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

Topic 1.5.1 Stakeholders

Key Vocabulary

Stakeholder – anyone with an interest in the business

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

Employees – people who work for your business

Customer – someone who buys from your business

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

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

Local community – the people who live around the business

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

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

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

Core Knowledge

Stakeholders are anyone interested in the activities of a business.

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

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

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

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

Don't be a "man on the street"

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

Wider Business World

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

Greenpeace is a well known environmental pressure group

Synoptic Links

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

Customer needs – meeting these is important

Ethical & environmental considerations – pressure groups can influence these

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Topic 1.5.2 Technology

Key Vocabulary

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

m-commerce – using a mobile device to trade online

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

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

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

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

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

Core Knowledge

Technology has enabled businesses to develop in three main areas:

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

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

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

Impact on Marketing Mix

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

Don't be a "man on the street"

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

Wider Business World

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

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

amazon – biggest e-commerce site

Synoptic Links

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

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

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

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

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

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

Topic 1.5.3 Legislation

Key Vocabulary

Legislation - laws

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

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

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

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

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

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

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

Core Knowledge

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

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

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

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

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

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

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

Don't be a "man on the street"

- Remember you cannot get a refund if you simply change your mind – many retailers offer this but is not illegal to refuse
- Health & Safety is the responsibility of the employee as well as the employer – if safety clothing is provided you MUST wear it by law
- You do have different rights when you buy online
- If the item is faulty it is the retailer's responsibility, not the manufacturer

Wider Business World

Lidl – pays more than Living Wage

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

Synoptic Links

Marketing Mix – legislation has affected the Product, Price and Promotion elements

Costs, Revenue & profit – legislation increases costs for a business

Recruitment – employment legislation affects the way a business can advertise vacancies

Globalisation – a business will ned to be aware of different legislation if it trades in multiple countries

Ethics – some businesses will go further than the minimum legal requirements

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

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Topic 1.5.4 Economic Influences

Key Vocabulary

Economic climate – overall performance of an economy

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

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

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

Corporation Tax – charge on the profits of a business

VAT – Value Added Tax. A charge on good sold

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

Inflation – a general rise in prices over time

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

Exchange rates – the value of one currency against another

Recession – a period of economic downturn

Boom – a period of economic prosperity

Core Knowledge

The more a country produces, the more consumers can buy – this makes the economy stronger

Consumers will spend more when they have a higher income. As incomes rise more money is spend on luxury goods

Unemployment is bad for the economy. High unemployment means less people have jobs, so incomes are lower. Businesses will sell less, employ less people and invest less. The government will receive less taxes and pay more benefits.

There are 3 main types of taxes:

- Those businesses pay – corporation tax
- Those the employed pay – National Insurance and Income Tax
- Those consumers pay – council tax, VAT, Duties, Road Fund Licence, etc

Increases in taxes reduce consumer spending and raise costs for businesses, but do raise finance for the government

An increase in interest rates will raise the cost of borrowing, so reduce consumer income, leading to a fall in consumer spending

Inflation is an increase in prices, so in *real terms*, consumers will be worse off if income does not rise at least as much as inflation. So inflation will lead to a fall in consumer spending.

Exchange Rates affect the cost of importing – remember **SPICED** (**S**trong **P**ound, **I**mports **C**heaper, **E**xports **D**earer)

Don't be a "man on the street"

- Remember it is the Banks that set interest rates not the government
- Taxes are decided by the government
- Not ALL business are affected by changes in the same way – a fall in income for example can help Poundland but not a luxury brand

Wider Business World

Poundland / 99p shop – discounters who will do well in recession

Aldi / Lidl – increased their market share in last recession

Synoptic Links

Breakeven – changes to taxes, inflation, exchange rates and interest rates can all increase the costs of a business

Ownership – only companies pay Corporation Tax, sole traders and partnerships pay income tax

Sources of finance – changes to interest rates increase the cost of borrowing, e.g. loans, overdrafts, mortgages

