Theme 1 Investigating small business

1.1 Enterprise & entrepreneurship	**1.1.1 The dynamic nature of business**	I can explain that businesses operate in a dynamic landscape due to technology, consumer trends and obsolesce.
	1.1.2 Risk and reward	I can explain risk and reward for small business owners
	1.1.3 The role of business and enterprise	I can explain the difference between goods and services, and how to survive businesses need to provide want consumer want, in terms of adding value.
1.2 Spotting a business opportunity	**1.2.1 Customer needs**	I can explain the different needs of customers and explain how these are linked to business success.
	1.2.2 Market research	I can explain primary and secondary methods of research with advantages and disadvantages, as well as explain qualitative and quantitative data.
	1.2.3 Market segmentation	I can explain why businesses divide the market into customer groups with distinct preferences (segmentation) and how market mapping can be used by businesses
	1.2.4 The competitive environment	I can analyse the different offerings of competitors (competitor analysis) in relation to convenience, choice, customer service, price and quality.
1.3 Putting a business idea into practice	**1.3.1 Business aims and objectives**	I understand why different businesses will have different aims and objectives, and can differentiate between financial and non-financial aims.
	1.3.2 Business revenues, costs & profits	I understand and can calculate: revenue, variable and fixed costs, profits, total costs, interest, break-even and margin of safety
	1.3.3 Cash flow	I understand the difference between cash and profit and can calculate cash flow and give solutions to poor cash flow
	1.3.4 Sources of business finance	I can describe short term and long term sources of finance, with advantages and disadvantages of each then recommend most appropriate source
1.4 Making the business effective	**1.4.1 Start-up options**	I understand the terms limited and unlimited liability, franchisor and franchisee.
	1.4.2 Business location	I can explain the factors that will influence location, and also explain how they type of business might be important when considering location.
	1.4.3 The marketing mix	I recognise the dynamic nature of the marketing mix (4P's) and can explain how changes in technology affect the mix.
	1.4.4 Business Plans	I know the importance of a business plan, its contents and its role in reducing risk for a small business, and attracting better finance rates.
1.5 Understanding external influences on business	**1.5.1 Business stakeholders**	I know how stakeholders can impact business, their different needs and wants and how this can lead to conflict.
	1.5.2 Technology and business	I am aware of technological developments that will impact on small businesses in terms of payments systems, and marketing
	1.5.3 Legislation and business	I am aware of the purpose of legislation and its potential impact on businesses, both positive and negative.
	1.5.4 The economy and business	I understand economic activity (GDP) and its impact on unemployment, inflation and sales.
	1.5.5 External influences	I understand how businesses have to respond to external influences – exchange rate (SPICED), legislation and technology.

1.1 Enterprise and Entrepreneurship

1. Dynamic Nature of Business

Dynamic -"constantly changing"

This change results in **new businesses,** and the development of **new ideas**

1. TECHNOLOGY

Results in products and services that are:

- Faster
- Smaller
- Cheaper
- Easier to produce
- Safer

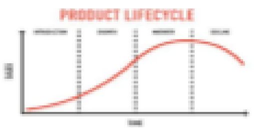
2. CHANGING CONSUMER NEEDS

- Fashions
- Economy
- Lifestyle
- Demographics
- Technology

3. OBSOLESCENCE

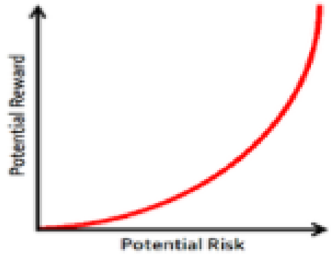
Products and services become outdated quickly. Some products are even designed only to last a short amount of time

"PLANNED OBSOLESCENCE"



2. Risk and Reward

Risk-"probability of a negative outcome happening"

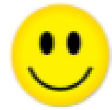


RISK

- Business failure
- Financial loss
- Lack of security

REWARD

- Business success
- Profit
- Independence



Reducing risk . . .

Business plan, market research, start-up finance

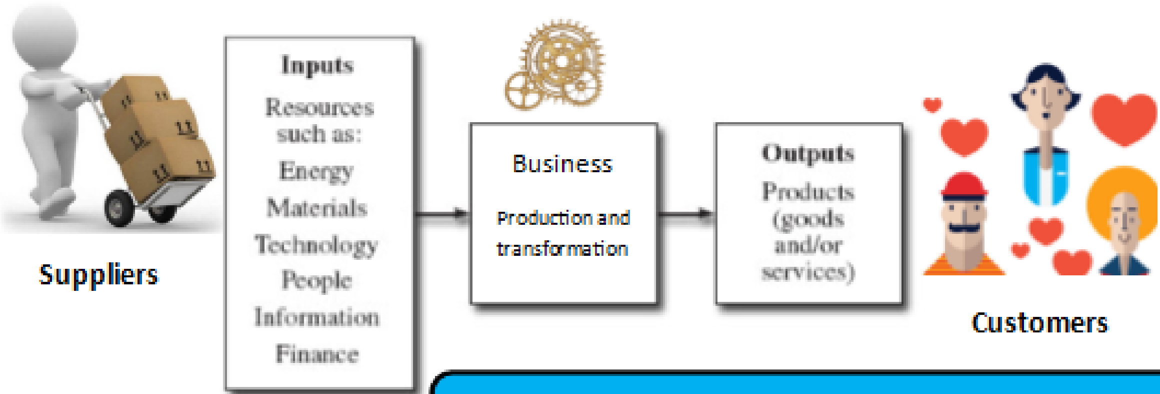
RISKY BUSINESSES . . .

