# Unit 1: Business in the real world

Y10 GCSE Business

Task:

Answer all questions from the workbook and self-assess your work with the mark scheme provided.

# Unit 1: Business ownership

## Case Study: Item A – Graham’s Guitars!

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| Graham has played guitar ever since he was at school. At an early age, Graham formed a rock band with his friends and played several gigs at venues in his local area, which were sell outs. His passion for music led Graham to study music at college and then become a guitar teacher. As a teacher, Graham would travel to his customers’ houses and charge £15 for a 30 minute lesson.  Graham always possessed strong communication skills and as a result built up excellent relationships with all his customers. Due to the quality of his teaching and his hard work and determination in making his business succeed, Graham found that he was often turning customers away, particularly customers who were looking for after school lessons.  At present, Graham works five hours each weekday evening and eight hours both days at the weekend. He does however, have to allow 60 minutes out of this time for travelling each day, where he is not paid. |

## Exam-style questions:

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| **1.** Identify **two** personal characteristics that Graham shows as an entrepreneur (2 marks)  **2.** Calculate the weekly revenue of Graham’s Guitars. State the formula for revenue and show all your workings (5 marks) |

## Case Study: Item B – Graham’s Guitars!

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| Graham has recently been thinking about expanding his business, as he is turning more and more customers away. He believes he could increase his revenue significantly if he opened a shop. The shop would be fitted with three private rooms for music lessons and would also stock guitars, plus other musical instruments and music for his customers to buy.  Graham currently operates as a sole trader and is worried about the cost of setting up a shop on his own. He has however been approached by one of his college friends, Jim, who is also just starting out as a music teacher. Jim has been playing in bands since leaving college and is able to play both guitar and drums. He has savings of £50,000 which he would be willing to invest in a business, in contrast to Graham who has savings of £10,000. |

## Exam-style questions:

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| **3.** Graham has decided to open the shop. In making this decision, he is considering whether he should:   * Remain as a sole trader * Go into partnership with Jim   Recommend which is the best option for Graham to take. Give reasons for your advice (9 marks) |

Possible answers:

**1. Identify two personal characteristics that Graham shows as an entrepreneur**

* + Hard working – in setting up a brand new business
  + Strong communication skills – allowed him to build up a customer base
  + Determination – in ensuring that his business is successful
  + Willingness to take a risk – in setting up his own business

**2. Calculate the weekly revenue of Graham’s Guitars**

**Revenue = selling price x number of lessons** (1 mark)

Hours worked = 4 hours each weekday/7 hours each day at the weekend *(1 hour deducted for travelling each day)* (1 mark)

Lessons: 30 mins each

Number of lessons = 8 each weekday and 14 each day at the weekend

Total number of lessons = (8 x 5) + (14 x 2) = 40 + 28 = 68 lessons in total (2 marks)

**Revenue = 68 lessons x £15 per lesson = £1,020** (1 mark)

**Markers note:**

Deduct a mark if correct answer, but no £ sign is present

Maximum of 4 marks available for the correct answer; 1 mark available for the formula

**3. Recommend which is the best option for Graham to take**

Indicative content:

**Remain as a sole trader:**

* + Graham has been operating as a sole trader since forming his music tuition business; he therefore is used to being in full control of all decisions within the business; changing to a partnership, where he would have to consult with Jim, may be a difficult change for Graham to take and could cause tension between the two friends
  + Graham has savings of £10,000, plus has been successfully trading as a guitar teacher on his own; at present Graham has been turning customers away; this suggests that he could have enough funds to run a shop on his own, without having to rely on the finance from Jim, which, if taken, would mean he would have to share his profits
  + Jim has more money to invest than Graham; would this mean that Jim would want a larger say in decision making? Graham may not be happy with this and may prefer to borrow any shortfall of cash from the bank to finance the new store
  + Graham would get to keep all the profits, which would potentially grow over time; profit levels may be low at the start, due to the business having to pay for start-up costs/some customers may not be willing to make the switch to travel to a store, rather than having the lessons in the convenience of their own home; splitting the profits with Jim may result in low amounts being received by both Graham and Jim

