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PUBLISHING

National 5 BUSINESS MANAGEMENT



BrightRED Study Guide

Curriculum for Excellence

N5

BUSINESS MANAGEMENT



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UNDERSTANDING BUSINESS

ROLE OF BUSINESS IN SOCIETY 1

SATISFACTION OF HUMAN NEEDS AND WANTS

A business is an organisation that involves people and resources in the making of a good or the provision of a service. All businesses have a name, a set of aims they want to achieve, an image, resources and rules.

As consumers, we buy the goods and services provided by businesses to satisfy our needs and wants.

To survive, we all have basic needs, including:

- food and water
- clothing
- shelter.

Once these needs have been satisfied, people always look for and want more to make their lives more comfortable and enjoyable. For example, we don't **need** a new iPad to survive – we just **want** it because we've seen it advertised, or a friend has one.


PRODUCTION OF GOODS, PROVISION OF SERVICES

Businesses exist to satisfy these needs and wants. Some businesses produce **goods** such as food products, shoes, clothes and electrical goods. Other businesses exist to provide **services** such as transport, hairdressing, banking, fast-food takeaway and holidays.

Goods are **tangible**, which means that they can be seen and physically touched. Services are **intangible**, which means that they cannot be seen or physically touched.

Goods and services can also be **durable** (long-lasting) or **non-durable** (used up quickly).

- A **TV** is an example of a **durable** good – it should last for at least a few years.
- A **cinema** is an example of a **non-durable** service – it provides entertainment in the form of a film for about two to three hours on average. After that, the service is no longer available.

Goods	Services
	
<ul style="list-style-type: none"> Cars Washing machines CD players Sweets Clothes Seafood Shoes Furniture Books 	<ul style="list-style-type: none"> Hairdressing Car servicing Insurance Banking Entertainment (for example, cinema and theatre) Education Public transport

DON'T FORGET

Needs and wants are quite different things.

ONLINE

TASK 1: Visit www.brightredbooks.net/N5BusMgmt and find out if you know which item is a need and which item is a want.

DON'T FORGET

Goods are tangible while services are non-tangible. Goods and services can be durable and non-durable.

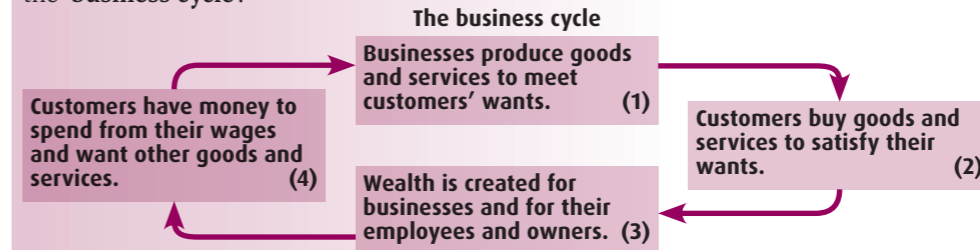
ONLINE

TASK 2: Visit www.brightredbooks.net/N5BusMgmt and test your knowledge on goods and services, and whether they are durable or non-durable.

THE BUSINESS CYCLE

The process of buying and selling goods and services is an ongoing one. This is the reason why developing a business is a long-term process, and why many shops, such as Marks and Spencer, Next and New Look, have been on the 'High Street' for a very long time.

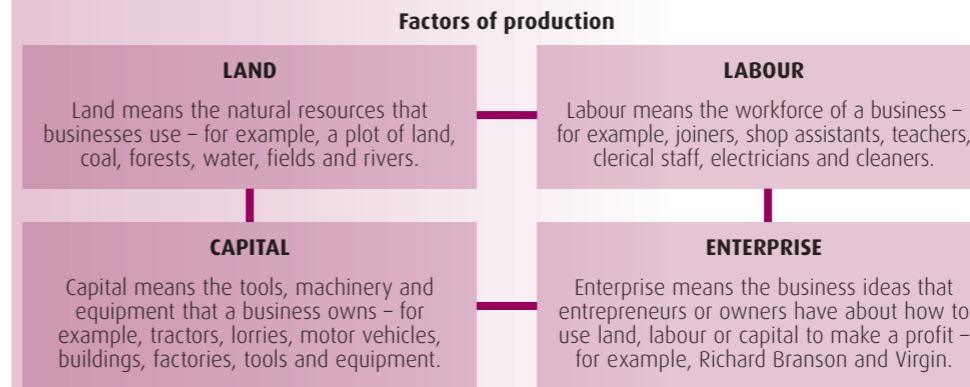
This diagram illustrates the process of buying and selling goods and services. It's called the 'business cycle'.



