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Ref unit2: how businesses develop

How businesses develop

The aim of this report is to produce a portfolio based on an investigation of two contrasting businesses. I have chosen two different companies for my report. It will include

- a description of type of ownership and the different liabilities of owners. A description off different industrial sectors and currant UK trends in their growth or decline.
- Description of business activities and current UK trends in their growth or decline.
- The reason for the location of each business. A Description of the influence of each stakeholder on each business.
- Of my chosen businesses.

Type of owner ship

The large company I have chosen is Tesco the reason I chose Tesco is it's a very successfully growing large company. Tesco is public limited company (PLC) (Means that any one can be shareholder) Public limited companies are the largest type of privately owned enterprise in the UK. A PLC has power to rise large amount of capital, through selling it's shares to the public.

A Public Limited Company can sell its shares on the Stock Market, the owners of a Limited Company are not involved in the running of the business, unless they have been elected to the Board of Directors

This means it can develop the business more easily then private limited company, sole trader. It can also benefit from being a large-size organization. It will be able to buy in bulk, and specialise.

Tesco sells Groceries, cloths, CDs, videos, DVDs, books, Computer Games, Electricals, school equipment, Wines and other alcohol drinks.

Tesco is currently the leading supermarket in uk. Tesco as a pretty good Competition from other supermarkets such as Sainsbury, Safeway. But Tesco is cheaper then most of the other supermarkets and they offers lot more products. Recoding to Tosco' on average Sainsbury's are 4% more expensive than Tesco and Safeway are

10% more expensive than Tesco.

There are more than 700-plus stores and many distribution centres are located in United Kingdom. They have several office sites in the UK and Ireland, where their key support functions are based. The majority of office staff is based in Hertfordshire. Tesco has been operating on an international basis for long time, anticipating the need to become a major retail name in key regions, they moved into central Europe, where they have a strong presence in Hungary, Poland, Slovakia and the Czech Republic and the dynamic Asian market.

Being a PLC Tesco has advantages such as have limited liability, enjoy maximum continuity, can raise large sums of capital, large size enable them to enjoy economies of scale' such as being able to buy supplies in bulk and they find it easy to borrow money than smaller businesses because they are less risk than smaller firms. But there is all ways face disadvantages such as employees and shareholders become too detached from one another because of the large size. Ease of transfer of share ownership can lead to 'take-over' bids for company. (Other advantages and disadvantages are shown below.)

Advantages of being a PLC

Raise large amount of capital from share issue,
Benefit from economies of scale, e.g. bulk buying, cheaper borrowing,
Produce goods at lower unit cost.

Disadvantages of being a PLC

Become too large resulting in poor labour relations,
Conflict of interest between shareholders and the Board of Directors,
Possibility of takeover or merger because shares can be bought by anyone,

Being a PLC suits Tesco because they can sell their shares to increase its income which make it easier to expand and grow. Tesco has limited liability, which means if they run out of money they go bankrupt and the owners don't lose any of their properties. Tesco have to sell all the goods and products. Tesco is suited to a plc because they can run cheaply buying things in bulk and save money then selling the products to their customers cheaper which increase the value of their share which means Tesco's competitors lose customers and Tesco gain customers.

The small company I chose is kebab house. The reason I chose kebab house because it's a well-known shop and I enjoy shopping in it. Kebab house is a sole trader.

Sole trader a sole trader describes any business that is owned and controlled by one person, although they may employ workers.

Sole trader is the simplest and the most common type of enterprise in UK. Been a small company kebab house has lots of advantages for example sole trader feels a personal involvement in the business, the owner dose not have to consult anyone else when making decisions. The owner dose not has to share profits with anyone else. But there are always disadvantages been a small company for an example, limitation on capital for expansion and cannot employ specialist workers such as accountants and information technology experts. Other disadvantage been is that sole trader dose not have any one to share the responsibility of running the business with. A good chief, for an example may not be very good at handling money in the shop. The most important one is unlimited liability, where the sole trader can be force to sell personal assets to cover any business debts.

Other advantages have been a sole trader is that:

Generally, only a small amount of capital needs to be invested, which reduces the initial start-up cost.

The wage bill will usually be low, because they're a few or no employees. It is easier to keep overall control, because the owner has a hands-on approach to running the business and can make decisions without consulting anyone else.

Other disadvantages have been a sole trader is that:

Sole trader often works long hours and find it difficult to take holidays, or time off if they are ill.

Developing the business is also limited by the amount of capital personally available.

I think been a sole trader suit kebab house perfectly because then they don't have to compete with the big chain-stores, it is also suited to sole trader because the owner

don't have to consult other people about his decisions he can just put them in to action. For an example if the owner knows there goner be lot of customers coming in at 2 a clock then he can shut the shop and reopen at 2a clock with out going through a chain of command.

