

## CHAPTER 1: DIFFERENT TYPES OF OWNERSHIP

### 1.1 Sole trader

A sole trader is the simplest form of business organisation. There is one owner, who has complete control over the decision making and running of the business. While many sole traders are indeed people working on their own, a sole trader can employ others to help run the business. Since a sole trader business is unincorporated, any people working in the business, apart from the owner, are actually employed by the owner.

Setting up as a sole trader is very easy, as there are few legal formalities to go through. The sole trader must tell the Inland Revenue that he or she has set up a business and is self-employed. Details of any profit or loss made by the sole trader during the financial year must be given to the Inland Revenue annually, together with balance sheet, if there is one. This is so that the Inland Revenue can charge income tax on the sole trader's profits, adjusted by certain items. A sole trader must also keep employment records in respect of any employees.

Any business name used by the sole trader has to comply with the Business Names Act 1985. This allows a business to trade under any name, as long as the name is not intended to mislead customers into thinking that it has a connection with any other business or government department if not such connection exists. It is also illegal to use terms such as 'royal' or 'international' without the permission of the Secretary of State for Trade and Industry.

Setting up a sole trader can be the least expensive way of starting a business. Many sole traders start with a minimum of capital or finance. They often begin by operating from small premises, such as a shop, small workshop or office unit, or even from the home of the owner of the business. Starting out as a sole trader is the most common way of setting up a business.

There are few sources of finance available to sole traders, apart from the personal funds of the owner and any profits the business makes. This is partly because sole traders are usually small businesses and partly because they have unlimited liability. Many sole traders take out a bank loan to help finance the start-up costs of the business. These include the costs of premises and equipment, and also raw materials, labour and other running costs that have to be paid before the business starts receiving sufficient revenue from sales of its goods or services.

Because the business affairs of a sole trader are legally the same as his or her personal affairs, however, any loan is in effect a personal loan to the owner of the business. The lender will probably require the loan to be secured on the owner's personal property, for example, in the form of a mortgage on his or her house. Obviously there is a limit to the amount of money a sole trader can raise in this way, and the lack of availability of other sources of funds means that sole traders usually start as a small business and do not have real opportunities for growth.

There is an advantage to being a sole trader, however, which can often give a competitive edge over a larger business. In a small business, the owner and decision maker usually maintains close and direct contact with customers. He or she is aware of any changes in customer needs and demand and can respond quickly, whereas in larger organisations it can take longer for the decision makers to become aware of and respond to these changes. Typical sole trader businesses are local independent shops, plumbers and similar trade's people, freelance artists and other self-employed people.

### 1.2 Advantages and disadvantages of a sole trader

Advantages:

- requires little capital
- incentive to hard work
- regular customer known
- owner makes quick business decisions

Disadvantages:

- unlimited liability
- difficult to find capital
- long hours worked
- holidays or illness cause problems

### 1.3 Co-operative

Co-operatives are business organisations that are owned by members. Each member has a share in the co-operative. Members are entitled to one vote each in decisions concerning the running of the co-operative, thus ensuring members have complete control. Co-operatives exist for the mutual benefit of the members. Finance is raised by members, who normally receive a fixed rate of interest on the capital they contribute. The members also decide how the profits of the co-operative should be used or distributed. A co-operative may be set up as a limited company.

There are four types of co-operatives:

- Co-operative retail societies, which buy goods in bulk at a discount and sell them as cheaply as possible to members.
- Co-operative trading societies, which are formed to distribute and sell the products or services of their members (usually small businesses).
- Worker co-operatives, which are business organisations that are owned by their employees.
- Housing co-operatives, which develop, maintain and manage (usually low-cost) rented housing.

### 1.4 Advantages and disadvantages of a co-operative

Advantages:

- may have limited liability
- members have control over the business and profits

Disadvantages:

- finance must be provided by members
- other sources are often reluctant to lend to co-operatives

- all members have equal say in running the co-operative
- disagreements can be difficult and time-consuming to resolve before action can be taken

### 1.5 Department store Warenhuis 1001

Warenhuis 1001 is a department store in Schildwolde. They have been a sole trader since the beginning in 1948. They are not thinking of changing into a Ltd or something, just because they have always been a sole trader and it is also tax profitable.

### 1.6 Intersport Sporthaus MOHR

Intersport Sporthaus MORH is a co-operative retail society for sport products and it is located in Oldenburg, Germany. They have been a co-operative since the beginning, and they don't want to change, because then they will have to start a new shop, Intersport only exists of co-operatives. They also have a lot of freedom; they only have to use the colours red and bleu.

## CHAPTER 2: THE INDUSTRIAL SECTOR AND TRENDS

### 2.1 Tertiary sector

Warenhuis 1001 and Intersport Sporthaus MOHR relate to the tertiary sector. The tertiary sector is a sector that is providing services. It is the widest ranging industrial sector in the UK and it contains major public limited companies, sole traders, partnerships and public sector organisations.

The tertiary sector is the fastest growing and most diverse sector of the UK economy. Employment in the tertiary sector is growing, in some areas, however, notably in banking and public administration, increased efficiency and productivity resulting from the introduction of new technology has led to reductions in employment. Overall growth in areas such as banking, insurance and other financial services, business consultancy, leisure and tourism and health services is expected to continue for the foreseeable future.

### 2.2 Trends of Warenhuis 1001

In Warenhuis 1001 you don't really see trends, they do get new articles, but they don't change their assortment if a competitor does so. There is not much competition between different shops, simply because they are the only department store in this area. There are only some shops in Delfzijl and Hogezaand, but usually regular customers keep coming to Warenhuis 1001.

