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Student Book



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BUSINESS STUDIES**

Andrew Dean • Mark Gardiner • Denry Machin

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Published by Collins

An imprint of HarperCollins*Publishers*

77–85 Fulham Palace Road

Hammersmith

London W6 8JB

Browse the complete Collins catalogue at www.collinseducation.com

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10 9 8 7 6 5 4 3 2 1

ISBN-13 978 0 00 750702 3

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British Library Cataloguing in Publication Data

A Catalogue record for this publication is available from the British Library

Commissioned by Alexandra Riley

Project managed by Caroline Low

Production by Rebecca Evans

Designed by Jouve India Private Limited

Edited by The Cambridge Editorial Partnership and Mitch Fitton

Proofread by Melanie Birdsall

Index by Annie Dilworth

Illustrations by Ann Paganuzzi

Picture research by Grace Glendinning and Caroline Low

Permissions research by Grace Glendinning

Cover picture research by Caroline Green

Cover design by Angela English

Printed and bound by L.E.G.O. S.p.A. Italy

With special thanks to Veenu Jain for carrying out a comprehensive peer review of the text.

With special thanks to the following teachers and subject experts for their guidance and help in reviewing the text: Mr Kazeem Adegoke (Head of Business Studies, Greenfield Community School, Dubai), Ms Rina Biswas (IGCSE Business Studies teacher, Vibgyor High School, India), Ms Karen Capel (Coordinator of International Exam Courses, Dickens Institute, Uruguay), Ms Maria Fernanda Marquez (Head of English Studies and IGCSE Business Studies teacher, St Brendan's School, Uruguay), Ms Pamela Ng (Year 3 Curriculum Coordinator and IGCSE Business Studies teacher, ACS International School, Singapore), Ms Zainab Sattar (IGCSE Business Studies teacher, International School of Palmela, Portugal).

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Introduction

Many of the topics you will study during your Business Studies course are ones that affect you every day; for example, *why do cinema prices vary at different times of day; why do firms use social networking to promote their products; what motivates people to work hard?* Business Studies is a very *real* subject; as you learn about each of the topics in this book try to relate them to reality – not only will this help you to get a better grade but you will also find the course more interesting.

After successful completion of this course you will understand the different forms of business organisations, the external environment in which businesses operate, and different business functions such as marketing, operations and finance. You will also have an understanding of the important role people play in the success (or otherwise) of a business, and be able to calculate, interpret and use basic business data and basic financial information. You will develop the ability to analyse different business situations and make recommendations about what business actions might be appropriate in different contexts.

The book is laid out into the following sections:

Section 1: Understanding business activity	Section 1 examines the purpose of business activity, what form business ownership can take and what businesses try and achieve. Other topics include: classification of businesses; enterprise, growth and size; types of business organisation
Section 2: People in business	In Section 2 you will learn why people are critical to business success, how firms can motivate staff and recruit staff, and what laws exist to protect workers. Other topics include: workforce organisation and management; recruitment, selection and training of workers; internal and external communication; employment protection legislation.
Section 3: Marketing	Section 3 examines how businesses attempt to develop relationships with consumers, how they communicate with them and persuade them to buy more products. Other topics include: marketing; market research; marketing strategy.
Section 4: Operations management	Section 4 looks at how products are manufactured, the methods for improving the speed, quality and cost of production, and where businesses locate their operations. Other topics include: scale of production and break-even analysis; achieving quality production of goods and services; location decisions.
Section 5: Financial information and decisions	Section 5 explores basic business accounting tools and examines where businesses get money from. Topics include: business finance (needs and sources); cash flow forecasting and working capital; income statements; balance sheets; analysis of accounts.

**Section 6:
External
influences on
business
activity**

Section 6 examines how the external environment in which a business operates can affect (both positively and negatively) its activities. Topics include: government economic objectives and policies; environmental and ethical issues; business and the international economy.

Every topic starts by outlining the **learning objectives** – what you need to know and be able to do for that topic. The content is supported by **Business in Practice** case studies, giving relevant examples of the theory in action from around the world, and a variety of **Skills Activities**. Each topic concludes with **Knowledge Check** questions to test your understanding of the key concepts. Key terms and difficult language are explained throughout, and you can refer to the extensive **Glossary** to double-check your understanding of terms appearing in **bold**. Each section concludes with an **Exam Practice** section that replicates the format and style of the exam questions you will encounter.

