



UXBRIDGE  
HIGH SCHOOL



# Sixth Form Transition Pack

**BUSINESS STUDIES (A-Level)**

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# COURSE INTRODUCTION

Businesses impact on our lives day to day. They supply the goods and services we buy, provide employment for millions of people and even deliver many public services such as refuse collection and care for the elderly.

To the untrained eye, businesses can appear to behave in slightly peculiar ways. Why have Cadburys decided to pay more for Fair Trade cocoa beans? Why have Apple released two versions of the same phone? Why has Hotel Chocolate opened a second 'bricks and mortar' outlet in Manchester when ecommerce is becoming more popular?

The answers to these questions will provide an insight to the strategies of some of the most successful organisations in the world. A level Business Studies is not only a qualification; it's a handbook for anyone thinking of entering the complex world of commerce.

In our business courses, you will apply knowledge and understanding to real-life business contexts, with updated content to reflect the issues impacting on modern businesses in our specification and real business case studies in all our assessments.

You will develop transferable skills that support higher education study and the transition to employment, including numeracy, communication, an understanding of the business environment and commercial awareness.

*The common question that gets asked in business is, 'why?' That's a good question, but an equally valid question is, 'why not?'*

Jeff Bezos, founder of Amazon

In the first year of the course you will cover six topics: 'What is business?'; 'Managers, leaders and decision making'; 'marketing performance'; 'operational performance'; 'financial performance'; and 'human resource performance'.

This is designed to give you an overview of the important functional areas in business. In the second year of the course you learn about businesses more holistically and how they come up with overall strategies.

## **Expectations of you**

The Business A-Level course is the next step after successfully completing GCSEs. A Level is designed to build on your previous learning and knowledge and assist you in developing the necessary skills to complete the course. In order for you to excel at A-Level and achieve your targets, you need to acknowledge and agree to the following;

- Attendance = attainment. Attend all lessons, arrive on time and bring all the necessary equipment and resources. Do not book appointments during lesson hours.
- Work to the best of your ability in class and focus on the lesson
- Listen respectfully to the views of other students and consider how your own views are developing
- Complete all homework on time - this includes printing out resources
- Keep up-to-date with business in the news either online or via newspapers
- Complete all necessary research (as directed)
- Make sure you check your emails and are part of the relevant email groups for additional resources and tasks.
- Attempt all work. If you are unsure of what to do, of course you may ask questions, but you must develop greater independence
- Take advantage of any spare time to work develop your ideas or seek help on areas you're unsure of
- Keep to deadlines!

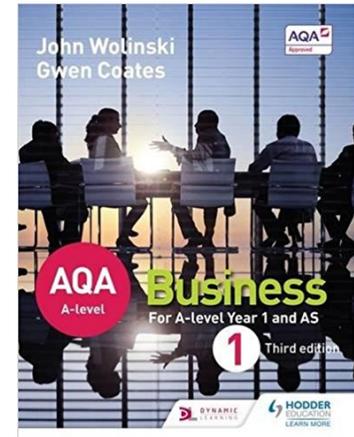
## Essential summer reading

Look for Bill Gates' biography (maybe borrow it from your local library). Chapter 1 explores how Gates got his ideas for his early business ventures. There's a clear link to unit 1 of the AS course here - make notes. Look for biographies of other great business leaders and read them. What are their common qualities and characteristics?

There is also the official textbook (covering the AS units) available for you to read ahead and develop an initial understanding of our topics.

We study for the AQA exam board qualification, use their website to see the specification.

[www.aqa.org.uk/subjects/business-subjects/as-and-a-level/business-7131-7132](http://www.aqa.org.uk/subjects/business-subjects/as-and-a-level/business-7131-7132)



And you can look online at additional resources, especially here: [www.tutor2u.net/business](http://www.tutor2u.net/business)

## Essential summer viewing/listening

Check the BBC News website for breaking news under the 'business' tab once a week. Print off stories that link to specific areas of the course, read and annotate them, and add to your file at the relevant point.

Keeping up-to-date with current affairs is essential for Business Studies and we expect students to regularly read newspapers and magazines, and watch programmes like Newsnight and Question Time.

