GCSE Business Studies Unit 1 Exam (AQA)



Mr Potts

GCSE Business Studies

<u>Unit 1 Topics</u>

GCSE	Setting up a Business (Section 3.1)
Business Studies 4133	Assessed by Unit 1 – Setting up a Business Written Paper (1 hour) 60 marks/40%

Here are the topics you have been studying during year 10. You can use it as a list of revision for the Unit 1 exam in the summer 2012.

1. Starting a Business

1.1 Starting a Business Enterprise

•	Sources of business ideas		[]
•	Looking for a gap in the market		[]
•	ldentifying a product or market niche		[]
•	Reasons for starting a business		[]
•	Franchises	[]	

1.2 Setting Business Aims & Objectives

•	Types of aims & objectives	[]	
•	The purpose of setting objectives	[]	
•	Using business objectives to measure success		[]
•	How stakeholders can influence business object	ives	[]

1.3 Business Planning

•	The purpose of business planning []	
•	The main sections of a new business plan	[]	
•	Uncertainty and risk when starting a new business		٢1

1.4 Ch	oosing the Appropriate Structure for the Dusi	1655
•	Sole Trader Partnerships	[] []
•	Private Limited Companies (Itd)	[]
1.5 Ch	oosing the Location of the Business	
•	Factors influencing the choice of business loca	ation []
<u>2. Mar</u>	keting	
2.1 Co	nducting Market Research	
•	Reasons for doing market research	[]
•	Different methods of market research	[]
2.2 Th	e Marketing Mix	
•	Elements of the Marketing Mix (4P's)	[]
•	Selecting an appropriate Marketing Mix for a	small business []
•	Using ICT to conduct international marketing	[]
<u>3. Fina</u>	nce	
3.1 Fin	nance & Support for a Small Business	
•	Sources of Finance	[]
•	Sources and types of advice available to smal	lbusinesses []
3.2 Fin	nance Terms & Simple Calculations	
•	Basic Financial Terms (price, sales, revenues, Calculating Profit & Loss	costs & profits) [] []
3.3 Us	ing Cash Flow	

•	Interpreting simple cash flow statements	[]	
•	The importance of cash flow statements	[]	
•	ldentifying solutions to cash flow problems	[]	
4. Peo	ple in Business		
4.1 Re	ecruiting		
•	The need for recruitment	[]	
•	Recruitment methods	[]	
•	Remuneration	[]	
•	Salaries, Wages and Fringe Benefits (perks)	[]	
•	4.2 Motivating Staff		
•	Benefits to the business of motivated staff	[]	
•	Methods of motivation used by small business	es []	
4.3 Pr	rotecting Staff through Understanding Legislati	on	
•	Equal pay and minimum wage laws	[]	
•	Discrimination	[]	
•	Employment Rights	[]	
•	Health and safety	[]	
<u>5. Peo</u>	ple in Business		
5.1 Pr	oduction Methods for Manufacturing & Providin	g a Service	
•	Production methods: Job, Batch & Flow	[]	
•	Efficiently and technology Quality Issues	[]	

5.2 Customer Service			
Importance of customer service		[]	
Consumer Protection		[]	
• The impact of ICT	[]		
Notes:			
<u></u>			

Unit 1

Knowledge and understanding		Real-life application
People set up businesses for a variet They want to be their own both To do something that they at Make money To help out in the community	Sam currently works in Sainsbury and is not enjoying his job, he is wanting to make decisions and have some control over his future as well as making a bit more money	
To start a business you need to find business comes up with a new idea adds something to an existi finds a new niche target mar previously consoles aimed at One way of starting a business is to business, usually Food outlets such such as Body Shop. If you bought into a franchise you are McDonalds, Pizza Express are known	ng product ket – the wii aimed at families, t teenagers buy a Franchise. These are establish as McDonalds, Pizza Express, retail e called the franchisee	
Advantages Able to sell recognised products / brands Take advantage of experience of franchisor	Disadvantages Some of profit paid to franchisor You are not in control. Have to follow strict guidelines	
Advantages Able to sell recognised products / brands Take advantage of experience of	Disadvantages Some of profit paid to franchisor You are not in control. Have to	
Advantages Able to sell recognised products / brands Take advantage of experience of franchisor Benefits from central services such as marketing All Businesses need to set some goan 1. Aims – such as Survive, Sale 2. Objectives – a target that t	Disadvantages Some of profit paid to franchisor You are not in control. Have to follow strict guidelines Could lose franchise. Is to achieve. These are called s, Make a Profit, Increase market she business can measure, such as aploy 2 more people this year and objectives so businesses can	Sam's aim is to sell enough to cover his costs and survive. His objective is to

