**R064 - Keywords**

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| **Keywords for R064** | |
| Learning objective 1 | |
| Market segmentation | This is the way a company breaks up the market into similar types of customer. This can be based on; Demographic, geographical location and lifestyle. |
| Demographic Segmentation | To divide the market based on similar personality traits: age, gender, income, occupation |
| Behavioural Segmentation | To divide the market based on consumers buying habits: Knowledge of the product, attitudes towards the product and use of the product |
| Geographic Segmentation | To divide the market based on location: Countries, cities, rural, urban |
| Market research | The action or activity of gathering information about consumers' needs and preferences |
| Primary (field) market research | Involves gathering new data that has not been collected before. For example, surveys using questionnaires or interviews with groups of people in a focus group. |
| Secondary (desk) market research | Involves gathering existing data that has already been produced. For example, researching the internet, newspapers and company reports. |
| Learning objective 2 | |
| Fixed costs | A cost that stays the same in relation to output. These stay the same even if more is produced. |
| Variable costs | A cost that changes in relation to output. These change if more is produced. |
| Total costs | The amount of money spent by a firm on producing a given level of output.  Total cost = Fixed cost + variable costs |
| Revenue | Revenue is the income earned by a business over a period of time   Revenue = price x quantity. |
| Break-even | This is where the company is neither making a profit or a loss. Total revenue = Total costs |
| Profit | The surplus left from revenue after paying all costs  Profit = total revenue - total costs |
| Learning objective 3 | |
| The product lifecycle | The cycle through which every product goes through from introduction to withdrawal or eventual demise. The stages are: development, introduction, growth, maturity, decline |
| Extension strategies | A practice used to continue the life span of a product |
| Product differentiation | This is how we make a product stand out from others by making them different |
| Unique selling point (USP) | A factor that makes your product stand out from competitors in the market |
| Design mix | A tool to look at how a business might differentiate itself based on either the Aesthetics, Function or Economics of the product |
| External factors  (TEL + C) | Factors that are outside of the control of the company that can impact on the operations of a company. (Technological, Economic and Legal + Competition) |
| Learning objective 4 | |
| Pricing strategies | Price is the amount customers are charged for items. Pricing strategies refers to the following types of pricing (Price Skimming, Price Penetration, Competitive Pricing and Psychological Pricing) |
| Price Skimming | When the price is set high and lowered over time to maximise profit – usually used with technology |
| Price Penetration | When the price is low when introduced and increased over time – to get into a market |
| Competitive Pricing | Setting your price in line with your rivals – used with standardised products (E.g. bread) |
| Psychological Pricing | Setting the price in a way that aims to influence your customers perception – E.g. £1.99 to make it seem cheaper |
| Advertising methods | The methods that a business uses to communicate with their customers (Radio, Newspaper, Social Media, Leaflets, Magazines and Website) |
| Sales promotion | A short term tactic to persuade sales of a product (Discounts, BOGOF, Free Gifts, Competitions, Point of Sale Material and Loyalty schemes) |
| Customer service | Advice provided by a company to those people who buy or use its products or services |
| Learning objective 5 | |
| Sole trader | A business owned and run by an individual |
| Partnership | A business owned and run by 2 -20 partners |
| Limited Liability Partnership | A partnership where the partners have limited liability |
| Unlimited Liability | The owners have full responsibility of all the debts of a business |
| Limited Liability | The owners are only liable for any money invested in the business |
| Franchise | To buy into an existing business and acquire the right to use an existing business idea |
| Memorandum and Articles of Association | Documents that must be sent to Companies House and completed for a Private and Public Limited Company |
| Source(s) of capital | This is the ways in which a company brings capital into the company |
| Business plan | A report by a new or existing business that contains all of its research findings and explains why the firm hopes to succeed. |
| Learning objective 6 | |
| Functional area | The departments of a business |
| **Human resources** | **The department that looks after the welfare of the employees; from motivation, recruitment and training to legal concerns and appraisals.** |
| * Recruitment | The process by which a business seeks to hire the right person for a vacancy. |
| * Training | Training is the way a company provides new skills to an employee. Induction is the training given to new workers so that they understand their role and responsibilities and can do their job. |
| * Performance management | The way a company monitors how employees are performing the tasks they are set. |
| * Health and safety in the workplace | The way in which companies protect their employees from harm |
| * Employment legislation | These are the laws that protect both employees and employers |
| **Marketing** | **The department responsible for meeting the needs and wants of the customer; this includes promotion and communications with customers** |
| * Marketing mix | A tool used to understand the wants and needs of customers by looking at the 4Ps – Product, Price, Place & Promotion |
| * Market research | See LO1 |
| **Operations** | **The department responsible for the making of the product and dealing with stock** |
| * Production planning | The way a company plans to use its resources to create a product in the most efficient way |
| * Quality control | Quality is about meeting the minimum standard required to satisfy customer needs |
| * Stock control | Stock control aims to hold sufficient items on site to enable production while minimising stock holding costs. There are two methods of stock control - **just in case** and **just in time**. |
| * Logistics | The activity of transporting goods to customers |
| **Finance** | **The department responsible for the monetary aspects of the business; including profit, budgets and cash** |
| * Cash flow | The way in which money comes in and out of a company |