



Getting Started

GCE Economics and Business

Pearson Edexcel Level 3 Advanced Subsidiary GCE in
Economics and Business (8EB01)
First certification 2014

Pearson Edexcel Level 3 Advanced GCE in Economics
and Business (9EB01)
First certification 2014

Issue 2

Contents

Introduction	1
Unit overview	2
Unit 1: Developing New Business Ideas Delivery Schedule	3
Unit 1: Developing New Business Ideas Activity Sheets	15
Unit 2b: Business Economics Delivery Schedule	28
Unit 2b: Business Economics Activity Sheets	42
Unit 3: International Business Delivery Schedule	71
Unit 3: International Business Activity Sheets	79
Unit 4b: The Wider Economic Environment and Business Delivery Schedule	97
Unit 4b: The Wider Economic Environment and Business Activity Sheets	105
Student Guide	126

Introduction

This Getting Started book will give you an overview of the course and what it means for you and your students. The guidance in this book is intended to help you plan the course in outline and give you further insight into the principles behind it to assist you and your students in succeeding in the qualification.

Edexcel GCE in Economics and Business unit overview

Unit 1: Developing New Business Ideas

- Business opportunities
- Entrepreneurial skills
- Business ideas in practice
- Economic context for business

AS

Unit 2b: Business Economics

- How businesses are affected by market forces and market structures
- Why being a big business isn't necessarily better
- The extent to which macroeconomic change affects businesses

Unit 3: International Business

- Why a business looks for international markets
- The changing economic world (including growing economic power of China and India)
- How a company decides which markets to target
- Implications of trading internationally
- Globalisation
- Should multi-nationals be controlled?

A2

Unit 4b: The Wider Economic Environment and Business

- Market failure
- Regulation of markets
- Macroeconomic policy
- Government role in economic and social welfare

Suggested delivery/activity schedule — Unit 1: Developing New Business Ideas

Please note that two teachers could teach different topics at the same time, eg Topics 1 and 2.

Topic 1: Characteristics of successful entrepreneurs

Week commencing	Subject area	Activity	Resources
	Characteristics of entrepreneurs	<p>Students to work in small groups to research definitions of entrepreneur, enterprise etc (see Activity sheet 1, Task 1.)</p> <p>Students to discuss the contribution to the economy of well-known entrepreneurs (Activity sheet 1, Task 2). See also Times 100 case study on the importance of entrepreneurship.</p> <p>Students should consider the characteristics of people who set up a new business (see Activity sheet 1, Task 3a.) Use a video of 'The Apprentice', 'Dragons Den', 'Risking it All', or another TV programme to illustrate this. Examples of ineffective entrepreneurs can also be informative.</p> <p>Students should consider whether or not they have sufficient entrepreneurial skills to set up their own business and, if not, how they could develop them (see Activity Sheet 1, Task 3a.)</p>	<p>Activity sheet 1, Task 1–3a.</p> <p>Case study on the importance of entrepreneurship at: www.thetimes100.co.uk/case_study.php?clD=63&csID=242&plD=1</p> <p>Video, of a TV programme, eg: www.bbc.co.uk/apprentice/ www.bbc.co.uk/dragonsden/ www.channel4.com/money/ontv/risking_it_all/</p> <p>Additional reading: Gillespie A — The Kwik-Fit Formula, Business Review, Volume 6, Issue 2, November 1999, pages 2-3 Wood S — Philip Green, Business Review, Volume 10, Issue 2, November 2003, pages 34-35 Getting a New Business Off the Ground, Business Review, Volume 12, Issue 1, September 2005, pages 2-3</p>

Topic 1: Characteristics of successful entrepreneurs

Week commencing	Subject area	Activity	Resources
	What motivates entrepreneurs?	Students should explore the profit and non-profit related motives of why people set up businesses, eg desire to work independently or from home. Some may start businesses for social purposes, eg an organic farm. (See Activity sheet 1, Task 3b.)	Activity sheet 1, Task 3b Additional reading: Wood S — Michael O’Leary, Business Review, Volume 10, Issue 4, pages 2-3
	Leadership styles	Students should consider the various leadership styles, eg autocratic, democratic, that can be used and which are appropriate for different situations and skilled and unskilled staff. Students may reflect on their own preferred leadership style. (See also Activity sheet 1, Task 4.)	Activity sheet 1, Task 4 PowerPoint and activity on leadership theory at: www.bized.co.uk/educators/16-19/business/hrm/activity/leadertypes.htm Additional reading: Coates G — Top Secrets, Business Review, Volume 3, Issue 2, November 1996, pages 20-22. Kakabadse A — Life at the Top, Business Review, Volume 1, Issue 2, November 1994, pages 21-23



Topic 2: Identifying a business opportunity

Week commencing	Subject area	Activity	Resources
	What makes a market? What should firms supply?	Students could explore the changes in the market, and charges, for mobile phones — from when mobile phones were first available to now. What do they conclude about the interaction between price, supply and demand? (See Activity sheet 2, Task 1 and 2.)	Activity sheet 2, Task 1 and 2 Interaction activity and tasks on supply and demand at: www.bized.co.uk/educators/16-19/economics/markets/activity/demandsupply.htm
	What consumers want or need	Students should identify a market need for a business idea of their own. Students could gain new business ideas from, eg www.start-ups.co.uk . Why do they think that there is a potential demand for the business? This could be set as homework.	Activity sheet 2, Task 3 Additional reading: Zhang L — Identifying a Market Opportunity, Business Review, Volume 7, Issue 4, April 2001, pages 2-4

Topic 3: Evaluating a business opportunity

Week commencing	Subject area	Activity	Resources
	Researching demand for the business idea	<p>Teacher to define primary (quantitative and qualitative) and secondary research and why they are used, eg to quantify demand and gain insight into consumer behaviour. In addition, students can use a business textbook to define methods of research in Activity sheet 3, Task 1.</p> <p>Teacher to identify problems that arise with small sample sizes; and the sampling method used, eg convenience sampling and potential bias.</p> <p>Students could gain new business ideas from a website such as www.start-ups.co.uk. It is a good idea for them to choose a product or service for which they can get a market summary (secondary data) on www.keynote.co.uk (see next topic.)</p> <p>They may carry out their own brief survey using quantitative and qualitative questions to ascertain demand for several business ideas. (See Activity sheet 3, Task 2.)</p>	<p>Activity sheet 3, Tasks 1–2.</p> <p>Visit to local business to determine the research methods they use and why.</p> <p>Market research methods at: www.thetimes100.co.uk/theory/theory.php?tID=315</p> <p>Additional reading: Marcoué I — Market Research, Business Review, Volume 6, Issue 1, September 1999, pages 18-20</p>



Topic 3: Evaluating a business opportunity

Week commencing	Subject area	Activity	Resources
	Is there a market for the business idea?	<p>Market summaries for different product or service areas can be found on www.keynote.co.uk. Students can see the overall market size for their product or service area and whether the market is growing (see Activity Sheet 3, Task 2.) Please note that this topic could be taught before 'Researching demand for the business idea' — it has been separated so that the topics could be taught by two teachers simultaneously.</p> <p>Using the respondent classification data from their questionnaires (see Activity sheet 3, Task 2) they may gain some market segmentation information for their potential customers, for example, gender and where they live.</p>	<p>Activity Sheet 3, Task 2</p> <p>Additional reading: Stimpson P — When Second Comes First, <i>Business Review</i>, Volume 10, Issue 1, September 2003, pages 22-24 Coates G — Customer Segmentation, <i>Business Review</i>, Volume 7, Issue 4, April 2001, pages 14-15</p>

Topic 3: Evaluating a business opportunity

Week commencing	Subject area	Activity	Resources
	Positioning the business idea.	Students could identify the market competition for their product or service idea; and the strengths and weaknesses of the competition. They could use market mapping to identify an appropriate market niche; and the competitive advantage of their product or service idea and how they will add value to it.	Activity sheet 3, Task 3 Additional reading: SurrIDGE M — Niche Markets, Business Review, Volume 9, Issue 4, April 2003, pages 2-3



Topic 3: Evaluating a business opportunity

Week commencing	Subject area	Activity	Resources
	Product trial	Students could consider the benefits of trialling a product or service before it is launched, eg to assess likely demand levels: and how to turn the product trial into repeat purchases (see Activity sheet 3, Task 2.)	Activity sheet 3, Task 2
	Opportunity costs of developing one business idea as opposed to another	From the results of their research, students could consider which business idea seems to have the most demand and the price (s) they could charge for the product or service. What are the trade-offs of going with one particular business idea (see Activity sheet 3, Task 3)? Students could use a case study to identify the potential effects on stakeholders of a decision by a business to offer a particular product or service.	Additional reading: Zhang L — The Power of Stakeholders, Business Review, Volume 5, Issue 2, November 1998, pages 9–11

Topic 4: Economic considerations

Week commencing	Subject area	Activity	Resources
	Current economic climate	<p>Using the latest economic data, students could analyse the potential effects of the latest economic trends on their new business idea (see Activity sheet 4). The economic data should include:</p> <ul style="list-style-type: none"> • interest rates • exchange rates • inflation rates • local or national unemployment figures. 	<p>www.statistics.gov.uk</p> <p>Activity sheet 4</p> <p>Additional reading:</p> <p>Boden A — Interest Rates, Business Review Volume 6, Issue 3, February 2000, pages 26-28</p> <p>Boden A — UK Business in a Low Unemployment Environment, Business Review Volume 8, Issue 3, February 2002, page 20-22</p> <p>Harrison S — Inflation, Business Review Volume 6, Issue 4, April 2000, pages 30-31</p> <p>Surrige M — The Price of Trading Internationally, Business Review Volume 11, Issue 4, April 2005, pages 8-9</p> <p>Williams R — Exchange Rate, Business Review Volume 8, Issue 2, November 2001, pages 24-26</p>



Topic 5: Financing the new business idea and putting it into practice

Week commencing	Subject area	Activity	Resources
	Sources of finance	<p>The teacher should provide an input on:</p> <ul style="list-style-type: none"> • internal sources of finance: retained profit, sale of assets • external sources of finance: loans, debentures, venture capital, ordinary share capital, overdrafts, leasing, trade credit • sources of finance appropriate for sole trader and company organisations; implications of limited or unlimited liability. <p>Activity sheet 5, Task 1 and 2 can be used for practical activities for students on sources of finance and how to apply the information learnt to their new business idea.</p>	<p>A guest speaker could be invited from a local bank to provide information on sources of finance which are commonly used by start-up businesses.</p> <p>Activity sheet 5, Task 1 and 2</p> <p>Additional activities:</p> <p>www.bized.co.uk/virtual/bank/business/finance/sources/theories1.htm</p> <p>www.bized.co.uk/virtual/bank/business/finance/sources/theories2.htm</p> <p>www.bized.co.uk/educators/16-19/business/accounting/activity/sourcefinance.htm</p> <p>Additional reading:</p> <p>Brewer M — Financing Growth, Business Review, Volume 3, Issue 4, April 1997, pages 23-25</p>

Topic 5: Financing the new business idea and putting it into practice

Week commencing	Subject area	Activity	Resources
	Sources of finance	For their own new business idea, students could consider the total cost of a commercial loan and the loan repayment period from different financial providers. They could weigh this up against the benefit of a personal loan from family or friends and any resulting interference in the business. They should consider the implications of unlimited liability.	Activity sheet 5, Task 3 and 4



Topic 6: Measuring the potential success of a business idea

Week commencing	Subject area	Activity	Resources
	Estimation of sales levels, costs and profits	<p>Students should try several exercises provided by the teacher to calculate revenue, variable costs, total costs and potential profit. Students may also need to practise identifying fixed costs.</p> <p>Activity Sheet 6 (Task 1–3) uses a case study introducing revenue, fixed and variable costs and cash flow.</p>	Activity sheet 6, Task 1–3
	Break-even revenue level	<p>Activity Sheet 6 (Task 4–6) uses a case study to calculate breakeven. Teacher should introduce the concept of margin of safety.</p> <p>Students should be able to calculate basic profit and loss (sales revenue less deductions to identify gross and operating profit) and be able to calculate gross and operating profit margins. They should be able to comment on their calculations, such as identify ways in which the profit level could be improved. Activity Sheet 6 Task 7 enables students to prepare a profit and loss statement and identify ways in which profit level could be improved. In Unit 2a: Managing the Business, students will identify the difference between cash and profit.</p> <p>Activity Sheet 6 Task 8 enables students to use pricing and cost information for their own business idea gathered by research to calculate break-even level and potential profit.</p>	<p>Activity sheet 6, Task 4–8</p> <p>Additional activities:</p> <p>www.bized.co.uk/virtual/bank/business/planning/financial/step1.htm</p> <p>www.bized.co.uk/virtual/bank/business/planning/case_study.htm</p> <p>www.bized.co.uk/educators/16-19/business/accounting/activity/finance1.htm</p> <p>Additional reading:</p> <p>Wolinski J — Simple Break-even Analysis, Business Review Volume 11, Issue 1, September 2004, pages 10-12</p> <p>Morris J — Improving Profitability, Business Review Volume 7, Issue 2, November 2000, pages 6-7</p>

Topic 7: Putting a business idea into practice

Week commencing	Subject area	Activity	Resources
	Creation of a business plan	<p>This topic can be introduced by using Activity sheet 7, perhaps as a homework activity.</p> <p>Teacher to cover the purpose of a business plan — to gain finance; the key features of a business plan:</p> <ul style="list-style-type: none"> • product or service to be produced; • marketing plan; • production plan; • premises and equipment needed; • human resources involved in implementing the business idea; • sources of finance; • profit and loss statement; • cash flow forecast. <p>Only a brief overview of this topic is necessary and it could be used to identify the topics already covered in Unit 1 and as an introduction to the main sections of Unit 2a. Students could be given a business plan to evaluate. They do not need to construct one.</p>	<p>Activity sheet 7</p> <p>Sample business plans from local banks or the internet</p> <p>For how to prepare business plans, see also: www.businesslink.gov.uk/bdotg/action/layer?topicId=1073869162&r.s=sl</p>



Unit 1: Developing New Business Ideas

Activity sheet 1 — Characteristics of entrepreneurs

Task 1

Working in small groups research a definition of enterprise, entrepreneur, and leadership. Discuss your definitions with the rest of the class.

Task 2

In small groups discuss and review your knowledge of the contribution to the UK economy each of the following well known entrepreneurs has made: Richard Branson (Virgin), Anita Roddick (Body Shop), James Dyson (vacuum cleaners). Collect information about their business activities.

Task 3a

In groups of three or four list as many people as possible that you know who run their own business locally or watch a video about someone who has set up their own business. What characteristics do you think these people have?

Use the following table to identify which characteristics you think you already possess, rate them accordingly and suggest ways in which they could be developed.

Rating: 1=significant weakness, 2=weakness, 3=neither a strength or weakness, 4=strength, 5=significant strength.

Characteristics	Rating 1-5	What evidence do I have of this?	What sources can I use to develop this skill?
Am I willing to work long hours?			
Am I prepared to take risks?			
Do I like a challenge?			
Do I have initiative?			
Can I solve problems?			
Can I motivate people?			
Am I flexible and adaptable?			
Do I have drive and determination to succeed?			
Am I self-confident?			
Can I be a leader of other people?			

Produce a summary outlining your strengths and weaknesses.

Task 3b

Interview three of these local business owners or watch a video about someone who has set up their own business and find out the reasons why they started up in business. Draw up a list of appropriate questions, examples can include:

Questions	Business 1	Business 2	Business 3
Reasons for starting up in business (include profit and non-profit related motives)			
Skills needed to be successful			
Benefits of having an ethical stance			

Task 4

In small groups produce a wall chart which represents the characteristics and leadership styles of entrepreneurs, drawing upon all the above activities. Do they use different leadership styles in different situations and with skilled and unskilled staff?

Activity sheet 2 — Identifying a business opportunity

Task 1

Before you can set up in business you need to analyse your potential market. A market puts buyers and sellers in touch with one another so that goods or services can be bought and sold. Working in groups, list markets which are of interest to you and discuss your findings as a group. Would the market be easily accessible, is there a lot of competition?

Task 2

Marketing is about identifying consumer needs and then meeting those needs with products or services that can be delivered profitably. In groups, research the interaction between the price, demand and supply of mobile phones. You should look at the various developmental stages of the mobile phone from its first generation commercial use in the 1980s to the present day. You could research the stages in the life of a specific model to help you.

- What do you conclude about the interaction between price, supply and demand at the various stages of development?
- What do you notice about the types of mobile phones which are supplied now?

Stages of development	Demand — increase or decrease	Supply — increase or decrease	Price — increase or decrease

Task 3

What business opportunities can you identify?

You need to identify a market need for your own business idea. Visit as many locations, competitors or similar businesses, as possible, in your own time, to identify a range of possible products and services that your new business could offer. Produce a list of possible products or service ideas and potential demand for the product/service.

My business idea	Demand for the product/service



Activity sheet 3 — Evaluating a business opportunity

Task 1

Imagine you are employed to research a product or service of your choice. Discuss how you might do this. You will need to identify how the information will be used and what methods you will use to collect the appropriate marketing information. You should also discuss the difficulties you might encounter and/or the compromises you might have to make in carrying out your research.

Method of collection	Qualitative/quantitative	Purpose
eg survey questionnaire		
eg focus group		

Task 2

Divide into small groups for this activity

Select three of your business ideas and carry out primary and secondary market research to establish information about your competitors and potential market. Initially, a questionnaire will be needed, a significant number of relevant responses obtained and the results analysed. From this you will gain information that will inform your business idea. You will need to carry out the following:

- design a short questionnaire which you can use to obtain information from potential customers to see if there is demand for your product/service — make sure your teacher checks this
- interview 20 people using the questionnaire
- using www.keynote.co.uk, determine the market size for your product or service idea and whether or not the market is growing
- list the factors that could affect the demand for your product/service
- use secondary data sources to compile a list of potential local competitors
- identify the strengths and weaknesses of these competitors
- explain the benefits of trialling the product/service before it is launched.

Task 3

- Using the results from your questionnaire, and competitor information, compare each of your business ideas and consider the trade-offs.
- Use market mapping to identify a possible gap in the market.
- Identify the idea for which there is most demand and the price you would charge for the product/service.
- How could you add value to your product or service idea?
- Present your findings to the rest of the class and justify your choice of business idea.

Activity sheet 4 — Economic considerations

There are a number of economic considerations that affect the decisions a business might make. Use the following table to explain how each factor would affect your business idea and how you might ensure that there was no damage to the business.

Exchange rates	Interest rates	Inflation rates	Unemployment (local or national)

Collect recent newspapers and find articles that explain how businesses have been affected by economic considerations such as those listed above.

Cut out these articles and make a collage out of the headlines.

Choose one of the articles and write out the key points. In a presentation explain to the rest of the class the main issues affecting the business in the article. What actions might the business take to minimise the threat posed or to capitalise on the opportunity?

Activity sheet 5 — Financing the new business idea and putting it into practice

Task 1

Finance is the crucial element for any successful enterprise. This activity sheet will guide you through a suggested format for handling this in a manageable way. Initially, you will need to decide upon the likely sources of finance available to your business, bearing in mind that your business plan will be scrutinised by potential lenders.

Research possible sources of finance for your business:

Sources of finance	Types of finance	Suitability for business idea

Select a suitable source of finance for the following:

- a plumber, presently working from home, wants to buy a small shop from which to work and to sell bathroom and other plumbing-related equipment. The plumber also wants to borrow money to obtain stock for the shop
- the directors of a medium-sized limited company want to buy a new computer network
- a partner in an estate agents needs to get a new car so she can travel to meet potential clients.

Task 2

Use the internet, or visit as many banks etc as possible, and produce a database showing the different methods of finance available from each eg:

Field name	Typical entry
Method of finance	Loan
Sources of finance	Barclays' Bank
Time span	3 years
Interest rate	7.5%
Minimum amount	£2,000
Maximum amount	£25,000
Type of business	Small/Medium

Task 3

Using the information gathered so far compare the cost of a commercial loan against a loan from family or friends. List the advantages and disadvantages of each.

Type of loan	Advantages	Disadvantages
Commercial loan		
Loan from family or friends		

In a group discuss how you could fund your business idea, how much money you could raise, and how this would limit the type of enterprise you could start up.

Task 4

What would be the implications for you as the owner of your new business of having unlimited liability?

Activity sheet 6 — Measuring the potential success of a business idea

Sally has had a fast food shop selling pizzas for the last 12 months. She has decided to expand her business into a wider range of fast food outlets and is looking for suitable premises in Marketville. She has employed a small team of market researchers to find out what other fast food would be acceptable to the residents of Marketville. The results of the market research were as follows:

- fish and chips 12% of those surveyed
- kebabs 30%
- burgers 44%
- rolls and sandwiches 14%.

