

GCSE Business Topic 1.4 Making the Business Effective

Start

- 3 Facts about an Unlimited Liability business
1. Owner responsible for all debts so can lose personal possessions
 2. Usually a Sole Trader, working alone
 3. Can start business easily without having to register

- 3 Facts about a Limited Liability business
1. Will only lose the amount they invested if the business goes bankrupt
 2. Must register with Companies House & pay £150
 3. Must employ a professional accountant
 4. Can have shareholders

Sole Trader

Fact: 1 person, tends to be specialist at what they do e.g. Plumber

Pro: Can make all decisions and keeps all the profit

Con: Unlimited liability, workload

Partnerships

Fact: Could be 2 or more people, usually professionals e.g. Solicitors

Pro: Can share expertise & both input capital

Con: have to share profits, could be disputes

Private Limited Company

Fact: Can have shareholders, must register business with Companies House

Pro: Can raise money via share capital, has limited liability

Con: Don't have full control, have to hire a qualified accountant



Identify 3 features of each element of the marketing mix

Product	Price	Place	Promotion
The features	What value do consumers place on it?	Where will consumers buy it?	How do consumers know about it?
The colours, ranges & flavours	How much are the fixed and variable costs for us?	Where will it be manufactured?	How much will promotion cost?
It's function—what it does	What do competitors prices look like?	Could it be online?	What time and place will promotion be used?



Definition of a franchise

A type of business ownership where you can buy the license to trade under a branded and recognised business name

Advantages of franchising	Disadvantages of franchising
Less risky	Can be expensive due to start-up fee and royalty fee
Sell a branded reputable product	Lack of freedom—must use their suppliers, sell their product
Can get support and training from franchisor	No recognitions for the effort the franchisee puts in
More easily able to get finance from Banks etc	Franchisee could damage the reputation of the franchise
Franchisor can grow and expand with little effort from themselves	Tied into a contract

- Explain three reasons for producing a business plan
1. Persuade the bank and investors to invest in the business
 2. Keep the business on track
 3. Ensure staff are clear on the business expectations

- List 8 elements of a business plan
1. 4 Ps
 2. Market Research
 3. Target Market
 4. Cashflow Forecast
 5. Costs (Fixed & Variable)
 6. Revenue & profit
 7. How the business will be financed
 8. Aims & Objectives

Look at the financial factors impacting a business's location. Label each one with 'high' or 'low' depending on what is most beneficial

Breakeven Point	Low
Margins of Safety	High
Revenue	High
Total Costs	Low
Profit	High



- Identify 3 impacts of e-commerce on a business's location decision
1. Don't need fixed location
 2. Lower operating costs as fewer staff needed and no shops required
 3. Ability to trade 24-7
 4. Reach a wider market

- 4 things to consider when deciding on a location**
- Proximity to...
1. Market (customers)
 2. Competitors
 3. Suppliers/materials
 4. Labour (workers)

Key word	Definition
Limited liability	The level of risk is limited to the amount of money that has been invested in the business or promised as investment
Assets	Property, such as a house or car
Incorporated	A business that is registered as a company, so the business and the owners are separate in the eyes of the law
Unlimited liability	The level of risk goes beyond the amount invested, so the personal assets of the business owner can be used to pay off the business's debts
Unincorporated	A business that is not registered as a company, so the owners and the business are the same body in the eyes of the law
Sole trader	A type of unincorporated business that is owned by just one person
Partnership	A business that is owned by a group of two or more people who share the financial risk, the decision-making and the profits
Deed of partnership	A legal document that defines the terms of a partnership
Private limited company	An incorporated business that is owned by shareholders
Shareholders	Investors who are the part-owners of a company. They invest in the business in return for a share of the profits and voting rights at the AGM
Franchise	When one business gives another business permission to trade using its name and products in return for a fee and share of its profits
Franchisor	An established business that gives permission to an entrepreneur to trade using its name and products
Franchisee	An entrepreneur who pays a fee to trade using the named and products of an established business
Labour	Workers or the workforce
Footfall	The number of people passing a particular location within a given time period
Demographics	The characteristics of the population, such as gender, age, religion and wealth
National Living Wage	The minimum amount that a business is legally allowed to pay its employees
Bulk-gaining product	A product that is bigger than the raw materials used to make it, such as a bicycle
Bulk-reducing product	A product that is smaller than the raw materials it uses, such as paper
Convenience good	A product that a customer buys frequently or routinely
E-commerce	Using the internet to carry out business transactions

Key word	Definition
Undercut	Sell the same product for a lower price than competitors
Price war	When competing businesses try to undercut each other by lowering prices. This leads to an ongoing battle where only the customer benefits, not the businesses
Product differentiation	Designing a product with some unique features that distinguish it from similar products sold by competitors
Brand loyalty	A customer's willingness to buy a product from a particular business rather than from its competitors
Market share	The percentage of the total sales of a product in a market that is taken by one business in that market
Recession	A period of economic decline characterised by the fact the economy has failed to grow for 6 consecutive months
Promotional mix	The combination of promotional activities that a business uses to make customers aware of a product, with the aim of increasing sales
Business plan	A document that outlines how an entrepreneur is going to set up a new business
SMART objectives	Objectives that are Specific, Measurable, Achievable, Realistic, and Time-bound
Market research	The process of gathering information about the market and customers' needs and wants in order to help inform business decisions, including product design and marketing
Target market	That group of people that a business has identified as potential customers
Revenue	The money that will come into a business from sales
Profit	The amount of revenue left over once costs have been deducted
Cash flow	The amount of money coming in and going out of the business and the timing of its movement
Budgets	Pre-set financial targets for a business to achieve, like a sales budget, or abide by, such as an expenditure budget, in a given period of time
Negative cash balance	Occurs if the business's opening balance results in the negative amount at the end of the period, leading to a cash shortage
Overdraft	A facility provided by a bank allowing a current account holder to withdraw more money than there is in the account
Bank loan	A fixed sum of money lent by a bank to an individual or a business for a specific purpose, which must be repaid with interest in set payments over an agreed period of time
Multi-channel	Using a number of methods to reach a customer, including physical stores and e-commerce
M-commerce	Using mobile technologies, such as smartphones and tablets, to carry out business transactions

Lesson Sequence
Limited Liability
Types of Ownership
Franchises
Location
Marketing Mix
Business Plans