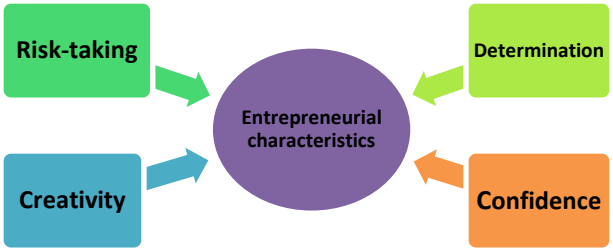
Knowledge Organiser

Unit 1: Business Activity

1:1 Role of Business Enterprise and Entrepreneurship

Enterprise is: seeing an opportunity to provide a product or service that people are willing to buy



Risk	Reward
▪ **Financial** Possibility of losing money ▪ **Health** The strain of being in charge can affect health ▪ **Strained relationships** Starting a business is time consuming	▪ **Financial** Some successful entrepreneurs can make a lot of money ▪ **Independence** Some people like to be their own boss ▪ **Self-satisfaction** Some people like to see and idea work

Entrepreneur
A person who takes the risk of starting and running a business

Enterprising characteristics
Features of an entrepreneur

1:2 Business Planning

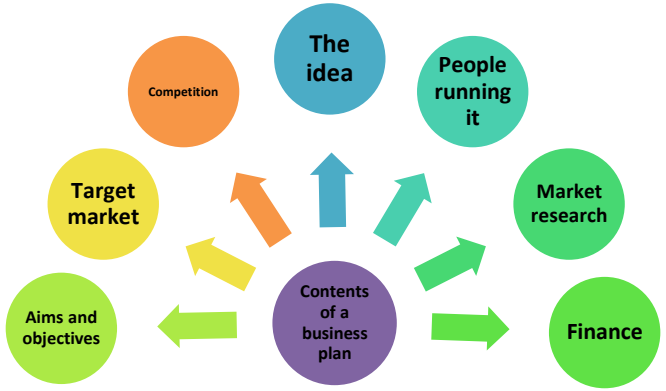
Purpose of a business plan:

- To reduce the risk of starting a business
- To help a business succeed

A business plan: details how a business aims to achieve its objectives

Role of a business plan:

- Identify markets
- Helping with finance
- Identifying resources needed
- Achieving aims and objectives



Business plan
A simple plan which sets out the details of the business

Finance
The money needed to start the business

1:3 Business Ownership

Sole trader

Advantages	Disadvantages
▪ Easy to set up ▪ Little finance required ▪ Full control ▪ Keep all the profits ▪ Financial information is private	▪ Unlimited liability ▪ Business stops if ill or on holiday ▪ Long working hours ▪ Shortage of capital ▪ Skills shortage ▪ No continuity

Partnership

Advantages	Disadvantages
▪ More capital available ▪ Easy to set up ▪ More skills available ▪ Shared workload ▪ Financial information is private	▪ Shared profit ▪ Unlimited liability ▪ Shortage of capital ▪ Slower decision making ▪ No continuity

Private Limited Company (LTD)

Advantages	Disadvantages
▪ Limited liability ▪ Continuity ▪ Can raise capital more easily ▪ Control over share sale	▪ Financial information available to the public ▪ Complex and expensive to set up ▪ Sale of shares is restricted ▪ Dividends to be paid

Public Limited Company (PLC)

Advantages	Disadvantages
▪ Can raise large amounts of capital ▪ Easier to borrow money ▪ Limited liability for shareholders	▪ Possibility of a takeover ▪ Complex and expensive to set up ▪ Hard to manage as so large ▪ Financial information available to the public

Unlimited liability
Responsibility for the debts of the business rests with the owners

Capital
Money raised to start or develop a business

Deed of partnership
A document setting out the operations of the partnership

Sleeping partner
Someone who only invests in a partnership

Limited liability
Responsibility for the debts of the business is limited to the amount invested

Shareholders
Owners of a limited company

Dividend
Money paid to shareholders from business profits

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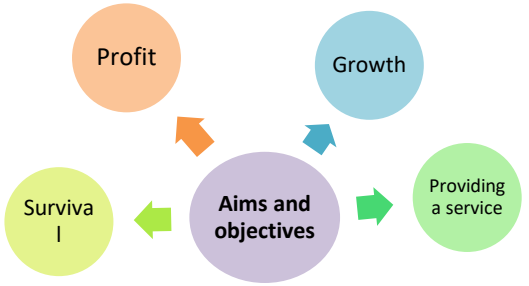
Unit 1: Business Activity

1:4 Business Aims and Objectives

Business objectives: are what the business wants to achieve



Survival
The business can pay its costs but has nothing left
Profit
The difference between revenue and costs
Market share
The share of the total market for a product
Growth
The business becomes larger

As businesses evolve their objectives may change

Initially: the aim may be to simply survive
Later: the aim may be to increase profit or market share

The objectives will also depend on the type of business ownership i.e. sole trader or limited company

