
ADDING VALUE

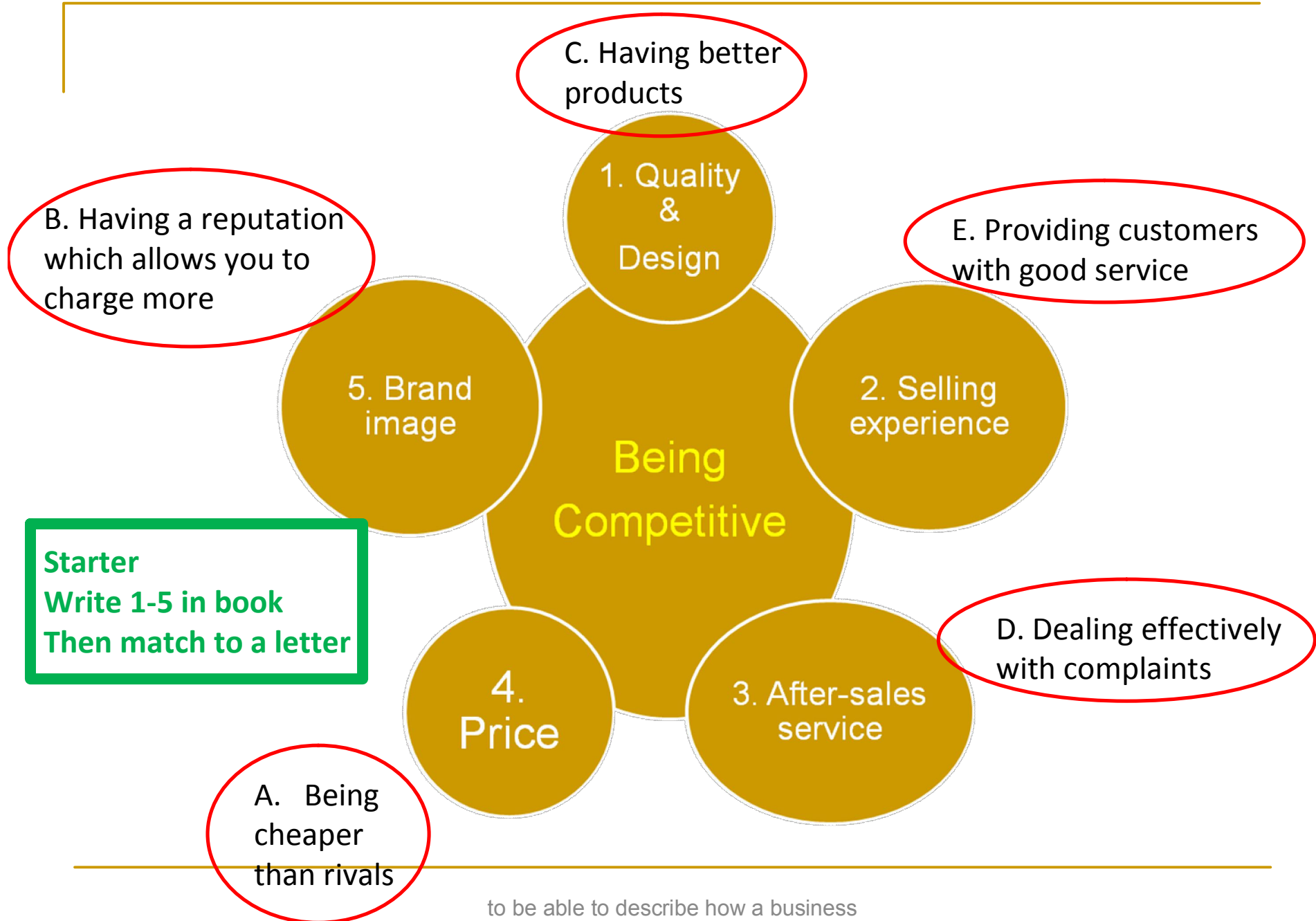
Year 10 GCSE Business

7 October 2014

1.1.3



to be able to describe how a business
can add value



Starter
Write 1-5 in book
Then match to a letter

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At car auctions, where motor dealers buy their stock, there is usually a valeting service available. Some dealers have been known to buy a car, have it cleaned and sell it in the space of an hour or so at a profit.



