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Subject Business Studies

Unit 1

Investigating Business



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# Unit 1: Investigating Business

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For this assignment I am going to investigate two very successful and profitable companies. The two companies I have chosen to investigate are McDonalds and JD sports. The areas I will investigate are;

1. Activities, aims and objective
2. Functional areas and communication
3. ownership and Location
4. External influences

Firstly I will find out what the business main activities are, their aims and objective and how they meet it. Then I will identify their functional areas and how their use it also how these functional areas communicate with each other. I will find out type of ownership the business is and why they have want to be that type of ownership. Also I will the locations of the business and the reasons for their choice of location. Finally I will look at the external influences on both companies such as competition.

MY first company I have chosen to investigate JD sports in London. JD Sports is one of the largest chains of shops providing sports and leisure clothing. They have well over 300 stores, located in various towns and cities across the United Kingdom. JD Sports was founded back in the early 80's and the first outlet opened its doors to the public in December 1981, in Bury. The name JD is derived from the first letter of the two founders' names, John and David. Recently, the number of outlets increased, as the owners purchased rivals First Sport and began converting the stores. JD Sports has come a long way in a very short space of time and they look set to remain popular for years to come. JD sports is the main stockist of the latest in sports fashion clothing and footwear. They sell the very latest trainers and football boots of which many brands are designed exclusively to be sold at JD Sports. They are often more fashionable than similar designs found at other sports outlets. The clothing that is stocked at JD ranges from tracksuit bottoms to polo shirts. They also sell the latest replica football kits and accessories such as hats, caps, gloves and wrist bands.

My second company McDonalds. Is one of the biggest fast food restaurants in the world. McDonalds was founded in 1940 by Dick and Mac McDonald. The first McDonalds restaurant opened in Des Plaines Illinois in April 1955. McDonald's is without a doubt the world's largest and fastest growing, with more than 23,000 restaurants in 109 countries, serving food and drink to 38 million customers daily. In the UK alone, McDonald's operates 900

restaurants. McDonalds provides food of a high standard, quick service and value for money. McDonald's has an extensive menu, ranging from beef and chicken, to vegetarian products, a full range of desserts, and hot and cold drinks. McDonald's, over the last couple of years has been at the centre of anti-capitalism, animal-rights and environmental right protests. McDonalds is the world's largest user of beef they are criticised about animal welfare issues.

## Aims and objectives

Aims and objectives are things shops and company wants to get by the end of a certain time.

General aims are common in all company they are gaining as much profit as they can and to survive by keeping their customers happy and keeping a good reputation. Objectives are something a company wants to achieve and a period of time. An objective is a short term goal which is measurable.

## Objectives and Activities

One of McDonald's objectives to serve healthier food, this relates to their activities because they serve salads, healthier burgers and orange juice.

One of JD sports objectives is provide a top quality sports wear, this relates to their activities because they produce sportswear of very high standards.

# Smart objective

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Smart Objective means when an objective has been reached by making it as definite as possible and to be able to measure whether the objective has been reached, or see how close you are to it. They should try to achieve the objective over a period of time.

1. Specific – Objectives should specify what they want to achieve.
2. Measurable – You should be able to measure whether you are meeting the objectives or not.
3. Achievable - Are the objectives you set, achievable and attainable?
4. Realistic – Can you realistically achieve the objectives with the resources you have?
5. Time – When do you want to achieve the set objectives?

**S.....Specific**  
**M....Measurable**  
**A.....Achievable**  
**R.....Realistic**  
**T.....Time**

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McDonald's objective is to increase customers by 30% in the 8 months its specific because it's stating exactly what should be achieved, it's measurable because they are able to decide if they have achieved they objective. Also it's agreeable because everyone in the business understands and approves the objective. It also is realistic because they are able to achieve it after taking into account resources, competition and market. Time specific because there is a specific time which the objective should be achieved.

# Stakeholder

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Stakeholder	Objective
Owner	The owner wants to help the business to survive and best return on investment
Customers	The customer wants cheap prices and good quality and choice
Employees	Job satisfaction, good wages and a secure future
Suppliers	Repeat orders and reliable payment of bills
Local community	Local jobs and a clean environment
Managers	Best salary, status and like a company car

## JD aims and objectives

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JD sports aims are to be the biggest sports retailer in the UK and to keep its customers happy and to supply the customers with high quality sports clothing, footwear, replica kit and hats.



JD sports objective is to increase profits by 20% in the next 6 months and to increase their customers by 30% in the next 8 months.

