IGCSE Business Studies Cheat Sheet

by HoneyP14 via cheatography.com/174323/cs/36638/

Mass marketing

- the business can benefit from economies of scale
- high levels of competition between businesses selling similar products
- risks can be spread, as often the business will sell several different variations of products to the mass market, and if one variety of the product fails then the other products may still sell well
- high costs of advertising and promotion
- total sales in these markets are very high
- standardised products or services are produced and so may not meet the specific needs of all customers or potential customers, therefore leading to lost sales
- opportunities for growth of the business due to large potential sales

Quality products

- establish a brand image
- build brand loyalty
- maintain a good reputation
- increase sales
- attract new customers.

delegation

advantages to the manager	advantages to the employees	disadv to manager
• Managers cannot do every job themselves. By delegating, he was able to concentrate his time on other important management functions.	• The work becomes more interesting and rewarding.	• Some may be afraid that the subordinates might fail and the manager wants to control everything by themselves.

delegation (cont)

• Managers are less likely to make mistakes if some of the tasks are performed by their subordinates.	• The employee feels more important and believes that trust is being put in them to perform a job well.	• Some may be afraid that the subordinates might fail and the manager wants to control everything by themselves.
• Managers can measure the success of their staff more easily. They can see how well they have done in performing the tasks delegated to them.	• Delegation helps to train workers and they can then make progress in the organisation. It gives them career opportunities.	

added value

can pay other costs such as labour costs, management expenses and costs including advertising and power

- may be able to make a profit if these other costs come to a total that is less than the added value.

Internal recruitment

• It is quicker and cheaper than external recruitment, which may involve expensive advertising	• No new ideas or experience come into the business.
• The person also knows how the organisation works, its structure and what is expected from its employees.	• There may be rivalry among existing employees and jealousy towards the worker who gains promotion.
• The person is already known to the business and their reliability, ability and potential are known.	• The quality of internal candidates might be low

- It can be very motivating for employees to see their fellow workers being promoted – it makes them work harder if they consider that promotion is possible for them too.

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Leasing

- The business does not have to find a large cash sum to purchase the asset to start with.
- The total cost of the leasing charges will be higher than purchasing the asset.
- The care and maintenance of the asset are carried out by the leasing company.

Market segments

- enjoy higher sales and profits for the business, because of cost effective marketing
- make marketing expenditure cost effective by producing a product which closely meets the needs of these customers and targeting its marketing efforts only on this segment
- identify a market segment which is not having its needs fully met, and therefore offers opportunities to increase sales.

On-the-job training

- individual tuition is given and it is in the workplace so the employee does not need to be sent away (travel costs are expensive)
- the trainer will not be as productive as usual because they are showing the trainee what to do instead of getting on with their job
- it ensures there is some production from the worker while they are training
- the trainer may have bad habits and they may pass these on to the trainee
- it usually costs less than off-the-job training
- it may not lead to training qualifications recognised outside the business.
- it is training tailored to the specific needs of the business.

Laissez-faire leadership

- Encourages employees to show creativity and responsibility.
- Unlikely to be appropriate in organisations where a consistent and clear decision-making structure is needed, for example, in providing customer service

Secondary research

- Often a much cheaper way of gathering information than primary research, as the data collection has already been done by others.
- Data may have been collected several years ago and be out of date.

Secondary research (cont)

- It can be used to help assess the total size of a market by finding out the size of the population and its age structure. This type of information could not be obtained by primary research.
- Data is available to all businesses – not just collected for the sole use of one business.
- Newspapers may carry vital economic forecasts if you are trying to assess when a recession is coming to an end and your sales are likely to increase again.
- Data may not be completely relevant as it was not collected with the needs of one business in mind.
- It is usually quicker to obtain secondary data than to undertake primary research.

Primary research

- It is up to date and relevant to the business undertaking it.
- It can be expensive, for example, individually interviewing many people.
- It is usually planned and carried out by the people who want to use the data; it is first-hand.
- It is not available immediately – it takes time to collect.
- It is most effective when it is used to gather information which will help the business with a specific problem, for example, to test the market to see if a new product would be likely to succeed.
- It is not available to other businesses (unless they undertake their own research).

