

A1

Goods, Services, Competition and Customers

What is an enterprise? Enterprise is the term used to describe a business or company.

For an enterprise to be successful the entrepreneur must spot a **gap in the market**.

How do enterprises compete?

Enterprises face competition if their products are **not** unique.

If another enterprise sells the **same or similar** products; there are called your competition or competitors.

Every enterprise needs to:

- Decide on the features or characteristics that make its goods and services different from other enterprises.
- Ensure that customers are aware of what makes it different.

Goods are sold physically.
For example: an enterprise may sell trainers or books.

Services are offered to anyone who needs them - for example a barber or a cleaner provide a service.

How do enterprises attract & keep customers



- Firstly:** Customers must be kept happy!
- Good customer service: attracting new customers, encourages repeat purchasing, supports loyalty and customers will freely promote your business.

New enterprise find it hard to attract customers because:

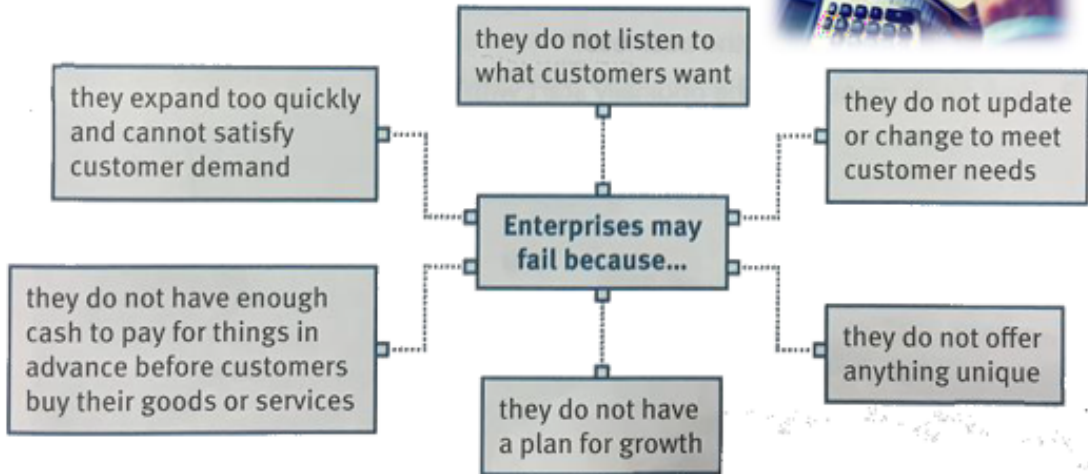
- Customers aren't always aware of new enterprises
- The reputation hasn't been built up
- Loyalty and trust hasn't been established.

Smaller enterprise find it hard to attract new customers because:

- They don't have much money to advertise like bigger enterprises do
- Their goods/services may be more expensive as it costs them more to produce a smaller number of products.



Why might an enterprise fail?



Customer service can really support an enterprise, the business must:

- Identify customer needs
- Identify the expectation of the customer
- Offer good value products and service
- Respond to enquiries by customers
- Provide clear and honest information
- Offer after sales service

A1i

Size and features of SMEs

Types of SME and their characteristics

Micro	Small	Medium
0-10	11-49	50-249
Run by their self-employed owner; they can be profit-making or not-for-profit (e.g. charity). These can be run by anyone.	These are often limited companies; this means the owner is only responsible for debts up to the amount they have invested. Example: if they invest £100,000 they're only responsible for £100,000 worth of debts.	These businesses have different roles within them due to their size (examples: finance department, production, sales). These are very formal businesses and have legal status of being 'limited' (LTD)

Micro Examples	Small Examples	Medium Examples
Hairdresser	Café	Restaurant chain
Mechanic	Gym	Snowdome
Nail technician	Spa/BeautyCentre	Belfry Hotel/Resort
Fitness trainer	Estate agent	
Window cleaner	Local garage	
Chip shop	Independent Hotel	