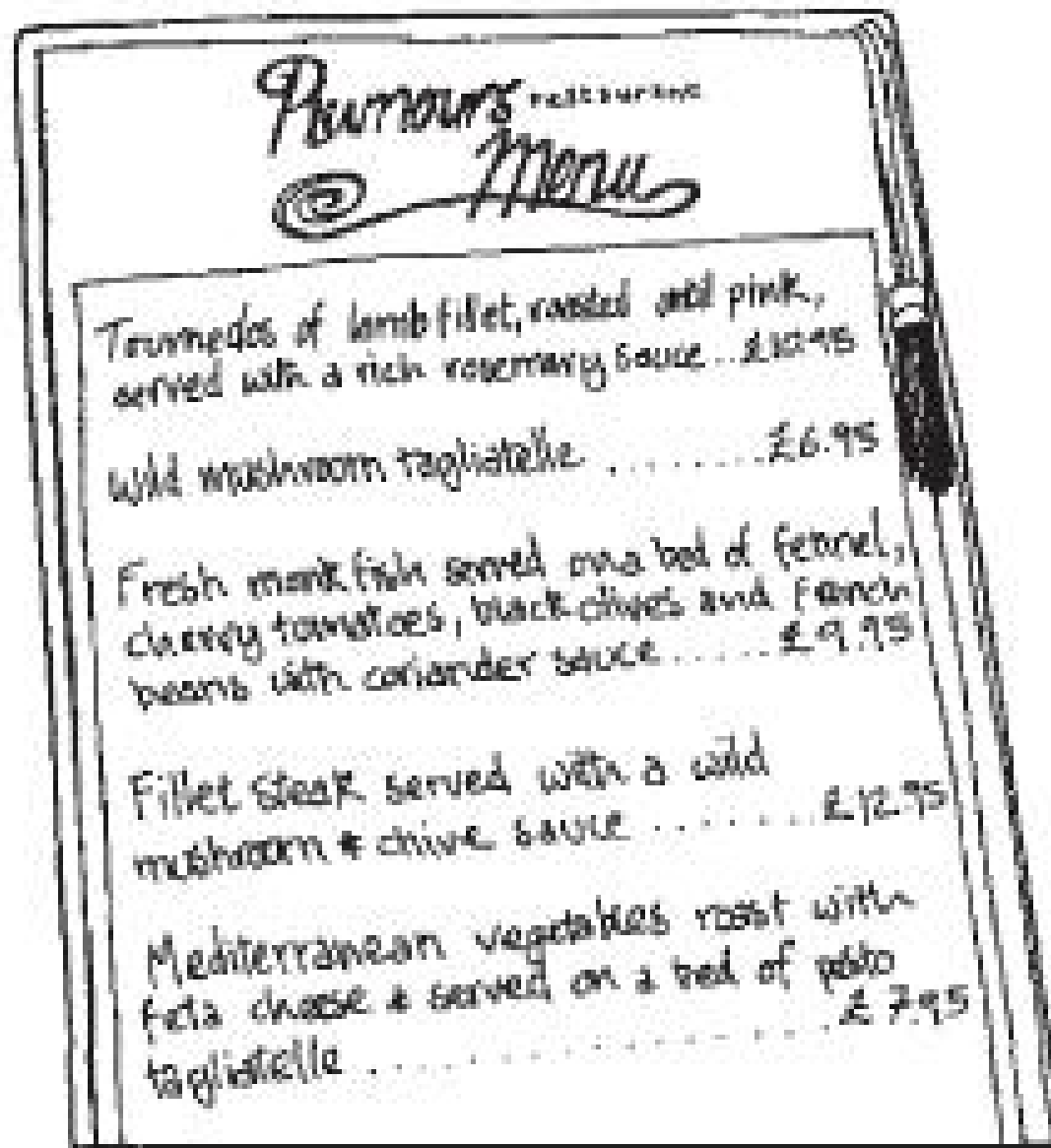
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At car auctions, where motor dealers buy their stock, there is usually a valeting service available. Some dealers have been known to buy a car, have it cleaned and sell it in the space of an hour or so at a profit.

- 1 Has the cleaning added to the value of the car? Why?
- 2 Has the person who bought the car from the dealer been cheated?

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The food costs about 20% of the menu price.

Is the customer being 'ripped off'?

How can Rumours add value?

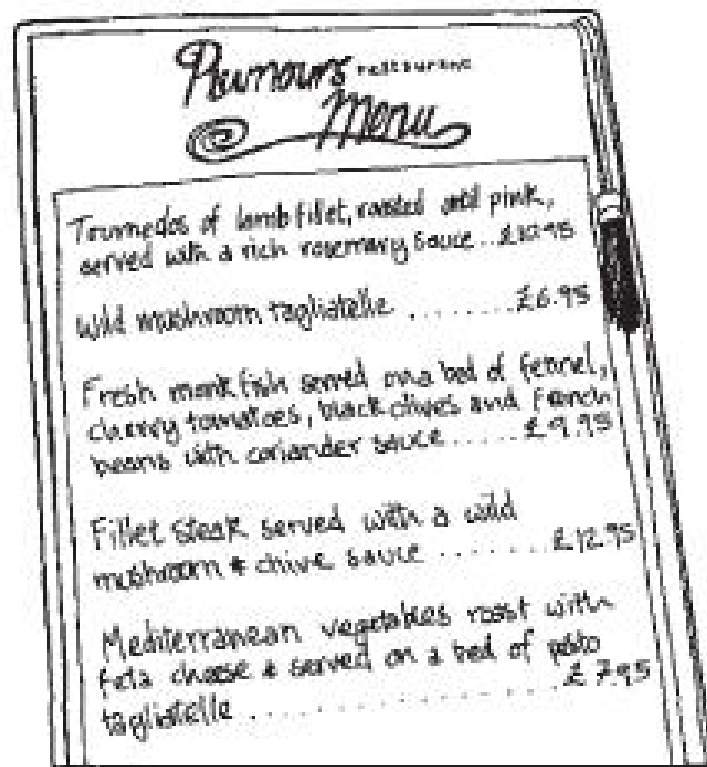


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5 ways in which a restaurant can add value

