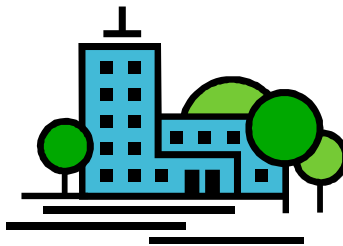


## Business Studies Coursework



Nilesh Mistry

Teacher: Mr Johal



With reference to the local area would the opening of a new business represent a sound business decision?

## Introduction

The aim of this project is to analyse 2/3 different properties and choose which of these would be best suited to set up a business. To help me make a decision I will be using methods like a table of comparison; area maps in the local Leicester area and estate agents.

## Methodology

### Section 1 (Location Section)

As I have to identify a suitable location I will do research into 3 properties in my local area. I will carry out head counts at each location to find out which is the busiest. I will show the locations on a map then I will compare the locations in a table of comparison, to see which has the greatest business opportunity. Having done this I will then decide on the best location for my business.

### Section 2 (Product Section)

As I have to choose a suitable product to sell/make I will first think of a range of products and say why I would like to sell them. Then I will conduct a questionnaire and analyse its results to see the effects of the various products will have on my business. Finally I will choose, based on the results of the questionnaire, my product.

### Section 3 (Break-even Section)

Fixed costs, variable costs and revenue will be considered to determine how many units need to be sold to make a profit. This number will be compared against potential customers to see if the business is viable.

## Location Section



Aim of This Section/Method:

In this section I will compare my properties looking at their various different characteristics and then I will choose the best property taking in mind all their advantages and disadvantages. To do this I will conduct a headcount – looking at the number of people walking by the shop door at 15 minute periods, I will do this three times on each property. Also I will show the locations on a map, I will do one map showing all 3 three locations and another of the area of the property I have chosen outlining all other shops in the area. As well as that I will put the information gathered e.g. rent, size, headcounts, location/area, parking space, etc into a table and compare each characteristic. Finally after looking at all the data I will make my decision about which property I will use.

## Property Details

### Heads of Leicester II 216 Green Lane Road:

"Bairstow Eves are proud to offer this ground floor commercial property with a one bed roomed flat over. Comprising of main shop and office space to the rear one bed roomed flat with bathroom and downstairs kitchen. An ideal investment opportunity.



Main Shop: 16'11" x 10'8" (5.16m x 3.25m). The main shop is being used as hair stylist, UPVC window and door to the front, radiator. Doorway leading to

Rear Office: 10'10" x 7'6" (3.3m x 2.29m). This is being used as the office, has window to rear elevation, door leading to:

Kitchen: 12'11" x 5'10" (3.94m x 1.78m). Kitchen units with role edge work tops and eye and base level units, stainless steel sink and plumbing for automatic washing machine.

Stairs leading to:

Living Room: 14'2" x 10'11" (4.32m x 3.33m). Window to rear elevation, radiator, and door leading to:

Bedroom: 11' x 10'11" (3.35m x 3.33m). Window to front elevation and radiator.

Bathroom: 9' x 6' (2.74m x 1.83m). Window to rear elevation, low level W.C., pedestal wash hand basin, bath, and radiator.

Yard: Rear entrance to the flat, out buildings."

Source: [www.rightmove.co.uk](http://www.rightmove.co.uk)

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### Map

This map shows the location of all 3 of my properties .

