

## **Dynamic nature of business:**

### **Reasons why a new business may come about:**

- Changes in technology
- Changes in consumer wants
- Products become obsolete

### **How business ideas come about:**

- New idea
  - o Original idea coming from gap in the market
- Existing idea
  - o Adaptation of existing concept/product

### **Insolvent:**

- Individual becomes bankrupt because they have unlimited liability
- Company can go through liquidation because they have limited liability (completely shutdown)

**Opportunity cost** = Sacrifice when an alternative is chosen  
(sole trader turning to Ltd means they have to publish accounts)

### **Risks:**

- Financial loss
- Security (may have had to given up job)

### **Reward:**

- Profit/social cause

## **Reasons for starting a business:**

- Profit → Wage
- Independence
- Need job
- Passion
- Flexible hours
- Spotted a potential business opportunity
- Help others (social enterprise)

**Adding value** = Extra value business creates through it's production, distribution or marketing process

Production → Improve product design (USP)

Distribution → Offer product with more convenience

Marketing → Create brand image

## **Advantages:**

- Product/services stands out from rivals
- Charge higher prices
- Larger profit per unit
- Increase market share