



A-Level Economics

Welcome!

Thank you for opting to study A-level Economics at the Crossley Heath Sixth Form in September.

It is extremely important for you to conduct preparatory research work at home during the summer in order to give yourself a strong foundation and the best possible start to your studies next term.

One feature of studying at A-level is that you are regularly required to work independently to support your studies. This checklist outlines a range of tasks you are required to complete.

It is important to remember that Economics is a behavioural science that involves you observing how individuals, businesses and the Government make choices in order to satisfy their individual objectives. Given the unprecedented circumstances we are currently facing in society, it is very important for you to regularly keep up to date with developments in the news and monitor the impact on all of these stakeholders.

We trust you will endeavour to complete each of the tasks to the best of your ability and we look forward to meeting you all in September.

Yours Sincerely

Mrs M Jervis

(Department Leader for Business & Economics)

Mr A Ahmed

(Teacher of Business & Economics)

Exam Board and Specification: Edexcel A-Level Economics B (9EB0)

Link to Specification:

<https://qualifications.pearson.com/en/qualifications/edexcel-a-levels/economics-b-2015.html>



Bridging *work*

Essential Definitions

Task 1: Develop your own detailed definition of the following key terms and give an example to demonstrate your understanding

1. The basic economic problem;
2. Opportunity Cost;
3. Trade-off;
4. The factors of production – List the factors and how the owners of these factors are rewarded;
5. Stakeholder – List a range of stakeholders in society and consider their objectives (what they want to achieve) and how this might come into conflict with other stakeholders and their objectives.
6. The role of an entrepreneur including an example of a business person you admire with reasons why you consider them to be a good entrepreneur (e.g. Elon Musk, Jensen Huang, Tim Cook ...).

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Task 2:

Businesses are one of three key economic agents we constantly use at A-level to analyse developments and the impact of change in society; the other two agents are consumers and the government.

Please answer the following questions to develop a detailed understanding of the types of business ownership that exist, including the advantages and disadvantages of each form of ownership.

The following link will provide access to a useful online resource that will assist you in completing the task - <https://www.tutor2u.net/business/reference/different-forms-of-business-introduction>

1. Clearly define what is meant by the terms incorporated and unincorporated.
2. Explain the difference between limited and unlimited liability.
3. Using the table below, outline the characteristics of each type of business ownership shown –

Type of Business	Characteristics
<ul style="list-style-type: none">• Sole trader;• Partnership;• Limited Company (Ltd);• Unlimited Company (Plc);	<ul style="list-style-type: none">• How many owners?• Incorporated or unincorporated?• Liability – limited or unlimited?• Who keeps the profits?• Who makes the decisions on a day-to-day basis?• Advantages and disadvantages of this form of business?• Examples?



Industry Spotlight: Streaming

Task 3:

An important aspect of studying Business at A-level involves recognising how industries change over time and how businesses have to adapt in order to remain popular and relevant. This task requires you to consider developments in the television streaming industry and how powerful new entrants to the market are making it more competitive.

Read the article on 'Streaming Wars' that has been provided and answer the following questions:

1. Which firms currently dominate the global television streaming market?
2. What is meant by over-the-top television?
3. Identify the new players that are currently breaking into the market and assess their chances of success?
4. Which businesses are involved in BritTV and BritBox and why do you think they have joined forces?
5. Research the term creative destruction in relation to businesses and explain how it can be related to the traditional television broadcasters in the UK.
6. Assess what all these developments mean for consumers/customers.
7. Evaluate whether or not you believe Netflix will continue to dominate the market over the next decade given the amount of increased competition they now face.
8. To what extent do you think the cinema industry is also under threat from online streaming and what steps can the big cinema chains take as they strive to attract customers in such a competitive market?