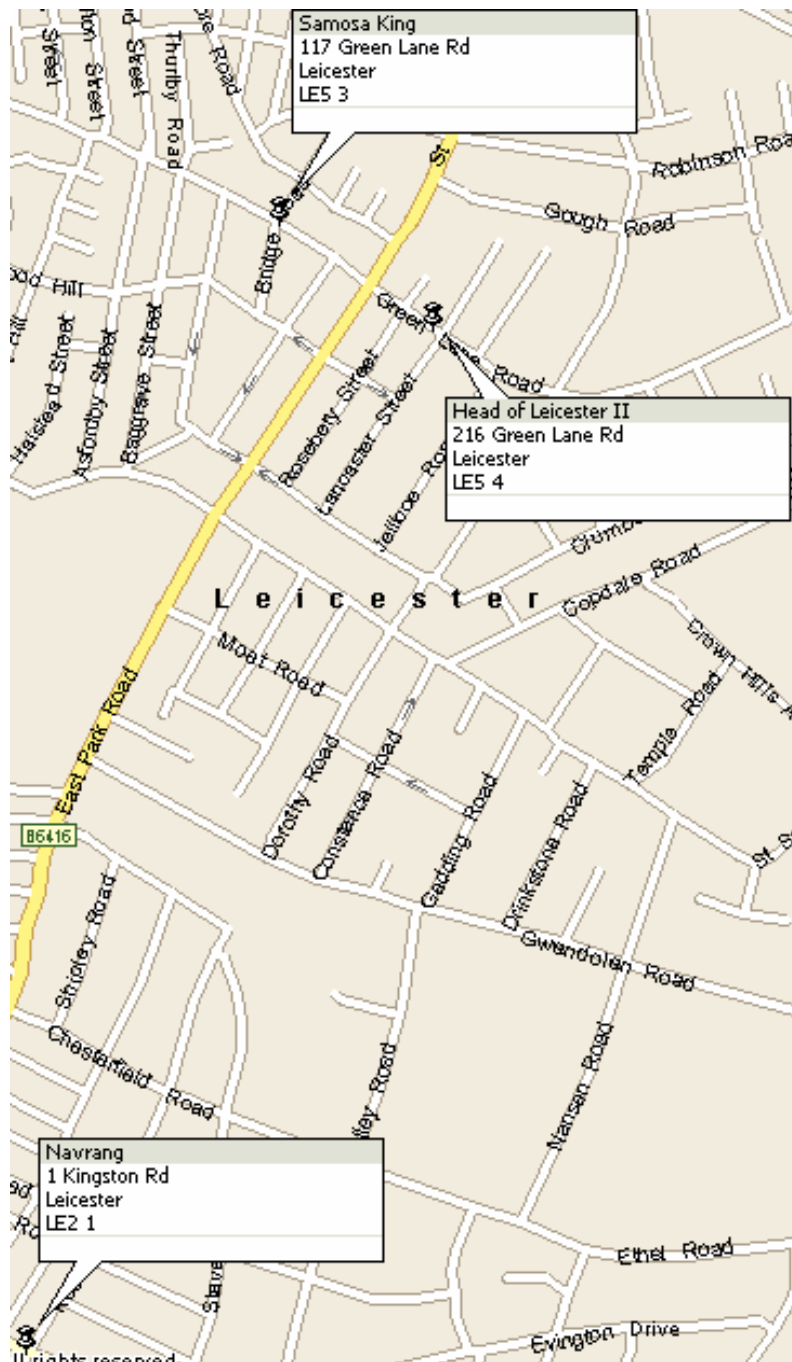


Table of Comparison

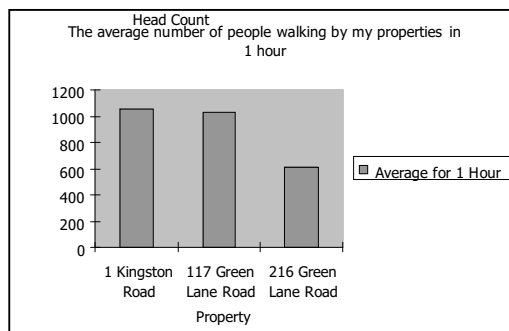
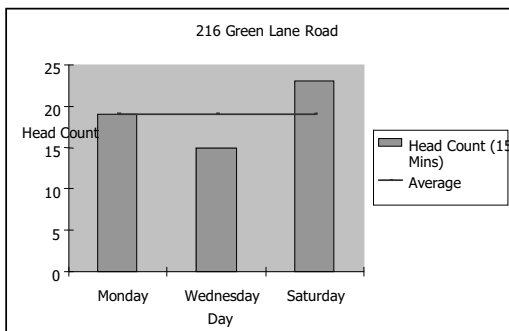
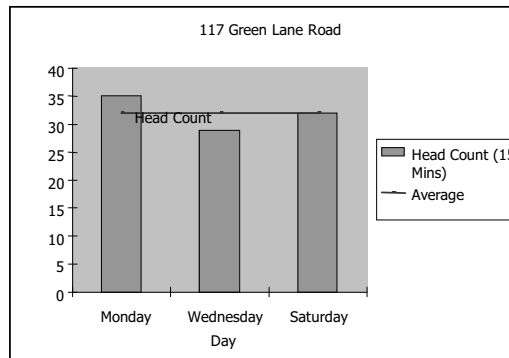
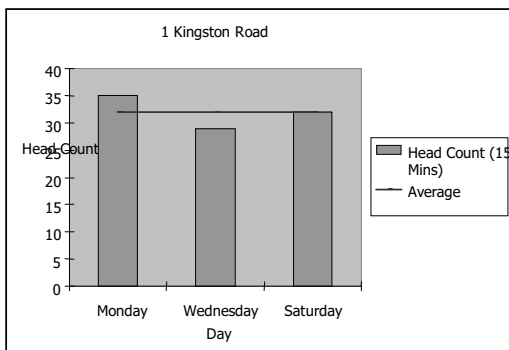
Now I'm going to put the details of my properties into a table so that the information is easier to look at and so that it can be compared.

	Property 1	Property 2	Property 3
Address	1 Kingston Road, Evington Road Frontage	117 Green Lane Road	216 Green Lane Road
Rent/Price	£12000 pa + Premium of £20000 (one off)	£10000 pa or £25000 with all fittings and furnishings	£159950
Location/Area	Busy Road, Bus Route on main road, Well Established Commercial Area	Busy Road, Well Established Commercial Area	Bus Route, Busy Road, Well Established Commercial Area
Size/Space	58.9m <sup>2</sup>	Quite big shop floor 2 bedrooms upstairs	5.16m x 3.25m
Parking	Nearby: Side Streets and Parking at Front	Nearby: Side Streets Only Limited Parking on Main Road	Nearby: Side Streets and Parking at Front
Head Count	Saturday 1:30 to 1:45 – 39 Monday 3:50 to 4:05 – 25 Tuesday 5:00 to 5:15 – 34	Saturday 1:30 to 1:45 – 35 Monday 3:50 to 4:05 – 29 Tuesday 5:00 to 5:15 – 32	Saturday 1:30 to 1:45 – 19 Monday 3:50 to 4:05 – 15 Tuesday 5:00 to 5:15 – 23

### Head Counts

I conducted 3 three head counts on my properties to see which was the busiest. I did three head counts at different times so I got a more average time spread over a day. I will now find the average of how many people will go my shop in one working day. I'll do this by first finding the average number of people that walk by in fifteen minutes; then an hour and finally how many will go by in the time my shop will be open.

	Property 1	Property 2	Property 3
	1 Kingston Road	117 Green Lane Road	216 Green Lane Road
Saturday 1:30pm	39 people	35 people	19 people
Monday 3:50pm	25 people	29 people	15 people
Tuesday 5:00pm	34 people	32 people	23 people
Average for 15mins	$39 + 25 + 34$ $=98/3$ $=32.67 \approx 33$	$35 + 29 + 32$ $=96/3$ $=32$	$19 + 15 + 23$ $=57/3$ $=19$
Average for 1 hour	$33 \times 4$ $=132$	$32 \times 4$ $=128$	$19 \times 4$ $=76$
Average for 1 working day	$132 \times 8$ $=1056$	$128 \times 8$ $=1024$	$76 \times 8$ $=608$



The average of my headcount shows that Property 1, 1 Kingston Road, has the most number of people walking by in 1 hour and in 1 working day, therefore the busiest. It also shows that Property 3, 216 Green Lane Road, has the least number of people walking by in 1 hour and one working day,



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therefore the least busy. This means that Property 1 as the better business opportunity and would be better to set up a business as there is more passing trade. However Property 1 may have had a high head count because of an event taking place in the area and the others may have had low head counts because their was something stopping people getting to the area, like traffic.

## Conclusions and Recommendations

### Evaluation

I have reviewed all three of my properties and they all have many advantages and disadvantages. The properties are located in different parts of the city in well established commercial areas.

Property 1, 1 Kingston Road, is located on the corner of Evington Road and Kingston Road. It is part of a well established commercial area with a bus route that goes to the city centre. The rent is £12 000 per annum with a premium of £20 000. It also comes with electricity, gas, water and a drainage connection to the property. There is also lots of parking in the side streets and on the main road. Near by properties include hairdressers, accountants, supermarkets and various restaurants/takeaways. This property has lots of potential and a wide range of uses e.g. a mobile phone store, or a video/DVD rental store.

Property 2, 117 Green Lane Road, is located in the middle of a well established commercial area, which includes grocers, newsagents, a pub and various restaurants/takeaways. The cost of the property is £25 000 this includes all fittings and furnishings or £10 000 per annum for a 15 year lease . The property also has an A3 license, allowing gas piping systems to be made and connected to appliances. However, this property has limited parking as it's only available in the side streets. This property has lots of potential and a wide range of uses including a takeaway.

Property 3, 216 Green Lane Road, this property is also located in the middle of a well recognised commercial area, which includes business like a butchers, a pub, restaurant and a fish and chip shop. There is lots of parking around this property out at the front and in the side streets. The cost of the property is £159 950. This property has a wide range of uses including a take away or a hairdresser.

The head counts for these properties could be inaccurate as there could have been something happening in the area, or somewhere else, which increased or decreased the number of people walking by the shop.

