

Unit 1 Participation and influences in the marketplace

Consumers and businesses

Consumers deal with businesses every day. Whether you use something bought from a shop, or simply see or hear an advertisement, business is everywhere. Today, businesses can vary in size from small local businesses such as cafes to massive global corporations such as McDonald's. Regardless of size, businesses are responsible for the majority of goods and services produced around the world. Some of the world's most powerful businesses earn more money than some small countries. Often the day-to-day operations of a business will involve many different skills. Ultimately, the main goal of a business is to earn money by selling goods and services that we as consumers want.



chapter 13

Source 1 Many of today's large businesses operate in different nations across the globe.

13A

What does it mean to be a responsible business?

- 1 Why do you think a business should consider the environment in its day-to-day operations?
- 2 Would you buy products from a business that mistreats people and the environment? Why or why not?

13B

What are the rights and responsibilities of consumers in Australia?

- 1 What would you do if something you bought looked nothing like it appeared in advertising?
- 2 How can you find out more about a product before you buy it?

13.1 Types of business

There are many different business structures to choose from when starting or growing a business. Each type of business has different features and rules, making them more or less suitable to different business owners.

Sole traders (proprietorships)

Sole traders, also known as proprietors, are individuals who run their own businesses. While they can employ other people to work for them, sole traders are completely responsible for the success or failure of the business. This means that the owner might find themselves having to sell their personal assets such as their car or home to pay off the debts of their business if it fails. Proprietorships are the most common legal business structure in Australia and are favoured by most small business owners since they are cheap and easy to set up.



Source 1 Proprietorships are cheap and easy to set up but do not provide the owner with the legal protection that companies do.

Partnerships

Partnerships are formed when two or more people agree to run a business together. The details of what each partner is responsible for and entitled to are often specified in a partnership agreement. Partnerships help the owners share the responsibility of running a business while utilising the skills, effort and finances of the different partners. Partnerships are cheaper to set up and run than companies, but partners can be held accountable for the failures of the business and any bad decisions made by other partners on behalf of the business.

Corporations (companies)

Corporations, also known as companies, are businesses that are considered separate legal entities to their owners. Companies are more expensive and tricky to set up and maintain than proprietorships or partnerships, but they protect the owner(s) by providing them with limited liability. This means that if the company fails, the owner will not be forced to sell their personal assets to pay the debts of the company in most circumstances. The owners of a company are called shareholders since they own a share of the company and are entitled to that portion of the company's profits.

Cooperatives

A cooperative is a business made up of at least five members who contribute to the running of the business, all of which have equal voting rights regardless of their position in the business. Although not very common, cooperatives are becoming increasingly popular and successful as they make each member feel valued as equals, regardless of their position or title within the cooperative.



Source 2 CBH Group is Australia's largest cooperative and the leader in the Australian grain industry. It is owned and controlled by around 4200 Western Australian grain growers, and it contributed nearly \$3 billion to the Western Australian economy in 2014–15.

Franchises

A franchise agreement allows a person (franchisee) to use the name, products and services of an existing business (franchisor), in return for franchise fees and a portion of the profits. Franchises are popular as they allow the franchisee to use a proven business model that is less likely to fail. The franchisee must follow the guidelines set by the franchisor as to how to run certain aspects of the business, but can often rely on the franchisor for some support.



Check your learning 13.1

Remember and understand

- 1 What is the most common legal business structure in Australia?
- 2 What is meant by limited liability?
- 3 How does a franchise agreement work?

Apply and analyse

- 4 Make a table showing the advantages and disadvantages of each type of business.

Evaluate and create

- 5 Interview a local business owner asking them why they chose the type of business that they did.

Source 3 Most fast-food chains, such as Subway, McDonalds and Pizza Hut, operate under franchise agreements.

13.2 Business opportunities and influences

A business owner must always be aware of the different factors that influence the business in order to be successful. These influences can provide the business with opportunities for growth or threaten its future if not dealt with properly. Different businesses will face different influences at any given time. We will look at a few common influences that most Australian businesses have to consider.

