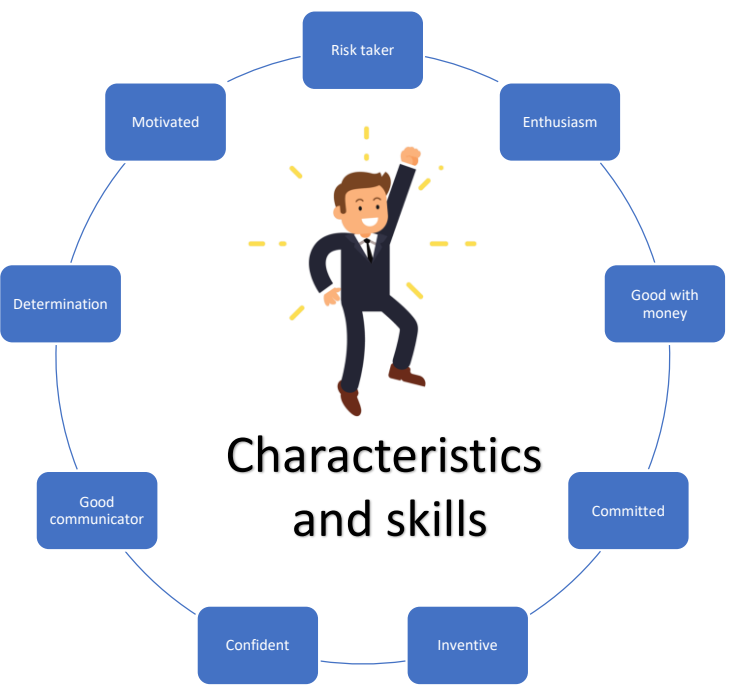




- Financial motivators**
 - To make a profit
 - Make sure there's enough cash to pay the bills
 - Access to sources of finance
- Personal motivators**
 - Control over working life
 - Became bored at work
 - To fulfil their potential
- Social motivators**
 - Getting personal satisfaction
 - Helping others



	April	May	June	July	August	Sept
Total receipts (cash in flow)	15,000	12,000	5000	5000	16,000	16,000
Total payments (cash outflow)	12,000	12,000	10,000	10,000	12,000	12,000
Net cash flow	3000	0	-5000	-5000		
Opening balance	1,000	4000	4000			
Closing balance	4,000	4000				



Net Cash Flow Formula

$$\text{Net Cash Flow} = \text{Total Cash Inflows} - \text{Total Cash Outflows}$$

- Increasing revenue**
- Raise prices
 - Up sell products
 - Cross sell
 - Bundle offers
 - Increase marketing
 - Discounts



Break-Even Point Formula

$$\text{Break Even Point} = \frac{\text{Fixed Cost}}{\text{Sales Price Per Unit} - \text{Variable Cost Per Unit}}$$

$$\text{Break Even Point} = \frac{\text{Fixed Cost}}{\text{Contribution Margin Per Unit}}$$



Fixed costs	Costs that don't change in relation to output. For example rent, salaries and loan repayments
Variable costs	Costs that do change in relation to output. For example stock, wages and raw materials
Total costs	Fixed costs + variable costs
Revenue	Money that a business gets from selling goods or service
Total revenue	Selling price x number sold








Profit Formula

$$\text{Profit} = \text{Total Sales} - \text{Total Expenses}$$

$$\text{Profit Per Unit} = \text{Selling Price} - \text{Cost Price}$$

Non financial aims and objectives



<p>Customer satisfaction</p> 	<ul style="list-style-type: none"> • Happy customers are likely to come back • Satisfied customers leave good reviews (TripAdvisor) • Spread recommendation by word of mouth
<p>Expansion</p> 	<ul style="list-style-type: none"> • Purchasing new premises • Employing new staff • Setting up an E-Commerce website
<p>Employee satisfaction</p> 	<ul style="list-style-type: none"> • Excellent customer service • Less days off (absenteeism) • Less mistakes • More motivated
<p>Diversification</p> 	<ul style="list-style-type: none"> • Expand what they sell • Target different market segments
<p>Ethical/corporate responsibility</p> 	<ul style="list-style-type: none"> • Being environmentally friendly • Being fair to stakeholders

LO1: understand entrepreneurship, business organisation and the importance of stakeholders

AC1.3 structures



Public sector jobs

Jobs that are made up from central, local and business owned by the government

- Royal Mail
- NHS
- Politician



Private sector jobs

Businesses owned by private individuals

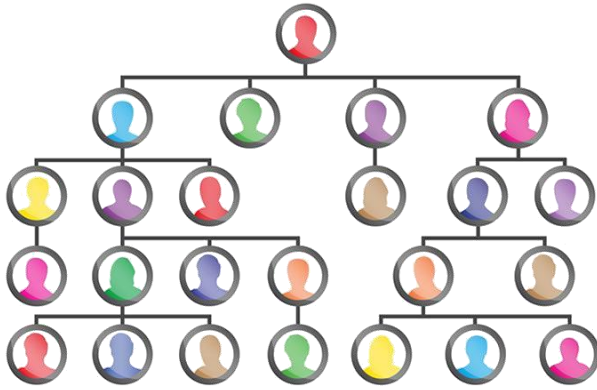
- Sole traders
- Private limited companies (Ltd)
- Partnerships
- Public Limited Companies (Plc)