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Exam links



This case study is relevant to the following topics in the **AQA**, **Edexcel**, **OCR** and **WJEC/Eduqas** A-level specifications:

- marketing mix and branding
- pricing strategies
- market differentiation and segmentation
- meeting customer needs
- diversification
- risk and uncertainty
- Boston matrix
- price elasticity of demand

When Microsoft first ventured into the video games console market, it realised the potential for tapping into the vast profits that could be accrued by producing a device that could rival Sony's PlayStation. Right now, a similar battle is emerging in the world of streaming television. A market that was once dominated by domestic national broadcasters has been opened up through the advent of technology and streaming content directly onto TV screens or other Wi-Fi enabled devices.

The creative disruption of the new technologies means that consumers are turning their backs on the old model of watching television. The success of the model employed by Netflix and more recently Amazon Prime has meant that the traditional broadcasters are attempting to strike back and retain relevance in the market segment that they have long dominated.

Churning through customers

The traditional business model for entertainment firms such as NBC, Time Warner and Disney was to package their programmes together and create channels that other providers such as Sky and

DirecTV would sell on to consumers via subscription fees. The networks collected huge revenues via advertising and every party benefitted financially.

However, many users no longer find it acceptable to have to watch advertising and have programmes interrupted. A zero-advertising model puts huge pressure on firms to exist just via subscription fees, and while signing up to new services such as Netflix and Amazon is quick and easy, so too is cancellation of a subscription.

The loss of existing customers is known as *churn* and even the most successful streaming provider, Netflix, has a churn rate of around 7% per year. This means that, to be successful, the services must have programmes that attract and then keep customers, and so having 'content' has become a crucial unique selling point (USP) for the providers. Historically this was about signing up existing sitcoms, dramas and films to gain exclusivity. When *Friends* was offered on Netflix, the company benefitted from a higher level of subscriptions and the number of people viewing the show was rumoured to be higher in 2017 than when the series had been shown originally 15 years before. Rumours about Netflix losing the rights to show *Friends* caused a social media frenzy — so much so that Netflix has paid an additional \$100 million to continue showing the 236 episodes until 2020.

However, firms cannot rely on customers wanting to watch old shows, so the drive for new and original content has become a key component for firms to win, gain and maintain market share. Shows such as *Stranger Things* and *The Crown* have proved important to Netflix. However, just like any business, coming up with a new product takes up a lot of research and development resources without any guarantee of success. For every successful new 'must see' programme, there are ten or more that fail to gather traction or interest and are cancelled after one series.

New players

This has always been the case within the entertainment industry, but under the old business model, firms were insulated somewhat, as it was difficult to cancel subscriptions for certain channels, as they were bundled together with other channels that you might watch frequently. It was also more of a challenge and hassle to cancel subscriptions, and this meant that the churn rate was below 4%.

Having consumers pay up front for subscriptions is a great business model, as it guarantees cash flow and revenue streams into the business, which then makes it easier to plan. However, maintaining levels of revenue is going to be even more challenging in the future, as the market has attracted some major players such as Apple and Disney.

It is highly unlikely that consumers will pay a subscription to four different providers. At best, most people might be prepared to pay two monthly subscriptions — so the race is on to be one of them. Netflix and Amazon might have enjoyed first-mover advantage, but whether they can maintain it in the long term will be interesting to see.

Disney+

Disney is one of the world's most recognised brands, with a back catalogue of films and shows that are renowned throughout the world. However, the company still felt the need to increase its product portfolio to make its streaming service seem like value for money.

The corporation paid over £50 billion for the rights to content from 21st Century Fox, and owns the *Star Wars* and *Marvel* franchises. Disney is looking to tap further into these cash cows by producing new back stories that are linked to the original movies.

In another strategic move, Disney bought out Hulu for over £4 billion. Hulu has struggled to challenge the likes of Netflix and Amazon. While its customer base and market share is small in comparison, the takeover has allowed Disney to utilise Hulu's experience and knowledge of the streaming market.

