

Progression in Business Studies

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I can evaluate the range of external influences on business decision making

Business Ethics

Ethical Behaviour -
 Business ethics are positive behaviours rules and regulation they follow by doing the right thing to benefit others.

Sustainability -
 Sustainability is the idea that goods and services should be made using resources that can be replaced. This could be raw materials or energy requirements.

Environmental Consideration:-
 Making sure that the activities of the day to day business won't affect the environment negatively.

Types of Ethical Behaviour

- Fair Trade
- Resource Sourcing
- Recycling
- Fair wages.
- NO animal testing.
- Eco-friendly vehicles.
- planting trees.
- Carbon neutral
- Reduce Pollution

BUSINESS ETHICS

Types of Ethical Behaviour

- No animal testing
- Fair pay
- Recycle
- Biodegradable
- Safety for the employees
- Supporting local community
- use less plastics
- source local
- ethical suppliers.

Business might have negative impacts on the environment as:

- wasteful
- harmful toxins
- use fossil fuels
- deforestation.

Some benefits to business can ethical are:

- More sustainable
- More people happy
- More profit
- lower carbon footprint
- social media attention


SUSTAINABILITY

It is the idea of goods and services should be made using resources that can be replaced this could be raw materials or energy.

Environmental Considerations

Actions of making the decisions to ensure all activity in business does not affect the environment.

I can use financial information to make business decisions



MR TEE'S BREAK EVEN ANALYSIS

You are a group of financial experts who are going to conduct some break even analysis for a new business start-up. The business will print and design T shirts for businesses or individual customers. The owner, Mr Tee, has given you a set of information that relates to different costs and revenues that he expects to incur in his business.

Activity 1: Demonstrating understanding of costs and revenue

You need to categorise

- 1 The different costs into fixed and variable
- 2 Decide which information relates to revenue
- 3 Complete the table below using this information (only one table needs to be completed per group)
- 4 You will be calculating the monthly break even point, so bear this in mind when you are completing the table

Number of T shirts printed	Total Revenue at different levels of output	Fixed Costs	Total Variable Costs at different levels of output	Total Costs
0		£3000	0	£3000
200	£1800	£3000	£900	3900
400	£3600	3000	1600	4600
600	5400	3000	2400	5400
800	7200	3000	3200	6200
1000	9000	3000	4000	7000

5 Check with the Financial Director when you have completed the table to make sure it is correct!!

Tuesday 2nd November 2021

Financial calculations

Revenue = Selling price x number sold

eg: 1 book = £5, sell 5 books, 5 x 5 = 25, revenue = 25

total variable cost = $\frac{\text{Variable cost per unit}}{\text{unit}} \times \text{Number of units produced}$

total cost = $\frac{\text{Total fixed costs}}{\text{costs}} + \frac{\text{total variable costs}}{\text{costs}}$

profit = Revenue - Total cost


I can evaluate the impact of decision making on a range of business functions

What's happening to employee and employer relations?

- The relationship between employee and employers has declined due to the striking, the relationship will decline and effect the future of railways and the pay for the future in railways
- Relationships will get worse. The employer is likely to lose money due to delayed service to clients or to lost production time. The employees will lose their pay due to the no work, no pay principle.
- General public:
- One poll on Tuesday, conducted by YouGov, suggested more people (45%) oppose the rail strikes than support them (37%).
- But in another, released last night by Savanta ComRes, 58% of the 2,300 people questioned said the strikes are justified, with 34% deeming them unjustified and 66% saying the government has done too little to prevent them.

Investigating the Promotional Mix

Promotional Mix Element	Definition	Advantages	Disadvantages	Examples
Advertising	Communication with the users of a product/service.	Attracts existing and new customers	Costs	Television – adverts in between shows. Billboards – boards on side of the road used to catch pedestrians and drivers attention.
Personal Selling	A product being sold personally to the customer through a face-to-face interaction	Customers more likely to be happy with their product	Must hire more staff, increased costs	Cars – When buying a car you will usually be assisted by a member of staff who will help you chose the best option for you.



