



OCR GCSE Business Studies

Knowledge Organisers

Paper 1

Business activity, marketing and people

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## 1.1 The role of business enterprise and entrepreneurship



### Characteristics of an Entrepreneur

- Risk taker
- Determined
- Confidence
- Creative



<b>Entrepreneur</b>	An individual to takes a risk to set up a business
<b>Enterprise</b>	Seeing an opportunity to provide and create a product or service
<b>Opportunity</b>	Taking advantage of a possibility
<b>Characteristics</b>	Features of an entrepreneur (listed to the right)

### knowledge and understanding

#### Three purposes of business enterprise and entrepreneurship

##### Spotting an opportunity

- improving a product or service already provided
- spotting a gap in the market
- producing a product or service more cheaply

##### Developing an idea

- designing the product or service
- planning production

##### Satisfying customer needs

- producing the product or providing the service
- marketing the product or service

### Rewards

**Financial** - potential to make a lot of money

**Non-financial** - independence, self-satisfaction, making a difference

### Risks

**Financial** - losing savings and other assets  
paying off debts

**Non-financial** - health - mental and physical illness

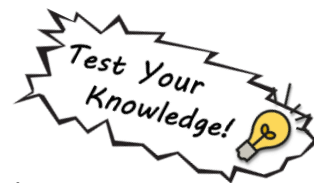


### Rewards for Risk Taking

- Financially-the greater the risk the bigger the reward. Potentially entrepreneurs can make large profits.
- Independence-entrepreneurs can be more independent and make all of their own decisions.
- Self satisfaction-an entrepreneur will get great satisfaction from taking a risk and succeeding.

### Drawbacks for Risk Taking

- Financially-entrepreneurs take big financial risks and could potentially invest in an opportunity that isn't successful.
- Health-if an opportunity fails or it requires more work than anticipated it can put a huge amount of stress on the entrepreneur.



## Knowledge Recall

**Activity:** Practice the definitions for the key terms given above by using the **look, say, cover, write, check** technique.

Use the boxes below to write out your answers, then correct these adding anything you are missing. Attempt each at least 4 times.

<u>Key term</u>	<u>Attempt 1</u>	<u>Attempt 2</u>	<u>Attempt 3</u>	<u>Attempt 4</u>
Entrepreneur				
Enterprise				

**Activity:** Match the definition to the key term by writing the right letter in the spaces beside the correct definition.

A. Creativity	[ ] Being prepared to put their own or other people's money at risk
B. Risk-taking	[ ] Being positive, believing in their own ability to make things happen
C. Confidence	[ ] Thinking up ideas and solving problems i.e. thinking of new products to meet consumer need
D. Determination	[ ] Not being put off when difficulties or problems arise, but working hard to solve them

**Activity:** Sort the list given into whether they are a risk or a reward

Risks	Rewards

Independence	Health
Self-satisfaction	Financial loss
Making a profit	Strained relationships



## Exam questions

Frustrated by a poor quality vacuum cleaner which he used in his home, James Dyson created the idea of the bagless vacuum cleaner. Dyson gave up his paid job and used his savings while he worked in his garage to produce something better. Showing great determination, he tried out over 500 different designs, believing that, in the end, he would be successful. During this time, his wife worked as a teacher to support them. Dyson then risked his money to start up a business producing and selling the vacuum cleaners.

### Knowledge

1. Businesses exist to:

- [a] Provide quality goods only to rich young people
- [b] Sell goods to older people
- [c] Meet the needs of the customer
- [d] Research what customers need

Your answer

[1]

2. An entrepreneur needs which of the following characteristics?

- [a] Well dressed
- [b] Know a person in business
- [c] Very good at accounts
- [d] Confident

Your answer

[1]

3. Which of the following is NOT a reward for risk taking:

- [a] Being able to invest money
- [b] Being able to make profit
- [c] Being independent
- [d] Being able to see your own ideas work

Your answer

[1]

### Analysis

1. Analyse **two** characteristics of an entrepreneur that helped James Dyson to succeed when starting up his business  
[6 marks]

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**U** - 2 characteristics needed to help succeed

**APP** - apply your understanding to James Dyson (use the case study)

**AN** - why did each characteristic help him, what benefit did it bring?

## 1.2 Business Planning

<b>Aims and objectives</b>	Statements of what the business is trying to achieve e.g. profit
<b>Business plan</b>	Simple plan which sets out details of the product or service being sold, and how it will be financed, marketed and details of market research findings.
<b>Finance</b>	A business word used instead of money. The finance needed to start a business is the money required to buy the resources needed
<b>Markets</b>	Where a business sells its goods and services
<b>Resources</b>	The things a business sells needs to make it work, including finance, staff and materials
<b>Operate</b>	A term used to explain how a business works
<b>Success</b>	For a business, can take many forms, including making profit, surviving and providing a good service to customers

### Steps in developing a business plan

- Identifying what the business will produce and sell and what resources it will need
- Identifying the aims and objectives of the business and how these will be met

- Identifying who will be involved
- Identifying the human resource requirements the business will need to operate, including the number of people needed and the skills and experience they should have

- Identifying the markets that the business will target
- Identifying marketing activities to make the business successful
- Identifying the marketing resources needed

- Identifying how much finance is needed, for what and how it will be raised
- A good **business plan** is necessary to present to investors if a business hopes to obtain external finance

- Identifying the competitors
- Identifying how the product or service will be different to those of competitors - better, cheaper?

### Why businesses plan:

1. Reduce the risk of failure
2. To be as successful as possible

The business plan explains how they will achieve their objectives. **It is written before the business starts or when planning a change in how an existing business operates.**

Objectives must be:



### Identifying the market

The age, gender and income of target customers for example

### Identifying the resources

The resources that are needed to operate, i.e. worker, equipment, machinery

### Business Plan

### Identifying the finance needed

How much is needed, when it is needed and how it will be obtained i.e. selling shares, obtaining a loan or an overdraft

### Achieve the business' aims and objectives

Making a profit, expanding the business, increasing market share or just surviving





## Knowledge Recall

Practice the definitions for the key terms given above by using the **look, say, cover, write, check** technique.

Use the boxes below to write out your answers, then correct these adding anything you are missing. Attempt each at least 4 times.

<u>Key term</u>	<u>Attempt 1</u>	<u>Attempt 2</u>	<u>Attempt 3</u>	<u>Attempt 4</u>
Business plan				
Finance				
Markets				
Resources				
Operate				
Success				

**Activity:** Should the following be included in a **business plan**? Tick the correct box, true or false

Statement	True	False	Statement	True	False
Information about the owners			What finance is needed		
Information about the hobbies of the owners			A list of favourite school subjects of the business owners		
What marketing is planned			Analysis of the competitors		
A description of the target market			Titles of business textbooks		

## Exam Questions

A case study was produced by [www.englandgolf.org](http://www.englandgolf.org). The focus of the study was Dunning Golf Club, which has produced a plan about how it should increase its membership and profitability. The plan included; improving the golf club, offering more benefits to paid-up members (e.g. subsidised lessons), using outside caterers to ensure better and cheaper catering and more clearly stated priorities for the future and how these would be financed.

### Explanation

1. Explain the purpose of writing a business plan, such as that produced by Dunning Golf Club [4 marks]

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**U** - 2 separate reasons for writing a business plan

**APP** - apply each of these reasons to Dunning Golf Club (use the case study)

### Evaluation

2. Evaluate the Dunning Golf Club business plan [9 marks]

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**Knowledge (1)** - define what a business plan is





**Understanding (1)** - of what it contains

**APP (2)**- 2 ways the business plan is useful

**AN (2)**- benefits of producing it

**EV (3)**- Do you think the business plan is good or is it missing anything? Are their targets SMART? - state why

## 1.3 Business ownership

<b>Sole trader</b>	One person owns and finances a business	
<b>Partnership</b>	2-20 partners own and finance a business	
<b>Deed of partnership</b>	A document stating who owns the partnership, how much money each partner has invested and their role in the business	
<b>Private limited company (LTD)</b>	Shares are sold to family and friends	
<b>Public limited company (PLC)</b>	Shares are sold to anyone on the stock exchange	



### Unlimited Liability

The owners of the business **ARE** responsible for the debt of the business. They may have to sell their personal possessions if the business gets into debt.

### Limited Liability

The owners of the business **ARE NOT** responsible for the debt of the business. They **DO NOT** have to sell their personal possessions if the business gets into debt. They only lose their **INITIAL INVESTMENT**.



### Sole Trader

#### Advantages

- Owner **keeps ALL of the profit** **THEREFORE** can decide what to do with it.
- Owner makes **ALL of the decisions** **THEREFORE** can decide on the objectives for the business.

#### Disadvantages

- Unlimited liability** **THEREFORE** the owners are responsible for the debt and may lose personal possessions which makes it more **RISKY**.
- May be **difficult to get a loan** **THEREFORE** more difficult to finance any short term (overdraft) and long term (loan) issues.

### Partnership

#### Advantages

- More ideas and skills** **THEREFORE** the business is likely to be more efficient.
- Increased amount of start-up capital** **THEREFORE** easier to start the business off.

#### Disadvantages

- Unlimited liability** **THEREFORE** the owners are responsible for the debt and may lose personal possessions which makes it more **RISKY**.
- There may be **arguments** between partners **BECAUSE** they have different views.

### Private Limited Company LTD

#### Advantages

- Can **sell shares** to family and friends **THEREFORE** raise more capital to invest into the company.
- **Limited liability** **THEREFORE** shareholders are not responsible for the debt of the business, they only lose their initial investment which makes it less risky.

#### Disadvantages

- Dividends are paid to shareholders **THEREFORE** a percentage of the profits will have to be distributed.
- It **takes time and money** to become incorporated **THEREFORE** there is an additional cost of time and money

### Public Limited Company PLC

#### Advantages

- Can **sell shares** on the stock exchange **THEREFORE** raise more capital to invest into the company.
- **Limited liability** **THEREFORE** shareholders are not responsible for the debt of the business, they only lose their initial investment which makes it less risky.

#### Disadvantages

- **Dividends** are paid to shareholders **THEREFORE** a percentage of the profits will have to be distributed.
- It **takes time and money** to become incorporated **THEREFORE** there is an additional cost of time and money



#### **Sole Trader**

Suitable for start-ups that:

- only need a small amount of finance
- usually have a low financial risk
- require limited or non-specialist skills

#### **Partnership**

Suitable for start-ups or established businesses wanting to grow that:

- need larger amounts of finance (than a sole trader)
- low financial risk
- need a wider range of skills
- owners want to keep control

#### **Private Limited Company**

Suitable for start-ups and established businesses wanting to grow:

- need more finance
- increased or high financial risk
- have owners who wish to keep control

#### **Public Limited Company**

Suitable for established businesses that:

- wish to grow
- needs very large amounts of finance
- has a very high financial risk

#### Evaluation

Reasons to change to an LTD or PLC:

- Ability to raise capital from selling shares
- Limited liability protects shareholders from company debt

**In context:**

If a business is growing and requires more capital to invest into the business = change to a LTD or PLC

If a business is growing, there is likely to be more risk therefore changing to a LTD or PLC = limited liability



## Knowledge Recall

**Activity:** Are the statements true or false? Tick the correct answer

Statement	True	False	Statement	True	False
A <b>partnership</b> has at least four <b>partners</b>			<b>Sole traders</b> often have difficulty raising money		
A <b>sole trader</b> has one owner			A <b>sleeping partner</b> is always sleeping		
A <b>deed of partnership</b> will state how much capital <b>partners</b> should contribute to the business			Ordinary <b>partners</b> in a <b>partnership</b> and <b>sole traders</b> have unlimited liability		
A <b>partnership</b> has shareholders			A <b>sole trader</b> can employ people		

**Activity:** Using the words below, fill in the gaps to complete the paragraph

Sole \_\_\_\_\_ have one owner, are very easy to set up and can make \_\_\_\_\_ quickly because there is \_\_\_\_\_ owner. Like partnerships, sole traders have \_\_\_\_\_ liability, which means that they are responsible for all of the \_\_\_\_\_ of the business. This means that they may have to sell \_\_\_\_\_ possessions. A partnership would normally have a \_\_\_\_\_ of partnership, which sets out the \_\_\_\_\_ of the partners and the amount of \_\_\_\_\_ they put into the business.

duties  
deed

decisions  
debts

traders  
capital

one  
unlimited

personal

**Activity:** For each of the features below, identify whether they are features of a **private limited company**, a **public limited company** or both.

Feature	LTD	PLC	Both
Financial information is available to the public			
Shareholders have limited liability			
Shares are sold on the stock market			
Dividends are paid to shareholders			
Shares are usually sold to family and friends			
Can be taken over without the consent of original shareholders			
Can have any number of shareholders			
Share capital must be at least £50,000			
Has LTD after its name			
Can only be taken over with consent of existing shareholders			



## Exam questions

Joe wants to set up his own barbers shop in the centre of Bristol. He has savings of £1000, which will cover the first month's rent and buy some equipment he needs. His friend Mark has expressed an interest into going into business with Joe. He also has some savings he is willing to invest.

### Knowledge

1. Which of the following is a feature of a public limited company?

- [a] the business does not need to publish its information
- [b] the owners have limited liability
- [c] the owners draw up a deed of partnership
- [d] the business cannot sell shares to raise extra finance

Your answer

[1]

2. Which statement about limited liability is false?

- [a] the owner of a business with limited liability cannot be forced to sell private possessions to pay debts
- [b] the owner of a sole trader business has limited liability
- [c] limited liability attracts people to invest in a business
- [d] the shareholders of a LTD benefit from limited liability

Your answer

[1]

3. Analyse one advantage of Joe becoming a sole trader [3 marks]

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4. Analyse one disadvantage of Joe becoming a partnership [3 marks]

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5. Recommend whether Joe should go as a sole trader or go into partnership with Mark. [3 marks]

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**U** - advantage of being a sole trader

**APP** - apply it to Joe

**AN** - why is being a sole trader better than any other ownership?

**U**

**APP**

**AN**

### Recommend:

Eval - sole trader good or not?

