

Business coursework introduction

For my GCSE business studies coursework I am going to create a business. The name of my business will be "paradise palace" as I am creating a beauty and tanning salon. There are two types of business organisations that I could create they are sole trader and partnership. The first type of business organisation that I could choose is sole trader.

This is a person who trades by himself/herself without the use of a company structure or partners and bears alone full responsibility for the actions of the business. Also a Sole proprietorship is a business, which legally has no separate existence from its owner. Hence, the limitations of liability enjoyed by a corporation do not apply. As a result, the owners are personally liable for the firm's debts, and may have to pay them out of their own pocket. This is called **unlimited liability**. Unlimited liability is where owners are personally liable for all debts. It is a "sole" proprietor in the sense that the owner has no partners. In some jurisdictions a business owned by a husband and wife jointly can still be considered a sole proprietorship, in others it would be considered a type of partnership.

The advantages of a sole trader are:

1. The firms are usually small which means they're easier to set up.
2. Generally, only a small amount of **capital** (money or assets) needs to be invested, which reduces the initial start-up cost.
3. The wage bill will usually be low, because there are a few or no employees
4. It is easier to keep overall control, because the owner has a **hands-on** (direct daily involvement in the work of the business) approach to running the business and can make decisions without consulting anyone else.

The disadvantages of a sole trader are:

1. The sole trader has no one to share the responsibility of running the business with. A good hairdresser, for example, may not be very good at handling the accounts.
2. Sole traders often work long hours and find it difficult to take holidays, or time off if they are ill.

3. Developing the business is also limited by the amount of capital personally available.
4. There is also the risk of unlimited liability, where the sole trader can be forced to sell personal assets to cover any business debts.

The other business organisation that could choose would be a partnership. Partnerships are businesses owned by two or more people. A contract called a deed of partnership is normally drawn up. This states the type of partnership it is, how much capital each has contributed, and how profits and losses will be shared. Doctors, dentists and solicitors are typical examples of professionals who may go into partnership together. They can benefit from shared expertise, but like the sole trader, have unlimited liability. A partnership can also have a **sleeping partner** who invests in the business but has no dealings in the day to day running of the enterprise.

The advantages of a partnership are:

1. The main advantage of a partnership over a sole trader is shared responsibility. This allows for **specialisation** (performing tasks related to your particular skills of expertise), where one partner's strengths can complement another's. For example, if a hairdresser were in partnership with someone with a business background one could concentrate on providing the salon service, and the other on handling the finances.
2. More people are also contributing capital, which allows for more flexibility in running the business.
3. There is less pressure of time on individual partners.
4. There is someone to consult over business decisions

The disadvantages of a partnership are:

1. The main disadvantage of a partnership comes from shared responsibility.
2. Disputes can arise over decisions that have to be made, or about the effort one partner is putting into the firm compared with another.
3. The distribution of profits can cause problems. The deed of partnership sets out who should get what, but if one partner feels another is not doing enough, there can be dissatisfaction.

4. A partnership, like a sole trader, has **unlimited liability**. Owners are personally liable for all business debts.

The business organisation that I have decided to use for my business organisation, which will be a beauty and tanning salon, is sole trader. This is because the business will be quite which will mean it will be easier to set up than a partnership which will have to be bigger as the profit needs to be distributed between two people. Less capital needs to be invested in the initial starting cost of the business, which will also mean the starting up, will be much easier than a partnership. Additionally, the wage bill will be low as few employees will be needed which will be ideal for a beauty salon, as only few employees are needed. It is easier to keep a direct daily involvement in the business. Overall, a sole trader is ideal for a beauty salon as beauty salons are normally small, and only require few employees. Also many may not make a massive amount of profit as they are only small this is why a sole trader is more Ideal than a partnership as a partnership would mean distributing the profit between two people.

The aims/objectives of a business short term ate to get the business established and to get some regular cliental and to get known in the area and build a reputation. Also, to meet the overheads and start making profit, paying back loans. The long term objectives are to once established business you can expand, different shop, go into different therapies and specialisations also you may sell different beauty products. Also to increase profit/ revenue and to have a wide range of customers due to the different facilities available. Overall, the long-term objectives/ aims means that you can have more free time and don't need as much direct daily involvement in business as you will be able to employ manager for involvement in business. Another long-term aim is to attract investors, which will mean they contribute towards business and therefore expansion of business is made easier.

The problems that may be caused for my business are finding a suitable location. This could be due to the area/ location having the wrong customers. As they may uninterested in beauty/ tanning salons and may find this a waste of money. All you may set up your business in a disadvantaged area which could mean that many people do not want

to spend a lot of money and consequently could mean prices have to be decreased which could mean allow profit is made. Consequently, this could mean the business becomes in debt and many go out of business and have to close down. Also, health problems/ scares may be a problem, which could affect the business, as sunbeds will be used in the tanning salon. But skin cancer and premature ageing from sunbeds is now becoming more aware through the media and this could lead to the business losing profit although ideas such as spray tan could increase profits and may level out the lost of profits.

Factors, which may affect my business, are Time of year. This could affect the business as more people may visit the salon nears special occasions and anniversaries such as Christmas. Which will mean profits will increase around this time as more people will visit salon consequently business profit will decrease slightly through the rest of the year when it is not near a certain occasion or time e.g. summer holidays. Also people may not visit the salon as much through the summer holidays as they may be going on holiday and do not have to use sunbed. Another factor that could affect the business may be illness, which could mean staffs need time off which consequently, would mean less staff are available to work. Another factor that could affect the business is unemployment in the area as this could mean many people may not be able to afford beauty treatments.

The different types of market research that I will do are questionnaires, Internet, interviewing businesses, surveys, yellow pages, look at annual reports and past sale records, experiments, mintel reports. I will do both secondary research (desk) and primary research (field). I am carrying out market research because it will provide the business with important information such as to assess the competition (what products/treatments selling, what prices and if they are offering and promotions), To find out what is selling well, to discover what price to sell product/ treatment at, to find out sales figures are like for products/ treatments, Find out needs/ wants of consumers. Where would they like to buy product/ treatment, identify groups with similar needs and wants, to find out how consumers will react to new ideas and products, how much they are willing to pay, what promotions would attract the customer.

I will gather my information by doing questionnaires and ask the general public questions related to the business, look at annual reports and sales records, use the internet to research other similar businesses and potential competitors, and use the yellow pages. The topics that I will be covering within my coursework are marketing and business organisations. Marketing is the process of planning and executing the conception, pricing, promotion and distribution of ideas, goods and services to satisfy customers. Business organisations are a commercial or industrial enterprise and the people who constitute it. Examples include sole trader and partnership.