GCSE Business

Year 9 and
Year 10 2022/2023

Knowledge Organiser

GCSE Business Knowledge Organiser—Unit 1—Introduction to Small Business

Topic	Visual	Subject Content
1.1 Enterprise and entrepreneurship		➢ Understand why new ideas come about- due to changes in technology, changes in consumer wants, products being obsolete e.g. cassette player ➢ Understand how business ideas come about- adapting existing ideas, by invention, by innovation ➢ The impact of risk and reward- failure/ financial loss/, success/profit/independence ➢ The role of enterprise and the purpose of business activity- produce goods/services, meet customer needs, to add value
1.2 Spotting a business opportunity		➢ Meet customer needs- quality, price, choice, convenience ➢ Market research- identify and understand customer needs, identify gap in the market, reduce risk, inform business decisions ➢ Primary research- collected first hand e.g. survey, questionnaire, focus group ➢ Secondary research- collected second hand e.g. Internet, market reports ➢ Qualitative data- written data which gives opinions ➢ Quantitative data- numerical data which is easy to compare ➢ Market segmentation- breaking down market based on characteristics e.g. age, gender, income, location, interests
1.3 Putting a business idea into practice		➢ Objectives must be SMART (specific, measureable, achievable, realistic, time) ➢ Financial aims- survival, profit, sales, market share, ➢ Non-financial aims- personal satisfaction, challenge, independence, control Profit= Revenue-Costs Revenue= SP x Q Costs= FC + TVC Break-even point=FC/(SP-VC) Margin of safety=Actual sales – Break-even point Net cash flow= inflows – outflows O/B=C/B-NCF Short-term Overdraft. trade credit Long-term Personal savings, venture capital, share, loans, retained
1.4 Making the business effective		➢ Unlimited liability- liable for all debts of the business, high risk (Sole trader + Partnership) ➢ Limited liability- only liable for the money invested into the business, low risk (Limited companies- PLC/LTD) ➢ Franchise- a franchisee buys the rights to trade under the name of the franchisor in return for initial fee and royalties. ➢ Location factors- footfall, competition, availability of labour/resources, infrastructure, parking, costs. ➢ The marketing mix- the price of the product, the features of a product, the place it is sold and how it is promoted. ➢ Business plans- needed to obtain finance from an external source (market research, finance, aims, target market)
1.5 Understanding external influences on business		➢ Stakeholder- a group who has an interest in a business (owner, customer, employee, supplier, government, ➢ Legislation- the laws and regulations governing businesses. (Consumer- quality and consumer rights/ Employment law- recruitment, pay discrimination, health and safety) ➢ Economy- impact from the 2008 recession (unemployment, inflation, interest rates, exchange rates, EU) ➢ External environment (PEST)- political, economic, social, technological

GCSE Business Knowledge Organiser - Topic 1.1 Enterprise and Entrepreneurship

1.1.1 The Dynamic Nature of Business

Key Terms:

Enterprise: A business or company, can also mean entrepreneurial activity
Entrepreneur: Someone who creates a business, taking on financial risks with the aim of making a profit from the business
Consumer: Someone who buys and uses goods and services
Customer: Someone who buys goods and services
Obsolete: Out of date and not used anymore
E-Commerce: Using the internet to carry out business transactions
M-Commerce: Using mobile technologies to carry out business transactions
Social media: Websites that allow users to interact with other users

Businesses exist to provide <u>goods or services</u>

Good	Service
	

How do new business ideas come about?

Type of change:	Explanation:
New technology	Ideas for new products might come about due to advances in technology. Computers, smartphones, digital cameras and so on, are all examples of products where new technology is constantly allowing new products to be developed and launched for sale.
Change in consumer wants	Fashions and consumer tastes are always changing. As well as the more obvious areas of clothing, designs will also change in areas such as cars, furniture, buildings and many more consumer goods. There are also new trends in terms of healthy eating, fitness and specialist types of holidays.
Products and services becoming obsolete	Over time products become outdated as new products are developed, which is often linked to changes in technology. Other reasons for products becoming obsolete are changes in the economy, for example increased wealth will decrease demand for **inferior products**, such as supermarket value products and bus travel.

- Adapting an existing product to keep up with trends
- Create a new product to meet new trends

Key Questions to ask

- How can I improve a product or service?
- Can I do this better than an existing business?
- Is there a gap in the market that I can fill?

1.1.2 Risk and Reward

Key Terms:

Risk: The possibility that an enterprise will make lower than anticipated profits or experience a loss
Financial Reward: The money that an entrepreneur or investor receives when a business succeeds
Market Research: The process of gathering information about the market and customers' needs and wants
Revenue forecast: A prediction of future revenue based on expected sales; this is either a judgement or based on pervious sales patterns
Cash Flow: The amount of money coming and going out of a business
Sales Revenue: The amount of money that comes in from selling a product or a service
Investment: Putting money into a business with the intention of making a profit
Start-up: A new business, usually with only a small number of employees (possibly only 1)
Intuition: Knowing something instinctively or understanding something without conscious thought

Risk can mean several things:

- the chance of loss or damage
- the probability that something goes wrong, leading to a loss
- when a hoped-for outcome does not happen

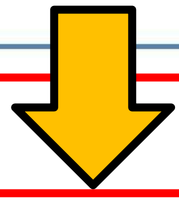
Poor management
Poor market research
Sales lower than expected
Start-up costs too high
Unexpected shocks
Too reliant on a small number of customers
Poor quality

How do you reduce risk?