1.Seasonal (cash flow)

2.Highly competitive (sales)

3.Owner's knowledge is poor

3. The Role of Business Enterprise



4. Added Value

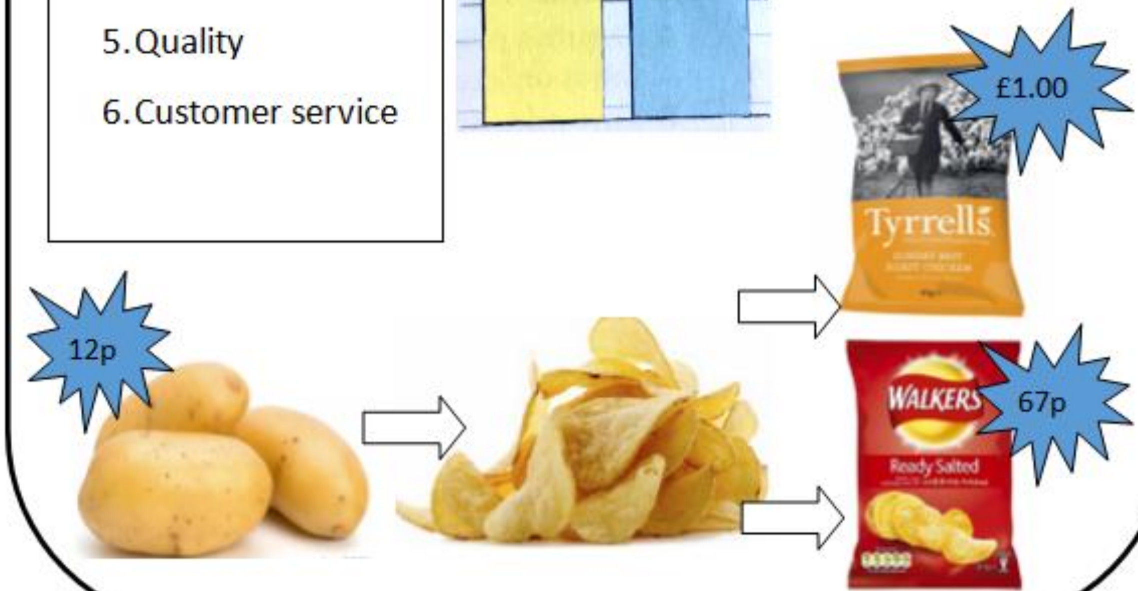
A successful business will be able to add value o their products and services. This can be done by lowering variable costs, or adding something that will make customers pay more

Ways to add value

1. Convenience
2. Branding
3. USP
4. Design
5. Quality
6. Customer service

Calculating Value Added:

Selling price - production cost



5. The Role of Entrepreneurship

Entrepreneur -"a person who owns and runs their own business. They are risk-takers who have an initial idea and the willingness and confidence to see it through"

This change results in **new businesses,** and the development of **new ideas**

CREATIVITY

The act of turning new and imaginative ideas into reality.

INVENTION

Creation of a new idea or concept

INNOVATION

Turning a new concept into commercial success of widespread use

Benefits to the economy:

Creating products and services to meet needs, creating jobs, generating economic activity through consumer spending, exporting goods abroad

1.1 Enterprise and Entrepreneurship

FOCUS
Risk and Reward

Exam Focus

Risk

"The possibility that an enterprise will have lower than anticipated profits, experience a loss, or fail"

1.Business failure

Can occur because your business does not make enough sales revenue (lack of interest, poor market research, not meeting needs and wants). If your business is unable to purchase materials and continue it will fail

2. Financial loss

Businesses can be very expensive to run, and sole traders are likely to invest their personal money into the business.. They could lose their savings , and if things don't go well their personal possessions.

3. Lack of security

Choosing to set up on your own, often means you give up working for someone else where you would have been paid on a regular basis. This can mean you don't know when or if you will get paid (profits) from your business. This can make people feel very anxious

RISK

REWARDS

Reward

"The benefit (s) that an entrepreneur or investor receives when a business is successful. They include; business success, profit, independence"

1.Business success

Success can lead to a real sense of pride and achievement

2. Profit

If the business is successful the owner will take the profits as his earning. More profits, more money in the bank account!

3. Independence

Many people don't like being told what to do. Being an entrepreneur means to work for yourself and make all of your own decisions.