- 1.
- 2.
- 3.
- 4.
- 5

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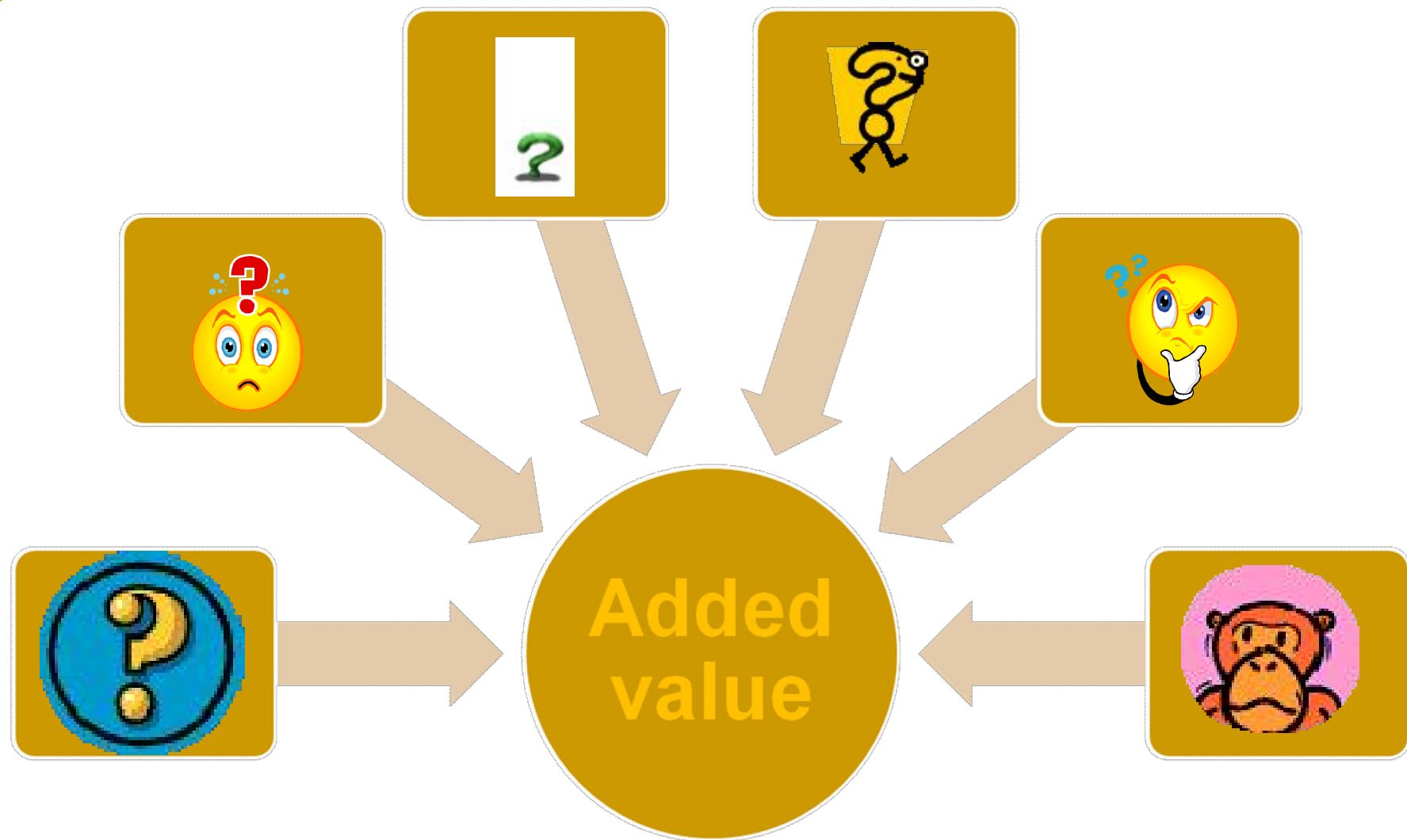
Adding Value

imagine a celebrity chef preparing a meal at his luxury restaurant. Once the cooking is complete, the meal is being served and sold for a high price, substantially more than the cost of buying the ingredients. Value has been added.

You don't have to have the culinary skills of Gordon Ramsay to "add value". For example, businesses can add value by:

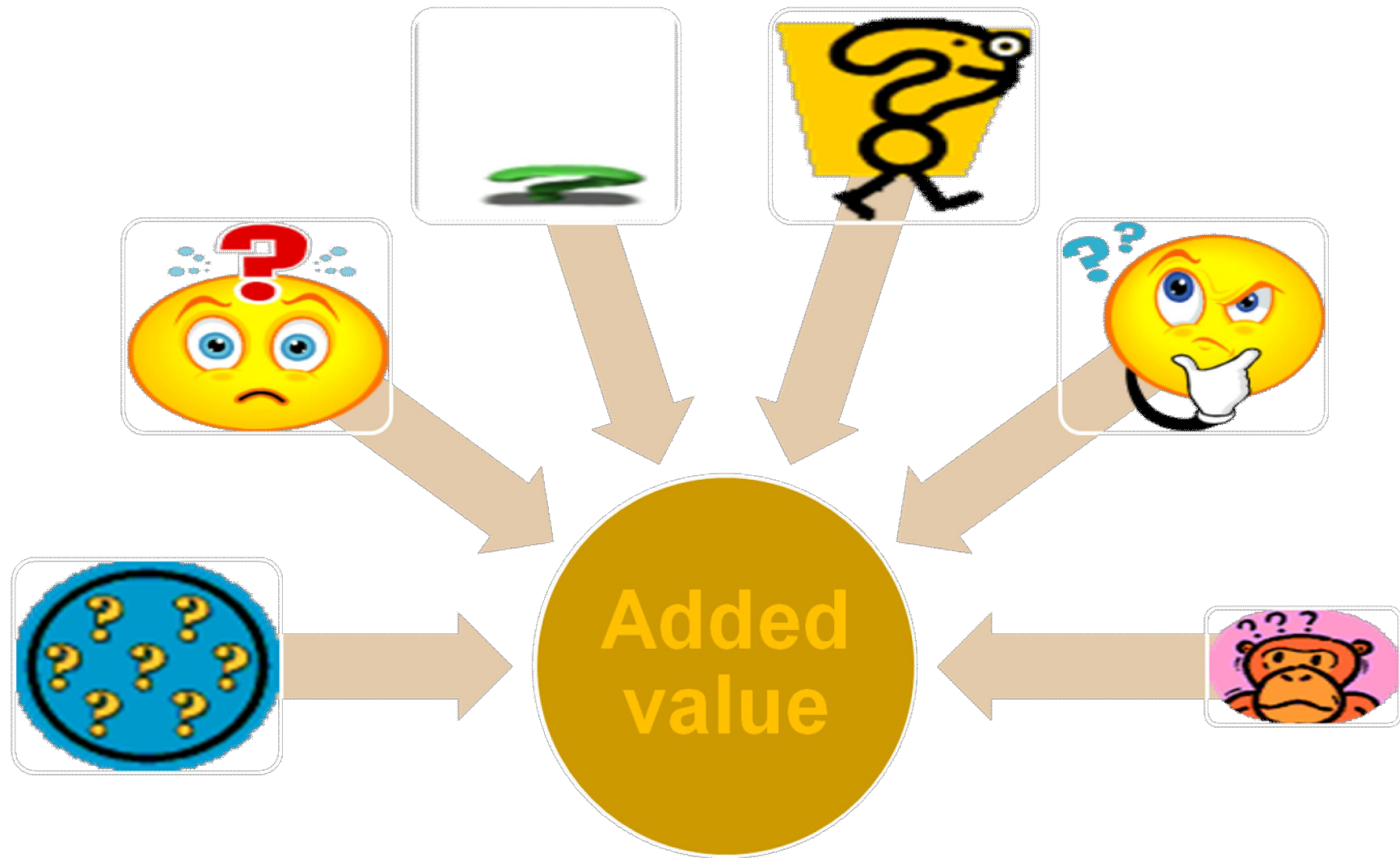
- **Building a brand** – a reputation for quality, value etc that customers are prepared to pay for. Nike trainers sell for much more than Hi-tec, even though the production costs per pair are probably pretty similar!
- **Delivering excellent service** – high quality, attentive personal service can make the difference between achieving a high price or a medium one
- **Product features and benefits** – for example, additional functionality in different versions of software can enable a software seller to charge higher prices; different models of motor vehicles are designed to achieve the same effect.
- **Offering convenience** – customers will often pay a little more for a product that they can have straightaway, or which saves them time.