## McDonalds aims and objectives

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McDonalds' aim is to be the 'world's best quick service restaurant. This means running and opening great restaurants and providing exceptional quality, service, cleanliness and value, so that we make every customer in every restaurant smile'

McDonald's objective is to increase its customers by 30% in the next 9 months and to increase its profits by 30% by the next 7 months.

## Meeting aims and objectives

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## Meeting aims and objectives at McDonalds

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Meeting aims and objective at McDonalds.

McDonalds aim is to become the worlds best fast food service restaurant. This means running and opening more restaurants and providing exceptional quality, cleanliness and value so it will make every customer happy. McDonald's objective is to increase income buy 10% in the next 2 month, to do this they have to produce and sale more burgers in the next 2 months. They also have to snatch customer from other fast food rivals such as KFC and Burger King.

Meeting aims and objective at JD sports.

JD sports aim is to be the biggest sports retailer in the UK and to keep its customers happy. To this they need to supply the customers with high quality products at affordable prices. JD sports objective is increase sales by 30% in the next 4 months. To do this they have to produce more products and get more Customers. To get more customers they have to make more adverts and posters. They could also do offers e.g. half price.



\_\_\_\_\_ Location \_\_\_\_\_

JD sports can become more effective by opening more shops around the world. This would increase customer by increasing

customers this would give them a better income and they will also get popular. On the other hand McDonalds can open more stores near KFC and Pizza Hut so people get a choice of food. One place McDonalds don't have restaurants is near housing estates. This is good place to open a store because people don't have travel to go to McDonalds.

#### Business activities

JD sports can sale health snacks and healthy drinks in the shop. They can also sale football tickets and they can sale JD washing powder for the sports wear. McDonalds can start delivering food to houses. They can also can a café shop. McDonalds can also expand their business by start to sell cloth wear, which will be a risk as they is many competitors.

#### Aims & Objectives

JD sports aims and objective could be to increase customer's satisfaction. This will increase their income. Do this they could reduce prices. McDonalds aims and objective could be to sale different kinds of burgers. If they do this they will have more costumers because they will want to try the different burgers. To do this they will have to reduce the new burgers prices or maybe do to give a free example of the food (only a half).

The HR Function

The HR (human resources) is a function of the company which is responsible for hiring, compensation, evaluation and management (of performance, promotions and firing. It is the responsibility of human resource managers to conduct these activities in an effective, legal, fair, and consistent manner.

### McDonalds

At McDonalds the HR function is to employ staff and firing them. To insure good quality burgers, to do this they have to keep the staff happy. This will keep the customers happy; this is also one of the aims and objective at McDonalds.

## The Administration function

The administration function at McDonalds deals with post, email and keeping records of the business. They set up meeting and make sure the premise is clean and the security is still working. Administration at McDonalds is carried out by a special administration department, which also looks after department.

The administration also organise meetings for the managers. Managers in McDonalds spend up 70% of their time in meeting with other companies, this means confirming the date, time and

where the meeting will happen. This means they have book the room and make sure all paper work is prepared, taking the minutes to record what was said and distributing these to everyone who was present.

The administration function at JD sports deals with post and email, keep record of the employers and help out the other entire departments



The marketing function in a company is responsible for the 4 Ps: place, price, promotion and product.

At McDonalds they have to think about the 4 Ps.

Price: at McDonalds the marketing function makes their prices quite low so that all people can afford their food. Because burger king and other burger restaurants are making their burger cheap, so McDonalds have to make it cheaper

Place: at McDonalds the marketing function make sure the where and how their going to sell the food. McDonalds can sell it over the internet, like home delivery.

Promotion:

Promotion: at McDonalds the marketing function decides how the product will be advertised. McDonalds can advertise on the internet, newspapers, and magazines and on TV. Its best for McDonalds to advertise on TV because they will get more public awareness. There are all disadvantages like the TV adverts the message might be short lived or some consumers may not watch commercials and it's relatively expensive.

## *The Finance Function*

A finance function is responsible for sales of product, bills that have to be paid and paying the staff their wage. They also have to calculate profits and losses, to see if the have made profits or loss. They have to deal with creditors and debtors, the debtors are people who owe the business money and the creditor are people who the business the business owes money. The finance functions also have to deal with financial documents. These are used by management of the business to see how will the business is doing.

The payroll record all the hours the staff has worked and calculates how much they have to pay and take away.

At McDonalds the finance function have to calculate profits and losses, to see if they have made more money then the day before and how much more profit they are making every month. The finance department work out the costs of products such as burgers and fries. They also work out what resources is need. They also record hours worked by employees and calculate pay and deduct tax. They have to deal creditors and debtors. Also have to deal with financial documents. These are used by management of the business.