Plan, research, be cautious, finance with care, avoid costs, Protect, monitor and review

Rewards from enterprise

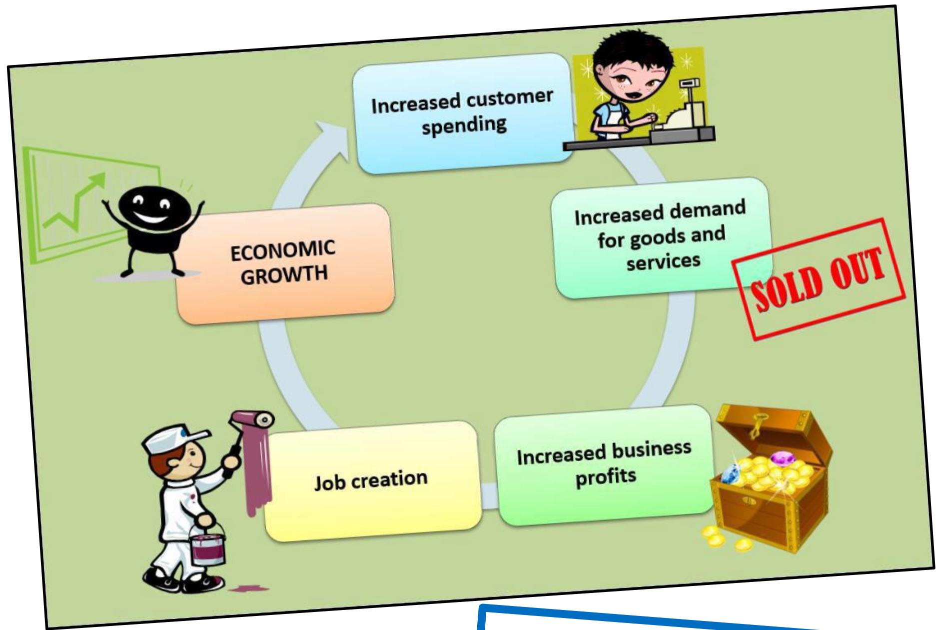
Sense of satisfaction, building something from scratch, being in control, making the first sale, opening in a new location, employing new people, getting an industry award, getting great feedback, having happy customers, money!

GCSE Business Knowledge Organiser - Topic 1.1 Enterprise and Entrepreneurship

1.1.3 The Role of Business Enterprise

Key Terms:
Stakeholder: Anyone who has an interest in the activities of a business
Ethics: The moral principles or standards the guide the behaviour of the business of a person.
Values: Standards of behaviour or moral principles
Loyalty: Supporting something or someone
Unique Selling point (USP): Something that makes a product stand out from its competitors
Economy: The system by which a countries money and goods are produced and used.



Purpose of enterprise activity
Producing goods and services
Meeting customer needs
Adding value

Cost to make product

Cost to buy product

Difference = Value Added

What is an entrepreneur?

"someone who takes a calculated risk through starting a business."

I am an innovative, risk taking, hardworking, organised, determined, persuasive, multitasking entrepreneur

Why do entrepreneurs start their own business?

Financial Reasons: Making Profit – Investing Money

Non-financial Reasons: Work Life Balance, Skills and Interests, Being their own **Boss**

NOTES:

GCSE Business Knowledge Organiser - Topic 1.2 Spotting a Business Opportunity

1.2.1 Customer Needs

Key Terms:

Convenience: A product or service's ability to fit in with a consumer's lifestyle, the ease in which it can be used how easy it is to acquire

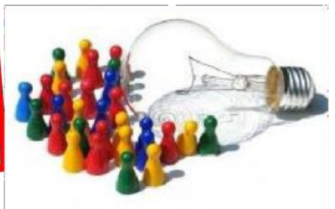
Customer Needs: The wants and desires of buyers of a product or the customers of a business.

providing the right product, of the right quality, at the right price, at the right time, in the right place

How do we find out what our customers want?

QUANTITATIVE

Purpose of Market Research: Identify a gap in the market, promotion, knowing your customers, knowing demand.



QUALITATIVE

Limitations of Market Research? Accuracy - usually only a sample is used, bias, could be out of date.

1.2.2 Market Segmentation

Key Terms:

Segmentation: The process of breaking something into small parts.

Demographics: Relating to the structure of the population

What are the benefits?

- Better matching of customer needs
- Better opportunities for growth
- More effective promotion
- Gain a higher share of the market

How do we segment a market?