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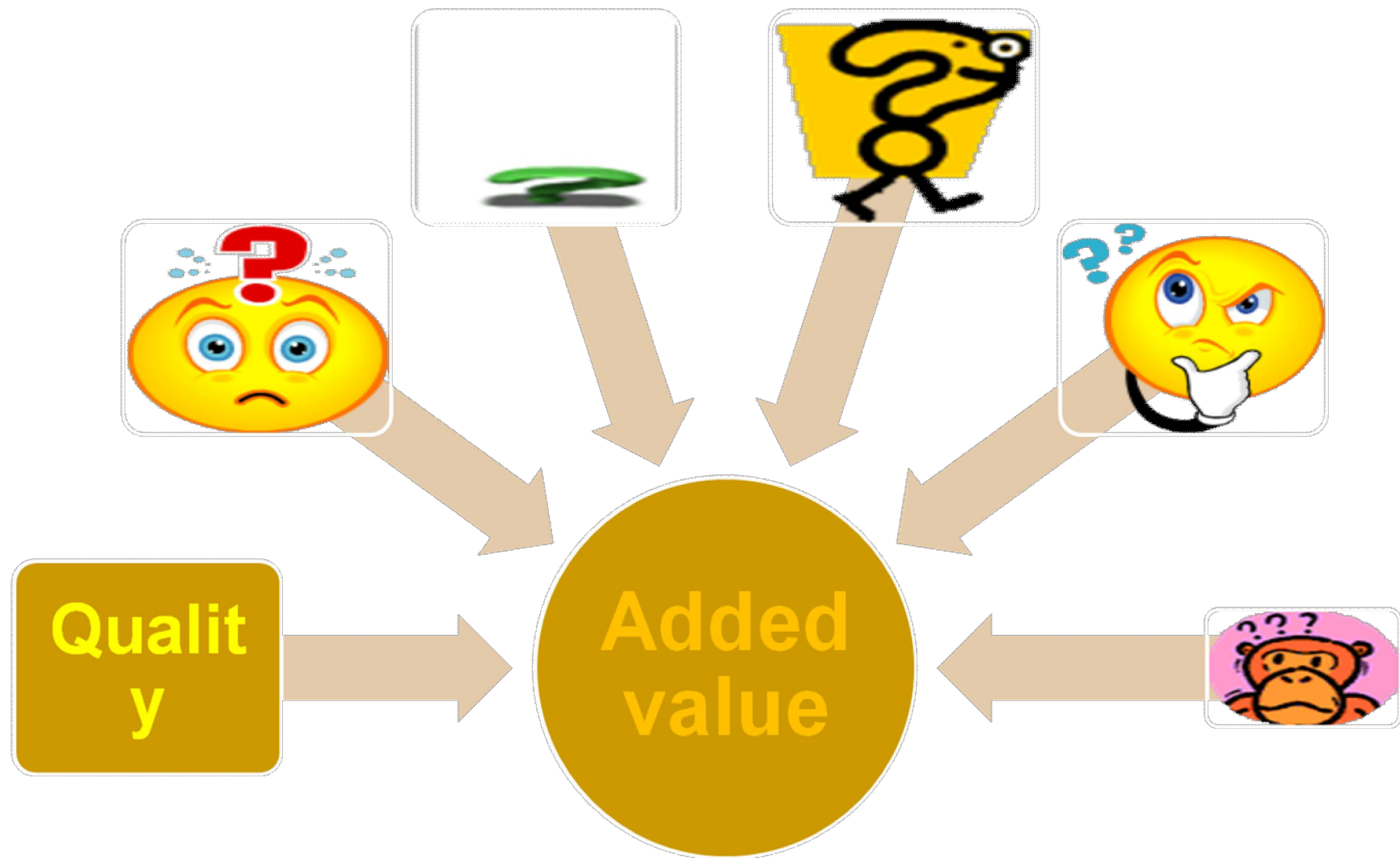
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