Sally decides to offer both burgers and kebabs in her new fast food outlet.

Task 1

Sally has found suitable premises in Marketville to rent and has incurred a lot of expenses in getting the premises ready for business. Which of the following costs are classified as start-up costs and which are classified as running costs?

Cost	Type	Cost	Type
Rent of premises	Running	Grills and spits	
Freezers		Decorating	
Market research fees		Purchases of food	
Packaging		Machinery	

(One is filled in to get you started.)

Task 2

Sally will need to borrow money from the bank to finance this new venture. The bank has asked her to submit a cash flow forecast of all income and expenditure over the first six months of trading. She has estimated the following costs and revenues.

Income	January	February	March	April	May	June
Sale of burgers	1025	1300	1500	1600	1600	1600
Sale of kebabs	1350	1450	1500	1550	1600	1650

Enterprise Grant of £3000 received in January

Capital introduced; £500 in January and a further £500 in April.



Expenditure

Freezers — £1350, purchased in January

Grills — £1850, purchased in January

Market research fees — £1000, paid in February

Wages — £500 every month

Advertising — £100 payable January, March and May

Rates — £450 in March and June

Drawings — £100 per month

Rent — £1000 per month

	January	February	March	April	May	June
Stocks of foodstuffs £	1700	1200	1000	1200	1300	1000
Sundry expenses £	70	60	50	90	10	50

There is no opening bank balance.

Prepare a cash flow forecast for the first six months of trading for Sally and identify the maximum amount that she will need to borrow and how long she will need this loan/ overdraft.

Task 3

From the costs in the cash flow forecast, list those which are fixed costs (ie do not vary with output) and those which are variable (vary with output).

Task 4

The bank manager was very impressed with the cash flow forecast but is not quite convinced that the business is viable. He needs to be persuaded that the business will cover its fixed costs. Sally has suggested that she prepare a break-even analysis to show him that, these costs will be adequately covered.

Sally has worked out the following weekly costs.

Wage £125

Advertising £25

Sundry £18

Rates £37

Rent £250

Drawings £25

The market research survey showed that the price of a burger should be no more than £2.50. At that price the business should be able to sell at least 400 burgers per week. Sally estimates that the variable cost of each burger will be:

Bread roll £ 0.10

Burger £ 0.50

Salad £ 0.20

Packaging £ 0.10

Using the break-even formula, which is:

$$\text{Break-even point in units} = \frac{\text{Fixed Costs}}{\text{Selling price per unit} - \text{variable costs per unit}}$$

Calculate how many burgers Sally needs to sell each week to break-even.

Task 5

Sally may need to buy top quality beef for her burgers, which would increase her variable cost per burger to £1.10. How many burgers would Sally now have to sell to break-even?

Task 6

Using the information in Tasks 2 and 3, prepare two break-even charts, identifying the following:

- fixed costs
- total costs
- total revenue
- area of profit
- area of loss.

Task 7

Sally’s Burger Bar has now been trading for two months (Jan and Feb) and the bank manager is keen to see if it has made a profit. From the following costs and revenues prepare a profit and loss statement.

Revenue/cost	£
Sales	6200
Cost of sales	2875
Wages	950
Rent	1500
Advertising	102
Sundry expenses	26

In groups, discuss ways in which the profit level could be improved.

Task 8

Using the above scenario as an example, identify and calculate the following for your business idea:

- sales level
- costs
- profit
- break-even revenue level
- profit and loss account.



Activity sheet 7 — Putting a business idea into practice

Task 1

a) Identify different plans you have helped to produce with which you have been involved. Examples include planning:

- a holiday or other trip
- a school or college production of a play
- how to get to and from a Saturday job.

b) Identify what these plans have in common and compare this with the business planning cycle of:

- constructing the plan
- carrying out the plan
- monitoring the plan
- changing the plan (if necessary).

c) Study your local paper(s), and the business section of broadsheet newspapers (eg The Times, The Telegraph or The Guardian), for a week. Identify, cut out and analyse any articles about plans that will affect local people and businesses. Examples include plans to:

- build new houses
- extend a shop
- close down a factory
- increase the number of buses.

d) Explain fully how these plans will affect key stakeholders and why the stakeholders will want to see clear and detailed planning. For example:

- building new houses — construction businesses, their suppliers, their bank
- extending a shop — local plumbers, builders
- closing down a factory — employees, suppliers, the local council
- increasing the number of buses — the bus company, customers.

Suggested delivery/activity schedule — Unit 2b: Business Economics

Topic 1: How are businesses respond to their markets

Week commencing	Subject area	Activity	Resources
	The nature of markets	Students should be encouraged to look at a wide range of markets and examples used to illustrate their dynamic nature.	Activity sheet 1 — (newspapers/magazines using research) Additional reading: Swift I — Using Elasticity, Business Review Volume 8, Issue 3, February 2002, pages 32-33 Wall N — Responding to Market Change, Business Review Volume 10, Issue 3, February 2004, pages 32-33
	Changes in demand and supply	The profit signalling mechanism and the allocation of resources.	Activity sheet 1 Additional reading: Swift I — Using Elasticity, Business Review Volume 8, Issue 3, February 2002, pages 32-33 Wall N — Using Price Theory to Analyse Market Change, Business Review Volume 11, Issue 3, February 2005, pages 30-31
	Changes in price	Students should consider how changes in demand and supply affect price and output and the implications of this for business. Practical examples are useful here and students should be encouraged to produce clear diagrams showing the effect of changes.	Activity sheet 2 Additional resource: Interactive demand and supply model with PED application found at: www.bized.co.uk/learn/economics/markets/mechanism/interactive/part1.htm Additional reading: Swift I — Using Elasticity, Business Review Volume 8, Issue 3, February 2002, pages 32-33 Wall N — Using Price Theory to Analyse Market Change, Business Review Volume 11, Issue 3, February 2005, pages 30-31



Topic 1: How are businesses respond to their markets

Week commencing	Subject area	Activity	Resources
	Price elasticity of demand (PED)	Students need to grasp the importance of PED when it comes to businesses making pricing decisions and the effects on total revenue.	<p>Activity sheet 3</p> <p>Additional resources:</p> <p>Interactive demand and supply model with PED application found at: www.bized.co.uk/learn/economics/markets/mechanism/interactive/part1.htm</p> <p>Further information on the link between PED and pricing found at: www.bized.co.uk/learn/business/accounting/busaccounts/notes/srev-th.htm</p> <p>Example of the use of PED and pricing on toll roads found at: www.bized.co.uk/educators/16-19/economics/markets/activity/elasticity2.htm</p> <p>Example of the use of PED and pricing of holidays found at: www.bized.co.uk/current/mind/2005_6/141105.htm</p> <p>Additional reading:</p> <p>Harrison S — Elasticity of Demand, Business Review Volume 7, Issue 2, November 2000, pages 20-21; Swift I — Using Elasticity, Business Review Volume 8, Issue 3, February 2002, pages 32-3</p>
	Changes in income	Students need a practical grasp of how income changes and YED affect the decisions a business might take in relation to products and their marketing.	<p>Activity sheet 4</p> <p>Additional resource:</p> <p>Further information on interpreting YED found at: www.bized.co.uk/virtual/vla/theories/interpreting_yed.htm</p> <p>Additional reading:</p> <p>Harrison S — Elasticity of Demand, Business Review Volume 7, Issue 2, November 2000, pages 20-21</p>

Topic 1: How are businesses respond to their markets

Week commencing	Subject area	Activity	Resources
	The purpose of marketing in changing markets	Students should use case studies to identify the use of marketing strategies to defend or gain market share in different markets for example in a very competitive market or the market for fashion products. Students need to consider the ethics of marketing to people in order to get them to buy products that they may not need.	Additional resources: www.tutor2u.net/business/marketing/marketing_concept.asp www.tutor2u.net/business/presentations/marketing/marketsharestrategies/default.html Marketing ethics at: www.bized.co.uk/current/mind/2003_4/201003.htm



Topic 2: How does market structure affect business?

Week commencing	Subject area	Activity	Resources
	How does competition affect the market?	<p>Students should consider the effect of the degree of competition on market price and output.</p> <p>Students may be able to contribute their own experiences as to how markets have changed due to the development of e-commerce and online retailing, eg eBay, Amazon and iTunes. The growth of e-tailing has, and will have, a profound effect on businesses and consumers alike, as supply and consumer knowledge increase. The 'long tail' can be used to illustrate this.</p>	<p>Activity sheet 5</p> <p>Additional resources: www.thelongtail.com http://en.wikipedia.org/wiki/The_Long_Tail Activity on understanding competition found at: www.bized.co.uk/learn/economics/firms/structure/warpeace.htm</p>

Topic 2: How does market structure affect business?

Week commencing	Subject area	Activity	Resources
	Different market structures: monopoly; oligopoly; imperfect and perfect competition and the spectrum of competition	Students should consider the key characteristics of the different market structures which influence the way firms in the various markets behave. They should consider possible barriers to entry and exit in the market the likely effect on profit levels pricing promotion company efficiency and consumer choice of products.	<p>Activity sheet 6</p> <p>Additional resource: Overview of monopoly found at: www.tutor2u.net/economics/revision-notes/as-marketfailure-competition-monopoly.html Interactive quiz on monopoly found at: www.tutor2u.net/quiz/economics/jbc_econ_monopoly_1.htm Interactive quiz on perfect competition found at: www.tutor2u.net/quiz/economics/jbc_econ_perfectcompetition_1.htm Extension material on natural monopoly found at: www.tutor2u.net/economics/content/topics/monopoly/natural_monopoly.htm Useful material on oligopoly found at: www.bized.co.uk/educators/16-19/economics/firms/activity/structure.htm More useful case studies for oligopoly can be found at: www.oligopolywatch.com</p> <p>Additional reading: Stimpson P — Markets and Competition, Business Review Volume 9, Issue 1, September 2002, pages 24-27</p>



Topic 3: What makes firms effective?

Week commencing	Subject area	Activity	Resources
	Different types of organisational structures	Students should look at the different types of organisational structures used by individual businesses. Examples might include a traditional organisational structure for an organisation operating in an established market. In contrast, students should also look at the organisational structure of a company that has had to react rapidly to competitive threat or the changing demands of customers in its marketplace. Are the operations decentralised or are there less levels of management so that decision making can be quicker?	Activity sheet 7 Additional resources: www.bized.co.uk/learn/business/hrm/structures/index.htm www.bized.co.uk/educators/level 2/people/activity/people12.htm www.thetimes100.co.uk/case-study--meeting-global-local-needs--89-236-1.php

Topic 3: What makes firms effective?

Week commencing	Subject area	Activity	Resources
	How managers can get the best from staff	Company case studies could be used to examine how managers use delegation, consultation, empowerment, team working, flexible working and Total Quality Management to get the best from their staff. Students should consider when these techniques may not be effective and why they may be used by a firm operating in a rapidly changing market.	Activity sheet 8 Case studies at: www.times100.com
	Productivity and efficiency	Students should consider how a business's capacity utilisation (capital and labour) affects their ability to deal with market change. The implications of under and over utilisation of capacity for the business and ways of improving capacity utilisation should also be covered.	Activity sheet 9



Topic 3: What makes firms effective?

Week commencing	Subject area	Activity	Resources
	Lean management	<p>Using a case study in the context of a business operating in a rapidly moving market:</p> <ul style="list-style-type: none"> • students should consider the advantages and disadvantages of Just in Time (JIT) management of stock • the competitive advantage of short product development lead-times • the competitive advantage of minimising the waste of resources. 	<p>www.tutor2u.net/business/production/just-in-time.html</p> <p>www.tutor2u.net/business/production/time-based-management-simultaneous-engineering.html</p> <p>Identify types of waste and potential ways of reducing it:</p> <p>www.tutor2u.net/business/production/introduction-to-lean-production.html</p> <p>Business case study:</p> <p>www.thetimes100.co.uk/support/view-pack--responsible-production--1-56.php</p>

Topic 4: Businesses big and small

Week commencing	Subject area	Activity	Resources
	Reasons for bigger businesses — increased market share profitability, sales turnover and power	It might be useful here to follow the changing nature of an industry over time, eg car manufacturing or food retailing, and use this to illustrate the theory. Both the above industries started out with many small firms and evolved into oligopolies with considerable market power.	<p>Activity sheet 10</p> <p>Useful website: www.tescopoly.com</p> <p>Additional reading:</p> <p>Marcoué I — Does Size Matter?, Business Review Volume 6, Issue 3, February 2000, pages 24-25</p> <p>Walsh J — Do Small Firms Create Jobs?, Business Review Volume 5, Issue 2, November 1998, pages 16-18</p>
	How increasing size affects costs	Students should consider the implications for businesses of economies of scale and falling average cost (ie links to competitive advantage.) They also need to consider the minimum efficient scale and diseconomies of scale.	<p>Activity sheet 10</p> <p>Additional resources:</p> <p>More causes of economies and diseconomies of scale can be found at:</p> <p>www.investopedia.com/articles/03/012703.asp</p> <p>www.tutor2u.net/business/gcse/production_economies_of_scale.htm</p> <p>www.tutor2u.net/business/gcse/production_diseconomies_of_scale.htm</p> <p>Additional reading:</p> <p>Harrison S — Economies of Scale , Business Review Volume 7, Issue 4, April 2001, pages 6-7</p> <p>Leiper N — Economies of Scale: Christian Salvesen, Business Review Volume 9, Issue 3, February 2003, pages 24-26</p> <p>Marcoué I — Does Size Matter?, Business Review Volume 6, Issue 3, February 2000, pages 24-25</p> <p>Romer S — Why do Firms Merge?, Business Review Volume 4, Issue 3, February 1998, pages 12-13</p>



Topic 4: Businesses big and small

Week commencing	Subject area	Activity	Resources
	How size affects market power	Students need to know the characteristics of monopoly/monopsony power effects of monopoly power on business and stakeholders and the disadvantages and advantages of these types of power.	<p>Activity sheet 11 — useful websites are listed on the activity sheet</p> <p>Additional reading: Marcoué I — Does Size Matter?, Business Review Volume 6, Issue 3, February 2000, pages 24-25 Romer S — Why do Firms Merge?, Business Review Volume 4, Issue 3, February 1998, pages 12-13</p>
	Small is beautiful	Students need to know why small businesses exist and flourish despite a lack of economies of scale. Some small firms flourish by exploiting niche markets and developing e-tailing to access wider markets. There are many practical examples out there.	<p>Activity sheet 10</p> <p>Additional reading: Cook M — Why Companies Choose to Shrink, Business Review Volume 7, Issue 4, April 2001, pages 32-33 Marcoué I — Does Size Matter?, Business Review Volume 6, Issue 3, February 2000, pages 24-25</p>

Topic 5: An uncertain future

Week commencing	Subject area	Activity	Resources
	Causes of uncertainty	Students need to know some of the causes of uncertainty for business, eg 9/11, war or natural disaster an unexpected action by a competitor; macroeconomic change exchange rate movements and government intervention.	Activity sheet 12 Additional reading: Eastcote N — Contingency Planning, Business Review Volume 12, Issue 4, April 2006, pages 8-10 Hammond A — Crisis Management, Business Review Volume 3, Issue 1, September 1996, pages 8-10 Lawell F — Change for Survival, Business Review Volume 11, Issue 3, February 2005, pages 12-13
	Why uncertainty is a problem	Students need to consider the potential effects of uncertainty on business planning and strategic decisions. They also need to understand that all businesses want to minimise uncertainty and risk.	Activity sheet 12 Additional reading: Cottrell D — World Oil Crisis, Business Review Volume 12, Issue 3, February 2006, pages 12-13 Rapley P — Five Forces Analysis, Business Review Volume 12, Issue 2, November 2005, pages 32-34 Rees D — Business in the Next Recession, Business Review Volume 11, Issue 2, November 2004, pages 22-23



Topic 5: An uncertain future

Week commencing	Subject area	Activity	Resources
	How businesses can try to reduce uncertainty	<p>Students need to know how businesses use the following to try to reduce uncertainty: macroeconomic indicators planning research and development (R and D) a market orientation and market research.</p> <p>It is important to stress that macroeconomic indicators and/or market research hold many pitfalls for the unwary business.</p>	<p>Activity sheet 12</p> <p>Additional reading: Eastcote N — Contingency Planning, Business Review Volume 12, Issue 4, April 2006, pages 8-10 Swift I — A Study in Contingency Planning, Business Review Volume 6, Issue 1, September 1999, pages 8-9</p>

Topic 6: How does macro-economic change affect business?

Week commencing	Subject area	Activity	Resources
	What is the economic cycle?	Students need to know the cycle of changes in growth and output of Gross Domestic Product. Through case studies, students should consider the implications for business of the stages of the economic cycle. They need to analyse why some businesses are affected more than others by the economic cycle, and in different ways. Real and nominal values.	<p>Activity sheet 13</p> <p>Additional resources: For the latest data on economic trends: www.statistics.gov.uk/ www.hm-treasury.gov.uk/index.cfm www.bized.ac.uk</p> <p>Additional reading: Wall N — Understanding the Business Cycle, Business Review Volume 2, Issue 2, November 1995, pages 21-23</p>
	How does inflation affect us all?	Students need to know how inflation contributes to business uncertainty re-distribution of wealth loss of competitiveness and skills shortages.	<p>Activity sheet 14</p> <p>Additional resources: Interactive quiz on the costs of inflation: www.bized.co.uk/virtual/bank/economics/mpol/inflation/costs/quiz1.htm A worksheet on the cost of inflation: www.bized.co.uk/virtual/bank/economics/mpol/inflation/costs/worksheet1.htm</p> <p>Additional reading: Harrison S — Inflation, Business Review Volume 6, Issue 4, April 2000, pages 30-31</p>



Topic 6: How does macro-economic change affect business?

Week commencing	Subject area	Activity	Resources
	What is unemployment and how does it affect us all?	Students need to know the different types of unemployment, its costs to the economy, the opportunity and social costs. The changing nature of employment involves not just changes in occupational trends but also changes in who works and how we work. Students need to appreciate that economies are in a constant state of change and that the resultant structural changes have far reaching consequences for business. A look at how employment in the local area has changed over the last 50 years would be useful. Students should also consider how the nature of local businesses has changed.	Activity sheet 15 Additional resource: A search for structural change on www.hm-treasury.gov.uk provides some useful material. Additional reading: Boden A — UK Business in a Low Unemployment Environment, Business Review Volume 8, Issue 3, February 2002, pages 20-22
	What is structural change?	Students need to consider the development of an economy over time the changing nature of employment and output patterns.	Activity sheet 15 Additional reading: Boden A — Economic Growth, Business Review Volume 9, Issue 1, September 2002, pages 28-30
	What are the implications for business?	Students need to consider how a business may respond and adapt to changes in the economy the implications of changes for the future and the rise of the knowledge economy.	Activity sheet 15 Additional resource: For information on the knowledge economy: www.esrcsocietytoday.ac.uk/ESRCInfoCentre/facts/index4.aspx Additional reading: Boden A — Economic Growth, Business Review Volume 11, Issue 1, September 2004, pages 34-37

Unit 2b: Business Economics

Activity sheet 1 — The Nature and working of markets

Task 1 — The dynamic nature of markets

Students should split into pairs and be allocated a newspaper or magazine to work through, in order to highlight/cut out any articles related to changes in different markets, eg reduced regulation on EU-US airline routes encouraging greater competition and the emergence of new airlines. Articles can be mounted as a collage for a display.

Task 2 — Understanding demand and supply

a) Take a poll of the class to complete the following table, which will show the relationship between the price of a can of cola and the quantity of cans that the class would buy.

Price of a can of cola	Quantity demanded
10p	
40p	
80p	
£1	
£2	

b) Plot the information on a set of axes, with quantity demanded on the x-axis and price on the y-axis. Students should label their graph as a demand curve and note that it slopes downwards.

c) Follow up the graph by asking students to discuss what would happen to the position of the demand curve if:

- everyone’s income quadrupled
- there was a strong and successful advertising campaign for the drink
- the government announced that drinking cola caused cancer of the stomach
- the price of lemonade dropped significantly
- the price of cola fell. (Most students will say that the demand curve will move to the right, but they need to be aware that a change in price leads to a movement **ALONG** the existing demand curve and does not cause a shift.)

d) Take another poll of the class to complete the following table, which will show the relationship between the wage/price per hour received working in a local café on a Saturday and the number of students that would take the job.

