

Electrical Shop

This project requires me to produce an imaginary business. To do this I must research into all aspects of a business, using books, people, and computer resources. To help me do this I will create action plans, that I will evaluate and redesign as I proceed during the project. The reason for the action plan is to help keep track and organise what I am doing, it also shows points that I must cover for my business to be successful. In this project there are certain parts of the project that can be decided before I created an action plan these are:

What will I sell- I will sell electrical goods like televisions, videos, and hi-fis
My shop name- I will call my shop "Kes" (Kapur's electrical shop).

From what I already know I have decided to make my business a sole trader operation as these are the easiest to set up. Also in a sole trader business I will get to keep all of the profits. Also as I am a sole trader business there are less regulations that I have to comply with. As a sole trader I do not have to make my business accounts available to any one except the inland revenue. This is useful as it saves me time, and it keeps my business dealings secret to the public.

What is the aim of "kes"

The aim of "Kes" is primarily to be able to compete with other companies in the local area. Also to break even, but provide a high quality service to the public. Then it is to make a profit. For the first year the aim of my business will also be to become a well established business, and to remain open (not be forced to close due to lack of business).

Action plan

This is my first action plan, that I will later evaluate and then using my evaluation I will create a second action plan.

Task	What this means that I will have to do	Date start	Date finish
What market am I aiming at?	This will involve doing market research so that I know what people want, then I will see what market I am after, e.g. budget or high price retailer.	3/10/99	5/10/99
Where am I going to place my business?	This will involve me carrying out research in local area to see if they meet the criteria that create, from research from books, surveys, and my	5/10/99	8/10/99

	market.		
Planning restrictions	I will research into any planning restrictions that are place in the Kenton area.	10/10/99	17/10/99
How will I price my product?	My pricing strategy will depend on my area, so I will have to carry out a survey to see what pricing structure suites that area. Then I will research pricing strategies in books, and from people.	17/10/99	25/10/99

Marketing

What is a market?

▲ market is where the sellers meet the buyers to exchange money for a product of service. The term "market" is actually used to describe the people whom the product is sold to. This does not always involve face to face selling, it could selling over the television. For a shop there can be different markets, e.g. domestic, and business.

My market- My market is going to electrical goods sold to domestic customers.
Product-oriented vs. Market-oriented business

▲ product oriented business is when the product is produced first, then a market is found. Business rarely use this type of marketing. Companies that use the type of marketing, usually make basic products needed for life. In some cases though a product must be made first before a person realises that they need it. This is normally the case when new technology is involved.

▲ market oriented business is when a business will find what product people want and then sell it to them. This normally involves market research. This is where the business will identify what the customer wants. These types of business normally survive longer, as they are able to adapt to what the customer wants.

My business strategy- I will have a product oriented market as I will be selling new technology that is constantly changing. This is because people do not normally realise they need a new television, videos, or Hi-fi until the product is made. This method has a lot of risk involved as there is no guarantee that a person will want my product.

What is marketing

Marketing is not advertising, it is actually finding out who wants to buy your product. Marketing is finding out what a customer wants, and then giving them that. The goal of

marketing is to predict what the customer wants in the future, by looking at past trends, and carry out market research. The goals of marketing are:

- Increase sales
- Increase market share
- Improve image of business

What is the point of market research?

▲ business must find out how many people there are whom will buy its product. This is where market research is used, market research is used to find out:

- ÿ What parts of the product do people like or dislike
- ÿ If people want the product
- ÿ How much would they pay
- ÿ Who, and where will they buy the product
- ÿ Competition
- ÿ What promotions to use

What do I want to find out- I want to find out:

- ÿ ▲ Are people thinking of buying electrical goods
- ÿ competition in the area
- ÿ What prices
- ÿ Who will buy the product

The information can be gathered by two methods:

Primary research

This is where the data is collected for a specific purpose, this involves going out and carrying out questionnaires, and interviews. This method of research can be expensive and time consuming. There are different primary research methods these are:

- ÿ Questionnaires
- ÿ Interviews
- ÿ Observations
- ÿ Experiments

Each method of primary research has advantages, and disadvantages these are:

Questionnaires

These are the most common method of primary research as it is the easiest.

▲ Advantages

- ü Detailed information can be gathered
- ü Customers options can be obtained

Disadvantages

- û To carry out a questionnaire it will take time, then it will also take time to analyse the results obtained.

û The questions must be well thought out, other wise the results will be misleading

Interviews

This is when a person asks questions to a person.

▲Advantages

- ü Questions can be explained if the interviewee does not understand the question
- ü Very detailed information can be gathered

Disadvantages

- û Interviews are very time consuming
- û The interviewer may lead the interviewees answer to the questions

Observations

Observations can be in many forms these are:

Recording, a example of this is monitoring how many papers you buy

Watching, a example of this could be you watch how many people ride a bike, past a certain point

▲Audits, a example of this is counting how much stock there is.

▲Advantages

- ü Does not cost much to gather information

Disadvantages

- û The information is not very detailed

Experiments

The best example of this type of research is when a supermarket gives out free samples of a product.

▲Advantages

- ü This is very easy to set up, and you get a customers reaction quickly

Disadvantages

- û People may lie so not to hurt your feelings
- û You only get the opinions of a small number of people

Secondary research

This is research that has been gathered for a other reason, and is available for anyone to use. This type of research comes in two forms external and internal.

Internal sources

This is information that has already been collected by your business, and available for other departments to use. ▲As the information has already been collected, it is easy and cheap to use.

External sources

This is when the information is gathered outside the business. There are many source, but they vary according to what you are researching. This data has not been gathered for any specific purpose, so it is very general.

External sources are:

- ÿ Trade associations
- ÿ Specialist magazines
- ÿ Reports
- ÿ Newspapers
- ÿ Governments reports
- ÿ Media reports

This method of research is very cheap, but as it does have limitations is not always the best.

Secondary data Vs. Secondary data

What is the difference?

Primary data is data that is collected just for that specific purpose. While secondary data is data that was collected for a other purpose.

Which is better?

Primary data is better as it normally more accurate, and as it has been carried out just for your purpose it will have more specific information. ▲Also the information that is collected is of a neutral view point.

Primary data or Secondary data- I will use primary data in my project as it will be more accurate, and will be will be of a neutral view point.

Random or quota sampling?

Random sampling

This is when every one in the country has a equal chance of being picked. People are picked at random often by computer to complete a survey. The advantage of this is that very one has a equal chance of being picked, but there is there a chance that some of the people that are picked do not use your product or service.

Quota sampling- This is where people picked to do a survey because they meet certain characteristics. These characteristics can be:

- ÿ ▲Age
- ÿ gender
- ÿ Ethnicity
- ÿ Where you live

This is useful as the person characteristics find out what a certain group thinks, a bout any topic.