When it comes to the exam you will be assessed on the following:

Assessment objective 1: Knowledge and understanding	You need to demonstrate knowledge and understanding of the theories and techniques, facts, terms and concepts included throughout this book.
Assessment objective 2: Application	You must relate your knowledge and understanding to <i>specific</i> business problems and issues (for example, you must say how a case study company is affected by a certain situation).
Assessment objective 3: Analysis	You must be able to distinguish between evidence and opinion and be able to interpret and analyse information whether in written, numerical or graphical forms, as appropriate to a given business context.
Assessment objective 4: Evaluation	You need to present reasoned explanations, develop arguments, understand implications, and make sound judgements, recommendations and decisions based on a business context.

We hope you enjoy the course and that you find this book a useful and valuable companion on your journey of discovery. Good luck!

BUSINESS IN PRACTICE **NIKE IS NOW OPEN**

In 2010, Vietnam overtook China as the world's largest producer of Nike trainers. Nike has received heavy criticism in recent years for its production methods and lack of communication with customers and other stakeholders. However, Nike now lists its suppliers and factories so that customers can find out where their products were made. This communication has been a positive move by Nike as they look to improve relationships with their stakeholders.



SKILLS ACTIVITY

Evaluation Application

Working in pairs, identify the key features of your favourite e-commerce websites. These may be the colours, layout and range of activities or products.

Based on this research, produce a leaflet for businesses of all sizes on what they should remember to include when setting up their own e-commerce website. Arrange your key points in order of importance, and ensure that you justify each point that you make. You may want to refer to some websites by name and perhaps use images to highlight your points.

In this section, you will look at how businesses operate and expand, and the main activities that a business goes through to add value and profit. The key to the success of any business is its ability to meet the needs and wants of its customers. If Apple only made pink handsets, or McDonald's produced only vegetarian meals, neither company would be meeting the needs and wants of its customers and, as a result, would see a decline in sales.

Every day, millions of people aim to set up and run a business in all industries and sectors, but many do not succeed. This section will look at what is needed to make a business successful, and how enterprise plays an important role in making this happen. It will also look at the different types of business structures and the risks and decisions involved. Not all businesses have the same objectives or targets. The different goals are supported by differences in business approach, structure and philosophy – and you will examine why.

In this section, you will also investigate the different sectors in which businesses operate: primary, secondary and tertiary. You will carry out research into your own country, in order to understand the changes that have occurred in each of these sectors over the years. Finally, this section will look at the different ways in which business size can be measured, and the problems associated with each method.

SKILLS BUILDER

Good progress

Knowledge: You show sound knowledge of the key terminology detailed in the section's glossary.

Application: You demonstrate good understanding of the key terms that you have mentioned through explanations and application to businesses.

Analysis: You develop the consequences of the points that you have mentioned for the type of business in question, commenting on the advantages and disadvantages for the business.

Evaluation: You make reasoned judgments when they are required.

Excellent progress

Knowledge: You define and identify all of the key terms relating to the business environment, using this terminology in your written answers.

Application: You show a clear ability to apply your knowledge to a given business situation, using detail such as the business aims, objectives and classification of the business.

Analysis: You show the ability to classify and comment on information presented in various forms, distinguishing between evidence and opinion.

Evaluation: You make judgments and suitable recommendations justifying your reasoning, where possible using data in your judgments in an accurate and logical manner.

SECTION CONTENT

1.1 Business activity

1.2 Classification of businesses

1.3 Enterprise, business growth and size

1.4 Types of business organisation

1.5 Business objectives and stakeholder objectives



1

Understanding business activity

1.1 Business activity

Purpose and nature of business activity

LEARNING OBJECTIVES (1.1.1)

By the end of this section, you should:

- ✓ Understand the concepts of needs, wants, scarcity and opportunity cost
- ✓ Understand the importance of specialisation
- ✓ Understand the purpose of business activity
- ✓ Understand the concept of adding value and how added value can be increased.

NEEDS, WANTS AND SCARCITY

A successful business will need to create a product or service that people actually want or need. There is a difference here. A *need* is for a product you could not live without, for example, heating, food or drink. In contrast, a PlayStation is a *want*: you don't have to have it, nor do you really need it, but you would like it all the same. Usually, essential items (items you must have) are needs, whereas non-essential items are often wants.



△ A Bugatti Veyron is a very desirable want for some, but not an essential need

A Bugatti Veyron? Latest iPhone? Concert tickets? Whatever it is you really want, there will often be a limited amount of it. This is because there is only a limited supply of the resources needed to make it.