Globalisation – changes to exchange rates can make selling abroad more or less attractive

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

Topic 1.5.5 Business response to external influences

Key Vocabulary

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

Core Knowledge

Responses to technology:

- Merge with other businesses
- Install similar technology – increasing costs in short term
- Change production methods or product

Responses to changes in legislation

- Employ more staff to deal with paperwork / red tape
- Cut back or scrap an area of business
- Invest in technology to meet requirements

Responses to changes in the economic climate:

- Hire staff, invest in equipment, develop new products during good economic times
- Adjust marketing mix
- Spread risk through operating in more than one country or producing a variety of goods that match different consumer needs

Don't be a "man on the street"

- Remember that businesses have to continually adapt and change in order to be successful
- Not all consumers or businesses will be affected in the same way by changes, so use words such as 'most' when analysing

Wider Business World

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

Independent newspaper – now only online

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

Synoptic Links

Technology – the way in which technology has changed

Legislation – three main areas of law affect businesses

Economic influences – changes to economic factors can affect consumer income, therefore affecting spending

Globalisation – moving production overseas can be a way to minimise impact

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

Topic 2.1.1 Business Growth

Key Vocabulary

Organic Growth – growing through internal growth

Innovation – adapting existing products to develop improved versions

R&D – research and development. The activities to research and develop new products

Marketing Mix – the 4 Ps: Price, Place, Product, Promotion

Inorganic growth – growing through mergers or takeovers

Merger – when two firms mutually join together

Takeover – when one firm buys another one

PLC – Public Limited Company. A business that sells its shares on the stock exchange

Retained profit – profit left after the business has paid dividends and taxation

Selling assets – the sale of items the business owns

Loan capital – finance received from a bank when taking out a loan

Share capital – the money invested into a business by shareholders

Core Knowledge

A business can grow internally by expanding its own activities, i.e. opening more outlets, selling more, targeting new markets or increasing the range of products.

External growth is quicker but more expensive and riskier.

Mergers & takeovers could be between competitors, suppliers, customers or unrelated businesses.

A business may choose to finance growth through becoming a PLC and selling shares on the stock exchange.

A quicker way to open lots of outlets is through offering franchises – when you allow entrepreneurs to use your business name.

Larger firms benefit from economies of scale, so can reduce their unit costs.

Growing too large can increase costs and lead to diseconomies of scale.

Don't be a "man on the street"

- Not all businesses are companies
- Not all companies are PLCs
- Not all takeovers and mergers are allowed to happen

Wider Business World

The planned merger of Sainsbury and ASDA – was not allowed

Iberia and British Airways merger

Sainsbury and Argos merger

Quote from the founder of Iceland "businesses can't stand still"

Synoptic Links

Ownership – knowing what a private limited company is

Sources of finance for small businesses – most of these are available for growing businesses too

Interest rates – the rate will affect the cost of borrowing

Economic influences – the state of the economy will impact whether a business can grow

Marketing Mix

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

Topic 2.1.2 Changing business aims and objectives

Key Vocabulary

Aim – something the business is trying to achieve

Objective – a more specific breakdown of an aim

Survival – generating enough revenue to cover costs and therefore continue to trade

Workforce – the number of employees a business has

Product range – the variety and number of products a business sells

Entering markets – when a business decides to open up in a market it hasn't been in before, e.g. If McVities starting making crisps

Exiting markets – choosing to leave a market, e.g. when Tesco sold all their optical stores

Core Knowledge

A business has to continually change and evolve over time. Therefore, what it is attempting to achieve will also change. Aims change because of:

- Changing **market conditions** – an increase or decrease in the number of competitors
- Changing **technology** – the rise of e-commerce led to businesses introducing online sales; click and collect, self-service tills
- Changing **performance** – if a business is not making as much profit as before, it will need to change its aims
- Changing **legislation** – new laws can affect costs and so a business may need to change aims
- **Internal** reasons – an arrival of a new CEO can affect the direction of the business

