for the business
- ☐ ~~D Stakeholders can put money into the business~~

It isn't option D because this is a **benefit** of having stakeholders.

(1 mark)

Target
Grade
2

- 2 Which **two** of the following are **most likely** to be benefits to a café of placing chairs and tables in the street?

Select **two** answers:

- ☐ A The business might want to get suppliers from somewhere else
- ☐ B It increases the space available for people to sit in
- ☐ C Customers might be attracted as they can smoke outside
- ☐ D Rivals could reduce prices to compete against the business
- ☐ E People in wheelchairs might find it difficult to get past tables

(3 marks)

Target
Grade
2

- 3 Draw lines to match each objective on the left with the relevant stakeholder on the right.

You won't be asked to answer questions like this in your exam. This one is just for practice.

Objective	
Value for money	i
Good employment conditions	ii
High profits, to get a returns on their shares	iii
Collecting tax on business revenue	iv
Reliable payment for orders	v

Stakeholder	
A	Local community
B	Government
C	Workers
D	Supplier
E	Managers
F	Competitors
G	Customers
H	Owners

STAKEHOLDER CONFLICT

Target
Grade
1

- 1 Which **one** of the following is **most likely** to be the key interest of a shareholder in a business?

Select **one** answer:

- ☐ A The profit made by the business
- ☐ B Staff turnover
- ☐ C Employees' working conditions
- ☐ D ~~Increasing employment opportunities for disadvantaged people~~

Option D would be of interest to customers, the government or charities working with disadvantaged people, but it's unlikely to be the most important interest for a shareholder.

(1 mark)

BHP Billiton is an Anglo-Australian multinational mining, oil and gas company. It is the world's largest mining company and made a profit of US\$21.7 billion in 2011. In 2012, workers at some mines in Queensland, Australia went on strike in protest over their working conditions. They wanted an extra break for night-shift workers, and more family-friendly shifts. According to a management spokesman, the strikes were expected to affect supplies to customers.

Target
Grade
2

- 2 State **two** other stakeholders (other than shareholders) in BHP Billiton.

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(2 marks)

Target
Grade
3

- 3 Outline **one** conflict that might exist between two of the groups of stakeholders in BHP Billiton.

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(2 marks)

Target
Grade
5

- 4 Analyse the impact on shareholders in BHP Billiton of conflict between employees and managers.

When answering this question, try to:

- consider the key interests of shareholders
- describe how these interests might be affected by strike action
- consider the long-term effects on sales.

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(6 marks)

TECHNOLOGY AND BUSINESS

Target
Grade
1

- 1 Give **two** types of technology that a business might use.

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(2 marks)

Target
Grade
4

- 2 Explain **one** disadvantage to a business of investing in new technology.

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(3 marks)

Target
Grade
5

- 3 Discuss the impact of technology on the marketing mix of a business.

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(6 marks)

What might a business have to do to ensure new technology is integrated into the business and all employees know how to use it effectively?

Identify a specific technology and then explain how this could influence at least one of the 4 Ps.

PRINCIPLES OF CONSUMER LAW

Mixon is a company that produces a range of vegetarian products for people aiming to lose weight. These include sugar substitutes, main meals, snacks, drinks and desserts. Its latest product is a quiche. The advertising for this new product uses the phrases:

- ‘made only from natural ingredients’
- ‘ideal for vegetarians’
- ‘perfect as part of a diet for those looking to lose weight’
- ‘ideal for a quick lunch’.

It has been suggested that the fat content of the quiche is only slightly lower than those of supermarket brands. Also, in one variety, a vegetarian alternative has been used instead of meat.

Target
Grade
2

- 1 State **one** benefit to consumers of Mixon having to comply with consumer protection laws.

(1 mark)

Target
Grade
7

- 2 Mixon is considering two options for the advertising for its new product.

Option 1: Using the advertising phrases suggested in the case study

Option 2: Choosing not to use the statements about weight loss and natural ingredients

Justify which **one** of these options Mixon should choose.

When answering this question, you have to **justify** your decision. This means that you have to consider the advantages and disadvantages of your chosen option to Mixon.

(9 marks)

PAPER 1 CONTENT

[illegible]

PRINCIPLES OF EMPLOYMENT LAW

Target
Grade
4

- 1 Explain **one** benefit to a business of adhering to health and safety regulations in its workplaces.

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When answering an 'explain' question, identify one benefit (or factor, reason or method) and then give two linked strands of development that may be a cause or a consequence of this benefit.

(3 marks)

Target
Grade
3

- 2 Explain **one** limitation for a business of an increase in the minimum wage.

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(3 marks)

Target
Grade
5

- 3 Discuss the impact on a business of failing to comply with recruitment legislation.

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What might a business do illegally when recruiting and employing workers? What consequences could this have on the business?

(6 marks)

THE ECONOMY AND BUSINESS

Target
Grade
3

- 1 Define the term 'consumer income'.

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(1 mark)

Target
Grade
2

- 2 Which **two** of the following are the **most likely** reasons for a business to lower its prices?

Select **two** answers:

- ☐ A Competitors have raised prices
- ☐ B A fall in incomes of people who buy its products
- ☐ C ~~A rise in the price of raw materials~~
- ☐ D A fall in the supply of raw materials
- ☐ E Similar businesses entering the market

Option C would be more likely to cause a business to increase its prices.

(2 marks)

Target
Grade
4

- 3 Explain how rising consumer income might affect a business.

When answering this question, you could:

- state how rising consumer income would affect a business
- develop two consequences of this effect, which could be linked to increasing demand and sales, the need for recruitment and increased profits.

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(3 marks)

UNEMPLOYMENT AND INFLATION

Target
Grade
1

- 1 Which **one** of the following is used to measure unemployment in the UK?

(1 mark)

Select **one** answer:

- ☐ A The number of people in long-term unemployment
- ☐ B The number of people made redundant in a given month
- ☒ C The consumer price index
- ☐ D A monthly count of those people claiming unemployment benefit

It isn't option C because the consumer price index is used to measure inflation.

(1 mark)

Target
Grade
3

- 2 Define the term 'unemployment'.

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(1 mark)

Target
Grade
4

- 3 Explain **one** impact of a low rate of inflation on a business.

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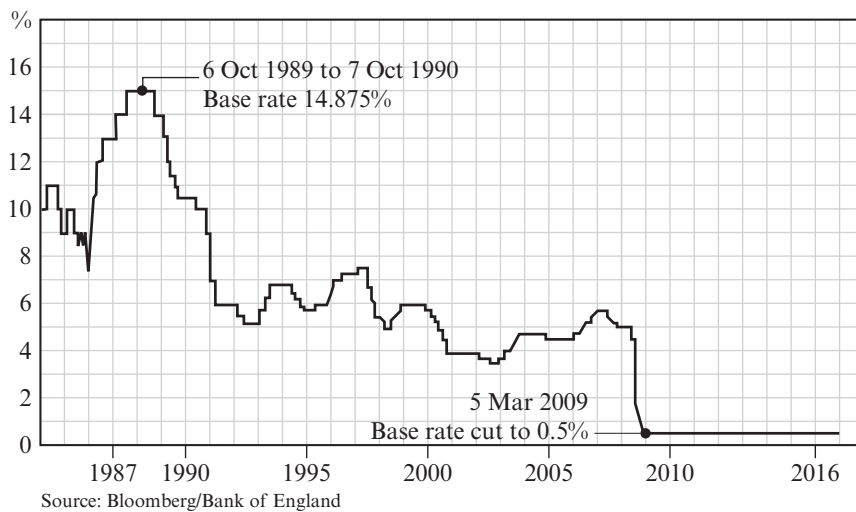
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(3 marks)

INTEREST RATES



Target
Grade
2

- 1 Identify how much the base rate of interest fell between 2009 and 2015.

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(1 mark)

Target
Grade
2

- 2 Which **two** of the following are the **most likely** effects of rising interest rates on a business?

Select **two** answers:

- ☐ A A fall in sales due to lower levels of consumer spending
- ☐ B New business entering the market to take advantage of the change in interest rates
- ☐ C An increase in costs owing to higher loan repayments
- ☐ D The net cash flow of the business improves
- ☒ E A rise in sales due to higher levels of consumer spending

It isn't option E because this is likely to occur if interest rates **fall**.

(2 marks)

Target
Grade
4

- 3 Explain how low interest rates will help stimulate demand in the economy.

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Consider how consumers and businesses might react to lower interest rates.

(3 marks)

EXCHANGE RATES

Target
Grade
1

- 1 Which **one** of the following is an example of an export for the UK?

Select **one** answer:

- ☐ A The sale of cars to Italy
- ☐ B The purchase of clothes from Bangladesh
- ☐ C The transfer of £25 000 from a UK bank account to a USA bank account
- ☐ D A visit by a UK school party to France

(1 mark)

Target
Grade
3

- 2 Define the term 'exchange rate'.

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(1 mark)

The UK has a long history of trading with overseas nations. Today, for example, the UK sells whisky to the US, seafood to Spain, cars to Italy and pharmaceuticals to India. The UK also buys machinery from Germany, wine from Australia, vegetables from Peru and clothes from Bangladesh.

Target
Grade
6

- 3 Analyse the impact of the strengthening of the pound against the US dollar on the profits of UK businesses exporting to the US.

When answering this question, you may want to:

- outline the effect on the prices of exports of the strengthening pound
- explain the effect of USA demand for whisky resulting from the effect on the price of exports
- explain how the change in USA demand will affect the profits of whisky producers in the UK.

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(6 marks)

EXTERNAL INFLUENCES

Target
Grade
2

- 1 Give **two** external influences that a business may have to consider.

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(2 marks)

- 2 Explain **one** impact on UK businesses of a change in government legislation.

You could consider a specific type of law to help think about the answer to this question.

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(3 marks)

- 3 Discuss the impact on businesses of the government encouraging people to use more renewable sources of energy.

You could approach this question in two different ways:

- Explain how businesses could see this as an opportunity.
- Explain how businesses could see this as a threat.

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(6 marks)

Target
Grade
4

Target
Grade
5

EXAM SKILLS: CASE STUDY

Answer ALL questions.

Look at Figure 1 and read the following extract carefully, then answer the questions.

Write your answers in the spaces provided.

In 2004, Cormac O'Donoghue started his own building business as a sole trader. Initially, he worked on small repair jobs, but he soon progressed to taking on house extensions and loft conversions. In 2010, Cormac set up Knight Construction Ltd and employed a small team of tradesmen including roofers, bricklayers and labourers. When he established the business, Cormac paid attention to his local competitors and positioned his business accordingly, as shown in Figure 1.

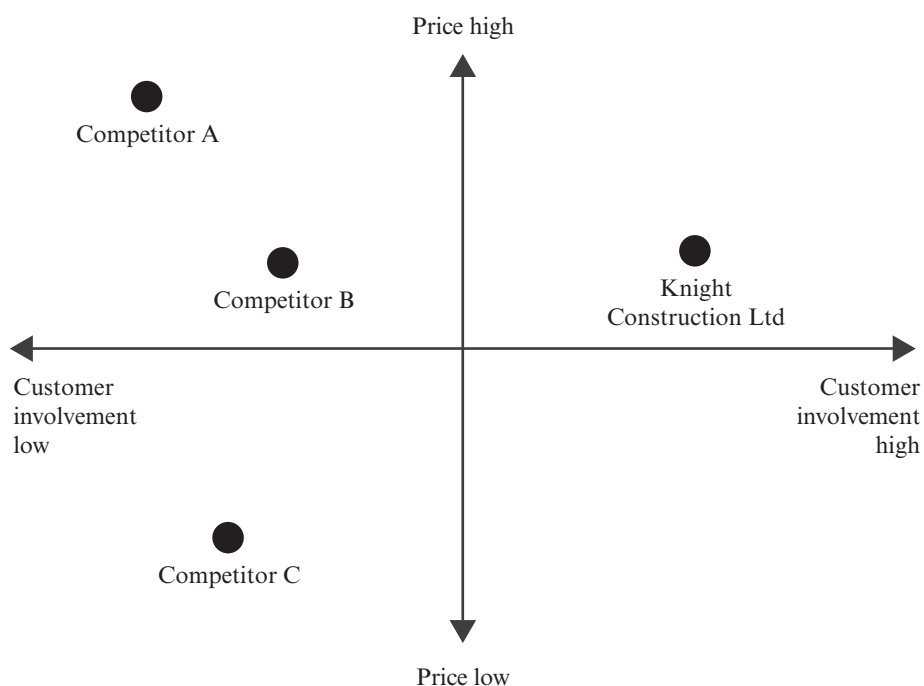


Figure 1

By 2016, Knight Construction Ltd had become one of the most reputable building companies in its area, with several teams of builders working on building projects throughout the year. The business benefits from positive word-of-mouth and personal recommendations that customers pass on to friends and family.

Cormac attributes the success of his business to the highly detailed quotes that they provide for their customers. The business also works hard to ensure that every project comes in on time and on budget, so that customers never have to pay more than their initial quotation. At times, the business absorbs costs to ensure that customers pay only what they were quoted. Knight Construction Ltd also allows its customers to spread their payments over the duration of the project, paying 50% of the final payment on the project's completion.

Cormac wants to improve the business's website and make it look more professional, so he intends to work with a web design business to develop a new website. The new website will feature time-lapse videos of projects that his company has completed for satisfied customers. In order to pay for the website development, Cormac intends to take out a £5500 loan from the bank with an interest rate of 8% per annum.

PAPER 1 CONTENT

EXAM SKILLS: PRACTICE PAPER

Target
Grade
1

- 1 Using Figure 1, state a potential gap in the local market.

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Describe the quadrant on the market map where there are no competitors.

(1 mark)

Target
Grade
5

- 2 Calculate the total repayment on the loan taken out by Knight Construction Ltd. You are advised to show your workings.

$$\frac{\text{Total repayment} - \text{Borrowed amount}}{\text{Borrowed amount}} \times 100 = \text{interest on loan (\%)}$$

$$5500 \times 1.08 =$$

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(2 marks)

Target
Grade
3

- 3 Outline **one** method that Knight Construction Ltd might use to promote its services other than word-of-mouth advertising.

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Identify one promotion method that would be suitable for a business like Knight Construction Ltd. You also need to provide a simple development of the method that you have identified.

(2 marks)

PAPER 1 CONTENT

**Target
Grade
4**

- 4** Outline **one** benefit to Knight Construction Ltd of using a market map.

What decisions can a market map help a business make?

(2 marks)

**Target
Grade
5**

- 5 Analyse the impact on Cormac's business of converting to a private limited company in 2010.

What protection would becoming a private limited company bring to Cormac's business?

(6 marks)

PAPER 1 CONTENT

**Target
Grade
6**

- 6** Analyse the impact on Knight Construction Ltd of allowing customers to spread payments over the duration of a project.

Consider the positive and negative aspects of the impact. Will allowing customers to spread their payments make the business's services more attractive? What effect could this approach have on Knight Construction Ltd's cash flow?

[illegible]

(6 marks)

PAPER 1 CONTENT

Cormac is considering two options to improve the marketing mix of his business and attract more customers:

**Target
Grade
7**

Option 1: Continue with his plans to increase marketing expenditure on his improved website

Option 2: Reduce his prices

7 Justify which **one** of these two options Cormac should choose.

A 'justify' question requires you to analyse the impact of one of two available options. You are then required to make a decision and support your decision with evidence. Your answer must be rooted in the context of the question.

Which of the 4 Ps (Product, Price, Promotion or Place) would the new website have an impact on? Could it have an impact on all four of them?

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of them?

(9 marks)

PAPER 1 CONTENT

PAPER 1 CONTENT

Due to economic influences and the rising cost of building materials, Cormac has estimated that his variable costs have increased by 15%.

**Target
Grade
8**

- 8** Evaluate whether Cormac's decision to ensure that his customers do not pay more than their original quotation is a good decision. You should use the information provided as well as your knowledge of business.

When answering this question:

- Ensure your answer is in the context of Knight Construction Ltd and the building industry.
- Explain the positive impact that ensuring every project comes in on budget will have on customer satisfaction, its reputation and the success of the company.
- Explain the financial limitations of this decision and the impact it could have on the profitability of the business.
- Discuss how this decision may depend on a range of other factors such as the extent of the cost and uncertainty of external factors.
- Give a balanced decision with clear justification and recommendations.

A blank sheet of lined paper with horizontal ruling lines.

(12 marks)

Use additional paper to complete your answer.

PAPER 1 CONTENT

BUSINESS GROWTH

Target
Grade
3

1 Define the term ‘takeover’.

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(1 mark)

Target
Grade
4

2 Explain **one** reason why a business would want to grow.

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(3 marks)

Target
Grade
5

3 Discuss a method that a business could use to grow internally.

When answering this question, make sure that you:

- choose one or more of the 4 Ps to talk about
- explain an example of how your choice above might result in growth
- discuss the first point with several strands of development or explain how changing a second P could also lead to growth.

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(6 marks)

PAPER 2 CONTENT

[illegible]

FINANCING GROWTH

Target
Grade
1

- 1 Which of the following is an **internal** source of finance?

Select **one** answer:

- ☐ ~~A A loan from the bank~~
- ☐ B A stock-market flotation
- ☐ C Selling assets
- ☐ D Venture capital

It isn't option A because this is from **outside** the business.

