Year 11 Knowledge Organiser – Theme 2.1: Growing a Business

Organic Growth (Internal)

Internal growth, or organic growth, occurs when a business decides to expand its own activities by launching new products and/or entering new markets. Businesses do this to improve their chances of increasing their customers, revenues and profits.

- employing more people
- opening more branches
- increasing sales or revenue
- increasing profits

A business may decide to enter new markets to try to achieve growth. However, this comes with a higher risk than developing new products.

- entering overseas markets
- amending its marketing mix
- taking advantage of technology

Inorganic Growth (External)

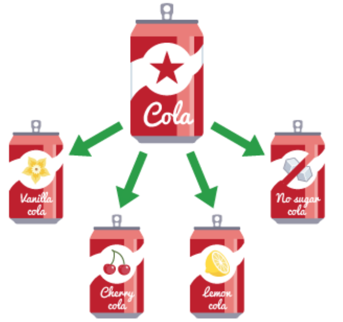
External growth (inorganic growth) usually involves a merger or takeover. A merger occurs when two businesses join to form a new (but larger) business. A takeover occurs when an existing business expands by buying more than half the shares of another business.

- horizontal integration
- forward vertical
- backward vertical
- conglomerate

Sources of Finance for growing and established businesses:

Capital - found from within a business is called an internal source of finance, whereas capital found from outside a business is an external source of finance.

➔ Internal sources of finance - retained profits, selling of assets, the business owner's own savings.
➔ External sources of finance – loan capital, share capital, stock market flotation.



Additional Key Learning

Ethical and environmental considerations

The impact of pressure groups on the marketing mix

Globalisation - refers to companies operating internationally or on a global scale. Involves most of the world's economies working together to provide and produce goods and services. The three main elements of globalisation are imports, exports and business location.

Imports – competition from overseas and buying from overseas	Refers to the process of purchasing goods or services from overseas and bringing them into another country. Sometimes products are imported because they cannot easily be manufactured in the importing country due to the climate, the capacity of businesses or the availability/cost of raw materials.
Exports – selling to overseas markets	Refers to a country selling products and services to other countries around the world. Some products, such as Heinz Baked Beans and Harris Tweed, are famous for being produced in the UK and Ireland. These items are sold around the world. **SPICED** and **WPIDEC**.
Changing business locations and multinationals	Operating in multiple countries gives the business access to more customers with the potential to more sales and profit. The business can look to grow its product range and increase brand awareness. However, there would be more risk and the potential for failure.
Barriers to international trade – tariffs and trading blocs	A tariff is a tax on imported goods and services. Many countries place tariffs on imported goods and services to make them more expensive for businesses and consumers to buy. They do this to restrict demand. A trading bloc is a group of countries that work together to provide special deals for trading. This promotes trade between specific countries within the bloc.
Competing internationally	Using the internet and e-commerce is becoming essential for businesses that want to expand, such as small businesses. This is because the internet and e-commerce provide easy ways for businesses to gain access to a much wider range of potential customers.
Changing the marketing mix	When businesses are trying to compete on an international scale, they must adapt their marketing mix because different countries have different beliefs, income levels, and demands for products.

Year 11 Knowledge Organiser – Theme 2.2: Making Marketing Decisions

Elements of the Marketing Mix

The main purpose of marketing is to increase sales. To do this, businesses will create a marketing strategy by integrating the elements of the marketing mix. A competitive advantage can be gained through:

- offering products at lower prices than competitors
- ensuring that the product has added value to distinguish it from competitors

Not every product can have the lowest price, so it is important to use the marketing mix to highlight other ways that they have added value to their products and make their products stand out from those of their competitors. This might include:

➔ product – highlighting how the product is better than competing products (USP)
➔ price – deciding which price reflects the quality offered
➔ place –widely available or sold in a smaller number of outlets and on or offline
➔ promotion – ensuring that the activity is consistent and fits in with any brand image

How the marketing mix can influence competitive advantage

By creating a coherent and integrated marketing mix, a business can influence the competitive advantage that it has over other businesses. For example, a business that produces a new model of sports trainers might build the marketing mix outlined below:

