



## The importance of location

**Location** is the place where a firm decides to site its operations. Location decisions can have a big impact on costs and revenues.

A business needs to decide on the best location taking into account factors such as:

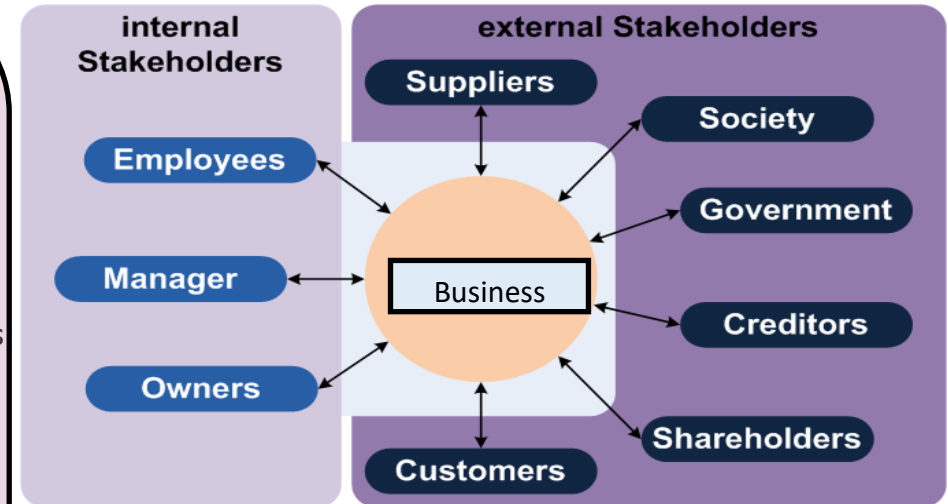
**Customers** (proximity to the market)- is the location convenient for customers?

**Raw Materials** - does the business need to be close to raw materials for cost or freshness of product?

**Staff** (labour)- are there sufficient numbers of local staff with the right skills willing to work at the right wage?

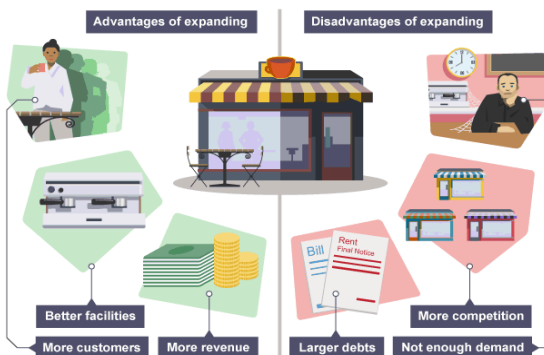
**Competition** - Is it best to be close or removed from direct competitors?

**Cost** - how much will the premises cost? Those situated in prime locations (such as city centres) are far more expensive to rent than edge-of-town premises.



**Stakeholders** influence business aims and objectives, by putting pressure onto the business for their own benefit.

**Stakeholder conflict** occurs when two or more stakeholder groups want different things from a business, e.g. shareholders want high dividends and employees want higher rates of pay.



**Organic growth** = When a business expands, by increasing their size (opening a new shop, expanding a factory).

### External Growth:

**Merger** - When 2 businesses agree to become one.

This can reduce costs and help the combined business become the market leader

**Take over** - When 1 business buys out another, if this is not approved by the bought business it is called a "hostile takeover"

### Purchasing Economies of Scale

When you buy in bulk you can get cheaper supplies, per unit cost.

### Technical Economies of Scale

When you use automation and the cost per unit decreases

### Diseconomies of Scale

Arise when cost to produce each unit rises, as production increases.

**Franchising:** When a business grows by allowing other private businesses to use their brand name/advertising

### Outsourcing:

**always** involves getting another business or organisation to provide the service for you.



#### Aims or goals

General statements of what business intends to achieve

#### Objective

More precise & detailed statements of the aims / goals

#### Business objectives:

- Survival
- profit maximisation
- Growth - domestic (UK) and international
- market share,
- Customer satisfaction,
- Social and ethical objectives
- shareholder value

#### Factors impacting on objectives:

- ⇒ Age and size of business
- ⇒ Competition
- ⇒ Purpose for business being created
- ⇒ UK economy

#### Revenue:

The income (money) generated from the sale of goods/services

#### Costs:

The money spent by a business on goods and services

#### Profit:

The difference between the money received from the sale of a good/service and the amount it cost; the amount that remains after all the costs have been paid. Profit = total revenue – total cost

#### Loss:

Where expenditure (spending) is greater than income

#### Average Cost:

$\text{Total Costs} \div \text{Number of products/services}$

## Business Planning

A business plan shows what a business aims to achieve and how it will achieve it.

Having a **business plan** helps businesses identify their aims and objectives and secure finance. Reviewing business plans regularly can help new and existing businesses adapt to change.

### The Business Plan

A good business plan should include information on:



#### The Business Idea

The business idea should identify the purpose of the business. It should also showcase the unique selling points (USPs) that differentiate the business's products from competitors' products.



#### Business Aims and Objectives

Aims and objectives help businesses to work towards clearly defined targets. They also help motivate employees to work towards achieving a shared aim.



#### Target Market

A successful business must understand its customers' needs. Therefore, it will carry out market research to collect, analyse and present information relating to its customers, competitors and market.



#### Financial Forecasts

Potential investors will want to see how much money is needed to start up the business, where this money will come from and how much revenue and profit the business is likely to make.



#### Location

Where will the business be located and why? Some businesses may focus on the cost of rent, whereas others may prioritise proximity to its customers, suppliers or materials.



#### The Marketing Mix

The marketing mix is the combination of key elements in a marketing strategy (the 4Ps). The business plan should describe how the marketing mix can be used effectively to sell products.

### Minimising Risk and Obtaining Finance

Poor planning is a common cause of business failure. Business plans can help to minimise risk by helping businesses foresee and prepare for potential problems in advance. Stakeholders such as banks may ask for a detailed business plan to reassure them that the business is worth their investment. Getting the business plan right is key to securing finance.