

1.4 Making the Business Effective



60% of UK businesses are sole traders. Individuals such as makeup artists can command good fees but often have very long hours managing their businesses.

Subway is one of the UK's biggest fast food franchises with more than 2,500 franchises in the UK. Franchisees have each invested a minimum of £85,000 and pay 8% of their sales revenue to the franchisor each month



1.4.1 Ownership and Liability

1- Limited vs Unlimited Liability

- Liability means risk
- Limited liability company (Plc and Ltd) owners/ shareholders can only lose what they have invested in the business- they are not personally liable (responsible) for the debts of the business if it closes.
- Limited liability companies in the UK have to be registered with Companies House in the UK.
- Unlimited liability businesses (sole traders and partnerships) have unlimited liability. This means that the owners are personally liable for the full debts of the business.
- If an unlimited liability business borrows money, they are putting their personal possessions (houses etc) are at risk

2- Sole Traders

- Sole traders are owned by one individual
- + They are simple to set up and run (you don't have to consult with anyone on decisions)
- The owner has unlimited liability and all the responsibility for running the business.

3- Partnerships

- Partnerships are businesses with unlimited liability that are owned and run by 2-20 people.
- + Skills and responsibilities can be shared. More owners can bring more capital to the business.
- Owners are jointly liable for the business debts. Owners may fall out/ disagree.

1.4.2 Franchising

1- What is franchising?

- Franchising is when an business owner (the franchisor) sells the rights to use their business idea and products in other locations (franchises) to other entrepreneurs (franchisees) in return for a % of the sales (royalty fee)

2- What are the benefits and disadvantages of buying a franchise?

- + It is an easier way of starting your own business- you get to use a tried and tested product, benefit from expert training programmes and national advertising.
- You have to pay a % of your sales to the franchisor every month. Not all franchisors are supportive and helpful.

Profits	Total tax and NI Sole Trader	Total Tax Limited	Limited Savings
£ 000's	£ 000's	£ 000's	£ 000's
20	2.9	2.3	0.6
25	4.4	3.6	0.8
30	5.8	4.9	0.9
35	7.2	6.1	1.1
40	8.7	7.4	1.3
45	10.2	8.6	1.6
50	12.3	9.9	2.4
55	14.4	11.4	3.0
60	16.5	13.7	2.8
65	18.5	15.9	2.6
70	20.7	18.2	2.5
75	22.8	20.5	2.3
80	24.8	22.7	2.1

Tax is another big reason why businesses might change to being a limited liability company as they grow. Sole traders pay up to 45% **income tax** on any profits over £150,000 whereas limited companies will pay **corporation tax** at a rate of 19%/

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Beer brand Heineken have found giving away free branded ear defenders to be an effective method of promoting their brand to thirsty festival goers.



A lot of old UK towns were attractive to heavy industry in the industrial revolution because they were close to canals- this allowed heavy goods to be transported safely and efficiently to the factories.

1.4.3 Business Location

1- Factors influencing business location

- Proximity to market: this makes it convenient for customers
- Proximity to labour: important if you require skilled labour
- Proximity to competitors: Some businesses benefit from being close to competition rather than being isolated e.g. pubs.
- Proximity to materials: If businesses use materials that are bulky to transport e.g. iron ore, it is best to be close to these materials.
- Reliability of transport links: If you are importing/ transporting goods.
- Cost of rent: for a high-end retailer it may be less important as the revenues from sales will outweigh the costs.

1.4.4 The Marketing Mix

1-What is the Marketing Mix?

- Price- What kind of price you charge your customers should reflect your costs, how many items you expect to sell and the type of customers you are looking to attract.
- **Product**- The design of the product should meet the needs of the customers
- **Place**- Where and how the product is distributed - this should meet the needs of the customer, suit the type of product and reflect the brand image.
- **Promotion** - How the business can promote sales of the products - the size of the business will influence what types of promotion they are likely to use.

2- What factors affect the marketing mix?

- **Levels of competition**- increasing competition may force a business to change prices or improve their products
- **Changing customer needs**- body positivity, diversity and inclusivity, healthy living
- **Technology** - e-commerce and M-commerce



As well as distributing to local stores, Wight Milk have their own milk shed at the farm gates. This allows people passing the farm to get fresh milk.

1.4.5 Business Plans

1- What is a business plan and what goes in one?

- A business plan is a document created by business owners- it sets out the business idea, how it will be marketed, financed and put into practice
- It contains: Overview of the idea, aims, target market,, marketing plan, financial forecasts (revenue, profit and cash flow), how the business will be financed, location and marketing mix.

2- Benefits of business plans

- Thinking carefully before starting may make the business be more likely to succeed.
- May be used to attract investment

3- Problems

- Forecasts may not be accurate (over-optimistic) . * Takes time to create * Trying to stick to the plan may make the business fail



Soap brand Dove have teamed up with the cartoon Steven Universe to promote body positivity and better self-esteem in children.

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