


| Nature of Business Activity | Producing Goods & Services | Business Enterprise | Business Planning | | | | | | | | | | | | | | | | | | | | | | | | |
|--|---|--|---|---------------------------------------|--|---|---|--|----------------------|------------------|---|---|---|---|----------|-----------|--|--|------------|--------------------|-------------------|--------------------------|--|---|--|---|--|
| <p>Business: An organisation that legally trades goods and services</p> <p>Good: An item that is for sale. E.g. A Television, Drink, Car</p> <p>Service: Something a business does for you. E.g. Haircut, Car wash, Plumbing</p> | <p>Sectors of Industry:</p> <ul style="list-style-type: none">• Primary Sector: Acquiring raw materials e.g. Coal, Wood, Oil• Secondary Sector: Production of Goods and Services e.g. Manufacturing• Tertiary Sector: Provision of services e.g. Health Care, Insurance, Teaching <p>The three sectors are dependent upon one another in order to produce and sell products.</p> <p>Factors of Production:</p> <ul style="list-style-type: none">• LAND – The natural resources that a business use• LABOUR – The people a business will use to farm / produce / sell• CAPITAL – The money invested and the manmade tools a business needs to be able to operate• ENTERPRISE – The person who brings all of the ideas together, the entrepreneur. <p>Goods and Services:</p> <ul style="list-style-type: none">• Consumer: The person who uses the finished product• Customer: The person who buys the finished product• Producer: The business who produces the product• Personal Service: Service provided to the <u>Consumer</u>• Commercial Service: Service provided to the <u>a Business</u> who will use it to produce a good / service• Producer Good: Product sold to <u>a Business</u> who will use it to produce a good / service• Consumer Good: Product sold to the <u>Consumer</u>• Durable Good: Products that can be used more than once, with a lifespan of over three years• Non - Durable Good (consumable): Products that are used a few times before being discarded within three years <p>Public & Private Sector:</p> <ul style="list-style-type: none">• Public Sector: Business owned and controlled by the government.• Private Sector: Businesses owned and controlled by private individuals. | <p>Enterprise Skills:</p> <ul style="list-style-type: none">• Risk Taker• Initiative• Decision Making• Organisational skills• Creative• Hardworking• Determination <p>Entrepreneur Rewards:</p> <ul style="list-style-type: none">• Profit• Turn hobby into business• Control• Help the community• Make a positive difference <p>Risks of being an entrepreneur:</p> <ul style="list-style-type: none">• Cost• Competition• Economy• Lack of Skills | <p>New businesses need to put together a plan for their business idea.</p> <p>Business plans:</p> <ul style="list-style-type: none">• Help in decision making by showing the aims and objectives of a business and the strategies and requirements needed to achieve these.• It also provides information to banks and other possible providers of finance to persuade these to grant loans and other monies to the business. <p>They include:</p> <ul style="list-style-type: none">• Business Description – What is your business idea – summarise!• Products and Services – What will the business sell? Give details of what makes you stand out from existing businesses.• The Market – Who are the customers? Who are the competitors? How will you target them? What scale will your business work on? Give reasons for each of your choices.• Market Research – What research will you need to carry out? What information do you need to know?• Marketing – How will you get people to buy the products / services you are offering?<ul style="list-style-type: none">◦ Price◦ Product◦ Promotion◦ Location – online or shop?• Operational Strategy – What will you need in order for your business to run?<ul style="list-style-type: none">◦ Technology?◦ Equipment?◦ Buildings?◦ Vehicles?• Human Resources – Who will work at your business? What skills will they need to have? How will you get the workforce to be motivated?• Financial strategy – What costs do you need to take into account? What will you need to buy in order for the business to run? | | | | | | | | | | | | | | | | | | | | | | | | |
| Business Objectives & Stakeholders | Business Ownership | Business Growth | Location | | | | | | | | | | | | | | | | | | | | | | | | |
| <p>Business objectives must be SMART.</p> <p>Specific Measurable Achievable Realistic Timed</p> <p>Example - Decrease the time to resolve customer issues from 2 hours to 1.5 hours by July 2018.</p> <p>Business Objectives:</p> <ul style="list-style-type: none">• Survival• Profit Maximisation• Customer Satisfaction• Growth• Ethical & Environmental• Increase Market Share <p>Stakeholders are groups that have an interest in the success of a business. They affect and can be affected by business activity.</p>  | <p>Unlimited Liability: This is the case for Sole Traders and Partnerships – the owner is responsible for the debts of the business</p> <p>Share: This is a part of the business owned to the shareholder (i.e. 25% share in the business)</p> <p>Debt: Money that a business owes to someone else</p> <p>Limited Liability: This is the case for Public Limited and Private Limited Companies – the shareholder (owner) can only lose what they invest into the business</p> <p>Liability: Another word for responsibility for the debts of a business</p> <p>Shareholder: Someone who owns a share in a Limited Liability business</p> <p>Deed of Partnership: The document that sets out the details of a partnership. It may include, the share of each partner, the profit share etc.</p> <table><tr><th><u>Sole Trader</u></th><th><u>Partnership</u></th><th><u>Public Limited Companies (plc)</u></th></tr><tr><td>A sole trader is a business that is owned and run by one person. Although a sole trader is owned by only one person, the owner can employ people to work for them.