1:5 Stakeholders in Business

Stakeholders are: groups of people or individuals who have an interest in a business

Internal stakeholders
People with an interest in and who work in the business

External stakeholders
People with an interest in but who are outside of the business

Stakeholder	Internal or external	Effects
Owners	Internal	See profit as their main aim so will want to run the business cost effectively
Employees	Internal	Employees want to be treated well and receive a fair wage. Without this they could go on strike
Customers	External	Customers want to receive a good service and pay a fair price. Without this they could go to competitors
Suppliers	External	Suppliers want to be paid on time. Delayed payments could mean the supplier refuses orders
Government	External	The government wants businesses to succeed however an increase in income tax means less money for customers
Local community	External	The local community will want jobs in their area however they could protest against a new business development

Organic growth
Internal growth using own resources i.e. opening more shops
Merger
Two or more businesses agreeing to join together
Takeover
One business takes control of another
Horizontal growth
Two businesses in the same production sector joining together
Vertical growth
Two businesses in different production sectors joining together

1:6 Business Growth

There are two methods of business growth:

Organic growth	External growth	
	Merger	Takeover

- **Increasing output** Selling more products
- **Gaining new customers** Reduce the price, open more shops
- **Developing new products** To target a wider range of customers
- **Increasing market share** Selling more than competitors

Horizontal
Two businesses in the same production sector

Vertical
Two businesses in different production sectors

Diversification
Two businesses coming together with no connection

Assessment Information

Possible questions

1. State two aims of a new start up business.
2. Define the term 'entrepreneur'.
3. Explain how a business' objectives may have changed since first starting out.
4. Analyse how a business decision may impact on two stakeholders.
5. Analyse two benefits of being a public limited company.
6. Evaluate the effectiveness of a business plan.

State **Explain** **Analyse** **Recommend** **Evaluate**

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Unit 2: Marketing

Marketing is:
finding the needs of customers and demonstrating how a business fulfils those needs in order to increase sales

Marketing
Finding the needs of consumers and demonstrating how a business meets those needs

Market research
The collection of data to help business decisions

2:1 The Role of Marketing

How can a business increase sales?

1. Advertise the product or service more in order to raise awareness of what is on offer
2. Introducing a new model that will appeal to more customers
3. Increase the range of products or services available
4. Reducing the price to sell more products - but will profits increase?
5. Selling the product in different countries to target a wider range of customers
6. Selling by different methods i.e. Online or offering digital distribution

2:2 Market Research

Before a business starts, it is important that the owners know exactly who their customers are likely to be.

Primary	Pros	Cons
Questionnaire	▪ Cheaper than interviews ▪ Easily target certain people	▪ Difficult to predict how many will be completed ▪ people may not understand the questions
Interviews	• Questions can be explained • Customers can be easily targeted	• Expensive • Customers may feel uncomfortable
Trials	• Save money before making products widely available	• Costly to set up
Focus groups	• Data is accurate to the target market	• Only small groups that take part so expensive

Secondary sources include census data, websites, internal data and newspapers.
Pros: cheap and already available to use
Cons: not exactly what you need and could be out of date

Target market
The group of customers who a business aims to sell its products to

Primary research
Data collected first-hand (desk research)

Secondary research
Data collected by others (field research)

Qualitative data
Data based on opinions of those being asked

Quantitative data
Data based on facts or numbers

A watch can be segmented in a number of ways:

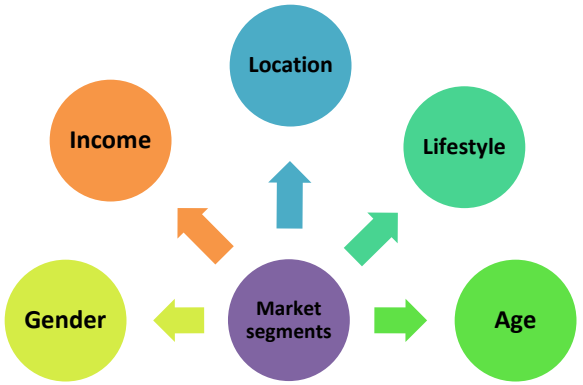
Age - Disney theme for children, plain for adults

Gender - made for men or women

Income - watches can be very cheap at £10 others can be very expensive at £1000's

Lifestyle - special watches for diving, running and other outdoor sports

2:3 Market Segmentation



Market segmentation
Splitting the market for a product into different parts, or segments

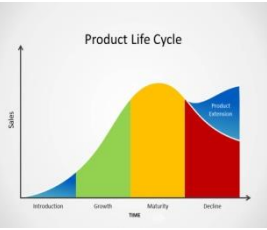
2:4 The Marketing Mix - Product

The product is a vital element of the marketing mix. The product or service must be something customers actually want.

Advertising a new product more widely can increase sales and extend the life of a product.

Reducing the price of a product can help to maintain sales and extend the life of a product.