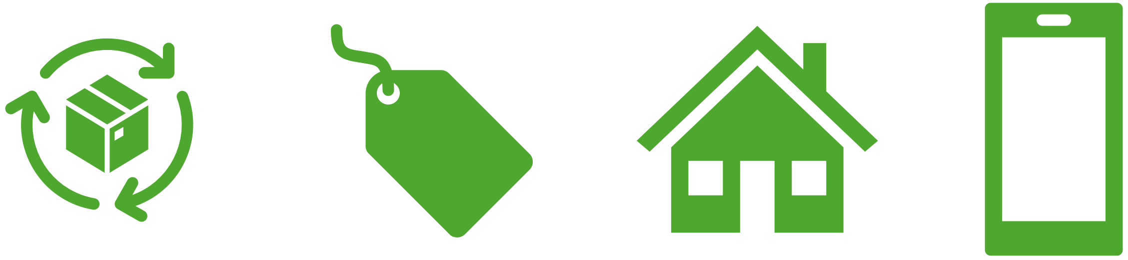
➔ price – new product, unique features, trainers priced slightly higher than competition
➔ place – sold through specialist sports shops and websites that are popular with runners
➔ product – high-quality, made with a lightweight fabric, are hardwearing yet comfortable
➔ promotion – promoted heavily on social media targeting those interested in running

This marketing mix would provide several competitive advantages, including:

The product has a unique selling point (USP) as the fabric the trainers are made from is new/lightweight. This enables the business to charge a higher price as customers will pay for innovation. The place reassures customers that these trainers are designed for those serious about their running. By selling only through specialist shops and websites, the business is letting customers know that these trainers are not just a fashion accessory.

The Marketing Mix

Product – The Design Mix, Product Life Cycle and Extension Strategies.	**The Design Mix** **Function** – what the product should do and how well it does it. **Cost** – how cost-effective the product will be to manufacture. **Aesthetics** – how the product appeals to consumers. **The Product Life Cycle** - a product will typically go through four different phases during its life. **Extension Strategies** – differentiation, price reduction, rebranding, repositioning and increasing marketing activity.
Price – strategies and factors that influence price.	**Strategies** – Pricing low or pricing high We must consider: the cost of making the product, the quality of the product, the brand image and the demand/supply of the product. **Factors that influence pricing strategies**: ➔ Changes in technology ➔ Number of competitors ➔ Market segments ➔ Where the product is in the life cycle
Place	How customers access products, and how they are transported from to customers. This is called channels of distribution. Common channels of distribution are **producers**, **retailers** and **e-tailers**. There are **direct** and **indirect** channels of distribution. **Retailers** sell goods to customer through a physical shop. **E-tailers** sell goods to customers through an online store.
Promotion	Strategies used to **inform, persuade** and **remind** about a product. Methods used are advertising, sponsorship, product trials, offers. Technology can be used to create viral marketing, target online ads, app creation and e-newsletters.



Year 11 Knowledge Organiser – Theme 2.3: Making Operational Decisions

The Purpose of Business Operations - the part of the business that provides customers with the goods or services that they ordered.

Businesses providing goods can choose from three different types of production process:

➔ **Job Production** - products are made one at a time to specific customer preferences
➔ **Batch Production** - making a set quantity of identical products
➔ **Flow Production** - continuously making identical products

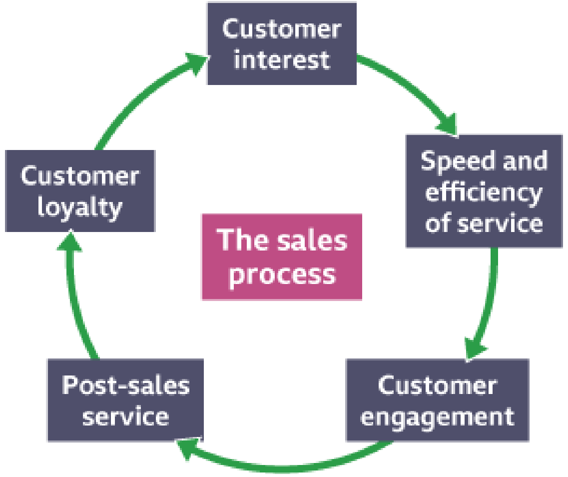
Businesses often use a combination of production processes. For example, a bakery might use batch production to bake a batch of cakes but then use job production to ice the cakes to each customer's preferences.

Technology benefits businesses as it allows them to produce higher quantities, make products more consistent and be more cost-effective.

The Sales Process- these stages all contribute to customer satisfaction.