How aims change:

- Focus on survival or growth
- Entering or exiting markets
- Growing or reducing a workforce
- Increasing or decreasing a product range

Don't be a "man on the street"

- Remember that businesses have to continually adapt and change in order to be successful
- Remember that reducing the workforce by making staff redundant will have a large short-term cost

Wider Business World

Tesco – changed focus back to food after rise of Lidl and Aldi

Iceland – increasing non-food range to be more competitive

Kodak – an example of company that did not keep up with technology and left the camera market

Synoptic Links

Dynamic nature of business – business has to continually evolve

Aims and Objectives – the difference between the two, examples and how they might be suitable

External influences – the factors outside a business's control that can influence their actions

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

Topic 2.1.4 Ethics and Environmental constraints

Key Vocabulary

Ethical considerations – thinking about ethics, which may lead to making morally valid decisions or lead to the manipulation of customer attitudes

Ethics – weighing up decisions or actions based on morality not personal gain

Fair Trade – a social movement whose goal it is to help producers in developing countries achieve better trading conditions and promote sustainability

Trade-offs – having more of one thing may force you to less of the other

Environment – condition of the natural world that surrounds us which is damaged when there is pollution

Environmental considerations – factors relating to green issues, such as sustainability and pollution

Sustainability – whether or not a resource will inevitably run out in future. A sustainable resource will not

Core Knowledge

Ethics are moral guidelines – it is doing MORE than the legal minimum.

Ways for a business to be ethical:

- Pay a fair wage to workers
- Pay suppliers a fair price and on time
- Ensure production does not harm the environment, animals or people
- Label products clearly and correctly

Ways to consider the environment:

- Reduce / minimise pollution
- Only use sustainable resources
- Reduce packaging

Being ethical and environmentally friendly can increase costs leading to a reduction in profit. This can be considered a trade-off.

Benefits can include improving customer image and easier recruitment

Don't be a "man on the street"

- Remember that Fair Trade is NOT a brand name or a business
- Avoid the 'all', 'everyone' comments, e.g. 'everyone will pay more for ethical goods'; some will, some simply can not afford to or will choice to ignore ethics

Wider Business World

Body Shop – never tested products on animals; had a bottle recycling scheme

Marks & Spencer – Plan A for environmental sustainability

Starbucks – saw a drop in sales after it was announced it avoided paying UK taxes

Synoptic Links

Aims and Objectives – social objectives

External influences – changes to legislation can encourage a business to be more ethical or environmental

Customer needs – consumers have more interest in ethical products

Marketing mix – aiming to be more ethical or environmental can affect element of the 4 Ps

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

Topic 2.1.3 Globalisation

Key Vocabulary

Globalisation – tendency for economies to trade with each other and buy global goods

Export – selling goods or services to consumers in another country

Import – buying goods or services from businesses in another country

MNC – Multinational Company. A business that has operations in more than one country

Free trade – trading between countries with no barriers

Trade barriers – an action put in place to discourage free trade / protect the businesses of a specific country

Tariffs – taxes changed on imports

Trading blocs – a group of countries that have agreed free trade within external tariff walls, e.g. the EU

e-commerce – buying and selling goods online

Core Knowledge

Types of imports into the UK:

- Goods we cannot grow or produce, e.g. olive oil
- Goods that require a lot of labour, so is cheaper to make where wages are lower
- Goods that are made in the UK, and elsewhere, but consumer may prefer a foreign produced item, e.g. Audi cars

To export successfully a business must:

- Keep costs down to be competitive
- Produce original, well-designed and well-made items
- Deliver on time and provide excellent service and after-sales service

Barriers to international trade can be set as a government might want to protect domestic industry and reduce competition. On way is to charge a tax or tariff on all imported goods increasing the cost of imports