## ICT Function

The activities and responsibilities of the ICT function are they have to make sure the business could communicate internally (inside the business) and externally (outside the business) to their customers. They also have to have handle and store data. The ICT function also has to have a strong security so hackers don't hackers don't hack data and also have to handle viruses they use firewalls. Security is important to protect a business system. The ICT function reduces transaction costs and cut the business's costs.

# Communication at McDonalds

## Internal communication at McDonalds

Internal communication is when something is communicated inside the business. At McDonalds they communicated by talking and they send memo for quick messages. A memo is usually written on a piece of paper. They use msn and email for instant messages, instant message at McDonalds is usually used by the store manager, and they send messages to the company directors to let them know how the business is going. Telephone, is when you speak to someone directly through the phone. At McDonalds they call people through the phone to order, pay debts, speak to ill staff, speak to staff and call unsatisfied costumers. Face-to-face is when you talk to someone in front of you. At McDonalds when they employ staff they talk face-to-face and meet other stores managers to talk about aims and objectives.

## External communication at McDonalds

External communication is when something is communicated outside the business. At McDonalds they communicated by



meeting other manager of other companies. Meeting is when business managers meet to discuss about a particular thing. They also do the following;

- Website – is when companies advertise on the net. At McDonalds they advertise on they own website and other related business.
- Faxing – is when you send faxes to other offices. At McDonalds they fax other companies about the availability of products like UK farmers for British beef
- Emails – is when you send emails to other people out of business. At McDonalds they send emails to dispananit

# OWNERSHIP AND LIABILITY

JD sports is public limited company, which means they do offer shares to public. They have limited liability which means they can only lose money they invest in the business. The advantages of being a limited company is they don't have to run the business on their own and they are not responsible for the business debts. The disadvantages are they might be disagreements and if you

sell too much shares you will lose control of the company and they are not charge of every part of the company. Also the public own bits of the company.

It's appropriate for McDonalds to be a LTD because they don't went to sell shares to the public because the owners want to keep full control of the business. It is also appropriate as they only have limited liability. They have staffs who take of the CAPITAL and they have loads of CAPITAL. They make more CAPITAL and if the companies in debt the shareholders only lose the money they invested in the company. McDonalds in Greenwich is on a busy site so lots of people are likely to be in the area and they will use McDonalds. McDonalds is usually located close to their competitors e.g. Burger King, so it's more likely people is in the area to buy take away food. There is also good transport. Also they have driver-thru so it's easy for customers.

It's appropriate for JD sports to be a PLC because they can sell shares to the public and they make more CAPITAL by doing this. It is also appropriate as they only have limited liability. They have staffs that take care of the CAPITAL and if the companies in debt the shareholders only lose the money they invested in the company. JD sports in Greenwich is located near their competitors

sports world and JJB, it's also on a busy site so people are more likely to get there. There are also good transport links so it's easy for costumers to get there. They located near their competitors mainly because more people go there and they will in JD sports.

### Location McDonalds

The reason why McDonalds in Greenwich is located near main roads and in a very busy site is because lots of people go there for shopping and they are more likely to go in McDonalds e.g. if someone goes to WHSmith to get a magazine they might go to McDonalds for food. Another reason is its not near any of its competitors so there is only one place for people to go to get fast food, this will also get them more customers which is one of their objectives. Also it should increase their income which is also an aim. Another reason is it's easy to get there, its got good transport e.g. bus stops near there. McDonalds also have a drive-thru which is next to the main road so drivers may come there because it's quick.

### Location JD sports

The reason why JD sports are located in Woolwich market is because many people go there for shopping and many people go in JD sports. It's also very busy; it's got great transport e.g. its near many bus stops and a train station. Its not near any of its competitors so there is only one place for people to go to get sports wear, this will also get them more customers which is one of

their objectives. Also it should increase their income which is also an aim.

### **Impact of location**

The impact the location of JD sports is very effective because their in a busy area so will make their performance better an

# **Competition**

### Main competitors McDonalds

These are McDonald's main fast food competitors;

- KFC
- Burger King
- Subway
- Fish and chips

Other competitors which are not fast food shops are;

- Corner shops
- Co-op
- All days
- Asda
- Tesco
- Sainsbury
- Pizza hut

### Main competitors for JD sports

- JJB
- All sports
- Sports world
- Football mega stores e.g. Manchester united mega store
- E-bay
- Foot locker



McDonalds have car parks and disability access this is a strength because not all of their competitors have these. They also have drive-thru this is a strength because people who have cars don't need to get off the car, this is also much quicker and their competitors don't have this. This will also increase the customers and profits. McDonalds sell burgers at very cheap prices unlike their competitors, they also have happy meals for kids and you get a free toy with every happy meal unlike some of the competitors, this will attract the kids. You can win big prizes by buying food this will attract older customers. McDonalds also have weakness e.g. their sell unhealthy food and they don't have home delivery like pizza hut who are their competitors.

