

Knowledge Organisers

OCR GCSE (9-1) Business - Year 11 – Business 2

4 – Operations

4.1 – Production processes

4.2 – Quality of goods and services

4.3 – The sales process and customer service

4.4 – Consumer law

4.5 – Business location

4.6 – Working with suppliers

OCR GCSE (9-1) Business - Year 11 – Autumn Term – Business 2

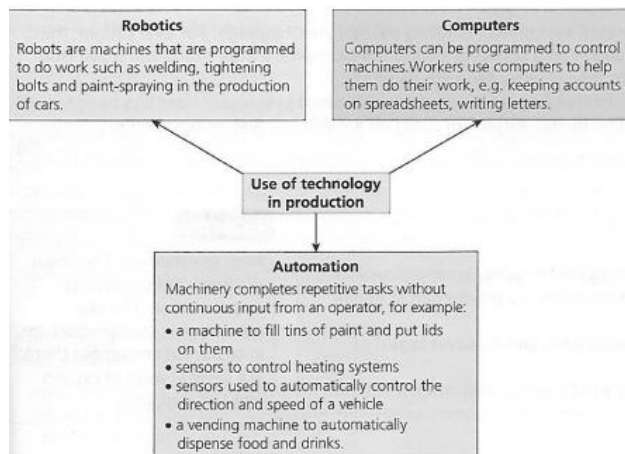
4 – Operations – 4.1 – Production processes

Key words	
Production processes	The 3 methods or processes of production – job, batch and flow.
Job production	Method of production where goods are made individually.
Batch production	Method of production where one type of product is made and then production is switched to make a different product.
Flow production	Production of one product that takes place continuously using a production assembly line. It is sometimes called mass production.
Automation	Production process involving machinery that is controlled by a computer rather than a person.
Robotics	The use of robots in the production process.

Method of production	Advantages	Disadvantages
Job production, e.g. a bridge, piece of artwork, item of furniture, hand-made item of clothing.	<ul style="list-style-type: none"> The item is likely to be of a high quality and is a one-off, bespoke item (i.e. designed to meet the individual needs of the customer). The business can often charge a high price and make a good profit. 	<ul style="list-style-type: none"> Can be a high cost method of production, especially if it requires especially skilled workers to produce the item. Production may be slow and the customer may have to wait for the product.
Batch production, e.g. loaves of bread, paint.	<ul style="list-style-type: none"> Batches can be varied to meet the needs of different customers. There are no storage costs if goods are made to order. It is cheaper than job production. 	<ul style="list-style-type: none"> Machines need re-setting between different batches, which costs money. Stocks of raw materials may be needed – extra costs. Tasks may be repetitive and boring for workers, leading to motivation and staff retention problems.
Flow production, e.g. motor car assembly	<ul style="list-style-type: none"> Large quantities are produced for sale. The business may gain economies of large-scale production which can reduce unit costs. Use of machinery/automation can reduce costs. Use of computer controlled machinery allows some variation in products. 	<ul style="list-style-type: none"> Mass-produced goods may not be of high quality. The business may need to store large stocks of materials ready for use on the production line. Production can be disrupted, for example, by a mechanical break-down. Tasks may be repetitive and boring for workers, leading to motivation and staff retention problems.

Advantages of using technology in production	Disadvantages of using technology in production
Machines can replace workers, reducing costs.	The business may need to recruit skilled labour to program the computers which control production.
Worker productivity is increased as computers help them to work faster and produce more. This reduces costs.	Workers may need to be retrained to work with the new technology and training costs money.
Waste is reduced as machines are usually more accurate than humans.	Machines can break down, disrupting production.
Production can be flexible as machines can be programmed to change what is produced.	New technology may be expensive to buy. Customers may not like automation, for example, automated telephone response systems.
Technology can operate 24/7 and never needs time off work, again reducing costs and increasing output.	The storage of data about customers must meet the requirements of data protection laws.
Human safety is improved as machines can do dangerous jobs.	
New technology can lead to new products for businesses to sell.	

Influence of technology on production and the impact on business



Questions

State & explain the different types of production processes.

Recommend when businesses should use each type of production.

Challenge Activity

Evaluate when using technology will be useful to a business and when it will not.

