



BUSINESS (9-1) GCSE EDEXCEL THEME 1 THE KNOWLEDGE



1.1.1 The dynamic nature of business

Why new businesses come about	Description
Changes in technology	Improves products and services and make them more desirable. Can also help with the production process increasing speed.
-Changes in customer needs	Consumer needs change as society trends change. This can be caused by: fashion, economical, lifestyle, demographic or technological changes.
-Products and services become obsolete	Due to the dynamic nature and constant changes in customer needs and technology, products/services become obsolete. Many products only last a for a short period of time.

How new ideas come about:	Description
Original ideas	Idea created that has not been thought up beforehand or by someone else
Adapting existing products/services/ideas	Making changes to a product/service that already exists. For example, Apple launching the 11 Plus Pro Max. This has an improved version of the camera and other features

Entrepreneur

A person who takes the risk of starting and running a business

Enterprise is:
business activity that is often initially done by an individual (entrepreneur)

1.1.2 The impact of risk and reward

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Risk	Reward
<ul style="list-style-type: none">▪ Business failure - many small business fail in the first 5 years▪ Financial loss - Possibility of losing money▪ Lack of security - No guarantee of pay every month	<ul style="list-style-type: none">▪ Business success - personal satisfaction excellent products/services, growth, recognition▪ Profit- If successful, revenue will be greater than costs - Some successful entrepreneurs can make a lot of money▪ Independence - Some people like to be their own boss and choose their own hours, holiday time, etc

How can a business reduce risk?

Risky business:

Seasonal demand

Highly competitive market

Small market

1.1.3 The role of business enterprise

The role of business enterprise and purpose of business activity:

To produce goods and services - a business may produce their own or use a supplier

To meet customer needs - this will result in higher sales

To add value - convenience, branding, quality, design, USPs



Entrepreneurial roles:

1. Organise resources
2. Make business decisions
3. Take risks



1.2.1 Customer Needs

Identifying and understanding customer needs
What customers' needs are: price, quality, choice, convenience
The importance of identifying and understanding customers: Generating sales and business survival

A business cannot treat all customers the same way.

**This may be because of their family/financial needs,
personal tastes or emotional needs**

Price: The price point needs to be in line with the type of product and its key features.

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

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

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

1.2.2 Market Research

The purpose of market research

<i>To identify and understand customer needs</i>	Business can produce goods/services to meet these needs
<i>To identify gaps in the market</i>	This will identify opportunities for products/services to be sold
<i>To reduce risk</i>	As the business will
<i>To inform business decisions</i>	To create/adapt products or services to meet customer needs

Target Market - A group of customers that a business aims to sell their products/services to.

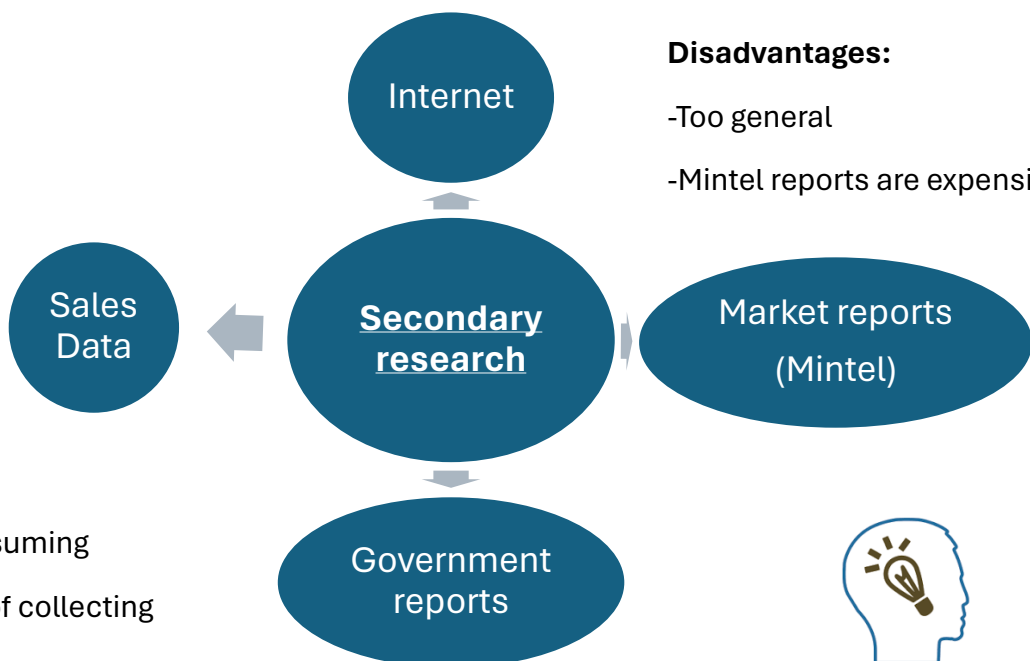
Primary research/field research - Information collected first hand.

Secondary research/ desk research - Information collected by others.

Quantitative data - Information provided with numbers

Qualitative research: Information based on opinions and feelings

Primary Research	Advantages	Drawbacks
Questionnaire	-Qualitative info as well as quantitative -Relatively cheap	-Time to analyse - Size of the sample?
Survey- <i>social media can significantly help obtain research</i>	-Quantitative data easily analysed -Easy target certain groups	-Too much data? -Doesn't inform what to do next
Focus Group	-Target specific groups for feedback (Qualitative)	-Only small numbers take part
Observation	-Specifically watch what you target	- Could other importance areas be missed as it's a one-off observation?



Disadvantages:

- Too general
- Mintel reports are expensive

Advantages:

- Less time consuming
- Effective way of collecting

Quantitative data



1.2.3 Market Segmentation

Segmentation: Dividing the market into different parts to help target consumers more effectively

Segments	Description
Location	Access to customers? Geographical locations. Irn Bru is sold on a large scale in Scotland and is less visible in small shops in the South East. This is because customers in Scotland particularly it.
Demographics	Gender, family sizes and education. Business who understand these are able to adapt products to meet these needs.
Lifestyle	Attitudes, beliefs, interests and opinions. E.g., The Go Pro camera is targeted to adventurous people
Income (socio-economic)	The income indicates how affordable certain products are. For example, Rolex is targets extremely high-income earners.
Age	Certain products will be targeted to particular ages. For example, Sony PlayStation target teenagers as their main captive audience.

Market Maps help spot gaps in the market.

Kia segmented the market looking at *Income and Lifestyle* to produce a car of *reasonable* quality that was lower in price against rivals.

