Below are your tasks for the next seven days in the subject listed above.

**Present New Information:**
- Last week you began to look at business growth and the different ways in which this can be achieved - organically or through Takeovers and Mergers with other companies.
- This week you will look at a term called ‘Economies of Scale’ – this is a term used to explain the advantage of a business growing in size.
- A WAGOLL has been provided for the table you completed last week – please ensure you check and compare this to your own answers, filling in any gaps with a purple pen.
- Finally, you have a case study about L’Oreal and Body Shop, think carefully about why L’Oreal may want to takeover the Body Shop and explain your answer using correct business terminology. Try to link in Economies of Scale here!
- There are plenty of challenge questions included in this presentation, push yourself to have a go at these please!

**Apply:** Complete the activities on the following slides. Where possible, use lined paper and a biro to complete your answers in the first instance.

Please date your work and title with “Year 9 Enterprise Week Ten” – this will help you to keep your work organised!
### Year 9 Enterprise Week Nine – Complete All Tasks

<table>
<thead>
<tr>
<th>Task</th>
<th>Task</th>
<th>Support</th>
<th>How long should I take?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Check your answers from last week using the WAGOLL provided. The structure of this is slightly different to normal. Use a purple pen to add to your own.</td>
<td>Carefully read the responses in the table and your own, look for opportunities to improve your own answer.</td>
<td>20-30 minutes</td>
</tr>
<tr>
<td>2</td>
<td>Find the meaning of Economies of Scale. Make notes of this business term. Give examples where possible. Challenge: Can you name and explain all of the different types of Economies of Scale?</td>
<td>Use this website link <a href="https://www.bbc.co.uk/bitesize/guides/zmjyscw/revision/2">https://www.bbc.co.uk/bitesize/guides/zmjyscw/revision/2</a></td>
<td>20 minutes</td>
</tr>
<tr>
<td>3</td>
<td>Fill in the table – make sure you use the formulas provided at the top of the table. Answer the short response questions that follow.</td>
<td>The first row has been completed for you. Remember that fixed costs always stay the same, variable costs change as more units are sold!</td>
<td>40 minutes</td>
</tr>
<tr>
<td>4</td>
<td>The Apply task for this week is about The Body Shop and L’Oréal. Read the case study and answer the questions that follow. Challenge available.</td>
<td>Use the internet to help you with this section for extra research. Use a dictionary to help with any unfamiliar words.</td>
<td>40 minutes</td>
</tr>
<tr>
<td>Method of growth</td>
<td>Definition</td>
<td>Advantages</td>
<td>Disadvantages</td>
</tr>
<tr>
<td>--------------------------</td>
<td>-----------------------------------------------------------------------------</td>
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</tbody>
</table>
| Organic (internal)       | This method involves a business growing naturally, this might be through launching a new product range to increase sales. | - Allows a business to focus on their core competencies (their own USP)  
- Tends to be smoother than joining with another business | - Can be a slow process  
- More difficult to access new markets this way | - Uber |
| Takeover (external)      | This method involves buying majority of another companies shares on the stock market. It is usually hostile. | - This is a fast method of growth, businesses can double in size quickly  
- Can allow a business to gain access to a market they have no experience in | - Some businesses wont want to be take over, this can be challenging  
- Worrying for employees who fear they will lose their jobs. | - Kraft (took over Cadbury) |
| Merger (external)        | This method is a mutual agreement between 2 businesses to come together and operate as one. They may both keep their own brand names. | - This is a mutual agreement therefore the business tend to work more harmoniously together rather than resisting like in a takeover.  
- Can allow a business to gain access to a market they have no experience in | - Culture clash can occur – sometimes businesses cant agree on how to operate  
- Worrying for employees who fear they will lose their jobs. | - Daimler and Chrysler (car companies) |
## Task Three

Describe what is happening to cost per unit as output rises in a paragraph using the following terminology:

- Output
- Unit costs

**Extension:** Can you try and explain the meaning of diseconomies of scale?

### Extra Information:
- A business has fixed costs of £10,000 – these stay the same, even when output increases.
- Variable costs are £100 per unit – if 50 units are sold the sum will be 50 x 100.
- Total costs = Fixed costs + Variable costs.
- Cost per unit = Total costs divided by output.

### Table

<table>
<thead>
<tr>
<th>Output (units)</th>
<th>Fixed costs</th>
<th>Variable costs</th>
<th>Total costs</th>
<th>Cost per unit (unit cost)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Units</td>
<td>£</td>
<td>£</td>
<td>£</td>
<td></td>
</tr>
<tr>
<td>50</td>
<td>10,000</td>
<td>50 x 100 = 5000</td>
<td>5,000 + 10,000 = 15,000</td>
<td>15,000 / 50 = 300</td>
</tr>
<tr>
<td>100</td>
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<td>150</td>
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<td>200</td>
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</tr>
<tr>
<td>250</td>
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</table>
Challenge:

Think of two businesses that would benefit from merging together to create one big company. What would be the benefits? What sort of products would they make?

Task Four

Body Shop agrees L'Oreal takeover

High Street beauty products retailer Body Shop has agreed to be taken over by French cosmetics giant L'Oreal in a deal worth £652m.

The offer of 300p a share from the French firm is a hefty premium on its closing price of 268p.

French L'Oreal makes a wide range of cosmetics, including Ambre Solaire sun cream and Lancome lipsticks.

Body Shop - with its ethically-sourced products - was one of the icons of the High Street in the 1980s.

Its fortunes have been hit in recent years as rivals started making similar products, but the retailer fought back and now has more than 2,000 stores in 53 countries.

Questions:

1. **Explain** why L'Oreal may want to take over the Body Shop

2. **Give one** drawback to the Body Shop of this happening

3. **Explain** two reasons L'Oreal may want to take over the Body Shop

4. **Explain** two drawbacks of L'Oreal doing so.

5. **Discuss** the benefits and drawbacks to both L'Oreal and Body Shop of the takeover.