In total, Disney is planning to spend more than \$1 billion on original programming by the end of 2020 and is not expecting to make a profit until 2024 at the earliest. The firm is betting on the long-term profitability that can be untapped.

Apple TV+

Apple intends to leverage its position within music entertainment into the world of streaming. With some of the deepest pockets in the business world, it is likely to quickly become a major player. Apple has already signed up Stephen Spielberg to direct one of its new shows, and the fact that the Apple TV app will come preloaded onto its mobile and tablet devices suggests that it will soon have a willing and substantial target audience.

Apple used to benefit from customers downloading music and movies from the iTunes store, but the emergence of Spotify and rival streaming services had a big impact on this. The people that it has hired and the money it is throwing at the content suggests that Apple wants to be part of the new streaming world instead. It had set aside \$3 billion for commissioning new content and securing access to current shows before the service had even launched.

Product and promotion

All the while, Amazon and Netflix continue to move forward in terms of innovation and content. Amazon has already acquired the rights to make a TV series based on *The Lord of the Rings*, which cost the company \$250 million before it had even hired an actor or written a script.

Netflix continues to lead the field, having amassed over 150 million global users. The company is now targeting other areas of the world for further growth, investing heavily into Africa, Asia, Latin America and Europe and trying to secure local stars in exclusive contracts. Comedians such as Ricky Gervais and Chris Rock have been hired, and the idea of comedians recording a live show and selling a DVD at Christmas is becoming obsolete (who even owns a DVD player these days?) Instead, an original and exclusive show for Netflix is much more lucrative for the performer and adds another talent within the Netflix family.

Product is ultimately the most important aspect of any firm's marketing mix, and in the streaming world the quality and quantity of content is crucial to success. However, in such a congested market, the promotion used is also important. Netflix spent nearly £2 billion on marketing last year, which was more than HBO paid for its entire programming.

With Disney being able to market its streaming service to the millions of people that visit its parks each year, and Apple having millions of device-users worldwide, Netflix and Amazon are set



The incumbent streaming services will have an established and experienced back-office staff



to have to increase their marketing spend even more over the coming years to try and stop the new players taking market share from them. What they arguably have in their favour, however, is an already established back-office operations staff that deals with the billing, and software engineers that manage and maintain the streaming platforms. All these factors will add costs to the new entrants, and any initial teething problems could see negative publicity for them that could prove financially damaging.

Streaming and supplying

The race is most definitely on. Disney strategically removed its content from Netflix ahead of the launch of Disney+, while other companies are continuing to happily provide their content and collect revenue from the streamer. While Netflix and the larger companies have the economies of scale to establish market power, there is an argument that the established companies that don't compete for streaming revenues should reinvent themselves to provide content for the major players. This is something that channels like Nickelodeon are contemplating — their programmes will still be in demand, and can be sold to the highest bidder. There is still plenty of money to be made supplying everyone else with shows.

The BBC is another interesting player in the market. The uniquely funded quasi-public sector organisation enjoys certain advantages within the UK, and the development of the BBC iPlayer certainly angered Apple executives who felt that they had the rights to anything with the letter 'i' in the name.

The iPlayer has emerged as a streaming service that has the potential to offer a huge back catalogue of content, together with new shows. Series such as *Peaky Blinders* and *Sherlock*, together with nature shows featuring David Attenborough, are highly regarded around the world. While the BBC's funds don't quite match those of the US giants, the British corporation still benefits greatly from the licence fee that is required to watch its content. The BBC has been developing its own strategy to try and monetise

its content in overseas markets, and one of the larger global firms may want to make a considerable offer for the rights to stream BBC content.