Price per hour	Quantity supplied
£1	
£3	
£5	
£7	
£10	



e) Plot the information on a set of axes, with quantity demanded on the x-axis and price on the y-axis. Students should label their graph as a supply curve and note that it slopes upwards.

f) Follow up the graph by asking students to discuss what would happen to the position of the supply curve if:

- they now had to pay £3 to travel to the café
- the wages received by babysitters was significantly higher than those received by cafe workers
- the work experience gained by working in the café counted for an extra 20 per cent in their GCE in Business and Economics
- the café doubled in size and they would have to work harder for their money.

Point out to students that they can remember which way the curves slope by remembering demand down, supply to the sky.

Activity sheet 2 — The Working of Markets

Task 1 — Determining the market equilibrium

Plot the following demand curve and supply curve for roses on a set of axes, remembering that quantity goes on the x-axis and price on the y-axis.

Price of roses	Quantity demanded
£10	2
£8	4
£6	6
£4	8
£2	10

Price of roses	Quantity supplied
£10	10
£8	8
£6	6
£4	4
£2	2

- At what price does demand equal supply?
- How many roses are sold at this price?

The price at which demand equals supply is known as the market clearing price.

Task 2 — Analysing the impact of changes in demand and supply

- Draw four market diagrams (ie diagrams that show a demand and a supply curve).
- On the first diagram, show the effect of an increase in demand on the equilibrium price and quantity.
- On the second diagram, show the effect of an increase in supply on the equilibrium price and quantity.
- On the third diagram, show the effect of a decrease in demand on the equilibrium price and quantity.
- On the fourth diagram, show the effect of a decrease in supply on the equilibrium price and quantity.



- f) For each of the following scenarios, you must decide whether the scenario will lead to a shift in the demand curve or the supply curve, and whether this shift represents an increase or decrease in demand/supply. Draw a market diagram in each case.
- i) The market for ice cream in a period of cold weather.
 - ii) The market for bus journeys following the introduction of expensive road-charging on cars to tackle congestion.
 - iii) The market for DVDs following the introduction of new technology that increases the speed at which they can be made.
 - iv) The market for holidays to Kenya following a general fall in the average income per household.
 - v) The market for tea following a highly successful advertising campaign by high street coffee shops.
 - vi) The market for oranges following the removal of taxes on imports of fruit.
 - vii) The market for ready meals following an increase in the number of families with both parents in full time employment.
 - viii) The market for flights following the incidents on 9/11.

Task 3 – The impact of changes in demand and supply for businesses

- a) Using demand and supply analysis, discuss the impact on businesses running cruise ship holidays of two cruise ships sinking in the Caribbean in a particular summer. Will other businesses gain?
- b) Using demand and supply analysis, discuss the impact on businesses supplying medicines of the removal of their patents by the government.
- c) Using demand and supply analysis, discuss the impact on businesses selling fur clothing of increased animal activist demonstrations.

Activity sheet 3 — Price elasticity of demand

Task 1 — Understanding differently sloped demand curves

The teacher should draw 2 demand curves one steep and one relatively shallow. Students should then be asked to think about the characteristics that products may have for each type of demand curve, as follows:

Steep curve

- Highly addictive
- Necessity
- No/few alternatives
- Highly fashionable

Shallow curve

- Luxury
- Many alternatives
- No/little brand loyalty
- Non-addictive

Task 2 — Applying the concept of PED

The teacher should state that steep demand curves are associated with goods that have a price inelastic demand, ie demand is unresponsive to a change in price, and that shallow demand curves are associated with goods with a price elastic demand, ie demand is highly responsive to a change in price.

Students should then, in small groups, be given picture cards of a variety of products, and asked to rank them from most price inelastic to most price elastic. Some examples that could be used are given below. This can then lead to a wider class discussion.

 <p>Box of matches</p>	 <p>Diamonds</p>	 <p>Holiday at Butlins</p>
 <p>Cinema tickets</p>	 <p>Packet of spaghetti</p>	 <p>4-wheel drive car</p>



Task 3 – Introduction of the PED formula

Students should be introduced to the formula:

$$\text{PED} = \frac{\% \text{ change in quantity demanded}}{\% \text{ change in price}}$$

They should also be informed of the following:

Demand is price elastic if the value of the elasticity is greater than 1. This means that a small change in price leads to a large change in quantity demanded.

Demand is price inelastic if the value of the elasticity is less than 1. This means that a large change in price only leads to a small change in quantity demanded.

Demand has unitary elasticity when the value of the elasticity is exactly equal to 1. Price changes have no effect

Example

Original price of CDs = £14.00. New price of CDs = £15.40

Original quantity of CDs demanded = 5 per month. New quantity of CDs demanded = 4 per month.

% change in price = $(£1.40 \div £14.00) \times 100 = 10\%$

% change in demand = $(1 \div 4) \times 100 = -25\%$

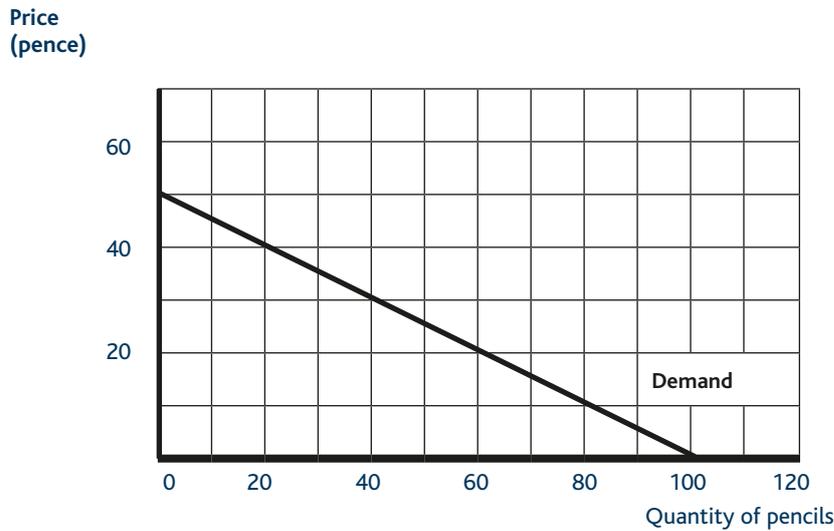
PED = $-25\% \div 10\% = -2.5$ (ignore the minus sign) — therefore elastic

Practice questions

- Original price of petrol per litre = £0.80. New price of petrol per litre = £0.88
Original quantity of demanded = 20 litres per week. New quantity of demanded = 19 litres per week
% change in price = _____? % change in demand = _____?
PED = _____? **Elastic or inelastic?**
- When the price of petrol increases 30% and the quantity of petrol bought falls by 5%, what is the PED?
- When the cinema charged £5 per ticket it made £450. When the price fell to £3 it made £498. What is the PED?
- The PED for tomatoes is estimated to be (-)0.4. A 20% increase in price will _____ the quantity demanded by _____%.
- What does it mean if the PED for text messages is (-)2.0?
- A shop increases the price of apples from 16p to 20p each and the weekly sales fall from 1200 to 800. Calculate the PED.

Task 4 – The Implications of PED for Total Revenue

Look at the following demand curve for pencils



Questions

1. Calculate the PED when the price goes down from 40p to 35p.
2. Is this price elastic or price inelastic?
3. Calculate the Total Revenue earned when the price was 40p (remember: revenue = price x quantity).
4. Calculate the Total Revenue earned at the new price of 35p.
5. What has happened to the Total Revenue as the price has fallen?
6. What can you conclude about the link between total revenue and elastic PED?
7. Now think about the market for petrol. Suppose the price falls from 90p a litre to 80p a litre, and quantity demanded increases from 40 litres per household per week to 42 litres per household per week. Calculate the PED.
8. What was the Total Revenue at a price of 90p? What about the total revenue at the new price of 80p?
9. What has happened to the Total Revenue as the price has fallen?
10. What can you conclude about the link between total revenue and inelastic PED?



Activity sheet 4 — Income elasticity of demand

YED describes the rate of change in the D for a good as a result of a change in people's real disposable income. It is measured by the income (Y) elasticity of demand.

$$\text{YED} = \% \text{ change in demand} \div \% \text{ change in income}$$

As you would expect, as income increases people spend more money on most goods and services, so demand increases.

1. Can you think of any examples of goods or services for which the demand might be less when incomes rise?
2. The demand for 4x4s in the UK has increased from 20,000 to 25,000 in the last year, following an average annual increase in income of 15%. Calculate the YED for 4x4s in the UK.
3. The demand for bus travel in the south east has fallen from 12,000 passengers per week to 9,500, following an increase in income of 10%. Calculate the YED.
4. Explain why the YED in Question 3 is negative.
5. State whether you would expect the following goods to have a positive or negative YED:
 - a) Ben and Jerry's ice cream
 - b) Tesco Value pasta
 - c) flights to the Caribbean
 - d) beauty salon treatments
 - e) coach travel.
6. What might companies producing goods that have a positive YED need to do at times of recession (when the level of income in an economy is falling)?
7. Suggest reasons why companies continue to make goods that have a negative YED despite continued economic growth in the UK (resulting in a rise in average incomes).

Activity sheet 5 — The influence of competition

Task 1 — A Simulation Game

Split students into small groups in which they will act as businesses. Ask students to choose an industry that they wish to represent. Randomly select one group to be the initial sole company (ie monopoly) in the market. Remind this group that their aim is to earn as much profit as they can, before asking them to decide on a price that they would sell their product at.

Gradually introduce each group into the simulation, asking them to decide how they are going to ensure that they earn at least as much profit as existing firm(s). They will need to consider price and non-price competition, and are not allowed to collude. What can they conclude about the impact of competition on price? As an extension question, you could ask them to consider what might happen if they were allowed to collude as companies.

Task 2 — Use of Market Diagrams to Analyse the Impact of Competition

Ask students to draw individually a market diagram to represent the industry in which they have just 'competed'. Ask them to show the effect of each new company joining the industry (they should find they have successive supply curves moving to the right).

- a) What is the impact on price and the total level of output in the industry as competition increases?
- b) Can price ever fall to zero?
- c) Can output continue to increase forever?
- d) What factors prevent price from going too low?
- e) How can firms compete with each other without lowering prices?



Task 3 – Examples of competitive practices

This is a research task which students should carry out in groups. They can be allocated one topic each to investigate, or more than one if time permits. Their findings should then be presented back to the whole class, either formally (eg PowerPoint) or informally.

- a) **The changing music industry.** We have moved very quickly from tapes, to CDs, to downloads and MP3s. What has caused this rapid development? What has been the impact on the music industry (recording studios, music retailers etc)? Has there been the effect on prices that we normally see with competition?
- b) **The long tail.** Online retailers, such as Amazon, have seen massive growth in recent years. Much of their growth is due to their ability to stock and supply virtually anything that could be demanded by consumers and that is not available in high street shops. Why can most high street retailers not stock everything that is demanded by consumers? How has technology enabled this change? Who are the big winners and who are the big losers? Can all businesses follow this model?
- c) **The low-cost airline industry.** Since the mid 1990s there has been a rapid growth in low-cost airlines, mainly as a result of deregulation by the EU. Companies such as Ryanair and Easyjet are highly profitable. What are the features of the low-cost airline market? How have companies, such as BA, continued to do well in the face of this fierce competition? What has happened to the number of companies offering low-cost flights?
- d) **The rise of the high street coffee shop.** Probably only 10 years or so ago, companies such as Starbucks were only found in the backstreets of London. Today, however, most town centres host a variety of coffee shops. What has led to this change from being a nation of tea-drinkers to a nation of coffee-lovers? How do the various coffee shops continue to survive? How do they compete?

Activity sheet 6 — The Spectrum of Competition

Information page: The information on this page is for reference purposes so that the accompanying tasks can be carried out.

	CHARACTERISTICS	DEGREE OF COMPETITION	DEGREE OF EFFICIENCY	PRICE
MONOPOLY 	25%+ of market share Price makers Profit maximising Abnormal profits made High barriers to entry Lack of competition = inefficiency	Low	Low	High
OLIGOPOLY  	Few firms control majority of the market share High barriers to entry Oligopolists are interdependent Possible existence of cartels Non-price competition/Product differentiation	Med/Low	Med/Low	Med/High
MONOPOLISTIC or IMPERFECT COMPETITION  	Large number of small buyers and sellers No or few barriers to entry Perfect knowledge/information Goods are non-homogenous	Med/High	Med/High	Med/Low
PERFECT COMPETITION 	Large number of small buyers and sellers No barriers to entry Perfect knowledge/information Goods are homogenous Price takers No abnormal profits made	High	High	Low

Task 1 — Applying the terminology

Each student should be given a sheet of A3 paper, which they should divide into four, with each section labelled as either monopoly, oligopoly, imperfect or perfect competition. In each section, they should write down examples of industries/markets which have many of the characteristics of that particular market structure. The examples given in the previous table will help as a starting point.

Monopoly	Oligopoly
Imperfect competition	Perfect competition



Task 2 – Investigating monopoly

How do monopolies get their position as monopolists?

Monopolies keep their power by putting up 'barriers to entry'. A **barrier to entry** is an obstacle that either deters or prevents new competition from entering the market for a particular good or service.

Students should write a two page report covering the following areas:

- explanations of five different types of barriers to entry
- examples of industries or businesses putting up these barriers to entry exist.
- are these industries examples of monopolies?

There are a variety of resources that can be used, including www.bized.co.uk, www.tutor2u.net, and all economics textbooks.

Task 3 – Investigating oligopoly

In some oligopolistic market structures, all businesses produce essentially homogenous goods, whilst in others they produce goods which are differentiated in some way. In the first category, we often see periods of heavy price competition (price wars) and also collusion/cartels. In the second category, we tend to see a huge effort being made in terms of branding and other forms of non-price competition.

Students should be made aware of these features and then asked, in pairs, to investigate some of the following examples of oligopolistic behaviour. They should produce an A4 sheet that can be wall mounted, in order to create a display featuring oligopoly. Their sheet should, as a minimum, contain information on:

- the particular market in terms of the market shares of various companies/concentration ratios
- evidence of price wars
- evidence of collusion
- evidence of non-price competition
- evidence of price-leadership
- whether the market is becoming more or less concentrated (as evidence of barriers to entry and aggressive pricing)
- profitability of the industry.

The examples that could be used include:

- the market for beer (for example, the recent push for organic beer and competition from cider) and non-price competition
- price fixing of football shirts the numerous petrol price wars, usually started by supermarkets
- price fixing of children's games (business.guardian.co.uk/story/0,3604,899174,00.html)
- collusion between high street banks
- non-price competition amongst high street coffee shops
- competition between grocery retailers/supermarkets.

Activity sheet 7 — Different types of organisational structures

Task 1 — Organisational structures

The structure of any organisation will depend on a number of factors:

- what it does
- how it does it
- whether or not it operates in one place or on several sites
- its size
- how quickly it has to react to a competitive threat or the changing demands of its marketplace.

Carry out some research into how your school/college is organised. What departments or sections does it have? Is there an organisational chart that summarises its structure? If there is, is it up to date? Does it contain names of who holds which posts? (If not, update the chart and/or add names against posts.) If there is not a chart, construct one to show the organisation and hierarchy.

What are the roles and responsibilities of each member of the teaching staff? How are these divided into teaching and non-teaching responsibilities? How is the administration of your school/college organised — who are the key personnel and what are their main tasks?

- Who is at the top of the hierarchy?
- Who is at the bottom?
- How many layers are there in the chart?

Task 2 — Staffing

In small groups research, and visit, three local businesses to find out how they manage their staffing to meet changing business demands. Try to select different types of business eg retail shops, factories, local council, professional offices, charities. Draw up a table to illustrate your findings and present this to the rest of the group.

	Organisation 1	Organisation 2	Organisation 3
Type of business			
Organisational structure			
How teams are organised			
Staffing levels			

Task 3 — Meeting global and local needs

Using the attached link research how Siemens has organised itself to meet global and local customer needs. What can you comment on regarding its organisational structure?

www.thetimes100.co.uk/case-study--meeting-global-local-needs--89-236-1.php

Activity sheet 8 — How managers can get the best from staff

The Yellowfin Restaurant is about to move from a city centre site to newly refurbished property on the quayside at Seatown. The owners want the new working environment to reflect this phase in their expansion and have decided to set up team working based upon the staff who work during the day those who work and in the evening. This is a complete change to the previous pattern of working and will require careful handling to ensure it is successful.

Carlos and Zophia have discussed their ideas with friends and agree that the best way to introduce team working is to have a friendly meeting with all staff in a relaxed environment away from the restaurant. They have asked for your help in drafting notes of the points they should cover during this meeting. Prepare this briefing paper showing the main points to discuss:

- the benefits of working as part of a team
- how their specialist skills can combine to provide a more efficient service to customers
- what is required of each person once they become a team member
- what will be gained from increased flexibility
- ways to share problem solving and encourage ideas
- methods of rewarding individual efforts and team achievements
- how customers are likely to react to the improvement in the atmosphere and service.

Finally, Carlos and Zophia would like to hold the first training session next week.

Task 1

Suggest an interesting activity they could use as a team building exercise. Why might the team building exercise you have suggested not work?

Task 2

Define the following business terms in a business textbook or business dictionary

Delegation

Consultation

Empowerment

Total Quality Management

How might using these techniques make a business more effective?

Under what circumstances might their use be ineffective?



Activity sheet 9 — Managing the provision process

Operations management is all about how organisations produce goods and services. A friend who wants to set up a café has asked for your help.

Task 1

In small groups, visit two or three local cafés (you can include a well known fast food chain such as MacDonalds and compare this with a small privately owned café). Observe how they operate, where the customers go, how staff interact with them, the size, how the café uses its and space, the variety of products it offers.

- a. the inputs and outputs?
- b. transformation process is it?
- c. production system.

Inputs include:

- finance
- renewable resources
- consumable resources
- human resources
- finished products from another process
- skills
- technology.

Outputs include:

- finished products
- services
- combination products
- rejected products
- waste products.

Wild (1985) identifies four main types of transformation process:

- changing raw materials into finished products (manufacture)
- changing ownership of materials or stocks (supply)
- changing the place of items (transport)
- changing the state of the customer (service).

Task 2

Carryout research information to complete the following table to describe operations in terms of their processes

Operation	The process inputs	The operation's processes	The process outputs
Furniture manufacturer			
Hospital			
Supermarket			
Airline			

Task 3

Working in groups, prepare a short PowerPoint presentation for your friend which explains the concept of capacity utilisation and, giving examples, explain how it is measured. Suggest ways for coping with demand fluctuation at a café which has once been popular but now has a competitor that has opened nearby. What ways could be used to improve the cafe's capacity utilisation?

Deliver your presentation to the rest of the class for discussion.



Activity sheet 10 — Why businesses expand

Task 1 — Motives for expansion

Read the following extract about the expansion of Tesco and other large retailers on the high street. Use it as a basis for discussing why companies such as Tesco continue to expand.

Small retailers revolt over the 'Tesco-isation' of the high street

Adapted from an article by Susie Measure, published 19 October 2005 at news.independent.co.uk/business/analysis_and_features/article320579.ece

Let us fast-forward 10 years. It's Saturday morning and you have some friends coming round for dinner. For a change, you decide to pop to the shops rather than dial up your order on your latest palm-sized computer. You pause, thinking back to when your nearest organic butcher and greengrocer would have provided all the inspiration and ingredients you needed, remembering ruefully the day they shut down. In fact, most of the shops nearby have closed down. These days the high street is all mini-casinos and European-style cafés. You sigh as you set off, in your car — of course — to your nearest Tesco.

If this is what shopping in Britain is destined to be like in 2015 then Jim Dowd, the Labour MP for Lewisham, wants to know. He is chairing an inquiry into the retail sector by an all-party group of MPs to determine whether the latest bout of supermarket sweep being played out by Tesco and Sainsbury's is bad news for consumers.

Yesterday was the turn of small shopkeepers to fight their cause against what Mr Dowd has dubbed the 'creeping centralisation' by retailers such as Tesco of the UK's high streets. David Rae, the chairman of the Association of Convenience Stores (ACS), painted a picture of communities with their hearts ripped out if the Government continues to ignore the plight of local stores in favour of the Big Four (Tesco, Asda, J Sainsbury and Wm Morrison). 'The Office of Fair Trading is content that competition means competition between the four major grocers in any one area,' he told the hearing.

Steve Parfett, who runs the Landmark group of wholesalers, labelled the Big Four a 'cartel' for the way they have free rein to carve up the grocery market between themselves. His members are worried they will have no shops to serve if small convenience stores continue to close at the current rate of 2,000 a year.