My method of research- The method that I will use is random sampling in the local area. This is so that I can see what a wide range of people think and want in the local area. This is so that I get data that is relevant to me. I will use primary research, in the form of questionnaires. This is because the primary research will be accurate, and more relevant, as it is being carried out for a specific purpose. The reason that I am using a questionnaire is that it allows to gather very detailed information. There some limitations to my research methods, the major one being that it will take a long amount of time.

What market am I aiming for?

This is very important as this effects most aspects of my business. When I say "what market am I aiming for?" I mean am I aiming for the ultra cheap, low end of the market or the upper end of the market. To decide I will carry out research into what markets are not catered for by the large companies, I will then cater for this market. To do this I carry out questioners or use research already carried out by a other company. I will group the people on there response to some questionnaire in social grades. This is because this will help to create a image of the average wage, and class in the local area. Then I will cater for the group that the majority of people fit into.

Market segmentation

Market segmentation is a method of dividing up the market, into smaller subgroups. ▲ example is that products like drinks may appeal to one group like young people, while a other may appeal to older men. This means that the market will broken up by age, and gender. This is very important when advertising, as different adverts will apple to different people in each group.

The most common methods of market segmentation are:

Life style

▲ married person with kids who has the same wage as a single person will buy different products. This means that the advertising for some products will be aimed at the single person. while some will be aimed at the married person.

▲Age

People of different age buy different products. This means that a old person will buy different products to a young person.

Gender

Certain products are only brought by males, and some is only brought by females, so the advertising targets that group. Sometimes the a products are brought by both groups, but the advertising is just aimed at one.

Region

People in different areas of the country will buy different products. ▲ person in a wet part of the country will buy clothes for wet weather, while in a dry part people wont. This also applies to when a product is exported.

Income

These are created depending on a person's income. The highest in the groups are the managers while the lowest are the unemployed. ▲ products that is to aimed art the highest income group will have a high price, while a product aimed the lowest will have a low price. This also means that the advertising campaign will be different for each group.

Use of product

▲ product can be used by domestic home users or business. This will influence the way the that the product is sold and advertised. If selling to a business then the company may go direct to the business and sell face to face. While if selling to the domestic ,market they may just sell over the phone. ▲ product that is aimed at a business user may not be advertised on television, unlike a domestic. Instead brochures may be used. This means that the same product could have to different advertising campaigns.

Social grades

What are social grades?

This is a other method of segmenting the market by class. The groups are created on what the head of each home does for a living. The social grades are:

Social group	Job description
▲	Senior management
B	Lower management
C1	Supervisor role, administration
C2	skilled manual
D	Unskilled manual
E	Causal labours

Questionnaire

▲aim

The aim of this questionnaire is to find out what social group is not catered for in the local area.

Questions

▲Are you in full time employment?

Yes **75%**

No **25%**

What type of work do you?

Senior management **20%**
Lower management **12%**
Supervisor role, administration **30%**

Skilled manual **7%**
Unskilled manual **23%**
Causal labours **8%**

Which best describes your yearly income?

Below £5000 **4%**
£5001-£15000 **21%**
£15001-£25000 **30%**
£25001-£35000 **10%**
£35001-£45000 **20%**
£45001+ **15%**

Do you shop in the local area?

Yes **17%**
No **83%**

Why?

Good choice **15%**
Lack of choice **67%**
Poor parking **15%**
Other **3%**

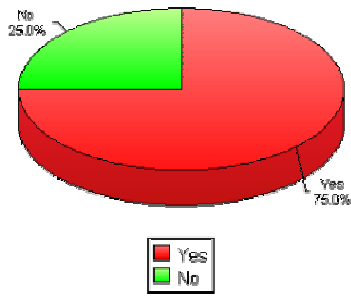
Where do you buy your electrical goods from?

Dixons **20%**
Currys **34%**
Johnlewis **6%**
Catalogue shop **30%**
Internet shop **10%**

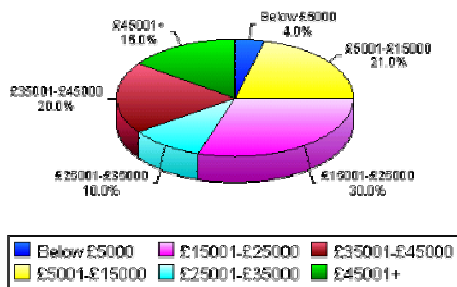
Results

The results are shown in pie chart from, as they are the best way to show percentages:

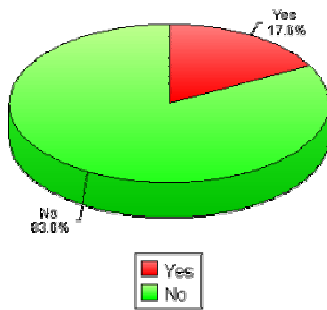
Are you in full time employment?



Which best describes your yearly income?

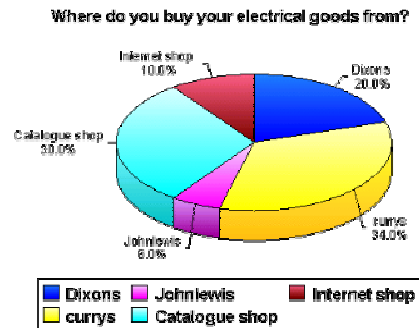


Do you shop in the local area?



Why?





Conclusion

From my research I have found that the social grade of the local area is C, and the average pay is between £15000-25000. The majority of these people do not shop locally, and the main reason is that the local shops do not cater for their needs. This shows me that there would be a place for me to sell my goods, aimed at social group C. This is because of the people surveyed the majority fit into this group, so it makes sense to primarily aim for them, and then unskilled workers. Also the shop that most of people say they shop at is outside of the local area, but they would shop locally if they had the choice.

My market- The market that I am aiming at is the senior administrative workers in group C, that earn around £15000-£25000. This will determine where I place my shop, and pricing. I will aim at this group as they are the group that feel there is no choice for them. I will aim for this market as it is overlooked by the other major shops in the area.

Place

As I know now what group that I will primarily aim my products at, I must now find an area that is made up mainly of that group. The place where you put your shop is how you get your product to your customers, when looking for a place for my business these facts must be considered:

- Competition
- Parking
- It must be in an area where the income is around £15000+ (for my shop)

From my research I have found that the Kenton area meets the criteria as the majority of the inhabitants are in group C. Also in the area there is no competition that would affect me and there is easy access to the area.

My place- My place is on Kenton road, this is because it meets all of my criteria for my place.



Planning restrictions

What are planning restrictions?

Planning restrictions are used to restrict where a business can build or start up. If the government says no then it would be against the law for the company to build there.

What do they do?

They help to protect areas that are of beautiful nature from being destroyed. They also stop factories from opening near homes. The planning restrictions also help to bring business into areas where there is high unemployment. The government will do this by offering incentives of building in a certain area.

What planning restrictions apply to me- From research into local planning restrictions have found that I must get permission for the following:

- ▲ Any alterations placed by me near my shop
- Shutters
- Extra building at the rear of shop
- ▲ Any structural work

I do not need to worry about the replacement of doors and windows as my business is in a non listed building.

