SWGS KS5 vocabulary List: Business

This list consolidates key vocabulary in the subject, making it easier for you to know, understand and use it accurately. Your teachers will use this vocabulary frequently, and you will encounter it in reading. You will be expected to learn meanings and spellings.

Component 1 – Business opportunities and functions (Paper 1)

Business opportunities

Term	Definition
Small/medium enterprise (SME)	A business has less than 250 employees and less than £44 million in turnover
Entrepreneur	An entrepreneur is someone who starts and runs a business. They may make a product and then sell that product, or perhaps they provide a service. They quite possibly employ people and, of course, try to make a profit.
Needs	People have a limited number of needs that must be satisfied if they are to survive. These would include physical needs such as a minimum amount of food, water, shelter and clothing and psychological and emotional needs, e.g. self-esteem and love.
Wants	Wants are unlimited (infinite) people constantly aim for a better quality of life. For example, better/more food, better housing, longer holidays, better education, entertainment – in effect any example that is not a basic need.
Stakeholders	A stakeholder is anyone with an interest in a business. Stakeholders are individuals, groups or organisations that are affected by the activity of the business.
Primary sector	extractive – produces raw materials, e.g. iron ore (that goes into making steel) and oil (that makes petrol, plastics, etc.), as well as producing final products like fish and oranges.
Secondary sector	manufacturing and construction industries make, build and assemble products.
Tertiary sector	services give value to people but are not physical goods. Services are sometimes classified as direct services (to people), e.g. the police, hairdressing, etc. and commercial services (to business), e.g. business insurance, financial services, etc.
Business plans	A statement that outlines the way in which a business will attempt to achieve its objectives - giving a clear idea of its operation and direction.
Markets	A meeting place between buyers and sellers where goods and services are exchanged, usually for money.
Market share	This measures the sales of a business relative to the market size.
Global markets	Global marketing is all about selling goods or services to overseas markets. Different marketing strategies are implemented, based on the region or country the company is marketing to.
Trade (B2B) markets	Trade marketing is the marketing role that focuses on selling and supplying to distributors, retailers, wholesalers, and other supply chain businesses instead of the consumer.
Seasonal markets	Many markets have large seasonable variations. Classic examples are ice cream (during the pre summer period), fireworks and diet plans (in January).
Mass marketing	Mass marketing involves a business aiming products at a whole market, rather than particular parts of them, for example, tomato ketchup, tea bags, ITV, Vauxhall Astra, washing powder
Niche marketing	A niche market is a specialized market segment where you cater for the demand for products/services that are not currently being supplied by the main suppliers. It is essentially a narrowly defined market segment.