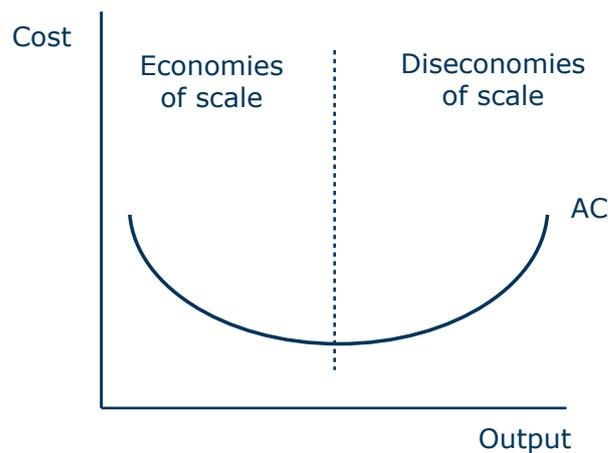
As Ian Proudfoot, who runs the North Yorkshire-based, five-strong Proudfoot chain of supermarkets, argued in his submission, small shopkeepers cannot fight below-cost selling. This is when big groups — Tesco in his case — use their buying power to offer significant discounts in specific areas to promote a new store. Early last year, Tesco offered £8 money-off vouchers for every £20 spent in their new Withernsea store near Hull — a 40 per cent discount across a range of products. 'Whereas we used to be a thriving part of the high street, we are now a marginal business,' Mr Proudfoot said. 'My predicament is caused directly by Tesco using their scale — something I am unable to match — directly against me.'

Task 2 – Advantages and disadvantages of large companies

Having identified some motives for expansion, such as increased profitability and greater market share, students should now investigate the implications of expansion for costs.

The first item of reading material below indicates some of the benefits that large companies enjoy, whilst the second refers to some of the ways in which large companies may face increasing costs due to their size.

Students should read the articles, and note down factors that contribute to falling average costs (economies of scale) and factors that contribute to rising average costs (diseconomies of scale) onto a pre-printed A4 handout that looks as follows:



Advantages of being a large producer

A recent search on the internet resulted in me finding a brand new computer keyboard for sale for less than £5 and a laptop for less than £400. Such low prices indicate that companies must be able to keep costs very low, in order to maintain a profit margin. How do they do this?

A key reason is that companies produce these items in vast quantities — they are able to purchase their raw materials and components in bulk, therefore negotiating huge discounts and savings on delivery costs. Large companies will have purchasing teams dedicated to finding the lowest prices for these components, no matter where they are produced in the world; small firms simply do not have these resources at their disposal. These specialist teams ensure that less time is wasted compared to non-specialist workers in small firms — as Gordon Gecko would say, time is money.

Large companies are also more likely to have automated and efficient production processes developed by in-house research and development teams. Developing these processes may be expensive, but with massive production runs, the savings soon stack up. Large companies can also use expensive machinery 24 hours a day, 7 days a week if required; small companies simply cannot compete with this, as there is not enough demand for their products to require such large production runs, and not enough workers available to man the equipment.

All of these factors combine to ensure that large companies can reduce their costs of production and deliver quality items at a low price to customers.

**Disadvantages of being a large producer**

Back in 2003, John Caudwell, the CEO of Phones 4U, took the decision to ban his staff from using email. His reasoning for this was that staff were spending too much time 'chained to their computer', rather than communicating effectively with clients and other employees. He estimated that this move would save the company around £1m every month in lost productivity.

Caudwell's problem was one faced by many large companies around the world. Large companies can sometimes get too large, becoming faceless, bureaucratic organisations. The sheer size of many companies means that people can feel under-valued as they never see the consequences of the work that they do as tiny cogs in a large machine. Work completed by one person may often be duplicated by someone elsewhere in the organisation, as a lack of communication hinders knowledge sharing. This wastes time and reduces productivity.

A recent survey by RightCoutts of 2000 workers around the UK found that 50% of workers had never had a conversation with their boss. Failure of management to communicate can lead to lower morale and motivation, resulting in greater staff turnover and increased customer complaints, all of which can raise costs.

Task 3 – The role of small businesses

Most businesses in the UK are classified as small businesses. At the start of 2005, there were roughly 4.3 million businesses in the UK, of which 99.3 per cent were officially classified as 'small' (ie having 1 to 43 employees). Only 6000 were considered to be large (ie having over 250 employees). (Source: www.dtistats.net/smes/sme/smestats2005-ukspr.pdf.) Small and medium sized businesses (SMEs) accounted for over half of all employment and turnover.

Students should start by constructing a list of the types of industry that they think are comprise small businesses eg agriculture. They should then write down why they decided on those industries, ie why it is important that they are characterised by small businesses and the benefits that this brings. Each student should then select one reason and write it in large letters on a sheet of A4 paper. Reasons should then be collated by the teacher, who can arrange them in a collage on the wall to represent class views.

This activity covers a multitude of learning styles and is therefore appropriate for a large group.

Activity sheet 11 — Size of businesses and market power

This activity is intended to be a brainstorming and research activity, in which students investigate the strengths and weaknesses of market power, both in terms of monopoly and monopsony.

Examples of monopoly that could be used are Microsoft, local train services (local monopoly), local utility companies (especially water), and British Telecom.

Examples of monopsony that could be used are the NHS (virtually sole purchaser of pharmaceuticals and healthcare workers), the state education system (virtually sole purchaser of teachers and other education workers), and Tesco (significant purchasing power with respect to items such as milk and other UK products).

Students should be allocated one industry to investigate, either a monopoly or monopsony. Their first task is to think of, and write down in a table, the strengths and weaknesses of their industry's market power. For example, a strength of Microsoft Windows operating system is that the majority of people know how to use it, so even if you change jobs or move to a different country it is familiar. However, a weakness is that they are able to charge high prices. A strength of the NHS as a monopsonist is that there is a clear career path for many healthcare workers, which can reduce uncertainty. However, workers are subject to low wages because they have no alternative place of work.

Students should then expand on this by researching the strengths and weaknesses of the market power achieved by their industry, including as many case studies as they can.

Useful sources of information include:

- www.tescopoly.com (information on Tesco)
- www.richmond.ac.uk/bne/RogerClarke.pdf (information on supermarket power)
- www.bized.co.uk/compfact/kettleby/ket10.htm (case study of Tesco's monopsony power over Kettleby Foods)
- www.bized.co.uk/dataserv/chron/news/2134.htm (information on supermarket abuse of monopsony power in the milk industry)
- www.theregister.co.uk/2003/10/20/microsoft_monopoly_says_apple_monopoly/ (information on Microsoft)
- librenix.com/?inode=1059 (information on Microsoft)
- www.swlearning.com/economics/policy_debates/microsoft.html (information on Microsoft)
- news.bbc.co.uk/1/hi/special_report/1998/04/98/microsoft/80303.stm (information on Microsoft)
- www.abhi.org.uk/multimedia/downloads/2007/Med_tech_industry_brief.doc (information on monopsonistic behaviour by the NHS with respect to medical devices)
- www.healthmatters.org.uk/issue45/lowhospitalpay (low NHS pay)
- www.guardian.co.uk/comment/story/0,,922096,00.html (low NHS pay).



Activity sheet 12 — The role of uncertainty

Before starting this activity, students should be made aware of the following definitions:

Uncertainty means that there exists a range of possible future outcomes, but we do not know which one will actually happen.

Risk requires knowing the probability of each of the possible future outcomes and the impact that the occurrence of each one would have. Most businesses aim to reduce their risk.

Students should be split into groups representing different businesses. Examples of that could be used include:

- TravelFar — a UK-based holiday provider specialising in holidays outside of Europe
- Oilrig — a global, vertically integrated oil company, with services ranging from oil exploration right through to selling petrol
- UKCar — a British car manufacturer specialising in high specification cars produced mainly for export
- Vitahealth — a European manufacturer of vitamins and health supplements, with production facilities in the UK and elsewhere in the EU.

The teacher should then read out a selection of scenarios, allowing time between each scenario for the groups to consider the potential impact of the scenario on their business. Possible scenarios and questions that students could consider are given below. If the teacher feels it is necessary, they can give students, in advance of this activity, a list of risk minimisation actions that many companies adopt. A list of examples is given at the end of this activity.

Possible scenarios

- Escalating war in the Middle Eastern countries of Iran and Iraq
- A strong bout of inflation in the UK economy
- A strengthening pound
- Rising sea levels due to global warming, affecting many low-lying countries
- A surprise result in a UK general election, resulting in a strong left wing party Coming into power
- A terrorist attack on all major stock exchanges around the world, resulting in Closure of the exchanges for several months
- A radical increase in taxation on car usage in the UK

Possible questions

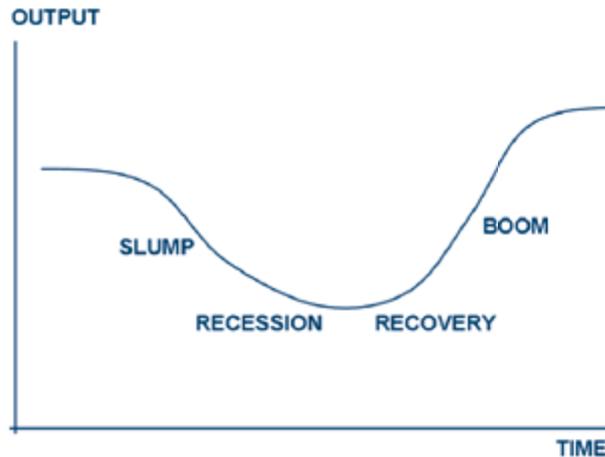
- Will the scenario have an immediate impact on my company? If so, what will this be? (Remember, the impact could be positive or negative)
- Will the scenario have a long-term impact on my company? If so, what will this be? (Again, the impact could be positive or negative)
- What actions should my company take to reduce any negative impact?
- Is there anything my company could do to prevent a repetition of this scenario causing problems in the future?

Risk minimisation measures

Measure	How it works
Diversification/range of revenue streams	Can ensure that a company continues to be profitable even if one area of the business faces losses due to external events.
Extensive market research	Allows the business to stay a step ahead, and therefore able to alter production/selling approaches as demand conditions change. Also allows companies to know which revenue streams will continue to be profitable following external shock to the economy.
Collaboration with competitors/ external economies of scale	As the saying goes, 'two heads are better than one' — threats and weaknesses spotted by one firm may be shared, thus preventing losses.
Research and development of new processes and products	Similar to diversification. Development of new ideas ensures that future threats to the business may pose less risk, as there is a future variety of revenue streams. It may also allow businesses to develop alternative production techniques eg reduced reliance on fossil fuels should there be an oil crisis.
Development of business continuity plans and other forms of future planning	These are useful if the business fails to predict future change and external shock, as they will already have considered possible alternatives and approaches which can be implemented quickly.

Activity sheet 13 — The economic cycle and its impact on business

Students should be introduced to the concept of the economic cycle — most will be familiar with terms such as recession and boom from the media. It is useful to show them the economic cycle in diagrammatic form, as follows.



Task 1 — Features of booms and slumps

Students this task requires the preparation of some flash cards in advance. Students should work in pairs or threes. Each flash card should contain one characteristic. Students should sort them into two piles, one for boom and one for slump. Example flash cards are given below, although more could be added to this list depending on the ability of the class.

Boom	Slump
Low unemployment	High unemployment
High income per head	Low income per head
Inflation	Low inflation
Limited spare capacity	Lots of spare capacity
High investment levels	Low investment levels
Low government spending	High government spending
High retail sales	Low retail sales

Task 2 — Determining which businesses are affected and when

a) Students should start by getting grips with what is meant by leading indicators, lagging indicators and coincident indicators of the economic cycle. The teacher should give students a list of indicators and ask them to decide into which category they fit. Some ideas are given below (although different economists will often disagree about their classification).

Leading	Coincident	Lagging
Orders for investment/capital goods	GDP	Unemployment
Construction orders	Payroll/wages	Interest rates
Consumer confidence	Capacity utilisation	Inflation
Share prices	Inflation	
	Consumption	

b) Students should now consider at which point the economic cycle the following industries are likely to reap higher profits:

- Stock Exchange
- high street fashion clothing retailers
- builders
- banks
- manufacturers of capital goods, eg JCBs, steam turbines, printing presses.

c) Students should now consider which of the following business types/industries are most likely to be affected by movements in the economic cycle. They could rank them from most affected to least affected (there may be some debate over this in class which should be encouraged).

Business types/industries:

- car dealerships
- cigarette manufacturers
- newspaper/media companies
- designer clothes shops
- UK-based campsites
- providers of luxury touring holidays to South America
- plumbers
- bookshops
- mortgage providers.



Activity sheet 14 — Real and Nominal Values

Task 1 — Introduction to the concept

A good way of describing why it is useful for an economist to use real numbers is given below. The teacher should begin the session by outlining this scenario.

Imagine that you are trying to work out how much chocolate has been consumed in your household, both last year and this year, in order to work out whether your family has become healthier or less healthy.

The first approach you might adopt would be to collect all the household shopping receipts and add up the amount of money spent on chocolate last year and this year. This might show that £100 was spent on chocolate last year and £110 this year. You may conclude that your family is, therefore, unhealthier as they have consumed £10 more chocolate this year.

However, this would be incorrect. The price of chocolate may have increased, so the extra amount spent on chocolate could simply be due to price rises and nothing to do with how much chocolate you and your family have really eaten.

If the rate of inflation was 10 per cent over the course of the last year, then this means prices have increased by 10 per cent. So, if you have spent £110 on chocolate this year compared to £100 last year, you have actually bought the same amount of chocolate — it just costs more in the shops. This means that whilst it appears you have eaten more chocolate, your family's **real** consumption is unchanged.

Economists have to work out real values all the time, in order to allow them to compare changes in economic variables such as consumption over time.

Task 2 — Calculating real numbers

Whilst students are rarely asked to do this in an examination, getting them to work through a practical example of how real numbers are worked out is incredibly useful. Help them to understand their importance and relevance in economics.

An obvious way in which real numbers are useful is in relation to interest rates. People will only save their money in a bank if they are sure that the interest rate is greater than the rate of inflation; if it is not, they'd be better off spending the money. Ask students to copy and complete the following table. The first column has been completed as an example.

Amount of money saved	£1000	£2500	£300	£5125
Rate of interest	4.5%	3.25%	5.75%	8%
Rate of inflation	3%	4%	5.5%	10%
Nominal amount of money saved at end of year	1000 × 104.5 = £1045 100			
Real amount of money saved at end of year	1045 × 97 = £1013.65 100			

Task 3 – Investigating the costs of inflation

This can be done as a one lesson research task and there are many articles available on the internet. Some useful sources are given below as a starting point:

news.independent.co.uk/business/analysis_and_features/article2171684.ece

www.bized.co.uk/virtual/dc/copper/theory/th20.htm

www.bized.co.uk/virtual/bank/economics/mpol/inflation/costs/expl.htm

www.bized.co.uk/virtual/bank/economics/mpol/inflation/costs/theories.htm

www.bized.co.uk/virtual/bank/economics/mpol/inflation/costs/worksheet1.htm

www.tutor2u.net/economics/content/topics/inflation/costs_of_inflation.htm



Activity sheet 15 — Unemployment

Task 1 — Using the basic terminology

Students should be given definitions/examples of the following types of unemployment:

- structural
- regional
- cyclical
- seasonal
- classical
- frictional
- demand-deficient/Keynesian.

They should then read the following excerpts and classify each as one (or in some cases more than one) of the above unemployment types.

<p>Deshawn I used to work in a department store in central New York. The American economy is on the verge of recession though, and people just weren't spending enough money in the shops I lost my job as a result. Answer:</p>	<p>Sally I graduated fairly recently and didn't know what I wanted to do. I initially took a temping job as a receptionist but it didn't use all my skills. So, I left that to apply for graduate accountancy jobs in London. Answer:</p>
<p>Luke In the summer, I had a great job as a lifeguard in the children's section of my local outdoor pool. That finished around September, and I'm now without a job until Christmas work becomes available. Answer:</p>	<p>Charlie I left school at 16 and joined my dad down the local potash mine — it seemed like a good idea at the time. The mine has closed now though. The government's withdrawn all support saying we should develop service skills instead. Answer:</p>
<p>Sandra I was made redundant a few months ago after working on the local trains as a guard. My union negotiated for higher wages, but some of us lost our jobs as a result because our employer couldn't afford to pay us all. Answer:</p>	<p>Clara I'm now unemployed I used to be a receptionist at my local nursery. After the minimum wage was increased my employer couldn't afford me, so employed a younger receptionist not eligible for the NMW. Answer:</p>
<p>Tom I worked as a production assistant at a large TV company in London until several months ago. To cut costs, the company moved its studios to the north, and I couldn't relocate so I lost my job. Answer:</p>	<p>Bob I'm in my 50s now and unemployed. I used to work on the docks in Liverpool but businesses don't use the boats now for transport. I'm too old to learn new work skills. Answer:</p>

Task 2 – Examining the costs/impact of unemployment through role play

Students should be split into groups and be given a large sheet of paper. In their groups, they should adopt a particular role, and consider the impact of unemployment on that role. The discussion points should be summarised on the sheet of paper, and the groups can then present their views to the rest of the class.

Roles that could be adopted include:

- local police officer
- a newly unemployed Dad with a non-working wife
- a senior manager of a local temping agency
- the manager of a local supermarket
- a GP
- child of unemployed parents
- local MP.

Task 3 – The changing nature of the economy

In this task, students are investigating the ways in which the UK economy has changed over the recent past (last 20/30 years or so).

Topics that could be investigated by individuals/pairs, in order to build up a class picture of the changes, include:

- the end of mining in the UK in the 1980s (the films *Billy Elliott* or *Brassed Off* could be shown as an introduction to this)
- the decline of the shipping industry in, for example, Liverpool
- the rise of London as the financial services capital of the world, following Margaret Thatcher's Big Bang in 1986
- the recent growth of China as a centre of low-cost manufacturing, and the impact on countries such as the UK and USA
- the recent growth of India as a centre for outsourcing, especially call-centres, and the impact on the UK and USA
- changes in the local town/area. This could be done by interviewing older local residents, visiting the local library, contacting local history groups, visiting a local museum etc.

Students that are more able could be introduced to the idea of comparative advantage, to help understand the nature of structural change. Students investigating events occurring during the 1980s should be able to find enough information to consider the impact of each scenario on local and national businesses. Students investigating more recent phenomena (eg rise of India and China as economic powers) should consider what the future may hold for UK businesses, especially the remaining manufacturers. If time permits, this could lead into a class discussion on the pros and cons of globalisation.



Suggested delivery/activity schedule — Unit 3: International Business

Topic 1: Why does a business seek international markets?

Week commencing	Subject area	Activity	Resources
	Product or market conditions that may prompt a business to trade internationally	<p>Look at examples of companies that have extended the product life cycle through selling in new (country) markets or through selling product innovations in multiple (country) markets, or that have sought new (country) markets due to domestic competition. Examine the implications of global sourcing and improvements in transportation and communication links with countries.</p> <p>Students need to know why there is increasing international trade, ie due to increasing trade liberalisation through reduction of international trade barriers by WTO, ability to trade within a trading bloc, eg European Union and the benefits of trading within the European Union.</p>	<p>Activity sheet 1 — identifying household items that have been bought abroad, investigating the rise of mobile telecommunication industries in developing countries, the international expansion of Tesco and the global launch of Coca Cola Zero in 2007.</p> <p>Wall N — Going Global, Business Review Volume 5, Issue 4, April 1999, pages 4-6</p>

Topic 2: Key players in the world economy

Week commencing	Subject area	Activity	Resources
	The likely impact of the growing economic power of China and India on individuals, national or multi-national firms in the 21st century?	Students should consider what makes India and China economically powerful (eg population size, economic growth and export rates) how they impact on individuals or firms with their manufacturing exports (China) and call centres (India) and how a national firm may seek to trade with these countries (eg articles and case studies on Cobra beer).	<p>Activity sheet 2 — developing an understanding of the factors influencing the rise of China/ India. See also the case study on BT's outsourcing.</p> <p>Additional reading: Burnett E — Opportunities in China, Business Review Volume 9, Issue 3, April 2003, pages 13-14 Lawley F — Cobra Beer, Business Review Volume 12, Issue 1, September 2005, pages 6-7</p>



Topic 3: How does a company decide which countries to target?

Week commencing	Subject area	Activity	Resources
	Assessment of country markets	Assessment of potential country markets is based on corporate policy (which countries the company wants to target) and market attractiveness. Using one country market (eg a European country, USA, India, China, Singapore, Taiwan or South Korea) and a company's product or service, identify if the country market would be attractive to the company.	Activity sheet 3 — a list of factors that companies may wish to consider when entering a new market, followed by application of these factors to a number of scenarios. Additional reading: Jewell B — Entering Markets Overseas, Business Review Volume 1, Issue 2, November 1994, pages 17-20
	Comparative advantage and the role of specialisation by countries	Identify the advantages for a company of trading with a country which can produce goods or services more cheaply through specialisation. For example, the advantages and disadvantages for companies of using call centres in India could be examined.	Activity sheet 4 — survival game to demonstrate comparative advantage. Numerical approach to proving the role of comparative advantage and specialisation in boosting world trade. Investigation into the specialisms of various countries.

