

# 2nd monthly review

## Common terms of answers

- Define: [2']
- Outline/identify/state:
  - [2'] Outline to features
  - [4'] Outline and case application
- Explain 100% case application
  - Define+explain
  - FULL SENTENCE
- Analyze/Examine [6'+]
  - 2 for (advantage)
  - 2 against (disadvantage)

## Definitions

### Business Activity

- the purpose of businesses: is to use **factors of production** to create **goods and services** in order to satisfy the **needs and wants** of people, organizations and governments.
- Factors of production:

Type of factors	Description/Define
Land	All nature resources, e.g. physical land, water, wood, minerals, fields, oil, forests

Type of factors	Description/Define
Labour	The employees
Capital	The finance, machinery, equipment
Enterprise/ entrepreneur	People prepared to take the risk of setting up businesses and organize the land, labour and capital

- Goods v.s. Services
  - Consumer goods: goods sold to the general public rather than to other business
    - Durable consumer goods: last a long time and can be used repeatedly
    - Non-durable consumer goods: consumed shortly and cannot be reused
  - Capital goods/producer goods: products sold to other businesses to help them in their production process, e.g. buildings, machinery, specialist equipment
  - Services: intangible products, e.g. health care, transportation, dining, legal advice, education
- Needs v.s. Wants
  - Needs: basic necessities that a person must have to survive
  - Wants: any goods or services which people would like to have

## Business Objectives

- Business Objectives: An objective is a statement of a specific target to achieve the aim of a business
- Aims: are general and long-term goals of an organization

## Stakeholders

- Stakeholders: A stakeholder is any person or organization with an interest in, and is affected by, the activities and performance of a business
- Shareholders: A shareholder is any person or organization that own shares

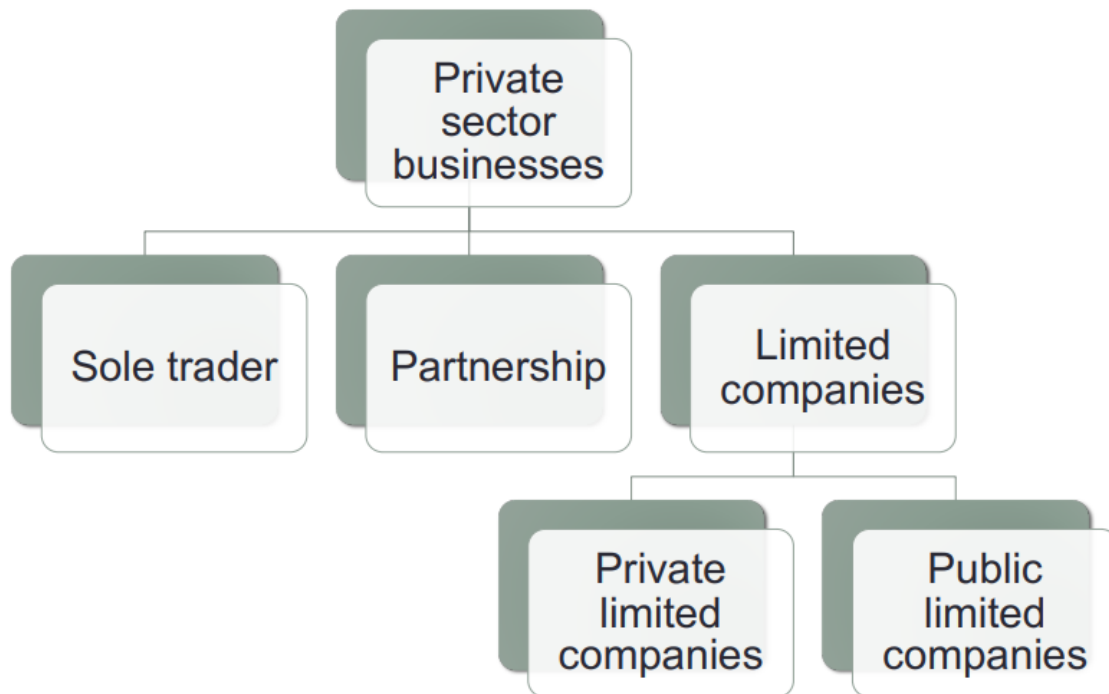
## Business sectors

- Business sectors based on [Business Activity](#)

- primary sector: the industry that grow and gather raw materials
- second sector: the industry that transfer raw materials into products
- tertiary sector: the industry that involves providing service to the final consumers or businesses
- The chain of production: the production and supply of goods to the final consumer involves activities from primary, secondary and tertiary sector businesses
- Business sectors based on [Ownership](#)
  - Public sector: the owner of the industry is the government
  - Private sector: the owner of the industry is individuals or enterprises

## Types of organisation

### Types of business organisation



- unlimited liability: the owner might have to use their personal wealth to finance any business debts if it fails
- limited liability: the shareholders in a limited liability company which fails only risk losing the amount they have invested in the company and not any of their personal wealth.
- types of business organization
  - sole trader: unincorporated business owned and managed by one person.
  - partnership: a business owned and managed by two or more people (at least one has unlimited liability).
  - private limited company: often a small to medium-sized company, owned by shareholders who have limited liability. The company cannot sell its share to the general public.
  - public limited company: often a large company, owned by shareholders who have limited liability. The company can sell its shares to the general public.