Market map example---



1.2.4 The Competitive environment

Understanding the competitive environment	
Strengths and weaknesses of competitors based on	Price, quality, location, product range and customer service
The impact on business decision making	The Apple iPhone launches constantly remind us of their new features and quality. This is due to them wishing to have an advantage over rivals such as Samsung. They have made this decision to help stay as a <i>market leader</i> .



Unit 1.3 Putting a business idea into practice

1.3.1 Business aims and objectives

Aims	General goals they want to achieve
Objectives	Specific targeted financial or non-financial goals a business wishes to achieve

Financial objectives	Non-financial objectives
Survival	Social objectives
Profit	Personal satisfaction
Sales	Challenge
Market share	Independence
Financial security	Control

Survival is a common objective for a small start-up business whereas a more established small business will likely set a SMART ***profit-based objective***.

1.3.2 Business Revenues Costs and Profits

	Concept	Calculation
Revenue	Income/sales revenue/turnover- amount received from selling products or services	Quantity sold x selling price
(TOTAL) Variable costs	The costs increase with output. E.g., raw materials	Quantity sold x variable cost per unit
Total costs	All the costs a business has to pay.	Fixed costs + variable costs
Profit/loss	If a business' revenue is greater than their costs, the business makes a profit	Revenue - Total costs
Interest	Fee applied to borrowings and savings	$\frac{\text{Total repayment} - \text{Borrowed amount}}{\text{Borrowed amount}}$
Break-even (output)	The number of units required to sell in order to cover the costs. (SR=TC)	$\frac{\text{Fixed costs}}{(\text{Selling Price} - \text{Variable cost})}$
Margin of safety	As soon as the break-even point has been met, the business feels safer. This is why we use actual output against the BEP to calculate this figure.	Actual output - Break even output

Fixed costs	Variable costs
Rent	Raw materials
Salary	Wages
Insurance	Utility bills
Loans (interest too)	Packaging
Business rates	

$$\text{PROFIT} = \text{REVENUE} - \text{COST}$$

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TO INCREASE THIS...
... INCREASE THIS...
...OR DECREASE THIS

Interpretation of break-even diagrams:

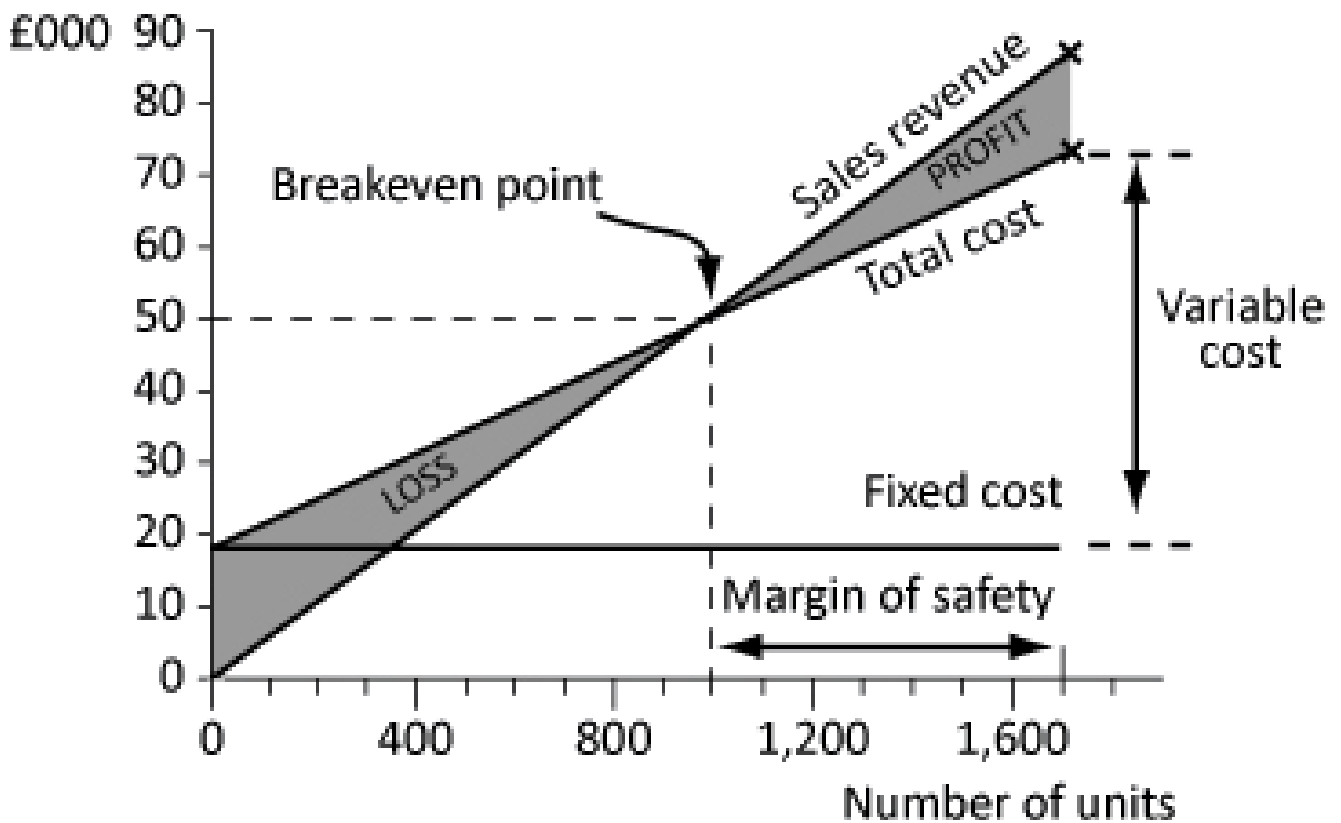
Break-even level of output

Margin of safety

Profit and loss

If revenue increases, the break-even output becomes lower.

If costs increase, the break-even output level increases



1.3.3 Cash and cash-flow

Cash-flow is the money that flows into the business during a period of time.

A cash-flow forecast looks the same but is just a PREDCTION.

