

4.1 Production Processes

Key Words

What is production?



- the process of turning raw materials into saleable products and services

Technology is being used more and more in the production of goods and services.

Technological development is making it possible for technology to perform skilled work and reducing the need for human resources

Job production

Advantages

- Products are usually high-quality
- Products can be made to meet the needs of individual customers
- Workers often get more satisfaction

Disadvantages

- Costs of production will be high
- Labour costs may be high because job production often requires skilled labour



Job Production

Making products individually

Batch production



Advantages

- The needs of different customers can be met by making batches of different goods
- Batches are made to meet specific orders from customers
- It may be possible to use specialist machines to automate production

Disadvantages

- It takes time to switch production from one batch to another - costly
- May have to keep stock of raw materials to be able to switch production
- Less choice of products for customers
- Tasks are repetitive for workers

Flow production



Advantages

- Large amounts can be made
- Costs of production for each unit is low
- Machinery can be used, helping to recuperate costs
- Technology can be used to change the products slightly to more are available for customers to choose from

Disadvantages

- Goods are mass-produced so quality may be low
- Expensive to set up a production line
- Large stocks of materials need to be kept which can be expensive
- If production stops at any point then production stops everywhere
- Jobs can be repetitive and boring

Batch Production

Making one type of product then switching to make a different product

Flow Production

The production of one product on a continuous assembly line

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Automation

Production involving machinery not controlled by a person

4.2 Quality of goods and services

Key Words

Definition of Quality



Quality is:
about a product being fit for purpose and working in a way that it is supposed to.

A product should:

- Be fit for purpose
- Meet legislative rules(design and safety for customers)
- Meet customer expectations



Importance of providing quality products

Quality control
A system for inspecting the quality of goods and services

Quality assurance
An approach that involves the whole business focusing on quality

Returns
Goods which customers take back to the shop because of problems

Recalls
The business asks for products to be returned because of faults

Importance of providing quality products

- It avoids waste**
If goods are not of a good quality they may not be able to be sold and so the producer has wasted money
- It avoids recalls**
If unsatisfactory products are made and sold they will then have to be recalled and the issue resolved at a cost to the manufacturer
- Reputation and sales**
Customers will not be happy with poor quality products and may shop elsewhere in the future
- Disrupted production**
Production may be disrupted if quality is poor from the start



Advantages of Quality Control

- Help prevent faulty goods/services being sold
- Does not disrupt production
- Improved reputation for the business as its known for quality products/services

Disadvantages of Quality Control

- Doesn't prevent waste of resources
- Inspecting goods cost money(wages & testing products)
- Doesn't encourage responsibility of workers to check quality



Advantages of Quality Assurance

- Less wastage=reduced costs
- Workers feel valued with responsibility of checking quality
- Improved reputation

Disadvantages of Quality Assurance

- Disrupt production to check quality
- Costly as training could be needed to carry out checks
- Workers may worry about extra responsibility

Training

Short term methods to focus on helping staff do their job well

Development

Long term training focused on helping staff realise their long term potential

Professional Development

Includes both vocational and academic development. It involves learning over a long period of time. Workers may learn through external courses with this learning being reinforced by practical activity in the workplace.

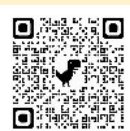
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Induction Training

Training to introduce a new worker to the business, place of work and their fellow workers as well as their jobs

4.3 The sales process and customer service						Key Words
Sales Businesses can sell their products in one of three ways: E-commerce Sales Telesales Face to face E- Commerce E-commerce is when businesses sell their products online Businesses are now finding that they have to adapt to offer some or all of their services online or risk losing out to their competitors E-commerce has the following advantages and disadvantages: Sales can be made 24/7 Sales can be made worldwide Less requirement for expensive shop locations Cost of website Lack of 'impulse buys' Greater competition Delivery processes need to be in place						E-commerce Is the bringing together of buying and selling electronically
Customer Service Customer service relates to how customers are treated by a business and its employees Good customer service can help a business retain existing customers and attract new customers Businesses can provide customer service through: Product Knowledge Ensuring employees can confidently answer customers' questions about products Customer Engagement Ensuring well presented employees interact politely with customers After Sales Service Offering additional services, such as repairs, after a sale has been secured						Customer service Is the name given to an area of business that deals with customer enquiries
						Customer engagement Is the contact between the business and customer
						Face to face selling Is usually completed in a shop where there is direct contact between the buyer and seller
						Telesales Is sales completed over the telephone
						After sales service Is advice and help given to a customer after they have bought a product or service
Quizizz - test yourself!	Quizlet	Exam Style Question	Video Links	Extended Reading		Product knowledge Is the detailed knowledge of a product or service that staff within a business use to help persuade a customer to buy

4.4 Consumer Law

Key Words

Customer Rights (Consumer Rights Act 2015)



- **Rights within 30 days** . You can return faulty goods for a full refund. Does not apply to digital products such as music and apps that have been downloaded.
- **Rights within the first six months.** It is presumed that the fault was there at the time of purchase. The **Seller** has to prove that the fault is with the customer. Reduction in price or replacement.
- **Rights after six months.** If fault develops after six months, the **customer** has to prove the fault was there at the time of delivery.

How customers are protected by the law

Customers are protected by the Consumer Rights Act 2015. Gives protection to customers when they buy *goods and services* which must be:

- **Of satisfactory quality** (not damaged or faulty)
- **Fit for purpose** (must do what it is meant to do)
- **As described** (i.e. if you ordered an orange-coloured bike, then you should receive an orange-coloured bike not a green one).