1.2 Spotting a Business Opportunity

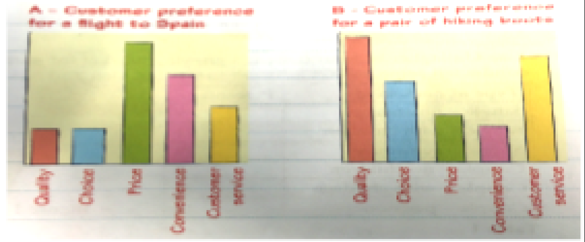
1. Customer Needs

1	Quality
2	Choice
3	Price
4	Convenience
5	Customer Service

The ability to meet customer needs is important as it will encourage repeat purchase and attract new customers.

Customers all have differing needs and personal circumstances which will influence their purchasing decisions.

When buying different products, some factors might be more or less important



2. Market Research

The purpose of market research is to help a business understand its customers, competitors and the market, in which it operates, in order to make better business decisions

Purpose . . .

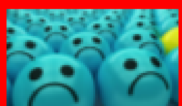
- Find gaps in the market
- Identify competitors
- Understand trends
- Reduce risk and inform decisions
- Get feedback

Primary Research Methods		
1	Surveys	Analysis:
2	Focus groups	• More accurate
3	Observations	• Up to date
4	Experiments	• Specific to needs
5	Questionnaires	• Effective for qualitative data
6	Social media	• Direct customer contact

Secondary Research Methods		
1	Internet sites	Analysis:
2	Local newspapers	• More general
3	Government reports	• Less time-consuming
4	Market reports	• Effective for quantitative data
5	Telephone directories	
6	Sales data	

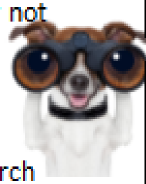
Limitations . .

- Expensive
- Time consuming (for small businesses)
- Sample size—if too small, may not be reliable



BIAS

Research can be biased if customers give the answers they think the business wants them to give. Bias easily occurs by not surveying a 'representative' sample of people



RELIABILITY

In order to make good business decisions the market research and data collected must be reliable. Coming from a representative sample, being accurate and relevant

QUALITATIVE

Information about people's opinions, judgements and attitudes

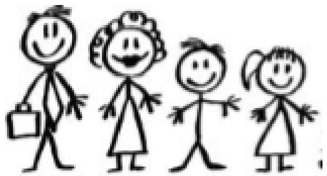
QUANTITATIVE

Data that can be expressed as numbers and statistically analysed.

1.2 Spotting a Business Opportunity

3. Market Segmentation

Market segment—"A group of buyers with similar characteristics



	Methods of segmentation
D	Demography
I	Income
G	Gender
A	Age
L	Location
L	Lifestyle

Benefits :

- Meet specific needs
- Differentiate products
- Focus on specific groups of customers
- Target marketing activity
- Develop a unique brand image
- Build relationships

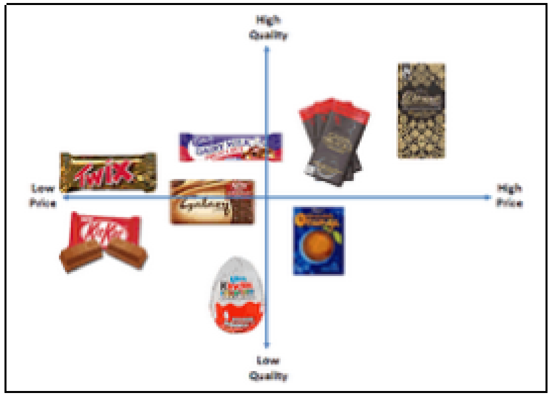
Drawbacks :

- Costly to cater for a range of customers
- Focusing on one type of customer, can mean your lose others
- Characteristics change over time

4. Market Mapping

Used to find a 'gap' in the market, and a businesses position in the market.

Compares two variables; usually price and quality



Helps identify opportunities

Help identify close rivals/competition

Helps support market segmentation

Based on opinions rather than data

Compares on only two variables

5. Competition

Head-to-head competition, is to have similar products and compete on PRICE

A different way to compete is through DIFFERENTIATION

Differentiation:

1. Wider product range (store/branches)
2. Better customer service
3. Stronger brand image (advertising)
4. More convenient location
5. Higher quality
6. Better design

Competitive Markets

Where there are a large number of businesses relative to the number of potential customers. Also true for commodity goods

Drawbacks :

- Low prices to attract customers
- Lower profit margins

FOCUS

Market Research Methods

Exam Focus

Primary Research Methods

(field research)

Surveys - this is about gathering people's opinions and information about your business/ service. To survey—is to gather information about a market or market segment

Focus groups - getting people together to review a product idea. Focus groups allow people to give their detailed feedback and ask questions. Usually small groups of 5-12, it also gives the potential customer a chance to see the product, or try it

Observations - this is where you watch the customer and see what they do. For example, you could set up a supermarket display and then see how many people pick up a particular product. You could watch a certain aisle and see what product attract customers more and use this in your own marketing

Experiments - including product trials you would ask potential customers to use (or eat) your product to get their reviews. Apple did this with the iPhone X when they sent phones to journalists and social media bloggers to try to product two weeks before launch

Questionnaires - A quick way to gather a lot of information from the public. Simple forms can include open and closed questions

Social media - polls can be used on social media, as can peoples comments in relation to posts. This can be an effective method of getting a lot of feedback very quickly, due to sharing and communities on social media websites like Facebook and YouTube

Secondary Research Methods

(desk research)

Internet sites - used to gain information about competitors as well as lots of other information. Quick to access and virtually free. Lots of information can be found

Local newspapers - newspapers can include names and adverts of other businesses and potential competitors.