**Change to a partnership:**

* + Jim has £50,000 of savings that he would be willing to invest into the business; Jim appears fully committed to the business and as friends, it would be possible for decisions to be made amicably and quickly
  + The new store has three private rooms for music lessons; Graham only can teach guitar, whereas Jim is also a specialist in drums; offering a different choice of music lessons would help to increase footfall and sales
  + Graham would be able to share some of the workload of running a store with Jim; Graham, at present, is only used to running a mobile sole trader business; opening a store would result in the business operating at a different scale; this may put a lot of pressure on Graham, which he may prefer to share with his friend, Jim

**Overall:**

* Graham would still have unlimited liability, regardless of whether he was a sole trader or a partnership; if he could afford the costs of the new business with his savings and income from trading, perhaps he should stay as a sole trader/remain in full control of his business and offer Jim a part time position as a drum teacher
* From the case, Graham appears risk-averse; forming a partnership would split the risk and there would be more capital to invest in the business; this perhaps would suit Graham better?
* The decision depends upon whether Graham can afford the new business and is happy to split the decision making/the profits with Jim; as Jim has more money to invest in the business than Graham, would he expect a bigger say in its running?; as Graham has built up his reputation and business from scratch, this is possibly not the direction he would want the business to go in; it may be better for Graham to remain as a sole trader, employ other music teachers to ensure his music rooms could each be occupied whenever possible and there would be staff available to sell the additional products, such as sheet music and instruments, whenever the shop was open

**Unit 1: Setting business aims and objectives**

**Case Study: Item A – Firstmark Ltd**

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| Firstmark Ltd is a well-known high street favourite with its target market of young, fashion-conscious under 35s. Its stores are stocked high with clothing and shoes for all age groups, as well as beauty and home products. Its main success lies with selling up to the minute fashion goods, at very low prices. Styles change quickly, in fact every few weeks, to keep customer interest and to encourage repeat purchases. Firstmark chooses to sell its products, which it receives from its suppliers, only through stores, rather than using e-commerce, unlike many of its competitors. The business does have a website, but this is used by customers to look at stock rather than to buy.  The firm was formed in 1969, with its first store opening in Dublin. Four years later the business expanded into the UK and in 2006, expanded into Europe. The business currently has 290 stores across the UK, Ireland, Europe and USA. Last year, the business made a profit of £673 million, which increased by 2% from the year before. |

**Exam-style questions:**

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| **1.** Explain the channel of distribution that Firstmark uses in its business (2 marks)  **2.** Explain how the objectives of Firstmark have changed over time (4 marks) |

**Case Study: Item B – Firstmark Ltd**

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| In the past, Firstmark experienced a large amount of negative publicity, as the suppliers that the business used to produce some of its products were reported to have used child labour. Other press reports suggested that a SOS note was found in a Firstmark garment. The note explained how employees worked for 15 hours a day, in very poor conditions.  As a result of these claims, Firstmark reviewed its objectives. The business now has a clear focus on both environmental and ethical standards. Regular checks are made by Firstmark employees to ensure that products are made in good working conditions and that people employed by the suppliers are treated decently and paid a fair wage. Last year, Firstmark invested in 2,629 factory inspections to ensure that its environmental and ethical standards were kept to. |

**Exam-style questions:**

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| **3.** Analyse the impact of Firstmark’s decision to focus on more ethical and environmental objectives. In your answer you should consider:   * the impact on shareholders * human resource implications   You must evaluate which area will have the biggest impact. Use evidence to support your answer (12 marks) |

Possible answers:

**1. Explain the channel of distribution that Firstmark uses in its business**

* + Firstmark receives its stock (clothing, shoes, beauty and home products) from suppliers, which it sells through physical stores to its fashion-conscious customers

