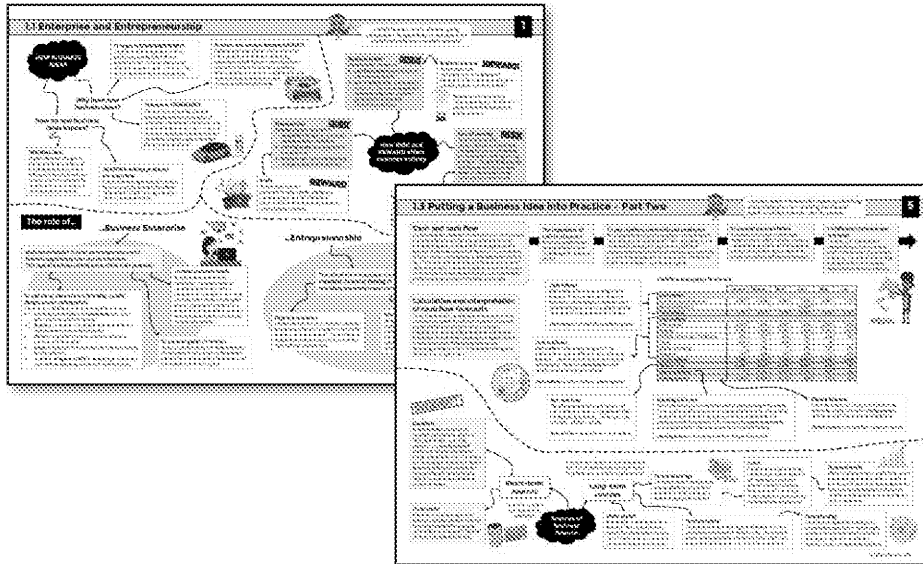


2017 specification
first exam in 2019



Topic on a Page

Theme 1: Investigating small business

for GCSE (9–1) Edexcel Business

H Abrams

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Both the summary and activity pages are provided in A3 and A4 format.

Teacher's Introduction

This resource covers **Theme 1: Investigating small business** of the Edexcel GCSE (9–1) Business specification. There are nine A3 posters covering all content from 1.1 to 1.5. Most topic areas are spread across two posters, although Topic 1.1 has been consolidated onto one page.

Activity versions of the posters are also included, where some of the sections are blank, so that students can test their knowledge by completing these. Answers for these activities are on the summary sheets.

It is intended as a summary of the material and focuses on the main points rather than the detail, so all important areas are covered without going into too much depth. The posters can be displayed on classroom walls or given to students to learn with in lessons or at home. The resource can be used to help students to revise at the end of a topic, or before a test or an exam.

The resource consists of:

- 9 completed mind maps which provide solutions to the activity mind maps, labelled **1** to **9**
- 9 activity (partially complete) mind maps for students to complete, labelled **1** to **9**

Both sets of mind maps are provided in A3 and A4 formats.

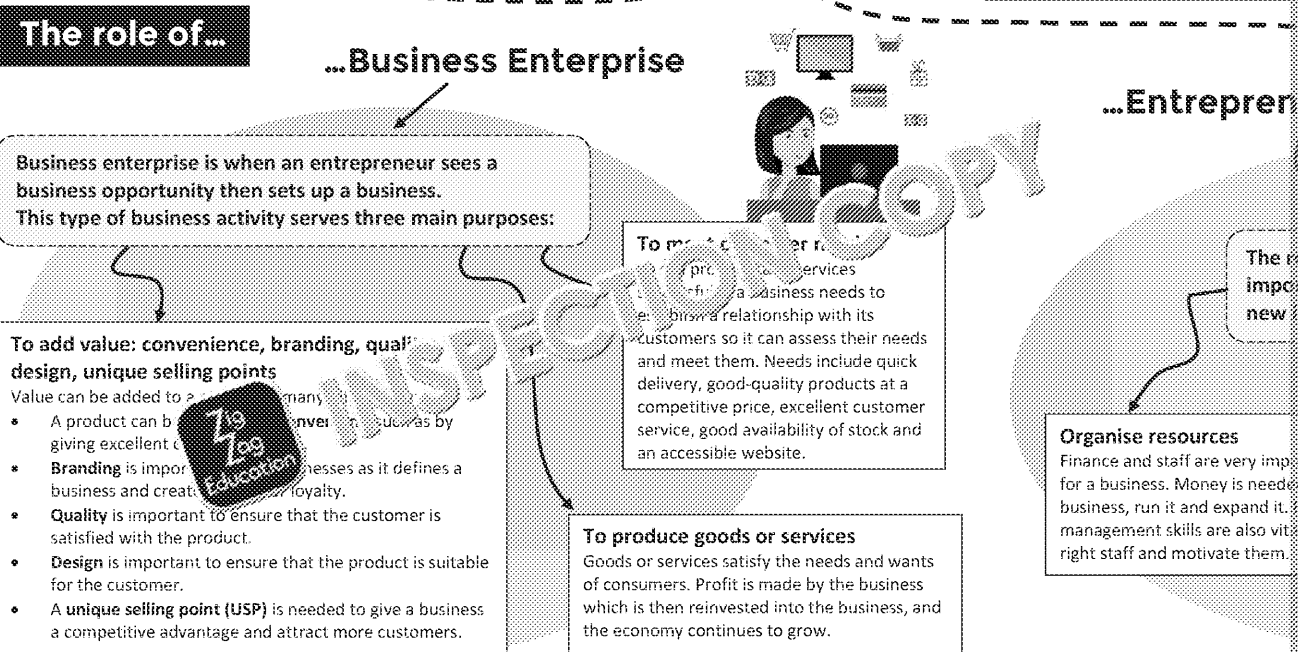
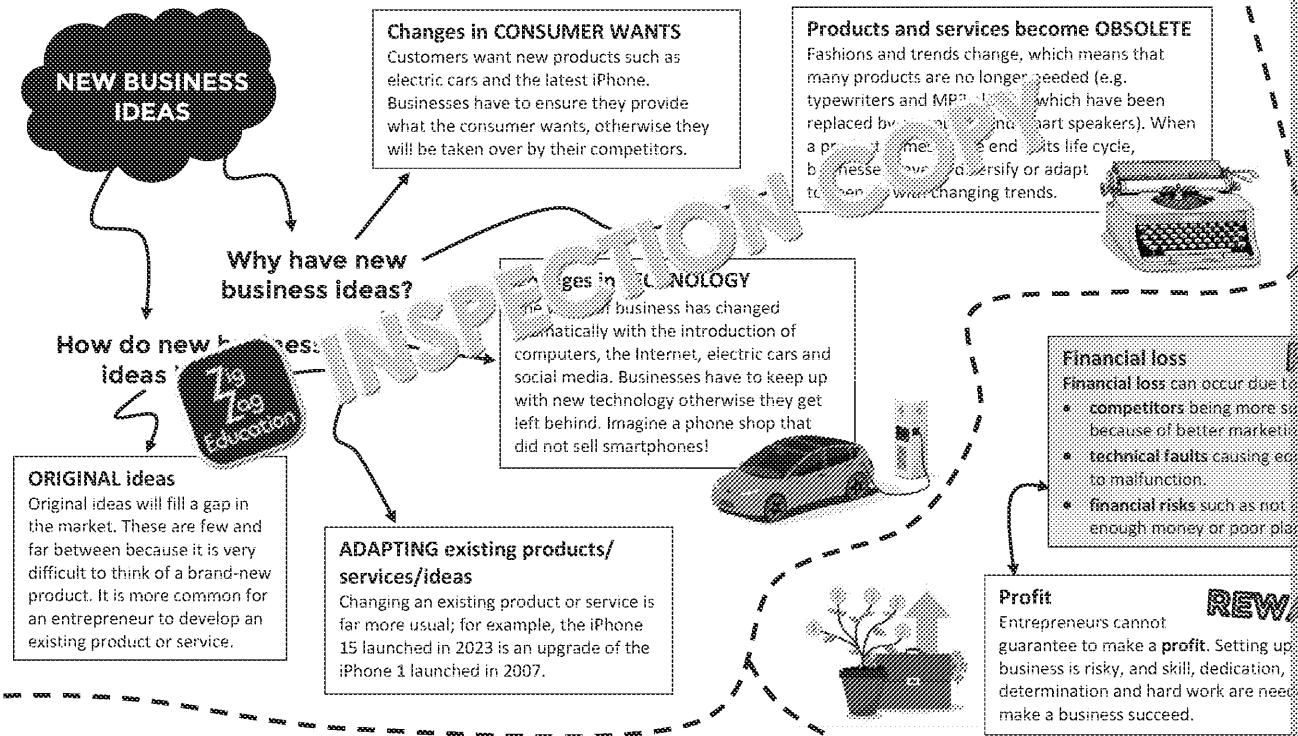
Different styles and layouts are used to help make the information interesting and to help students engage with the information in a productive way.