Government reports - written about specific areas of government concerns like; health and obesity in the UK, transport reports, crime statistics

Market reports - written about purchasing habits and changes with a specific market; for example the confectionery, health and fitness or car market. Good for identifying trends

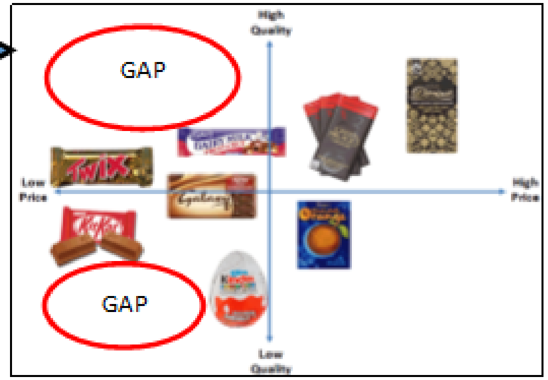
Telephone directories - excellent for identifying competitors and getting contact details. You could then use this information to find out about services and prices (competitor analysis)

Sales data - having sales data and sale reports can allow you to find trends in purchases, which can be liked to consumer wants and needs. If something is reducing in sales, perhaps it is becoming obsolete

Market Map

Used to identify competitors in your market, and any gaps that you could fill with your business idea.

Find a gap, come up with a USP and gain customers!!



1.3 Putting a business idea into practice

1. Aims and Objectives

An **aim** is what a business wants to achieve; whereas an **objective** is a smaller step to help achieve the aim. Objectives should be SMART (specific, measurable, achievable, realistic and time-bound)

Financial Aims		Non-financial aims	
1	Survival	1	Social objectives
2	Sales targets	2	Personal satisfaction
3	Market share	3	Challenge
4	Profit	4	Independence and control

Different aims and objectives

Businesses are likely to have different aims and objectives based on; the industry the business operatives in, the owners beliefs and priorities, and the length of time the business has been running.

2. Revenues, costs and profits

Revenue - Total Costs = Profits

Revenue

Selling price x quantity sold **(SP x Q = Revenue)**

Businesses can have multiple **income streams**—regular customers, impulse purchases, families to try and increase profits, but this is only effective if costs can be kept low

Total costs

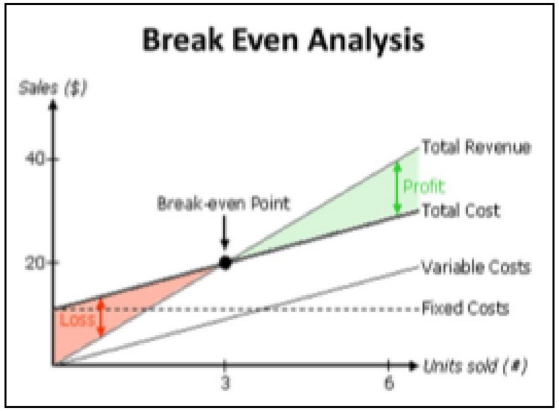
Fixed costs + variable costs **(FC + VC = TC)**

Costs include all the things that businesses have to pay for in the running of the business and the creation of the product.

- Fixed costs—stay the same regardless of output
- Variable costs—increase with output

Gross profit = Revenue *minus* Cost of Goods Sold (COGS)

Net profit = Gross profit *minus* operating expenses



Break-even point occurs when:

Total revenue = total costs

Contribution method

BE = $\frac{\text{fixed costs}}{\text{Contribution}}$

(Selling price—variable costs)

Margin of safety

Actual Sales (budgeted) - Break even point in units

3. Cash and cash flow

Total inflows - total outflows = net cash flow

Importance of cash

A business that does not have enough cash will be unable to pay bills, and therefore fail, even if it is making a profit. Managing cash flow can be difficult because not all customers pay for good when they purchase them (credit sales), as they will be invoiced to pay 30, 60 or 90 days later.

Effective cash flow management is necessary to avoid business failure through INSOLVENCY; and to:

- Maintain good relationships with suppliers—vital to ensure you keep receiving goods when you need them
- Enable to payment of overheads—electricity and other utility bills are essential and will be cut off if a business fails to pay
- Pay employees —wages, NI must all be paid every month (ON TIME)

The difference between cash and profit

Not all cash coming in is kept by the business—it is used to pay bills and other overheads. This will be the variable costs—related directly to making the product, but also contribute to some of the fixed costs (rent, salaries)

Once all of the costs have been covered—only then does a business have profit. Profit is money the business, or business owner, gets to keep.