Topic 4: Other considerations before trading internationally

Week commencing	Subject area	Activity	Resources
	Responsibility to stakeholders	<p>Ethical decisions as to what and where to manufacture, balance between capital and labour, where to sell, pay and working conditions, environmental factors eg emissions, waste disposal.</p> <p>Students should consider the potential conflicts of socially responsible and ethical behaviour with profit-based and other objectives.</p>	<p>These sites provide useful resources on ethical trading: www.justbiz.org www.anitaroddick.com</p> <p>Activity sheet 5 — identifying stakeholders and their objectives. Investigating the Corporate Social Responsibility (CSR) work of Tesco, Amway, Costa Coffee, Kelloggs and BP. Identifying the advantages and disadvantages of adopting a CSR policy.</p> <p>Additional reading: Gillespie A — Corporate Social Responsibility: Is it Worth It?, Business Review Volume 12, Issue 4, April 2006, pages 24-25 Zhang L — The Power of Stakeholders, Business Review Volume 5, Issue 2, November 1998, pages 9-11</p>



Topic 4: Other considerations before trading internationally

Week commencing	Subject area	Activity	Resources
	Social/cultural differences in doing business	There are numerous examples of companies trying to use the same promotional message for each country in which they trade and finding that, when translated, the message is different to what was intended. Students should consider when companies need to use a different promotional message for every country. Students should consider the role of international branding in communications. It is important to emphasise that a business person needs to know of any social/cultural differences in order to do business in a certain country. Some companies prefer to use agents as they have local knowledge and appropriate language skills. Students should consider the appropriateness of different distribution channels and pricing strategies for different countries.	<p>news.bbc.co.uk/1/hi/business/77273.stm provides a summary of Mars rebranding Marathon as Snickers and Opal Fruits as Starburst.</p> <p>Activity sheet 6 — watching HSBC adverts. Reading a global branding article containing examples of companies trying to reach local markets with their global brands.</p>
	The purpose of tariffs, laws, import quotas.	Only a brief overview is required of why tariffs, laws or import quotas are used, eg to protect domestic industries or balance of trade. Students should consider the constraints on businesses that these barriers present.	Activity sheet 7 — analysis and discussion centred around a newspaper article on the 2007 US imposition of tariffs on Chinese paper.

Topic 5: Globalisation

Week commencing	Subject area	Activity	Resources
	Global industries	Students could cover all the three subject areas through examining one company such as Microsoft, Disney, Mercedes, Gucci. A company in a operating global industry such as banking, clothing, tourism or computers, requires a worldwide strategy. Students should consider the role of takeovers/ mergers in strengthening company position, advantages to a multi-national company of global technology, R&D, sourcing, and the ability to balance resource investments in different countries.	<p>Activity Sheet 8 provides a basis from which to investigate various global companies, by allowing students to consider the theory behind the internationalisation of companies, and the success of international merger and acquisition activity.</p> <p>Additional reading: Gillespie A — Johnson and Johnson, Business Review Volume 9, Issue 2, November 2002, pages 10-12</p>



Topic 5: Globalisation

Week commencing	Subject area	Activity	Resources
	Global marketing	Those carrying out global marketing may concentrate on product markets, where there is emphasis on the similarities of customers' aspirations or tastes and access to media for each country. The promotional message may be the same leading to reduced average marketing costs. Sales incentives used may vary due to differences in local market segments. Disney will concentrate on selling their films in countries where there is an existing film distribution, and similar media, infrastructure. They may be able to use the same promotional message for their film in each country reducing the average cost of marketing. For some products, sales incentives may be necessary due to the use of different distribution channels, eg agents or distributors.	Activity sheet 8 Additional reading: Jewell B — Entering Markets Overseas, Business Review Volume 1, Issue 2, November 1994, pages 17-20
	Global market niches	Students should know that some companies may identify a target market across countries which is much larger than a single domestic market eg for luxury goods. International trends or sub-cultures may exist for some products or services, because they meet shared values and perceptions. For example, the Mercedes brand is respected worldwide, due to the innovative design and quality of their cars.	Activity sheet 9 — Task 1b — investigating the acquisition of luxury/ethical /fairtrade food and drink companies by large multi-national corporations.

Topic 6: Are multi-nationals a force for good or should they be controlled?

Week Commencing	Subject area	Activity	Resources
	Benefits that multi-national bring to overseas countries	Students should consider examples of the contributions different multi-national companies have made to local economies, such as the Body Shop and Starbucks who pay premium prices for produce.	Activity sheet 9 — investigations into Green and Blacks' fairtrade organic chocolate, and the Body Shop's Community Trade and Protect our Planet programmes.
	Potential negative impact of multi-nationals on overseas countries	Students should consider the potential negative impact of multi-nationals on foreign governments in gaining concessions. Exploitation of labour in developing countries, implementation of working practices which would be unacceptable in their home country, sale of unsafe products to consumers, use of unsustainable resources, and degradation of the local environment.	Activity sheet 9 — Task 2 — investigations into the consequences of the overseas activities of Union Carbide, Shell, Coca Cola, Nestle and Nike. www.tutor2u.net/business/external/globalisation_multinationals.htm provides some excellent background theory and information
	Can multi-national firms be controlled?	Students should identify ways of controlling multi-national firms eg political, legal or economic constraints, competition policy, pressure groups.	Activity sheet 9



Unit 3: International Business

Activity sheet 1 — Why has international trade increased?

Task 1

Each student should list 10-20 items in their household that have not been made in Britain. They should then identify why each of these items has been made/bought abroad rather than in the UK. Teachers should then ask students about their items in order for students to construct a set of notes as to why these items are bought/made abroad.

Reasons that they might identify include:

- exchange rates, eg if the £ is relatively strong buying iPods in the USA proves to be very cheap
- the growth of China as a manufacturer of cheap goods and clothing
- the inability of the UK to grow agricultural products such as bananas and coffee
- no barriers to trade with the European Union
- better quality goods abroad, eg German-made cars.

This could then lead to a class discussion on Britain's main trading partners, (The National Statistics Office is an excellent source of information on who we trade with and what we trade.) Students should be encouraged to consider that we traded heavily with Commonwealth countries before joining the EU, and to discuss the consequences of this diversion of trade for the Commonwealth countries, especially the developing nations in Africa.

Task 2

Students should carry out a short research assignment into one or more of the following case studies:

Mobile phones

The mobile phone industry is growing rapidly in developing countries (where there is no landline infrastructure) — the take-up of mobile phones in India is the fastest anywhere in the world. Students should investigate why companies such as Vodafone and Nokia have chosen to target developing countries as a new source of revenue. The Oxfam website is useful, as is www.vodafone.com/africa.

Tesco

Despite being the UK's largest supermarket, Tesco has put in place an international expansion strategy. They now have stores in for example Poland, Slovakia, Japan, South Korea and China. Students should investigate Tesco's domestic competition within the UK, why they think Tesco has decided to expand abroad, and how they have achieved this. A useful website as a starting point is: www.corporatewatch.org.uk/?lid=252

Before starting students should consider the following quote on UK supermarkets:

'...they've got nowhere else to go. Their domestic markets are saturated, so they are looking for countries with large populations, high population growth, per capita GDP edging toward consumer levels, high income growth, and low supermarket presence. Countries with all five of these characteristics are a good bet, and companies rush to get there before everyone else.' (David Hughes, Professor of Agribusiness and Food Marketing at Imperial College, London)

Coca Cola Zero

This new Coca Cola product was launched in over 20 countries in 2007. Its target market is young adult men who don't want to drink Diet Coke (or Coca Cola Light as it is branded in most countries) as it is associated with women who are dieting. Students should investigate why Coca Cola decided to launch this new product and any differences in their launch campaign in the various countries in which it is sold. An excellent source of information, as a starting point, can be found at Wikipedia, en.wikipedia.org/wiki/Coca-Cola_Zero — this website also contains a number of links to the official Coca Cola Zero launch campaigns in various countries.



Activity sheet 2 — The economic growth of China and India

China's economy grew by an average of 9.9 per cent between 1998 and 2004 and this looks set to continue. The number of cranes dotted around Chinese cities bear testament to this, as does the development of the new 'mega-city' Chongqing which has been built from scratch by the Chinese government in anticipation of future growth. The World Bank has also indicated that India's growth is roughly 6-8 per cent per year. The Task, helps students to identify reasons for these phenomenal growth rates.

Task 1

Students should start by reading the following:

China and India — economic growth in Asia

With population sizes of 1.3bn (China) and 1.1bn (India), these countries have a large and relatively poor, but educated, labour force readily available in their quest for economic growth.

China's astonishing growth rates have worried the rich, developed countries, as they struggle to compete with huge quantities of low cost manufactured goods leaving China every day. China has achieved this through its highly disciplined workforce, often living in appalling conditions for low pay away from their home and families, and its rapidly improving transport infrastructure. It is estimated that one new power station opens every day in China to cope with the ever increasing demands for energy for production purposes. Foreign Direct Investment (FDI) is very high in China, roughly 15 times more than that in India, although much of the Chinese government's own investment is considered to be wasted.

India, on the other hand, is somewhat different. More of its people live in poverty than in China and more of its workforce are illiterate. India has become known for being the home of outsourced call centres, pharmaceutical companies and software companies. Many of the people in these jobs, however, are graduates. India's transport system is less developed than China's, and government bureaucracy and red tape is high, meaning that the level of FDI is much lower than that entering China. These are probably the main reasons why it has gone down the road of service provision, rather than the provision of manufactured goods. Two-thirds of India's population work in the low-paid, monsoon-affected agricultural sector.

After reading the extract, working in pairs or small groups, students should list as many factors as they can that they think enable a country to grow rapidly. They may wish to do more research before starting on this activity, depending on the available time.

Task 2 — The impact of China's growth on UK industry

Working in small groups, students should research and discuss the impact of China's growth on UK manufacturing industry, and make brief notes. They should then investigate the causes and consequences of the collapse of the MG Rover plant at Longbridge.

This activity should result in a poster outlining and evaluating a strategy that small manufacturing businesses in the UK could adopt in order to stave off competition from abroad and save local jobs.

Task 3 – The impact of Indian call centres on UK business

Students should begin this activity by researching the relocation of BT’s call centre activity to India in 2003.

Working in pairs, students should first consider why it was possible for BT to outsource its call centre activities to India.

Students should, again in pairs or small groups, copy and complete the following table, which looks at the pros and cons of outsourcing this type of work to another country.

Advantages for BT customers	Disadvantages for BT customers
Advantages for BT	Disadvantages for BT
Advantages for India	Disadvantages for India
Advantages for the UK economy	Disadvantages for the UK economy

The teacher should now hold a class vote — do the advantages of outsourcing outweigh the disadvantages?



Activity sheet 3 — Identifying a country's attractiveness as a market

The following list of factors should be photocopied so that there is one copy per student pair (depending on class size). The teacher should ensure that students understand the importance of each of the factors before continuing with the activity.

Students should then be allocated one of the scenarios from the second list. They should produce posters outlining all the factors they think are relevant in influencing a company's decision to enter that market. This could be done on a carousel basis, so that students can think about a number of scenarios.

Factors that may influence a company's decision to expand into new markets

If the company is aiming to provide goods to consumers within a new country, then they may wish to consider:

- whether GDP per head is rising
- whether there is economic growth
- the degree of urbanisation
- the transport infrastructure to get their products into shops
- whether the product needs to be manufactured in the country of sale and, if so, whether raw materials are available
- cultural similarities
- existing of competitors
- age distribution
- sophistication of advertising media
- exchange rates
- barriers to trade such as tariffs or quotas.

If the company wishes to manufacture goods in a different country, and then sell them elsewhere, they may wish to consider:

- availability of low-cost labour
- level of education
- accessibility of ports/other transport modes
- telecommunications infrastructure
- exchange rates
- banking/financial infrastructure
- availability of natural resources such as oil and timber
- degree of technological sophistication and knowledge
- reliability of the legal system
- local laws, regulations and customs
- level of corporation tax
- language
- the country's political system/degree of government involvement in business activities
- barriers to trade such as tariffs or quotas
- protection of intellectual property, eg will trademarks and patents be protected?

Potential markets – scenarios

1. Jack Daniel's (US whiskey company) wanting to sell its products in Ireland.
2. Starbucks wanting to set up coffee shops in China.
3. Motorola wanting to make and sell mobile phones in Nigeria.
4. A UK-based accountancy firm wanting to set up and provide accountancy services in New York, USA.
5. Microsoft outsourcing its software development to India.
6. Cadbury outsourcing its chocolate manufacturing to Brazil.
7. British Gas outsourcing its call centre (dealing with payments, changes of details, subscriptions and gas leaks) to India.
8. Manchester United setting up football schools in Italy.
9. General Motors setting up a production plant for cars in Poland.
10. A UK-based sportswear manufacturer setting up a swimwear manufacture and distribution centre in India.

This list can be added to as contemporary examples develop.

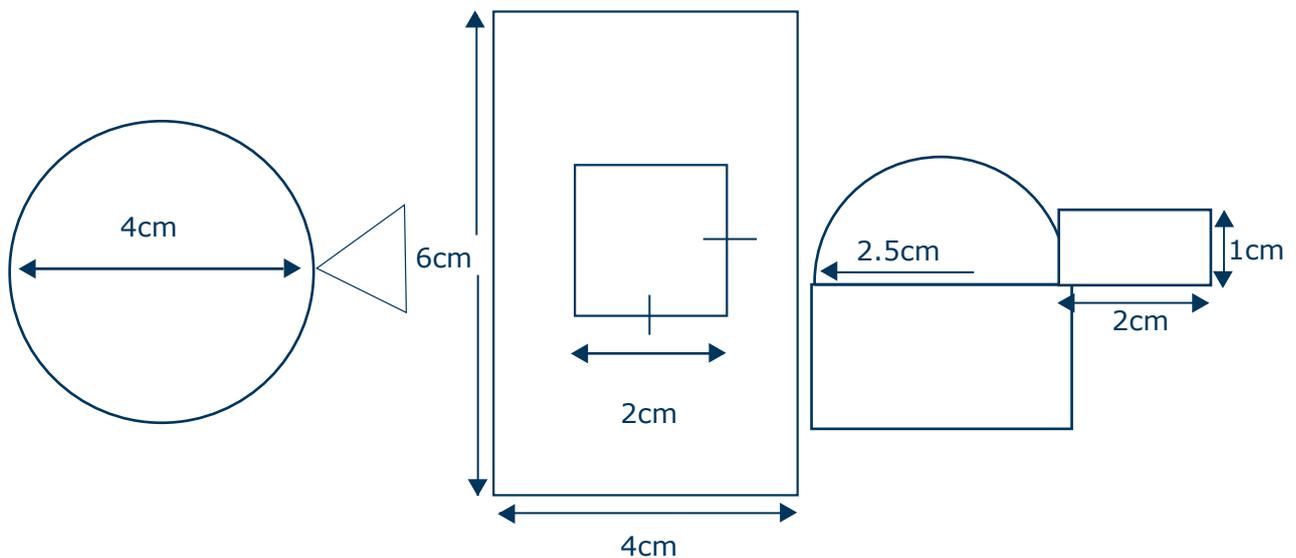
Activity sheet 4 — Comparative advantage

Task 1 — Introducing the idea of specialisation

This game is often used as a starter activity for specialisation. Students should imagine that they are stranded on a desert island and must make a poncho, an igloo and catch a fish in order to survive. The items must be made to the precise specifications given by the teacher, along the lines of the sizes given below. The teacher should provide some different coloured paper/card for each of the items, as well as glue, scissors and pairs of compasses. Students get two minutes to 'survive'.

Firstly, students need to make each item for themselves.

They can then split into groups and specialise in producing of just one of the items.



The outcome is that students will find it difficult to 'survive', on their own, but will find that in groups not only do they make enough to 'survive', but they actually make a surplus of goods. (This could be taken forward in a discussion, since in post-industrial countries this surplus is what is traded with other countries. The lack of surplus in developing countries, since many people live from subsistence farming, is one of the reasons that trade, and thus economic growth, is prevented.)

Task 2 – Introducing the idea of comparative advantage.

The teacher should explain that a country has a comparative advantage in producing a good when it can produce that good at a lower opportunity cost than another good. This means that it is relatively better at producing the good than other countries.

The teacher should then introduce the Law of Comparative Advantage, which states that countries should specialise in producing those goods that they can produce at a lower opportunity cost than other countries and then trade them, since this increases total world output. There are, therefore gains from trade.

The following numerical example can be used with students to build on the ideas developed in Task 1, and help them to understand why there are gains in specialising and trading. The table can be photocopied and given to students to write on.

It is to be assumed that, initially, each country is devoting 50 per cent of its resources to producing lamb and bacon.

	Lamb	Bacon	Opportunity cost of producing lamb	Opportunity cost of producing bacon
New Zealand output	20	10		
UK output	18	12		
World (NZ + UK)	38	22		

To complete the table, the teacher should ask students how much bacon would need to be given up to produce 1 more unit of lamb in each country (ie the opportunity cost of producing lamb) and then how much lamb would need to be given up to produce one more packet of bacon (ie the opportunity cost of bacon). These numbers can be entered in the two right-hand columns.

Students should then determine which country has the lowest opportunity cost of producing each good. They should find that New Zealand has the comparative advantage in lamb production and the UK in bacon. This means that New Zealand should specialise in lamb production and the UK in bacon, ie devote 100 per cent of their resources to it. If this happened, then New Zealand will produce 40 lamb units and the UK will produce 24 bacon units. This clearly demonstrates that production of each has increased and, therefore, that countries should specialise and trade.

Extension material

Students who work through this quickly, should be asked to consider the flaws with this theory, and then investigate their ideas using business and economics textbooks and websites such as www.bized.co.uk.

Task 3 – Applying comparative advantage

First of all, students should consider the problems that a country might face if it specialised in producing just one or a very small number of goods. Each idea can be written onto a post-it note and all ideas collated onto an ideas wall in the classroom. (Points that should come out of this are boredom/lack of motivation, risk, economies/diseconomies of scale etc.)

Secondly, students should be given an outline world map (eg at www.abcteach.com/maps/world.htm) Split students into small groups and allocate them one or two countries. Ask them to investigate what that country specialises in producing, if anything.



Activity sheet 5 — Responsibility to stakeholders

Task 1 — Identifying stakeholders and their needs

For most students this should be a revision activity. Ask students to consider a large multi-national company. Oil companies such as Shell work well for this activity. Students should identify as many stakeholders as they can and identify the objectives of each of these stakeholders. They should also question whether there are any conflicts between the different objectives. Students could consider how companies can aim to reduce these conflicts. Results can be summarised in a table as follows (some examples have been given as a starting point). Depending on the ability of students in the class, the teacher can provide a blank table or include some examples.

Stakeholder	Objectives	Potential conflict with other stakeholder objectives
Shareholders	Profits, to allow high dividends	
Employees on oil rigs	Strong health and safety guidelines and conditions; good pay	
Petrol consumers	High quality petrol; low prices	

Task 2 — Investigating the rising importance of corporate social responsibility

Corporate Social Responsibility, or CSR, is one of the 'hottest' topics on many company agendas. The teacher should start this task by asking students what they think CSR actually means. The discussion should revolve around ethical issues, such as reducing pollution, ensuring fair working conditions for overseas workers, and companies 'giving something back' to local communities.

The teacher should then ask students to investigate in small groups one or more of the following example, in order to make a wall collage of CSR activities:

- **Tesco** heavily promotes its social responsibility actions (Computers For Schools vouchers, donation of 1 percent of pre-tax profits to charity etc) — see www.tescocorporate.com/cr.htm for more details
- **Amway** (one of the world's largest direct sales organisations) works closely with UNICEF (the children's charity) on its One by One programme, which aims to help children in the developing world survive beyond their 5th birthday — see www.amway.co.uk for more information
- **Kelloggs** (the cereal company) has been working to encourage people, especially children, to participate in sport and eat more healthily — see www.kelloggs.co.uk for more information
- **Costa Coffee** set up its Costa Foundation in 2006 to 'put something back' into the communities from which it gets its coffee beans — see www.thecostafoundation.org for more information

Task 3 – Assessing the advantages and disadvantages of CSR as a corporate strategy

Students should copy and complete the following table, in terms of the advantages and disadvantages to companies of adopting a CSR strategy.

