

Theme 1 Marketing and people

1.1 Meeting customer needs

R A G

a) Mass markets and niche markets:

- characteristics
- market size and market share
- brands

b) Dynamic markets:

- online retailing
- how markets change
- innovation and market growth
- adapting to change

c) How competition affects the market

d) The difference between risk and uncertainty

1.1.1 The market

a) Product and market orientation

b) Primary and secondary market research data (quantitative and qualitative) used to:

- identify and anticipate customer needs and wants
- quantify likely demand
- gain insight into consumer behaviour

c) Limitations of market research, sample size and bias

d) Use of ICT to support market research:

- websites
- social networking
- databases

e) Market segmentation

1.1.2 Market research

a) Market mapping

b) Competitive advantage of a product or service

c) The purpose of product differentiation

d) Adding value to products/services

1.2 Market

R A G

1.2.1 Demand

a) Factors leading to a change in demand: o changes in the prices of substitutes and complementary goods

- changes in consumer incomes
- fashions, tastes and preferences
- advertising and branding
- demographics
- external shocks
- seasonality

1.2.2 Supply

a) Factors leading to a change in supply:

- changes in the costs of production
- introduction of new technology
- indirect taxes
- government subsidies
- external shocks

1.2.3 Markets

a) The interaction of supply and demand

b) The drawing and interpretation of supply and demand diagrams to show the causes and consequences of price changes

1.2.4 Price elasticity of demand

a) Calculation of price elasticity of demand

b) Interpretation of numerical values of price elasticity of demand

c) The factors influencing price elasticity of demand

d) The significance of price elasticity of demand to businesses in terms of implications for pricing

e) Calculation and interpretation of the relationship between price elasticity of demand and total revenue

1.2.5 Income elasticity of demand

a) Calculation of income elasticity of demand

b) Interpretation of numerical values of income elasticity of demand

c) The factors influencing income elasticity of demand

d) The significance of income elasticity of demand to businesses

1.3 Marketing mix and strategy			R	A	G
1.3.1 Product/service design	a) Design mix: - function - aesthetics - cost				
	b) Changes in the elements of the design mix to reflect social trends: - concern over resource depletion: designing for waste minimisation, re-use and recycling - ethical sourcing				
1.3.2 Branding and promotion	a) Types of promotion				
	b) Types of branding				
	c) The benefits of strong branding: - added value - ability to charge premium prices - reduced price elasticity of demand				
	d) Ways to build a brand - unique selling points (USPs)/differentiation - advertising - sponsorship - the use of social media				
	e) Changes in branding and promotion to reflect social trends: - viral marketing - social media - emotional branding				
1.3.3 Pricing strategies	a) Types of pricing strategy: - cost plus (calculating mark-up on unit cost) - price skimming - penetration - predatory - competitive - psychological				
	b) Factors that determine the most appropriate pricing strategy for a particular situation: - number of USPs/amount of differentiation - price elasticity of demand - level of competition in the business environment - strength of brand - stage in the product life cycle - costs and the need to make a profit				
	c) Changes in pricing to reflect social trends: - online sales - price comparison sites				
	a) Distribution channels				
	b) Changes in distribution to reflect social trends: - online distribution - changing from product to service				
1.3.5 Marketing strategy	a) The product life cycle				
	b) Extension strategies: - product - promotion				
	c) Boston Matrix and the product portfolio				
	d) Marketing strategies appropriate for different types of market: - niche markets o business to business (B2B) and business to consumer (B2C) marketing - mass markets				
	e) Consumer behaviour – how businesses develop customer loyalty				