Price skimming

- Skimming can help to establish the product as being of good quality.
- The high price may discourage some potential customers from buying it.
- High research and development costs can be rapidly recouped from the profit made on the product at the high price.
- The high price and high profitability may encourage more competitors to enter the market.
- If the product is unique, a high price will lead to profits being made before competitors launch similar products – then the price will have to be reduced.

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Promotional pricing

- It is useful for getting rid of unwanted inventory that will not sell.
- The revenue will be lower because the price of each item will be reduced.
- It can help to renew interest in a product if sales are falling, for example during an economic recession.
- It might lead to a price competition with competitors – so the business might have to reduce prices again.

Competitive pricing

- Sales are likely to be high as the price is at a realistic level and the product is not under- or over-priced.
- If the costs of production for a business are higher than those of competitors – perhaps because the product is of a higher quality – then a competitive price could lead to losses being made.
- Avoids price competition, which can reduce profits for all businesses in the industry.
- A higher quality product might need to be sold at a price above competitors' prices to give it a higher quality image.
- Often used when it is difficult for consumers to tell the difference between the products of different businesses.
- In order to decide what this price should be, detailed research would be needed into what prices competitors are charging, and this research costs time and money.

Profit sharing

- If a business makes very low profits or even a loss, then no 'profit share' will be possible, leading to employee disappointment.
- The profit share is usually calculated on the basis of an additional percentage of a worker's existing wage or salary – so higher paid workers will receive a higher profit share. This could cause bad feeling among lower paid workers who consider that they have worked just as hard!

Private limited companies

- Shares can be sold to a large number of people (in some countries there is a maximum number).
- There are significant legal matters which have to be dealt with before a company can be formed.

Private limited companies (cont)

- All shareholders have limited liability. This is an important advantage. It means that if the company failed with debts owing to creditors, the shareholders could not be forced to sell their possessions to pay the debts
- The shares in a private limited company cannot be sold or transferred to anyone else without the agreement of the other shareholders. T
- The accounts of a company are less secret than for either a sole trader or a partnership. Each year the latest accounts must be sent to the Registrar of Companies and members of the public can inspect them.
- Most importantly for rapidly expanding businesses, the company cannot offer its shares to the general public. Therefore it will not be possible to raise really large sums of capital to invest back into the business

Wages

- The worker gets paid on a regular basis and does not have to wait long for some money. Wages tend to be paid to manual workers, such as those who work in a warehouse or factory
- As the wages are paid weekly, they have to be calculated every week, which takes time and money.
- If the employee works longer than their normal hours, they can usually be paid overtime.
- Wages clerks are often employed to perform this task.

Sole traders

Few legal regulations required	No one to ask for advice
has complete control over the business	Unlimited liability

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Sole traders (cont)

Can make all their decisions	Less finance options available
Better customer relationships	Are likely to remain small
Gets to keep all the profits	No continuity of the business
Do not have to share their business information	Unincorporated business

Interviews

• The interviewer is able to explain any questions that the interviewee does not understand.	• Whether consciously or unconsciously, the interviewer could lead the interviewee into answering in a certain way, resulting in inaccurate results due to interviewer bias.
• Detailed information can be gathered about what the interviewees like and dislike about the product.	• Interviews are very time-consuming to carry out and, therefore, they are often an expensive way of gathering information.