**2. Explain how the objectives of Firstmark have changed over time**

* + Initially Firstmark would have been targeting survival, when it opened its first store in 1969; break-even and making a small profit would also have been crucial to ensure that the business could carry on trading in the hugely competitive clothing/fashion market
  + Over time, Firstmark’s objectives would have changed to expansion, firstly into the UK and then subsequently into Europe and worldwide; the business now has 290 stores
  + Through business growth, Firstmark would also be targeting the objective of increasing market share, to maximise sales through continuously changing product lines to keep up to date with fashion trends and to satisfy customer needs for new products
  + The business is also looking to increase/maximise profit; the business made a profit of £673 million last year, which was an increase of 2% from the previous year

**3. Which factor will have the biggest impact?**

Indicative content:

**The impact on shareholders:**

* + There would be an additional financial cost in having more ethical and environmental objectives, in terms of factory inspections, sourcing appropriate suppliers; this could reduce profits, potentially lowering the amount that is available for dividends
  + Consumers are nowadays more interested in how businesses act/behave; Firstmark, showing more consideration to ethical and environmental objectives, could encourage more people to shop at the firm’s stores, increasing footfall, sales volume, revenue and ultimately profit, which could result in higher dividends for the shareholders

**Human resource implications:**

* + Despite the people making Firstmark’s garments not being directly employed by the business, in consumers’ minds the actions of suppliers are linked to Firstmark directly; Firstmark have a choice of which suppliers it would like to produce its products and therefore have a duty of care to ensure that suppliers also follow the ethical and environmental standards the business stands for
  + In the past, Firstmark received a large amount of negative publicity through suppliers treating their staff poorly and using child labour; through regular factory checks, staff are now more likely to be treated decently and be paid a fair wage, resulting in a large impact on the working lives of these people
  + The staff that are employed directly by Firstmark would be more motivated and happier to be working for an employer which has a clear focus on environmental and ethical standards, which may increase staff retention levels and labour productivity

**Other implications - Marketing:**

* + If the business actively promotes this change in focus on ethical and environmental standards, through in store promotion, PR and different forms of advertising, the business may experience a rise in interest in the store, leading to an increase in sales
  + The negative publicity that Firstmark experienced in the past would soon be overridden by the new ethical/environmental focus, if awareness could be created through promotional activity around this
  + The improvement in standards in the supply chain could have an impact on costs, therefore resulting in Firstmark having to increase its prices to retain its margins or the business may need to accept a lower profit margin on each item sold if its current low prices are maintained; however due to the popularity of the store, sales volumes may increase, which could result in overall revenue and therefore profits increasing too

**Overall:**

* + The biggest impact, it could be argued, would be around the improvement to working conditions for employees in Firstmark supplier’s factories; however, supply chains are hugely complex and difficult to manage and there have been cases with other well-known businesses of them being unaware of the negative actions of their suppliers when they came to light in the press. 2,629 factory inspections appears a large number, but how many suppliers does Firstmark have and have often are they inspected?; to have a continuous impact, regular inspections would need to be implemented
  + The impact on shareholders is likely to be less significant; Firstmark is renowned for fast fashion at low prices; how important are ethical and environmental standards to its customers in store, when purchasing choices are likely to made on the products/prices that are on offer, rather than the ethical standards behind them; Firstmark may see a rise in costs due to implementing these standards, but it would be seen as a necessity to avoid further bad publicity; the level of profits/dividends would be linked much more to the in store product offerings in terms of price and style
  + The implications on marketing would again be less significant; Firstmark may feel it needs to promote its ethical and environmental standards to be in line with other businesses and to be seen in a “favourable light” by its stakeholders; however, the success of Firstmark essentially stems from low prices and the right fashion products; marketing based on these aspects will undoubtedly increase sales, rather than promoting the new ethical and environmental standards, which many of the firm’s customers may not really think about when choosing where to buy fashion products