If you look at the last 10 years, the assortment of Warenhuis 1001 did change. The assortment has modernized, because customers are more sensitive for trends, such as different colours. For example, 10 years ago you could purchase 2 ashtrays; in black

and white. Now you need to have yellow, bleu, red, green, orange etc. Also customers are more price-conscious, Warenhuis 1001 has to adapt to that.

Warenhuis 1001 can survive the different requests of their customers. They have just started a new collection; clothing. They have jeans and jacket and it is going pretty well. They started two years ago with this new assortment. It actually started off as a joke; a supplier had jackets with him for another shop, and the owner of Warenhuis 1001 liked the jacket so he bought one. A customer who was in the shop also liked the jacket and bought one too. They started ordering a couple of jackets to see if other customers liked it. Now they have a whole rack full of clothes! Maybe they will extend this assortment, it just depends if the customers keep on asking for it.

### 2.3 Trends of Intersport Sporthaus MOHR

In Intersport Sporthaus MOHR you don't see trends very often, only when there is a new sport that is very popular. For example when skating was introduced, loads of people wanted to have skates. Then you can say there is a trend.

It is difficult to say that there is one particular trend over the last ten years, because ten years is too long. Here are the trends usually divided in seasons.

## CHAPTER 3: MAIN ACTIVITIES

### 3.1 The activity in general

The main activity of a business is producing the goods or services it supplies. Most businesses have one core activity, many also have other activities which may relate to other sectors. Businesses often move into other areas of activity as a natural extension of their core activity. In this way, a business can expand into markets that complement and support its core activity. Some businesses may move into activities that are unrelated to their core activity.

### 3.2 The activity of Warenhuis 1001

The main activity of Warenhuis 1001 is retailing; selling household articles of glass, porcelain, and pottery, such as crockery, vases, flowerpots etc., small household machinery, wood-, cork-, reed- and plastic goods and non-electric household machinery.

### 3.3 The activity of Intersport Sporthaus MOHR

The main activity of Intersport Sporthaus MOHR is retailing; selling sport articles such as shoes, clothing, balls, swimming and fitness articles.

### 3.4 Bestsellers of Warenhuis 1001

Bestsellers are different every season. Right now compost and gardening articles are very popular because customers are starting to work in their gardens. Also the summer jackets are very popular, because they are good quality and not very expensive, they are about € 40,-. Every season is different, and it is especially with the clothes difficult to foresee what the customers want next season because fashion changes all the time.

### 3.5 Bestsellers of Intersport Sporthaus MOHR

Right now the football shirts are very popular, because of the European Championship. But Germany didn't even make it to the quarter final, so the shirts aren't that popular anymore. Also jogging and walking shoes are popular. With nice weather ahead, people want to get into shape and like being outside.

## CHAPTER 4: LOCATION

### 4.1. Location of a business

The decision about where to locate a business is an important one, as the location of a business can influence its performance in many ways. Several factors must be taken into consideration, the importance of each varying according to the type, purpose and nature of the business.

### 4.2 The location of Warenhuis 1001

Warenhuis 1001 is located in Schildwolde, a village in the north of the Netherlands. The shop is in the hands of the owners since 1986. The husband of the lady owning the shop now, started working there in 1948 and took the shop over in 1986. There was no question where to start this shop, because it was already there when he started working there.

In 1991 they rebuild the shop; they broke everything down and then build a whole new shop. This all happened in three months.

### 4.2 The location of Intersport Sporthaus MOHR

Intersport Sporthaus MOHR is located in Oldenburg, in the north of Germany. There are two Intersports in Oldenburg, one is located in Haarenstraße (city-centre of Oldenburg) and the other one is located in Wechloy (suburb of Oldenburg). The shop in Wechloy is called Intersport Profimarkt. Intersport Sporthaus MOHR has been in the Haarenstraße for a long time, the parents of the owner have started this shop, and the owner has taken it over from her parents. The shop in Wechloy is located in Wechloy because it is close to the Haarenstraße and the owner can go quickly from one place to the other. Competitors of Intersport are other sport shops.

## CHAPTER 5: STAKEHOLDERS

## 5.1 Stakeholders

Stakeholders are individuals and organisations that have an interest in the running and activities of a business. Some stakeholders such as employees and managers are internal, that is inside the business, while others such as customers and shareholders are external, that is they are outside the business.

All stakeholders try to influence the activities of a business to get it to act in the way they want. While few stakeholders (except perhaps the government) have much individual power over the activities of a business, they often form alliances to increase the power they have. This is possible where the objectives of stakeholders are the same, or broadly similar.

### 5.1 Stakeholders of Warenhuis 1001 and Intersport Sporthaus MOHR

Warenhuis 1001 and Intersport Sporthaus MOHR are both retailers. Therefore they have the same stakeholders.

- Customers: customers have interest in the shops because they want quality of product and value for their money. The customers influence the shops because they can take their custom to competitors, thereby reducing the sales revenue.
- Employees: employees want good working conditions, including pay, job satisfaction career and personal development. The employees influence the shops because dissatisfied employees may not work efficiently – or not at all if they go on strike, or leave to work elsewhere.
- The local community: the local community have interest in the shops because of the effect on employment of business cutbacks or closures. Also environmental and nuisance matters, such as pollution, noise, vehicle damage to property, destruction of the environment and so on. The local community influence the shops by pressure groups that are organised to lobby the business and other groups of stakeholders. Some pressure groups are set up for particular purpose, such as to prevent the building of a bypass, while others, such as Friends of the Earth, are permanent organisations with specific objectives.
- The government: the government has interest in the shops because of the well-being of all sections of society, including employees and members of the public and the environment. The government can influence the shops by legislating matters affecting people or the environment. Examples of legislation can be seen in employment and health and safety law, and consumer and environmental protection. Many items of legislation are now passed down from the EU.