Eval -partnership good or not

Eval - which one and why apply to business



## 1.4 Business aims and objectives

<b>Business objectives</b>	These are the aims of a business, and can include survival, profit, growth and providing a service
<b>Evolving</b>	Refers to the ways a business develops and changes over time, by becoming bigger or smaller and by selling different goods and services or a wider range, as well as selling in different places and in different ways

### Survival

- Concerned with a business's ability to continue trading in the long term
- Businesses may survive for a short period of time without making a profit

### Profit

- The reward to owners for taking risks.
- Many businesses seek to maximise their profits for the benefit of the owners.

### Growth

- Increasing sales or market share.
- Both are ways of increasing profits

### Providing a service

- Some owners want satisfaction of giving customers a good service (provided they can still make profit)
- Can be seen as a way of making profit as customers are likely to return

### Market Share

- Refers to the percentage of the market that a business occupies.
- The market is the industry that a business operates in, for example the fast food industry.

### How and why objectives might change as businesses evolve

As businesses evolve they will have different objectives because:

- They are at different stages of their development
- Their owners have different motivations
- They are influenced by different market conditions
- They are experiencing different economic conditions

#### Survival

- For a new business - to become established and secure
- For a business during economic downturn or when a market is competitive

#### Growth

- New business = growth of sales or market share to help survive
- Established business = gain more power in the market, reduce competition and increase profit

#### Reasons behind business objectives

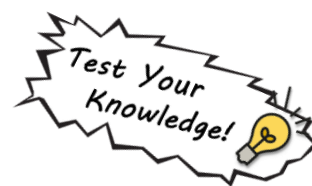
#### Profit

- New business = minimum level of profit to survive
- Established business = earn profit to reinvest and expand
- Good profits encourage investors to put money into the business to help it grow

#### Providing a service

- Helps to get a good reputation = attract new customers and retain existing customers
- Can help survival and increase profits





## Knowledge Recall

Practice the definitions for the key terms given above by using the **look, say, cover, write, check** technique.

Use the boxes below to write out your answers, then correct these adding anything you are missing. Attempt each at least 4 times.

<u>Key term</u>	<u>Attempt 1</u>	<u>Attempt 2</u>	<u>Attempt 3</u>	<u>Attempt 4</u>
Business Objective				
Evolving				

**Activity:** For each of the businesses in the table below, match them with their **objective**

Objective
Survival
Profit
Growth
Providing a service

Business Description
E.ON, the energy company, has raised its prices even though costs have not risen
Abdul has just opened a coffee shop in a small town where there are already four other coffee shops. He needs to establish the business in this competitive market by gaining sufficient customers to help it to stay in business in the longer term
The Co-Operative supermarket chain aims to act responsibly and respectfully to its customers
American business, Post Holdings, has bought the Weetabix brand from owners, China Bright Food

## Exam Questions

WYW was set up as a partnership business with 50% owned by Rick and 50% owned by Francis. WYW sells fashion clothes from a shop on the High Street of a busy town. For the first year, both owners had the same objective for the business; to survive. However, when the business started making a profit in the second year, the partners started disagreeing on what the future objective should be. Rick wanted to grow the business and open a new shop in another town as soon as possible. However, Francis wanted to make as much profit as possible while the business was popular.

### Explanation

1. Explain why WYW needed a new objective in the second year [2 marks]

**Identify why they needed a new objective**

**Apply it to WYW**

### Evaluate

2. Evaluate whether WYW should have profit as a business objective. [7 marks]




**Consider the factors for deciding a location**

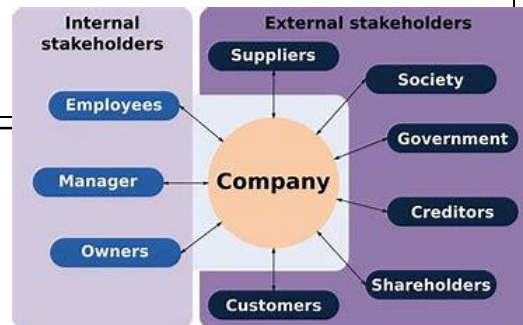
**APP (2)**- use 2 pieces of information from the case study

**AN (2)**- analyse each piece of information ensuring you are discussing the implication for the business

**EV (3)**- Do you think it is best to have profit as their objective - why?



Stakeholder	Interest
Customers	Quality/price/range /availability of products, customer service 
Employees	Wages, holidays, working conditions
Suppliers	Size of order, payment
Bank	Can afford to pay loan/overdraft back, amount of finance, amount of savings 
Owners/shareholders	Profit, growth, dividends 



### Objectives of stakeholders:

**Owners** - make profits

**Employees** - satisfaction of having a job and income, fair treatment, enjoyment of social aspect of working with colleagues

**Customers** - affordable prices, benefits of the good and services

**Suppliers** - make sales, earn profits

**Government** - encourage businesses as leads to high employment, increases the taxes paid to government

**Local Community** - have local area which is prosperous, healthy and safe

### Conflicting Objectives



How would the interests of each stakeholder conflict:

1. Customers and owners

Customers will want the cheapest price and the highest quality. Whereas owners want to set a high price to ensure a higher profit.

2. Owners and employees

Employees will want high pay and good working conditions. This will increase business costs. Owners want to make as much profit as possible which means paying lower wages.

Tesco are buying one of their major suppliers of food and drink. Analyse how 2 stakeholders will be effected. Remember U/APP/AN

Stakeholder 1: **Customers** ✓

Effect: *will potentially have cheaper food and drink* ✓ *APP products to buy which saves them money* ✓

Stakeholder 2: **Tesco** ✓

Effect: *will be able to secure food and drink* ✓ *APP supplies at a cheaper price which lowers costs.* ✓





## Knowledge Recall

**Activity:** For each of the statements below identify whether it is true or false.

Statement	True	False	Statement	True	False
All stakeholders are owners of a business			Stakeholders can influence business activity		
All businesses have stakeholders			Stakeholders are only interested in the profits of a business		
All stakeholders have the same interests			Stakeholders generally want a business to succeed		
All the employees of a business are stakeholders			All stakeholders work within the business		

**Activity:** For each stakeholder state their objective and why that is their objective.

Stakeholder	Objective
Customers	
Employees	
Suppliers	
Owners/shareholders	
Local community	

## Exam Questions

JLR are not giving their employees a pay rise for the 3<sup>rd</sup> consecutive year. JLR say this is due to an increase in the cost of supplies and a lack of demand. Employees have been in contact with their trade union and negotiations are taking place.

### Knowledge

1. State three Stakeholders for JLR [3 marks]

1. \_\_\_\_\_
2. \_\_\_\_\_
3. \_\_\_\_\_

**Identify the  
internal or external  
stakeholder**

**Apply it to JLR**

### Explanation

2. Explain the objective of either one internal or external stakeholder in JLR [2 marks]

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### Analysis

3. Analyse how the objectives of employees and the objectives of shareholders will conflict. [3 marks]

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4. Analyse how the objectives of customers and the objectives of employees will conflict [3 marks]

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APP  
AN**





### Examples of external growth

**Horizontal growth - another furniture manufacturer**

- Each factory can specialise in a particular type of furniture
- One factory could be closed if not needed, reducing costs

**Diversification - A perfume manufacturer**

- Risk is spread, success does not rely only on furniture sales

**Backwards vertical growth - A timber merchant**

- It guarantees a supply of wood to make the furniture
- The manufacturer can benefit from the timber merchant

**Forward vertical growth - Furniture retailer**

- The manufacturer is guaranteed somewhere that will sell what it produces to consumers

<b>Organic growth</b>	Concerned with the internal growth of a business e.g. by increasing sales
<b>External growth</b>	The growth of a business by takeover or merger
<b>Backward vertical growth</b>	When a business merges with, or takes over, a business that supplies it with goods or services
<b>Diversification</b>	When a business merges with or takes over another business with which it has no connection
<b>Forward vertical growth</b>	When a business merges with, or takes over, a business that it supplies goods or services to
<b>Horizontal growth</b>	A merger or takeover where the two businesses are involved in a similar operation
<b>Merger</b>	Where two or more businesses agree to join to become one business
<b>Takeover</b>	Where a business takes a controlling interest in another business, for example, by buying more than 50% of the shares in it.

#### Increasing output

Business increases the amount it produces

- using resources more efficiently
- using spare capacity (how much output it can produce)
- increasing the capacity e.g. building new factory

#### Gaining new customers

the business gains new customers by:

- reducing prices
- opening new shops
- better marketing


#### Organic Growth

#### Developing new products

- researching and developing
- copying ideas from others
- buying ideas from others

#### Increasing market share

- increasing its own sales
- taking business from other firms

	Advantages	Disadvantages
<b>Organic</b>	<ul style="list-style-type: none"> <li>- Less risk than external</li> <li>- financed through internal funds</li> <li>- business can grow at more sensible rate</li> </ul>	<ul style="list-style-type: none"> <li>- slower form of growth - shareholders may prefer this to be quicker</li> <li>- growth can be limited</li> </ul>
<b>External</b>	 <ul style="list-style-type: none"> <li>- Competition can be reduced</li> <li>- market share can be increased very quickly</li> </ul>	<ul style="list-style-type: none"> <li>- very expensive</li> <li>- managers may lack experience to deal with the other business</li> </ul>



## Knowledge Recall

**Activity 1:** Practice the definitions for the key terms given above by using the **look, say, cover, write, check** technique.

Use the boxes below to write out your answers, then correct these adding anything you are missing. Attempt each at least 4 times.

<u>Key term</u>	<u>Attempt 1</u>	<u>Attempt 2</u>	<u>Attempt 3</u>	<u>Attempt 4</u>
Organic growth				
External growth				
Backward vertical growth				
Diversification				
Forward vertical growth				
Horizontal growth				
Merger				
Takeover				



**Activity 2:** For each of the statements below identify whether it is true or false.

Statement	True	False	Statement	True	False
Organic growth in a business is about growing vegetables organically			It is important for technology based businesses to constantly bring out new products if they are to grow		
More effective marketing will help a business to grow			Reducing prices will help attract new customers to a business		
Market share is the share that a worker has in the business			With a 30% increase in the total market, a business that increases its sales by 20% will have increased its market share		

**Activity 3:** Match each of the statements with the types of external growth in the table below.

An example of a horizontal merger or takeover
An example of a backwards vertical merger
A definition of a merger
An example of a forwards vertical merger
A definition of a takeover

A maker of pottery takes over a pottery shop
A business buys control of another business
A business making radios joins with a business making televisions
A business assembling computers merges with a microchip supplier
Two businesses agree to come together

## Exam Questions

Apple was started in 1976 and is now the largest company in the world. It began by making and selling desktop computers and its first order was for 50 computers sold at \$666 each, bringing in revenue of \$33,300. In 2016, its revenue had grown to \$49.6bn – a huge increase, even allowing for price rises since 1976. During its history, Apple has taken over only a very small number of other businesses. Apple has researched and developed a range of successful products, including laptop computers such as the MacBook Pro, mobile phones (iPhone), tablet computers (iPad) and services such as Apple Pay. Apple has run some very effective marketing campaigns. It often introduces new products around September and advertises them heavily in the lead up to Christmas. Its advertising is very innovative, using catchy music, a confident narrator and minimalistic backgrounds in order to focus attention on its products.

### Knowledge

1. Which of the following statements describes a takeover?

- [a] Orange and T-Mobile joined together to become EE
- [b] Disney the film-maker bought the cartoon animation company Pixar
- [c] Honda Motor Company builds a factory to manufacture gear boxes for its cars
- [d] Netflix increases its shares of the market

Your answer

[1]

2. What evidence is given in this case study for the growth of Apple [1 mark]

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3. Analyse the advantages to Apple of using organic growth [3 marks]

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APP

AN

4. Analyse the disadvantages to Apple of using external growth [3 marks]

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APP

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## 2.1 The role of marketing

<b>Marketing</b>	Finding out the needs of consumers and demonstrating how a business fulfils those needs so that its sales increase
<b>Market</b>	People who share characteristics e.g. age, income etc.

knowledge  
and understanding

### Identifying and understanding customers

- who are they (age, gender etc.)
- answers to these questions are found through market research

### Purposes of the marketing function

#### Increasing sales

- can be done by reducing price, introducing new products, selling in different places or different methods
- 4Ps - product, place, price, promotion

#### Informing customers

- advertise on TV, in papers, on billboards, social media
- how much it does will depend on how much it can afford and who they need to inform

### Factors which influence marketing:

**Finance** - how much finance is available to spend on research and development of the new product or an advertising campaign?

**Who the marketing is aimed at** - young people may be more likely to respond to advertisements on social media. Different people may require different products, for example, some older people may like a mobile phone that has large buttons and is easy to use; only rich people may be willing to pay high prices for top quality goods

**Location of potential customers** - which country or region of a country do they live and what language do they speak



### Working with other departments:

**HR** - work with them to check there are enough workers to support anticipated level of sales

**Operations** - inform them of the anticipated sales predictions to allow them to plan production

**Finance** - check there is enough money to pay for the resources



## Knowledge Recall

Complete the multiple choice answers

1. A primary purpose of the marketing function of a business is:

- A to employ staff
- B to improve employee retention
- C to increase sales
- D to reduce costs

Your answer

**Activity 2:** For each of the statements below, identify whether they are true or false in relation to the role of **marketing**.

Statement	True	False	Statement	True	False
Increase the production of products			Make higher quality products		
Give workers a better place to work			Increase the sales of products and services		
Inform customers of new products			Undertake market research in order to understand the needs of customers		

**Activity 3:** Match the correct description .

Human Resources
Operations
Finance
Research and Development

Inform this department of anticipated sales so they can prepare a production schedule
Work with this department to check there will be enough staff to support the anticipated level of sales
Work with this department to develop products that meet the wants and needs of customers
Work with this department to check there is enough money to pay for the resources required

### Exam Questions

Samsung was founded in 1938 but has since grown from a modest trading company to a multi-national business. Samsung operates in three major markets - electronics, engineering and chemicals - and employs people in more than 60 countries. Samsung is the world's largest manufacturer of mobile phones and smartphones. Samsung wants to increase the sales of its mobile phones over the next number of years.