**Unit 3: Stakeholders**

**Case Study: Item A – Simply Music**

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| Susan has always had a passion for music – classical, jazz, popular or folk - she loves it all! However because she lives in a small town, miles away from the nearest city, she never has an opportunity to listen to live music. Last year, she decided to hire the local town hall and organise her own charity concert featuring local bands, one of whom had appeared as a warm-up group at Glastonbury the year before.  There had been a lot to organise, tickets, programmes, security, catering and the acts themselves. In the end, the concert was a tremendous success and she has now decided to organise a monthly concert, featuring different styles of music. This business idea has, however, caused some complaints from a small number of local residents about the nuisance the last concert caused. She also knows that she had a lot of volunteers helping for the last concert and that if she was to set up her own concert business, she would need to employ a large number of staff to get each concert ready to ensure they would all be a success.  This has not put her off her idea and she now has a provisional programme of possible concerts for the year. She has also spoken to the local bank manager, who is prepared to provide her with a small loan to get the business started. |

**Exam-style questions:**

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| **1.** The local community is one stakeholder which is interested in the concert business; identify two other stakeholders of the concert business (2 marks)  **2.** Analyse the impact on the local community of the concert business (6 marks) |

**Case Study: Item B – Simply Music**

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| Susan is concerned that her objectives of running her concert business will be very different from the objectives of the other stakeholders affected by the enterprise. Susan simply wants to improve the entertainment in the town and to make enough money that she can cover costs and make a small profit. She knows however, that the objectives of the other stakeholders affected by the business, including the local community, will be different.  In order to deal with the likely conflicts that could arise between the different stakeholder groups, Susan is considering having a meeting for all the stakeholders or their representatives to attend. Her best friend, Helen, however has said that this would only cause conflict and that she should just go ahead with the programme, organise the concerts and deal with any conflict if and when it arises. |

**Exam-style questions:**

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| **3.** Recommend whether Susan should hold a meeting to resolve possible stakeholder conflict. Give examples and reasons to support your advice (9 marks) |

Possible answers:

**1. The local community is one stakeholder which is interested in the concert business; identify two other stakeholders of the concert business**

Possible stakeholders could include:

* + Susan
  + Concert goers
  + Staff employed for the concert (reception, tickets, security, backstage etc)
  + Suppliers (town hall, catering, equipment)

**Markers note:**

Do not allow local community

**2. Analyse the impact on the local community of the concert business**

* + The local community will benefit in terms of the provision of the entertainment in the local area; this could boost the popularity of the area, which may increase property prices
  + There will be local jobs provided; this will provide some income which could be spent in the local area, therefore other local businesses will benefit
  + Some local people think the concerts will decrease their quality of life, as there will be noise and the nuisance of people going to and coming from the concert e.g. traffic congestion; this will make the area a less desirable place to live

**3. Recommend whether Susan should hold a meeting to resolve possible stakeholder conflict**

Indicative content:

**Arguments in favour of holding a meeting:**

* + Would allow the stakeholders to be aware of each other’s point of view and Susan’s objectives
  + Would mean that communication and communication channels could be established; this would make any conflict easier to resolve
  + Other stakeholder groups would appreciate the fact that a meeting had been organised and Susan clearly cared about and valued their different views; this would mean they would more likely accept Susan’s proposals or any further decisions that she would take regarding the business in the future; for example, if Susan explained that a wealth of jobs could be created by the business opportunity, more of the residents may feel onside with Susan’s ideas

**Arguments against holding a meeting:**

* Could be confrontational, as different stakeholders would be arguing for their own specific objectives; for example, a small group of local residents found the first concert a nuisance; if this group was very vocal at the meeting, it may result in other residents, who may not have been overly bothered by the concert the first time round, to focus on the negatives of the business idea and object to it
* Not all stakeholders are likely to attend the meeting; key groups or individuals may be missing, who may become a source of future conflict
* Susan is running a business and therefore she could just “get on with it” and make her own decisions without asking for specific stakeholder viewpoints; if suppliers or employees are not happy with the business idea, there will undoubtedly be others who would be interested and take on board the business opportunity; the first concert was a great success and therefore customers were clearly happy; this is no reason why this stakeholder group should not continue to buy tickets to the concerts in the future (dependent on the quality and calibre of the bands booked)