If the teacher wishes to add extra annotations to clarify or add further information, they could do this as well.

Some of the sub-topic areas are linked, and it is intended students view each poster in its entirety to help them make connections between concepts. However, posters have clear-cut divisions between topic areas, and the teacher could choose to give students part of a poster if they wish to focus on a particular topic area.

H Abrams, March 2024

1.1 Enterprise and Entrepreneurship

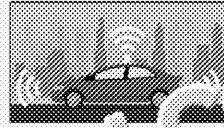


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1.2 Spotting a Business Opportunity - Part One

Customer needs

An entrepreneur has to spot business opportunities. This can be done by personal experience. An entrepreneur might need a particular product or service that does not exist, so they choose to invent it, e.g. Kindle e-reader. An entrepreneur can also build a business by finding a solution to something that seems impossible, e.g. self-driving cars.

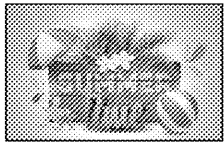


New and small businesses spot opportunities by understanding customer needs, using market research, and making sure they understand their competition.

PRICE

Customers are influenced by price. If the price is low, sales should increase. Businesses use loss leaders to attract customers to buy other products. As price leaders are products that make their production costs lower than their competitors, they can make the business profit. Loss leaders are a potential loyal customer. It is important to check competitors' pricing to ensure your pricing is accurate and reasonable.

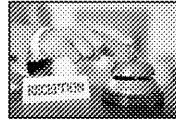
Pricing can be changed depending on demand; for example, raincoats are most in demand during the winter whereas sunscreen will sell better in the summer. Prices may change accordingly.



QUALITY

Customers expect a certain level of quality depending on the cost of a product. A higher price standard is always expected.

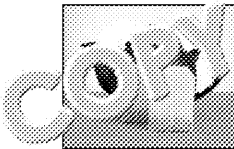
A customer who stays at a Travelodge (low-budget hotel) will not expect the high-quality service of The Ritz (5-star hotel in London). However, customers will still expect a basic level of service at each hotel, e.g. clean bedsheets.



CHOICE

Customers like having a wide variety of products to choose from, e.g. Subway, where customers can choose their type and size of bread roll, different fillings, various types of salad and different sauces.

To help consumers make decisions when buying products, businesses will market their products by pointing out the difference between each product; for example, breakfast tea, flavoured tea, decaffeinated tea, loose tea or teabags.



The main customer needs

CONVENIENCE

The more convenient a business is, the more likely it will be successful. If a business is often closed and not very accessible, customers will choose to go elsewhere.

Supermarkets used to offer 2-hour home delivery slots but have changed these to 1-hour slots, thereby increasing convenience and, consequently, customers.



Importance

- ❖ Know who your customers are.
- ❖ Know what your customers want.

Customers' buying decisions are influenced by:

- ❖ Family needs
- ❖ Financial needs
- ❖ Emotional needs
- ❖ Brand loyalty



If a business stops selling a certain brand, customers will go to a competitor instead. If a business starts to sell expensive cars during a recession, it may not be successful so it might be better to sell second-hand cars. Tourists on a beach in a heatwave will be more interested in buying cold drinks than hot drinks.

Direct

These are the same as indirect, for example, as Tesco.



A SWOT

business strengths, weaknesses, opportunities and threats. A SWOT analysis might make a business more competitive by increasing its pricing, its products or its services to improve its performance.

Impact

- ❖ Price
- ❖ Innovation

Competitors may also increase their prices to keep costs down.

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1.2 Spotting a Business Opportunity - Part Two

Market Research

Market research is essential before a business launches a new product or service as a business needs to find out what customers want and need, otherwise they will waste a lot of time and money creating something that customers do not want to buy.

Identity and understand customer needs

It is vital a business knows who its customers are and what they want or need. If a product/service is not wanted, the business will not be successful, e.g. a business that customers might need could be a window cleaning business.

Market research is carried out to find out the main competitors in the market is to determine the needs of potential or existing customers To find out who the main competitors are

Identify gaps in the market

Market research helps a business find out what products/services do not exist or are needed, e.g. an entrepreneur might identify there are no window cleaners nearby.

Purpose of market research

Reduce risk

If a business conducts market research and finds out what customers want, they are more likely to generate sales and profit and be successful, e.g. an entrepreneur might survey potential customers to check whether a window cleaning business is wanted.

Inform business decisions

Market research provides relevant information for a business which may impact on whether the business launches a new product or not, e.g. the result of the survey might show that there is no need for a window cleaning business as there are already plenty of window cleaners in the area.

Qualitative data

This is data relating to people's preferences. Focus groups and the use of open questions allow data to be collected easily as people express their thoughts and feelings. It helps to find out people's ideas on product packaging, advertising and pricing.

Role of social media in collecting research data

Tools for collecting and analysing data on social media platforms and using traditional research methods. Social media allows market researchers to identify a business's potential customer base, trends can be identified, and so the business knows when to discuss their product. Advantages include results and large sample sizes, tap into customer discussions, could lead to improvements, not everyone uses social media, a different platform, e.g. X rating.

Methods of Market Research

Primary research	Secondary research
<i>This is when a researcher collects information themselves. It is up to date, specific, and has not been collected before by anyone else. It can be time-consuming, expensive and could be unreliable if only a small sample is used.</i>	<i>This is when a researcher uses information that has already been collected. It can be cheap or free, quick to find, specific to a particular industry and be easy to analyse. However, it may be out of date, not very relevant and expensive.</i>
Surveys: A survey uses a questionnaire to gather information about people's wants and needs. The results will then be analysed. It can be carried out face to face, online, via telephone or on paper and allows a business to find out what customers want.	Internet, market research, government reports: The Internet is a vast source of information, but it could be out of date and not relevant. It can be free, but sometimes a cost is involved when accessing data from the Internet. Market research and government reports can provide data that a business might find relevant to their product or service.
Questionnaires: A set of questions, with a choice of answers, given to people to find out information is how they think. It can find out about customer preferences and attitudes towards a particular product or service. Customers are given a choice.	A useful UK source of information is the Office for National Statistics (ONS), which is a government agency that collects information about UK citizens. The Department for International Trade provides information about exports of products, which could be useful to a business. Market research companies such as Mintel provide data, usually at a cost, for businesses researching the market.
Focus groups: A small group of people brought together to discuss a product or service and give feedback. They can be easy to set up and give instant results but can be expensive to run properly.	
Observations: This is when staff are watched without realising it. This allows a business to find out how an employee genuinely treats a customer as they are not putting on an act because they don't know they are being watched.	

Demographics

This divides customers into gender, family type or family life cycle, such as young people or families. This can inform decisions about targeting advertising; for example, sending information about 18-30 holiday packages to retired couples would not be appropriate.

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1.3 Putting a Business Idea into Practice - Part One

Aims and Objectives

Both aims and objectives are essential for all businesses. These should be updated regularly so a business can continue to grow. Without aims and objectives, a business would not have a goal to work towards.

Aim

An aim is an overall ambition that a business wants to achieve. A business achieves its aims by setting objectives.



Objective

A business sets several objectives which are shorter time zones which lead towards the overall aim of the business. These are usually SMART (Specific, Measurable, Achievable, Realistic and Time-related) which enables them to be reviewed regularly and check the business is on target to fulfil its aims in the future.



Survival

All businesses want to survive and do well. The alternative is the business will fail.

Profit

Most businesses want to make a profit which they can reinvest back into the business or use to expand the business. Not-for-profit businesses want to do this as part of their mission.

Financial aims and objectives for a start-up business will be very similar. The main financial aims for most businesses are to survive, make a profit, increase sales, increase the market share and have financial security.

Sales

Businesses want to increase sales to improve their revenue.

Interpretation of break-even diagrams

Market share

Businesses want to increase their share of the market as this increases revenue and customers. It also decreases competition.

Financial

Aims and objectives for a start-up business

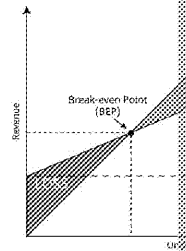
Social objectives

Entrepreneurs may want to improve the quality of life within the local community, reduce the carbon footprint, or support local businesses by sourcing local products.