## Tasks to be completed

The following tasks are designed to develop your exam technique, highlight your current strengths in writing and developing an answer and provide you with an example of the types of questions you may be asked in an A-Level business exam.

You can hand-write, or type up your answers. You should attempt to answer all of the questions; one is for four marks, one is for nine marks, and the last is for sixteen marks.

## Question One

Explain one possible use of market mapping for a new sports shop (4 marks).

Help? Look at the Tutor2U slides and our prompt on how to answer “explain” questions.

### What is market mapping?

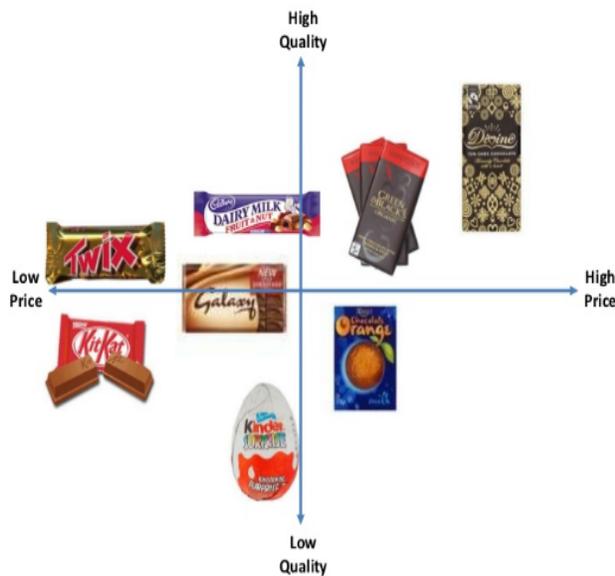
The market map illustrates the range of “**positions**” that a product can take in a market based on **two dimensions** that are important to customers

### Some possible “dimensions”

Low price	High price
Basic quality	High quality
Low volume	High volume
Necessity	Luxury
Light	Heavy
Simple	Complex
Unhealthy	Healthy
Low-tech	Hi-tech

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### Taking care with a market map

- **Advantages**
  - Helps spot gaps in the market
  - Useful for analysing competitors
  - Encourages use of market research
- **Disadvantages**
  - Just because there is a “gap” doesn’t mean there is demand
  - Not a guarantee of success
  - How reliable is the market research?

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How to answer “EXPLAIN” type questions:

M - Make a point. What is the purpose of market mapping?

E - Explain this point. How does a business, such as a sports shop, use a market map?

E - Effect. How will the use of a market map effect the sports shop business?

L - Refer back to the sports shop or give an example of a shorts shop that could use a market map and how.

## Question Two

*Read the case study provided, and analyse how transferring ownership of Royal Mail from the public to the private sector might affect its stakeholders (9 marks).*

### **The case study:**

Royal Mail plc provides postal services throughout the UK. Until recently Royal Mail was a government-owned public corporation but in October 2013 it was privatised, transferring ownership from the public to the private sector. At the moment Royal Mail plc still has a legal obligation to deliver post six days a week and at the same price to every address in the UK.

When Royal Mail was privatised the demand for its shares was so high that applicants were limited to a maximum of 227 ordinary shares at a total cost of £750. In total 1 billion shares were sold to private individuals and other businesses, valuing the company at £3.3 billion. Over 10% of the 1 billion shares available were re-sold by shareholders in the first hour of trading and the share price immediately rose.

The most recent accounts of the company show that between April and September 2013 Royal Mail's profits were £283 million, almost double the £144 million earned in the same period in 2012. It had also reduced its loans by 20% and improved its cashflow position, which should enable it to pay high dividends. After the publication of these accounts (which occurred after the privatisation) the company's share price rose again to £5.60 per share.

From July to September 2013 Royal Mail's sales rose by 9%, mainly due to a large increase in revenue from its parcels business. Parcels now account for over 50% of Royal Mail's revenue and this figure is expected to continue to rise with increases in online shopping.

However, conflict between Royal Mail and its employees remains. The Communication Workers Union (CWU) wants higher pay rises, greater job security and protection of pension schemes for Royal Mail employees. Approximately 115,000 of Royal Mail's 150,000 staff are members of the CWU trade union. Analysts claim the business needs more investment to continue modernising and changes to its management style to achieve greater productivity.