Advantages	Disadvantages
Encourages consumers to purchase more from them, increasing profit	Can be expensive, therefore increasing costs



Activity sheet 6 — Local/cultural differences

Task 1 — Introduction to local differences using HSBC adverts

This task can be introduced, if the facilities are available, by showing students a number of TV adverts — HSBC adverts will work very well (ie HSBC adverts based around 'the world's local bank' slogan). Many of these can be downloaded in advance from websites such as www.visit4info.com (which has a school's membership deal), and www.yourpointofview.com/hsbcads_tv.aspx (a large number of HSBC adverts are freely available).

Students should be asked to consider, via class discussion, why companies might be keen to 'customise' their global products for local markets.

Task 2 — Investigating localised 'global' products

Students should begin by reading the following article, taken from www.brandchannel.com/features_effect.asp?pf_id=297 (NB: there are a number of other excellent articles linked at the bottom of this web page).

a) Students should take brief notes, perhaps in mindmap format, on the various examples provided in the body of the extract.

In 2003, McDonald's announced that all of its restaurants — 30,000 in over 100 countries — would soon be adopting the same brand packaging for menu items. According to a company press release, the new packaging would feature photographs of real people doing things they enjoy, such as listening to music, playing soccer, and reading to their children. McDonald's global chief marketing officer was quoted as saying, 'It is the first time in our history that a single set of brand packaging, with a single brand message, will be used concurrently around the world.' Two years later, the company appeared to backpedal when it announced plans to localize nutritional value charts on its packages.

To the extent that international brands appeal to global tastes, worldwide packaging strategies might be expected to show signs of convergence, especially as consumer tastes around the world become more homogeneous. But there is little evidence that this is happening.

Computer manufacturer HP strives to convey brand personality on packages that may need to accommodate text in as many as eight local languages. Fast-moving consumer goods companies, for their part, have hardly been more successful in finding global solutions to their packaging needs. Unilever standardizes some branded products while localizing others. Procter & Gamble adjusts branding strategies across borders. P&G markets its brands in Asia under the company brand name, but in Europe and the US, the product brands are not blatantly branded as P&G brands.

Much of the reason is that, with the notable exceptions of a few mono-brands like Coca-Cola and Pepsi, few international brands address the same markets wherever they are sold. Mark Kennedy, chief strategy officer at the brand consulting firm Landor Associates, is of the opinion that the term 'global brand' is actually a misnomer when applied to most brands marketed by international companies. 'There are very few truly global brands — brands that occupy a similar space in multiple markets from the point of view of who they are targeted against and their level of premium-ness in that market. Do they do the same kind of job in all the markets they are in? If they don't, I'm not sure they are global brands,' he says.

By way of illustration, Kennedy — whose office is in Hong Kong — points to problems international companies have had entering the Chinese market. Kennedy says there have been three waves of attempts to get a foothold in that country. The first involved joint ventures with Chinese companies, most of which failed. In the second wave, foreign companies attempted to launch international brands without well thought-out marketing plans. These also failed. It has only been in the third wave, he says, that companies have actually attempted to understand the market and its consumer needs—and to develop products to meet those needs.

Kennedy says that companies that have successfully entered the Chinese market with an international product have often ended up localizing it, while launching a second 'local' product. The first product remains the premium one and provides profile, but small sales volume. It is the second product that, with its lower marketing costs, yields a high market volume.

Local competitors in China typically rush to market with competing products following the successful introduction of a new international product. The super-charged competition encourages consumers to demand products that better meet their needs. By contemporary Western standards, the current proliferation of products and brands in the Chinese marketplace may seem a consumer's dream.

*Herbert Meyers, co-author of *The Visionary Package*, says he was astonished on a recent trip to China to see the range of toothpaste offerings there. 'The Colgate packages carried such a variety of promotional copy, all right next to each other on the same shelves, that they, in my view, made no sense at all,' he says. 'Different packages promoted 'MaxFresh Breath Strips,' 'Sensitive Breath Strips,' 'Advanced Whitening,' 'Total Plus Whitening,' 'White Teeth in 14 Days,' and 'Maximum Cavity Protection.'" Adds Meyers, 'If I were looking for Colgate toothpaste there, I wouldn't know which to choose.'*

The current high level of product differentiation in China may be reminiscent to some in the United States of the 1980s, when American corporations were busy extending their product lines to address every perceptible customer preference. In a 20-month period during 1989 and 1990, for example, Procter & Gamble introduced 90 new products. By 1994, Colgate and Crest each offered more than 35 types and packages of toothpaste.

But this situation didn't last. Large retailers in the US began to recognize that they held tremendous power and influence over their suppliers. Taking their cues from the successes of Loblaws in Canada, Marks & Spencer in the UK, Aldi in Germany, and Carrefour in France, they decided to take on brand manufacturers with their own private store labels. With the additional help of product listing fees, retailers were able to exercise enormous control over what appeared on the shelves. The shift of power to retailers left fewer distribution channels available to brand manufacturers, who had to focus their resources on fewer product variants. The result was a marketing model characterized by fewer 'bigger' brands.

Compared to markets in the US, markets in China are at very different levels of development. It may not always be possible to cover the entire market there with a single brand. A mainstream brand in Shanghai, for example, may be super premium in a smaller city. In response, international brand manufacturers have resorted to maintaining very high volume shares. This has effectively translated to producing products to fit every consumer need — usually under one master brand.

b) As a follow-up, students can investigate products which are slightly different in the various countries in which they sell.



Activity sheet 7 — The use of protectionist policies

Task 1

Students should start by defining tariffs and quotas and making notes.

Task 2

Students should read the following extract, taken from the New York Times, March 31st 2007, regarding the imposition of tariffs by the US government on imports of Chinese paper. They should highlight any reasons given by the USA as to the benefits of this trade restriction, and also highlight, in a different colour, any negative consequences. This should then act as a starting point for a class discussion/debate. Split the class into two groups. One group will need to argue that the tariff is a wise move from the USA's point of view and the other will need to argue that it is detrimental to the USA.

In Big Shift, U.S. Imposes Tariffs on Chinese Paper

By STEVEN R. WEISMAN

Published: March 31, 2007

WASHINGTON, March 30 — The Bush administration, in a major escalation of trade pressure on China, said Friday that it would reverse more than 20 years of American policy and impose potentially steep tariffs on Chinese manufactured goods on the ground that China is illegally subsidizing some of its exports.

The action, announced by Commerce Secretary Carlos M. Gutierrez, signaled a tougher approach to China at a time when the administration's campaign of quiet diplomacy by Treasury Secretary Henry M. Paulson Jr. has produced few results.

The step also reflected the shift in trade politics since Democrats took control of Congress. The widening American trade deficit with China, which reached a record \$232.5 billion last year, or about a third of the entire trade gap, has been seized upon by Democrats as a symbol of past policy failures that have led to the loss of hundreds of thousands of jobs.

Mr. Gutierrez's announcement has the immediate effect of imposing duties on two Chinese makers of high-gloss paper, one at 10.9 percent and the other 20.4 percent, calculated by adding up the supposedly illegal subsidies.

But trade and industry officials say future actions based on the department's new policy could lead to duties on imports of Chinese steel, plastics, machinery, textiles and many other products sold in the United States, if as expected those industries seek relief and the department finds that they are harmed by illegal subsidies.

Indeed, industry and administration officials say that they chose the high-quality paper industry last year to serve as a test case for a sweeping revision of the administration's previous policies, which did not allow for antisubsidy duties for Communist or other nonmarket economies.

Mr. Gutierrez said that the administration's step was based on careful study of Chinese subsidy practices and was being carried out irrespective of any pressure from Congress. 'This is simply an application of our law,' he declared. 'The message that we have been sending all along to all of our trading partners is that we want fair trade and that we will use every tool at our disposal to guarantee that our workers and our companies have a level playing field.'

A spokesman at the Embassy of China, Chu Maoming, said in Washington that China expressed 'strong objection' to the Commerce Department announcement, which he said sets a bad precedent that could damage China-United States relations. 'The Chinese side strongly urges the U.S. side to reconsider the decision and reverse it as soon as possible,' he said.

The stock market at first reacted negatively to the news, on fears that a trade war with China could erupt, harming the dollar as well as stocks of companies that rely on trade with China. But stocks later recovered, ending the day barely changed.

Beyond seeking a review of the new policy in coming months, China is expected to challenge it in federal court and also at the World Trade Organization, but not through imposing tariffs of its own on American goods, according to lawyers who have been representing China in the dispute. Under W.T.O. rules, China must seek recourse through the courts or the W.T.O.'s adjudication process if it hopes to get the new tariffs declared illegal.

Democrats in Congress hailed the announcement by Mr. Gutierrez but said they would continue their efforts to force a tougher policy on China through various pieces of legislation. Many Democrats won their elections last fall in part by advocating a tougher policy on trade with China and other countries where labor and material costs are much lower than those in the United States.

Some lawmakers also complain bitterly that China unfairly ties its currency to the dollar, which aggravates the trade imbalance by making exports to America cheaper and imports to China more expensive. But American officials say there is no thought being given to citing currency policies as a form of subsidy that would bring about import duties.

'This is a long-overdue change in policy,' said Sander M. Levin, a Michigan Democrat who is chairman of the trade subcommittee of the House Ways and Means Committee. He said that lawmakers would nonetheless press for sweeping legislation calling for tougher actions against American trading partners deemed to be engaged in unfair practices. He also said that he would try to enact legislation codifying the new administration policy in case the courts overturn it.



Activity 8 — Global companies

Students should be introduced to the idea that global companies can develop/manufacture their product globally as well as sell it globally.

Task 1 — Global sourcing/manufacture

Many companies, especially car manufacturers, make different components in different countries, and then assemble them near to their final market. Students could investigate where Ford, for example, makes its various components. Can they explain why Ford may make different components in different countries?

Task 2 — Why companies grow internationally

Some markets are considered to be local markets ie the goods/services offered are very specific to a geographic area. Examples could include local food items. Other markets are considered to be international markets, where people from all over the world want to buy the same or very similar products. Examples include cars/vehicles, banking/financial services and basic clothing.

- a) Students should then start by listing any examples of global markets they can think of.
- b) They should identify why those markets are global in nature — what is it about them that means people all over the world want those goods.
- c) They should consider the benefits (from the point of view of consumers and of the global business itself) there might be of one company supplying a particular product around the world.
- d) Are there any disadvantages?

Task 3 — How companies grow internationally

The main ways in which companies can grow internationally include mergers/acquisitions of existing companies overseas or starting from scratch overseas. In a merger and acquisition situation, the company may choose to adopt the name of the company it acquired or change the name to its main trading name. When starting from scratch, it usually makes more sense to keep the main trading name.

Students should research, and write a short report outlining, the factors that a company should consider in merging with or acquiring another company overseas.

Activity sheet 9 — The role of multi-nationals

Task 1 — Positive influences of multi-national companies (MNCs) on host countries

The Body Shop's Community Trade and Protect our Planet programmes

Students should be directed towards the following web pages as a starting point:

www.thebodyshopinternational.com/Values+and+Campaigns/Our+Values/Support+Community+Trade/

www.thebodyshopinternational.com/Values+and+Campaigns/Our+Values/Protect+Our+Planet/

Green and Black's organic fair trade chocolate range

Students should be directed towards the following website:

www.greenandblacks.com

The aim of this short task is to enable students to get to grips with the idea of ethical trading and the positive influence that MNCs can have on host countries.

Following initial research, students should work in twos or threes to produce a colourful spider diagram outlining some of the benefits that MNCs can provide to their host countries. Some initial ideas are:

- increased employment
- higher income
- provision of education/training
- investment in local infrastructure eg electricity supply, roads, banks.

The growth of MNCs into niche markets and global market niches

Previously in this unit, students will have looked at how MNCs grow internationally, either through acquisition/merger or through setting up new branches in host countries. Students should be aware that companies also grow through acquiring other MNCs that may offer a product that fits neatly into their existing portfolio.

One global market niche that has developed fairly recently is fair trade or ethical consumerism. The following examples should be used as investigation material for students. The class should be split into groups and each group allocated one area to investigate. They should produce a small poster and present their findings to the rest of the class.

Green and Black's

In Task 1, students will have found Green and Black's promotes itself as a provider of ethical chocolate. However, they are now owned by Cadbury Schweppes. Students should research the details of this acquisition. They should produce an A4 poster outlining what advantages Cadbury Schweppes will have gained from this acquisition, and whether there will be a positive or negative influence on the countries in which Green and Black's has operations.



Ben and Jerry's

Ben and Jerry's is committed to providing a fair income to farmers, promoting education and is keenly aware of its environmental impact. They make their packaging from environmentally friendly sustainable sources and give a significant proportion of their pre-tax profits to charity. However, they were taken over by Unilever in 2000. Students should outline what benefits Unilever, as an MNC, might have hoped to gain from this acquisition, and whether there has been any detrimental effect on Ben and Jerry's as a brand.

P J Smoothies

P J Smoothies operate at the 'luxury' end of the fruit drinks market in the UK, with about 30 per cent of the market share. They were bought for an undisclosed sum by PepsiCo in 2005. Students should investigate the unique advantages this acquisition brought to PepsiCo, and whether there were any detrimental effects on P J Smoothies as a brand.

Task 2 – Negative influences of MNCs on host countries

There are a number of case studies which can be investigated. Students should be split into small groups and allocated one case study each to investigate. They should produce a summary of the problems, as well as any actions taken by the host country and the MNC to address the problems. All of these cases are well-documented on the internet and this should be used as the primary research tool.

- a) **Coca Cola's** activity in Kerala, India (where their use of water to manufacture Coca Cola led to severe shortages of drinking water for locals in 2003).
- b) The accident at the **Union Carbide** plant in Bhopal, India in December 1984 (where a lack of health and safety protocol led to the production of toxic gas, killing thousands of people).
- c) Nike have been criticised by international pressure groups for allowing 'sweatshops' to manufacture their clothing and footwear ranges, where workers are paid low wages and work in poor conditions. There are many documented examples which students could investigate.
- d) **Nestlé's** baby formula milk story from Africa, where they advertised formula milk and gave it away free. The problem here is that the water used to make up the milk in these countries is contaminated.
- e) **Shell's** activities in Nigeria, where oil spills in the early 1990s led to thousands of deaths from poisoning, and subsequently from cancer.

Task 3 – Tackling MNCs

Many developed countries have advanced legal frameworks to deal with activity by MNCs. For example, in the EU there are working time directives and established laws dealing with employee rights and pollution. However, in many Less Developed Countries, the government often turns a blind eye and actively encourages MNC activity. For example, in China unionisation is banned, allowing workers to be exploited (admittedly by both MNCs and its own companies).

Students should work towards constructing a wall display. There should be a section on the laws against unethical or exploitative activity by MNCs in developed and developing countries. There should also be a section on approaches adopted in host countries that allow MNCs to behave in certain ways. Finally, there should be a section outlining Non-Government Organisation (NGO) activities and the activities of pressure groups (some websites are given below) that aim to counteract how governments in developing countries in deal with exploitative behaviour by MNCs.

www.ethicalconsumer.org

www.greenpeace.org.uk

Suggested delivery/activity schedule — Unit 4b: The Wider Economic Environment and Business

Topic 1: Do markets always work?

Week commencing	Subject area	Activity	Resources
	What market failure means	<p>Students need to know what market failure means — less than optimum allocation of resources, public and merit/demerit goods. They should understand why there is a perceived need for equity and equality.</p> <p>Students need to look at market failure in terms of what isn't provided/or for which there is insufficient provision, eg defence lighthouses (public goods) and health/education (merit goods).</p> <p>They also need to look at what is provided that we don't need, eg drugs/pollution.</p>	<p>Activity sheet 1</p> <p>Additional resources:</p> <p>Interactive quiz on merit and public goods found at www.tutor2u.net/quiz/economics/jbc_econ_meritgoods_1.htm</p> <p>Diagrammatic analysis of merit and demerit goods found at www.tutor2u.net/economics/content/topics/marketfail/merit_goods.htm</p> <p>Further notes/information on income inequality found at www.tutor2u.net/economics/content/topics/poverty/gini_coefficient.htm</p>

Topic 1: Do markets always work?

Week commencing	Subject area	Activity	Resources
	What externalities are and how they affect an economy	Students need to look at some practical examples of social costs and benefits, environmental and social externalities and the difficulties in measuring them, the impact of externalities on the business and the economy in the short versus long run.	<p>Activity sheet 2</p> <p>Additional resources: Presentations on positive and negative externalities found at: www.tutor2u.net/economics/presentations/aseconomics/marketfailure/NegativeExternalities/default.html www.tutor2u.net/economics/presentations/aseconomics/marketfailure/PositiveExternalities/default.html Worksheet on positive externalities of inoculations found at: www.bized.co.uk/learn/economics/marketfail/characteristics/externalities/positive.htm Worksheet on identifying private and external benefits found at: www.bized.co.uk/learn/economics/marketfail/characteristics/externalities/social.htm Article on costs of pollution found at: news.bbc.co.uk/1/hi/sci/tech/4444191.stm Further information on impact for businesses at: www.environment-agency.gov.uk/business</p>
	To what extent are externalities acceptable?	How much of an externality should we accept? Can we use decision-making tools such as cost benefit analysis to help with this decision? Are these tools effective?	Activity sheet 3



Topic 1: Do markets always work?

Week commencing	Subject area	Activity	Resources
	What the government can do about it	<p>Case studies (UK or overseas) can be used to illustrate the control of externalities by legislation, regulation, taxation or tradable permits. The effectiveness of these various policies should be considered.</p> <p>Websites from pressure groups, such as Greenpeace, Transport 2000 and others, can be used to look at alternative and even radical solutions, as well as opposing points of view. These can form the basis of useful class discussion and practise in evaluating alternative policy options.</p>	<p>Activity sheet 4</p> <p>Useful websites include: www.greenpeace.org.uk www.transport2000.org.uk</p>

Topic 2: Should markets be regulated?

Week commencing	Subject area	Activity	Resources
	Why regulation is needed	There are opportunities here to use real-life case studies to illustrate why regulation is needed, eg to protect consumers from cartels, collusion or restrictive practices. Effects of restrictive trade practices on prices and competition, consequences for businesses and the consumer. Issue of natural monopolies.	<p>Activity sheet 5</p> <p>Useful websites include: www.competition-commission.org.uk/ www.ofc.gov.uk</p> <p>Additional reading: Miner V and Myddleton D — Market Forces: A Great Debate, Business Review Volume 2, Issue 2, November 1995, pages 24-25</p>



Topic 2: Should markets be regulated?

Week commencing	Subject area	Activity	Resources
	What the government does	Students should look at the government's provision of a legal framework to protect consumers and the role of regulatory bodies, such as the Office of Fair Trading, Competition Commission and EU Commission, in investigating restrictive trade practices and monopolies.	<p>Activity sheet 5</p> <p>Useful websites include: www.competition-commission.org.uk/ www.of.gov.uk</p> <p>Additional reading: Miner V and Myddleton D — Market Forces: A Great Debate, Business Review Volume 2, Issue 2, November 1995, pages 24-25</p>
	The effects of these policies and the implications for business	Students should look at recent cases where the Office of Fair Trading, Competition Commission or EU Commission has been involved in investigating restrictive trade practices or monopolies. It would be worth spending some time in class evaluating whether these bodies have been effective in actually changing behaviour and to what extent they do benefit consumers and businesses. They should consider the potential effects of regulation on businesses such as costs and competitiveness.	<p>Activity sheet 6</p> <p>Additional reading: www.competition-commission.org.uk/ www.of.gov.uk</p>

Topic 3: Can the government control the economy?

Week commencing	Subject area	Activity	Resources
	What the government does	<p>Students need to know what the Government's fiscal, monetary and supply side policies are and how they work.</p> <p>It would be useful for them to be aware of current trends and the state of some of the leading economic indicators. Although technically the government does not set the base rate it is still one way in which the UK economy is controlled. Useful information can be gained from the media, for example newspapers.</p>	<p>Activity sheet 7</p> <p>Useful websites include: www.statistics.gov.uk www.bankofengland.co.uk</p> <p>Additional resource: Detailed overview of monetary policy and the monetary transmission mechanism found at www.tutor2u.net/economics/revision-notes/as-macro-monetary-policy.html</p>
	The effectiveness of government action	<p>Students need to assess the effectiveness of current Government policy and the difficulties in controlling the economy in the short and long term. They should consider the importance of the potential effects on the economy of other factors such as shock and global trends. They should examine trade-offs involved in policy choices and the potential effects of government policy on business profitability and competitiveness.</p>	<p>Activity sheet 8</p>



Topic 4: Should government intervene in society and what effects will it have?