the success of the business. Typical stakeholders include: includina; Students at TGS - customers Customers Costco - his suppliers Employees - the staff TGS Kitchen - his competitors Suppliers His Bank Manager - finance Bank / Financiers Cassandra – his part-time employee Local Community The Head - Local community To get funding for businesses usually have to produce a Business Plan which Sam knows he has to produce a detailed business plan if he is to get a shows a Bank Manager exactly what the business is going to sell, how they finance loan from the bank manager to will market themselves and how they operate and most importantly how buy his delivery van. In his plan he many products they are hoping to sell and what the costs will be states his objectives, lists his competitors - Robs Rolls, how he will advertise, the resources required such as the van and catering equipment. By producing a Business Plan businesses can assess / decide how risky the Plus expected sales for the first. new idea will be. His customers will be students by selling outside TGS and to deliver Measuring risk is a key part for any business. If the business fails the owners lunches to the staff at the breweries need to understand the consequences. That's why its important to have a in Tad Plan B - Contingency plan Sam knows that if he fails he will lose his savings, so it is important to have a contingency plan, which is to try and provide sandwiches for the local supermarket - Sainsbury Businesses can have a variety of legal ownership types. For businesses just Sam is not sure which type of starting out the key ones are: ownership suits him best. If he goes into partnership with his brother Sole Trader - You own and control your business Eddie who owns a van he can split his costs though he doesn't want to What's good - Make all the decisions, keep the money share his profits and knows they often What's bad - Unlimited liability, if business goes bust may lose your house fall out. If he sells shares to his friends and family and become a limited company he feels that he wont be in full control although he knows it is a Partnership - Share the business with other people good way of getting money in. What's good - Two minds are better than one. More skills, specialise So eventually Sam thinks its best to What's bad - Still have unlimited liability, arguments going forward be a sole trader so he can stay in control Private Limited Company - Limited liability, Sell shares in the business What's good - You are separate to the business, easier to get funding What's bad - Have to split the profits with shareholders. Listen to them Only when a business becomes LIMITED it can be correctly called a

COMPANY. Sole Traders and Partnerships are BUSINESSES	
The location of a business can help make or break a business, especially if it is a shop and needs customers to notice it and walk in. Other factors which are important: How easy it is get good staff- FL had to use immigrant workers Nearness to suppliers – Important to be near especially if food – perishable Competition – Do you need to be close by Shoe Shops or away from them Or Can you use technology such as websites and e-commerce to get round the issue of locating. Does anybody know where amazon.co.uk or play.com are located?	Sam thinks a good place to locate would be on Leeds Road, as it is near the shops and breweries so people would notice it when passing by. He is aware of his main competition Rob's Rolls but feels this could be good as people will compare prices. He will also set up a website to get the TGS students to place their order

Marketing

Knowledge and understanding

The key to the success of any business is to identify customer's needs and be able to satisfy that need at a profit. Marketing is all about identifying the need through market research and putting a Marketing Mix together – the 4Ps to satisfy that need.