	Jan	Feb	
Inflows →	Receipts	100	110
	Loan received	50	0
	Total Cash in flow	150	110
Outflows →	Wages	15	20
	Raw materials	20	20
	Utilities	5	5
	Total payments	40	45
	Net Cash flow	110	65
Amount the business has at the beginning of the month →	Opening balance	0	110
	Closing balance	110	175



Closing balance- amount the business has at the end of the month

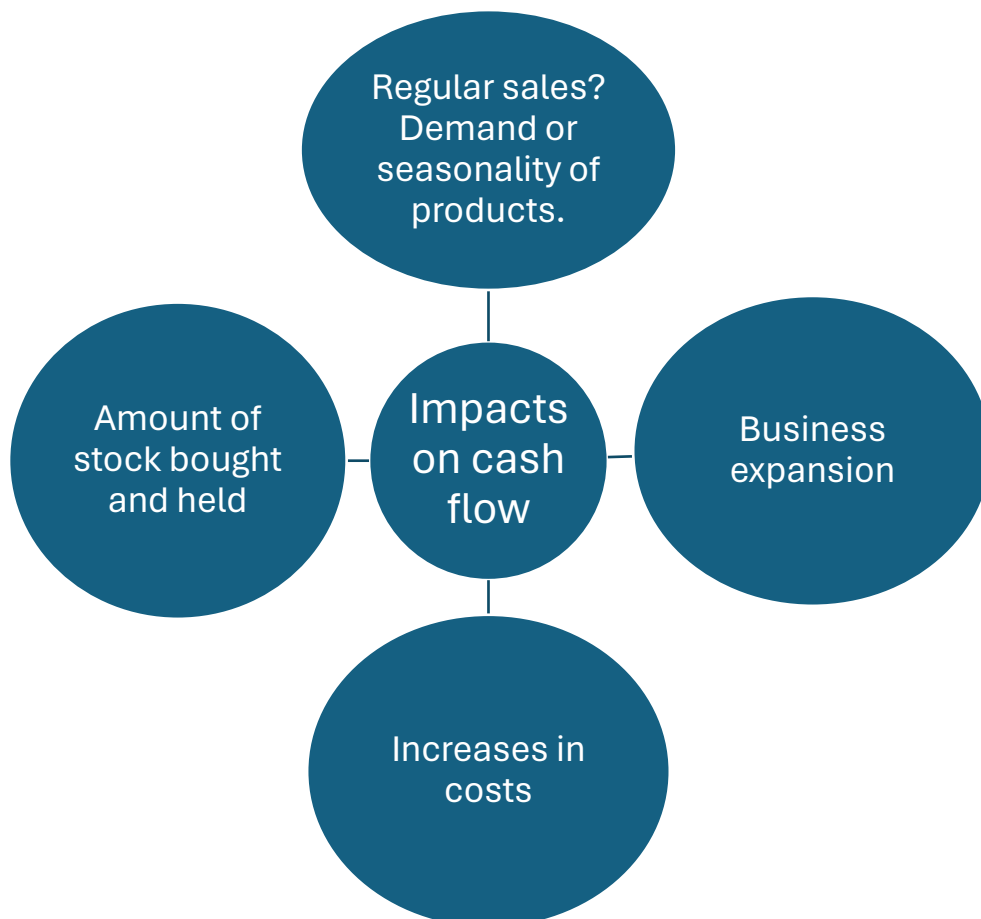
Calculations	
Total cash inflow	Add all the inflows up
Total payments	Add up all the expenses
Net Cash flow	Inflows - Outflows
Closing balance	Net Cash flow + Opening balance

The importance of cash to a business:

To pay suppliers, overheads and employees- failure to do this can lead to cash flow problems and poor relationships with suppliers.

To prevent business failure- if there is no cash available, the business is no longer viable and leads to insolvency.

The difference between cash and profit- Cash is definitely **NOT** profit. Cash is used to pay for expenses. Whereas profit is the calculation= $TOTAL\ REVENUE - TOTAL\ COSTS$



1.3.4 Sources of business finance

Finance is required for a number of reasons:

- expanding the business
- paying expenses
- when starting the business
- investing in new products



Short term

Overdraft	Trade Credit
+To pay off short term expenses quickly	+ Can delay payments of stock for 30, 60 or 90 day period
-High rate of interest and must be paid back	-Business may not get discounts as they choose to pay for the stock over a longer period of time

Long term

PERSONAL SAVINGS	
ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> ▪ Quick to access. ▪ No need to repay the money. ▪ No interest has to be paid. 	<ul style="list-style-type: none"> ▪ Lack of funds (too small) ▪ Owner may have none left if they use it for the business= more stress.
RETAINED PROFIT	
ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> ▪ Quick to access. ▪ No interest has to be paid. ▪ No need to repay the money. 	<ul style="list-style-type: none"> ▪ Insufficient amount available. ▪ Owner may have none left if they use it for the business= more stress.
VENTURE CAPITAL	
ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> ▪ Can raise large sums of money. ▪ Venture capitalist can offer expertise. 	<ul style="list-style-type: none"> ▪ Business gives up a share of the business. ▪ Venture capitalists expect a share of the profits.
LOAN	
ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> ▪ Set manageable repayments ▪ Money has available fairly quickly. 	<ul style="list-style-type: none"> ▪ Interest has to be paid ▪ Committed to repayments ▪ Bank may say no.
SHARE CAPITAL	
ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> ▪ Money not required to be paid back ▪ Can raise high amounts of finance. 	<ul style="list-style-type: none"> ▪ Profits shared with shareholders through dividends. ▪ Shareholders are consulted with the running of the business.
CROWDFUNDING	
ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> ▪ Highly effective for social enterprises as backers get on board. ▪ Increases marketing and publicity. 	<ul style="list-style-type: none"> ▪ Sometimes committed to a return on the investment. ▪ Not always popular if the audience don't like the idea.

Unit 1.4 Making the business effective

1.4.1 The options for a start-up and small businesses

Unlimited liability	Limited liability
Owner is legally responsible for all debts, there is a potential possibility to lose all of his/her possessions to pay off outstanding debts .	Owner is legally responsible for all debts, there is a potential possibility to lose all of his/her possessions to pay off outstanding debts .