Limitations of market segmentation

- Lack of information and data
- Difficulty in measuring and predicting consumer behaviour
- Customer segments could be hard to reach once identified

Market Mapping

- High price v low price
- Basic quality v high quality
- Low volume v high volume
- Necessity v luxury
- Light v heavy
- Simple v complex
- Lo-tech v high-tech
- Young v old

Is there a gap in the market for your product?

Where are customer needs not being met?

GCSE Business Knowledge Organiser - Topic 1.2 Spotting a Business Opportunity

1.2.3 The Competitive Environment

NOTES:

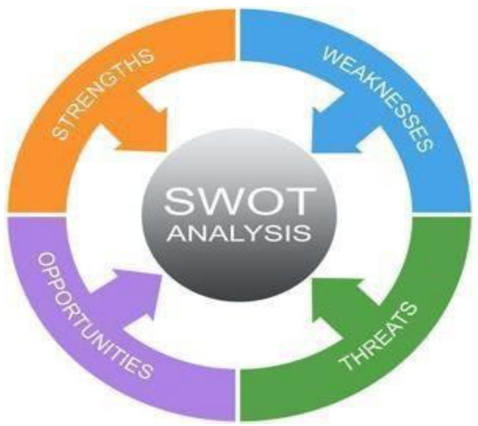
Key Terms:

SWOT Analysis: A study undertaken by a business to identify the strengths, weaknesses, opportunities and threats of a business.

Similar product but not in direct competition

Similar, product, price and place

Why monitor your competition?



GCSE Business Knowledge Organiser Topic 1.3 Putting Business Ideas into Practice

1.3.1 Business Aims and Objectives

KEY TERMS:
Market Share: The proportion of sales in a market that are taken up by one business
Profit: The amount of revenue left once the costs have been deducted
Social Objective: Likely to be non-financial, for example to reduce carbon emissions
Aim: Is a goal that the business wants to achieve
Objective: Tasks that a business will carry out to meet an aim

The main goal (could be long term) that the business wants to achieve)

SMART tasks that a business needs to carry out to meet its aim

Why do we set aims and objectives?

- Direction
- Focus for employees
- Planning
- Measurement of success

Financial objectives – targets expressed in money terms, such as making a profit, earning income or building wealth.

Non-financial objectives – aims other than financial, why an individual runs their own business. Examples include personal satisfaction, challenge and to help others.

Don't forget social objectives:

Environment, Charity

OXFAM

McDonald's

WWF

Will all businesses have the same aims and objectives?

1.3.2 Business Revenues, Costs and Profits

Key Terms:
Income stream: The source of regular income that a business receives (this could be from customers or investment).
Viable: Cable of working and succeeding
Revenue: The income that a business receives from sales
Fixed Costs: Costs that do not change
Variable Costs: Costs that change dependent on how many products or services a business sells
Income Statement: A financial statement showing the amount of money earnt and spent in a particular period and the resulting profit or loss
Interest: A % of an amount borrowed that is repaid in addition to the original amount
Break Even: The point in which a business's costs and revenue are equal

Formula

Total costs
TC (total cost) = TFC (total fixed costs) + TVC (total variable costs)

Revenue
Revenue = price × quantity

Geographic	Demographic	Behavioural	Psychographic
E.g. "Customers within 10 miles of the M25"	E.g. "A Level & University Students"	E.g. "Customers wanting a value for money impulse buy"	E.g. "Customers who prefer to buy organic food"

Income Streaming

- Rent and council tax
- Salaries
- Marketing, for example advertising, market research
- Insurance
- Interest repayments
- Leased equipment charges

FIXED

- Raw materials and bought-in stocks and components
- Wages based on hours worked or amount produced
- Marketing costs based on sales
- Agent and other commissions

Variable cost per unit x output

VARIABLE COSTS

PROFIT = TOTAL REVENUE - TOTAL COSTS

1.3.2 Business Revenues, Costs and Profits cont.

Formula

Net profit

Net profit = gross profit – other operating expenses and interest

Gross profit

Gross profit = sales revenue – cost of sales

Sales	Costs	Profit or loss?
£100,000	£75,000	£25,000 profit
£100,000	£125,000	(£25,000) loss Note: negative figures are shown in brackets

- ☑ **Total sales greater than total costs = PROFIT**
- ☒ **Total sales less than total costs = LOSS**
- ➢ **Total sales = total costs = BREAK EVEN**

If a business borrows money from a bank they will be charged interest. Interest is calculated at the start of a loan agreement and is added on top of the loan amount.

Interest on loans (%) = $\frac{\text{total repayment – borrowed amount}}{\text{borrowed amount}}$ x 100

Break-even level of output

Using the contribution method

Break even output = $\frac{\text{fixed cost}}{\text{(sales price – variable cost)}}$

This will give you the number of units the business needs to produce and sell to break even

Break-even point in costs/revenue = break-even point in units x sales price

This formula can be used to calculate the revenue (or costs!) at the breakeven level of output

When **revenue increases** it is likely to have **a positive impact** on the business **if costs remain the same.**

When **revenue decreases** it is likely to have **a negative impact** on the business **unless costs decrease at the same time.**

When **costs increase** the business will still have to pay them, unless the business also **increases revenue** then the profit of the business will become less. ***The increase in costs is quite often passed onto customers through a rise in prices.***

When costs decrease it can have an immediate benefit on the business. **They will be making more money per unit sold.** However, if customers are aware that costs have decreased then they may expect so see that saving passed on to them in the form of lower prices.