Market segmentation	Market segmentation is breaking down a market into sub-groups that share similar characteristics. Methods include demographic, geographic and psychographic.
Monopoly	A single producer within a market – one business has 100% of the marketplace. This is known as a pure monopoly. Likely to erect barriers to prevent others from entering their market. Monopolists are called price makers as they have a significant influence on price. UK and EU regard any business with over 25% of the market as having potential monopoly power.
Oligopoly	There are many businesses but only a few dominate the market. Each business tends to have differentiated products with a strong brand identity.
Monopolistic competition	the situation in a market in which elements of monopoly allow individual producers or consumers to exercise some control over market prices. A large number of relatively small businesses in competition with each other. There are few barriers to entry.
Perfect competition	a market in which many small firms produce virtually identical products at similar prices. With the ability to enter and leave the market freely. They don’t earn excessive profits.
Demand	the amount of a product that consumers are willing and able to purchase at any given price.
Supply	the amount of a product that suppliers will offer to the market at a given price.
Price elasticity of demand	measures the sensitivity of demand to a change in price. Price elasticity is always negative as the increase in price will lead to a fall in sales and, conversely, a reduction in price will lead to a rise in sales.
Income elasticity of demand	measures how sensitive demand is to a change in income.
Market research	The process of gathering primary and secondary data on the buying habits, lifestyles, usage and attitudes of actual and potential customers.
Primary market research	collecting primary data and information that does not already exist. It is collected for a specific purpose. Most primary information is gathered through questionnaires, interviews, surveys, focus groups and consumer panels.
Secondary market research	Identifies, collects and collates information that is already in existence. This can be collected internally or externally. It may be existing business documents, official publications, yellow pages, industry magazines and online desk research.
Quantitative market research	Involves the collection of data that can be measured. This means the collection of statistical data such as sales figures and market share. Surveys and the use of government publications/existing statistics are common methods of collecting quantitative research data.
Qualitative market research	Involves collection of data about attitudes, beliefs and intentions. Focus groups, participant observation and interviews are common methods used to collect qualitative data.
Sampling	a group of respondents to a market research exercise who are selected to be representative of the views of the target market as a whole. This will include random and quota sampling.
Public sector	The public sector is essentially business activity that is owned/ run by the government for the benefit of everyone, e.g. army, police force, schools, hospitals.
Private sector	The private sector includes all these businesses that are set up by individuals or groups of individuals, e.g. sole traders, partnerships, companies, charities and cooperatives.
Sole trader	Owned and run by one individual but they may employ people.
Partnership	Owned and run between 2–20 people.

Private limited company (LTD)	Often a small business. They have limited liability. Shares do not trade on the stock exchange.
Public limited company (PLC)	Is usually a large, well-known business. Shares trade on the stock exchange.
Charities	A non-profit-making organisation established with the aim of collecting money from individuals and spending it on a cause, which is usually specified in its title
Social enterprises	Social enterprises include for-profit and not-for-profit businesses (e.g. cooperatives) with primarily social objectives, trading for social and environmental purposes, whose surpluses are principally reinvested for that purpose in the business or in the community, rather than being driven by the need to maximise profit for shareholders and owners.
Business location	Location for new and existing businesses is still largely determined by: access to customers; access to factors of production; cost minimisation
Revenue	Revenue is the money a business makes from sales. The total amount of money a business receives from its sales is called total revenue.
Fixed costs	Do not vary with output. Fixed costs only change in the long run
Variable costs	Costs that vary in direct proportion to changes in output. For example: raw materials, fuel and labour
Contribution	It is the difference between the income generated from sales and the variable costs of producing the goods to generate those sales. This allows a business to analyse whether each of its products covers its own variable costs. Contribution is used to pay the company's overheads (fixed costs). Once these have been covered, additional contribution generates profit.
Breakeven	It shows the level of output where a business does not make a profit nor a loss
Margin of Safety	The margin of safety shows how much a producer can reduce output before the business starts to make a loss

Business functions (Finance)

Budget	a financial plan for the future looking at revenue from sales and expected costs over some time period. (Budgets are usually drawn up on a monthly basis, over a period of a year). There are three budgets: income, expenditure and profit.
Cash flow forecasts	A cash flow forecast sets out the anticipated cash inflows and outflows each month for a future specified time period.
Income statement	An accounting statement showing an organisation's sales revenue over a trading period and all the relevant costs incurred in earning that revenue (income and expenditure). It is also known as the trading, profit and loss account. Profit is the main indicator of how well a business is performing.
Bank Loan	It is a fixed amount of money that is given to a business by the bank that has to be repaid over time with interest, usually in monthly instalments.
Venture capital	money invested by an individual or group that is willing to take the risk of funding a new business in exchange for an agreed share of the profits.
Bank overdraft	It allows a firm to overdraw (take more money than what they have in their bank) up to agreed level.
Debt factoring	Debt factoring is an external, short-term source of finance for a business. With debt factoring, a business can raise cash by selling their outstanding sales invoices (receivables) to a third party (a factoring company) at a discount.
Sales of assets	when a business sells items that they no longer need for example machinery

Business functions (Human resources)