www.gov.uk/get-information-about-a-

www.breedonprioryhealthclub.co.uk

Types of ownership

Sole trader	Partnership	Limited Company
An individual person owns a business. unlimited liability	Two or more people own a business. unlimited liability	Often a family-run business with the protection of limited liability
<ul style="list-style-type: none"> + it is quick and easy to set up as a sole trader. + the owner has a lot of control over the business and its money. + it gives individuals the opportunity to be their own boss and make all the business decisions. 	<ul style="list-style-type: none"> + it is usually quick and easy to set up + there is shared decision-making by the owners + there is shared responsibility for debt by the owners + partners bring more skills and ideas 	<ul style="list-style-type: none"> + the owners have limited liability + any new shareholders need to be invited, which protects from outside influence + shares in the business can be sold to raise money
<ul style="list-style-type: none"> - it has the risk of unlimited liability. - it can involve long work hours and stressful conditions. - there is a high level of responsibility for the owner. 	<ul style="list-style-type: none"> - profits have to be shared between the partners - conflict amongst owners can occur - there is the risk of unlimited liability 	<ul style="list-style-type: none"> - other people are able to view the business' financial information - the business may require outside professional help to manage its finances - shareholders will expect to receive a percentage of the profits as dividends

A2

Sectors and business models in which enterprises operate

Primary Sector	Examples
The primary sector is made up of businesses that produce or extract raw materials . This is the first stage of the production process.	fishing, farming and mining
Secondary Sector	Examples
The next stage in the production process is the secondary sector which makes or manufactures goods. They take the raw materials from the primary sector and turn them into finished goods.	factories and includes food manufacturers such as Heinz and car manufacturers such as BMW.
Tertiary Sector	Examples
The final stage in the production process is the tertiary sector. This sector provides services .	estate agents, hairdressers and restaurants.

Business to Business (B2B)	Examples
When two business start trading with each other	<ol style="list-style-type: none"> 1. A builder buying bricks from a building merchant 2. Kellogg's selling breakfast cereals to Tesco
Business to Customer (B2C)	Examples
When a Business sells direct to the consumer/customer.	<ol style="list-style-type: none"> 1. A teenager buying trainers from JD Sports 2. A family buying fish and chips from George's fish and chip shop in Glascote
Social Enterprise	Examples
Can operate in any sector (primary, secondary or tertiary) . They can sell B2B or B2C.	<ol style="list-style-type: none"> 1. Community Renewables 2. The health and wellness hub

Goods	Examples
Any product that is tangible (you can touch it).	<ol style="list-style-type: none"> 1. Chocolate bar 2. Car
Services	Examples
Anything that is intangible (you cannot touch it)	<ol style="list-style-type: none"> 1. Car insurance 2. Deliveroo
E-commerce	Examples
Buying and selling through an online presence e.g. website. It does involve the transfer of payment.	<ol style="list-style-type: none"> 1. Argos 2. E-bay
Bricks, clicks and flicks	Examples
A business that has:	<ol style="list-style-type: none"> 1. Argos 2. Screwfix 3. Toolstation 4. Next 5. John Lewis 6. Halfords
Bricks = a shop or store	
Clicks = a website to buy through	
Flicks = a catalogue of some sorts to order from	



A3

Aims and activities of enterprises

Aims of enterprise

Making a profit	Many SME's have the primary aims of making a profit. They're usually running the enterprise to make money for themselves & their families
Surviving	Many SME's fail within the first 12 months of trading. Causes include- high Costs, Low Sales, Loss of customers
Expanding	This is often an aim because being larger can mean higher profits. They could move location, increase customers, increase product portfolio, offer additional services to existing customers
Maximising Sales	Making more sales is important as it often means more customers. ALL SME's have to do this to survive.
Being Environmentally friendly & ethical	It is important to consider the environment and material used to produce the goods and services. Ideally they need to think about recycling, reducing and reusing and providing ethical working conditions with pay and standards.
Providing a charitable service	Some SME's are set up to provide a charitable service to the community.

Aim	Maximise profit	Increase market share
How?	<ul style="list-style-type: none"> Keep running costs low or reduce running costs Increase prices Increase sales 	<ul style="list-style-type: none"> Increase promotion and advertising to attract customers Research the competition and find out why they are doing well Research potential customers and find out what they want and need

Business compete for customers.	<ul style="list-style-type: none"> A gym might offer a week's free trial Give flexible payment terms e.g. pay monthly
How might they attract/retain new customers?	<ul style="list-style-type: none"> Start selling at a lower introductory price Build in loyalty scheme to retain customers

A Core Activity is

The main **core activities** that the enterprise carries out. This is central to their business.

An example is a Personal Trainer provides **fitness sessions** as their main core activity.

A Non-Core Activity is

The **non-core activities** carried out by an enterprise support the main activities.

An example is a Personal Trainer **advertising with flyers to attract customers**. This then means the Personal Trainer has customers who will pay for the main activity.