GCSE Business Knowledge Organiser Topic 1.3 Putting Business Ideas into Practice

1.3.3 Cash and Cash Flow

Key Terms:

Credit: The amount of money that a financial institution or supplier will allow a business to borrow

Overheads: Fixed costs that come from running and office which are not affected by the number of specific products or services that are sold.

Positive cash flow: More money coming in than going out

Negative cash flow: More money going out than coming in

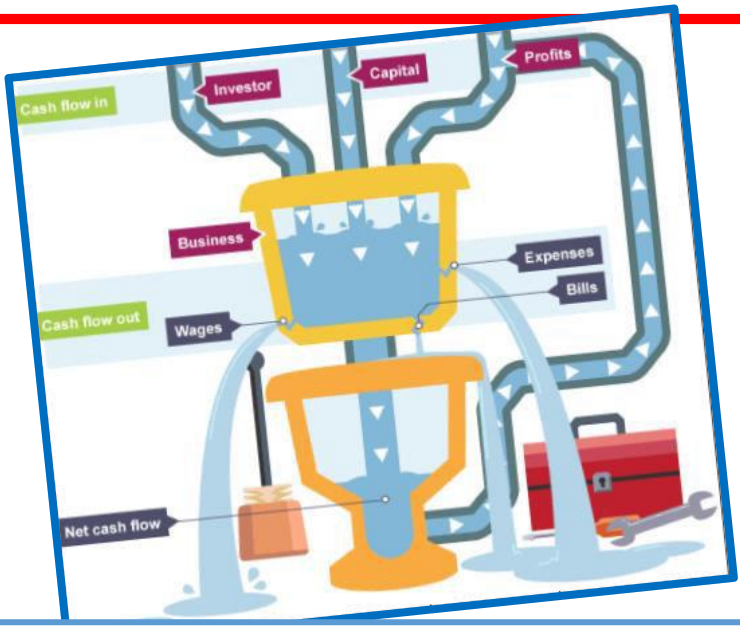
Insolvent: A business that is unable to pay its debts and owes more money that it is owed

Consumables: Items that get 'used up' such as pens, paper, staples

Opening balance: The amount of money in the business's bank at the start of any period

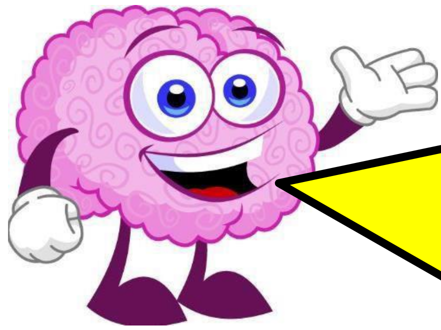
Closing balance: The amount of money in the business's bank at the end of the month

Cash flow forecast: An estimate of how much cash will come in to and leave the business over the course of a year.



Net cash-flow = cash inflows – cash outflows for a given time period

Cash inflows	Cash outflows
Cash sales	Payment of overheads, wages and salaries
Receipts from trade customers	Payment of suppliers, for example raw materials, inventories
Sale of spare assets	Buying equipment
Investment of share capital	Interest on bank loan or overdraft
Personal funds invested	Payment of dividends
Receipt of bank loan	Repayment of loans
Government grants	Income tax, VAT and corporation tax



The importance of cash to a business

The management of a business's cash flow is important. This is because a business must have enough money in the bank to pay all the money it owes. Even if a business is making a profit, if it does not have enough cash or a reliable cash flow it can still fail.

What causes problems?

- Low profits or (worse) losses
- Over-investment in capacity
- Too much stock
- Allowing customers too much credit
- Overtrading
- Seasonal demand

£'000	January	February	March	April	May	June
Cash inflows	200	250	200	150	100	250
Cash outflows	250	300	300	100	250	150
Net cash-flow *(cash inflows – cash outflows)*	(50)	(50)	(100)	50	(150)	100
Opening balance *(same figure as the closing balance for the previous month)*	250	200	150	50	100	(50)
Closing balance *(net cash-flow + opening balance)*	200	150	50	100	(50)	50

GCSE Business Knowledge Organiser Topic 1.3 Putting Business Ideas into Practice

1.3.4 Sources of Finance

Key Terms:

Trade Credit: A credit arrangement that is offered to a business by its suppliers

Overdraft: A facility offered by a bank that allows an account holder to borrow more money at short notice

Credit Limit: The maximum a business can borrow with a company

Credit Period: The maximum amount of time a business can take to pay what it is owed

Retrospective Discount: A discount applied when a business has purchased a certain number of goods or spent a certain amount of money with a supplier

Venture Capital: Money that is invested in a business sourced from individuals or groups (dragons den)

Return on Investment: The amount of money that an investor will get back in return for investing in a business

Shareholders: Investors who are part-owners in a company

Share Capital: Money to invest in a business which is made from selling shares in the business

Credit Check: A check on the financial status of a business.

