

OxfordAQA

International AS/A-level

Business (9725)

Subject specific vocabulary

For teaching from September 2026 onwards

For International AS exams in June 2027 onwards

For International A-level exams in June 2028 onwards

In the following section we provide explanations of some of the content that may be less familiar to you, or to provide clarity as to why it appears in a particular area of the specification. We hope this will help to guide your teaching. These terms are in the order they appear on the specification and particularly focus on new models or terminology in this updated version of the specification (9725).

Any calculations can be found on the formula sheet.

Family businesses

Several economies have a high proportion of family businesses, so it is worth considering the advantages and disadvantages of this form of business. Family members can bring many strengths; however, relying on family members may limit access to some skills and resources.

Small and medium sized enterprises (SMEs) and large businesses

Many economies have a thriving small and medium size business sector. Although large businesses are important to most economies in terms of their proportion of turnover and employment there are relatively few of such businesses. SMEs dominate in terms of the number of businesses in most economies. It is important therefore for students to analyse the advantages and disadvantages of these different forms of businesses. Why are so many businesses small and what are the benefits of operating as a small business?

Concentration ratio

The structure of a market is important in terms of its impact on business behaviour and on the way businesses compete. This in turn affects the range and quality of goods and services for customers. The n- firm concentration ratio measures the market share of the largest “n” firms.

Observations

Many businesses will conduct observations as part of primary market research. This usually involves observing the behaviour of customers or potential customers.

Confidence levels and intervals

Students should appreciate that market research will not give a definite answer. For example, it will provide results that state that for a given level of confidence the sales outcome will be between X and Y, eg it may forecast sales of between \$150,000 and \$200,000 with a 95% confidence level ie 95% of the time (19 times out of 20) it is likely sales will be between \$150,000 and \$200,000.

Customers v consumers

It is important for marketing managers to be clear about who buys their products and who consumes their products. They are not always the same group. The buyers of toys (i.e. the customers) may be the parents; the users of the product (consumers) may be the children. Managers must develop an appropriate marketing mix for customers and consumers; for example, they may want to use different channels to promote messages to the two groups.

Operations objectives

These typically focus on issues such as productivity, quality and unit costs. However, there are other objectives common in operations such as:

- speed of response: some businesses compete on fast delivery, a quick turnaround or short delivery times
- flexibility eg some businesses compete on providing a wide range of products or being able to adapt products to different customer needs
- environmental objectives eg some businesses may aim to reduce their impact on the environment
- customer satisfaction eg in increasingly competitive markets the customer experience and levels of customer satisfaction are extremely important. This involves managing the customer expectations and ensuring the delivery of the goods and services meets these.

Mass customisation

This involves businesses producing in large quantities. Usually this would be associated with identical products, however, mass customisation allows a business to offer some variety in the production, for example a car manufacturer offering different colours or interiors.

Benchmarking

When trying to decide how well your business is doing in a particular area you might want to compare it with the best in world, see what they do and try and match it. For example, if your business wants to improve your customer service why not measure (benchmark) against Disney – a world leader in this area.

Supplier third party accreditations

Certain industries have a system whereby suppliers can be 'accredited', meaning verified for quality. Students do not need to know specific examples, but it may be beneficial to aid understanding to look at ISO standards, as these can illustrate the benefits of accreditation (both to the supplier and the business).

Fringe benefits

Students should understand that whilst these have a financial benefit to the employee (ie it may save them money) it does not involve any money be paid to the employee, for example, a gym membership or private healthcare.

Sale and leaseback

As a source of finance, this can be preferable to simply the sale of an asset, as it allows the business to continue having use of the item (usually machinery or a building) as it can rent it back from the person it was sold to.

Working capital

Working capital is the day-to-day spending of the business, therefore it is usually more appropriate as a source of finance for less expensive items.

Crowd funding

With developments in technology, more businesses can raise finance online directly from investors. This is known as crowd funding. There are many websites that students can access to see examples of crowd funding.

SWOT analysis

SWOT analysis is one part of the process of strategic planning. It involves an internal and external audit which may take place before a business develops an appropriate strategy.



A SWOT analysis will be unique to each business (and for different parts of the business). It will change over time as conditions change and so the analysis needs to be undertaken regularly.

SWOT analysis does not guarantee that a strategy is successful. For example, conditions may change faster than the business has realised, the wrong strategy may be selected, or it may be poorly implemented.