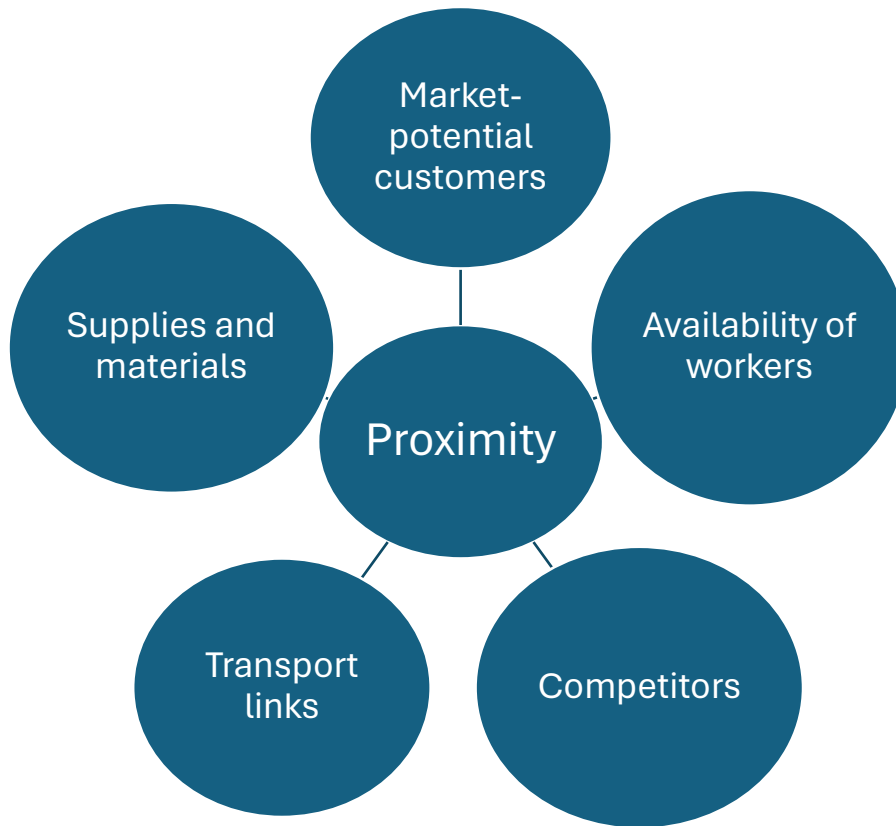


SOLETRADER - One owner	PARTNERSHIP - 2-20 owners	PRIVATE LIMITED COMPANY (LTD) Invited shareholders
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SOLE TRADER	
ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> ▪ Easy to set up ▪ ST makes all the decisions ▪ ST keeps the profits ▪ Financial info is kept private 	<ul style="list-style-type: none"> ▪ Unlimited liability ▪ Lots of pressure on one person ▪ Stress of workload and responsibility.
PARTNERSHIP	
ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> ▪ Shared expertise ▪ Shared responsibility ▪ Potentially more finance 	<ul style="list-style-type: none"> ▪ Unlimited liability ▪ Partners may disagree ▪ Profits are shared ▪ Deed of partnership is signed and followed
PRIVATE LIMITED COMPANY (LTD)	
ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> ▪ Limited liability ▪ Customers may trust an LTD more. ▪ Lenders may trust an LTD more ▪ Business continues even if shareholders change 	<ul style="list-style-type: none"> ▪ Shareholders may disagree ▪ Accounts have to be reported to HMRC and shareholders ▪ Complex to set up ▪ Profits shared via dividend payments
FRANCHISE	
ADVANTAGES	DISADVANTAGES
<ul style="list-style-type: none"> ▪ Trusted brand ▪ High marketing costs are covered by franchisor ▪ Higher chance of survival--Training is provided 	<ul style="list-style-type: none"> ▪ Initial costs can be high ▪ Owner has little freedom with decisions ▪ Franchisee pays royalties from the profits

1.4.2 Business Location

Location is crucial when setting up your business. Factors that influence this include:



1.4.3 Marketing Mix

THE MARKETING MIX



<p>Place- how the product gets from the business to customer. This often includes: online, physical stores. Why is Tiffany & Co located on Bond St, London.</p>	<p>Price- The price must reflect the value of the item. Pricing methods include: premium, competitive, penetration, psychological and destroyer. Which one reflects Tiffany & Co?</p>
<p>Product- Product must meet the needs of the customer and must reflect it's price, where it's located and how it's promoted. Tiffany sell premium products.</p>	<p>Promotion- the way the brand communicates with customers. Includes :PR, advertising (including technological), branding, sales promotions, sponsorship, etc.</p>

How elements of the marketing mix work together:

-Ensure the elements meet customer needs

-Technology helps support through digital communication and increasing the availability with place.

-Balanced that is based on the competitive environment.

1.4.4 Business Plans

The role and importance of a business plan:

To identify:

- The business idea
- Business aims and objectives
- Target market (market research)
- Forecast revenue, costs and profit
- Cash-flow forecast
- Sources of finance
- Location
- Marketing mix

Who uses a business plan?

Owners- helps with the daily running of the business as it provides lots of key information and helps assess risk and reduce risk through effective planning.

Investors- can assess the risk and reward of investing in the business by viewing the plan.

The bank and other lenders- before lending money, they will seek assurances that this will be paid back.

Unit 1.5 Understanding external influences on business

1.5.1 Business stakeholders

A stakeholder is an individual or group that has an interest in a business.

A business aims to please the stakeholders.

	How they are affected by business activity	Possible conflict with other stakeholders
Shareholders/owners	Seek profits as their main aim.	Employees may feel under pressure to deliver.
Employees	Want high pay and better working conditions.	Shareholders may not wish to pay higher wages as this will impact on the profits.
Customers	Want cheaper prices and increased value.	Managers and owners can't always win.
Managers	Want less pressure from the owners and bonuses	Employees may feel overworked from the managers
Suppliers	Rely on the business being successful as they want regular orders.	Owners will want to pay lower prices for their supplies, however suppliers won't feel the same.
Local community	Want support from the business, Tesco have a community board to show their partnership.	Owners- community support is expensive and can dip into the profits of the business.
Pressure groups	Will watch the business carefully to ensure their actions are appropriate.	Managers- will feel under pressure to be more ethical to please all stakeholders.
Government	Employment levels, legislation and taxes.	Managers- may not be happy with increases in wages.

1.5.2 Technology and business

Technology is a key driver in business and helps create opportunities for growth and development. Technology helps a business obtain competitive advantage.

Types of technology used include:

- Social media (advertising, PR and market research).
- Digital communication (emails, pop-ups, surveys, QR codes).
- Electronic payment systems (contactless, online, direct debit).
- E-commerce

How technology influences business activity-

Sales: Innovating products using the latest technology. Adds value to the production process.

Costs: Technology can be expensive, but it can help save the business money as it increases efficiency and can increase production capacity.

Marketing mix: Technology helps every aspect of the marketing mix, for example, promotions are quicker to distribute with the use of social media, this supports the accessibility through place as many customers regularly access social media.