Social effects of my place

What are social costs

These are costs that the rest of the local area must pay because of where your business, or factory. There can also be social benefits, this basically means what is gained by the local area from you placing your business there.

My social costs- The social costs as a result of where I place my business are:

- May be increase in traffic
- Increase in litter
- My result in local competition closing down

The social benefits that come from me placing my business area:

- People shop locally

Creates one or two extra jobs
Helps the local economy

Evaluation

The place that I have chosen has more advantages than disadvantages. This is because my shop will be near a main road that will allow people to see any promotions, and they will be drawn to the area by the large supermarket. ▲ Also there is a large supermarket near by, because of that there is bus stop opposite which makes it easy to get to my shop. ▲ other major advantage is that there is bank near by that has a cash point meaning it easy to withdraw cash. There are some disadvantages primarily that there is no dedicated car park, and that there are parking restrictions. The main parking restrictions are that there is no parking on certain points between 8 PM and 6 PM Monday - Friday. The planning restrictions in the local area are not very strict so this will help if I want to make changes to my business. There are very few social costs, but there are also few benefits. The major benefit of me placing shop in my chosen place is that this would bring people into the local area to shop. This would help other local shops.

Channels of distribution

▲ channel of distribution is the way that company gets its product to its customers. If the product costs a lot and few are sold then the manufacture will sell direct to the consumer. If the product is cheap and large amounts are sold, it is easier to sell the product to a whole sales in thousands, and they then sell it on. This type of distribution needs to be efficient and cheap to run.

There are four different channel of disruption:

Channel 1 of distribution

This is the most simple method of distribution, as it involves the manufacture selling direct to its customer. This is usually impractical if you don't live near the manufacture, but that is why they ship them out. Examples of goods that are sold direct are:

- Computers
- Furniture
- Spare parts
- Books
- Software

The reasons for this is that if the product is quite expensive then to lower the price they can cut out the middle man.

Channel 2 of distribution

This is a very common method of selling, as the manufacture sells the product to a reseller and they then sell it to the public. This is very widely used by supermarkets, or clothes.

Channel 3 of distribution

This form uses a wholesaler who buys the products in bulk from the manufacture, then sells to the re-seller. This is to break up the bulk as a small shop can not buy in very large amounts, so it buys in small amounts from a wholesaler.

Channel 4 of distribution

This is when the product is sold through agents some times in different countries. The manufacture will export the product to the country, the agent will know how best to sell in the local conditions.

My distribution method- I will use channel 3 of distribution, buying from a wholesaler, primarily as they break up the bulk, so it means I have a wide range of items, buy having selective numbers in stock. This means that if I see that one product is selling very well then I can buy more from the wholesaler, and if a product is not selling then I can stock less.

What is the role of the wholesaler

The wholesaler is very useful to the local shop keeper and the large manufacture. The services that are provided by the wholesaler to the small shop are:

They break up the bulk so they make it easier for the small shop to buy goods. They fill in gap between the manufacture and shop, as a small shop would not be able buy large quantities of goods, so instead they can buy them in small amounts from the wholesaler.

They have lots of choice of products as if they were to buy from a manufacture they might to be tied to there line of products. ▲ Also as they would have to buy in bulk they would not have space for as wide a range of goods. This may upset some customers as there is no choice.

The wholesaler can deliver the goods in large amounts, as the local shop keeper may not have the vehicle to transport large quantities of goods. ▲ Also if the goods must be transported in special conditions (Frozen), then it is more likely that the wholesaler will have the special vehicle, unlike a small shop. This also saves the shop owner time.

▲ wholesaler will normally give the shop keeper credit, so this free up cash, that can be used for other things. If cash is paid then the wholesaler may give a discount.

▲ wholesaler may be able it give more information on a product, or new products. This is because they sell the product them self.

What dose the wholesaler do for the manufacture:

The wholesaler buys the product in very large quantities so it saves the manufacture time. This is because they are only dealing with only a few retailers, instead of lots. This cuts down on paper work, and transport.

They save storage space for the manufacture, as the large quantities of goods are stored by the wholesaler not the manufacture, saving them space.

The wholesaler may normally carry out the promotion, saving the manufacturer money on advertising.

How will the wholesaler help me- The wholesaler will be very important in my business, as it will help to break up the bulk. The wholesaler being able to deliver will save me time and money, as will not have to invest in special equipment. The wholesaler also may give me credit that will help free up cash for my business.

Price

How will I price

This must be right, as people will have to buy large numbers for you to make a profit. The price that you charge can depend on what you are trying to do. If you want to attract a lot of customers then a low price is better, but if you know that your product is better then you may charge a higher price. There are three types of price:

• Low price- To attract lots of customers, you will have a price lower than your competition.

• Average price- Your price will be same as the other companies, so you will try to get customers other ways.

• Higher price- If you know that your product is better than your rivals, and your customers know that then you can charge a higher price

My price: My price will be as low as possible, so that I can attract the largest number of customers. I will also have goods that are of a high price, that are specialist and only I sell them. Even though I am aiming at social group C, they may be looking for cheap television or videos which I should be able to sell to them as well as the more expensive models.

How to price?

This is very important as you must decide how to price your products. There are six main ways of pricing your products:

Cost plus pricing- This is where the company will figure out how much a job costs, and then add on a certain percentage, this is sometimes called a mark up. An example is a garage, a repair may cost £100, but when they add on their mark of 40% it comes to £140

Hour based pricing- This is where the work that is done is charged for by the hour.

Penetration price- This is a company will bring out a new product and sell it very cheap, so that it gets in to market very quickly. When they have established the product in the market they will raise the price.

Skimming- When you first realise a product in to the market at a higher price then lower the price later. This is because sometimes customers will like the prestige of having your product first, before anyone else. This is called skimming as you skim your customers first selling to the richest.

Destroyer- This is where you price your goods or service at very low price so that you put the other companies with that service or goods out of business.

Crucial price point- This means the pricing difference between £9.99 - £10.00. ▲ customer will feel that the £9.99 is a lot cheaper than the £10.00, even though it is only a penny. This also applies to £1.89 - £1.90, this works on a number of prices.

My pricing structure: I plan to use the crucial pricing point, and to sell my goods at a penetrating price on a permanent basis. This is because using the "crucial pricing point" makes my goods seem cheaper, so I will sell more. The reason that I will use penetration pricing is that this should attract customers, destroyer pricing is impractical as I would find it hard to compete with the large companies like Dixons, or Currys. To get my promotional price I would add on a certain amount to the price, around 15%.

Evaluation

The method of pricing that I have chosen does have some disadvantages. The main disadvantage is that I will have to sell a lot of my product in order for me to break even and then to make a profit. ▲ Also if I am going to try and have a price that is lower or the same as my competition then I will have to do research in to other prices. To do this it will require to spend time, into researching the local prices.