Strengths and weaknesses

Strengths and weaknesses are internal features of the present position of a business. For example:

- strengths might include a good distribution network, a good cash flow position or well-trained staff
- weaknesses might include an over-emphasis on the UK market or a weakened brand due to several product recalls.

Opportunities and threats

Opportunities and threats are the possible consequences of a change in the external environment of a business.

For example:

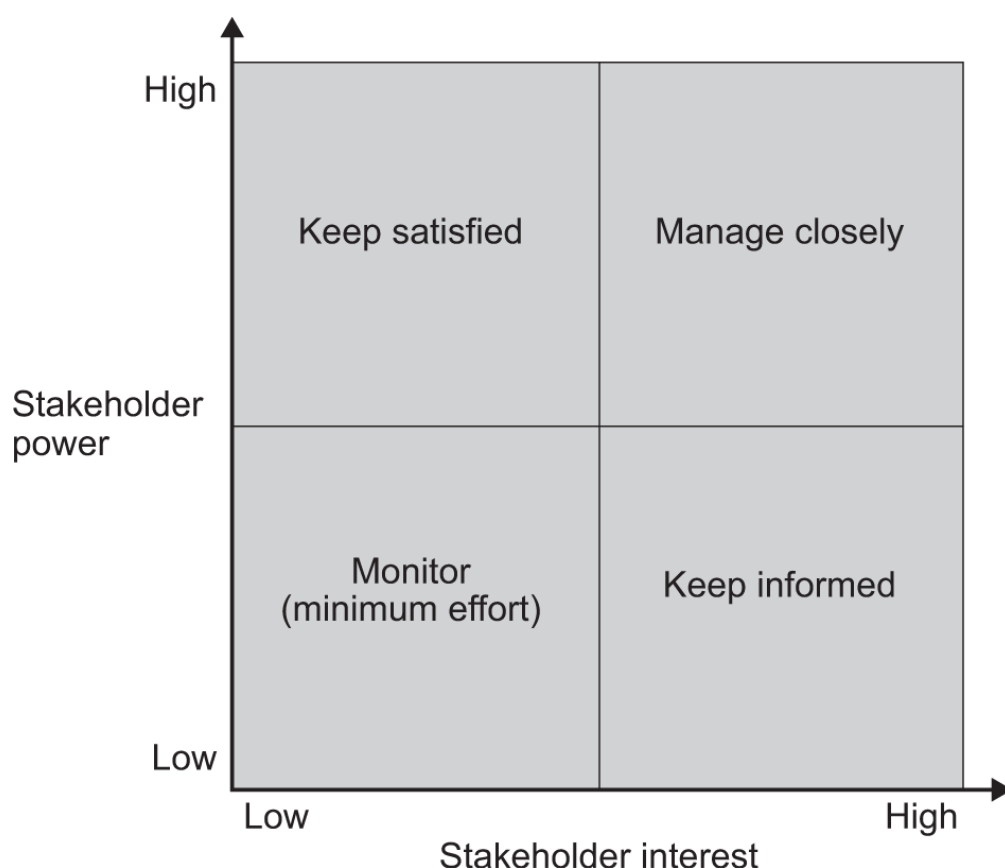
- opportunities might include new markets opening or economic recovery
- threats might include increased competition or greater industry regulation which impacts negatively.

SWOT analysis may be used when considering the strategic planning process.

One view of strategy is that organisations develop it in a scientific manner: they gather information to analyse the existing position and opportunities and threats to decide what strategy to adopt. SWOT analysis is therefore a vital part of this process. A business may build on its strengths and focus on the opportunities or try to protect itself against threats. In reality, a strategy may emerge over time; often the strategy that occurs is not exactly the one originally chosen.

Stakeholder mapping

This is a technique used to categorise stakeholders in terms of their relative power and interest.



A stakeholder map highlights that stakeholders vary in terms of their power and influence. It can be used when discussing the power and influence of stakeholders, how stakeholders may affect decision making and how managers may treat different groups. You might want to consider:

- the factors that affect the power and influence of different stakeholder groups
- how a business might treat different groups according to their power and interest (eg how much information they provide)
- how stakeholders might increase their power (eg employees coming together in a trade union).