Security: When the lender asked the business owner to put up an asset to secure lending

Asset: An item of value (home, machinery, premises)

Guarantor: A names person who guarantees to pay repayment if the person who has the loan fails to pay

Retained Profit: Money that a business keeps rather than paying to share holders

Crowdfunding: A business obtains money from many people who each pay a small amount

INTERNAL SOURCES OF FINANCE

- Sale of Assets — Long Term
- Personal Savings — Long Term
- Retained Profit — Long Term
- Venture Capital — Long Term

EXTERNAL SOURCES OF FINANCE

- Share Capital — Long Term
- Bank Loan — Long Term
- Crowd Funding — Long Term
- Trade Credit — Short Term
- Overdraft — Short Term

Often the hardest part of starting a business is raising the money to get going.

Questions to ask before borrowing:

- How much finance is required?
- When and for how long the finance is needed?
- What security (if any) can be provided?
- Are you prepared to give up some control (ownership) of the start-up in return for investment?
- Whether the cost of the finance, for example the interest charged, is justified?

GCSE Business Knowledge Organiser - Topic 1.4 Making the Business Effective

1.4.1 The Options for start-up Businesses

Key Terms:

Limited Liability – The level of risk that is limited to the amount of money that has been invested into the business

Assets – Property of the businesses or business owner, house, car, machinery

Incorporated – A business that is registered as a company, the business and the owners are separate in the eyes of the law

Unlimited Liability – The level of risk goes beyond the amount invested, so the personal assets of the business owner can be used to pay off the businesses debts

Unincorporated – A business that is not recognised as a company so the owners and the business are the same body in the eyes of the law

Sole Trader – A type of unincorporated business that is owned by a single person.

Partnership – A business that is owned by a group of two or more people who share the risk, the decision making and profits

Deed of partnership – A legal document that defines the terms and agreements of a partnership

Private limited company – An incorporated business that is owned by shareholders

Shareholders – Investors who are part-owners of a company, they invest in the business for a share of the company

Franchise – When one business gives another business permission to trade using its name and products in return for a fee and share of its profits

Franchisor – An established business that gives permission for an entrepreneur to trade using its name and product

Franchisee – An entrepreneur who pays a fee to trade using the name and products of an established business

Remember: LIMITED LIABILITY is only a benefit to private (and public) limited companies. Sole traders and partnerships do not benefit from this. They have UNLIMITED LIABILITY. This is a common area of confusion, which needs revising carefully.

Types of business ownership

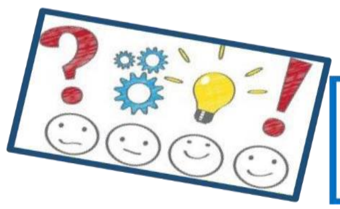
	Advantages	Disadvantages
Sole trader	☑ Quick and easy to set up – the business can always be transferred to a limited company once launched ☑ Simple to run – owner has complete control over decision-making ☑ Decision-making is quick, important in changing, fast moving markets with lots of competition ☑ Owner gets to keep all the profits ☑ Minimal paperwork	☒ Full personal liability i.e. "unlimited liability" ☒ Harder to raise finance – sole traders often have limited funds of their own and few assets against which to raise loans ☒ The business is the owner – the business suffers if the owner becomes ill, loses interest etc ☒ Limited life as the business is the owner – lack of continuity ☒ Stressful – long hours, no division of labour, no support with decision-making
Partnership	☑ Quite simple for two or more people to form a business together ☑ Minimal paperwork once Partnership Agreement set up ☑ Partners can provide specialist knowledge and skills stressful than operating as a sole trader ☑ Greater potential to raise finance compared to a sole trader, as each partner provides investment ☑ Any losses will be shared	☒ Unlimited liability ☒ Partners have to live with decisions of others; a poor decision by one partner damages the interests of the other partners ☒ Decision-making can take longer, as disagreements can occur company ☒ Short life, as if one partner leaves or dies the partnership ends ☒ Profits have to be shared
Private Limited company	☑ Limited liability - protects the personal wealth of the shareholders ☑ Easier to raise finance as can sell shares ☑ Stable form of structure – the company continues to exist even when shareholders change ☑ Original owners are likely to retain control	☒ Shareholders have to agree about how profits are distributed ☒ Greater administrative costs than setting up as a sole trader or partnership ☒ Finance limited to "friends and family" ☒ Less privacy - public disclosure of company information, but not as extreme as for a plc ☒ Directors' legal duties are stricter

Liability: the legal responsibility the businesses owner has to pay its debts.

Limited and Unlimited Liability

Limited Liability There is a legal difference between the business and its owner

Unlimited Liability – There is no legal difference between the business and its owner



Unlimited Liability means the owners can lose their personal possessions if their business has debts. Limited liability reduces the risk as business debts will belong to the business, not the owner

Points to consider

- Size of business.
- Type of Business
- Lender requirements
- Investment protection
- Control

Which one of the following is a characteristic of a private limited company?