Conclusions from action plan 1

From my action plan I now know:

- ÿ My place
- ÿ Pricing structure
- ÿ Target group

Some of the information that was gathered will be used in other action plans, as this will save me time.

Evaluation

▲ After evaluating my action plan I have found that I need to cover these areas in the next action plan. I will now create a new action plan, covering points that I missed. The way that I did my action plan I think is quite good, as I have organised it in a logically fashion.

▲ Action plan 2

This action plan covers points that I missed in my previous action plan, and any points that needed to be covered because of what I did in the previous action plan.

Task	What I need to do	Date start	Date finish
Product	I will research into all aspects of my product from packaging, to customer benefits	27/10/99	2/11/99
Packaging	I will research in to the best method to	2/11/99	4/11/99

	package my product.		
▲Advertising	I will research into different methods of advertising, comparing advantages and disadvantages of each. I will also have to carry out a questionnaire.	5/11/99	12/11/99
Promotions	I will research into how to promote my product, and I will also look at other companies promotions.	13/11/99	20/11/99

The product

This is important as it must have the right features to sell, good looking, hard wearing. In a small business it is easy for the business to design the product for the customer. The small business can also order special parts for the design. Customer service for a small company is normally better as they can stay open longer, and there after sales support is better. It will be easier for a customer to take a piece of equipment to a local shop, then send it back to a large company. During the products life it will have many changes to improve it, this is the products life cycle. During a products life cycle the profit and sales of the product are linked, so if sales fall so does profit.

There are many ways of putting the life back into a product:

Changing, or improving the product- This could mean that the company introduces new features, designs, or models.

▲Altering distribution patterns- sell your products in a more attractive way, e.g. redesign your shops or introduce catalogue or Internet shopping.

Change prices- This can make the product more popular if the price is lowered.

Promotional campaigns- You can revamp a product by adverts, that say but on get one free, or free trials.

Products, brands, and packaging

If your product does not have the benefits that a customer wants the there is no point in spending money on adverts.

Product benefits

These are the benefits that your customer wants when buying your product. This means things like on a hot day you buy a cold drink this benefits you as you cool down.

Examples of benefits are:

- ÿ Connivance
- ÿ ▲Accessibility
- ÿ ▲After sales support
- ÿ Reliability
- ÿ Comfort and easy use
- ÿ ▲Accountability, so if the product goes wrong then you there is after sales support
- ÿ Good staff
- ÿ Good designed and looking packing
- ÿ Peace of mind, as you know that the company is trust worthy

The more benefits that you can provided the higher the price you could be sell your product for, competition is about creating benefits.

My Benefits- To see what benefits a customer would want from my product I will carry out a survey to see what benefits are important to a person. I will only as people in my target group with a wage of £15000.

▲Aim

The aim of the questionnaire is to see what benefits a customer would want form local electrical shop.

Questions

When buying from a shop, what is important to you? (You may tick more the one)

Shop has a good reputation **15**

Good after sales service **20**

Home delivery **20**

Home installation **16**

Convenience **20**

Extended guarantee **45**

Other **20**

Never undersold guarantee **30**

Would pay extra for these service?

Yes **70**

No **30**

▲Are the benefits available more important then Price?

Yes **85**

No **15**

Which of these would pay extra for? (you can tick more then one)

Home delivery **35**

Home instillation **25**

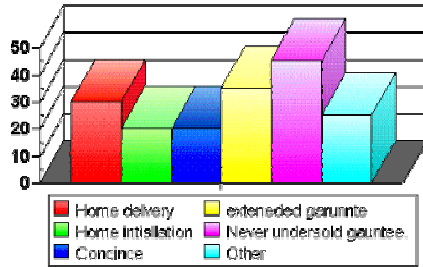
Extended guarantee **75**

Other **19**

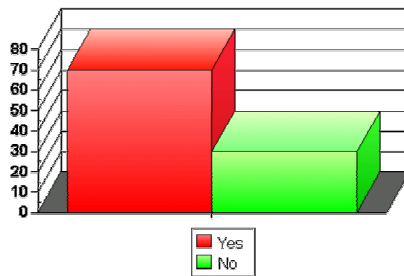
Results

The results are shown in bar chart form, as some of the questions the person could tick more than one answer.

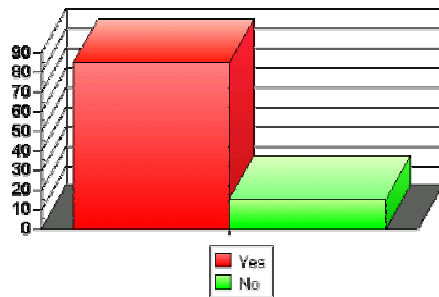
When buying from a shop, what is important to you?
(You may tick more than one)



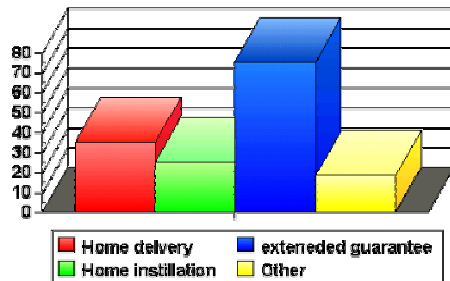
Would you pay extra for these services?

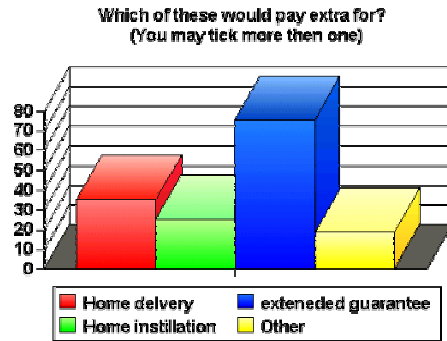


Are the benefits available more important than Price?



Which of these would pay extra for?
(You may tick more than one)





Conclusion

My conclusion is that it is very important to have benefits that help to sell your product. Also that people are willing to pay extra for some these extra services. I also found that people were influenced by what benefits that they can get from other sores.

Other research

I also used the Internet to research into the benefits that are offered by the major retail outlets and found that:

Most shops charge for:

- ÿ Extended warranty
- ÿ Home delivery and instillation

Most shops for free offer:

- ÿ Never undersold guarantee
- ÿ Good after sales service
- ÿ Convenience
- ÿ Customer credit

Also I spoke to a owner of a similar shop who said that I should offer as many benefit for free as possible, as I will most likely sell more thus covering the cost.

My benefits- The benefits that my customer will get as a result of my survey are:

Benefits that they will receive for free;

- ÿ A shop that has a good reputation
- ÿ Good after sales service
- ÿ Convenience
- ÿ Extended guarantee
- ÿ Never undersold guarantee
- ÿ Customer credit
- ÿ

Benefits that my customers will have to pay a small fee for are:

- ÿ Home delivery
- ÿ Home instillation
- ÿ Customer credit (The money is made on the interest)

Evaluation

The benefits that I am offering are ones that are already offered by the local competition. This is because not one store offers all of them and my survey showed which ones were the most important. The reason that I will not be offering interest free credit is that this would lose me a lot of money. Instead I will let the credit be taken of by a third party, but hopefully the opportunity of credit would bring in extra sales.