How to compete internationally

- Use of the internet and e-commerce
- Changing the marketing mix
  - Different products for different counties, e.g. left- and right-hand drive cars
  - Charging different prices based on popularity and reputation
  - Adapting promotion to reflect cultural differences
  - Using retailers in countries where e-commerce is not well established

Don't be a "man on the street"

- Remember that income levels, technology access etc is widely different across the world, so don't fall into the trap of "everyone has the internet" – in some countries less than 10% do
- Remember that the names or goods, images of people using it or the promotion may need to be adapted to fit local culture and traditions

Wider Business World

Jaguar Land Rover – has factories in China, Brazil, Austria and Slovakia

McDonalds – has different menus in different countries, e.g. no beef in India

Synoptic Links

Technology – made e-commerce easier, increasing globalisation

Exchange rates – changing rates affect the cost of importing and exporting

Growth – expanding overseas is easier due to globalisation

Customer needs – a business must understand the needs of different countries / cultures

Marketing mix – there is an impact on all 4 Ps

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

Topic 2.2.1 Product

Key Vocabulary

Design mix – the combination of aesthetics, function and cost that are the combined design priorities for a product

Aesthetics – how things appeal to the senses, i.e. look, smell, sound

Function – how well the product or service works for the consumer

Economic manufacture – making a product cheaply enough to make it profitable

Product life cycle – the theory that every product goes through the same stages

Introduction phase – phase of the product life cycle when a product is developed and launched onto the market

Growth phase – phase of the product life cycle where sales are growing; costs will be very high

Maturity phase – phase where sales and revenue is at the highest point

Decline phase – phase when sales are dropping

Extension strategy – an attempt to prolong sales of a product to avoid the decline phase

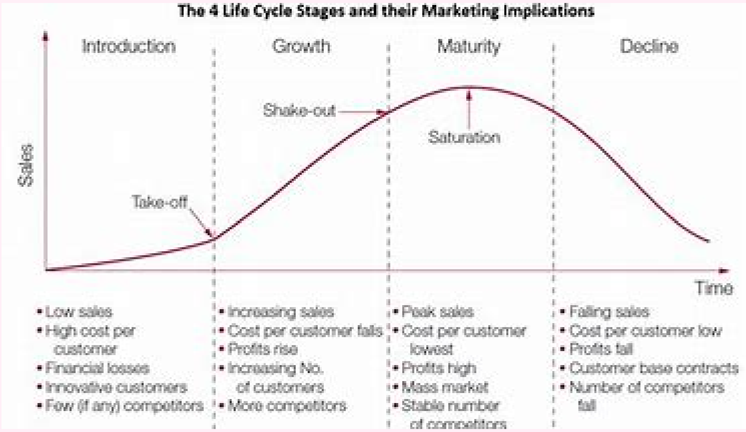
Product differentiation – the extent to which consumers see your product as distinct from rivals

Core Knowledge

The **design mix** is a diagram to show how a business must consider the aesthetics and function of a product as well as the cost.

When creating a product a business will want it to stand out from rivals. This is known as **product differentiation**. Businesses can use **branding** or **USPs**.

The **Product life cycle** shows the stage that every product goes through. A business will use **extension strategies** to extend the life cycle.



Don't be a "man on the street"

- Don't assume everyone prefers branded products – some consumers will consider cost more important
- Remember that all products will see a decline in sales, eventually, but the time this takes will differ
- Just because a product is in decline does not mean it must be withdrawn – it may still contribute a considerable amount of revenue

Wider Business World

Apple – use of branding and extension strategies

Kellogg's – developed new products such as cereal bars to meet customer needs

KitKat – launched different flavours and sizes as an extension strategy

Synoptic Links

Customer needs – if these change products will need to change

Market research – how a business finds out customer needs

External influences – will lead to changes in 4Ps

Operations – need to be able to make the product

Breakeven – understanding the link between costs and economic viability

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

Topic 2.2.2 Price

Key Vocabulary

Profit margin – profit as a percentage of the selling price; the difference between total costs and selling price