To find out what possible customers want, businesses need to conduct either secondary market research or primary market research or both

Primary Research – Research you do for the first time, such as questionnaires, observations, focus groups or footfall count

Good -You chose the questions, who to ask and what info you want

Bad - Can be expensive and time consuming also training in it helps

Secondary Research is research that everybody has access to, such as the internet, magazines, census data

Good - Cheap and quick

Bad - Might not be relevant to your needs and out of date

Once a business has found that there is demand for their product from a group of customers, (their target market from their market research) and that they will be able to sell their product or service they will put together a marketing \min – a combination of the 4Ps to achieve the best sales.

- Product what the actual product is they are going to sell. Businesses must try and differentiate their products from their competitors. It maybe a totally new product, a new design and special service this will be known as their USP - Unique Selling Point
- Price How much they will charge for the product. This will depend upon the cost to make the product, the businesses total costs and how much competitors charge for similar products
- Promotion How they are going to tell customers about the product (adverts) and incentives (special offers) to buy the product
- Place Where the customers can buy the product, such as a shop or the internet (e-commerce). Businesses may sell their product to

Real-life application

Sam knows how important to have the right type of sandwiches at a reasonable price and the important of doing promotions to get people to try his new ideas.

To find out about his customers, he needs to do some secondary research such as finding out how many people work in tadcaster and go to TGS.

He will use produce a questionnaire and ask people in Tad and students about their favourite sandwich fillings, how much they will pay and if they are interested in offers such as 3for2 or loyalty cards. He will also stand outside his empty shop on Leeds Road and count how many customers walk past to see if there is passing trade

Sam has found there is a demand for his sandwich shop and delivery service. He knows his target market will be people who work in Tadcaster and students from TGS.

He now needs to produce a detailed marketing mix. The first thing ne needs to do is decide exactly the range of sandwiches, pastries, cakes and drinks he is going to sell. He has decided that he will differentiate himself from his customers by customers being able to order hot sandwiches from his website. This will be his Unique Selling Point, USP.

He aims to sell at least the equivalent

other businesses rather than direct to a customer, such as a chocolate bar producer selling to CostCo rather than having their own shop.

of 400 sandwiches at an average of £1.50 per sandwich a week to breakeven. Sam knew that he needs to generate at least £600 per week in sales to cover all his rent and promotions (fixed costs) the costs of sandwich filling (variable costs) and petrol for his delivery van (semivariable costs). He is also aware that his main competitors Rob Rolls sells sandwiches at £1.75 and the local school charges £2.00. This is also known as penetration pricing as he is under-cutting his rivals.

Place – Sam will be selling sandwiches via his shop on Leeds Road, providing business deliveries and taking orders via his website,

Marketing Mix for small/new businesses will have a limited budget for their promotion. Quick and relatively cheap ways of promoting their product to their target market include:

- Posters in shop windows can be designed and printed on home ICT
- Leaflets/Flyers Design and print using ICT, businesses can hand them out, good idea to have an incentive on the leaflet such as a money off voucher.
- Create a website with information on about the business, such as location, product range and special offers. Plus maybe able to sell the products over the internet using ecommerce.
- Adverts in local papers. Very good if customers (target market) come from the local area and read papers, maybe not so good for young people. Again good idea to have an incentive – money off voucher
- Give away free Sampled Give customers a sample of the product very good.
- Word of mouth / Press Release Businesses ultimately want people to talk about and recommend their products to other people. So writing a press release or create attention, such as charity an example being getting dressed up for Comic Relief

Sam only has £1000 to promote the opening of his business Sam's Sarnies so he has decided to:

Produce a huge poster in the window of his shop, a free Bun when you buy any sandwich.

He will also get his part-time staff to stand outside the shop and hand-out free samples of sandwiches at lunchtime alongside with a leaflet and voucher for a free bun. There will also be an advert in the Press announcing the opening of the shop and a voucher for a free bun.

Sam needs extra publicity so he has decided that he will produce Red Nose buns for Comic Relief hoping that Wendy Binns will come along take a photograph and get him in the paper. He also knows that it is essential to get his website up and running so he can take orders over the internet.