Online surveys

• Fast, with quicker response times than other forms of survey	• Absence of interviewer to explain open-ended questions or to ask follow-up question to gain more detailed information.
• Cheaper than interviews or postal questi-onnaires.	• Cannot reach potential respondents who do not have access to the internet.
• Easy to complete for the participant	• Scope for fraud – some people will just answer an online survey to gain any incentives being offered and not give honest answers, or they complete the survey carelessly
• Data collected can be quickly presented and analysed using IT tools	

Time rate

• This makes it easy to calculate the worker's wages and the worker knows exactly how much they will be paid for working a certain period of time.	• The hours worked are often recorded on a time-sheet which must be filled in and used to calculate the wages by the Accounts department. This system takes time
	• Good and bad workers get paid the same amount of money
	• Often supervisors are needed to make sure the workers keep working and producing a good quality product.
	A clocking-in system is needed to determine the number of hours worked by the employees.

increasing efficiency/productivity

- Lower costs per unit (average cost).
- Fewer workers may be needed, possibly leading to lower wage costs.
- Reduced inputs needed for the same output level.
- Higher wages might now be paid to workers, which increases motivation.

break-even charts

• The impact on profit or loss of certain business decisions can also be shown by redrawing the graph.	• Break-even charts are constructed assuming that all goods produced by the firm are actually sold – the graph does not show the possibility that inventories may build up if not all goods are sold.
• Managers are able to read off from the graph the expected profit or loss to be made at any level of output.	• Fixed costs only remain constant if the scale of production does not change.

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break-even charts (cont)

- The break-even chart can also be used to show the margin of safety – the amount by which sales exceed the break-even point.
- Break-even charts concentrate on the break-even point of production, but there are many other aspects of the operations of a business which need to be analysed by managers,

new technology

- Productivity is greater as new, more efficient production methods are used, reducing average costs.
- Unemployment could rise as machines/computers replace people on the factory floor and in offices.
- Greater job satisfaction stimulates workers, as routine and boring jobs are now done by machines.
- It is expensive to invest in new technology products and machinery. This increases the risks as large quantities of products need to be sold to cover the cost of purchasing the equipment.
- More skilled workers may be needed to use and maintain the new technology. Businesses must offer training to existing workers in the use of new technology. The workers may become more motivated and therefore improve the quality of their work.
- Employees may be unhappy with the changes in their work practices when new technology is introduced.
- Better quality products are produced owing to more accurate production methods.
- New technology is changing all the time and will often become outdated quite quickly and need to be replaced if the business is to remain competitive.
- The information that is available to managers through the use of IT is much greater and this should result in better and quicker decision making.
- Quicker communication and reduced paperwork, owing to computers, lead to increased profitability.

New ‘high tech’ products are introduced as new technology makes completely new products available.

Quality assurance

- Tries to eliminate faults or errors at all stages of production before passing on to the next stage.
- Expensive to train employees to check the quality of their own work at each stage of production.
- There are fewer customer complaints.
- Relies on employees being committed to maintaining the standards set.
- Reduced costs if products do not have to be scrapped or reworked or service repeated.

Forward vertical integration

- The merger gives an assured outlet for its product.
- The profit margin made by the retailer is absorbed by the expanded business.
- The retailer could be prevented from selling competing models of car.
- Information about consumer needs and preferences can now be obtained directly by the manufacturer.

Backward vertical integration

- The merger gives an assured supply of important components
- The profit margin of the supplier is absorbed by the expanded business.
- The supplier could be prevented from supplying other manufacturers

Costs of components and supplies for the manufacturer could be controlled.

Distribution channel 2 – Using a retailer

- Producer sells large quantities to retailers
- No direct contact with customers.
- Reduced distribution costs compared to selling directly to consumers (distribution channel 1).
- The price is often higher than ‘direct selling’ as the retailer has to cover its costs and make a profit.

social media networking sites

- target customers will see the advert when they go on Facebook
- It can alienate customers if they find the adverts annoying.
- speed in response to market changes – information can be updated regularly
- Businesses have to pay for advertising if using pop-ups.

