

BUSINESS STUDIES

EDEXCEL - GCSE



THEME 1

KNOWLEDGE ORGANISER

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

Key Vocabulary

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

Dynamic – continual change

Consumer – the end user of the product or service

Obsolete – outdated; a product that has declining sales or come to an end

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

Risk – something bad / negative that could happen

Reward – something good / a positive effect

Financial – related to money

Non-financial – non-money related

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

Goods – physical items that a business can produce or sell

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

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

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

Customer – the person who buys the product

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

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

USP – Unique Selling Point

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

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Theme 1 – Investigating Small Business

DO I UNDERSTAND THIS TOPIC?



Topic 1.1 Enterprise & Entrepreneurship

1.1.1 Dynamic Nature of Business - Revision

Why new ideas come about?

- Changes in technology
- Changes in consumer wants
- Products and services becoming obsolete

How new business ideas come about?

- Original Ideas
- Adapting existing products/services/ideas

1.1.2 Risk & Reward - Revision

The impact of risk & reward on business activity:

- Risk- business failure, financial loss, lack of security
- Reward- Business success, profit, independence

1.1.3 The Role of Business Enterprise - Revision

The role of business enterprise and the purpose of business activity

- Produce goods & services
- To meet customer needs
- To add value: convenience, branding, quality, design, USP

How new business ideas come about?

- An entrepreneur: organises resources, makes business decisions, takes risks

Wider Business World

Apple – great example of business that continually adapts products to meet changes in the market

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

Thomas Cook- Blame their failure on how we are now taking holidays- no more package holidays which meant big losses

Richard Branson – an entrepreneur worth billions, but he still takes risks when starting new ventures

TOMS shoes- Took a risk with a buy one give one scheme

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

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

Snapchat- Success due to the changes in technology and consumer wants and needs

Apple Obsolete Products



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Key Vocabulary

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

Customer reviews – feedback from customers, which can be online

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

Repeat purchase – when a customer returns to the same business

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

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

Primary research – collecting new information

Qualitative data – research into opinions and views

Quantitative data – data that is numerical

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

Market trends – an overall pattern related to products

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

Bias – a one-sided view

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

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

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

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

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

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

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

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

Monopoly – a market where there is only one business

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




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

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

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

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

Theme 1 – Investigating Small Business

			
Topic: 1.2 Spotting a business opportunity			
1.2.1 Customer needs - Revision			
Identifying and understanding customer needs <ul style="list-style-type: none"> What customer needs are: price, quality, choice, convenience The importance of identifying and understanding customers; generating sales, business survival 			
1.2.2 Market Research - Revision			
The purpose of market research: <ul style="list-style-type: none"> To identify and understand customer needs To identify gaps in the market To reduce risk To inform business decisions Methods of market research <ul style="list-style-type: none"> Primary research: survey, questionnaire, focus group, observation Secondary research: internet, market reports, government reports The use of data in market research: <ul style="list-style-type: none"> Qualitative and quantitative data The role of social media in collecting market research data The importance of the reliability of market research data 			
1.2.3 Market Segmentation - Revision			
How businesses use market segmentation to target customers: <ul style="list-style-type: none"> Identifying market segments: location, demographics, lifestyle, income, age Market mapping to identify a gap in the market and the competition 			
1.2.4 The competitive environment - Revision			
Understanding the competitive environment: <ul style="list-style-type: none"> Strengths and weaknesses of competitors based on: price, quality, location, product range and customer service The impact of competition on business decision making 			

Wider Business World

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

Takeaways – during Covid- 19 restaurants had to move to takeaway for business survival

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

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

Fenty Beauty- Created to target a market of hard to match skin tones making 'women everywhere included'

Ford cars – products lots of products to target different segments

Cinemas- Vue, Odeon, Cineworld dominate the market with Lightbox, Everyman and others also holding some market share (Oligopoly Example)

Tesla- Hold the competitive advantage in electric motors due to have proved the well-established myth that electric vehicles are ugly and slow is wrong.

Asda Market Share



Key Vocabulary

Aims – a long term goal a business wants to achieve

Objectives – more specific measurable steps

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

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

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

Profit – when revenue is greater than costs

Sales volume – the number of products sold

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

Ethical – morally correct

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

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

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

Demand – a business term for the quantity of products sold

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

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

Total costs – All costs added together

Profit – when revenue is greater than costs

Loss – when revenue is lower than costs

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

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

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

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

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




Overdraft facility – the maximum amount that a business can go into negative balance on its bank account

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

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

Theme 1 – Investigating Small Business

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Topic: 1.3 Putting a business idea into practice			
1.3.1 Business Aims & Objectives - Revision			
What business aims and business objectives are:			
<ul style="list-style-type: none"> Financial aims and objectives: survival, profit, sales, market share, financial security Non-financial aims and objectives: social objectives, personal satisfaction, challenge, independence and control. 			
Why aims and objectives differ between businesses			
1.3.2 Business Revenues, Costs & Profits - Revision			
The concept and calculation of:			
<ul style="list-style-type: none"> Revenue Fixed and variable costs Total costs Profit and loss Interest Break-even level of output Margin of safety 			
Interpretation of break-even diagrams:			
<ul style="list-style-type: none"> The impact of changes in revenue and costs Break-even level of output Margin of safety Profit and loss 			
1.3.3 Cash & Cash Flow - Revision			
The importance of cash to a business:			
<ul style="list-style-type: none"> To pay suppliers, overheads and employees To prevent business failure (insolvency) The difference between cash and profit 			
Calculation and interpretation of cash-flow forecasts:			
<ul style="list-style-type: none"> Cash inflows Cash outflows Net cash flow Opening and closing balances 			
1.3.4 Sources of Finance - Revision			
Sources of finance for a start-up or established small business:			
<u>Short-term sources:</u>			
<ul style="list-style-type: none"> Overdraft Trade credit 			
<u>Long-term sources:</u>			
<ul style="list-style-type: none"> Personal savings Venture capital Share capital Loans Retained profit Crowd funding 			