1. Explain two ways Samsung could increase the sales of mobile phones [4 marks]

**U** - 2 separate ways to increase sales of mobile phones

**APP** - use evidence from the cash study as to why those would be good

2. Analyse two factors which will influence how Samsung markets its mobile phones [6 marks]

**U** - 2 factors which influence marketing

**APP** - apply your understanding to Samsung (use the case study)

**AN** - why does each factor affect their marketing of the mobile phone?

<b>Market Research</b>	The collections of data on customer habits to help decision-making in marketing
<b>Target market</b>	Group of customers to whom a business aims to sell its products/services. This may also be other businesses as well as consumers
<b>Primary research</b>	Data that is collected first hand, often in the form of questionnaires, interviews and focus groups. Often referred to as 'field' research
<b>Secondary research</b>	The collection of data using research and information provided by others e.g. magazines, internet etc. Often called desk research
<b>Qualitative data</b>	Data based on the opinions of those being asked
<b>Quantitative data</b>	Data collected that is based on facts or numbers, it is usually easier to analyse than quantitative data

Marketing involves the 4Ps:

- Product
- Place
- Price
- Promotion

Market research aims to find out information about the target market:

- Their age
- Their economic status
- Their culture
- Where they are
- What they want

Good market research helps a business to be successful and avoid expensive mistakes by finding out:

- The product the customers want
- The price its customers are willing to pay
- The design of the product that will attract customers
- How many products customers will buy
  - How to target customers
- Where and how to sell the goods and services

## What is market research?

Market research provides information about:

- the market itself (size and make-up – i.e. age, gender, income, tastes)
- customer feedback
- promotional methods
- sales data
- competitors
- effect of price on market

Businesses use the information they gather to design new products and modify existing ones. This approach helps to maximise the potential success of products and services.

### Qualitative or Quantitative?

Qualitative = usually primary as it involves finding out the opinions of customers

Quantitative = provides facts e.g. what do customers want to spend

	Advantages	Disadvantages
Qualitative	Helps the business understand what customers are thinking and what they want	Information may only be provided by a limited amount of people
Quantitative	Easy to analyse and can be gathered from a lot of people	Limits how much people can say about what they like or dislike

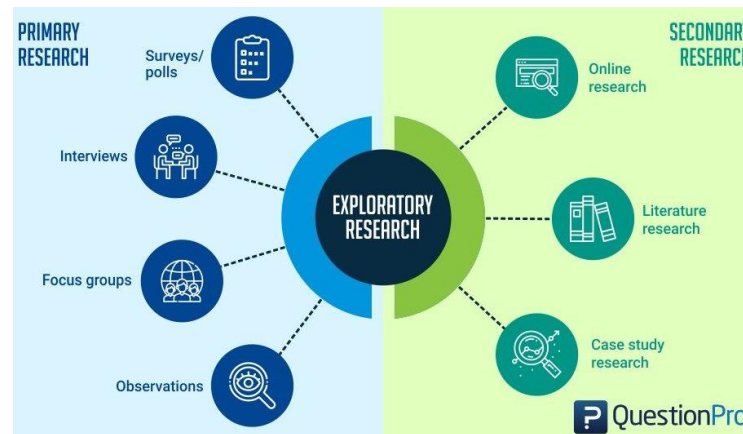


## Primary/field Research

Field research is information that is first-hand information. It has been collected by the business for a specific reason.

Methods include:

- face-to-face interviews
- postal survey
- focus group
- hall test
- telephone interview
- online survey
- observation



## Secondary/desk Research

Desk research is information that is second hand. It has already been collected by someone else. Methods include:

- Sales figures
- Newspapers
- Websites
- Government publications e.g. social trends
- Commercial publication e.g. Keynote and Mintel reports

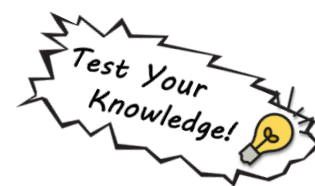
Advantages	Disadvantages
Only firm that collects data has access to it	Expensive to collect
Collected for a specific purpose	Time consuming

Advantages	Disadvantages
Saves time	Not specific to the business
Relatively inexpensive	May be out of date
Widely available	May contain bias

Questionnaires	Interview	Trials	Focus Groups
A set of questions sent out to selected people in the post or online, or in the street	A person asks an individual or a group of people questions (in person or over the phone) and records their answers	A product is sold for a short period of time, usually in one region of a country. If it sells well the business will go into full production	A small group of people are asked to use a product or think about an advertisement and give their opinion. The feedback helps the business to re-design the product or advert
<ul style="list-style-type: none"> <li>✓ Cheap to carry out</li> <li>✓ Easy to target customers</li> </ul>	<ul style="list-style-type: none"> <li>✓ The questions can be explained</li> <li>✓ It is easy to target certain types of consumers</li> </ul>	<ul style="list-style-type: none"> <li>✓ A good way to see if the product is what people want</li> <li>✓ It reduces the risk involved in producing large quantities</li> </ul>	<ul style="list-style-type: none"> <li>✓ The people chosen will be representative of potential customers</li> <li>✓ Detailed feedback can be obtained</li> </ul>
<ul style="list-style-type: none"> <li>✗ People may not understand the questions</li> <li>✗ People may not be interested in the product, so may answer dishonestly or not at all</li> </ul>	<ul style="list-style-type: none"> <li>✗ It is an expensive method</li> <li>✗ Not everyone likes being interviewed</li> </ul>	<ul style="list-style-type: none"> <li>✗ The people or area tested must be representative of the total market, otherwise the findings will not help the business</li> <li>✗ Very expensive to set up as you need to produce the product to trial it</li> </ul>	<ul style="list-style-type: none"> <li>✗ It will only be a small group of people</li> <li>✗ It is usually costly to carry out</li> <li>✗ It is hard to arrange a time when everyone is available</li> </ul>

Method	Description	Advantages	Disadvantages
Census data	The national census finds out information about all UK households every 10 years  It includes information about the numbers of people living in the household, their income and where they live	<ul style="list-style-type: none"> <li>Information comes from a lot of people - almost the whole population of the country</li> <li>It is already collected and analysed, reducing the cost to the business</li> </ul>	<ul style="list-style-type: none"> <li>Information has not been collected to meet the specific needs of the business</li> <li>The information will need careful interpretation</li> </ul>
Newspapers and magazines	Articles in publications often describe peoples interests and current fashions	<ul style="list-style-type: none"> <li>Up to date, cheap and is a good source of ideas</li> </ul>	<ul style="list-style-type: none"> <li>Information will be general and not specific to the business</li> </ul>
Websites	Information about other companies can be found, including what they sell and the prices they charge	<ul style="list-style-type: none"> <li>Cheap to collect and readily available.</li> </ul>	<ul style="list-style-type: none"> <li>Information needs careful interpretation by the business</li> </ul>
Internal data	This is data collected by the business about, for example, its past sales and profits as well as customer feedback	<ul style="list-style-type: none"> <li>Cheap to collect</li> <li>Readily available</li> <li>Specific to the business</li> </ul>	<ul style="list-style-type: none"> <li>Data is historical - it looks at what has happened, not what will happen</li> </ul>





## Knowledge Recall

**Activity:** Complete the table below by matching the correct starting phrase with one of the ending phrases

Starting phrase
Primary research is also known as.....
Trials are used to.....
Smaller businesses often do not use primary research.....
Focus groups are usually.....

Ending phrase
.....made up of people who represent the target market
.....because it can be expensive
.....field research
.....establish whether there is demand without committing fully to the idea

**Activity:** State whether each type of research is primary or secondary research

Trials	
Internal data	
Internet	
Questionnaires	
Focus group	

**Activity:** Recall as many advantages and disadvantages of quality control and quality assurance as you can below. Ensure you learn these from the Knowledge organiser before attempting this.

	Advantages	Disadvantages
Primary Research		
Secondary Research		



## Exam questions

In 2016, traditional clothes retailer Marks and Spencer (M&S) suffered declining sales; by contrast, online shop ASOS enjoyed yearly growth of 30%. Many people believed the M&S problem was its failure to attract shoppers under the age of 40. The company announced proudly that it would use its next shareholders' meeting to research the styling and colours for its cardigans; a business newspaper pointed out that this would mean a focus group among its 70-year-old shareholders. Meanwhile ASOS was using social media both for research and publicity. It organised groups of ASOS customers of different ages to give instant feedback on new clothes designs and encouraged shoppers to upload photos of themselves wearing new items -#AsSeenOnMe- and then monitored comments on the styles and colours. The share price's showed their uses of market research, in July 2016 ASOS' share prices were up by 15% and M&S' were down by 40%.

## Knowledge

1. Market research is used by a business to:

- [a] decrease demand
- [b] identify customer needs
- [c] motivate its employees
- [d] shorten the product life cycle

Your answer

[1]

2. Which of these is an example of a secondary source of market research?

- [a] face-to-face interviews with customers
- [b] Focus groups
- [c] Magazine articles
- [d] Questionnaires sent to local residents

Your answer

[1]

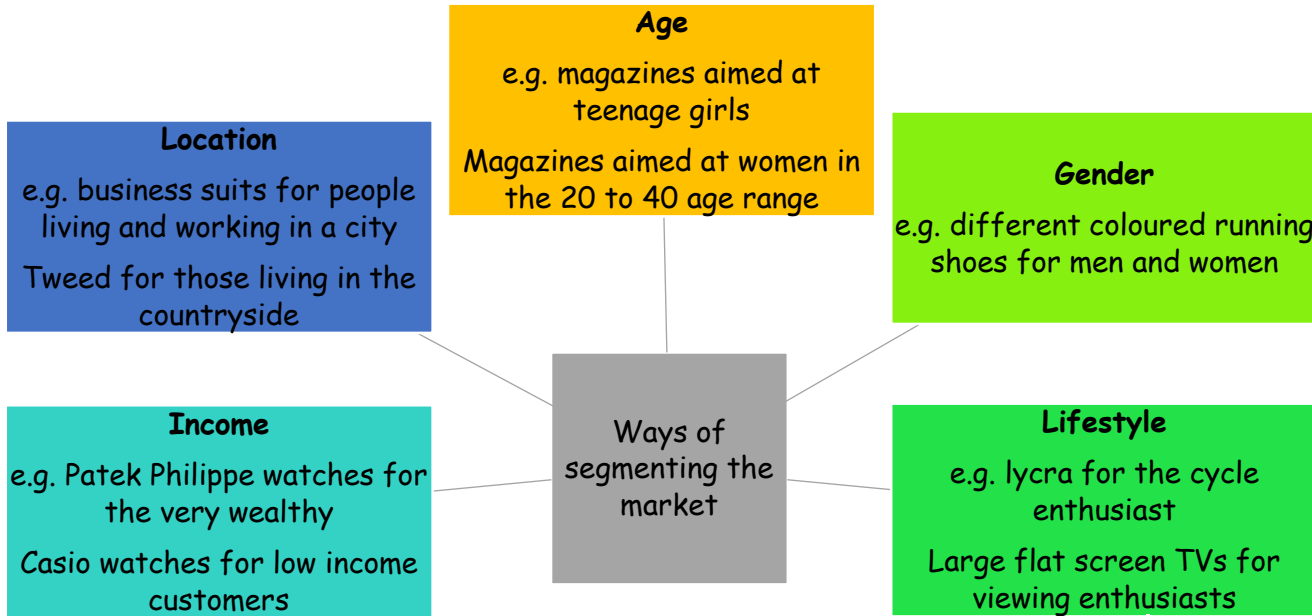
1. Analyse **one** impact on M&S of its focus groups with shareholders [3 marks]

	U
	APP
	AN

2. Analyse **one** benefit to ASOS of using social media as its form of market research. [3 marks]

	U
	APP
	AN

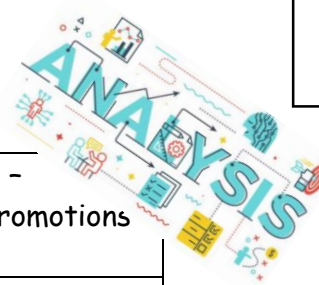
**Market Segmentation** Splitting the market for a product or service into different parts or segments



People in different segments often want different kinds of products or services. Businesses need to know this so that they can target their products at the different needs of customers of each segment. When a business targets the different segments in its market, it will need to consider the following:

- Whether to produce different products for different markets - the business may consider offering male/female versions or basic and more sophisticated models
- What price to charge - high or low?
- How to promote the products - the type of media to use and what message this method may give
- Where to locate shops - town centre, shopping mall, holiday resort - and whether to sell online or not?