This could be a limited number of:

- seats in the arena for a concert
- diamonds to make rings
- parts and components that are needed to make a product
- staff with the skills that are needed to make a product.

Scarcity is the shortage of a resource, such as oil, wheat or land. The scarcity of resources can often make products more expensive as the demand is greater than the supply.

Scarcity of a product is often caused by a limited supply of *land*, *labour*, *capital* or *enterprise*. These are called the **factors of production**. They are the key inputs that businesses need to produce goods and services.

Land	The price of land is often more expensive the closer a business is to large cities. This is because land is <i>scarce</i> (in short supply). As businesses often wish to be close to city centres, the land that is available is very expensive. Some businesses also need large amounts of land (for warehouses), which reduces the options available.
Labour	Some parts of the labour force are scarce. For example, pilots are highly-skilled employees who have undergone years of training. They are paid high salaries because their skills and expertise are scarce.
Capital	Capital refers to cash or goods that a business uses to generate income. This could be property or money used to purchase materials.
Enterprise	Karachi-born Gulu Lalvani set up Binatone, one of the world's largest manufacturers of cordless phones. His <i>innovative</i> (creative) mind and hard work allowed the product sales to grow. Without his enterprising attitude, it would not have succeeded. This set of skills is rare, and many businesses struggle to find staff who can help improve their performance.

SKILLS ACTIVITY

Analysis

Focus on your own needs and wants.

- Identify and then write down your top *three* wants and your top *three* needs.
- In pairs, discuss how your wants and needs might differ from those of people in other countries.

What do you notice about wants and needs around the world?

OPPORTUNITY COSTS

Every day people go to work, earning money to help them buy a range of goods and services. There will be some essential items that they need to buy such as food, but they will also choose to buy other items such as iPods, cars and jewellery. They have to decide what to spend their money on.

With so many wants and needs, businesses also need to make choices about what they spend their money on. This may be simply deciding to order a different product from a supplier or a decision about where to spend *excess* (extra) cash. The decision may be to stop spending money on one part of the business and focus it on another. Every decision has an **opportunity cost**.

Every day businesses experience opportunity costs. Businesses invest in a new machine rather than spend that money on a new TV advert. The opportunity cost here is the extra customers that might have resulted from the TV advert. With some resources so scarce, governments have to make the same sort of decisions.

Each year the governments in many different countries have to decide what they are going to spend the money on that they raise from tax or trade. For example, some people may feel that a new hospital is needed in a certain area, whereas the local businesses may feel that a new road system is more important. Whichever decision the government makes will mean an opportunity is missed, therefore creating an opportunity cost.



△ The Dubai government chose to build the palm islands, hoping they would create new investment and tourism in the country: the opportunity cost was investment in the country's roads, sewage system and other upgrades. Every decision has an opportunity cost.

KODAK IS A PICTURE OF CHANGE

After a fall in sales, Kodak has decided to sell off its digital camera business and has chosen instead to continue with printers, cinema stock and chemicals. The move is the latest big decision to be made by the once-famous camera company. Kodak's choice to move into the other areas is the opportunity. The opportunity costs are Kodak losing its reputation for cameras, as well as the sales. This news has caused a major shock to customers who have seen Kodak dominate the camera market for a long time. With competitors finding cheaper alternatives, Kodak has made the decision to help save the business's long-term future.



SKILLS ACTIVITY

Analysis

Using your research skills, identify *three* different businesses or industries that are government-funded. Try to find out the exact amounts of funding and how the level of funding has changed over time.

Try using the following key words to help in your research: public sector, government support for business, government funding and government run.

- Now analyse them. Discuss whether they are successful. Are they using the funding well? Does the funding achieve its purpose?
- Now try to describe each business or industry to your class, but only give them *three* clues.





SPECIALISATION

Specialisation is when a person, business, region or country focuses on producing a *limited range* (small number) of goods or services.

People all have different skills so different people are best suited to do different jobs. A good business will understand this and place their workers on the tasks that best suit their skills. This **division of labour** (dividing up the workers into groups) allows the employee to focus on performing a few tasks. For example, if you went into The Peninsula Tokyo Hotel, there would be a range of staff. Some work on reception, others in the kitchen. The staff are divided up based on their skills and which task they specialise in. This is a very important aspect of business activity as it allows employees, businesses, regions and countries to focus on the products or services they are best at.