Week commencing	Subject area	Activity	Resources
	Why the government redistributes wealth	<p>Students need to consider the causes of inequality and poverty and their impact on business and the economy.</p> <p>They should consider the impact of redistribution of wealth on business and economic welfare.</p>	<p>Additional resources:</p> <p>Useful figures as to the levels of taxation and expenditure can be found at: www.statistics.gov.uk or www.hm-treasury.gov.uk/index.cfm.</p> <p>The bized activity involving their virtual economy should be used. This is found at: www.bized.co.uk/educators/16-19/economics/development/activity/poverty.htm</p>
	How and why the government intervenes to regulate behaviour. The extent to which government should intervene	<p>Students should examine potential government policies which could be used to address the following issues:</p> <ul style="list-style-type: none"> • healthcare: obesity/alcohol • the environment and recycling • use of transport: cars and public transport <p>Students should conduct their own investigations into the issues and evaluate possible solutions as well. Students could be encouraged to prepare cases for and against the issues in a debate, eg 'Road Pricing is the best way to reduce road use' or 'The government should do more to combat climate change.'</p>	<p>Activity sheet 9</p> <p>If possible, try to get hold of the documentary 'Tax the Fat', aired on More4 on 9 November 2006</p>

Topic 4: Should government intervene in society and what effects will it have?

Week commencing	Subject area	Activity	Resources
	The implications for business	<p>Students should be encouraged to look into the implications of the previous issues, eg healthcare/obesity for businesses. For example, 'how will the imposition of a fat tax affect the food industry?'</p> <p>They should look at the likely effect on demand/trade, regulation and business competitiveness and the likely opportunities for innovation and growth or threats to some established businesses.</p>	Activity sheet 9



Unit 4b: The Wider Economic Environment and Business

Activity sheet 1 — Market failure — merit, demerit and public goods

What is market failure?

Market failure exists when the market does not allocate resources in the most efficient way — we say there is a less than optimal allocation of resources. Market failure can occur for a number of reasons.

Task 1

- List as many goods and/or services provided by the government as you can. For each item in your list, try to explain why you think the government rather than private businesses has to provide it.
- List as many goods or services that you can think of that the government tries to stop us from buying or producing. For each item in your list, state how the government tries to stop consumption/production, and try to explain why.

Public goods

Many of the goods and/or services that you listed in Task 1a are examples of public goods. Public goods are not provided by businesses in a free market because they would not be able to charge people effectively to use them. This is because public goods have the characteristics of being non-rival and non-excludable.

Non-rival means that if one person consumes a good, it does not prevent another person from consuming it.

Non-excludable means that once a good is provided, then it is impossible to stop people from using it, even if they haven't paid. These people are known as **free-riders**.

Task 2

Categorise each of the following goods or services as public or private goods.

A chocolate bar

The police force

A beach

A lighthouse

A house

A car

A pavement

A place at school

A flight

A pair of jeans

A burger

A public footpath

Merit goods

Some of the goods or services that you listed in Task 1a are examples of merit goods. A merit good is one that we tend to under consume because we don't realise how good it is for us — some sort of information breakdown exists. The Government often provides merit goods, so that we don't have to pay for them, because they are more aware of the benefits that they bring than we are.



Task 3

Explain why education and healthcare can be seen as merit goods.

Demerit goods

Many of the goods/services that you listed in Task 1b are examples of demerit goods. A demerit good is one that we tend to over consume because we don't realise how bad it is for us — as with merit goods, some sort of information breakdown exists. The Government often discourages consumption of demerit goods, through taxes, bans and advertising campaigns, because they are more aware of the disadvantages than we are.

Task 4

Explain why each of the following may be seen as demerit goods:

- alcohol
- fatty foods
- drugs
- pollution from using cars and planes
- nicotine.

Task 5

Your class should split into two groups. In groups your first task is to research how the Government tries to reduce income inequality. Secondly, one group should develop arguments in favour of increasing income equality in the UK, the other will argue against the need for income equality. Each group should then present their findings to the other group.



Activity sheet 2 — Positive and Negative Externalities

Some key terms before starting.

Private cost: A cost borne by the individual taking the economic action.

External cost/negative externality: A cost borne by a third party of someone else's economic action.

Social cost: The total sum of private and external costs for a particular economic action.

Private benefit: A benefit accruing to an individual as a result of an economic action that they have taken.

External benefit/positive externality: A benefit accruing to a third party as a result of an economic action taken by someone else.

Social benefit: The total sum of the private and external benefits for a particular economic action.

Task 1 – Examples of externalities

Complete the following table, listing as many private and external costs and benefits of each activity as you can. This could be shared out amongst the class. When you have finished, discuss why it is difficult to assess the value of these costs and benefits.

Activity	Private cost	External cost	Private benefit	External benefit
Building a wind farm in the Yorkshire Dales	Purchasing the land			
	Cost of purchasing wind turbines			
Using your car to get to school/college		Added noise for people living near busy roads Increased risk of accidents, causing congestion so others late for work		
Staging the London Olympics in 2012			Revenue generated from ticket and merchandise sales and from tourism	
Banning smoking in public places				Less people suffering from the ill-effects of second hand smoke, so less strain on the NHS and less time taken off work

Task 2 – The impact of externalities

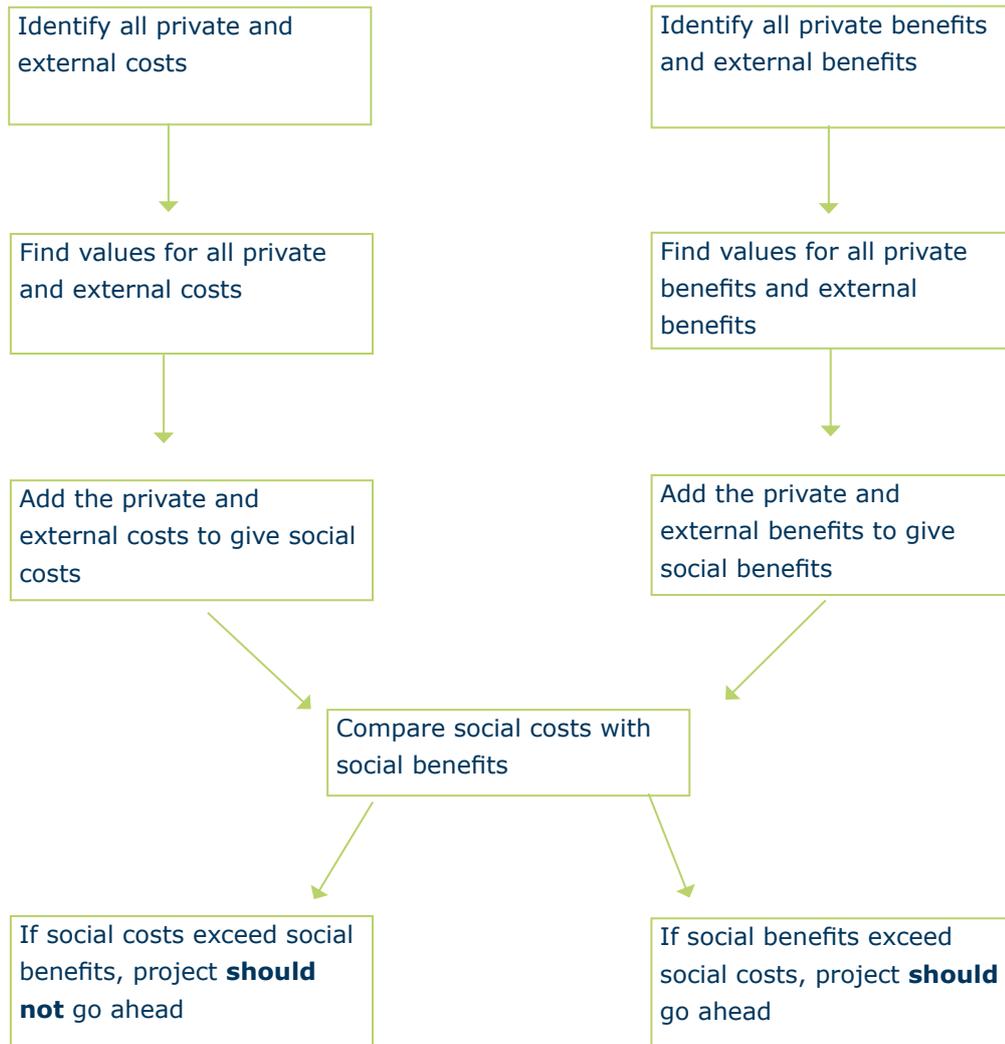
In small groups, discuss what you think the overall impact on the economy, both in your local area and the wider economy, of each of the examples given in the table above. Does your answer differ depending on whether you are considering the near or distant future? Do different groups of people, eg businesses, consumers, government, face different impacts?

Activity sheet 3 — Cost benefit analysis (CBA)

What is cost benefit analysis (CBA)?

CBA is a decision-making tool that helps governments to decide whether to go ahead with a project. It compares the social costs with the social benefits of the project.

How to carry out a CBA



Split into groups of three or four. Using the Internet, and other sources of information available to you, perform a cost benefit analysis of the London 2012 Olympics. Display your findings on a poster, ensuring that you clearly state whether you think the Olympics should or should not be going ahead. Your poster should contain details of any difficulties that you come across in carrying out your analysis.



Activity sheet 4 — Tackling market failure

Example of taxation — road pricing

Road pricing revolt is gathering speed

By David Millward, Transport Correspondent

Last Updated: 2:11am GMT 03/01/2007, www.telegraph.co.uk/news/main.jhtml?xml=/news/2007/01/02/nroads02.xml

The grassroots revolt against plans to introduce pay-as-you-drive road pricing was growing last night, with more than 71,000 people signing an online Downing Street petition calling for the scheme to be scrapped. Thousands of opponents are adding their names daily — the number of signatories has risen from 9,000 on Dec 2. The petition (petitions.pm.gov.uk) is due to remain online until February 20.

As the campaign, launched by Peter Roberts, an account manager from Telford, Shropshire, gathered strength, there were signs of unease on the Labour backbenches as John Spellar, a former transport minister, attacked the plans. Mr Roberts, 46, who drives 22,000 miles a year in his company car, would not have to pay the levy, but said it would be unfair on those who would. 'Does that mean someone would have to pay for seeing one's parents or going to cut grandma's grass? Nobody chooses to sit in a congested road and making them pay to do so is outrageous. It is going to cost £6 billion to implement and who is going to pay for that? It will cost every motorist £175.' As a company car driver, Mr Roberts also feared that employers could track where staff had been from their road pricing bills.

While the strength of public feeling will alarm ministers — and send a signal to the Conservatives, who have backed the principle of road pricing — it is backbench dissent that could prove significant. A Bill paving the way for trials is due before MPs during the current parliamentary session. Mr Spellar, MP for Warley, said backing for the proposals came from companies making the equipment and 'academics looking for consultancies'. The former trade union official added: 'Road pricing will be a horribly expensive way of collecting tax... They will be looking to collect it from 32 million drivers — the logistics will be horrendous.'

Some Labour MPs are concerned about the damage road pricing trials could do to electoral prospects. Others voicing doubts include Graham Stringer, a Manchester MP and a member of the Transport Select Committee at Westminster. He believes the Government is pressuring councils to run pilot schemes in return for cash for local transport improvements. 'They are asking local authorities to take the risk.'



From The Times, April 16th 2007

‘Rewards’ for drivers who back road prices

By Ben Webster

Motorists will be offered incentives to take part in road-pricing experiments, under government plans to rescue its policy of reducing congestion by charging vehicles by the mile. Rather than forcing drivers to install a black box, to track their cars’ movements, ministers hope to encourage volunteers by making the system financially attractive.

The Government was taken by surprise by the strength of feeling against road pricing in the petition opposing the idea on the Downing Street website. It attracted 1.8 million signatures, compared with 5,000 for a petition supporting road pricing.

The Department for Transport is developing an approach where drivers will be offered a choice: carry on paying motoring taxes or switch to a road-pricing meter in the car that could save money. Drivers could be offered a discount on fuel duty in return for agreeing to pay a distance-based charge, which would vary according to the level of congestion. DfT officials are studying an American trial in Oregon in which drivers who agree to pay a mileage charge have duty deducted from fuel bills.

The department hopes to test the voluntary approach in regional pilot schemes due to be announced this year. Manchester, Birmingham and Cambridge are being considered for the experiments. The hope is that positive reports from volunteers will help to silence suspicions about the concept, including concerns that the black box will be used to spy on drivers’ movements and to raise the overall amount paid in motoring taxes. Ministers have promised repeatedly that neither of these things will happen but the size of the petition suggests that many drivers do not believe them.

Under the new approach, drivers would be encouraged to see the black box as a useful tool, not an intrusive tracking device. The box, which would use satellite positioning and a digital map to record the vehicle’s movements, would act like a taxi meter. Drivers would be able to see the true cost of their journey mounting up as they sat behind the wheel and might decide to travel at a cheaper time, by a cheaper route or even on public transport. At present, motoring taxes are almost invisible to drivers because road tax is paid annually and fuel tax is collected automatically at the filling station.

The RAC Foundation supports the voluntary approach but believes that the Government should offer participants a whole package of benefits. It has developed a concept called ‘UK Drive Time’, which would involve installing a black box capable not just of calculating the distance charge but also of giving advice to the driver about congestion and offering faster alternative routes.

The system could also allow the driver to pay less for insurance. Norwich Union already offers a ‘pay-as-you-drive’ policy under which drivers pay less if they avoid driving late at night and in the morning peak, when most crashes occur.

Edmund King, the foundation’s director, said: ‘It would be political suicide to force road pricing on drivers. They need to be tempted to opt in.’ David Begg, the Government’s former transport adviser, said that ministers should learn from the introduction of the Oyster travel card in London. ‘No one was forced to get an Oyster card but the incentives were gradually increased and now more than ten million people have one,’ he said.

An American road pricing experiment in Seattle found that almost 80 per cent of volunteers made fewer car journeys on congested roads when offered a financial reward.

Task 1

Read the articles on road pricing. Note down, in a table, the arguments for and against road pricing as a means of tackling the negative externalities associated with car travel.

Task 2

Your class needs to split into small groups. Each group is to investigate one of the following approaches for tackling the causes and consequences of negative externalities.

Group 1 — legislation/regulation (rules supported by law)

Start by looking for: www.environmentagency.gov.uk/subjects/waterquality/252005/?version=1&lang=_e

and www.tutor2u.net/economics/content/topics/marketfail/externalities_direct_regulation.htm

Secondly, investigate other types of legislation/regulation that may be used to tackle negative externalities, eg Mexico City’s (in)famous licence plate scheme in the 1990s.

Complete the following table showing the advantages and disadvantages to the Government, businesses and consumers of using legislation to tackle negative externalities.

	Government	Businesses	Consumers
Advantages	Can raise revenue if fines are issued		
Disadvantages		May be costly and complicated to comply with legislation	

Group 2 — taxation

To tackle negative externalities, taxes can be imposed on producers that are equal to the external costs that they impose on society. You have already looked at one example of taxation in road pricing. Your first task is to investigate any other examples of taxation intended to tackle negative externalities.



Complete the following table showing the advantages and disadvantages to the Government, businesses and consumers of using taxation to tackle negative externalities.

	Government	Businesses	Consumers
Advantages		Good for businesses that have implemented pollution saving measures	
Disadvantages	Can be costly to collect taxes		

Group 3 — Pollution permits

Start by looking at the following websites:

www.adamsmith.org/80ideas/idea/38.htm

www.revisionguru.co.uk/economics/govern5.htm

Your first task is to explain how pollution permits work. Secondly complete the following table showing the advantages and disadvantages to the Government, businesses and consumers of using pollution permits to tackle negative externalities.

	Government	Businesses	Consumers
Advantages	Requires little interference following the initial issue of permits		
Disadvantages		Can be expensive	



Activity sheet 5 — Regulation

Start by reading the information at: www.tutor2u.net/economics/content/topics/monopoly/regulation.htm

Task 1 — Introductory research

Research the answers to the following questions.

1. What is meant by regulation?
2. What is a cartel?
3. What is collusion?
4. What is the effect of cartels such as De Beers (diamonds) and OPEC (oil) on prices?
5. A restrictive practice is one that is anti-competitive. Can you find any restrictive practices carried out by Tesco? What about Stagecoach (the bus company)?
6. Why do you think businesses engage in restrictive practices?
7. Why does the government try to tackle restrictive practices?
8. What do the following organisations do: OFCOM, OFWAT and OFGEM?

Task 2 — Issues with regulation

Start by discussing the advantages and disadvantages of having large companies for consumers and other businesses in the same industry. Is it right that the government should always regulate the activities of large dominant companies and/or groups of companies working together?

Natural monopolies

These exist where it only makes sense for there to be one company providing a particular good or service, due to the extremely high set up costs. Natural monopolies are often characterised by the existence of a large and extensive network. Examples include Royal Mail, Network Rail and our local water companies eg Thames Water.

Can you explain why it is important for the government to regulate the activities of natural monopolies?

Task 3 — Regulatory bodies — presentations

In groups, prepare presentations that outline the roles of the following regulatory bodies: the Competition Commission, the Office of Fair Trading and the EU Commission. You should include information on their role and remit, their power and effectiveness in tackling restrictive practices, and any recent examples of their activities.



Activity sheet 6 — Assessing the Effectiveness of Regulatory Action

Read the following examples of investigations and activities undertaken by the Office of Fair Trading (OFT) and the Competition Commission in recent years. Decide whether you think the action taken is appropriate, and whether consumers will really benefit from these actions. You could then research, summarise and evaluate other recent investigations.

Car after-sales market

In mid-June 2006, the OFT announced that car owners and fleet operators had saved between £120 million and £170 million over two years as a result of intervention by the OFT in the car after-sales market (compared to a cost of £300 000 in undertaking the study and implementing a response).

The OFT study found that it was, on average, £80 more expensive to have a new car serviced at a garage attached to a franchised dealer than to get the same service at an independent dealer. However, consumers had been prevented from taking advantage of the lower prices at independent dealers as their warranties prevented them from doing so. This was deemed to be anti-competitive and not in the best interests of consumers.

Following the OFT's investigation, the Society of Motor Manufacturers and Traders introduced measures so that most new car owners would be able to get their car serviced wherever they wished, without invalidating their warranties, and the OFT launched a consumer awareness campaign to inform consumers of their rights.

Whilst this action has in general proved to be successful, many consumers remain confused about where they can get their new cars serviced, since many warranties still 'strongly recommend' that cars are serviced at franchised dealers.

Adapted from www.oft.gov.uk/news/press/2006/103-06

Ticket sales

Many consumers end up paying a price for tickets to entertainment events that is above the face value printed on the ticket, due to additional 'fees' that are not stated prior to purchase. For example, for a Saturday night performance of Chicago in London, the prices paid for a £42.50 face value ticket ranged from £45.25 to £53.50. Additionally, many of the terms and conditions contained in the contracts associated with the tickets are unclear, for example related to non-delivery of tickets and refunds.

The OFT recommended that all advertisements should contain information on where tickets could be bought at face value and all information should be displayed clearly. They also suggested that the Society of Ticket Agents and Retailers produce model terms for its members to use in their contracts with consumers.

Adapted from www.oft.gov.uk/advice_and_resources/resource_base/market-studies/ticket-agents

Classified advertising

Yellow Pages, Thomson and BT account for 98% of the revenue from classified direct advertising (advertising where the consumer knows the product or service they wish to purchase and are looking for a provider) where Yellow Pages has 75% of the share. Yell (the new name for Yellow Pages) have been required since 2001 to reduce their prices, and have done so; however, the CC has concluded that this is not due to competition but simply because they are required to as a result of regulation. The CC has noted considerable barriers to entry in this market, particularly the ability to overcome the 'network effect' so as to establish enough usage to make it a convincing product for advertisers and the brand image of existing firms.

The CC's main conclusions are that BT is becoming a stronger competitor to Yell, but that it is unclear how much time it will take for them to become a real competitor, and that Yell enjoys profits considerable higher than should be expected, indicating that they have significant market power. Consequently, Yell are required to continue to limit their price increases to RPI-6% and to limit any 'second-tier' advertising (ie 'mini' guides for local areas) to a circulation of 25,000 or less.

Adapted from www.competition-commission.org.uk/rep_pub/reports/2006/fulltext/521.pdf



Activity sheet 7 — The state of the UK economy, and the policies to tackle the problems

Task 1 — Finding out about the UK economy

Copy and complete the following table. (A good source of information can be found on www.statistics.gov.uk.) This task could be split so that different groups investigate different ideas.

Economic indicator	Definition	Why are we interested in this information?	Current data	Trends and features in last 10/15 years
Inflation				
Unemployment				
Trade deficit				
Economic growth				
Business investment				
Profitability				
Productivity				

Task 2 — Fiscal policy

Fiscal policy is any policy related to government spending and taxation.