**Overall:**

* + A meeting could provide a small benefit if well attended, but it is not the only way to communicate with stakeholders; Susan could use emails, letters or flyers giving any details required and what to do in case of any problems
  + As the concerts are monthly, then any conflicts can be resolved, as best as possible, for that specific concert and then longer term solutions found before the next concert; in the long run initial issues will have been addressed and as the area gets used to the events and the publicity, it can be assumed that the different stakeholder groups will get used to and accept the change as a positive to the area
  + A meeting might just end up with Susan chairing it and then making the same decisions as she first intended; this would take up valuable time, which Susan should use to ensure her business is a success; Susan is the entrepreneur, has identified a gap in the market and established demand exists, therefore as the key stakeholder, she perhaps should just get on and make decisions to ensure the business is viable and profitable

# Unit1: Business location

## Case Study: Item A – Connections plc

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| Connections plc is one of the world’s leading mobile communication companies and employs 108,000 staff in total. 13,000 of these staff are based in the UK.  The business was founded in 1984 in the UK and now has its global headquarters in London and its UK headquarters based in Newbury. Both offices take a centralised approach to decision making.  The business operates over 500 UK stores, which has grown from 357 stores 2 years ago. The firm’s continued success and growth has been linked to the UK being part of the EU, with the freedom of movement of people, capital and goods, as well as a single legal framework. |

## Exam-style questions:

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| **1.** Calculate the percentage of Connections’ total staff that are employed in the UK. Show all your workings. Give your answer to two decimal places (2 marks)  **2.** Explain why Connections would take a centralised approach to decision making (4 marks) |

## Case Study: Item B – Connections plc

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| Connections, alongside many other companies based in the UK such as easyJet, has expressed its concern about keeping its headquarters in the UK, after the British general public voted to leave the EU. The majority of the firm’s 462 million customers and 15,000 suppliers are based outside the UK. Last year, 55% of Connections’ total profits came from European business, excluding the UK. The UK contributed only 11% to the firm’s total profits.  The company is currently considering its future location decision for its global headquarters, which employs approximately 500 staff. Connections is currently unsure how exactly the UK’s exit from the EU will impact the firm. The business has made a commitment to operate in the best interest of its stakeholders. In order to keep to this promise, the firm has a big decision to make in the future. |

## Exam-style questions:

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| **3.** Analyse the impact on Connections of moving its global headquarters outside of the UK. In your answer you should consider:   * financial implications * human resource implications   You must evaluate which area will have the biggest impact. You must use evidence to support your answer (12 marks) |

Possible answers:

**1. Calculate the percentage of Connections’ total staff that are employed in the UK**

(13,000/108,000) x 100 (1 mark) (1 mark) = **12.04%** (1 mark)

**Markers note:**

Full marks available for the correct answer; deduct one mark if a % sign is not given

**2. Explain why Connections would take a centralised approach to decision making**

* + Decision making will be quicker; this is important in the mobile communications market, which is constantly changing and is hugely competitive
  + Connections has over 500 UK stores and 108,000 staff worldwide; taking a centralised approach to decision making will ensure that there is consistency across all the branches, ensuring there is uniformity in levels of customer service/store operations; this would enable Connections to have a strong corporate image
  + Easier to co-ordinate activities in the business; Connections is a large, expanding business with global HQs in London and the UK HQs in Newbury; centralisation will ensure that staff are clear of the direction of the firm, if decisions are made by the two HQs and are communicated clearly

**3. Which factor will have the biggest impact on Connections?**

Indicative content:

**Financial implications:**

* + The business would need to find a new global HQs outside of the UK; this would be expensive to not only find a suitable location, but also financial incentives may need to be given to key staff to encourage them to relocate too; this would increase costs, as there are currently 500 staff based at this site (although not all of them would be vital to the move); there would also be the potential of redundancy payments, increasing costs further
  + The business receives 55% of its profits from Europe last year, with only 11% coming from the UK; if Connections moved outside of the UK and into Europe it would still be part of the EU and benefit from the freedom of movement of people, capital and goods and a single legal framework; this would result in lower costs, as the business would not need to pay tariffs, unlike (potentially) if it stayed in the UK; Connections would then however, potentially have to pay tariffs on trade between the new site and the UK