Location

The location of a business can determine whether it will be a success or failure. Different types of businesses will perform better in certain locations which is why the owner should carefully consider the needs of the business before deciding on a location. Retail shopping strips and shopping centres are visible to customers and easy to access but can also be expensive to rent. The internet has allowed many small online businesses to operate from home, but this isn't suitable for bigger businesses that need to store their stock.

Source 1

Advertisements for products such as toys such as Bratz are purposefully aired after school when the young people who are likely to want them are watching TV.



Target market

It is important for a business to figure out exactly what kind of people will be buying its products. Very few products appeal to absolutely everyone. The type of people who are most likely to buy a product are the business' target market for that product. Knowing its target market allows the business to plan important aspects of the business, such as its location, advertising strategy and product features, in a way that appeals to those people.

For example, the target market of a business selling toys would probably be young children. Advertising for children is different to advertising to adults. Have you ever noticed that more toy advertisements are on the television in the afternoons or Saturday mornings? This is because the business is trying to reach their members of their target market, who are unlikely to be watching TV late at night.



Source 2 Coca Cola and Pepsi are examples of competitors. They both sell similar products to the same target markets.

Demographics

Before a business decides on its location and target market, it needs to know what kind of people are out there. By categorising the population into categories or demographics, a business can get a better understanding of what products to produce, how to market these products and where to locate their business. A business may analyse demographics based on age, sex, level of income, cultural background or any other categories that are relevant to the way it wishes to operate.

Competition

Competition between businesses is what drives them to improve the way in which they provide goods and services to customers. A business must always strive to stay ahead of the competition if it is to be successful. If a competitor is able to offer customers better quality products at cheaper prices, the business will not be able to attract the customers needed to survive.

Check your learning 13.2

Remember and understand

- 1 Why is location important?
- 2 What is a target market?
- 3 How do demographics help a business choose its location and target market?

Apply and analyse

- 4 Provide one example of a business that would be considered a competitor of each of the following businesses;
 - a BMW
 - b Rio Tinto
 - c Target
 - d McDonalds
- 5 Do you think a business would like to be located close to its competitors? Why or why not?

Evaluate and create

- 6 Select any business that you are familiar with. Create a mind map or short report showing how each of the factors discussed affect the business. You may need to use the internet to research the business for more information.

13.3 Responsible businesses

A business has both rights and responsibilities. While it has the right to legally make a profit for its owner, it should do so in a way that doesn't harm people or the environment. Every business has to follow the law. A business' commitment to people and the environment is known as its **social responsibility**.

Legal rights and responsibilities

There are many laws that outline the rights and responsibilities of businesses and consumers in Australia. These laws protect both businesses and consumers from unfair treatment. We will now discuss just some of the legal areas that affect the rights and responsibilities of businesses.

Competition and Consumer Act (2010)

The *Competition and Consumer Act (2010)* sets out the rules that businesses and consumers have to follow when buying and selling products. It covers a wide range of issues, such as the safety and quality of products, refunds and advertising. It also protects the rights of a business to compete in the market without being treated unfairly by other businesses. The *Competition and Consumer Act (2010)* was put in place so that both businesses and consumers would get a fair go.

The Australian Competition and Consumer Commission (ACCC) is the authority whose role is to enforce the *Competition and Consumer Act (2010)*.

Product safety recalls

If it turns out a business has sold a product that is faulty or dangerous, they must organise a **product safety recall**. This means they must notify consumers that there was a problem with the product, and organise for all of those products to be returned to the business.

In 2016 a number of car manufacturers had to recall cars across Australia, after it was discovered they had been installed with faulty airbags. Many well-known car brands, including BMW, Honda, Mazda, Nissan and Toyota, had received their

airbags from the same supplier, and were obliged under consumer law recall the cars. While no one was injured as a result of the faulty airbags, the companies are responsible for providing safe products to consumers.