▲ a company can make more than in product this is called the product mix. Each and every product must have good strong brand that makes it recognisable to people. ▲ very strong brand is Coke a Cola brand, as the colours, shape of cans, and lettering tell the buyer what the product is. The characteristics of the brand comes from the products physical features of the product. This means the taste and the shape of the product. These are created by the manufacture through adverts and packaging. People talk the products consistency this not only means the quality, but its design, and advertising campaign.

Is image Important?

The image of the product is the way that the public see you product. Your product could have a negative or positive image, this depends on how the product is advertised and presented.

My Image- The image of my product will be taken care of by the manufacture, but I will make sure that my store is a sort of brand. This would help people to remember my shop. I plan to create my image by a good advertising campaign, and by offering a good service.

How packaging effects the product?

Packaging is the way that the product is presented to the public, the packaging can give benefits:

- ÿ ▲ Attractive
- ÿ Strong for transport
- ÿ Can be dismantled for storage
- ÿ Or is easy to use

There can be problems with packaging, it can cause the following problems:

- ÿ Increase the production cost
- ÿ Make the product bigger and heavier so it costs more to transport
- ÿ The more packaging that you have, the more waste you will produce

This means that firms have to think very hard about their packaging, as they must consider the advantages and disadvantages of their packaging. To help decide what type of packaging I will use I carried out research into existing packaging. I found that current packaging was bulky.

My packaging: My packaging will be what the goods are supplied in by the manufacture. This is because they will have spent lots of time and effort on designing the best packaging. For accessories I will supply bags that carry my logo and shop

names along with other information. This would be: opening times, services available, and special offers.

What is the aim of advertising?

The aims of advertising are:

- ÿ Inform people about the product
- ÿ Create a image
- ÿ Increase sales
- ÿ Compete with other shops
- ÿ Introduce in products into the market

What is the aim of my advertising- The aims of my advertising will be:

- ÿ Increase sales
- ÿ Compete with other shops
- ÿ Create a image

I do not want my advertising to try and introduce new products into the market, as this is normally done by the manufacture on a national scale. The manufacture will also inform people about the product.

Informative advertising

Currently in the biggest spender on this form of advertising, is the government this advertising is used to pass on information to the public. The passing on of this information is very important in any advert.

Persuasive advertising

The washing power industry spends as much as the government on advertising, there adverts try to persuade the viewer that there products are much better then the compensation. There goal is to attract people to buy there products.

There are different types of pervasive advertising:

- ÿ ▲dverts that show a famous person using the product
- ÿ ▲dverts that compare one product with a other
- ÿ ▲dverts that use sex to sell the product

Public relations

Public relations is the department that that try's to promote the and show the good side of the company to the public.

▲Advertising agencies

▲ Advertise is a very expensive business, to make sure that the money is well spent they will hire a company to do it right. For a advertising campaign to be successful it must:

- ÿ Reach the right audience
- ÿ Be attractive and appealing
- ÿ Make the money that the audience cost back in sales.

Control over advertising

In a advert you can not put just put anything in it, there are certain rules they are:

There is a code of practice in side the advertising industry that you must obey. The trade description act, which means you can must describe as truthfully to the best of you knowledge.

My method of advertising: I plan to use informative advertising as I want to inform people of the benefits of buying from my shop.

What media's are there for advertising

There are many different types of advertising, each has advantages, and disadvantages these are:

Televisions

This is a very powerful media to use to get your message across this a very useful media. The advert that is produced will be seen by millions. The time at which your advert is shown effects who see it. If your product is for children then you would show your advert during children's programmes, not adult. You must also take into account the number of people watching, as this will effect the cost. To produce a advert you must take I these things:

How many adverts can you afford, as there would be no point in only being able to run your advert once

When will it be shown

Is the advert its self correct

▲ Advantages

- ÿ Reaches the largest number of people
- ÿ The adverts can make the product look much nicer, then in print

Disadvantages

- û Very expensive

Radio

This method of advertising is very similar as television advertising, but it is cheaper and sound is used instead of visual images. In a radio advert a theme tune is used.

Disadvantages

- ⊖ People may switch station when the advert comes on
- ⊖ If there is poor reception then the listener may miss the advert
- ⊖ There are no radio stations that take adverts that span the whole country

▲ Advantages

- ⊘ Cheaper than television
- ⊘ Large audiences can be reached
- ⊘ This type of advertising is very good for local shops
- ⊘ The advert can be repeated many times

Newspapers/Magazines

Newspapers are normally produced and bought every day, so people will see your advert daily. Magazines on the other hand are normally produced weekly, or monthly. Newspapers can be aimed at different people, some are aimed at business owners, while others are aimed at very one. ▲ newspaper can be local national, the difference is that a national paper is available all over the country while a local is aimed at the local area. It is easy to see what social groups read a national paper, while this is harder with a local. ▲ magazines are normally aimed at specific groups, the adverts also do the same. This basically means that if your shop sells computer parts, then you advertise in a computer magazine.

▲ Advantages

- ⊘ ▲ advert in print is normally kept for longer, so it may be seen many times by different people
- ⊘ Colour printing is now available at a much lower cost
- ⊘ Coupons can be in the advert so that the person can cut them out
- ⊘ Easy to reach a target group with magazines

Disadvantages

- ⊖ Reader most of the time will skip the advert
- ⊖ You may have to design different adverts for different newspapers, or magazines
- ⊖ In some newspapers/magazines the advert may be surrounded by others, thus causing the advert to lose its effect
- ⊖ Magazine adverts cost more than newspapers
- ⊖ Newspaper adverts are not normally in colour

Posters billboards

These adverts are normally in a permanent place, and they are seen by every one. This means that these are good method of advertising if trying to target a large number of people.

▲Advantages

- Ü ▲ poster will be visible for a long time
- Ü The posters are normally big, colourful so they grab people attention
- Ü They can placed on buses, trains, and in stations
- Ü Very good to advertise in the local area
- Ü Quite cheap

Disadvantages

- Û Posters may be ignored by drivers, or pedestrians
- Û Message must be brief, or it will not work
- Û ▲adverts may be damage by vandals
- Û No detailed information can be placed on the advert

Leaflets

These can be targeted at certain people or area, by only giving the, to people in that area. This means that they are good to target certain groups.

▲Advantages

- Ü Very good to target a certain group
- Ü ▲are relatively cheap
- Ü Can include coupons for the reader
- Ü May be kept around for a long time by the reader

Disadvantages

- Û May not be read

Cinemas

This type of adverting can be very affective. The film that is being watched will effect the advert, so in a kids film you will advertise kids toys.