(1 mark)

Target
Grade
5

- 2 Discuss the impact on a business of taking out a bank loan to finance business expansion.

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(6 marks)

Pret A Manger is a sandwich and coffee shop chain that has grown considerably since it opened its first shop in London in 1986. At the end of 2016, the chain had 444 shops around the world, and in recent years it has expanded into countries such as France, China and the USA. In 2016, Pret A Manger's sales in the USA exceeded \$200m for the first time.

Target
Grade
6

- 3 Analyse the impact on Pret A Manger of using retained profit to finance growth.

When answering this question, you could:

- discuss the benefits of financing growth with retained profit
- discuss the limitations of financing growth with retained profit
- ensure that your answer is applied to the Pret A Manger context.

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(6 marks)

WHY BUSINESS OBJECTIVES CHANGE

Target
Grade
1

1 Which **one** of the following is an internal factor that may affect a business’s objectives?

- ☐ A A new technology is introduced
- ☐ B The government introduces new employment legislation
- ☐ C The business appoints a new managing director
- ☐ ~~D A new competitor enters the market~~

The entrance of a new competitor is an external pressure on the business.

(1 mark)

Target
Grade
4

2 Explain **one** reason why competition may affect a business’s choice of objectives.

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(3 marks)

Target
Grade
5

3 Discuss a reason why a business might have an objective to increase efficiency.

Discuss at least one benefit that a business might get from improved efficiency and how this links to its objectives.

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(6 marks)

HOW BUSINESS OBJECTIVES CHANGE

**Target
Grade
1**

- 1 Which **one** of the following objectives is **most likely** to be adopted by a business intending to expand?

- ☐ **A** Improve efficiency
- ☐ **B** Maintain market share
- ☐ **C** Reduce costs
- ☐ **D** Open new stores

(1 mark)

**Target
Grade
4**

- 2 Explain **one** reason why market conditions can affect business objectives.

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(3 marks)

**Target
Grade
5**

- 3** Discuss a reason why a business might set an objective to increase its product range.

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(6 marks)

Market conditions may be positive or negative. Choose one condition and then explain how this may affect a business's objectives.

BUSINESS AND GLOBALISATION

Target
Grade
3

- 1 Define the term ‘multinationals’.

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(1 mark)

Target
Grade
4

- 2 Explain **one** advantage of globalisation to an exporter.

An exporter will look for opportunities to sell to international markets.

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(3 marks)

Target
Grade
5

- 3 Discuss the impact on small local businesses of increased levels of globalisation.

You should approach this answer with a perspective.

- Explain how small local businesses might benefit from globalisation.
- Explain how small local businesses might be threatened by globalisation.

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(6 marks)

INTERNATIONAL TRADE

Target
Grade
4

- 1 Explain **one** advantage to a business of operating within a trade bloc.

[illegible]

(3 marks)

Less economically developed countries (LEDCs) such as Kenya can benefit from international trade. For example, jobs might be created if an LEDC can export goods and services. One of Kenya's key exports is coffee.

**Target
Grade
6**

- 2 Discuss the impact on businesses in Kenya of the UK placing a tariff on imports from foreign countries.

You could approach this question by:

- discussing how a tariff on Kenyan coffee could limit demand for the product in the UK
- explaining the consequences for Kenyan coffee businesses and related trades
- discussing how the tariff may have limited effect on Kenyan businesses, for example if they sell a lot of their coffee to other countries.

[illegible]

(6 marks)

COMPETING INTERNATIONALLY

Target
Grade
1

- 1 Which **one** of the following is a possible motive for imposing a tariff on imported goods?

Select **one** answer:

- ☐ ~~A To increase imports~~
- ☐ B To create a trade bloc
- ☐ C To protect domestic businesses
- ☐ D To decrease inflation

Imposing a tariff is likely to decrease imports, so it can't be Option A.

(1 mark)

Target
Grade
3

- 2 Outline **one** way in which a business could compete internationally.

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(2 marks)

Target
Grade
4

- 3 Explain **one** benefit to a business of using e-commerce to compete internationally.

E-commerce allows businesses to sell to consumers without needing to open stores.

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(3 marks)

ETHICS AND BUSINESS

The Real Bread Campaign is a UK pressure group that campaigns for producers to declare exactly what goes into bread production, challenges misleading marketing and helps to raise awareness about additives. It campaigns and lobbies for bread that gives nourishment, flavour, digestibility and sustainability.

Source: adapted from www.sustainweb.org

**Target
Grade
2**

- 1 State **two** methods that a pressure group such as the Real Bread Campaign could use to influence producers of bread.

1

2

(2 marks)

The Real Bread Campaign could consider two options for a new campaign to encourage manufacturers to make healthier and more sustainable bread products.

Option 1: Publishing a list of manufacturers who produce unhealthy bread

Option 2: Publicly working with a bread producer to produce healthier bread

- 2** Justify which **one** of these two options the Real Bread Campaign should choose.

When you answer this question, you could:

- discuss how this action may encourage more manufacturers to change their policies
- discuss the limitations, including how some manufacturers may ignore it or accept the negative publicity
- justify whether or not you believe this is a good decision, and perhaps make recommendations about other ways in which the Real Bread Campaign could influence these businesses or consumers.

**Target
Grade
7**

This image shows a full page of white paper with horizontal dashed lines, typical of primary school writing paper. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

(9 marks)

PAPER 2 CONTENT

ENVIRONMENTAL ISSUES

Paperclip is a business that provides office stationery and supplies for business, such as pads, files, binders, paper, storage, equipment and print services. The business has been shortlisted on several green companies award lists for the last three years and recently came first, winning the title of Britain's Best Green Company. This award is given to businesses that successfully focus on their environmental performance and their employees' morale.

Target
Grade
2

- 1 State **one** method that Paperclip might use to reduce its impact on the environment.

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(1 mark)

- 2 Outline **one** reason why Paperclip might choose to reduce its impact on the environment.

Target
Grade
3

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Make sure that you relate
your answer to Paperclip.

(2 marks)

- 3 Analyse the impact of Paperclip improving its environmentally friendly business practices.

Target
Grade
6

When answering this question, you could:

- consider how its policies will reduce the negative impact on the environment
- consider how being a green company will also benefit the long-term fortunes of Paperclip.

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(6 marks)

PRODUCT

Target
Grade
3

- 1 Define the term ‘design mix’.

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(1 mark)

- 2 Explain **one** reason why function is an important element of the design mix.

Target
Grade
4

When answering this question, you could:

- explain one reason why function is important (for instance, so that the product can do the job that it is intended to do)
- develop your answer with two linked strands in the form of consequences (for instance, by considering the benefits to a business of selling products that function well).

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(3 marks)

Target
Grade
4

- 3 Explain **one** reason why it is important for a business to differentiate its products.

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Differentiation is closely linked to the concepts of competition, adding value and branding.

(3 marks)

PRODUCT

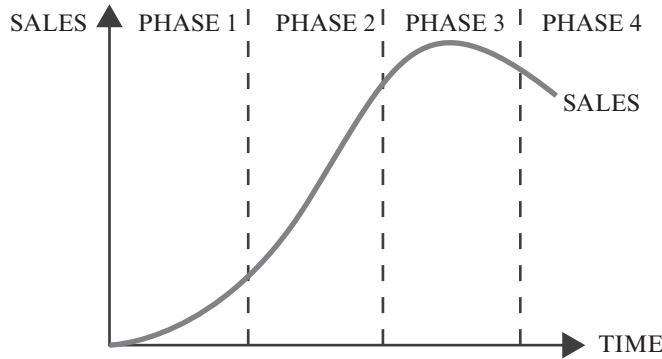


Figure 1 A product life cycle showing sales of a product over a period of time

Target
Grade
2

- 1 Look at Figure 1. Which **one** of the following is the name of Phase 4?

Select **one** answer:

- ☐ A Growth
- ☐ B Decline
- ☐ C Maturity
- ☒ ~~D Introduction~~

Introduction is the first phase of the product life cycle, so it can't be Option D.

(1 mark)

Target
Grade
3

- 2 Define the term 'extension strategy'.

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(1 mark)

Target
Grade
2

- 3 Give **one** possible extension strategy that a business could use.

..... (1 mark)

You do not need to give an explanation when answering a 'give' question.

Target
Grade
5

- 4 Discuss the benefit to a business of using the product life cycle to make decisions about its products.

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Look at the product life cycle in Figure 1 and consider how this model could be used to help a business make decisions such as when to launch new products, when to promote products and when to discontinue products.

(6 marks)

THE IMPORTANCE OF PRICE

Target
Grade
2

1 Which **two** of the following actions are **most likely** to help a business increase profits?

Select **two** answers:

- ☐ A Buy cheaper raw materials used to make its products
- ☐ B Increase its number of employees
- ☐ C Increase advertising expenditure
- ☐ D Increase the sales price of its products
- ☐ E Buy more expensive raw materials to make its products

(2 marks)

Target
Grade
4

2 Explain **one** reason why a business might increase its prices.

Think about the impact of a business's total costs on its profit margin.

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(3 marks)

Target
Grade
5

3 Discuss a reason why price is linked to quality within the marketing mix.

What pricing strategy might be used when selling a high-quality product?

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(6 marks)

PRICING STRATEGIES

**Target
Grade
4**

- 1** Explain **one** way in which technology can influence a business's choice of pricing strategy.

[illegible]

(3 marks)

Diva is a clothing retailer in the UK that operates high street retail shops and an e-commerce site. In the period leading up to Christmas 2017, the business's in-store sales fell unexpectedly by 5.6%. On the other hand, its online sales in the same period increased by 3.9%. The business was pleased to find that when it entered its end-of-year sale, it had 5.8% less stock to sell, but sales during the end-of-year sale period were 2% lower than in the previous year.

The following are two strategies that Diva could use in order to maintain its profits when faced with falling sales in stores.

Option 1: Reducing its prices

Option 2: Increasing its advertising

- 2** Justify which **one** of these two options Diva should choose to maintain its profits.

**Target
Grade**
7

When answering this question, you could:

- consider the impact of increased advertising on customer loyalty, added value, competition and costs
- consider the impact of reduced prices on customer opinions, competition, total revenue and the contribution per unit
- consider the effects of both options on Diva's profits, in the short term and in the long term.

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For this type of question you must make a judgement about which is the better option. There is no right or wrong answer, but you need to **justify** your choice.

(9 marks)

PAPER 2 CONTENT

[illegible]

PROMOTION

Target
Grade
1

- 1 Which **one** of the following is **not** a method of promotion?

Select **one** answer:

- ☐ A Advertising
- ☐ B Product trials
- ☐ C Cutting costs
- ☐ D Sponsorship

(1 mark)

Target
Grade
4

- 2 Explain **one** reason why a business may use social media to promote its products and services.

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What are the possible benefits of using social media in comparison with other forms of promotion?

(3 marks)

Target
Grade
5

- 3 Discuss a reason why a business may choose to reduce the amount of promotion that it undertakes.

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(6 marks)

PROMOTION, BRANDING AND TECHNOLOGY

Target
Grade
2

1 Give **two** advantages to a business of having a strong brand.

1 It gives it the ability to charge a premium price.

2 (2 marks)

Target
Grade
4

2 Explain **one** way that a business could use technology to promote itself.

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Start by choosing a technology, such as email, websites or social media.

(3 marks)

In 2017, the brand valuation business Brand Finance reported that Google became the world's most valuable brand, overtaking Apple. Brand Finance's 2017 report assessed that Apple's brand value fell 36% to just over \$107 billion. Meanwhile, the report announced that Google's brand value rose to over \$109 billion, up from \$88 billion in 2016.

Brand Finance had considered Apple to be the most valuable brand for the previous five years. However, its 2017 report suggested Apple has not retained its technological advantage over its competitors and has faced increasing competition from a number of new smartphone manufacturers.

Source: adapted from Brand Finance *Global 500 2017* report

Target
Grade
6

3 Analyse the impact on Google of having the world's most valuable brand.

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When answering this question, you could explain the positive impact of having a brand that is well-known and strong. You could also consider the negative impact of having the most valuable brand in the world. Can you think of any downsides or limitations?

(6 marks)

PLACE

Target
Grade
2

- 1 Which **two** of the following are **most likely** to be advantages to a retailer of choosing to open a shop on a pedestrianised high street?

Select **two** answers:

- ☐ A Availability of customer parking outside the shop
- ☐ B Suppliers will find it easy to park outside and deliver goods to the shop
- ☐ C Convenience of location for customers
- ☐ ~~D Locating next to a direct competitor~~
- ☐ E Potential to attract passing local trade

The key to a good business location is proximity to customers, resources and trade. Locating next to a direct competitor is unlikely to be an advantage as the rival business may attract some of the retailer's customers.

(2 marks)

Target
Grade
4

- 2 Explain **one** benefit to a business of using e-commerce to sell its products.

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(3 marks)

Target
Grade
5

- 3 Discuss a factor that a business should consider when choosing a location.

What is the advantage of trading online in comparison to retail?

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(6 marks)

INTEGRATED MARKETING MIX

Samsung is one of the world's largest information technology companies. It is well-regarded and sells products such as computers, televisions, fridge-freezers and smartphones. In 2016, Samsung had to recall its Note 7 smartphone after the business discovered a fault in the battery used in the Note 7. Despite this, its brand value rose 13% between 2016 and 2017.

In 2017, Samsung announced the release of its new range of smartphones, the Galaxy S8 and Galaxy S8+. After Samsung's experience with the Note 7, the business had introduced new and even more rigorous quality and safety testing. Samsung hoped that its new smartphones would restore consumer trust and help its brand to continue competing with other global smartphone brands such as Apple and Huawei.

Source: adapted from <http://wccftech.com/galaxy-s8-pre-orders-april-10/>

**Target
Grade
8**

- 1 Evaluate the extent to which an integrated marketing mix is the key to the success of the Galaxy S8 and S8+. You should use the information provided and your knowledge of business.

When answering this question, you could:

- explain how an integrated marketing mix could help Samsung successfully launch the S8 and S8+ (for instance, how should product and price interact?)
- explain at least one other factor that Samsung should consider that is not part of the marketing mix (for example, customer service)
- evaluate the importance of an integrated marketing mix in relation to the other factors you have discussed
- make recommendations about how Samsung could ensure that the S8 and S8+ succeed.

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Will an effective and integrated marketing mix be enough to ensure the success of the new products, or will Samsung need to consider other factors?

(12 marks)

Use additional paper to complete your answer.

PAPER 2 CONTENT

This image shows a full page of white paper with horizontal dotted lines. The lines are evenly spaced and run across the width of the page, providing a guide for handwriting practice. There are no margins, text, or other markings on the page.

BUSINESS OPERATIONS AND PRODUCTION

Target
Grade
2

- 1 Give **one** method that a business could use to improve productivity.

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(1 mark)

Remember that explanations are not needed in this type of question.

Target
Grade
4

- 2 Explain **one** benefit to a business of using batch production.

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(3 marks)

Target
Grade
5

- 3 Discuss the impact on a business of using flow production.

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Think about the benefits and downsides of using flow production. Is it suitable for all types of businesses? What impact will it have on costs?

(6 marks)

BUSINESS OPERATIONS AND TECHNOLOGY

Target
Grade
4

- 1 Explain **one** way that introducing new technology could improve a business's operations.

Think of a specific technology. Consider how its introduction might save time, reduce costs or improve the business's productivity.

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(3 marks)

Target
Grade
4

- 2 Explain **one** way that a business could use technology to increase its productivity.

What inputs could a business manage differently?

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(3 marks)

Target
Grade
6

- 3 Discuss a reason why the productivity of a business may fall.

Productivity is the output of a business divided by its inputs, including time, labour and finance.

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Productivity can also be linked to the motivation of the workforce.

(6 marks)

MANAGING STOCK

Cara James and Cole Simmons sell models of vehicles, action figures and animals. The models are bought in separate parts from manufacturers and then assembled and painted before sale. Figure 1 shows a bar gate stock graph for their model of a dinosaur.

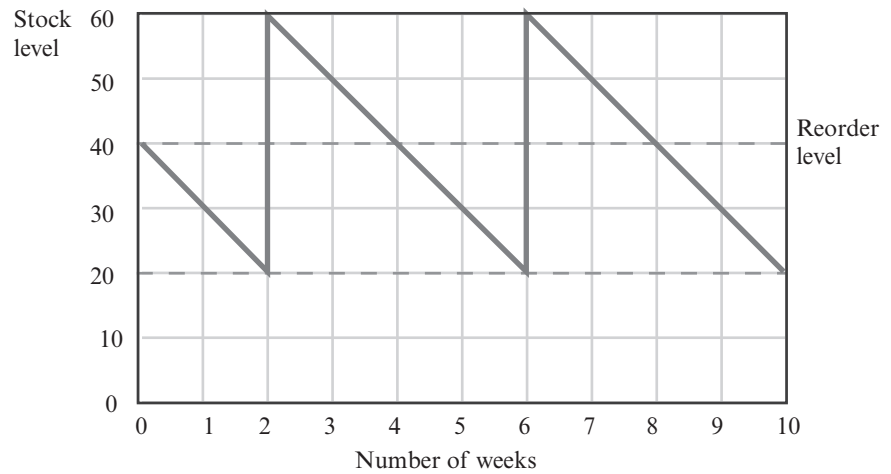


Figure 1

Target
Grade
2

- 1 Using the graph in Figure 1, identify the number of models that Cara and Cole hold as a buffer stock.