Employer rights and responsibilities

As an employer, a business has many rights and responsibilities when it comes to dealing with employees. For example, a business has the right to only hire employees that they feel are fit for the job and ask questions relating to the employee's ability to do the work.

The business must then ensure that employees are treated fairly and equally, and do not face discrimination based on their gender, race or personal beliefs and characteristics. An employer must also make sure that it provides safe and healthy working conditions at all times.



Source 1 All businesses must ensure their employees are treated fairly.



Source 2 WorkSafe is the government body in charge of promoting and enforcing safety in Western Australian workplaces. One of WorkSafe's responsibilities is to inspect workplaces, focusing specifically on workplaces with high injury rates or safety hazards.



Source 3 WeWood Watches is a socially responsible company that plants a tree for every wooden watch that it sells.

Social responsibility

Finding the right balance between making money and being socially responsible can be a tricky but rewarding task for businesses. While doing the right thing can be more expensive, it can often be more profitable in the long run. Socially responsible businesses are likely to attract more customers, who prefer to see their money going to a good cause. They are also less likely to lose employees who don't wish to work for a business that does the wrong thing.

A business can be socially responsible by always considering its impact on people and the environment when making decisions. This can include implementing environmentally friendly practices such as recycling and reducing waste and pollution. Some businesses might only buy their materials from ethical sources, for instance, no child labour, sweat shops or destructive farming practices would be involved. It can also be achieved by helping the community through donations and charity.

Check your learning 13.3

Remember and understand

- 1 What is social responsibility in business terms?
- 2 Which legislation is concerned with protecting businesses and consumers in the market?
- 3 What responsibilities does a business have towards its employees?
- 4 Which government body is in charge of promoting and enforcing safety in Victorian workplaces?

Apply and analyse

- 5 Look at Source 3. Do you think consumers would be more likely to buy WeWood products than that of another watchmaking company? Why or why not?
- 6 Pick any type of business you are familiar with and make a list of things that they could do to be socially responsible.

13A rich task

Socially responsible business: The Body Shop

The Body Shop is a cosmetics company that was founded by entrepreneur Dame Anita Roddick in 1976. The business started in England and opened its first Australian store in 1983. It is now well known around the world with 90 stores across Australia alone.

Much of this success is due to its reputation as a socially responsible business as well as the quality products that it offers to its customers. Over the years, Anita and The Body Shop have run campaigns protecting human rights, animals and the environment, and have shown commitment to boosting body image and self-esteem, winning the support of a generation of consumers.

In 1990, the business even opened its own charity, The Body Shop Foundation. The foundation gives financial support to innovative organisations that otherwise would have had little hope of gaining conventional funding. Its focus is on assisting those working to achieve progress in the areas of human and civil rights, the environment and animal protection.

Source 1 The founder of The Body Shop, Dame Anita Roddick, passed away in 2007 but the core values she instilled in the business remain present today.



The Body Shop regularly monitors its impact on society and the environment through official investigations, called **audits**. It releases this information publicly and uses it to help improve its level of social responsibility.



Source 2 The Body Shop is a business that is internationally renowned for its commitment to social responsibility.



Source 3 The Body Shop has 90 stores in Australia alone.

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Creating a concept map

A concept map is a visual display of ideas and how they link to one another. Ideas are usually represented in a box or circle, connected together by lines when there is a relationship between ideas. Words can be placed on the lines to explain the relationship between the ideas. It is a great way to show others what you are thinking and to keep track of your thoughts. You can map out your ideas on paper or on your computer or tablet.