It is not only businesses that focus on one or two tasks – countries do too. Many countries only produce one or two products because they are very good at making that specific product.

Some examples of specialisation, at the different levels, are shown in the table.

<p>Employee</p> <ul style="list-style-type: none"> • A skilled carpenter who focuses on producing high-quality violins • A pastry chef who only makes the desserts and cakes for the restaurant • A mortgage adviser for a bank 	
<p>Business</p> <ul style="list-style-type: none"> • Audi specialises in making cars • The local accountants who focus on doing other people's tax calculations • Nestlé specialises in chocolate production 	
<p>Region</p> <ul style="list-style-type: none"> • The Champagne region in France specialises in making ... champagne! • The Santos region in Brazil specialises in coffee production • Nuwara Eliya in Sri Lanka produces some of the world's best tea 	
<p>Country</p> <ul style="list-style-type: none"> • Saudi Arabia specialises in extracting oil • The Ivory Coast specialises in the production of cocoa • Japan specialises in technology and computing 	

	Benefits of specialisation	Drawbacks of specialisation
For businesses	<ul style="list-style-type: none"> ✓ By specialising, an improvement in quality and efficiency can lead to larger profits. ✓ Businesses may develop a positive reputation for a particular product or service. For example, a wedding dress shop may become well known because of its specialist products. ✓ It may be able to charge higher prices if it is one of the only businesses to offer the product or service. ✓ The employees become faster at producing the goods. 	<ul style="list-style-type: none"> ✗ Training of employees will often be more varied and expensive. ✗ The employees may become bored with the tasks they do each day as they tend to be the same. This may cause them to leave the business. ✗ The product or service in which the business specialises can become out of date or no longer required, causing it to close.

	Benefits of specialisation	Drawbacks of specialisation
For employees	<ul style="list-style-type: none"> ✓ Employees may be paid more if their skill is in short supply. ✓ The skills they have may mean they can choose the job they want and the benefits that come with it (e.g. a car, flexible working hours). 	<ul style="list-style-type: none"> ✗ Machines that can do the same tasks more quickly and cheaply may replace employees. ✗ The employee may become bored with only focusing on one or two skills.
For the world	<ul style="list-style-type: none"> ✓ Scarce resources are used more effectively. ✓ A country that specialises can <i>trade</i> (exchange) with other countries for goods and services that they don't or can't produce. ✓ People benefit from the jobs and incomes that come from producing specialised products or services. 	<ul style="list-style-type: none"> ✗ Some countries struggle to produce a product or service that is required globally. ✗ Countries can suddenly become beaten on price, meaning that their entire workforce is no longer in demand.

TOP TIP

Specialisation takes place at various levels, from that of a person up to a country. Remember to use examples from *all* appropriate levels.

KNOWLEDGE CHECK

Audi now has a global reputation for comfort and quality. Its range of cars can cost up to \$500 000 and is only targeted at the richest customers. Its products include the Audi R8 and Audi RS, two very exclusive cars with only a few thousand of each being made.

1. What is meant by the term *scarcity*? (2)
2. **Explain** the opportunity costs to Audi of producing the R8 and RS cars. (4)
3. **Explain** how specialisation benefits an employee of Audi. (4)
4. Do you believe that specialisation will benefit Audi when making their cars? **Justify** your answer. (6)

Total marks 16

PURPOSE OF BUSINESS ACTIVITY

All businesses exist to fulfil a need or want of a customer. Many businesses aim to make a profit from doing this, with the money going to the owners. There are also businesses that invest any profits they make into social activities and projects that try to help society. For example, 'Unltd' in India helps people set up and run businesses.

However, a business cannot exist unless it has customers who want to buy what it sells, whatever this may be.

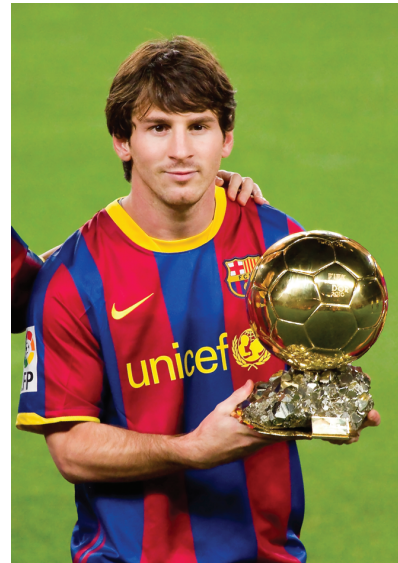
Some of the purposes business may have are to:

- create new products
- generate large amounts of sales
- educate the local and global community to reduce pollution and damage to the environment
- create large brands across the world
- listen to the different **stakeholders**
- support community projects and social activities.