- Can sell shares to anyone
- Shareholders work for the business
- Has limited liability
- Is unincorporated

GCSE Business Knowledge Organiser - Topic 1.4 Making the Business Effective

Franchising

A franchisor grants a licence (the franchise) to another business (the franchisee) to allow it to trade using the brand or business format.

The franchisor helps with:

- Training staff
- Setting prices
- Choosing suppliers
- Setting wages
- Determining uniform

Advantages of Franchising	Disadvantages of Franchising
The brand and the customer base is already established	Start-up fees can be expensive
There is a higher chance that the business will be successful	The franchisor has to be paid a % of the revenue
Support and training is provided by the franchisor	Little control and flexibility
	Complicated application process

The impact of the internet on location

The internet has led to many changes in the business world and has had a significant impact on location.

For some businesses they can trade solely online and this means that they don't need a fixed location, this can significantly reduce costs which can be vital for start-up businesses.

You don't even need to have your own website, you can piggyback onto a platform that is already provided such as eBay or Notonthehighstreet.com

1.4.2 Location

Location can depend on the type of business

There are many different types of industry. We can classify industry into three main categories:

Primary	Secondary	Tertiary
		
These industries extract raw materials directly from the earth or sea.	These industries process and manufacture products from raw materials.	These industries provide a service.

Raw Materials 	A business may depend on supplies of particular raw materials, costs will be lower if the business is located near the supplier, for example where the raw material is grown or where a distributor is based. Agricultural businesses may need a certain type of topography, climate, soil quality to grow particular cops. This factor tends to be more important for primary and manufacturing businesses, rather than businesses in the tertiary (service) sector.
Labour 	Access to a reliable supply of skilled staff is important. Businesses that are labour-intensive often look to locate in areas of traditionally low wages (National Living Wage) or higher unemployment, although this will depend on the skill level that the business needs and the availability of this type of worker. This will help to keep costs down. This factor is important for all businesses, but may be less significant if the business uses a lot of machinery.
Competition 	Businesses need to be aware of where their competitors are based when choosing their own location. This is particularly important if the business is providing a service. If a new business sees a "gap in the market" where there is no competitor, this might be a good reason to locate there. Businesses selling convenience goods such as a newsagents or Tesco Extra may choose a location away from competitors as locating near them would split the local customers between the two businesses reducing potential customers. Businesses selling a shopping good might want to be close to competitors, for example if you wanted to buy a new car and Altringham had five car dealerships but Lymm had only one, you are more likely to go to Altrincham to get a wider choice and the ability to shop around for the best deal. However, this might mean that this is not a profitable location for any business. In some cases, it may be of benefit to be near a competitor, as customers may come to the competitor, but see another business that is nearby. This can be seen with the popularity of retailers located in retail parks or clothing stores being clustered together in shopping centres.
Government Assistance 	Government support in the form of grants, business loans, reduced tax burdens or use of government owned buildings may be available if you are setting up in a particular location. These "assisted areas" are considered to be the poorer parts of the country and may have less wealthy customers. In these areas there may be cheaper labour available.
Communications 	This includes transport facilities (road, rail, air), as well as information and infrastructure. Transport links are particularly important if the business delivers products, uses a sales force or depends on imports and exports to function. The continued popularity of e-commerce makes transport links increasingly important, to ensure products can be delivered to customers in a timely manner.
Market - customers and population 	If your product is targeted at a particular type of customer, for example older-aged people, then it is important to be located where they live. Businesses may look at footfall and demographics before choosing a location. If you are producing a bulk-gaining product then it is more sensible to locate close to the market you are selling to as transportation can be harder and more expensive. This is particularly important for businesses in the tertiary sector, as they provide a service.

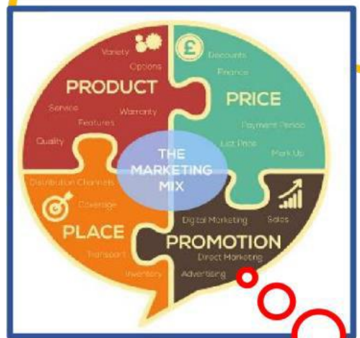
GCSE Business Knowledge Organiser - Topic 1.4 Making the Business Effective

1.4.3 The Marketing Mix

- Product - the good or service that the customer obtains
- Price - how much the customer pays for the product
- Place (distribution) – how the product is distributed to the customer
- Promotion - how the customer is found and persuaded to buy the product

An effective marketing mix is one which:

- ✓ **Meets customer needs**
- ✓ **Achieves the marketing objectives**
- ✓ **Is balanced and consistent**
- ✓ **Allows the business to gain an advantage over competitors**



The elements of the marketing mix must work together

Balancing the marketing mix

Changes to the marketing mix

Changing customer needs and trends

Internet usage

- **e-commerce**
- **m-commerce**

Price	**Changing a products price to undercut its competitors, businesses do have to be careful that this does not end up in a price war.**
Product	Altering aspects of the product or bringing out a new product with a new feature, this can achieve product differentiation
Promotion	Undertaking promotional activities to boost awareness of the brand to encourage brand loyalty
Place	Changing the place or increasing the number of places in which the products are available to customers in or der to maintain or increase market share. This could include introducing an e-commerce site or m-commerce technology.

