

Topic 1.1: Starting A Business - Definitions

Business	an organisation or system where goods and services are exchanged for one another or for money
Entrepreneur	a person(s) who sets up their own business
Enterprise/Firm	a business or a company
Social Enterprise	an activity that achieves a reward for society
Gap In The Market	an unmet customer need or a group of potential customers who are not yet purchasing a good or service
Market	the way buyers and sellers are brought together
Mass Market	a large market; a product/service aimed at a wide range of people
Niche Market	a small, specialised market; a product/service aimed at a small group of people
Franchise	when one business (see <i>Franchisor</i>) gives another person or business (see <i>Franchisee</i>) the right to trade using its name to sell its products or provide its services
Franchisor	the company that allows an individual (see <i>Franchisee</i>) to run a location of their (the franchisor's) business
Franchisee	someone who buys and runs a location of a franchise

Topic 1.1: Starting A Business - Definitions (cont)

Stakeholder	anyone who has an interest (or stake) in a business
Primary Stakeholder	essential to the success or failure of the business (e.g.: customers)
Secondary Stakeholder	feel they are involved in the organisation's future (e.g.: pressure groups)
Internal Stakeholder	people who're already committed to serving your organisation (e.g.: board members)
External Stakeholder	individuals or groups from outside that're affected by the consequences and outcomes of an organisation's decisions (e.g.: suppliers)
Sole Trader	a person who is the only owner of a business, entitled to keep all profits after tax has been paid but liable for all losses (unlimited liability)
Partnership	a legal form of business operation between two or more individuals who share management and profits
Private Limited Company (Ltd)	can only have between 2 – 50 members; shares are sold privately among family/friends/colleagues/etc
Public Limited Company (Plc)	has shares that can be publicly traded on a stock market

Topic 1.1: Starting A Business - Definitions (cont)

Dividend	the share of the profit that shareholders get from a company
E-Commerce	the buying and selling of goods and services over the Internet; also for advertising
Website	a location connected to the Internet that maintains web pages

Advantages Of Franchising

- Lower risk option
- Already established
- Recognised brand
- National advertising and promotion
- Tried and tested

Disadvantages Of Franchising

- Set up and running costs can be high
- Damage to brand reputation
- Reliant on others
- Less independence in decision making
- Shared profit

Unlimited Liability

- Responsible for all debts
- Must pay off debts using own money
- May have to sell house/car in order to pay debts off

Limited Liability

- Means that investors can only lose money they've invested and no more
- Cannot lose their personal possessions if the business goes into liquidation
- Owners only lose the money they invested in the business

Things To Think About When Moving Locations

Labour costs

Availability of land

Labour skills

Financial help

Close to customers/market

History and tradition

Transport links

The Internet Factor

opportunity to compete with large companies

sell products in online and mail-order services

upsurge forcing businesses to sell online as well

Objectives

Survival

Profit

Growth (including employees)

Increase market share

Break even

Brand awareness/recognition

Popularity