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social media networking sites (cont)

• cheap to use – it has low costs if just placing advertisements	• Potential customers may not use social media networks.
• targets specific demographic groups who will share product information through viral marketing	• There is a lack of control of advertising if used by others
• reaches groups that are difficult to reach any other way.	• Messages may be altered or used in a bad way and forwarded on to other users, giving the business bad publicity

Batch production

• It is a flexible way of working and production can easily be changed from one product to another	• It can be expensive as semi-finished products will need moving about to the next production stage.
• It still gives some variety to workers' jobs.	• Machines have to be reset between production batches which means there is a delay in production and output is lost.
• It allows more variety to products which would otherwise be identical. This gives more consumer choice (for example, different flavours of ready-meals).	• Warehouse space will be needed for inventories of raw materials, components and finished batches of goods. This is costly.

• Production may not be affected to any great extent if machinery breaks down.

Retained profit

• Retained profit does not have to be repaid, unlike, for example, a loan.	• A new business will not have any retained profits.
• There is no interest to pay – the capital is raised from within the business.	• Many small firms' profits might be too low to finance the expansion needed.

Retained profit (cont)

• Keeping more profits in the business reduces payments to owners, for example, dividends to shareholders who might invest in other businesses instead.

Owners' savings

• It should be available to the firm quickly.	• Savings may be too low.
• No interest is paid.	• It increases the risk taken by the owners as they have unlimited liability.

Bank loans

• They can be for varying lengths of time.	• A bank loan will have to be repaid eventually and interest must be paid.
• These are usually quick to arrange.	• Security or collateral is usually required. This means the bank may insist that it has the right to sell some of the property of the business if it fails to pay the interest or does not repay the loan. A sole trader may have to put his or her own house up as security on a bank loan.

• Large companies are often offered low rates of interest by banks if they borrow large sums.

Just-in-time inventory control

• All this reduces the costs of holding inventory, as no raw materials and components are ordered to keep in the warehouse just in case they are needed.

• Warehouse space is not needed, again reducing costs.

• The finished product is sold quickly and so money will come back to the business more quickly, helping its cash flow.

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Selling debentures

- Debentures can be used to raise very long-term finance, for example, 25 years.
- As with loans, these must be repaid and interest must be paid.

Lean production

- less storage of raw materials or components
- quicker production of goods or services
- better use of equipment
- no need to repair defects or provide a replacement service for a dissatisfied customer
- less money tied up in inventories
- cutting out some processes, which speeds up production
- improved health and safety, leading to less time off work due to injury.

Hire purchase

The business does not have to find a large cash sum to purchase the asset.

- A cash deposit is paid at the start of the period.
- Interest payments can be quite high.

less cash

- being unable to pay workers, suppliers, landlord, government
- production of goods and services will stop – workers will not work for no pay and suppliers will not supply goods if they are not paid
- the business may be forced into 'liquidation' – selling up everything it owns to pay its debts.

Trade credit

- It is almost an interest-free loan to the business for the length of time that payment is delayed for.
- The supplier may refuse to give discounts or even refuse to supply any more goods if payment is not made quickly.

balance of payments deficit.

- The country could 'run out' of foreign currencies and it may have to borrow from abroad.
- The price of the country's currency against other currencies – the exchange rate – will be likely to fall.

Horizontal integration

- The merger reduces the number of competitors in the industry
- There are opportunities for economies of scale
- The combined business will have a bigger share of the total market than either business before the integration.

unemployment

- Unemployed people do not produce any goods or services. The total level of output in the country will be lower than it could be.
- The government pays unemployment benefit to those without jobs. A high level of unemployment will cost the government a great deal of money. This cannot be spent on other things such as schools and hospitals.

Bonuses

- Being paid a bonus can have a positive motivating effect.
- Bonuses can become 'expected' every year and if they are not paid – perhaps because the business has had a poor year – then employee disappointment can be difficult to manage.
- . Workers often consider themselves to be 'recognised' and 'special' if they are paid a bonus.

If only one or a small number of workers are paid a bonus, then bad feelings can be caused as other workers resent this and question why they did not receive one.

Off-the-job training

- a broad range of skills can be taught using these techniques
- costs are high
- if these courses are taught in the evening after work, they are cheaper for the business because the employee will still carry out their normal duties during the day
- it means wages are paid but no work is being done by the worker
- the business will only need to pay for the course and it will not also lose the output of the employee
- the additional qualifications mean it is easier for the employee to leave and find another job.