<u>Advantages</u>	<u>Disadvantages</u>
Increased sales - design and produce products specifically aimed at groups	Promotional costs might be high - different advertisements and promotions needed for different groups
Helps identify gaps in the market - those not currently being targeted	Cost of market research for that specific group or to find out the market segment
Avoids wasting money - marketing will be focused on that specific group	Lack of information and data - some markets are poorly researched
Higher market share	Hard to reach customer segments sometimes





## Knowledge Recall

**Activity:** Using the words below, fill in the gaps to complete the paragraph

Although the Rolls Royce and the Ford Focus are both cars, they are not in \_\_\_\_\_ with each other. The Ford Focus is an everyday \_\_\_\_\_ car and the Rolls Royce is a \_\_\_\_\_ item, in the top end of the market. By segmenting the market, you may be able to see where \_\_\_\_\_ are booming, or may be able to identify a \_\_\_\_\_ in the market. Also by segmenting it allows the business to \_\_\_\_\_ its marketing towards a particular type of customer.

gap

competition





family

sales

luxury

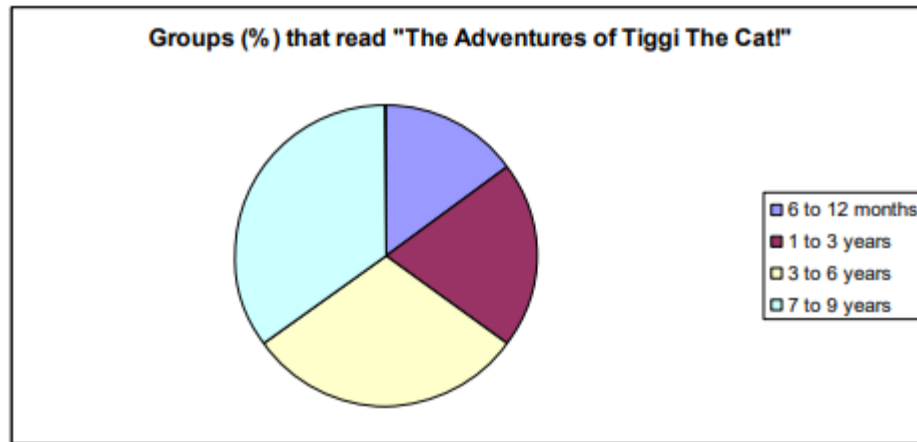
target

**Activity:** For each product shown below decide which type of market segmentation might apply and why

Product	Description	Market Segment? Why?
	Since begin introduced in 1982 as a result of a growing trend towards dieting and healthier living, Diet Coke has been highly successful. Its sells millions of units per year. Throughout this time, Coca cola has constantly adapted aspects of the marketing mix for Diet Coke in order to continually match customer trends and fashions	
	Having had a successful launch in America, Coca Cola decided to launch its new Vanilla flavoured version in the UK. Before this they carried out taste tests and developed the graphical 'look' of this brand. When they did this, they took great care to incorporate aspects of the brand but still differentiate it so consumers would see it as an alternative to Coke.	
	Desk research showed Coca Cola that a growing number of households contained 1-2 people, which led them to believe a smaller version of the 2 litre family sized bottle would sell well to these groups, therefore they decided to launch the 1.5lt share bottle.	
	Research informed Coca Cola of the opportunity to target parents of children aged 2-5 years with a juice drink that was packaged in a fun and colourful manner. They chose the character from Winnie the Pooh for their universal appeal to children and made the product appeal to both children and their parents.	

### Exam questions

Ellen owns a toy manufacturing business and has been asked by a popular children's author to manufacture some merchandise linked to the very popular series of story books called "The Adventures of Tiggi the cat!". The data below has been provided for Ellen:



### Knowledge

1. What has the market been segmented by in the pie chart above? [1 mark]

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### Explanation

2. Explain which market segment Ellen should design her toys for [2 marks]

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### Analysis

3. Analyse the benefit to Ellen of targeting customers this way [3 marks]

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**Identify  
which segment**

**Explain why  
this one**

**U  
APP  
AN**

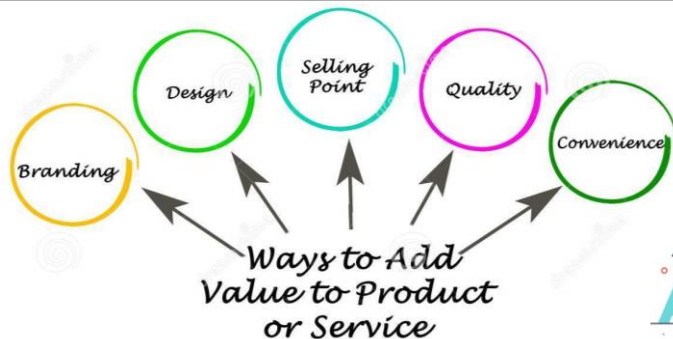
A product is goods or a service that is sold to customer or other businesses. Customers buy a product to **meet a need**.

Activity	Meaning
Design	When a business plans what a product will do [its function] and what it will look like [its style]
Invention	When a business comes up with a new product or service
Innovation	When a business improves a product which already exists

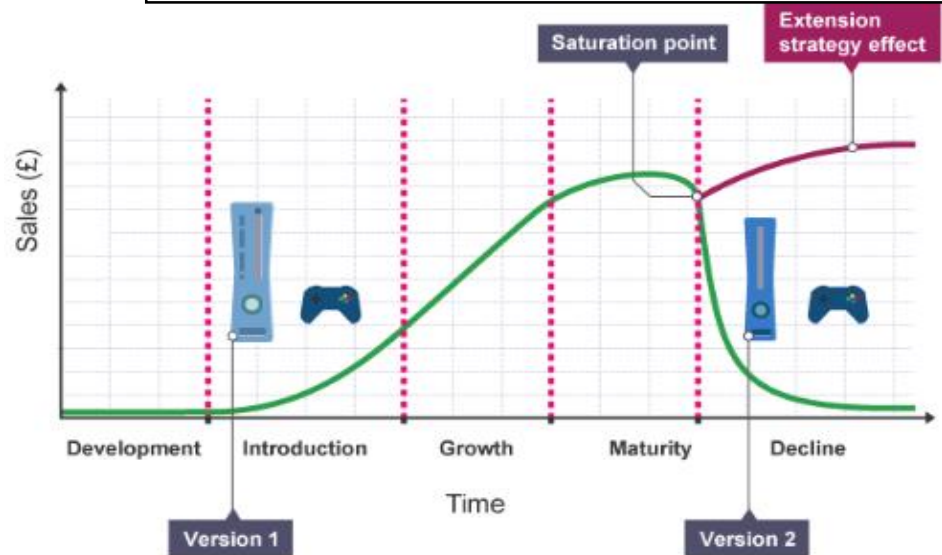


### Product differentiation:

- Establishing a **strong brand image**
- Making clear the **unique selling point (USP)**
- Offering a **better location, features, functions, design or selling price** than rival products



Product life cycle - the life of a product shown as a graph divided up into four stages



### 1. Introduction

Product is new, sales are just beginning

### 2. Growth

Sales grow quickly

### 3. Maturity

Sales reach their peak

### 4. Decline

Sales begin to fall

### Uses of Product Life Cycle

- Identifies when to introduce extension strategies
- Identifies when to change marketing techniques/spending
- Identifies when a product should be discontinued

### Limitations of Product Life Cycle

- Doesn't consider what competitors are doing
- Doesn't consider social trends and changes in taste
- Past performance isn't always a good indicator of future performance





## Knowledge Recall

**Activity:** Using the words below, fill in the gaps to complete the paragraph

The product life cycle is divided into \_\_\_\_\_ parts and shows the \_\_\_\_\_ of a product measured against \_\_\_\_\_. The first stage is called \_\_\_\_\_ and is where the product is new. Advertising is often \_\_\_\_\_ at this stage to make sure that customers are aware of the product. The next stage is \_\_\_\_\_ where the product is becoming well-known. When the product reaches \_\_\_\_\_ sales are at their highest, though sales growth is \_\_\_\_\_. The final stage is \_\_\_\_\_ where the sales are falling and a business might be thinking introducing a \_\_\_\_\_ product.

introduction

high

replacement

maturity

decline

time

life

slowing

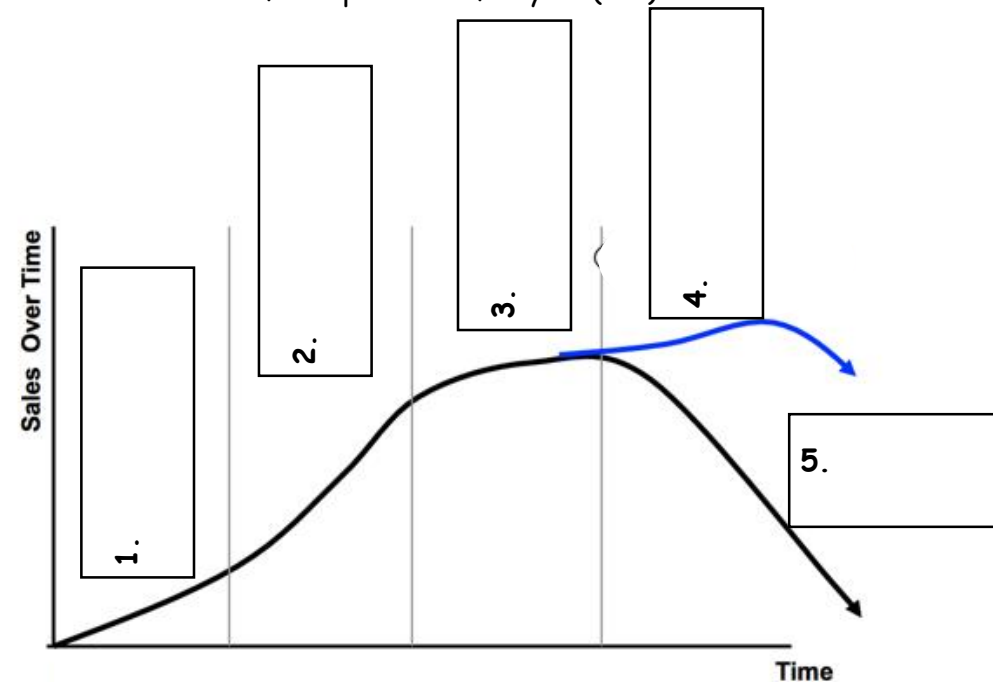
four

growth

**Activity:** Label each section of the product life cycle (1-5)

**Activity:** Decide which stage each of the following apply to (introduction, growth, maturity, decline)

	Stage
Advertising is used to reinforce awareness of the product	
Special offers may be used to encourage customers to buy stock	
Advertising is high to ensure customers are aware of the product	
Additional advertising may be used to keep sales high	



## Exam Questions

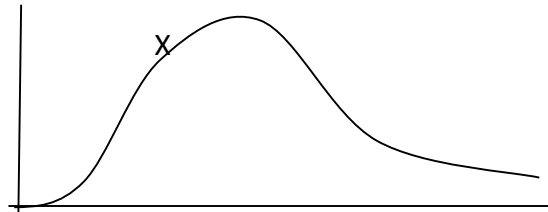
1. Which of the following is **not** one of the four Ps of the marketing mix?

- [a] Packaging
- [b] Place
- [c] Price
- [d] Promotion

Your answer

[1]

2. The letter X on the product life cycle diagram below shows the current position of Xandos, a marine navigation device.



What stage of the product life cycle is Xandos currently in?

- [a] Decline
- [b] Growth
- [c] Introduction
- [d] Maturity

Your answer

[1]

Lego was first made and sold in 1949. The building blocks were based on Kiddicraft Self-Locking Building Bricks which has been created by Hilary Page. Duplo, which are larger building bricks, were introduced to suit younger children. During the 1990's, sales of Lego began to fall and some thought the decade would possibly see the end of Lego's product life cycle. However, Lego introduced new models based on characters from popular films and books such as Harry Potter and Winnie the Pooh. There is now a Lego board game and a film involving Lego characters. Lego's sales and profits are not very high.

3. Using the case study, identify one example of invention, innovation and design. [3 marks]

Invention: \_\_\_\_\_

Innovation: \_\_\_\_\_

Design: \_\_\_\_\_

4. Analyse how Lego has managed to extend the life cycle of its bricks beyond the periods of decline in the 1990s [3 marks]

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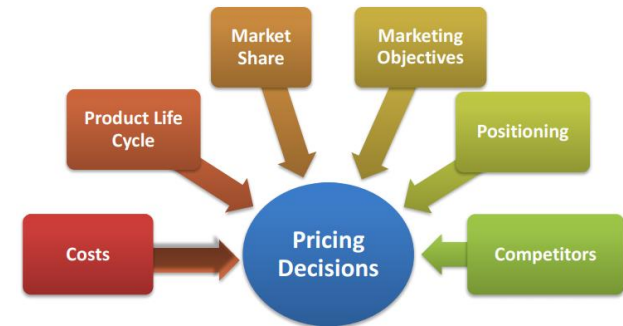
**U** – 1 way Lego has extended it


**APP** – apply your understanding to Lego (use the case study)

**AN** – why did this help Lego? What benefits did it bring?



## Main factors that influence pricing



<b>Penetration pricing</b>	When a business is new to a crowded market, they price their products below that of competitors.
<b>Cost plus</b>	The costs of manufacturing plus what profit is wanted created the selling price. $\text{COST} + \text{PROFIT} = \text{COST PLUS PRICING}$
<b>Promotional</b>	A reduction in the price to attract customers, boost sales or get rid of old stock. 
<b>Skimming</b>	When a business has something new and unique it can set a high price until competition come into the market.
<b>Competitor</b>	When there is a lot of competition, a business will look at what other competitors charge and charge the same.

### Why is price important?

- Directly affects revenue
- Must be consistent with the other 3Ps as it will affect the consumer's perception of a good or service
- Wrong decisions can have a serious effect on sales and cash flow



Price Penetration		Cost Plus		Promotional Pricing	
Advantages	Disadvantages	Advantages	Disadvantages	Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• Builds customer loyalty</li> <li>• Can help to develop long-term profitability of higher sales and higher market share</li> </ul>	<ul style="list-style-type: none"> <li>• In the short term, it is likely to result in lower profits than if prices were higher</li> <li>• Difficult to raise the selling price in future</li> </ul>	<ul style="list-style-type: none"> <li>• Profit is guaranteed on each item</li> </ul>	<ul style="list-style-type: none"> <li>• If the mark-up is set too high the price may be expensive compared to rivals</li> </ul>	<ul style="list-style-type: none"> <li>• Cash flow and market share improve as sales increase</li> <li>• Can lead to loyal customers as they will trial it</li> </ul>	<ul style="list-style-type: none"> <li>• Customer may only buy when it's on promotion</li> <li>• Brand image may be affected by too many sales</li> </ul>
Price Skimming		Competitor Pricing		Loss Leader	
Advantages	Disadvantages	Advantages	Disadvantages	Advantages	Disadvantages
<ul style="list-style-type: none"> <li>• Higher profits straight away</li> <li>• Product may get a reputation for quality encouraging brand loyalty</li> </ul>	<ul style="list-style-type: none"> <li>• Cannot last long as competitors create rival products</li> <li>• More slow sales as its expensive and no more customers can afford it</li> </ul>	<ul style="list-style-type: none"> <li>• Selling prices in line with rivals so should attract customers</li> </ul>	<ul style="list-style-type: none"> <li>• May need other ways to attract customer other than price</li> <li>• Must research competitors - increase costs</li> </ul>	<ul style="list-style-type: none"> <li>• Will attract customers to the business who will hopefully buy other more profitable products</li> </ul>	<ul style="list-style-type: none"> <li>• However if not then the business will not make any profit on these items alone</li> </ul>





## Knowledge Recall

**Activity:** Match the definition to the key term by writing the right letter in the spaces beside the correct definition. Use the **look, say, cover, write, check technique** to practice these before matching.