Mass market – a broad market segment that includes most consumers buying within a market

Niche market – a small sub-section of a larger market in which customers share similar needs

Price – what the consumers pay for the product

Freemium – used mainly for digital products, when something is offered for free with charges for additional features

Core Knowledge

Price is what consumers pay for the product. It is essential that the price charged is appropriate for the product and for the **target market**

A business can use a variety of strategies:

- **Penetration** – setting a low price to start with to enter a market
- **Skimming** – setting a high price to start to recoup research costs
- **Competition based** – setting a price based on what rival products are charging

Influences on pricing strategies:

- **Technology** – consumers can compare prices easily so it is important a business is competitively priced
- **Competition** – the fewer rivals a business has, the more they are able to set their own price
- **Market segments** – the business needs to consider the income levels of their customers and how sensitive they are to price changes
- **Product life cycle** – price will change throughout the life cycle of the product

Don't be a "man on the street"

- Remember that putting the price up will not always lead to more revenue and profit for a business, as some customers will not pay the extra
- Don't assume that everyone looks for the lowest price – sometimes other factors are more important

Wider Business World

Apple – use price skimming when launching new products

Supermarkets – often sell basics at a loss to encourage customers in

Synoptic Links

Revenue & costs – price affects the revenue received

Break-even – price rises, lower the break even point

Competitive environment – the more competition a business faces, the more competitive their price will need to be

Market segmentation – the price a business charges will need to be appropriate for the target market

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

Topic 2.2.3 Promotion

Key Vocabulary

Promotional strategy – a medium to long term plan for communicating with customers

Sponsorship – paying to have a brand associated with an individual, event or team

Branding – giving your product or service a name that helps recall and recognitions and gives a sense of personality

e-newsletters – updates on the activities of a business sent electronically

Viral advertising – when people start to spread your message for you through social means

Sales promotion – a short term strategy such as BOGOF

Pressure group – a group of people who join together to try to influence government policy or business policy for a particular cause

e-commerce – buying and selling on-line

product placement – when a business product or brand is seen in tv shows or films

publicity – promotion that is not paid for, e.g. being discussed on a TV show

Core Knowledge

Promotion methods are used to inform consumers about products and persuade them to buy them.

Mass market products can use mass media, such as Television, national newspapers or radio. These are expensive, but *cheap per customer*. **Niche market** products, or smaller businesses can use local radio, local newspapers or social media.

Businesses may use **sponsorship** to build their **brand** through selecting a business that reflects their values, e.g. Red Bull sponsors extreme sports.

New products may offer **product trials**, e.g. free tastes or samples.

Impact of technology:

- Targeted advertising online through the use of cookies
- Viral advertising via social media, e.g. the Ice bucket challenge to raise awareness and donations to ALPS
- Apps for engaging with customers
- E-newsletters and emails

Don't be a "man on the street"

- Remember promotion is not just advertising – it includes lots of other strategies as well
- Don't just say "TV" or "in a newspaper" – be specific, i.e. which channels? Which programs? What time? Link to the target market
- Social media is not "free" – it costs in time and in search optimisation

Wider Business World

Football teams – sponsored by businesses, as are sporting events such as the FA cup

Echo Falls – a wine brand that sponsored a cooking program; an example of linking the product to the likes of the target market

Synoptic Links

Technology – made it easier to advertise on social media

Legislation – adverts must be true and meet regulations

Market Segmentation – a business will need to know the target market well to know where to advertise

Break-even – promoting will have a cost implication, therefore raising the break-even point

Globalisation – will the promotion work in all countries?

