



Unit 1

Key Terms

Topic 1 - Spotting a Business Opportunity	
Supplier	A business which sells (or supplies) products to another business
Customer	Any person or organisation which buys or is supplied with a product by a business
Consumer	The person who ultimately uses (or consumes) a product
Market	Where buyers and sellers meet to exchange goods and services
Customer Needs	The wants and desires of buyers of a product or the customers of the business
Market Research	The process of gaining information about customers, competitors and market trends through collecting primary and secondary data
Primary (Field) Research	The gathering of new information, called primary data, which has not been collected before
Survey	Research involving asking questions of people or organisations
Respondents	Those who provide data for a survey usually by answering questions in a questionnaire or interview
Questionnaire	A list of questions to be answered by respondents, designed to gather information about consumer tastes
Focus Group	A group of people brought together to answer questions and discuss a product, brand or issue
Secondary (desk) Research	The process of gathering secondary data, which is information that has already been gathered such as sales figures, government statistics, newspaper articles or reports from market research groups
Qualitative Data	Information about opinions, judgements and attitudes

Quantitative Data	Data that can be expressed as numbers and can be statistically analysed
Market Segment	Part of a market that contains a group of buyers with similar buying habits, such as age or income
Price Sensitive	When the price is very important in the decision about whether to buy or not
Market Map Perceptual Positioning	A diagram that shows the range of possible positions for two features of a product, such as low to high price and low to high quality
Gap in the Market	Occurs when no business is currently serving the needs of customers for a particular product
Product Range	A group of similar products made by a business, like a number of different soap powders
Brand	A named product which customers see as being different from other products and which they can associate or identify with
Brand Image	The idea / impression / image that customers have in their minds about the brand
Added Value	The increased worth that a business creates for a product. It is the difference between what a business pays its suppliers and the price it is able to charge customers for the product
Unique Selling Point (USP)	A characteristic of a product that makes it different from other similar products being sold in the market
Franchise	The right given by one business to another to sell goods or services using its name
Franchisee	A business that agrees to manufacture, distribute or provide a branded product under license by a franchisor
Franchisor	The business that gives franchisees the right to sell its product, in return for a royalty payment

Topic 2 - Showing Enterprise

Entrepreneur	A person who owns and runs their own business and takes risks
Enterprises	Another word for businesses
Enterprise	A willingness by an individual or a business to take risks, show initiative and undertake new ventures
Risk	The chance of damage or loss occurring as a result of making a decision
Goods	Physical, tangible products like a car, a pair of scissors or a TV
Services	Non-physical, intangible products like a taxi journey, a haircut or a TV program
Creative Thinking	Coming up with new and unique ideas
Competitive Advantage	An advantage a business has that enables it to perform better than its rivals in the market
Deliberate Creativity	The creation of new ideas through recognised and accepted techniques
Lateral Thinking	Thinking differently to try to find new and unexpected ideas
Blue Sky Thinking	A technique of creative thinking where participants are encouraged to think of as many ideas as possible about an issue or problem
Invention	The discovery of new processes and potential new products
Innovation	The process of transforming inventions into products that can be sold to customers

Patent	The right of ownership of an invention or process when it is registered with the government
Copyright	Legal ownership of material such as books, music and films which prevents them being copied by others
Trademark	The symbol, sign or other features of a product or business that can be protected by law
Calculated Risk	The probability of a negative event occurring
Mind Map	A diagram used to record words and ideas connected to a central word

Topic 3 - Putting a business idea into practice

Financial Objectives	Targets expressed in money terms such as making a profit, earning income or building wealth
Revenue, Sales Revenue, Turnover, Sales turnover	The amount of income received from selling goods or services
Sales Volume	The number of items or products sold by a business
Fixed Costs	Costs which do not vary with output such as rent, business rates, advertising costs and salaries
Variable Costs	Costs which change directly with output, the number or products produced by a business such as the cost of buying raw materials
Total Costs	All the costs of a business (Variable Costs + Fixed Costs)
Profit	Occurs when the revenues of a business are greater than its costs
Loss	Occurs when the revenues of a business are less than its costs
Cash	Notes, coins and money in the bank
Cash Flow	The flow of cash into and out of a business
Inflow	The cash flowing into a business (receipts)
Outflow	The cash flowing out of a business (payments)
Trade Credit	Where a supplier gives a customer a period of time to pay a bill for goods and services once they have been delivered