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(1 mark)

Target
Grade
5

- 2 Using the graph in Figure 1, calculate how many weeks it will take for stock of dinosaur models to arrive after the order has been placed. You are advised to show your workings.

Stock arrival date – Reorder date

= Number of weeks for stock to arrive
after reordering

6 weeks – 4 weeks =

(2 marks)

Target
Grade
4

- 3 Explain **one** benefit of just-in-time stock control.

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Why might it be an advantage for a business to hold very little stock?

(3 marks)

SUPPLIERS AND PROCUREMENT

**Target
Grade
1**

- 1 Which **one** of the following is **most likely** to be an impact of a good relationship between a business and its supplier?

Select **one** answer:

- ☐ A Inflation increases
- ☒ ~~B The business loses customers~~
- ☐ C The supplier loses sales
- ☐ D The business's reputation improves

A business is likely to lose customers as a result of a **bad** relationship between the business and its suppliers.

(1 mark)

**Target
Grade
4**

- 2 Explain **one** reason why a business's choice of supplier can affect the success of the business.

[illegible]

(3 marks)

**Target
Grade
5**

- 3 Discuss the impact of an unprofessional supplier on the competitiveness of a business.

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arrive

Think about the impact of logistics on a business's ability to meet the needs of its customers. What might happen if stock didn't arrive on time?

(6 marks)

MANAGING QUALITY

Target
Grade
4

1 Explain **one** reason why a business may want to improve the quality of its products.

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(3 marks)

Werther is a multinational electronics business that makes products such as televisions, cameras, computers and home appliances. In 2017, the business launched a 60-inch television that incorporated new technologies such as ultra-high definition (UHD) and 4k screen resolution.

Werther is considering two different options that it could use to ensure that the new television and its other products are of the highest possible quality.

Option 1: Introduce quality control

Option 2: Introduce quality assurance

Target
Grade
7

2 Justify which **one** of these options Werther should choose.

When answering this question, you might want to consider:

- the cost of quality control and the problems of checking at the end of the production process
- the cost of implementing a culture of quality assurance within a business
- the impact of quality assurance on staff and regulation
- the type of business and whether the benefits outweigh the costs over time.

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You must make a well-supported judgement about which option you think is better. Make sure that your answer focuses specifically on the business in the case study and is justified.

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(9 marks)

CUSTOMER SERVICE AND THE SALES PROCESS

Target
Grade
1

- 1 Which **one** of the following is **most likely** to improve a business's customer service?

Select **one** answer

- ☐ A Setting sales objectives
- ☐ B Limiting the range of products that it sells
- ☐ C Providing guaranteed on-time delivery to customers
- ☐ D Launching a new advertising campaign

(1 mark)

Target
Grade
2

- 2 Give **two** stages of the sales process.

1 Customer engagement

2

What is the next stage after customer engagement, once the customer has bought the product?

(2 marks)

RightOnTime Cabs is a taxi business in the north-east of England. It prides itself on never being more than 2 minutes late to pick up any passengers and it specialises in taking customers to airports in Durham and Newcastle. There are eight other taxi firms within 10 miles of its location and it recognises the need for effective customer service.

RightOnTime Cabs is considering two options to improve customer service and give the business a competitive advantage.

Target
Grade
7

Option 1: Guaranteeing that a RightOnTime cab will never be more than 5 minutes late

Option 2: Giving a 10% discount on a customer's second booking

- 3 Justify which **one** of these options RightOnTime Cabs should choose.

When answering this question, you have to decide which option you think will improve customer service and provide RightOnTime Cabs with a competitive advantage. Make sure that your answer focuses specifically on the business in the case study and is justified.

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(9 marks)

PAPER 2 CONTENT

This image shows a full page of white paper with horizontal dotted lines. The lines are evenly spaced and run across the width of the page, providing a guide for handwriting practice. There are no margins, text, or other markings on the page.

GROSS AND NET PROFIT

Target
Grade
1

- 1 Which **one** of the following is **most likely** to lead to an increase in a business's profits in the short term?

Select **one** answer:

- ☐ A Electricity prices remaining the same
- ☐ B An increase in the number of sales
- ☐ C A rise in costs
- ☐ D Employing more people

(1 mark)

Target
Grade
3

- 2 Define the term 'gross profit'.

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(1 mark)

Target
Grade
5

- 3 Using the information below calculate the net profit for the business. You are advised to show your workings.

Gross profit: £200

Other operating costs: £115

Net profit = Gross profit – Other operating costs

Net profit = £200 – £115

It may help you to write out the formula first, then highlight the relevant information in the accounts.

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(2 marks)

PROFIT MARGINS AND ARR

Table 1 is the income statement for Performance Sports Ltd.

Sales revenue	
Personal training sessions	£17 000
Team training sessions	£13 000
Total sales	£30 000
Costs	
Cost of sales	£7 000
Gross profit	£23 000
Other costs	£8 250
Net profit	£14 750

Table 1

Target
Grade
5

- Using the information in Table 1, calculate the net profit margin for Performance Sports Ltd. You are advised to show your workings.

$$\text{Net profit margin (\%)} = \frac{\text{Net profit}}{\text{Sales revenue}} \times 100$$

$$\text{Net profit margin} = \frac{£14\,750}{£30\,000} \times 100$$

.....%

(2 marks)

Performance Sports Ltd is planning to undertake a project requiring an initial investment of £400 000. Table 2 shows the expected profits of the project.

Year	Year 1	Year 2	Year 3	Year 4	Year 5
Profit	£100 000	£200 000	£180 000	£120 000	£100 000

Table 2

Target
Grade
5

- Using the information in Table 2, calculate the average rate of return of the project. You are advised to show your workings.

You may find it helpful to write out the formula for average rate of return before you start your calculations. Remember to show your workings.

.....%

(2 marks)

INTERPRETING QUANTITATIVE BUSINESS DATA

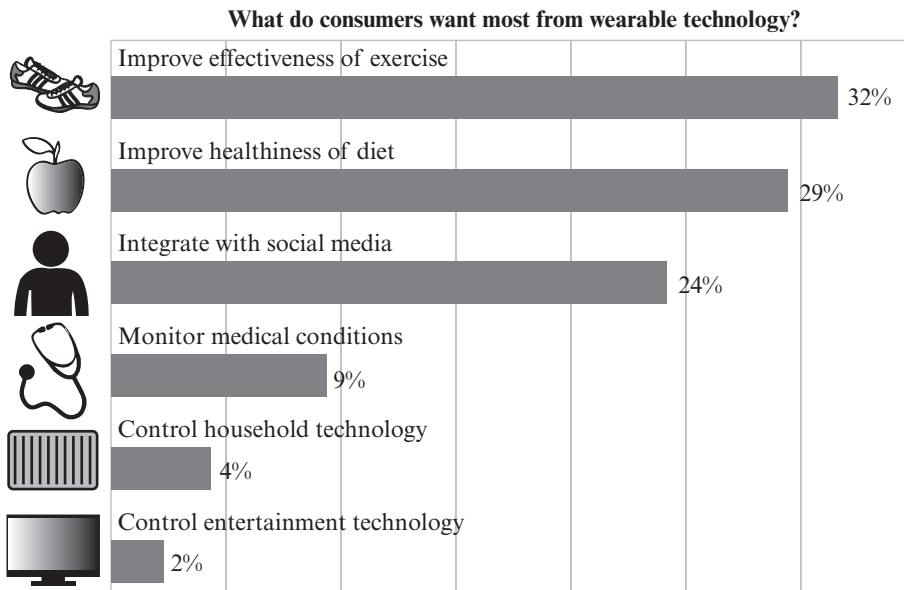


Figure 1

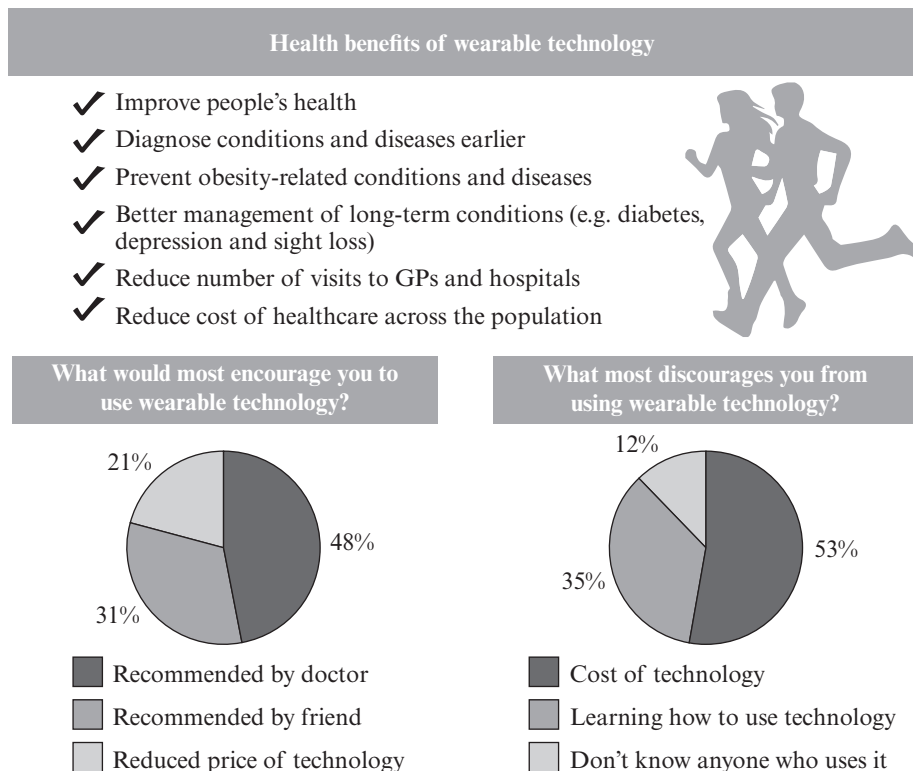


Figure 2

Target
Grade
2

Figure 1 shows the results of a customer survey into consumers' expectations of wearable technology.

1 Identify **one** feature that consumers would like from wearable technology.

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(1 mark)

Questions continue on the next page.

LIMITATIONS OF QUANTITATIVE DATA

Figure 2 shows the results of a consumer survey into attitudes towards wearable technology.

Target
Grade
2

- 2 Identify the **most likely** reason that would encourage people to adopt wearable technology.

(1 mark)

Target
Grade
6

- 3 Using the information in Figure 2, analyse the impact of improvements to wearable technology on healthcare providers.

Identify one or two key pieces of information from Figure 2. Relate this information to healthcare businesses and how these improvements to wearable technology may create opportunities or threats for these businesses.

(6 marks)

Target
Grade
5

- 4 Discuss a reason why a business may use **both** qualitative data **and** quantitative data when making business decisions.

Remember that qualitative data is based on attitudes, reasons and opinions, whereas quantitative data is based on numbers and statistics.

(6 marks)

ORGANISATIONAL STRUCTURES

**Target
Grade
1**

- 1 Which one of the following is a benefit of a flat business structure?**

Select **one** answer:

- ☐ **A** The business has very clear lines of authority
- ☐ **B** There are plenty of opportunities for promotion within the business
- ☐ **C** The business can be more flexible
- ☐ **D** The business is very easy to control

(1 mark)

**Target
Grade
3**

- 2** Define the term ‘hierarchical structure’.

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(1 mark)

**Target
Grade
2**

- 3** Give **one** reason why a business might adopt a decentralised structure.

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Remember that
you do not need to
explain your answer
to a 'give' question.

(1 mark)

**Target
Grade
5**

- 4** Discuss the impact on a business of centralised decision-making.

When answering this question, you may want to consider the effects of centralised decision-making on:

- the kind of decisions that are made
- control over business activities
- employees.

This image shows a full page of white paper with horizontal dashed lines, typical of primary school writing paper. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

(6 marks)

THE IMPORTANCE OF EFFECTIVE COMMUNICATION

The Colquitt family started its first bakery over 40 years ago. It has recently expanded and now has over 30 stores in villages and small towns in the south-west. The CrustCake Bakery is keen to ensure that the same high standard is maintained in all its shops. With expansion and the need for more workers, the business experienced communication problems. Sometimes changes to ingredients were not sent to all shops and quality fell. At other times, there was too much information, instructions were ignored and deliveries were late. Customers started to shop at other places.

**Target
Grade
2**

- 1 State one barrier to effective communication in the CrustCake Bakery.**

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(1 mark)

**Target
Grade
8**

- 2** Evaluate whether the CrustCake Bakery would benefit from improving communication within the business. You should use the information provided as well as your knowledge of business.

When answering this question, you may want to:

- consider the advantages of good communication to the CrustCake Bakery
- consider whether a goal to improve communication is more important, as important or less important than other goals, such as improving cash flow or lowering prices
- explain which benefit of good communication would be most significant for the CrustCake Bakery
- make a justified judgement about the importance of clear communication to the CrustCake Bakery.

This image shows a full page of primary-ruled notebook paper. It features multiple sets of horizontal lines designed to guide handwriting. Each set consists of three lines: two solid dotted lines forming the top and bottom boundaries, and a central dashed line serving as a baseline or midline. The pattern repeats down the entire page, providing ample space for practicing letter formation and writing practice.

(12 marks)

Use additional paper to complete your answer.

PAPER 2 CONTENT

[illegible]

DIFFERENT WAYS OF WORKING

**Target
Grade
4**

- 1** Explain **one** benefit to a business of part-time employees.

[illegible]

(3 marks)

**Target
Grade
4**

- 2** Explain **one** reason why a business might use freelance contract employees.

[illegible]

(3 marks)

Freelance contract employees might have a specialist skill or experience.

**Target
Grade
5**

- 3 Discuss a way in which technology could improve the way that people work in a business.

When answering this question, you may want to:

- identify a specific technology and explain how employees use it for work
- explain how this technology improves aspects of the business, such as its flexibility, its communication and the amount of time that it saves.

This image shows a full page of white paper with horizontal dashed lines, typical of primary school handwriting practice paper. The lines are evenly spaced and run across the entire width of the page. There are no margins, text, or other markings present.

(6 marks)

DIFFERENT JOB ROLES AND RESPONSIBILITIES

Target
Grade
1

- 1 Which **one** of the following documents is **not likely** to be used in the recruitment process when hiring a new employee?

Select **one** answer:

- ☒ ~~A Job description~~
- ☐ B Business plan
- ☐ C Application form
- ☐ D Job advertisement

It isn't Option A because job descriptions are used in the recruitment process.

(1 mark)

Colin Murphy runs a small travel agency. He has three shops and employs ten people. Colin now wants to hire someone with knowledge of adventure holidays as he thinks this is likely to be a growth area.

Target
Grade
2

- 2 State **two** job roles that may exist within Colin Murphy's business.

Think about the different roles that a travel agency like Colin Murphy's might need. Who sells the business's holidays to customers?

- 1
- 2 (2 marks)

Target
Grade
4

- 3 Explain **one** responsibility of a manager in a business.

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..... (3 marks)

EFFECTIVE RECRUITMENT

Target
Grade
4

- 1 Explain **one** reason why a business would request references as part of the recruitment process.

The details of referees may be included on a person's CV.

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(3 marks)

Target
Grade
4

- 2 Explain **one** reason why a manager may draw up a person specification for a new role within the business.

A person specification is not the same as a job description or a CV.

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(3 marks)

Read about Colin Murphy on page 80.

Target
Grade
6

- 3 Analyse the impact on Colin Murphy's travel agency of using external recruitment to fill the vacancy.

When answering this question, you may want to consider:

- the benefits of external recruitment for a small business
- the downsides of external recruitment for a small business
- how these factors affect the choice of recruitment type.

Make sure that your answer focuses specifically on Colin Murphy's business.

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(6 marks)

DEVELOPING EMPLOYEES

**Target
Grade
4**

- 1 Explain **one** benefit to a business of the use of employee target setting and performance reviews.

[illegible]

(3 marks)

Philip Wragg runs AutoSure, a car mechanics business that provides a range of services including paintwork repair, bodywork, MOTs, and engine repair. He is looking to expand the range of services his business offers to include upgrades and maintenance of car on-board computers. Philip employs six mechanics and is considering sending them all on a formal training course to improve their skills.

Philip is considering two options to develop his employees' skills.

Option 1: Send all employees on a formal training course

Option 2: Implement a coaching system where senior employees train junior employees

**Target
Grade**
7

- 2** Justify which **one** of these two options Philip should choose.

When answering this question, you could:

- analyse the benefits and drawbacks of Option 1
- analyse the benefits and drawbacks of Option 2
- decide which option you think is best and justify your decision
- suggest ways in which Philip could effectively manage the training of his workers.

(9 marks)

What
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some
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oth

What might be the limitations of some mechanics informally training other mechanics?

(9 marks)

Use additional paper to complete your answer.

PAPER 2 CONTENT

[illegible]

THE IMPORTANCE OF TRAINING

**Target
Grade
4**

- 1 Explain **one** reason why a business might encourage its employees to engage in self-learning.

Self-learning might involve accessing online training courses.

(3 marks)

**Target
Grade
4**

- 2** Explain **one** benefit to a business of investing in employee training.

When answering this question, you could consider the impact on employees' skills or the impact on employee motivation and retention.

(3 marks)

**Target
Grade
5**

- 3** Discuss the impact of training employees to use new technology.