Core Activity	Non Core Activity
<ul style="list-style-type: none"> Buying from suppliers Sells food and drink like fish and chips, kebabs, burgers and soft drinks Cashing up each day and managing finances 	<ul style="list-style-type: none"> Set up and maintains a website and advertising locally Recruiting and training staff Give friendly customer service Provide a delivery service Having a bank account

A3i

Crafting a paragraph — How an activity enables a business to achieve its aims

6 Steps - Writing about Activities + Aims

1	Introduce the activity	One activity <u>Breedon</u> provide is provide high quality 1:1 fitness sessions. Evidence of this is in this customer quote, "The 1:1 sessions are amazing and I love them." This picture also show a 1:1 fitness activity.
2	How does it benefit the customer?	Customers can benefit from having highly skilled staff in the fitness 1:1 session because they receive excellent advice and guidance from qualified and experienced staff. This will increase customer satisfaction and customer loyalty, as competitors may not offer this specialist staff trained at this high level.
3	Give examples	An example is a customer receiving great 1:1 fitness advice so they can achieve their fitness goals and feel good. <i>(insert pic to show a 1:1 session going on)</i>
4	Evidence to support example	One customer is quoted as saying, " The fantastic advice I receive from the trainers is excellent and is the main reason I keep returning. " This quote shows that the staff are having an impact with customers. <i>(quote taken from www.breedongym.co.uk on 03.03.23)</i>
5	Impact on the customer	This will increase customer satisfaction and customer loyalty, as competitors may not offer this specialist service. The customers are likely to be more motivated and more likely to achieve their training goals. As a result, they are more likely to renew their membership.
6	Impact on the business	This will benefit <u>Breedon</u> gym as they are more likely to meet their aims. <u>Breedon</u> have a unique selling point because their staff are the best in the industry. This can help attract and retain members and maximise membership sales <i>(aim)</i> . This means <u>Breedon's</u> revenue will likely increase and they are more likely to hit their profit <i>(aim)</i> target.

A3ii

Impact of Aims and activities on enterprises

Why are some SMEs successful?

- Skills relevant to the market
- Hard work and effort
- Determination
- Resilience
- Ability to develop and train staff
- Ability to motivate staff
- Providing a high level of customer service
- Meeting and exceeding customer needs
- Having experience of the market.

What are common aims of SMEs?

- Survival
- Breaking even
- Making a profit
- Meeting customer needs

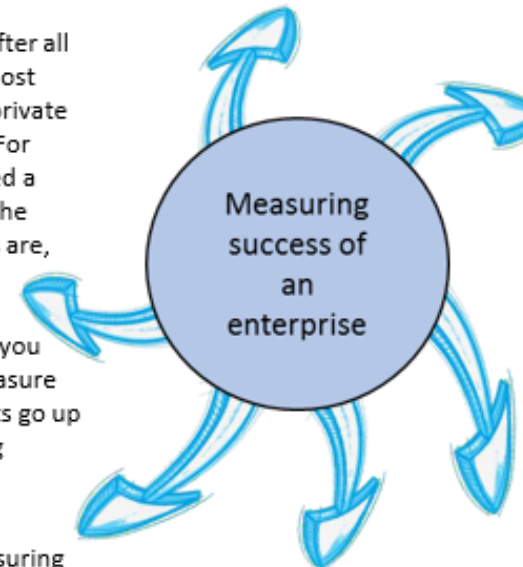
How can success be measured?

Customer satisfaction: Measuring customer satisfaction is done by looking at whether the enterprise has a good reputation and whether customer tell others about the enterprise. If this is the case, then the enterprise will be deemed to be a success.

Profit: This is the revenue left after all costs have been taken away. Most enterprises make a profit. For private enterprises, profit is essential. For social enterprises, profit is called a surplus, this is reinvested into the organization. Social enterprises are, for example, charities.

There are many liquidity ratios you need to know to be able to measure this, but in essence as the profits go up the enterprise is demonstrating success.

Customer satisfaction: Measuring customer satisfaction is done by looking at whether the enterprise has a good reputation and whether customer tell others about the enterprise. If this is the case, then the enterprise will be deemed to be a success.



Survival: This means continuing to operate for a long time after the enterprise has started. 90% of enterprises survive their first year, however, it is known that the first 5 years are the most challenging.

The longer an enterprise trades for the more successful it is likely to be. This is due to many of the skills required for success have been learnt and enhanced. Experience assists with success.