Industrial sectors

Businesses can be described as belonging to more then one industrial sectors:
Primary Sector - The primary sector comprises the getting of raw materials, the growing of food and the catching of fish. Industries in this sector include: mining for oil, coal, iron and other minerals, forestry, agriculture, fish farming and land reclamation, etc. In the primary sector are also included the energy-making utilities like coal, oil and nuclear-fuelled power stations, gas-making plants and hydroelectric schemes.

Employment in the primary sector within the UK has declined dramatically within the last 25 years due to the fact many of the resources listed above have been severely depleted and it is now much cheaper to obtain these resources from other countries.

Secondary Sector - This sector refines, processes and manufactures and includes industries like petrochemical refineries, steel-making mill, factories for making equipment and machinery for industry and goods for purchase. Employment in this sector has declined because it is cheaper to make these products in other countries.

Today within the UK there 22 million service industry jobs and 6 million manufacturing jobs. Within the next 5 to 10 years the number of manufacturing jobs will continue to decline

Tertiary Sector - In this sector are the businesses which distribute and retail the manufactured goods; they include transport companies which deliver goods by air, sea or land, wholesalers breaking bulk from warehouses to retail store, retailing chain stores and multiples, franchised shops, newsagents and supermarkets, etc. Also included in this sector are the service industries which sell commodities like information, training,

People in employment are better off now than they were say 10 or 20 years ago. With more money to spend they buy more products and services (holidays, better quality clothes etc). People spending create jobs in the tertiary sector of the economy.

The Tesco comes in to the tertiary sector because it' provide the service. Is often called the service sector. It includes all the providers of services to the

business and to individuals.

Kebab House comes under tertiary sector as well because it sells goods. Primary industries have declined due to combination of exhausted supplies of raw materials. And cheaper imports from abroad. Secondary industries have become victims of drop in primary industries raw materials led to cheaper foreign competition. Statistics shows that tertiary sector has the most employment. (Primary sector has 494,000 employment, secondary sector has 5,079,000 employment and the tertiary sector has 17,664,000 employment) with drop in primary and secondary sector jobs people have naturally moved towards tertiary sector.

This means there are more workers available Tesco.

Main activities for Tesco and kebab house

Core activities for Tesco is food retailing, its secondary activities include selling cloths, CDs, videos, DVDs, books, Computer Games, Electricals, school equipment, Wines and other alcohol drinks.

Tesco offers finances such as loans, credit cards [OBJ], savings, flexible mortgages [OBJ] travel money. They also offer insurances such as motor insurance, home insurance, life insurance, pet insurance travel insurance and breakdown cover, as they're other activities.

One of the other service there do is Internet shopping, making life much easier for customers. In store Pharmacy all so adds up to the services they offer. Tesco has grown into one of the country's leading Pharmacy chains through offering customers the personal touch of the community pharmacy. Tesco also offers communicational services such as Tesco Internet access and Tesco home phone. (Tesco home phone is it's a new service from Tesco offering cheap home phone calls.)

Main activities for kebab house is retailing goods and making deliveries. . There for all the activates have to be made in person or by the phone. Kebab house don't have many activates like Tesco because kebab house is a small business and the Tesco is one of the worlds successful retailers.

Tesco attracts customer by advertising on TV, Internet, leading Newspapers and Margarine. Tesco also sends leaflets with the local newspaper, about reduced prizes and new products. By doing this Tesco keeps it's customers up to date with new products and reduced prizes. Kebab house don't have to advertise all round the country because no ones goner come across the county to buy a kebab. So kebab house attracts customers by advertising in local newspapers and local radio. There also advertise by handing out leaflets to the residents,

Tesco also has an online shopping service, which allows customers to buy online, and get their purchases delivered to them. Kebab house does not have an online shop like Tesco because kebab house is a local store unlike Tesco.

Tesco also has a recycling service like most of other PLCs. Tesco and other companies do this because they're always in the spot light. And they don't want to seem like their environmentally polluting because if the public find out then the Tesco will lose customers. Kebab house improve their self image by cleaning the shop and keeping it clean, wearing gloves every time when making food. This shows the customers that the food is clean.

The differences in my two companies are activated are that they have different ways to attract customers. Tesco attracts customers by advertising on TV and having recycle programs to improve the self-image. All kebab house do is try to keep the shop clean and present customer service.

Location

When choosing a location for a new store Tesco will look for:

Availability of skilled workers – If a branch does re-locate to a new area, it will need to ensure that there are skilled workers it can employ. If there are not skilled workers available, it will either have to encourage its existing workers to move to the new area, or train new workers.

Availability of suppliers – It is very important for Tesco to have close proximity to its suppliers. If it decides to move to a new area it must ensure that the suppliers within the locality can satisfy its needs. Otherwise it will have to use suppliers outside of the area. This could cause it many problems.

