

# Edexcel GCSE Business Studies: Key Terms for Unit 3

## Unit 3: Building a Business

### Topic 3.1: Marketing

#### 3.1.1 Marketing

<b>Marketing</b>	The management process that is responsible for anticipating, identifying and satisfying customer needs profitably.
<b>Market Research</b>	The process of gaining information about customers, competitors and market trends through collecting primary and secondary data.
<b>Primary Data</b>	Information that has been gathered for a specific purpose through direct investigation such as observation, surveys and experiments.
<b>Secondary Data</b>	Information that already exists such as accounts and sales records, government statistics newspaper and internet articles and reports from advertising agencies.
<b>Quantitative Data</b>	Data that can be expressed as numbers and can be statistically analysed.
<b>Qualitative Data</b>	Data about opinions, judgements and attitudes
<b>Survey</b>	Research involving asking questions of people or organisations.
<b>Respondents</b>	Those who provide data for a survey usually by answering questions.
<b>Market Segment</b>	Part of a market that contains a group of buyers with similar buying habits.
<b>Sample</b>	A small group out of the total population which is selected to take part in a survey.
<b>Questionnaires</b>	A list of questions to be answered by respondents, designed to give information about consumers' tastes.

#### 3.1.2 Product Trial And Repeat Purchases

<b>Penetration Pricing</b>	Setting an initial low price for a new product so that it is attractive to customers. The price is likely to be raised later as the product gains market share.
<b>Product Trial</b>	When consumers buy a good for the first time and assess whether or not they want to buy it again.
<b>Viral Marketing</b>	Getting individuals to spread a message about a product through their social networks like Facebook or their group of friends.
<b>Public Relations</b>	Promotion of a positive image about a product or business through giving information about the product to the general public, other businesses or to the press.

<b>Trade Buyers</b>	Buyers of goods / services from producers who then sell to customers or other buyers; they include supermarket chains and wholesalers
<b>Wholesalers</b>	Businesses which buy in bulk and then sell in large but smaller quantities to retailers or customers e.g. Costco, Booker, Makro
<b>Retailers</b>	Businesses that sell in small quantities to consumers e.g. most high street shops
<b>Consumer Loyalty</b>	The willingness of buyers to make repeat purchases of a product or from a business.
<b>Repeat Purchase</b>	When a customer buys a product more than once.
<b>3.1.3 Product Life Cycle</b>	
<b>Product Life Cycle</b>	The stage through which a product passes from its development to being withdrawn from sale; the phases are research and development, launching the product, growth, maturity saturation and decline.
<b>Extension Strategy</b>	Method used to increase the life of a product and prevent it falling into decline.
<b>Research &amp; Development</b>	R & D - the process of scientific, technological research into a new product or improving an existing product (this can be called a product life cycle extension strategy e.g. Vanilla coke)
<b>Product Portfolio (Mix)</b>	The combination of the range of goods or services that a business sells.
<b>Product Portfolio Analysis</b>	Investigating of the combination of products sold by a business.
<b>Boston Matrix</b>	A model which analyses a product portfolio according to the growth rate of the whole market and the relative market of a product within that market, a product is placed in one of four categories – star, cash cow, problem child or dog.
<b>3.1.4 Branding and Differentiation</b>	
<b>Brand</b>	A named product which consumers see as being different from other products and which they can associate and identify with.
<b>Generic Product</b>	A product made by a number of different businesses in which customers see very little or no difference between the product of one business compared to the product of another business.
<b>Own Brand</b>	A product which is sold under the brand name of supermarket chain or other retailer than under the name of the business which manufactures the product.
<b>Product Differentiation</b>	Making one product different from another in some way, for instance through the quality of a product, its design, packaging or advertising.
<b>Premium Price</b>	A price which is above the average for products of a particular type.
<b>3.1.5 Building a Successful Marketing Mix</b>	
<b>Marketing Mix</b>	A combination of factors which help a business to take into account customer needs when selling a product, usually summarised as the 4P's (price, product, promotion and place)
<b>Topic 3.2: Meeting Customer Needs</b>	
<b>3.2.1 Design and Research Development</b>	