<u>Ownership</u>	<u>Definition</u>	<u>Examples</u>	<u>Advantages</u>	<u>Disadvantages</u>
Sole trader	A business that is owned and controlled by one person	<ul style="list-style-type: none">• Plumbers• Hairdressers• Carpenters	<ul style="list-style-type: none">• Easy to set up• Low set up costs• Chose when they work	<ul style="list-style-type: none">• Unlimited liability• Difficult to grow• No shared responsibility
Partnership	A business that is owned and controlled by 2-20 people	<ul style="list-style-type: none">• Estate agents• Accountants• Dentists	<ul style="list-style-type: none">• More capital to start up• Mix of skills• Risk shared among partners	<ul style="list-style-type: none">• Slow decision making• Unlimited liability• Disagreement and conflict
Limited company	A business that is owned and run by shareholders. Examples are LTD and PLC	<ul style="list-style-type: none">• BP• Manchester Utd• Tesco	<ul style="list-style-type: none">• Greater capital investment• Investors don't have to actively run the company• Limited liability	<ul style="list-style-type: none">• Complicated to set up• Accounts need to be published• Investors expect a return
Franchise	A business where the franchisor (owner) grants a license to others to trade under their name	<ul style="list-style-type: none">• Pizza Hut• Starbucks• McDonalds	<ul style="list-style-type: none">• Limited experience needed• Benefits from the businesses name• Customers recognise it	<ul style="list-style-type: none">• Not cheap to start up• Can't make any of your own decisions or changes
Co-operative	Like minded people who work together to meet a common desire. They are owned by staff	<ul style="list-style-type: none">• Consumer co-operatives• Workers co-operatives• Producer co-operatives	<ul style="list-style-type: none">• Complete control by members• They exist to benefit members• Profits are shared	<ul style="list-style-type: none">• Losses are shared among members



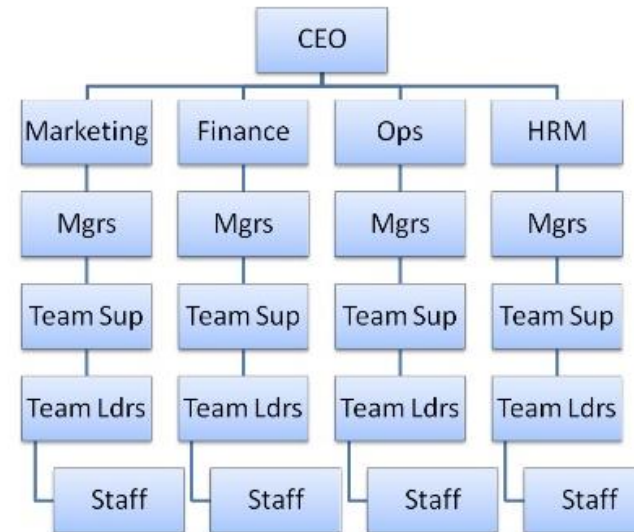
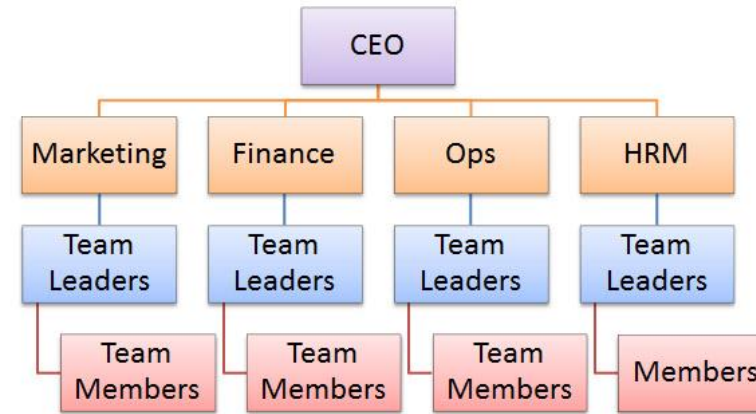
Types of business ownerships

