

Types of liability

Limited liability

Limited liability means that the owner(s) are legally separate from the business.

Unlimited liability

Unlimited liability means that the owner(s) are legally responsible for all the debts of the business

Franchises



FRANCHISE

An agreement where an individual or group buy the rights to sell the products of an established business

FRANCHISOR

The business that sells the rights to an individual to use their brand name and sell their products

FRANCHISEE

The individual who buys the right to use the brand name and sell the products of an established business

Advantages of choosing a franchise

- Use of established, well-known brand name
- On-going help and advice
- Lower risk due to reputation
- Successful business model

Disadvantages of choosing a franchise

- Initial cost is high
- Have to pay the franchisor a share of the revenue (royalty payments)
- Can't make your own decisions

Business ownership

SOLE TRADER

A business that is owned and run by an individual

Advantages

- Easy to start up
- The owner has total control
- The owner gets to keep all the profit

Disadvantages

- Unlimited liability
- Limited funds available
- Owners have all the risk and responsibility



PARTNERSHIP

A business owned and run by 2 or more people

Advantages

- Owners can share the risk and responsibility
- More capital invested in the business

Disadvantages

- Unlimited liability
- Partners need to share the profits
- Can result in conflict between partners



PRIVATE LIMITED COMPANY (LTD)

A business owned by shareholders who are known to the founder, usually family and friends

Advantages

- Limited liability
- More capital invested in the business

Disadvantages

- Lack of privacy
- Owners have to share the profits
- Can result in conflict between the shareholders
- Must be registered at Companies House



Business Location - Refers to the physical location of a business and/or whether it is on line (uses e-commerce)

Factors affecting location

1. Proximity to customers. 2. Availability of labour (workers). 3. Proximity to materials. 4. Level of



E-commerce – using the Internet to carry out business transactions

Using E-Commerce can result in lower costs – no shop rents, or running costs (heating, lighting and wages)

Marketing Mix

The combination of elements used by a business to enable it to meet the needs and of customers

Otherwise referred to as the 4 P's

- **PRODUCT**
- **PRICE**
- **PLACE**
- **PROMOTION**

PRODUCT

Refers to the actual goods or service on offer

PRICE

Refers to what the customer pays for the product

PLACE

Refers to the way the product is distributed

PROMOTION

Refers to the methods used to raise awareness

Balancing the marketing mix

E.G. – Rolex watches



PRODUCT - High quality watches

PRICE - Premium price

PLACE - Approved up market jewellers

PROMOTION – Lifestyle magazines and F1

The Business Plan

A business plan is a plan for the development of a business, giving forecasts of items such as sales, costs and cash flow.

The Purpose of a Business Plan

- To convince banks to loan a business money
- To forecast financial projections
- To identify customer needs
- To provide the owner with a plan of action

Who uses a Business Plan?

- Owners
- Business partners and employees
- Investors and potential investors
- Lenders and potential lenders

Impact of changing consumer needs on the 4 P's

Businesses need to adapt their marketing mix to meet changes in the external environment

1. Incorporating new technology into new products
2. Adjusting price in response to competitors pricing
3. Launching advertising campaigns to boost sales
4. Selling products through popular retailers
5. Allowing online customers to return goods for free

The impact of technology on the marketing mix

PRODUCT

Using new technology to constantly innovate new improved products

PRICE

Customers can easily compare prices online forcing businesses to lower their prices

PLACE

E-commerce allows businesses to meet the needs of more customers and offer increased customisation

PROMOTION

Using digital promotions and Social media to promote products

Contents of a Business Plan

- Outline of the business idea;
- Business location
- Outline of the business aims and objectives;
- target market (market research);
- Revenue forecast
- Cost and profit forecast
- Cash-flow forecast;
- Sources of finance;
- Details of the business plan