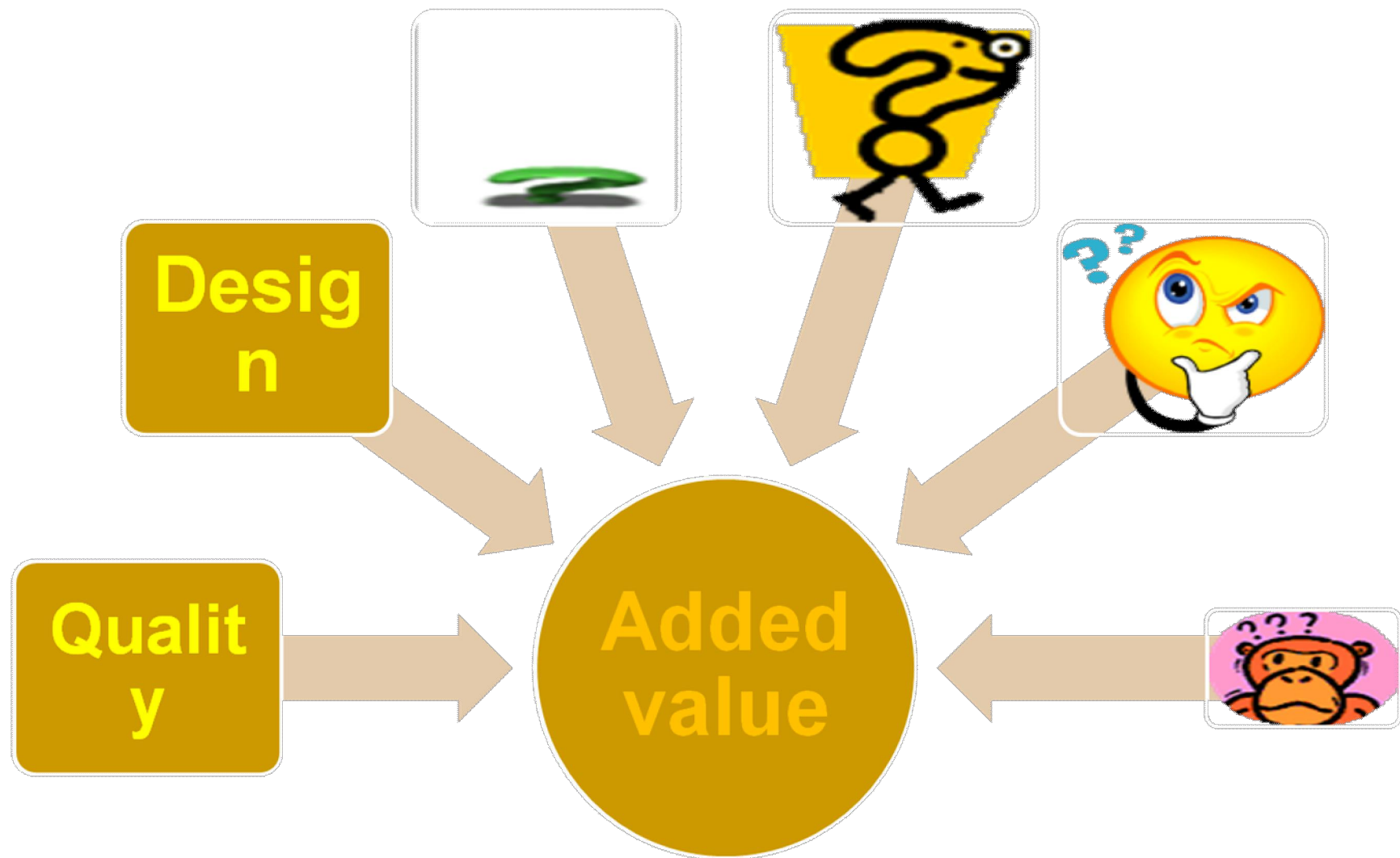
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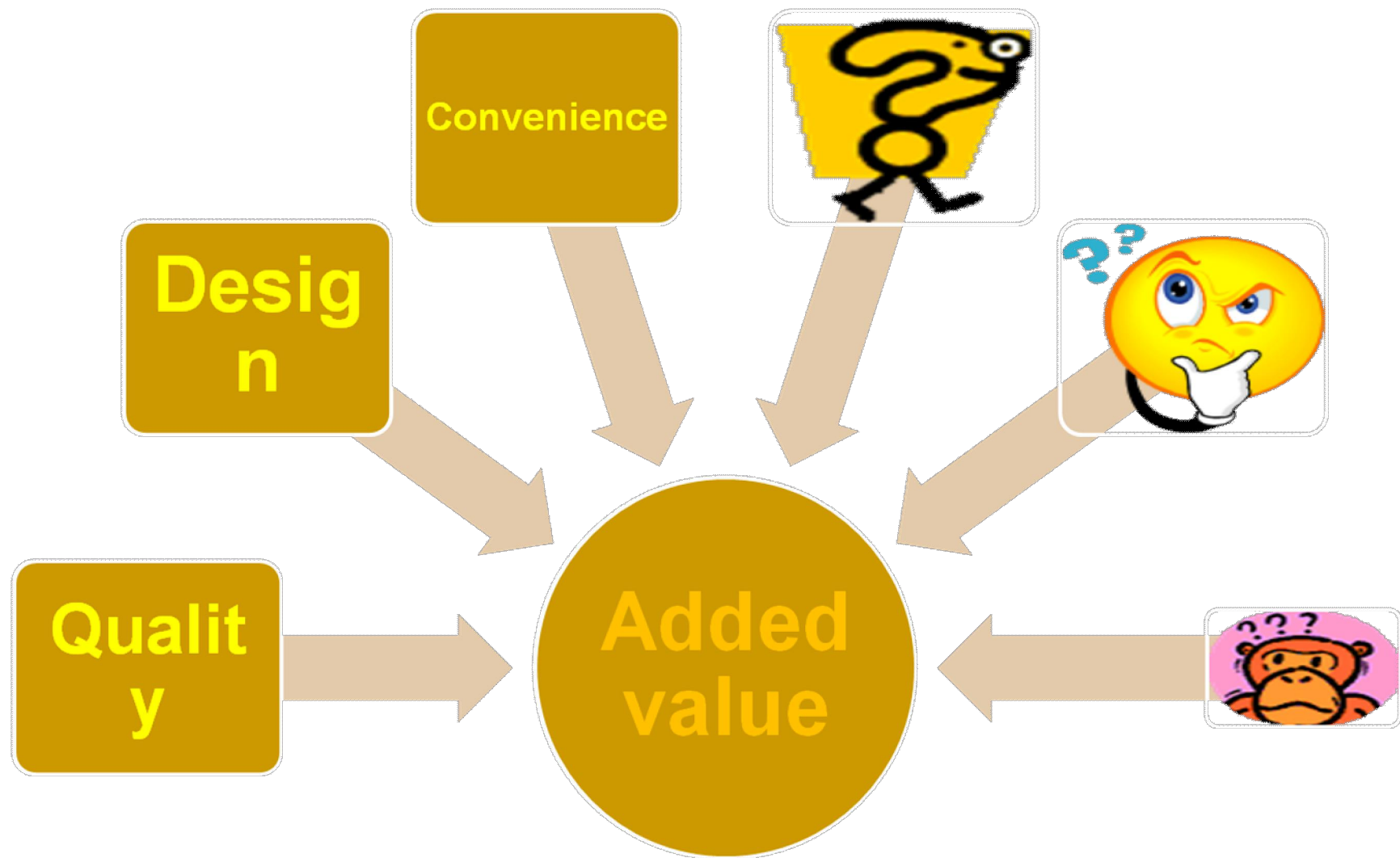
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