1.5.3 Legislation and business

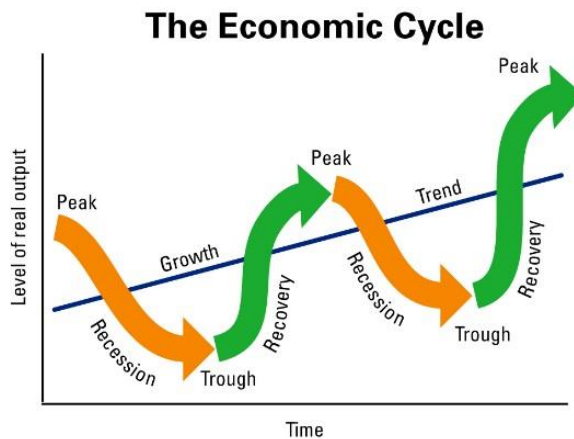
Principles of consumer law:	Principles of employment law
<p>Quality- products sold should be of a decent standard and quality. Services should be offered and provided with a reasonable amount of care.</p> <p>Consumer rights- Customers have a right to return goods if they are not up-to standard. Customers are entitled to full descriptions of their products/services.</p>	<p>Recruitment- procedures must be fair and prevent discrimination.</p> <p>Pay- Must at least meet the National Minimum Wage. Many employers pay above this to show they are fair.</p> <p>Discrimination-All groups of people must be treated fairly.</p> <p>Health and Safety- HASAWA must be followed</p>
<p>+Compliant behaviour builds trust. +Good publicity +Employees may feel motivated with the strong practice of the business</p>	<p>-Expensive to follow all laws (increases costs) -Failure to comply will lead to unhappy customers or staff</p>

1.5.4 The economy and the business

The **economic climate** is how much consumer spending is occurring.

Increases in demand lead to higher sales. This is measurement used is called Gross Domestic Product

Unemployment-people who are eligible to work but currently don't have a job.



	The impact of the economic climate on businesses:
Unemployment	If unemployment is high it means that demand for goods and services will go down. High unemployment will make it easier for businesses to recruit staff.
Changing levels of consumer income	When the economy does well, incomes tend to rise and so does consumer spending. When the economy doesn't do so well, consumer spending goes down normally due to less of an income.
Inflation	This is the change in average prices of goods and services. A sharp rise can lead to increases in costs and therefore customers will have to pay a higher price. This can reduce disposable incomes for customers.
Government taxation	Increases in taxes reduce disposable income and can have a negative effect on the economy. VAT is set at 20% for most goods.
Changes in exchange rates	The exchange rate is the cost of buying foreign currency. If the value of the £ falls, it will make it more expensive for UK businesses to import goods. However if the business exports goods, then their sales would go up as it's cheaper for foreign customers to buy the goods.

1.5.5 External influences

The business **is not** in direct control of the external environment; however the external environment is dynamic and constantly changing. The business Needs to adapt to remain competitive.

The importance of external influences on business:

Technology- Technology is extremely dynamic. Businesses invest heavily to remain competitive. Examples include self-service checkouts, accepting Apple pay, the latest product innovation, production methods, etc. When will we see the launch of the self-driving car?

Legislation- Businesses have to comply effectively. This can add time and cost to businesses. This may lead to price increases. For example, the National Minimum Wage increasing.

The economic climate- Tesco understand that consumers are not spending as much on the shopping, so they have responded by launching a new 'own brand' range under the name of Jack's. Aldi and Lidl have been successful due to our current economic climate. This has forced Tesco to adapt their marketing mix to remain competitive.



BUSINESS (9-1) GCSE EDEXCEL THEME 2 THE KNOWLEDGE



Topic 2.1: Growing the business

2.1.1 Business growth

Methods of business growth	
<u>Internal (organic) growth</u>	<u>External (inorganic) growth</u>
New products (R & D, innovation)	Merger - businesses join together, e.g. Curry's PC World)
New markets (adapting the marketing mix, expanding overseas and/or taking advantage of new technology)	Takeover - where a businesses buys out another, e.g. Coca-Cola bought Innocent Smoothies

A PLC is a well-suited business ownership for growing businesses:

Public Limited Company (PLC)	
Advantages	Disadvantages
<ul style="list-style-type: none"> -Limited liability -Quick opportunities for growth by raising share capital publicly -Customers may trust an LTD more. -Lenders may trust an LTD more -Business continues even if shareholders change 	<ul style="list-style-type: none"> -Shareholders may disagree -Accounts have to be reported to HMRC and shareholders -Complex to set up -Profits shared via dividend payments -Loss of control from original owners if new shareholders now majority shareholders

Sources of finance for growing and established businesses

Internal (inside the business):

Retained profit- profits saved up over time

Selling assets- buildings, equipment, machinery

External (outside the business):

Loan capital- borrowing money (from the bank). Interest charged on loan.

Share capital - selling shares in the business.

Stock market floatation (PLCs)- converting an LTD to a PLC by issuing shares available to the public.

2.1.2 Changes in business aims or objectives



Businesses objectives change over time because...

- Market conditions (customer needs change over time)
- Technology changes (obsolete technology, for example, what happened to Blackberry?)
- Business performance goes up (or down)- businesses reset their goals
- Legislation impacts on previous objectives (e.g. the thought of Brexit has caused businesses to relocate; Nissan, Dyson are two)
- Internal reasons (e.g. staff changes, business decides to do something different)

As businesses evolve, their aims and objectives will change and they may:

- focus on survival or growth
- entering existing markets or withdraw from markets
- growing or reducing the workforce
- increase or lower the range of products offered

2.1.3 Business globalisation

Globalisation- where businesses operates internationally. Globalisation impacts on how business operates and competes.

Globalisation affects businesses in different ways:

1. **Imports**- buying goods from overseas, this could be because it's cheaper or not available in the UK. For example, Roses are imported in February for Valentines Day as they cannot be produced in the UK at this time.

2. **Exports**- A business often makes sales overseas and will export their goods. This increases the revenue for the business and makes them more competitive. For example, most cars made in the UK (see diagram to the right) are exported overseas.

3. **Location of the business**- Some businesses change their location to reduce costs. It is rumoured that Nissan want to close their factory in Sunderland and produce their cars in another country where it is cheaper for them to do so.

Barriers to international trade:

Tariffs- taxes applied on imports or exports.

Trade blocs- agreements between countries that encourage trade with member countries. Examples include: **EU, ASEAN, NAFTA**

How do businesses compete internationally?

-Stronger use of e-commerce and the internet

- Adapting the marketing mix to further meet customer needs

2.1.4 Ethics, the environment and business

Ethics - moral principles and behaviours of a business. For example, deciding to pay staff a fair wage.