Profit and Loss

The break-even chart, below, shows the break-even point. The area to the left of the break-even point is a loss, and the area to the right of the break-even point is a profit.

- If the break-even point increases, it means the business will take longer to make a profit. This can happen if total costs increase and/or revenue decreases.
- If the break-even point decreases, it means the business will make a profit more quickly. This can happen when revenue increases and/or total costs decrease.



Non-financial

The non-financial aims and objectives will differ depending on the type of business and the products or services it offers. A typical non-financial aim could be to improve the quality of life in the local community or to reduce the carbon footprint of the business.

Challenge

Entrepreneurs may set up a business as they want to prove something and have a challenge.

Personal satisfaction

Entrepreneurs want a sense of fulfilment and achievement when their business is going well.

Control

Entrepreneurs can make decisions for themselves and don't get told what to do.

Independence

Entrepreneurs may prefer working for themselves rather than having a boss who controls their working life.

Why aims and objectives differ between businesses

Businesses within the public, private and not-for-profit sectors operate for different reasons. Their aims and objectives will, therefore, vary; for example, not-for-profit businesses aim to break even rather than make a profit.

Business

It is important to have a clear aim and objectives for your business.

Financial

Revenue

Fixed and variable costs

Total costs

Profit and loss

Interest

Break-even point

Margin

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Break-even level of output

The break-even point is when total revenue equals total costs.

- When revenue increases, the break-even point decreases.
- When revenue decreases, the break-even point increases.
- When total costs increase, the break-even point increases.
- When total costs decrease, the break-even point decreases.

$$\text{Break even point (in units)} = \frac{\text{Fixed costs}}{\text{Sales price per unit} - \text{Variable cost per unit}}$$

$$\text{Break-even point (in costs / revenue)} = \frac{\text{Fixed costs}}{\text{Contribution margin ratio}}$$

1.3 Putting a Business Idea into Practice - Part Two

Cash and cash flow

It is important for a business to have cash in its bank account. A cash flow forecast is a financial document that shows money coming into a business and money going out of a business. It does **not** show actual figures as it is a prediction of future income and outgoings. It does **not** predict profit or loss. It shows how much money is in the bank at the end of each time period. It is usually completed on a monthly basis for six months to a year. An example of a cash flow forecast for Business X can be seen in the table, below right.

Calculation and interpretation of cash flow forecasts

A cash flow forecast is used to show how much money a business will spend. It also predicts how much income the business will receive from its customers. Outgoings are also unpredictable as prices can increase. A cash flow forecast needs updating on a regular basis to prevent bankruptcy. If the closing balances are decreasing, it might be time to increase the selling price, decrease costs or get a loan.

The importance of cash to a business

A business needs money because without it there is the danger the business will fail.

To pay suppliers, overheads and employees

If a business does not pay its suppliers on time, they will stop supplying, so the business will have no products to sell. If overheads are not paid, such as rent and bills, a business will run itself out of premises, gas, electricity and water. If employees are not paid on time, the business will have no labour to produce any goods.

Cash inflows

Cash inflow is the money coming into the business. There are two cash inflows for Business X: online shopping revenues and a government grant. These are added together each month to calculate the total inflows.

Total inflows is all the inflows added together

Cash outflows

Cash outflow is the money going out of the business. There are six different cash outflows for Business X, starting with office rent and finishing with shipping. These are added together each month to calculate the total outflows.

Total outflows is all the outflows added together

Net cash flow

The difference between cash inflows and cash outflows is known as the **net cash flow**. For Business X, in January, the net cash flow is $£4,000 - £7,300 = -£3,300$.

Net cash flow = total inflows - total outflows

Cash flow forecast for Business X

Cash inflows
Online shopping revenues
Government grant
Total inflows
Cash outflows
Office rental
Salaries
Utilities (water, gas, electricity)
Travel
Digital marketing
Shipping
Total outflows
Net cash flow
Opening balance
Closing balance

Opening balances

This is the amount of money in the bank at the start of the month. A new business will usually have an opening balance for each month is the same as the closing balance of the previous month. For Business X, the opening balance for June is £150 which is the same as the closing balance of May.

Opening balance = closing balance

OVERDRAFT

Overdraft

An entrepreneur can set up an overdraft with the bank which will help any immediate cash flow problems. It is usually obtained quickly but will have high interest charges and daily flat fees. A business can continue spending even if there is no money in the bank account. Any overspending will need to be paid back. It is an expensive method of borrowing money.

Trade credit

A business-to-business agreement whereby a supplier allows a customer to purchase goods without paying upfront (buy now pay later). Payment terms vary, usually 30 to 90 days.

Short-term sources

Useful for a positive cash flow or in an emergency.

Long-term sources

Sources of business finance

Share capital

Shareholders invest money into a business. This is known as share capital. The shareholders will own part of the business so will want to be involved in business decisions.

Personal savings

An entrepreneur's own personal money which can be put into a business. It avoids taking out a loan and paying bank charges.

Venture capital

A successful entrepreneur can attract investment from venture capitalists. They are known as venture capitalists and will want a say in the business.

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1.4 Making the Business Effective - Part One

The concept of limited and unlimited liability

Liability is also known as risk. There are two main types, depending on the type of ownership of a business.

Unlimited liability

When a business has unlimited liability, the owner's personal possessions can be taken away to pay any debts owed by the business. This can include their house, their car, and any electrical equipment.

Limited liability

When a business has limited liability, the owner cannot use their personal possessions. If the business goes into debt, the owner's personal possessions are safe. Businesses with limited liability are often incorporated.

The implications for the business owner(s) of limited and unlimited liability

The main implication to a business owner who has unlimited liability is the risk to their own personal assets.

An owner with limited liability has no risk to their own personal assets can be taken away to pay any debts owed by the business.



Types of ownership

- Sole trader
- Partnership

Type of ownership

- Private limited company
- Public limited company



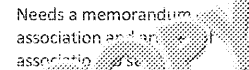
Unincorporated

This is when a business is not registered as a company, so the owner and the business are seen as one.

Incorporated

This is when a business is registered as a company and is separate from the owner.

Types of business ownership for start-ups

	Sole trader	Partnership	Private limited company
Definition	<ul style="list-style-type: none"> • Owned by one person • Has unlimited liability • Is unincorporated • Can have employees 	<ul style="list-style-type: none"> • Owned by two to 20 people • Has unlimited liability • Is unincorporated • A deed of partnership is needed to set up the business 	<ul style="list-style-type: none"> • Owned by shareholders • Shares sold only to friends and family, not the general public • Has Ltd after its name, e.g. J Smith Ltd • Is registered with Companies House • Needs a memorandum of association and articles of association 
Types of businesses	Ice cream seller, solicitor, optician, dentist, hairdresser	Doctor, garage, estate agent, café, shop, restaurant owner	Restaurant, accountant, solicitor, optician, financial advisor
Advantages	<ul style="list-style-type: none"> ✓ Make your own decisions ✓ No boss ✓ Keep all profits ✓ Can employ workers to help ✓ Easy to set up ✓ Financial information private 	<ul style="list-style-type: none"> ✓ Can share ideas ✓ Debts shared ✓ Easier to raise finance ✓ Financial information is private 	<ul style="list-style-type: none"> ✓ Limited liability ✓ Ltd after its name gives it credibility ✓ Easier to raise finance ✓ If shareholders change, the business continues
Disadvantages	<ul style="list-style-type: none"> ✗ Unlimited liability ✗ Share debts with partner ✗ Capital might be shared ✗ No help when owner is ill 	<ul style="list-style-type: none"> ✗ Unlimited liability ✗ Arguments can happen ✗ If one partner leaves or dies, the business closes ✗ Profits are shared ✗ One partner can make unsuitable decisions for the business 	<ul style="list-style-type: none"> ✗ More complicated to set up than a sole trader or partnership ✗ Shareholders might argue ✗ Financial information is available to the general public ✗ Information required by Companies House and by HM Revenue & Customs (HMRC)

Proximity to materials

Raw materials can be important to a business, especially manufacturing. If a business is located close to its raw materials, it can reduce transport costs.

Proximity to labour

Businesses need employees with the right skills. Skilled workers are more available in certain areas of the country. Also, if a business is located in an area of high unemployment, it may have to pay lower wages, thus reducing costs.

Nature of the business

The type of business may affect where it is located.

