

1.1.1 The Dynamic Nature of Business

Keywords

Product – A product is anything which is capable of satisfying a customer's need.

- **Physical products** – e.g. Mobile Phones, Clothing, Takeaways etc. Anything which you can physically grab

Service– This is an act which is carried out for you in exchange for a price. E.g. MOT on a car, Dental Treatments, hair cuts, a travel agent. All these are services. Think of a service as a non physical item which you can not touch

Why New Business Ideas Come About Changes In Technology

Advances in technology can bring about new business ideas for example e-commerce (online shopping).

Since the invention of this businesses can operate via the internet which proves to be a cheaper way of operating a business. Small businesses can set up online via websites such as Ebay to sell their goods to the consumer.

Other changes in technology include:

- ☐ Electric cars are now a cheaper alternative to running a vehicle
- ☐ Virtual Reality (VR) gaming has made an impact recently
- ☐ Social Media – free to use and can be used by businesses to find out what the consumers want and need. This can then be used to produce products and services



1.1 Enterprise and Entrepreneurship

Why New Business Ideas Come About Continued... Changes In What Consumers Want

Consumers tastes are always changing and a business must adapt to this. A business is at risk if they do not keep up with current trends. Some examples being:

- ☐ Organic
- ☐ Free range
- ☐ Sustainable
- ☐ Eco friendly products as we become more aware of our impact on the environment



Products Becoming Obsolete

Obsolete – A product that is no longer used or which is deemed out of date

Many products have become obsolete over time, below are a few examples of what products became obsolete and what they were replaced by.

- ☐ Floppy Disks replaced by USB Sticks
- ☐ Typewriter replaced by the computer
- ☐ Cassette Tapes replaced by the CD
- ☐ Video tapes replaced by the DVD
- ☐ CD players replaced by the MP3 player

When a product is obsolete it is no longer produced or available. A new product is brought into the market to replace the obsolete one.



How New Business Ideas Come About

There are two ways in which business ideas come about they are:



Original Ideas

- ☐ These are ideas that have not been thought of before
- ☐ They are used to fill a gap in the market which may have been spotted. This is an idea no one has thought of before
- ☐ A business would have carried out research into the wants and needs of consumers. Based on this a product was developed.

Adapting Existing Ideas

A business could adapt a product by:

- ☐ Mixing and Matching existing products e.g. a fridge which has internet access
- ☐ Newer Versions of existing products e.g. updating of a games console from PS3 to PS4 to PS4 Pro.
- ☐ New versions of an old product e.g. new versions of a car
- ☐ Cheaper versions of an old product, high street fashion tends to create more affordable fashion.



1.1.2 Risk and Reward

Risks – the chance of loss or damage
Some of the risks associated with small businesses include:

- ☐ **Business Failure**- If a business fails to adapt to the current markets or to its competition it can face severe consequences such as failure. Businesses need to have a clear strategy to combat this and survive. E.g. Blockbuster video did not adapt to the digital age by offering streaming services and has since become obsolete replaced by its competitors like Netflix.

Some other reasons for business failure can include:

- ☐ Too much competition
- ☐ Insufficient demand for product
- ☐ Economic changes
- ☐ Business Rates
- ☐ Rising costs
- ☐ Taxes
- ☐ Lack of bank lending
- ☐ Running costs
- ☐ Too much red tape
- ☐ Late payments
- ☐ Cash flow issues
- ☐ Lack of resources



1.1 Enterprise and Entrepreneurship

Financial Loss

Starting a new business can prove to be a financial risk for its owner. This is because they may have invested their own cash as well as assets into the business.

The owner could have unlimited liability for their business which means they could lose all of their personal assets in order to pay debts associated with the business.



Lack Of Security

If an entrepreneur decides to leave their current job to pursue their own business this is another big risk. There is no guarantee that their business will be successful leading to lack of security

Business owners may have to pay for a mortgage and other bills associated with everyday living. Being a business owner is risky as the entrepreneur will be dependent on the business becoming a success in order to cover living costs as well as business costs.



Rewards - A reward is a benefit that is achieved by a business owner. This could be high product sales, it could be job satisfaction or even increased revenue. Some rewards include:

- ☐ **Business Success** – this can lead to survival, growth, awards as well as increased revenue.
- ☐ **Profits** – The business owner will get to keep all of the profits from the business. The profit will be split amongst partners if it is a partnership business. Although some of the profit may need to be reinvested into the business such as buying new equipment. The formula for profit is calculated by:

$$\text{Profit} = \text{Total Revenue} - \text{Costs}$$

- ☐ **Independence**- Part of having your own business means that you are completely independent and the rewards of this are
 - ☐ You are your own boss
 - ☐ You get to make all business decisions
 - ☐ You can adapt the business when you like
 - ☐ Gives you a higher degree of control in the business activities



1.1.3. The Role Of Business Enterprise

Business Enterprise - the activity of providing goods and services

The role of business enterprise and the purpose of business activity can be split into 3 sections:

- ☐ To produce goods or services
- ☐ To meet customer needs
- ☐ To add value (convenience, branding, quality, design, unique selling points)

