

## 1.4 Knowledge Organiser and Questions

Subject Content	What students need to learn?
1.4.2 Business location	<p>Factors influencing business location:</p> <ul style="list-style-type: none"> <li>● proximity to: market, labour, materials and competitors</li> <li>● nature of the business activity</li> <li>● the impact of the internet on location decisions: e-commerce and/or fixed premises.</li> </ul>

**Location**

This is where the business is based e.g. high street, shopping centre, online.

**Fixed premises**

Buildings that have to be where they are (for example, the high street, e-commerce buildings can be located anywhere).

**Proximity**

How near a business is to key factors that might influence their success. For example, suppliers and competitors.

**Factors influencing business location, proximity to:**

**Market**

How near are they to their customers? E.g. for a physical service like a shop, restaurant or hotel, customer convenience will be critical to revenue.

**Labour**

Are there staff nearby who are willing and able to work for you?

**Competitors**

Lots of a businesses want a location far away from competitors e.g. local corner shop. However, some businesses e.g. restaurant chains find it better to be on the busy high street where other competitors are.

**Nature of activity**

Depending on what the business is will influence what is the most important factor to consider. For example, a manufacturer would need to be near materials, whereas a shop will want to be near the market (consumers).

**Impact of the internet**

If the business is online, location is not as important as customers can access their products no matter where the head office is based. E.g. ASOS head office is in North London, while their distribution depot is in Barnsley.



Subject Content	What students need to learn?
1.4.1 The options for start-up and small businesses	<p>The concept of limited liability:</p> <ul style="list-style-type: none"> <li>● limited and unlimited liability</li> <li>● the implications for the business owner(s) of limited and unlimited liability.</li> </ul> <p>The types of business ownership for start-ups:</p> <ul style="list-style-type: none"> <li>● sole trader, partnership, private limited company</li> <li>● the advantages and disadvantages of each type of business ownership.</li> </ul> <p>The option of starting up and running a franchise operation:</p> <ul style="list-style-type: none"> <li>● the advantages and disadvantages of franchising.</li> </ul>

**Unlimited liability:**

If the business gets into debt, the owner of the business is **liable**. They will need to find the money to pay off these debts. This could mean they have to sell off their car or house to cover the debt.

**Limited Liability:**

If the business gets into debt, the shareholders are **not required** to pay these off. The shareholders only lose the money they **originally invested** in the business, no more.

	Description	Advantages	Disadvantages
<b>Sole Trader</b>	Owned and controlled by one person, who usually also manages the business.	<ul style="list-style-type: none"> <li>● Easy to set up</li> <li>● Own boss</li> <li>● Keep all profits</li> </ul>	<ul style="list-style-type: none"> <li>● Finance difficult to raise</li> <li>● No established reputation</li> <li>● Unlimited liability</li> </ul>
<b>Partnership</b>	Controlled and owned by 2-20 people. Each have a share in the business. All or some of the partners manage the business	<ul style="list-style-type: none"> <li>● Shared workload</li> <li>● Share ideas and expertise</li> </ul>	<ul style="list-style-type: none"> <li>● Disagreements</li> <li>● Share profits with partners</li> </ul>
<b>Private limited company</b>	Owned and controlled by a group of private individuals. Shares can be sold to family and friends NOT TO THE PUBLIC.	<ul style="list-style-type: none"> <li>● Control over who sell shares to</li> <li>● Seen as reputable due to private limited company status</li> <li>● Limited liability</li> </ul>	<ul style="list-style-type: none"> <li>● Shares can only be sold to family and friends – not as easy to raise finance as a public limited company</li> <li>● Dividends (share of the profits) must be paid to shareholders</li> </ul>
<b>Franchising (buying into a franchise like McDonalds)</b>	Paying a franchise owner for the right to an established business name, branding and business methods.	<ul style="list-style-type: none"> <li>● Benefit from brand image</li> <li>● Loyal customers</li> <li>● Greater chance of success then setting up new business</li> </ul>	<ul style="list-style-type: none"> <li>● Royalty payments to franchisor (% of profits goes back to McDonalds)</li> <li>● No freedom to bring in new ideas</li> </ul>

Subject Content	What students need to learn?
1.4.3 The marketing mix	<p>What the marketing mix is and the importance of each element:</p> <ul style="list-style-type: none"> <li>price, product, promotion, place.</li> </ul> <p>How the elements of the marketing mix work together:</p> <ul style="list-style-type: none"> <li>balancing the marketing mix based on the competitive environment</li> <li>the impact of changing consumer needs on the marketing mix</li> <li>the impact of technology on the marketing mix: e-commerce, digital communication.</li> </ul>

**Product**

Targeting customers with a product that has the right blend of functional and aesthetic benefits without being too expensive to produce.