Human resource management	is to manage their business's most valuable resource – its employees. It will do this through carrying out: recruitment, payment of staff, ensuring compliance with safety and employment regulations, maintaining good industrial (employer-employee) relations and providing appropriate training and development for staff.
Flexible working	A more flexible workforce is one designed to provide labour in the quantities required at the time the business needs it. Every business has changing demands for labour. This can be related to changes in the economy, seasonal changes or even as demand fluctuates from day-to-day. It may include part time, flexible working hours, zero hours contracts and homeworking.
Workforce planning	Aims to have the right people in the right place at the right time, all of the time.
Recruitment	is the process of filling an organisation's job vacancies by appointing new staff. Internal recruitment takes place when a business looks to fill a vacancy from within the existing workforce. External recruitment occurs when a business invites applications for vacant posts from any suitably qualified candidates.
Training	is the process whereby an individual acquires skills and knowledge. Training can be induction (when an employee first starts a job to help them understand the business and their new job), health and safety, off-the-job (outside the workplace, such as at a college), on-the-job (in the workplace) or Government supported
Appraisal	is a formal assessment of the performance of a member of staff. It involves setting clear objectives for an employee and evaluating actual performance in light of these objectives.
Workplace performance	relates to measuring the effectiveness of a business's workforce. This is measured by labour turnover, labour productivity and labour absenteeism.
Organisational design	relates to the way in which a business is arranged to carry out its activities.
Motivation	Motivation can be financial or non-financial. The main theorists who comment on motivation include Taylor, Mayo, Herzberg, Maslow, Porter & Lawler, Vroom.
Manager	Management is making the most efficient use of financial, human and physical resources to achieve objectives. Leadership is the ability to influence the thoughts and behaviour of others to achieve objectives. Resources are managed; people are led. The functions of management are to: plan, organise, control, coordinate and lead.
Leader	A successful leader will be a good: manager, motivator, planner, creative thinker, negotiator, decision maker, influencer, coach, mentor and communicator. The main leadership styles are: Autocratic, paternalistic, democratic, bureaucratic and laisse faire.
Trade union	A trade union is an organisation that represents workers in a particular trade, industry or occupation. Its purpose is to protect and improve its members' terms and conditions of employment.

Business functions (Marketing)

Marketing	Marketing is getting the right products to the right place for the right customers at the right time and at the right price.
Product	the success of a product will depend on its performance, features, reliability, durability (how long it lasts), aesthetics (what it looks like), packaging, economics (how much it costs to produce), brand name and ease of manufacture.
Price	The price of a product will depend on its costs, demand, competition, government (such as whether VAT is added), objectives (for example, short-term or long-term profits) and stage of the life cycle (for example, the price is more likely to increase in the growth phase and fall in decline). Pricing strategies include: Price penetration, price skimming, cost plus pricing, competitive pricing and psychological pricing.
Promotion	this is the attempt to draw attention to a product or business in order to gain new customers or to retain existing ones. It can be above the line or below the line promotion.
Place	this is where a product is sold and is connected with channels of distribution, which can be as follows, or by missing out any or all of the intermediaries: Manufacturer – agent – wholesaler – retailer – consumer
New technology	New technology such as click and bricks and social media are used to support marketing activities.

Business functions (Operations)

Operations	The aim of operations management is to ensure that the right quantity of goods are produced at the right time at the right costs and with the right quality.
Added value	Adding value occurs when outputs are produced that are worth more than the inputs used to provide them. The production process, therefore, adds value.
Production	the level of output (the total amount a firm produces).
Capacity utilisation	The capacity utilisation of a firm measures the amount it is producing compared to the amount it could produce.
Quality	A quality product is one that is fit for its purpose, and which meets customer requirements.
Lean production	Lean production aims to reduce all forms of waste in the production process. This includes the waste of materials, time, energy and human effort.
Economies of scale	Economies of scale occur when the cost of producing one unit falls as the firm's output increases. Economies of scale can be either internal or external.
Diseconomies of scale	Diseconomies of scale occur when a firm expands its output and the cost per unit increases.

