

COMPONENT 1 - Exploring Enterprises

WHAT IS ENTERPRISE?



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

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.



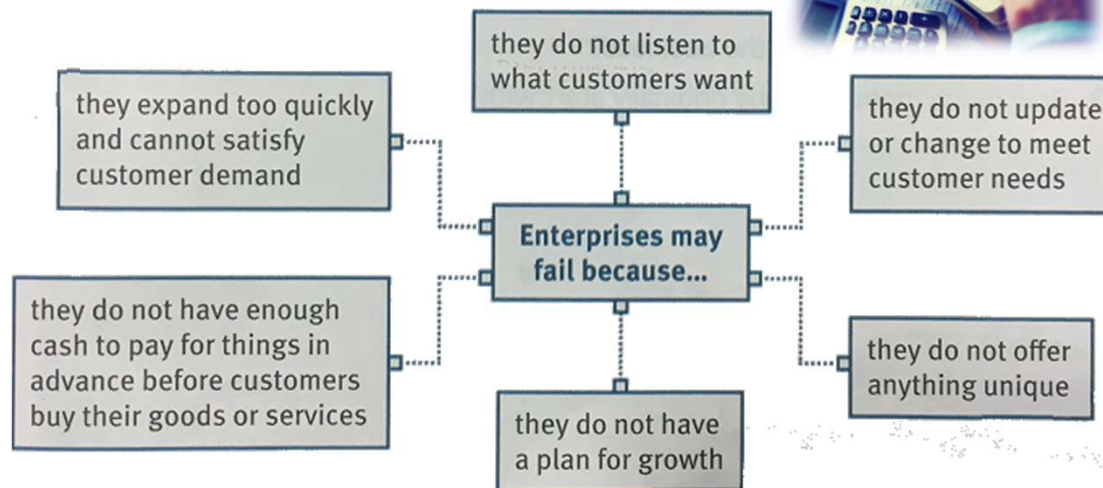
New enterprise find it hard to attract customers because:

- 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

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WHAT IS ENTERPRISE?

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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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- TYPES & CHARACTERISTICS OF SME
- THE PURPOSE OF ENTERPRISE

A

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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)

Types of ownership

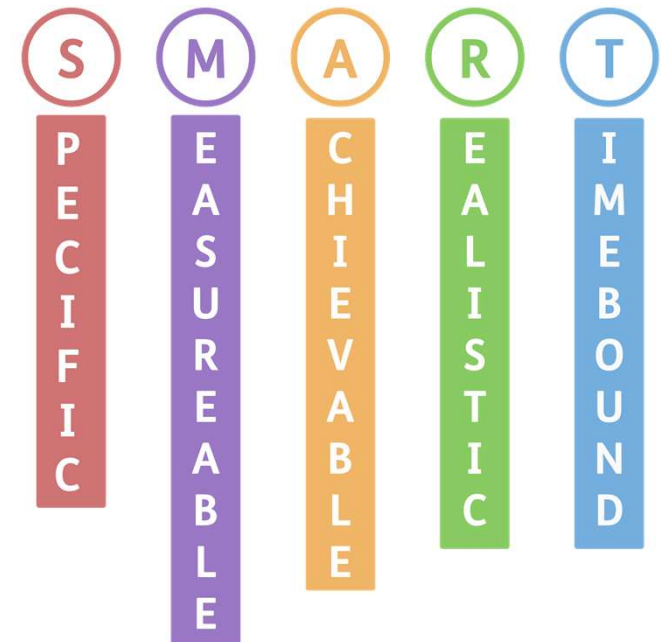
Sole trade	Partnership	Limited Company
An individual person owns a business. unlimited liability	Two or more people own a business. unlimited liability	Often a family-run business with the protection of limited liability

Some businesses choose 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 ...



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- THE PURPOSE OF ENTERPRISE
- ENTREPRENEURS

A

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



How can SOCIAL pressures impact a enterprise?

- A social pressure is 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 examples SMEs may be given funding if they comply with a pressure – this might be a grant to support them in being environmental for example.