Selling in new markets i.e. abroad, opens the product up to a wider range of new customers and so extends the life of the product



Introduction
A product is first made available for sale

Growth
Sales are growing strongly

Maturity
Sales are at their highest level

Decline
Sales are falling

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Unit 2: Marketing

2:4 The Marketing Mix - Price

Competitor pricing
A price is set based on prices charged by competitors

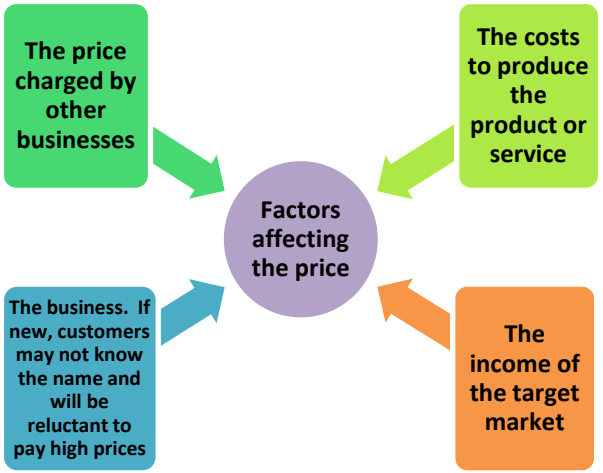
Cost-plus pricing
Adding a percentage of profit onto the total costs of making a product

Penetration pricing
A price is set lower than competitors

Skimming
A high price is charged initially for those customers who want the latest products

Promotional pricing
Prices are reduced to give sales a boost

A business must take great care when setting the price of products and services. Too low and the business won't make enough profit, too high and customers will not buy



2:4 The Marketing Mix - Place

Place is: concerned with where the product is sold from and the distribution of goods

Physical distribution
Distribution of goods using a physical presence

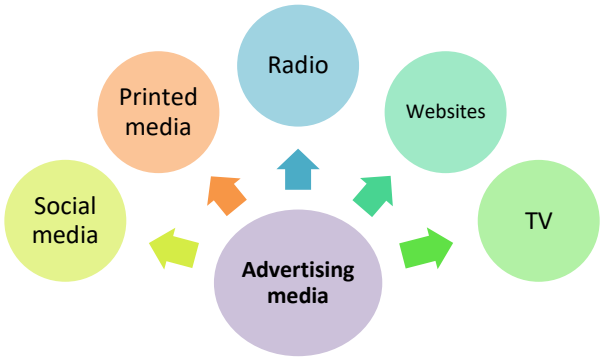
Digital distribution
Distribution of goods and services digitally by downloading from a website

Advantages of digital distribution	Disadvantages of digital distribution
▪ Customers can access products and services 24/7 ▪ Goods are downloaded so available quickly ▪ No physical product to deliver so the business saves money	▪ Not all goods are suitable for digital distribution i.e. bread ▪ Not all customers have access to the internet ▪ Easier for illegal content to be copied and distributed which means the business loses sales

2:4 The Marketing Mix - Promotion

Aims of promotion

- To inform customers about a product or service
- To keep a business ahead of its competitors
- To create or change the image of a business, its products and services
- To maintain or increase sales



Point of sale promotions
Price reductions, loss leaders, competitions, free samples

Advertising campaign
A series of advertisements often using different advertising media

Advertising media
The methods by which a business can advertise a product

Assessment Information

Possible questions

1. Identify one way a market can be segmented.
2. Explain one advantage and one disadvantage of using a focus group.
3. Analyse one benefit of a businesses distribution channel.
4. Analyse two benefits of using questionnaires to gather market research.
5. Evaluate whether or not a business should use social media to promote their products.

State **Explain** **Analyse** **Recommend** **Evaluate**

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Unit 3: People

Human resources: are the people who work for a business. They are the employees.

Human resource plan
A plan detailing the workers a business will need i.e. how many, when, full time or part time and the skills they need

Functions
Different types of work that need to be done in a business i.e. Marketing, production and finance

3:1 The Role of Human Resources

Human resource planning - things for a business to think about

- The number of workers needed
- The number of workers who will work full-time or part-time
- The number who should be employed on zero-hour contracts
- The number of workers to hire as contractors as and when needed
- When workers will be needed - times of the day, days of the week
- Where the workers will work - finance, production, marketing
- The skills the workers will need to have
- The need to manage and supervise some of the workers
- The age, gender, ethnicity of the workers
- How many staff members the business can afford to employ

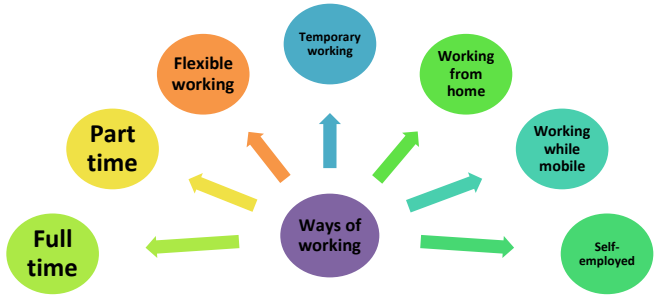
When might a business need to review its human resource needs?