Organisational structures

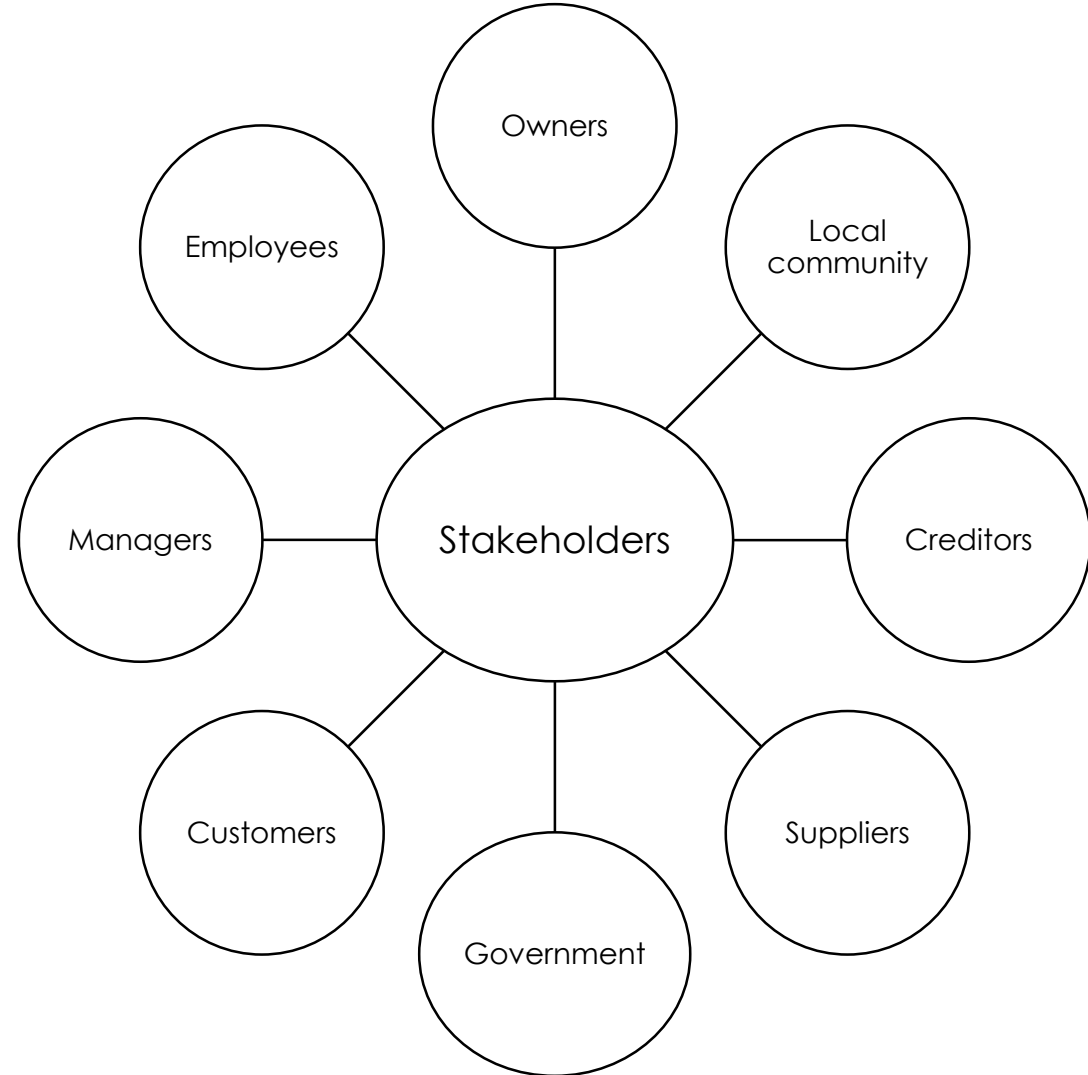


The organisational structure of a business is important because it determines:

- **Authority and responsibility** – who is responsible for whom and who is in charge?
- Individual job roles and titles
- The people to whom others are **accountable**
- The formal routes through which **communication** flows in the business



- This is a flat organisational structure, this has a wide span of control.
- It has 4 levels of hierarchy
- This is a tall organisational structure, this has a narrow span of control.
- Tall organisation structures tend to have long chains of command.
- Chain of command is the line of communication and authority within a business



Stakeholders

<u>Stakeholders</u>	<u>Engagement</u>
Owners	Invested their own money in the business so are interested in the way it runs
Local community	They could provide the workforce needed. They could also be concerned about pollution
Creditors	They want the business to be successful so they can get their money back quickly
Suppliers	They will want to be paid by the business and want to be used again by them
Government	Want the business to comply to laws. Also get tax from a business
Customers	Customers want value for money, if they get that they may come back again
Managers	Managers need to plan for success so need as much information as they can get
Employees	Need to make sure that their job is secure and good working conditions

<u>Internal stakeholder</u>	<u>External stakeholder</u>
Owners	Local community
Managers	Creditors
Employees	Suppliers
	Government
	Customer

LO2: Understand the marketing mix, market research, mark types and orientation types

MARKETING MIX



<p>Product</p> <p>How the product or service is designed or invented in order to make it something a customer wants</p>	<p>Price</p> <p>How the product of service is priced in order to make a profit</p>
<p>Place</p> <p>How the product gets to the customer</p>	<p>Promotion</p> <p>How customers are made aware of the product or service and are persuaded to buy it</p>



Brand Image

McDonalds has a strong brand image. If you establish a brand image it can help make you stand out

An advantage would be people trust the business and will buy a product as its from that business (for example an iPhone)

Some disadvantages is that it takes a long time to establish a brand image and it's expensive

AC 2.1 Marketing Mix

Tangible products are physical items that exist in the real world. For example a pint of milk, a teddy bear or some football boots



Intangible products are those that have no physical presence for examples, mobile phone networks, car insurance and broadband

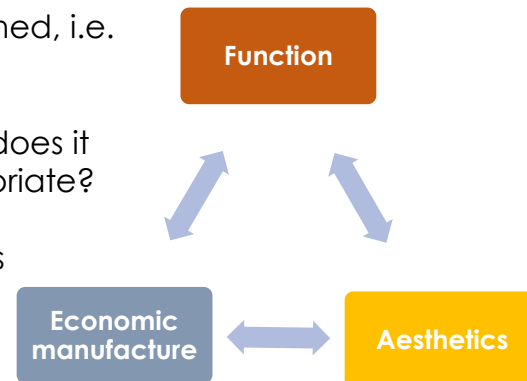


Design Mix

Function = does it do the job it was designed, i.e. A lawnmower

Economic Manufacturing = how much does it cost to make?, are the materials appropriate?

