BTEC Tech Award: Enterprise

Knowledge Organiser

Component 1 : Exploring Enterprises (Controlled Assessment)	
Learning Aim	
A	Examine the characteristics of enterprises
B	Explore how market research helps enterprise meet customer needs & understand competitor behaviour.
C	Investigate the factors that contribute to the success of an enterprise.

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COMPONENT 1 - Exploring Enterprises

- **Learning Aim A** Examine the characteristics of enterprises

WHAT IS ENTERPRISE?

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

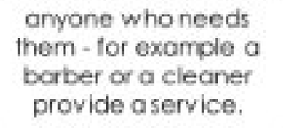
For an enterprise to be successful the entrepreneur must spot a gap in the market.

How do enterprises compete?

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



Why might an enterprise fail?

Enterprises may fail because...
- they do not listen to what customers want
- they expand too quickly and cannot satisfy customer demand
- they do not update or change to meet customer needs
- they do not have enough cash to pay for things in advance before customers buy their goods or services
- they do not offer anything unique
- they do not have a plan for growth

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:	**Smaller** enterprise find it hard to attract new customers because:
• Customers aren't always aware of new enterprises • The reputation hasn't been built up • Loyalty and trust hasn't been established.	• 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.

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

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COMPONENT 1 - Exploring Enterprises

- **Learning Aim A** Examine the characteristics of enterprises

How does good customer service help a business?

- It attracts new customers to try the goods and services which the enterprise offers.
- It encourages customers to come back and buy again (repeat purchase). It encourages customers to be loyal to the brand/enterprise which means they don't shop elsewhere.
- It makes sure customers are happy, they are more likely to share positive stories/reviews about your enterprise (verbally and written) with others. This enhances the reputation of your enterprise and possibly encourages others to try out your business.

How do enterprises keep customers loyal?

Good customer service can attract new customers because they hear about the wonderful things the new business are doing; this helps an entrepreneur to gain a good reputation and loyal customers.

Loyalty can be kept by offering incentives to keep customers interested; these also help the enterprise with competing with other enterprises.

Examples:
- Social media promotions (e.g. 'Like & Share')
- Newsletters
- Online comments and feedback
- Loyalty cards (e.g. Points cards / stamp card)

CUSTOMER
FRIENDLY
SUPPORT
INNOVATIVE
COMMUNICATIVE
EFFECTIVE
CREATIVE

How can an enterprise be creative and show they're innovative?

SMEs must be flexible and be willing to adapt to make sure customers are happy.

Innovation / Innovative means coming up with new ideas.

How can an enterprise be innovative?
- Fill gaps in the market
- Develop new ideas that other enterprises aren't yet offering

How can an enterprise be creative?
- Get feedback from customers
- List to and act on what customers want.

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COMPONENT 1 - Exploring Enterprises

- **Learning Aim A** Examine the characteristics of enterprises

- TYPES & CHARACTERISTICS OF SME
- THE PURPOSE OF ENTERPRISE

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 the 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)

Types of ownership

Sole trade	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

Some businesses chose to operate just with a physical premises, some with just an online presence. Other businesses choose to take advantage of both online presence and physical premises (they're multichannel)

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.

Objectives should be ...

- S – SPECIFIC
- M – MEASUREABLE
- A – ACHIEVABLE
- R – REALISTIC
- T – TIMEBOUND

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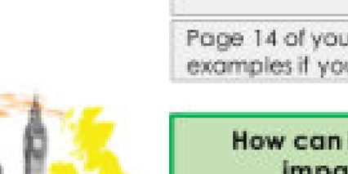
- **Learning Aim A** Examine the characteristics of enterprises

- THE PURPOSE OF ENTERPRISE
- ENTREPRENEURS

How can SOCIAL pressures impact a enterprise?

- A social pressure if an influence that communities, customers and business owners, employees and other enterprises have on the way an enterprise operates. They try to pressure you to run your enterprise a certain way and can result in an enterprise making changes (sometimes costing them time and money).
- Social pressures can result in 'social enterprises' being set up.

Page 14 of your text book will give you examples if you need them.



How can POLITICAL pressures impact a enterprise?

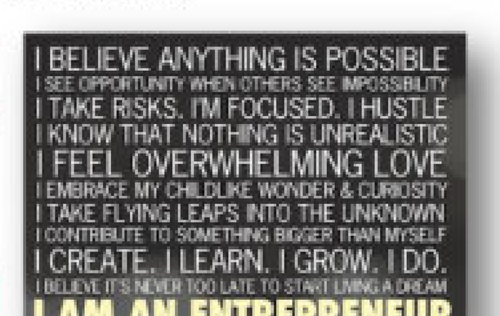
- Political pressures include laws, campaigns and politics (local council, national, European and international governments and associations).
- These pressures might change the way people are employed or change the amount of tax that has to be paid for example.
- These pressures can be positive, for example, SME's may be given funding if they comply with a pressure – this might be a grant to support them in being environmental for example.

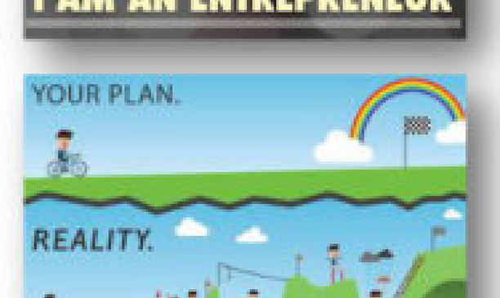
Why would someone start their own enterprise?