1.4 Managing people			R	A	G
1.4.1 Approaches to staffing	<p>a) Staff as an asset; staff as a cost</p> <p>b) Flexible workforce:</p> <ul style="list-style-type: none"> - multi-skilling - part-time and temporary - flexible hours and home working - outsourcing <p>c) Distinction between dismissal and redundancy</p> <p>d) Employer/employee relationships o individual approach</p> <ul style="list-style-type: none"> - collective bargaining 				
1.4.2 Recruitment, selection and training	<p>a) Recruitment and selection process:</p> <ul style="list-style-type: none"> - internal versus external recruitment <p>b) Costs of recruitment, selection and training</p> <p>c) Types of training:</p> <ul style="list-style-type: none"> - induction - on-the-job - off-the-job 				
1.4.3 Organisational design	<p>a) Structure: o hierarchy o chain of command</p> <ul style="list-style-type: none"> - span of control - centralised and decentralised <p>b) Types of structure:</p> <ul style="list-style-type: none"> - tall - flat - matrix <p>c) Impact of different organisational structures on business efficiency and motivation</p>				
1.4.4 Motivation in theory and practice	<p>a) The importance of employee motivation to a business</p> <p>b) Motivation theories:</p> <ul style="list-style-type: none"> - Taylor (scientific management) - Mayo (human relations theory) - Maslow (hierarchy of needs) - Herzberg (two factor theory) <p>c) Financial incentives to improve employee performance:</p> <ul style="list-style-type: none"> - piecework - commission - bonus - profit share - performance-related pay <p>d) Non-financial techniques to improve employee performance:</p> <ul style="list-style-type: none"> - delegation - consultation - empowerment - team working - flexible working - job enrichment - job rotation - job enlargement 				
1.4.5 Leadership a) Leaders	<p>a) Leadership:</p> <ul style="list-style-type: none"> - the distinction between management and leadership <p>b) Types of leadership style:</p> <ul style="list-style-type: none"> - autocratic - paternalistic - democratic - laissez-faire 				

1.5 Entrepreneurs and leaders			R	A	G
1.5.1 Role of an entrepreneur	a) Creating and setting up a business b) Running and expanding/developing a business c) Innovation within a business (intrapreneurship) d) Barriers to entrepreneurship e) Anticipating risk and uncertainty in the business environment				
1.5.2 Entrepreneurial motives and characteristics	a) Characteristics and skills required b) Reasons why people set up businesses: - financial motives: profit maximisation and profit satisficing - non-financial motives: ethical stance, social entrepreneurship, independence and home working				
1.5.3 Business objectives	a) Survival b) Profit maximisation c) Other objectives: - sales maximisation - market share - cost efficiency - employee welfare - customer satisfaction - social objectives				
1.5.4 Forms of business	a) Sole trader, partnership and private limited company b) Franchising, social enterprise, lifestyle businesses, online businesses c) Growth to PLC and stock market flotation				
1.5.5 Business choices	a) Opportunity cost b) Choices and potential trade-offs				
1.5.6 Moving from entrepreneur to leader	The difficulties in developing from an entrepreneur to a leader				

Theme 2 Managing business activities

		2.1 Raising finance	R	A	G
2.1.1	Internal finance	a) Owner's capital: personal savings b) Retained profit c) Sale of assets			
	2.1.2 External finance	a) Sources of finance: - family and friends - banks - peer-to-peer funding - business angels - crowd funding - other businesses			
2.1.3	Liability	a) Implications of limited and unlimited liability b) Finance appropriate for limited and unlimited liability businesses			
2.1.4	Planning	a) Relevance of a business plan in obtaining finance b) Interpretation of a simple cash-flow forecast and calculations based on changes in the cash flow variables c) Use and limitations of a cash-flow forecast			
		2.2 Financial planning	R	A	G
2.2.1	Sales forecasting	a) Purpose of sales forecasts b) Factors affecting sales forecasts: - consumer trends - economic variables - actions of competitors c) Difficulties of sales forecasting			
2.2.2	Sales, revenue and costs	a) Calculation of sales volume and sales revenue b) Calculation of fixed and variable costs			
2.2.3	Break-even	a) Contribution: selling price – variable cost per unit b) Break-even point: $\text{total fixed costs} + \text{total variable costs} = \text{total revenue}$ c) Using contribution to calculate the break even point d) Margin of safety e) Interpretation of break-even charts f) Limitations of break-even analysis			
2.2.4	Budgets	a) Purpose of budgets b) Types of budget: - historical figures - zero based c) Variance analysis d) Difficulties of budgeting			
		2.3 Managing finance	R	A	G
2.3.1	Profit	a) Calculation of: - gross profit - operating profit - profit for the year (net profit) b) Statement of comprehensive income (profit and loss account): measuring profitability: - calculation of gross profit margin, operating profit margin, and profit for the year (net profit) margin - ways to improve profitability c) Distinction between profit and cash			
2.3.2	Liquidity	a) Statement of financial position (balance sheet): - measuring liquidity: - calculating current ratio and acid test ratio - ways to improve liquidity b) Working capital and its management: the importance of cash			
2.3.3	Business failure	a) Internal and external causes of business failure: - financial factors - non-financial factors			