- A surfing school will be located near the coast.
- Businesses that export goods will be located near the coast or near an airport.
- A restaurant might be located in a busy area.
- Hotels could be more expensive in busy areas.
- Some businesses might be located in areas with safety reasons, e.g. near a power station.
- Some areas might attract businesses, e.g. near Stoke-on-Trent.

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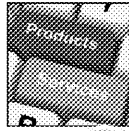


1.4 Making the Business Effective - Part Two

Product

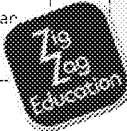
The product is the overall term for a good or service that a business offers to its customers.

- ❖ A good is tangible and can be touched, e.g. a shirt or a loaf of bread.
- ❖ A service is intangible and cannot be touched, e.g. a hair salon or a garage offering MOTs.



Price

A business can set its selling price at the price a customer is willing to pay. The price of competitors will have an impact on the selling price. The quality will also have an effect on the price the product can sell at.



The marketing mix

Each of the four elements of the marketing mix is very important to a business to reach potential customers. It is vital that all elements work together to provide a price that will attract customers. For example, there is no point advertising sunbeds in the Antarctic, or selling Ferraris in an area with high unemployment.

Promotion

Promotion is the activities undertaken by a business to attract customers. It can include:

- ❖ Advertising, e.g. on social media, in newspapers
- ❖ Discounts, e.g. 10% off
- ❖ Using celebrities to promote a product and sponsor a local sports team

Place

The place where a product is sold is important. The three main places are:

- ❖ Online via the Internet
- ❖ Through a retailer (shop)
- ❖ Direct from a manufacturer

A business might want to locate near a competitor, such as a hair salon, or a long way away, depending on the type of product it sells.



Business Information

A business can be shared with information.

How the elements of the marketing mix work together

The four elements of the marketing mix and how they work together will be influenced by competitors, the changing needs of consumers, and the impact of technology.

The impact of technology on the marketing mix:

e-commerce, digital communication

- ❖ As the Internet is becoming more common, e-commerce is used more than ever before, with online shopping becoming a major industry. The place of a business is not as important as it used to be with a lot of businesses not having a high-street store.
- ❖ Social media and blogging have changed the way promotion. This can be positive and negative as customers can recommend products but can also leave bad reviews which can discourage potential customers.
- ❖ Manufacturers can be forced to reduce prices due to advances in technology and automation. This means the price of products might reduce.
- ❖ Comparison websites can affect the price of products as customers are more aware of the prices competitors are offering.

The impact of changing consumer needs on the marketing mix

The needs of consumers change regularly, and this has an impact on the marketing mix of the business:

- ❖ Consumers may have less disposable income, especially during a recession, so this affects prices of products.
- ❖ Consumers are becoming more health conscious, and vegan/vegetarian food is becoming more popular, which will affect the type of products produced.
- ❖ Consumers with less disposable income may be attracted by promotions such as BOGOF (buy one, get one free).
- ❖ Consumers may shop online more which could mean the location of the business is not as important as in the past.

Balancing the marketing mix based on the competitive environment

Competitors will have an effect on the marketing mix of a business:

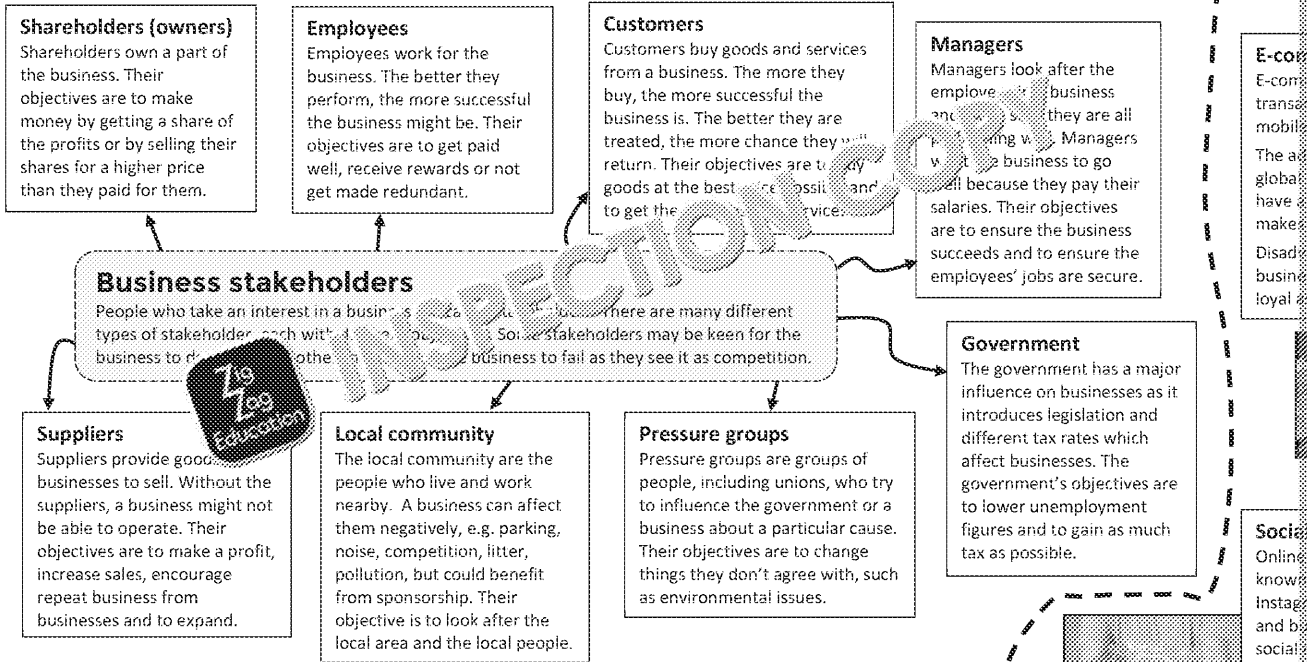
- ❖ A business will change a product's price depending on the price of competitors' products. They will either match the price or use a lower price to attract customers.
- ❖ A business may change its product if it is different or better than its competitors, such as offering a USP (unique selling point) to its products.
- ❖ A business might use promotional methods such as discounts to attract customers and encourage brand loyalty.
- ❖ A business might find more places where its products could be sold or could introduce online shopping which would widen the market.

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1.5 Understanding External Influences on Business - Part One



Stakeholders and business

It is important that a business tries to keep all its stakeholders satisfied to avoid conflict.

How stakeholders are affected by business activity
The activity of a business will influence its stakeholders in different ways. For example:

- ❖ If a business is thriving, the employees may get a pay rise. If the business is doing badly, there may be redundancies.
- ❖ If a business is doing well, it will want to buy more from its suppliers, but if it is doing badly, there is a danger the suppliers will not get paid on time.

Possible conflicts between stakeholder groups
It is quite common to have conflicts between stakeholders as they each have their own objectives:

- ❖ The owner might want as much profit as possible, while the employees want to be paid well.
- ❖ A business might want to open long hours, but the local community might be upset by the noise at night and want the business to close earlier.
- ❖ Suppliers might want to charge as much as possible, while the owner might want to buy supplies as cheaply as possible.

How stakeholders impact business activity
Stakeholders impact business activity in different ways:

- ❖ **Shareholders (owners):** Provide funding for the business, which allows it to reach its aims and objectives.
- ❖ **Employees:** Provide services, which encourages repeat business.
- ❖ **Customers:** Buy products, give feedback, advertise to friends by word of mouth. Give feedback on how to improve a product.
- ❖ **Managers:** Manage employees and communicate between employees and senior management.
- ❖ **Suppliers:** Provide goods for businesses to buy and sell.
- ❖ **Local community:** Potential customers who buy products. Can cause conflict if the business is noisy, customer parking is disruptive and there is lots of litter around.
- ❖ **Pressure groups:** Improve employee conditions, influence what customers buy, change packaging.
- ❖ **Government:** Brings in new legislation and new taxes, and offers grants and funding to certain businesses.

It is important to try to avoid conflict as it can have a negative effect on customers, who might then take their custom elsewhere.

Marketing mix: Price
Businesses need to keep prices as low as possible because of competition. Internet increases the amount of competition, and a business needs a price that will attract many customers as possible. Comparison websites can encourage customers to compare prices. It is vital that customers do not price their products too high. Products can be cheaper if overheads can be lower. A business only has a virtual shop front and cheap advertising costs.