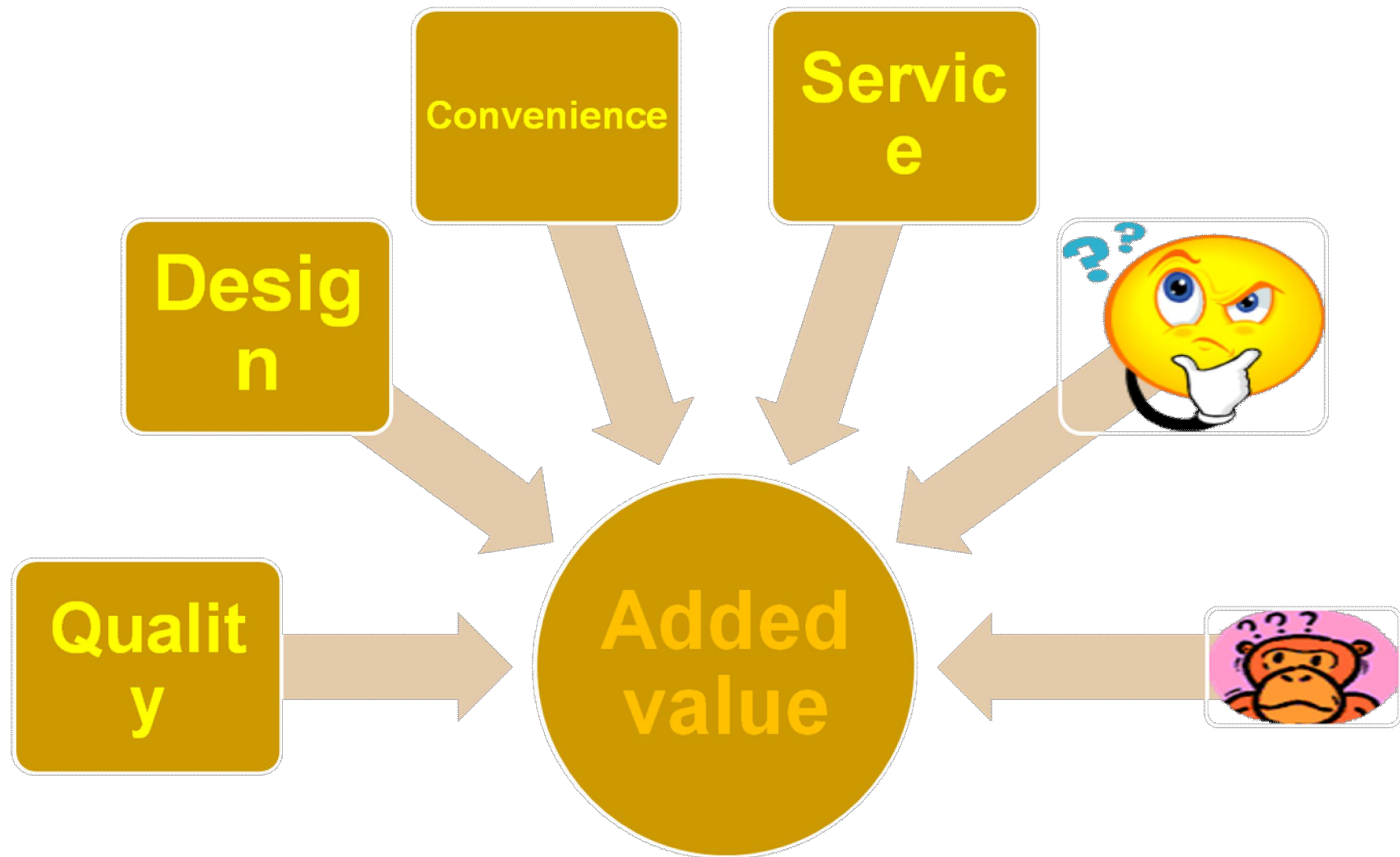
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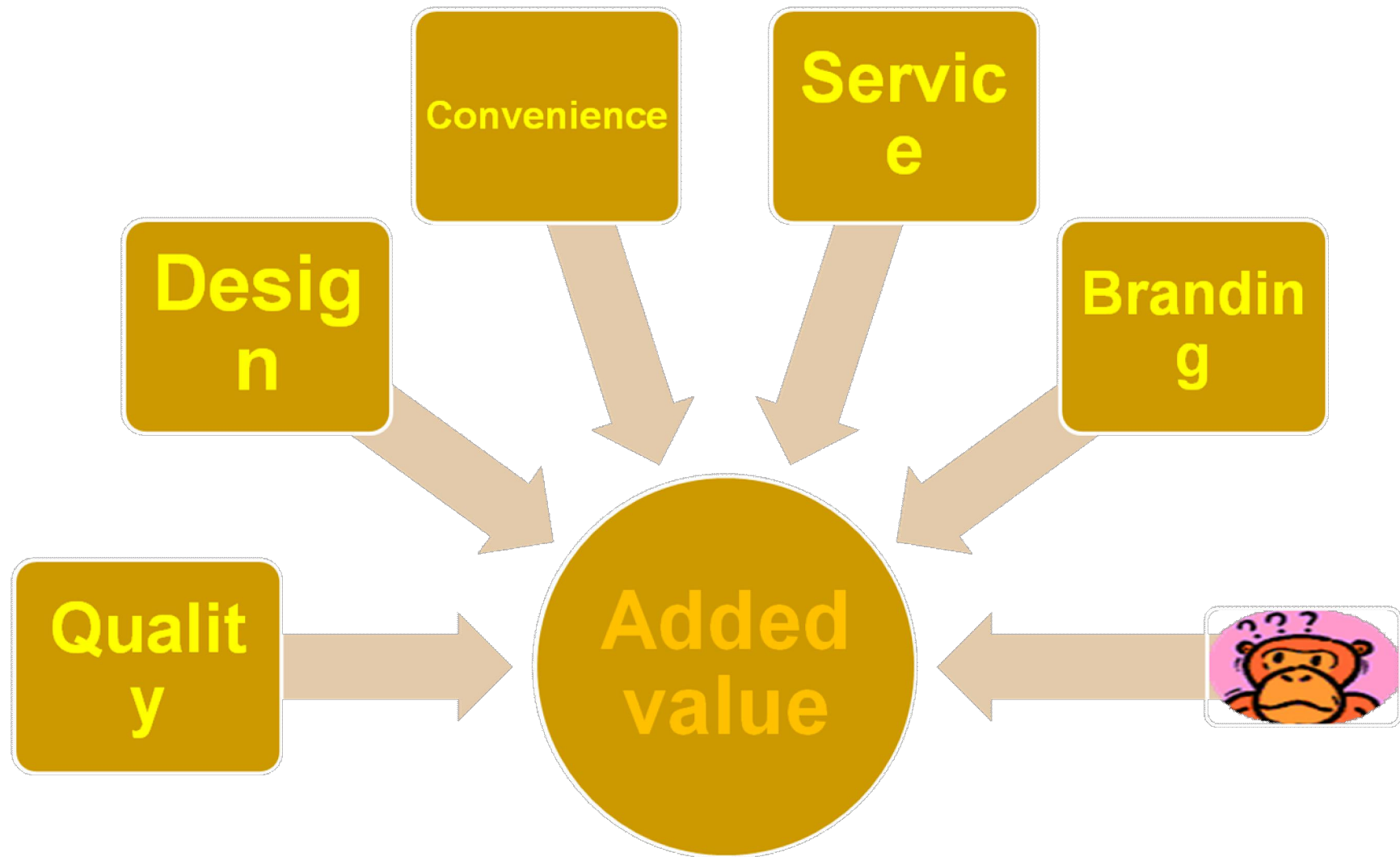
