2.1

Aims and Objectives

A *business aim* is a goal, or target the business wants to achieve
Some business aims are financial, and others are non-financial
Aims and objectives can change as the business evolves
Reasons for this can include:

- Market conditions may change
- A business may wish to use more technology
- A business may be performing poorly
- The law may change
- The business may have internal reasons for change

Ethics

Ethics- weighing up decisions or actions on the basis of morality, not personal gain. Simply following the law does not necessarily mean a business is being ethical.

Trade off- How having more of one thing may force you to have less of another.

Finance for growth

Retained Profit
This is where a business reinvests profits made back into the business

Asset Sales
A company can sell assets that it owns in order to raise finance

Loan Capital
Also known as a bank loan, where a business can obtain finance from a bank to help fund growth.

Share Capital
Shares in certain business structures can be bought and sold by the general public
Shares are traded on the London Stock Exchange

*****PLC and stock market flotation**
If a company floats on the stock market, it offers its shares for sale to the general public

Organic growth

Organic growth is the expansion of a business that is done naturally where no other business is involved

New Products
A business can increase its size by providing a wider range or products/services. EG Coca Cola selling healthy drinks

New Markets
A business can increase its size by entering new markets. EG Dyson entering the cosmetics market

Inorganic growth

Inorganic growth is the expansion of a business that is done when a business joins with another.

Takeover- A takeover is gaining control of another business by buying more than 50 per cent of its share capital.

Merger- A merger is when two businesses agree to come together to form one business. Growth is extremely quick and both businesses can benefit from expertise and skills developed individually.

Environment

Environment is the condition of the natural world that surrounds us. Environmental considerations are the factors relating to 'green' issues, such as sustainability and pollution.

Sustainability means whether or not a resource will run out in the future; a sustainable resource will not.

Pressure Groups- an organisation or group that wants to enforce change upon a business EG- Greenpeace

Globalisation

Globalisation- Globalisation is where countries trade with each other to buy global goods
Imports- Imports are goods or services bought from overseas
Exports- Exports are UK produced goods or services bought by an overseas customer.
Tariffs- Tariffs are taxes charged on imports. This protects home producers and encourages people to buy locally.
Trading Blocs- Trade blocs are groups of countries that have agreed to have free trade within external tariff walls.

2.2

Promotion

This is how the customer is made aware of the product/service.

Promotional Strategies are the methods a business uses to promote their product to customers

Advertising- a way of introducing/selling a product. Can be done through TV, Radio Technology.

Sponsorship- working with a well known establishment to increase recognition. Eg Barclays and premier league, so whenever the premier league is shown, people thing of Barclays

Product Trial- when you bring a product out for a limited time to test peoples opinion

Special Offers- applying a discount/deal to entice customers to purchase/try your product.

Branding- giving a product a name/identity.

Technology in promotion

Targeted online- send people information/adverts based on their online activity.

Viral Advertising- producing a campaign and allowing people to spread it through word of mouth

Social Media- posting new products/ideas/research via social media to gain likes/shares

E-newsletters- sending out emails with newsletters to existing customers on mail lists

Price

This is how much is charged to the customer to purchase the product or service.

Pricing Strategies

Price Skimming- charging a very high price to give customers a sense of exclusivity. Prices are then lowered as replacements are launched

Price Penetration- charging a very low price to encourage customers to try the product. When customers are loyal prices are increased slightly.

Competitive pricing- charging prices that are similar to competitors

Influences on pricing

Technology- if expensive machinery has been used in production, this will be reflected in the price.

Competition- businesses will change their prices depending on competitors to avoid becoming obsolete.

Product Life Cycle- prices will change depending on where the product is in it life cycle. For example if it is in decline, prices will be lowered to encourage customers to keep purchasing.

Product

This is the product/service that is being offered to the customer.

Design Mix- the combination of three factors to make a product appeal to a customer.

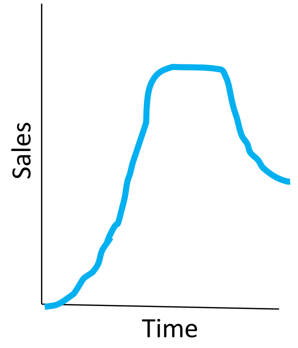
Function- what the product has been produced to do/its main purpose

Cost- how much the product costs to produce and manufacture.