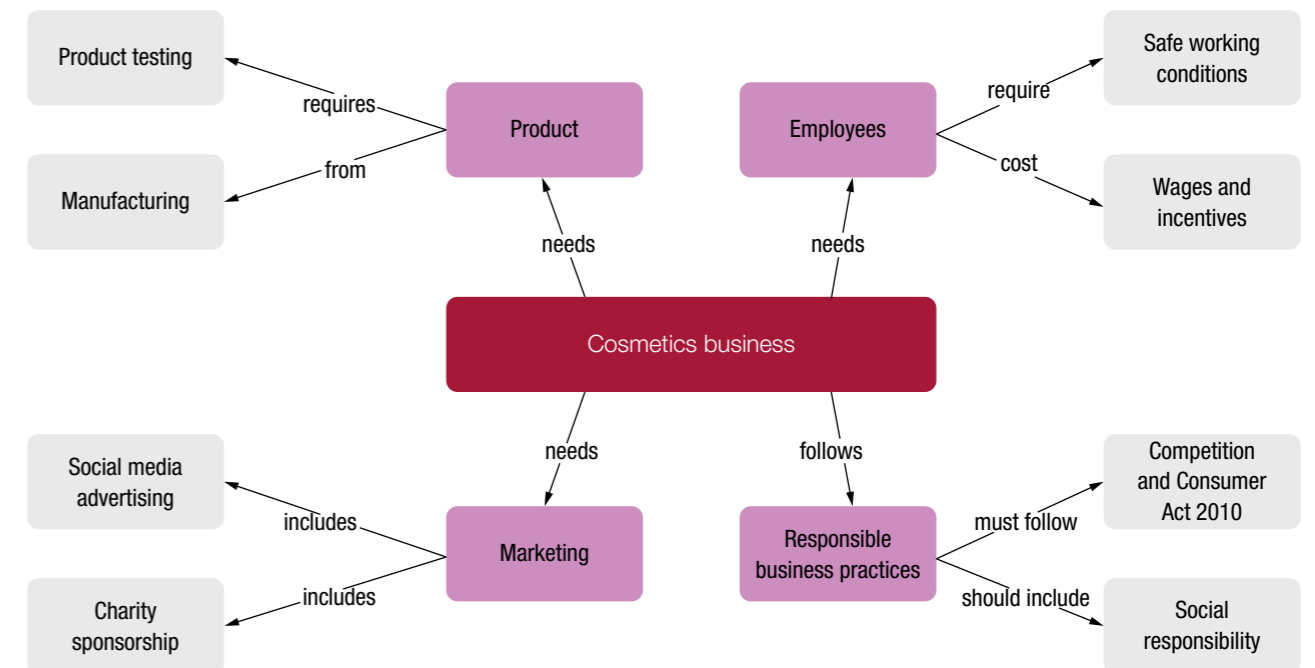
- Step 1** Identify the topic you are interested in. In the example shown in Source 4 the topic is 'Cosmetics business'.
- Step 2** Write the topic and a list of all the concepts and ideas that are related to the topic.
- Step 3** Connect related ideas with a line, adding a word or two to the line if the relationship needs clarification.
- Step 4** Keep adding concepts that relate or follow on from the main concepts that you have already identified using the same process as in the previous step.

Apply the skill

- 1 Use the steps above to create a concept map for the topic of 'social responsibility'.

Extend your understanding

- 1 Visit The Body Shop® website (bodyshop.com.au) and write down a list of things that the company does to be socially responsible.
- 2 What potential benefits would The Body Shop® receive by operating in a socially responsible way?
- 3 What are the potential costs or disadvantages The Body Shop would experience for being socially responsible?
- 4 Think of another business you come into contact with regularly. How could they be more socially responsible? Draft a letter to that business identifying how their business could be more socially responsible and convincing them that these changes would benefit their business.



Source 4 A basic concept map exploring a cosmetics business.

13.4 Consumer rights

In Australia, there are many laws that protect consumers from unfair treatment. In order to be fully protected, we must first learn what our basic rights as consumers are.