Marketing mix: Place
Rather than have a shop front, a business can use social media to advertise their products. Websites allow businesses to attract customers. It is important that websites look professional and attractive as poorly designed websites will discourage customers. Customers can use a particular business if it is easy to find.

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1.5 Understanding External Influences on Business - Part Two

Legislation and business

The laws of a country are known as legislation. These can affect businesses in a big way such as taxes, employment, advertising and how consumers are treated. It is illegal not to follow these laws; fines and imprisonment can happen if they are broken.



Pay

Employment law sets out exactly how much a person has to be paid, depending on their age. This figure is set by the government. There are three categories:

❖ Apprenticeships

For the first year of an apprenticeship, the government has set a minimum amount to all apprentices. This amount changes every October. After that, apprentices are paid the National Minimum Wage or the National Living Wage, depending on their age.

❖ National Minimum Wage

By law, a business has to pay the National Minimum Wage to all employees under the age of 25. There are different rates, dependent on age: Under 18 / 18–20 / 21–24

❖ National Living Wage

By law, a business has to pay the National Living Wage to all employees over the age of 25.

Employment law

Employees have rights and are protected by employment law. This applies to all employees, from recruitment to dismissal, health and safety.

Recruitment

Recruiting new employees must be done fairly. This includes:

- ❖ advertising vacancies
- ❖ selecting candidates
- ❖ interviewing candidates
- ❖ offering a candidate the job
- ❖ induction for new employees
- ❖ writing an employment contract

Employees have the right to:

- ❖ Sick leave
- ❖ Maternity/paternity/adoption leave
- ❖ A lot of jobs require employees to have a Disclosure and Barring Service (DBS) check to ensure a candidate does not have a criminal record.

Health and safety

Everyone in the workplace is responsible for health and safety: employees as well as employers. The Health and Safety at Work Act (HASAWA) 1974, for example, states that businesses must:

- ❖ report any accidents
- ❖ report training on health and safety
- ❖ provide safe places to work
- ❖ have public liability insurance
- ❖ provide PPE (personal protective equipment)

Discrimination

The Equality Act 2010 states that businesses are not allowed to discriminate against certain groups of people due to gender, sexual orientation, race, religion, disability

Consumer law

Quality and consumer rights

Consumers have rights. Products have to be a certain quality. Consumer law protects consumers by making sure products are of a satisfactory quality, and if not, the law says products can be rejected by the business that provided them.

The Consumer Rights Act 2015 states that:

- ❖ Products must be of a satisfactory quality.
- ❖ Consumers have 30 days to reject a product that doesn't work.
- ❖ Digital content must be of a satisfactory quality.
- ❖ Businesses cannot enforce unfair terms when selling goods or services.
- ❖ Goods must be delivered safely by the retailer.
- ❖ All services must be provided with reasonable care.

Unemployment

Low unemployment rates mean there are not as many people available for jobs.

Businesses may need to increase wages to attract candidates.

Employees feel more secure as their jobs are less likely to disappear and so they work better.

People have higher incomes so can afford more products and services, which strengthens the economy.

Changing levels of consumer income

The more people in work, the higher the level of consumer income, which is how much consumers are paid.

Low consumer income

- ❖ Customers will not be able to afford high-priced goods so will go to low-budget shops.
- ❖ Customers will not buy as many products.
- ❖ Customer confidence will drop and they will be nervous about buying large items.

High consumer income

- ❖ Customers have more income so will buy more high-priced goods.
- ❖ The number of products bought will increase.
- ❖ Consumers' confidence will increase, so they will buy large items, e.g. a house.

Technology

A business must maintain its reputation. If it does not, it can lose sales. For example, a business selling online, but having no physical presence elsewhere, thus losing sales.

Some businesses have to update the products they sell, e.g. software companies.

Cost

Every time legislation is updated, there are cost implications:

- ❖ **Training:** staff need to be trained about new legislation and procedures.
- ❖ **Equipment:** the business may need to change or update equipment.
- ❖ **Pay:** this may need to be increased if the NMW or NLW increase.
- ❖ **Administration:** if paperwork needs updating to reflect new laws, prices, rules, etc., this will increase admin costs.
- ❖ **Licences or professional services:** professionals, e.g. solicitors, may have to update businesses on new law, which will increase costs.

Legislation changes constantly so businesses have to keep up to date to comply with the law.

Consequences of meeting legal obligations

- ✓ Customers and employees feel they are being **treated fairly**.
- ✓ Reputation of the business improves, leading to **higher sales**.
- ✓ Attracts **better candidates** for job vacancies.

Consequences of not meeting legal obligations

- ✗ Businesses could go to court, **pay fines** or go to **prison**.
- ✗ Employees/customers could face **injury** or even **death** due to poor health and safety.
- ✗ Attracts **negative publicity** with the media.
- ✗ Businesses have to be closed temporarily or permanently.

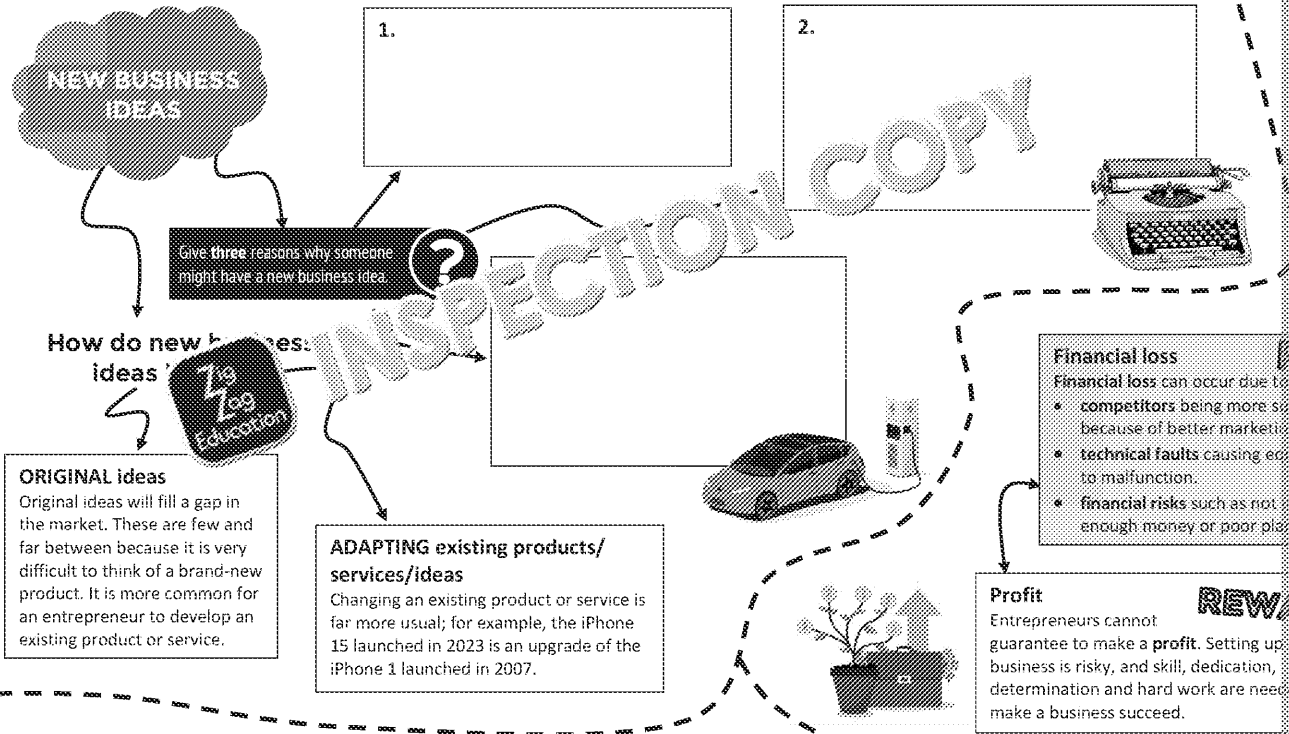
Checklist:
What value added?
This affects and...
Low...
High...
What...

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1.1 Enterprise and Entrepreneurship



The role of...

...Business Enterprise

Business enterprise is when an entrepreneur sees a business opportunity then sets up a business. This type of business activity serves three main purposes:

What are the three roles of business enterprise? Fill in the blanks. ?

1. _____
- Value can be added to a product in many ways:
- A product can be made more attractive to consumers by giving excellent customer service.
 - Branding** is important for businesses as it defines a business and creates a loyal customer base.
 - Quality** is important to ensure that the customer is satisfied with the product.
 - Design** is important to ensure that the product is suitable for the customer.
 - A **unique selling point (USP)** is needed to give a business a competitive advantage and attract more customers.

