

GCSE Business Summer Homework

Year 9 into Year 10

Name_____

1.1 Key Words

• Key word	• Definition
• Enterprise Entrepreneur	• Entrepreneurial activity (can also mean a business or company) Someone who creates a business, taking on financial risks with the aim of making a profit from the business Someone who buys and uses goods and services Out of date or not used anymore
• Consumer	• Using the internet to carry out business transactions
• Obsolete	• Using mobile technologies, such as smartphones and tablets, to carry out business transactions Websites that allow users to interact with other users, by sharing text-based messages, pictures or links to online content Enable businesses to take online payments from customers. They are usually free for the customer to use, but take a small amount of commission from the seller The activities involved in buying and selling particular types of goods and services, in competition with other companies Information, particularly statistics, that can be collected and analysed
• E-commerce	• Relating to the population, such as average age, average income and so on
• M-commerce	• The possibility that an enterprise will have lower than anticipated profits or experience a loss
• Social media	• The money that an entrepreneur or investor receives when a business succeeds
• Payment	• The process of gathering information about the market and customers' needs and wants in order to help inform business decisions, including product design and marketing
• platform	• The amount of money coming in and going out of the business and the timing of the movement
• Marketplace	• The amount of money that comes in from a business's sales
• Data	• Putting money into a business with the intention of making a profit
• Demographic	• A new business, usually with only a small number of employees – perhaps only one
Risk	• Anyone who has an interest in the activities of a business, such as its workers, its suppliers, its directors, the local community and the government
Financial	• Moral principles or standards that guide the behaviour of a person or business
reward	• Something that makes a product stand out from its competitors
• Market	• Standards of behaviour or moral principles
research	• Wanting to always support something or someone
• Cash flow	• The proportion of sales in a market that taken by one business
Sales revenue	• The system by which a country's money and goods are produced and used
• Investment	
• Start-up	
• Stakeholder	
Ethics Unique	
selling	
• point (USP)	
• Values	
• Loyalty	
• Market share	
• Economy	

Topic 1.1 Enterprise and entrepreneurship

1 The dynamic nature of business

Read the following 3 pages, make some notes and complete the task on page 8

Business **enterprise** is about starting something of your own. It would probably be a business, but it might also be a charity or a sports club. The key is that *you* want to do it, and that it proves to be a success. However, changes in technology, in fashion and in the economy mean that success can never be taken for granted. These changes represent the **dynamic nature of business**, and are illustrated by the following story.



Evan Spiegel first presented his idea for Snapchat to his classmates in 2

In 2011, Evan Spiegel made a presentation to his university class about an app idea called Picaboo. He demonstrated photos being taken and sent by phone, and then disappearing. His classmates weren't impressed. Convinced he was on to something, Spiegel kept working on the idea with two friends. A couple of months later, a renamed Snapchat got a low-key launch. Student take-up in California enabled the new business to raise \$13.5 million in **venture capital**

in early 2013. Such was Snapchat's growth that, by late 2013, Facebook offered to buy the business for \$3 billion. By 2016, Snapchat had overtaken Twitter's user numbers. Then the Covid-19 pandemic propelled its user figures to 280 million by early 2021 (see Figure 1.1) – and boosted Spiegel's wealth to \$11.6 billion.

The dynamic nature of business arises because of changing customer tastes and needs, which are driven by changes in technology and in other factors outside the business' control. The unexpected 'out' vote in the 2016 European referendum was a case in point. Suddenly companies had to rethink their plans in the light of a new economic reality, that Britain was leaving the European Union. Successful businesses are the ones that can adapt quickly to new circumstances.

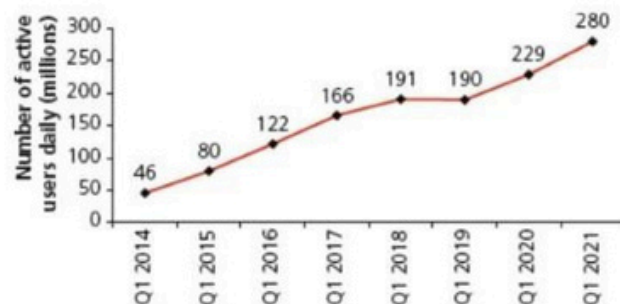


Figure 1.1 Snapchat: daily active users globally

Chase the vision, not the money; the money will end up following you.

Tony Hsieh, Zappos CEO

When starting a new business, all the challenges speed up. Decisions that a big company has months to think about must be decided immediately. Should the new burger bar buy one milkshake machine or

two? Quickly, decide! Should it sign up to Just Eat or create its own e-commerce website and app? Decide! In business, virtually every decision costs money and, because most start-up businesses are short of cash, the personal pressure involved in each decision gets ever-greater.

The three main questions to ask about start-ups are:

- 1 Why?
- 2 Who?
- 3 How?

● Why?

The main motive for starting up something new is desire. People want satisfaction from a sense of achievement. If they could get it from their normal workplace, they might not take the risk of starting on their own.

The next most important motivator is the wish to be your own boss. Independent decision making allows the individual to do things the way that they think is best. Most jobs involve a degree of compromise. When you are running something for yourself you may not be able to afford the best, but at least you know that you will get the best you can afford. So, the chef who hates working in a cramped kitchen with second-rate ingredients may long to be in a position to make all the decisions.

Then, of course, there is money. A person may start a burger bar because of their conviction that they will make a fortune. Such a person may dream of retiring early, with a beachfront house and a huge fridge packed with beer. The typical business to go for would be a franchise, in which the individual buys the rights to open a local branch of a business that already exists (and makes good profits). The Subway sandwich chain works in this way.

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

● Who?

A successful start-up requires a huge list of qualities and skills, especially if starting up on your own. Among these are:

- ◆ personal qualities: determination, resilience (can bounce back from setbacks), enthusiasm, hard-working, decisive, willing to take risks
- ◆ skills: can listen as well as speak, can plan and organise, can persuade, can manage others
- ◆ resources: can find help when needed (finance or advice), may have exceptional knowledge of a special topic (for example, building a website).

Of course, few **entrepreneurs** (business risk-takers) have *all* these qualities, but without quite a number of them it will be hard to succeed.

● How?

The most common way to start a new enterprise is to trial a business idea while still working, often from your own home. It is tried out in a limited way before committing too much money and time.

Duncan Goose, however, started bottled water brand One as a social enterprise by giving up his regular job. The water is bottled in Wales and sold throughout Britain, with the profits going to the One Foundation, a UK-registered charity funding water projects in Africa. It took him six months, without pay, to get the enterprise going.

When people need to raise capital to help them start a business, they write a business plan. This sets out the aims, the strategy, the financial forecasts and financial requirements. If carried out professionally, a good business plan greatly increases the chances of getting funding. Crucial to a good business plan is a sensible sales forecast based on independent market research.

Ideas are easy. Implementation is hard.

Guy Kawasaki, marketing specialist and venture capitalist



One works to provide clean water in Africa

Talking point

Which of the 'who?' qualities are strengths of yours? Which are weaknesses?

● Drawing the right conclusions

Business is exciting because of its dynamic nature. A business may seem to be unstoppable one year. Every decision works out well. The next year, nothing is quite the same. A best-selling business book called *In Search of Excellence* was written to explain why 43 companies were excellent. Famously, by the time the book was published even some of those companies were struggling. The dynamic nature of business is such that today's star can be tomorrow's fall guy.

If there is one general point that can be made about business, it is that sustained business success comes to companies that keep talking to customers and keep adjusting to their new needs and wants.

A man is a success if he gets up in the morning and gets to bed at night, and in between he does what he wants to do.

Bob Dylan, musician

Revision essentials

Dynamic nature of business: the idea that business is ever-changing because external factors, such as technology, are always changing.

Enterprise: the personal characteristics of questioning and initiative that can be shown by an employee or an entrepreneur.

Entrepreneurs: businesspeople who see opportunities and are willing to take risks in making them happen.

Venture capital: capital provided by an investor willing to take a risk in return for a share in any later profits; the venture capital provider will take a share stake in the business.

Task 1

- 1) Name two influences which are currently putting pressure on companies who create crisps and takeaway pizzas to change:

Crisps

- 1.
- 2.

Takeaway Pizza

- 1.
- 2.

- 2) Why might someone looking to start a business prefer to set up a Subway rather than a new idea of their own?

- 3) Have you recently seen any new businesses opening locally or online that you admire? Give a brief description of who they are and why you admire them.

Who are they?

Why do you admire them?

Topic 1.1 Enterprise and entrepreneurship

3 How new business ideas come about

Read the following 3 pages, make some notes and complete the task on page 12

Creative thinking stems from asking questions. Three-year-olds can drive their parents crazy by constantly asking 'why': 'why does granny smell?', 'why are raspberries red?', and so on. In fact, just such a question about raspberries made the producer of Slush Puppie drinks decide to make the raspberry flavour a blue colour. The red (strawberry) and blue (raspberry) made a more eye-catching display.

The ability to ask 'why' is at the root of creativity, innovation and how business ideas come about.

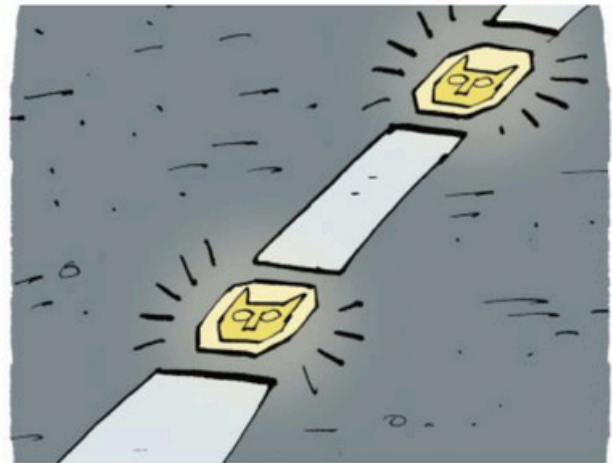
Disneyland will never be completed, as long as there is imagination left in the world.

Walt Disney (1901–66)

● Why not?

It is also vital to ask 'why not?'. The three-year-old is trying to find out the way the world is. Creative thinkers also ask 'why shouldn't the world be different?'. In 1933, Percy Shaw became the inventor of one of the world's most widely used ideas. Driving home in dense fog he nearly drove off the road and crashed, but was saved by the flashing eye of a cat sitting on a fence. Two years later he patented the cat's eye, an invention that made him a fortune. Brilliantly, he made a reflector with a

rubberised top that would give when cars ran over it; the action of pushing down the rubber top wipes the reflector clean – just like a cat's eye blinking.



Cat's eye reflectors made their inventor a fortune

Many 'why not?' questions are much less significant than Percy Shaw's. For example, why not have a strawberry-flavour Calippo ice lolly? Such an obvious idea might be hugely significant if it proves a commercial success.

● Original ideas

Most of us have lots of creative thoughts. We look in an ice cream cabinet and wish there were a mint choc ice or a mango lolly. The problem is that we may not tell anybody about these thoughts, or – worse – we may try to tell someone but find that nobody listens. It follows that creativity may only have meaning if it is backed up by effective communication. Percy Shaw had his idea and developed it himself. Most of us have neither the money nor the ability to achieve this.

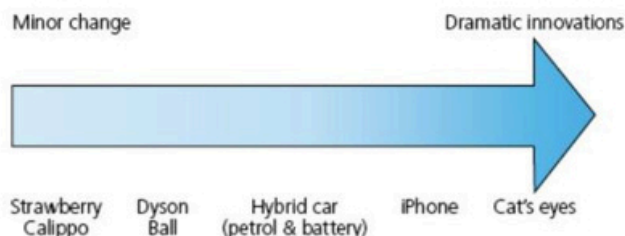


Figure 3.1 A new product will sit at some point along a scale ranging from minor change to dramatic innovation

Topic 1.1 Enterprise and entrepreneurship

Well-run businesses encourage the sharing of **original ideas**. Ordering a tailor-made kitchen from German manufacturers used to involve a three-month wait before delivery. Now staff at a leading German kitchen manufacturer have found new ways to use their computer-aided design (CAD) system to cut delivery times to three weeks.

For some businesses, original ideas are the basis of the operation. Rockstar North employs over 600 people in Edinburgh, creating world-leading computer games. Their biggest success by far is the Grand Theft Auto franchise. The game first came out in 1997 and the sixth edition is expected in 2022. As of May 2021, the whole series had sold 345 million units, making it one of the all-time best-selling games series.

The man who has no imagination has no wings.

Muhammad Ali, greatest ever boxer

● New ideas and competitive advantage

Competitive advantage is a term given to any factors that help a business to succeed when competing against direct rivals. For airline Ryanair that advantage comes from low-cost operations that allow it to charge low prices. For many other businesses, original ideas are the key:

- ◆ Klein Vision Aircar – in November 2020 Slovakian company Klein Vision announced that its Aircar will be ready for sale by 2022. On the road it looks like a sleek, low-slung sports car, but it also flies. Boss Professor Klein has been working on the project since 1989 and has completed more than 50 flights. Apparently it takes just 3 minutes to convert the car to an aircraft. The purchase price has not yet been announced.
- ◆ Galaxy vegan chocolate – this was launched by Mars in 2020 featuring flavours such as Smooth Orange and Caramel & Sea Salt. Sales of ordinary Galaxy fell by 14 per cent in 2020; no wonder they needed to come up with something new.



The Klein Vision aircar

The creativity that emerges from the company comes from the many ideas of the people who are here.

John Rollwagen, chief executive

● Adapting existing products and services

The overwhelming majority of new product launches are derived from an existing product success. This is as true for James Bond films as it is for chocolate bars. **Adapting existing products** or services is an attractive business proposition for the following reasons:

- ◆ It usually requires less research and development, and other investment, to develop a new product variation than a completely new product. It is also likely that you have already developed the production machinery and methods that can now be adapted to Product B. Overall, adapting is a much cheaper option, and that makes it possible to enjoy high profit margins.
- ◆ It is easy to underestimate how hard it is to find a new product that people love (80 per cent of new products fail). So, if you have a success, it makes sense to milk it. Your chances of making money from a new *Superman* film are greater than from creating a brand new film.

- ◆ Launching an adapted product can successfully protect your first/main product. If you have created Cadbury Dairy Milk, why leave yourself vulnerable to attack from rivals by leaving open the opportunity to do a bubbly version or one with nuts and raisins.

Here are two examples of successful adapted products:

- ◆ Monster Energy Ultra launched a zero calorie but vibrant brand into the £750 million market for energy drinks. By offering a no-calorie drink tasting more like a soft drink than an energy drink, brand owners Coca-Cola wanted to bring more women into the energy sector.
- ◆ In 2020 Warburtons announced the launch of a new range of full-sized bagels. This was a follow-up to its earlier launch of Thin Bagels, which were generating sales of £20.5m a year.

Talking point

Can you come up with a new chocolate bar that can match the advertising slogan once used by Cadbury's Crunchie for 'that Friday feeling'?

● Drawing the right conclusions

For companies such as Heinz, with stable, big sellers like ketchup and baked beans, new ideas are a luxury. If they work, that's wonderful, but if they don't they'll still go on selling more than £500 million in the UK. For other businesses, new ideas are essential. The smartphone market is unforgiving. The combination of the successful launch of the iPhone 12 and the condemnation of Donald Trump saw sales of Huawei phones halve during 2020.

The ability to keep coming up with ideas tends to depend on a number of factors:

- ◆ Staff who really care and are engaged in the jobs they do: Google, yes; Sports Direct, no.
- ◆ The amount of cash the company devotes to research and development, market research and investing in new technology. This may require a business to limit its dividend payouts to shareholders to make sure there's enough capital for financing the future.
- ◆ The diversity of the recruitment approach: if all managers are ageing men, it may be hard to spot the new possibilities in dynamic, younger markets, such as mobile gaming.

Revision essentials

Adapting existing products: finding new products based on the original one, such as Wall's White Chocolate Magnum.

Competitive advantage: features of a product or service that make it stronger in the marketplace than its competitors.

Original ideas: ideas that have not been done before.

Task 2

1) Name two benefits to a business for asking the why question?

1. _

2. _

2) After reading the information how might you respond to the following questions?

1. Why are organic foods so expensive?

2. Why does Lidl keep growing in the UK grocery market?

3) Name two ways managers could encourage their staff to share their own ideas about new products.

1. _____

2. _____

4) Which of the following statements best describes a dynamic market?

- ☐ A rapidly changing business environment
- ☐ Buyers and sellers meeting to exchange goods and services.
- ☐ A shop opening.

Disney forecast to steal Netflix's crown as world's biggest streaming firm.



Netflix is forecast to lose its crown as the world's biggest video streaming provider within three years, amid explosive growth at Disney after the launch of its rival on-demand service only 16 months ago.

The Walt Disney Company announced earlier this month that its flagship Disney+ platform, launched in late 2019, had passed 100 million global subscribers – a feat that took its arch-rival, Netflix, a decade to achieve. Taken together with subscriber numbers for the group's ESPN+ sports platform and Hulu subscription service in the US, the surge puts Disney on track to dethrone Netflix by 2024.

The Mandalorian-driven success story has smashed the expectations of management, which had conservatively estimated it would take five years to reach 90 million subscribers. In December, an emboldened Disney tripled its target to 260 million by 2024 and doubled its content budget to \$15bn (£10.8bn), underscoring its position as the third major force in the global streaming wars.

Last month, Netflix announced it had 203.7 million subscribers, taking four years to notch up its second hundred million, while ~~Amazon Prime Video~~ – home to series such as Outlander and The Marvellous Mrs Maisel, as well as sport including Premier League football and NFL – is estimated to have about 147 million regular global users.

"Disney+ has obviously experienced some of the fastest growth seen from a subscription video-on-demand service; kudos to them for establishing themselves as a global force so fast," said Richard Broughton, an analyst at Ampere Analysis.

"While Disney+ is still only half the size of Netflix, it has reached that milestone in an unprecedented timescale."

Ampere said Disney+ would overtake Amazon Prime Video in 2024 to become the world's second most popular streaming service. Netflix would remain on top until at least 2025, when he forecasts subscriber numbers would hit 247 million and 286 million respectively. However, taking into account ESPN+ and Hulu, the Walt Disney Company overall would pull ahead of Netflix in two or three years' time.

The group is forecast to hit 266 million subscribers by the end of 2023, just shy of ~~Netflix~~ on 269 million. A year later, the positions will be reversed, with Netflix's 279 million subscribers trailing Walt Disney's 295 million.

With Britons spending 40% of their waking hours in front of the TV during the height of the coronavirus pandemic, streaming services have experienced a boom in popularity. By the end of last year, more than 32 million Britons had become subscribers to Netflix, Amazon or Disney+, double the number signed up to traditional pay-TV providers such as Sky, BT and Virgin Media. While Netflix enjoyed a record year on a global scale, the addition of 37 million new subscribers is the most in a single year in its history, Disney+ proved to be the biggest winner in the UK. Helped by the serendipitous timing of its UK launch – in the week the nation entered the first lockdown in March 2020 – Disney+ hoovered up almost 40% of the 13 million new streaming subscribers in the UK last year. Amazon Prime Video took a quarter, while Netflix, the most popular service in the UK, attracted 19%, according to the data firm Kantar. On the face of it, the level of success Disney+ has achieved could be surprising, given the relatively slim catalogue of content it launched with compared with its rivals. As of January this year, Disney+ offered 4,500 hours of content compared with 40,000 on Netflix and 50,000 on Amazon. Even relative minnows such as BritBox (10,000 hours) and Hayu, home to reality shows such as Below Deck and Keeping up with the Kardashians, (6,000), offered more. Disney is aware of the need for a steady pipeline of new TV programmes and films in the content arms race to attract and keep subscribers. It has a target of adding more than 100 new titles to the service each year. In addition, it launched a global companion streaming service, Star, last month – doubling the amount of content it offers with programmes designed to appeal to a wider non-Disney audience, such as Lost, Desperate Housewives, 24 and The X-Files. “It is about quality over quantity,” Broughton said. “The others have volume, Disney relies on the quality of its brands. It has shows and films that people, fans, feel they must watch.”

Questions

1. By when is Disney+ set to overtake Netflix in subscribers?

2. How many subscribers is Disney+ forecast to have by the end of 2023?

3. How are Disney+ proposing to keep increasing their subscribers whilst also keeping audiences interested.

Can you Identify the business from these logos?



Can you Identify the business from their slogan?

Slogan 1: Impossible is nothing

Slogan 2: Belong anywhere

Slogan 3: Think different

Slogan 4: Open happiness

Slogan 5: The happiest place on earth

Slogan 6: Finger lickin' good

Slogan 7: Because you're worth it