1.4.4 The Business Plan

The initial Business Plan

The idea	A simple plan of the proposed business and its location
Where the idea came from and why it is a good one	
Objectives and key aims for the business	Sales, profit, growth, ideally for the next 3-4 years
Finance required and sources of finance already in place	How much from the owners of the business, how much to be loaned over how long and from where
Market overview	Results of market research, main segments, target market, market size, growth, market share of main competitors.
Business operations	Location of business, type of premises, staffing, distribution methods
Marketing mix	Description of the 4P's
Cash-flow forecast	Forecast revenue, costs and profits. Important to ensure the business does not run out of cash

The purpose of business plans

- It provides a focus on the business ideas
- It produces a document that helps clarify thoughts and identify any gaps in information or research
- It encourages the business entrepreneur to focus on what the business is really about
- It helps test the financial viability of the idea
- A business plan will minimise the risk of failure
- The plan provides something which can be used to measure actual performance
- A business plan is essential to raising finance from outside providers
- Reviews current performance
- Allows business objectives to be modified if required
- Allows departments of the business to produce their own plans,
- Allows entrepreneurs to update their current business strategy or plans for the future,

Overall it will help the business make informed decisions

GCSE Business Knowledge Organiser—Topic 1.5 Understanding external influences

1.5.1 - Business Stakeholders

Stakeholder Definition - is anyone who has an interest in a business. This is not about ownership, it is about being interested in how the business is run. An example is bank who have leant money to the owner to start-up his/her business– a bank **do not own** the business but they are interested in it as they want to make sure they will have their money paid back.

Internal Stakeholders

Owners - The owner is the person (or persons) who started the business with their own money. There main interest will be to ensure they receive a financial return so they will aim to maximise profit.

Employees - they are interested in the business – they want to know if they have **job security** so they can pay their own bills. They are also interested in – if there are job **promotion** prospects.

Managers - They are interested in a business because they may get a financial bonus if they reach targets they have been set

External Stakeholders

Suppliers - Suppliers are interested in the business because they want to know if they will get paid for the goods and services they have provided.

Local Community - The local community are interested in the business because it may pollute the environment, it may cause noise with lorries loading. The local community may not want a well known large business to open (e.g. a new Tesco store) as it may harm local business trade.

Government - The government are interested in the business because they want to know that they will pay their taxes. The government also wants to know that they will adhere to any laws that might apply e.g. Health and safety at work Act. They will also want businesses to provide jobs to help reduce unemployment, this means the government will spending less money on benefits and can further invest in public services e.g. the NHS.

Shareholders - Shareholders are interested in a business because they want to know if a profit will be made and if they will be paid a dividend. In •a **private limited company** the shareholders may be friends and family of the owners. In a **public limited company** the shareholders can be anyone.

1.5.1 - Business Stakeholders

Customers - customers are interested in the business because they want to know they can get quality products and services at low prices. Customers want products and services that satisfy their needs. Customers want to know their favourite products will continue to be sold.

Pressure groups - A pressure group is interested in a business because they want to know that they have acted ethically

How stakeholders impact business activity

Employees ➡	**can influence the success of an organisation by their productivity and efficiency in the tasks they do everyday. They can also resort to industrial action (strike) if they disagree with working conditions, pay or company policies**
Suppliers ➡	can decide whether to raise prices for orders which can obviously affect a firm's profits. Also a supplier's reliability could affect production.
Government ➡	can influence a firm by introducing new laws that can affect operations such as the National Minimum Wage, or they can raise Corporation Tax which would eat into a firm's profits
Customers ➡	can influence a business by deciding to continue to purchase goods and services from the organisation. They can choose to take their custom elsewhere.
Local community ➡	can influence a business by protesting against the building of premises

GCSE Business Knowledge Organiser—Topic 1.5 Understanding external influences

1.5.1 - Business Stakeholders

Possible conflicts between stakeholder groups

Employees want higher wages but owners and shareholders don't want to pay higher wages, as this will raise costs and therefore impact profit.

Mangers want big bonuses but owners and shareholders don't want to pay them as this will impact costs and lower profits

Customers want low prices and high quality, but owners and shareholders want high profit so want to charge high prices and quality costs so may also have an impact on profit

Local communities want lower pollution levels, but owners and shareholders want high profits and reducing pollution will raises costs and so may lower profit

Suppliers want to get good prices for their goods and services, owners and shareholders want high profits and want to keep their costs low

1.5.2 - Technology and business

How technology influences business activity

Sales - Use of technology can improve sales. Customers may be unhappy with slow service in a shop – whereas shopping online is instant. Customers get the convenience of shopping when they want – for shift workers this is a huge bonus as the internet can sell goods 24/7 orders can be processed by staff the next working day.

