

START

1 Define the term 'stakeholders'.

2 State the 8 different groups of business stakeholders.

3 Explain how the objectives of both shareholders and employees can be met as Tea 4 2 Ltd report that profits continue to rise steadily.

4 Define the term e-commerce.

14 Government forecasts suggest that in the UK consumer incomes will continue to fall in 'real terms'. Explain the impact this may have on a business like Tea 4 2 Ltd.

13 When looking at possible new locations Tea 4 2 Ltd identified a possible site in an area of high unemployment. Explain two benefits of this to the business.

12 Tea 4 2 Ltd exports their goods within Europe. Explain how the UK leaving the EU could impact on their ability to trade.

11 Define the term taxation.

10 Explain one way in which Tea 4 2 Ltd may respond to a weak pound.

9 Define the term exchange rates.

5 Explain how the rapid increase in e-commerce will have helped Tea 4 2 Ltd expand across Europe without the need to open any retail outlets.

6 Using the data drop provided, calculate the percentage increase in sales from 2015 – 2016.

7 Tea 4 2 Ltd are considering opening a second production plant outside of the UK to deal with overseas demand. Outline the factors they should consider before making this decision.

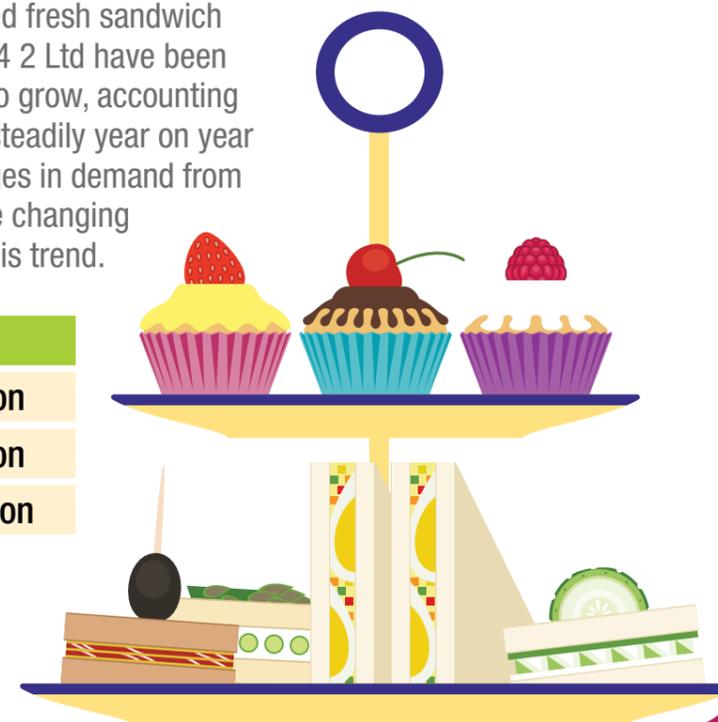
8 If Tea 4 2 Ltd decide to expand they will need to borrow a long term source of finance in the form of a mortgage. Explain the impact that an increase in interest rates could have on the business.

BUSINESS PROFILE

Tea 4 2 Ltd

A UK based food manufacturer of the delightfully British 'afternoon tea' concept produce a ready made, pre-packed fresh sandwich & cake selection that is sold Europe wide. Tea 4 2 Ltd have been exporting now for 3 years and sales continue to grow, accounting for 42% of their total sales. Profits have risen steadily year on year however Tea 4 2 Ltd have noticed recent changes in demand from European markets and are considering that the changing economic climate may have a part to play in this trend.

Data Drop	
Sales value 2014	£2.9 million
Sales value 2015	£3.5 million
Sales value 2016	£3.75 million



UNDERSTANDING THE EXTERNAL INFLUENCES ON BUSINESS SUGGESTED ANSWERS

1 Stakeholders are the people or groups with an interest in the success or failure of an organisation. Some work inside of the business (internal) and some outside (external) and all have slightly different objectives.

2 Shareholders, employees, customers, managers, suppliers, local community, pressure groups and the government.

3 Shareholders will be keen to see the company grow in the long term which may mean that profits are ploughed back into the business. Employees will want secure employment and fair pay and perhaps the chance of promotion in the future. If the business continues to make a profit these objectives will be met.

4 E-commerce involves selling online rather than in a physical one-to-one transaction.

14 The product sold is a luxury item rather than a necessity. This means that demand will be influenced by consumer income. If income levels are set to fall then it is possible that Tea 4 2 Ltd may see a reduction in demand in the UK market. Given that exports now take up 42% of their sales they would need to look to increase demand in other markets.

13 If unemployment is high there will be large numbers of people seeking work which makes it easier for Tea 4 2 Ltd to fill vacancies. Secondly if unemployment is high staff are unlikely to be leaving for higher paid jobs which keeps labour turnover low and training needs to a minimum.

12 Possibility of an additional tax being charged to export their goods. This would mean they need to either increase their prices to maintain profit or see profits fall as costs rise.

11 Taxation refers to the charges placed by government on goods, imported goods and the incomes of individuals and companies.

10 A weak pound will make Tea 4 2 Ltd exported products cheaper for European customers. This means the business could see an increase in demand and therefore will need to respond by increasing their production levels to export more products.

9 An exchange rate is the value of one currency measured by how much it will buy of other currencies.

5 Tea 4 2 Ltd will be able to take orders directly online and distribute directly to the consumer. This cuts out the need for expensive retail stores as no face to face communication is required. Lower overheads also mean that the product can be competitively priced.

6 2015 - £3.5m 2016 - £3.75m
 Difference = £0.25m or £250,000
 % change = $250,000/3,500,000 \times 100 = 7.14\%$ increase in sales value

7 Factors to consider would be the economic climate in the country – is the country in recession which may influence demand, legislation that may be different from the UK – this could make operations more difficult and increase costs, levels of consumer income – will influence the demand for the product and unemployment in the area – this will help to staff the business easily if there is a labour force readily available.

8 An increase in interest rates will make borrowing more expensive. If Tea 4 2 Ltd take out a mortgage the cost of this loan may be higher as a result. This means that their overheads will increase which will impact on profit.

TIME TO REVIEW YOUR LEARNING... List three content points that you are confident with and three that require some attention.

Confident with	Requires attention
1	1
2	2
3	3