	Jan	Feb	Mar	Apr	May	Jun
Sales	200	150	175	250	125	350
Loan		0	0	0	500	0
Total Receipts	1200	150		250	625	350
Raw Materials	150	200	310	200	230	
Van Costs	170	170	180	180	190	190
Interest	40	40	40	40	40	40
Total Payments	360		530	420	460	340
Net Flow	840	(260)	(355)	(170)	165	10
Bank B/F	0	840	580	225		220
Bank C/F	840	580	225		220	230

4. Sources of business finance

At all times a business will need access to additional funds, and not just the cash from sales revenue. This can be used for day to day activities, purchases or growing the business.

Short-term sources

Used to help with a positive cash flow, for less than a year.

Trade credit	30, 60, 90 days. Buy now, pay later following an invoice. There will be terms and conditions that must be maintain with the supplier for this agreement
Overdraft	Banks will allow you to withdraw more than is in your account, charged with interest so best used for emergencies only.

Long-term sources

Used for large purchases, and will take over a year to payback

Loans	L	Given by banks usually for between 3-10 years. Cash is received into the bank account very quickly once arranged . Paid bank monthly with interest
Retained profit	R	If the business is profitable, they can reinvest this money the next year
Crowd funding	C	Raising money telling people about your idea on the internet. Great for start-ups, but investors will want something in return.; discounts/ freebies
Savings	S	Usually the owners capital put into the business at the start.
Venture capital	V	Given to the business by investors (Dragon's Den) they will remain an owner for a short period of time, then you have to buy them out
Share capital	S	Shares are sold, so people can be part owners in your business. Can raise large amounts, but you will lose control

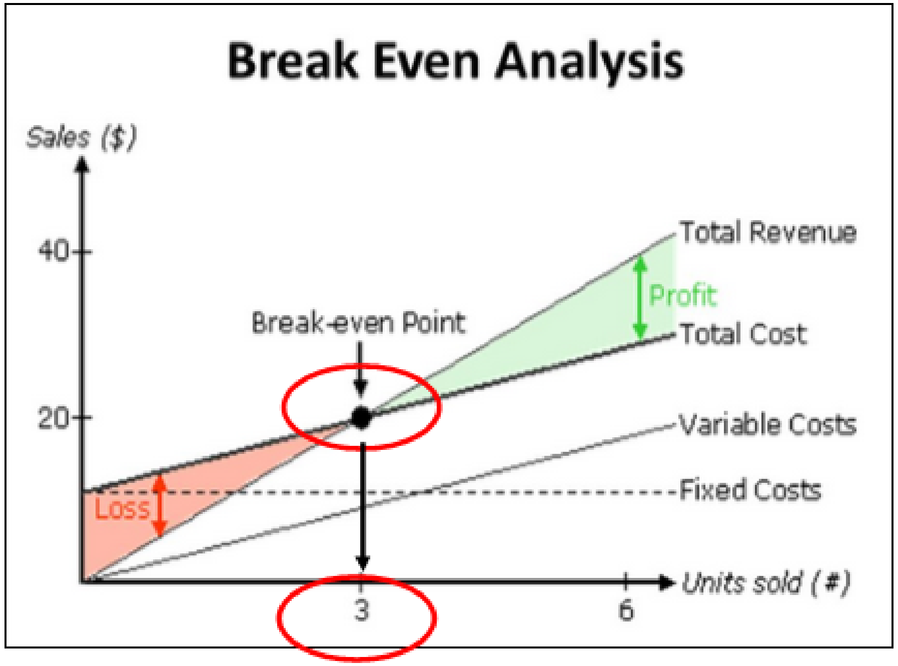
1.3 Putting a business idea into practice

FOCUS
Break even

Break even occurs when total costs = total revenue

The business will NOT be making any money, but they will have paid for everything that they need to (costs, bills, paying staff) After the break even point the business will begin to make a profit with each additional item sold

Exam Focus

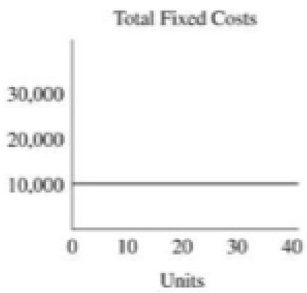


Revenue

Comes into the business from the customer. Revenue is made with every item that is sold. Total revenue is calculated by selling price x quantity (SP x Q)

Total costs

Fixed costs + variable costs (FC + VC)



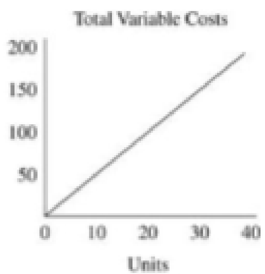
Fixed costs

Stay the same, regardless of output

E.g.. rent, salaries, advertising

Variable costs

Change in relation to output. The more you make, the more it costs, E.g. Raw materials, ingredients. Variable cost per item x quantity will give total variable costs.



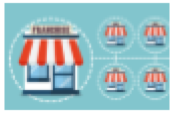
Lowering the break-even point, will mean that the business is able to make a profit selling fewer items.