<b>A. Skimming</b>	[    ] A reduction in the price to attract customers, boost sales or get rid of old stock.
<b>B. Cost-plus pricing</b>	[    ] When there is a lot of competition, a business will look at what other competitors charge and charge the same.
<b>C. Promotional pricing</b>	[    ] When a business is new to a crowded market, they price their products below that of competitors.
<b>D. Competitor pricing</b>	[    ] When a business has something new and unique it can set a high price until competition come into the market.
<b>E. Penetration pricing</b>	[    ] The costs of manufacturing plus what profit is wanted created the selling price.

**Activity:** Complete the table suggesting which pricing strategy should be used for each scenario and then stating the benefits and drawbacks of this method

<b>Scenario</b>	<b>Which pricing strategy?</b>	<b>What are the benefits and drawbacks of using this method?</b>
If there is a lot of competition who are well established and you come into the market and set your price lower than them		
If you bring out a new product or service and there isn't much competition		
If you offer a deal or promotion on your product or service		

## Exam Questions

*HH Ltd* is a private limited company that makes pianos, organs and other keyboard instruments. Its main factory and offices are located in the United Kingdom. *HH Ltd* carries out primary (field) and secondary (desk) market research to discover trends in the demand for keyboard instruments. The company is researching into new electronic keyboard instruments so that it can compete successfully with other manufacturers. The directors of *HH Ltd* are planning to make a new electronic keyboard. The new electronic keyboard will be sold in a very competitive market. *HH Ltd* will need to set a price for the electronic keyboard. The directors will choose one of the following pricing strategies for the electronic keyboard.

1. Analyse one advantage of *HH Ltd* using cost plus pricing. [3 marks]

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2. Analyse one advantage of *HH Ltd* using competitive pricing. [3 marks]

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3. Recommend whether *HH Ltd* should use cost plus or competitive pricing. [3 marks]

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U

APP

AN

### Recommend:

Eval – cost plus  
good or not?  
Eval –  
competitive  
good or not  
Eval – which  
one and why?  
Apply to  
business

## 2.4 The marketing mix - promotion

Promotion is about **informing customer** about what is for sale and **persuading them to buy**. There are four key aims of promotion you need to be aware of:

1. To inform customers about a product or service (especially when new or changed)
2. To keep a business ahead of its competitors
3. To create or change the image of a business, its products and services
4. To maintain or increase sales

knowledge  
and understanding

Promotion is divided into two main areas; **point of sale promotion** and **advertising**.

1. **Point of sale promotion** - offers available when purchasing a product (all types shown below). Although the business makes a loss on these it is hoped customers will be tempted to buy other more profitable products at the time of purchase.
2. **Promotional advertising media** - ways a company can advertise goods e.g. website, social media etc. (all types shown below)

### POINT OF SALE PROMOTIONS

#### Price reductions (sales)



Use to sell off old stock mainly e.g. winter clothes as spring approaches. The disadvantage is the business will make less profit or even a loss than if the product was sold at original price.

#### Competitions



Person who buys a product is also entered into a competition e.g. win a free holiday. Customers 'win' by finding a voucher usually.

#### Loss Leaders



Some goods are sold at a loss to encourage customers to come shop in the hope they will do all their shopping there. E.g. Tesco petrol

#### Free Samples



Given to tempt people to buy the product e.g. cheese at supermarkets

### ADVERTISING

#### Social media

Cheap way to communicate with large numbers of people and target customers. E.g. Instagram, Facebook, Twitter. However, not everyone uses social media.

#### Websites

Provides a lot of information e.g. videos, written info and diagrams for customers. It can cost a lot of money to keep up to date.

#### TV

Very expensive but is good at reaching a wide audience. Advertisers know which likely channels target customers watch and what time of day.

#### Print media

Includes newspapers, magazines and leaflets. Can easily target your market e.g. a supermarket would use a national newspaper. However, not many people read these now.

#### Radio

Cheaper than TV and is usually best for local advertising as products cannot be seen.

#### Point of sale

Quick boost of sales  
Encourages trials of a product

Customer **expect sales**  
May **damage brand image**

#### Advertising

Wide coverage  
Build brand loyalty  
Repetition will help with sales

Often **expensive**  
**One-way** communication  
**Lacks flexibility**





## Knowledge Recall

**Activity:** For each of the statements below, identify whether they are true or false in relating to **promotion**.

Statement	True	False	Statement	True	False
A loss leader is meant to make a loss to keep the business in the lead			Free samples are often seen in products such as cosmetics		
Competitions are only used by supermarkets to promote the food they sell			Supermarkets use loss leaders to encourage shoppers to visit their stores		
Price reductions are often seen in shops in January			Promotion is mainly concerned with making sure that old stock is sold at the best possible price		

**Activity:** For each of the situations below, identify one type of advertising media or point of sale which could be used and why.

Scenario	Type of media/point of sale	Why?
Regent Seven Seas Cruises offers luxury accommodation, top quality food and comprehensive services on its cruises. The cruises, which are very expensive, are aimed at wealthy people. Many buyers will be retired.		
Coca-Cola is running a campaign aims at 16-25 year olds based on the theme of sharing and enjoying a good time together.		
Jacobs Biscuits has developed a new kind of cracker to eat with cheese.		



## Exam Questions

ASOS is an online clothing retailer. They sell a large range of men's and women's clothing, as well as, a range of accessories such as jewellery and footwear. It has become a global online retailer and also has a range of its own brand clothes and also sells designer clothes. ASOS charges for delivery and has millions of website users each month. ASOS has a target market of 16-24 year olds who are fashion conscious. It advertises on social media such as Facebook and Instagram to reach its target market.

1. Which of the following is a benefit to a business of advertising on local radio?

- [a] Can target a specific geographical area
- [b] Detailed financial information can be included
- [c] Free samples can be given out with the advertisement
- [d] the product can be seen and demonstrated

Your answer

[1]

2. Explain one type of media ASOS can use to advertise their products [2 marks]

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3. Analyse the advantages and disadvantages to ASOS of using the type of media suggested in your answer to number 2 [6 marks]

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**Identify the type of media**

**Apply it to ASOS**

**U** - 1 advantage and 1 disadvantage of the type of media

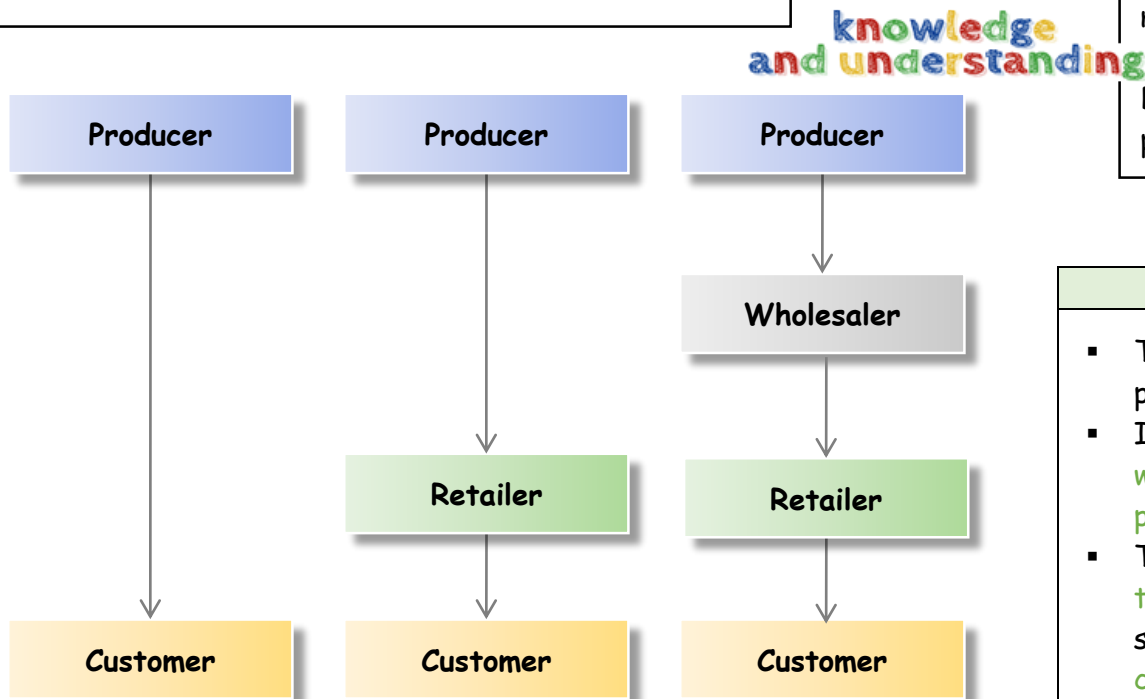
**APP** - apply your understanding to ASOS

**AN** - why does this advertising help ASOS?



## 2.4 The marketing mix - place

**Physical distribution** is the movement of goods from the producer to the consumer. There are 3 different physical distribution channels:



**Digital distribution** is when the product can be downloaded by the consumer directly from the seller, as in the case of books from Amazon onto a Kindle or music from Spotify onto a MP3 player.

Due to improved technology this has become more popular in recent years.

Advantages	Disadvantages
<ul style="list-style-type: none"> <li>The consumer can buy the product <b>24/7</b></li> <li>It is a method of selling, <b>without the costs of a physical shop or transport</b></li> <li>The business can <b>sell throughout the world</b> and so has <b>more potential customers</b></li> <li>A business may be able to <b>improve its image</b> with skillful use of websites</li> <li><b>Less staff</b> may be needed which will cut costs</li> </ul>	<ul style="list-style-type: none"> <li><b>Physical goods cannot be distributed</b> digitally</li> <li>It is a <b>very competitive market</b> as consumers can compare prices and products online</li> <li>Customers who <b>do not own a computer</b> will be unable to buy online</li> <li>Some customers <b>do not like sharing their bank or credit card details online</b></li> <li>Digital content can <b>easily be copied and illegally shared</b> for free online</li> </ul>

<b>Channel 1</b>	by missing out wholesalers and retailers, the producer makes more profit, rather than sharing it with a wholesaler and/or retailer
<b>Channel 2</b>	selling directly to the retailer means the producer can benefit from keeping some of the profit that would have been made by the wholesaler, while being confident the retailer will be able to market the goods to consumers.
<b>Channel 3</b>	a wholesaler can break up bulk stock and offer retailers the goods in the quantities that they can afford, and which they can sell, so, more retailers are willing to sell the goods.



**PLACE**





## Knowledge Recall

**Activity:** Practice the definitions for the key terms given above by using the **look, say, cover, write, check** technique.

Use the boxes below to write out your answers, then correct these adding anything you are missing. Attempt each at least 4 times.

<u>Key term</u>	<u>Attempt 1</u>	<u>Attempt 2</u>	<u>Attempt 3</u>	<u>Attempt 4</u>
Physical distribution				
Digital distribution				

**Activity:** Using the words below, fill in the gaps to complete the paragraph

Physical distribution is all about getting the \_\_\_\_\_ to the \_\_\_\_\_. Some businesses sell \_\_\_\_\_ to the consumer. These businesses are usually \_\_\_\_\_. Other businesses may sell to a \_\_\_\_\_ such as Curry's who then sells to the customer. Larger businesses may sell to a \_\_\_\_\_ whose job it is to break \_\_\_\_\_ and sell smaller amounts to a retailer. Businesses such as Tesco and Marks & Spencer have their own \_\_\_\_\_ distribution centres where much of their stock is stored.

regional

product

wholesaler

direct

retailer

The bulk

consumer

small

### Exam Questions

Dulux is an internationally available brand of paint. In the early days of its existence, decorators and their suppliers were the main customers for Dulux but by 1953, Dulux was available in the retail market selling directly to retailers. Dulux became popular when ten years later they used the Old English Sheepdog in their advertisements, this became so popular and well known that the breed is now given the nickname "Dulux dog". Dulux produces paint for indoors and outdoors. It sells some paint directly to large retailers such as B&Q and Wickes, and some paint to wholesalers who then sell it on to retailers.

1. Analyse one advantage to Dulux of selling paint directly to retailers [3 marks]

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2. Analyse one advantage to Dulux of selling paint to wholesalers who then sell it to retailers [3 marks]

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3. Analyse one disadvantage to Dulux of selling its paint to wholesalers [3 marks]

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4. Recommend which channel of distribution you believe is better for Dulux [3 marks]

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U

APP

AN

#### Recommend:

Eval - channel  
2 good or not?  
Eval -channel 3  
good or not?  
Eval - which  
one is better  
and why? Apply  
to business

## 2.4 How the '4 P's' work together and the use of data

The elements of the marketing mix must work and fit together. If they do not complement each other than the product is unlikely to be successful

An example of a poor marketing mix would be:



A successful marketing mix will ensure that different elements work together, and complement each other



Data can be used to aid marketing decisions:

**Market data** - information that can help make marketing decisions. E.g. market share, changes in demand etc.

**Market Share** - percentage of total sales of a product that a business has made.

$$\text{MARKET GROWTH (\%)} = \frac{\text{NEW MARKET SIZE} - \text{ORIGINAL SIZE OF MARKET}}{\text{ORIGINAL SIZE OF MARKET}} \times 100$$

**Target market** - group of consumers to whom the business tries to sell its products.

Example of data	Example use of data
Changes in demand	Inform possible changes to: <ul style="list-style-type: none"> <li>price - increase or reduce</li> <li>advertising - more or less needed</li> <li>the type of advertising</li> <li>promotional offers</li> <li>introduce a new product</li> </ul>
Target market	To decide: <ul style="list-style-type: none"> <li>the design of the product</li> <li>how much to charge for the product</li> <li>where, when and how to advertise</li> <li>which retail outlets to use</li> <li>which promotional offers, if any, to use</li> </ul>
Market share	To help decide whether to change or to maintain the current marketing mix
Product changes	The first decision will be whether or not the business needs to introduce a new product to match consumer needs and/or competitor products
Effect of promotion	Use data to evaluate the effectiveness of any current promotion and make changes if necessary

## Exam Questions

Joe Allen runs a market stall in Nantwich, one of several market towns in the county of Cheshire. The market is open on Tuesdays, Thursdays and Saturdays. Nantwich is a prosperous town with lots of retired people living in the area, many of whom have incomes that are above the national average. In the past, running his stall on just three days a week brought in enough income for Joe to support his family and gave him time to work as a volunteer on environmental projects. He buys vegetables from the local fruit and vegetable wholesale market. His prices are generally lower than those in the supermarkets. Sales figures for the past year show a 15% decline and his profits have fallen by 20%, while competition from supermarkets has increased.