- Workers may have to be replaced i.e. because they have left, retired or been promoted
- The business may grow or shrink so may need more or fewer workers
- The business may change its method of production so may need more or fewer skilled workers
- The business may decide to relocate so may have to recruit workers who live nearby - they could still take their current workforce
- The budget available for paying staff. If the budget is decreased they will need fewer staff and vice versa
- Changes in the law may affect employment i.e. Minimum wage which will impact on the budget

3:2 Organisational Structures

There are two different types of organisation structure:

Advantages of a tall structure	Advantages of a flat structure
▪ The span of control is likely to be narrower meaning that he does not have as many people to look after ▪ There will be plenty of opportunities for workers to gain promotion which will motivate them to work harder	▪Lines of communication are clear - communication will be quicker from top to bottom because there is not as many layers ▪ Fewer mistakes in communication will be made because there is fewer levels ▪ People at the bottom may be encouraged to share ideas ▪ Wider span of control means tht managers can delegate work



Organisation chart
A diagram to show how workers are organised in a business
Authority
The power that one person has to make decisions
Chain of command
The order of authority from top to bottom
Span of control
The number of people a manager is in charge of
Delegation
Giving someone else permission to make a decision

Communication is: the transmission of a message from a sender to a receiver

Written communication
Communication by written words i.e. Text, email, letters
Verbal communication
Communication by speaking ie. telephone or meetings
Formal communication
Communication using the official channels within a business
Informal communication
Communication outside the official channels within business

3:3 Communication in Business

	Pros	Cons
Verbal	• Can check for understanding • Can emphasise points through tone and body language • Can use diagrams and pictures to help explain	• If lots of people not all may understand • Receiver may disrupt the message if they don't like it • No permanent record of the message • Some forms can be expensive
Written	• There is a record of the message • Receiver can re-read the message multiple times • Can be sent to multiple people at the same time • Can avoid confrontation	• Cant check immediately if the message was understood • The success depends on the clarity of the message • Risk of computer viruses •Emails could go to spam
Social media	• Huge numbers of users • Info can be updated regularly • Visual images can help explain • Can be cheaper to advertise • Customers can be involved by allowing feedback	• There is a cost in managing and updating the information • Can be difficult to measure the effectiveness of the business' use of social media

3:4 Recruitment and Selection

Businesses can recruit internally (from within the business i.e. promote an existing employee) or externally (someone from outside the business)

Methods of advertising

Businesses need to think about the costs of advertising for a job but can use the following:

- Websites
- Social media
- Local newspapers
- National newspapers
- Specialist magazines i.e. horse riding
- Job centres
- Word of mouth

Methods of selection

Business can use a range of methods to select the best candidate:

- Letter of application
- Application form
- CV
- Interviews
- Tests and presentations
- Group activities
- References

Selection
The process of choosing between applicants for a job
Job description
Lists the main duties, tasks and responsibilities of a worker
Person specification
Lists the qualities, qualifications and knowledge that a person should have
Interviews
Sessions where the people making the appointment ask questions of the applicants

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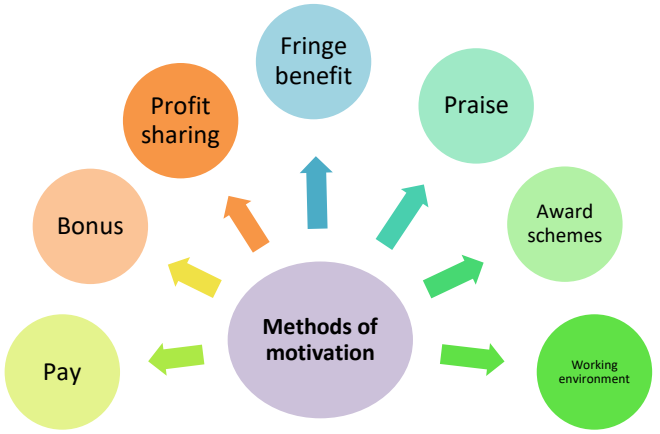
Unit 3: People

Motivation is: how workers are encouraged to work hard

Retention
When workers choose to stay in a firm rather than move elsewhere
Productivity
A measure of output per working
Financial motivation methods
Methods that involve paying workers money
Non-financial motivation methods
Methods that do not involve paying money

3:5 Motivation and Retention

If employees are motivated then workers will be efficient in what they do, there will be a low turnover of workers, it will be easier to recruit new workers, less need for supervision and low absenteeism



Training is: short tem and is focused on helping a worker do his job well

Development
Long term training focused on helping a worker realise their potential
On-the-job
Training while working
Off-the-job
Training away from the job
Induction training
Training to introduce the worker to the business