Aesthetics = how the product looks



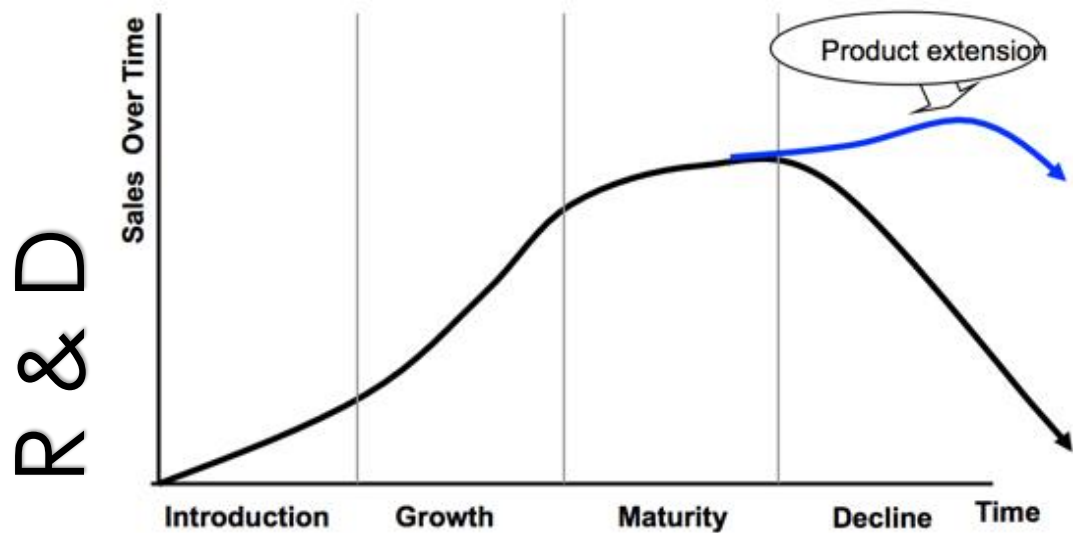
Unique Selling Point

This is a feature that sets a product apart from its competitors

- BMW, Porsche = car performance
- Apple = Design
- Nike = Strong Brand

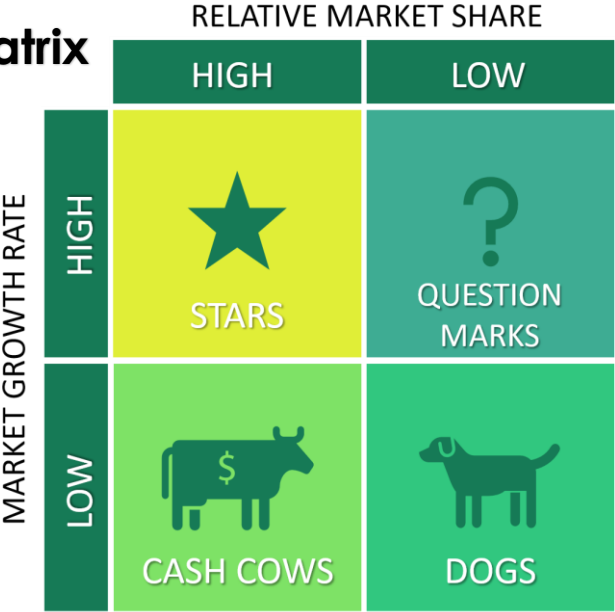


Product lifecycle

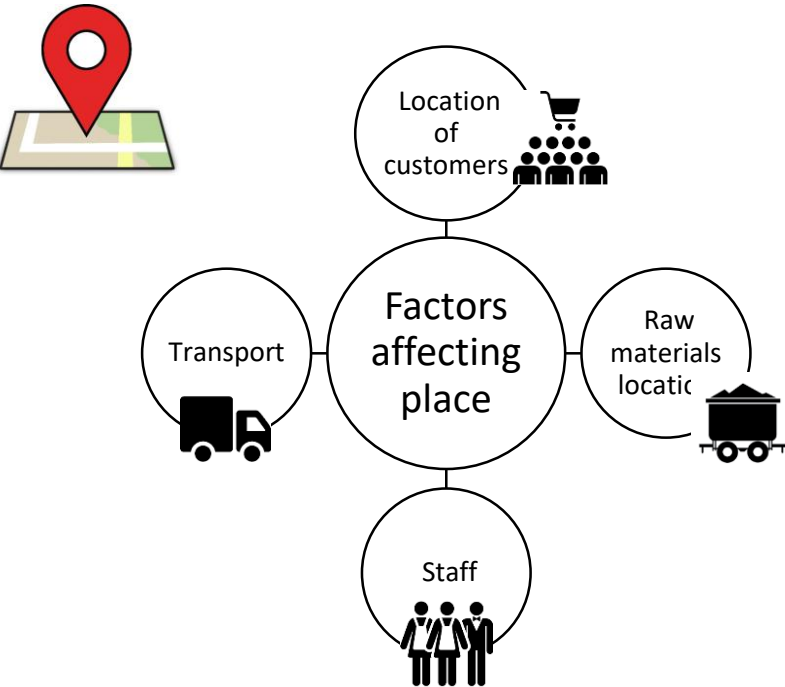


R & D	Product testing, research all done before a product is sold
Introduction	The “launch” of a product/service. Lots of advertising. Low profits at this stage and a low market share
Growth	Customers are familiar with the product and sales increase. Competitors may enter the market if your business is doing well
Maturity	Sales have reached their peak. New customers have reduced, profits have been made
Decline	Sales begin to fall, customers lose interest. Advertising stops
Product extension	New life is breathed into the product, for example a new price, new advertising campaign, new features and new packaging

Boston Matrix



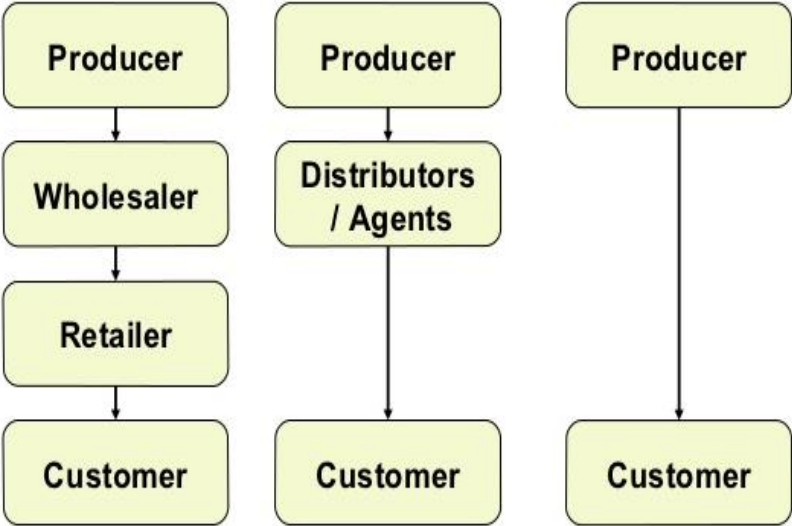
Dogs	Have a low market share in a low growth market. These products are often removed as they are no longer popular
Stars	These products have a high market share in fast growing markets
Cash cows	These products have a high market share in a slow growing market. They are very successful products that remain for years
Question marks	These are products that have a low market share in a fast growing market. These are a cause for concern and could be removed