<ul style="list-style-type: none">✓ Own boss✓ Keep all profit✗ Lack skills✗ Long Hours</td><td>A partnership is an agreement between two or more people to take joint responsibility for the running of a business, to share the profits and to share the risks.<ul style="list-style-type: none">✓ Cheap and easy to set up✓ Shared workload✗ Shared profits✗ Disagreements</td><td>A Public Limited Company (Plc) is usually a very big business with a large number of employees, owned by members of the general public.<ul style="list-style-type: none">✓ Limited Liability✓ Easier to raise finance✗ Expensive to set up✗ Unwanted takeovers can happen</td></tr><tr><th><u>Private Limited Companies (Ltd)</u></th><th><u>Co-Operatives</u></th><th><u>Charities</u></th></tr><tr><td>Private limited companies (Ltds) are usually small/ medium size businesses, although can be large.<ul style="list-style-type: none">✓ Limited Liability✓ Shareholders have to agree the sale of shares.✗ Expensive to set up✗ Can be difficult to raise finance</td><td>Co-operatives are run according to a set of values and principles, such as democracy and equality.<p>Consumer co-operative is where a group of local consumers get together for mutual benefit.</p><p>Worker cooperative is a business that is owned and controlled by the whole workforce.</p></td><td>Charities are organisations that aim to raise money in order to support a cause, such as cancer research or wiping out poverty in third world countries. 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It is a non-profit organisation. Many charities employ paid workers to undertake specialist work, but also rely on volunteers in order to minimise wage costs. | <p>Unit cost: Cost to produce one item</p> <p>Economies of scale lead to lower costs from an increase in size. They happen when the cost per unit falls as output increases.</p> <p>Types of Economies of Scale:</p> <ul style="list-style-type: none">• Purchasing: Bulk Buying raw materials can lower the unit cost.• Marketing: As there are more products being sold, the Marketing cost is spread across more products.• Technical: Increased size means more can be invested in machines to produce more and cut the unit cost.• Financial: Banks are more likely to lend larger sums of money to bigger businesses, at better interest rates.• Managerial: Bigger businesses are more likely to be able to attract better managers, who can lead the business better and create more growth, through better decisions and expertise. <p>Reasons why businesses grow:</p> <ul style="list-style-type: none">• Increase profits• Improve market share <p>Franchisor: the owner of the main business</p> <p>Franchisee: the individual who sets up a business, in the name of the franchisor i.e. McDonalds</p> <p>Franchise: A business model that allows businesses to use the name, products and branding of a franchisor, in return for royalty payments</p> <table><tr><th>Benefits</th><th>Drawbacks</th></tr><tr><td>Help with training (franchisee) Royalties – received (franchisor)</td><td>Control (franchisor) Decisions (franchisee)</td></tr></table> <p>Internal Growth (Organic): takes place when a business expands its own operations. Such as selling more products, launching new products.</p> <p>External Growth: merger (two businesses join to become one) or takeover (one businesses buys another and takes control).</p> <table><tr><th>Horizontal</th><th>Backwards Vertical</th><th>Forwards Vertical</th><th>Conglomerate Integration</th></tr><tr><td>Two businesses in the same industry join Same product / service<ul style="list-style-type: none">✓ Economies of scale✗ May be disagreements</td><td>Business takes over a supplier<ul style="list-style-type: none">✓ Access to supplies✗ May not understand the product / market</td><td>Business takes over customer<ul style="list-style-type: none">✓ Understanding of customers✗ New market</td><td>(Diversification) Unrelated businesses<ul style="list-style-type: none">✓ Spreads risk / New customers✗ No experience</td></tr></table> | Benefits | Drawbacks | Help with training (franchisee) Royalties – received (franchisor) | Control (franchisor) Decisions (franchisee) | Horizontal | Backwards Vertical | Forwards Vertical | Conglomerate Integration | Two businesses in the same industry join Same product / service <ul style="list-style-type: none">✓ Economies of scale✗ May be disagreements | Business takes over a supplier <ul style="list-style-type: none">✓ Access to supplies✗ May not understand the product / market | Business takes over customer <ul style="list-style-type: none">✓ Understanding of customers✗ New market | (Diversification) Unrelated businesses <ul style="list-style-type: none">✓ Spreads risk / New customers✗ No experience | <p>Location Factors:</p> <ul style="list-style-type: none">• The location of raw materials: Some businesses need to locate close to where the raw materials, or the components to make their products, are available.• The supply of labour: The availability of a workforce with appropriate skills is another important consideration when deciding where to locate.• Infrastructure: All businesses need good sources of energy and water, efficient drainage and waste disposal and good transportation.• Communication links: Good telephone, internet and postal services are sometimes needed – built up areas are often well established in comparison to rural areas.• The Market: Being close to the market (the customers) is vital for a number of businesses.• Cost of Land: The amount and cost of land will affect the choice of location of the business.• Government Factors: Businesses create jobs and prosperity, therefore attracting business to an area can be very important to a local council or a government. <p>Siting a business: Once an area has been decided upon, a business then needs to decide where it will locate.</p> <ul style="list-style-type: none">▪ Cost of site▪ Size of site▪ Footfall – the amount of people who will walk past▪ Accessibility▪ Closeness to competitors▪ Personal reasons |
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