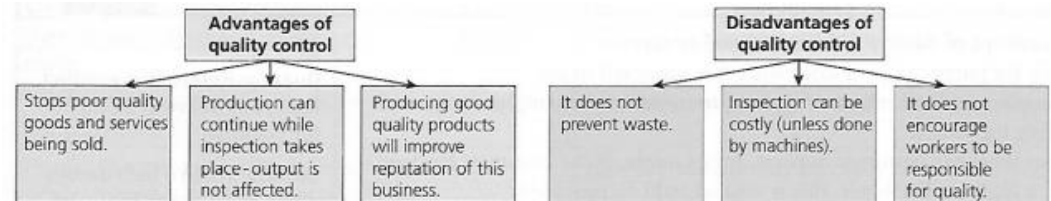
OCR GCSE (9-1) Business - Year 11 – Autumn Term – Business 2

4 – Operations – 4.2 – Quality of goods and services

The concept of **quality** means the good or service:

- Is fit for purpose (ie does what it is supposed to do)
- Complies with all relevant legal requirements, eg design and safety legislation
- Does what the customers expects, eg if the customer has paid for a high quality hotel, this is what should be provided

Key words	
Quality	Refers to a product (goods or service) being fit for purpose.
Recalls	When a fault occurs with a product and the business asks for the product to be brought back so it can be repaired or replaced.
Returns	Goods which customers take back to the shop or online retailer because they are unsuitable or faulty.
Quality assurance	An approach that involves the whole business focusing on quality with the aim of preventing problems from arising – all workers are responsible for quality.
Quality control	A system for inspecting the quality of the goods or services produced and ensuring that they are of the required standard – for goods by a inspector or machine, for services it may be a mystery shopper.



Advantages of quality assurance	Disadvantages of quality assurance
It should reduce wastage and costs.	Workers may be stressed by the responsibility of having to check the quality of their own work.
All workers are responsible for quality which may motivate them to take care.	
If quality goods and services result it will improve the reputation of the business.	

Questions

Explain what is meant by quality.

Analyse the importance of quality in the production of goods and services.

Evaluate the importance of selling good-quality products for a business like Sainsbury's supermarket.

Challenge Activity

Research Toyota Motors and write a short report about the quality assurance process they use to stress continuous improvement.

OCR GCSE (9-1) Business - Year 11 – Autumn Term – Business 2

4 – Operations – 4.3 – Sales process and customer service

There are 3 methods of selling used to sell goods and services to consumers and other businesses:

- E-commerce
- Face to face
- Telesales

Key words	
Face to face selling	Involves direct contact between buyer and seller, eg a sale completed in a shop.
Telesales	Sales completed over the telephone.
E-commerce (electronic)	The bringing together of buying and selling electronically - over the internet.
M-commerce (mobile)	Buying and selling of goods/services using wireless handheld device eg smartphones, tablets.
Customer service	Area of business that deals with customer enquiries.
Customer engagement	Contact between the customer and the business.
Click and collect	Ordering online and collecting goods from store at a later time.
After-sales service	Advice and help given to a customer after purchasing a product or service.
Product knowledge	Detailed knowledge of product/service that staff within a business use to help persuade customers to buy.

Method	Advantages	Disadvantages
Face-to-face selling – when the buyer and seller meet, e.g. in a shop	<ul style="list-style-type: none"> ● Can increase sales (b). ● Useful where customers like advice and personal service from assistants (c), e.g. when choosing a wedding dress or for detailed information about a holiday destination. ● Can help sales in business-to-business (B2B) selling (c and b), e.g. for discussing detailed specifications of technical equipment. ● For some services, it may be unavoidable, for example, restaurant meals or in door-to-door selling (c). ● The customer can bargain with the seller over the price or the services (c). 	<ul style="list-style-type: none"> ● May not always be convenient for customers (c). ● If the customer bargains with the seller for a better deal, profits may be reduced (b). ● Retailer costs are high if expensive shops are needed (b).
Telesales – the buyer buys from a telesales worker by phone.	Can increase sales (b) as customers can ask questions about products and bargain about the price (e.g. renewing Sky TV contracts and mobile phone contracts) (c). May cost less than selling from a shop (c and b).	Costs involved such as a warehouse to store goods and payment to telesales workers (b). Sellers may 'cold call' which can be a nuisance to customers (c).

Advantages and disadvantages of e-commerce to businesses

Advantages of e-commerce to businesses	Disadvantages of e-commerce to businesses
Markets have increased as businesses can now sell more easily around the world.	Competition has increased, including greater competition from abroad.
It is possible to sell 24/7.	Delivery systems need to be organised as well as ways of dealing with the increase in goods that are returned.
The costs of selling are usually much lower as a result of savings on rental of premises and a reduction in the number of workers that need to be employed.	E-commerce businesses need to provide cyber security for themselves and their customers.
Web designers can make businesses appear attractive at little cost.	As technology develops so must the e-commerce business, which can add to costs and lead to changes in the operation of the business and the workers it needs.