2.4 Resource management			R	A	G
2.4.1 Production, productivity and efficiency	<p>a) Methods of production:</p> <ul style="list-style-type: none"> - job - batch - flow - cell <p>b) Productivity:</p> <ul style="list-style-type: none"> - output per unit of input per time period: - factors influencing productivity - link between productivity and competitiveness <p>c) Efficiency:</p> <ul style="list-style-type: none"> - production at minimum average cost: - factors influencing efficiency - distinction between labour and capital intensive production 				
2.4.2 Capacity utilisation	<p>a) Capacity utilisation:</p> <ul style="list-style-type: none"> - current output (divided by) maximum possible output (x 100) <p>b) Implications of under- and over-utilisation of capacity</p> <p>c) Ways of improving capacity utilisation</p>				
2.4.3 Stock control	<p>a) Interpretation of stock control diagram</p> <p>b) Buffer stocks</p> <p>c) Implications of poor stock control</p> <p>d) Just in time (JIT) management of stock</p> <p>e) Waste minimisation</p> <p>f) Competitive advantage from lean production</p>				
2.4.4 Quality management	<p>a) Quality:</p> <ul style="list-style-type: none"> - control - assurance - circles - Total Quality Management (TQM) <p>b) Continuous improvement (Kaizen)</p> <p>c) Competitive advantage from quality management</p>				
2.5 External influences			R	A	G
2.5.1 External influences	<p>a) The effect on businesses of changes in:</p> <ul style="list-style-type: none"> - inflation (the rate of inflation, the Consumer Prices Index) - exchange rates (appreciation, depreciation) <ul style="list-style-type: none"> - interest rates - taxation and government spending - the business cycle <p>b) The effect of economic uncertainty on the</p>				
2.5.2 Legislation	<p>a) The effects on businesses of:</p> <ul style="list-style-type: none"> - consumer protection - employee protection - environmental protection - competition policy - health and safety 				
2.5.3 The competitive environment	<p>a) Competition and market size</p>				

Theme 3: Business decisions and strategy

3.1 Business objectives and strategy

		R	A	G
3.1.1 Corporate objectives	a) Development of corporate objectives from mission statement/corporate aims b) Critical appraisal of mission statements/corporate aims			
3.1.2 Theories of corporate strategy	a) Development of corporate strategy: - Ansoff's Matrix - Porter's Strategic Matrix b) Aim of portfolio analysis c) Achieving competitive advantage through distinctive capabilities d) Effect of strategic and tactical decisions on human, physical, and financial resources			
3.1.3 SWOT analysis	a) SWOT analysis - internal considerations: strengths and weaknesses - external considerations: opportunities and			
3.1.4 Impact of external influences	a) PESTLE (political, economic, social, technological, legal and environmental) b) The changing competitive environment c) Porter's Five Forces			

3.2 Business growth

		R	A	G
	a) Objectives of growth: - increased market power over customers and suppliers - increased market share and brand recognition - increased profitability			
	b) Problems arising from growth: - diseconomies of scale - internal communication - overtrading			
3.2.2 Mergers and takeovers	a) Reasons for mergers and takeovers b) Distinction between mergers and takeovers c) Horizontal and vertical integration d) Financial risks and rewards e) Problems of rapid growth			
3.2.3 Organic growth	a) Distinction between inorganic and organic growth b) Methods of growing organically c) Advantages and disadvantages of organic growth			
3.2.4 Reasons for staying small	a) Small business survival in competitive markets: - product differentiation and USPs - flexibility in responding to customer needs - customer service o e-commerce			