▲Advantages

- Ü This a good method for a local business to advertise
- Ü The advert will have a big impact, because of the size of the screen and the quality of the sound
- Ü Very good to target a young audience
- Ü Easy to target a audience, by the film

Disadvantages

- û People may dislike the fact that they have to wait for you advert before they can watch the film
- û Only seen by a limited number of people

Evaluation of advertising

It would be impractical of me to use television as a form of advertising, as I will only have one shop in a local area, and television is not good to advertise in the local area. ▲Also the cost involved in creating the advert, and putting it on television is enormous. This would mean for me to run the advert more than once I would have to cut things for my business like customer benefits, and opening hours. Radio would be a better option but as I only have one shop, it is not a good method to use at this time. This is because the advert will be heard by the whole of London, but I am only at the moment targeting at the Harrow area. Local papers are a very good method in my case, but this will depend on the results of questionnaire that I carry out. ▲ magazine is not suitable as they are normally national. ▲ other very good method would be advertising on local transport, as they will be seen by people in the local area. This will also depend on the results of my questionnaire. ▲ mail shoot I think would be a good method as I can target a specific group, and it is very cheap, but this will also depend on my research. ▲Advertising in a local cinema would be a very good method, but I because it only goes to a limited number of people I think it is not that good. ▲Also as films are normally seen by young people, this is a disadvantages as they often have the least money. The method of advertising that I am choosing has little effect on the local area. The only effect that there is that the leaflets that are delivered are just thrown away damaging the environment.

Questionnaire

▲im

The aim if this questionnaire is to find out:

Which media most people see/have access to
Which adverts do they read them
When they are seen/read

Questions

Which of these media's do have the most access to?

Television 35%
Radio 15%
Print 6%
Poster bill boards on transport 25%
Road side posters 3%
Cinemas 1%
leaflets 15%

Do you often read the leaflets that you receive?

Yes 44%
No 56%

When do you listen to the radio

- 8.01 am - 12 PM 22%
- 12.01 PM - 4 PM 8%
- 4.01 PM - 8 PM 34%
- 8.01 PM - 12 PM 10%
- 12.01 am - 4 am 1%
- 4.01 am - 8 am 25%

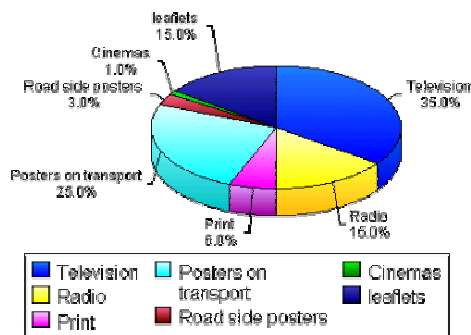
What grabs you attention in a advert?

- Slogans 22%
- Bright colours 18%
- Brand names 35%
- The shape of the paper the advert comes on 25%

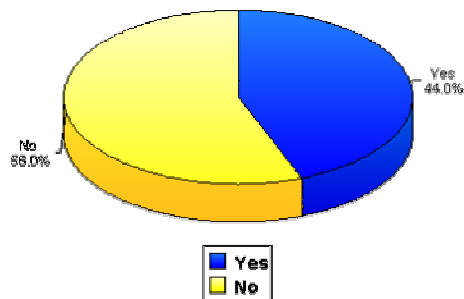
Results

The results are shown in pie chart form as they best represent percentages.

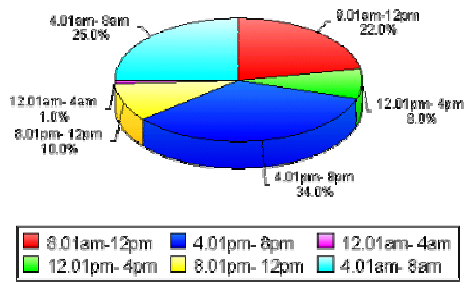
Which of these medias do have the most access to?



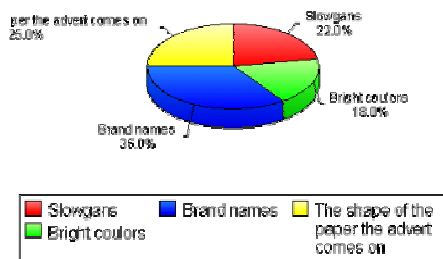
Do you often read the leaflets that you receive?



When do you listen to the radio



What grabs your attention in an advert?



Conclusions from results

My conclusion is that the best method for me to use is poster bill boards on public transport. Even though more people have access to a television, this media is not suitable for my business. I will also use leaflets as this would mean that I could put in coupons for the reader. Also that I should use bright colours in my advert, as my leaflets should have a distinctive shape.

My method of adverting and cost- I will advertise on the local transport system £98 per month, for a small advert on the back of a bus. The leaflets that I will produce will cost £25 for a 1000 delivery, and printing costs vary.

My advert- My two adverts will look like:

The first advert is the one that would be placed on buses. The advert is brief, and shows some information about opening times. The advert is brief as there may not be time to read it. The advert has the logo of brands so that people know what brands I sell.

The second advert is in a round shape as I hope that this will catch a persons attention. It has the same colours, and style of the other advert so that people will remember them. There is also a discount if you show the advert on one purchase, this is a way of getting people into the shop.

Promotions

▲ promotions is not run for a very long time, they are used to help the adverting, and to get existing and new customers to buy the product. This is only ever used for a short time. ▲ example of a promotion is buy one get one free for a certain time.

The advantages of having promotions are:

- ÿ Can help to boost sales when they are low
- ÿ Gets new customers to try old products
- ÿ Gets people to use new products
- ÿ Engorges the purchasing of that type of brand

There are many ways of promoting a product they are:

Money off

This is where you offer money off your product so to attract customers. Coupons could be used, these can be in leaflets, or come in a previous product that you buy. ▲ other way is where there is a discount in the whole shop and no coupons are needed. The idea of these are to get the customer to buy your product.

Gifts

These are normally used to get kids to buy a product. The gift can come in to ways, either in the packet its self or by collecting coupons. The coupons would be collected over time then exchanged for a toy or gift, sometimes money is also needed. The idea of the coupon is to get the person to buy the product more then once. Then when the offer is over that the person continues to buy the product.

Competitions

This is where the product that is brought will being running the competition To enter the competition you need to get a form by buying the product, the prizes that can be won normally cost a lot. This gives the person a reason to buy the product.

In store displays/demos

This is where there is a in store demo of the product in use, or there is a special in-store displays. The idea of these is to incise the customer into buying there product.

Free samples

This is when a free sample of the product is given out, this can either be in the store or posted through your letter box. The samples can also be given out when you buy other products. This method of promotion is mainly used to promoted food items, perfumes, drinks, and shampoo's.

▲After sales service

This is very important were very expensive products like televisions, kitchen appliances or computers are involved. ▲ person who buys a expensive product will be influenced by a warranty, this is because a customer wants to know that if the product goes wrong in a few months they can get it fixed. ▲After sales support can make person by from a specific shop just for the extra warranty.