Fit for purpose

Goods must do what they are meant to do.

As described

Goods must be as the business described them.



Consumer Rights Act 2015

The *impact* of consumer law on business activity



There are a number of ways that consumer law can impact of business activity:

- **Production of quality goods;** a business must make sure the quality of the goods it produces is up to standard. If a business does not produce goods of **satisfactory quality** it may face customers returning goods for refund which will cost the business money and may lower profits.
- **Safety of goods;** if goods produced are defective in any way customers can claim compensation for damage, death or personal injury. This could result in **huge costs** for the business.
- **Loss of reputation;** If a business produces goods that are of poor quality or defective, then there will be claims from customers against the business which can be costly and can also affect the reputation of the business.

Consumer law

The area of law which protects the customers of a business.

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Reputation

A company's reputation is a public perception of the company and how it operates.

4.5 Business Location

Key Words

Location and Site

Factors to consider when deciding where to locate a business:

Cost

- Availability of shop
- Suitability of shop / size of the premises / state of premises / facilities
- Infrastructure
- Closeness of shop to market / plenty of customers
- Ease of access for customers / for deliveries
- Passing trade / footfall



Wider Business World

Amazon – arguably the most successful internet based business

Primark – most of the stores in large town centres to benefit from being near customers

Beauticians / hairdressers – often set up close to competition to benefit from passing trade

Medical research – often located near to a large university

Synoptic Links

Technological influences – the introduction of the internet meant that businesses no longer needed a fixed premises

Marketing mix – location costs can affect price; internet affects the place element

Globalisation – some businesses can now choose to locate in different parts of the world

Factors to consider when locating a business

Positive factors to think about when deciding on a business location:

Cost of rent → rent for out of town sites is often cheaper → less than other sites e.g. in town centre
Transport links → close to main road → motorists will find location easily → as will delivery vehicles
Easy access for customers → is the entrance off a main road making it easy to find → close to bus stops · Car parks → enough space → less congestion than town centres → usually free parking in out of town sites
Easy access for delivery → does not disrupt car parks/customers
Competition → shops selling similar goods close by → might attract customers looking for variety
Other businesses → people shopping close by might be attracted to the business
Common services → such as security, waste disposal

Negative factors to think about when deciding on a business location:

Competition → similar businesses may be well known → may have wider range of goods → lower prices → people may go to the town centre
Congestion → with variety of businesses → many people using centre → car parks full → customers previous bad experience
Distance to travel for customers → may be too far → cost to travel → availability of transport
Maybe more expensive → than other locations
Must conform to standards of other businesses → e.g. design of shop

Location

where a business operates

Proximity

nearness to; how near you are to something

Market

the customers / people and businesses who will buy your products

Labour

staff who work for you

Raw materials

the things a business needs to make its products

Primary sector – businesses that extract and provide raw materials from the land, sea or air

Secondary sector – businesses that convert raw materials into a finished product

Tertiary sector – service-based businesses

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4.6 Supplier and role of procurement						Key Words																			
The role of procurement ? 1. Identify goods and services to buy 2. Choosing suppliers 3. Ordering goods and services 4. Receiving deliveries from suppliers Impact of logistical and supply decisions on business • Time • Reliability of supply • Length of supply chain • Costs • Customer service						<table><thead><tr><th>Stage of procurement</th><th>Influences on decisions</th><th>Examples</th></tr></thead><tbody><tr><td>Identifying goods and services to buy</td><td> • Which season the business is buying for. • Changes in technology affect the products a business sells. • Changes in fashion and lifestyle affect the products a business sells. </td><td> • A clothes retailer needs to decide what clothes it will sell during the summer months. • A TV retailer will need to decide how many new types of TV to stock and how many old ones. • A food store needs to decide if it should sell more vegetarian meals. </td></tr><tr><td>Choosing suppliers</td><td> • Dependent on the quality of goods or services consumers want. • Reputation and reliability of suppliers is important. </td><td> • A furniture store will need high quality stock. • Next will want to obtain clothing from ethical suppliers (e.g. those that do not use child labour). </td></tr><tr><td>Ordering goods and services</td><td> • A business completes an order form stating what it wants and sends it to the supplier. </td><td> • A bakery will need to send an order for flour to the supplier. </td></tr><tr><td>Receiving deliveries from suppliers</td><td> • A business will arrange for workers to receive the goods and have an area where they can be stored. </td><td> • The owner of a small shop may put goods on shelves as they arrive if they do not have much storage space. </td></tr></tbody></table>				Stage of procurement	Influences on decisions	Examples	Identifying goods and services to buy	• Which season the business is buying for. • Changes in technology affect the products a business sells. • Changes in fashion and lifestyle affect the products a business sells.	• A clothes retailer needs to decide what clothes it will sell during the summer months. • A TV retailer will need to decide how many new types of TV to stock and how many old ones. • A food store needs to decide if it should sell more vegetarian meals.	Choosing suppliers	• Dependent on the quality of goods or services consumers want. • Reputation and reliability of suppliers is important.	• A furniture store will need high quality stock. • Next will want to obtain clothing from ethical suppliers (e.g. those that do not use child labour).	Ordering goods and services	• A business completes an order form stating what it wants and sends it to the supplier.	• A bakery will need to send an order for flour to the supplier.	Receiving deliveries from suppliers	• A business will arrange for workers to receive the goods and have an area where they can be stored.	• The owner of a small shop may put goods on shelves as they arrive if they do not have much storage space.	Logistics Is the management of the transportation and storage of goods
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