3:6 Training and Development

	Advantages	Disadvantages
Induction	▪ Helps workers to settle quickly - get to know colleagues ▪ Worker will be more productive quicker ▪ Health and safety issues reduced	• A lot of information to take in in one day • Costs involved - worker is paid but not producing anything • Costs involved - someone needs to provide the training
On-the-job	▪ Training is individualised to help each worker improve ▪ Cheaper – no travel costs ▪ Still producing products while training	• Trainer may need to stop working to help trainee • Quality might be poor • Quality of training depends on the trainer • No qualifications gained
Off-the-job	▪ Experts can provide training ▪ Workers enjoy the change of environment ▪ Workers feel valued	• More expensive - fees, travel etc • Worker is not producing products when training • Risk of employee leaving once trained

Employment law is: designed to protect workers from employers who may treat them unfairly

Discrimination
When one worker is treated differently from another for no acceptable reason
Contract of employment
A legal agreement between an employer and an employee
Holiday entitlement
The amount of paid holiday a worker can have in one year

3:7 Employment Law

The **Equality Act 2010** brought together 116 pieces of legislation into one single Act which is designed to protect the rights of workers.

Discrimination

- Equal pay
- Race
- Sex
- Disability
- Sexual orientation
- Religion or belief

All workers are entitled to have 5.6 weeks holiday each year paid.

No. days worked per week x 5.6 = holiday entitlement

Working Time Directive:

Controls how many hours a worker can work each week.

Over a 17-week period a worker cannot work more than 48 hours on average.

$$\frac{\text{Number of hours worked}}{17} = \text{average number of hours per week}$$

Assessment Information

Possible questions

1. State one item contained in a job description.
2. Explain two ways a business could motivate its employees.
3. Analyse one method of training a business could use.
4. Recommend one type of training a business could use for a new employee.
5. Evaluate the most effective method of selection.

State **Explain** **Analyse** **Recommend** **Evaluate**

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Unit 4: Operations

Production is:
the process of turning raw materials into saleable products and services

Job production
Making products individually
Batch production
Making one type of product then switching to make a different product
Flow production
The production of one product on a continuous assembly line
Automation
Production involving machinery not controlled by a person

4:1 Production Processes

Job production

Advantages	Disadvantages
▪ Products are usually high-quality ▪ Products can be made to meet the needs of individual customers ▪ Workers often get more satisfaction	▪ Costs of production will be high ▪ Labour costs may be high because job production often requires skilled labour

Technology is being used more and more in the production of goods and services.

Technological development is making it possible for technology to perform skilled work and reducing the need for human resources

Batch production

Advantages	Disadvantages
▪ The needs of different customers can be met by making batches of different goods ▪ Batches are made to meet specific orders from customers ▪ It may be possible to use specialist machines to automate production	▪ It takes time to switch production from one batch to another - costly ▪ May have to keep stock of raw materials to be able to switch production ▪ Less choice of products for customers ▪ Tasks are repetitive for workers

Flow production

Advantages	Disadvantages
▪ Large amounts can be made ▪ Costs of production for each unit is low ▪ Machinery can be used, helping to recue costs ▪ Technology can be used to change the products slightly to more are available for customers to choose from	▪ Goods are mass-produced so quality may be low ▪ Expensive to set up a production line ▪ Large stocks of materials need to be kept which can be expensive ▪ If production stops at any point then production stops everywhere ▪ Jobs can be repetitive and boring

Quality is:
about a product being fit for purpose and working in a way that it is supposed to

Quality control
A system for inspecting the quality of goods and services
Quality assurance
An approach that involves the whole business focusing on quality
Returns
Goods which customers take back to the shop because of problems
Recalls
The business asks for products to be returned because of faults

4:2 Quality of Goods and Services

Importance of providing quality products

It avoids waste
If goods are not of a good quality they may not be able to be sold and so the producer has wasted money

It avoids recalls
If unsatisfactory products are made and sold they will then have to be recalled and the issue resolved at a cost to the manufacturer

Reputation and sales
Customers will not be happy with poor quality products and may shop elsewhere in the future

Disrupted production
Production may be disrupted if quality is poor from the start

4:3 The Sales Process and Customer Service

Businesses are able to use a range of selling methods.
E-commerce:

Pros to the business
Can sell worldwide
Open 24/7
Professional look at little cost
Lower operating costs

Cons to the business
Worldwide competition
Problems with delivering and returning goods
Online security issues
Technology advances rapidly

Pros to the customer
Price comparison available
24/7 availability
Wider range of products

Cons to the customer
Lack of personal contact
Problems returning goods
Only image of goods seen
Security
Cannot pay with cash

E-commerce
Bringing together the buyer and seller electronically
Customer service
What a business does to keep customers happy
Face-to-face selling
Usually completed in a shop where there is direct contact between buyer and seller
Telesales
Sales completed over the telephone
After-sales service
Any help and advice given to customers after they have bought a product

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Unit 4: Operations

4:4 Consumer Law

Consumer law is: the area of law which protects customers.