1. Recommend how Joe might change his marketing mix in response to the fall in sales and profits [9 marks]

**Knowledge (1)** -  
define what the  
marketing mix is

**U (1)** - of what the  
4P's contain

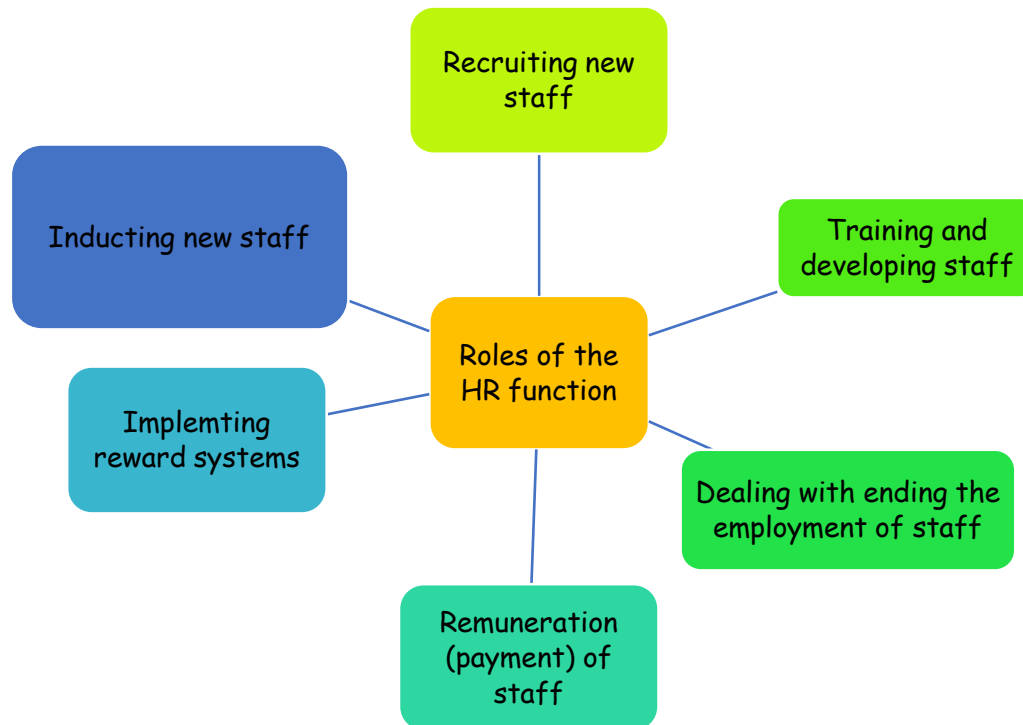
**APP (2)**- 2 ways the  
4P's can be changed

**AN (2)**- benefits of  
the changes

**EV (3)**- Do you think  
the changes will help  
sales and profit?-  
state why

### 3.1 The role of human resources

<b>Human Resources (HR)</b>	The functional area of the business that is responsible for coordinating staff-related issues
<b>Functions</b>	Different types of work that need to be done in business e.g. in production, finance or marketing
<b>Identifying HR needs</b>	The act of thinking about the purposes of HR and how many and what type of workers will be needed
<b>Personnel plan</b>	A plan detailing the employees a business needs - how many, whether they will be full or part time workers, the skills they should have and when they will work



Staffing issues can be complex, so HR will produce a Human Resource Plan, which will identify:

**The Type of Contract They Have**

*Will staff need to be permanent, temporary or flexible*

**How Much Staff Will be Paid**

*What can the business afford to pay, and what do others pay*

**Where Staff Will Be Based**

*Will staff be based in a particular office, at home, or be mobile*

**The Number of Staff Needed**

*How many staff are needed, and will they be full-time or part-time*

**How Employment Law Will be Met**

*HR will need to ensure all these activities comply with the law*



BusinessEd

Factor	Influence on the human resource need
What it produces	Are skilled or unskilled workers needed, or a mix of both?
How much it produces	How many workers will the business need?
The method of production	Can machines rather than workers be used?
When production takes place	Are workers needed seven days a week or only on specific occasions?
The 'functions' or 'jobs' to be completed	What type of workers are needed - finance, production, marketing, human resources?
The budget available to the business	How much can be spent on workers?



## Knowledge Recall

**Activity:** Using the words below, fill in the gaps to complete the paragraph

Businesses must identify their human needs when they \_\_\_\_\_ up. They need what kind of staff and how \_\_\_\_\_ workers to employ. Other decisions will be whether to employ \_\_\_\_\_ time or part time workers. Well-run businesses plan ahead. They will look at their staffing needs \_\_\_\_\_ to see if they are changing, for example, because the business is \_\_\_\_\_ or \_\_\_\_\_ the way it produces its goods or services.

start

many

full

growing

changing

regularly

**Activity:** Match the change given in the table below with its effect on business.

Change
A kitchen fitting business increases its sales as a result of the growth of incomes and employment in the economy
A car manufacturer introduces high-tech robotic equipment
Next PLC has to pay its shop assistants more as the government raises the national living wage
A bicycle manufacturer decides to switch production to a factory abroad
A family activity centre decides to close on a Wednesday and open at the weekends instead

Effect on the business
Some workers may lose their jobs but the business may want some workers to work in the new factory
It will have to ask the workers to work different hours
More of the same kind of workers will be needed
The business may look to reduce the number of workers it employs
Skilled workers will be needed to program the equipment

### Exam Questions

While in the Premier League, Bolton Wanderers football club earned a lot of money from gate money and the TV companies paid for the right to televise games. The Club has paid big transfer fees and high wages to recruit new players and its 'backroom' staff such as coaches, specialist medical staff, player scouts and sales staff in its shops. Relegation led to severe financial trouble for the club as it now had big debts and a much-reduced income from attendance and TV. New owners bought the Club and had to reduce spending on HR, affecting its chances of success.

1. Evaluate the impact of relegation and the reduction in income on the HR needs of Bolton Wanderers Football Club [9 marks]

**Knowledge (1)** -  
define what the HR  
needs are

**U (1)** - of what HR  
needs the Club has

**APP (2)**- 2 impacts  
on the HR needs

**AN (2)**- effects of  
these impacts

**EV (3)**- Do you think  
relegation and  
reduction in income  
has affected HR -  
why?



### 3.2 Organisation structure

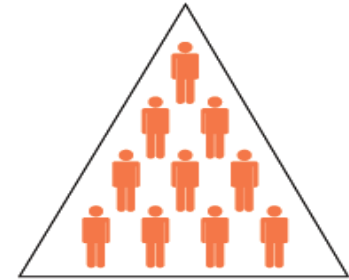
## knowledge and understanding

<b>Organisational structure</b>	How people and departments are arranged within a business
<b>Organisational chart</b>	A diagram that shows how the workers are organized in a business and who is in charge of whom
<b>Authority</b>	The power that one person has to make decisions and to give instructions to those workers they are in charge of. A line manager is the person in charge of other workers.
<b>Delegation</b>	Process where the manager gives a subordinate responsibility to make certain decisions, but the manager remains ultimately responsible
<b>Subordinates</b>	Workers that a line manager is responsible for
<b>Span of control</b>	the number of employees that are managed by a manager.
<b>Chain of command</b>	the path of authority along which instructions are passed, from the CEO downwards

	<b>Tall structure</b>	<b>Flat structure</b>
<b>Advantages</b>	<ul style="list-style-type: none"> <li>• <b>Clear lines of communication</b></li> <li>• <b>Narrow span of control</b></li> <li>• <b>More opportunities for promotion</b> within the organisation</li> </ul>	<ul style="list-style-type: none"> <li>• Managers <b>delegate responsibilities</b> - good for <b>motivation</b></li> <li>• structure is good for <b>generating ideas</b></li> </ul>
<b>Disadvantages</b>	<ul style="list-style-type: none"> <li>• Subordinates <b>feel too controlled</b> - can <b>stifle motivation</b></li> <li>• Workers <b>only talk to immediate colleagues</b> and may be less sympathetic or supportive</li> </ul>	<ul style="list-style-type: none"> <li>• <b>not</b> always <b>clear lines of communication</b></li> <li>• <b>Wide span of control</b></li> <li>• <b>Few promotion opportunities</b> - reduce motivation</li> </ul>
<b>Suitability</b>	<ul style="list-style-type: none"> <li>• Suit large organisations such as hospitals</li> <li>• Suit non-creative businesses where workers perform limited, clear tasks, for example, a building company</li> </ul>	<ul style="list-style-type: none"> <li>• suitable for creative businesses, such as computer game design</li> <li>• good for smaller businesses because they can help workers feel valued</li> </ul>

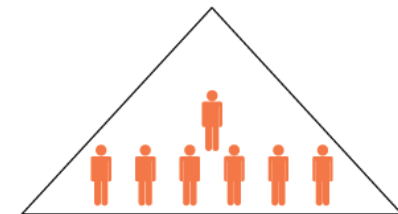


#### Tall Organisational Structure



Many layers of staff from top to bottom.

#### Flat Organisational Structure



Only a few layers, maybe as little as 2 or 3.

Businesses can be organised in different ways.

1. **Organised by function** - functional areas
2. **Organised by product** - different products
3. **Organised by place** - by locations

**Reasons why they choose different charts:**

**Effective communication** - whichever way results in the best communication for their organisation

**Different job roles and responsibilities** - may be more beneficial to have those in the same functions together

**Different ways of working** - whether the business needs creative working or have clear tasks



### 3.2 Ways of working

## knowledge and understanding



Way of working	Definition	Advantages to the business	Disadvantages to the business	Advantages to the worker	Disadvantages to the worker
Full time	When a person works 35 hours or more per week	Worker permanently available for the business	Worker may be paid at a time no work is being done	Paid for a full working week	Tied to working a full working week throughout the year
Part time	When a person works less than 35 hours per week	Worker can be asked at specific times the business needs	May have to train more workers than if it only had full-time workers	Can work when it suits them e.g. during school hours	Only get paid for the hours they work meaning they don't earn enough
Flexible working	People working partly at their place of work and partly elsewhere e.g. home	May result in motivated workers who like the flexibility of when they will work	The worker may not be available to work when needed by the business	Can work at times that suits them e.g. work four long days and take the fifth day off as flexi-time	May not be offered as much work as they want
Temporary working	Person only works for a short period of time e.g. short-term contract	Only need to employ the person when they need them e.g. at Christmas time	May find it difficult to recruit enough workers at times when they are needed	Can work and earn for a period and then have time to do other things they want to e.g. holidays	May find there are times of the year when there is no work for them
Working from home	Person completes in their home	The business may save costs by not having to provide office space	Communication may not be good, reducing their efficiency	Saves time and money by not having to travel to work	May find there are distractions at home e.g. children
Working while mobile	When people work while they are on the move, travelling or on holiday	The business benefits from the increased productivity of the worker	May not be able to monitor they are working as much as he or she should	Can take full use of their time, even when they are travelling	May feel under pressure to work a lot, even while on holiday
Self-employment	When people work in their own business, selling their work to buyers who may be consumers or other businesses	Can use for specific jobs and not pay national insurance or pension contributions for the worker	Self-employed person may not work in the way the business wants or trains their own staff	May like being in control and may be highly motivated	Less job security for the worker as there may be times when there is no work and so no income



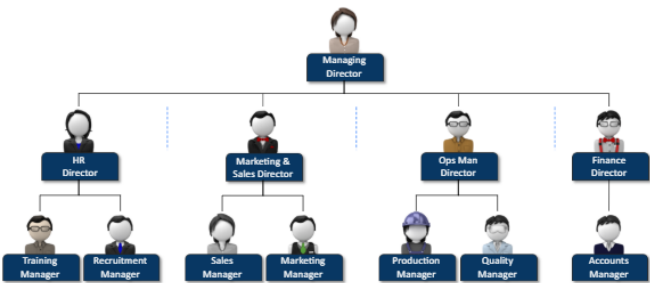
**Knowledge Recall**

**Activity:** identify the correct key term and match them with the correct example

Explanation	Key term
The power that one person has to make decisions and to give instructions to those workers they are in charge of. A line manager is a person who is in charge of other workers.	
Workers what a line manager is responsible for	
A process where a manager gives a subordinate responsibility to make certain decisions, for which the manager remains ultimately responsible.	
The link in authority from those at the top to those at the bottom	
The number of subordinates that a manager has authority over	

Example
If Joe Johnson wants to pass an instruction to the production workers, the chain of command would be from him to Steve and then to the production workers
Steve has authority over two production assistants
The span of control for Joe is three - he has authority over Amna, Mischa and Steve
Mischa is a subordinate of Joe Johnson
Joe Johnson has delegated responsibility for designing jewellery to Amna Johnson

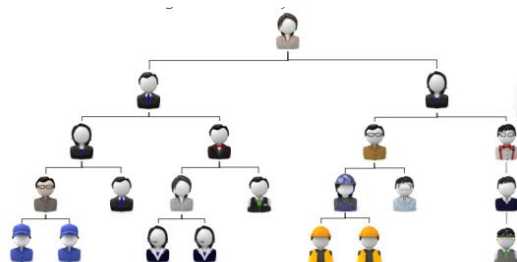
**Activity:** identify how each of the business below are organised by their chart shown



Organised by \_\_\_\_\_



Organised by \_\_\_\_\_

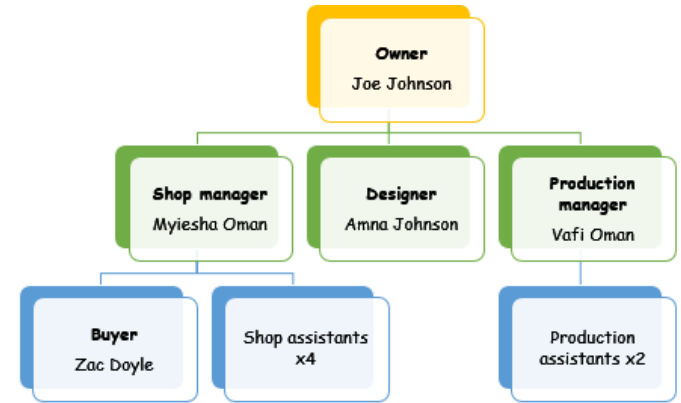


This organisation chart illustrates a business with 5 layers

Tall or flat?  
\_\_\_\_\_

### Exam questions

Joe Johnson owns a business called J.J. Jewellery, he is a Sole Trader and Joe has full responsibility for the business, its finances and accounts. The business makes its own jewellery and sells it through a shop, also owned by Joe, in the town of Bowton. The jewellery is designed by Amna Joe's wife. Amna's brother and sister Vafi and Myiesha also have roles. There are four shop assistants, 2 of whom work full-time and 2 work part-time. Zac Doyle is a part-time buyer who buys jewellery from other manufacturers to sell in the shop. To the right is a copy of their organisational chart.