Trade-off



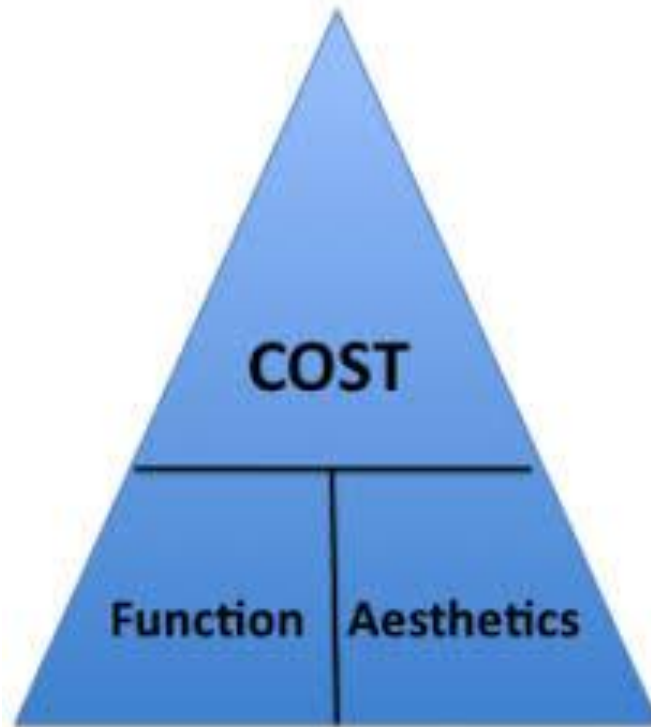
There are many **environmental** considerations that influence business activity, including: emissions, reusable packaging, use of plastic, reducing the carbon footprint, etc. Most businesses offer reusable bags and cups (coffee shops).

Pressure groups voice their concerns when businesses behave unethically. Research a Greenpeace campaign to see their impacts! This applies pressure on the business to adapt their marketing mix to become more ethical.



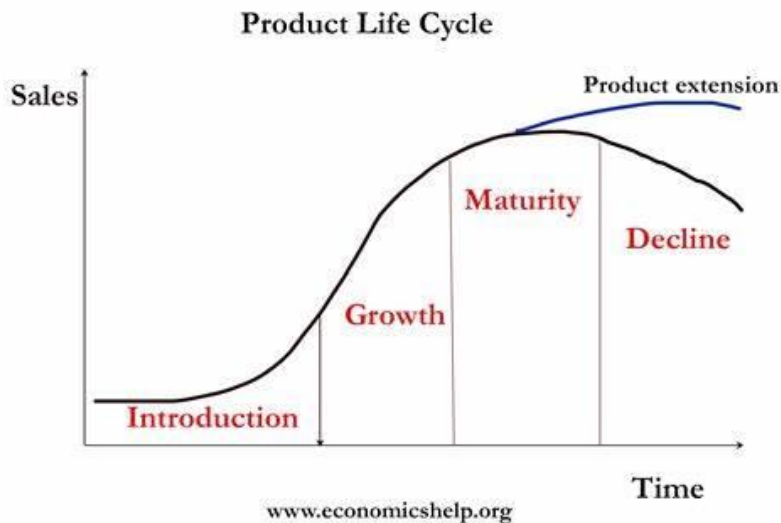
2.2.1 Product

The design mix:



Differentiation is crucial for a product. With this, businesses can obtain competitive advantage and lead to high volumes of sales. The Design Mix is crucial in ensuring the way it looks (aesthetics) and function aims to meet customer needs through differentiation. For example, an iPhone looks unique and has many strong features to make it stand out from rivals such as Samsung.

Product Life Cycle



Over time, sales may decline, this is where a business may decide to extend its life to boost sales again...

Extension strategies:

- Advertising
- Adapt the product or packaging
- Create special editions
- (anything suitable that creates new interest)

2.2.2 Price

What influences the pricing method/strategy used?

- **Competition** - Cadbury's use competitive pricing with their Dairy Milk, it's important they keep an eye on Galaxy's pricing to ensure they are in-line with them.
- **Technology** - using new technology can lower the price of a product and make them more competitive.
- **Market segments** - A business will understand their main target audience and apply a suitable price. For example, '**students**' often receive discounts. The '**elderly**' often receive discounts, too.
- **Product Life Cycle** - Pricing decisions will be influenced on which stage the product is at. For example, Coca Cola Zero cans had an 'Introductory price of £0.50. As sales went up, so did the price.

Topic 2.3: Making operational decisions

2.3.1 Business operations

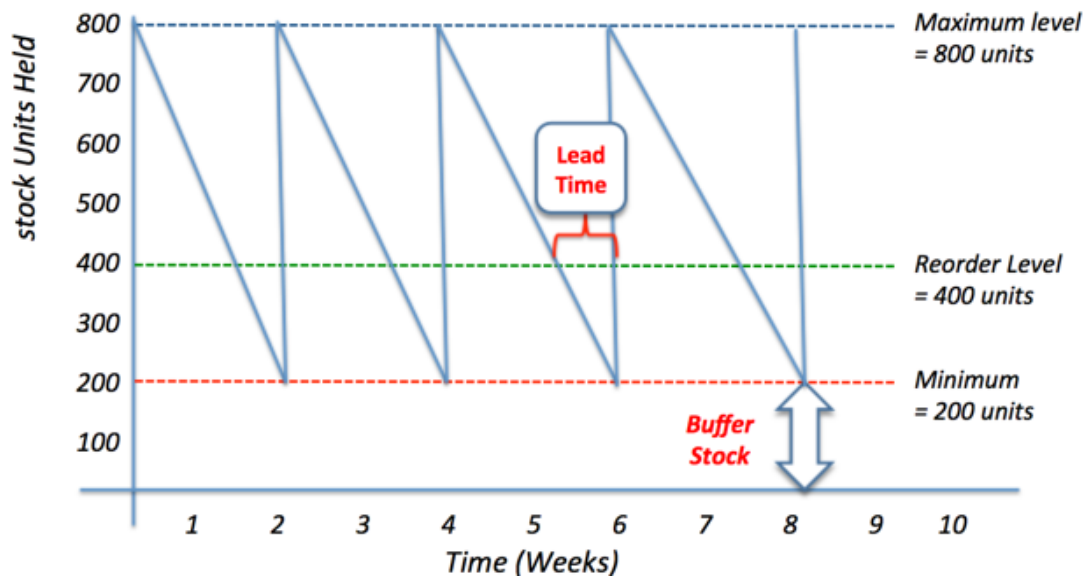
Operations is the area of the business that produces, organises and delivers goods and services. For example, Nike produce their clothing in factories and then distribute the items to their retailers.