Porter's five forces

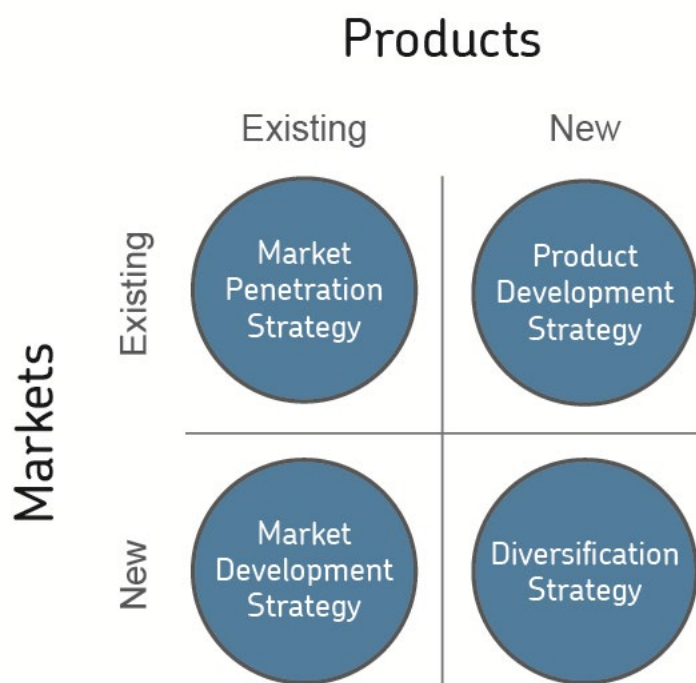
This model helps explain why the profitability of industries can vary significantly. Porter's work suggests it is due to a combination of five factors and the impact these have on the established firms. For example:

- If the buyers have a great deal power, they will be able to push down prices reducing established firms' profits.
- If the suppliers have a great deal power, they will be able to push their prices up reducing established firms' profits.
- If there are many rivals the profits will be shared between more firms reducing the profit of individual businesses.
- If there are many alternative products this means that customers will switch if prices are too high and so established firms will need to accept lower prices.
- If there is a high entry threat, then whenever established firm start to make high profits other firms will enter reducing the profit per firm.

Businesses should understand the five forces relevant to their industry and where they can change them to be more favourable. For example:

- Merge with or takeover other firms to reduce rivalry.
- Buy up suppliers to reduce supplier power.
- Develop barriers to entry (eg lobby government for protectionism).

Ansoff's Matrix



This is a useful model when considering the risk involved when a business implements a new marketing strategy. It allows a business to consider any new strategy in terms of the product it will be selling and the market it will be targeting. Ansoff identified the following four strategies:

Market penetration (existing product, existing market)

This is the lowest risk strategy, as it involves a business attempting to increase sales of its existing products to its existing market, for example through lower prices or increased advertising).

Market development (existing product, new market)

This strategy involves the business entering an unfamiliar market, whether this is a new geographical location or a new market segment. This is likely to require the business to conduct additional market research to increase the likelihood that the strategy is successful).

Product development (new product, existing market)

This strategy involves the business selling a product that it doesn't currently sell, which is likely to require more spending on new product development and possibly protecting the idea if it is new (such as through a patent).

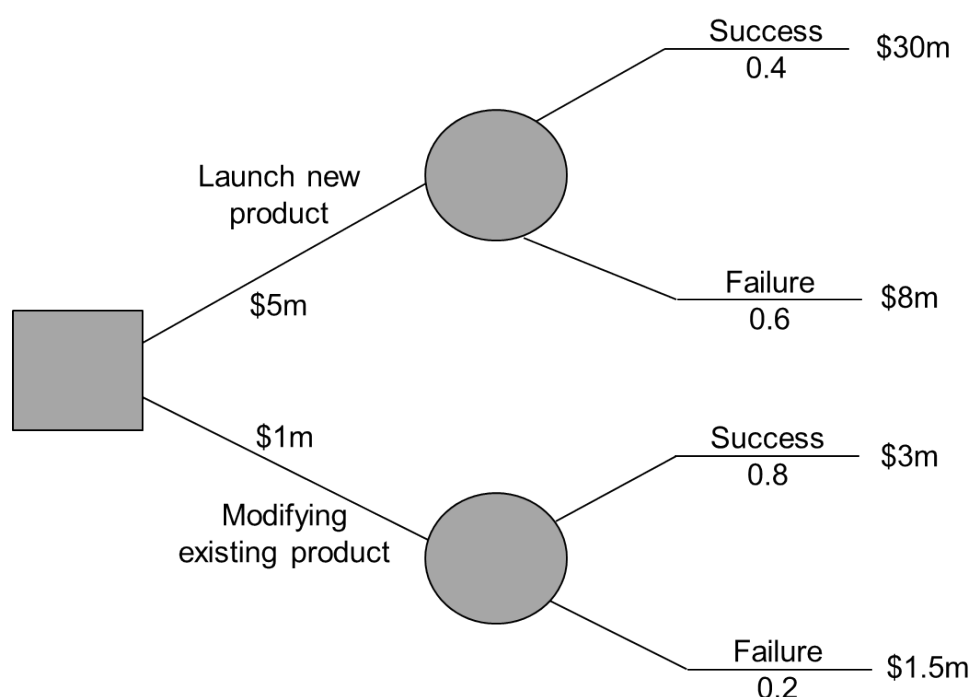
Diversification (new product, new market)