1. Identify the span of control of Myiesha [1] \_\_\_\_\_
2. Who has Myiesha delegated authority to for buying jewellery in the shop? [1] \_\_\_\_\_
3. If Joe wants to tell Zac which jewellery he would like, what is the chain of command? [1] \_\_\_\_\_  
\_\_\_\_\_
4. What type of organisational structure does J.J Jewellery have? [1] \_\_\_\_\_
5. Analyse the benefit to J.J Jewellery of this organisational structure [3 marks]  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
6. Analyse **one** drawback to the shop assistants of being employed part-time [3 marks]  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

### 3.3 Communication in business

<b>Communication</b>	The transmission of a message from a sender to a receiver through a means of communication
<b>Verbal communication</b>	Communicating by speaking - in meeting, on the telephone, by video conferencing or through a presentation
<b>Written communication</b>	Communication by written words - text, email and letters.
<b>Digital communication</b>	The electronic exchange of information using ICT

#### Importance of business communications

Good communication and feedback is very important in business. Communication can be internal or external.

#### How communication is important to functional areas:

**Marketing** - important for researching what customers want and telling them about new products/services.

**HR** - used to recruit, appraise and resolve problems

**Business operations** - used to find out how many products to produce and discuss any problems with quality

**Finance** - to arrange bank loans, to send and pay bills and to provide information about sales and purchases to keep accurate accounts

**With government** - to know the rules and regulations or to ask for help e.g. with money or to change rules or regulations

knowledge  
and understanding



Method of communication	Advantages	Disadvantages
<b>Verbal/spoken</b>		
<b>Phone</b>	<ul style="list-style-type: none"> <li>good for discussion of ideas or problems and making arrangements</li> <li>immediate</li> </ul>	<ul style="list-style-type: none"> <li>no record of the discussion</li> <li>difficult with long waiting times to get through to a call centre</li> </ul>
<b>Meeting</b>	<ul style="list-style-type: none"> <li>good way to exchange ideas and to check understanding</li> <li>Minutes provide a record of the meeting</li> </ul>	<ul style="list-style-type: none"> <li>expensive to get people together</li> <li>if it is a formal meeting, it can take time to arrange</li> </ul>
<b>Presentation</b>	<ul style="list-style-type: none"> <li>speaker has time to prepare in advance what they wish to say and then to explain clearly</li> <li>possible to ask questions to help understanding</li> </ul>	<ul style="list-style-type: none"> <li>a lot of listeners- difficult to check they all understand</li> <li>take time to arrange and can be expensive</li> </ul>
<b>Non-verbal/written</b>		
<b>Letter</b>	<ul style="list-style-type: none"> <li>provides a record of the communication</li> <li>sender has time to make sure ideas are clearly expressed. reader can read the message many times</li> </ul>	<ul style="list-style-type: none"> <li>takes time for letters sent in the post to be delivered</li> <li>if the meaning of the message is unclear, it is difficult for the receiver to check</li> </ul>
<b>Email</b>	<ul style="list-style-type: none"> <li>fast method of communicating</li> <li>good for short messages although attachments are a way of adding more information</li> </ul>	<ul style="list-style-type: none"> <li>person may not check their emails regularly</li> <li>bulk emails are often ignored and deleted or lost in spam</li> </ul>
<b>Text</b>	<ul style="list-style-type: none"> <li>fast method that can include a lot of people</li> <li>receiver can save the text to remember details in the message, for example, of an appointment</li> </ul>	<ul style="list-style-type: none"> <li>only limited information can be given</li> <li>not good for discussing ideas</li> </ul>
<b>Social media</b>	<ul style="list-style-type: none"> <li>message can be sent to selected groups or in bulk to large numbers cheaply</li> <li>sometimes pictures can be added to the message</li> </ul>	<ul style="list-style-type: none"> <li>need someone to manage the communications, for example, responses from receivers</li> <li>it is not always easy to judge how successful the message has been</li> </ul>
<b>Website</b>	<ul style="list-style-type: none"> <li>saves money</li> <li>customers can order online so the business may not need to have a shop or office accessible to customers</li> </ul>	<ul style="list-style-type: none"> <li>customers cannot ask for information easily</li> <li>customers cannot view the goods</li> </ul>



■ These digital tools have impacted on business activity in a number of ways, including:







## Knowledge Recall

**Activity:** For each scenario given provide a type of communication the business could use and why you have chosen this type.

Scenario	Type of communication	Why?
Next PLC wants to inform its customers of what it sells and make it possible for customers to buy clothes from the comfort of their home		
The HR manager of LV, an insurance company, wishes to discuss with a member of staff how well he is working and to set targets for the year		
The leader of a double glazing sales team wants to inform members of her team that their meeting will start at 4:30pm and not 4pm as first announced. It is 9am on the day of the meeting		

**Activity:** Using the words below, fill in the gaps to complete the paragraph

Digital communication is about sending and receiving information \_\_\_\_\_. It has transformed business activity. There is now greater \_\_\_\_\_ and trade has become more \_\_\_\_\_. The \_\_\_\_\_ of workers has been increased and production \_\_\_\_\_ have fallen as a result. All the functional departments of a business have been affected. Finance departments can store and process \_\_\_\_\_ information more quickly. Marketing departments use websites and \_\_\_\_\_ to reach potentially huge markets. Production is now \_\_\_\_\_ as what is being produced can be changed much more quickly. Human resource departments have seen more staff working while \_\_\_\_\_ or working from \_\_\_\_\_. Many workers have benefited from the changes to business activity but some have lost their \_\_\_\_\_ or had to undergo \_\_\_\_\_.

jobs

mobile

leaner

costs

accounting

home

global

social media

competition

productivity

retraining

electronically

### Exam questions

Blockbusters was a retail business which rented out film DVDs. Customers visited the shop to choose and rent the DVD, before returning it (usually within 24 hours or they had to pay a small fine). The development of digital communications has made it possible for companies like Netflix to offer an online film (and TV) rental service which many consumers prefer.

### Knowledge

1. Using an example, explain the term 'digital communication in business' [2 marks]

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### Analysis

2. Analyse how the way in which films are rented has changed in recent years [3 marks]

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Analyse two ways in which digital communication has affected workers. [6 marks]

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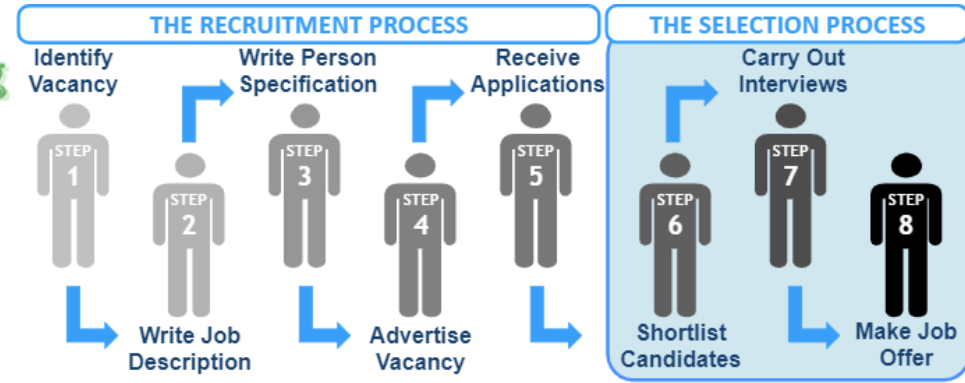
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### 3.4 Recruitment and selection **knowledge and understanding**

<b>Recruitment</b>	The process of finding people to work in a new or established business
<b>Internal method</b>	Includes notice boards, word of mouth, company website and emails to staff
<b>External method</b>	Includes websites, newspaper, social media and specialist magazines
<b>Skills gap</b>	When a business recruits skilled workers because it is short of them
<b>Job description</b>	A list of the main duties, tasks and responsibilities of a worker
<b>Person specification</b>	A list of the qualities, qualifications and knowledge that a person should have to do a particular job
<b>Selection</b>	The process of choosing between applicants for a job

Why businesses recruit:

- Employees needed when starting up a business
- Employees needed when growing a business
- To fill a skills gap
- To replace employees who have left



Internal Advantages	External Advantages
+cheaper	+range of skills
+less training	+more experience
+motivated	+more applicants
+quicker	+new ideas

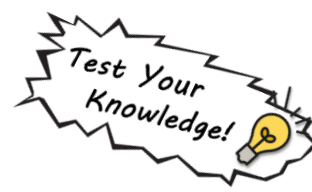
Internal Disadvantages	External Disadvantages
-Lack of skills/ideas	-expensive
-less applicants	-induction training
-conflict	-may not fit in with workforce

Method of selection	
<b>Letter of application</b>	Applicant uses this to explain why they think they are suitable for the jobs. It's helpful to see how well the applicants information is put together
<b>CV</b>	Summary of personal details, qualifications and experience
<b>Application form</b>	The business can specify the information it needs and all applicants fill in the same form. It's a good way to compare them
<b>Interview</b>	The business asks questions of the applicants. It's good for finding out what they have to say and judging their personality and communication skills
<b>Tests and presentations</b>	Checks an applicant's ability for specific skills e.g. typing. The presentation enables the applicants to show their ideas and communication skills
<b>Reference</b>	A statement from a previous employer to give information about work done by an applicant and how well they did their job
<b>Group activities</b>	Applicants work on a task together. Good for showing their team working skills

Media	Internal or external
<b>Website</b>	Both
<b>Social media</b>	Both
<b>Local newspapers</b>	External
<b>National newspapers</b>	External
<b>Specialist magazines</b>	External
<b>Job centre</b>	External
<b>Word of mouth</b>	Both
<b>Email</b>	Internal
<b>Noticeboard or company magazine</b>	Internal



## Knowledge Recall



**Activity:** Can you put the **recruitment process** in the correct order


- **Advertise the vacancy**
- **Appoint**
- **Identify a vacancy**
- **Interview**
- **Prepare a job description**
- **Prepare a person specification**
- **Selection**

**Activity:** Decide whether the elements listed below should go in the Job Description, Person Specification or both.

	Where does it belong?
Department	
Experience needed	
Qualifications	
Hours of work	
Personal interests	
Job title	
Location	
Skills needed	
Manager/supervisor	
Personal circumstances e.g. can drive or work evenings	
Tasks	

**Activity:** Match the definition to the key term by writing the right letter in the spaces beside the correct definition

<b>A. Recruitment</b>	[   ] When a business recruits skilled workers because it is short of them
<b>B. Selection</b>	[   ] A list of the main duties, tasks and responsibilities of a worker
<b>C. Skills gap</b>	[   ] A list of the qualities, qualifications and knowledge that a person should have to do a particular job
<b>D. Job Description</b>	[   ] The process of finding people to work in a new or established business
<b>E. Person Specification</b>	[   ] The process of choosing between applicants for a job

### Exam Questions

Aldi is opening a new supermarket in Stoke. It needs to recruit an experienced shop manager to get the supermarket off to a good start and 20 shop assistants to work in the store. The HR manager has used information from letters of application and CVs to choose five candidates to go to the final stage of selection. The HR manager needs to choose two methods of selection to use to decide which of the five applicants to employ.