Agent sell the product on behalf of the producers. Examples of agents are Estate agents and travel agents

Producers are the business that makes the product for example Walkers Crisp

Channels of distribution



Retailers often by from wholesalers and sell the products in their shops. For example central stores

Wholesalers buy in bulk from producers and sell the products in small numbers, for examples Makro








Ecommerce






Advantages	Open 24/7, can sell all over the world, no need to have a physical shop
Disadvantages	People can't see or try things, have to wait for delivery, credit card fraud



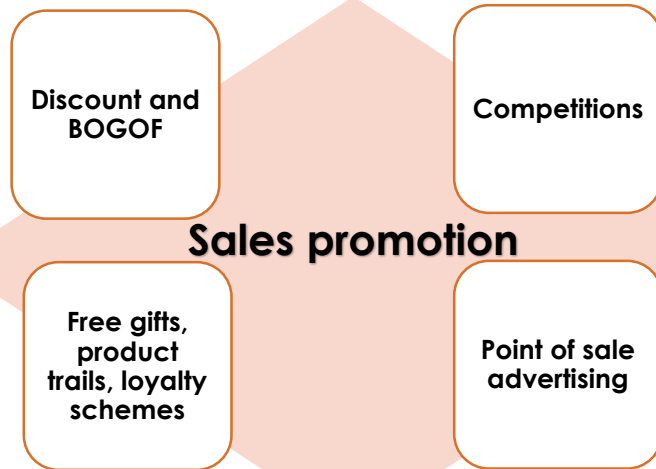
Factors influencing demand for a product

 Income	If the wage of a buyer goes up it's likely increase for products will go up
 The price of substitute goods	If the price of DVDs go up the demand for Netflix will increase
 The price of complementary products	An increase in the price of cars will led to a decrease in petrol
 Changes in taste and fashion	The decrease in demand for CD's
 Changes population	An ageing population will have an impact on holidays to Ibiza
 Advertising	A celebrity endorsing a product may lead to an increase in demand
 Legislation	Changes in the law can impact demand

Factors influencing supply for a product

 Cost of production	A fall in cost due to new technology
 The weather	This can effect the supply of raw materials
 Taxation	If firms are taxed highly on certain products they will produce less

Cost plus pricing	Product cost + profit = selling price	Bakeries, car manufacturing
Competitive pricing	Set a price that's similar to a competitor	McDonalds and Burger King
Loss leader	Willing to make a loss on a product	For example selling a disposable BBQ's cheaply when they are next to sausages and burgers
Promotional pricing	Temporarily reduces the price for a limited time	When there is a new flavour of Haribo or a new bar of chocolate
Price skimming	Starts with a high price and gradually lowers it over time	iPhone, games consoles, laptops
Psychological pricing	Sets a price that's attractive to a customer for example £999	99p shop
Penetration pricing	Starting with a low price and gradually increase it	New flavour of Pringles, new shower gel



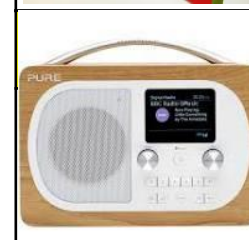
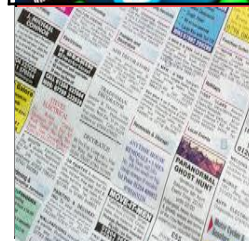
- Discounts are a good way of getting the product noticed.
- Competitions are used to encourage purchases
- Point of sale advertising is often near the tills
- Free gifts could be a bowl for cereal, product trails could be free samples, loyalty schemes are where people collect points for examples Tesco Clubcard



TV Advertising

Advantages: Wide audience, target specific channels, sound and image

Disadvantage: expensive, can be skipped,



Leaflets	
Advantages	Relatively cheap, targeted at a local area, easy to read and good visual impact
Disadvantages	Often thrown away after one read, can be seen as junk mail, no long term impact
Social media and websites	
Advantages	Relatively cheap, easy to update, access worldwide, customers can leave feedback
Disadvantages	Not good at targeting "older people", needs to be monitored daily, can be hacked
Newspapers	
Advantages	Local newspapers can target a specific area, national papers have a broader reach
Disadvantages	Can be expensive (national), not targeted, less effective for younger people
Magazines	
Advantages	Magazines are targeted so can reach specific customers, people tend to keep magazines for a while
Disadvantages	Costs can vary, magazines have a lot of adverts so yours could get lost.
Radio	
Advantages	Sound effects can be used, can be produced quickly, cheaper than TV
Disadvantages	Prime slots (morning/evening), can be background noise so the message can be lost

Personal Selling = when a person sells a product or service to you face to face for example a car salesman

Direct selling = selling via mail order, phone or online for example double glazing



Qualitative data involves getting more in depth answers and opinions from a customer



Quantitative data is factual information or yes/no answers. For example what is your gender, have you purchased this product before?