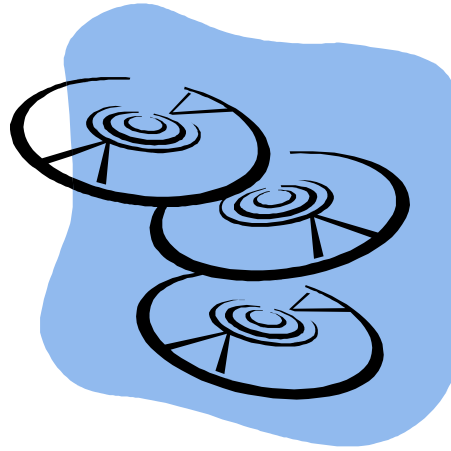
### Recommendations

Overall I would recommend Property 1 because it is located in a well recognised business location and has lots of people passing by therefore more potential customers. It also has bus route and a bus stop nearby therefore again increasing the number of potential customers. Also as it is a corner plot the area of the property is bigger and it will stand out more. I realise that the rent is higher than Property 2 and a premium is required in the first year but I feel that it has more potential and a wide range of customers including young children and adults. Also I didn't pick Property 3 because the number of

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people walking by the shop is limited. Therefore I believe, picking Property 1, is a sound business decision.

## Product Section



The Aim of This Section/Method:

The aim of this section is to find a suitable product to sell that will help me break even. I will do this by thinking of a range of products that I could sell, say why I would like to sell them and state the advantages and disadvantages of each product. I will then conduct a survey to see which of my products that people will like the best, then I'll display my results in charts and graphs. After doing that I'll see what effects selling the products will have on my business. Finally I'll evaluate my findings and pick the best product to sell.

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What product are you considering and why?

I am now going to think of some ideas of products to sell. I think that the following shops will do well on Evington Road because there are very few or none at all there already:

- Mobile phones
- Indian and English DVD and Video rentals
- Photography studio/developing films
- Music Store for Indian and English Music
- Sandwich Shop

I will now create a questionnaire and ask 50 people.

Questionnaire

I will shortly be setting up a business on 1 Kingston Road and would like customer feed back. Please could you fill in this questionnaire for me? Thank you.

What is your gender?

- Male
- Female

What is your age group?

- Under 12
- 12 – 21
- 21 – 31
- 31 – 41
- 41 – 51
- 51+

How often do you visit this area?

- Daily
- Weekly
- Monthly
- Not Often

How much do you usually spend when shopping?

- Under £10
- £10 - £20
- £20 - £50
- £50 - £100
- £100 - £200
- £200+

What times do you shop the most?

- Morning: 7:00am to 12:00pm
- Afternoon: 12:00pm to 5:00pm
- Evening: 5:00pm Onwards

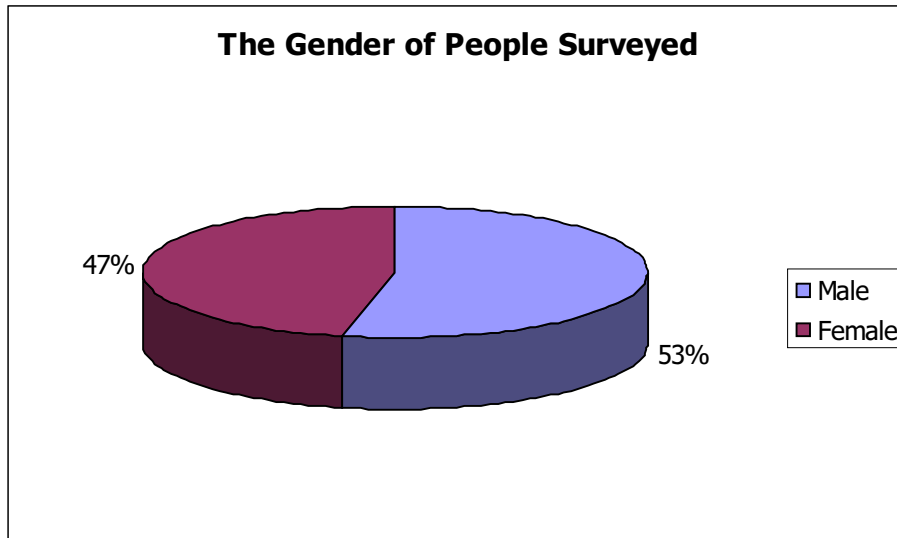
What kind of shop would you like to see in this area?

- Mobile Phone Shop
- Music CD Retail Shop
- DVD/Video Shop
- Sandwich Shop
- Photography Studio (picture developing too)

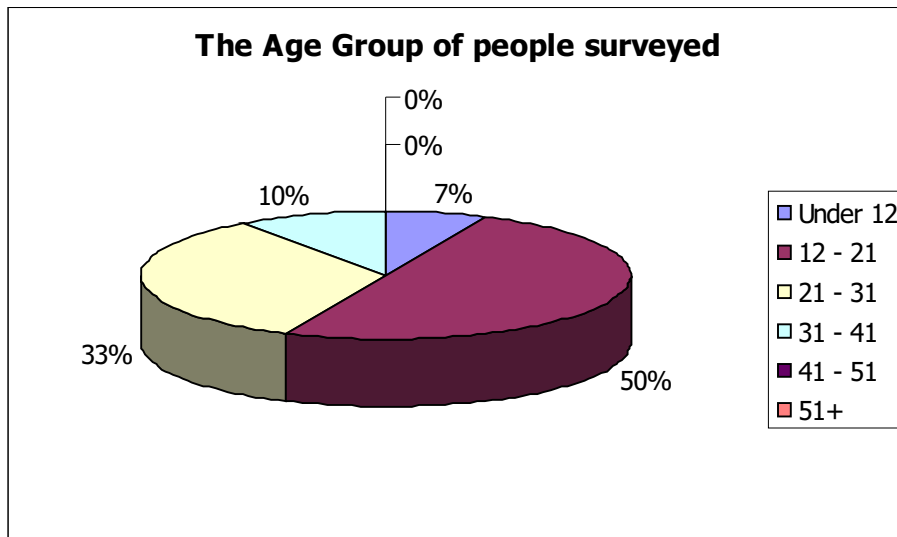
Thank you for taking your time out to do this questionnaire. Your input will be much appreciated.

## Results

I am now going to display the results of my questionnaire in the form of graphs.