This is the highest risk strategy, as it involves the business selling a new product to a market it is unfamiliar with.

Students should appreciate the impact that the choice of strategy can have on the functional areas of the business, for example, a diversification strategy comes with the highest level of risk. This is likely to require more money to be allocated by the finance department towards market research and new product development.

Decision trees

A decision tree is a mathematical technique used to assess different options.



Key points with decision trees:

- A square represents that a decision must be made.
- The lines coming from the square represent the possible choices.
- The circles show that there are outcomes because of a choice.
- The lines coming from a circle show the expected outcomes.
- The probability shows the estimated likelihood of a given outcome.
- The probability of all outcomes must add up to 1.
- Expected value (EV) shows the weighted average of a given choice; to calculate this multiply the probability of each given outcome by its expected value and add them together eg EV launch new product = $[0.4 \times 30] + [0.6 \times -8] = 12 - 4.8 = \$7.2m$.
- The expected value is the average outcome if this decision was made many times.
- Net gain is the expected value minus the initial cost of a given choice. Net gain of

launching new product = $\$7.2\text{m} - \$5\text{m} = \$2.2\text{m}$.

- To compare this net gain with the net gain of other choices, eg net gain of modifying an existing product = $[0.8 \times 3] + [0.2 \times 1.5] = 2.7 - 1 = \1.7m .
- Decision based on choice with highest net gain which is to launch new product [$\$2.2\text{m}$ as against
- $\$1.7\text{m}$].

Decision trees can be used when discussing important concepts in decision making such as choices, opportunity cost, probability and risk, costs and returns, net gains, expected outcomes and forecasting. You could consider:

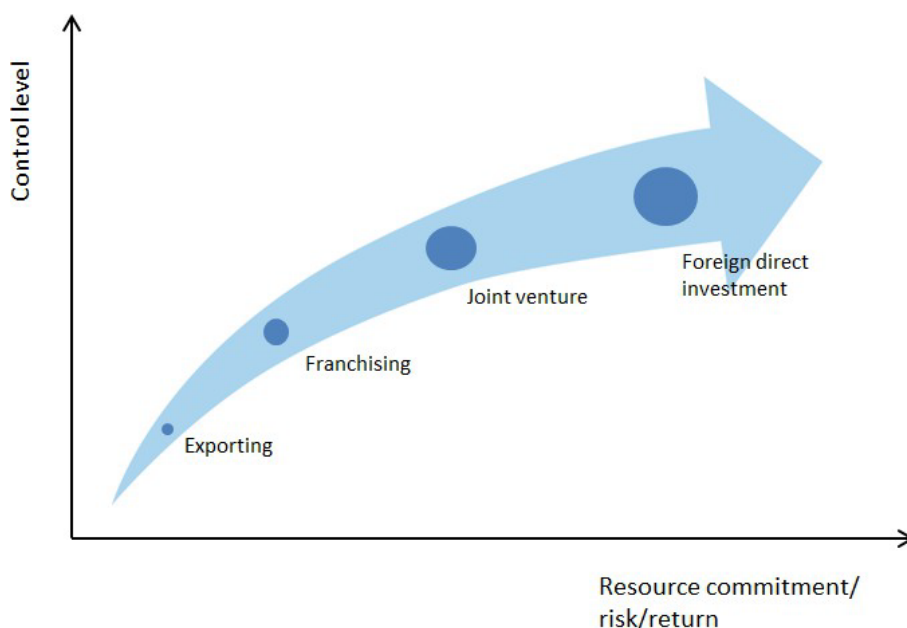
- the value of decision trees in getting managers to think through their options, the probability of different outcomes and the financial consequences
- the extent to which the financial consequences of an outcome can be accurately estimated and whether outcomes are best measured in financial terms
- issues in decision making such as raising the initial finance, the impact of ethics and the impact on stakeholders.