Step 1	Entrepreneurs set up in business selling goods and services that consumers need and want.
Step 2	Consumers use their income and go out to the shops and buy goods and services to satisfy their needs and wants.
Step 3	The businesses supplying the goods and services begin to earn profit and this means they can pay employees better wages. The owners also become wealthy.
Step 4	Consumers now have even more income to spend (from their wages) and so want even more goods and services.
Step 5	Businesses are now required to expand and produce more goods and services for consumers – and so the process goes on.

FACTORS OF PRODUCTION

To make a product or provide a service, you need a number of ingredients or resources – **land, labour, capital and enterprise**. These are also referred to as **factors of production**.



VIDEO LINK

Head to www.brightredbooks.net/N5BusMgmt and check out the 'Factors of production' video for more on this.

ONLINE TEST

How well have you learned this topic? Take the 'Role of business in society' test at www.brightredbooks.net/N5BusMgmt

THINGS TO DO AND THINK ABOUT

If you were to make a list of the resources (ingredients) that you need to build a house, your list might include:

wood bricks paint joiners electricians cement mixers ladders plastic glass slates building company nails plot of land drill brick layers.

Complete the table below by placing each resource under the appropriate heading.

Land	Labour	Capital	Enterprise

MARKET RESEARCH 1

WHAT IS MARKET RESEARCH?

Market research involves the constant gathering, recording and analysing of data about an organisation's product/services and its target market. If a business doesn't meet the demands, needs and wants of its customers, it will probably fail.

Market research can help a business answer the following questions:

- How large is the market?
- How fast is the market growing?
- Are there any existing competitors and what share of the market do they hold?
- What makes consumers buy certain products?
- What prices are consumers prepared to pay for certain products?
- Are there any gaps in the market for the introduction of new products?

METHODS OF MARKET RESEARCH

There are two basic types of market research – **desk research** and **field research**

Desk research

Desk research involves looking at information that has already been gathered and analysed, for example from websites, newspapers, trade magazines and books.

Here, researchers use secondary information in the form of published sources – for example, the internet; government department reports; market research reports published by companies such as Keynote; competitors' websites; voters' roles and trade magazines.

This information has been gathered for one purpose and is then used for another.



contd

Field research

Here, researchers go out 'into the field' to obtain first-hand, primary information for the organisation to use.

This way of gathering new, up-to-date information can be very time-consuming and expensive to carry out.



ADVANTAGES OF DESK RESEARCH

- The information is usually easy to obtain because someone or some organisation has already undertaken the research.
- Because the research has already been undertaken, it is much cheaper than undertaking field research and so the organisation could save a lot of money.
- The organisation can react to market changes really quickly because the information is readily available.

DISADVANTAGES OF DESK RESEARCH

- The information is not as reliable as information obtained from field research due to the fact that the information was probably collected for another purpose, or for use by another organisation
- The information could be out of date if it was collected some time ago, and so it might not be relevant to today's market.
- If the information is inaccurate or biased, then it could lead to wrong decisions being made.



THINGS TO DO AND THINK ABOUT

Visit one of the following websites:

- Just-auto (www.just-auto.com)
- Just-drinks (www.just-drinks.com)
- Just-food (www.just-food.com)
- Just-style (fashion) (www.just-style.com)

All four pull together news and market research in their particular sector. The market research comes from a wide range of suppliers and can be purchased online. The news is free and RSS (Really Simple Syndication) feeds of the news headlines are available.



ONLINE

TASK 37: Visit www.brightredbooks.net/N5BusMgmt and complete the table.



ONLINE TEST

How well have you learned this topic? Take the 'Market research' test at www.brightredbooks.net/N5BusMgmt

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BUSINESS MANAGEMENT

William Reynolds

This BrightRED Study Guide is just the thing you need to tackle your course and gain the exam skills essential to succeed at National 5 Business Management. Written by trusted author and experienced Business Management teacher William Reynolds, this book is packed with brilliant examples, tasks and advice. It is the ultimate companion to your studies:

- ▶ **Contains all of the essential course information**, arranged in easily digestible topics.
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- ▶ **Don't forget!** pointers offer advice on key facts and on how to avoid common mistakes.
- ▶ **Things to do and think about** sections at the end of each topic allow for further practice and research.
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- ▶ **A glossary of key terms** helps you really learn and revise important course concepts.

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