My method of promotion- The method of promotion that I going to use is after sales service, price reductions, and in-store demo's. This is because televisions, videos, and hi-fi can be very expensive, and from previous research I found that this is very important. The in-store demo's would be used as the customer would want to see what the

products permanence is like. Using price reductions of small amounts, like £ 10 off your next purchase would help to bring people back. The use of free samples, gifts, competitions are not very suitable for my shop. This is because it would be impractical to give out free samples, competitions will take a lot of time to set up and run, and gifts are not of any use as you normally only buy one of the product, normally.

Conclusions from action plan 2

My conclusion from my action plan are:

- ÿ I now know what methods of advertising, promotion, and packaging I will use
- ÿ I know what benefits I will offer my customers

▲Action plan 3

Task	What this means that I will have to do	Date start	Date finish
Regulations	I will research into any legal regulations that I have to comply with.	22/11/99	1/12/99
Insurance	I will research into any types insurance that a business needs	15/12/99	23/12/99
Employment	I will research into any employment laws, and how I will recruit.	24/12/99	2/12/99
Loans	I will find out about business loans	2/11/99	3/1/00
Budget	I will create a detailed budget from what costs I know.	3/1/00	4/1/00

Regulations

These are laws that are passed by the government to help protect people, and the local area or country. In the UK there are also laws that protect the consumer, this is because it is easy for the customer to be misled.

What laws must I comply with?- The laws that effect my business and I must comply with are:

1968 Trade description act- This stops a business from not supplying the right information about a product on purpose

1974 Consumer credit act- This means that when people take up a credit agreement they get a copy of it. This is so that they can see how much they have borrowed, over how long, and how much interest they will pay.

1979 Sales of goods act- This is a very important law as it makes it does not allow:

The selling of faulty, dangerous products

The selling of products that are fit to use for the required task. This means selling a wood glue to a person who wants to glue plastic

The selling of products that do not do what they are claimed to be able to do

1987 Consumer protection act- This stops people from using misleading pricing claims, e.g. saying a product is at a reduced price when it is at the same. It also makes the supplier responsible if faulty goods are sold then the supplier can be sued for the cost of the damage caused.

These are the laws that I must comply with when selling goods but there are also other laws. These laws are here to protect the employees from unfair treatment at work.

Employees are protected from:

Discrimination

Poor working conditions

Wage protection

Discrimination

The laws prevent there from being unfair discrimination at work. They can not discriminate on the basis of:

Disability

Age

Religion

Race

Gender

The laws that were passed are:

1975 Sex discrimination act- This stops discrimination on the basis of gender, or marital status.

1976 Race relations act- This stops discrimination because of race.

1944 Disabled persons employment act- This applies to large firms over a certain size, this act means that 3% of their work force are registered as disabled.

Working conditions

These laws that stop the mistreatment of the workers. This makes it the law for a worker to have:

Breaks when working very long shifts

Provide safe, and clean working conditions
Provide a workplace that is of a reasonable temperature
Provide cleaning facilities and toilets
Protection from dangerous machines

Wage protection

This gives the worker the right to be paid for the work that they do. This also gives the employee the chance to a contract of employment. This contract states:

Job

Wage rate to be paid
When they will be paid
any deductions that will be made
That the minimum wage is paid

Which of these are apply to me, and how will I comply with them- I must comply with all of the laws that I researched into. The consumer protection act guarding against the selling of faulty goods would be wholesalers responsibility. This is because I would be buying from them. To protect the employee I will make sure that my shop has a good working environment as I would be working there.

Insurance

What does insurance do?

Insurance helps to reduce the risk for a business. To do this you take out a contract that protects you against a certain risk. To have this cover you must pay certain amount every month, or yearly. As results of getting insurance you are given a insurance certificate. If your business suffers damage, or is closed then you receive a cash pay out.

What can you cover?

Insurance cover can be taken out against any thing. A person who plays football will insure them self against a injury that could stop them from playing football. To have this they would have to pay a high premium (this is amount that is paid on a regular date in return for insurance), because there is a high risk.

What can not be covered?

There are some events that can be covered, they are:

▲ consequence of your actions, this means if you insure your car you can not then steal to get the insurance

Wide spread risk, this is widespread risk which will cause lots of loss like in a war

Risk can not be assessed this means where do not know the risk of a business failing

Insurance that a business must have!

There are only two kinds of insurance that a business must have by law they are:

Employers liability- If a business has any employees then it must take out employers liability insurance this covers the employees death, injury, or illness caused by a accident at work because of employer.

Motor vehicle- If you own a motor vehicle then you must have third party insurance, which covers the death and injury of other people in a crash.

What other types of insurance are there for business?

There are other types of insurance policy's that business can take out they are:

Bad debts

When credit is given there is chance that the person who you are giving credit to may be unable to pay you back. To stop you from loosing the money you take out insurance against bad debts.

Theft

This insures a business against theft from them, this is very important where the stock is worth a large amount of money.

Public liabilities

This insurance is very important, if a customer is injured in shop because it is your fault, or a employees then you have cover from being sued.

Fidelity guarantee

Gives insurance against your employees stealing or committing fraud against the business.

Fire and other risks

This is when your insure your business against floods, fire and storms. This is very important where very expensive machines or stock are involved.

Frozen food

This gives cover against the loss or damage of goods that are frozen due to a power cut.

Professional indemnity

Protects people in professions from being sued if they give bad advice.

Product liability

Gives cover against any defects in any products that are on the shop premises from causing injury to anyone.

Goods in transit

Covers goods that are lost, or damaged while being transported.

Plate glass

This covers very large and expensive shop windows from damage caused by vandalism or accidents

Life assurance

If a self employed person dies, then the people who rely on him for support get a cash pay out.

Loss of profits

If there is a disaster and the business can not open, then you will be covered for the profits that are lost.

Personal accident and sickness

This pays a certain amount of money to self employed person if they can not work due to illness, or a accident.

Permanent health

This cover pays a regular amount of money to a sole trader if they are unable to work for a long period of time due to ill health.

Money

This covers against of money being lost, this includes more then theft and covers all cash, cheques, and valuable documents that are in the business.

Which insurance's will I get?- The insurance's that I will have to take out are: motor vehicle and employees liability. The insurance's that I can choose to take out, and that I will are: Permanent health, as I am a sole trader
Theft, as there is a high chance of theft
Public liability, as I will customers in my shop
Fire and other risks, as I will expensive stock on the site
Loss of profits, as I my shop closes then I will need to find a income.

The reason that I took out those insurance's and not others is that those are the ones that apply the most to my business.

Employment

For my shop I will have to run I will have to higher staff, there are different types of staff I could higher:

Temporary workers- This is where I would higher staff just to complete a certain task.

Part time workers- This is where I would higher staff who just work a certain amount of hours are counted as part time.

Short term contract- This is where I would higher staff only for a short amount of time, like 6 months then I after the 6 months I can dismiss them, or renew the contract.