When answering this question, you could:

- discuss how new technology can help to improve productivity in the long term
- discuss the short-term impact on productivity of adopting new technology.

(6 marks)

MOTIVATING EMPLOYEES

**Target
Grade
2**

- 1** Which **one** of the following best describes the term ‘commission’?

Select **one** answer:

- ☐ **A** An annual payment paid in equal instalments
- ☐ **B** A percentage of the value of a sale paid to the salesperson
- ☐ **C** ~~A one-off bonus for long service with the business~~
- ☐ **D** A payment for every hour worked

Option C is a definition of a bonus payment, so it can't be a definition of commission.

(1 mark)

**Target
Grade
2**

- 2** Give **one** financial method that a business could use to motivate employees.

.....

.....

(1 mark)

Target
Grade
4

- 3** Explain **one** disadvantage to a business of paying employees by the hour.

Link your answer to the remuneration system that will motivate them.

Link your answer to how the remuneration method will motivate employees.

(3 marks)

**Target
Grade
5**

- 4 Discuss the impact on a business of paying its staff using a bonus scheme.

When answering this question, you could consider:

- how staff would react to the introduction of a bonus scheme
- how the business will be affected by the introduction of a bonus scheme.

[illegible]

(6 marks)

MOTIVATING EMPLOYEES

Carltons is a small chain of cafes in the Midlands. The business is facing competition from coffee shops such as Starbucks, Costa and Caffè Nero. The business has decided to look at ways to improve staff motivation.

**Target
Grade
2**

- 1 State **one** reason why staff motivation is important to Carltons.

.....

.....

(1 mark)

**Target
Grade
3**

- 2** Outline **one** method that Carltens could use to improve staff motivation.

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(2 marks)

Carltons is considering introducing an employee reward scheme to recognise high-performing employees.

- 3** Analyse the impact on Carltons of introducing the employee reward scheme.

**Target
Grade
6**

When answering this question, you could:

- explain how the scheme will boost employee motivation
- discuss the impact on the business's performance of having more motivated employees
- explain the drawbacks of the scheme in relation to other approaches to motivation.

Consider the following scenario:
 You are a manager at a company that is considering hiring a new employee. You have received several applications, and you are trying to decide which one to hire. You are looking for someone who is motivated, hardworking, and has a good attitude. You are also looking for someone who has the necessary skills and experience for the job.

Consider the impact on employees who don't receive the reward. How might they feel?

(6 marks)

EXAM SKILLS: CASE STUDY

Answer ALL questions.

Look at Figures 1 and 2 and read the following extract carefully, then answer the questions.
Write your answers in the spaces provided.

Jaguar is Britain's biggest car maker and is owned by the Indian multinational, Tata Motors. The business employs nearly 40 000 people in the UK (report dated June 2017). In 2018, Jaguar will launch its new electric sport car, the I-Pace, which can accelerate to 60 mph in around 4 seconds and is part of Jaguar's strategy to compete in the electric car market. The I-Pace can travel around 300 miles on a single charge and will be manufactured in Austria.

Other models in Jaguar's range, such as the XF and XE, have won prestigious industry awards such as Most Reliable Family Car and Executive Car of the Year. Between October and December 2016, Jaguar's sales revenues grew by 13% to £65.5 bn. However, in the same period, the company's net profit fell to £255 m, which was a decrease of 49% on the previous year's results.



Figure 1

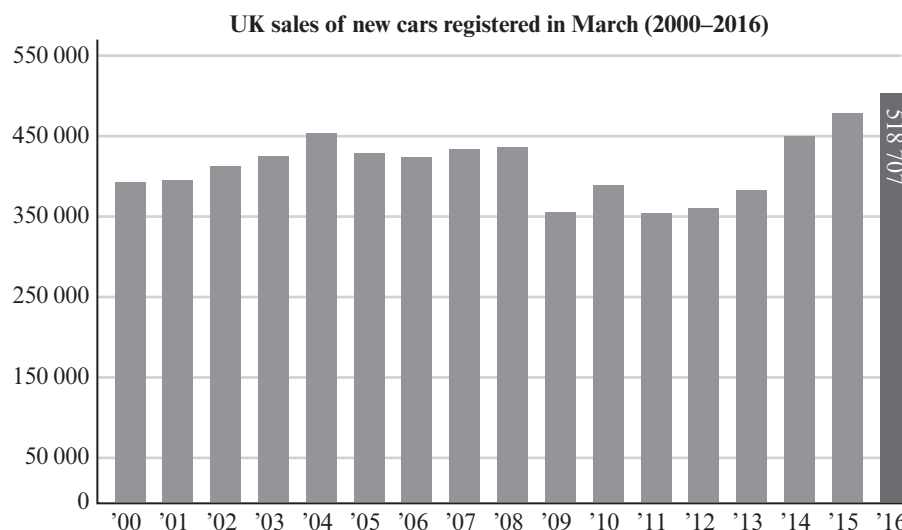


Figure 2

EXAM SKILLS: PRACTICE PAPER

- Using the information in Figure 2, identify a trend in sales of new cars.

Target
Grade
2

A trend is the general direction in which a statistic changes (for instance, up or down) over a particular period. Look at the period between 2011 and 2016 and identify the trend.

.....

.....

(1 mark)

- Outline **one** reason why Jaguar might produce its cars in another country.

Target
Grade
3

How might manufacturing in a different country affect the business's costs or its access to skilled labour?

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(2 marks)

- Calculate Jaguar's net profit margin in 2016 between the period October to December. You are advised to show your workings.

Target
Grade
5

Give your answer to two decimal places. You may also find it helpful to write down the formula before you start your calculation.

.....%

(2 marks)

4 Analyse the impact on Jaguar’s organisational structure of the size of its workforce.

Target
Grade
6

When answering this question, you could:

- analyse how Jaguar might divide up its workforce (e.g. into functions and departments across different divisions and different countries)
- analyse the type of structure that would suit Jaguar and allow it to manage 40 000 employees.

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(6 marks)

**Target
Grade
6**

- 5** Analyse the benefit to Jaguar of receiving industry awards.

Consider the effect of industry awards on customers' opinions about the Jaguar brand. How could Jaguar use these awards in its promotion activities?

[illegible]

(6 marks)

**Target
Grade
7**

Jaguar could consider two options to improve sales of its electric car in the UK.

Option 1: Increase promotion of the new product

Option 2: Run limited product trials in different areas of the UK

6 Justify which **one** of these options Jaguar should choose.

A 'justify' question requires you to consider the benefits and drawbacks of two options, then choose one option and support your choice using evidence from the case study and your own knowledge of business. Your answer to this question must be rooted in the context of Jaguar and the car industry.

This image shows a full page of white paper with horizontal dotted lines, typical of primary school writing paper. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

(9 marks)

PAPER 2 CONTENT

[illegible]

Jaguar is a prestigious car brand and is well-known for producing luxury sports cars such as the Jaguar F-Type.

**Target
Grade
8**

- 7 Evaluate whether Jaguar's choice to compete in the electric car market is a good decision for the business. You should use the information provided as well as your knowledge of business.

When answering this question:

- ensure that your answer is in context of Jaguar and the car industry
- explain the benefits to Jaguar of entering the electric car market
- explain the risks to Jaguar of entering the electric car market and competing with companies that are already established in the industry
- consider the importance of selling cars that are environmentally friendly
- come to a balanced decision about whether it is a good or bad idea for Jaguar to compete in the electric car market, including clear justification and recommendations to Jaguar.

This image shows a full page of primary-ruled paper. It features multiple sets of horizontal lines designed to guide young learners' handwriting. Each set consists of three lines: two solid dotted lines forming the top and bottom boundaries, and a central dashed line indicating the height of capital letters. The pattern repeats down the entire page, providing ample space for practice.

(12 marks)

Use additional paper to complete your answer.

PAPER 2 CONTENT

This image shows a full page of white paper with horizontal dotted lines. The lines are evenly spaced and run across the width of the page, providing a guide for handwriting practice. There are no margins, text, or other markings on the page.

NOTES

A series of horizontal dotted lines for writing notes.

NOTES

[illegible]

NOTES

A series of horizontal dotted lines for writing notes.

NOTES

This image shows a full page of white paper with horizontal dotted lines. The lines are evenly spaced and run across the width of the page, providing a guide for handwriting practice. There are no margins, text, or other markings on the page.

NOTES

[illegible]

NOTES

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NOTES

A series of horizontal dotted lines for writing notes.

NOTES

A series of horizontal dotted lines for writing notes.

Key Vocabulary

Business – an organisation that seeks to satisfy the needs and wants and wants of consumers through the production of goods and services

Dynamic – continual change

Consumer – the end user of the product or service

Obsolete – outdated; a product that has declining sales or come to an end

Entrepreneur – an individual who comes up with a business idea and is willing to take a risk to develop it

Core Knowledge

The world changes constantly, and therefore so do consumer needs, and so businesses must therefore be dynamic to respond to these changes, or they risk failure.

Business ideas come about because of:

1. Changes in technology
2. Changes in what consumers want
3. Products and services becoming obsolete

Business ideas come about because

1. An entrepreneur has a completely original idea – this is invention
2. Adapting an existing idea – this is innovation

Adaptions to products can be:

- New flavours
- Different colours / pack sizes
- Online access to a product or service
- Offering personalisation

Don't be a "man on the street"

- Innovation and inventions are not the same thing
- Avoid statements like "ALL customer have...."; "NOBODY uses..."
- Don't assume that all products that have declining sales will become totally obsolete – some see revivals, e.g. vinyl records
- Don't assume that all ideas will be successful – unfortunately a lot do not succeed



Wider Business World

Apple – great example of business that continually adapts products

Iceland – changed from frozen only foods to non-frozen and non-food goods because this is what consumers want when they shop



Synoptic Links

Marketing – the product life cycle states that all products eventually need to be removed from sale

Technology – changes in technology have led to obsolete products and changes in consumer tastes

Role of enterprise – entrepreneurs are the individuals who develop new ideas

Key Vocabulary

Risk – something bad / negative that could happen

Reward – something good / a positive effect

Financial – related to money

Non-financial – non-money related

Profit – what a business has left from its income after paying all of its costs

Core Knowledge

Starting and running a business are risky activities. A large percentage of start-up businesses fail in the first five years.

Risks are things that can go wrong. These include:

- Business failure
- Financial loss
- Lack of security due to not having a regular income

Business can fail because:

- An entrepreneur does not know the market well
- Not having enough capital to start the business
- Poor decision making
- Competition from other businesses
- Not meeting the needs of customers

Rewards are what can be achieved through business success. These include:

- Profit
- Personal independence

Don't be a "man on the street"

- Although risks can cause a business to fail, careful planning and research can reduce risks
- Don't confuse the term 'security'. It is not about prevention from theft, but about regular income



Wider Business World

Thomas Cook, BHS – businesses that have failed. Find out why

Richard Branson – an entrepreneur worth billions, but he still takes risks when starting new ventures. Why would this be?



Synoptic Links

Role of enterprise – entrepreneurs are the individuals who take risks

Ownership – different types of ownership have different levels of risk for the owner

Customer needs – knowing what these are helps to reduce risk

Market research – doing this helps to reduce risk

Key Vocabulary

Goods – physical items that a business can produce or sell

Services – non-physical products; things that you can experience, e.g. a haircut

Needs – the essential products that consumers need to survive: food, water, shelter, clothing, warmth

Wants – anything that is not a basic need. Often referred to as luxuries

Customer – the person who buys the product

Consumer – the person who is the eventual user of the product

Adding value – adapting a product so that the selling price is higher than the cost of creating the product

USP – Unique Selling Point

Factors of production – resources needed to produce goods and service: land, labour, capital, enterprise

Core Knowledge

A business will produce goods or services

Goods or services must meet the customer needs, or they will not sell

The entrepreneur is the uses and organises the four factors of production in order to produce goods or services.

A business can sell its product at a higher price than the cost of the manufacturing by adding value. This can be through:

- **Branding** – creating an image for a product that sets it apart, e.g. Apple logo
- **Quality** – for example using better cuts of meat in a pie
- **Design** – unique features and designs can lead to consumers paying higher prices
- **Convenience** – when something saves a customer time, this can lead to them paying a higher price, e.g. pre-prepared vegetables
- **USPs** – a characteristic or feature of a product that can not be replicated by an alternative

A business will be likely to use a combination of the above

Don't be a "man on the street"

- Not all businesses produce goods; some produce services
- WiFi is not a need
- Don't confuse the terms consumer and customer
- Customers will not always want the cheapest product
- Adding value does not meet making the price higher



Wider Business World

Gap, Nike, Gucci – examples of brands that cost a lot more than the actual cost of the materials

McCain – produce a lot of ready-meals and pre-prepared items that cost more than the ingredients



Synoptic Links

Customer needs – knowing what these are helps to ensure that that the business is satisfying them

Risk and reward – the entrepreneur takes risks, in order to achieve rewards

Marketing – the use of branding and USPs

Key Vocabulary

Customer needs – the specific things that a buyer wants about goods and services

Customer reviews – feedback from customers, which can be online

Word of mouth – when a customer tells another person about a business

Repeat purchase – when a customer returns to the same business

Core Knowledge

Customer needs are the specific wants or needs that buyers have when purchasing goods

Different customers have different needs

If a business knows and understands its customers' needs it is in a better position to produce the products that customers want, in the way that they want them, leading to increasing sales, and so contributing to long term survival

Customer needs are:

- **Price** that reflects the quality of the product, and is low enough to match consumer incomes
- **Quality** – usually more important for those with higher income levels
- **Choice** – consumers like to select from a range of options, e.g. different flavours, colours or packet sizes
- **Convenience** – making life easier for customers
- **Efficient and reliable service** – such as having enough stock, or longevity of a product
- **Design** – how good a product looks

Don't be a "man on the street"

- Don't assume consumers always go for the cheapest option – they have other needs that may override price depending on the circumstances



Wider Business World

Aldi & Lidl versus Tesco – meet different need though the price level and choice available

Banks – a variety of ways to access your funds is convenience

Takeaways – offer convenience so we pay more than the cost of the ingredients



Synoptic Links

Market research – this is how a business finds out customer needs

Market segmentation – how we divide up customers into smaller groups with similar needs

Added value – meeting customer needs can allow a business to charge higher prices, i.e. add value to a product

BUSINESS: Creating informed, discerning employees, consumers and future leaders

Topic 1.2.2 Market research

Key Vocabulary

Market research – the process of gathering, processing and interpreting information about consumers' behaviour

Secondary research – using research that has already been carried out for another purpose

Primary research – collecting new information

Qualitative data – research into opinions and views

Quantitative data – data that is numerical

Focus group – a small number of consumers who have a discussion

Market trends – an overall pattern related to products

Market gap – where demand is not being met by the existing products available

Bias – a one-sided view

Sample-size – the number of consumers that are involved in market research

Core Knowledge

The purpose of market research is:

- To identify and understand customer needs
- Identify market gaps
- Reduce risk
- Inform business decisions

Methods of research are:

- **Primary** – collecting brand new data to meet the specific needs of the business
- **Secondary** – using research that has already been gathered

	Benefits	Limitations
Primary	• Up-to-date information • Information secret from competitors	• Can be expensive • Can be time consuming • Results may be inaccurate
Secondary	• Easy to find • Cheap or free to obtain • Good overview of whole market	• May be inaccurate • Can be out-of-date • Likely to be unrelated to business needs

Social media has made it easier to collect data using comments, reviews, surveys, and online focus groups

Trends can be identified from tracking hashtags

Wider Business World

Innocent Smoothies – conducted initial market research at a festival using two bins – Yes or No to launching their business

Survey monkey – a free online survey platform making it easier to conduct research



Synoptic Links

Market segmentation – how we divide up customers into smaller groups with similar needs

Customer needs – market research aims to find out what these are, if they are being met, and what else is wanted

Risk and reward – market research can reduce the risk



Don't be a "man on the street"

- Don't assume that a market gap will guarantee success
- Remember that research can be unreliable if the sample size is too small, the wrong target market are questioned or the sample is biased

BUSINESS: Creating informed, discerning employees, consumers and future leaders

Topic 1.2.3 Market segmentation and market mapping

Key Vocabulary

Market segmentation – splitting up all consumers into different groups that have similar needs or characteristics

Target market – the specific market segment a business aims to sell to

Demographics – customers based on statistical data relating to the population, e.g. resident or marital status

Market map – a diagram that positions all products within a market using two features, e.g. price and quality

Socio-economic group – a method of segmenting that uses income and class / occupation to classify people

Core Knowledge

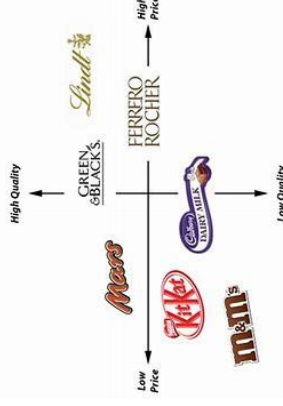
Markets can be segmented by

- **Location**, i.e. where you live
- **Demographics**, e.g. targeting families rather than single people; home owners rather than renters
- **Lifestyle**, i.e. the choices made about how to spend free time and hobbies consumers have
- **Income**, i.e. by how much you earn, the job you do or your social class
- **Age**, i.e. by how old you are

A market map can be used to position and compare products in a market

Allows a business to identify the competition the business faces and any potential gaps in the market

BUT....this may be simplistic and is based on subjective opinion so may not be reliable



Don't be a "man on the street"

- Don't assume that a gap on a market map indicates a gap to be filled – it could be there because there is no demand for that type of product

- Be careful not to say ALL or WILL – adapt to MOST, MORE LIKELY, e.g. *Most* women are *more likely* to buy make-up than men



Wider Business World

Hotel market – consider the target market of the Savoy compared to a Premier Inn

Ford cars – products lots of products to target different segments

Taylor Wimpey – a house builder. They produce lots of varieties of new homes to target different groups in terms of income, location and family size



Synoptic Links

Market research – information gathered can help a business to identify which segments to target

Marketing mix – the elements of marketing. These will be different for different target markets

BUSINESS: Creating informed, discerning employees, consumers and future leaders

Topic 1.2.4 Competitive environment

Key Vocabulary

Market – the potential buyers for one product; where goods and services are exchanged

Competition – where there is more than one business attempting to attract the same customers

Monopoly – a market where there is only one business

Oligopoly market – a market where there are a few firms that dominate the market

Competitive market – where there are lots of small firms offering very similar products

Differentiation – strategies and techniques that a business uses to make their product stand out

Market share – the percentage of sales within the market that one business has

Competitive advantage – where one business has 'the edge' over the others in a market

Core Knowledge

A business will need to compete in different ways depending on how competitive the market is. Some firms will choose to use differentiation to stand out from the others, e.g. through the use of branding or offering a USP.