1. **Customer Interest** - businesses need to attract potential customers.
2. **Speed & Efficiency of Service** – delivery of products to customers quickly/correctly
3. **Customer Engagement** – use of social media or phone calls and emails
4. **Post Sales Service** – supporting customers who have purchased
5. **Customer Loyalty** - more cost-effective to retain existing customers

Customer Service - Good customer service is important, as customers who are satisfied with their purchase and the customer service they have received are more likely to become regular customers.



Managing Stock- Businesses need to manage their stock in the most effective and efficient way possible. Stock can consist of raw materials waiting to be used in production, work in progress, finished stock waiting to be delivered.

Bar Gate Stock Graphs	The **maximum stock level** is the largest amount of stock a business can store on site. The **minimum stock level** is also known as **buffer stock**. This is the lowest amount of stock a business can store on site while still being able to operate effectively. **Lead time** is how long it takes from ordering stock for it to arrive. The **reorder level** is the point at which a business needs to order new stock.
JIT Stock Control	The business doesn't store any raw materials. Instead, it has regular deliveries that bring only what is needed before its existing raw materials run out, so buffer stock is not needed. The business orders smaller but more frequent quantities of stock that are taken straight to the production line on the factory floor.
Relationships with Suppliers	There are five key factors a business needs to consider when trying to build a relationship with a supplier: **cost, quality, delivery, availability/capacity and trust**.
Impact of Logistics	**Cost** – kept lower if production is quicker as delays cost money. **Reputation** – quality provided by suppliers can impact the business. **Customer Satisfaction** – achieved by getting the correct products delivered to the correct place on time.

Quality Control	Quality Assurance
Feedback ➔ to ask about the service customers received from the business **Factory inspectors** ➔ to ensure that products are of the required standard **100% inspection system** ➔ all products checked before handing over to customers These methods reduce the number of faulty or sub-standard products that reach customers.	Carrying out quality checks at specific stages during the production process. Makes quality the responsibility of the employees in the production process. This can mean that businesses need a good culture where the attitudes and behaviours of employees within the business ensure that they are focused on producing high-quality products. Businesses usually employ managers to oversee quality assurance.

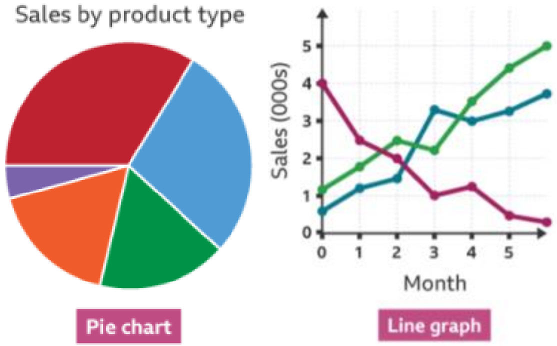
Year 11 Knowledge Organiser – Theme 2.4: Making Financial Decisions

Information from graphs and charts

Businesses have access to a lot of numerical information, also called quantitative information. They use this information to help them make decisions. Such information might be available in internal documents, such as sales reports or financial documents, and other information might come from external sources, such as government statistics.

When extracting information, it is important to:

➔ identify any trends
➔ check the scales used on the axes
➔ be aware of whether the data show units, percentages or percentage change
➔ read the chart title and any labels used



Financial Data

A business should be able to identify what options it can afford when making decisions. This includes **costs and revenues, gross/net profit, profit margins, cash flow, break-even and average rate of return.** This enables a business to see trends and make comparisons, which can be helpful when making decisions. However, it can take time to analyse, quickly becomes out of date and there needs to be enough of it to be helpful.

Marketing Data

➔ **Primary research** can provide qualitative or quantitative data. A business can then use this information to make decisions about which products it should launch or what prices it should charge.

➔ **Secondary research** is useful for obtaining data about the market in which a business operates. For example, knowing the total value of sales in the market, or whether the market is growing or shrinking, can help a business to decide whether to invest further in existing products or whether to develop completely new products.

Market Data – Economic Factors	Market Data – Demographic Factors
An increase in inflation may lead to higher costs for a business, which must then decide whether to pass on these higher costs to customers.	An ageing population, where the proportion of older people increases relative to the proportion of younger people, would influence the decisions made by a business that produces babywear.