Australian consumer law

In Australia, the Competition and Consumer Act (2010) is just one of the laws that states what rights and responsibilities consumers have. Because this law is so important, there are government bodies at both federal and state level whose main purpose is to enforce it. At a federal level, the **Australian Competition and Consumer Commission (ACCC)** makes decisions and provides guidance on issues that affect markets across Australia. At a state level, **Consumer Protection** acts as the **regulatory body** that aims to make a fair and competitive marketplace for businesses and consumers in Western Australia. As well as providing information to consumers, these bodies guide businesses towards operating in a way that avoids unfair situations. While you do not need to know all of the details of Australian consumer law, it is important that you understand your basic rights and responsibilities as a consumer, as well as where you can get help.



Source 1 The Australian Competition and Consumer Commission (ACCC) monitors petrol prices.

Consumer guarantees

Under Australian consumer law, when you buy a product or service it comes with an automatic guarantee that it will work to a reasonable level, or as you would expect it to. This is a consumer guarantee that means that the products you buy must:

- be safe
- be of reasonable quality (won't break after a few uses)
- do all of the things that a person would normally expect them to
- match descriptions made by the salesperson, on packaging and labels, and in promotions or advertising
- not have any hidden costs associated with their use or purchase
- meet any extra promises made about performance, condition and quality, such as lifetime guarantees and money-back offers
- have spare parts and repair facilities available for a reasonable time after purchase unless you were told otherwise.

Services that are provided by people through their skills, knowledge and effort must:

- be provided with acceptable care and skill, taking all necessary steps to avoid loss or damage
- achieve the results that the consumer and the business had agreed to
- be delivered within a reasonable time if there is no agreed end date.

Warranties are additional guarantees that businesses can offer consumers when they are buying a product. An express warranty is a promise from a business about the quality or features of a product that go beyond basic expectations. For example, a business might sell a trailer with the **express warranty** that it can tow up to 800 kilograms of weight. If it were unable to do this when tested, the business would be obliged to repair, replace or refund the trailer. An extended warranty gives consumers the option of paying extra to lengthen the time

a product is under warranty. Before buying an **extended warranty**, it is important to check that you are not being asked to pay for something that you are already covered for under Australian consumer law.

Exceptions

There are some exceptions to the guarantee that can protect sellers from unfair situations. Consumer guarantees do not apply if you:

- got what you asked for but simply changed your mind, found it cheaper somewhere else, decided you did not like the purchase or had no use for it
- misused a product in any way that caused the problem
- knew of, or were made aware of, the faults before you bought the product
- asked for a service to be done in a certain way against the advice of the business or were unclear about what you wanted.

Resolving issues

If the goods or services do not satisfy the consumer guarantee, the consumer has the right to approach the seller and request that the problem is fixed by a repair, replacement, refund or, in some cases, compensation (usually in the form of money) for damages and losses.

The seller of the good must help the consumer directly, or by sending them to the **manufacturer** or **importer** of the good who is responsible for the problem.

It is important to keep your receipt to prove that the good or service was purchased from the seller and on what date.

If a consumer has made a complaint to the seller but is still having difficulty resolving the problem, they should contact the ACCC or Consumer Affairs Victoria who will advise them on the best course of action.



Source 2 While Australian consumer laws protect consumers from buying faulty products, they do not apply in instances where the consumer has caused the problem.

Check your learning 13.4

Remember and understand

- 1 Which Australian law outlines the rights of consumers?
- 2 What are the two government bodies that regulate the marketplace and ensure that consumers are protected from unfair treatment?
- 3 Describe three things a product must be to meet its consumer guarantee.

Apply and analyse

- 4 Why do you think there are exceptions to the consumer guarantee?
- 5 Look at Source 3. Explain whether you think the seller of the phone would be required to replace it if:
 - a the consumer opened the box only to find that the phone was already broken upon purchase
 - b the consumer accidentally dropped the phone causing the damage.

Evaluate and create

- 6 Write a letter of complaint to a store about the faulty product you have purchased from them. Visit the ACCC website via the link in your gbook for a template that will help you write your letter.

13.5 Consumer responsibilities

While consumers have many rights that are protected by law, we also have many responsibilities. Some of these are to ensure that we know what we are agreeing to purchase, while others relate to our social and moral responsibilities to the people and environment that we share our planet with, such as buying local produce and consuming less.