<b>Design Mix</b>	The range of variables which contribute to successful design: they are function, cost and appearance.
<b>3.2.2 Managing Stock</b>	
<b>Maximum Stock Levels</b>	The highest amount of stock kept by a business. The top line on a stock control diagram - the top of the peaks
<b>Re-Order Level</b>	The amount of stock held by a business at which it orders new stock - the second level on the stock control diagram
<b>Buffer Stock</b>	Minimum stock level - the bottom line on the stock control diagram - the lowest amount of stock a business will hold
<b>Just In Time (JIT)</b>	Stock is ordered and delivered only when it is actually needed - the business holds very little stock - save costs but can be a problem if there is unusual demand
<b>Stocks</b>	Materials that a business holds. Some could be materials waiting to be used in the production process and some could be finished stock waiting to be delivered to customers.
<b>3.2.3 Quality</b>	
<b>Quality</b>	Achieving the minimum standard for a product or service, or production process which meets customers' needs.
<b>Quality Control</b>	Ensuring that a product or service meets minimum standards, often through testing of sample products once they have been made.
<b>Quality Assurance</b>	Ensuring that quality is produced at every stage of the production process, often through making quality the responsibility of every worker.
<b>3.2.5 Effective Customer Service</b>	
<b>Customer Service</b>	The experience that a customer gets when dealing with a business and the extent to which that experience meets and exceeds customer needs and expectations.
<b>Innovation</b>	The process of transforming inventions into products that can be sold to customers.
<b>3.2.6 Meeting Consumer Protection Laws</b>	
<b>Sales of Good Legislation</b>	Gives consumers rights to compensation if a product they buy is not of merchantable quality, not as described or not fit for purpose.
<b>Trade Description Legislation</b>	Makes businesses liable for prosecution and fines if products are sold in a misleading way.

## Topic 3.3: Effective Financial Management

### 3.3.1 How to improve Cash Flow

<b>Cash Flow</b>	The flow of cash into and out of a business.
<b>Financial Management</b>	Deliberately changing monetary variables like cash flows to achieve financial objectives such as improved cash flows.
<b>De-Stocking</b>	Reducing the levels of stocks in a business.

<b>Trade Credit</b>	Where a supplier gives a customer a period of time to pay for a bill (or invoice) for goods or services once they have been delivered.
<b>3.3.2 How to Improve Profit</b>	
<b>Profit</b>	Occurs when the revenues of a business are greater than its costs over a period of time.
<b>Revenues</b>	The amount of money received from selling goods or services over a period of time.
<b>3.3.3 Break-Even Charts and Break Even Analysis</b>	
<b>Break Even Point</b>	The level of output where total revenues are equal to total costs; this is where neither a profit nor a loss is being made.
<b>Total Revenue</b>	The revenue earned by a business from the sale of a given quantity of products. It is equal to quantity sold x average price.
<b>Break Even Formula</b>	Fixed costs ÷ (sale price - variable costs per unit - [called contribution costs] )
<b>Break Even Chart</b>	A graph representing break-even - consist of Output, Revenue/costs, Total revenue, Fixed costs, Total costs. - A useful tool but all lines are straight lines which don't take account of variations in the market.
<b>Margin Of Safety</b>	The level of output between actual output where profit is made and the break-even point. It could also be the difference between the break-even point and the maximum amount of output a business can produce
<b>Total Costs</b>	All the costs of a business; equal to fixed costs plus variable costs.
<b>Fixed Costs</b>	Costs which do not vary with the amount produced such as rent, business rates, advertising costs, administration costs and salaries.
<b>Variable Costs</b>	Costs which change directly with the number of products made by a business, such as the cost of buying raw materials.
<b>3.3.4 Financing Growth</b>	
<b>Financing A Business</b>	How a business obtains money and other financial resources to start up, expand and if necessary pay off losses it has made.
<b>Internal Sources Of Finance</b>	Finance which is obtained within the business such as retained profit or the sale of assets.
<b>External Source Of Finance</b>	Finance from outside the business such as bank loans and cash from the issue of new shares.
<b>Retained Profit</b>	Profit kept back and not given to shareholders or owners.
<b>Equity or Share Capital</b>	The monetary value of a business that belongs to the business' owners. In a company, this would be the value of their shares.
<b>Share</b>	A Part ownership in a business; for example a shareholder owning 25 per cent of the shares of a business owns a quarter of the business.
<b>Overdraft</b>	Borrowing money from a bank by drawing more money than is actually in a current account. Interest is charged on the amount overdrawn.
<b>Bonds</b>	A long term loan where typically interest is paid at regular intervals like a year and the loan is all repaid at the end of the life of the bond. Bonds are traded on stock markets.