## Marketing

- market: a place or process whereby customers and suppliers trade.
  - customer market: cater for private individual (i.e. the general public)
  - industrial market: cater for business and government
- Marketing is the management process involved in identifying, anticipating and satisfying consumer requirements profitably.
- Marketing segmentation: the process of splitting a market into distinct consumer groups to better meet their needs
- Market segment: a distinct group of customers with similar characteristics, e.g. age, gender, income, ethnicity or religion.
- Targeting: the process of devising an appropriate marketing mix and marketing strategies for different market segments
- Target market: a particular market segment that a business aims to focus its marketing efforts on.

## Market research

- Market research: the process of collecting, recording and analyzing data about the customers, competitors and market for a product.
- Market-oriented: make products that they can sell
- Product-oriented: sell products that they make
- Primary research: the collection of first-hand data for the specific needs of the business
  - focus groups: a group of people who have similar characteristics to target market are invited to give their opinions on a product.
  - observation: watching or recording customer behavior
  - interviews: one-to-one discussions between an interviewer and interviewees (face-to-face or telephone)
  - survey or questionnaire: a document that contains a series of questions used to collect data for a specific purpose.
- Secondary research: the collection of data from second-hand sources

## Details

### Business activities

Type of factors	Description/Define
Land	All nature resources, e.g. physical land, water, wood, minerals, fields, oil, forests
Labour	The employees
Capital	The finance, machinery, equipment
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### Business Objectives

business objective 的坏处：没有及时改变BO或者是不SMART的话会不太sing

- The importance of objectives:
  - Good objectives should be SMART

- Specific
- Measurable
- Achievable/ Agreed
- Realistic/relevant
- Time constrained

e.g. At the end of this month, our blog will see an 8% lift in traffic by increasing our weekly publishing frequency from 5 posts per week to 8 posts per week

- Provide direction for all individuals and departments of a business
- Help to motivate staff
- Provide basis for measuring and controlling the performance of a business
- Different business objectives
  - Survival
  - Increase sales revenue
  - Profit maximization
  - Growth
  - Market share
  - Image and reputation
  - Provide quality products/services
  - Customer satisfaction
  - Corporate social responsibility (CSR)

## Stakeholders

Internal stakeholders	External stakeholders
Work within an organization	Not employed by an organization but get affected by its activities
Primary stakeholders	Secondary stakeholders

Stakeholders	Interests/objectives	Internal/ external
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Stakeholders	Interests/objectives	Internal/ external
employees	Salary(fixed)/ wage based on productivity variable / promotion/job security/ working condition	In
Managers and directors	Bonus/ perks/ fringe/ growth/ social status	In
Shareholders	Dividends (分红) / share price	In
Customers	Quality/ price/ service	Ex
Supplies	One or long, price, regular orders, prompt payment	Ex
Government	Encourage competition/ taxes/ cooperation social responsibility/ local GDP increase/ employment	Ex
Lenders/ financiers	Loan/ interest profit	Ex
Local community	Job opportunity	Ex
Competitors	they compete for the same opportunities to profit within the same market. Having strong competitors can motivate an organization to innovate better products and services, improve marketing to their audience and increase its profit over other companies in its industry.	Ex

## Business Sectors

	Private sector	Public sector
Ownership	Individuals or enterprises	Government
What to produce	Consumer decides	The government decides
How to produce	Firms want to make a profit	The government decides
For whom to produce	Customers' buying power	The government decides