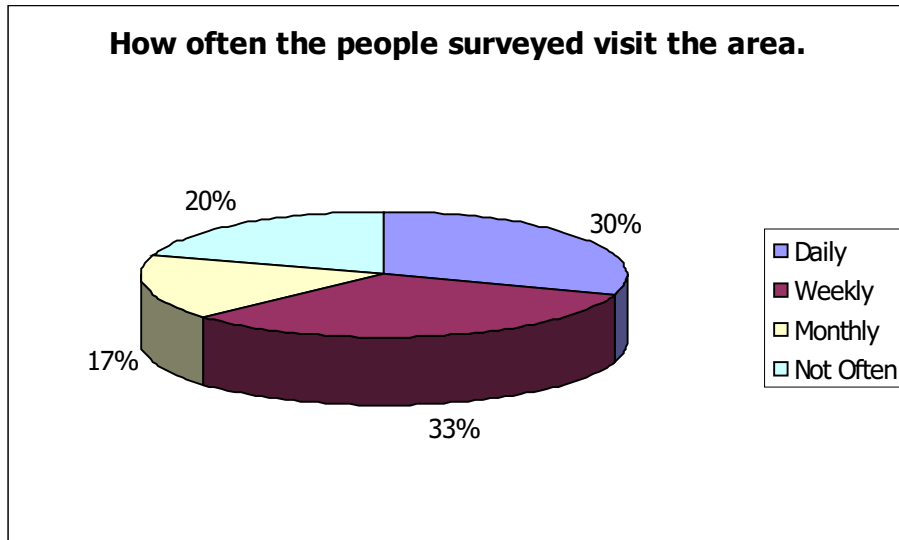


This graph shows the gender of the people that I surveyed. It shows that 53% of the people were male and, therefore, 47% female. Therefore my products will have to be aimed at both sexes.

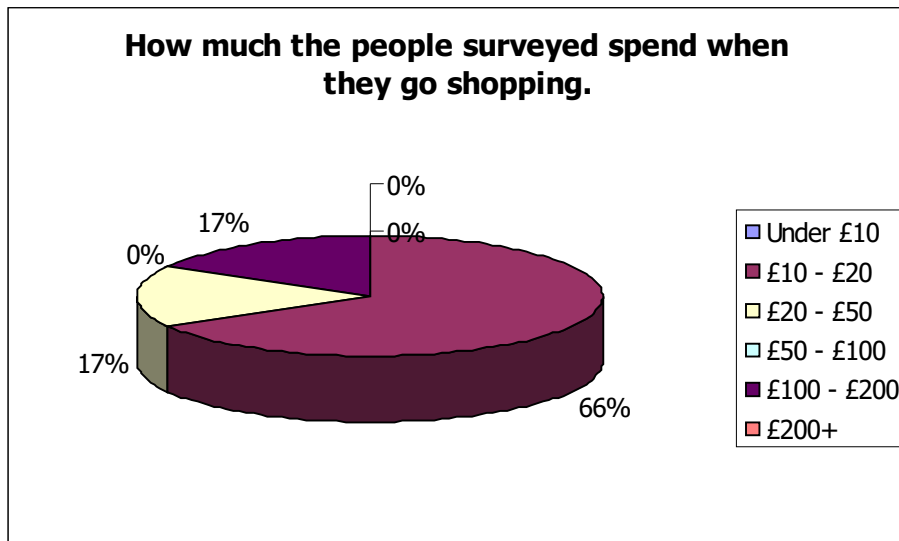


This graph shows that half of the people I surveyed were between 12 and 21, a third were between 21 and 31 years old, 10% were between 31 and 41 and 7% were under 12 years old. This means that my target group is 12 to 21 year olds.

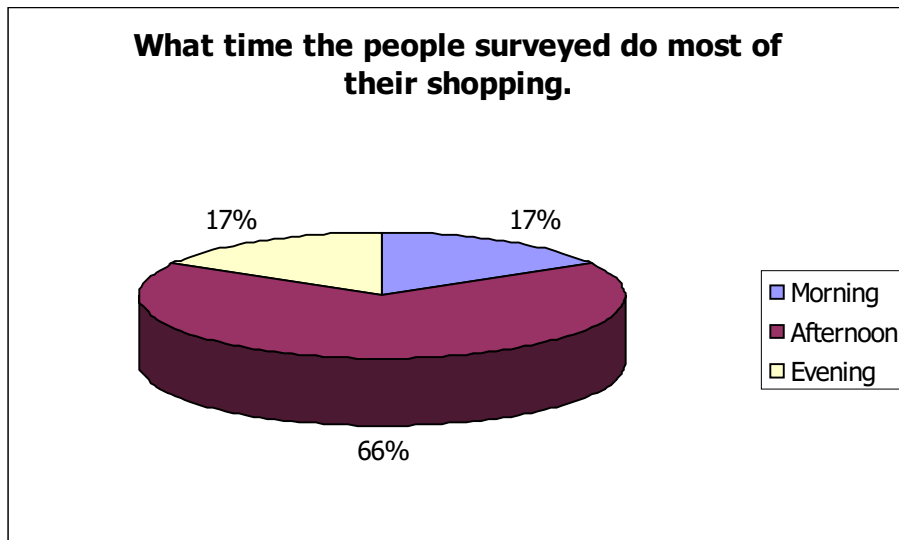




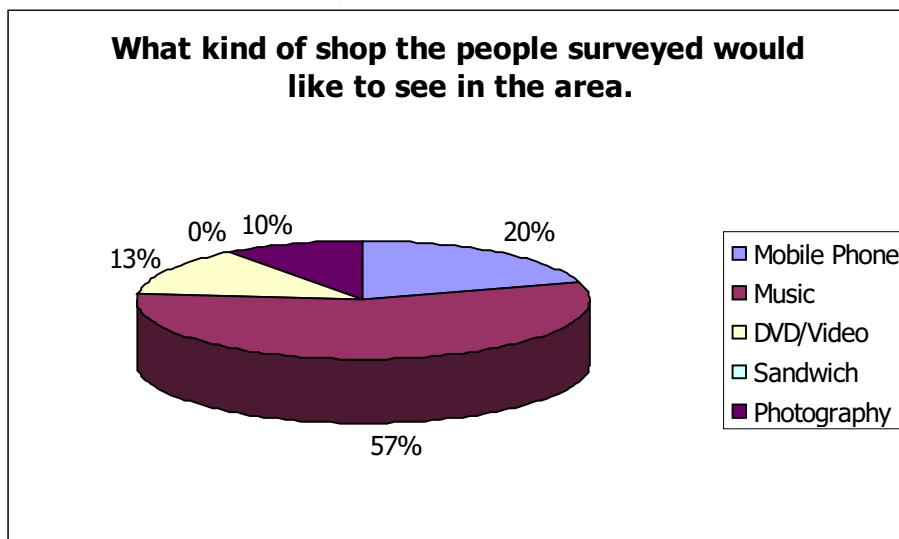
This pie chart shows that most of the people surveyed visited the area weekly, it also shows that 30% of people visited every day, 17% visited monthly and 20% of people didn't visit very often. This means that I will need to be open everyday or just a few days a week.