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Off-the-job training (cont)

• employees may be taught a variety of skills, becoming multi-skilled, and this makes them more versatile – they can be moved around the company when the need arises

• it often uses expert trainers who have up-to-date knowledge of business practices.

Quality control

• Tries to eliminate faults or errors before the customer receives the product or service.	• Expensive as inspectors need to be paid to check the product or service.
• Less training is required for the workers as inspectors are employed to check quality.	• Identifies faulty products but doesn't find why the fault has occurred and therefore is difficult to solve the problem.
	• High costs if products have to be scrapped or reworked or service repeated.

Total Quality Management

• Quality is built into every part of the production of a product or service and becomes central to the ethos of all employees.	• It is expensive to train all employees to check the product or service.
• It eliminates all faults or errors before the customer receives the product or service as it has a 'right first time' approach	• Relies on all employees following TQM ideology and accepting responsibility for quality

• No customer complaints and so brand image is improved – leading to higher sales.

• Reduced costs as products do not have to be scrapped or reworked or service repeated.

• Waste is removed and efficiency increases.

Kaizen

• reduced amount of space needed for the production process

• work-in-progress is reduced

• increased productivity

• improved layout of the factory floor may allow some jobs to be combined, thereby freeing up employees to carry out some other job in the factory

Cost-plus pricing

• The method is easy to apply.	• Businesses could lose sales if the selling price is higher than competitors' prices.
• Different profit mark-ups could be used in different markets	• A total profit will only be made if sufficient units of the product are sold.
• Each product earns a profit for the business.	• There is no incentive to reduce costs – any increase in costs is just passed on to the customer as a higher price.

Specialisation and the division of labour

Workers are trained in one task and specialise in this – this increases efficiency and output	Workers can become bored doing just one job – efficiency might fall
Less time is wasted moving from one workbench to another	If one worker is absent and no one else can do the job, production might be stopped

Quicker and cheaper to train workers as fewer skills need to be taught

Questionnaires

• Detailed qualitative information can be gathered about the product or service.	• If questions are not well thought out, the answers to them will not be very accurate. It may be very misleading for the business if it is thought that a product is liked by consumers, when in fact the respondents were only saying they thought the product was quite attractive but they would not actually buy it.
• Customers' opinions about the product or service can be obtained.	• Carrying out questionnaires can take a lot of time and money
• They can be carried out online – see section below.	• Collating and analysing the results is also time-consuming.

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Questionnaires (cont)

• To encourage people to fill in the questionnaire, vouchers can be offered or participants entered into a ‘prize draw’.

Trade unions

• They can help improve communications between workers and management.	• trade unions can organise strikes if they do not receive the pay levels and work conditions they demand
• Wage agreements will be easier to negotiate with a trade union than with many individual workers.	wages are likely to be higher – adding to business costs – when many employees are trade union members.

part-time employees

• more flexible in the hours of work	• less likely to seek training because the employees may see the job as temporary
• easier to ask employees just to work at busy times	• takes longer to recruit two part-time workers than one full-time employee
• easier to extend business opening/operating hours by working evenings or at weekends	• part-time employees can be less committed to the business and may be more likely to leave to get another job
• fits in with looking after children and therefore employee is willing to accept lower pay	• less likely to be promoted because they will not have gained the same skills and experience as full-time employees
• reduces business costs compared to employing and paying a fulltime employee	• more difficult to communicate with part-time employees when they are not in work.

• in some countries it is easier to make part-time workers redundant.

organizational chart

• Every individual can see their own position in the organisation. They can identify who they are accountable to and who they have authority over. Employees can see who they should take orders from.

• It shows the links and relationship between different departments within the organisation

• Everyone is in a department and this gives them a sense of belonging.

Commission

• If the sales staff are very persuasive and encourage people to buy goods they don’t really want, then the business may see its sales increase only in the short term and then fall again as it gets a bad reputation.