Ways to compete:

- **Price** – offering lower prices can increase demand, but reduces profit margins, and can increase costs. Other businesses may do the same and result in a price war
- **Quality** – improving the quality of raw materials or ingredients, but this increases costs, although customers may be willing to pay higher prices
- **Location** – can attract customers if it is easy to access, has parking, or has a lot of passing trade. However, good premises cost more
- **Product range** – offering lots of choice to the consumer or specialising to provide a better service
- **Customer service** – through great staff, although this costs to train them, or excellent after-sales service

A business may be able to gain a competitive advantage through one of these methods to order to encourage repeat custom and great reviews



Don't be a "man on the street"

- Don't confuse the term 'market' in a business sense with an actual street market
- Don't assume that a new business can simply compete by offering lower prices – larger firms can negotiate better prices from suppliers
- Remember that improving quality will increase costs

Wider Business World

Holiday market – very few firms now, especially following the collapse of Thomas Cook. An example of an oligopoly

London Underground – a monopoly market because there is only one tube firm

Hairdressers – very competitive market



Synoptic Links

Customer needs – many of the ways businesses compete are the same as customer needs

Marketing mix – this will need to be adapted depending on the level of competition

Market mapping – what are your competitors offering? Knowing this can help a business decide on how to compete

Key Vocabulary

Aims – a long term goal a business wants to achieve

Objectives – more specific measurable steps

Financial aims – goals related to money, e.g. survival, profit levels

Non-financial aims – goals related to non-monetary aspects, e.g. ethical or environmental issues

Survival – having enough sales to cover costs and still be trading

Profit – when revenue is greater than costs

Sales volume – the number of products sold

Market Share – the percentage of total sales that one business has

Ethical – morally correct

Shareholder – an individual who owns part (a share) of company

Dividend – the percentage of profit that is paid to shareholders of a company each year

Core Knowledge

What is an Aim?

Aims are long term goals. Objectives are more specific measurable, time constrained steps. The best objectives are **SMART**.

SMART – Specific, Measurable, Achievable, Realistic, Time-framed

Examples of Aims:

- **Financial** Aims: Survival, maximise or increase profit, growth, increase dividends to shareholders
- **Non-financial** aims: ethical, e.g. no animal testing, achieve customer satisfaction, achieve a personal challenge or independence

Why set objectives?

Objectives help a business to have a focus, allow them to monitor progress, and to set individual objectives for employees to motivate them

Don't be a "man on the street"

- All businesses aim to make a profit – not true! Social objectives can be important and so can personal objectives
- Businesses will change their objectives over time – don't assume that they always are aiming for the same thing

Wider Business World

Tesco – used to aim to have more than 50% of its revenue from non-food. Changed after Aldi and Lidl gained 10% market share between them

M&S – aims are about environment and sustainability not profit

Dyson – James Dyson had a personal objective: to be successful rather than profitable



Synoptic Links

Enterprise – the non-financial rewards for entrepreneurs are similar to non-financial objectives

Financial data –

understanding the difference between survival (break-even) and profit

Ownership – only companies will have shareholders; smaller businesses are more likely to have personal objectives

BUSINESS: Creating informed, discerning employees, consumers and future leaders

Topic 1.3.2a Revenue, Costs and Profit

Key Vocabulary

Revenue – Also called **Turnover**, **Income** and **Sales**. This is the money generated from selling your products

Demand – a business term for the quantity of products sold

Fixed costs – costs that do not change as the level of production changes. They must be paid even if output/sales are zero, e.g. rent, rates

Variable costs – costs that change in direct relation to the amount sold or produced by a business, e.g. raw materials, packaging

Total costs – All costs added together

Profit – when revenue is greater than costs

Loss – when revenue is lower than costs

Interest – a percentage charge on borrowed money / percentage reward for saving money

Core Knowledge

Fixed costs	Variable costs
Rent	Raw materials
Rates	Packaging
Electricity / heating / phone bills	Delivery costs
Salaries	

Revenue = Number of items sold x Selling price per unit

Total Variable cost = variable cost per item x number sold

Total costs = Total variable cost + fixed costs

Interest charged = amount borrowed x (interest rate ÷ 100)

Total amount repaid = amount borrowed + interest charged

Monthly payments = Total amount repaid ÷ (years of loan x 12)

% interest charged = (total repayment – borrowed amount) ÷ borrowed amount x 100

Don't be a "man on the street"

- Interest is not about how much people like your product!
- Revenue and profit are VERY different
- Loans are not paid at the end of the term – they are paid in instalments each month
- Borrowing money is debt. Debt is not a bad thing unless, the business can not pay it back



Wider Business World

Amazon – has no high street retailers so has fixed costs than a lot of other businesses

Bank of England – sets the base rate for interest that other lenders then use



Synoptic Links

External factors – changing interest rates can have an impact on consumer spending

Breakeven – when total costs are exactly the same as total revenue

Cash flow – unpredictable or inconstant revenue can impact on cash flow

Sources of finance – interest is charged on borrowing

BUSINESS: Creating informed, discerning employees, consumers and future leaders

Topic 1.3.2b break even

Key Vocabulary

Revenue – Also called **Turnover**, **Income** and **Sales**. This is the money generated from selling your products

Output – quantity of products produced

Fixed costs – costs that do not change as the level of production changes. They must be paid even if output/sales are zero, e.g. rent, rates

Variable costs – costs that change in direct relation to the amount sold or produced by a business, e.g. raw materials, packaging

Total costs – All costs added together

Profit – when revenue is greater than costs

Loss – when revenue is lower than costs

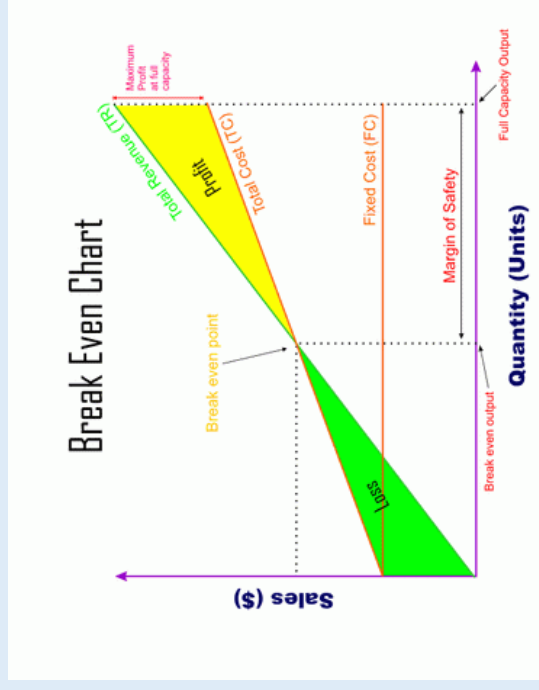
Breakeven point – when total revenue = total costs

Breakeven output – the number of products needed to break-even

Margin of safety – number of products produced above breakeven

Core Knowledge

Calculating breakeven allows a business to use all its costs to calculate how many products it must sell to cover ALL costs.



The contribution method is a quicker, more accurate way to calculate breakeven:

Break-even = Fixed costs ÷ (Selling price – variable cost)

Don't be a "man on the street"

- A business can easily lower the breakeven point by reducing costs
 - this may not be true. Fixed costs are out of the control of the business, and buying lower cost materials can affect quality
- Increasing price will make more profit for a business – not always!
 - Increasing the price, will lower the breakeven point, BUT may lead to lower sales

Wider Business World

Gordon Ramsey – watch any of his 'Nightmare' shows to see how he talks about knowing the break-even number of meals, and the importance of costing each meal

High street retailers – consider the impact of COVID19 on the breakeven point of most retailers: what were their costs and revenue during this period



Synoptic Links

Costs – knowing the difference between fixed and variable costs and being able to calculate costs and revenue

Aims – breakeven (survival) is an aim for a start-up business, or one in a struggling market

Business plans – this information is needed in the plan to present to investors

BUSINESS: Creating informed, discerning employees, consumers and future leaders

Topic 1.3.3 Cash flow forecasting

Key Vocabulary

Cash – the money a business holds in notes and coins and in its bank accounts

Cashflow – the movement of money in and out of a bank account

Insolvency – when a business lacks the cash to pay its debts

Overdraft – the amount of an agreed overdraft facility that a business uses; when a business has a negative bank balance

Overdraft facility – the maximum amount that a business is allowed to into negative balance on its bank account

Cash inflows – money entering the bank account, e.g. from sales

Cash outflows – money leaving the bank account, e.g. bills for supplies

Net cash flow – inflows minus outflows

Opening balance – the amount of money at the start of the month

Closing balance – the amount of money at the end of the month; Opening balance ADD net cash flow

Core Knowledge

A business will **predict** the amount of money that will enter and leave the business each month.

This allows the business to identify any periods of shortfall, to plan how to deal with this.

Businesses need cash to pay suppliers, employees and all the overheads.

Difficulty can arise if businesses allow customers to pay on **credit**.

Cash needs to be managed by arranging an overdraft, keeping costs down, keeping inflows up

Improve cash flow by cutting stock levels, increase credit from suppliers, reduce credit to customers

	Aug	Sept
Cash inflows	0	85
Cash outflows	185	75
(A) Net cash flow	-185	10
(C) Opening Balance	250	65
(B) Closing balance	65	75

(A) Net cash flow = inflows - outflows

(C) Closing Balance =
Opening + Net Cash flow

(B) Opening Balance = last month's closing balance

Don't be a "man on the street"

- Do not confuse cash & profit – they are very different things
- A cash flow forecast is a prediction not what has happened
- An overdraft does not mean the business will fail – it simply means that in that month outflows exceeded more than inflows. Debt is not always a bad thing!
- Lots of cash in the bank is not always a good thing – this could be invested to improve the business

Wider Business World

Retailers – they often have seasonal or unsteady cash flow as they need to buy stock before they can sell it

Hotels / restaurants - may have seasonal business, so it will be important to build up a balance to support them through periods of low sales



Synoptic Links

Costs & Revenue – know which items are revenue (inflows) and which are costs (outflows)

Sources of finance – if outflows are greater than inflows, short term finance is needed

BUSINESS: Creating informed, discerning employees, consumers and future leaders

Topic 1.3.4 Sources of finance

Key Vocabulary

Interest – the charge on borrowing money

Share capital - the investment raised from selling shares (part of the company) to investors

Dividends – the part of the profit that is paid to shareholders as a reward for their investment

Loan – borrowing an amount of money from the bank which is paid back in monthly instalments at a fixed rate of interest

Mortgage – a type of loan that is secured on property. Interest can be fixed or variable

Venture capital – a combination of share and loan capital providing by an investor willing to take a risk

Retained profit – profit kept by the business from previous years

Crowdfunding – raising capital online from lots of small investors

Overdraft – having a negative bank balance

Trade credit – buying goods and paying for them at a later date

Core Knowledge

A business will need finance at three key times:

- At start-up to help fund start-up costs, e.g. initial stock
- During periods of expansion to fund new buildings, legal costs, etc
- During periods when cash flow is poor

Short term finance (trade credit and overdraft) are for small amounts and short periods of time. Long term sources are for longer periods and larger amounts.

	Benefit	Limitation
Overdraft	Flexible – only use what you need when you need	High interest rates
Trade Credit	Free; helps cash flow	Might not be granted
Personal savings	No interest to repay	Might not have enough
Retained profits	No interest to repay	New businesses won't have any
Venture capital	Advise and support provided	Have to share profit
Share capital	No need to repay	Have to share profit
Loan	Fixed monthly payments helps cash flow	Time to arrange and may not be granted
Crowdfunding	Risk is shared among many people	May not raise enough

Don't be a "man on the street"

- Being in debt is not a bad thing and won't always lead to business failure
- The interest rate, is not to do with the number of people who want to buy, but the charge you pay on borrowing money
- Remember you pay back loans and mortgages each month, not at the end of the time period

Wider Business World

Dragon's Den – the Dragons are venture capitalists

Go Fund Me – an example of a crowdfunding website



Synoptic Links

Interest – calculating and understanding the interest rate will help to understand which sources are cheaper

External factors – influences on businesses include the interest rates

Ownership – remember that only LTDs can sell shares

Costs & breakeven – interest and loan payments are fixed costs

BUSINESS: Creating informed, discerning employees, consumers and future leaders

Topic 1.4.1 Business Ownership

Key Vocabulary

Unlimited liability – where the owner's responsibility for debts has no limit, so personal possessions are at risk

Limited liability – owner's responsibility is limited to the amount of the original investment

Sole trader – a business owned and run by one person

Partnership – a business jointly owned by 2-20 people

Silent partner – a person who invests into your partnership but does not run it

LTD – a private limited company
Shareholder – someone who owns part of a company (LTD or PLC)

Employees – people who work for your business

Franchising – allowing others to use your business name

Franchisee – someone who buys into a franchise

Franchisor – a person or business who allows others to buy into their franchise business

Incorporated – where the business is a separate legal entity to the owners

Core Knowledge

There are various ways a business can be owned, amongst them

- Sole traders
- Partnerships
- Private limited companies
- Franchise

	Advantages	Disadvantages
Sole trader	Easy to set up Keep all profits Make all decisions	Unlimited liability Long hours and few holidays Unincorporated
Partnership	More ideas Can share workload / specialise More start-up capital	Unlimited liability Unincorporated Possibility of disagreements Need to share profits
LTD	Incorporated Limited liability Easier to raise capital	More expensive to set up Must publish accounts every year Profits shared between shareholders
Franchise	Already successful Support with training Easier to obtain finance	Rules about what you can sell and how Start-up fee and % of revenue have to be paid to franchisor

Don't be a "man on the street"

- Not all businesses are called companies
- Not all business owners are shareholders
- Limited liability means you don't need to pay bills; this is only the case in the event of the business failing
- Sole traders can still have employees

Wider Business World

Franchise examples include Subway, BSM, JoJingles
LTDs include New Look, Eddie Stobart



Synoptic Links

Risk and reward – an entrepreneur will need to consider the risk of financial loss

Business growth – why a business might choose to change ownership

Key Vocabulary

Location – where a business operates

Proximity – nearness to; how near you are to something

Market – the customers / people and businesses who will buy your products

Labour – staff who work for you

Raw materials – the things a business needs to make its products

Primary sector – businesses that extract and provide raw materials from the land, sea or air

Secondary sector – businesses that convert raw materials into a finished product

Tertiary sector – service-based businesses

Core Knowledge

Business location is where the business operates. This may be a fixed location or online.

For some businesses the location is more important than others. A business will need to consider

- The nature of the business
- What sector it operates in
- The market / customers' needs
- Type and amount of labour required, i.e. near to labour if skilled labour is needed, and concentrated in a specific area
- Type, size, amount of materials required to produce the product
- Competitors – locate close when customers visit an area for a specific purpose, e.g. a town centre for a night out
- Costs – city centre locations are more expensive than out of town locations

The internet has had a significant impact on location. Small businesses can now use online sites such as ebay and etsy.

Using e-commerce can reduce fixed costs, and allow a business to offer a greater choice, but the business must have efficient distribution systems and an effective returns service

Don't be a "man on the street"

- Not all retailers sell online as well
- Ebay is for business sellers as well as second hand items
- Cheapest location is not always best



Wider Business World

Amazon – arguably the most successful internet based business

Primark – most of the stores in large town centres to benefit from being near customers

Beauticians / hairdressers – often set up close to competition to benefit from passing trade

Medical research – often located near to a large university



Synoptic Links

Technological influences – the introduction of the internet meant that businesses no longer needed a fixed premises

Marketing mix – location costs can affect price; internet affects the place element

Globalisation – some businesses can now choose to locate in different parts of the world

Key Vocabulary

- Product** – the actual specific item produced by the business
- Price** – what the customer will pay for the product
- Promotion** – the mix of methods that are used to persuade customers to buy
- Place** – how and where the product gets to the consumer from the supplier
- Customer** – person or business that buys the product
- Consumer** – the end user of the product
- Retailer** – a business that buys from the manufacturer and sells then onto the customer
- Wholesaler** – a business that buys in bulk from manufacturers and sells in smaller quantities to retailers
- e-tailer** – an online retailer
- USP** – unique selling point; something that is unique to that product and makes it stand out against the competition
- Target market** – the specific group of customers a business is targeting in terms of gender, income, lifestyle, age

Core Knowledge

Also referred to as the 4Ps. All factors must work together to enable a product to be successful.