The break even point can be lower through increasing revenue (advertising, increased prices, promotions) or by reducing costs (of raw materials, utilities)

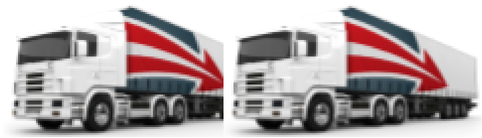
Each option has different +/-'s

1.4 Making the Business Effective

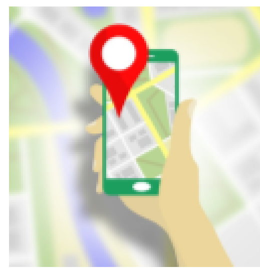
1. Options when starting up

	Explanation	Advantages	Disadvantages
Sole Trader 	Working on your own, you and the business are the same thing in the eyes of the law. Usually, sole traders are smaller businesses that open locally like florists, plumbers, handymen, dog walkers.	• Registration is quick, simple and cheap • Easy to manage and operate • Easy to dissolve • Make all of the business decisions, own boss • Keep all of the profits	• Unlimited liability • Raising capital is difficult • Not a separate legal entity • Lonely and no support
Partnership 	A business with several owners 2-20 usually. In this situation the ownership is shared between the business partners. Quite often used by vets, lawyers, and GP's • Partnership Agreement	• Share responsibility with someone else, making it easier to take time off • Shared decision making - less pressure • Advice • Prevents loneliness	• Arguments and disagreements • Shared profits
Franchise 	If you want to run your own business but worry about going it alone, then you could run a franchise instead. This reduces risk as you are running a well known brand	• Support from the franchisor • Well known brand and products • Training and advice • Access to suppliers	• Must run the business in line with franchise guidelines (not as independent) • Expensive to start • Pay royalities and share of profit to the franchisor
Limited Company (plc. ltd.)	A limited company is a business with limited liability. Only the capital invested into the business can be lost, if it fails. • Memorandum of Association • Articles of Association	• Limited liability of owners • Credibility as a business, so more access to finance • Easy to register • Clear succession	• Rules and compliance; publishing financial information • Complicated to close a limited company • Shared ownership and shared profits

2. Business Location



1	Proximity to **market**
2	Proximity to **labour**
3	Proximity to **materials**
4	Proximity of **competitors**



Proximity - closeness to . . . .

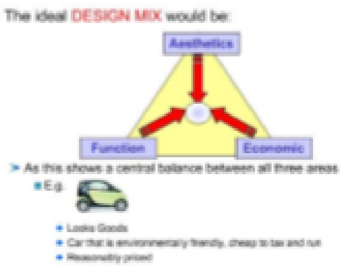
Market -> want to be close if selling everyday items (convenience). If selling something unique or special customers will be willing to travel

Labour -> some goods will require specialist skills to make. Therefore you might locate where the population have these skills (Computing skills inside the M25)

Materials -> if you are bulk reducing, locate close to materials to reduce transport costs. If bulk-increasing locate closer to customers to reduce transport costs

3. Marketing Mix

The 4P's should work together to meet the needs of the target audience *(see market segmentation 1.2)*. If a business owner can get the mix right it is more likely that their product will be successful.



Product

Design mix considers aesthetics, function and economic manufacture

Price

The business must decide on the right pricing strategy to reflect the image of the product they want.

Also important to set the price about the variable costs to help make a profit

Cost-plus pricing	Setting a price by adding a fixed amount or percentage to cost of making product
Penetration pricing	Setting a very low price to gain as many sales as possible
Price skimming	Setting a high price before other competitors come into market
Predatory pricing	Setting a very low price to knock out all other competition
Competitor pricing	Setting a price based on competitors prices
Price discrimination	Setting different prices for same good, but to different markets e.g. peak and off peak mobile phone calls
Psychological pricing	Setting a price just below a large number to make it seem smaller e.g. £9.99 not £10

Place

Location of the business is im-portant, although many businesses are choosing to use e-commerce (m-commerce) instead of physical businesses. You need to locate where your target market would expect to find you.

Promotion

Promotion is any activity that will get your business/product noticed. Again it needs to suit the image of the product and reach your target audience. Social media has been very useful for this.

4. Business Plan

Contents:

- Overview of the ideas
- Aims and objectives
- Target market and market research
- Financial forecasts
- Cash flow
- Sources of finance
- Location
- Marketing mix

WHY PLAN?

Reduces the risk of failure

A business plan allows an entrepreneur to organise their idea and logically think through whether it is likely to be a success before they do it. Conducting market research will check if there are competitors and if your chosen target audience are likely to purchase your product.

Access to finance

Having a clear business plan should allow businesses to access finance easier. Whether from friends and family, banks or venture capitalists a clear business plan will make them more likely to invest, potentially with better rates of interest too.

1.4 Making the business effective

FOCUS
Franchising

Exam Focus

Why buy into a franchise rather than 'go it alone'?

Franchising is an option for entrepreneurs who want to start their own business, but want to **reduce the risk of failure.** Franchising offers the opportunity to buy into a business model that is already successful, and probably has an established brand name in the market. The franchisee will also receive training and help from the franchisor (brand owner) which can help them, especially if they are new to running a business.

Many business owners chose to open a franchise as it is less risky, and is more likely to be successful. It also allows an entrepreneur to set up a business in a particular field of their choosing like; casual dining, cleaning or maintenance.

Why give the right to others to use your brand name?