Primary Market Research		
Method	ADV	DIS
Observations	<ul style="list-style-type: none"> Can see buyer behaviour (what time they shop, what aisle they avoid) 	<ul style="list-style-type: none"> Time consuming Doesn't give any qualitative responses
Questionnaires	<ul style="list-style-type: none"> Accurate and relevant info 	<ul style="list-style-type: none"> Expensive and time consuming
Telephone interviews	<ul style="list-style-type: none"> Cover a wide geographical area Can ask following on questions 	<ul style="list-style-type: none"> Time consuming People don't answer or hang up
Focus groups	<ul style="list-style-type: none"> High quality information Focused on a specific group 	<ul style="list-style-type: none"> Costly Time consuming
Consumer trials	<ul style="list-style-type: none"> Honest and reliable feedback 	<ul style="list-style-type: none"> Expensive Time consuming to collate results

Secondary market research		
Method	ADV	DIS
Government reports	<ul style="list-style-type: none"> Readily available to download, often free Accurate and trustworthy 	<ul style="list-style-type: none"> Can be out of date as a census is done every 10 years
News articles	<ul style="list-style-type: none"> Can be digital or physical Fairly cheap 	<ul style="list-style-type: none"> Can be out of date Can be biased
Competitors data	<ul style="list-style-type: none"> Will be published depending on the ownership 	<ul style="list-style-type: none"> Should only be compared for a like to like business (not a sole trader to a PLC)



Niche Markets



Where a business targets a smaller segment of a larger market, where customers have specific needs and wants

Advantages

- Less competition – the firm is a "big fish in a small pond"
- Clear focus - target particular customers (often easier to find and reach too)
- Builds up specialist skill and knowledge
- Can often charge a higher price
- Profit margins often higher
- Customers tend to be more loyal

Disadvantages

- Lack of "economies of scale"
- Risk of over dependence on a single product or market
- Likely to attract competition if successful
- all "eggs in one basket"

Examples

- Pet Spas
- Left handed products
- Exotic meats

Mass Markets



Where a business sells into the largest part of the market, where there are many similar products on offer

Advantages

- High number of sales
- A large number of customers
- Exploit economies of scale

Disadvantages

- Low profit margins
- More competitors
- Lots of people copying your ideas

Examples

- Cadbury
- Coca-Cola
- Nike



A **marketing orientated** approach means a business reacts to what customers want. The decisions taken are based around information about customers' needs and wants, rather than what the business thinks is right for the customer.



A **product orientated** approach means the business develops products based on what it is good at making or doing, rather than what a customer wants.

LO3: understand operations management



When an organisation grows they are sometimes not able to complete all of the task themselves. Some examples are

- Website design
- Financial management
- Production
- IT operations

<u>Advantages</u>	<u>Disadvantages</u>
<ul style="list-style-type: none">• Useful for siles traders who don't have some skills• Can take the pressure off knowing a specialist is doing a job for you	<ul style="list-style-type: none">• Will have a cost involved• Can't guarantee the quality of work

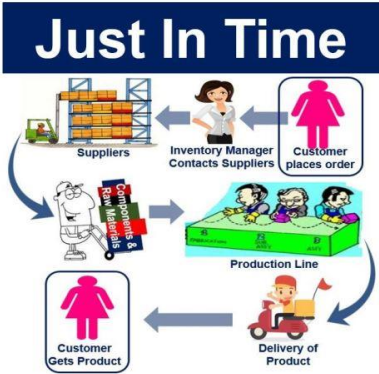
<u>Lean Production</u>
Kaizen
<ul style="list-style-type: none">• The Japanese process of continual improvement• It is important that everyone in the vision• Some examples of Kaizen could be waste reduction, empowering staff and listening to customers needs



AC 3.1 Operations management

<u>Lean Production</u>	
Just in time (JIT)	
This means that stock arrives just as you need it. This reduces the amount of storage you need.	
Advantages <ul style="list-style-type: none">• Improves cash flow as money isn't tied up in stock• Reduces waste• Requires less storage	Disadvantages <ul style="list-style-type: none">• Need reliable suppliers• Difficult to manage if demand increases• If mistakes are made there is no replacement

<u>Lean Production</u>
Cell production
<ul style="list-style-type: none">• Cell production is divided into different stages that different teams complete.• It ensures a team completes a whole piece of work instead of one task.• It increase motivation• Increase responsibly• Can improve quality



LO3: understand operations management

This when a business checks that its product and services meets the required standard.



For example every Big Mac should have the same ingredients, in the correct quantity and order in every McDonalds

An attitude to quality where the aims are zero defects and total customer satisfaction.



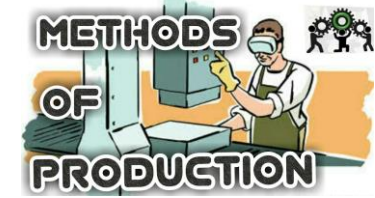
The objective of benchmarking is to understand and evaluate the current position of a business in relation to best practice and to identify areas and means of improvement.



Business that benchmark measure their performance against other businesses

- The reliability of products
- Delivering items on time
- Send out correct payment requests (invoices)
- Time taken to produce a product

AC 3.1 Operations management



<u>Production method</u>	<u>Description</u>	<u>Examples</u>
Job production	<ul style="list-style-type: none">• One product made at a time• Every product will be slightly different• Can be made by hand• They will be expensive and time consuming to make	<ul style="list-style-type: none">• Paintings• Handmade clothes• Bespoke jewellery• Wedding cakes
Batch production	<ul style="list-style-type: none">• Small quantities of identical products are made• Uses machinery	<ul style="list-style-type: none">• Tins of paint• Frozen pizzas
Mass production	<ul style="list-style-type: none">• Usually completed on a production line• Often completed by machines	<ul style="list-style-type: none">• Cars• T shirts• Mobile phones
Continuous flow	<ul style="list-style-type: none">• Similar to mass production except the production line is operated 24 hours a day, 7 days a week	<ul style="list-style-type: none">• Canned baked beans• Mass produced biscuits