The production process includes:	Advantages/benefits	Disadvantages/drawbacks
1. Job production- e.g. hand-made wedding dress. Bespoke, made-to-order products where there is high attention to detail to meet specific customer needs .	Specialist workers to create the product and the business can charge a premium price.	High costs involved and can take longer to produce the items
2. Batch production- e.g. a batch of bread or cakes. Larger volumes of products to be made. The production line can be altered to change flavours, etc. Each group of products made is known as a batch.	Some flexibility in changing the production line, e.g. flavours, packaging, etc. There is some levels of automation. Larger volumes of products produced to a set standard.	Productivity lowers when switching between batches. Machinery is expensive to enable effective batch production methods
3. Flow production- e.g. mass produced Coca Cola. High volumes of goods produced using highly complex, automated technology.	High volumes of a standardised product at relatively low costs (economies of scale). Requires a cheaper, low skilled workforce.	High costs to purchase the equipment/machinery.

Technology heavily impacts production as it helps balance and reduce costs, increase flexibility, standardise and increase quality.

2.3.2 Working with suppliers

A bar gate stock graph helps manage stock...



Reorder Level	When the level of stock meets the reorder level, the business needs to order more stock to ensure they do not run out.
Maximum Stock Level	The maximum amount of stock the business would hold.
Minimum Stock Level (Buffer Stock)	The minimum amount of stock the business would hold. This is to prevent shortages
Lead Time	How long it takes for the item to arrive Reordered in week 5 and arrived week 6. Therefore, the lead time is 1 week (6-5=1)

A bar gate stock graph is often referred to as a 'just in case' method of stock control as the plan is that there will always be stock left over in case of a surge in demand. **JUST IN CASE-** Stock is ordered in advance and there is a surplus of stock held in reserve (often in a stock room, off the shop floor).

Just in time stock control requires the business to understand demand clearly as the business **only orders stock that will be sold imminently**. For example, car companies such as Mini operate in this way. Another example is when supermarkets order their sandwiches. They do not want any excess stock to minimise waste.

The role of procurement/managing stock:

The business requires positive relationships with suppliers as the business seeks quality, the items delivered at speed, a reliable service, lower costs. This can build trust between the two and helps improve business performance. **Logistics** are known as the transportation methods of getting the stock to retailers and customers. Often this is completed by lorries, shipping methods and delivery companies.

2.3.3 Managing quality

Quality assurance is a checking process that occurs throughout the production process and detects issues in production as they occur. This requires regular observations and is costly; however, it is a high impact as there are opportunities to correct anything that is not up to standard.

Quality control checks the quality of the produced items at the end of the production process to ensure the goods are fit for purpose. If there are issues, it can be costly as the whole batch may be affected. However, if the production process is working well, then it can save the business money as they are not constantly checking throughout the production process.

2.3.4 The sales process

A business aims to make the sales process as smooth as possible. This ensures customers will make a purchase, encourage repeat purchases to increase revenue for the business. The following can be achieved through in-store and remote/online purchases:

--**Product knowledge** through a demonstration of a TV in Curry's PC World.

--**Speed and efficiency of service:** customers appreciate a speedy service

--**Customer engagement** and acknowledgement

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Responses to customer feedback, this helps meet customer needs

--**Post-sales service** through strong warranties and additional help for the customer if required.

By achieving the above, the business is aiming for customers to return and increase further sales opportunities.

Topic 2.4: Making financial decisions

2.4.1 Business calculations

	Formula	What does this show?
Gross profit	Sales revenue - Cost of sales	Gross profit is the profit made by a business before any indirect costs are taken away
Net profit	Gross profit- other operating expenses and interest	Net profit is the profit left over after all expenses have been deducted from the revenue.
Gross profit margin (%)	$\frac{\text{Gross profit}}{\text{sales revenue}} \times 100$	The amount of gross profit made against the sales revenue as a percentage
Net profit margin (%)	$\frac{\text{net profit}}{\text{sales revenue}} \times 100$	The amount of net profit made against the sales revenue as a percentage
Average rate of return (%)	$\frac{\text{Average annual profit (total profit / no. of years)}}{\text{cost of investment}} \times 100$	Shows the average return on an investment over a period of time. The higher the number, the better

2.4.2 Understanding business performance

The use and interpretation of quantitative business data to support, inform and justify business decisions:

- information from graphs and charts
- financial data
- marketing data
- market data.

The use and limitations of financial information in:

- understanding business performance
- making business decisions.

Figure 2 shows the market share of UK supermarkets in 2017.

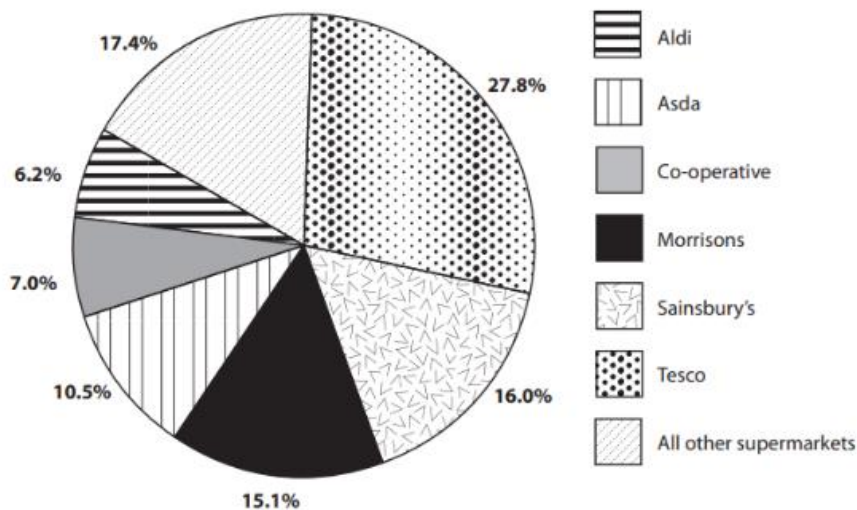


Figure 2

(Source: <https://www.kantarworldpanel.com/en/grocery-market-share/great-britain>)

(b) Using the information in Figure 2, identify the UK supermarket with a larger market share than *Sainsbury's*.