Legal responsibilities of consumers

As discussed earlier, there are certain exceptions to the guarantee we receive when we buy a product or service. After all, it would be unfair on the seller if we didn't take the time to consider what we were buying and then demanded a refund because we made a careless mistake. For this reason, it is our responsibility as consumers to learn about the product or service we wish to buy before we commit to buying it. This involves:

- reading the description and specifications carefully
- using the Internet to check the prices of similar goods or services at other stores
- reading online reviews and information about the product
- asking questions about the product or service
- reading the terms and conditions carefully.

Once we purchase a product, we must ensure that we:

- read and follow the instructions for its use carefully
- take care of it so that it is not exposed to anything that is likely to damage it (such as leaving a computer outside where it might rain)
- contact the seller or manufacturer with any important questions about how to properly use the product.



Source 1 It is important to carefully read the specifications of a product before purchasing it. The important information is generally printed on its packaging.

Social responsibilities of consumers

Socially responsible or **ethical consumers** make an effort to purchase goods and services that do not have a negative impact on other people, animals or the environment. As ethical consumers, we consider how we can satisfy our needs and wants in the way that is least harmful to others.

Consume less

Undoubtedly the easiest way that we can minimise our negative impact on the planet is by simply buying less stuff, especially if it doesn't satisfy a basic need. To consume less we need to be aware of how we use the goods we buy and how the disposal of them will affect our world. If we do not change how wasteful we are with our consumption, we will continue to contribute to the environmental problems that our world is facing.



Source 2 Buying products from your local market is not only better for the environment, but supports your local community.

Buy local

By purchasing locally made products, we can be certain that workers from poorer nations have not been exploited to make our products. Buying locally also reduces the negative effect of transportation on the environment.

Research the product and company

Researching products that we regularly buy as well as the companies that make them gives us a better idea of what we are buying. Researching helps us decide for ourselves if a product is being made in an ethical way and whether it is healthy for us to consume. We can also research alternatives to products that don't seem like the best purchasing choices. We can access much of this information on the internet via our smartphones while we are shopping. Websites such as Shop Ethical! have a great deal of information about a wide range of household products.



Source 3 Fairtrade is about stable prices, decent working conditions and the empowerment of farmers and workers around the world.

Look for certification

Another way of helping to ensure that we are being socially responsible is by looking carefully at the packaging of a product. Often, we will see that some products have little certification logos on them such as the Fairtrade logo, that not all products have. A product with Fairtrade certification provides better working conditions for the people who produce it in poorer countries.

Check your learning 13.5

Remember and understand

- 1 Describe three legal responsibilities of consumers.
- 2 What does it mean to be an ethical consumer?

Apply and analyse

- 3 Why do you think consuming less is the easiest way to reduce our negative impact on the environment?
- 4 Which of the strategies for being an ethical consumer do you think you might use in the future?

Evaluate and create

- 5 Log onto the Fairtrade website via the link in your obook and use the information to create a poster explaining and promoting Fairtrade.

13B rich task

You are what you eat

Of all the products that we purchase, none are more important to understand than food and drink. What we eat and drink can have dramatic effects on our health and wellbeing. But with so much information on the labels and so many different ingredients, knowing what we are putting into our bodies can be a little tricky. Fortunately, the law states that nearly every packaged item of food and drink has to provide nutritional information on its packaging. By learning how to read this information, you can be on your way to a happier and healthier you!



Source 1 The nutrition label and the information table for sultana cookies



Source 2 The nutrition label and information table for milk chocolate eggs



HOW TO UNDERSTAND FOOD LABELS

What to look for...