Calculations

Calculations	
Gross Profit	The difference between the money received from selling goods and services and the cost of making or providing them. ***Gross profit = sales revenue – cost of sales***
Net Profit	The difference between the amount of money received from selling goods and services and all the costs incurred to make them. ***Net profit = gross profit – other operating expenses and interest***
Gross Profit Margin	The percentage of sales revenue that is left once the cost of sales has been paid. $\text{Gross profit margin }(\%) = \frac{\text{Gross profit}}{\text{Sales revenue}} \times 100$
Net Profit Margin	The proportion of sales revenue that is left once all costs have been paid. $\text{Net profit margin }(\%) = \frac{\text{Net profit}}{\text{Sales revenue}} \times 100$
Average Rate of Return	Comparing the profitability of different choices over the expected life of an investment. **ARR(%) =** $\frac{\text{Average annual profit (total profit} \div \text{number of years)}}{\text{Cost of investment}} \times 100$

<u>Understanding Business Performance</u>– there are several ways, including:

- changes in costs or revenues
- gross profit and net profit values
- gross profit margin and net profit margin values

<u>Making Decisions</u>: ensuring information is accurate, sufficient and up to date.

Accurate ➔ to support correct decisions being made
Sufficient ➔ comparisons to historic or competitor data
Up to date ➔ ensures relevancy

Even when the information used to make decisions is accurate, sufficient and up to date, the way that such information is used may have limitations. For example, the average rate of return is often used to help a business make decisions by comparing the profitability of different investment options.

Year 11 Knowledge Organiser – Theme 2.5: Making HR Decisions

Organisational Structures – to illustrate job roles and responsibilities.

- Hierarchical structure ➔ 'tall' and has many layers of management with a long chain of command. Managers have narrow span of control.
- Flat structure ➔ only a few layers of management with a wide span of control and short chains of command.
- Centralised structure ➔ business decisions are made at the top of the business or in a head office and distributed down the chain of command.
- Decentralised structure ➔ a business allows decisions to be made by managers and Subordinates further down the chain providing staff with more decision-making.

Impact of Communication on efficiency and motivation

Communication in a business can be done in several ways. The most common methods are emails, text messages, online shared spaces, communication apps, letters, reports, phone calls, video-conferencing, and face-to-face meetings. When communication is not done well, there can be negative effects on business performance. Ineffective communication falls into two categories: insufficient and excessive.

Barriers to effective communication – bad explanations, spelling/grammar, technology etc.

Ways of Working – usually depending on a mixture of business requirements.

- Full time ➔ working more than 35 hours per week, often spread over five days each week
- Part time ➔ working for only part of the working week, or anything less than full time
- Flexible/zero hours➔ given a set number of hours to work in a week, month or year but get to choose when they work
- Permanent ➔ a contract is one that has no fixed end date
- Temporary ➔ a contract that has a specific end date, where the worker is only employed for a certain period
- Freelance ➔ a contract where a self-employed individual is engaged to carry out a specific piece of work over a defined period.

Technology – improvements have come from increased efficiency and remote working.

- Efficiency ➔ completing jobs more quickly
- Remote working ➔ employees ale to work from their home for added flexibility

Additional Learning: training and development, retaining and motivation.

Key Job Roles and Responsibilities

Directors	Small businesses may only have one or two directors. Larger businesses often have a board of directors who make the key business decisions.
Senior Managers	Usually have overall responsibility for all staff below them. They make key day-to-day operational decisions and set strategy or direction.
Supervisors / Team Leaders	Manage a team of employees, which involves providing them with daily duties, agreeing their working hours and ensuring they fulfil their roles.
Operational Staff	Complete tasks that fulfil the purpose of a business.
Support Staff	Assist with the daily operation and running of a business. Their duties do not directly contribute to the overall operation

Documentation	Definition
Person Specification	Provides information about the type of person they want to hire.
Job Description	To list all the duties that are required in the role.
Application Form	A series of questions for a potential employee to answer
CV	A personal document that includes information about an applicant's skills, experience, qualifications and hobbies.

Internal Recruitment	External Recruitment
Quicker process, applicants already known to the business and may have experience. Cheaper to recruit and advertise roles. However, usually only a few applicants to choose from who may not have the correct experience. Would mean a lack of new ideas to bring to the business.	May bring new ideas to the business with fresh enthusiasm and skills from a larger pool of applications. However, may take the new employee time to settle in, it is more expensive as they are not known to the business and therefore it will take a longer time.