Component 2: Business Analysis and Strategy

Mission statement	A mission statement defines a company's business, its objectives and its approach to reaching those objectives
Vision statement	A vision statement describes the desired future position of the company.
Objectives	Objectives are targets that need to be achieved to reach the organisation's aims. They should be SMART (Specific, Measurable, Agreed, Realistic, Time specific).
Strategy	Strategies set out the long-term objectives and the plan for how they will be achieved
Tactics	Tactics are short-term strategies to achieve limited objectives
Corporate planning	Corporate planning is a strategic tool used by companies to set long-term plans to meet certain objectives, such as business growth and sales volumes. Corporate plans are similar to strategic plans, but place greater emphasis on using internal resources and streamlining operations to achieve certain end goals.
Organic growth	Growth achieved through the expansion of current business activities.
External growth	growth achieved through joining together with another business, either by a takeover or a merger.
Rationalisation	Rationalisation involves the reorganisation of a business aimed at increasing efficiency. This involves reducing excess capacity by removing resources the business can do without.
Outsourcing	Outsourcing means finding an outside person or organisation to carry out part of a business' work.
Sales forecasting	The role of sales forecasting is to predict future sales using statistical techniques. A sales forecast acts as a goal against which a firm can measure its progress.
Balance sheet	A Balance Sheet shows the financial position of a business at a particular point in time, usually the last day of the financial year.
Decision making	Strategic decisions concern the general direction and overall policy of a business. Tactical decisions tend to be medium term decisions which are less far-reaching than strategic decisions. Operational decisions are administrative decisions that will be short term and carry little risk. Tools include decision trees, critical path analysis and cost benefit analysis
Investment appraisal	Investment appraisal is how a business decides if a capital investment project is worthwhile or, where alternatives exist, which option is likely to be the best.
Special orders	Special order decisions (based on contribution costing) – sometimes businesses receive potential orders that are not profitable (when all costs are considered, both fixed and variable), but they still might be accepted.

Component 3: Business in a changing world

Change	Change is an ongoing process and businesses cannot avoid having to deal with its consequences. The dynamic environment that faces businesses today means that those that fail to adapt will be left behind.
Risk management	Business risk is a circumstance or factor that may have a significant negative impact on the operations or profitability of a given business. It can result from internal conditions or external factors that may be present in the wider business world. Risk can also be expressed as 'uncertainty'.
International trade	International trade consists of the buying and selling of exports and imports between countries.
Globalisation	Globalisation is the ever-increasing specialisation, trade and interdependence between the world's economies.
The European Union	The European Union (EU) is a political and economic grouping that currently has 28 member countries. These countries have given up part of their sovereignty in exchange for political, business, economic and, for 19 of them, monetary membership of the world's largest free trade area.
European Monetary Union	European Monetary Union (EMU) involves the establishment of fixed exchange rates between the member currencies and the implementation of a single monetary policy (interest rates), operated by the European Central Bank (ECB).
PEST	A PEST analysis examines the Political, Economic, Social and Technological environments that affect markets and businesses.
Fiscal policy	Governments can affect business decision-making using fiscal policy. This involves both changing taxation and government spending to influence activity in the economy
Monetary policy	Managed by the Bank of England. This focuses on controlling interest rates, quantitative easing and exchange rates.
Ethical	An ethical business is one that considers the needs of all stakeholders when making business decisions. When setting objectives and considering strategy, it takes into consideration its social responsibilities.
Legal	There are a number of different laws that affect the way businesses can operate. These laws are designed to protect individuals, customers, employees and the environment from the potential negative acts of business.
Environmental	Protecting the environment is now a mainstream business issue. Businesses can no longer afford to ignore their own impact on the environment, or the implications of a changing environment for their operations.