

Unit 2 – How A Business Develops

Introduction

In this assignment I plan to investigate how two businesses develop. The first company I have chosen to investigate is Morrison's, which is a public limited company is. The second business I have chosen to investigate is Medina Cash And Carry, which is a sole trader.

Type of ownership

Morrison's is a public limited company, which is normally larger than a private limited company.

Medina Cash And Carry is a Sole trader who is an individual who has set up in a business on his own.

A public limited company is larger than a private limited company. The share capital (money invested by shareholders), which has to be over £50, 000. Many plc's have a share of millions of pounds.

A sole trader is an individual who has set up a business on his own. The sole trader is the person who owns the business and who is also in control of the business. Sole traders set up the majority of the businesses in the U.K.

Liabilities of each business

A public limited company would not lose all their money invested in the company. They would have limited liability. You only lose the amount of money you put in.

Unlimited liability is being responsible for paying all the debts of the business and to the extent of selling your personal possessions. However if you are a sole trader and you went bankrupt you would not only lose your business you could lose your house and car.

Why does the ownership suit the business?

Morison's chooses to be a public limited company because it is a national company and it wants to expand and have the capital.

A public limited company can sell shares to acquire capital and expand.

Some of the profits in a public limited company are shared with the shareholders through an annual dividend payment.

A sole trader owns Medina Cash And Carry. It suits the business because the owner wants to be in charge of the business and in control of all the key business decisions. A sole trader wants to be his own boss. If another company came and took him over he would be disappointed. He would lose his independences and control over the business he would also have no control over the profit of the business.

A successful sole trader gets to keep all the business profits and does not have to share the profits with shareholders.

Unit 2 – How A Business Develops-how business have been affected trends and industrial sectors

Introduction

I am investigating two businesses Morrison's and Medina Cash and Carry. Morrison's is a national company, which is mainly based in the north. Morrison's have built new stores like hypermarkets they have bigger square feet of selling space, which means that they can buy more and sell them cheaply to the customers.

Morrison continues to research opportunities nationally and is constantly looking better for customers, it is simpler for the staff and cheaper for Morrison's.

Part 1

Morrison's is a large company selling a wide variety of goods including groceries, electrical goods and clothing. Other changes have been in the number of stores built up in the north.

Medina cash and carry continues to sell a wide variety of groceries, spices, and meat and although due to demand it also sells a variety of dairy products. Both businesses are part of the private services sector of the UK economy.

For the next part my analysis is based on figures provided by the HSBC the UK economy 2000. (See assignment sheet). Employment in the private services sector has grown rapidly in the past 20 years at the expense of both the primary and the secondary sector. Supermarkets such as Morrison's have seen a huge growth in employment in the past 20 years as the number of stores and the size of each store has increased. Further evidence of this is provided using Morrison's figures, in the past 5 years Morrison's has developed 90 new stores up in the north, clearly this has created more employment opportunities, in addition other supermarkets like Asda and Sainsbury's have been expanding at a similar rate. Medina Cash And carry has not in itself contributed much to employment growth nationally but the growth in popularity of sole trader businesses in the past 2 years has increased employment in the service sector where many such businesses are found.

Part 2

It is also perhaps useful to look at the contribution of the service sector overall to Gross Domestic Product or put more simply Output. It is clear

from the figures that the service sector in 1999 accounted for 47% of the UK's output. In 1950 this figure stood at 25%. Further information shows that the service sector by 2000 was contributing 90% of Britain's economic growth. Clearly the two businesses I am looking at have been part of these trends particularly Morrison's which as a large company makes a significant contribution to The UK's GDP.

Conclusion

In conclusion the figures clearly show that the service sector has grown most rapidly in terms of employment, it now forms by far the largest sector of the economy in terms of output and it is clearly the single largest contributor to growth in the UK economy. Morrison's in particular with its growth in stores, numbers employed and size of outlet has made a significant contribution to these figures.

Unit 2- Changes in the retailing sector particularly the supermarket sector in the past 20 years.

Introduction

In this part of the assignment I am going to write about the changes in the retailing sector particularly the supermarket sector in the past 20 years. I will also write about the trends of the growth in the service sector and the effect on both businesses that I have chosen which are Morrison's and Medina cash and carry.

Shop floor space

The bigger the supermarket is, the more you can sell in it.

Morrison's has increased the square feet of its stores, which are now bigger than 20 years ago. More goods can be sold because there they have more shelf space.

They buy in bulk and save money and make profit.

However Medina cash and carry buys what is needed. They have smaller square feet of selling space, which means that they have less shelf space to sell things. The sole trader would make a few pence on can of baked beans e.g. if he brought 25 can at 25p a can and sell them for 30p he would make only 5p profit on each can.

Whereas if Morrison's brought baked bean cans they would buy them in a bulk because they have more selling space then the sole trader and would save money and make profit on each can.

The sole trader would only make a few pounds profit on the goods he sells where as Morrison's would make millions of pounds profit on the goods they sell, they would make more profit on the things that sell then 20 years ago.

One stop shopping

The growth in one stop shopping has increased the number of hypermarkets over the last 20 years. They have a range of products, which are convenient for the customer, and have wider variety of goods to buy. This shows that the supermarkets sector has changed over the past 20 years.