• It can be very stressful for the sales staff because, if they have a bad month, their pay will fall.

• There might be too much competition between sales staff to ‘get the next customer’ who enters the shop!

Salaries

• A salary is calculated as an amount of money per year for the job performed by the worker. It is divided into 12 monthly amounts. This means it is easy to calculate salary costs for the business.	• Workers may prefer to be paid weekly
• The employer has the money in their bank account for longer than if they were paying their workers’ wages, as salaries are paid only once a month.	• No payment for extra time worked – workers may be reluctant to work longer

• The payment has to be calculated only once a month instead of at least four times a month – as with wages.

Public limited companies

• This form of business organisation still offers limited liability to shareholders	• The legal formalities of forming such a company are quite complicated and time-consuming
• It is an incorporated business and has a separate legal identity to the owners or shareholders. Its accounts are kept separately from those of the owners and there is continuity should one of the shareholders die.	• There are many more regulations and controls over public limited companies in order to try to protect the interests of the shareholders.

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Public limited companies (cont)

• There is now the opportunity to raise very large capital sums to invest in the business. There is no limit to the number of shareholders a public limited company can have.	• Selling shares to the public is expensive.
• There is no restriction on the buying, selling or transfer of shares.	• There is a very real danger that although the original owners of the business might become rich by selling shares in their business, they may lose control over it when it 'goes public'.

• A business trading as a public limited company usually has high status and should find it easier to attract suppliers prepared to sell goods on credit and banks willing to lend to it than other types of businesses.

Partnerships

• More capital could now be invested into the business	• The partners did not have limited liability. If the business failed, then creditors could still force the partners to sell their own property to pay business debts.
• The responsibilities of running the business were now shared.	• The business did not have a separate legal identity. If one of the partners died, then the partnership would end.
• Both partners were motivated to work hard because they would both benefit from the profits.	• Partners can disagree on business decisions and consulting all partners takes time.
	• If one of the partners is very inefficient or actually dishonest, then the other partners could suffer by losing money in the business.

entrepreneur

•independence – able to choose how to use time and money	• risk – many new entrepreneurs' businesses fail, especially if there is poor planning
• able to put own ideas into practice	• capital – entrepreneurs have to put their own money into the business and, possibly, find other sources of capital
• may become famous and successful if the business grows	• lack of knowledge and experience in starting and operating a business
• may be profitable and the income might be higher than working as an employee for another business	opportunity cost – lost income from not being an employee of another business

• able to make use of personal interests and skills

Democratic leadership

• Better decisions could result from consulting with employees and using their experience and ideas – as well as being a motivating factor.	• Unpopular decisions, such as making workers redundant, could not effectively be made using this style of leadership.

Induction training

• helps new employees to settle into their job quickly	• is time-consuming
may be a legal requirement to give health and safety training at the start of a job	• means wages are paid but no work is being done by the worker
• means workers are less likely to make mistakes.	• delays the start of the employee commencing their job.

Visual communication

These methods can present information in an appealing and attractive way.	• There is no feedback and the sender of the message may need to use other forms of communication to check that the message has been understood.

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Visual communication (cont)

• They can be used to make a written message clearer by adding a chart or diagram to illustrate the point being made.	• Charts and graphs are difficult for some people to interpret. The overall message might be misunderstood if the receiver is unsure how to read values from a graph or how to interpret a technical diagram

Piece rate

• The advantage with this system is that it encourages workers to work faster and produce more goods.	• Workers may concentrate on making a large number of products and ignore quality, producing goods that may not sell very well because they are of a poor quality
	• Workers who are careful in their work will not earn as much as those who rush, which may not be seen as fair
	• If the machinery breaks down, the employees will earn less money.

developing new products

• Unique Selling Point (USP) will mean the business will be first into the market with the new product.	• The costs of carrying out market research and analysing the findings.
• Diversification for the business, giving it a broader range of products to sell. Spreading risks	• The costs of producing trial products, including the costs of wasted materials.
• It allows the business to expand into new markets.	• The lack of sales if the target market is wrong
• It may allow the business to expand into existing markets.	• The loss of company image if the new product fails to meet customer needs.