**Background study notes:**

The British Economy is divided into two sectors, the Private Sector and the Public Sector.

The private sector is made up of all the businesses operating in the UK. All the Sole Traders, Partnerships, Co-operatives, LTDs and PLCs are in the private sector. The private sector encourages efficiency through competition. Competition gives us choices of where to shop and what to buy. Competition reduces prices, and improves quality. But the private sector is not effective in producing some goods and services which we need to make the whole economy become more productive and work better, and also fails in supplying some of our basic needs. This is why we have a public sector.

The public sector is made up of organisations that are owned and run by the government. This part of the economy is huge, and includes some of the largest employers in Europe as well as the UK. Why do we need a public sector? Some goods and services which we need in our everyday lives, would simply not be provided by the private sector looking to make profits. These necessities include street lighting, defence (army, navy, air force), and the police. The problem with these goods is that we can all benefit from them without paying for them.

**Additional reading about the Royal Mail case study:**

[www.telegraph.co.uk/finance/11240417/Can-Royal-Mail-survive-in-the-private-sector.html](http://www.telegraph.co.uk/finance/11240417/Can-Royal-Mail-survive-in-the-private-sector.html)

[www.nao.org.uk/wp-content/uploads/2014/04/The-privatisation-of-royal-mail.pdf](http://www.nao.org.uk/wp-content/uploads/2014/04/The-privatisation-of-royal-mail.pdf)

**How to answer “ANALYSE” type questions:**

M - Make a point. How can a stakeholder group be affected by Royal Mail’s transfer to the private sector?

E - Explain this point. Why would the stakeholder group be affected?

E - Effects. What will the causes of this be on the stakeholder group?

L - Use evidence from the case study to back your point up.

Repeat the MEEL paragraph at least one more time for a different point.

### Question Three

*From the case study provided, to what extent is it important for Dough-nuts to consider the views of all of its stakeholders when making decisions? (16 marks)*

#### **The case study:**

Employees of the well-known café and baked-goods chain Dough-nuts have rated the company so highly that it was one of the Top Ten Big Companies to work for in the UK in a national newspaper survey in both 2012 and 2013.

The main benefits for employees include free doughnuts and drinks and a bonus for new staff who impress mystery shoppers; also, 'Employee of the month' award winners can win mini-breaks to European cities or £350 worth of shopping vouchers. Staff at the company said there was "a great working atmosphere, great colleagues and flexible working practices" - particularly the 'friends and family contract' which enables staff to swap shifts with friends or family members without needing to inform managers in advance.

Job security looks good, with Dough-nuts continuing to maintain the largest market share in the UK café and baked-goods market, despite increasing competition from rivals like Greggs and Dunkin' Donuts. However, even though sales grew by 2% in 2012, the Chief Executive of Dough-nuts UK said that the company "continued to face a challenging environment". Competition is fierce and the price elasticity of demand for doughnuts, one of its main products, is estimated as being -1.2.

Key aspects of the company's current marketing mix include:

- increased use of online technology to enhance communications with customers
- a greater focus in all marketing on explaining the ethical sources and practices used when sourcing ingredients
- extending the brand and launching a range of Dough-nuts' smoothies, ice-cream and a range of coffees.

Dough-nuts has a centralised approach to decision making in many aspects of the business. For example, the company chooses major suppliers for key ingredients and uses these to supply all its cafés nationally.

Dough-nuts has a single central computer system to determine what quantities of supplies should be delivered to each café. This is part of the company's operational focus on efficiency. The design of cafés, kitchens and till areas is driven by the need to reduce wasted time and resources. Methods of preparing and serving food and training staff are the same in all cafés.

The company also centralises many of its marketing decisions, keeping close control over which products are stocked in cafés, how they are promoted, what new products are developed, where new cafés open and how the brand is used. Activities used to reinforce the brand include use of the distinctive pink Dough-nuts logo, promoting the main slogan 'Ring in your hunger!' and joint ventures in merchandising products with other influential companies such as Walt Disney.

In recent years the business has been criticised quite heavily, with health campaigners monitoring the nutritional content of Dough-nuts products and claiming that the company's food could be linked to obesity problems in the UK. Despite these ongoing issues, Dough-nuts and its brand seem to be in a strong position in the UK and in the many other countries where the company operates.