Customers are protected by the **Consumer Rights Act 2015**. This Act of Parliament gives customers protection when they buy goods and services.

They must be:

- Fit for purpose
- As described
- Satisfactory quality

Fit for purpose
This means that goods must do what they are meant to do
As described
This means goods must be as the business describes
Satisfactory quality of goods
This means that how the goods are made will reflect the price
Reputation
What customers say about a business

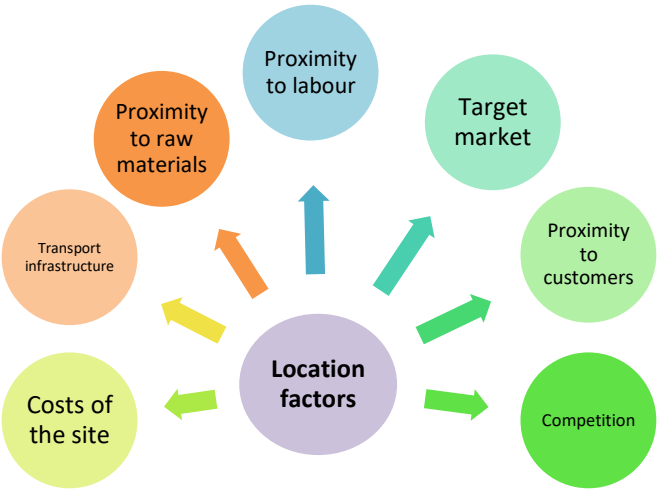
Impact of consumer law on business	
Production	A business must make sure that the quality of the goods is up to standard. They must not be faulty or damaged when bought. If they are not customer could return products and this will affect their reputation.
Safety of goods	If goods are produced in a defective way customers can claim compensation for damage or personal injury. This could result in huge costs for the business and a loss of reputation.

4:5 Business Location

Location: refers to the place where a business is sited

For many businesses, the decision of where to locate is one of the most important decisions it takes. There are a number of factors that influence the location of a business

Proximity
Means 'nearness to'
Labour
The people employed by the business to produce goods and services
Raw materials
Materials needed to produce saleable goods and services
Transport infrastructure
The provision of roads, railways, ports and airports

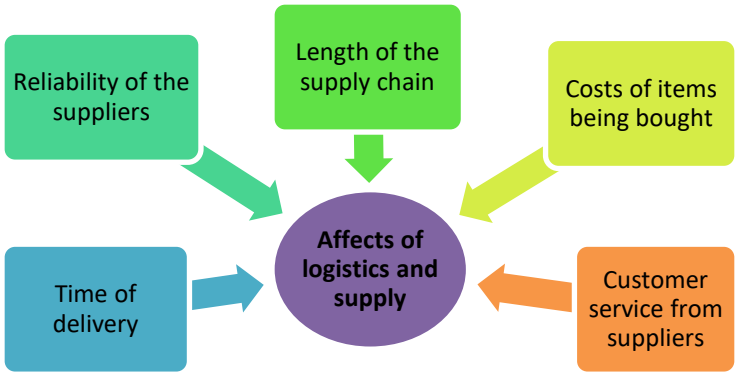


4:6 Working with Suppliers

Logistics
The management of the transportation and storage of goods
Procurement
The management of purchasing within a business
Suppliers
Parties who supply goods and/or services to a business

Procurement has a number of roles within a business:

1. Identifying goods and services to buy
2. Choosing suppliers
3. Ordering goods and services
4. Receiving deliveries from suppliers



Assessment Information

Possible questions

1. State one way consumers are protected by law.
2. Explain why quality is important to businesses.
3. Analyse one benefit of using batch production.
4. Recommend one type of production a business could use for a product.
5. Evaluate the importance of selling good quality products.

State **Explain** **Analyse** **Recommend** **Evaluate**

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Unit 5: Finance

5:1 The Role of the Finance Function

Finance function
is the finance department and is only found in larger businesses

It is vital for any business to have accurate financial data. Without accurate data wrong decisions could be made which affect the business negatively.

When will financial info be useful in business decision-making?	
When a business decides to become more environmentally friendly	There may be increased costs to monitor, it may need extra finance - finance function will provide this
When the business is thinking about changing production methods	A prediction in changes of costs will be needed from the finance function as well as what extra finance will be needed and how the changes might affect cash flow
When the business wants to change the way it markets its products	The finance department would provide information about the costs of these new advertising methods and may need to raise extra finance

Financial information
Includes details of profit, loss, cash flow, break-even, profit margin and average rate of return. These can be used to help make business decisions.

