

Tier 3 language

Diversification	To enter a different market enabling a firm to spread the risk
Entrepreneur	A person who takes risks and starts a business. They show enterprise
Franchisee	A person or firm that pays for the right to trade using another firm's name and reputation e.g. McDonalds or Subway
Integration	Joining up parts of the supply or sales process or taking over competitors
Liability	Being responsible for the debts of a business

1.1 The nature of business	
Competitive environment	is where there are a number of businesses attempting to persuade consumers to buy their products. Such competition will be based on such factors as price, design and quality.
Dynamic environment	The business world is always changing. Firms need to react to this in order to survive.

1.2 Providing goods and services	
Commercial services	are services that provide mainly to businesses such as transport and warehousing but they may also be available to individuals such as insurance and banking.
Consumers	are the final users of goods and services. They are at the end of the distribution channel.
Consumer goods	are those which are produced for the final consumer, e.g food or cleaning products.
Customer	is the person or firm that purchases a product but may not be the final consumer
Durable goods	are consumer goods which are not used up at once at once and do not have to be bought frequently because they last for a long time e.g. TV, washing machine
Non-durable goods	are goods which are immediately consumed or which have a limited lifespan.
Need	is something that is necessary to your day to day life such as food, water, clothing
Personal services	are those services provided for individuals. They include services for personal grooming, house maintenance, car repair etc.
Producer goods	are those which are produced for other businesses so they can use them to produce other goods and services.
Single use good	is intended to be used just once, e.g food products, paper tissues.
Manufacturer	is the maker of a product.
Product	the good or service provided by a business
Want	is something that is desirable but not essential for a person to have e.g the latest iPhone. Also called a discretionary product.

1.3 Business enterprise	
Enterprise	Showing the skills needed to start a business after identifying a gap in the market
Entrepreneur	is a person who sets up a business by taking on the financial risks in the hope of making a profit.
Limited liability	means that the owners of a business are not responsible for the debts of a business. The owners will, however, lose any money they invested in the business if it fails.
Unlimited liability	means that the owners of a business are responsible for all of the debts of a business. Personal belongings may need to be given up to pay the debts of the business.

1.4 Business planning	
Business plan	shows what the business is all about. Usually covers the basics of the business, its marketing strategies, financial position, production and human resources. It provides information to banks and other financial providers to help persuade these to supply loans and other finance to the business.

1.5 Business aims and objectives	
Business Aim	is the long term objective of the business. Its aim might be to become the biggest business in its sector.
(Business) Objective	is a short or medium term target of a business needed to reach its aim. An objective might be to increase sales by 20% in the next 5 years.
SMART objectives	is an acronym used as a guide to setting business objectives. It stands for Specific Measurable Agreed Realistic Timed.
Stakeholders	are individuals and organisations who are affected by the decisions and actions of a particular business.

1.6 Business ownership	
Co-operatives	are generally seen as social enterprise businesses owned by the employees or, most commonly, their customers.
Partnerships	are businesses owned by between 2 and 20 who generally have unlimited liability.
Private limited companies	are businesses which are owned by shareholders who have limited liability. Their shares are not available to others except with the agreement of other shareholders. They have the letters LTD after the business name.
Public limited companies	are businesses which are owned by shareholders who have limited liability. Their shares are freely available to others by selling to the general public on the Stock Exchange. They have the letters plc after the business name.
Social enterprises	are businesses which operate for the benefit of the community or its workers or as a charity.
Sole traders (self employed)	are businesses owned by one person who has unlimited liability. Other people can be employed but there is only one owner.

1.7 Business growth	
Diversification	allows a business to enter a different market in addition to the one they are already involved. This enables the business to spread its risks should the original business fail.
External growth	a quick form of growth increasing the size of a business by buying other firms that might supply or be in competition with you.
Franchise	is the legal right given by one business to another to sell goods or services using its name. It should be seen as a method of growth for the franchisor and a business opportunity for the franchisee.
Franchisee	is a person or firm which pays royalties for the right to sell goods or services using established processes and under the name of another business.
Franchisor	is a business which allows another firm to sell their products using their processes, experience and name in return for royalties.
Horizontal integration	the buying or merger of other businesses producing the same or similar products.
Internal or organic growth	a slow, cautious way of growing the size of a business by increasing its sales, revenue, profits and work force.
Vertical integration	involves the buying or merger of businesses at different stages of production so that the supply chain may be controlled by the business.

1.8 Business location and site	
Location	is a geographical area where businesses may be found.
Site	is a specific place within a geographical area.