Put some music in your food

COST AND OUTPUT DATA, REGGAE REGGAE JERK BARBECUE SAUCE

Selling Price per jar	£1.50
Variable Cost per jar	£0.50
Fixed cost per year	£1.5million
Maximum output capacity per year	3 million
Actual output per year	2.5 million

2. COMPLETE THIS GRAPH TO SHOW BREAK-EVEN POINT

4 RE-CALCULATE After the change that sales has decreased for the business, what has happened to:

Contribution per unit:

Break-even level of output:

Profit at capacity output:

1 USE THE COST AND OUTPUT DATA TO CALCULATE

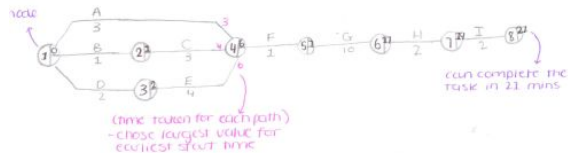
I can use a range of tools to analyse the strategic position of a business

Critical Path Analysis: The Big Breakfast

It takes me 3 minutes to make the toast. It takes 1 minute to break and whisk the eggs and then I need to put them in the microwave for 3 minutes. The grill takes 2 minutes to heat and cook bacon for 4 minutes under the grill. The breakfast takes me 1 minute to serve and a further 10 minutes to eat. Once I have eaten my breakfast I need to wash up which takes a further 2 minutes and then put the plates away which takes 2 minutes.

- How long does it take to cook, eat and clear up after my breakfast?
- Can the jobs be organised so that it takes less time?

TASK	DURATION	PRE-REQUISITE
A - make toast	3 mins	-
B - break/whisk eggs	7 min	-
C - microwave eggs	3 mins	B
D - heat grill	2 mins	-
E - cook bacon	4 mins	D
F - Serve breakfast	7 min	A, C, E
G - eat	10 mins	F
H - wash up	2 mins	G
I - plates away	2 mins	H



The rise and fall of Toys R Us

The decline of the toy aspenstrous provides an example of an established retailer struggling to cope with a changing business environment

The recent demise of Toys R Us is yet another example of the changing nature of the retail environment and how the rise of both e-commerce and supermarkets across the world, eroding their product ranges has caught incumbent firms on the hop. Established businesses like Toys R Us have failed to adapt quickly enough to changing external factors, and have made fatal errors that involve some of the fundamental concepts that you will be studying for your A level.

All under one roof

Before Toys R Us, most towns or cities had their own independent toy store. After the Second World War, toys and gifts were more of a hobby and less of a discretionary spend, and mainly reserved for birthdays and Christmas. However, Charles Lazarus, the founder of Toys R Us, recognised that in the post-war baby boom and growing standards of living and income, the demographic factors were perfectly placed to take advantage of.

In 1957 Lazarus opened the first of his 'big box' toy stores outside Washington DC, with the simple but effective concept of huge warehouse-style stores, on the edge of towns and cities, where the location costs were lower and parking was plentiful (and free). More importantly, having stock in such large quantities meant that the economies of scale were substantial, and the company could offer much lower prices alongside an exceptional range of products.

By the mid 1970s Toys R Us had expanded to over 200 stores in the USA, which would become 783 by the end 2008, with almost the same number of stores again worldwide. It had over 30,000 employees and had dominated the market almost exclusively for over 25 years. Toys R Us was an inspiration for the phrase 'category killer' - such was its position within the marketplace that no rival firm could challenge.

Lazarus was among the highest paid US Chief executives, having appeared out top profits from kids to no store. Poor



power, convenience, choice, growing incomes and competing prices were always likely to provide a profitable example of segmentation, targeting and positioning (STP), and the company had got it spot on.

What went wrong?

So, where had he gone so wrong? There were several factors at work. Not insignificantly, Lazarus stepped down as CEO in 1994 and, like many other companies, the retirement of the founder means a period of uncertainty and loss of focus. By 1996, the company had been overtaken by Walmart as the largest toy seller within the USA.