Different business structures have a direct impact on the aims and objectives set by a business (see *Types of business organisation*). For example, a **sole trader** will decide on his or her own business aims and objectives, while in a **public limited company**, each business owner, **shareholder** and director will have her or his own ideas and aims for the business. How the business is organised therefore shapes the purpose and activity of the business.

Consider the following examples:

- **Wal-Mart** (USA). One of the world's largest businesses, estimated to have a \$351 billion revenue, Wal-Mart meets the needs and wants of its customers by selling a wide range of goods in its stores. Its purpose is to provide these goods and make large profits.
- **Divine Chocolate** (UK + Ghana). Its purpose is to sell its chocolate worldwide, but also to boost the Fairtrade production of cocoa and the communities that it works with.
- **UNICEF** (global). UNICEF aims to support children worldwide, through donations and business activities that focus on promoting its cause, rather than generating large profits.
- **Chao Chung** (China). A local family-run restaurant in China aims to support the local community by providing affordable meals. The business makes a profit but not at the expense of losing customers.
- **Tannura** (Japan). Brian Tannura set up a vending machine business in Japan and runs it as a sole trader. His purpose is to generate enough revenue to do this full-time. He plans to bring in a variety of different vending machines and expand his business.



△ Barcelona FC help to promote UNICEF by putting its name on their shirts for free

ADDING VALUE

Businesses sell on a product or service in order to **add value**. The key here is to create a product that is worth more than the cost of making it. If the business can encourage customers to pay more than the total costs, then it will be able to make a profit.

If the production of a new Mazda car costs \$6000 and each car is sold for \$12 000, then Mazda is adding \$6000 value. Once Mazda has paid off all its overheads, marketing, insurance and other costs, the company will make a profit.

SKILLS ACTIVITY

Evaluation

In small groups or pairs, discuss the benefits for a business of adding value. You should aim to come up with *four* different benefits. Write each benefit on a separate sheet of paper.

- Now arrange the benefits in order of importance. Be ready to justify what you think is the biggest benefit.
- How could a business achieve some of these benefits?

Extension: Using your research skills, find out which business has the highest **added value**.

BUSINESS IN PRACTICE

SAMSUNG VS APPLE

With the success of the iPhone *unrivalled* (unmatched), Samsung is soon to release three new models of mobile phones, each costing around \$100. Consumers have already indicated that they would be willing to move on to these handsets and away from Apple simply because of the price.

Samsung has decided to beat Apple on price. By buying its components in *bulk* (large quantities) or producing them itself, Samsung can add value and still sell its phones for a cheaper price than the iPhone.



How to add value

Businesses can add value to their products in numerous ways: by *design, quality and efficiency, marketing and convenience*.

Design

This can make your product unique and different to the competition. For example, Dyson uses ‘cyclone’ technology to maintain market leadership due to their design. Customers will pay a higher price for this innovative and effective design.

Quality and efficiency

‘The better the quality, the higher the price.’ Products that are of a high quality can often sell for more. In China, Omnia Luo is seen as a luxury clothing range. In contrast, Primark in the UK adds value through efficiency rather than quality. The lower the costs of making the product, the higher the value added.

Marketing

If you think of a product that you want to buy, it will be due partly to the marketing of the product. This has made you more willing to buy the product and perhaps even pay more for that brand. A brand is created through *intense* (a lot of) marketing, which allows the customer to recognise a product, logo or packaging and associate this with a business. For example, the Van Cleef and Arpels luxury retailer logo is recognised all over the Middle East. This adds value to the product.

Convenience

If you go to a concert or sporting event, such as the Formula 1 Chinese Grand Prix, the food, drink and merchandise will always be more expensive than elsewhere outside the venue. This is because it is conveniently located for customers to purchase it. This means that those companies can add value because of their location. Customers will be forced to pay higher prices due to the lack of alternative products.

KNOWLEDGE CHECK

1. What is meant by the term *added value*? (2)
2. **Identify** and **explain** two ways in which a business can add value. (4)
3. **Explain** why businesses can have different purposes. (4)

Total 10 marks

TOP TIP

Adding value through their brand is easier for larger businesses that have established and popular products, but it can be difficult for smaller start-up businesses.