This pie chart shows that on average most people spend between £10 and £20 when they go shopping. It shows that 17% of people spend between £100 and £200 when they go shopping it shows the same for spending between £20 and £50 as well. This means that my products will need to be no more than £20.



This graph shows that most people do their shopping in the evening; however it also shows that some people also do it in the morning and afternoon. This means that I will need to be open in the afternoons the most.



This graph shows that most of the people surveyed would like to see a music shop in the area. It also shows that some would like to see a mobile phone shop in the area. As well as that it shows that a small group would like a DVD/Video store in the area. It also shows that 10% would like a Photography centre. This means that most people would like to see a music shop in the area and therefore it would be a sound business decision to open one as there are also none in the area.

### Conclusion & Recommendations

Using the results from my questionnaire and my own knowledge of the area I think that setting up a music store in the area would be a sound business decision. This is because there are no other music stores in the area and the results from my questionnaire showed that most people wanted one in the area. What's more most of the people that visit the area are between 12 and 21 years olds therefore a good market to target as they are going to be into music, also most people said that they spend between £10 and £20 when they shop and the average price for a CD album is roughly £11 and the average price for a vinyl album or 12" vinyl is roughly £15. Also from looking at my results the opening times for my shop would mostly be in the afternoon as most people surveyed shopped at that time and most people only visited the area weekly, however I will still open most of the week especially weekends as they will be busier.

I will now conduct another questionnaire, asking 50 people, to find out:

- What price to charge
- What types of music to sell
- Whether to sell CD singles, CD albums and 12" vinyl's
- What times to open
- My market segment

Mini Questionnaire

I am thinking of setting up a music shop in this area. Please could you fill out this questionnaire for me? Thank You.

What is your gender?

- Male
- Female

What is your age group?

- Under 12
- 12 – 21
- 21 – 31
- 31 – 41
- 41 – 51
- 51+

What type of music do you listen to?

- Pop
- Hip-Hop
- R&B
- Rock
- Indian (movies)
- Reggae
- Heavy Metal
- Bhangra
- OST (Original Sound Track)
- Asian R&B/Hip-Hop

What format would you like the music to be on?

- CD Album
- CD Single
- 12" Vinyl

How much would you pay for the music?

- £10
- £11
- £12
- £13
- £14
- £15

What time do you come and shop in this area?

- Morning: 7:00am to 12:00pm
- Afternoon: 12:00pm to 5:00pm
- Evening: 5:00pm Onwards

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Would you like any other services to be provided or products to be sold?

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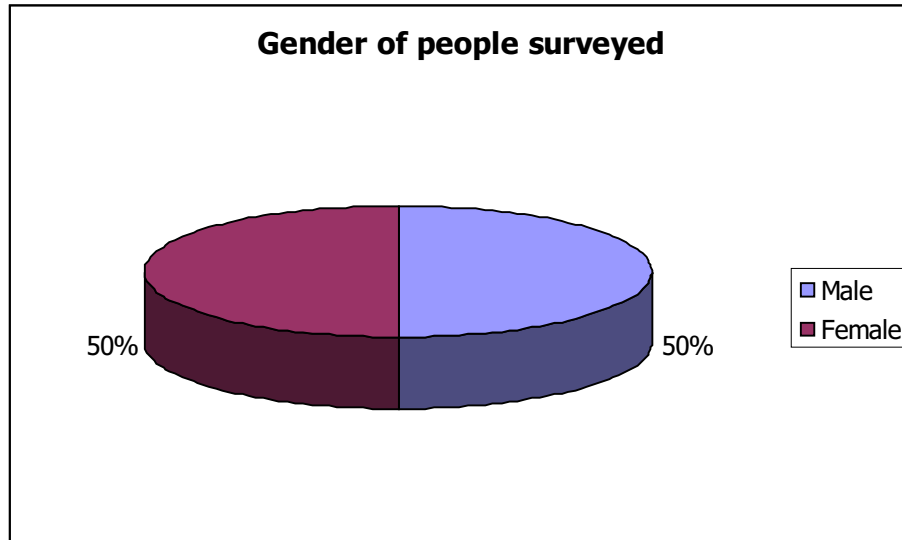
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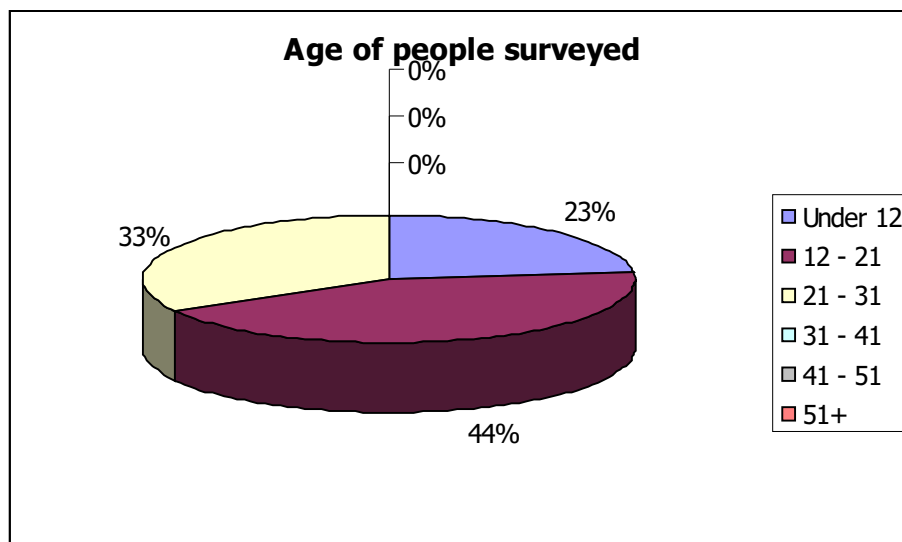
Thank you for your time. Your input will be much appreciated.

### Results of Mini Questionnaire

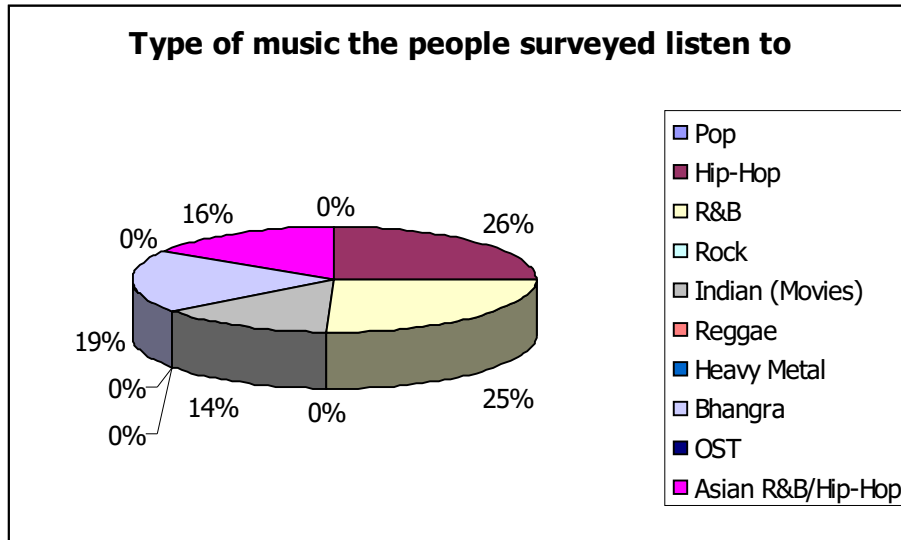
I am now going to display the results of my questionnaire in the form of graphs.