Don't rely on health claims on labels as your guide. Instead learn a few simple label reading tips to choose healthy foods and drinks, for yourself. You can also use the label to help you lose weight by limiting foods that are high in energy per serve.

| | Per serve | Per 100g |
|-------------------------------------|-----------|----------|
| Servings per package – 16 | | |
| Serving size – 30g (2/3 cup) | | |
| Energy | 432kJ | 1441kJ |
| Protein | 2.8g | 9.3g |
| Fat | | |
| Total | 0.4g | 1.2g |
| Saturated | 0.1g | 0.3g |
| Carbohydrate | | |
| Total | 18.9g | 62.9g |
| Sugars | 3.5g | 11.8g |
| Fibre | 6.4g | 21.2g |
| Sodium | 65mg | 215mg |

100g Column and Serving Size
If comparing nutrients in similar food products use the per 100g column. If calculating how much of a nutrient, or how many kilojoules you will actually eat, use the per serve column. But check whether your portion size is the same as the serve size.

Energy
Check how many kJ per serve to decide how much is a serve of a 'discretionary' food, which has 600kJ per serve.

Sugars
Avoiding sugar completely is not necessary, but try to avoid larger amounts of added sugars. If sugar content per 100g is more than 15g, check that sugar (or alternative names for added sugar) is not listed high on the ingredient list.

Sodium (Salt)
Choose lower sodium options among similar foods. Food with less than 400mg per 100g are good, and less than 120mg per 100g is best.

Total Fat
Generally choose foods with less than 10g per 100g. For milk, yogurt and icecreams, choose less than 2g per 100g. For cheese, choose less than 15g per 100g.

Saturated Fat
Aim for the lowest, per 100g. Less than 3g per 100g is best.

Fibre
Not all labels include fibre. Choose breads and cereals with 3g or more per serve.

Other names for ingredients high in saturated fat: Animal tallow, beef fat, butter, chocolate, milk solids, coconut, coconut oil, cream, cocoa, cream, ghee, dipping/roast, sunt, palm oil, sour cream, vegetable shortening.

Other names for added sugar: Dextrose, fructose, glucose, golden syrup, honey, maple syrup, sucrose, malt, maltose, lactose, brown sugar, caster sugar, maple syrup, raw sugar, sucrose.

Other names for high salt ingredients: Baking powder, celery salt, garlic salt, meat/yeast extract, monosodium glutamate (MSG), onion salt, rock salt, sea salt, sodium, sodium ascorbate, sodium bicarbonate, sodium nitrate/nitrite, stock cubes, vegetable salt.

Source 3 Use this as a guide to help you understand what you are eating and drinking

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How to read a food nutrition label

This infographic from www.eatforhealth.gov.au gives a guide of what each part of the label means, and what an acceptable level of consumption is for the ordinary person. Many labels also give a rough guide on the recommended daily intake of each type of nutrient for adults. As a younger person, you would want to consume less than this amount.

Step 1 Locate the food nutrition label on the packaging of a product.

Step 2 Identify the serving size, usually at the top of the label. This indicates how much of the product you should consume. This amount also relates to the nutrition information figures per serve.

Step 3 Use the table of information to identify the amount of energy, protein, fat, carbohydrates (including sugars), fibre and sodium in the product, either per serve or per 100 grams.

Step 4 Find the ingredient list. This is usually located at the bottom of the nutrition information but sometimes on other parts of the packaging. Use the ingredients list to decide if this product is something you can or you want to eat. This is especially helpful for people with food allergies or intolerances. For example, some people might read that there is wheat in the product and decide that they cannot eat it because they are gluten intolerant.

Step 5 Look up any ingredients you don't recognise, such as psyllium husk, and decide if you do or do not want to eat the product.

Apply the skill

- 1 Compare the nutrition information tables from Sources 1 and 2. For each of the items, suggest which product might be healthier.
- 2 Which product do you think is healthier overall?
- 3 If none of the products we bought had nutritional information labels on them, how do you think this would affect consumers?

Extend your understanding

- 1 Find three different products in your kitchen at home. Follow the steps for how to read a food nutritional label on each. Once you've done this, compare the products information and rank them from healthiest to most unhealthy.