Reading list for A-level Economics & Business



- **23 Things They Don't Tell You About Capitalism** (Ha-Joon Chang) – challenges conventional thinking.
- **Age of Discovery: Navigating the Risks and Rewards of Our New Renaissance:** (Ian Goldin & Chris Kutarna)
- **Alibaba: The House that Jack Ma Built** (Duncan Clark) – The rise of the Chinese corporate giant
- **Art of Strategy** (Dixit and Nalebuff) – especially good for Game Theory examples and analysis
- **Capitalism: 50 Ideas You Really Need to Know** (Jonathan Portes) – compact and excellent reference material
- **Drunkard's Walk** (Leonard Mlodinow) – a brilliant history of Maths and lots of relevant applications
- **GDP: A Brief but Affectionate History** (Professor Diane Coyle) – very good on the GDP / well-being debate
- **Grave New World:** (Stephen King) – Former head of Econ at HSBC looks at the fracturing global economy
- **If I Could Tell You Just One Thing...: Most Valuable Advice from Remarkable People:** (Richard Reed)
- **Inequality** (AB Atkinson) – a superb book on one of the defining economic/political issues of the age
- **Inner Lives of Markets: How People Shape Them—And They Shape Us** (Sharman and Fishman)
- **Misbehaving: The Making of Behavioural Economics** (Richard Thaler) – Superb biography
- **Poor Economics: Rethinking Ways to Fight Global Poverty** (Banerjee & Duflo) – development economics
- **Positive Linking – Networks and Nudges** (Paul Ormerod) – good introduction to network economics
- **Rise and Fall of Nations: Ten Rules of Change in the Post-Crisis World** (Richir Sharma)
- **Risk Savvy - How to make good decisions** (Gerd Gigerenzer) – the world of heuristics and risk management
- **Ten Great Economists** (Philip Thornton) – biographical background, well worth a read
- **The Box - How the Shipping Container Made the World Smaller and the World Economy Bigger,** (Levinson)
- **The Everything Store: Jeff Bezos and the Age of Amazon** (Brad Stone) – a great page turner
- **The Great Convergence: Information Technology and the New Globalization** (Richard Baldwin)
- **The Great Divide** (Professor Joseph Stiglitz) – one of the classic critiques of globalisation
- **The Great Escape** (Professor Angus Deaton) – a broad sweep of economic history and poverty reduction
- **The Plundered Planet: How to Reconcile Prosperity with Nature:** (Professor Paul Collier)
- **The Undoing Project:** (Michael Lewis) – Birth of behavioural economics, Kahneman and Tversky
- **The Upstarts: How Uber and Airbnb are changing the world** (Brad Stone) Follow up to his work on Amazon
- **Thinking Fast and Thinking Slow:** (Professor Daniel Kahneman) – the classic Kahneman epic
- **What Money Can't Buy: The Moral Limits of Markets** (Professor Michael Sandel) – Pure PPE bliss
- **Who Gets What - And Why:** Understand the Choices You Have, Improve the Choices You Make (Al Roth)
- **Why Information Grows: The Evolution of Order, from Atoms to Economies** (Cesar Hidalgo)
- **Worldly Philosophers: Lives, Times, and Ideas of Great Economic Thinkers** (Robert Heilbroner)



Task 4: The Economy - Inflation

The study of the wider economy forms a significant element of the course and you will monitor developments in the economy yourself alongside side your studies in class.

The UK has recently experienced a 'cost of living crisis' caused by rising inflation. This will be covered in detail in class; however, you can start the process by developing a basic understanding of the concept prior to joining the course.

1. What is inflation and how is it measured?
2. What is the impact of rising inflation on individuals/hous eholds, businesses and the Government?
3. What methods are used to control inflation?
4. What is the current level of inflation in the UK? How does this compare to recent history?

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Task 5: Monitoring the news media

The subject of economics constantly appears in news bulletins online and on television. You are advised to monitor good quality news outlets and come to class with three articles related to the economy or business that have recently featured in the news caught your attention.

The following links will help you to get started –

<https://www.bbc.co.uk/news/business/economy>

<https://www.theguardian.com/business/economics>



Believe today and you will achieve tomorrow!!