3.3 Decision-making techniques

		R	A	G
3.3.1 Quantitative sales forecasting	a) Calculation of time-series analysis: - moving averages (three period/four quarter) b) Interpretation of scatter graphs and line of best fit – extrapolation of past data to future c) Limitations of quantitative sales forecasting techniques			
3.3.2 Investment appraisal	a) Simple payback b) Average (Accounting) Rate of Return c) Discounted Cash Flow (Net Present Value only) d) Calculations and interpretations of figures generated by these techniques e) Limitations of these techniques			
3.3.3 Decision trees	a) Construct and interpret simple decision tree diagrams b) Calculations and interpretations of figures generated by these techniques c) Limitations of using decision trees			
3.3.4 Critical Path Analysis	a) Nature and purpose of Critical Path Analysis b) Complete and interpret simple networks to identify the critical path c) Calculate: - Earliest Start Time - Latest Finish Time - total float d) Limitations of using Critical Path Analysis			

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3.4 Influences on business decisions			R	A	G
3.4.1 Corporate influences	<p>a) Corporate timescales: short-termism versus long-termism</p> <p>b) Evidence-based versus subjective decision making</p>				
3.4.2 Corporate culture	<p>a) Strong and weak cultures</p> <p>b) Classification of company cultures: - power - role - task - person</p> <p>c) How corporate culture is formed</p> <p>d) Difficulties in changing an established culture</p>				
3.4.3 Shareholders versus stakeholders	<p>a) Internal and external stakeholders</p> <p>b) Stakeholder objectives</p> <p>c) Stakeholder and shareholder influences: - stakeholder: that the business considers all of its stakeholders in its business decisions/objectives - shareholder: that the business should focus purely on shareholder returns (increasing share price and dividends) in its business decisions/objectives</p> <p>d) The potential for conflict between profit based (shareholder) and wider objectives (stakeholder)</p>				
3.4.4 Business ethics	<p>a) Ethics of strategic decisions: - trade-offs between profit and ethics</p> <p>b) Pay and rewards</p> <p>c) Corporate Social Responsibility (CSR)</p>				

3.5 Assessing competitiveness			R	A	G
3.5.1 Interpretation of financial statements	a) Statement of comprehensive income (profit and loss account): - key information - stakeholder interest				
	b) Statement of financial position (balance sheet) - key information - stakeholder interest				
3.5.2 Ratio analysis	a) Calculate: Gearing ratio - Return on capital employed (ROCE) b) Interpret ratios to make business decisions c) The limitations of ratio analysis				
3.5.3 Human resources	a) Calculate and interpret the following to help make business decisions: - labour productivity - labour turnover and retention o absenteeism b) Human resource strategies to increase productivity and retention and to reduce turnover and absenteeism: - financial rewards - employee share ownership o consultation - consultation strategies - empowerment strategies				
3.6 Managing change			R	A	G
3.6.1 Causes and effects of change	a) Causes of change: - changes in organisational size - poor business performance - new ownership - transformational leadership - market and other external factors (PESTLE) b) Possible effects on: - competitiveness - productivity - financial performance - stakeholders				
3.6.2 Key factors in change	a) Organisational culture b) Size of organisation c) Time/speed of change d) Managing resistance to change				
3.6.3 Scenario planning	a) Identifying key risks through risk assessment - natural disasters - IT systems failure - loss of key staff b) Planning for risk mitigation - business continuity - succession planning				