Focus groups

• They provide detailed information about consumers' tastes and preferences	• They can be time-consuming and expensive if conducted by a specialist market research agency.
• Interaction between members of the group can help the business understand the reasons for people's opinions.	• Discussion could be biased if some people on the panel are influenced by the opinions of others.
• Quicker and cheaper than individual interviews.	• Can be dominated by just a few people so the researcher will need to be experienced to deal with this.

Penetration pricing

• It should ensure that sales are made and the new product enters the market successfully.	• The product is sold at a low price and therefore the profit per unit may be low
• Often used for newly launched products to create an impact with customers.	• Customers might 'get used' to low prices and reject the product if the business starts to raise the price after the product's early success.
• Market share should build up quickly.	• Might not be appropriate for a branded product with a reputation for quality.

Autocratic leadership

• Quick decision making, for example, during a crisis.	• No opportunity for employee input into key decisions, which can be demotivating.

Distribution channel 1 – Direct to consumers

• This distribution channel is very simple. It involves manufacturers selling their products directly to the consumer.	• This is usually impractical for most products because the consumers probably do not live near to the factory and could not go there to buy the products.

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Distribution channel 1 – Direct to consumers (cont)

- It is suitable for products, such as certain types of food products, which are sometimes sold straight from the farm.
- This method may not be suitable for products which cannot easily be sent by post.
- There is a lower price if sold direct to customers – cuts out wholesaler/retailer.
- It can be very expensive to send products by post or courier and therefore it may not be cost effective.
- Products can be sold by mail order catalogue or via the internet.

Niche marketing

- Small businesses may be able to sell successfully in niche markets as larger businesses may not have identified them but concentrated on the mass markets instead. This will reduce competition from the larger businesses in niche markets
- Niche markets are usually relatively small and therefore have limited sales potential. This means it is likely that only small businesses can operate profitably in these markets. If the business wants to grow it will need to look outside the niche market to develop products for mass markets.
- The needs of consumers can be more closely focused on, and therefore targeted, by businesses in a niche market. This may lead to high levels of consumer loyalty and good customer relations.

Often businesses in a niche market will specialise in just one product. This means that if the product is no longer in demand the business will fail as the business has not spread its risks.

Job production

- It is most suitable for personal services or 'one-off' products.
- Skilled labour is often used and this raises costs.
- The product meets the exact requirements of the customer.
- The costs are higher because it is often labour intensive.
- The workers often have more varied jobs (they don't carry out just one task).
- Production often takes a long time.

Job production (cont)

- More varied work increases employee motivation – giving them greater job satisfaction.
- Products are specially made to order and so any errors can be expensive to correct.
- It is flexible and often used for high-quality goods and services, meaning that a higher price can be charged.
- Materials may have to be specially purchased, leading to higher costs.

Dc 3 – Using a wholesaler and retailer

- Small retailers can purchase fresh products in small quantities from wholesaler because they have a relatively short 'shelf life' before they deteriorate.
- May be more expensive for the small shop to buy from a wholesaler than if it bought straight from the manufacturer
- Wholesaler may give credit to retail customers so they can take the goods straightaway and pay at a later date
- Wholesaler may not have the full range of products to sell.
- Wholesaler may deliver to the small retailer thus saving on transport costs.
- Takes longer for fresh produce to reach the shops, so may not be as good quality.
- Wholesaler saves storage space for small retailer and reduces storage costs
- Wholesaler may be a long way from the small shops.
- Wholesaler can give advice to small retailers about what is selling well. They can also advise the manufacturer what is selling well.
- The consumer price is often higher than 'direct selling' as both the wholesaler and retailer have to cover costs and make a profit.

Dc 4 – Using an agent

- Manufacturer may not know the best way to sell the product in other markets.
- The producer has less control over the way the product is sold to customers.
- Agents will be aware of local conditions and will be in the best position to select the most effective places in which to sell.