Not only does franchising offer a good start up option for new business owners, it also has a good business argument for the owner (franchisor). By allowing other people to 'buy into' your brand and trade in the same way as you, using your name—you can quickly grow your brand name and gain a strong position in the market.

	Advantages	Disadvantages
For the franchisee (new owner)	• Established brand—reduces chance of failure • Training and advice given on running the business • Access to suppliers and trademarked name • Benefit from advertising campaigns of the brand • Keep a share of the profits	• % of profits will go back to the franchisor • High start up costs (£5,000—£200,000) • Less independence and flexibility as franchise follows the rules set out by the brand
For the franchisor (main owner of the brand)	• Rapid growth if successful in selling franchises • Large amounts of profits can be made • Brand recognition will be better as more branches open across the country, quickly	• Mut trust other people to run your brand in the way you intended • Mistakes or poor management in one branch can easily damange the brand • On going support and training to franchisees

FOCUS
Liability

Bob here is a **SOLE TRADER**, this means he is solely responsible for all of The finances of his business.

He has **UNLIMITED LIABILITY.** This means that if Bob is unable to pay his bills, or his creditors (people who lent him finance) then bailiffs are able to come into his home and seize his personal possessions to pay off the **DEBT.**

In the eyes of the law due to unlimited liability, Bob and the business are seen as the same thing

	Advantages	Disadvantages
Limited Company	• Limited liability of owners • Credibility • Easy to register • Clear succession	• Rules and compliance, publishing financial information • Complicated to close a limited company • Shared ownership and shared
Sole Trader	• Registration is quick, simple and cheap • Easy to manage and operate • Easy to dissolve	• Unlimited liability • Raising capital is difficult • No separate legal entity

LIMITED LIABILITY

LIMITED LIBAILITY means that in the eyes of the law, the business is a separate legal entity. Therefore the business is responsible for its owns debts.

If the business cannot pay its bills, it is known to be INSOLVENT. At this point the business can go into ADMINISTRATION where a company will come into the failing business to find assets to sell to pay creditors (people it owes money to).

A business must be a registered company to have limited liability. There are 2 forms:

Private limited company (ltd.)

Shares are sold to raise money - usually between friends and family to maintain control of the business

Public limited company (plc.)

Shares are available to the general public and other businesses to buy on the London Stock Exchange. This can really help a business raise finance for growth or new products

Exam Focus

1.5 External Influences

Stakeholder group	They want	Conflicts with
Shareholders Shareholders are also the owners of a company and generally want to make the company bigger (growth) and better (more sales and profits)	• Growth of the business • Increase in sales revenues • Increased profits • Return on their capital investment - through dividends	• **Employees** - who want better pay, which would mean higher costs and therefore less profit
Employees Employees want to feel safe at work and want to be looked after. They have security needs in terms of a regular income.	• Secure employment (guaranteed income) • Fair treatment • Good working conditions (breaks and holidays) • Good pay	• **Shareholders** - who want to reduce costs to get bigger profits, this means less money is spent on employee welfare or wages
Customers Customers want choice, fair prices, quality and convenience.	• Lower prices • Convenience - longer opening hours 24/7, location • Choice - larger stores	• **Community** - may not want large stores and later opening hours due to disruption • **Employees** - may not want to work longer hours and late at night
Managers Managers run the business and therefore want to be successful. Many may be promoted if they do a good job	• Reliable hardworking staff • Repeat purchase and a good reputation • Job security • Promotion/salary increases	• **Shareholders** - managers may not get promotions / salary increases to keep costs down
Suppliers Businesses also have a relationship with their suppliers. Suppliers	• Fair prices • Regular orders • Increased orders	• **Shareholders** - who want to keep costs down to increase profits, will out pressure on suppliers to reduce their p ices.
Community These people live near the business and therefore care about the activities that it undertakes.	• They want to be undisturbed by the business - noise, littering, pollution • They may also want benefits like discounts or first choice tickets (O2)	• **Customers** - they may want late ngiht opening and convenient access, but the local community do not (McDonalds)
Pressure groups Greenpeace , Save the Animals, Unicef	• Rights to be respected (animals, children, the poor, the vulnerable)	• **Customers** - some pressure groups target customers who wear 'fur' • **Shareholders** - protests and activities to damage reputation
Government The government have wider concerns about businesses	• Employment , NI and tax contributions • Increase of UK GCP (more businesses) • Tax revenue (through corporation or income tax)	• **Shareholders** - by imposing National Living Wage; increasing business costs. Increasing tax rates can reduce shareholder profits.

2. Technology and Business

Technology has changed the way that businesses can operate. Below are some of the most important changes that you need to be aware of:

1. Payment Systems

Apple Pay, Contactless, PayPal - quicker and safer

2. Social media

Customer communication and feedback, as well as being used of market research and polls

3. Communication

The internet has brought lots of options when it comes to communicating - web conferencing, social media, Cloud services, websites, and instant messaging - free

4. E-commerce

Buying and selling online. 24/7 access with immediate payment and access to a global audience so no longer a need for big premises, which can add to overheads and costs.