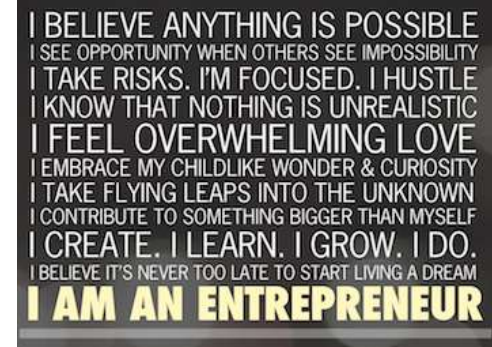
Why would someone start their own enterprise?

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

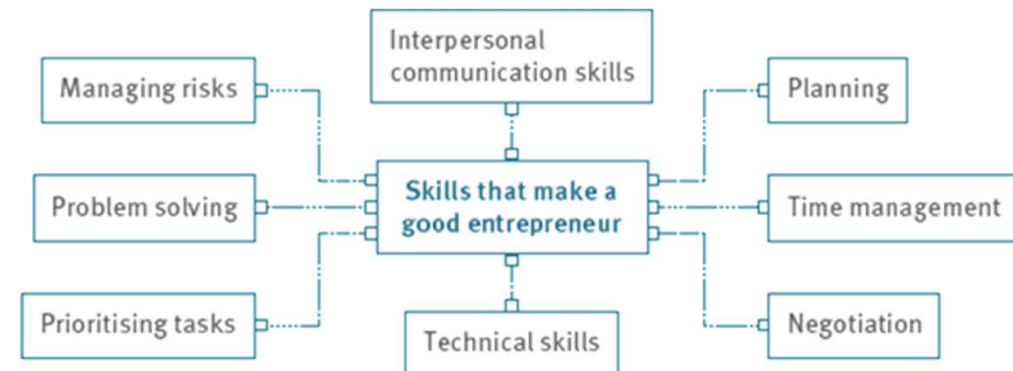
What mind set should an entrepreneur have?

They should be...

- Confident
- Proactive
- Focused
- Dedicated
- Motivated
- Innovative
- Passionate
- Adaptable
- Resilient
- Visionary



What skills should a 'good' entrepreneur have?



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CUSTOMER NEEDS

B

- 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.

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 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.

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.

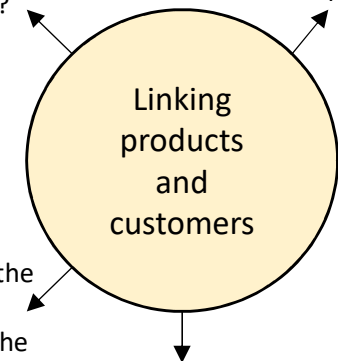
The **age** of the customer. What do most people of X age like?

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

The **Location** of the product or location of the customer.

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?



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MARKET RESEARCH

B

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

Primary	Secondary
<p>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.</p> <p><u>How can primary research benefit an SME?</u></p> <ul style="list-style-type: none"> • 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. <p><u>What might the drawbacks of primary research be?</u></p> <ul style="list-style-type: none"> • 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. <p><u>What can these things lead to?</u></p> <ul style="list-style-type: none"> • 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. <p><u>How can an enterprise gather primary research?</u></p> <ul style="list-style-type: none"> • Questionnaires; • Visits/observations; • Interviews; • Focus groups; • Surveys. 	<p>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.</p> <p><u>How can secondary research benefit an SME?</u></p> <ul style="list-style-type: none"> • 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.) <p><u>What might the drawbacks of secondary research be?</u></p> <ul style="list-style-type: none"> • 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. <p><u>How can an enterprise gather secondary research?</u></p> <ul style="list-style-type: none"> • 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).	<p>QUANTITative research is much easier to measure as it uses statistics. It can be used to spot patterns of identify trends.</p> <p>This research can tell you the QUANTITY of times something has happened, but not why (problem?) as it only deals in numbers.</p>

COMPONENT 1 - Exploring Enterprises

COMPETITORS / COMPETITION

B

- **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.).