Aesthetics- what the product looks like

Product Life Cycle

The stages that a product goes through, as time and sales change



Development- low sales, where the product has only just been introduced to the market

Growth- the product is new to the market and sales/revenue are slowly increasing

Maturity- where sales are at the highest and the product is popular.

Decline- the product sales decrease and the product is close to become obsolete.

Extension strategies are put into place to prevent a product becoming obsolete. This is where the business would alter its marketing mix in one way to make the product more desirable.

Product Differentiation- refers to how a business can make their product different and unique to competitors.

Place

This is where the product is accessed from by the customer.

Retailers- where products are sold to customers from a physical shop.

E-tailers- where products are sold to customers from online

2.3 Quality

Quality is about meeting the needs and wants of the customer by charging the right price for the product or service

Quality control is putting measures in place to check that the customer receives an acceptable level of quality. (checked at end)

Quality assurance attempts to build quality into the way a product or service is delivered, making every member of staff responsible for quality. (checked during)

Quality Culture is the accepted attitudes and practices of staff at a workplace.
A quality culture is where all staff employed in a business take responsibility for ensuring the product or service is delivered to the high expectations of the customers (checked throughout)

Suppliers

Procurement- Procurement is obtaining the right supplies from the right supplier to ensure they get there at the right time, place and at a reasonable price
Suppliers must be chosen that deliver goods on time, to the right quality and at the right price.

Logistics means ensuring the right supplies will be ordered and delivered on time. Well managed logistics means:

- better reputation for the business
- lower costs of production, as the product can be completed quicker and sold quicker
- high customer satisfaction, as the product is the right quality, the right price and delivered at the right time.

Stock

Stock- this is the product/service that a business has to sell as part of its day to day operations. Sometimes known as inventories.

Just in time- this is a stock control method where a business orders supplies so they arrive just before they are needed.

Just in case- another stock control method where businesses order too much, in case of an increase in demand.

Buffer- reserve stock level
Reorder- the point where more stock must be ordered
Maximum- the maximum amount of stock that can be held

Technology

Benefits of technology

- Efficient leading to increase in productivity
- Less human error
- All products are identical
- Machines do not need break and can work 24/7, 365 days a year.

Drawbacks of technology

- Capital intensive when first purchased
- Replaces jobs leading to redundancies
- can be difficult to fix if broken
- Production stops if machines break
- Doesn't allow for variety in products made

Sales Process

The sales process is how the business engages with customer to get them to purchase their product or service.

Product knowledge

Speed and efficiency

Customer engagement

Post sales service

Job Production

one-off production of a one-off item for a single customer. Products can be tailored for individual requirements.

Highly flexible; Satisfying work for the individual

It is expensive in a developed; the skills may be in short supply

Batch Production

Producing a limited number of identical products, then moving on to a different product

Some cost advantages from producing several items at once

Production costs far higher than with flow production; Not as flexible as job production

Flow Production

Continuous production of identical products, which allows for high levels of automation.

Can automate production fully; More consistency.

Expensive to set up and inflexible to use; Modern customers like to see products tailored to their specific needs.

2.4

Calculations

Formulae needed from theme 1

Revenue= Price X Quantity Sold
Variable Costs= Cost per unit X Quantity made/sold
Total Costs= Fixed Cost + Total Variable Costs
Profit= Total Revenue – Total Costs
Percentage Change= $\frac{\text{New Value – Original Value}}{\text{Original Value}}$ X100

Always remember to show workings, highlight your final answer and use the correct units.

Profit

Gross Profit

Sales Revenue – Cost of Sales

Looks at the difference between sales and costs of sales

Gross Profit Margin %

$\frac{\text{Gross Profit}}{\text{Sales Revenue}}$ X 100

Allows for comparison year to year
Can see if suppliers prices are too high

The higher the % the better
If the outcome is low, it means that the cost of sales are too high and need changing/investigating.