**Human resource implications:**

* + 500 staff in the UK could potentially lose their jobs if they were not able to relocate into one of the stores or the UK HQ in Newbury; this could result in lots of negative publicity for the business and a potential loss of customers in the UK
  + As the firm’s global HQs are based in London, it can be assumed that key staff would be working from these offices; it would be crucial for the business to retain these employees to ensure consistency in decision making, future plans for the business; not all staff would be prepared to relocate, if settled in the UK; this could result in the business losing employees which the firm may find difficult to replace; top staff may also be attracted to work for rival firms

**Other impacts: Technology:**

* There will be issues in terms of setting up IT networks to ensure successful communication with stakeholders; this would be expensive and may result in some initial “teething” problems, as systems are migrated/moved; this could result in problems with communication/direction

**Overall:**

* + The financial impact could be seen as large in terms of costs; however, the business is growing and is successful, as one of world’s leading mobile communications company; it can be assumed that Connections could afford this move
  + The human resources impact could be more significant than the financial impact, as if key personnel will not relocate with the business, and more significantly find employment with a competitor, the firm’s competitive advantage/future direction may be impacted
  + Dependent on how well the relocation is planned, will determine whether Connections would experience technological problems; this could be a serious impact for the business, but could be minimised/avoided with careful preparation

# Unit 1: Business planning

## Case Study: Item A – Sasha “The Artist”

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| Sasha had always shown a natural talent and passion for art ever since she was young. Over the last three years, Sasha had studied an art degree at her local university, whilst living at home rent free with her parents. Having successfully completed her course and gaining top marks, Sasha was now thinking about her future career. As Sasha loved painting and was lucky enough to live beside the sea in a very popular tourist spot, she decided to hand paint pictures of the local area and sell them at the seafront on a mobile market stall.  From the start, Sasha made the decision to use job production. She decided to paint two different sized pictures to keep her pricing simple. However, each of her paintings would be unique, of a local scene and would be individually signed. |

## Exam-style questions:

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| **1.** Identify **two** pricing methods that Sasha could use to price her paintings (2 marks)  **2.** Explain **one** benefit to Sasha of choosing job production to produce her paintings (4 marks) |

## Case Study: Item B – Sasha “The Artist”

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| After successfully trading from her market stall for the last year, Sasha decided that she wanted to move into her own shop and create an art gallery of her work, where she could paint and sell her paintings at the same time. She found a suitable location, on the seafront, but the rent was expensive and amounted to £36,000 per year.  Due to her low living costs, Sasha had managed to save a considerable amount of cash over the last year. She had also built up a reputation in the area and appeared in many local tourist magazines. As such, Sasha’s trade was increasing. She calculated in October that she made £3,000 in sales revenue, when she opened her market stall just at the weekends. |

## Exam-style questions:

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| **3.** Sasha has been advised by her parents that she should draw up a business plan to help her in the development of her new store.  Recommend whether Sasha should draw up a business plan. Give reasons for your advice (9 marks) |

Possible answers:

**1. Identify two pricing methods that Sasha could use to price her paintings**

* + Cost-plus pricing
  + Competitive pricing
  + Psychological
  + Price skimming

**2. Explain one benefit to Sasha of choosing job production to produce her paintings**

* + Would allow Sasha to charge higher prices; each of her paintings is unique/individually signed and therefore people would be willing to pay higher prices for them
  + Producing paintings of different local scenes would help to keep Sasha’s love of paining alive/maintain her motivation levels towards her business
  + Each of her paintings would be different; this may encourage customers who have bought one particular scene to purchase another, as they recognise that each painting is unique; this would help to increase revenue
  + Decision may result in positive word of mouth communication, resulting in an increase in awareness for her business and an increase in demand