It was also trying to cope to terms with having its catalogue of products on a viable e-commerce platform, which was challenging. The website was clunky and hard to navigate, and making a purchase was far more complicated than buying from Amazon. The once-dominant position of the company was being threatened on two fronts.

However, Toys R Us had managed to successfully enter the brand name and moved to target a younger, 'mature' segment through the launch of Babies R Us. For a while this store proved a godsend, as most of the firm's profits were coming from this part of its operation, while established brands, such as Hot Wheels and the like, started to lose market share to the company.

But the profits of the business were the last as they had been, and it was looking increasingly likely that drastic action would need to be taken.

Fatal mistakes

The company had a potential ace up its sleeve in the fact that it owned most of its stores. This meant it was far less susceptible to having to pay increased rents and rates, which has proved damaging other retailers in recent years.

Toys R Us decided to use the value of its real estate assets to leverage more money. Basically, it was facing diminished profit margins, declining market share and weaker cash flow, but decided to try and expand its operations further by borrowing more money and using the value of the real estate as security against the additional funds.

The end

This is quite a common practice in business. However, the maths did not add up. The company was having to pay interest of 1400 million a year on debts of about \$3 billion. In good years, this 1400 million interest payment was affordable, as the company made operating profits of over \$800 million. But not all years were good years and these interest payments had to be paid before anything else. One with annual revenues of over 2 billion, the margins that Toys R Us used to enjoy and exploit were being cut into the superannuation owned to cover much more supplier power over the manufacturers of toys than Toys R Us could.

With market share falling to 10%, the firm was still a player within the market, just not as strong as it once was. The need to keep paying back the interest was always going to prove demanding and potentially fatal unless the company could attract new money and come up with an alternative strategy.

No way back

Throughout the last two decades, the Toys R Us CEO office could have been fitted with a revolving door as new individuals



Photo R Us provided a good illustration of the firm's real estate assets.

came and went, all with different ideas and strategies to try and bail the decline. There included a complete overhaul of the store themselves to try and move them away from impersonal warehouses and give them more of a traditional toy store feel. Toys R Us also operated a flagship downtown store in New York's Times Square, with a large firm which, a 100-foot Transamerica one and huge interactive displays throughout the store. The idea was that this store would become like a Nikei's Nikei in Times Square and attract over 20 million visitors a year. The key difference, however, was that this store never actually made any profits.

The company also went on an acquisition drive, buying up the world's values (the struggling toy store 100 Schleich and three other retail e-commerce websites. None of these strategies were particularly successful on their own, and with little interest needed to be paid as over, the firm was just one bad year from financial trouble. This came in 2012, when the company reported a fall in profits of 75%, down to just \$38 million - another year enough to cover the costs of the over-riding debts the company had continued to accumulate since the fibre pricing that its fundamental business principles were still sound.

For a company selling 90% of annual revenue comes during the holiday season. With the growing entanglement of online events such as Black Friday and Cyber Monday taking their margins, declining market share and weaker cash flow, but at the end of November, and with competition standing prices significantly. Toys R Us was clearly on the edge.

In many ways, the firm should have probably looked to sell and start again, but instead tried to hang on for a further 12 years. While there were some signs of it turning around, with sales growth of 20% each year, this was never going to be significant enough to help the firm recover fully.

Toys R Us finally decided to embark on a cost-cutting and restructuring strategy - 100 US stores were sold and the company was kept to attract potential buyers. Despite some interest, none were forthcoming, and so the company announced in March 2018 that it would be going into liquidation, with \$1.6 billion of stock available at a discount and the proportion set up for sale. A week after the announcement, Charles Lazarus died, although the founder had been in poor health for months and was apparently completely unaware that his company could attract the decline and come up with an alternative strategy.

Photo Waterhouse is joint author of Business Finance and Head of Business and Commerce at Bedford School.