McDonalds could be more effective by selling healthy food e.g. more healthy burgers. They could also introduce new healthy food at cheap prices and when it gets popular with the customers they could increase the price. This is called penetration pricing. They could also start selling pizza and open more stores around local areas e.g. Barnfield this will increase their customers and profits which is an aim and objective.

A weakness for JD sports could be price because other competitors have the same quality by they sell it cheaper e.g. sports world sell the same football replicas but at a cheaper price this will make JD sports lose customers. JD sports strengths are they have better trainer then most of their competitors and they have the latest trainers. They have home delivery via the internet. JD sports may struggle to keep up sports world in terms of price and offers.

JD sports could be more effective by selling bikes, skateboards and scooters this would increase their product availability

## **The Internet and competition**

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### McDonalds

The internet is exposing McDonalds to a wider field of competitors because they can advertise on the internet and they also have a

website about the business and what is available. Many of McDonalds rivals have a website because McDonalds have a website this keeps them on level with their competitors and many people on the internet, they might see a McDonalds advertise, this may make them want to buy at McDonalds and they can also show special offers. McDonalds could improve their competition on the internet by have a home delivery via the internet unlike some of their competitors. This would snatch customers away from their competitors.

### JD sports

The internet is exposing JD sports to a wider field of competition because they have a buy online system unlike some of their competitors this get them more customers, and its also easier for customers to buy stuff, they don't have to get out of their house to buy. JD sports could also advertise online, this will attract more customers. The JD sports website also shows what is available and the latest stuff and special offers. This will increase customers which is an aim and also increase profits. Some of JD sports competitors do not have website which is strength for because they will get customers.

# Customer profile

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## McDonalds

### Profile 1- happy meal

- 5-12 – because they are more likely to buy happy meals and its targeted at them
- Male & female – aimed at both genders
- Geography – stores all of the world
- C,D,E – because there are less affluent and A & B eat better quality food

### **JD sports**

#### **Profile 1 – air max 95**

- 14-26 – because it not casual and much more into sportswear and its aimed at that age group
- Male and female – aimed at both
- Geography – stores national
- C,D,E – because they are into sports-wear unlike group A and B and air max is aimed at a younger people. A and B are most likely to be older people.

# The Business Cycle

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## **Recession**

Recession is when the economy is not buying much because the customers haven't got enough money to buy many goods. This has an effect on business. The business will need to produce less, this also means less staff.



## Boom

Boom is when the economy starts to buy more goods because the customers have money to spend. The companies will need to produce more and also have to employ more staff. If they employ staff, the staff will be earning more money so they will spend more.

## How does a recession affect McDonalds

During recession McDonalds employ less staff because they have less customers to buy. They will invest very little in new products. If McDonalds do not employ many staff, this may affect the income of people and they will have less amount of money to spend.

## How does a recession affect JD sports

How does recession affect McDonalds, it affects them because they will have to employ less cashiers and stockers and this may affect the incomes of people and they will spend less. Also they will invest less money on new products e.g. new Nike trainers.

## How does boom affect McDonalds

How does boom affect McDonalds, it affects them because they will have to increase employees mostly cashiers, therefore people are earning more and are likely to spend more. This means the business will have to produce more e.g. burgers. They can also produce new products e.g. new healthy meals like Subway this will also make them bigger rivalries with Subway.

## How does boom affect JD sports

How does boom affect JD sports, it affects them because they will need to produce more stock e.g. more trainers this means they will

need to employ more stockers and cashiers because the customers are started to buy more. JD sports will need to increase wages so as to attract more labour and they will invest more on new product e.g. new adidas sportswear.

# Interest rate

Interest rate is percentage charge of a specify amount of money borrowed from a company. The main reason a company might borrow same money from a bank is to expand the business or to buy new machinery and even to started a new business.

## McDonalds

McDonalds may have borrow some money from the bank because they may need introduce a whole new product and they also might need to loan some money to invest in other business and money may be needed to update plant and machinery. If they need to borrow money and the interest rate is high they will have to pay more money back however if the interest rate is low they will have to pay back less.