A definition of quality assurance is:

"The processes that ensure production quality meets the requirements of customers"

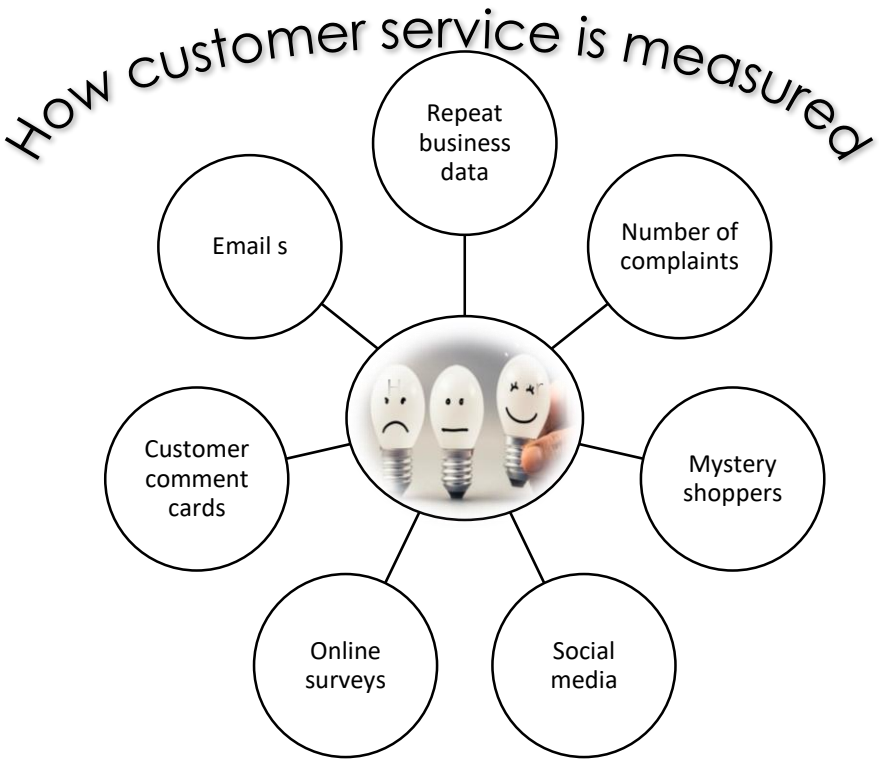
This is an approach that aims to achieve quality by organising every process to get the product 'right first time' and prevent mistakes ever happening.

LO4: Understand internal influences on business



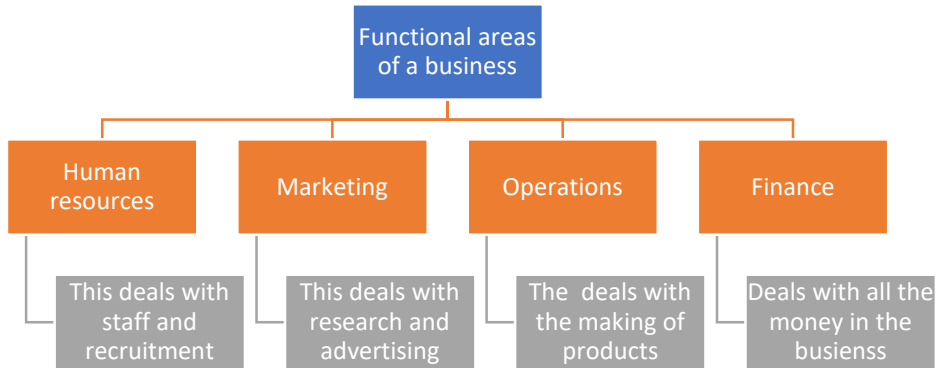
<u>In order to give excellent customer service, employees will need</u>
Good communication skills
Patience
Attention to detail
Good product knowledge

AC4.1 customer service and internal influences and challenges of growth



<u>By measuring customer service a business can...</u>
Make better decisions about products and service
Retain customers
Remain competitive
Identify areas of strength and weaknesses

LO4: Understand internal influences on business



Aims and objectives are used to target customers needs



The financial area of a business controls all monetary aspects of the business

- Allocates funds to departments
- Report performance
- Monitors cash flow

Herzberg



Key summary for Herzberg:

- Workers motivated to work harder by motivators e.g. more responsibility, more interesting work, more praise for good work
- Workers can become de-motivated if hygiene factors are not met e.g. pay, working conditions, relationships with colleagues



AC4.2 internal influences

A businesses success is often down to the quality of its staff. HR Dept is responsible for

- Recruitment
- Prepare paperwork –job adverts etc
- Determine wages
- Provide training
- Staff welfare
- Deal with dismissals and redundancies

MOTIVATION

Loading...

Mayo



Mayo believed that workers are not just concerned with money but could be better motivated by having their social needs met whilst at work

Mayo concluded that workers are best motivated by:

- Better communication between managers and workers
- Greater manager involvement in employees working lives
- Working in groups or teams

Self-actualization

desire to become the most that one can be

Esteem

respect, self-esteem, status, recognition, strength, freedom

Love and belonging

friendship, intimacy, family, sense of connection

Safety needs

personal security, employment, resources, health, property

Physiological needs

air, water, food, shelter, sleep, clothing, reproduction

Maslow



LO4: Understand internal influences on business

As a business grows, it benefits from a reduction in average costs of production.