- **Product** – this must meet the customer needs and be developed based on market research. A business will need to consider its range, brand and USP. The design, aesthetics and function must all work together
- **Price** – what will be charged. This must be appropriate for the target market, and quality of the product. Usually high quality products have higher prices.
- **Promotion** – the combination of activities that create awareness, boost sales, build a brand and communicate features, including advertising, special offers, publicity and public relations
- **Place** – the methods that are used to get the product from the manufacturer to the consumer, for example through a specialist shop, the internet or a general retailer

Changing customer needs will impact on a marketing mix. For example, an increase in customers wanting plant-based food, will mean that food manufacturers will need to develop new products.

Changes in technology, have impacted on all aspects of the marketing mix: a business can use social media to conduct research to develop products; customers can compare prices more easily; promotion can be digital.

Don't be a "man on the street"

- Place is not the same as location
- Promotion is not just advertising
- Lower priced products do not always sell more; quality is also important



Wider Business World

Apple – price, place, product and promotion all link

Chanel – will not allow Superdrug of cheaper retailers to stock its perfume

RyanAir / EasyJet – their prices are much lower than other airlines. Consider how their product and promotion reflects this



Synoptic Links

Technological influences – the introduction of the internet has affected the place

Customer needs – the product needs to meet these

Market research – will need to be effective for the business to decide on each P

External influences – may affect customer income, affecting the price a business can charge

Key Vocabulary

Business plan – a detailed documents setting out the marketing and financial thinking behind a proposed business

Entrepreneur – an individual who combines the factors of production to create a product, often taking risks

Aims – the long term goals of a business

Target market – the specific group of consumers a business is aiming to sell their product to

Revenue – the income from sales of the products

Costs – items such as rent, rates that a business must pay

Profit – revenue minus costs

Cash flow forecast – a prediction of the inflows and outflows of money the business will have each month

Sources of finance – places, businesses or people that a business can get money from in order to pay start-up and running costs

Location – the place where a business operates

Marketing Mix – a combination of the 4 Ps; product, price, place and promotion

Core Knowledge

Why plan?

- To reduce risk of failure
- To encourage investors
- Forces the entrepreneur to consider all aspects of the business
- Provides something to refer to and provide direction

Contents

1. The business idea
2. Aims and Objectives of the business
3. Target market
4. Forecast revenue, costs and profit
5. Cash flow forecast
6. Sources of finance
7. Location
8. Marketing Mix

Limitations

Planning does not guarantee success

Problems can arise if the plan is not flexible and include contingency plans

Don't be a "man on the street"

- A plan will guarantee an investment – not the case. Banks and venture capitalists are experienced and will be able to spot unrealistic forecasts
- A lot of research will need to go into a plan. An entrepreneur can not write one overnight or without extensive research



Wider Business World

Watch Dragon's Den – who has a business plan? Are they more likely to get investors?



Synoptic Links

Aims and Objectives – what is the purpose of writing these

Marketing Mix – need to be included

Market research – types that can be done and reasons why it is necessary

Risks and rewards – planning reduces the risk to an entrepreneur

BUSINESS: Creating informed, discerning employees, consumers and future leaders

Topic 1.5.1 Stakeholders

Key Vocabulary

Stakeholder – anyone with an interest in the business

Shareholder – someone who owns part of a company (LTD or PLC)

Employees – people who work for your business

Customer – someone who buys from your business

Manager – someone with a position of responsibility within a business organisation

Supplier – someone or a business that provides stock or materials to a business

Local community – the people who live around the business

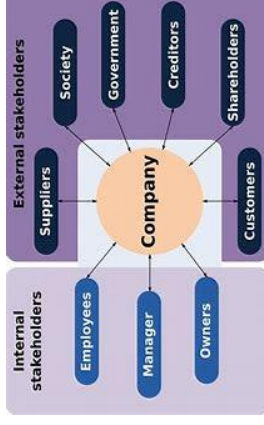
Pressure group – an organisation that will campaign for something specific, e.g. workers rights, environmental protection

Government – political power that can set laws and regulations that a business must follow

Conflict – when stakeholders groups do not want the same thing from a business

Core Knowledge

Stakeholders are anyone interested in the activities of a business.



Each group is interested for different reasons, e.g. employees want to be paid a reasonable income and have job security.

Stakeholders are affected by business activity, e.g. local community is affected by the noise, pollution and traffic congestion, but may gain job opportunities or community sponsorship.

Each stakeholder group can influence a business, e.g. customers can write reviews of the business

Stakeholder groups may want different things and so there may be conflict between their needs. A business will need to manage this to try to satisfy as many stakeholder groups as possible.

Don't be a "man on the street"

- Don't confuse stakeholders and shareholders
- Stakeholders are not one collective group
- Managers and owners are not the same thing
- Not all business owners are shareholders

Wider Business World

Plane Stupid is a pressure group that campaigns against increasing air travel

Greenpeace is a well known environmental pressure group

Synoptic Links

Ownership – sole traders and partnerships have owners / LTDs have shareholders

Customer needs – meeting these is important

Ethical & environmental considerations – pressure groups can influence these

Key Vocabulary

e-commerce – buying and selling of goods/services online

m-commerce – using a mobile device to trade online

social media – interactive channels of communication, via words, photos or videos, such as blogs, Facebook or Instagram

digital communication – messages or conversations conducted via email, text or social media

digital payment systems – ways of paying electronically, e.g. online payments, contactless and mobile payments

debit card – a payment method where the money is taken direct from the customers bank account

credit card – a payment method where the business gets paid, but the consumer owes the money to a credit company

Core Knowledge

Technology has enabled businesses to develop in three main areas:

- **Trading** – being able to buy and sell online through their own websites or websites of a third part, allowing a business to reach a wider market
- **Communicating** – using websites, email, video conferencing allow business to communicate more regularly with consumers
- **Payments** – businesses can accept payments in more ways, attracting more consumers than before

Impact on Sales – businesses are likely to sell more because they can reach a wider market, BUT it is easier for consumers to compare prices, so small local businesses may suffer

Impact on costs – keeping up-to-date and installing technology is expensive and so increases costs, especially in the short term. BUT if a business can replace stores or staff with technology this can reduce costs in the long run

Impact on Marketing Mix

- **Product** – innovation needs to increase to keep up with changes
- **Price** – greater efficiency can reduce prices; consumers can compare so a business must be competitive
- **Place** – a business does not need a physical store. Trading can now be 24/7 365 days a year
- **Promotion** – quicker and cheaper; social media can be used; a business may encourage viral marketing

Don't be a "man on the street"



- Don't assume everyone has technology or uses social media
- Don't assume that some social media is less popular than others just because you don't use it!
- Don't use brand names, such as Apple Pay or PayPal
- Not all businesses need to sell online to be successful – consider Primark

Wider Business World

Primark – a business that does not have an e-commerce site, yet is successful

e-bay – auction site that enables small businesses to trade without a physical store

amazon – biggest e-commerce site



Synoptic Links

Marketing Mix – e-commerce has affected all aspects of the 4 Ps

Location - e-commerce allows businesses to trade without a physical presence

Customer needs – technology helps to meet the need of convenience for the customer

Costs, Revenue & profit – technology affects costs, revenue and profit in both short and long term

Globalisation – technology has enabled more businesses to sell all over the world

Key Vocabulary

Legislation - laws

National Minimum Wage – the lowest amount an employee can be paid by law

National Living Wage – the minimum amount per hour for a 25-year-old or older

Equality Act 2010 – Main employment legislation that replaced lots of other laws. Makes it illegal to discriminate against anyone, e.g. because of race, religion, gender

Health & Safety at Work Act – law that helps to ensure that all risks to employees are minimised and properly controlled

Consumer Rights Act – law that covers how goods and services are sold

Discrimination – treating one person differently to others because of a specific trait such as their gender

Red tape – the term for extra administration needed to meet legal requirements that affects the business acting as it wants to

Core Knowledge

Employment legislation protects the rights of employees from any actions of their employers

Consumer legislation protects the rights of consumers from any harm that might be caused by using or consuming a product or through transaction with a business

Businesses must pay the at least the minimum wage, or they are breaking the law. This can increase costs. BUT paying a rate above the minimum can lead to good publicity and more staff wanting to work for you.

All goods must be **fit for purpose, match the description** and be of **satisfactory quality**. If they are not, the consumer can ask for a **Refund, Repair or Replacement**.

Impact on costs - Meeting legal requirements increases costs – better quality materials, checking adverts are correct, extra time for staff to complete and check paperwork, training staff

Impact on sales – meeting or going above legal requirements can improve reputation and therefore increase sales through recommendations, repeat custom and positive reviews

Consequences – breaking the law can lead to fines, bad publicity or even a jail term

Wider Business World

Lidl – pays more than Living Wage

Which – consumer association brand name. A group that raises awareness of consumer rights



Synoptic Links

Marketing Mix – legislation has affected the Product, Price and Promotion elements

Costs, Revenue & profit – legislation increases costs for a business

Recruitment – employment legislation affects the way a business can advertise vacancies

Globalisation – a business will need to be aware of different legislation if it trades in multiple countries

Ethics – some businesses will go further than the minimum legal requirements



Don't be a "man on the street"

- Remember you cannot get a refund if you simply change your mind – many retailers offer this but is not illegal to refuse
- Health & Safety is the responsibility of the employee as well as the employer – if safety clothing is provided you **MUST** wear it by law
- You do have different rights when you buy online
- If the item is faulty it is the retailer's responsibility, not the manufacturer

Key Vocabulary

Economic climate – overall performance of an economy

GDP – Gross Domestic Product. A measure of the total value of goods produced in an economy

Consumer income – the money an individual has left after paying taxes and essential living expenses

Unemployment – a measure of the number of people without a job who are actively seeking one

Corporation Tax – charge on the profits of a business

VAT – Value Added Tax. A charge on good sold

Income Tax – a tax paid by individuals from their wages / salaries

Inflation – a general rise in prices over time

Interest Rate – the charge for borrowing money or the reward for saving money

Exchange rates – the value of one currency against another

Recession – a period of economic downturn

Boom – a period of economic prosperity

Core Knowledge

The more a country produces, the more consumers can buy – this makes the economy stronger

Consumers will spend more when they have a higher income. As incomes rise more money is spent on luxury goods

Unemployment is bad for the economy. High unemployment means less people have jobs, so incomes are lower. Businesses will sell less, employ less people and invest less. The government will receive less taxes and pay more benefits.

There are 3 main types of taxes:

- Those businesses pay – corporation tax
- Those the employed pay – National Insurance and Income Tax
- Those consumers pay – council tax, VAT, Duties, Road Fund Licence, etc

Increases in taxes reduce consumer spending and raise costs for businesses, but do raise finance for the government

An increase in interest rates will raise the cost of borrowing, so reduce consumer income, leading to a fall in consumer spending

Inflation is an increase in prices, so in *real terms*, consumers will be worse off if income does not rise at least as much as inflation. So inflation will lead to a fall in consumer spending.

Exchange Rates affect the cost of importing – remember **SPICED** (Strong Pound, Imports Cheaper, Exports Dearer)

Don't be a "man on the street"

- Remember it is the Banks that set interest rates not the government
- Taxes are decided by the government
- Not ALL business are affected by changes in the same way – a fall in income for example can help Poundland but not a luxury brand



Wider Business World

Poundland / 99p shop – discounters who will do well in recession

Aldi / Lidl – increased their market share in last recession



Synoptic Links

Breakeven – changes to taxes, inflation, exchange rates and interest rates can all increase the costs of a business

Ownership – only companies pay Corporation Tax, sole traders and partnerships pay income tax

Sources of finance – changes to interest rates increase the cost of borrowing, e.g. loans, overdrafts, mortgages

Globalisation – changes to exchange rates can make selling abroad more or less attractive

Topic 1.5.5 Business response to external influences

Key Vocabulary

Obsolete – out of date or not used anymore. An impact of not adapting to new technology

Core Knowledge

Responses to technology:

- Merge with other businesses
- Install similar technology – increasing costs in short term
- Change production methods or product

Responses to changes in legislation

- Employ more staff to deal with paperwork / red tape
- Cut back or scrap an area of business
- Invest in technology to meet requirements

Responses to changes in the economic climate:

- Hire staff, invest in equipment, develop new products during good economic times
- Adjust marketing mix
- Spread risk through operating in more than one country or producing a variety of goods that match different consumer needs

Wider Business World

Sainsbury – bought Argos in 2016 to take advantage of their 'click and collect' service

Independent newspaper – now only online

Jaguar Land Rover – spread production across world to minimise effect of exchange rates



Synoptic Links

Technology – the way in which technology has changed

Legislation – three main areas of law affect businesses

Economic influences – changes to economic factors can affect consumer income, therefore affecting spending

Globalisation – moving production overseas can be a way to minimise impact



Don't be a "man on the street"

- Remember that businesses have to continually adapt and change in order to be successful
- Not all consumers or businesses will be affected in the same way by changes, so use words such as 'most' when analysing

BUSINESS: Creating informed, discerning employees, consumers and future leaders

Topic 2.1.1 Business Growth

Key Vocabulary

Organic Growth – growing through internal growth

Innovation – adapting existing products to develop improved versions

R&D – research and development. The activities to research and develop new products

Marketing Mix – the 4 Ps: Price, Place, Product, Promotion

Inorganic growth – growing through mergers or takeovers

Merger – when two firms mutually join together

Takeover – when one firm buys another one

PLC – Public Limited Company. A business that sells its shares on the stock exchange

Retained profit – profit left after the business has paid dividends and taxation

Selling assets – the sale of items the business owns

Loan capital – finance received from a bank when taking out a loan

Share capital – the money invested into a business by shareholders

Core Knowledge

A business can grow internally by expanding its own activities, i.e. opening more outlets, selling more, targeting new markets or increasing the range of products.

External growth is quicker but more expensive and riskier.

Mergers & takeovers could be between competitors, suppliers, customers or unrelated businesses.

A business may choose to finance growth through becoming a PLC and selling shares on the stock exchange.

A quicker way to open lots of outlets is through offering franchises – when you allow entrepreneurs to use your business name.

Larger firms benefit from economies of scale, so can reduce their unit costs.

Growing too large can increase costs and lead to diseconomies of scale.

Don't be a "man on the street"

- Not all businesses are companies
- Not all companies are PLCs
- Not all takeovers and mergers are allowed to happen

Wider Business World

The planned merger of Sainsbury and ASDA – was not allowed

Iberia and British Airways merger

Sainsbury and Argos merger

Quote from the founder of Iceland "businesses can't stand still"

Synoptic Links

Ownership – knowing what a private limited company is

Sources of finance for small businesses – most of these are available for growing businesses too

Interest rates – the rate will affect the cost of borrowing

Economic influences – the state of the economy will impact whether a business can grow

Marketing Mix

Topic 2.1.2 Changing business aims and objectives

Key Vocabulary

Aim – something the business is trying to achieve

Objective – a more specific breakdown of an aim

Survival – generating enough revenue to cover costs and therefore continue to trade

Workforce – the number of employees a business has

Product range – the variety and number of products a business sells

Entering markets – when a business decides to open up in a market it hasn't been in before, e.g. If McVities starting making crisps

Exiting markets – choosing to leave a market, e.g. when Tesco sold all their optical stores

Core Knowledge

A business has to continually change and evolve over time. Therefore, what it is attempting to achieve will also change. Aims change because of:

- Changing **market conditions** – an increase or decrease in the number of competitors
- Changing **technology** – the rise of e-commerce led to businesses introducing online sales; click and collect, self-service tills
- Changing **performance** – if a business is not making as much profit as before, it will need to change its aims
- Changing **legislation** – new laws can affect costs and so a business may need to change aims
- **Internal** reasons – an arrival of a new CEO can affect the direction of the business

How aims change:

- Focus on survival or growth
- Entering or exiting markets
- Growing or reducing a workforce
- Increasing or decreasing a product range

Don't be a "man on the street"

- Remember that businesses have to continually adapt and change in order to be successful
- Remember that reducing the workforce by making staff redundant will have a large short-term cost



Wider Business World

Tesco – changed focus back to food after rise of Lidl and Aldi

Iceland – increasing non-food range to be more competitive

Kodak – an example of company that did not keep up with technology and left the camera market



Synoptic Links

Dynamic nature of business – business has to continually evolve

Aims and Objectives – the difference between the two, examples and how they might be suitable

External influences – the factors outside a business's control that can influence their actions

Key Vocabulary

Globalisation – tendency for economies to trade with each other and buy global goods

Export – selling goods or services to consumers in another country

Import – buying goods or services from businesses in another country

MNC – Multinational Company. A business that has operations in more than one country

Free trade – trading between countries with no barriers

Trade barriers – an action put in place to discourage free trade / protect the businesses of a specific country

Tariffs – taxes charged on imports

Trading blocs – a group of countries that have agreed free trade within external tariff walls, e.g. the EU

e-commerce – buying and selling goods online

Core Knowledge

Types of imports into the UK:

- Goods we cannot grow or produce, e.g. olive oil
- Goods that require a lot of labour, so is cheaper to make where wages are lower
- Goods that are made in the UK, and elsewhere, but consumer may prefer a foreign produced item, e.g. Audi cars

To export successfully a business must:

- Keep costs down to be competitive
- Produce original, well-designed and well-made items
- Deliver on time and provide excellent service and after-sales service

Barriers to international trade can be set as a government might want to protect domestic industry and reduce competition. On way is to charge a tax or tariff on all imported goods increasing the cost of imports

How to compete internationally

- Use of the internet and e-commerce
- Changing the marketing mix
 - Different products for different countries, e.g. left- and right-hand drive cars
 - Charging different prices based on popularity and reputation
 - Adapting promotion to reflect cultural differences
 - Using retailers in countries where e-commerce is not well established

Don't be a "man on the street"



- Remember that income levels, technology access etc is widely different across the world, so don't fall into the trap of "everyone has the internet" – in some countries less than 10% do
- Remember that the names or goods, images of people using it or the promotion may need to be adapted to fit local culture and traditions

Wider Business World

Jaguar Land Rover – has factories in China, Brazil, Austria and Slovakia

McDonalds – has different menus in different countries, e.g. no beef in India



Synoptic Links

Technology – made e-commerce easier, increasing globalisation

Exchange rates – changing rates affect the cost of importing and exporting

Growth – expanding overseas is easier due to globalisation

Customer needs – a business must understand the needs of different countries / cultures

Marketing mix – there is an impact on all 4 Ps

Key Vocabulary

Ethical considerations – thinking about ethics, which may lead to making morally valid decisions or lead to the manipulation of customer attitudes

Ethics – weighing up decisions or actions based on morality not personal gain

Fair Trade – a social movement whose goal it is to help producers in developing countries achieve better trading conditions and promote sustainability

Trade-offs – having more of one thing may force you to less of the other

Environment – condition of the natural world that surrounds us which is damaged when there is pollution

Environmental considerations – factors relating to green issues, such as sustainability and pollution

Sustainability – whether or not a resource will inevitably run out in future. A sustainable resource will not

Core Knowledge

Ethics are moral guidelines – it is doing MORE than the legal minimum.

