

Subject Content	What students need to learn?
1.1.1 The dynamic nature of business	Why new business ideas come about: <ul style="list-style-type: none"> changes in technology changes in what consumers want products and services becoming obsolete. How new business ideas come about: <ul style="list-style-type: none"> original ideas adapting existing products/services/ideas.

Why do new business ideas come about?

1. Changes in consumer demand

New business ideas come about because of changes in what consumers demand. For example, Activia yoghurts have recently experienced a decrease in demand. This may be because of consumer taste e.g. they now prefer Greek-style yoghurt.

Why do new business ideas come about?

2. Changes in technology

New technology is a cause of new business ideas. 3G was launched in 2004 but no mobile phone devices could use it. Apple developed the iPhone in 2007. This was the first mobile phone that could use the 3G technology.

Why do new business ideas come about?

3. Products and services becoming obsolete

A product or service is obsolete if no one wants it any longer. There is no longer great demand for chimney sweeps, as few people have an open fire. As people change their behaviour some businesses become irrelevant.

Key Definitions:

Enterprise
Business Enterprise involves starting something of your own. It is usually a business but it might also be a charity or sports club.

Entrepreneurship
An entrepreneur is willing to put his or her career and financial security on the line and take risks in the name of an idea, spending time as well as capital on an uncertain venture.


How do new business ideas come about?

1. Original Ideas


These are ideas that have not been done before. For example the launch of the iPhone in 2007 which was 3G enabled. This allows a business to gain a competitive advantage over their rivals.

2. Adapting existing products/services

Developing new products based on the original one such as Wall's white chocolate magnum.



Subject Content	What students need to learn?
1.1.2 Risk and Reward	The impact of risk and reward on business activity: <ul style="list-style-type: none"> risk: business failure, financial loss, lack of security reward: business success, profit, independence.



Rewards:


1. Business Success
2. Profit and wealth
3. Independence



Risk	Reward
Risk is about chance. What is the chance that a particular outcome will occur?	Risks are taken in the hope they will generate rewards

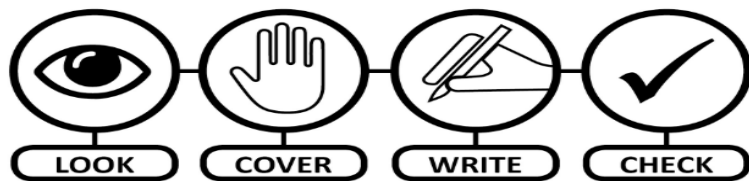
Profit = The difference between sales revenue and total costs. If the figure is positive, then the business has made a profit. This is the main aim of most businesses!

Independence = being able to make your own decisions and be your own boss.

Why are entrepreneurs concerned about the following risks?	Reason:
Business failure	Half of UK business start-ups fail within five years. This means they are no longer able to keep trading. It can also be very expensive if they have invested a lot of money.
Financial loss	If a limited company gets into financial trouble they are personally protected from the losses. However, an unlimited company is not. Their own possessions may be seized to cover the debt.
Lack of security	When you start a business you are not guaranteed to get paid each month unlike a regular job. If you have responsibilities this can be a worry.



Subject Content	What students need to learn?	Adding Value Example!
1.1.3 The role of business enterprise	<p>The role of business enterprise and the purpose of business activity:</p> <ul style="list-style-type: none"> to produce goods or services to meet customer needs to add value: convenience, branding, quality, design, unique selling points. <p>The role of entrepreneurship:</p> <ul style="list-style-type: none"> an entrepreneur: organises resources, makes business decisions, takes risks. 	<p>Tyrrells Potato Chips</p> <ul style="list-style-type: none"> Will Chase had been farming potatoes for 20 years (loss-making) Wanted to produce something with more added value Came up with idea to make hand-fried chips with distinctive flavours and packaging Successfully created a premium product and turned Tyrrells into a profitable business 
<p>The role of business enterprise and the purpose of business activity:</p> <ol style="list-style-type: none"> To produce goods and services <p>A business needs to make goods and services that satisfy consumers wants and needs. The profit made is reinvested by businesses, leading to further growth. Business enterprise has an important role to play in society by creating jobs and wealth.</p> <ol style="list-style-type: none"> To meet customer needs <p>A business needs to meet customer needs by offering them products and services that they want. A business will not succeed if they are unable to do this.</p> <ol style="list-style-type: none"> Adding Value <p>Adding value is the difference between the price of the finished product/service and the cost of the inputs involved in making it. There are a number of ways of adding value:</p> <ul style="list-style-type: none"> Convenience and speed: in Britain most people will pay extra to save their own time e.g. takeaways are more expensive than cooking your own meal from scratch. Branding: A Nike tick adds tens of pounds to the 'value' of a pair of trainers. A Mercedes badge adds thousands of pounds to a new car. Quality and design: Good quality and well-designed products command higher prices as they are more desirable Unique selling point (USP): an original feature that competitors aren't offering which customers are willing to pay more for. 		<p>The role of a café entrepreneur:</p> <ol style="list-style-type: none"> Organising resources: <ul style="list-style-type: none"> Physical resources e.g. premises, kitchen equipment Daily resources e.g. drinks, crockery Human resources e.g. good chef Making important decisions e.g. closing a loss making café Taking risks e.g. opening a café in a new location 



1.1 Revision Cards and Questions

Now answer the following:

1. Define business enterprise
2. What is the purpose of business activity? X 3
3. Define added value?
4. Explain what is meant by the following; Convenience, Brand image, USP
5. What does 'dynamic' mean?
6. What does 'obsolete' mean?
7. Define entrepreneur
8. What 3 things must an entrepreneur be able to do in order to run a business
9. Explain three risks an entrepreneur might take?
10. How do new ideas come about?