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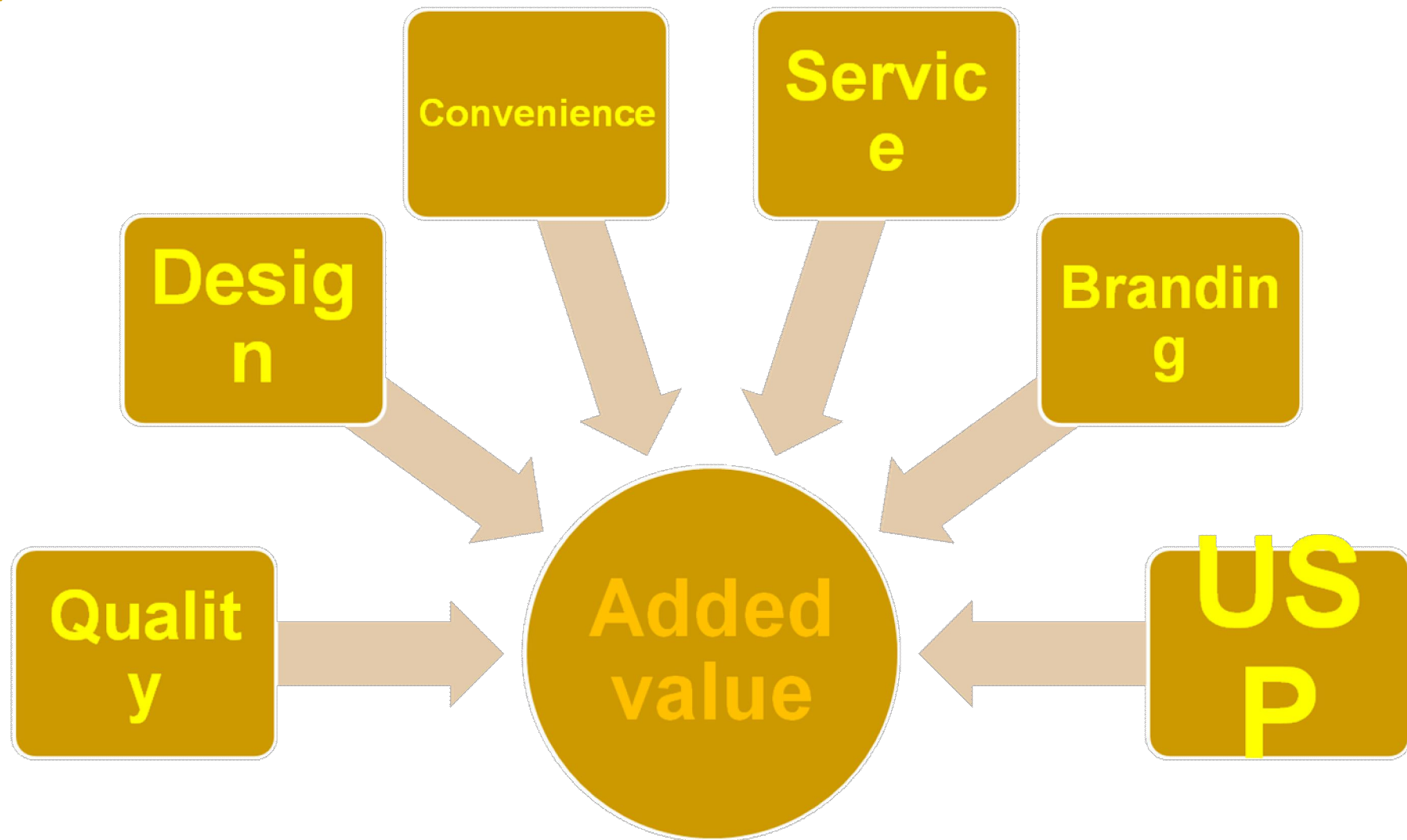
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What is added value? - SUMMARY