The Chancellor of the Exchequer has ultimate responsibility for deciding how much the Government needs to spend and how it will raise the money to do this. The Chancellor announces their budget in March each year.

What does the Government spend its money on? How does it get the money it needs?

Find out what changes were made to Government spending and taxation in the last budget (the BBC news website is a good place to start).

Find out what the following terms mean:

- | | |
|-------------------|------------------------------|
| a budget deficit | e direct tax |
| b budget surplus | f indirect tax |
| c regressive tax | g reflationary fiscal policy |
| d progressive tax | h deflationary fiscal policy |



Outline how, using fiscal policy, the government could tackle the following issues in an economy:

- | | | | |
|---|----------------------|---|---------------------------------|
| a | unemployment | e | low level of exports |
| b | inflation | f | low profitability of businesses |
| c | slow economic growth | g | low levels of investment |
| d | low productivity | h | deflation |

Task 3 – Monetary policy

Monetary policy is any policy related to the use of the interest rate to control the economy. Some governments also use the exchange rate and the money supply to control the economy as part of monetary policy. This is not the case in the UK.

In the UK, the Government is not directly responsible for monetary policy. In 1997, Gordon Brown, the then Chancellor of the Exchequer, made the Bank of England independent of the Government. One part of the Bank of England, called the Monetary Policy Committee, now has sole responsibility for setting the base rate (the rate of interest at which the Bank of England will lend to the high street banks) in order to control inflation. The current inflation target in the UK is 2% (Consumer Price Index).

What are the problems caused by inflation in an economy? How is inflation caused?

Using the information provided at:

- www.bankofengland.co.uk/monetarypolicy/how.htm explain how monetary policy can help to tackle inflation in the economy.

Using the information on interest rate changes over recent years at:

- www.bankofengland.co.uk/statistics/rates/baserate.pdf

and information on inflation rate found at:

- www.statistics.gov.uk/StatBase/tsdataset.asp?vlnk=340&More=N&All=Y (using the CPI) and
- www.statistics.gov.uk/StatBase/tsdataset.asp?vlnk=7172&More=N&All=Y (using the RPI), plot a graph showing the interest rate since 1970 and the inflation rate since 1970.

Do you notice any patterns?

Explain how a rise in the interest rate affects consumers and businesses.

You can calculate your own personal rate of inflation at www.statistics.gov.uk/pic.

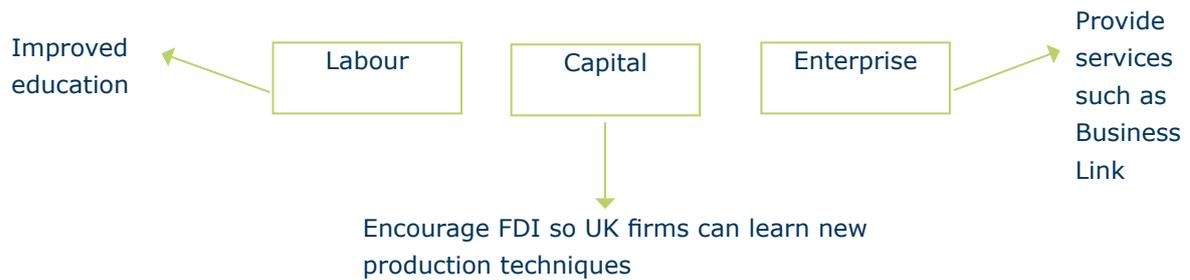
Task 4 – Supply side policy

Supply side policy is any policy designed to improve the quantity or quality of labour, capital or enterprise in an economy. It can take a number of years to take an effect.

Mrs Thatcher introduced many supply side reforms during her time in power in the 1980s. Successive governments have continued her approach.

Mind map activity

Your task is to produce a mind map outlining as many supply side policies as you can think of. A few starters have been given below.



Activity sheet 8 — Assessing the effectiveness of government policy

Task 1

All economics textbooks contain some evaluation of the various macroeconomic policies (fiscal, monetary and supply side). In addition, there are many economics related websites. Your first task is to research the strengths and weaknesses of the three types of policy frameworks, and complete the following table. Ideally, you need three or four items in each box.

Policy	Strengths	Weaknesses
Fiscal	The changes can be felt internationally as well as nationally. If we lower taxes for businesses and consumers then this will encourage businesses and workers into the country, boosting our productive capacity.	Can be very difficult for people to understand whether they are better or worse off following a budget change, as both direct and indirect taxes may have changed, along with benefits.
Monetary	The Bank of England is highly credible. This means that people (consumers and businesses) react fairly quickly to changes in the interest rate.	Just because the Bank of England changes the base rate does not mean that high street banks and building societies will do the same. If they don't, there will be little effect on inflation.
Supply side	Very effective in helping to reduce inflation in the future, since the productive capacity of the economy increases. This means demand is unlikely to outstrip supply and cause shortages and price hikes.	Can take around a decade to take full effect, eg primary school initiatives will only impact the supply side when those children eventually join the workforce.



Task 2

Examine the impact of each of these policy decisions on business profitability and competitiveness:

- a rise in the interest rate
- a cut in corporation tax
- encouragement of increased FDI
- a fall in unemployment benefits
- rising National Minimum Wage
- a fall in grants for start-ups
- more sponsorship for engineering trainees

Task 3

The government aims to achieve a number of macroeconomic objectives including:

- low inflation
- low unemployment
- steady economic growth
- a balance between exports and imports
- improved income equality

However, achieving all of these simultaneously is virtually impossible. Explain how each of the following policy scenarios could result in the conflict suggested.

- A fall in the interest rate to improve the rate of economic growth causes inflation.
 - A reduction in income tax to encourage people into work causes an increase in the level of imports into the economy.
 - Increased government spending on education and training to improve economic growth causes inflation.
 - A rise in the level of benefits to improve income equality causes a rise in unemployment.
- Can you think of any other conflicts?



Activity sheet 9 — Tackling market problems

You should now be aware of a number of approaches that governments can take to tackle problems in their economy.

Your class should now split into groups, each of which will act as policy advisors to the government in a number of areas. Your task as a group is to read the sources provided that you are allocated, carry out additional research and suggest a number of different approaches for tackling the problem. Evaluate the approaches from the point of view of businesses, consumers and the government, and then select and justify the most appropriate one.

Group 1 — Advisors on the obesity problem

UK faces serious obesity problem

Published: Monday 28 August 2006 | Updated: Monday 18 June 2007

A forecast report on UK obesity trends states that a third of adults and a fifth of children will be obese by 2010, resulting in more people suffering from related diseases and an increase in healthcare costs.

This year's Health Survey for England, published by the UK Department of Health on 25 August 2006, focuses on obesity. The Forecasting Obesity to 2010 report predicts the levels of obesity in England in 2010 if current trends remain unchanged.

The forecast statistics show that around 13 million adults, more men than women, will be obese by 2010, and another 15 million overweight. As a result, an increasing number of people will suffer from obesity-related diseases such as cardiovascular disease or type 2 diabetes and the cost of obesity to the UK national health system is expected to rise above 1 billion euro. Childhood obesity is also set to increase, with proportionally more girls than boys being obese.

UK Prime Minister Tony Blair appointed, in August 2006, a Public Health Minister to work across government on a new strategy to increase the UK population's fitness and activity levels.

Striving to promote healthy lifestyles, the European Commission adopted, in December 2005, a Green Paper on healthy diets and physical activity in Europe to prevent obesity and chronic diseases. A White Paper on the issue is expected in early 2007.



Group 2 – Advisors on the alcohol problem

Government tackles cost of binge drinking

Press Association

Monday March 15, 2004

SocietyGuardian.co.uk

The government today called on pubs, clubs and the drinks industry to help reduce the £20bn-a-year social, economic and healthcare costs of Britain's binge drinking culture. The alcohol harm reduction strategy for England, published today, calls for clearer labelling of drinks so people can check whether they are consuming more than the recommended levels of alcohol — 21 units a week for men and 14 for women.

The prime minister's strategy unit also want the drinks industry to better promote sensible drinking on alcoholic products. The strategy unit said the communications watchdog Ofcom will review the code of practice for TV adverts to make sure they did not glamorise alcohol or encourage underage drinking. It also recommended formalising voluntary schemes where the drinks industry helps fund alcohol education programmes and research into the effects of excessive drinking.

Pubs and bars will be encouraged to contribute towards the costs of policing crime and disorder caused by excessive alcohol consumption. Under local 'corporate social responsibility' schemes, they could also provide transport home for drinkers and pay for marshals to help keep the peace in city centres at closing time.

To combat crime and disorder caused by alcohol misuse, the strategy calls for better enforcement of existing laws to tackle antisocial behaviour and underage drinking. It urges the police to make greater use of exclusion orders to ban problem drinkers from pubs and town and city centres, and to increase the use of fixed penalty fines for those causing a nuisance on the streets. Home Office minister Hazel Blears said: 'In many areas the police, local councils and the drinks industry are all working together to combat the problems like underage drinking, anti-social behaviour and drink fuelled violence. Our strategy will widen this approach so that people are more aware of the dangers of excessive drinking, that advertising doesn't promote irresponsible drinking and the violent behaviour in our city centres is reduced.'

In a bid to improve NHS alcohol services, healthcare staff will receive more training so they can better recognise problems such as binge and chronic drinking. The Department of Health (DoH) will pilot schemes to help identify alcohol problems at an earlier stage in order to deal with problems before they get worse. There will be an audit to identify the most effective treatment services for alcoholics and to check whether they can meet growing demand.

The Prime Minister, Tony Blair said the government accepted all the report's conclusions. 'It is vital that individuals can make informed and responsible decisions about their own levels of alcohol consumption. Everyone needs to be able to balance their right to enjoy a drink with the potential risks to their own — and others' — health and wellbeing.'

The Home Office and Department of Health will now work with other government departments to implement the strategy. A Cabinet committee will monitor the implementation of its recommendations by using key indicators of success, such as whether the numbers dying from alcohol-related causes starts to drop. Yesterday, a leaked letter from the home secretary, David Blunkett, to the Prime Minister, revealed in the Sunday Times, warned that drink-related disorder risked spiralling out of control. Mr Blunkett said the 'situation at night in our towns and city centres raises serious concerns about the control of alcohol-related crime and disorder'.

Ms Blears said that the government would keep under review whether there might be a need for a more coercive approach to reduce alcohol misuse. 'At this stage we have said we will have a voluntary scheme. We have also said we will review it early in the next parliament. If it isn't making a significant impact on reducing these problems of crime and disorder, starting to change the culture, then we will look at further measures including possible regulation,' she told BBC Radio 4's Today programme.

'But I think this voluntary approach initially says to those bars, 'This is a serious situation, come on board with us, be part of a partnership'.'

Ms Blears told GMTV that the government hoped pubs and clubs would join 'corporate social responsibility' schemes to promote safer drinking and reduce antisocial behaviour in city centres.

'It is in industry's own best interests to make sure that the city centre is safe, it is a place where people can come and enjoy themselves and that means that their profits are up as well.'

'It is a win-win for everybody here. We are saying in the strategy today we want all of industry to be in these partnerships at a local level, making a contribution and helping us to get a better way of dealing with alcohol in our society.'

Highlighting Manchester, where a safe city centre scheme is in operation, Ms Blears said pubs and clubs were helping to pay policing costs and contributed to the funding of 'taxi marshals' to help people get home safely.

Alcohol misuse costs Britain at least £20bn a year, according to the Prime Minister's strategy. This includes £1.7bn was spent by the NHS, £6.4bn lost due to missing work, and £7.3bn spent on tackling alcohol-related crime. The deaths of an estimated 15,000 to 22,000 people every year are linked to alcohol.

<http://society.guardian.co.uk/drugsandalcohol/story/0,,1167189,00.html>

Group 3 – Encouraging recycling to reduce the externalities of landfill

November 24, 2005: Innovative pilot schemes launched to encourage recycling

Posted on Thursday 24 November 2005 on www.york.gov.uk/news/newsarchive/2005/november/160879

Environmentally-friendly York residents will soon stand a chance of scooping cash prizes — just for recycling their household waste! City of York Council is launching two innovative pilot schemes aimed at encouraging residents to increase the amount of waste that they recycle. DEFRA (Department for Environment, Food and Rural Affairs) funding of £23,000 has been awarded to the North Yorkshire Waste Partnership to offer recycling incentives.

In York, one of the pilot schemes will operate as part of the kerbside recycling collections for 1,143 homes in the Clifton area. These properties, which are in the vicinity of the football ground, have been chosen because participation in the kerbside recycling scheme is lower in this area than elsewhere in the city, at around 30 per cent. Each time a kerbside recycling collection takes place, one property with a box or bag out for collection will be selected at random and the occupants will receive a £50 cash prize. This means that there will be two winners every month. A leaflet explaining how the new incentive scheme works will be delivered to participating properties and all residents have to do to take part is put their recycling bag or box out by 7am on collection day.

The incentive scheme is only open to households that participate in the kerbside recycling collections in the pilot area of Clifton. Residents who receive assisted collections can also take part, providing their box is at the designated collection point by 7am.

The second pilot scheme is running at five Household Waste Recycling Centres (HWRCs) across the York and North Yorkshire area. It aims to encourage residents to separate their waste into the various recycling containers provided. In York, the Towthorpe site has been chosen, but HWRCs at Ripon, Harrogate, Selby and Scarborough will also be involved. Any residents who take items to these sites for recycling will be given a postcard on which they need to fill in their name, address and details of the items that they have recycled on that visit. Every month, one visitor to each of the sites will be chosen to receive £50 worth of gift vouchers.

City of York Council's Head of Waste Strategy, Kristy Walton, said: 'I hope that these pilots will encourage regular recyclers to recycle even more, and also encourage people who have not yet started to recycle regularly to do so.'



Group 4 – Encouraging the use of public transport to tackle the negative externalities of car transport

Public Transport Costs

Friday, 13 Apr 2007 09:00

Privatisation, deregulation and lack of investment are to blame for the high cost of public transport, according to a new report published today.

Young people are one of the groups hardest hit by expensive transport, with one in four people between the ages of 16 and 25 deciding not to apply for a job due to transport concerns.

When young people on the New Deal were asked why they did not have a job the two most common responses were 'no jobs nearby' (29 per cent) and 'lack of personal transport' (25 per cent). The report claims that one in sixteen young people have turned down training opportunities due to problems with transportation.

The research, conducted by the Trade Union Congress (TUC) Young Members Forum, which starts its annual conference today, is entitled Unfare!. It found that around half of 16 to 18-year-olds struggled to meet the cost of transport following the abolition of concessions given to students in full time education after the age of 16.

Motoring costs have fallen slightly in real terms but bus and coach fares have increased by around a third. Young people constitute the group most likely to travel to work by public transport, with one in seven of the trips taken by 17 to 20-year-olds being on public transport, compared to one in sixteen for the general population.

The report calls on the rest of the UK to emulate London's travel policy, where under-18s in full time education travel for free. It also mentions the environmental importance of encouraging public transport.

[www.politics.co.uk/issueoftheday/public-services/road/public-transport-costs-\\$470841\\$470841.htm](http://www.politics.co.uk/issueoftheday/public-services/road/public-transport-costs-$470841$470841.htm)

Follow-up work

For each of the solutions outlined in the articles/extracts, you should now assess the impact of the solution specifically on businesses. Remember to take into consideration the possible costs of complying with each scheme.

For obesity, how does the proposed policy affect the fast food industry? What about businesses offering healthier alternatives? What are the opportunities and threats in each case?

For binge drinking, what will the impact of the policy be on pubs/clubs, supermarkets, taxi companies etc?

For recycling, will the proposed policy impact on companies offering waste collection services? What opportunities might there be for companies to offer alternatives? Is this feasible?

For public transport, what are the implications of improving public transport for bus/train companies? What about petrol stations? Is there a broader impact on companies based in rural areas in terms of potential applicants for jobs?

Student Guide — GCE in Economics and Business

What do I need to know, or be able to do, before taking this course?

You may not have studied any business or economics-related subjects before, but that does not matter! What is much more important is that you want to know how to succeed in setting up and running a business and how running a business may be affected by the economy. However, most schools or colleges will expect you to have achieved at least a grade 'C' in GCSE Maths and English.

What will I learn?

Unit 1: Developing New Business Ideas covers the thinking and activities that entrepreneurs and existing businesses undertake when developing and researching new business ideas.

Unit 2b: Business Economics considers the market that a business may be operating in, how competition in the market and macroeconomic change is likely to affect it and how businesses can seek to minimise uncertainty through their actions.

Unit 3: International Business introduces what businesses need to consider if they were to trade internationally, such as which countries to sell their product in, and why some companies sell their products worldwide.

Unit 4b: The Wider Economic Environment and Business considers why certain markets fail, how government decision making affects the economy and markets that companies operate in, and the income and welfare of private individuals. It should enable you to assess why Government economic policy can succeed or fail.

Throughout the course you will develop a clear and concise (short!) style of writing, the type used in economics and business, enabling you to communicate effectively in a business setting. You will also learn how to analyse and interpret economic indicators, to work out how they may affect a business and what action should be taken to benefit from these, or minimise the damage.

Is this the right subject for me?

This course is suitable if you:

- prefer examinations to coursework
- are prepared to take an interest in current economic issues, national and international business news
- want to learn how to analyse information effectively and be able to suggest solutions to real problems affecting businesses, the economy and individuals
- enjoy analysing and presenting the merits of alternative courses of action
- want to gain a background in economics and business to enable you to gain a future management position in any organisation.

How will I be assessed?

Unit number and unit title	Level	Assessment information	Number of marks allocated in the unit
Unit 1: Developing New Business Ideas	AS	Examination length: 1 hour 15 minutes Supported multiple-choice questions where students write a short justification of why they chose that answer and/or why the other answers are incorrect: 32 marks. Questions based on data*: 38 marks.	70
Unit 2b: Business Economics	AS	Examination length: 1 hour 15 minutes Supported multiple choice questions: 24 marks. Questions based on data*: 46 marks.	70
Unit 3: International Business	A2	Examination length: 1 hour 30 minutes Questions based on data*: 35 marks. Case study and questions: 45 marks (the case study is not pre-released).	80
Unit 4b: The Wider Economic Environment and Business	A2	Examination length: 1 hour 30 minutes Questions based on data*: 30 marks. Decision making report and questions: 50 marks (the context of the decision making report is pre-released).	80

* Note: 'data' represents passages of text that may include graphs, table(s) of information, diagrams etc.

What can I do after I've completed the course?

The course provides a solid foundation for studies at a higher level in the following subject areas:

- business management
- business administration
- accountancy and finance
- human resource management
- marketing, retail management
- tourism management
- international business

It can also lead on to a career in the commercial world, eg in banking, sales, product management or general management. Business and management skills are also desirable in public sector organisations or charities.

This qualification could also enable students to progress on to a straight economics degree, with a focus on theory or a degree in applied economics such as environmental economics, labour economics, public sector economics or monetary economics. Alternatively, students may study a business economics or mathematical economics degree, or study economics with other subjects, eg politics, philosophy or history, as a combined degree. Some universities require A level mathematics whilst others only ask for a good GCSE grade in mathematics. Post university employment rates of economists are among the highest for graduates. They are likely to find employment in finance, banking, insurance, accountancy, management and consultancy. A number do become professional economists.

Next steps!

You should find out:

- what grade you are likely to get in your GCSE Maths and English
- whether a GCE in Economics and Business will help you to progress on to the degree course or job that you want to do
- the specification for each unit which can be found under the GCE Economics and Business subject heading on, www.edexcel.org.uk, the Edexcel website.

Pearson Education Limited is one of the UK's largest awarding organisations, offering academic and vocational qualifications and testing to schools, colleges, employers and other places of learning, both in the UK and internationally. Qualifications offered include GCSE, AS and A Level, NVQ and our BTEC suite of vocational qualifications, ranging from Entry Level to BTEC Higher National Diplomas. Pearson Education Limited administers Edexcel GCE examinations.

Through initiatives such as onscreen marking and administration, Pearson is leading the way in using technology to modernise educational assessment, and to support teachers and learners.

This guide is Issue 2. We will inform centres of any changes to this issue. The latest issue can be found on the Edexcel website: www.edexcel.com

References to third-party material made in this guide are made in good faith. We do not endorse, approve or accept responsibility for the content of materials, which may be subject to change, or any opinions expressed therein. (Material may include textbooks, journals, magazines and other publications and websites.)

Publications Code UA037334

All the material in this publication is copyright

© Pearson Education Limited 2013

For more information on Edexcel and BTEC qualifications
please visit our website: www.edexcel.com

Pearson Education Limited. Registered in England and Wales No. 872828
Registered Office: Edinburgh Gate, Harlow, Essex CM20 2JE
VAT Reg No GB 278 537121