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sales promotion

- It encourages new customers to try an existing product.
- It encourages consumers to try a new product.
- It encourages existing customers to buy a product more often or in greater quantities, increasing consumer loyalty.
- It can promote sales at times in the year when sales are traditionally low (off-season purchases).
- It encourages customers to buy your product instead of a competing brand.

business advertises on its own website

• No extra cost if own website is already set up.	• Potential customers may not see the website as the page may come up in a long list of results when using a search engine such as Google.
• Control of advert-ising as it is on your own site.	• Relies on customers finding the website
• Can change adverts quickly and update pictures/-prices, and so on.	• Design costs of the website may be high.

- Interactive adverts can be more attractive than those in other forms of advertising media such as magazines and posters.
- Can provide more information in adverts and link to other pages with further information and pictures.
- Attracts funds/payments from companies that want to advertise or be associated or linked with your website.

Globalisation

Start selling exports to other countries – opening up foreign markets	Increasing imports into home market from foreign competitors
Open factories/operations in other countries (become a multinational)	Increasing investment from multinati-onals to set up operations in home country
Import products from other countries to sell to customers in 'home' country	Employees may leave businesses that cannot pay the same or more than international competitors

Import materials and components from other countries – but still produce final goods in 'home' country

rapid inflation:

- Workers' wages will not buy as many goods as before. This means that people's real incomes will fall.Workers may demand higher wages so that their real incomes increase.
- Prices of the goods produced in the country will be higher than those in other countries. People may buy foreign goods instead. Jobs in the country will be lost.
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Sale of existing assets

• This makes better use of the capital tied up in the business.	• It may take some time to sell these assets and the amount raised is never certain until the asset is sold.
• It does not increase the debts of the business.	• This source of finance is not available for new businesses as they have no surplus assets to sell.

falling GDP

- As output is falling, fewer workers are needed and unemployment will occur.
- The average standard of living of the population – the number of goods and services they can afford to buy in one year – will decline. In effect, most people will become poorer.
- Business owners will not expand their business as people will have less money to spend on the products they make.

Flow production

• There is a high output of a standa-rdised product.	• It is a very boring system for the workers, so there is little job satisfaction, leading to a lack of motivation for employees.
• Costs of making each item are kept low and therefore prices are also lower.	• There are significant storage requirements – costs of inventories of raw materials/compo-nents and finished products can be very high unless just-in-time systems are used.

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Flow production (cont)

- It is easy for capital-intensive production methods to be used – reducing labour costs and increasing efficiency.
- The capital costs of setting up the production line can be very high.
- Capital-intensive methods allow workers to specialise in specific, repeated tasks and therefore the business may require only relatively unskilled workers – little training may be needed.
- If one machine breaks down the whole production line will have to be halted
- It may benefit from economies of scale in purchasing.
- Low average costs and therefore low prices usually mean high sales.
- Automated production lines can operate 24 hours a day.
- There is no need to move goods from one part of the factory to another as with batch production, so time is saved.

Overdrafts

- The business could use this finance to pay wages or suppliers but, obviously, it cannot do this indefinitely
- Interest rates are variable, unlike most loans which have fixed interest rates
- The overdraft will vary each month with the needs of the business – it is said to be a 'flexible' form of borrowing.
- The bank can ask for the overdraft to be repaid at very short notice.
- Interest will be paid only on the amount overdrawn.
- The bank gives the business the right to 'overdraw' its bank account
- Overdrafts can be cheaper than short-term loans.

Factoring of debts

- Immediate cash is made available to the business.
- The business does not receive 100 per cent of the value of its debts.
- The risk of collecting the debt becomes the factor's and not the business's.

Issue of shares

- No interest has to be paid.
- Dividends will be expected by the shareholders.
- This is a permanent source of capital which would not have to be repaid to shareholders.
- Dividends are paid after tax, whereas interest on loans is paid before tax is deducted.
- The ownership of the company could change hands if many shares are sold, which the original owners might object to.

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