Year 10

Edexcel GCSE Business

The Telford
Langley School

Knowledge Organiser

SUMMER Term

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

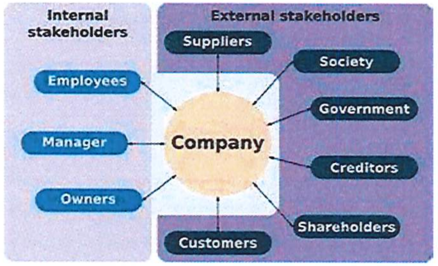
Pressure group – an organisation that will campaign for something specific, e.g. workers rights, environmental protection

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

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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

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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

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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

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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

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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

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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

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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