Making a living: If an entrepreneur is happy and conformable financially then they're making a success of their enterprise. Most enterprises are set up for independence.

Market Share: This is the percentage of the market which the enterprise controls. For example if the whole market takes £100,000 per year but my enterprise takes £10,000 on its own then my enterprise has 10% market share.

A4

Skills and Characteristics of entrepreneurs

What skills might an entrepreneur have?

Skills

A skill is the ability to do something well

Communication Sending or receiving messages / information	Planning Planning is the process of thinking about tasks/to do lists / activities required to achieve a desired goal	Research Research is finding things out, collecting data and documents
Negotiation Negotiation is a dialogue to find an agreement	Knowledge of Sector What somebody like an entrepreneur knows about the industry they are in, e.g. what an owner of a gym knows about leisure and fitness	
Leadership Leadership is motivating a group of people to act toward achieving a set goal	Presentation creating and delivering effective communications, information and ideas	Teamwork Teamwork happens when people work together toward a common goal
Problem Solving To ask questions, identify problems and consider then implement the best solutions	Manage Risk Know what the risks are and how to manage and minimise the risks	Technical To have specialist knowledge about a topic
Interpersonal Ability to communicate and interact well with lots of other people	Time Management To co-ordinate tasks and activities so that everyone knows what has to be done and by when	
Analytical asking the right questions and using the right data and facts then making the right decisions	Team Building To get the right people with the right skills so that they can all work together	Adaptable Able to adjust to different situations

Craft a paragraph:

A skill is the ability to do something well and examples of skills that Sigourney has shown in her role as owner of **Breedon Gym** include **knowledge of the fitness industry, communication and presentation, researching, time management, negotiation, prioritising tasks, problem solving, managing risk, leadership and teamwork**. Sigourney prioritised her two most important skills were **her communication Skills and knowledge of the fitness industry**.

Communication skills are used by Sigourney to give and receive information to her staff, customers and suppliers. The communication method she uses is oral, written and body language. An example of where Sigourney used communication skills was whilst working as a Personal Trainer, as she will have had to work with clients, guiding and advising them. Sigourney needed to give clear instructions so that the client could complete the activity properly and get the most benefit from the activity. This enabled Sigourney to provide an excellent customer service to gym users, which is demonstrated in the positive customer reviews which describe the staff as being friendly and supportive. One customer commented, "The friendliness and clear information provided by Sigourney really benefits me and is one reason I keep coming back to the gym." Sigourney's excellent communication skills means that she is providing excellent customer service. This will result in an increase in customer loyalty and retention and links to her business aim of offering excellent customer service. Consequently, the number of memberships will remain high which will help Sigourney to meet a second aim of maximising profits and Sigourney said that membership has increased by around 10% every year because of customer satisfaction and word of mouth advertising.

Definition

Examples

Example in context x 1

Impact

Quote

Link to Aim

A4i

Skills and Characteristics of entrepreneurs

What characteristics might an entrepreneur have?

A characteristic is a feature or quality of a person

Characteristics

Passion <small>The drive and love you show. You truly believe in the idea and that it will be successful</small>	Motivation <small>The desire to take action to achieve a goal</small>	Vision <small>Setting goals and dreams for the future</small>
Creativity <small>To use imagination to create something and solve problems</small>	Dedication <small>Being committed to a task or purpose and seeing it through</small>	Focus <small>The main thing that you are interested in</small>
Ambitious <small>Having a strong determination to succeed and achieve a big goal</small>	Pro-activeness <small>to take action to achieve a goal</small>	Resilience <small>Ability to bounce back when things get tough</small>
Versatile <small>Ability to do a range of activities/tasks</small>	Adaptability <small>Ability to change in different circumstances</small>	Optimism <small>Always keeping an open mind and a confidence that</small>
Inventiveness <small>The quality of coming up with new ideas</small>	Risk Averse <small>Someone who like low stakes/low risk</small>	Flexibility <small>The ability to change or do something different</small>
Self Reliance <small>Relies on their own skills and abilities rather than someone else</small>	Resourceful <small>To find quick and clever ways to overcome</small>	Inspiring <small>To have positive effects on other people</small>

Craft a paragraph:

A characteristic is a feature or quality belonging typically to a person and examples that Sigourney has shown in her role as owner of Breedon Gym include **vision, passion, drive, motivation, resilience, flexibility and adaptability and taking a risk.** Sigourney prioritised her two most important characteristics were **her drive and willingness to take a risk.**