FINANCE Knowledge and understanding Real-life application Cash is the lifeblood for any business, without cash the business would fail. Sam has calculated he needs about £5000 to cover his start-up costs of Now he has planned and researched the business, he needs to get some Shop on Leeds Road money into the business to cover his start-up costs, which will include His Delivery Van Buying / Renting the premises Refurbishing the premises to suit the type of business need Kitchen and bread-making equipment Buy initial stock Buy any machinery / equipment / vehicles Initial stock of drinks and snacks. Promote the business The main reason new businesses is fail is because they struggle to raise He only has £1000 of his own savings, so he needs to raise another £4000 worth finance due to them being new and having no track record. of finance. He thought about asking his brother but decided not to as they always fall out over money. As his business is in The main sources of finance available to new businesses are: Tadcaster a reasonably well-off area he knows that he won't get a grant from the Source Definition Info Advantages Disadvantages government. Eventually he decided upon a needed £4000 Bank Loan from HSBC, paying 5% Bank Loan Will need a Money Can provide Interest has interest, the cheapest rate and he found funds and Cash-Flow borrowed to be paid, their advice very helpful.. He has also from a bank advice. Forecast adding to asked for an overdraft from the bank and and paid back costs and trade credit from his bread suppliers with interest Business Hovis. However, both refused as he has no Plan trade history, but Hovis will give him a Loan from Maybe Limited Business **Finance** 10% discount off his order if he pays by friends and provided by flexible on finance. May Plan cheque family friends and repayment cause family terms arguments In his Business Plan to get the loan from Grants **Finance** Money does Hard to qualify Meet the Bank, Sam had to prepare a 1. Profit for them from provided by not have to atrict.

Government

Overdrafts

Trade

Credit

the Govt or

Arrangement

with bank to

spend more

than in the

Get stock

suppliers and

from

bank account

Charities

be paid back

Helps short-term

finance

Free

finance. Can

sell stock

problems

and Loss statement

2. Cash-flow forecast

selection

criteria.

Lots of forms

Need to

evidence

have

more

money

coming into account

Character

references

needed

Cost to set

payment. Only

short-term,

Need a credit

lose any quick

history. Will

NOT a loan

up. High

interest

				, 		
	pay for it at	before	payment			
	later date.	paying	discounts			
	60 days	supplier				
Mortgage	Long term	Good for	Paying off over	Business		
-	loan 10yrs +	large	a long time.	Plan. Good		
	_	purchases -	Interest	credit		
		premises	payments	history		
Profit & Loss			11.5		In his Business Plan S his shop weekly reven	
	_	=	is making or losing	j over a period	300 Sandwiches at a	£1. 50 = £450
	y monthly and ye	-	ess – known as rev	ronua	200 drinks at 50p e	ach =£1 <i>00</i>
business multi	ply the number o	of products sol	d by the selling pri	ice. So a	50 Snacks / Cakes at	£1 = £50
•	ling 200 burgers	∍at£1.50 eac	ch = £300 in rever	1ue per day	Sam's total =	£600.
or						
Tiff's Hairdres week	sers cuts 100 h	eads at £20 e	each = £2000 in r	evenue per	Sam's calculated his	weekly costs as
All businesses	have to pay cost	ts, such as rent	t, wages and stoc	k.	Rent	=£100
For Tiff's Salor	1 her costs are				Wages	=£200
Rent of premis	es £300				Stock	=£50
Wages	£500				Fuel Adverts	=£20 =£30
Stock	£20				Loan interest from H	
Adverts	£80				Sam's total costs	=£450
Total Costs	£900					
Tiff's profit/los	as is Revenue= £	2000 - £900	0 costs = £1100	profit	His weekly profit/loss	is is
If Tiff lost a lot	of her customer	rs so only cut 2	20 heads at £20 (each	Revenue £600 - Cos profit.	ts £450 = £150
Her new revenu	ue = £400 - £90)O costs = £50	00 loss		However, as he is doir	na a marketina
If a business st	tarted making a l	loss a good way	y to get customer	s back is to	promotion of a free b	un so the cost of his
Reduce the pri	ces so cheaper t	han competito	rs.		weeks, reducing his p	rofit to only £100
Advertise her	business and use	; promotions sı	uch as 20% off		for the first four wee	ks
Cash-Flow fore	ecast				Sam needs to produc	e a cash-flow
					forecast to see if he	will have enouah cash

Cash and profit are different. Just because a business has made lots of sales it doesn't mean that it has lots of cash as

Businesses may give their customers 60 days trade credit to pay the invoice

Whereas their suppliers wants payment in 30 days.

