

2.1 Business growth and competitive advantage

| 2.1.1 Growth | Notes | Revision | Exam Qs | R | A | G |
|---|-------|----------|---------|---|---|---|
| a) Objectives of growth: | | | | | | |
| to achieve economies of scale (internal or external) | | | | | | |
| increased market power over consumers and suppliers | | | | | | |
| increased market share and brand recognition | | | | | | |
| increased profitability | | | | | | |
| b) Problems arising from growth: | | | | | | |
| diseconomies of scale | | | | | | |
| internal communication | | | | | | |
| potential skills shortages | | | | | | |
| c) The role of corporate culture | | | | | | |
| 2.1.2 Methods of growth | Notes | Revision | Exam Qs | R | A | G |
| a) Organic and inorganic growth | | | | | | |
| b) Horizontal, vertical and conglomerate integration | | | | | | |
| 2.1.3 Research and development (R&D) and innovation | Notes | Revision | Exam Qs | R | A | G |
| a) Competitive advantage through innovation | | | | | | |
| b) Incentive to increase market power | | | | | | |
| c) Product and process innovation | | | | | | |
| d) Role of state funding | | | | | | |
| e) Product life cycle and extension strategies | | | | | | |
| 2.1.4 How the digital economy affects markets and firms | Notes | Revision | Exam Qs | R | A | G |
| a) Market information in the digital economy: | | | | | | |
| price comparison sites | | | | | | |
| viral marketing | | | | | | |
| social media | | | | | | |
| b) The supply-side: | | | | | | |
| micromarketing | | | | | | |
| online retailing and on line distribution | | | | | | |

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| recruiting and training staff with digital skills | | | | | | |
| c) The demand-side: | | | | | | |
| satisfying consumers with the long tail | | | | | | |
| wider geographical markets | | | | | | |
| d) Impact on markets and firms: | | | | | | |
| impact on costs, prices, profit and loss | | | | | | |
| firm creation and destruction in a new business environment | | | | | | |
| 2.1.5 How small firms compete | Notes | Revision | Exam Qs | R | A | G |
| a) Small-firm survival in competitive markets: | | | | | | |
| product differentiation and UPSs | | | | | | |
| flexibility in responding to customer needs | | | | | | |
| customer service | | | | | | |
| targeting niche markets | | | | | | |
| achieving competitive advantage through relationships with stakeholders | | | | | | |

2.2 Firms, consumers and elasticities of demand

| 2.2.1 PED | Notes | Revision | Exam Qs | R | A | G |
|---|-------|----------|---------|---|---|---|
| a) The significance of price elasticity of demand to firms (niche and mass) | | | | | | |
| in terms of implications for pricing | | | | | | |
| b) Calculation of price elasticity of demand | | | | | | |
| c) Interpretation of numerical values of price elasticity of demand | | | | | | |
| d) The factors influencing price elasticity of demand | | | | | | |
| e) The relationship between price elasticity of demand and total revenue | | | | | | |
| 2.2.2 Competing on price | Notes | Revision | Exam Qs | R | A | G |
| a) Pricing strategies: | | | | | | |
| price skimming | | | | | | |
| penetration | | | | | | |
| predatory | | | | | | |
| competitive | | | | | | |
| psychological | | | | | | |
| b) Factors that determine the most appropriate pricing strategy | | | | | | |
| for a particular situation: | | | | | | |
| number of USPs/amount of differentiation | | | | | | |
| price elasticity of demand | | | | | | |
| amount of competition | | | | | | |
| strength of brand | | | | | | |
| stage in the product life cycle | | | | | | |
| costs and the need to make a profit | | | | | | |
| c) Changes in pricing to reflect social trends | | | | | | |
| (online sales and price comparison sites) | | | | | | |
| 2.2.3 Types of non-price competition | Notes | Revision | Exam Qs | R | A | G |
| a) The impact of marketing on the demand curve: | | | | | | |
| product differentiation | | | | | | |
| advertising and other promotional methods | | | | | | |

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| distribution methods | | | | | | |
| b) Devising appropriate marketing approaches | | | | | | |
| 2.2.4 Income elasticity of demand (YED) | Notes | Revision | Exam Qs | R | A | G |
| a) The significance of income elasticity of demand to firms | | | | | | |
| b) Calculation of income elasticity of demand | | | | | | |
| c) Interpretation of numerical values of income elasticity of demand | | | | | | |
| d) The factors influencing income elasticity of demand | | | | | | |

2.3 Productive efficiency

| 2.3.1 Productivity | Notes | Revision | Exam Qs | R | A | G |
|---|-------|----------|---------|---|---|---|
| a) Productivity (output per unit of input in a given time period): | | | | | | |
| factors influencing productivity | | | | | | |
| link between productivity and competitiveness | | | | | | |
| productivity and wages | | | | | | |
| productivity and economic growth | | | | | | |
| b) Distinction between labour and capital intensive production | | | | | | |
| 2.3.2 Capacity utilisation | Notes | Revision | Exam Qs | R | A | G |
| a) Full capacity and spare capacity | | | | | | |
| b) Capacity utilisation: | | | | | | |
| current output (divided by) maximum possible output (as percentage) | | | | | | |
| c) Implications of under- and over-utilisation of capacity | | | | | | |
| d) Ways of improving capacity utilisation | | | | | | |
| 2.3.3 Efficiency and competitiveness using lean production | Notes | Revision | Exam Qs | R | A | G |
| a) Quality: control, assurance, Total Quality Management (TQM) | | | | | | |
| b) Continuous improvement (Kaizen) | | | | | | |
| c) Just in time (JIT) management of stock | | | | | | |
| d) Competitive advantage from lean production | | | | | | |
| 2.3.4 Impact on costs and sales revenue | Notes | Revision | Exam Qs | R | A | G |
| a) Impact on average costs | | | | | | |
| b) Minimising waste of resources | | | | | | |
| c) Competitive advantage of short product development lead times | | | | | | |