Key Terms

Interest – the charge on borrowing money

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

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

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

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

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

Retained profit – profit kept by the business from previous years

Crowdfunding – raising capital online from lots of small investors

Overdraft – having a negative bank balance

Trade credit – buying goods and paying for them later

Wider Business World




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

Go Fund Me – an example of a crowdfunding website

Qatar Airlines
Profit



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Topic: 1.4 Business Ownership			
1.4.1 The options for start-up and small business - Revision			
<p>The concept of limited liability:</p> <ul style="list-style-type: none"> Limited and unlimited liability The implications for the business owner(s) of limited and unlimited liability <p>The types of business ownership for start-ups:</p> <ul style="list-style-type: none"> Sole trader, partnership, private limited company The advantages and disadvantages of each type of business ownership <p>The option of starting up and running a franchise operation:</p> <p>The advantages and disadvantages of franchising</p>			
1.4.2 Business Location - Revision			
<p>Factors influencing business location:</p> <ul style="list-style-type: none"> Proximity to: market, labour, materials and competitors Nature of the business activity The impact of the internet on location decisions: e-commerce and/or fixed premises 			
1.4.3 The Marketing Mix - Revision			
<p>What the marketing mix is and the importance of each element:</p> <ul style="list-style-type: none"> Price Product Promotion Place <p>How the elements of the marketing mix work together:</p> <ul style="list-style-type: none"> Balancing the marketing mix based on the competitive environment The impact of changing consumer needs on the marketing mix The impact of technology on the marketing mix: e-commerce, digital communication 			
1.4.4 Business Plans - Revision			
<p>The role and importance of a business plan</p> <ul style="list-style-type: none"> to identify: the business idea; business aims and objectives; target market (market research); forecast revenue, cost and profit; cash-flow forecast; sources of finance; location; marketing mix. <p>The purpose of planning business activity:</p> <p>The role and importance of a business plan in minimising risk and obtaining finance</p>			

Key Vocabulary

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

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

Aims – the long term goals of a business

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

Revenue – the income from sales of the products

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

Profit – revenue minus costs

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

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

Wider Business World

Sole Traders- Nearly a third (31%) started their 'hobby business' activity in 2020, and close to one in five (17%) started after the first lockdown specifically, between July 2020 and December 2020. A further 18% have started generating additional income from a side business in the first half of 2021. Why is this?

Ben & Jerry's Ice Cream – Started by Ben Cohen and Jerry Greenfield as a business partnership

McDonalds, Dominos, Subway- Example of a franchise and how successful they can be.

E-Commerce &
Physical Stores



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Key Vocabulary

Stakeholder – anyone with an interest in the business

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

Employees – people who work for your business

Customer – someone who buys from your business

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

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

Local community – the people who live around the business

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

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

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

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

m-commerce – using a mobile device to trade online

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

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

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

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

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




Legislation - laws

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

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

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

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

Theme 1 revision			
Topic: 1.5 Understanding External Influences on Business			
1.5.1 Business Stakeholders - Revision			
Who business stakeholders are and their different objectives: <ul style="list-style-type: none"> Shareholders (owners) Employees Customers Managers Suppliers Local community Pressure groups The government Stakeholders and businesses: <ul style="list-style-type: none"> How stakeholders are affected by business activity How stakeholders impact business activity Possible conflicts between stakeholder groups			
1.5.2 Technology & Business - Revision			
Different types of technology used by business: <ul style="list-style-type: none"> e-commerce Social media Digital communication Payment systems How technology influences business activity in terms of: <ul style="list-style-type: none"> Sales Costs Marketing mix 			
1.5.3 Legislation & Business - Revision			
The purpose of legislation: <ul style="list-style-type: none"> Principles of consumer law: quality and consumer rights Principles of employment law: recruitment, pay, discrimination and health and safety The impact of legislation on businesses: <ul style="list-style-type: none"> Cost Consequences of meeting and not meeting these obligations 			
1.5.4 The Economy & Business - Revision			
The impact of the economic climate on businesses: <ul style="list-style-type: none"> Unemployment Changing levels of consumer income Inflation Changes in interest rates Government taxation Changes in exchange rates			
1.5.5 External Influences - Revision			
The importance of external influences on business: Possible responses by the business to changes in: <ul style="list-style-type: none"> Technology Legislation The economic climate			

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

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

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

Economic climate – overall performance of an economy

GDP – Gross Domestic Product. A measure of the total value of goods produced in an economy

Consumer income – the money an individual has left after paying taxes and essential living expenses

Unemployment – a measure of the number of people without a job who are actively seeking one

Corporation Tax – charge on the profits of a business

VAT – Value Added Tax. A charge on good sold

Income Tax – a tax paid by individuals from their wages / salaries

Inflation – a general rise in prices over time

Interest Rate – the charge for borrowing money or the reward for saving money

Exchange rates – the value of one currency against another

Recession – a period of economic downturn

Boom – a period of economic prosperity

Obsolete – out of date or not used anymore. An impact of not adapting to new technology

Sainsbury – bought Argos in 2016 to take advantage of their 'click and collect' service

Independent newspaper – now only online

Jaguar Land Rover – spread production across world to minimise effect of exchange rates

Retail store prices drop