Therefore well planned businesses should produce a Cash-Flow forecast as part of their Business Plan. Key terms in a Cash-flow are

Inflows is Money / Revenue coming into the business

Outflows is Money / Costs going out of the business

Net Cash Flow is Inflow - Outflows

Opening Balance = money in the business at the start of a month

Closing Balance = Net Cash Flow + Opening Balance (money in the business at the end of the month.

See below for an example

	Jan £	Feb£	
Inflows	5000	7500	
Cash in			
Outflows	10000	3500	INFLOWS – OUTFLOWS
Cash out			
Net Cash	-5000	4000 🖌	Opening Balance same as
Flow		_	last months Closing Balance
Opening	2000	-3000	
Balance			\bigcirc Closing balance = NET CASH
Closing	-3000 🖝	1000	FLOW + Opening Balance
Balance			

Producing an accurate Cash-flow is very important as it lets a business know

- 1. How much cash is available if they want to expand / buy machinery
- 2. Identify if outflows (costs) need to be reduced
- 3. May help secure a bank loan or funding

If a business has identified that they have a cash-flow problem, (more money is going out of the business than coming in) possible solutions are

1. Try and reduce costs such as wages or find a cheaper supplier but beware it may reduce the quality of the product or customer service

to pay for a part-time member of staff

Using his projected Profit and Loss he knows his revenue is likely to be about £600 and costs £450 to £500.

However, this doesn't take into account start-up costs such as insuring his premises and delivery van, which add an extra £1200 to May. His opening balance includes £1000 of his own savings

	May £	June £	July £
Inflows	600	600	600
Outflows	1700	450	450
Net Cash	-1100	150	150
Op Bal	1000	-100	50
Clos Bal	-100	50	200

Sam feels happy that he has a positive cash-flow though knows he is lucky that all his customers pay by cash, as he gives no trade credit. This gives him confidence to expand and employ a part-time member of staff for his busy lunchtime period

- 2. Give incentives for customers to pay by cash
- 3. Get longer trade credit period from suppliers to pay for stock Remember in the first few months of opening a business the cash-flow is usually negative as they will have to pay for start-up costs

PEOPLE IN BUSINESS

Knowledge and understanding

Usually all businesses need to recruit (hire) staff to help them expand and bring additional skills and expertise into a business. Depending on the Business Plan and Cash-flow it will state whether a business will want to recruit full or part-time staff

Full time staff, work full-time about 35 to 40 hours a week. Full-time employment is employment in which the employee works the full number of hours defined as such by his/her employer. Full-time employment often comes with benefits that are not typically offered to part-time, temporary, or flexible workers, such as annual leave (paid holidays), paid sick leave, and health insurance.

Advantages - Need fewer, maybe more motivated and committed

Part time staff from 5 hours upwards.

Advantages - Good for busiest opening times, such as Saturdays.

The reasons for working part time vary for each individual.

It may be that you simply want to have a different work-life balance, or you may have caring responsibilities. Businesses benefit from having part-time employees because they can be more flexible with their hours and cost less to employ

Flexible working – all businesses have to consider allowing flexible working to employees with children. This may be working 'flexi', part time or term time only.

Recruitment is about how businesses get employees.

Internal recruitment; involves appointing existing staff. A known person is recruited. This is good because it is cheaper and the business already knows them.

External recruitment; involves hiring staff from outside the organisation. This is good because they will bring fresh ideas with them but as they are unknown to the business it might be a risk.