2.4 Life in a global economy

| 2.4.1 Globalisation | Notes | Revision | Exam Qs | R | A | G |
|---|-------|----------|---------|---|---|---|
| a) Characteristics of globalisation: | | | | | | |
| increased investment flows | | | | | | |
| world trade rising as a proportion of world GDP | | | | | | |
| increased migration | | | | | | |
| b) Factors contributing to globalisation in the last 50 years: | | | | | | |
| trade liberalisation | | | | | | |
| capital market liberalisation | | | | | | |
| political change resulting in the opening up of China and the former Soviet Union | | | | | | |
| reduced cost of transport and communications | | | | | | |
| increased significance of global (transnational) companies | | | | | | |
| 2.4.2 Developed, emerging and developing economies | Notes | Revision | Exam Qs | R | A | G |
| a) Growth rate of the UK and BRIC (Brazil, Russia, India and China) economies since 2000 | | | | | | |
| b) Indicators of growth: | | | | | | |
| GDP per capita | | | | | | |
| literacy | | | | | | |
| health | | | | | | |
| Human Development Index (HDI) | | | | | | |
| c) Characteristics of developed (mature), emerging and developing economies | | | | | | |
| d) Mean and median incomes | | | | | | |
| 2.4.3 International trade | Notes | Revision | Exam Qs | R | A | G |
| a) Specialisation and international trade | | | | | | |
| b) Trading blocs | | | | | | |
| c) Trade and growth | | | | | | |
| d) Imports and exports: | | | | | | |

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| visibles and invisibles | | | | | | |
| e) Impact of cheap imports on standards of living | | | | | | |
| 2.4.4 Exchange rates | Notes | Revision | Exam Qs | R | A | G |
| a) Changes in exchange rates | | | | | | |
| b) Impact of changing exchange rates on firms | | | | | | |
| c) Interpretation of exchange rate data | | | | | | |
| d) Interpretation of effective exchange rates | | | | | | |

2.5 The economic cycle

| 2.5.1 The economic cycle | Notes | Revision | Exam Qs | R | A | G |
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| a) Understanding of the economic cycle | | | | | | |
| b) Characteristics of a boom | | | | | | |
| c) Characteristics of a recession | | | | | | |
| d) Implications for firms of fluctuations in economic activity | | | | | | |
| 2.5.2 Circular flow of income, expenditure and output | Notes | Revision | Exam Qs | R | A | G |
| a) The circular flow of income | | | | | | |
| b) The impact of injections into and withdrawals from the circular flow of income | | | | | | |
| c) Factors influencing AD: components $C+I+G+(X-M)$ | | | | | | |
| d) Factors influencing AS: changes in the cost of inputs and resources changes in productivity | | | | | | |
| 2.5.3 Inflation | Notes | Revision | Exam Qs | R | A | G |
| a) Inflation, deflation and disinflation | | | | | | |
| b) Interpret price indices (RPI and CPI) and the rate of inflation | | | | | | |
| c) Real and nominal values, constant and current prices | | | | | | |
| d) Causes of inflation: demand pull cost push | | | | | | |
| e) The impact of inflation on firms: uncertainty loss of international competitiveness | | | | | | |
| f) The impact of inflation on individuals: loss of real income savers and borrowers | | | | | | |
| 2.5.4 Employment and unemployment | Notes | Revision | Exam Qs | R | A | G |
| a) Employment, underemployment and unemployment | | | | | | |

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| b) Measures of unemployment: | | | | | | |
| the claimant count | | | | | | |
| the International Labour Organisation (ILO) measure | | | | | | |
| c) The causes of unemployment: | | | | | | |
| structural unemployment | | | | | | |
| occupational immobility | | | | | | |
| geographical immobility | | | | | | |
| technological unemployment | | | | | | |
| demand deficiency and | | | | | | |
| cyclical unemployment | | | | | | |
| d) The impact of unemployment on firms and individuals | | | | | | |

2.6 Introduction to macroeconomic policy

| 2.6.1 Possible macroeconomic objectives | Notes | Revision | Exam Qs | R | A | G |
|---|-------|----------|---------|---|---|---|
| a) Economic growth | | | | | | |
| b) Low unemployment | | | | | | |
| c) Low and stable rate of inflation | | | | | | |
| d) Balance of payments equilibrium on current account | | | | | | |
| 2.6.2 Policy instruments | Notes | Revision | Exam Qs | R | A | G |
| The nature and impact of the following on the economy, firms and economic agents: | | | | | | |
| a) Fiscal policy: | | | | | | |
| adjusting levels of government spending and taxation to affect aggregate demand | | | | | | |
| b) Monetary policy: | | | | | | |
| adjusting interest rates to affect AD | | | | | | |
| c) Supply-side policies: | | | | | | |
| taxes, benefits, education and training, grants and subsidies infrastructure | | | | | | |
| d) Exchange rate policy: | | | | | | |
| floating rate | | | | | | |
| 2.6.3 Potential policy conflicts and trade-offs | Notes | Revision | Exam Qs | R | A | G |
| a) Inflation and unemployment | | | | | | |
| b) Economic growth and negative externalities | | | | | | |
| c) The issues governments face in managing the macro-economy | | | | | | |
| d) How different macroeconomic perspectives influence policy decisions | | | | | | |
| e) The likely effects of individual policy instruments | | | | | | |
| on specific problems; possible unintended consequences | | | | | | |