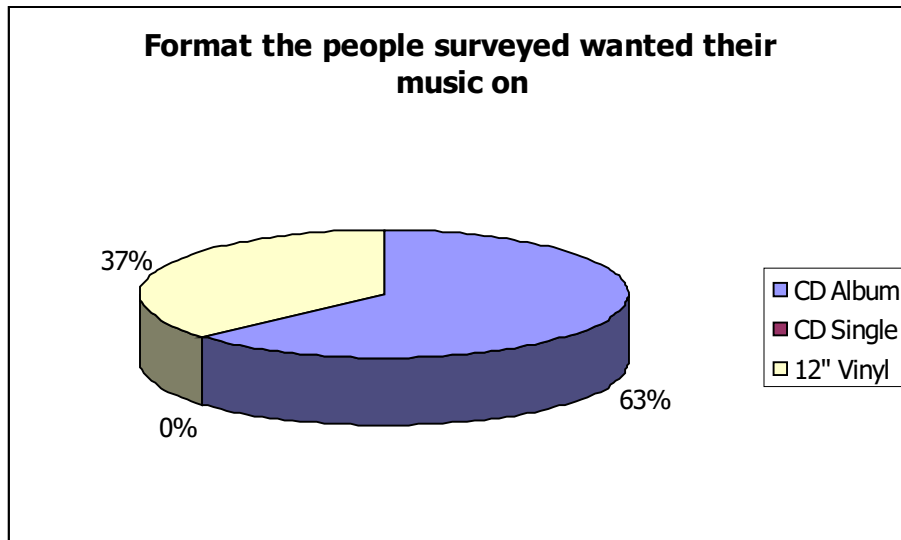
This shows that the gender of the people I surveyed was 50:50. Therefore the music I sell needs to be for males and females.



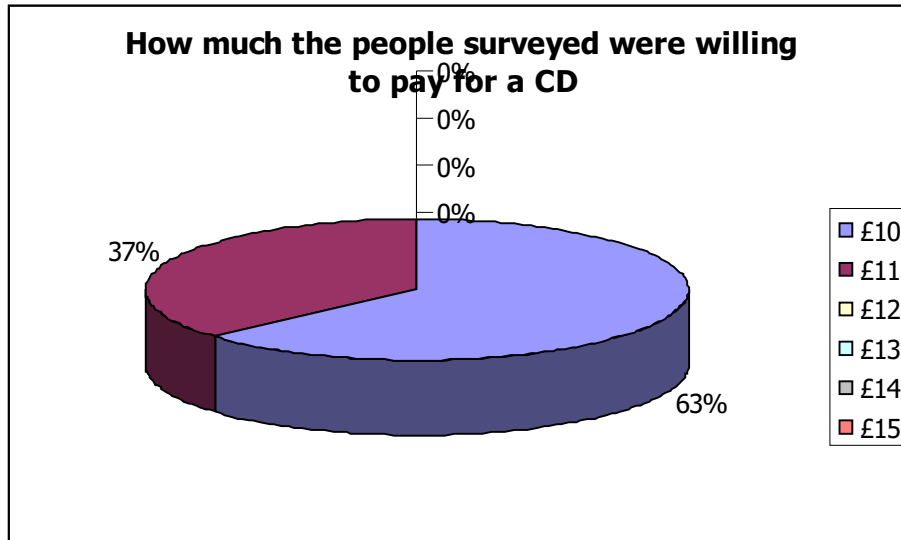
This graph shows that most of the people surveyed were between 12 and 21 years old, a third were between 21 and 31 and 23% were under 12. This means that my shop will need to be targeted at teenagers and university students.



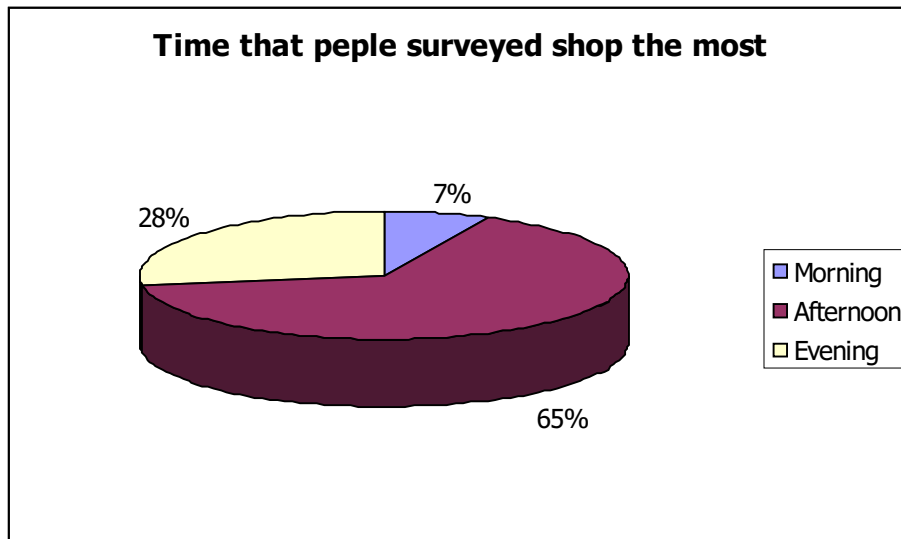
This graph shows that most of the people surveyed like to listen to Hip-Hop and R&B, it also shows that 19% of people like to listen to Bhangra, 16% like to listen to Asian R&B/Hip-Hop and 14% like to listen to music from Indian movies. This means as these are the most popular, therefore I will need to sell these types of music especially Hip-Hop and R&B.



This pie chart shows that a large majority of the people surveyed wanted the music as full albums on CDs. It also shows that a small number of people want it on a 12" vinyl. This means that I will need to sell CD albums and some 12" vinyl.



This graph shows that most people are willing to pay £10 for a music CD and 37% of the people surveyed are willing to pay £11. This means that I will need to charge £10 for the music CDs that I'll sell.