This reduction in costs is known as **economies of scale** and it gives larger firms a competitive advantage over smaller firms

Advertising



- As a firm grows they have a greater need for advertising.
- Each pound spent will have a great impact

Financial



- As a firm grows they have access to a wider range capital (finance), which could reduce the cost of borrowing
- As a business grows they will be have more things to offer as security when borrowing

AC4.3 internal challenges of growth

Purchasing



- As a firm gets bigger they start to order more, this is called **bulk buying**
- A supplier will offer a firm a discount if they bulk buy.
- This makes buying in bulk cheaper for your business
- This reduces the average cost of production as raw materials are cheaper

Technical

As a business grows they are able to afford and use the latest equipment and new methods of production.



This will reduce average costs



Managerial



As a firm grows they are able to employ specialist managers.

These managers will know how to get the best out of a team and the best value for money

Output	Fixed Costs	Total Variable Costs	Total Costs	Cost per Unit
Units	£	£	£	£
50	10,000	5,000	15,000	300
100	10,000	10,000	20,000	200
150	10,000	15,000	25,000	166
200	10,000	20,000	30,000	150
250	10,000	25,000	35,000	140

Control

- As you grow bigger it is difficult to control the increasing number of staff

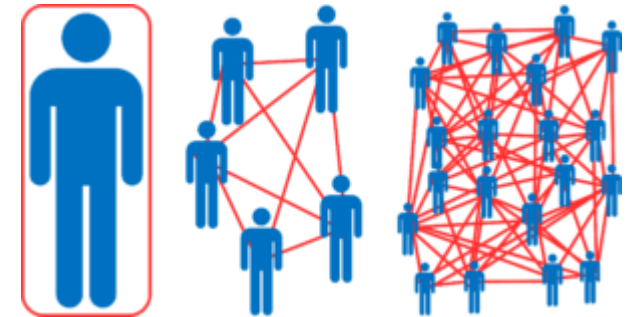
Coordination

- You may well have more than one location. It will be difficult to let everyone know what needs to be done

Cooperation

- Workers could feel less motivated as there are too many people and may feel worthless

When diseconomies of scale happen the average costs of production rise with output





GDP is the value of all newly produced final goods and services produced in an economy within a given time period.

Changes in fashion and trends



Peoples wants and needs change over time, businesses need to keep up with this. Technology plays a big part in this

Wages



When wages go up businesses cost rise which means profits drop.
However people earn more so could spend or save more

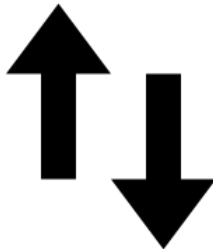
Interest rates

An interest rate is the reward for saving and the cost of borrowing expressed as a percentage of the money saved or borrowed.



Low interest rates encourage customers to buy more goods as there is little reward for saving money.

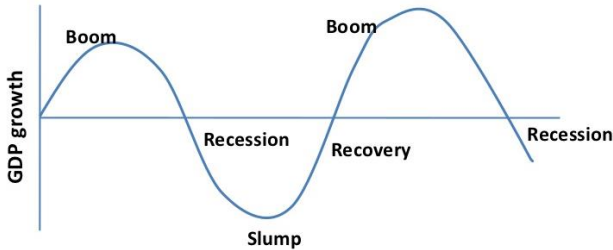
If borrowing rates are low then more people are likely to borrow if they need to.



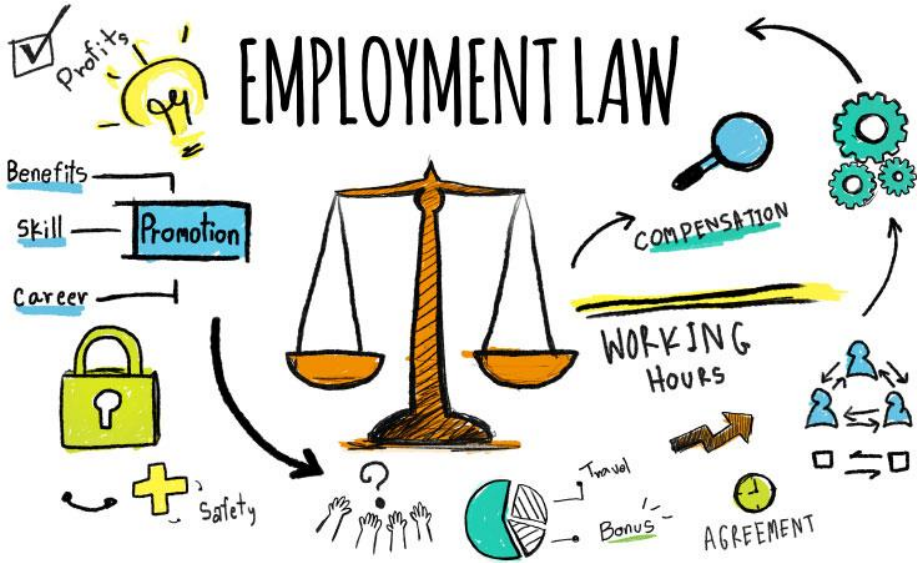
High interest rates result in less spending as repayments for loans are higher

It is more likely people will save more money if saving interest rates are higher

Business cycle



Boom	Spending is at the highest point
Recession	Little money to spend on luxury goods
Growth	Spending starts to increase
Decline	A decrease in spending



Health and safety at work act 1974	Owners need to make sure that the employees are safe at work.
Race relations act 1976	It is illegal to discriminate against anyone based on the colour of their skin, race or ethnic group
Sex discrimination act 1975	Can't discriminate against a person because of their sex.

Sale and supply of goods act 1994	this states that goods must be of satisfactory quality
Consumer credit act 1974	this protects the consumer when borrowing money or buying on credit
Trade description act 1968	goods and services must perform in the way advertised by the business



Taxation		
VAT (value added tax)	Income tax	Corporation tax