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Topic 2.2.4 Place

Key Vocabulary

Distribution – how ownership changes as a product goes from producer to consumer

Producer – the business or individual who makes the product / service

Wholesaler – a business that buys in bulk from a producer and sells onto to retailers in smaller quantities

Retailer – a shop or chain of shops, usually selling from a building on the high street or shopping centre

Agent – a business that sells something on behalf of the producer but never owns the product, e.g. a travel or estate agent

Customer – the person or business who buys the product

e-tailer – an electronic retailer

Mark-up – the additional amount added to the price of the product as it moves through the distribution channel

Third-party platform – an e-commerce website or service that is run by an unrelated business where businesses can sell their products

Core Knowledge

Place is NOT to be confused with location. *It is about how the product gets to the consumer and which other businesses it needs to pass through, not the physical location of the premises.*

The more third parties in the channel, the greater the mark-up and so the higher the price for the consumer

Don't be a "man on the street"

- Remember that not ALL customers have access to the internet or like online shopping, so selling exclusively online may not be appropriate for all businesses
- Amazon is a third party – a significant number of its products are produced by other businesses

Wider Business World

Amazon – an example of a third party retailer

Booker – an example of a wholesaler

NEXT – a business that is a retailer and e-tailer

ASOS – an e-tailer

Synoptic Links

Technology – has enabled more businesses to become e-tailers, and for small businesses to use third-party platforms

Globalisation – using third party platforms enables more businesses to sell worldwide

Customer needs – channels can meet needs of convenience

Market segmentation – the channel needs to be appropriate for the market segment

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

Topic 2.2.5 Marketing Mix and business decisions

Key Vocabulary

Marketing mix – the four elements that work together to make the marketing of a business or product successful

Product – the actual product the business produces / sells. Cost, aesthetics and function need to work together

Price – what the customer is charged for the product

Promotion – the methods used to inform customer about a product and persuade them to buy it

Place – the distribution methods used to get the product from the producer to the consumer

Competitive advantage – something a business does that is better than all of its rivals

Core Knowledge

Each element of the marketing mix can influence another

- **Product** design can influence the **price** charged, especially if costs increase
- The type of **product** will affect the distribution channel (**place**) used; if e-tailing is to be used, the **product** will need to be designed so that posting is easy
- If the business wishes to charge a premium **price**, it will need to use premium retailers (**place**) and use **promotion** strategies that enhance this message of quality
- **Promotional** offers may lower **price**
- A **distribution channel** that uses wholesalers and retailers will increase the **price**

Building competitive advantage:

- **Product –** unique features, quality, design
- **Price –** selling at the cheapest price in a market
- **Promotion –** creating a memorable or catchy campaign can make a product stand out
- **Place –** more stores that rivals, effective websites

Don't be a "man on the street"

- Remember that each element must be considered
- Marketing decisions must be linked to the business overall objectives
- Marketing decisions must be relevant to the individual business and the market it is in – just doing more promotion, or lowering price will not guarantee success

Wider Business World

Dyson – has a competitive advantage due to uniqueness of product

Lindor chocolate – unique product, higher price, promotion suggests luxury / handmade, sold in department stores as well as supermarkets. An integrated mix.

Synoptic Links

Customer needs – each element of the marketing mix, must meet needs

Market research – needs to be completed to understand customer needs

Market segmentation – identifying different groups of people

Finance – a budget must be agreed for Marketing

Objectives – the marketing mix will depend on what the business wants to achieve

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

Topic 2.3.1 Operations

Key Vocabulary

Good – a tangible item that exists in a physical sense, e.g. a car

Service – an experience or non-physical item, e.g. a trip to a theme park

Job production – one-off production of a one-off item for each individual customer

Batch production – producing a limited number of identical products

Flow production – continuous production of identical products, which gives scope for high levels of automation

Productivity – a measure of efficiency, usually output per person per time period

Automation – using machines that can operate without people

Robots – machines that can be programmed to do tasks that can be done by humans, e.g. spray painting

Flexibility – the ability to switch quickly and easily from one task to another

CAD – Computer Aided Design

CAM – Computer Aided Manufacture

Core Knowledge

The purpose of production is to create **goods** and **services**.