This graph shows that most of the people surveyed do their shopping in the afternoon; it shows that 28% shop in the evening and 7% shop in the mornings. This means that my shop will need to be open in the afternoons to get the most customers as possible.

Suggestions:

Some people suggested that I should:

- Sell blank CDs and DVDs
- Play music in the background
- Have knowledgeable staff



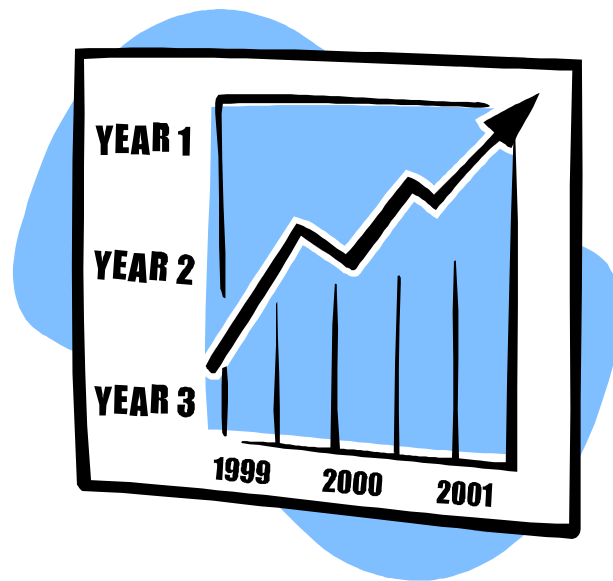
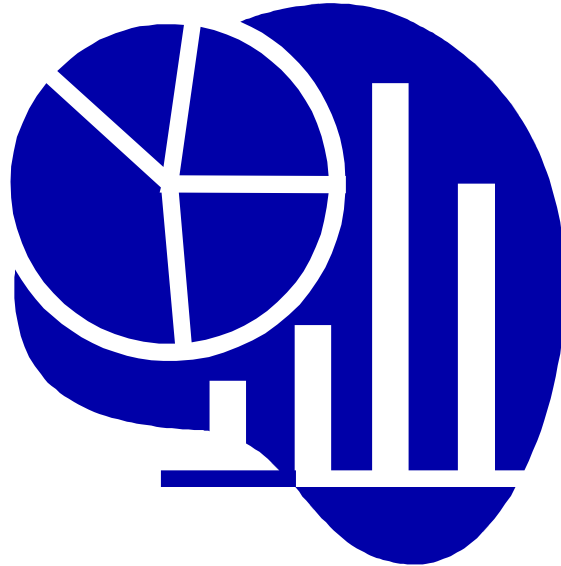
### Conclusions and Recommendations

Using the results from my questionnaire I have found that my target market is males and females mostly aged between 12 and 21 years old. Also I have found that I will need to sell mainly R&B and Hip-Hop as they were the most popular as well as them I will need to sell Bhangra, Indian movie songs and Asian R&B/Hip-Hop as they fairly popular. As well as that most of the people surveyed wanted the music in an album, therefore I will need to sell albums instead of singles. On top of that I will also sell the music on 12" vinyl's even though only 37% vinyls are slowly becoming popular again. I will be charging £10 for albums as most the people were willing to pay that amount and I will be selling vinyl at £11 as they are generally more expensive and some people said that they would pay £11 for music. My shops will be open in the afternoons as most of the people surveyed said that they shop at that time. Also I have taken in mind the suggestions and I may sell blank CDs and DVDs; however I will take up the other two and employ knowledgeable staff and play music in the background.

Looking at the results from both my questionnaires. I believe that setting up a Music store in the Evington Road area would be a sound business decision as there are no others in the area and it came out the most popular in the questionnaire. Also most of the people going by the shop are teenagers aged between 12 and 21 who are interested in music. Therefore I will be setting up a Music shop in the area.

Also I think that my business will be viable because there are no other shops around the area like it and I have a large market in the area. However I'm going to check my business is viable by calculating my break even point to see how many CDs I will need to sell in one month and if it is a target that I can achieve.

## Break Even Section



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Aim of this section/Method:

The aim of this section is to if my business if viable. To do this I will need to find my break even point. Break even is the number of units that must be sold in order to cover all costs. I will present my information in the forms of tables and graphs. To calculate my break even point I will need to find my Fixed Costs, Variable Costs and estimate my Sales Revenue.

## Costs

### Fixed Costs

Fixed Costs (F.C.) are costs that don't change even though output/production does. Examples are employees' wages, rent, insurance premiums etc. These don't change even though production does, therefore fixed.

### Variable Costs

Variable Costs (V.C.) are costs that change as output/production increase. An example is the price of raw materials which depends on the number of products that you produce. This can increase as output does but it can also decrease as a company may start buying in bulk if they are selling or producing in large quantities.

### Total Costs

Total Cost (T.C.) is the Variable Costs and Fixed Costs added together.

### Sales Revenue

Sales revenue is the total amount of money that the firm has earned from the sale of all its goods and services during a given time period. It's calculated by multiplying the number of products sold by the price you sold them for .

### My Costs

I will now find out all my costs.

#### Fixed Costs:

My fixed costs are the gas, electricity, phone and water bills which will amount to a total of £1000 per month. Other fixed costs will be the wages of employees. I will pay them £5.00 an hour so covering the minimum wage for all age brackets. I will have 2 additional members of staff; one will work for 8 hours a day during the week and the other a total of 8 hours at the weekend. The total wages for a month will be £960. As well as that I will need to pay rent which will be £12000 a month.

#### Variable Costs:

My variable costs are the cost of CDs as the more I sell the more I need to buy to sell. I will get the CDs at £5 each from a wholesaler.

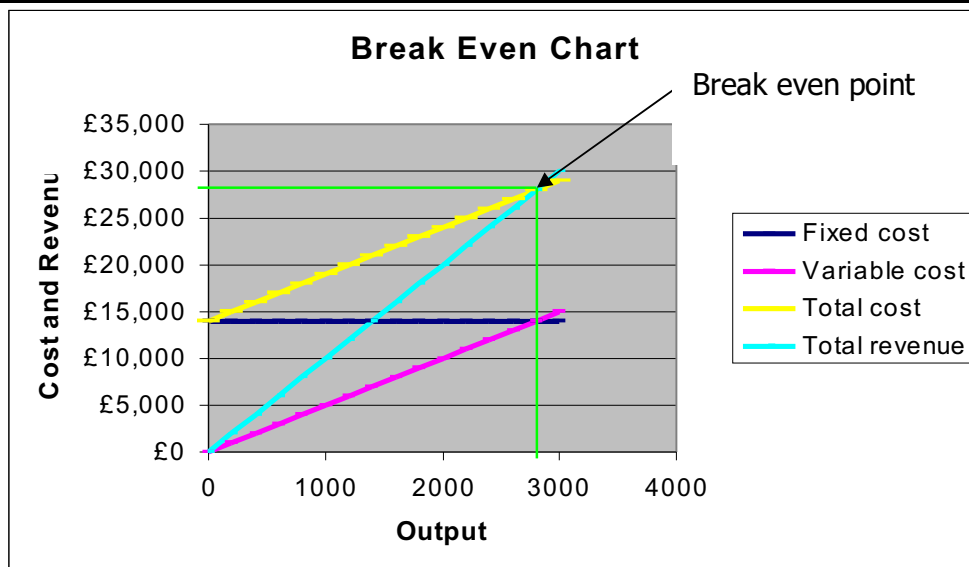
#### Sales Revenue:

I will sell my CDs at £10 each making 100% on the original price I purchased them for and keeping to the price that my target market said that they would pay in my questionnaire.