Advantages and disadvantages of e-commerce to customers

Advantages of e-commerce to customers	Disadvantages of e-commerce to customers
Online selling has made it easier for customers to compare prices and find the best deals.	It is impersonal and so customers may not be able to ask questions (unless an online chat option is provided).
Customers can buy 24/7.	Goods are bought as seen and described on the website and they may not be what is wanted when they arrive. Customers must return the goods, often at their own cost.
Choice has increased because customers can buy from sellers around the world.	If the computer systems are not secure, customers may be at risk of personal data theft and bank fraud.
	Not everyone has access to or can use computer technology.

OCR GCSE (9-1) Business - Year 11 – Autumn Term – Business 2

4 – Operations – 4.3 – Sales process and customer service (continued)

E-commerce can have an influence on businesses in the following ways:

- Levels of employment
- New skills
- Location
- Provision of click and collect services
- Creation of new departments
- Business opportunities
- Delivery options

Questions

Explain what is meant by the sales process and customer service.

Analyse reasons why a business like Waterstones has kept many of its shops open.

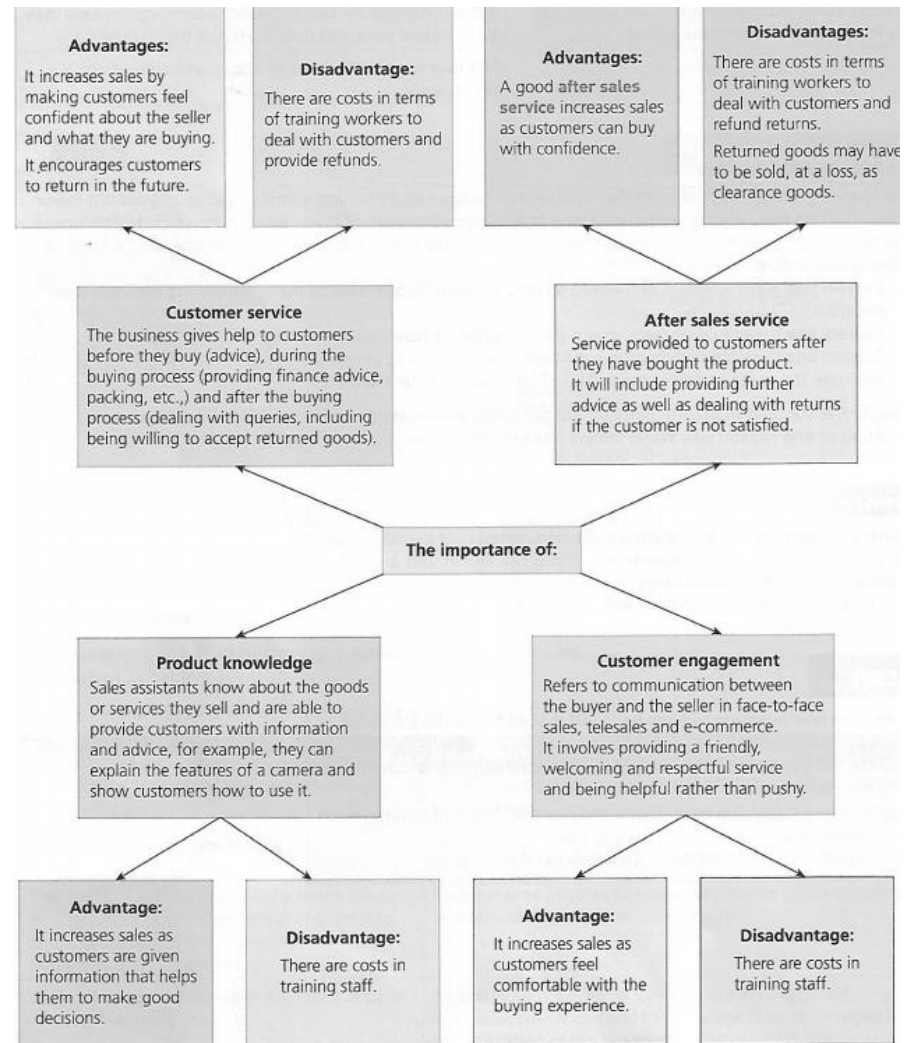
Evaluate the costs and benefits to a business like Aldi of introducing online selling.

Challenge Activity

John Lewis is one of the UK's most successful retailers. It used to sell all its goods through its department stores in major UK cities, but now also sells online. Evaluate the advantages and disadvantages to John Lewis and the customers of the business's methods of selling.

The importance to a business of good customer service, after-sales service, product knowledge and customer engagement

Good customer service helps to gain and retain customers!