### Public sector

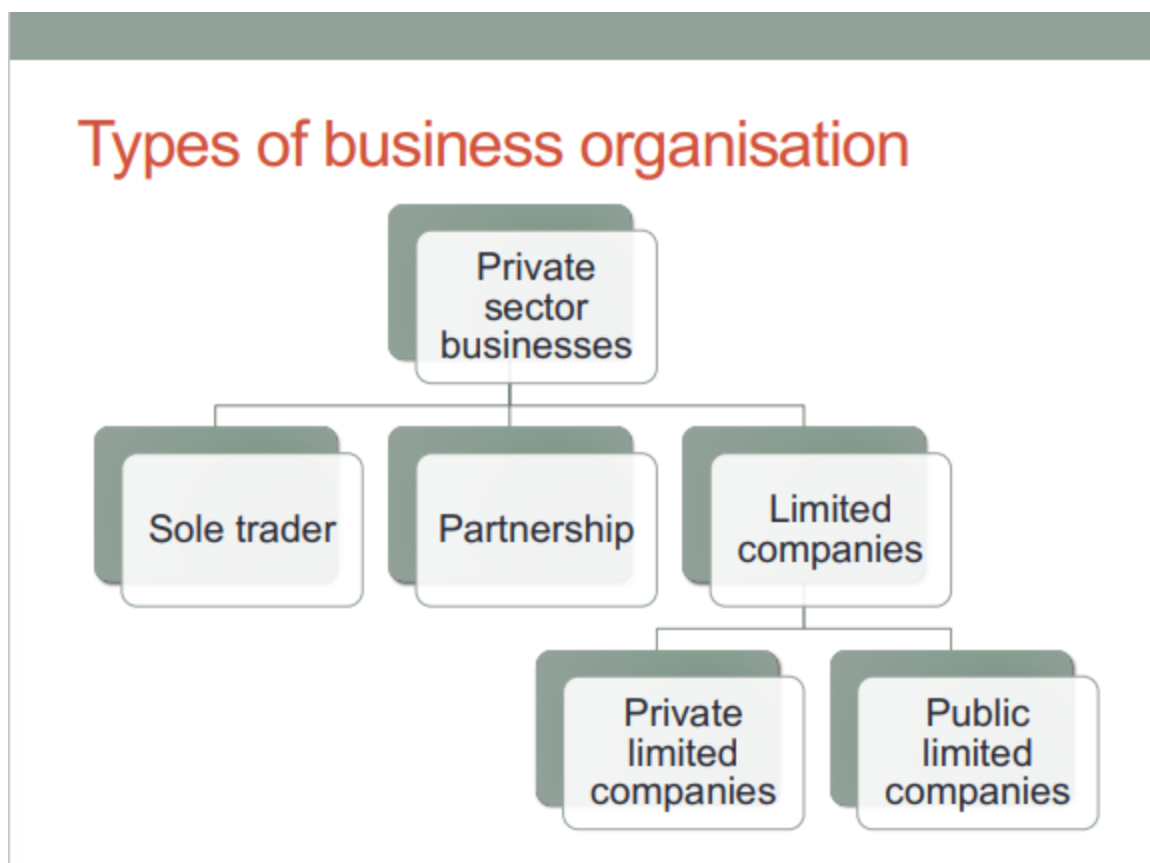
- Provide goods and services for the general public
- Increase special needs provision in school
- Increase the number of students entering higher education
- Increase response time of the emergency services
- Reduce specific crime rates

- Reduce waste sent to landfills

## Private sector

- Survival
- Sales maximization
- Profit maximization
- Growth and wealth creation
- Increase market share
- Image and reputation
- CSR

## Types of organizations





## Private sector businesses

- sole trader (unlimited liability)
  - A sole trader is a business owned and managed by 1 person
  - Unincorporated business
  - own boss both advantage and disadvantage

Advantage	Disadvantage
<b>easy to set up</b> - there is no complicated paperwork to complete	<b>Unlimited liability</b> - the owners might have to use their personal wealth to finance any business debts if it fails
<b>keep all the profits</b> -as you are the sole owner, if the business is successful you could earn more	<b>Limited source of finance</b> - you only have your own resources to draw upon.
<b>keep all business/ financial details private</b> (especially in a competitive market)-rivals cannot gain any information about your business	<b>Only have own skills</b> - your skills could be limited and this could affect decisions for the business
<b>Own boss</b> - you make all decisions and are not answerable to anyone	<b>a lack of continuity</b> - the running of business can be jeopardized if the owner is not present

- partnership
  - a partnership is a business owned and managed by two or more people
  - ordinary partnership: 2-20 people.
  - at least one (owner) has unlimited liability
  - Deed of partnership (partnership deed) (合伙契约) : a legal contract

advantages	disadvantages
Keep all business/ financial details private- rivals cannot gain any information about the business	unlimited liability- the owners might
partners can specialise in certain areas of the business- specialisation leads to better decision-making	partners have to share decision making (less efficient and more conflict)
More owners so more finance can be put into business- more money is available	partners share the profit- a small amount might be given to each partner

advantages	disadvantages
	difficult to raise finance- only have their own resources to draw upon