Drive is a 'planned effort to achieve something like a goal!' Sigourney has clearly show drive as she has started he own gym business. She started out as a student on a fitness course and has always show an interest in the fitness industry and her plan to start her own gym since she started in 2009. Sigourney started off her career working as a gym instructor and quickly gaining a promotion to Club Manager. Sigourney said, "I qualified as a Personal Trainer in 2010 and decided to work freelance, training my clients in and around the East Midlands. I really enjoyed doing this job and found it massively rewarding, however I always knew I wanted to run my own Health Club one day". This shows that over a long period of time Sigourney has been driven to achieve her goal of opening her own gym and planned this by making sure she had the right qualifications. **Drive has helped Sigourney towards meeting the aim of having the best environment, the best equipment and most importantly, the best team of people in the industry to assist members.** This is shown by the fact that in 2022, **Breedon gym** was a finalist in the UK national best gym awards. **Put in a picture of the award from the website to show this.** This will further help the gym the above aim achieve its aim and the impact of this award will likely lead to increased membership and increased revenue from attracting new members.

- Definition
- Examples
- Definition
- Example in context x 1
- Quote
- Impact
- Link to Aim
- Impact
- Link to Aim

B1

Qualitative and Quantitative

Qualitative

- Answer "Why?" question
- Observation, Symbol, Word etc.
- Observe and interpret
- Grouping of common data /non-statistical analysis

- Purpose —
- Data type —
- Approach —
- Analysis —

Quantitative

- Answer "How many/much?" question
- Number/Statistical result
- Measure and test
- Statistical analysis

Opinions, Beliefs
E.g. Green is the best colour

Facts, Figures, Data, Stats
E.g. 53% of customers said.....

B1i

Market Research Methods

Primary Research

This is research which is collected first hand from the customer by the enterprise. The enterprise should always gain the respondents consent before conducting research.

How can primary research benefit an SME?

- They can gain new customers
- They can gather information about existing customers to keep them loyal and how to encourage them to spend more
- They can tailor the wants and needs of the customer to make sure they leave satisfied
- The enterprise is in control of the research, what they research and how they research; the data collected is then owned by the SME.

What might the drawbacks of primary research be?

- It takes a lot of time and can cost an lot of money;
- It may not be accurate (Ex: Sample size/Honesty)
- It may be biased – the enterprise may word the questions in a way in which they get the answers they want.

What can these things lead to?

- Overall improved performance of the enterprise;
- More satisfied customers;
- The ability for the enterprise to enter new markets (take their products to a new market);
- Increase their products.

How can an enterprise gather primary research?

- Questionnaires
- Visits/observations;
- Interviews;
- Focus groups;

Secondary Research

Secondary research is research which has already been collected by someone else and you're using it to save you time and money. It may be freely available research or it may be research which it bought.

How can secondary research benefit an SME?

- It is instantly available as it already exists;
- It is publically available and often free to use;
- If details of how it was collected are included it can help the secondary research understand the data better, including any challenges, making it more useful.
- The data is likely to have already been analysed (trends spotted etc.)

What might the drawbacks of secondary research be?

- It is not possible to check the quality of the research
- It may not be perfectly relevant to your enterprise
- It may be out of date
- The method of collection or the source of the research may not be relevant to your enterprise.

How can an enterprise gather secondary research?

- Online research, internet searches
- Company materials
- Market reports
- Reports in trade journals and magazines
- Government reports