Ways for a business to be ethical:

- Pay a fair wage to workers
- Pay suppliers a fair price and on time
- Ensure production does not harm the environment, animals or people
- Label products clearly and correctly

Ways to consider the environment:

- Reduce / minimise pollution
- Only use sustainable resources
- Reduce packaging

Being ethical and environmentally friendly can increase costs leading to a reduction in profit. This can be considered a trade-off.

Benefits can include improving customer image and easier recruitment

Don't be a "man on the street"

- Remember that Fair Trade is NOT a brand name or a business
- Avoid the 'all', 'everyone' comments, e.g. 'everyone will pay more for ethical goods'; some will, some simply can not afford to or will choose to ignore ethics



Wider Business World

Body Shop – never tested products on animals; had a bottle recycling scheme

Marks & Spencer – Plan A for environmental sustainability

Starbucks – saw a drop in sales after it was announced it avoided paying UK taxes



Synoptic Links

Aims and Objectives – social objectives

External influences – changes to legislation can encourage a business to be more ethical or environmental

Customer needs – consumers have more interest in ethical products

Marketing mix – aiming to be more ethical or environmental can affect element of the 4 Ps

BUSINESS: Creating informed, discerning employees, consumers and future leaders

Topic 2.2.1 Product

Key Vocabulary

Design mix – the combination of aesthetics, function and cost that are the combined design priorities for a product

Aesthetics – how things appeal to the senses, i.e. look, smell, sound

Function – how well the product or service works for the consumer

Economic manufacture – making a product cheaply enough to make it profitable

Product life cycle – the theory that every product goes through the same stages

Introduction phase – phase of the product life cycle when a product is developed and launched onto the market

Growth phase – phase of the product life cycle where sales are growing; costs will be very high

Maturity phase – phase where sales and revenue is at the highest point

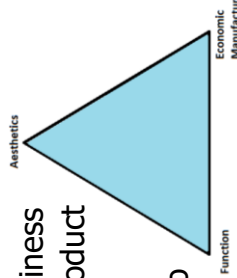
Decline phase – phase when sales are dropping

Extension strategy – an attempt to prolong sales of a product to avoid the decline phase

Product differentiation – the extent to which consumers see your product as distinct from rivals

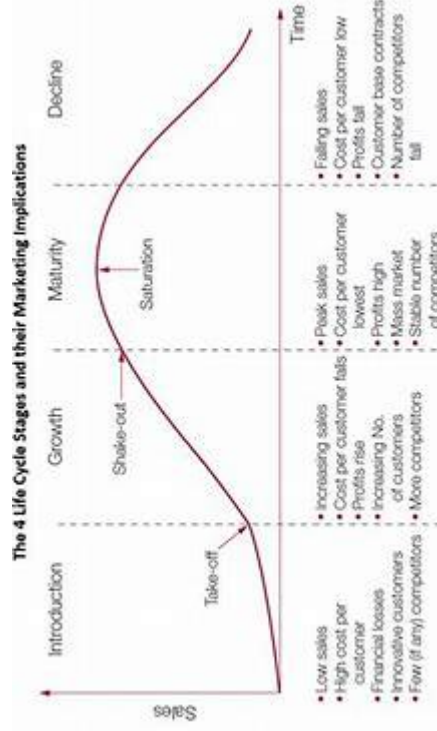
Core Knowledge

The **design mix** is a diagram to show how a business must consider the aesthetics and function of a product as well as the cost.



When creating a product a business will want it to stand out from rivals. This is known as **product differentiation**. Businesses can use **branding** or **USPs**.

The **Product life cycle** shows the stage that every product goes through. A business will use **extension strategies** to extend the life cycle.



Don't be a "man on the street"



- Don't assume everyone prefers branded products – some consumers will consider cost more important
- Remember that all products will see a decline in sales, eventually, but the time this takes will differ
- Just because a product is in decline does not mean it must be withdrawn – it may still contribute a considerable amount of revenue

Wider Business World

Apple – use of branding and extension strategies

Kellogg's – developed new products such as cereal bars to meet customer needs

KitKat – launched different flavours and sizes as an extension strategy



Synoptic Links

Customer needs – if these change products will need to change

Market research – how a business finds out customer needs

External influences – will lead to changes in 4Ps

Operations – need to be able to make the product

Breakeven – understanding the link between costs and economic viability

Key Vocabulary

Profit margin – profit as a percentage of the selling price; the difference between total costs and selling price

Mass market – a broad market segment that includes most consumers buying within a market

Niche market – a small sub-section of a larger market in which customers share similar needs

Price – what the consumers pay for the product

Freemium – used mainly for digital products, when something is offered for free with charges for additional features

Core Knowledge

Price is what consumers pay for the product. It is essential that the price charged is appropriate for the product and for the **target market**

A business can use a variety of strategies:

- **Penetration** – setting a low price to start with to enter a market
- **Skimming** – setting a high price to start to recoup research costs
- **Competition based** – setting a price based on what rival products are charging

Influences on pricing strategies:

- **Technology** – consumers can compare prices easily so it is important a business is competitively priced
- **Competition** – the fewer rivals a business has, the more they are able to set their own price
- **Market segments** – the business needs to consider the income levels of their customers and how sensitive they are to price changes
- **Product life cycle** – price will change throughout the life cycle of the product

Don't be a "man on the street"

- Remember that putting the price up will not always lead to more revenue and profit for a business, as some customers will not pay the extra
- Don't assume that everyone looks for the lowest price – sometimes other factors are more important



Wider Business World

Apple – use price skimming when launching new products

Supermarkets – often sell basics at a loss to encourage customers in



Synoptic Links

Revenue & costs – price affects the revenue received

Break-even – price rises, lower the break even point

Competitive environment – the more competition a business faces, the more competitive their price will need to be

Market segmentation – the price a business charges will need to be appropriate for the target market

Key Vocabulary

Promotional strategy – a medium to long term plan for communicating with customers

Sponsorship – paying to have a brand associated with an individual, event or team

Branding – giving your product or service a name that helps recall and recognitions and gives a sense of personality

e-newsletters – updates on the activities of a business sent electronically

Viral advertising – when people start to spread your message for you through social means

Sales promotion – a short term strategy such as BOGOF

Pressure group – a group of people who join together to try to influence government policy or business policy for a particular cause

e-commerce – buying and selling on-line

product placement – when a business product or brand is seen in tv shows or films

publicity – promotion that is not paid for, e.g. being discussed on a TV show

Core Knowledge

Promotion methods are used to inform consumers about products and persuade them to buy them.

Mass market products can use mass media, such as Television, national newspapers or radio. These are expensive, but *cheap per customer*. **Niche market** products, or smaller businesses can use local radio, local newspapers or social media.

Businesses may use **sponsorship** to build their **brand** through selecting a business that reflects their values, e.g. Red Bull sponsors extreme sports.

New products may offer **product trials**, e.g. free tastes or samples.

Impact of technology:

- Targeted advertising online through the use of cookies
- Viral advertising via social media, e.g. the Ice bucket challenge to raise awareness and donations to ALPS
- Apps for engaging with customers
- E-newsletters and emails



Don't be a "man on the street"

- Remember promotion is not just advertising – it includes lots of other strategies as well
- Don't just say "TV" or "in a newspaper" – be specific, i.e. which channels? Which programs? What time? Link to the target market
- Social media is not "free" – it costs in time and in search optimisation

Wider Business World

Football teams – sponsored by businesses, as are sporting events such as the FA cup

Echo Falls – a wine brand that sponsored a cooking program; an example of linking the product to the likes of the target market



Synoptic Links

Technology – made it easier to advertise on social media

Legislation – adverts must be true and meet regulations

Market Segmentation – a business will need to know the target market well to know where to advertise

Break-even – promoting will have a cost implication, therefore raising the break-even point

Globalisation – will the promotion work in all countries?

Key Vocabulary

Distribution – how ownership changes as a product goes from producer to consumer

Producer – the business or individual who makes the product / service

Wholesaler – a business that buys in bulk from a producer and sells onto to retailers in smaller quantities

Retailer – a shop or chain of shops, usually selling from a building on the high street or shopping centre

Agent – a business that sells something on behalf of the producer but never owns the product, e.g. a travel or estate agent

Customer – the person or business who buys the product

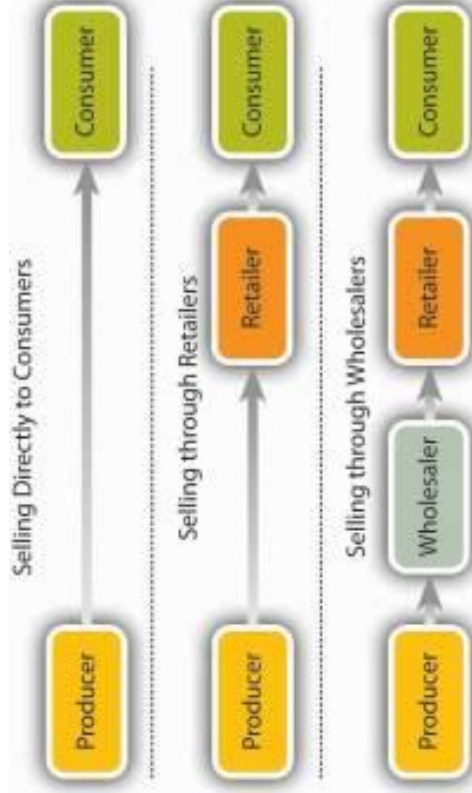
e-tailer – an electronic retailer

Mark-up – the additional amount added to the price of the product as it moves through the distribution channel

Third-party platform – an e-commerce website or service that is run by an unrelated business where businesses can sell their products

Core Knowledge

Place is NOT to be confused with location. *It is about how the product gets to the consumer and which other businesses it needs to pass through, not the physical location of the premises.*



The more third parties in the channel, the greater the mark-up and so the higher the price for the consumer

Don't be a "man on the street"



- Remember that not ALL customers have access to the internet or like online shopping, so selling exclusively online may not be appropriate for all businesses
- Amazon is a third party – a significant number of its products are produced by other businesses

Wider Business World

Amazon – an example of a third party retailer

Booker – an example of a wholesaler

NEXT – a business that is a retailer and e-tailer

ASOS – an e-tailer



Synoptic Links

Technology – has enabled more businesses to become e-tailers, and for small businesses to use third-party platforms

Globalisation – using third party platforms enables more businesses to sell worldwide

Customer needs – channels can meet needs of convenience

Market segmentation – the channel needs to be appropriate for the market segment

Topic 2.2.5 Marketing Mix and business decisions

Key Vocabulary

Marketing mix – the four elements that work together to make the marketing of a business or product successful

Product – the actual product the business produces / sells. Cost, aesthetics and function need to work together

Price – what the customer is charged for the product

Promotion – the methods used to inform customer about a product and persuade them to buy it

Place – the distribution methods used to get the product from the producer to the consumer

Competitive advantage – something a business does that is better than all of its rivals

Core Knowledge

Each element of the marketing mix can influence another

- **Product** design can influence the **price** charged, especially if costs increase
- The type of **product** will affect the distribution channel (**place**) used; if e-tailing is to be used, the **product** will need to be designed so that posting is easy
- If the business wishes to charge a premium **price**, it will need to use premium retailers (**place**) and use **promotion** strategies that enhance this message of quality
- **Promotional** offers may lower **price**
- A **distribution channel** that uses wholesalers and retailers will increase the **price**

Building competitive advantage:

- **Product** – unique features, quality, design
- **Price** – selling at the cheapest price in a market
- **Promotion** – creating a memorable or catchy campaign can make a product stand out
- **Place** – more stores that rivals, effective websites

Don't be a "man on the street"

- Remember that each element must be considered
- Marketing decisions must be linked to the business overall objectives
- Marketing decisions must be relevant to the individual business and the market it is in – just doing more promotion, or lowering price will not guarantee success



Wider Business World

Dyson – has a competitive advantage due to uniqueness of product

Lindor chocolate – unique product, higher price, promotion suggests luxury / handmade, sold in department stores as well as supermarkets. An integrated mix.



Synoptic Links

Customer needs – each element of the marketing mix, must meet needs

Market research – needs to be completed to understand customer needs

Market segmentation – identifying different groups of people

Finance – a budget must be agreed for Marketing

Objectives – the marketing mix will depend on what the business wants to achieve

Topic 2.3.1 Operations

Key Vocabulary

Good – a tangible item that exists in a physical sense, e.g. a car

Service – an experience or non-physical item, e.g. a trip to a theme park

Job production – one-off production of a one-off item for each individual customer

Batch production – producing a limited number of identical products

Flow production – continuous production of identical products, which gives scope for high levels of automation

Productivity – a measure of efficiency, usually output per person per time period

Automation – using machines that can operate without people

Robots – machines that can be programmed to do tasks that can be done by humans, e.g. spray painting

Flexibility – the ability to switch quickly and easily from one task to another

CAD – Computer Aided Design

CAM – Computer Aided Manufacture

Core Knowledge

The purpose of production is to create **goods** and **services**.

Production Method	Advantages	Disadvantages	Examples
Job	- Unique products - High quality - Higher prices	- Need highly skilled workers - Lengthy process - Higher cost per unit	Tailoring, bridges, Olympic Stadium
Batch	- Variety and choice for customers - Materials purchased in bulk, lowering production costs	- Work is repetitive - Equipment must be cleaned after each batch	Bread, clothing
Flow	- Bulk buyer leads to lower unit costs - Production 24/7 - Consistent quality	- High capital investment - Less flexibility to adapt products - Very repetitive work	Canned food, bottled drinks

Impact of technology:

- Lower costs in long term due to lower labour costs; improved quality so less wastage
- Increased productivity due to no breaks or holidays
- Improved quality / consistency
- Lower costs can lead to competitive prices

Wider Business World

Morgan cars – produced by job production

Ford cars – considered to be the first mass produced car in the world



Synoptic Links

Technology – has had an impact on production

Marketing – creates the demand for the product

Finance – introducing technology will incur costs and affect cash flow

Human Resources – if staff lose their jobs they will be entitled to redundancy payments

Legislation – operations will need to follow Health & Safety law



Don't be a "man on the street"

- Remember not all production happens in a factory: a bakery is also manufacturing
- Introducing technology does not lower costs immediately: in the short term there are high costs and this will affect cash flow and profit margins

Topic 2.3.2 Working with suppliers

Key Vocabulary

Stock – items held by a firm for use or sale. Also called inventory

Bar gate stock graph – a diagram to show changes in the level of stock over time

Maximum stock level – highest level of stock to be held by a business

Minimum stock level – also called buffer stock level. The lowest level of held to avoid running out

Re-order level – the level of stock that will trigger the business to order more

Lead time – number of days or weeks that it takes from ordering stock until it arrives

Order quantity – the number of items ordered by the business

JIT – Just in Time. Running the business with so little stock that supplies have to arrive 'just in time' before they run out

JIC – holding buffer stock levels, 'just in case' there is a sudden increase in demand

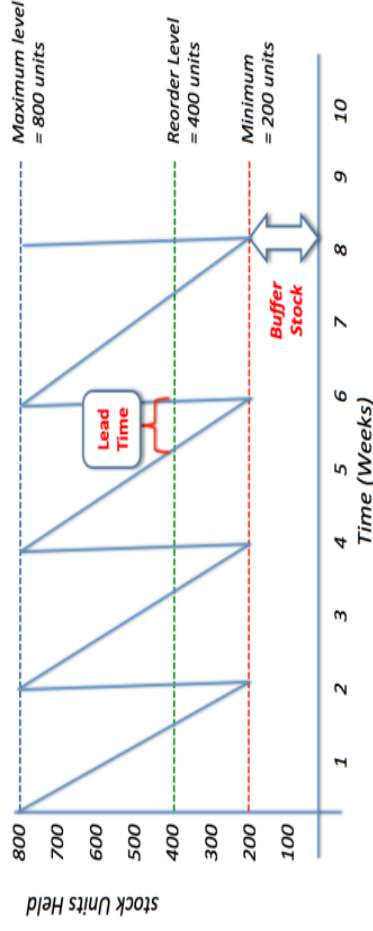
Procurement – obtaining the right supplies from the right supplier

Logistics – ensuring that the right supplies will be ordered and delivered on time

Core Knowledge

The operations department has a role to ensure that there is enough stock to meet demand, so they must work closely with suppliers as well as managing the stock that is in the business effectively.