Production Method	Advantages	Disadvantages	Examples
Job	• Unique products • High quality • Higher prices	• Need highly skilled workers • Lengthy process • Higher cost per unit	Tailoring, bridges, Olympic Stadium
Batch	• Variety and choice for customers • Materials purchased in bulk, lowering production costs	• Work is repetitive • Equipment must be cleaned after each batch	Bread, clothing
Flow	• Bulk buyer leads to lower unit costs • Production 24/7 • Consistent quality	• High capital investment • Less flexibility to adapt products • Very repetitive work	Canned food, bottled drinks

Impact of technology:
- Lower costs in long term due to lower labour costs; improved quality so less wastage
- Increased productivity due to no breaks or holidays
- Improved quality / consistency
- Lower costs can lead to competitive prices

Don't be a "man on the street"

- Remember not all production happens in a factory: a bakery is also manufacturing
- Introducing technology does not lower costs immediately: in the short term there are high costs and this will affect cash flow and profit margins

Wider Business World

Morgan cars – produced by job production

Ford cars – considered to be the first mass produced car in the world

Synoptic Links

Technology – has had an impact on production

Marketing – creates the demand for the product

Finance – introducing technology will incur costs and affect cash flow

Human Resources – if staff lose their jobs they will be entitled to redundancy payments

Legislation – operations will need to follow Health & Safety law

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Topic 2.3.2 Working with suppliers

Key Vocabulary

Stock – items held by a firm for use or sale. Also called inventory

Bar gate stock graph – a diagram to show changes in the level of stock over time

Maximum stock level – highest level of stock to be held by a business

Minimum stock level – also called buffer stock level. The lowest level of held to avoid running out

Re-order level – the level of stock that will trigger the business to order more

Lead time – number of days or weeks that it takes from ordering stock until it arrives

Order quantity – the number of items ordered by the business

JIT – Just in Time. Running the business with so little stock that supplies have to arrive 'just in time' before they run out

JIC – holding buffer stock levels, 'just in case' there is a sudden increase in demand

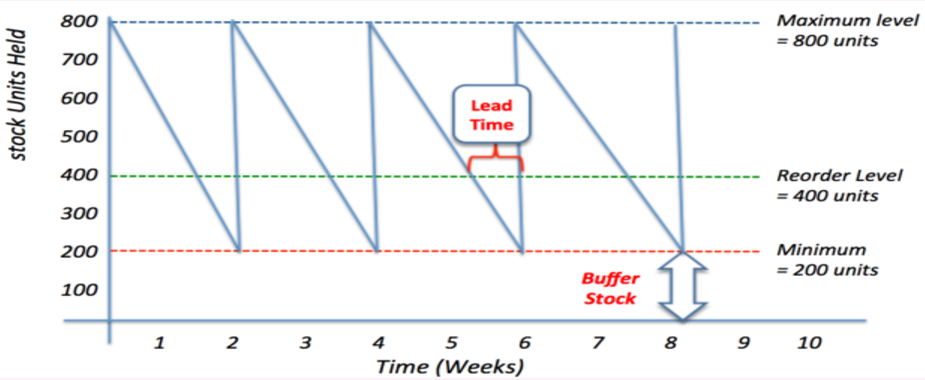
Procurement – obtaining the right supplies from the right supplier

Logistics – ensuring that the right supplies will be ordered and delivered on time

Core Knowledge

The operations department has a role to ensure that there is enough stock to meet demand, so they must work closely with suppliers as well as managing the stock that is in the business effectively.