When they need to recruit someone the firm writes a job description and person specification for the post and then advertises the vacancy in an

Real-life application

Sam has realised that he will need a parttime member of staff during his busiest period, lunchtimes. As he currently employs nobody else he knows that he will advertise externally.

He has deciding that their main jobs will be to prepare sandwiches and serve customers. The only skills they need are to be honest, reliable and be good with customers.

To get the widest range of people seeing his job advert to ensure he gets the best person he has decided to put his job advert in the local newspaper, job centre, on his website and cheapest of all in his shop window.

Sam knows that to get a good reputation and loyal customers he needs to have motivated and happy staff to that customers have a good experience and will tell others about how great Sam's Sarnies is. As it is a new business Sam knows he can't afford to give his staff big financial incentives so he will give staff gift vouchers if they achieve their sales target and motivate them using fringe benefits such as a free lunch everyday.

appropriate place.

Job descriptions; explain the work to be done and typically describe the job title, location of work and main tasks of the employee.

Person specifications; list individual qualities of the person required, e.g. qualifications, experience and skills.

Businesses usually follow a simple method to recruit new staff

- Identify the vacancy what the person will do, a job description
- Identify the skills needed do they need qualifications person specification
- Advertise the vacancy within the business, internally and/or to everybody, externally

(Benefits of internal, motivates existing staff, reduced training costs, personal recommendation)

(Benefits of external get wider range of applicants, more skills in business)

- Decide which are the best applicants to interview
- Choose the best person who best fits the job requirements
- It is illegal for businesses to discriminate on gender, race or disability

Places to advertise for new staff:

- Shop window, local paper, job centre (Local, cheap, small audience)
- National newspaper, internet, recruitment agencies (National, expensive, wide audience - more applications)

Recruitment Methods:

Application forms, CVs, references, interviews, presentations, role-play and tests are all ways of which business' decide who to recruit.

Once a business has chosen the person they need to decide how much to pay them. This will depend upon the skills and experience they have. The business must pay the same wage to the person and can not pay them less due to their gender, age or ethnicity. They must also provide all staff a Health & Safety environment including training on any machinery.

Motivation is when business wants to encourage staff to do their best; To do a better job than they otherwise would. Things that can be offered to staff include increased pay or improved working conditions (a nicer workplace, more staff nights out, more breaks) Motivated staff care about

the success of the business and work better making the business more successful.

Businesses also need to motivate their staff to ensure they work effectively and to the best of their ability and not sit around having coffee breaks. Motivating staff can be as simple as speaking to and praising them on a regular basis, a staff suggestion box providing free or subsidised dining and setting aside time on a regular basis to review their progress. This is known as an appraisal and includes setting new targets as well as reviewing old targets.

If the motivation is successful you may be able to get these advantages:

- Increased output caused by extra effort from workers.
- Improved quality as staff take a greater pride in their work.
- Workers will be keen to stay with the firm and also reluctant to take unnecessary days off work.

Motivation through pay:

Time rate: staff are paid for the number of hours worked.

Overtime: staff are paid extra for working beyond normal hours.

Piece rate: staff are paid for the number of items produced.

Commission: staff are paid for the number of items they sell.

Performance related pay: staff get a bonus for meeting a target set by their manager.

Profit sharing: staff receive a part of any profits made by the business.

Salary: staff are paid monthly no matter how many hours they work.

Fringe benefits: are payments in kind, e.g a company car or staff discounts.

As well as paying cash bonuses if the staff hit their objectives. There are fringe benefits and can include discount off the product or service, pension, training courses, company car and gym membership.

Motivating staff other ways - not pay

Job rotation: staff are switched between different tasks to reduce boredom.

Job enlargement: staff are given more tasks to do of similar difficulty.

Job enrichment: staff are given more interesting and challenging tasks.

Empowerment: staff are given the authority to make decisions about how they do their job.

Putting groups of workers in a team who are responsible together for completing a certain task. This makes a team spirit which can make people work harder.