## JD sports

JD sports need to borrow money if they want to invest into new stores and they may also loan money to introduce new trainer e.g. new adidas trainers. Money may be needed to update plant and

machinery If they need to borrow money and the interest rate is high they will have to pay more money back however if the interest rate is low they will have to pay back less.

### Weakness and strength

McDonalds strength is that they have so much capital that they don't need to borrow much money. McDonalds don't really have a weakness because they are so successful and they have loads of money and they don't need to borrow money at the moment.

JD sports strength is that they have loads of capital that they don't need to loan much money. A weakness could be that they might get busted however they don't really worry at the moment because they have so much money.

# Exchange rate

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An exchange rate is how much one currency is worth compared to another currency e.g. 2.90 euros compared to the UK pound is worth £2.00.

### How does exchange rate affect McDonalds

Exchange rate affects McDonalds because they will have to buy goods from countries which means they will be affected by the cost rate.

### How does exchange rate affect JD sports

Exchange rate affects JD sports the way as McDonalds because they will buy goods from other countries which means they will be affected by the cost rate.

# The Euro

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### The Euro

Is the official currency of European Union

### How will the Euro affect McDonalds

McDonalds already operate in other European countries so they have relevant transition experience already. It will also be easier because people on holiday know the price of the product and they can use the money from their country if their country's currency is the Euro. On the other it may affect McDonalds badly because they will have packaging in English pound e.g. if it said £1.97p they have to change it to euros and this will take some time so the business may have to temporarily close, they may also have to employ more staff and they may have to pay more wages.

### How will the Euro affect JD sports

JD sports will have to change all packaging and labelling on every product. This may cause temporary closure which may lose them customers and they may also have employ more staff also will need to pay more wages. However it may have a good affect because it will be easier to trade and they can open more stores around Europe because they have the same currency.

# Environmental Constrains

## McDonalds

- 1) Noise and air pollution caused by increased traffic.
- 2) Waste products make more waste for the community and plastic strews and lids hard to get rid of.
- 3) Light pollution use too much light.
- 4) Litter caused by customers

## JD Sports

- 1) Waste products – plastic bags hard to get rid.
- 2) Light pollution caused by to much unnecessary lighting.
- 3) Noise and air pollution caused by increased traffic.
- 4) They use lots of people at the offices to do paperwork which means more trees will go down. Which is eco friendly

## Impact

### McDonalds

- The impact that noise and air pollution has is it gives the business a bad look and is going to offend the people around the area.
- The impact waste products have on McDonalds is that the lids, straws and plastic bags are hard to get rid off and it will also make more waste for the community which will give the business a bad name.
- Litter is also a problem because customers will make litter and people will be angered with the litter caused by customers who use McDonalds. It will give the business a bad reputation
- The impact that light pollution has is that some customers are not happy if too much lighter because they don't see the stars at night.

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#### JD Sports

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- The impact that noise pollution has is that it the public don't like it because it annoys them.
- Litter is also a problem because customers will make litter and people will be anger with the litter caused by customers who use JD sports.
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# Conclusion

After investigating both companies I have learned that all business has aims and objective, it is important for the companies to meet the aims and objective to be successful. Their objectives must relate to their activities. Both of the businesses I have chosen have smart objectives. I have also learned that all businesses have stakeholders, a stakeholder is someone who has an interest in a business anyone could be a stakeholder even the employee. I have also learned that location is very important and all companies like to be near customers. There are many functional areas in a business; some businesses have more than other companies. The HR function is one of the most important functions it's responsible for paying, employing and firing of the employees. All business has to make changes to be more effective, for example JD sports could be more effective by opening shops worldwide. Business are different types of ownership, JD sports is public limited company, which means they do offer shares to public. whilst McDonalds is private limited company, which means they don't offer shares to public. The major thing that affects business these days is competition, many businesses of the same type battle for customers. McDonald's main competitors are KFC, Burger King and subway. On the other hand, JD sports main competitors are

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JJB, Foot Locker and sports world. The internet and competition. The internet is exposing McDonalds to a wider field of competitors because they can advertise on the internet and they also have a website about the business and what is available e.g. offers. Also the internet is exposing JD sports to a wider field of competition because they have a buy online system unlike some of their competitors this gets them more customers, and its also easier for customers to buy stuff, they don't have to get out of their house to buy. Another major problem business is environmental constrains, the reason why its is a problem for McDonalds is because McDonalds Waste products make more waste for the community and plastic strews and lids hard to get rid of. And JD sports cause light pollution caused by to much unnecessary lighting From this assignment I have learnt businesses are every complex and they have too many things to make the business successfully and to help the business survive.



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