**3. Recommend whether Sasha should draw up a business plan**

Indicative content:

**Arguments for drawing up a business plan:**

* + Sasha has one year’s experience of running a market stall, prior to this she was a student at university; running a store means that the business is now operating at a different scale and therefore planning will allow her to minimise her risk; it will help to ensure that nothing is forgotten and that all elements of the business plan have been reviewed
  + Sasha is a seasonal business; running a mobile business stall will not incur the same fixed costs as a retail unit; planning will help to ensure that this move will be successful
  + If Sasha need’s to arrange external sources of finance to fund the business development, a business plan will help to convince either the bank or other investors, that the business proposition would be worthwhile; the rent would equal £3,000 each month; as Sasha’s business would still have a seasonal nature, being located by the sea, it would be wise for Sasha to arrange, at least, an overdraft facility with the bank

**Arguments for not drawing up a business plan:**

* + The business earned £3,000 in revenue in October, opening just at the weekends. Sasha’s current fixed costs would be minimal, as she just runs a mobile market stall. She would have variable costs of paints, canvasses etc, plus her own earnings; if she achieved the same level of sales each month, as she received in October, just operating for 8 days, she would be able to cover the cost of the rent (£3,000 x 12 = £36,000); the business would invariably be busier in the summer, and opening for more days in the winter, it would seem she would be able to afford the developments without relying on external sources of finance
  + The retail unit is leased at £36,000 per year; the business does not need a big outlay of cash to buy the unit; the rent is £3,000 per month and the case states that she has been successful in the first year of trading; as the business’s revenue was £3,000 in October and she has been living at home rent free, which has enabled her to save a large amount of cash, it suggests that a business plan is not required
  + The business is successfully trading at the moment at the market stall; with the free publicity received and her ever growing reputation it would suggest that Sasha’s sales will continue to increase, especially as she would be able to open every day that she wishes, rather than in her current situation, when opening is very much dependent on the weather; sufficient sales may be generated to run the business, even with the increased running costs associated with a store, which would result in a plan not being required
  + Valuable time would be taken up producing the plan; if she does not need the finance and has some idea of how to run the business, it can be argued that she does not need to produce a business plan

**Overall:**

* + It can be argued that it is always better to produce a business plan than not, as it will help to minimise the risks to Sasha, as a sole trader, of this business development
  + Writing a business plan will ensure that Sasha thinks about all aspects of the business, to help minimise the chances that unexpected costs, that are not accounted for, do not appear in her business; a business plan would improve her chances of success
  + However, a business plan would only be of use if Sasha uses the plan as a working document and reviews it regularly to ensure that she is on track; this is of vital importance, as Sasha being relatively inexperienced at business, trading for just one year, may believe that her business success will naturally continue without any problems

# Unit 1: Expanding a business

## Case Study: Item A – Cranberry plc

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| Cranberry plc is a leading UK chocolate confectionary manufacturer, famous for producing brands such as Cranberry Dairy Crème, Secret bars and Crumbles. The business originally started in the early 1800s as a sole trader, but high demand for its range of chocolate products meant that the business grew quickly and had to move to a larger factory quite soon after it was formed. At this point the business changed to a partnership.  Today Cranberry’s product portfolio is extensive, as it manufactures not only chocolate bars, but also boxed and bagged chocolate, Easter eggs and drinking chocolate. The large increase in demand for its products over the years, led the business to outsource production of some of its products, particularly Easter eggs, to Lava Ltd, a business which is located in an area of high unemployment, very close to Cranberry’s main production factory in Birmingham. The outsourcing company’s main customer is Cranberry and Lava currently employs 200 full time workers in its factory to work on Cranberry products. |

## Exam-style questions:

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| **1.** Identify **two** benefits to Cranberry of changing from a sole trader to a partnership in the early days (2 marks)  **2.** Explain **one** benefit to Cranberry of having a large product portfolio (4 marks) |