2. _____
- Profit is made by providing services that meet the needs of a business. Needs to establish a relationship with its customers so it can assess their needs and meet them. Needs include quick delivery, good-quality products at a competitive price, excellent customer service, good availability of stock and an accessible website.

3. _____
- Goods or services satisfy the needs and wants of consumers. Profit is made by the business which is then reinvested into the business, and the economy continues to grow.

...Entrepreneur

The most important new resources are:

Organise resources
Finance and staff are very important for a business. Money is needed to start a business, run it and expand it. Good management skills are also vital to get the right staff and motivate them.

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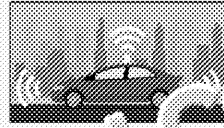
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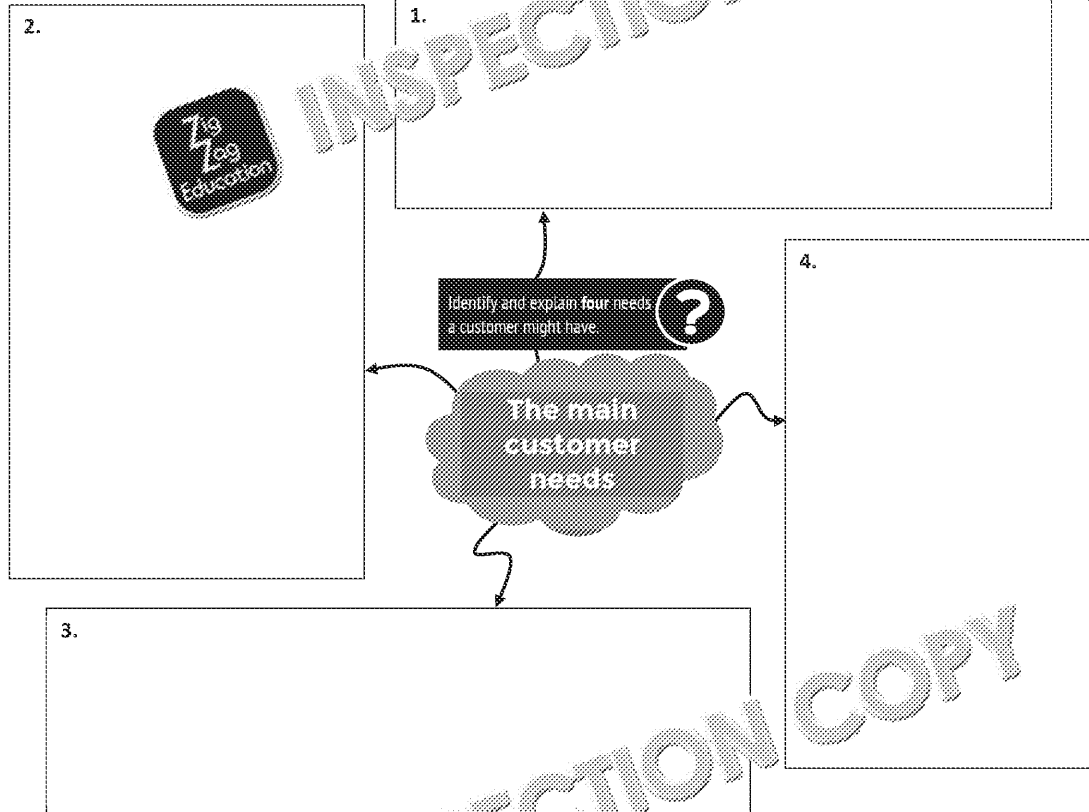
1.2 Spotting a Business Opportunity - Part One

Customer needs

An entrepreneur has to spot business opportunities. This can be done by personal experience. An entrepreneur might need a particular product or service that does not exist, so they choose to invent it, e.g. Kindle e-reader. An entrepreneur can also build a business by finding a solution to something that seems impossible, e.g. self-driving cars.



New and small businesses spot opportunities by understanding customer needs, using market research, and making sure they understand their competition.

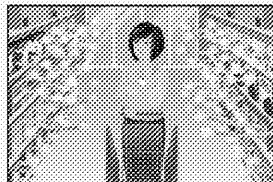


Importance of understanding customer needs

- ❖ Know who your customers are.
- ❖ Know what your customers want.

Customers' buying decisions are influenced by:

- ❖ Family needs
- ❖ Financial needs
- ❖ Emotional needs
- ❖ Brand loyalty



Give an example of a product or service that would not be successful, and explain why.



Direct

What are the strengths and weaknesses of a SWOT analysis?

A SWOT analysis is a tool used to identify a business's strengths, weaknesses, opportunities, and threats.

Impact

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1.2 Spotting a Business Opportunity - Part Two

Market Research

Market research is essential before a business launches a new product or service as a business needs to find out what customers want and need, otherwise they will waste a lot of time and money creating something that customers do not want to buy.

Identity and understand customer needs

It is vital a business knows who its customers are and what they want or need. If a product/service is not wanted, the business will not be successful, e.g. a business that customers might need could be a window cleaning business.

- 1.
- 2.

Give the reasons for market research



Purpose of market research

Identify gaps in the market

Market research helps a business find out what products/services do not exist or are needed, e.g. an entrepreneur might identify there are no window cleaners nearby.

Reduce risk

Explain how risk is reduced by carrying out market research

Inform business decisions

Market research provides relevant information for a business which may impact on whether the business launches a new product or not, e.g. the result of the survey might show that there is no need for a window cleaning business as there are already plenty of window cleaners in the area.

1. This is data relating to people's preferences. Focus groups and the use of open questions allow data to be collected easily as people put forward their thoughts and feelings. It can be used to develop products, packaging, advertising and pricing.

Is social media important for market research data?

Methods of Market Research

Give one advantage and one disadvantage of primary and secondary research

Primary research	Secondary research
Advantage: Disadvantage:	Advantage: Disadvantage:
1. 2.	1. 2.

Give two examples of primary research

Give two examples of secondary research

1.

Market mapping

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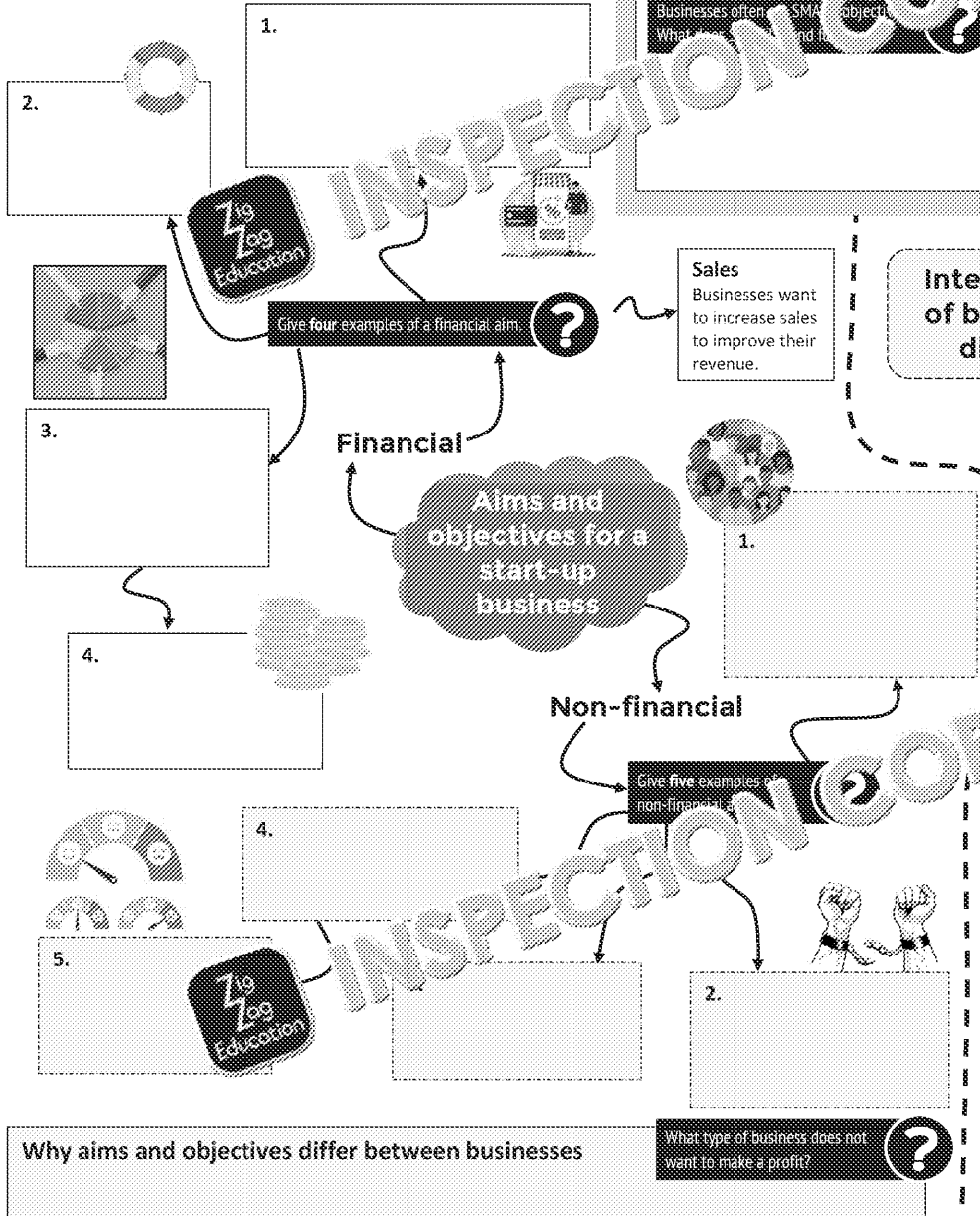
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1.3 Putting a Business Idea into Practice - Part One

