

GCSE Business

Edexcel



Paper 2 Term 1

Knowledge Organiser

Name _____

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

Topic 2.1.1 Business Growth

Key Vocabulary

1

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

2

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 3

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

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Topic 2.1.2 Changing business aims and objectives

Key Vocabulary

1

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

2

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:

3

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

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

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

Key Vocabulary

1

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

2

Tariffs – taxes charged on imports

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

e-commerce – buying and selling goods online

Core Knowledge

3

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. One way is to charge a tax or tariff on all imported goods increasing the cost of imports

How to compete internationally

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

4

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

Topic 2.1.4 Ethics and Environmental constraints

Key Vocabulary

1 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

2 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

3

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

Ways for a business to be ethical:

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

Ways to consider the environment:

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

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

Benefits can include improving customer image and easier recruitment

Don't be a "man on the street"

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



Wider Business World

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

Marks & Spencer – Plan A for environmental sustainability

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



Synoptic Links

Aims and Objectives – social objectives

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

Customer needs – consumers have more interest in ethical products

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

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Topic 2.2.1 Product

1

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

2

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.



3

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

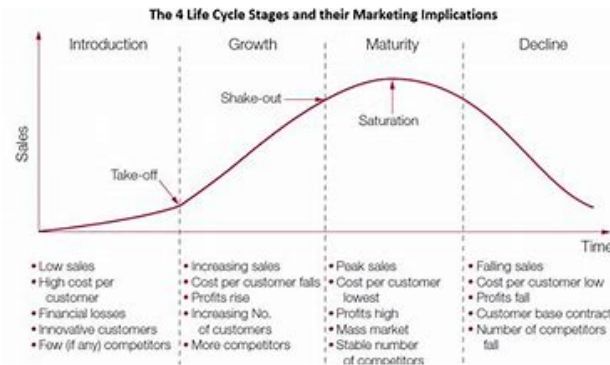
Customer needs – if these change products will need to change

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



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



1 **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

2

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:

3

- **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

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

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

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Topic 2.2.3 Promotion

Key Vocabulary

1 **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

2 **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

3

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

1

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

2

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

3

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



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

Don't be a "man on the street"

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



Wider Business World

Amazon – an example of a third party retailer

Booker – an example of a wholesaler

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

ASOS – an e-tailer



Synoptic Links

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

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

Customer needs – channels can meet needs of convenience

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

Topic 2.2.5 Marketing Mix and business decisions

1

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

2

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

3

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 than rivals, effective websites

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

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