Intrapreneurship

When businesses get bigger, they can become bureaucratic, with committees, rules and procedures that ensure things are done in a certain way but which do not encourage creativity and innovation. Some big businesses, such as Amazon, aim to keep an entrepreneurial spirit – they want people within the business to think and act like entrepreneurs (these are called intrapreneurs). This involves developing a culture where failure is accepted (what matters is that you are willing to take risks), that funds are provided for people to try out and develop ideas.

Methods of entering international markets

There are different ways of entering an international market. They vary in terms of the degree of risk involved and the level of commitment involved.



The value of strategic planning

Strategy planning involves determining a long-term plan for the business. The strategy can provide a framework for decision making and managers can judge what the right decision in this context is.

However simply producing a plan is not enough; managers need to implement it effectively and need to be prepared to change it when conditions change.

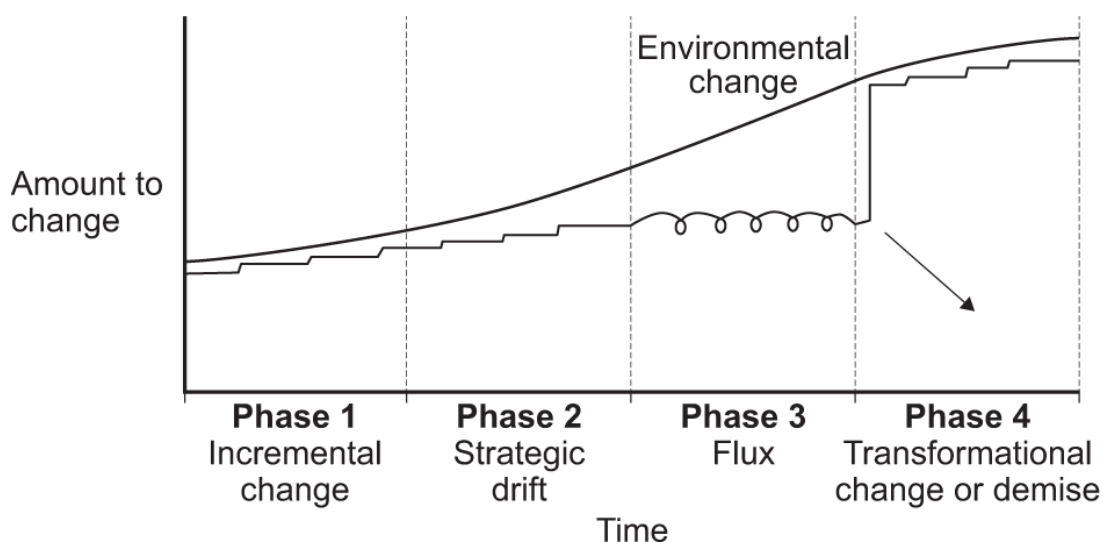
Why strategies fail

Many strategies fail. This may be because they are implemented badly. Or conditions change and so what was the right strategy at one point is no longer suitable. Or it may be that the wrong strategy was chosen in the first place.

Strategic drift

Strategic drift occurs when the strategy pursued by a business no longer fits with the environment around it. What may have been appropriate at one point is no longer suitable as conditions have changed.

Model/theory



The diagram above by Johnson and Scholes highlights how, as change in the environment increases, the business' strategy may become increasingly inappropriate.

The business will end up in a state of flux, ie managers are uncertain what to do as they have fallen so far behind the trends in the market. At this point, they must either make major transformational changes, or the business will probably die.

Examples of strategic drift include Kodak, Nokia and Blockbuster videos. When you can use this:

- when teaching strategy, strategic drift highlights that managers must continually review strategies to ensure they remain relevant and competitive.
- When considering the importance of anticipating, preparing and reacting to change.