Aims and Objectives

Both aims and objectives are essential for all businesses. These should be updated regularly so a business can continue to grow. Without aims and objectives, a business would not have a goal to work towards.



Which is more long-term – an aim or an objective?



Businesses often have SMART objectives. What are SMART objectives?



Business

It is important to...

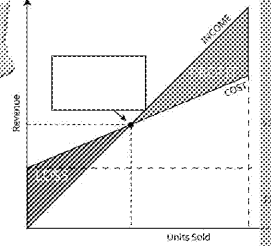
Financial
Fixed and costs
Total costs
Profit and loss
Interest
Break-even of output
Marginal

Interpretation of break-even diagrams

Profit and Loss

The break-even chart, below, shows the break-even point. The area to the left of the break-even point is shown to the right of the break-even point.

- If the break-even point increases, it will take longer to make a profit. This can happen if costs increase and/or revenue decreases.
- If the break-even point decreases, the business will make a profit more quickly. This can happen when revenue increases.



Break-even level of output

- The break-even point is when total revenue equals total costs.
- When revenue increases, the break-even point...
 - When revenue decreases, the break-even point...
 - When total costs increase, the break-even point...
 - When total costs decrease, the break-even point...

Break even point (in units) = $\frac{\text{fixed costs}}{\text{sales price} - \text{variable cost}}$

Break-even point (in costs / revenue) = $\frac{\text{fixed costs}}{\text{sales price} - \text{variable cost}}$

Why aims and objectives differ between businesses

What type of business does not want to make a profit?



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1.3 Putting a Business Idea into Practice - Part Two

Cash and cash flow

It is important for a business to have cash in its bank account. A cash flow forecast is a financial document that shows money coming into a business and money going out of a business. It does **not** show actual figures as it is a prediction of future income and outgoings. It does **not** predict profit or loss. It shows how much money is in the bank at the end of each time period. It is usually completed on a monthly basis for six months to a year. An example of a cash flow forecast for Business X can be seen in the table, below right.

Calculation and importance of cash flow forecasts

A cash flow forecast is used to show how much money a business will spend. It also predicts how much income the business will receive from its customers. Outgoings are also unpredictable as prices can increase. A cash flow forecast needs updating on a regular basis to prevent bankruptcy. If the closing balances are decreasing, it might be time to increase the selling price, decrease costs or get a loan.

The importance of cash to a business

A business needs money because without it there is the danger the business will fail.

To pay suppliers, overheads and employees

If overheads are not paid, such as rent and bills, a business might find itself without premises, gas, electricity or water. If employees are not paid, the business might have no labour to produce goods.

What are the consequences for a business of not paying suppliers on time?

Fill in the blanks

Cash _____ is the money coming into the business. There are two cash _____ for Business X: online shopping revenues and a government grant. These are added together each month to calculate the total _____.

Total _____ is all the inflows added together

Cash _____ is the money going out of the business. There are six different cash _____ for Business X, starting with office rent and finishing with shipping. These are added together each month to calculate the total _____.

Total _____ is all the outflows added together

Net cash flow

The difference between cash inflows and cash outflows is known as the **net cash flow**. For Business X, in January, the net cash flow is $\text{£}4,000 - \text{£}7,300 = -\text{£}3,300$.

What is the formula for net cash flow?

Cash flow forecast for Business X

Cash inflows
Online shopping revenues
Government grant
Total inflows
Cash outflows
Office rental
Salaries
Utilities (water, gas, electricity)
Travel
Digital marketing
Shipping
Total outflows
Net cash flow
Opening balance
Closing balance

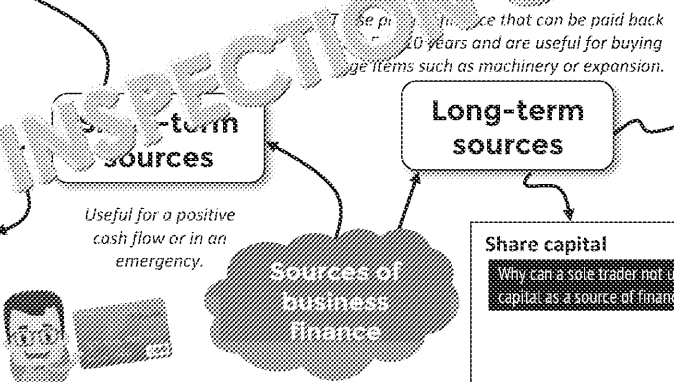
Opening balances

This is the amount of money in the bank at the start of a new business. A new business will usually have an opening balance for each month is the same as the closing balance of the previous month. For Business X, the opening balance in June is £150 which is the same as the closing balance of May.

Opening balance = closing balance

Give two examples of short-term sources of finance.

- 1.
- 2.



Long-term sources

What type of long-term source of finance is the following describing?

An entrepreneur's own personal money which can be put into a business. It avoids taking out a loan and paying bank charges.

Share capital

Why can a sole trader not use share capital as a source of finance?

Venture capital

A successful entrepreneur can raise up business even if they are not known as venture capitalists. They have a say in the business.

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1.4 Making the Business Effective - Part One

The concept of limited and unlimited liability

Liability is also known as risk. There are two main types, depending on the type of ownership of a business.

Unlimited liability

When a business has unlimited liability, the owner's personal possessions can be taken away to pay any debts owed by the business. This can include their house, their car, and any electrical equipment.

Limited liability

When a business has limited liability, the owner cannot use their personal possessions if the business goes into debt. Businesses with limited liability are often incorporated.

The implications for the business owner(s) of limited and unlimited liability

Give a disadvantage of unlimited liability.



Name two types of business ownership that have unlimited liability.

1. _____
2. _____

Name two types of business ownership that have limited liability.

1. _____
2. _____



Fill in the blanks using 'unincorporated' or 'incorporated'.

This is when a business is not registered as a company, so the owner and the business are seen as one.

This is when a business is registered as a company and is separate from the owner.

Types of business ownership for start-ups

Fill in the blank cells in the table below.

	Sole trader	Partnership	Private limited company
Definition	<ul style="list-style-type: none"> Owned by one person Has unlimited liability Is unincorporated Can have employees 	<ul style="list-style-type: none"> Owned by two to 20 people Has unlimited liability Is unincorporated A deed of partnership is needed to set up the business 	<ul style="list-style-type: none"> Owned by shareholders Shares sold only to friends and family, not the general public Has Ltd after its name, e.g. J Smith Ltd Is registered with Companies House Needs a memorandum of association and articles of association
Types of businesses	Ice cream seller, solicitor, optician, dentist, hairdresser	Doctor, garage, estate agent, café shop, restaurant owner	
Advantages	<ul style="list-style-type: none"> Make your own decisions No boss Keep all profits Can employ workers to help Easy to set up Full control of the business 		<ul style="list-style-type: none"> Limited liability Ltd after its name gives it credibility Easier to raise finance If shareholders change, the business continues
Disadvantages		<ul style="list-style-type: none"> Unlimited liability Arguments can happen If one partner leaves or dies, the business closes Profits are shared One partner can make unsuitable decisions for the business 	<ul style="list-style-type: none"> More complicated to set up than a sole trader or partnership Shareholders might argue Financial information is available to the general public Information required by Companies House and by HM Revenue & Customs (HMRC)

1. _____

Why is it important for a business to be near its labour force?