For new/smaller businesses the type of benefit depends upon the size of the business. New businesses often can't afford to offer cash benefits so they may give them time-off or take them for a drink after work.

Consumer Protection

Sale of Goods Act

- These acts allow customers to sue a business if it sells them a
 product which is not of merchantable quality, isn't fit for the
 purpose or doesn't meet the description.
- e.g a glue sold for glass which doesn't glue glass together is not fit the purpose.

Trade descriptions Act

- This states that it is illegal for products to be incorrectly described.
- e.g. if a sweater says that it is 100% wool then it must be.

Consumer Credit Act

This Act protects you when you borrow or buy on credit. The Consumer Credit Act states that:

- Businesses must have licences to give credit.
- No one under 18 is to be invited to borrow or buy on credit.
- Businesses have to state an Annual Percentage Rate (APR). If you sign a credit agreement at home you have several days in which you can tear up the agreement. This is called a 'cooling off period'.
- This applies to loans, credit cards, store cards, mobile phone contracts

OPERATIONS MANAGEMENT Knowledge and understanding Real-life application This involves making the best use of their resources, whether it is Now that Sam has his part-time member of Staff, Cassandra, he needs Their staff to find the most efficient ways to Stock make his sandwiches so there is no Premises waste and food thrown away, because Machinery this will reduce his profits. How much a business has each of the resources depends upon Budget - how much money they have to purchase the resource Expertise – the skills within the business Access to ICT - can the production be automated with machines When a business makes a product in a factory it is known as manufacturing. There are various methods of manufacturing production his USP's. Hot food made to order and delivered hot. Job Production - Making each product one at a time so they are all specific to the customer. This method is expensive though can be used as an USP.

Batch production this is where a business makes a group of identical

Examples of Job Production - Wedding dresses, coffins

products at the same time. Cheaper cost per product price and quicker. However, no individuality of product.

Examples of Batch Production - Paint making, Soft drinks, Newspapers

If the business is to make the best use of their resource to make maximum profit it is essential that they have total operational efficiency, meaning there is no stock wastage and that staff are utilised at all times.

Operational Efficiency means making the product for the lowest possible unit cost whilst maintaining the quality. This process can be helped through specialisation where skilled workers work on single aspects of the production process.

Businesses need to be aware that if they may buy cheaper raw materials (from China) or have fewer staff (overseas Call Centres) then quality and He has decided upon a mix of Batch and Job production. He will make all his types of bread using Batch production and job production when customers order their filling as each sandwich maybe slightly different. This is one of

This is part of his Customer Service Charter which he hopes will help him keep and attract customers and gain a good reputation. His customer charter also includes

- 1. All products made fresh on the premises
- 2. Only local ingredients used
- 3. Sandwiches made upon request
- 4. Friendly personal service
- 5. Hot deliveries will be hot

His HSBC Bank Manager where Sam got his loan gave him advice to use as much as ICT as possible to help him improve efficiency. His suggestions include;

- Keeping a database of all his customers so he can get to know their regular order
- Produce a Cash-flow spreadsheet so he knows if he has enough money coming into the business or needs

customer perception of the business may fall

Good Customer Service, providing services to the customer before, during and after the sale is essential for any small business to survive and grow. Infact sometimes small businesses use their customer service as their USP. Customer service includes;

- Reliability
- Good product information staff are very knowledgeable
- After Sales Service

Providing customers with a good service experience will help the business generate loyal customers, fewer customer complaints and motivated staff because they can provide the customer with total support

However, even in the best business products or services can be faulty or wrong, such as clothes shrinking, toys breaking, computers crashing, so customers (consumers) are protected by various Laws. These Laws help consumers buy products with confidence whatever the size of the business. If businesses do NOT follow these Laws then the business will

- 1.Lose customers
- 2.Get a bad reputation
- 3. Legal action and taken to court

Laws

Employment rights. This ensures that employees get a contract, time off work, holiday pay, receive the minimum wage, etc.