### Analysis

1. Analyse the advantage to Aldi of using CV's to recruit [3 marks]

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2. Analyse the advantages to Aldi of using letters of application to recruit [3 marks]

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3. Recommend **two** methods of selection that Aldi should use to decide which of the five applicants to employ [6 marks]

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### 3.5 Motivation and retention





knowledge  
and understanding

Financial methods of motivation



Method	Definition	Advantage	Disadvantage
<b>Bonus</b> 	Lump sum of money for reaching a target	-only get it if target reached -increases production or sales	-target may be too high -lump sum may be small
<b>Profit sharing</b> 	% of profit paid to employees	-workers feel part of a team -will aim to be efficient so the business makes more profit	-if the business doesn't make any profit then employees get no reward -depends on the percentage of profit they decide to share
<b>Increase salary</b> 	Lump sum split between 12 months (increased)	-workers get more pay which is guaranteed -keeps highly skilled staff within the business	-workers may not become more productive or efficient -depends how much the increase is by
<b>Increase wage</b>	Workers are paid more per hour	-workers get more pay per hour and will want to work more hours	-workers may not become more productive or efficient -motivation depends on how much the increase is
<b>Fringe benefits</b> 	Workers are given additional benefits such as company car, gym membership	-benefits a worker may not be able to afford themselves -attractive to potential employees -leads to worker loyalty	-some employees may not appreciate the benefit -may be very expensive for the business

<b>Labour turnover</b>	A measure of the number or proportion of staff who leave an organisation each year and who therefore need to be replaced
<b>Motivation</b>	Encouragement give to workers to work well
<b>Retention</b>	When workers choose to stay employed in a business rather than leaving to work elsewhere

Method	Definition	Advantage	Disadvantage
<b>Working environment</b> 	Better facilities such as staffroom, drinks machines, canteen	-workers enjoy coming to work -they feel the business values them enough to have nice facilities	-it's not financial and employees may not benefit/enjoy
<b>Job rotation</b> 	Workers move around different work stations in the business	-workers get variety and to learn new skills -workers get to try different tasks	-workers may not like change or are not as good at all tasks -workers will require additional training which increases costs
<b>Award scheme</b> 	The worker is given recognition of hard work. Can be a certificate or employee of the month	-workers feel valued -workers feel their hard work is recognised	-some workers may feel they aren't recognised as it is only once a month -may create conflict between workers who don't get recognised
<b>Job enrichment</b>	Workers are given more responsibility	-workers feel valued and that their opinion matters -workers feel trusted that they can make decisions	-workers may make the wrong decision -workers may feel that they are making all of the decisions and are not supported
<b>Job enlargement</b>	Workers are given more tasks to complete 	-workers have lots of tasks to do so they don't get bored -workers get a sense of achievement from completing tasks	-workers may be overwhelmed by the amount of jobs they have to do -workers may rush to get jobs finished which can effect quality

If business can motivate staff it ultimately leads to:

- High worker productivity
- Reduced level of worker supervision
  - Low worker absenteeism
  - Improved quality
- Staff retention - limits recruitment costs, saves time and will be easier to recruit in the future



## Knowledge Recall

**Activity:** Practice the definitions for the key terms given above by using the **look, say, cover, write, check** technique.

Use the boxes below to write out your answers, then correct these adding anything you are missing. Attempt each at least 4 times.

<u>Key term</u>	<u>Attempt 1</u>	<u>Attempt 2</u>	<u>Attempt 3</u>	<u>Attempt 4</u>
Labour turnover				
Motivation				
Retention				

**Activity:** For each of the statements below, identify whether they are true or false.

Statement	True	False
If a worker improves productivity, they will produce more than they used to in the same amount of time		
If workers in a car factory improve their productivity, the cost of producing each car will fall		
Motivated workers will always want to leave the business to work elsewhere		
training costs will usually fall if staff turnover is high		
Increased motivation reduces costs because workers are less likely to be absent		
Motivated workers need a lot of supervision to make sure they work hard		
Increased motivation saves on training costs because workers are likely to remain working for the firm for longer and fewer new recruits are needed		
Motivated workers may help to reduce business costs because they will take pride in working accurately, so reducing waste		
Motivation systems can be expensive as managers need to be paid to run them		
Financial methods of motivation increase total business costs		
Motivating workers always reduces the average costs of producing goods and services		

### Exam Questions

Walkers Ltd are looking to motivate their production workers. They have completed a staff survey and employees feel that they are not valued and that employees are feeling unmotivated. They are considering introducing either award schemes or increased wage.

1. Analyse the benefit of Walkers LTD increasing the wage of production workers. [3 marks]

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2. Analyse the benefit of Walkers LTD using an award scheme. (3 marks)

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3. Recommend whether Walkers LTD should use an increase in wages or award scheme to motivate production workers [3 marks]

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<b>On the job</b>	This is training done at the workplace. The training is given by a more knowledgeable/experienced member of staff.
<b>Off the job</b>	This is training at a specialist training centre. Can involve an employee gaining a qualification.
<b>Induction training</b>	This is training completed at the very start of employment. It can be an induction day or week. New employees are shown where things are, fire evacuation plans, the business aims and objectives.
<b>Lifelong learning</b>	This is where there are opportunities to continue to develop your learning. GCSE, ALEVEL, degree, masters etc.
<b>Skills shortage</b>	In certain industries there are not enough skilled staff to fill the demand for labour

	<b>Advantages</b>	<b>Disadvantages</b>
<b>On-the-job training</b>	<ul style="list-style-type: none"> <li>+ cheaper</li> <li>+ specialised in the way that business works</li> <li>+ workers can be productive whilst training</li> </ul>	<ul style="list-style-type: none"> <li>- may be taught the wrong way</li> <li>- may make mistakes when training</li> <li>- potential disruption to production</li> </ul>
<b>Off-the-job training</b>	<ul style="list-style-type: none"> <li>+ can gain qualification</li> <li>+ taught by experts</li> <li>+ employees more confident when starting job</li> </ul>	<ul style="list-style-type: none"> <li>- expensive</li> <li>- time consuming</li> <li>- not all workers are comfortable in different environments</li> </ul>



The main methods of one-the-job training include:

- **Demonstration / instruction** - showing the trainee how to do the job
- **Coaching** - a more intensive method of training that involves a close working relationship between an experienced employee and the trainee
- **Job rotation** - where the trainee is given several jobs in succession, to gain experience of a wide range of activities (e.g. a graduate management trainee might spend periods in several different departments)
- **Projects** - employees join a project team - which gives them exposure to other parts of the business and allow them to take part in new activities. Most successful project teams are "multi-disciplinary"

Common methods of off-the-job training include:

- Day release (employee takes time off work to attend a local college or training centre)
- Distance learning / evening classes
- Block release courses - which may involve several weeks at a local college
- Sandwich courses - where the employee spends a longer period of time at college (e.g. six months) before returning to work
- Sponsored courses in higher education
- Self-study, computer-based training

### Why is training important?

- Improve productivity of workers
- Improve motivation of workers
- Ensures employees are up to date with changing technology
- Makes a business more efficient
- Improves retention of staff





<b>Apprenticeship</b>	A long-term development programme for workers to learn jobs skills while they work
<b>Professional development</b>	Involves developing the long-term potential of workers
<b>Staff development</b>	Involves learning over a long period of time. Includes apprenticeships, external courses and professional development programmes

Apprenticeship	Professional development programme
A long term learning programme - often over two, three or four years	A long-term programme - often two years or more
Usually leads to a specific National Vocational Qualification e.g. Level 2 qualification in childcare	May lead to a professional qualification e.g. a Chartered Surveyor. It may lead to general academic qualifications such as a degree
It develops skills and knowledge relevant to a specific job, i.e. veterinary nursing	It contributes to a person's general education and allows them to develop a set of skills and body of knowledge related to a specific vocation, such as medicine
Available at two main levels - intermediate (for people with GCSEs) and advanced (people with GCSEs and A-Levels). Some apprenticeships go to degree level work and beyond	Professional development applies at all levels from junior to senior workers
The development programme is usually completed partly in the work place and partly in a college	Professional development programmes often include a high academic content completed at college or online, but there will also be a practical element

**Benefits to employee of staff development:**

- + develop skills and gain qualifications
- + may receive a promotion as a result
- + paid while they develop new skill

**Benefits to businesses of staff development:**

- + can motivate workers - increased output and improvement in quality
- + improve staff retention - saves costs of recruitment
- + help business meet future staffing needs
  - + aid recruitment of workers
  - + help to overcome skill shortages

**Drawbacks to businesses of staff development:**

- costly
- timely
- staff may leave for a better job when they complete their training



## Knowledge Recall

**Activity:** For each of the scenarios below decide whether employees need training or not. If they do need it select whether you think on-the-job or off-the-job is more useful

Statement	Yes	No	On-the-job or off-the-job
To motivate employees			
To make sure machinery doesn't get dusty			
To make sure employees know what they are doing			
To stop workers leaving the firm			
To update workers on new technology			
To please the government			

**Activity:** identify the correct key term and match them with the correct example

Explanation	Key term
Involves developing the long-term potential of workers	
This is training done at the workplace. The training is given by a more knowledgeable/experienced member of staff.	
Training completed at the very start of employment. It can be a day or a week	
In certain industries there are not enough skilled staff to fill the demand for labour	
This is training at a specialist training centre. Can involve an employee gaining a qualification.	

Example
Tesco Plc have hired 6 new checkout workers and have invited them in for a day to learn about their job
Jamie is leaving school after his GCSEs and has been accepted into a job in the building trade where he will learn over a period of 2 years and go to college once a week
Hotls Jewellery have had many employees retire and now do not have workers to cut their diamonds
The White Horse Inn are sending their head chef on a 3 day cooking skills course with Gordon Ramsay
Tesco Plc hires new managers and places them on a training programme with another experienced manager

## Exam Questions

The White Horse Inn has trained several apprentice chefs in recent years. Ryan Bollard was an apprentice at the Inn. He worked with the chef to learn to produce a range of meals and during this time he gained a Level 2 and a Level 3 NVQ. Ryan went on to study for a degree in hospitality management. Now he is the Operations Manager for the business.

1. Identify the type of training Ryan received [1 mark]

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2. Explain **two** features of a professional development programme [4 marks]

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3. Analyse one benefit to Ryan of partaking in an apprenticeship [3 marks]

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4. Analyse whether it was beneficial for The White Horse Inn to train Ryan as an apprentice [6 marks]

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**U** – 2 benefits or drawbacks

**APP** – apply your understanding to The White Horse Inn (use the case study)

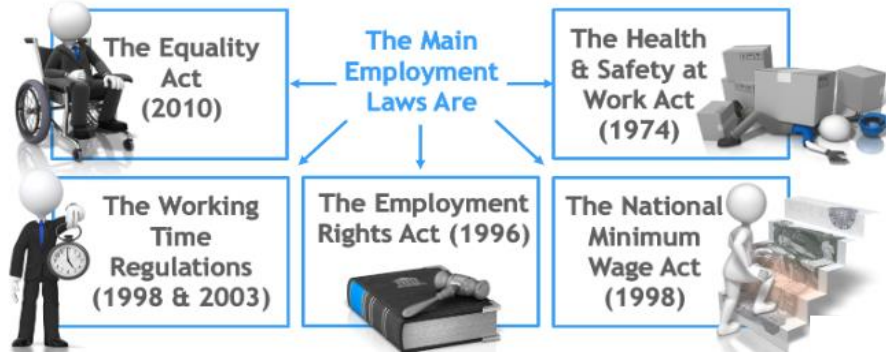
**AN** – was giving Ryan an apprenticeship good or not? Why?

## 3.7 Employment law

<b>Contract of employment</b>	A legal agreement between an employer and employee
<b>Discrimination</b>	Treating one worker differently to another for no acceptable reason
<b>Employment law</b>	Regulations and rules put in place to protect workers from employers who may treat them unfairly
<b>Statement of employment particulars</b>	Part of a contract of employment, it gives details of the terms of employments

### ■ The government has enacted a number of laws in order to:

- Protect the safety of workers
- Prevent businesses from exploiting staff



### Contract of employment

Makes it clear what the worker is being employed to do and the pay and conditions that the business will give to the worker, including holiday entitlement.

Effects of providing one:

- increased cost - to cover workers on holiday or who only work a limited number of hours
- managing staff holidays to ensure there are always enough workers

Holiday entitlement:

Number of days worked per week  $\times$  5.6 = holiday entitlement

$$5 \times 5.6 = 28 \text{ days}$$

$$2 \times 5.6 = 11.2 \text{ days}$$

The average number of hours worked

Number of hours worked =

average number of hours

17

799 hours worked = 47 hours on average

17

### Equality Act

A person cannot be treated differently on the grounds of:



A business must not:

- Pay workers differently for doing the same work
- Favour certain type of people when recruiting
- Discriminate when promoting or training workers
- Allow workers to be mistreated by other workers

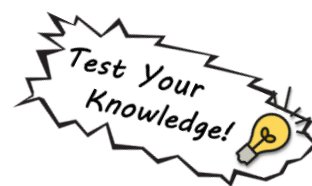
A business that does discriminate may find:

- Staff become less motivated
- Performance of the business is affected
- Workers decide to leave so business must recruit more staff
- Poor reputation - reduce sales and profit and affect recruitment
- Can be fined and made pay compensation

A business that takes action against discrimination may find:

- It increases costs
- It needs to rewrite recruitment and training policies to prevent discrimination
- It needs to monitor what goes on in the business to prevent discrimination taking place





## Knowledge Recall

**Activity:** read the job advertisement below and list 4 ways Anvil Engineering have broken Employment legislation

### PRODUCTION WORKERS REQUIRED BY ANVIL ENGINEERING PLC

Anvil Engineering plc is a large multinational company producing engineered products for a variety of markets. Expansion of our wind turbine division means that additional workers are required.

No formal qualifications are needed, but experience in similar work is desirable.

Applicants would preferably be male, but if not females without a family may be accepted. They must be between 25 to 40 years of age.

Find application forms and job description on our website

[www.anvilengineering.com](http://www.anvilengineering.com)

1.

2.

3.

4.

**Activity:** Recall as many advantages and disadvantages of complying with Employment Law

Advantages	Disadvantages

### Exam Questions

In November 2019 NHS workers in Northern Ireland voted to strike with their union UNISON. They voted to take action over safe staffing levels and pay parity. Their main concern was that health staff in Britain were paid more than they were. Nurses, ambulance staff, clerical workers, doctors, pharmacists and social care employees were all involved.

1. Identify how the NHS has not met employment law with their Northern Ireland staff [2 marks]

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2. Analyse **two** problems that the NHS may face if it discriminates against employees in Northern Ireland [6 marks]

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3. Explain the benefit of a contract of employment to employees [2 marks]

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4. Explain the benefit of a contract of employment to the business [2 marks]

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