Costs - Using e-commerce and payment systems means that just about anyone can start their own business online. All they need is a simple website, a good product and a PayPal account. No need for premises like a shop which reduces costs.

Marketing mix - Technology means that now marketing campaigns have more speed, relevance and reach. If a business starts a marketing campaign on TV it can back it up with social media and then use targeting to send out e-mails.

1.5.2 - Technology and business

E-commerce - E-commerce is the business term for shopping on the Internet. Selling via e-commerce is cheaper for business as less staff and premises are needed. The shop can be open 24/7 and can reach a global marketplace and orders can be processed by staff the next working day.

Social media - Businesses can now use social media campaigns to promote their products as part of their marketing strategy

Digital communication - Digital communication means communicating using digital means such as: Text, E-mail, Mobile Phone, Skype. A business will use this to communicate with their; customers, suppliers, government agencies

Payment Systems - Payment systems are a vital way of transferring funds from customers to businesses, here are a few examples: Credit and debit cards - for shopping, BACS - for wages or business to business, PayPal - for items bought over the Internet e.g. eBay.

1.5.3– Legislation and business

The purpose of legislation - The consumer rights Act - 2015

Goods must be:

1. **As described** - The goods supplied must match any description given to you, or any models or samples shown to you at the time of purchase.
2. **Fit for purpose** - The goods should be fit for the purpose they are supplied for, as well as any specific purpose you made known to the retailer before you agreed to buy the goods.
3. **Satisfactory quality** - Goods shouldn't be faulty or damaged when you receive them.

Principles of consumer law

If something's gone wrong with an item a customer has bought, they may be entitled to a refund, repair or replacement. It doesn't matter whether they bought the item new or second hand – the consumer still has rights

GCSE Business Knowledge Organiser—Topic 1.5 Understanding external influences

1.5.3 – Legislation and business

Principles of employment law: recruitment

The recruitment process involves; advertising, selecting, interviewing and hiring the staff needed for the business.. The Equality Act 2010 makes sure that there is no discrimination in this process on age, race, gender, religion etc.

Principles of employment law: pay

NATIONAL MINIMUM WAGE or NATIONAL LIVNG WAGE (over 25's) is the legal minimum that can be paid to workers in the UK

Principles of employment law: health and safety

All workers have a right to work in places where risks to their health and safety are properly controlled. Health and safety is about stopping you getting hurt at work or ill through work. The employer is responsible for health and safety, but the employees must help.

The impact of legislation on businesses

A small business will have to meet all of the consumer, employment and recruitment laws. This may mean additional costs in training staff, protection equipment for staff, costs of paying NWM. Higher costs have an impact on the profit of the business. This could mean a business is pressured to increase their prices which could make them uncompetitive.

Consequences of not meeting these obligations

Failure to comply with these requirements can have serious consequences – for both organisations and individuals. Consequences include fines, imprisonment and disqualification

1.5.4 - The Economy and business

Changing levels of consumer income - As consumer incomes rise, they choose to buy better products – luxuries. As consumer incomes fall, they will need to buy cheaper products – inferior products

Unemployment - If unemployment rises people have no jobs, this means that they have low incomes. This also means that they have little disposable income – which is what is left after all the bills have been paid. No disposable income means no luxuries, this means that business make less sales and as result may have to lower their selling prices and reduce their workforce (which will further increase unemployment) in order to reduce their costs.

Inflation - If the UK inflation rate goes up consumers will feel poorer as their earned £££ will not go as far because goods have risen in price. This means that potential customers will not be able to buy as many goods. Also anie increase in inflation will likely increase costs as they will be paying more for their supplies as a result reducing profits. Inflation is a problem, if food keeps going up in price and wages don't then soon consumers will feel poorer and not be able to afford to buy as much. If prices are stable then consumers and business have a rough idea of how much items cost.

Interest rates - Interest rates are the cost of borrowing money. If consumers can borrow they can buy; clothes, cars, washing machines, houses, caravans, holidays, and just about everything else. If the cost of borrowing goes up then consumers decide to save instead of spend. If interest rates rise then the cost of borrowing will rise and this will mean that the cost of supplies for a business may increase. •A fall in interest rates means that the cost of servicing debt falls which may lead to an increase in profits (costs less to borrow so less to pay back).

Tax - Government charges business with a range of taxes. **Corporation tax** of 20% on profits must be paid by any UK limited company. Tax is a cost of the business and so will have an impact on profit. Income tax - An Increase personal allowance means you can earn more before you pay tax, this means this money could be spent on businesses goods and services. An increase in income tax could mean customers have less disposable income to spend on businesses goods and services.

Exchange rates - exchange rate is the price of one currency in exchange for another. Currencies can change in value and this is due to the demand and supply of a currency. What impact will a change in exchange rates have on the cost of supplies? It depends if they were purchased from abroad. If our pound increased against another currency this will make imported supplies cheaper e.g. cheese from France: