

EDEXCEL INTERNATIONAL AS

BUSINESS UNIT 1

Marketing & People

COMPLETE REVISION BOOKLET

★ **What's inside this booklet**

- Every topic from the Unit 1 specification — fully explained with examples
- Key definitions for every major term — learn the exact wording
- Memory tricks & mnemonics for the hardest concepts
- Exam technique guide — how to write 2, 4, 6, 8, 10 and 20-mark answers
- Practice exam questions across every topic with mark guidance
- Common mistakes to avoid — what examiners penalise

SECTION A: EXAM TECHNIQUE — READ THIS FIRST

Understanding the Mark Scheme

Edexcel Business examiners reward APPLICATION and ANALYSIS above pure knowledge. You must always link your answer to the context given in the question.

Mark Tariff	What You Must Do
2 marks	1 point + 1 brief explanation. No context needed but it helps.
4 marks	2 developed points OR 1 point + analyse + apply to context.
6 marks	2–3 analytical points. Must reference the business/context given.
8 marks	Analysis + evaluation. Give both sides. Make a judgement.
10 marks	Full analysis both sides + justified conclusion. Use data from case.
20 marks	Extended essay. Intro, 3–4 two-sided paragraphs, strong conclusion. Reference context throughout.

The PEEL Paragraph Formula

MEMORY TRICK: PEEL = Point, Evidence, Explain, Link

Use this for every analytical paragraph. Point = your argument. Evidence = data/fact from the case. Explain = HOW and WHY this matters. Link = connect back to the question.

20-Mark Essay Structure

1. Brief intro: define key terms, outline what you will argue (2-3 sentences)
2. Paragraph 1: First argument FOR — PEEL structure — apply to context
3. Paragraph 2: Counter-argument AGAINST — PEEL — apply to context
4. Paragraph 3: Second argument FOR/AGAINST — PEEL
5. Paragraph 4: Additional consideration (e.g. depends on the type of business)
6. Conclusion: Justified judgement — which side wins and WHY, given the specific context

★ Examiner Secrets

- Always use the business name from the case study — generic answers lose marks
- 'It depends' is fine in a conclusion — but you MUST say what it depends on
- Avoid bullet points in extended answers — write in paragraphs
- Use connectives: 'This means that...', 'As a result...', 'However...', 'Therefore...'
- Quantify where possible: 'sales could increase by up to 20%' beats 'sales would go up'
- Distinguish between short-run and long-run effects for stronger evaluation

SECTION 1: MEETING CUSTOMER NEEDS

1.1 The Market

Market	A place or mechanism where buyers and sellers come together to exchange goods and services.
Mass Market	Where products are aimed at ALL potential customers, with standardised products (e.g. Coca-Cola, McDonald's). High volume, low cost, less differentiation.
Niche Market	A smaller, more specialised segment of a larger market, targeted at specific customer needs (e.g. organic baby food, vegan shoes). Higher prices, less competition, lower volume.

Mass Market	Niche Market
Mass Market	Niche Market
Large customer base	Small, targeted customer base
Lower prices, economies of scale	Higher prices, premium positioning
High competition	Lower competition
Risk spread across many customers	Vulnerable — small market can disappear
Examples: Tesco, Nike basics	Examples: Rolls-Royce, organic skincare

 **MEMORY TRICK: NICHE = Narrow, Identified, Customer, High-price, Exclusive**

Remember niche markets are always narrow and typically command premium prices due to specialisation.

1.2 Market Research

Market Research	The process of gathering, analysing, and interpreting data about a market, product, or service to support business decision-making.
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Primary vs Secondary Research

Primary Research	Secondary Research
Primary Research	Secondary Research
Collected first-hand by the business	Already exists — collected by others
Specific and up to date	May be outdated or not specific enough
Expensive and time-consuming	Cheap and quick to obtain
Methods: surveys, interviews, focus groups, observation, trials	Sources: government data, trade journals, competitor reports, internet

Quantitative vs Qualitative Research

Quantitative	Qualitative
Quantitative	Qualitative
Numerical data — e.g. '60% prefer product A'	Opinions, feelings, motivations
Easy to analyse, statistically valid if large sample	Rich, detailed insights but harder to analyse
Methods: surveys, questionnaires, sales data	Methods: focus groups, in-depth interviews

★ Sampling — You Must Know This

- Random sampling: every member of the population has an equal chance of selection
- Stratified sampling: population divided into groups (strata), then random sample taken from each
- Quota sampling: researcher selects specific number from different categories (not random)
- Systematic sampling: every nth person selected from a list
- The larger the sample size, the more reliable the results — but more costly

1.3 Market Segmentation

Market Segmentation

Dividing a market into distinct groups of buyers with different needs, characteristics, or behaviours who might require separate products or marketing mixes.

Ways to Segment a Market

Segmentation Type	Description & Example
Geographic	By location — country, region, urban/rural (e.g. selling coats in Scotland vs Spain)
Demographic	Age, gender, income, family size, ethnicity (e.g. children's toys, luxury goods)
Psychographic	Lifestyle, values, personality, attitudes (e.g. eco-conscious consumers)
Behavioural	Buying behaviour, usage rate, brand loyalty (e.g. frequent flyers, heavy users)
Socioeconomic	Social class / occupation groups A, B, C1, C2, D, E

 **MEMORY TRICK: GPPDB — 'Good People Purchase Differently Based on...' = Geographic, Psychographic, Demographic, Behavioural**

Use this to remember the four main segmentation types in order.

1.4 The Marketing Mix (4Ps)


Marketing Mix

The combination of factors that a business can control to influence consumers to purchase its product: Product, Price, Place, Promotion.

P	What It Covers
PRODUCT	The good/service offered. Includes design, branding, quality, features, packaging, USP.
PRICE	How much customers pay. Must reflect value, competition, and cost. Key strategies below.
PLACE	How and where the product reaches the customer. Distribution channels — retailer, online, direct.
PROMOTION	How the business communicates with customers — advertising, PR, sales promotions, social media.

Pricing Strategies

Strategy	Description
Cost-Plus Pricing	Add a profit margin to the cost of production. Simple but ignores competition.
Competitive Pricing	Set price based on competitors' prices. Common in price-sensitive markets.
Penetration Pricing	Low initial price to gain market share, then raise. Risk: customers may not accept price rise.
Price Skimming	High initial price for early adopters, then lower. Used for new tech (e.g. iPhones).
Psychological Pricing	Prices set to feel cheaper, e.g. £9.99 instead of £10.
Premium Pricing	High price to signal quality/exclusivity. Used by luxury brands.
Promotional Pricing	Temporary price cuts to boost sales — BOGOF, seasonal sales.

 **MEMORY TRICK: CPPPPP — 'Clever Pricing People Pick Psychological Premiums'**
= Cost-plus, Competitive, Penetration, Price skimming, Psychological, Premium, Promotional

Just remember the 7 pricing strategies using this list.

Distribution Channels — Place

Channel	Description
Direct (zero-level)	Producer → Consumer. E.g. farm shop, website. Higher margin, more control.
One-level	Producer → Retailer → Consumer. E.g. clothing brand to department store.
Two-level	Producer → Wholesaler → Retailer → Consumer. Used in FMCG.
Three-level	Producer → Agent → Wholesaler → Retailer → Consumer. Used internationally.

Promotion Methods

Type	Explanation
Above the Line (ATL)	Mass media advertising — TV, radio, national press, cinema. Reaches large audiences.
Below the Line (BTL)	Targeted, direct — email, sponsorship, point of sale, PR, social media, loyalty cards.
Through the Line (TTL)	Combination of ATL and BTL for integrated campaigns.
Social Media Marketing	Platforms like Instagram, TikTok, YouTube — low cost, high reach, especially for younger demographics.
Influencer Marketing	Paying individuals with large followings to promote products.

1.5 Product Life Cycle

Product Life Cycle (PLC)	The stages a product goes through from launch to withdrawal: Introduction, Growth, Maturity, Decline.
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Stage	Key Characteristics
Introduction	Low sales, high costs, losses likely. Heavy promotion needed. Few competitors.
Growth	Rapid sales increase, profits emerging, competitors enter market.
Maturity	Sales peak, market saturated, competition intense, price wars possible.
Decline	Sales fall, market shrinks. Business must decide: withdraw, rebrand, or extend.

★ Extension Strategies — Examiners Love These

- Rebranding or new packaging
- Targeting new markets (geographic or demographic)
- Price reduction to attract new customers
- New variants of the existing product
- Increased promotional spend
- New distribution channels (e.g. going online)

1.6 Boston Matrix (BCG Matrix)

Boston Matrix	A portfolio analysis tool that categorises products by their market share and market growth rate, helping businesses make investment decisions.
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Quadrant	Characteristics & Strategy
Stars	High market share, high growth. Need investment to maintain position. Future cash cows.

Quadrant	Characteristics & Strategy
Cash Cows	High market share, low growth. Generate profit with little investment. Fund other products.
Question Marks (Problem Children)	Low market share, high growth. Need heavy investment. May become stars or dogs.
Dogs	Low market share, low growth. Generate little profit. Consider withdrawal.

 **MEMORY TRICK: 'Stars Cash Questions Dogs' — imagine a STAR paying CASH to QUESTION a DOG**

Stars = high share/high growth | Cash Cows = high share/low growth | Question Marks = low share/high growth | Dogs = low share/low growth

SECTION 2: THE ROLE OF HUMAN RESOURCES

2.1 Organisational Structures

Organisational Structure

The way in which a business arranges its people, roles, and responsibilities to achieve its objectives.

Key Structural Concepts

Term	Definition
Hierarchy	The levels of authority in an organisation — from CEO at top to shop floor workers at bottom.
Chain of Command	The line of authority from top to bottom through which instructions pass.
Span of Control	The number of subordinates a manager is directly responsible for.
Delegation	Passing authority/responsibility down the hierarchy to subordinates.
Centralisation	Decision-making kept at the top of the hierarchy.
Decentralisation	Decision-making authority passed down to lower levels.

Tall vs Flat Structures

Type	Characteristics
Tall Structure	Many levels of hierarchy, narrow span of control. Clear promotion paths but slow communication.
Flat Structure	Few levels of hierarchy, wide span of control. Faster communication but managers oversee more people.

★ Centralisation vs Decentralisation — Evaluation Points

- Centralisation: consistent decisions, strong control, expertise at top — BUT slow, demotivates lower staff
- Decentralisation: faster decisions, motivates staff, better local knowledge — BUT risk of inconsistency
- Link to business size: larger businesses often need to decentralise to function efficiently
- Link to leadership style: autocratic leaders favour centralisation; democratic leaders prefer decentralisation

2.2 Motivation Theory


Taylor — Scientific Management

Frederick Taylor

Workers are motivated primarily by money (economic man theory). Break tasks into small steps, find the 'one best way', pay on piece rate. Leads to higher efficiency but treats workers like machines.

Maslow — Hierarchy of Needs

Level	What It Means at Work
Level 5 — Self-Actualisation	Reaching one's full potential, creativity, personal growth.
Level 4 — Esteem Needs	Status, recognition, achievement, respect from others.
Level 3 — Social Needs	Belonging, teamwork, relationships at work.
Level 2 — Safety Needs	Job security, safe working conditions, pension.
Level 1 — Physiological Needs	Basic pay to afford food, shelter, warmth.

 **MEMORY TRICK: 'Please Stay Safe, Even Superman' = Physiological, Safety, Social, Esteem, Self-actualisation**


Remember Maslow's 5 levels from bottom to top.

Herzberg — Two-Factor Theory

Herzberg

Identified two types of factors: HYGIENE FACTORS (prevent dissatisfaction — pay, conditions, supervision) and MOTIVATORS (create satisfaction — achievement, recognition, responsibility). Improving hygiene prevents unhappiness but only motivators truly motivate.

Hygiene Factors	Motivators
Hygiene Factors (Prevent Dissatisfaction)	Motivators (Create Motivation)
Pay / salary	Achievement
Working conditions	Recognition
Company policy	Responsibility
Job security	Advancement / promotion
Relationships with colleagues	The work itself being interesting

 **MEMORY TRICK: Herzberg: 'PARA' Motivators = Praise, Advancement, Responsibility, Achievement. Hygiene = the 'maintenance' side — keeps people from being unhappy but won't make them love their job.**

Key exam point: pay is a HYGIENE factor, not a motivator according to Herzberg.

McGregor — Theory X and Theory Y

Theory X	Theory Y
Theory X Manager Assumes	Theory Y Manager Assumes

Theory X	Theory Y
Workers are lazy and dislike work	Workers enjoy work if it is interesting
Workers need to be closely supervised and controlled	Workers are self-motivated and seek responsibility
Workers are only motivated by money	Workers want to fulfil their potential
Best matched with autocratic leadership	Best matched with democratic/laissez-faire leadership

2.3 Financial and Non-Financial Motivation

Financial Methods

Method	How It Works & Evaluation
Time-rate pay	Paid per hour — simple but doesn't reward effort/output
Piece-rate pay	Paid per unit produced — rewards productivity (Taylor) but quality may suffer
Bonus payments	Extra pay for hitting targets — motivates short-term performance
Profit-sharing	Share of company profits given to employees — aligns employee/owner interests
Commission	Pay based on sales made — incentivises sales staff, risk of mis-selling
Performance-related pay (PRP)	Pay increase linked to appraisal performance — can cause rivalry
Share ownership / options	Employees own part of the business — long-term motivation, loyalty

Non-Financial Methods

Method	How It Works & Theory Link
Job rotation	Moving between different tasks — reduces boredom, increases flexibility
Job enlargement	Adding more tasks at the same level — wider range but not necessarily more interesting
Job enrichment	Adding more challenging, higher-level tasks and more responsibility (Herzberg-linked)
Empowerment	Giving workers authority to make decisions — increases ownership and motivation
Team-working	Working in groups — social needs (Maslow Level 3), collaboration
Flexible working	Flexitime, remote work, part-time — improves work-life balance
Recognition schemes	Employee of the month, awards — Maslow esteem needs, Herzberg recognition

2.4 Leadership Styles

Style	Key Features & When Appropriate
Autocratic	Leader makes all decisions alone. Clear and fast, but demotivating. Good in crisis/military. Taylor-linked.
Democratic	Workers involved in decision-making. More motivating, better decisions — but slow. Herzberg/Maslow linked.
Paternalistic	Leader makes decisions but in the best interest of workers — like a 'parent'. Consultative but ultimate power stays with leader.
Laissez-Faire	Leader steps back, lets workers decide. Works with highly skilled, self-motivated teams. Risky with inexperienced staff.
Situational	Leader adapts style to the situation — most effective in practice.

★ Leadership — Evaluation Tips

- Link leadership style to the TYPE of worker — skilled professionals may respond better to laissez-faire
- Link to business context — a crisis needs autocratic leadership; creative industries need democratic
- The 'best' style depends on: the task, the team, the time available, and the culture
- Exam trick: state which theory the style is most consistent with — shows higher-level analysis

2.5 Recruitment and Selection

Recruitment

The process of attracting candidates to fill a job vacancy.

Selection

The process of choosing the best candidate from those who applied.

Internal vs External Recruitment

Internal	External
Internal Recruitment	External Recruitment
Cheaper and faster	Brings in fresh ideas
Candidate already knows the business	Wider pool of talent
No new ideas or skills	More expensive (advertising, agencies)
Creates another vacancy elsewhere	Longer induction period needed
Good for motivation — promotion prospects	Risk of wrong choice

Selection Methods

Method	Description
CV and Application Form	Initial screening tool — filters unsuitable candidates
Interview	Most common — can be one-to-one, panel, or telephone
Psychometric Testing	Personality/aptitude tests — reveals traits difficult to see in interviews
Assessment Centres	Candidates complete tasks and exercises — very accurate but expensive
Work Trials / Probationary Period	Actual job performance assessed before full offer

2.6 Training

Type	Description & Evaluation
On-the-Job Training	Training while working — learning from colleagues, job shadowing, mentoring. Cheaper, relevant, but trainer may pass on bad habits.
Off-the-Job Training	Training away from the workplace — college, specialist courses, apprenticeships. Better quality, wider skills, but expensive and time away from work.
Induction Training	Training for new employees — introduces company culture, procedures, health & safety. Reduces mistakes and settling-in time.

★ Training Evaluation — Exam Points

- Training increases productivity and quality — supports business objectives
- It's costly in the short run but an investment in the long run
- Risk: trained employees may leave for higher-paying competitors (labour turnover)
- Link to motivation: Maslow Level 4 (esteem), Herzberg advancement motivator

2.7 Employer-Employee Relations

Trade Union	An organisation of workers that bargains collectively with employers over pay, conditions, and rights.
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Collective Bargaining	Negotiation between trade union representatives and management to agree on employment terms and conditions.
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Concept	Explanation
Industrial Action	Strike: workers refuse to work. Work-to-rule: only do what is in the contract. Go-slow: deliberate reduction in productivity. Overtime ban.
ACAS	Advisory, Conciliation and Arbitration Service — independent body that helps resolve workplace disputes without strike action.

Concept	Explanation
Works Councils	Groups of employee representatives who meet with management to discuss business issues. Common in Europe.


SECTION 3: BUSINESS OBJECTIVES & STRATEGY

3.1 Business Objectives

Business Objective

A specific, measurable target that a business aims to achieve within a set time frame.

Objective	Description
Profit maximisation	Traditional economic goal — maximise the difference between total revenue and total costs.
Sales/Revenue maximisation	Focus on growing total revenue, even if profit is sacrificed (e.g. penetration pricing).
Market share growth	Gaining a larger percentage of total market sales — competitive advantage.
Survival	In tough times (recession, new entrant) — keeping the business going is enough.
Customer satisfaction	High satisfaction leads to loyalty, repeat purchase, positive word-of-mouth.
Social/Ethical objectives	CSR — acting responsibly toward environment, community, employees.
Growth	Expanding size — turnover, employees, geographic reach.

 **MEMORY TRICK: PRIMES = Profit, Revenue, Image (CSR), Market share, Ethics, Survival — the 6 core objectives**

Use PRIMES to list business objectives quickly in an exam if asked.

3.2 SMART Objectives

Letter	What It Means
S — Specific	Clear and precise — 'increase sales by 15%' not 'increase sales'
M — Measurable	Can be tracked and quantified
A — Achievable	Realistic given resources available
R — Relevant	Linked to overall business strategy
T — Time-bound	Deadline specified — 'by Q3 2025'

3.3 Stakeholders

Stakeholder

Any individual or group that has an interest in or is affected by a business and its activities.

Stakeholder	Their Interests	Potential Conflicts
Shareholders / Owners	Profit, dividends, capital growth	Short-termism can conflict with long-term growth
Employees	Pay, job security, working conditions, career development	May conflict with efficiency drives / automation
Customers	Quality, value for money, reliability, safety	May conflict with cost-cutting objectives
Suppliers	Prompt payment, long-term contracts, fair negotiation	May conflict with cost reduction targets
Government	Tax revenue, employment, legal compliance	Regulations increase business costs
Local Community	Employment, environment, low noise/pollution	May oppose new developments
Pressure Groups / NGOs	Ethical and environmental behaviour	Can damage reputation through campaigns

★ Stakeholder Conflict — Exam Favourite

- Shareholders want profit maximisation → conflict with employees who want higher wages
- Customers want low prices → conflict with suppliers who want higher prices
- Business wants to expand → conflict with local community who oppose noise/traffic
- ALWAYS evaluate: whose interests should take priority and WHY?

3.4 Business Ethics

Business Ethics

The application of moral principles to business decisions and behaviour — doing the 'right thing' even if it costs more.

Ethical Issue	Explanation
Corporate Social Responsibility (CSR)	Businesses take responsibility for their social and environmental impact — going beyond legal requirements.
Environmental Sustainability	Reducing carbon footprint, using renewable energy, reducing waste, sustainable sourcing.
Ethical Supply Chain	Ensuring suppliers do not use child labour, pay fair wages, maintain safe conditions.
Fair Trade	Ensuring producers in developing countries receive fair prices for their products.

★ Ethics — 'Does It Pay to Be Ethical?'

- FOR: builds reputation and brand loyalty; attracts ethical consumers and investors; reduces legal risk; motivates employees
- AGAINST: increases costs; shareholders may prioritise profit; difficult to verify supply chain ethics; 'greenwashing' risk
- Good conclusion: ethics can be profitable LONG-TERM but requires short-term cost investment — depends on consumer priorities in the specific market

SECTION 4: THE EXTERNAL ENVIRONMENT — PESTLE

PESTLE Analysis

A framework for analysing macro-environmental factors that affect a business: Political, Economic, Social, Technological, Legal, Environmental.

Factor	Key Influences
Political	Government policy, taxation, trade agreements, tariffs, political stability (e.g. Brexit, trade wars)
Economic	GDP growth, inflation, interest rates, exchange rates, unemployment levels, consumer confidence
Social	Demographics (ageing population), lifestyle changes, consumer trends, cultural shifts
Technological	Innovation, automation, e-commerce, AI, digital communication, disruptive technology
Legal	Employment law, competition law, consumer protection, health & safety, data protection (GDPR)
Environmental	Climate change, carbon footprint, sustainability expectations, environmental regulation

4.1 Economic Factors in Depth

The Business Cycle

Stage	Key Characteristics
Boom	High GDP, high employment, high consumer confidence. Inflationary pressures may emerge.
Recession	Two+ consecutive quarters of negative GDP growth. Unemployment rises, spending falls.
Slump/Trough	GDP at its lowest point. High unemployment, very low business confidence.
Recovery	GDP begins to grow again. Businesses invest, employment rises.

Interest Rates

★ Interest Rates — Impact on Business

- Higher interest rates → higher cost of borrowing for businesses → reduces investment and expansion
- Higher rates → higher mortgage payments → less disposable income for consumers → lower consumer spending
- Higher rates → stronger currency → exports more expensive → could reduce demand from overseas
- Good for savings-heavy businesses but bad for debt-heavy ones

- KEY EVAL: impact depends on how interest-rate sensitive the industry is

Exchange Rates

Exchange Rate Change	Impact
Strong £ (appreciation)	Imports cheaper (reduces raw material costs); Exports more expensive (reduces overseas demand) — bad for exporters
Weak £ (depreciation)	Imports more expensive (inflation risk); Exports cheaper overseas (boosts export demand) — good for exporters

Inflation

Inflation	A sustained rise in the general price level of goods and services. Measured by the Consumer Price Index (CPI).
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★ Inflation Impacts on Business

- Wage demands increase as workers seek to maintain real income — raises costs
- Input costs rise — squeezes profit margins unless prices raised
- Consumer purchasing power falls — reduces demand (especially for luxury goods)
- Planning and forecasting becomes harder in high inflation environments
- Businesses with fixed-price contracts are particularly vulnerable

4.2 Competitive Environment

Competition	The rivalry between businesses offering similar products or services in the same market.
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Porter's Five Forces

Force	Explanation
Competitive Rivalry	Intensity of competition between existing firms — affects pricing and profit.
Threat of New Entrants	How easy it is for new businesses to enter the market — lower barriers = more threat.
Bargaining Power of Buyers	If buyers have many choices, they can demand lower prices.
Bargaining Power of Suppliers	If few suppliers, they can charge more and dictate terms.
Threat of Substitutes	Alternative products that could replace the offering — limits pricing power.

4.3 Globalisation

Globalisation

The process by which businesses and economies around the world become increasingly interconnected and interdependent through trade, investment, and communication.

Opportunities	Challenges
Opportunities	Challenges
Access to new markets and customers	Increased competition from foreign businesses
Lower production costs (cheaper labour overseas)	Currency exchange rate risk
Ability to source cheaper raw materials	Cultural differences in different markets
Economies of scale from larger global operations	Reputational risk from offshore supply chains
Spread of risk across multiple markets	Logistics and distribution complexity

SECTION 5: BUSINESS START-UP & GROWTH

5.1 Entrepreneurs and Intrapreneurs

Entrepreneur


Someone who takes the risk of starting and running a business, combining factors of production to make a profit. Characteristics: risk-taking, innovative, determined, adaptable.

Intrapreneur

An employee who acts entrepreneurially within a large organisation — innovating and developing new ideas on behalf of their employer.

5.2 Business Ownership

Type	Key Features
Sole Trader	One owner, unlimited liability, all profits kept, simple to set up. Risk of personal financial loss if business fails.
Partnership	2–20 partners, unlimited liability (unless LLP), shared workload and skills. Risk of disagreements.
Private Limited Company (Ltd)	Separate legal entity, limited liability, shares sold privately. More complex to set up but owners protected.
Public Limited Company (PLC)	Shares sold on stock market, minimum £50,000 share capital, limited liability. Access to large capital but loss of control.
Franchise	Franchisee buys right to operate under franchisor's brand. Lower risk but ongoing fees and less autonomy.
Co-operative	Owned and run by members for mutual benefit. Democratic but can be slow to make decisions.

 **MEMORY TRICK: Liability: 'SOLE PAIN' — Sole traders and Partnerships have unlimited liability (personal assets at risk). LIMITED companies give LIMITED liability.**
This is one of the most commonly examined ownership concepts.

5.3 Sources of Finance

Internal Sources

Source	Description
Retained Profit	Profit kept in the business from previous years. Free but reduces dividends.
Sale of Assets	Selling unused equipment/property. One-off source, can only be done once per asset.

Source	Description
Working Capital Management	Reducing stock, collecting debts faster, delaying payments. Improves cash flow.

External Sources

Source	Key Features
Bank Loan	Fixed repayments over time. Suitable for capital expenditure. Requires good credit history.
Overdraft	Short-term flexible borrowing. High interest but flexible. Good for cash flow gaps.
Share Issue	Selling equity to raise capital. No repayment needed but dilutes ownership and control.
Venture Capital	High-risk finance from investors seeking equity stakes. Good for growth businesses.
Crowdfunding	Raising small amounts from many people online. Good for start-ups, keeps control.
Business Angel	Wealthy individual investor who also provides mentorship. Gives up equity.
Leasing	Renting assets rather than buying. Preserves cash but long-term cost is higher.
Government Grants	Free money from government for qualifying businesses. Competitive to obtain.
Trade Credit	Pay suppliers later — usually 30-90 days. Free short-term finance.

★ Finance — Evaluation Framework

- Consider the PURPOSE: long-term investment → loan/share issue; short-term cash gap → overdraft/trade credit
- Consider the COST: interest rates, equity dilution, fees
- Consider OWNERSHIP implications: share issue loses control; loans do not
- Consider the RISK profile of the business: high risk → harder to get bank loans
- Consider the SIZE of the business: PLCs have more options than sole traders

5.4 Cash Flow

Cash Flow	The movement of money into (inflows) and out of (outflows) a business over a period of time.
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Cash Flow Forecast	A financial document that predicts expected cash inflows and outflows over a future period, helping a business plan for cash shortages.
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Term	Definition
Opening Balance	Cash at the start of the period

Term	Definition
Total Inflows	Cash received: sales revenue, loans received, asset sales
Total Outflows	Cash paid: wages, rent, materials, loan repayments, marketing
Net Cash Flow	Total Inflows minus Total Outflows
Closing Balance	Opening Balance + Net Cash Flow = start of next period

Causes and Solutions for Cash Flow Problems

Problem	Explanation & Solution
Over-trading	Growing too fast without sufficient cash to support activity. Solution: raise additional finance or slow growth.
Poor credit control	Customers not paying on time. Solution: stricter credit terms, debt factoring.
Seasonal demand	Income concentrated in certain months. Solution: build reserves in peak, arrange overdraft for troughs.
High stock levels	Too much cash tied up in unsold stock. Solution: just-in-time stock management.
Unexpected costs	Emergency repairs, lawsuits, etc. Solution: maintain contingency fund.

SECTION 6: PRACTICE EXAM QUESTIONS

Short Answer Questions (2–4 Marks)

Define the term 'market segmentation'. [2 marks marks]

How to answer: Give a precise definition in 1-2 sentences. Mention 'dividing a market' and 'different needs/characteristics'.

Identify and explain two advantages of primary market research. [4 marks marks]

How to answer: State one advantage + explain why it is advantageous. Then do the same for the second. No need for evaluation at this mark level.

Explain the difference between a mass market and a niche market. [4 marks marks]

How to answer: Define both, then contrast — volume, price, competition levels. Use an example for each.

Identify and explain two methods a business could use to improve employee motivation. [4 marks marks]

How to answer: Name the method + explain how it works + link to a motivation theory for top marks.

Application & Analysis Questions (6–8 Marks)

Analyse two pricing strategies a new restaurant could use when entering a competitive market. [6 marks marks]

How to answer: PEEL structure x2. For each: name strategy → explain how it works → apply to a restaurant context → analyse the potential benefit AND drawback.

Analyse the impact of a rise in interest rates on a manufacturing business that relies heavily on bank loans. [6 marks marks]

How to answer: Apply directly to the manufacturing context. Cover cost of borrowing rising, impact on investment decisions, consumer spending impact, possible impact on currency.

Analyse how Herzberg's Two-Factor Theory could be used to improve motivation in a call centre. [8 marks marks]

How to answer: Explain hygiene factors vs motivators. Apply to call centre context — what hygiene factors might be lacking? What motivators could be introduced? Evaluate which is more important.

Evaluation Questions (10–20 Marks)

To what extent is price the most important element of the marketing mix for a luxury goods brand? [10 marks marks]

How to answer: Argue price matters (premium pricing, signal quality). Then argue other Ps are more important (product quality/brand, place exclusivity, promotion aspirational). Conclude: for luxury brands PRODUCT and PLACE are arguably more important — but price is crucial as a quality signal.

'Democratic leadership is always the most effective leadership style.' To what extent do you agree with this statement? [10 marks marks]

How to answer: Argue FOR: motivates workers, better decisions, links to Herzberg/Maslow. Argue AGAINST: slow in crisis, doesn't suit all workers, depends on skill level of workforce. Conclude: effectiveness depends on context — industry, urgency, worker type.

Evaluate the importance of market research to a small business launching a new product. [20 marks marks]

How to answer: STRUCTURE: Intro (define MR) → Para 1: Reduces risk of product failure (apply to small business) → Para 2: Helps identify target segment → Para 3: But costly and time-consuming for small business → Para 4: Secondary research as cheaper alternative → Conclusion: MR is important but must be proportionate to the business's resources. Small businesses may benefit most from cheap secondary research and small-scale primary research.

Evaluate the view that financial incentives are more effective than non-financial incentives in motivating employees. [20 marks marks]

How to answer: FOR financial: Taylor, immediate and tangible, appeals broadly, piece-rate drives output. AGAINST / FOR non-financial: Herzberg (pay is hygiene not motivator), Maslow (higher needs), job enrichment, empowerment sustains long-term motivation. Conclusion: depends on the type of worker, their current level in Maslow hierarchy, and the nature of the job. Skilled professionals → non-financial. Routine workers → financial may be more effective.

High-Mark Answer: Model Structure

★ Template for a 20-Mark Answer


- **INTRO:** Define key terms, set up your argument — what factors are you going to consider?
- **POINT 1 (FOR):** State argument → explain → apply to context → analyse cause-effect chain
- **POINT 2 (FOR):** Another supporting argument with context + evidence
- **POINT 3 (AGAINST):** Counter-argument — why might it NOT be true?
- **POINT 4 (AGAINST or nuance):** Second counter, or 'it depends on...' factor
- **CONCLUSION:** Weigh up both sides → make a clear, justified judgement → qualify with conditions
- Aim for 3-4 paragraphs of substance + a strong intro and conclusion
- Always refer to the specific business/context given — examiners reward this every time

SECTION 7: MEMORY TRICKS & RAPID REVISION

Master Mnemonics — Memorise These

 **MEMORY TRICK: 4Ps = PPPP — 'Pretty Purple Peacocks Parade' = Product, Price, Place, Promotion**


Or use: 'Producers Price Products for People's Purchase Places' — whatever sticks for you.

 **MEMORY TRICK: PESTLE — 'Pretty Elephants Spend Time Lying Exhausted' = Political, Economic, Social, Technological, Legal, Environmental**


Classic mnemonic — know each factor and 2-3 examples for each.

 **MEMORY TRICK: Maslow Bottom-to-Top: 'People Should Seek Excellence Supremely' = Physiological, Safety, Social, Esteem, Self-actualisation**

Visualise the pyramid — the base is always basic survival needs.

 **MEMORY TRICK: Herzberg: 'PAIR' Motivators = Promotion/Advancement, Achievement, Interest in work, Recognition. Hygiene = 'SCOPE' = Supervision, Conditions, Office/Organisation policy, Pay, Employment security**

Remember: Hygiene = prevents dissatisfaction. Motivators = create satisfaction.

 **MEMORY TRICK: Boston Matrix: 'Stars Shine Casting Dazzling Quivering Darkness' → Stars, Cash Cows, Dogs, Question Marks (in order of the 4 quadrants)**

Visualise a 2x2 grid: top-left = Stars, top-right = Question Marks, bottom-left = Cash Cows, bottom-right = Dogs.

 **MEMORY TRICK: Types of market research: 'PQSS' = Primary (own data), Qualitative (opinions), Secondary (existing data), Quantitative (numbers)**

Remember the two axes: WHO collected it (primary/secondary) and WHAT TYPE of data (qual/quant).

Rapid Revision: Must-Know Definitions

Term	Definition
USP (Unique Selling Point)	The feature that makes a product stand out from all competitors
Market share	A business's sales as a percentage of total market sales
Elasticity (price)	How sensitive demand is to a change in price
Economies of scale	Reduction in unit costs as output increases

Term	Definition
Diseconomies of scale	Rise in unit costs when a firm grows too large and becomes inefficient
Fixed costs	Costs that don't change with output (rent, salaries, insurance)
Variable costs	Costs that change directly with output (materials, piece-rate wages)
Break-even point	Level of output where total revenue = total costs — no profit or loss
Contribution	Selling price per unit minus variable cost per unit
Liquidity	Ability of a business to pay its short-term debts
Brand	A name, design, or symbol that distinguishes one product from another
Disruptive technology	Technology that fundamentally changes how an industry operates

Common Mistakes to Avoid

★ Top Examiner Traps

- Do NOT confuse revenue and profit — revenue is total sales income; profit is after costs
- Do NOT say 'this will definitely...' — always hedge: 'this could...', 'this is likely to...'
- Do NOT ignore the context in the question — always apply your answer to the given business
- Do NOT define terms without explaining what it means for the BUSINESS in the question
- Herzberg: pay is a HYGIENE factor, NOT a motivator — exam favourite trick question
- Tall vs Flat: tall structures have NARROW spans of control; flat have WIDE spans
- Price skimming is NOT the same as premium pricing — skimming is a launch strategy; premium is permanent
- Cash flow problems do NOT equal loss-making — profitable businesses can still have cash flow crises
- Market share and market size are different — a business can grow sales but lose market share if rivals grow faster

Last-Night Revision Priority List

Priority	Topics
★★★ Must Know	4Ps and pricing strategies, Maslow + Herzberg + Theory X/Y, Stakeholders and conflicts, Boston Matrix, PESTLE, Sources of finance, Cash flow
★★ Very Likely	Market segmentation types, Leadership styles, Recruitment & training, Business objectives, PLC and extension strategies
★ Good to Know	Porter's Five Forces, Globalisation, Industrial relations, Franchise structures, Diseconomies of scale

★ Night Before Strategy

- Read through all definitions aloud — speaking activates different memory pathways than reading silently
- Practise writing ONE full 20-mark plan (just bullet point structure) for a random question
- Review your mnemonics — test yourself on each without looking
- Skim the evaluation tips sections — these are your marks differentiators
- Get 7-8 hours sleep — memory consolidation happens during sleep, not cramming
- Eat a proper breakfast — your brain needs glucose, not caffeine alone

Good luck tomorrow. You've got this.

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