Transportation / communication facilities – Easy access to major road networks, international airports, and highly effective communication systems are all very important for Tesco or any other business.

Tesco is located just outside the town in an area where there are lots of other shops. It's located near PC world, Currys, Home Base and Halfords. There are located there because lots of shoppers come to this place to shop in the other shops, as we know Home Base and PC world are two of the biggest names in UK. so lots of shoppers come to the other shop to shop and they come in to Tesco because it's the only shop in the area that sells food.

Tesco attracts even more customers from the nearby shops by having a big car park. Tesco has a huge car park for its shoppers (free parking) because the car parks free and big lots of shoppers come and park in the Tesco's car park because

it's fast and they don't have to waste time on waiting for other cars to leave the other shops so they can park there. When shoppers park their car in Tesco's car park they always go inside the store to get something in the end of the day.

Another reason Tesco is situated where they are because they know they have no other competition in that particular location.

Because it's located just outside the town it is very easy for the staff to get to work because it's only 5 mins away from town centre. This means Tesco have more people to work in it. Because of the easy transportation.

Aylesbury is situated near motorways, (map below showing the motorways) which provides good distribution and easy access to bring in stock and supplies which means that Tesco will always have fresh foods and latest toys games etc. for their customers, so the customers will stay loyal to the Tesco. The most important influence is Aylesbury's rapid growth. Consequently increasing the population of Aylesbury means more people need food cloth etc... so increasing population means more sales for Tesco.

When deciding on a suitable location for a small retail business, such as Kebab House the owner needs to consider the:

cost – will the shop's turnover cover the rent?

Suitability – is the shop big enough, does it have heating, lighting etc?

Market – are there plenty of customers in the nearby area?

Access – is the shop in a busy area? Is there adequate parking nearby?

Competition – are there any similar businesses nearby? Also, are there any complementary businesses nearby, so for example a good location for a butcher's shop might be near a greengrocer and a bakery.

Kebab house is located in south court, near a local store. The reason kebab house is located outside the town is that they know there are lots of competitors for them. (Five to six kebab shops are located just inside the town). By locating outside the town and in a residential area it has no competition and there are lots of customers. Because it's the only shop that sells kebabs and chips in the area. They have lots of customers.

Kebab house does not have its own car park it has to share the park with the local shop which attracts lots of customers. The park has space for about 15 cars maximum. This can be a problem. But the local shop helps the kebab house a lot by

attracting the customer to the place. They're for providing customers to kebab house. Kebab house is near to Mandeville school so in lunch times there are majority of students go there to buy chips and drinks. By locating the shop near a school kebab house get more customer.

Kebab house is located right next to a bus stop, which provides easy access for the owner.

The influence of stakeholders on Tesco

The stakeholders in Tesco are the people who have an interest in how well the business performs. Because Tesco is a large retailing company it has large number of the stakeholders. They include shareholders (The people who own the business) employees (people who work in the business). Employers (employees are the people who work in the company as well as get others to work for them) customers (customers are the people who buy goods of the a company), Local community (local community are the people who live near the business), suppliers (suppliers are the people who sell to the business), banks, (banks gives out loans) government, and council. (Council charges Tax from the company or the shop)

Shareholders are stakeholders because they own part of the Tesco. Employees and employees are interest in good wages, safe place to work, and good work place to work in. Local community is interested in good environment. The supplies main interests are medium to a long term contracts with grantee payment. Customer's main interest in Tesco is good value for money, safety, and reliability.

The interest and expectations of the stakeholders change over time for a example if an employee of Tesco been working there for number of years on the same salary he might think it's time for a change in salary or even a new job in a different department the employee would go to the Tesco and ask if they would give him rise or not, as a result this could influence Tesco's decision because if they want to hang on to the employee they might have to reconsider his salary.

Stakeholders can change the decision of Tesco in various ways such as if their supplier would stop selling a particular item, Tesco would have the decision of stop selling that item or look somewhere else for that item.

The influence of stakeholders on Kebab House

The stakeholders in Tesco are the people who have an interest in how well the business performs. Because kebab house is fast food outlet it has small number of stakeholders unlike Tesco. They include the owner, employees, customers, local community, council and bank.

Owner is also a stakeholder because he owns the shop. Employees are interested in good wages and a safe place to work in. local community is interested in good environment, healthy food. (Local community is interested in healthy food because they're the customers.) customers main interest in kebab house is new and healthy foods, good service, low prices and well kept food. The interest of the bank is that kebab house put their money in the bank account there for making the bank richer.

Where I got my information from:

GNVQ BUSINESS STUDIES book,

(BUSINESS STUDIES GLOSSARY)