5:3 Revenue, Costs and Profit

	Calculation
Revenue	Quantity sold x selling price
Variable costs	Quantity sold x variable cost per unit
Total costs	Fixed costs + variable costs
Gross profit	Revenue - cost of sales
Net profit	Gross profit - expenses
Gross profit margin	Gross profit ÷ revenue x 100
Net profit margin	Net profit ÷ revenue x 100
Profit	Revenue - costs

Businesses will need to interpret these figures to help make business decisions

Revenue
Money from sales
Average rate of return
A method of measuring and comparing the profitability of an investment over its life
Loss
Occurs in a business when costs are greater than revenue
Expenses
The costs of operating the business
Profitability ratios
Calculations which help to interpret financial data

5:2 Sources of Finance

Owners' capital

Advantages	Disadvantages
▪ No need to repay the money ▪ No interest has to be paid ▪ No cost to raise the finance ▪ Readily available	▪ The owner might not have enough savings to cover the whole finance ▪ May leave the owner short in personal situations

Retained profit

Advantages	Disadvantages
▪ No interest has to be paid ▪ No need to repay the money ▪ No cost to raise the finance ▪ Readily available	▪ Business might not have enough profit to cover the whole finance ▪ May leave the business short in the future in emergency situations

Loan

Advantages	Disadvantages
▪ Repayment is spread over time ▪ Business knows exactly how much has to be repaid and when ▪ Money is available quickly	▪ Interest has to be paid ▪ Business may need to risk an asset as security ▪ Bank will want to see a business plan to ensure they can afford the loan

Issuing shares

Advantages	Disadvantages
▪ A lot of finance can be raised from many investors ▪Money does not have to be paid back ▪ No interest is payable	▪ Dividends may have to be paid to shareholders ▪Shareholders are entitled to have a say in the running of the business ▪The business may be taken over by a competitor

Interest
The amount of money that has to be paid back on borrowed money
Sale of assets
Items sold by the business

Crowd funding
Money raised through an appeal to public
Overdraft
An arrangement with a bank to spend more money than it has in its account

Retained profit
Profit not distributed to owners
Loan
Sums borrowed for a certain period at an agreed rate of interest

Owners' capital
Money from savings put into the business by the owner

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Unit 5: Finance

Break-even forecast
A prediction about the break-even quantity based on estimates of future sales revenues and costs

Break-even quantity
The amount a business must sell to earn enough revenue to cover its costs

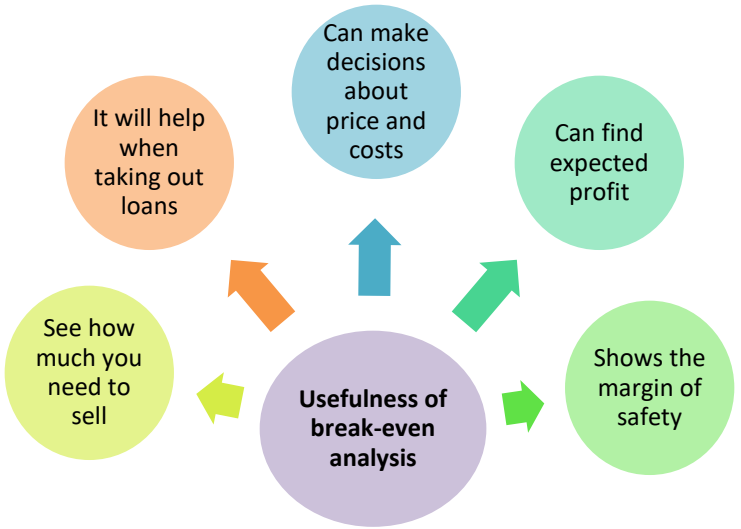
Margin of safety
The amount by which a business' actual output is greater than its break-even output

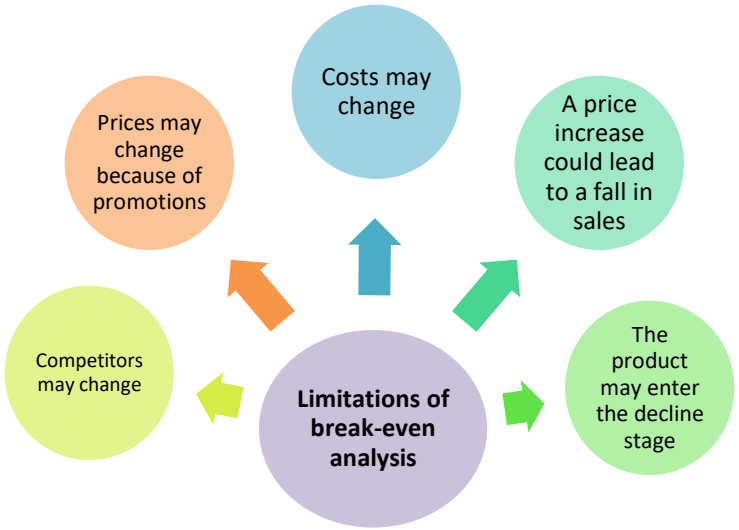
Businesses use information about revenues and costs to calculate the break-even level of output

5:4 Breakeven

Calculating break even

Total fixed costs ÷ (price - variable costs per unit)