Health and safety. The health and safety requires employers with 5 or more employees to carry out a risk assessment. This is to ensure that the work place is a safe environment.

Equal pay. In 1970 a law was passed so that male and female employees would be paid the same wages for the same job.

Minimum wages. This laws says that all businesses must pay employees a certain wage. The National Minimum Wage act ensures that workers aged 21 or over earn a minimum £6.08 an hour, £4.98 for workers aged 18-20, £3.68 for workers aged 16-17, and £2.60 for apprentices regardless of age.

Discrimination laws: Laws often prohibit discrimination on the basis of race, nationality, gender, pregnancy, religion, political affiliation, language difficulties, citizenship, disability or medical condition, age, sexual orientation, gender identity, marital status, military veteran status, military discharge status, use of tobacco products.

to reduce costs

- Use SATNAV for deliveries
- Have SMART phones so he can receive e-mail orders anywhere
- Create a barcode scanning reordering service to save time counting stock, EPOS

How Efficiency can be measured

- Productivity- trying to increase how much is made. This could be output per day or week or month, output per person, output per hour, output per machine.
- 2. Unit costs trying to reduce the cost of each single product made (Total costs divided by quantity produced)
 - Falling unit costs: is a good sign of improving efficiency.
- Rising unit costs: production costs have gone up or fewer products have been made. This is not good!
- 3. Stock Levels Businesses must make sure they have just th right amount of stock in.
 - Too little stock can lead to stoppages in production or sales.
- Too much stocks can lead to surplus goods that no one wants.
- 4. Product Quality Measured by complaints or number of products returned to a business.
- 5. Poor Management-e.g evidence of inefficiencies right across the factory

How changes in technology can make businesses more efficient

CAM (Computer - aided manufacturing - Computers actually making things!)

- In processes such as engineering, computers program machines
- They complete work more accurately and for longer than humans.

CAD (Computer- aided design - computers actually designing things!))

- Products can now be designed on screen using complex 3-d models
- Saves expensive research time (avoids expensive mistakes)

CIM (Computer integrated manufacturing)

- Everything is controlled by computers
- The computer programming team replaces the old factory managers

All I alama	
	es should use of ICT to improve production, quality and efficiency business. Good examples of ICT in a small business;
Within them	
•	Design of website Selling from a website, e-commerce
	Using a spreadsheet to track their sales and costs, cash-
_	flow
•	Creating a database of customer names Barcode scanning in retail, known as EPOS
•	Mobile phones for communication and email on the move
	THE END – GOOD LUCK WITH YOUR EXAM, APPLY YOUR ANSWERS
REMEMBE	ER ALL YOUR ANSWERS SHOULD REFER TO THE CASE STUDY AT THE START OF THE QUESTION
	The detailed in the detail in

Questions

UNIT 1 BUSINESS QUESTIONS	
What is the difference between business in	
the primary, secondary and tertiary	
sectors?	
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State three reasons why it is important for a	
business to have objectives?	
How would a business plan aid an	
entrepreneur?	
•	
What is the benefit of obtaining limited	
liability status?	
in a similar of the s	
Explain two drawbacks of a business buying a	
franchise.	
ii anonige.	

ldentify two methods of market research that a small business would use and explain why.	
Explain two impacts of technology on the marketing mix of a small business?	
Explain each of these sources of finance briefly: bank loans and mortgages, loans from friends and family, retained profits and grants from voluntary organisations	
What is the difference between costs and profit?	
What are three possible solutions to cash flow problems?	

Identify three ways in which small businesses might recruit employees?	
Explain two benefits to a business of	
motivating staff?	
Explain two suitable methods by which small businesses might motivate their employees?	
Identify two different legal aspects that an	
entrepreneur needs to be aware of when	
employing staff	

What is the difference between job and batch	
production?	
Why is it important to provide good service to customers?	
to customers;	
Why is there the need for appropriate levels of quality by a business?	
or quality by a business:	