## Case Study: Item B – Cranberry plc

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| --- |
| Cranberry was recently taken over by a large multinational business, which has invested a huge amount of money into the business. This money is currently being used to fund further staff training and expand its current production facilities in Birmingham. This will allow Cranberry to produce more products more efficiently and it is expected that the unit cost of production will fall, despite the company’s commitment to fair trade. This move will mean that Cranberry will no longer need to outsource production of any of its products, as it will be able to manufacture all of its products itself. |

## Exam-style questions:

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| --- |
| **3.** Cranberry has decided to stop using Lava Ltd to manufacture some of its chocolate products. Analyse the impact on the local area of Cranberry’s decision. In your answer you should consider:  - the level of employment in the area  - the potential impact on other businesses  You must evaluate which factor will have the biggest impact on the local area. Use evidence to support your answer (12 marks) |

Possible answers:

**1.** Identify t**wo benefits to Cranberry of changing from a sole trader to a partnership in the early days**

* + More capital
  + More ideas
  + Shared liability
  + Shared decision making

**2.** **Explain one benefit to Cranberry of having a large product portfolio**

* + Risk is spread; if one product fails there are other products for the business to fall back on
  + The business operates in a competitive market; this will help the business gain customers and market share
  + Different customers can be targeted with different products; higher sales
  + Cranberry makes seasonal products, such as Easter eggs, and therefore it needs a range of products to cope with the fluctuations in demand at different times of the year

**3. Which factor will have the biggest impact on the local area?**

Indicative content:

**Level of employment in the area:**

* + There will be an effect on employees at Lava Ltd and Cranberry plc, both are in the same proximity in an area of high unemployment; 200 full time people will potentially lose their job at Lava Ltd; however there are job opportunities at Cranberry plc with the prospect of better training; demand for Cranberry products appears to be growing; consumers are increasingly interested in ethical products and the business is committed to fair trade; this may result in more jobs being created at Cranberry in the future
  + Unit costs are expected to fall, giving Cranberry more flexibility on price, which may result in increased demand, resulting in more jobs
  + Employees may just shift employment from Lava to Cranberry, as they will be skilled in producing its products; the prospect of training will attract people to work at the firm

**Potential impact on other businesses:**

* + This would include Lava and any other businesses located in the area; Cranberry is a plc, if it is expanding more jobs will be created; local businesses may see an increase in demand for their products
  + Lava Ltd will see a huge drop in demand for its services; if Lava Ltd cannot secure another contract, the business may not be able to cover its fixed costs and therefore be forced out of business
  + Lava employees, who may lose their jobs, may start working at Cranberry; Cranberry is a large business and committed to staff training; therefore levels of pay may be higher resulting in higher disposable income as staff are better qualified; this may result in higher sales for local businesses e.g. cafes; surrounding shops
  + Demand is increasing for Cranberry products, therefore suppliers will see an increase in demand for their products too

**Other impacts on local economy:**

* + Impact on traffic congestion/noise and air pollution; production moving wholly to Cranberry rather than across split sites of Cranberry and Lava; if production moves solely to Cranberry and it is a leading UK confectionary manufacturer, there will be increased pollution and congestion on the roads around this site for raw materials and end products to be distributed; also more workers would be travelling to Cranberry (in excess of 200, as Lava employed 200 full time workers to work purely on Cranberry products); this will cause more congestion and pollution in the area

**Overall:**

* + The area, both businesses operate in, has high levels of unemployment; the impact overall may be small, as Cranberry still will need to produce the same level of output or more as Lava, and the business will need the staff to do this; however, if Cranberry is Lava’s biggest customer, will the business be able to stay open if it loses this contract, resulting in other workers at the factory losing their jobs? How many other people work at the factory?
  + The impact on other businesses, particularly the potential threat to the future survival of Lava, is significant; Cranberry is seeing a rise in demand for its products and if wage levels rise in the area, other businesses may see a positive impact in terms of increases in sales
  + Impact of traffic congestion/noise and air pollution is potentially large; Cranberry has increasing demand for its well-known products