

# Chapter 8

## Chapter 8 Ordinary Level Questions

Q1. Explain **two** key functions of a business plan for a new coffee shop in your local area.

### 1. Sets clear goals and strategies

The business plan outlines what the coffee shop wants to achieve and how it will reach those goals. This could include financial plans for pricing, menu design, or location strategy to attract customers.

### 2. Helps secure funding

A detailed plan shows banks or investors that the business is viable and worth supporting.

For example, the coffee shop could use a plan to apply for a loan by showing expected sales and expenses.

Q2. Circle TRUE or FALSE for each of the following statements about business plans.

Statement	TRUE / FALSE
A business plan is only useful before a business starts trading.	FALSE
A good business plan helps secure funding from investors or banks.	TRUE
Businesses should include ethical and sustainability goals when planning.	TRUE
Business plans are private documents and are never shared with others.	FALSE

# Back In Business

**Q3.** Describe **two** reasons why a business should consider ethics and sustainability when creating a business plan. Use an example in your answer.

## 1. Builds a good brand image

This links to the *marketing section* of the business plan, where a company outlines how it wants to be seen by customers. Customers are more likely to support a business that acts responsibly.

For example, a coffee shop that uses compostable cups may attract eco-conscious customers and build a positive image.

## 2. Ensures long-term survival

This connects with the *Business Model Canvas*, showing how the business will stay generate value and offer a viable value proposition. Planning for sustainability helps reduce waste and manage resources.

A café that sources fair trade coffee ensures ethical supply chains and avoids reputational damage.

**Q4.** Match each element of the Business Model Canvas to its correct description.

1. Key Partners	A. What the business offers to meet customer needs
2. Value Proposition	B. People or organisations that help the business operate or grow
3. Revenue Streams	C. Different groups of people the business aims to serve
4. Customer Segments	D. The way a business earns income from its customers

1	2	3	4
B	A	D	C

## Back In Business

Q5. (i) Name **two** business models and for each one, give an example of a business that uses it.

Name: Subscription
Example: Spotify
Name: Retail
Example: Tesco

(ii) Outline the role of business models in helping enterprises operate successfully.

Business models explain how a business earns money, so it gives clarity to the owners on how they can succeed in generating revenue. They show how products or services are delivered and how value is created for the customer.

This helps a business stay focused on what makes it competitive and profitable.

Q6. Circle the correct answer for each of the following:

(i) A business like Netflix that charges monthly fees is using a:

Crowdfunding / **Subscription** / Retail model

(ii) GoFundMe is an example of a:

Franchise / **Crowdfunding** / Manufacturing model

(iii) A local bakery selling directly to customers uses a:

**Retail** / Affiliate / Subscription model

## Chapter 8 Higher Level Questions

Q1. (i) Explain the purpose of a **business plan** for a business at the start-up stage.

### Provides structure and direction

A business plan sets out goals, identifies the target market, outlines expected costs, and explains how the business will succeed.

At the start-up stage, it helps founders stay focused and ensures all parts of the business work together from the beginning.

(ii) Outline **two** ways a business plan supports decision-making as the business grows.

### 1. Supports funding applications and investor confidence

A clear business plan shows lenders or investors that the business has a well-researched idea, a strong strategy, and a realistic path to profit with market research showing demand for the idea.

This increases the chances of securing loans or investment at the early stage.

### 2. Helps manage financial performance

The financial section provides sales targets, cost estimates, and profit projections that guide spending decisions.

This supports budgeting and prevents overspending.

**Q2.** Amazon has committed to reaching net-zero carbon by 2040, investing in renewable energy and electric delivery vehicles to reduce its environmental impact.

Outline **three** benefits to Amazon of incorporating sustainability initiatives into their business planning.

### 1. Improves brand reputation

The *Executive Summary* section can showcase sustainability goals to impress investors and stakeholders. Amazon can highlight its net-zero targets to add credibility and position the company as a responsible market leader.

### 2. Lowers long-term operating costs

The *Financial Plan* outlines projected costs and potential savings. By investing in electric vehicles and renewable energy, Amazon can cut fuel and energy expenses, improving long-term profitability.

### 3. Attracts ethical investors and talent

The *Operational Plan* and *Production Plan* explain staffing and resource strategies.