1.2 Classification of businesses

Primary, secondary and tertiary sectors

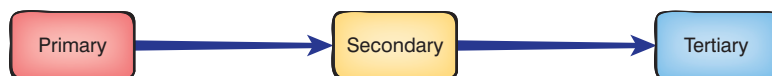
LEARNING OBJECTIVES (1.2.1)

By the end of this section, you should:

- ✓ Understand the basis of business classification
- ✓ Understand the reasons for the changing importance of business classification.

THE THREE SECTORS

There are three different sectors in which businesses operate: primary, secondary and tertiary sectors.



The **primary sector** is made up of businesses that extract raw materials from the land or sea ready to be used by other industries.

For example, Saudi Aramco is the world's largest oil producer, with up to \$1 billion revenue each day.



The **secondary sector** takes the raw materials and transforms them into a product. This can be sheets of metal, touch screens, bottles or clothing. A factory that makes a product, and the construction industry that produces a building, are also in this sector.

For example, oil extraction is then *refined* (changed/cleaned up) and eventually sold at petrol stations.

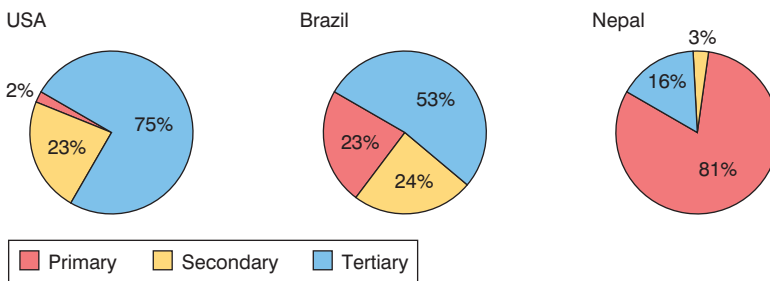


The **tertiary sector** sells finished products and services to the consumer.

For example, Chinese fast-food retailer Manfadu and the world's largest department store, Shinsegea in South Korea, are both in this sector. The tourism and entertainment industries are also tertiary.



The number of employees in each of these sectors differs from country to country. Here are a few examples.



It is very important for a country to have businesses in at least one sector that are doing well. Some countries have the majority of employment in one sector. As countries develop, they aim to change the structure of their economy. This will involve developing the tertiary sector, creating more retail outlets and other industries, which increase money being spent. Developing countries are often mainly primary and secondary producers and so – through investment in airports, tourism venues, and events such as the Olympics – they try to move into the tertiary sector. This helps to boost the countries' revenue and allows them to employ in all three sectors. However, many developing countries also try to increase other sectors, as this will help to secure the long-term production of goods and services.

**BUSINESS
IN
PRACTICE**

CAN SOUTH KOREA KEEP DEVELOPING?

Japan saw large amounts of growth in its tertiary sector during 2007–2012. It now sits as the second-largest tertiary sector country in the world. One of the companies helping this change is GREE, a mobile social gaming firm.

By contrast, South Korea's tertiary sector is only around a sixth of the size of Japan's. Also, as the country had the world's lowest birth rate in 2009, South Korea may struggle to maintain its tertiary sector employment due to a lack of young, innovative employees. In the future, it will have fewer educated workers able to help continue the progress of the technology industry. Instead, it may have to rely on older employers with fewer skills to generate primary and secondary sector jobs.



COCA-COLA BUYS GREAT PLAINS BOTTLERS

In 2011, Coca-Cola bought Great Plains bottlers in an attempt to own all the companies that bottle its cola. This move involves Coca-Cola purchasing companies that are in the secondary sector, before Coca-Cola sells its products in the tertiary sector. Many people believe that this is so that Coca-Cola can maintain control over its products from start to finish.



SKILLS ACTIVITY

Analysis

Evaluation

Using your own country or one you have chosen, find out how the employment structure in the primary, secondary and tertiary sectors has changed in that country over the past 10 years.

You should then write a short statement, of no more than 100 words, which explains why your chosen country has that particular balance of primary, secondary and tertiary sectors. This statement should make it very clear so that others can fully understand.

Be ready to read your statement to the class. You may have to convince some of your classmates, so really emphasise the key points.

Finally, in pairs or small groups, discuss the following questions:

- Why does the number of people in each sector change?
- What does this mean for the economy of the country?