The pie chart to the left is an example of how quantitative data can be displayed.
Tip- read the title as this is vital in telling you what this relates to

Topic 2.5: Making human resource decisions

2.5.1 Organisational structures

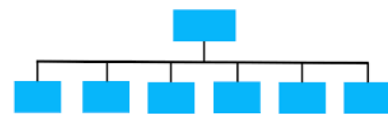


Hierarchical structure:

- More than 3 levels (this example has 5 levels)
- Chain of command is from the top down where manager and leaders will delegate tasks
- Communication is often passed on by leaders/managers and supervisors. If there are too many levels, then this can affect the speed of communication.

Flat structure:

- 1-3 levels (this example has 2 levels)
- Wide span of control as in this case the manager at the top is responsible for 6 delegates.
- Communication travels from top to bottom quickly. However one manager is responsible for more staff (wider span of control and can increase the time it takes to communicate tasks/information).



Communication is important as **insufficient** or **excessive** (too much) can affect the efficiency and motivation of staff. Therefore, a business carefully considers their organisational structure to see what best fits.

Different ways of working:

Part time: workers are often contracted to work 4-24 hours per week.

Full time: Workers work regular hours normally between 32-40 hours per week.

Flexible hours: Workers will be able to work a variety of hours that may differ from a standard day. This can accommodate family/work life circumstances

Permanent contract: employee has a secure job provided they complete their duties appropriately.

Temporary contract: a worker has a duration of employment that will end when the time is up.

Freelance workers: often relates to self-employed workers who then carry work out for a person, or an organisation and they get paid for the completed job/task.

Technology helps increase communication in the workplace. Many businesses use technology to speed up this process. Technology also helps encourage remote working (working from home) as the business can provide a laptop or other technological devices to help remote working more effective.

2.5.2 Effective recruitment

Key roles and responsibilities:

Directors- Whole business responsibilities for the overall performance for the business. This includes setting targets and being accountable for the strategic direction of the business.

Senior managers-Lead key functional areas (e.g. Marketing) in the business and help achieve the targets set by the director.

Supervisors and team leaders- Lead teams of workers and line manage the operational staff. They are responsible for directly motivating staff on a daily basis.

Operational and support staff- Carry out duties to achieve tasks and help provide support services for the main functions of the business. For example, a factory operative completes task to ensure products are produced effectively.

How businesses recruit

Recruitment documents:

Person specification

SUPPORT WORKER

What kind of person we are looking for to do the job (Person Specification)

	They must
Attitude	<ul style="list-style-type: none">• Be honest• Be will to do activities with us (muck in)• Dress appropriately• Have commonsense• Respect us• Be confident to challenge on our behalf and be persistent• Be sociable
Skills	<ul style="list-style-type: none">• Be an understanding person• Be good at sorting out arguments• Be well organized• Have good writing skills• Have excellent communication and listening skills• Have cooking and cleaning skills• Have the skills to support us to make our own

Job Description Recruiting Manager

JOB PURPOSE

The Recruiting Manager is a key figure in the Human Resources team, responsible for ensuring effective development and delivery of the recruitment process. It is the responsibility of the Recruiting Manager to:

- Lead the recruitment process and the overall utilization of HR Recruiters.
- Be fully responsible for the development of the recruitment process and the implementation of recruitment innovations, including proactively utilizing and developing best practice for the implementation of social media recruitment.
- Solve all issues arising and evolving during the hiring process and take all managerial decisions.

SUMMARY OF KEY OBJECTIVES

- Manage and develop the end-to-end recruitment process for vacancies across the organization.
- Set recruitment measurement metrics/KPIs and distribute job vacancies across HR Recruiters.
- Build effective working relationships with internal customers and external recruitment vendors.
- Lead and develop team of HR Recruiters to maximise the value delivered by each team member.

The **business** writes a **person specification** and **job description** to inform potential candidates.

If the **potential candidate** feels the job is for them, **they** will complete an **application** form and submit a **CV**.

CV- Document produced by the candidate that shows:

- Education, qualifications, employment history, skills, experience and available referees.

Application form- This is supplied by the business and completed by the potential candidate to show they are interested in the vacancy.

Internal recruitment- Where business will advertise a job and appoint someone who already works in the business. The employee may receive a promotion and move up.

External recruitment- The business will appoint someone who currently doesn't work for the business. They are therefore from outside of the business (external).

Recruitment process (they may differ from business to business to meet the needs of the business)

Step 1: Business writes up documents (person specification, job description and advert)

Step 2: Business goes through the applications and shortlists a few suitable candidates

Step 3: Interviews occur and the business chooses the person who best fits the job. The business will then request references to ensure the candidate is suitable.

Step 4: The candidate hopefully accepts and then starts the job ready for their training

2.5.3 Effective training and development

There are many different ways of training and developing employees:

Formal- Specific training courses/programs are completed by employees to improve their skills and ability to do their job.

Informal training- This is achieved through employees completing their jobs and obtaining real hands on experience and will pick up help and support from colleagues through coaching methods.

Self-learning- where employees take the initiative, often without the assistance of others, in diagnosing their learning needs and aiming to improve these areas.

Ongoing training for all employees- Businesses often have a program of training in place to ensure that the staff able to complete the job to the very best standard. This may include methods of training that involve **technology** and ensure all staff are competent.

Use of target setting and performance reviews-

A performance review is where a manager and employee meet to discuss the progress of work that is being completed. Often the employee is graded on their performance. To help further improve the employee, new targets are set to help refocus the employee in the workplace.

How businesses train and develop employees:

Using **formal** and **informal** methods. This can include shadowing a worker, being observed with feedback given, attending courses, workshops or completing online training programs.

Why businesses train and develop employees:

Retraining to use new technology- for example, the self-service checkouts in supermarkets have meant cashiers jobs have changed. Training has helped this process.

Training is an investment made by the business and is a positive sign that can motivate employees as they feel worthwhile. More highly **motivated** employees are less likely to be off sick or want to leave, leading to lower **absenteeism** and stronger **retention** levels.

2.5.4 Motivation

Motivation is the process of increasing the desire or willingness to work harder. This is important as it can help **attract new employees**, **retain/keep new employees** and **boost productivity** (output)

Financial methods	Non-financial methods
Remuneration(pay)	Job rotation
Bonus	Job enrichment
Commission	Autonomy
Promotion	Praise
Fringe benefits	(Training can help achieve all of the above)

Drawbacks:

- Increases costs
- Doesn't always work
- Pressure of targets and profits sometimes takes a priority.