Theme 4: Global business

4.1 Globalisation			R	A	G
4.1.1 Growing economies	a) Growth rate of the UK economy compared to emerging economies b) Growing economic power of countries within Asia, Africa and other parts of the world c) Implications of economic growth for individuals and businesses: - trade opportunities for businesses - employment patterns d) Indicators of growth: - Gross Domestic Product (GDP) per capita - literacy - health - Human Development Index (HDI)				
4.1.2 International trade and business growth	a) Exports and imports b) The link between business specialisation and competitive advantage c) Foreign direct investment (FDI) and link to business growth				
4.1.3 Factors contributing to increased globalisation	a) Reduction of international trade barriers/trade liberalisation b) Political change c) Reduced cost of transport and communication d) Increased significance of global (transnational) companies e) Increased investment flows (FDI) f) Migration (within and between economies) g) Growth of the global labour force h) Structural change				
4.1.4 Protectionism	a) Tariffs b) Import quotas c) Other trade barriers: - government legislation - domestic subsidies				
4.1.5 Trading blocs	a) Expansion of trading blocs: - EU and the single market - ASEAN - NAFTA b) Impact on businesses of trading blocs				
4.2 Global markets and business expansion			R	A	G
4.2.1 Conditions that prompt trade	a) Push factors: - saturated markets - competition b) Pull factors: - economies of scale - risk spreading c) Possibility of off-shoring and outsourcing d) Extending the product life cycle by selling in multiple markets				
4.2.2 Assessment of a country as a market	a) Factors to consider: - levels and growth of disposable income - ease of doing business - infrastructure - political stability - exchange rate				
4.2.3 Assessment of a country as a production location	a) Factors to consider: - costs of production - skills and availability of labour force - infrastructure - location in trade bloc - government incentives - ease of doing business - political stability - natural resources - likely return on investment				

	4.2 Global markets and business expansion	R	A	G
4.2.4 Reasons for global mergers or joint ventures	<ul style="list-style-type: none"> a) Spreading risk over different countries/regions b) Entering new markets/trade blocs c) Acquiring national/international brand names/patents d) Securing resources/supplies e) Maintaining/increasing global competitiveness 			
4.2.5 Global competitiveness	<ul style="list-style-type: none"> a) The impact of movements in exchange rates b) Competitive advantage through: <ul style="list-style-type: none"> - cost competitiveness - differentiation c) Skill shortages and their impact on international competitiveness 			
	4.3 Global marketing	R	A	G
4.3.1 Marketing	<ul style="list-style-type: none"> a) Global marketing strategy and global localisation (glocalisation) b) Different marketing approaches: <ul style="list-style-type: none"> - domestic/ethnocentric - mixed/geocentric - international/polycentric c) Application and adaptation of the marketing mix (4Ps) and Ansoff's Matrix to global markets 			
4.3.2 Niche markets	<ul style="list-style-type: none"> a) Cultural diversity: recognition that groups of people across the globe have different interests and values b) Features of global niche markets c) Application and adaptation of the marketing mix (4Ps) to suit global niches 			
4.3.3 Cultural/social factors	<ul style="list-style-type: none"> a) Considerations for businesses: o cultural <ul style="list-style-type: none"> - cultural differences - different tastes - language - unintended meanings - inappropriate/inaccurate translations - inappropriate branding and promotion 			
	4.4 Global industries and companies (multinational corporations)	R	A	G
4.4.1 The impact of MNCs	<ul style="list-style-type: none"> a) Impact of MNCs on the local economy: <ul style="list-style-type: none"> - local labour, wages, working conditions and job creation - local businesses - the local community and environment b) Impact of MNCs on the national economy: <ul style="list-style-type: none"> - FDI flows o balance of payments - technology and skills transfer - consumers - business culture - tax revenues and transfer pricing 			
4.4.2 Ethics	<ul style="list-style-type: none"> a) Stakeholder conflicts b) Pay and working conditions c) Environmental considerations: <ul style="list-style-type: none"> - emissions - waste disposal d) Supply chain considerations: <ul style="list-style-type: none"> - exploitation of labour - child labour e) Marketing considerations: <ul style="list-style-type: none"> - misleading product labelling - inappropriate promotional activities 			
4.4.3 Controlling MNCs	<ul style="list-style-type: none"> a) Factors to consider: <ul style="list-style-type: none"> - political influence - legal control - pressure groups - social media 			