Impacts of technology	
SALES	Businesses can now reach a wider audience due to technology and the internet, however they may now need to work hard to get these sales. Technology means consumers can research prices, reviews and products from more competitors really easily.
COSTS	New technology can be both a positive and negative impact on costs. (i) cost savings can be made using technology (social media, more efficient business activities (ii) it can also increase costs—new payments systems, websites etc.
MARKETING	Price—firms need to be more competitive Product—constantly changing and developing products Place—easier to sell directly to customers Promotion—social media means you can target market segment more easily

1.5 External Influences

3. Legislation and Business

The Consumer Rights Act 2015

All goods must be of:

1. Satisfactory quality
2. Fit for purpose
3. Described accurately

Consumers have a right to refund, repair or replacement

Delivery is the responsibility of the seller.

The Consumer Protection Act 1987

Makes producers liable for faulty products and damage caused by them. Consumers have the right to claim compensation for damage, death or injury.

Claims cannot be made for:

- Loss or damage to the product itself
- Damage to business products not intended for private use
- Damage to property with a value below £275

1.5 External Influences

Employee Protection

The Equality Act—protects against discrimination at work, under 9 areas:

- Gender
- Religious beliefs
- Marriage
- Gender reassignment
- Sexual orientation
- Disability
- Pregnancy/maternity
- Race
- Age

The Health and Safety at Work Act—sets out rights and responsibilities to maintain a safe place of work. Includes providing safety equipment (PPE)

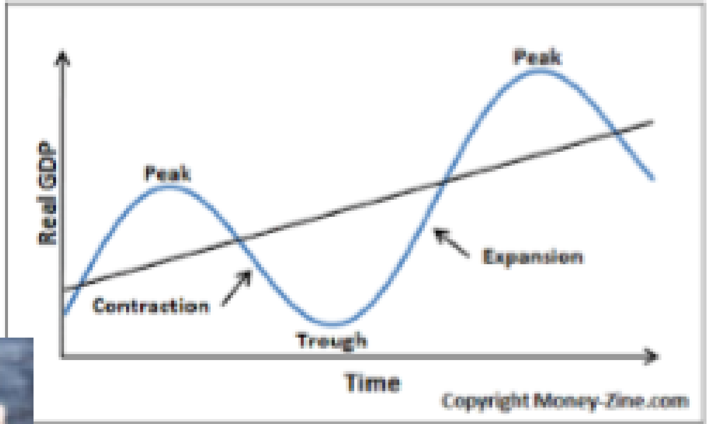
The Working Time Regulations—maximum working week of 48 hours. Minimum 5.6 weeks paid annual leave, consecutive 11 hours rest in 24 hour period, 20 minute break on 6 hours shift, 1 day off a week

The National Minimum Wage (1998) - minimum requires set out for pay per hour for different age groups.

4. The Economy and Business

Measures of the economy:

- GDP - % rate
- Unemployment/job vacancies
- Consumer income
- Customer confidence
- Business investment



The Business Cycle

Refers to the changes in an economy over time.

Steady growth is desirable, but too much growth can lead to inflation. Inflation means everything is more expensive, soon people aren't able to afford prices and so spending reduces. When this happens businesses lay off staff, who become unemployed. They have less money, so spend less in the economy = **recession**

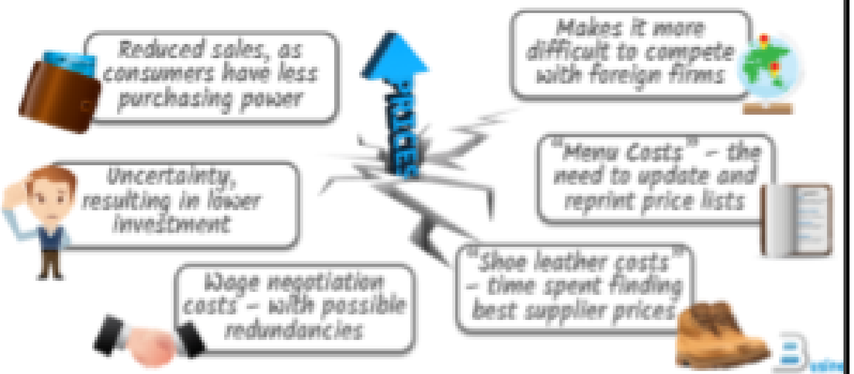
If interest rates are reduced, people are more likely to borrow money, which then encourages more spending in the economy. Businesses sell more, recruit more staff and the economy grows again = **expansion**

"The production and consumption of goods within a country"

The government can manage the economy using a variety of techniques:

- **Taxation** — if people are taxed more, they feel poor and so will spend less, slowing down economic growth. The reverse will be true if taxation is decreased.
- **Interest rates** - lower interest rates means people will tend to borrow more and save less, therefore their money will go into the economy through shopping. If interest rates are really high, people will stop spending and save.
- **Exchange rates** — if the pound is in demand (people are investing in the UK economy) our £ will be worth more

STRONG POUND IMPORTS CHEAPER EXPORTS DEARER



A general increase in prices in an economy. Unmanaged can lead to HYPERINFLATION — THINK Post war Germany

A reduction of prices within an economy

1.5 External Influences