Introduction to Small Business

Revision Notes

Topic 1.4

Making the start-up effective

© Pearson Education 2010

Customer focus

A business can only survive if it has customers.

It must have enough customers willing to pay a high enough price for it to cover its costs and make a profit.

Focussing on what the customer wants is vital for most businesses. They must identify, anticipate and meet customer needs.

	Explanation
Identify needs	Finding out what customers want. This might come from market research or studying the competition.
Anticipating needs	What customers want today may not be the same in the future. How do fashions and trends change?
Meeting needs	Providing what customers want might involve the type of product or the price they are willing to pay.

© Pearson Education 2010

What is the marketing mix?

- **The marketing mix –** the combination of factors that help a business to take into account the customer needs when selling a product – usually summarised as the 4Ps.
- **Price** – the amount of money customers have to give up to buy a product.
- **Product** – a good or service provided by a business or organisation and made available to customers.
- **Promotion** – communication between the business and customers, making the customer aware that the product is for sale.
- **Place** – the way in which a product is distributed and how it gets from the producer to the customer.

© Pearson Education 2010

Marketing mix: what is most important?

Important – different parts of the marketing mix are not equally important for every business.

Primark

Price is the key element. It is known for cheap prices.

Topshop

Emphasis on fashion, product is perhaps most important.

Dolce and Gabbana

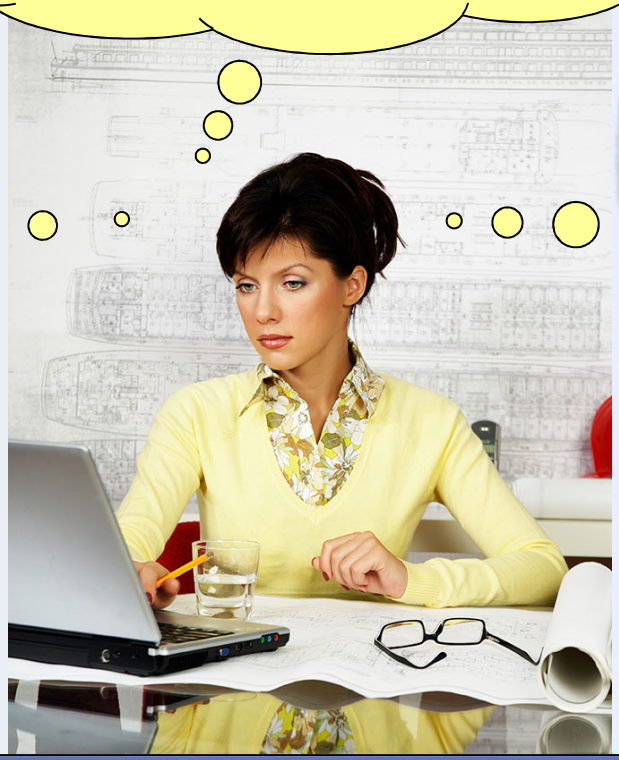
Product is perhaps more important than price. Promotion is also vital - a more exclusive brand.

© Pearson Education 2010

Sole trader or limited company?

What sort of business type should I start?

Sole trader, or...



... limited company

© Pearson Education 2010

Sole trader or private limited company?

	Sole trader	Private limited company
Risk	Unlimited liability – greater risk of personal loss	Limited liability – losses limited to the amount of initial investment
Control	Owner has sole control – can make their own decisions	Will depend on the proportion of shares owned. All shareholders have a say in the running of the business
Profits	All profits to the owner	Profits are distributed according to the proportion of shares owned
Privacy	No-one has the right to see company details, so privacy is assured	Accounts and company details can be viewed by the public. Less privacy

© Pearson Education 2010

The importance of limited liability

Limited liability – where shareholders of a company are not personally liable for the debts of a company. The most they can lose is the value of their investment in the shares of the company.

Having limited liability is clearly attractive for someone starting business as it reduces the risk.

Someone starting as a sole trader, however, will have unlimited liability. This is a legal obligation on the owner of the business to settle all debts of the business.

In this case there is no distinction between the owner of the business and the business itself.

© Pearson Education 2010

Taxes on small business

You need to be aware of the following taxes which small businesses have to pay.

Taxes on small business

Value Added Tax

A tax on the Sales of a business

Income tax

A tax on the earnings of a small business

National Insurance

A tax on the earnings of workers

Corporation tax

A tax on the profits of a limited companies

© Pearson Education 2010

Customer satisfaction

Customer satisfaction – a measure of how much products meet customers' expectations.

The experience the customer has in dealing with a business is called customer service.

If that experience is positive there is more likelihood that the customer will use business again.

Repeat purchase is sales that occur from customers who have bought the product or service in the past. Securing repeat purchase is important for business.

© Pearson Education 2010

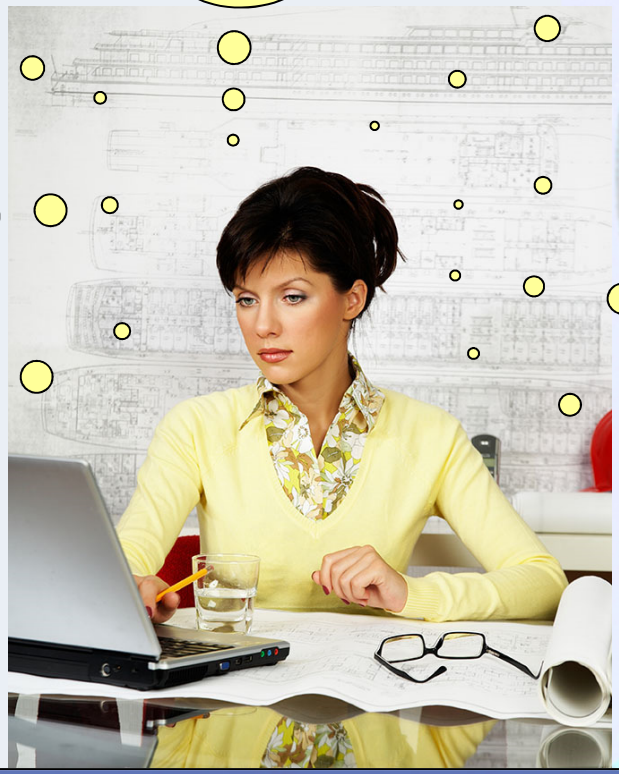
How to secure repeat purchases

Selling experience

Accessible website

Promotions

Effective customer service



Friendly staff

Prompt delivery

Cheaper prices than competitors

Business offering

© Pearson Education 2010

Recruitment

Recruiting staff is an important task for businesses. Getting the right staff can be a key to business success. The recruitment process can be summarised as follows:

1. Identify the role(s) to be filled
2. Place the job advert
3. Shortlisting applicants
4. Interviews
5. Identify successful candidate

© Pearson Education 2010

Treating staff fairly

To ensure that businesses treat workers and applicants fairly, various pieces of legislation (laws) exist to make sure this happens.

Government legislation

Age discrimination

Ensures workers are not treated unfairly based on age

Sex discrimination

Ensures males and females are not treated differently

Race discrimination

Ensures workers are not treated unfairly based on ethnicity

Disability discrimination

Ensures workers are not treated unfairly based on disability

© Pearson Education 2010