B1 ii

Advantages and Disadvantages of Market Research Methods

	<u>Primary or Secondary</u>	Advantages	Disadvantages
<p style="text-align: center;">Survey</p> <p style="text-align: center; font-size: small;">Questionnaire that collect information about a target market</p>	<p>P</p> <p style="font-size: small;">primary</p>	<ul style="list-style-type: none"> Results are specific to the business Can choose questions 	<ul style="list-style-type: none"> Expensive to gather the data Time consuming to gather the data People might lie in their responses
<p style="text-align: center;">Questionnaire</p> <p style="text-align: center; font-size: small;">Written questions (usually) with a choice of answers to find out customer preferences and thoughts</p>	<p>P</p> <p style="font-size: small;">primary</p>	<ul style="list-style-type: none"> Accurate Specific to the business 	<ul style="list-style-type: none"> Expensive Time consuming People might not be truthful
<p style="text-align: center;">Focus Group</p> <p style="text-align: center; font-size: small;">A group of people assembled to participate in a discussion about a product</p>	<p>P</p> <p style="font-size: small;">primary</p>	<ul style="list-style-type: none"> Specific to the business People are truthful Ask more detailed questions 	<ul style="list-style-type: none"> Expensive Time consuming Takes a long time to analyse the results
<p style="text-align: center;">Internet</p> <p style="text-align: center; font-size: small;">Research carried out using the internet particularly on competitors</p>	<p>S</p> <p style="font-size: small;">secondary</p>	<ul style="list-style-type: none"> Quick and easy Cheap 	<ul style="list-style-type: none"> Not always reliable Not specific to the business Competitors have the same information
<p style="text-align: center;">Market Reports</p> <p style="text-align: center; font-size: small;">A document that reveals the characteristics of your ideal customers, their buying habits, the value your product or service can bring to them, and the list of your top competitors.</p>	<p>S</p> <p style="font-size: small;">secondary</p>	<ul style="list-style-type: none"> Quick to collect information Quick to analyse the data 	<ul style="list-style-type: none"> Expensive Not specific to the business
<p style="text-align: center;">Government Reports</p> <p style="text-align: center; font-size: small;">Government reports may consist of general information that is not usually industry specific but can still be useful for a business e.g. census, planning approvals</p>	<p>S</p> <p style="font-size: small;">secondary</p>	<ul style="list-style-type: none"> Reliable Cheap 	<ul style="list-style-type: none"> Competitors might have that information Not specific to the business

B2

Understanding Customer Needs

Why is it important to anticipate and identify customer needs?

Customers are vital if a business is going to be successful; therefore the entrepreneur must find out about customer wants and needs. This can be done via market research.

What 3 factors are important when identifying customer expectations?

Value: Customers will want 'good value' goods and services. They want to feel they have got good quality for what they have paid for the good or service.

Enquires: You must respond to enquires rapidly to offer good customer service; this could be a question or a complaint. Customers want to feel they are well thought of as they're spending money with you; they want to have confidence in you and feel listened to. They will tell others how they feel about your enterprise.

Information: Customers are most likely to repeat purchase if they understand what is being offered and its clear to understand. Sometimes (for example when buying a car, jargon can confused people and put them off). They're also most likely to repeat purchase if they get what they're expecting. Not providing clear information can lead to fines, court and prison depending on the severity

Anticipating customer needs is what is 'expected' of your customers.

For example: When will customers come to the enterprise?; What will they want to buy?; What market are we going to operate in?; How many customers will we have?

What is 'after sales' service?

After sales is what the enterprise offers are the customer has left with their purchase. This is can be as simple as checking if they can help the customer in any way (e.g. with a new piece of technology) or finding out if they're happy with their recent purchase (this might be in the form of a SMS questionnaire). Some customers might rate companies publically (e.g. Trust Pilot, Trip Advisor etc.).

How can a business provide after sales

- **Repairs and Maintenance** - this might be offered when you get a new car.
- **Delivery information / tracking** - this might be in the form of providing updates on where the delivery is (web link so it can be self-tracked or via SMS). It might also be the enterprise checking the delivery went smoothly and the customer is happy.
- **Guarantees** - this is the offering of repairs for a specified amount of time after the sale if the product breaks.

Identifying customer needs can only be done once you know who your customers are. The enterprise has to think carefully about its customers, their needs and how they are likely to buy something.

If a 'need' is identified and met then it is very likely to lead to a sale. If you don't identify needs you'll be providing goods and services customers don't want. **How might this be problematic? Think beyond cash flow.**

How can a product be linked to a customer?

Linking customers and products well means the enterprise is using its time and resource well.

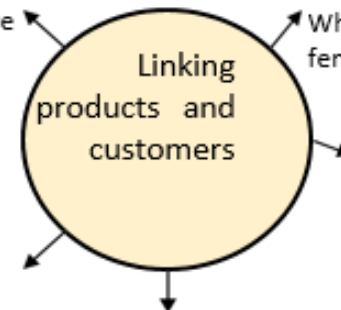
The **age** of the customer. What do most people of X age like?

The **gender** of the customer. What do males/female like?

Location of the product or location of the customer.

The **income** of the customer will affect what products they can afford and how much they are willing to pay

The **lifestyle** of the customer. What type of life do they lead?



B3

Understanding Competitor Behaviour

How can I spot competitors?