Including sustainability practices shows long-term thinking and attracts ESG investors and employees who value ethical operations.

## Back In Business

Q3. (i) Explain what is meant by a business model.

A business model outlines how a business creates, delivers, and captures value. It explains how the business earns income, what it offers to customers, and how it operates day-to-day.

(ii) Outline how a business model helps a business create, deliver, and capture value for its customers.

Clarifies how value is offered and how income is generated. The Business Model Canvas helps a business plan each part of its operation, from who its customers are to how it will deliver its product and generate revenue.

This keeps the business focused on meeting customer needs while staying financially sustainable.

Q4. Match each element of the Business Model Canvas to its correct description.

Element of BMC	Description
1. Channels	A. What the business offers to meet customer needs
2. Value Proposition	B. How the product or service reaches customers
3. Revenue Streams	C. Different groups of people the business aims to serve
4. Customer Segments	D. The way a business earns income from its customers

1	2	3	4
B	A	D	C

# Back In Business

Q5. Identify one example of a business for each of the following business models:

Retail: Boots

Manufacturing: Dell

Subscription: Gym membership (FlyeFit)

(ii) Compare any two of the business models above in terms of how they **generate revenue** and **captures and delivers value for the consumer**.

**Business model:** Subscription

**How it generates revenue:** Earns regular income from users who pay monthly or annually. They often offer cheaper annual fees to lock customers in for a longer period of time.

**How it captures and delivers value for the consumer:** Provides continuous access to services or content, often with regular updates or improvements.

**Business model:** Retail

**How it generates revenue:** Makes one-off sales from customers purchasing goods in-store or online. It usually buys goods from a manufacturer or wholesaler for resale with a margin added for their profit.

**How it captures and delivers value for the consumer:** Offers convenience, product variety, and immediate access to physical goods.

**Business model:** Manufacturing

**How it generates revenue:** Sells products it produces, often in bulk or through contracts with retailers or distributors. Some manufacturers also sell directly to consumers (e.g. Dell, Nike, Apple).

**How it captures and delivers value for the consumer:** Delivers value through quality, design, and reliability of physical goods.  
For example, Dell provides custom-built computers tailored to consumer needs.

**Q6.** Using examples to support your answer, outline **two** ways a business has adapted or developed their business model based on changes in the digital economy.

## 1. Shift to online platforms

Many businesses have moved from traditional retail to e-commerce models to meet changing consumer habits and enable 24/7 access.

Dunnes Stores adapted by launching an online shopping platform, allowing customers to browse and buy groceries digitally, expanding reach beyond physical stores.

## 2. Use of data for personalisation

Businesses now use customer data to tailor services and improve engagement, helping to build loyalty and increase sales.

Spotify applies this by analysing listening patterns to suggest songs and create personalised playlists, which keeps users active and more likely to renew their subscriptions.

# Back In Business

**Q7.** Compare a subscription service such as Netflix with one other technology-driven business model you have studied (e.g. marketplace, crowdfunding, or advertising-supported). Use any **two** of the following headings in your answer:

Revenue generation

Consumer access and cost

Scalability and growth

User engagement and retention

## Revenue generation

Netflix earns consistent monthly or annual fees from subscribers in exchange for unlimited access to its content, creating a reliable and predictable income stream. YouTube, on the other hand, generates revenue through advertising, it earns money when users watch ads placed on videos, with payments varying based on views and advertiser demand.

## Consumer access and cost

Netflix requires payment to access content, creating a barrier for users who cannot or will not pay. However, the experience is ad-free and offers high-quality, curated shows and films.

YouTube is free to access for all users, making it more widely available, though users must view ads unless they subscribe to YouTube Premium.

## Scalability and growth

Netflix can scale globally by producing content in multiple languages and expanding its digital infrastructure to serve more users. Its subscription model allows for large user growth with relatively low additional costs. It needs to either pay for content or invest in producing more.

YouTube grows by allowing content creators to upload freely, which rapidly increases its content base and global reach without high production costs. It can scale by enticing more content creators with better ad-related payments.

## User engagement and retention

Netflix keeps users engaged by regularly adding new series and using algorithms to suggest personalised content. This helps maintain viewer interest and reduce cancellations.

YouTube retains users through autoplay, recommended videos, and diverse content from millions of creators, encouraging long viewing sessions and high return rates.