## Topic 3.4: Effective People Management

### 3.4.1 Organisational Structures

<b>Organisation</b>	The way in which a business is structured for it to achieve its objectives.
<b>Organisational Chart</b>	A diagram which shows the internal structure of the organisation.
<b>Hierarchy</b>	Structure of different levels of authority in a business organisation, one on top of the other.
<b>Line Manager</b>	Employee who is responsible for overseeing the work of others further down the hierarchy of an organisation.
<b>Function</b>	Tasks or jobs. Can be referred to as 'departments'
<b>Authority</b>	The right to decide what to do in a situation and take command of it to be able to make decisions without referring to anyone else.
<b>Subordinate</b>	Workers in the hierarchy who work under the control of a more senior worker.
<b>Chain Of Command</b>	The path (chain) down which orders (commands) are passed. In a company, this goes from the board of directors down to other workers in the organisation.
<b>De-Layering</b>	Removing layers of management and workers in a hierarchy so that there are fewer workers in the chain of command.
<b>Empowerment</b>	Giving more responsibility to workers further down the chain of command in a hierarchy.
<b>Downsizing</b>	When a business employs fewer workers to produce the same amount through increases in productivity which can be achieved through delayering.
<b>Span Of Control</b>	The number of people who report directly to another worker in an organisation.
<b>Delegation</b>	Passing down of authority for work to another worker below them in the hierarchy.
<b>Centralisation</b>	A type of business organisation where decisions are made at the centre by a small group of senior managers and then passed down the chain of command.
<b>Decentralisation</b>	A type of business organisation where decisions are not made at the centre but down the hierarchy. It speeds communication of decision making and motivates workers and increases their desire to work

### 3.4.2 Motivation Theory

<b>Maslow</b>	In work, the desire to complete a task.
<b>Hierarchy Of Needs</b>	Placing needs in an order of importance, starting with basic needs.

### 3.4.3 Communication

<b>Communication</b>	Messages passed between a sender and receivers, through a medium such as a letter or an email.
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<b>Feedback</b>	Response to a message by its receiver to the sender.
<b>Internal Communication</b>	Communication within the business organisation.
<b>External Communication</b>	Communication between the business and an outside individual or organisation like a customer, a supplier or a tax inspector.
<b>Channels Of Communication</b>	The path of communication taken by a message, such as horizontal communication, vertical communication or grapevine communication.
<b>Formal Channels of Communication</b>	Channels of communication that are recognised and approved by the business and by employee representatives such as trade unions.
<b>Informal Communication through the Grapevine</b>	Communication through channels that are not formally recognised by the business.
<b>3.4.4 Remuneration</b>	
<b>Payment Systems</b>	Methods of organising the payment of workers, such as piece rate or salaries.
<b>Manual/Blue Collar Workers</b>	Workers who do mainly physical work e.g. assembly line workers, school site team
<b>Wages</b>	Tend to be paid to manual workers for working a fixed number of hours per week plus overtime.
<b>Overtime</b>	Time worked over and above contractual work
<b>Basic Pay</b>	Pay earned for working the basic week
<b>Non-Manual/White Collar</b>	Workers who do not do physical work e.g. office worker, teacher
<b>Salary</b>	Usually paid to white collar workers but not always – depends on what sort are the main type of workers in a business
<b>Commission</b>	Payment to workers based on how much they sell e.g. estate agents, car salespeople
<b>Bonus</b>	Additional pay for achieving targets set e.g. insurance sales people
<b>Part-Time Workers</b>	Workers who don't work a full working week
<b>Full-Time Workers</b>	Workers who work a full working week
<b>Temporary Workers</b>	Workers without a permanent contract, usually fixed for a set period e.g. 1 year or during maternity leave
<b>Freelance Workers</b>	Self-employed workers (usually) who work for different employers for specific project e.g. some journalists, some photographers
<b>Fringe Benefits</b>	Payments in kind e.g. company car, health club membership, private medical insurance

## Topic 3.5: The Wider World Affecting Business

<b>3.5.1 Ethics in Business</b>	
<b>Business Ethics</b>	Ideas about what is morally correct or not, applied in a business situation.
<b>3.5.2 Environmental issues</b>	
<b>Supply Chain</b>	The processes that are involved in the route taken by a product from the raw materials needed to create it right through to the final customer.
<b>3.5.3 Economic Issues Affecting International Trade</b>	
<b>Developed Countries</b>	Countries with relatively high income per person.
<b>Developing Countries</b>	Countries with a lower income per person than developed countries.
<b>Protectionist Policies</b>	Measures designed to reduce foreign products coming into a country but give an advantage to domestic firms to sell products at home or export products.
<b>Import</b>	An import is the purchase of a good or service from a foreign business that leads to a flow of money out of the UK. The UK buyer will have to change pounds into the seller's currency to make the transaction.
<b>Export</b>	An export is the sale of a good or service to a foreign buyer that leads to a flow of money in the UK. The foreign buyer will have to change their currency into pounds to complete the purchase.
<b>Tariffs / Custom Duties</b>	Taxes put on goods imported into a country to make them more expensive for buyers.
<b>Quotas</b>	Limits on the physical number of goods that can be imported over a period.
<b>Export Subsidies</b>	Government measures (financial) to reduce the price of goods sold abroad
<b>3.5.4 The Impact of Government and the EU on business</b>	
<b>Tariffs / Custom Duties</b>	Taxes put on goods imported into a country to make them more expensive for buyers.
<b>Protectionist Policies</b>	Measures designed to reduce foreign products coming into a country but give an advantage to domestic firms to sell products at home or export products.
<b>Minimum Wage</b>	The lowest payment per hour, day or week that can be given to a worker for their work.