Identifying competitors allows entrepreneurs to make careful decisions about their enterprise from marketing, pricing and after sales services they provide.

Researching competitors is important before you start up your enterprise. This can involve looking online if the enterprise has an online presence or visiting the enterprise/local area if possible to see what goods and services they offer; also how they offer them.

Factors you might want to consider about your competitors are: location, goods, quality, price, reputation, opening times, customer type and whether or not they operate online.

How can products stand out from similar products?

Some ways might be (but this depends on the good/service). They need to encourage customers to make a purchase

- Features
- Functions
- Colours
- Flavours
- Scents
- Pricing
- Design
- Aesthetics
- Promotions
- After sales service
- Incentives
- Quality

Features of competition: Price, Quality, USP, Availability.

USP = Unique Selling Point

Unique Selling Point: Goods and services can have features and selling points which make them unique (e.g. flavours, rare materials or a service which is different – example: a barbers who offer beard shaving as well as hair cutting (if they're the only ones in the area, otherwise it would be unique)).

Being unique doesn't always mean no other enterprise does something, it means you're unique in that location or to the customers you're serving. Taking Uncle Joes mint balls to London may be seen as unique as they are from the North of England. Being unique gives you options – e.g. pricing.

Availability

Availability of a good– this means whether the product is in stock or whether it can be delivered quickly.

Availability of a service– this means can the customer 'book in' and is it easy to 'book in' (e.g. hair appointment – can you book in and can you maybe book in by calling in, phoning them enterprise or via an app?)

Loyal customers might wait if a good or service isn't available, but you must first work on gaining the loyalty of the customers over time (products mostly being available, different, good quality, reasonably prices etc.).

Price

Price: This is one of the first ways customers will compare you with your competitors – are you more expensive or not? Being the cheapest doesn't always make you the most attractive; sometimes customers look for the best 'all round' service or for something which stands out.

Quality

Quality: Sometimes this is linked to price as the customer wants to make sure the quality matches the price. It is sometimes linked to price as an indicator of how long something might last or the outcome of the service (something expensive would be expected to be very high quality).

Often customers will use the internet to find out of the quality from recent goods and services provided / images and reviews from the enterprise and its past consumers.

C1

PEST (political, economic, social, technological) Analysis

A **PEST analysis** is a technique used to understand the impact of outside factors on an enterprise at a given time or situation. It is a method of situation analysis because it allows an enterprise to understand the 'big picture' of the environment they are situated in at that moment of time.

P	E	S	T
Political	Economic	Social	Technological
Changes to the law	Employment levels	Changes in fashion	Mobile technology developments e.g. apps
New party in power	Exchange rates (imports / exports)	Demographics (are they changing?)	E-Commerce
Effect of wars, tax, environment	Interest rates (loans, mortgages, overdrafts)	Attitudes	Convenience offered by technology
Relationships with other countries and the EU	Disposable income	Ethical considerations	Impact of technology on jobs

PEST: Craft a paragraph

PEST: Economic Factor

Economic: High interest rates

The interest rate represents the cost of borrowing money or the amount a saver receives in interest. Breedon could be affected by high interests if they need to take out a loan in the future because interest has increased from below 3% to around 8% in repayment fees. The impact on Breedon might be increased expenditure on higher repayment charges and therefore their fixed costs have potentially increased.

Further, Breedon's members/customers may be faced with much higher mortgage payments for their homes because their mortgage interest rate may have increased. This is likely to lead to a decrease in consumer spending because some members may need to reduce their household costs and prioritise their expenditure. As a result this could lead to some members not renewing their memberships or even some potential members deciding not to join Breedon in the first place. This is especially relevant to Breedon because they have higher prices than their competition. The impact on Breedon could be a loss of sales of memberships and this will result in a fall in market share and revenues right at the time when Breedon's costs are increasing. This could mean Breedon does not hit their profit targets and there is a risk it could even make a loss.

Should revenue significantly fall then Breedon's directors (Tom and Sigourney) may have to take some difficult decisions such as reduce opening hours, reduce staffing, cut some classes, increase membership prices or attract new members through new advertising. A reduction in services like reduce open times, reduce levels of staffing or cutting back some classes like yoga. The impact of reducing services could be a cost saving because less staff are required and heating bills would be reduced. However, existing members may be unhappy with this decision because their level of service is below what they have paid for in the past and this may result in them not renewing their membership, thus making the problem worse for Breedon. An increase membership prices could possibly raise revenue assuming members are prepared to pay the higher charge. This is risky in the current economic climate because households typically have less money to spend. It would also mean Breedon charging significantly higher prices than the competition and the risk is that members will leave Breedon. I do not recommend this option because higher prices will increase the risk of losing gym members.