Stocks	Materials that a business holds. Some could be materials waiting to be used in the production process and some could be finished stock waiting to be delivered to customers
Business Plan	A plan for the development of a business giving forecasts of items such as sales, costs and cash flow
Long term Finance	Sources of money for business that are borrowed or invested for typically more than a year
Short term Finance	Sources of money for business that may have to be repaid quickly or immediately such as an overdraft, usually within a year
Share	A part ownership in a business for example a shareholder owning 25% of the shares of a business owns a quarter of the business
Personal Savings	Money that has been set aside and not spent by individuals and households
Share Capital	The value of a company which belongs to its shareholders, for example if five people each invest £10 000 into a business, the share capital is £50 000
Shareholders	The owners of a company
Venture Capitalist	An individual or company which buys shares in what they hope will be a fast growing company with a long term view of selling shares at a profit
Loan	Borrowing a sum of money which has to be repaid with interest over a period of time, such as 1-5 years
Security (Collateral)	Assets owned by a business which are used to guarantee repayments of a loan. If the business fails to pay the loan, the lender can sell what has been offered as security
Mortgage	A loan where property is used as security
Dividend	A share of the profits of a company received by shareholders who own shares

Retained Profit	Profit which is kept back in the business and used to pay for investment in the business
Leasing	Renting equipment or premises
Overdraft Facility	Borrowing money from a bank by drawing more money than is actually in a current account. Interest is charged on the amount overdrawn
Factoring	A source of finance where a business is able to receive cash immediately for the invoices it has issued from a factor, such as a bank, instead of waiting the typical 30 days to be paid

Topic 4 - Making the start up effective

Marketing Mix	The combination of factors which help the business to take into account customer needs when selling a product - usually referred to as the 5PS (Product, Price, Place, Promotion, Packaging)
Price	The amount of money customers have to pay to buy a product
Product	A good or service produced by a business
Promotion	Communication between the business and its customers, making the customer aware of the product and persuading them to buy it
Place	How the product is distributed from the business to the customer
Sole Trader	The only owner of a business which has unlimited liability
Unlimited Liability	When the owner of the business is legally obliged to pay off all debts of the business.
Limited Liability	When shareholders of a company are not personally liable for the debts of the company. The most they can lose is the value of their investment in the shares of the company
Companies	Businesses whose shareholders have limited liability
HMRC	The government authorities in the UK responsible for collecting tax (Her Majesty's Revenue and customs)
VAT (Value Added Tax)	A tax on the value of sales, paid by businesses to government
Income Tax	A tax on the value of income earned by workers. This includes sole traders who have to pay income on their earnings

National Insurance Contributions	A tax on the earnings of workers.
Corporation Tax	A tax on the profits of limited companies
Customer Service	The experience that a customer gets when dealing with a business and the extent to which that experience meets and exceeds customer needs
Customer Satisfaction	A measure of how much products meet customer expectations
Repeat Purchase	Orders or sales that occur from customers who have bought the product in the past
Job Applicant	A person who shows they would like to be considered for appointment to a particular job
Job Description	A document that describes the duties of a worker and his / her status within a company
Person Specification	A document describing the type of person needed for a job - their skills and qualities
Application Form	A document to be filled in with personal details
CV (Curriculum Vitae)	A brief list of the main details about a person, including name, address, qualifications and experience
Motivation	In work, the desire to complete a task and meet the needs of the business

Topic 5 - The Economic Context

Commodities	Raw materials such as coal, oil, copper, iron ore, wheat and soya
Commodity Markets	Where buyers and sellers meet to exchange commodities
Demand	The amount consumers are willing and able to buy at any given price
Supply	The amount sellers are willing to offer for sale at any given price
Shortage	When the demand for a good or service is greater than supply. When a shortage exists, prices will tend to rise
Surplus	When the demand for a good or service is less than the available supply. When a surplus exists, prices will tend to fall
Goods markets	The market for everyday products such as clothes, food, petrol, going to the cinema etc
Interest Rate	The percentage reward or payment that is given to savers or paid by borrowers on savings or loans
Bank of England	The central bank for the UK. Its role is to monitor the banking system and to be a banker to the banks. It is responsible for setting interest rates in the UK
Variable Interest Rates	Interest rates that can change over the lifetime of a loan
Fixed Interest Rates	Interest rates that stay the same over an agreed loan term
Exchange Rate	The price of buying a foreign currency. It tells you how much of the foreign currency you will get for every pound or how many pounds you have to pay to acquire a foreign currency

Export	The sale of a good or service to a foreign buyer that leads to a flow of money into the UK
Import	The purchase of a good or service from a foreign business that leads to a flow of money out of the UK
Economic Activity	The amount of buying and selling that takes place in the economy
Economic Growth	A rise in the rate of economic activity in an economy. It is measured by the volume of sales in an economy
The Business Cycle	Fluctuations in the level of economic activity. Economic activity can be high (Boom) or low (Recession)
Recession	When the level of economic activity is negative for two successive quarters
Stakeholder	An individual or a group who has an interest in and is affected by the activities of a business. Stakeholders have an interest in how the business operates and whether it is successful or not