OCR GCSE (9-1) Business - Year 11 – Autumn Term – Business 2

4 – Operations – 4.4 – Consumer law

There are laws that help protect customers, and by giving customers protection, there is an impact on businesses.

- Consumer laws are designed to protect consumers from unscrupulous sellers.
- Laws often apply to both goods and services.
- **Consumer Rights Act 2015** states that goods and services must be ‘**of satisfactory quality**’, ‘**fit for purpose**’ and ‘**as described**’.
- Advertising is controlled by law – it must be legal, decent, honest and truthful.
- Consumers have the right to return goods within 30 days.
- When services are not completed on time, or to a reasonable standard, the consumer can ask for work to be done again, or given a price reduction.

Consumer law and its impact on business

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

- Production of quality goods
- Safety of goods
- Advertising
- Loss of reputation

Key words	
Consumer law	Area of law which protects the customers of a business, mainly through the Consumer Rights Act 2015.
Fit for purpose	A good or service must do what it is meant to do.
As described	Goods must be as the business has described them.
Satisfactory quality of goods	Goods should reflect the price charged for them eg a high-priced product must be of a high quality.
Business reputation	Refers to what customers say and feel about a business. Damage to reputation can seriously affect a business.

Questions

Explain what is meant by consumer law.

Analyse the effect of consumer law on businesses.

Evaluate the benefit to a business of obeying consumer laws.

Challenge Activity

In 2015, there was an accident involving the ‘Smiler’ ride at the amusement park, Alton Towers, which resulted in a 17 year-old girl suffering life-changing injuries. Evaluate the benefits to a business like Alton Towers of making sure that they provide safe services.

OCR GCSE (9-1) Business - Year 11 – Autumn Term – Business 2

4 – Operations – 4.5 – Business location

For many businesses the decision of where to locate is one of the most important decisions it takes. As a result of globalisation, anywhere in the world is a possible location for some businesses.

Factors influencing the location of business:

- Cost of the site
- Transport infrastructure
- Proximity to the market
- Proximity to labour
- Proximity to raw materials
- Government

Key words	
Location	Place where a business is situated.
Proximity	Means 'nearness to'.
Transport infrastructure	Provision of roads, railways, ports and airports in an area for transporting goods.
Labour	A factor of production. It is the labour (people) employed by businesses to produce goods and services.
Raw materials	Materials processed in some way as part of the manufacture of a product.

Questions

Explain the main factors influencing the location of a business.

Analyse the main factors influencing the location of a business.

Evaluate why a business like Asda might have a warehouse near the junction of several motorways.

Challenge Activity

Research the amount and type of labour available in the local area – use the local council website.

Write a summary of your findings.

4 – Operations – 4.6 – Working with suppliers

Key words	
Procurement	The management of purchasing within a business.
Logistics	The process of organising the transport of goods from the seller to the buyer.
Suppliers	Businesses who supply goods and/or services to other businesses.
Supply chain	The chain of businesses involved in the production of a product and its delivery to the user.

Procurement has a number of roles within a business. These are:

- Identifying goods and services to buy
- Choosing suppliers
- Ordering goods and services
- Receiving deliveries from suppliers

OCR GCSE (9-1) Business - Year 11 – Autumn Term – Business 2

4 – Operations – 4.6 – Working with suppliers (continued)

Impact of logistical and supply chain decisions on businesses

Issue	Explanation	Potential problem
Time	The supplier must be able to deliver the goods on time.	The supplier may be short of materials or components and this may delay its production of goods or services. The business could lose sales and revenue as a result.
Reliability	As well as being able to deliver on time, the supplier must be able to supply the quantity and quality of goods needed by the customer.	If the supplier is short of materials or they are not of sufficient quality, it may have to delay or stop production. The business could lose sales and revenue as a result.
Length of the supply chain	A long supply chain (one that contains a large number of businesses) has an increased risk of problems occurring along the chain.	A business which makes a component may not get the materials it needs and so cannot produce the components its customer needs to assemble its product.
Costs	The customer will want delivery costs to be as low as possible but this must not be at the expense of reliability.	High delivery costs may make the total production costs too high and the firm may not be able to sell its goods at a profit.
Customer service	A supplier will need to provide a customer service to deal with problems and enquiries from its potential and actual customers.	The business may lose customers if businesses that buy from it are not happy with the service they receive.

Questions

Explain the meaning of the terms 'logistics' and 'supply chain'.

Analyse how a business can be affected by its supply chain.

Evaluate the problems of a complex supply chain for a business.

Challenge Activity

Selecting suppliers and building good relationships with them can positively affect a business's operations and efficiency. Analyse the following 5 points a business should consider when choosing the right suppliers:

- Quality
- Availability
- Cost
- Delivery
- Trust