### Break Even Graph

I am now going to do a break even table and graph to find the number of CDs that I will need to sell in one month in order to cover all my costs.

Output	Fixed cost	Variable cost	Total cost	Total revenue	Profit
0	£13,960	£0	£13,960	£0	(£13,960)
200	£13,960	£1,000	£14,960	£2,000	(£12,960)
400	£13,960	£2,000	£15,960	£4,000	(£11,960)
600	£13,960	£3,000	£16,960	£6,000	(£10,960)
800	£13,960	£4,000	£17,960	£8,000	(£9,960)
1000	£13,960	£5,000	£18,960	£10,000	(£8,960)
1200	£13,960	£6,000	£19,960	£12,000	(£7,960)
1400	£13,960	£7,000	£20,960	£14,000	(£6,960)
1600	£13,960	£8,000	£21,960	£16,000	(£5,960)
1800	£13,960	£9,000	£22,960	£18,000	(£4,960)
2000	£13,960	£10,000	£23,960	£20,000	(£3,960)
2200	£13,960	£11,000	£24,960	£22,000	(£2,960)
2400	£13,960	£12,000	£25,960	£24,000	(£1,960)
2600	£13,960	£13,000	£26,960	£26,000	(£960)
2800	£13,960	£14,000	£27,960	£28,000	£40
3000	£13,960	£15,000	£28,960	£30,000	£1,040



The above graph and table show that my break even point. That means in one month I will need to sell 2792 CDs in order to cover all my costs, so in one day I will need to sell roughly 95 CDs.

Break Even Calculation

I will now calculate my break even point to check that my table and graph are accurate.

The formula for finding the break even point is:

$$\text{Break Even Point} = \frac{\text{Fixed Costs}}{\text{Selling Price per Unit} - \text{Variable Cost per Unit}}$$

$$\text{Break Even Point} = \frac{13960}{10 - 5}$$

$$\text{Break Even Point} = \frac{13960}{5}$$

$$\text{Break Even Point} = 2792$$

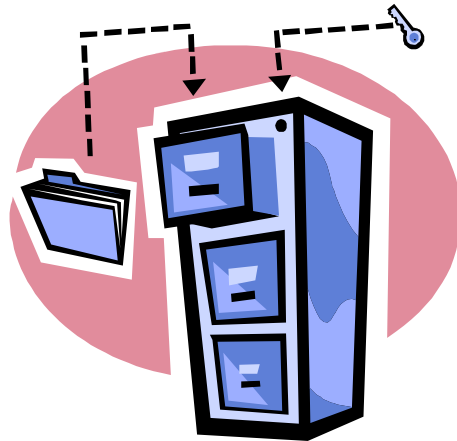
### Analysis & Recommendations

Looking at my table, graph and calculation I have found that in order to survive I will need to sell 2792 CDs in one month. I think that this is quite a difficult target to achieve because there are going to be roughly 132 people going by the shop in 1 hour and if 1%,  $1.32 \approx 1$ , buy a CD and I am open for 8 hours I will be no where near my target as I need to sell roughly 95 CDs in one day to survive.

I do not think that my business will be viable because I have a large amount of CDs to sell and looking at my questionnaire results I don't think that I have enough customers that will come on a regular basis and buy CDs. As only 30% of the people I surveyed said they visited the area daily and that is only 15 people and, further more, only 16 people said they visited the area weekly that means a total of 31 regular customers, that is not nearly enough for my business to survive I need to sell at least 3 times of that amount as it would only mean a total of £310 a week and £1240 a month. Therefore I don't think that I can do it as my business does not have the customers for it to survive.



## Final Section



### Overall Conclusion

Looking at the research and other work I did I in this coursework I think that the property, I chose, is good because it's a large sized corner plot that is quite noticeable; it has the largest shop floor area . Also the rent is a fair price as the property is in a commercial area. As well as that it has a high number of head counts. However I don't believe that these head counts are totally reliable and accurate because there could have been more people going by the shop at those times or there could have been very little at other times so the averages I have got don't fully reflect the number of people passing by the shop at different times during the day. If I did this coursework again I would take more head counts so that I get a more reliable average. The property also has the added benefit of ample parking and a bus route going by the shop. Therefore I think I made the right decision in choosing this property for my shop.

I believe I made the right choice in my product because I used the results from my questionnaire to choose my product and listened to what my market wanted and based my product as best I could on that. I found that my market wanted a music CD that cost around £10 and they wanted mostly R&B and Hip-Hop music. I also found that many people wanted me to have knowledgeable staff in the shop. As well as that I found that some people also wanted other things available like blank CDs. I think that my questionnaire results were accurate as I got the answers from my target market so it is what they wanted and I asked people that were passing by the shop to get my results. However there could have been some people that put any answer because they weren't really interested. Also because of that I would ask more people so that I actually get a good sample of people and I would ask a wider range of people of different ages instead of focusing on certain individuals. As well as that I would sell different products instead of just CDs so that I can attract additional customers.

From my break even graph I found that I would make £40 profit if I sold 2800 CDs. I then calculated my actual Break Even Point and found that I would need to sell 2792 CDs in order to break even. That would mean selling in the region of 95 CDs per day for my business to survive. I think that my break even was accurate because I didn't have to make an average cost of my products as I only have one, which I am selling at £10.

### Overall Recommendation

I think that my business will be a success because my shop is located in a commercial area and it's in a very noticeable position. Also there is a lot of passing trade as the area is constantly busy as it is a well established commercial area. Also there is a bus route going to and from the City Centre and Train Station outside the shop.

The product that I have chosen is music CDs it's a product that has lots of varieties which means a wide range of customers. New music songs and albums are being released by new and established artists all the time causing more people to buy music. Also I conducted a survey to ask my potential customers how much they would pay and they said that they would pay a reasonable £10 for a CD and I am charging that price.

From looking at my all the information I don't think that my business will be successful because my product is already something which is popular at other well established stores so I think it would be hard for me to get customers. As well as that from my break even I need to sell 2792 in a month to survive which is a large target especially with competition from large chain stores.