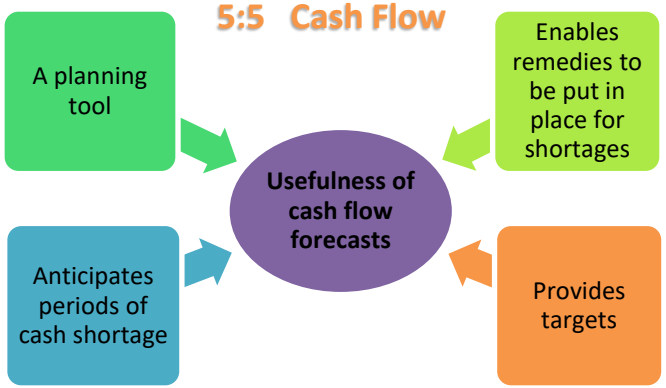




Cash flow forecast: shows the expected flow of money into and out of a business

Inflows
Cash flowing into the business
Outflows
Cash flowing out of the business
Expenditure
Money that the business pays out
Opening balance
Cash available at the start of the month
Closing balance
Cash available at the end of the month

5:5 Cash Flow



A negative cash flow may:
- only be temporary and may not necessarily cause a problem for the business
- require the business to obtain additional finance in the form of an overdraft to help it overcome a shortage of cash
- mean that the business has to delay payment of money it owes to others such as suppliers

Assessment Information

Possible questions

1. State one function of the finance department.
2. Calculate the profit a business would make in 4 weeks.
3. Analyse one benefit of using owners' savings.
4. Recommend one source of finance for a business to use.
5. Evaluate whether a business should use a bank loan or retained profit for a business venture.

State **Explain** **Analyse** **Recommend** **Evaluate**

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Unit 6: Influences on Business Activity

6:1 Ethical and Environmental Considerations

Ethics is: about what is right and wrong

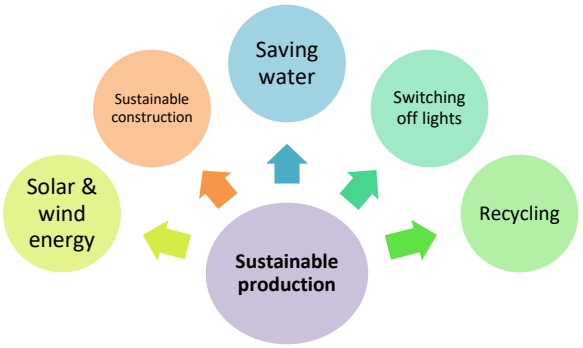
Ethics involves treating workers, suppliers and customers right however what is right and wrong changes over time so it can be hard for businesses to keep up.

Ethical marketing
Marketing activities that seek to give customers information to make good choices

Environmentally friendly
Describes consumers and businesses that act to make production sustainable

Sustainable production
The share of the total market for a product

Benefits of being environmentally friendly	
Increased sales	Reduced costs
Reduced tax bills	Reduce resource scarcity



6:2 The Economic Climate

Economic climate: refers to how well the country is doing in terms of the levels of income and employment

Gross Domestic Product (GDP) is a measure of the amount of goods and services a country produces

Income
The amount of money people receive from work

Customers
Buyers of goods and services

Consumer income
The total amount of income that all customers in the country receive

A rise in GDP means the economy is growing and incomes rise

A fall in GDP means the country is in a recession and incomes fall

	Response to economic change
Production	▪ Sell the product at a lower cost to beat competition *(less profit though!)* ▪ Improve quality control to reduce wastage ▪ Increase productivity through technology
HR	▪ Increase productivity by motivating workers
Finance	▪ Reduce costs by improving cash flow, reducing interest payments on overdrafts or loans ▪ Change loans to get a lower interest rate
Marketing	▪ Change the marketing mix - Change the product to appeal to different customers - Increase promotion - Different pricing strategies - Sell using e-commerce

6:3 Globalisation

Globalisation is: the process by which business activity around the world has become increasingly interconnected

International branding
Creating an image or values for a product in different countries

Multinational companies
Businesses that operate in different countries

Productivity
A measure of output of each worker on average

Free trade
The absence of restrictions on trade between countries

Pros of a UK business locating abroad	Cons of a UK business locating abroad
▪ Lower labour costs ▪ Lower costs ▪ Expertise ▪ Skilled workers ▪ Demand	▪ Quality control ▪ Poor communications ▪ Transport ▪ Loss of UK sales ▪ No skilled labour ▪ Costs of moving

Influences on business

Ethical and environmental considerations
There could be negative implications if businesses don't follow UK guidelines in other countries

The economic climate
This will influence whether or not a business is willing to operate there - if low income the business will suffer

Assessment Information

Possible questions

1. State two advantages and two disadvantages of moving production abroad.
2. Define the term 'globalisation'.
3. Explain how environmentally friendly could affect the finance department.
4. Analyse how being environmentally friendly can benefit a business.
5. Analyse two impacts of globalisation on a business.
6. Evaluate how a rise in income could affect different business functions.

State **Explain** **Analyse** **Recommend** **Evaluate**