**Price**

Setting the price that retailers must pay, which in turn affects the consumer price.

**Place**

How and where the supplier is going to get the product or service to the consumer, it includes selling products to retailers and getting the products displayed in prominent positions.

**Promotion**

All the methods the business uses to persuade customers to buy for example branding, packaging, advertising to boost the long term image of the product and

A firm must make sure that its marketing mix is **co-ordinated and coherent**. E.g. a stylish product aimed at a stylish market should have a high price, be promoted in stylish magazines and stocked in stylish shops.

A firm will base their marketing mix on the **competitive environment** in which it operates. E.g. Rolls Royce is not in a very competitive environment as it is one of a kind. EasyJet, however will have to compete with Ryanair on their prices.

Changes to **consumer needs** affect the marketing mix. Firms will have to adapt them based on consumer needs. E.g. cooked breakfast gave way to cereals, cereals have given way to breakfast bars and other on the go foods.

Due to advances in **technology** firms are now changing certain parts of their marketing mix. E.g. Apps, promotions.

Subject Content	What students need to learn?
1.4.4 Business plans	<p>The role and importance of a business plan:</p> <ul style="list-style-type: none"> <li>to identify: the business idea; business aims and objectives; target market (market research); forecast revenue, cost and profit; cash-flow forecast; sources of finance; location; marketing mix.</li> </ul> <p>The purpose of planning business activity:</p> <ul style="list-style-type: none"> <li>the role and importance of a business plan in minimising risk and obtaining finance.</li> </ul>

**A business plan** is a detailed document setting out the business idea and **showing HOW** it is to be financed, marketed and put in place

It is a **CRUCIAL** part of getting finance from external sources e.g. a bank loan and helps **COORDINATE** all of the different tasks and strategies, so the business is more likely to be successful

Business plan sections	What is it?
Business idea	What have you decided to do? Product? Service?
Aims and Objectives	What are the aims/objectives for the business?
Target market	Who is your product aimed at and why?
Marketing plan	What promotional activities are you going to do? TV? Billboards? Online? Social media?
Forecasts of revenue, costs and profits	What are your predictions for sales revenue, costs and profits? When do you expect to reach them?
Cash flow forecast	Plan of the money coming in and going out of the business
Sources of finance	How will you raise finance, which methods are you going to use and why?
Location	Where will you be based? Physical store? Online? Both?
Marketing Mix	Product? Price? Promotion? Place?

A business plan allows a business to:

- Think carefully about each step of the process – maximise success
- May help them realise they are lacking in skills – hire specialist help
- Attract investors if plan is good
- Plan is written down if entrepreneur gets ill

A business plan can cause some problems:

- If entrepreneur not experienced the predictions may be wrong
- Can be too rigid, a new business can be unpredictable so a flexible approach is needed
- Time consuming to create when time could be better spent elsewhere

Use the knowledge Organiser to Answer the following Questions
1. Define sole trader (full definition)
2. Give three examples of a sole trader
3. List two advantages
4. List two disadvantages
5. Define partnership
6. Give two examples
7. List two advantages
8. List two disadvantages
9. Explain one reason why a business owner should be run as a sole trader rather than a partnership (3)
10. Define limited liability
11. Define unlimited liability
12. What does the ownership type 'private' mean
13. Identify two advantages of being an Ltd. (Private limited company)
14. Identify two disadvantages of being an Ltd. (Private limited company)
15. What is meant by a franchise?
16. List three benefits of being a franchising
17. List two disadvantages of franchising
18. Explain the benefit of opening a Dominoes franchise rather than being an independent pizza shop (3)
19. List and explain the five factors that affect the location of a start up business
20. How does a business prioritise which location to use?
21. What is the marketing mix?

3 Mark Questions

**Make your point then use Because, Leads to and Therefore, so, thus, and, as a consequence, furthermore etc to fully develop it into three marks**

1. Explain **one** reason why an entrepreneur would produce a business plan.(3)

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2. Explain **one** disadvantage to a sole trader of having unlimited liability. (3)

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3. Explain **one** benefit to an entrepreneur of starting a business as a private limited company. (3)

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4. Discuss the impact on a business of having limited liability.(6)

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