The amount of stock held is shown in a bar gate graph:



Benefits of JIT

Less storage space needed saving costs
Fresher produce due to more frequent deliveries
Less capital tied up in stock

Limitations of JIT

Greater risk of running out and disappointing customers
No bulk-buying discounts

Don't be a "man on the street"

- Remember not all business that hold stock are shops – it could be a factory, restaurant, bakery
- The cheapest supplier may not be the best if they are not reliable
- Not all businesses will be able to get trade credit from a supplier – trust may need to be built first



Wider Business World

Supermarkets – most run JIT systems to have more selling space and save costs on storage

Restaurants – may limit their menu choices to ensure ingredients are fresher and less stock is wasted



Synoptic Links

Cashflow – holding less stock improves cashflow because the stock is more likely to be sold before payment to suppliers is due

External factors – changes to economic factors can affect the type of products consumers demand

Customer needs – if quality is a concern more than price, this will need to be considered when choosing a supplier

Location – this could affect the logistics for a business

Topic 2.3.3 Managing Quality

Key Vocabulary

Quality control – putting measures in place to check that the customer receives an acceptable level of quality

Quality assurance – a system based on preventing quality problems by involving all staff within the production team to understand their role in maintaining highest quality standards

Warranty – the guarantee by a producer that it will repair any faults in a product for a specific period of time

Core Knowledge

Quality is about meeting a minimum standard to satisfy customer expectations

Quality control

- Finished goods are inspected
- Checks for defects rather than preventing them
- Costly as it can lead to a high level of wastage
- Workers less involved in process so may be less motivated

Quality assurance

- Quality is checked at every stage in the production process – more time consuming, but defective products are dismissed before being completed
- Aims to prevent defects
- Staff need training – costly in short term; more motivating in long term

Importance

- Lowers costs through less wastage
- As production costs lower, profit margins increase
- Quality can improve reputation and build brand loyalty leading to a competitive advantage

Don't be a "man on the street"

- Remember quality is important for goods as well as services
- Don't confuse quality control and quality assurance
- Quality assurance can not be put in place quickly – staff need to be trained and it takes time to be embedded into the culture of the business



Wider Business World

Gordon Ramsey – in his restaurant the Head Chef will check every plate of food before it is sent out

Hotels – have a check list for cleaners to ensure that all rooms are same standard



Synoptic Links

Motivation – motivated staff are more likely to deliver a high-quality service

Customer needs – quality is one of the needs of customers

Promotion – quality can be used as a promotion tool

Consumer law – products must be 'fit for purpose'; a minimum quality measure

Technology – led to an increase in reviews online, which impacts a firm's reputation

Topic 2.3.4 Sales Process

Key Vocabulary

Sales process – the process of persuading a customer to buy the products

Product knowledge- how well staff know the features of the products and service issues, e.g. such as the precise terms of a warranty

Customer engagement – the attempt to make a customer feel part of something rather than an outsider

Customer feedback – comments, praise or criticisms given to the company by customers

Post-sales service – anything provided after you have paid for and received the product, e.g. updates, perhaps because something has gone wrong or a way of promoting customer engagement

Core Knowledge

To succeed in the sales process the following need to be provided:

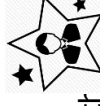
- Strong **product knowledge** and therefore helpful advice from staff
- Speedy and efficient service
- Customer **engagement**
- Responses to **customer feedback**
- Excellent **post-sales service**

Benefits of good customer service:

- Customers feel valued, are loyal and more likely to repeat purchased
- Harder for competitors to steal customers if they are loyal
- Satisfied customers tell others – this could attract more customers to the business
- Satisfied customers can create a positive working environment and make a business a reputable employer
- Developing a reputation for good customer service can develop into a competitive advantage

Don't be a "man on the street"

- Do not assume that negative reviews will make a business fail – they can be ignored or people may have little choice
- Remember that not everyone uses social media so this may not be a good way to get customer engagement for some businesses



Wider Business World

Kia – have a 7 year warranty on new cars

Pizza Hut – have a guarantee of receiving your starter within so many minutes of ordering

Burberry – send regular email updates to customers to make them feel part of the brand, rather than just a customer



Synoptic Links

Customer needs – the sales process is about meeting those needs

Recruitment – to provide excellent service the right staff need to be employed

Training – staff will need to be trained about products

Quality and operations – information about the product will need to be provided

Technology – more customer feedback is available

Topic 2.4.2 Understanding Business performance

Key Vocabulary

Line graph – shows data represented as lines, making it easy to identify trends

Bar graph – data represented so that the height of the bar represents the quantity involved. Good for making comparisons

Pie chart – shows data represented in a circle, with each slice of the pie representing a proportion of the whole, e.g. market share

Core Knowledge

Data can be figures or visually represented. The most common types of visual representation are graphs.

	Line graphs	Bar charts	Pie charts
Pros	Good for data shown over many time periods and for comparisons with how one factor affects another	Good for data over 2-3 time periods Good for comprising size / number of several different items	Good for showing proportions
Cons	Too many lines can be confusing Assumptions can be made about trends continuing	Cannot be easily used to compare data over many time periods	Show big differences clearly but not small differences Cannot show trends over a number of years

A business can use a variety of data:

- **Financial data** – profit margins, profit levels, ARR, break-even point, cash flows
- **Marketing data** – analysis of sales figures, market research data
- **Market data** – analysis of data such as market size, changes in market size, figures for difference segments

Limitations of data:

- A need to understand why trends are happening and the causes of these trends
- Bias can be in place when interpreting data
- Some numbers will be estimates not facts

Don't be a "man on the street"

- Remember that data may be biased or unreliable – always check the source
- One set of data alone is not much help – a business will need to compare to previous years or competitors to put the data into context
- Financial data alone is not the whole picture – consider what external factors may have caused a change, as well as HR and Marketing data
- Don't confuse market data and marketing data



Wider Business World

Government – use line charts to show changes in taxation, inflation etc; pie charts to show how taxation is distributed



Synoptic Links

Business calculations – profit and profit margin calculations can be used to access financial performance

HR – data on staff retention and performance can be used

Operations – productivity and quality data can also be measures of performance

Marketing – data on sales figures and market research

External influences – economic factors may affect a business performance

Aims – the importance of each measure can be different depending on the aims of the business

Topic 2.5.1a Organisational structures

Key Vocabulary

Centralised structure – an organisation where most decisions are made at head office not within the branch

Decentralised structure – an organisation that allows staff to make decisions at a local level

Flat structure – an organisation with few layers of hierarchy

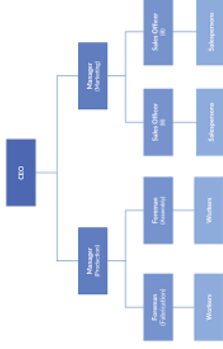
Hierarchical structure – an organisation with many layers of management, therefore creating a tall organisational pyramid

Organisation chart – a diagram that shows the internal structure of an organisation

Span of control – the number of people a manager is directly responsible for in an organisation

Subordinate – the term for people underneath another in an organisation chart

Core Knowledge



An example of an organisation chart.
Each box represents an employee or set of employees.

The vertical lines represent lines of communication.

	Benefits	Limitations
Tall hierarchical	Regular promotion opportunities Easier to maintain standards / check everyone's work	Very hard for lower levels to communicate with the top Decision making may be slow due to many layers
Flat	Fewer managers needed Workers have more responsibility	Each manager is responsible for more people Fewer promotion opportunities
Centralised	Decisions taken with an overview of whole company Consistent policies and decisions	Reduces delegation, so local managers can not respond to changes quickly Less job satisfaction
Decentralised	Involvement in decision making by more staff Can adapt to local conditions	Managers will need more training A mistake in one branch could impact reputation

Wider Business World

Sainsbury – an example of a centralised business where local branch managers have little power over decision making

NHS, police force – examples of tall hierarchical structures



Synoptic Links

Recruitment – an organisation structure shows the roles within a business

Finance – more managers increases costs for the business

Motivation – responsibility is a non-financial factor

Growth – as businesses expand so will their structures. This can include adding in or removing layers



Don't be a "man on the street"

- When counting a span of control, only include those directly underneath, not all staff
- Delegating work and having more responsibility can make staff more motivated – they feel valued. Don't assume employees want to do as little work as possible
- Consider the level of skills of the workers – more skilled generally need less supervision so flatter structures can work well

Topic 2.5.1b Communication

Key Vocabulary

Communication – the passing of information from one person or organisation to another

Insufficient communication – too little communication which may leave some staff under-informed and demotivated

Excessive communication – too much communication, causing overload for staff; a particular problem with email

Barrier to communication – something that prevents the flow of communication

Jargon – technical or obscure words used by a particular group of people that may not be understood by everyone

Core Knowledge

Communication methods:

- **Verbal** – meetings, telephone, digital methods such as Zoom
- **Written** – letters, reports, posters
- **Digital** – email, instant messenger, texting, social media

Communication problems:

- Too little communication – can lead to employees being unaware of what is happening, leading to mistakes and inefficiency
- Too much communication so employees are overloaded
- Other information or activities act as barriers to communication

Barriers to communication

- **Written** – illegible handwriting, poor spelling and grammar, poor font or presentation
- **Verbal** – language not understood, accent not understood, speaking too fast or slow, not pausing when speaking
- **Receiver** – poor attitude, not listening
- **General** – timeliness, structure of communication not clear, cultural differences, use of jargon, technical issues, no opportunity for feedback

Don't be a "man on the street"

- Remember that not all people have the internet or social media, so don't assume this is always the best way to communicate
- Remember that email is not free communication – it is cheaper than traditional methods, BUT, still costs in terms of connections and time to compose / send and monitor



Wider Business World

Microsoft – research by Financial Times identified Microsoft as having excellent communication



Synoptic Links

Motivation – too little, or too much can lead to poor motivation

Technology – has enabled more methods to be available

Stakeholders – different groups will need to be communicated with in different ways

Globalisation – being able to use electronic communication has helped with globalisation

Topic 2.5.1c Different ways of working

Key Vocabulary

Full time work – 35-40 hours per week

Part-time – less than 35 hours and usually predictable hours /days

Flexible hours – where days and hours vary from week to week

Zero hour contract – a type of flexible working where employees are not guaranteed any work from week to week

Freelance contract – an agreement over one job between a business and a self-employed worker

Permanent contract – an agreement between a business and an employee that work and income will be provided consistently into the long-term future

Remote working – working away from the office, typically at home

Temporary contract – an agreement between a business and an employee that work and income will be provided for a specific time period, e.g. six months

Core Knowledge

3 main types of employment: full-time, part-time and flexible hours

3 main types of contract: permanent, temporary and freelance

Benefits of a full or part-time contract are:

- Stable earnings and high degree of job security
- Regular contributions towards pension
- Likely to receive holiday and sick pay, providing more security
- More likely to be sent on training courses to improve skills

The impact of technology:

- Has made it easier to work with people without being physically close to them
- Can be used to monitor staff, e.g. productivity, breaks, accuracy
- Can be used to improve efficiency by doing repetitive jobs more consistently and accurately
- Remote working has pros and cons – a lack of natter and banter could mean good ideas are missed

Don't be a "man on the street"

- Remember not all self employed people are super rich and successful entrepreneurs
- Self-employed workers will not get holiday pay, sick pay or contributions by their employer into their pension
- Flexible working may sound ideal to some, but for others it would not work. Don't assume everyone wants to work as little as possible!



Wider Business World

Remote working – due to COVID-19 there has been a huge increase in people working this way

Amazon – reputation for poor working conditions with excessive monitoring

Brompton bikes – uses automation and robotics alongside skilled workers



Synoptic Links

Technology – has enabled more remote working and can contribute to improvements in efficiency

Recruitment – the type of contract offered may impact where and how the vacancy is advertised

Training – more likely for permanent staff

Key Vocabulary

Directors – people who make the biggest decisions faced by the business, e.g. aims and objectives

Managers – the people who organise others to carry out tasks

Supervisors / team leaders – these people ensure that the staff below them do what they are supposed to do

Operational staff – a member of staff who has specific responsibility for meeting for meeting a target set by the business that is focused on achieving the business's aims and objectives

Support staff – staff who provide help to operational staff, providing assistance with computer networks, administration task etc

Job description – a short account of the main features of the job

Person specification – a description of the type of person who would best fit the job: their character, their experience and skills

Application form – a series of questions a job-seeker must fill in when trying to get an employer interested in interviewing them

CV – curriculum vitae. Sets out the person's experience, qualifications and other relevant facts

References – people such as teachers or previous bosses who are willing to answer questions about the qualities of a job applicant

Internal recruitment – appointing someone from within an organisation

External recruitment – appointing a new employee who does not work for the business

Core Knowledge

In a large business there are 5 main job roles:

- Directors
- Senior Managers
- Supervisors / team leaders / junior managers
- Operational staff
- Support staff

Documents used in the recruitment process:

- **Job description** and **person specification** – created by the business so they are clear about the job that is needed to be filled and what the ideal candidate would be like
- **Job advert** – this can be placed in various places, such as job centre, recruitment agency, online, internal notice board or email, newspapers or specialist magazines
- **Application form, CV, letter of application** – completed by the candidate to provide all the information required by the business

References – supplied by people who know the candidate to support an application

A candidate can be chosen through an interview, assessments, further tests or tasks

	Benefits	Limitations
Internal	Quicker and cheaper Motivational for employees Business knows the candidate well	Existing workers may not have necessary skills Creates a new vacancy
External	Wider range of applicants New skills and ideas	Expensive and time consuming processes

Don't be a "man on the street"

- Don't confuse Directors or Managers with owners of a business
- Not all businesses will have all job roles – it will depend on the structure and size of the business
- Not all vacancies will be advertised in the same way, or place. It will depend on the role and urgency



Wider Business World

McDonald's – only recruit online

Merlin entertainments – require candidates to attend assessment centres

B&Q – one of many businesses that no longer accept CVs, only application forms



Synoptic Links

Organisational structures – HR will need to know where a vacancy fits within the hierarchy

Legislation – there are laws regulating how employees can be recruited

Motivation – offering internal promotion opportunities can be non-financial motivation

Topic 2.5.3 Effective training and development

Key Vocabulary

Formal training – the official training program, e.g. a 2 year graduate training program

Informal training – the unexpected, unplanned extra advice of demonstrations that come from colleagues or occasionally from customers

On-the-job training – training that occurs in the workplace whilst doing the job, e.g. on an apprenticeship

Off-the-job training – training away from the workplace, e.g. in a college

Induction training – training that occurs when you first start a job or join a new business

Self-learning – teaching yourself, perhaps by thinking why a problem occurred and making sure you learn from your mistakes

Ongoing training – regular, perhaps weekly training sessions for all staff

Target setting – when you are set goals by a manager and your job is to achieve them

Performance review – discussion between you and your line manager about how well you are working towards the targets set for you

Retention – calculation of how many staff stay loyal rather than leaving

Core Knowledge

Benefits of providing training	Costs of providing training
Improvements to efficiency and quality	Paying to send staff on courses or bringing in external providers can be expensive
Wider range of staff skills allows a business to respond to market changes quickly	Staff who are training can not do normal work
Boosts motivation of staff	Staff may leave for better jobs

Training can be:

- Formal and informal
- Self-learning
- On-going throughout your career

A formal method to ensure staff develop throughout their career, and to ensure staff contribute to the business aims is to set targets for staff each year. These are reviewed in performance reviews or appraisal meetings.

Why train?

- Motivate staff therefore improving retention
- Introduction of new technology or working practices

Wider Business World

Teachers – must have a minimum of 5 training days per year (INSET)

Doctors – an example of on-the-job training as part of their medical degree and after

Aldi – offer a training program for all new branch managers



Synoptic Links

Motivation – providing training can motivate staff by making them feel valued

Aims – performance targets usually relate to the overall aims of the business

Technology – an investment in new technology will be wasted if staff are not trained to use it

Sales process – effective training leads to better customer service, part of the sales process



Don't be a "man on the street"

- Remember training does need to have a formal qualification linked to it
- Remember to analyse training benefits from the employer's point of view, not the employees