Net Profit

Gross Profit – Expenses

Looks at the difference between profit and expenses not related to sales

Net Profit Margin %

$\frac{\text{Net profit}}{\text{Sales Revenue}}$ X 100

Allows for comparison year to year
Can see if other expenses not relative to sales are too high

The higher the % the better.
If there is a large difference between net profit margin and gross profit margin, it means expenses are too high.

Quantitative Data

This refers to quantifiable/numerical data that is used to help support, inform and justify decisions. It can be displayed through

- Graphs and Charts-
 a visual representation of numerical or monetary data. Often good at showing changes.
- Financial data-
income statements, balance sheets and cash flow. Often useful for showing patterns, issues and relationships.
- Marketing Data-
this is the research and results gained from undertaking market research. Allows businesses to spot trends, gaps in markets and statistics about a market.
- Market Reports
often secondary research carried about a group of people in a market. Allows businesses to spot trends, identify demographics and needs within a market.

Investment Appraisal

Average rate of return- calculates whether the return on an investment is worthwhile in terms of profit it will generate.

ARR% = $\frac{\text{average annual profit}}{\text{cost of investment}}$ x 100

Average annual profit= total profit/number of years

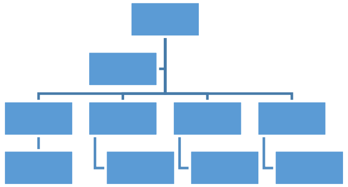
The higher the ARR value, the more profitable the investment.
ARR figures are forecasts only so are not 100% accurate.
ARR is used to help decide between investment projects and decision making.

2.5

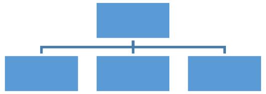
Training and Development

Training- Introducing employees to new concepts/ideas
Development- Pushing employees further/giving further knowledge on an existing concept
Training can either be:
Formal- In a learning environment/setting by professionals brought in to deliver
Informal- training that is on the job and usually delivered by regular employees
Self learning- giving employee the responsibility to learn outside of the work setting.
Targets are then set and these are often reflected on in performance reviews

Organisational Structure



Hierarchical Structure
An organisation with many layers of management. There is lots of scope for promotion but issues with communication



Flat Structure
An organisation with few layers of management. There is less scope for promotion but efficient communication

Centralised structure- where decisions are made at the top level of management and passed down
Decentralised structure- where decisions are made by regional/functional managers lower down the business.

Communication- where messages are passed between two or more people. This can be problematic if it is insufficient of excessive. Barriers- refer to factors that could prevent effective communication. These include noise, language barriers and technology.

Ways of working
Full time- where an employee works 37 or more hours per week
Part time- where you work less than 36 hours per week
Flexible- this is where the employees works different hours each week
Remote Working- working from home through the use of computers/technology.

Types of contract
Permanent- when an employee has a job for the foreseeable future, with no end date.
Temporary- when an employee has a job for a given time period (eg 3 months)
Freelance- when an employee is hired to complete a job, once the job is completed, they leave.

Motivation

Motivation is the will/desire to want to work.

Benefits of motivation
Attract employees- more employees will apply to vacancies due to good reputation
Retain employees- employees will not leave as they want to remain loyal due to job satisfaction
Higher productivity- increase in the amount of work each employee completes.

Financial-	Non-financial
Remuneration- a basic salary/wage Bonus- money paid of top of salary/wage when targets are met. Promotion- an increase in pay due to better position in management. Commission- a percentage paid on top of wages based on sales made Fringe benefits- small extras on top of wages such as company car, discount schemes etc	Job rotation- giving employees the opportunity to perform different jobs to avoid repetition and boredom. Job enrichment- allowing employees to have more responsibility, taking on more important work. Autonomy- giving employees the power to be involved in decision making.

Recruitment

Recruitment is the process of obtaining employees into a vacant job role/position. This can be done either through the use of internal or external recruitment. Internal Recruitment is the filling of a position with someone who already works within the business, External recruitment is the filling of a position with someone completely new from outside of the business.

The business will provide the following documents when recruiting;
Person specification- this outlines the type of person that would be ideal for the job role
job description- this details all of the roles and responsibilities of the job role being filled
** The applicant will provide a completed application form and their personal CV

Key job roles and their responsibilities:
Directors
Senior managers
Supervisors
Operational staff
Support staff