KNOWLEDGE CHECK

1. What is meant by the term *primary sector*? (2)
2. **Identify** two businesses that operate in the tertiary sector. (2)
3. **Identify** and **explain** two key differences between the primary and secondary sectors. (6)

Total 10 marks

TOP TIP

You should be able to give a range of different examples for each of the sectors. You should also be able to give examples of countries that operate mainly in one of the three sectors.

Private sector and public sector

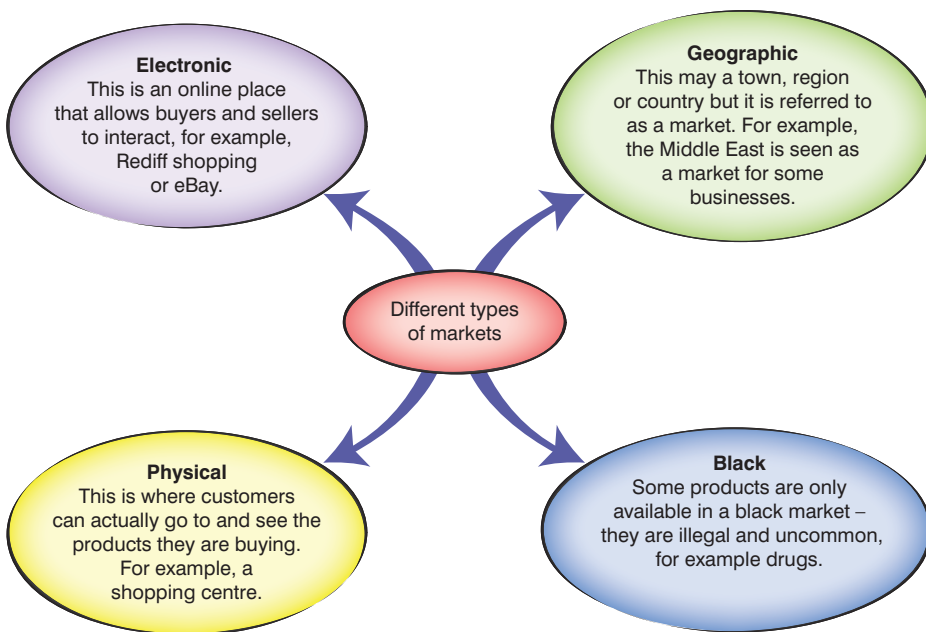
LEARNING OBJECTIVES (1.2.2)

By the end of this section, you should:

- ✓ Be able to classify business enterprises, in a mixed economy, as either private sector or public sector.

MARKET ECONOMY AND MIXED ECONOMY

A **market** is where a seller and a customer come together to perform business activity. There are many different types of markets.



Often, the government will influence the market by creating rules and laws that structure the way in which buyers and sellers meet and interact. The government can do this by:

- imposing a ban on certain products, so there is no market for them
- putting a *tax* (extra charge) on certain goods or services to limit their supply and demand (for example, cigarettes)
- supplying them itself, for example, governments often supply medical care so that everyone has an equal chance of using it.

The level of government intervention determines in which type of economy the businesses and customers operate.

A market economy	A mixed economy
Here the government has no role at all. It is only the buyers and sellers who determine the price and make trading decisions.	Here the buyers, sellers and government all have an influence. This type of economy is common in nearly all countries.

There are no market economies, as the government often has to intervene. However, the *degree* (amount) of intervention varies between countries. For example, China and North Korea have a large amount of government intervention, whereas the USA has little. However, the US government has recently intervened in the motor industry, supporting USA-based companies with *grants* (financial support that does need to be paid back) to help the businesses to continue to trade.

Not all businesses are owned and run by private individuals. This is because some businesses are run by the government or state. This will determine whether they are in the private or public sector.

The private sector

The private sector is formed of businesses that are run by private individuals or groups. They often have **shareholders** (people who own a part of the business) who want the business to *generate* (make) large amounts of money. Private sector businesses are often *profit driven* (aim to make large profits).

The following are all types of private enterprise:

- a sole trader
- a private limited company (Ltd)
- a public limited company (PLC)
- a partnership
- a social enterprise
- a charity.

(For more information, see *Types of business organisation*.)

The public sector

The **public sector** is very different. This is often run and funded by the country's government. In India, the government runs the train line, *subsidising* it (making it cheaper) so the people can use it. Other examples are the police, education and the military. Governments use taxation to help fund these services and so are often criticised if they are not spending money effectively.