Purpose: To Produce Goods And Services

In order to produce goods and services there are 4 key **factors of production** which are needed:

1. **Capital** – This is the money needed to get the business started.
2. **Enterprise**- This is the owners motivation and drive to start up a successful business
3. **Labour** – This is the work / workers needed within a business
4. **Land** – This is a place to produce goods e.g. a warehouse



Purpose: To Meet Customer Needs

Common expectations of customers include:

- ☐ Fast, efficient and accurate service
- ☐ High quality products at a competitive price
- ☐ Friendly, helpful service to provide information and answer questions
- ☐ Prompt responses to their inquiries
- ☐ Sufficient stock to meet needs without delays
- ☐ Trained staff that can handle their questions without referring them on
- ☐ A clean shop or easy to navigate website

1.1 Enterprise and Entrepreneurship

Purpose: To Add Value

Adding value - the difference between the price of the finished product/service and the cost of the inputs involved in making it.

E.g. new cars on the production line are being assembled by robots. The final, completed and shiny new car that comes off the production line has a value (price) that is more than the cost of the sum of the parts. Value has been added.



**Added
value**



Ways to add value

There are several different ways in which you can add value to a product/service these are:

- ☐ **Branding-** build a reputation for quality, value etc. that customers are prepared to pay for. BMW cars sell for much more than Ford, even though the production costs per pair are probably pretty similar!
- ☐ **Design-** Having various designs can help to provide a range of different products. E.g. different models of phones to suit different customers.
- ☐ **Unique Selling Point (USP)-** these differentiate products from those of other suppliers
- ☐ **Quality-** high quality, attentive personal service can make the difference between achieving a high price or a medium one
- ☐ **Convenience-** customers will often pay a little more for a product that they can have straightaway, or which saves them time



The Role Of Entrepreneurship

Being an entrepreneur includes doing the following:

Organises Resources

Enterprise is about creativity, taking risks, and innovation and using your initiative.

Entrepreneurs develop a business idea and then organises the factors of production to carry out the business activity. **(See first column)**

Makes Business Decisions

Decision-making is the process of choosing a logical choice from the available options. An entrepreneur will need to be able to make effective business decisions which will benefit their business.



Takes Risks

Setting up your own business is a big risk, money is invested from the start in items such as materials, employees, equipment and rent.

There is no guarantee that the products offered will be sold or be received well.

The entrepreneur reaps all the profits if a business is a success however they will also be responsible for all costs if the business fails.



Revision Questions

These questions are based around the previous slides. Test your knowledge to see if you can answer them!

1. Define what is meant by a product [1]
2. Define what is meant by a service [1]
3. Define what is meant by the term obsolete [1]
4. State 3 reasons why business ideas come about [3]
5. What is the difference between adapting and idea and an original idea? [2]
6. What are some of the reasons a business could fail? [4]
7. What is a risk? [1]
8. What are the three main risks associated with business enterprise [3]
9. What is meant by unlimited liability? [1]
10. What is a reward [1]
11. What are the three main rewards of business enterprise? [3]
12. What is the formula to calculate profit? [1]
13. What is business enterprise? [1]
14. What are the 3 areas of business enterprise? [3]
15. Define the following terms [4]
 1. Land
 2. Labour
 3. Capital
 4. Enterprise
16. What is meant by the term adding value? [1]
17. What are the different ways in which you can add value? [4]
18. What are 3 characteristics in the role of an entrepreneur? [3]



1.1 Enterprise and Entrepreneurship

19. Which of the following is an example of a product? [1]
 - ☐ Mobile Phone
 - ☐ Haircut
 - ☐ Car Service
20. What does USP stand for? [1]
 - ☐ Unique Sales Pitch
 - ☐ Unique Selling Point
 - ☐ Unique Selling Platform
21. Which 3 of the following are ways to add value to a product? [3]
 - ☐ Branding
 - ☐ Price
 - ☐ Quality
 - ☐ Promotion
 - ☐ Convenience
22. Which of the following is a reward which can be gained by a business owner? [1]
 - ☐ Longer Working Hours
 - ☐ Job Security
 - ☐ Profit
23. Which is a risk of business enterprise? [1]
 - ☐ Longer Working Hours
 - ☐ Job Security
 - ☐ Increased Revenue
24. Which of the following are reasons why businesses fail? [4]
 - ☐ Opening Hours
 - ☐ Too Much Competition
 - ☐ Economic Changes
 - ☐ Lack Of Bank Lending
 - ☐ Running Costs
 - ☐ Sunday Trading Laws



25. Amandeep is now considering setting up his own business as a Landscape. He has researched into his local area and found there is a market for gardeners. Although there are a number of gardeners in his local area, he feels that there is still a business opportunity available. Discuss some of the implications that Amandeep will face if he were to set up his own landscape gardening business [10]

Tips

For an essay style question use the following tips to ensure that you are maximizing your marks:

- ☐ Read through the question underlining any key points
- ☐ For these types of questions an extended answer is expected.
- ☐ Discuss both the advantages and disadvantages of the given context
- ☐ When discussing a point ensure that you contextualise your answer. This means give examples which relate to the scenario