Which will I use- I will use part time staff, as they will be very flexible, also as I will be working in the shop I will only need staff for some of the time. The laws that I have to comply with when hiring are the:

1975 Sex discrimination act
1976 Race relations act
1944 Disabled persons employment act

How to advertise, hire, and pay the staff?

Which media to use?

There are many different media's that can be for advertising a job. News papers are the most common method of advertising, if you are looking for people to do any job locally then the local paper is best. If you are looking for a senior manager for a national company then you would use a national paper. There are also jib centres, or advertising in a local shop window.

How will I advertise for staff- I will advertise in the local job centre, and the in the window of my shop. This is because in a job centre the advert will be seen by a number of people who want the job. I will also use my shop to advertise so that I can attract a person from the local area.

How will I hire my staff?

The most common method of hiring staff is by using interviews. This is where applicants are short listed, and then asked for a interview. ▲After the interview certain applicants are asked back, and the best is selected.

How I will Hire?- The method of hiring that is would use is interviews. This is because this is the simplest, and easiest method. ▲ interview would give me some idea of what the person would be like if they worked in my shop. I would then have the applicant for a trail period to see if they were suitable. If they were then I would hire them.

How to pay my staff?

The rate that I pay my staff will depend on:

length of training, if I have to train the staff for a long time they may have a low wage for some time to pay for the raining

Qualifications, the more qualifications that a person has then it means that you normally pay more.

Type of job, if the work is manual then the pay rate is low, but If the work is non manual then the pay is higher.

Work conditions, if the person is working in very comerfterale places then the pay mat be higher.

Trade unions, if the worker is part of a trade union then they may sometimes get a higher salary.

▲ Also when deciding on what rate I am going to pay my staff I will have to think about the minimum wage. The minimum wage is £3.60 a hour, which is the lowest I can pay. If I pay a higher rate then my staff my feel more valued. Commission could also be used to add on to the basic, this is would reward the staff when they make a sale.

My payment method- The method of payment that I will use is based on the type of the job. If the person that I hire is qualified to carry out televisions repairs, accountants, or any thing else of use then they will be paid more. I will pay £4- £4.50, and I will not offer commission. This is because people do not like sales men who work on commissions. I will pay my self with what is left from the profits. This means that if I am doing very well then I will have a higher pay, and vice verses.

Loans

▲ bank loan is a very common source of eternal finance for a business. The loans is repaid over a certain period of time and interest is paid. The time period can be anything from one year to twenty or more.

How is interest worked out?

Interest must be paid on a loan, this is paid back to the person who lent the money. To figure out the amount of interest that is paid on the loan is worked out by this formula:

$$\frac{\text{Amount borrowed}}{100} * \text{percentage rate} = \text{total interest paid}$$

Nominal rate of interest

This is the rate of interest that is applied to the whole loan from when you take the money to when you pay back the last penny.

Fixed or variable?

The interest that is charged to the loan may be fixed or a variable interest rate. The fixed rate means that it does not change, while the variable can change. The interest rate that is charged depends on:

- ÿ The status of the borrower, a small shop may have a higher rate of interest then a large company
- ÿ How much money is to be borrowed, and for it will be used for
- ÿ The amount of risk that there is, will the borrower be able to repay the loan
- ÿ The value of the goods that are used to secure loan (these are taken if the loan is not paid off)

ÿ Bank rate, this interest rate is set by the bank of England, they also set the other interest rates.

▲ Are there any advantages or disadvantages to a bank loan?

▲ A bank loan may be set up quite quickly, in a sole trader business the borrower may have to use their home as security, and interest must be paid on the loan.

My loan, and how much?- The amount of money that I will £ 40,000. This is because when I talked to the owner of a similar shop they said that I would need that much to fit the shop out, and buy stock. The bank at which I would take the loans out at is with Natwest. This loan would be taken out over 5 years at a fixed rate of 5.5 % per month. This would work out as:

Amount	Time period	Interest	Total interest	
40000	10 yrs	5.5% per year	11000	51000
		Monthly repayment=	850	

Budgets

This is when you will try to predict the following things:

- Sales
- Rates
- Wages

This is done by all business, and is called forecasting.

There are many ways in-which a business can forecast, they are:

Past figures from previous years could be used to make a prediction or find a trend.

Market research could be carried out to find out what demand there will be for the product, then to figure out sales.

A budget is used to try and predict, revenue, costs, production levels, raw material needed, and cash flow.

The advantages of a budget are:

- ÿ They can help to set targets for the business to work towards
- ÿ They can give a rough idea of how the business is doing, by comparing the predicted budget with the actual budget
- ÿ They help to allocate money to certain departments that need the money, this helps as then money is used efficiently.

My budget- I have completed a budget on estimated, and exact costs that I know. This is because there is now way that it is possible for me to predict all of the costs. The costs are estimate for one month. The below table is a balance sheet account.

cost area	Budget		
Staff	612		
Insurance	300		
Rent	600		
Loan repayments	850		
Untlites	150		
Advertsing	294		
Other	120		
Business rates	300		
Total	3226		38712

(Figures in red are estimates)

The costs that are red are costs that are a very accurate prediction. I have know created a trading accountant mainly using the data from a business of a similar type.

Cost/profit area	Cost	
sales	70000	
Opening stock	15000	
Purachses	10000	
Total stock for sales	25000	
less closing stock	6000	
Cost of goods sold	19000	
Gross profit	51000	

(Figures in red are estimates)

This is a prediction of what a trading account for my business would like. The figures were taken from shop of similar type.

Profits loss

Cost areas	£	
Gross profit	51000	
Less costs	38712	
Staff	612	
Insurance	300	
Rent	600	
Loan repayments	850	
Untlites	150	
Advertising	294	
Other	120	
Business rates	300	
Net profit	12288	

(Figures in red are estimates)

It would be hard for me to create a break even point as I do not have enough information to make a good prediction. This is not a bad profit for a first year of a sole trader business, the costs are estimates based on a other shop.

Evaluation + caparison

The profits for my fits year of business are quite low but this is normally the case with most business. For a first year the estimated profits are not far of what a established shop would take in which is £25000.

Conclusion form action plan

From this final action plan I now know:

- ▲ rough idea of my budget
- How I will hire and pay staff
- What laws I must comply with
- Which loan I would take out
- What insurance's I would take out

This action plan covers all of the points that I missed in previous action plans.

Conclusion

My conclusion si that it would be possible to set up the area in the area that I choose. The only problem that I have seen is that my yearly profits for the first year would be quite low. To correct this I would hire seasonal staff.

Evaluation

My project I think project overall has achieved what I planned to do, that as to create a imaginary business. In the project I think that there are some areas in which I could improve the priject. The first is the predict cash flow is that some of figures are rough estimates To of got better estimates I could have asked more then one business of a similar type. ▲ other minor problem was that I has to estimate some of advertising cots, as I did not get a rate card when I sent off to the company. This meant that It was hard for me evalute all of methods, fairly.