Proximity to labour force

Nature of the business

The type of business matters. A surfing school will be near the coast or near an area with a lot of surfers. A restaurant might be near a busy area. Hotels could be more near a city centre. Some businesses might be near a river for safety reasons, e.g. a power station. Some areas might be near Stoke-on-Trent.

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1.4 Making the Business Effective - Part Two

Name the **four Ps** of the marketing mix.



1. _____
The _____ is the overall term for a good or service that a business offers to its customers.

- ❖ A good is tangible and can be touched, e.g. a shirt or a loaf of bread.
- ❖ A service is intangible and cannot be touched, e.g. a hair salon or a garage offering MOTs.

2. _____
A business can set its selling _____ at the _____ a customer is willing to pay. The price of competitors will have an impact on the selling _____. The quality will also have an effect on price that a product can sell at.



The marketing mix

Each of the four elements of the marketing mix is very important as they all reach potential customers. It is vital that all elements work together to provide a price that will attract customers. For example, there is no point advertising sunbeds in the Antarctic, or selling Ferraris in an area with high unemployment.

The _____ where a product is sold is important. The three main places are:

- ❖ Online via the Internet
- ❖ Through a retailer (shop)
- ❖ Direct from a manufacturer

A business might want to locate near a competitor, such as a hair salon, or a long way away, depending on the type of product it sells.

4. _____
_____ is the activities undertaken by a business to attract customers. It can include:

- ❖ Advertising, e.g. on social media, in newspapers
- ❖ Discounts, e.g. 10% off
- ❖ Using celebrities to promote a product and sponsor a local sports team

How the elements of the marketing mix work together

The four elements of the marketing mix and how they work together will be influenced by competitors, the changing needs of consumers, and the impact of technology.

The impact of technology on the marketing mix: e-commerce, digital communication

- ❖ As the Internet is becoming more common, e-commerce is used more than ever before, with online shopping becoming a major industry. The place of a business is not as important as it used to be with a lot of businesses not having a high-street store as a base.
- ❖ Social media and blogging have a major impact on promotion. This can be positive and negative, as consumers can recommend products but can also leave bad reviews which could deter potential customers.
- ❖ Manufacturing can be cheaper due to advances in technology and automation which means the price of products might reduce.



Balancing the marketing mix based on the competitive environment

Competitors will have an effect on the marketing mix of a business:

Name **one** effect a competitor might have on the price of a product.

- ❖ A business may be better off if it is _____ or better than its competitors, e.g. offering a USP (unique selling point) or products.
- ❖ A business might use _____ methods such as discounts to attract customers and encourage brand loyalty.
- ❖ A business might find more _____ places where its products could be sold or could introduce online shopping which would widen the market.



What effect might a price comparison website have on the price of a product?



The impact of changing consumer needs on the marketing mix

The needs of consumers change regularly, and this has an impact on the marketing mix of the business:

What effect might a recession have on the price of goods?



- ❖ Consumers are becoming more health conscious, and vegan/vegetarian food is becoming more popular, which will affect the type of products produced.
- ❖ Consumers with less disposable income may be attracted by promotions such as BOGOF (buy one, get one free).
- ❖ Consumers may shop online more which could mean the location of the business is not as important as in the past.



Business information

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1.5 Understanding External Influences on Business - Part One

Shareholders (owners)
Shareholders own a part of the business. Their objectives are to make money by getting a share of the profits or by selling their shares for a higher price than they paid for them.

1.

Customers
Customers buy goods and services from a business. The more they buy, the more successful the business is. The better they are treated, the more chance they will return. Their objectives are to buy goods at the best price possible and to get the best service.

2.

Business stakeholders

Identify four other stakeholders of a business.



Government

The government has a major influence on businesses as it introduces legislation and different tax rates which affect businesses. The government's objectives are to lower unemployment figures and to gain as much tax as possible.

Local community

The local community are the people who live and work nearby. A business can affect them negatively, e.g. parking, noise, competition, litter, pollution, but could benefit from sponsorship. Their objective is to look after the local area and the local people.

3.

4.

E-commerce
E-commerce
transacting
mobile
Advances

Disadvantages
business
loyal

Social media
Online
known
Instagram
and business
social media
Disadvantages

Stakeholders and business

It is important that a business tries to keep all its stakeholders satisfied to avoid conflict.

How stakeholders are affected by business activity

The activity of a business will influence its stakeholders in different ways. For example:

- ❖ If a business is thriving, the employees may get a pay rise. If the business is doing badly, there may be redundancies.
- ❖ If a business is doing well, it will want to buy more from its suppliers, but if it is doing badly, there is a danger the suppliers will not get paid on time.

Possible conflicts between stakeholder groups

It is quite common to have conflicts between stakeholders as they each have their own objectives.

- ❖ The owner might want as much profit as possible while the employees want higher wages.
- ❖ A business might want to open longer evenings, but the local community might be upset by the noise at night and want to close earlier.
- ❖ Suppliers might want to charge as much as possible, but the owner might want to buy supplies as cheaply as possible.

It is important to try to avoid conflict as it can have a negative effect on customers, who might then take their custom elsewhere.

Marketing mix: Price

How does technology affect price?

Marketing mix: Place

Rather than have a shop front, a business can use social media to advertise their products. Websites allow businesses to attract customers. It is important that websites look professional and attractive as poorly designed websites can prevent customers to use a particular business.

How stakeholders are affected by business activity

- 1.
- 2.
- 3.

Choose three stakeholders and describe their importance to the business.

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1.5 Understanding External Influences on Business - Part Two

Legislation and business

What is another name for legislation?



What type of legislation protects employees?

Employees have rights and are protected by _____ this applies to all _____ of recruitment, dismissal, health and safety.

_____ recruitment
recruiting new employees must be done fairly. This includes:

- ❖ advertising vacancies
- ❖ selecting candidates
- ❖ interviewing candidates
- ❖ offering a candidate the job
- ❖ induction for new employees
- ❖ writing an employment contract

Name three types of leave an employee is entitled to.

- 1.
- 2.
- 3.

Discrimination
Give a definition of discrimination.

Pay
Employment law sets out exactly how much a person has to be paid, depending on their age. This figure is set by the government. There are three categories:

❖ **Apprenticeships**
For the first year of an apprenticeship, the government has to pay a minimum amount to all apprentices. This amount changes every October. After the first year, apprentices are paid the National Minimum Wage or the National Living Wage, depending on their age.



What is meant by the National Minimum Wage?

❖ **National Minimum Wage**

❖ **National Living Wage**
By law, a business has to pay the National Living Wage to all employees over the age of 25.

What does HASAWA stand for?

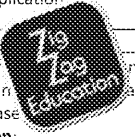
Health and safety
Everyone in the workplace is responsible for health and safety: employees as well as employers. The _____ (HASAWA) 1974, for example, states that businesses must:

- ❖ report any accidents
- ❖ report training on health and safety
- ❖ provide safe places to work
- ❖ have public liability insurance
- ❖ provide PPE (personal protective equipment)

Explain the cost implications on the following.

Cost
Every time legislation is updated, there are cost implications:

- ❖ **Training:** _____
- ❖ **Equipment:** the cost of buying or updating _____
- ❖ **Pay:** this may increase if the NMW or NLW increase _____
- ❖ **Administration:** _____
- ❖ **Licences or professional services:** professionals, e.g. solicitors, may have to update businesses on new law, which will increase costs.



Quality and consumer rights
Consumers have rights. Products have to be a certain quality. _____ protects consumers by making sure products are of a certain quality, and if not, businesses must have to be replaced by the business that _____.

What type of legislation protects customers?



The **Consumer Rights Act 2015** states that:

- ❖ Products must be of a satisfactory quality.
- ❖ Consumers have 30 days to reject a product that doesn't work.
- ❖ Digital content must be of a satisfactory quality.
- ❖ Businesses cannot enforce unfair terms when selling goods or services.
- ❖ Goods must be delivered safely by the retailer.
- ❖ All services must be provided with reasonable care.

4. _____

3. _____

Technology

Legislation changes constantly so businesses have to keep up to date to comply with the law.

Give one advantage of meeting legal obligations.



Give one consequence of not meeting legal obligations.



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