Recommendation

I do recommend Breedon launches a new advertising and promotional strategy e.g. a 10% discount for the first 3 months promoted via social media to attract new members and increase Breedon's market share. This would help grow the membership and bring in new revenue to counteract increased costs. Using social media would be beneficial because it can reach a lot of potential new members if advertised on local community group social media pages. Further, social media is a low cost option and Sigourney has the skills to set this up and so she will not need to spend money on a professional service such as taking high quality images to use in the social media campaign.

C2

SWOT (strengths, weaknesses, opportunities and threats) Analysis

This is simply analysing (studying) the situation an enterprise is in, looking at the market and assessing how it could be affected by trends and developments. Below is a SWOT analysis explained:

S	<p><u>Strengths of an enterprise</u></p> <ul style="list-style-type: none"> • They might keep customers satisfied. • They might have a good brand image & reputation. • They might offer a good quality service.
W	<p><u>Weaknesses of an enterprise</u></p> <ul style="list-style-type: none"> • Staff members might lack training. • Their improvement plan might not be effective. • They may not have the best resources. • They may not have high market share. • They may not have competitive edge.
O	<p><u>Opportunities the enterprise might want to exploit</u></p> <ul style="list-style-type: none"> • These are different for each enterprise depending on what their strengths and weaknesses are.
T	<p><u>Threats on an enterprise</u></p> <p>This is anything which might prevent success for example:</p> <ul style="list-style-type: none"> • Changes in trends/tastes • New competitors entering the market • Existing competitive changing what they do

Questions

- 1 How might a **strength** help an enterprise take advantage of an **opportunity**?
- 2 How might a **strength** help address a **weakness**?
- 3 How might a **weakness** be turned into an **opportunity**?
- 4 How might a **weakness** be looked at by a competitor and therefore becomes a **threat**?

C2i

Factors that might impact on an organisation (success v failure)

External factors can not be controlled by the enterprise. Once the enterprise has been made aware of changes they need act on them and overcome them!

Factors that impact on COSTS

External factors which may impact an enterprise might be:

- Cost of energy (variable costs) – Gas, Electricity, Oil
- The cost of raw materials – these are items which are needed for producing a product (wood for a joiner for example)
- The cost of borrowing money – if you borrow money from a lender, you will have to pay interest on the loan. If the interest rate goes up then so does your cash out flow.
- Rent on a premises – if rent goes up then this impacts your Enterprise's costs.

Increase and decrease in costs is known as fluctuation. Enterprises need to be prepared for costs to fluctuate.



MARKETING (External factor)

- Marketing costs a lot of time and money and these costs can also fluctuate. In these instances enterprises might choose to use free marketing e.g. social media, blogs, vehicle advertising, email campaigns.
- They may also choose low cost marketing: radio advertising, business cards, flyers or newspaper advertising.

SELLING COSTS (External factor)

- When selling the enterprise must consider wages (they can rise and the minimum is set nationally), packaging the goods and delivering the goods (the cost of the raw materials can also rise)

GOVERNMENT REGULATIONS

- Costs can rise due to companies (such as an insurance Company) needing to cover their costs.
- Costs can also rise when governments make changes such as wages, taxation and pensions.

Factors that impact on REVENUE

Revenue is how much an enterprise earns from selling its goods and services. Changes in revenue happen when the amount of money an enterprise receives goes up or down. Enterprises can't also stop or influence the changes in revenue, but they have to respond to the changes to ensure they are still successful.

Competitors

What are competitors doing which might impact your revenue?
 What new enterprises are coming into your market?
 How can you attract customers or encourage repeat purchase to gain competitive edge?

Consumer behaviour

Consumer tastes have an impact on revenue - this creates a social pressure on enterprises to change their product portfolio.

Consumer Confidence

This means how much confidence consumers have in the economy.

- If the economy is growing peoples jobs will be safe and they'll spend.
- If the economy is in recession people will be uncertain about the future and will be less confident in spending.
- This impact the revenue of enterprises.

Consumer legislation

Sometimes things which enterprises sells are:
 Banned – they become illegal
 T&Cs change – for example how goods can be packages/promoted