The amount of stock held is shown in a bar gate graph:



Benefits of JIT	Limitations of JIT
Less storage space needed saving costs Fresher produce due to more frequent deliveries Less capital tied up in stock	Greater risk of running out and disappointing customers No bulk-buying discounts

Don't be a "man on the street"

- Remember not all business that hold stock are shops – it could be a factory, restaurant, bakery
- The cheapest supplier may not be the best if they are not reliable
- Not all businesses will be able to get trade credit from a supplier – trust may need to built first

Wider Business World

Supermarkets – most run JIT systems to have more selling space and save costs on storage

Restaurants – may limit their menu choices to ensure ingredients are fresher and less stock is wasted

Synoptic Links

Cashflow – holding less stock improves cashflow because the stock is more likely to be sold before payment to suppliers is due

External factors – changes to economic factors can affect the type of products consumers demand

Customer needs – if quality is a concern more than price, this will need to be considered when choosing a supplier

Location – this could affect the logistics for a business

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Topic 2.3.4 Sales Process

Key Vocabulary

Sales process – the process of persuading a customer to buy the products

Product knowledge- how well staff know the features of the products and service issues, e.g. such as the precise terms of a warranty

Customer engagement – the attempt to make a customer feel part of something rather than an outsider

Customer feedback – comments, praise or criticisms given to the company by customers

Post-sales service – anything provided after you have paid for and received the product, e.g. updates, perhaps because something has gone wrong or a way of promoting customer engagement

Core Knowledge

To succeed in the sales process the following need to be provided:

- Strong **product knowledge** and therefore helpful advice from staff
- Speedy and efficient service
- Customer **engagement**
- Responses to **customer feedback**
- Excellent **post-sales service**

Benefits of good customer service:

- Customers feel valued, are loyal and more likely to repeat purchased
- Harder for competitors to steal customers if they are loyal
- Satisfied customers tell others – this could attract more customers to the business
- Satisfied customers can create a positive working environment and make a business a reputable employer
- Developing a reputation for good customer service can develop into a competitive advantage

Don't be a "man on the street"

- Do not assume that negative reviews will make a business fail – these can be ignored or people may have little choice
- Remember that not everyone uses social media so this may not be a good way to get customer engagement for some businesses

Wider Business World

Kia – have a 7 year warranty on new cars

Pizza Hut – have a guarantee of receiving your starter within so many minutes of ordering

Burberry – send regular email updates to customers to make them feel part of the brand, rather than just a customer

Synoptic Links

Customer needs – the sales process is about meeting those needs

Recruitment – to provide excellent service the right staff need to be employed

Training – staff will need to be trained about products

Quality and operations – information about the product will need to be provided

Technology – more customer feedback is available

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Topic 2.3.3 Managing Quality

Key Vocabulary

Quality control – putting measures in place to check that the customer receives an acceptable level of quality

Quality assurance – a system based on preventing quality problems by involving all staff within the production team to understand their role in maintaining highest quality standards

Warranty – the guarantee by a producer that it will repair any faults in a product for a specific period of time

Core Knowledge

Quality is about meeting a minimum standard to satisfy customer expectations

Quality control

- Finished goods are inspected
- Checks for defects rather than preventing them
- Costly as it can lead to a high level of wastage
- Workers less involved in process so may be less motivated

Quality assurance

- Quality is checked at every stage in the production process – more time consuming, but defective products are dismissed before being completed
- Aims to prevent defects
- Staff need training – costly in short term; more motivating in long term

Importance

- Lowers costs through less wastage
- As production costs lower, profit margins increase
- Quality can improve reputation and build brand loyalty leading to a competitive advantage

Don't be a "man on the street"

- Remember quality is important for goods as well as services
- Don't confuse quality control and quality assurance
- Quality assurance can not be put in place quickly – staff need to be trained and it takes time to be embedded into the culture of the business

Wider Business World

Gordon Ramsey – in his restaurant the Head Chef will check every plate of food before it is sent out

Hotels – have a check list for cleaners to ensure that all rooms are same standard

Synoptic Links

Motivation – motivated staff are more likely to deliver a high-quality service

Customer needs – quality is one of the needs of customers

Promotion – quality can be used as a promotion tool

Consumer law – products must be 'fit for purpose'; a minimum quality measure

Technology – led to an increase in reviews online, which impacts a firm's reputation