Aims of a business

- BP is a multinational PLC that produces gas and oil to be made into petrol and other useful products. Its goals are: profit; shareholder returns.
- The Indian railway is run by the government as part of the public sector. The organisation's aims are to give affordable access to train travel and to link up the country via the train line.
- VisionSpring is an organisation that sells reading glasses to the developing world. So far, it has sold 600 000 pairs. Its aim is to help developing countries improve reading.
- Oxfam is a worldwide charity that operates in over 90 countries. Oxfam aims to give power to people in developing countries and reduce global poverty.

The reason why businesses have such different goals is mainly due to their structure. A **public limited company**, such as BP or Microsoft, has shareholders. These shareholders expect a return on their *investment* (money they have paid to buy shares) and so these companies *strive* (try hard) to make large profits. A charity or not-for-profit organisation tries to put all of its money into projects that help achieve its aim. Public enterprises such as the National Health Service in the UK are set up by the government to run organisations for the people, therefore they do not have to make a profit.

代码	证 券	昨收盘	今开盘	成交总量	最高价	最低价
805	悦达机	9.92	9.95	149400	9.95	9.55
806	昆机百	3.34	3.34	145700	3.35	3.31
807	济马	3.97	3.96	264801	3.97	3.83
808	马粉	2.16	2.15	508800	2.16	2.13
809	神酒	4.47	4.48	110750	4.50	4.42
810	东马	5.48	5.47	2392184	5.63	5.39
811	方药	9.00	8.90	123800	9.00	8.80
812	一工	2.57	2.58	312420	2.58	2.50
813	解百	2.96	2.92	111800	2.95	2.82
814	工信	6.35	6.36	146274	6.66	
815		6.19	6.19			
816						

< PLC businesses use markets such as the Shanghai stock exchange to sell their shares

Private and public enterprises in a mixed economy

A mixed economy has both public and private sector enterprises. The majority of a mixed economy will be privately owned businesses, with the government *regulating* (monitoring) industries through *policies* (laws and regulations). Within a mixed economy, the government will often run the education, healthcare and military.

BUSINESS
IN
PRACTICE

INDIAN GOVERNMENT HAVE THE POWER

In 2009, the Indian government set up the Ghogarpalli Integrated Power Co. Ltd to help support India's energy system. Based in New Delhi, the organisation provides electricity for millions of people. The government set it up so that more people could access this service for a reasonable price. As the government are not aiming to make large profits, they can lower their prices. This shows how, in a mixed economy, the government can intervene to run public sector businesses to provide goods or services for the public.



Nationalisation is the process by which the government takes over a privately run business or industry. During the recession of 2009, many countries used government money to support their banking industry but without taking it over fully. Nationalisation usually occurs when an important business or industry starts to fail. This may mean the loss of thousands of jobs and a large amount of income through tax. The government will want to stop this happening, so they take over the business.

For example, in May 2012, the Japanese government put 1 trillion Yen (\$12.5 billion) into TEPCO (Tokyo Electric Power Company). This industry has historically been a private one, so this government intervention and nationalisation came as a surprise. The company is now government-run, which means that the government can change the company's board members, policies and aims.

SKILLS ACTIVITY

Analysis

Identify *two* businesses in your country. One should be from the public sector and the other from the private sector. How do the aims and objectives of these two businesses differ? Write these down in two columns – one for similarities and one for differences.

Then carry out research into a social enterprise in your area. What does this business do? How do its aims and objectives differ from those of large private enterprises?

Discuss your findings as a class and see what general conclusions you can draw. Then work in small groups to create a class display based on your research. You will need to think about how best to organise your findings and how to use images, captions and headings to good effect.

KNOWLEDGE CHECK

Savages is a leading clothing brand which sells mainly in its own country. However, it is looking to expand into new markets. To do this, Ali, its owner, wants the business to become a public limited company (PLC). Ali is keen to expand the business while maintaining the excellent reputation he has created with his management skills, high-quality products and happy staff.

1. **Explain** why Ali is operating in the private sector. (4)
2. **Identify** two differences between the public and private sector. (2)
3. **Identify** and **explain** two benefits of Ali's business becoming a PLC. (4)
4. **Explain** why a government may nationalise an industry or business. (4)

Total 14 marks

TOP TIP

Make sure you can link the different types of businesses with the public or private sector. You should be able to explain the different aims and objectives businesses have and how these relate to the sector in which they operate.