- To make a difference
- To choose when I work (flexibility)
- To do something I'm interested in
- To be my own boss

What mind set should an entrepreneur have?

They should be...
- Confident
- Proactive
- Focused
- Dedicated
- Motivated
- Innovative
- Passionate
- Adaptable
- Resilient
- Visionary





What skills should a 'good' entrepreneur have?

Skills that make a good entrepreneur:
- Managing risks
- Problem solving
- Prioritising tasks
- Interpersonal communication skills
- Technical skills
- Planning
- Time management
- Negotiation

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COMPONENT 1 - Exploring Enterprises

- **Learning Aim B** Explore how market research helps enterprise meet customer needs & understand competitor behaviour

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.

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?

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.

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.

Enquiries: 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.

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 publicly (e.g. Trust Pilot, Trip Advisor etc.).

How can a business provide after sales service?

- **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.

How can a product be linked to a customer?

Linking customers and products well means the enterprises using its time and resources well.

Linking products and customers:
- The age of the customer. What do most people of X age like?
- The gender of the customer. What do males/ female like?
- The lifestyle of the customer. What type of life do they lead?
- The income of the customer. What can they afford? What disposable income do they have?
- Location of the product or location of the customer.

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COMPONENT 1 - Exploring Enterprises

- **Learning Aim B** Explore how market research helps enterprise meet customer needs & understand competitor behaviour

MARKET RESEARCH

Primary	Secondary
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; • Surveys.	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 publicly 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

Qualitative – OPEN questions	Quantitative – CLOSED questions
Collection of information such as ideas, feelings and thoughts. Qualitative research give Quality answers (i.e. the respondent can expand on their answer to give you lots of information).	Quantitative research is much easier to measure as it uses statistics. It can be used to spot patterns of identify trends. This research can tell you the Quantity of times something has happened, but not why (problem?) as it only deals in numbers.

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COMPONENT 1 - Exploring Enterprises

- **Learning Aim B** Explore how market research helps enterprise meet customer needs & understand 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.

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: 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.

Unique Selling Point: Goods and services can have features and selling points which make them unique (e.g. flavors, 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're from the North of England. Being unique gives you options – e.g. pricing.

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.).

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COMPONENT 1 - Exploring Enterprises

- Investigate the factors that contribute to the success of an enterprise

INTERNAL FACTORS SITUATIONAL ANALYSIS

What are internal factors?

Internal factors can be controlled by an enterprise.

Internal factors can impact costs positively and negatively. The factors which the enterprise need to fully understand are below.

- **Understanding the market**
  - Who are the competition?
  - What do the customer want form our enterprise?
  - What makes our product unique?
- **Satisfying customers**
  - What is the quality of the product?
  - How is the product priced?
  - Do you offer good customer service, convenience or a USP? Is the product available?
- **Planning / Financing**
  - How/When can orders be taken? Online? In person?
  - Are we organised? Do we have enough stock?
  - Do we have enough time to do X?
  - Have we forecasted as well as possible (£)?
- **Marketing and promoting**
  - Are we getting value for money with our marketing and promotions? M&P can be an expensive cost for SME's
  - Can we make use of social media to M&P?
- **HR Costs**
  - Do we have a contingency plan? – have we planned for the unexpected (in the hope it will never happen?)
  - Do we have money readily available for costs which aren't expected (in the hope we'll never need it)
  - Examples: Advertising for a new role/cover/training.

How can an enterprise conduct a situational 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	**Strengths of an enterprise** • They might keep customers satisfied. • They might have a good brand image & reputation. • They might offer a good quality service.
W	**Weaknesses of an enterprise** • 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	**Opportunities the enterprise might want to exploit** • These are different for each enterprise depending on what their strengths and weaknesses are.
T	**Threats on an enterprise** This is anything which might prevent success for example: • Changes in trends/tastes • New competitors entering the market • Existing competitive changing what they do

Enterprises have to consider how each other the factors might effect them below. This is a PEST analysis.

P - Political	E- Economic	S - Social	T - Technological
• Changes to laws • New party in power • Effect of wars, tax, environment • Relationships with other countries and the EU	• Employment levels • Exchange rates (import/ exports) • Wage levels • Interest rates (on loans/ overdrafts) • Disposable income	• Changes in fashion/trends • Ethical considerations (e.g. Fair Trade) • Environmental considerations • Demographics (is it growing?) • Attitudes towards work • Level of customer education	• Developments in computing • Mobile device developments • Machines taking the place of humans • Increase in e-commerce

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COMPONENT 1 - Exploring Enterprises

- Investigate the factors that contribute to the success of an enterprise

EXTERNAL FACTORS

External factors can not be controlled by the enterprise. Once the enterprise has been made aware of changes they need act on them and over come 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 outflow.
- 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 insurance companies) needing to cover their costs.
- Costs can also rise when governments make changes such as to 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 cant 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 that 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 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 behaviour Consumer tastes have an impact on revenue - this creates a social pressure on enterprises to change their product portfolio.	**Consumer legislation** Sometimes things which enterprises sells are: Banned – they become illegal T&Cs change – for example how goods can be packages/promoted

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COMPONENT 1 - Exploring Enterprises

- Investigate the factors that contribute to the success of an enterprise

MEASURING SUCCESS

What are some of the reasons for SME success?

- 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 SME's?

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

How can the success of an enterprise be measured?

Measuring success of an enterprise

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 organisation. 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.

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.

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.

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.

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.