- limited companies
  - features
    - owned by shareholders
    - profit is distributed to shareholders through dividends
    - capital is raised by selling shares
    - incorporated/ limited liability business
    - board of directors (BOD)→accountable to shareholders
    - annual general meeting (AGM) is a must

unicorporated businesses	incorporated businesses
does not have separate legal entity (no legal difference)	have separate legal entity (the owners are not legally responsible for the business)
<b>unlimited liability:</b> the owners might have to use their personal wealth to finance any business debts if it fails	<b>limited liability:</b> the shareholders in a limited liability company which fails only risk losing the amount they have invested in the company and not any of their personal wealth

## Public limited company VS private limited company

	Private limited company	Public limited company
Owners	Relative small number of shareholders, often member of the same family or friends	Unusually a very large number of shareholders
Sale of shares by the company	Can only be sold privately, often to family members, friends or employees.	Can be offered for sale to general public
Sale of shares by shareholders	Often difficult to sell as must be sold privately and with the agreement of the other shareholders.	Quick and easy to sell as they can be offered for sale to the public
Control	Ownership is not separated from control.	Ownership and control are separated.

Advantage	Disadvantage
Raise large sums of capital as shares can be sold to the general public	<b>Dilution of ownership</b> and control - <b>vulnerable to unwanted takeover</b> (恶性收购)
Stronger image in the eyes of suppliers, financiers and customers (discount of supply price) more loan	Cost of <b>flotation (上市)</b> (advertisement, prospectuses, auditors and accountants)

(public limited company)

## Private limited company VS Public limited company

Advantages	Disadvantages
Raise large sums of <b>capital</b> as shares can be sold to the general public	<b>Dilution of ownership</b> and control– vulnerable to unwanted takeover
Stronger <b>image</b> in the eyes of suppliers, financiers and customers	<b>Cost of flotation</b> (advertisement, prospectuses, auditors and accountants)

(private limited company)

## Marketing

- Market segmentation:
  - segmentation by demographics:
    - age
    - gender

- race and ethnicity
- marital status
- language
- income, education, profession (socio-economic class)
- segmentation by geographic factors
- segmentation by psychographic factors
  - hobbies and interests
  - values
  - religious beliefs
  - attitude
  - lifestyle, fashion and taste

## **Market research**

- the role of market research:
  - discover the size of the market
  - identify the consumer needs and wants
  - identify and assess main competitors
  - predict the likely trends in the future
  - decide the best marketing mix and marketing strategies

→ reduce risks

## Primary research VS secondary research

	Primary research	Secondary research
Meaning	The collection of first-hand data for the specific needs of the business	The collection of data from second-hand sources
Cost	Relatively expensive	Relatively cheap or free
Time taken to collect	Time-consuming as new information	Quick/easy to access as it is already available
Access to results	Only available to business	Anyone can see it including competitors
Relevance	High as collected for specific purpose	Can be out of date, general information
Validity	Faults, e.g. poor questionnaire design or sampling errors	Statistically valid as based on large sample sizes

- **Focus groups:** a group of people who have similar characteristics to target market are invited to give their opinions on a product
  - ✓ detailed/in-depth questions can be asked
  - ✓ quick to get feedback
  - ✗ only extroverts tend to take part
  - ✗ only involve a small number of customers who may not reflect the views of the market segment
  - ✗ costly than surveys as participants have to be paid in cash or in kind

- **Observation:** watching or recording customer behavior
  - √ a direct method - more accurate than what they say (as in the case of interviews and surveys)
  - √ cost effective - a large number of individuals can be observed in a short space of time
  - × some questions unanswered, e.g. why a person behaves in the way they do
  - × ethical issue – people do not know that they are being observed
  
- **Interviews** involves one-to-one discussions between an interviewer and interviewees. (Face-to-face or telephone)
  - √ can provide detailed information about the perceptions and opinions of consumers through in-depth questions
  - √ precise wording can be tailored to the respondent and the precise meaning of questions clarified during the interview process
  - × Interviewer bias can influence interviewees' responses.
  - × Time-consuming and costly (trained interviewers, analysis)

A **survey** or **questionnaire** is a document that contains a series of questions used to collect data for a specific purpose

- Self-completed surveys
- Personal surveys
- Telephone surveys
- Online surveys
- Postal surveys

advantage	disadvantage
No interview bias, can yield information on many people covering a wide geographic area	Biased, dishonest or poorly worded answers
If designed well, can be administered and completed easily by the respondents	low response rate, e.g. telephone surveys, online surveys and postal surveys

# Secondary research



## Different names of MONEY

- shareholder: dividends (分红) share price
- employees: salary and wage
- managers and directors: bonus, perks, fringe
- government: taxes and GDP
- lenders: loan and interest profits
- company: sales revenue