An industry analyst recently commented: "Dough-nuts' continued success is based on the consistency of its offer throughout the world. You know what you're getting whenever you go into any outlet - decent value for money, ethically sourced ingredients and quick service. These brand values have allowed Dough-nuts to work through recession in the UK effectively, even seeing a boost in sales as the £1.49 'Giveaway' box of doughnuts appealed to value hunters".

Help? Look at the Tutor2U slides and our prompt on how to answer these type of questions.

## Stakeholders

3.1 What is Business?



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### What is a Stakeholder?

A stakeholder is any individual or organisation who has a **vested interest** in the **activities and decision making** of a business.

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### Examples of Business Stakeholders

- Shareholders or business owners
- Managers & employees
- Customers
- Suppliers
- Banks and other finance providers
- Trade unions
- Government
- Local community
- Other external groups (e.g. pressure groups)
- Competitors
- The media

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### What you need to know

- Who are stakeholders?
- Key stakeholder interests
- How can business growth lead to potential conflicts between stakeholders?

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### Difference Between Stakeholders and Shareholders

#### Stakeholders

- Have an interest in the business – but do not own it
- May work for (employees) or otherwise transact with the business

#### Shareholders

- Own the business
- May also work in the business

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### Examples of Stakeholders Can be Grouped into...

#### INTERNAL: internal to the business

- Employees
- Shareholders /owners

#### CONNECTED: connected by a relationship based on a contract

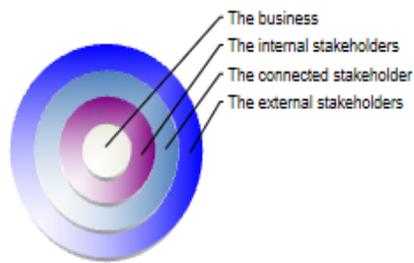
- Customers
- Suppliers
- Creditors

#### EXTERNAL: relationship not based on a legal contract

- Competitors
- Government
- Society/ the wider community

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## A Business and its Stakeholders



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## What Stakeholders are Interested In (1)

Stakeholder	Mainly interested in...
Shareholders / Owners	Return on investment + profits and dividends Success and growth of the business Proper running of the business
Managers & Employees	Rewards, including basic pay and other financial incentives Job security & working conditions Promotion opportunities + job satisfaction & status – motivation, roles and responsibilities
Customers	Value for money Product quality & customer service

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## What Stakeholders are Interested In (2)

Stakeholder	Mainly interested in...
Suppliers	Continued, profitable trade with the business Financial stability – can the business pay its bills?
Banks & other finance providers	Can the business repay amounts loaned or invested? Profitability and cash flows of the business Growth in profits and value of the business
Government	The correct collection and payment of taxes (e.g. VAT) Helping the business to grow – creating jobs Compliance with business legislation
Local community	Success of the business – particularly creating and retaining jobs Compliance with local laws and regulations (e.g. noise, pollution)

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## Potential Conflicts between Stakeholders

Business Decision	Likely to be Supported By	Possibly Opposed By?
Cut jobs to reduce costs	Shareholders Banks	Employees Local community
Add extra shifts to increase factory capacity	Management Customers & suppliers	Local community
Introduce new machinery to replace manual work	Customers Shareholders	Employees
Increase selling prices significantly to improve profit margins	Shareholders Management	Customers

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How to answer “TO WHAT EXTENT” or “EVALUATE” questions:

M - Make a point (advantage). What is one reason why it is important for Dough-nuts to consider views of stakeholders?

E - Explain this advantage. Why is this important?

E - Effects. What are the subsequent effects on the Dough-nuts business of considering views of stakeholders?

L - Use evidence from the case study to back your point up.

J - Judge how important this point is. How important is this point for Dough-nuts? However, what does this depend on?

Repeat the MEEL paragraph at least one more time for a different point / disadvantage.

**Conclusion:**

Answer the question - Overall, it is/it isn't important for Dough-nuts to consider the views of stakeholders.

Important reason - The most important reason for this is...

Make a recommendation - What action(s) should Dough-nuts take in the short-term and in the long-term?

However, what does this depend on and why? However, this depends on...because...