Added value – the difference between what a business pays its suppliers, and the price it is able to charge for its product or service.

Small businesses often have to work hard to add value. A chocolate producer has to compete against established brands, such as Cadbury's and Nestle.

By being able to add value to its product a business increases revenue on each sale. This could be an important way of ensuring survival.

Why Add Value?

Finding ways to add value is a really important activity for a start-up or small business. Quite simply, it can make the difference between survival and failure; between profit and loss.

The **key benefits to a business of adding value** include:

- Charging a **higher price**
 - Creating a **point of difference** from the competition
 - **Protecting** from competitors trying to steal customers by charging lower prices
 - **Focusing** a business more closely on its target market segment
-

Main Title: Added Value

1. What is added value?

Added value is.....

For example....

2. How is added value achieved?

To achieve added value a business can.....

For example.....

3. Why is added value important to a business?

A business cannot survive without adding value because....

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Adding Value

- Design of products
- Customer service
- Features and functions of products
- Convenience being offered
- A strong brand

Question

Look at the five general methods above that businesses can use to add value above. Write at least one example for each of those methods for a product or service that you know of.

For example, Argos offers convenience because they have a massive range of products available and in stock so that customers can have the product that they want, regardless of what it is that day.



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Assume: cost 1p each to make button

So..bag of 25 = 25p cost



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Assignment

To devise a strategy which
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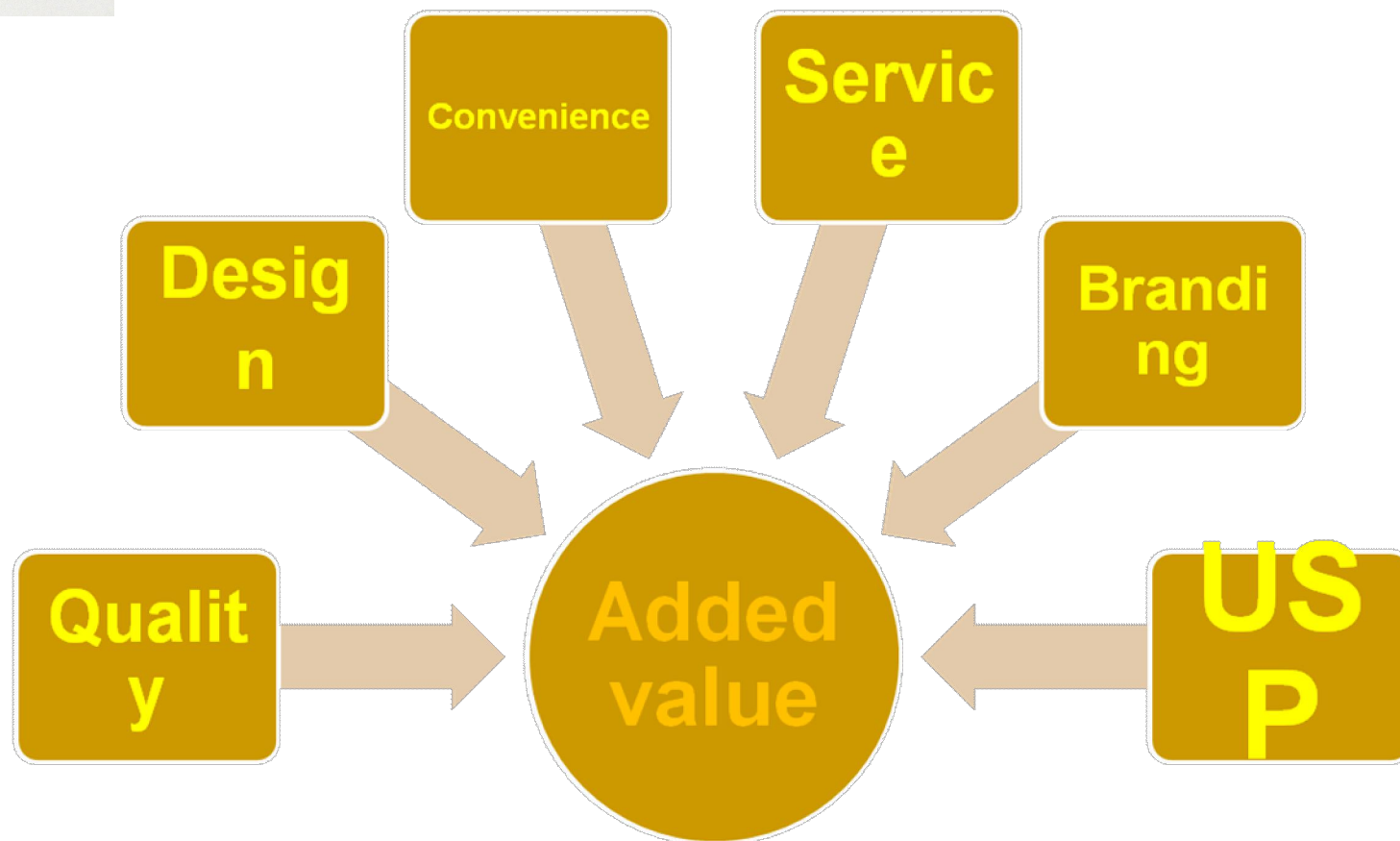


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