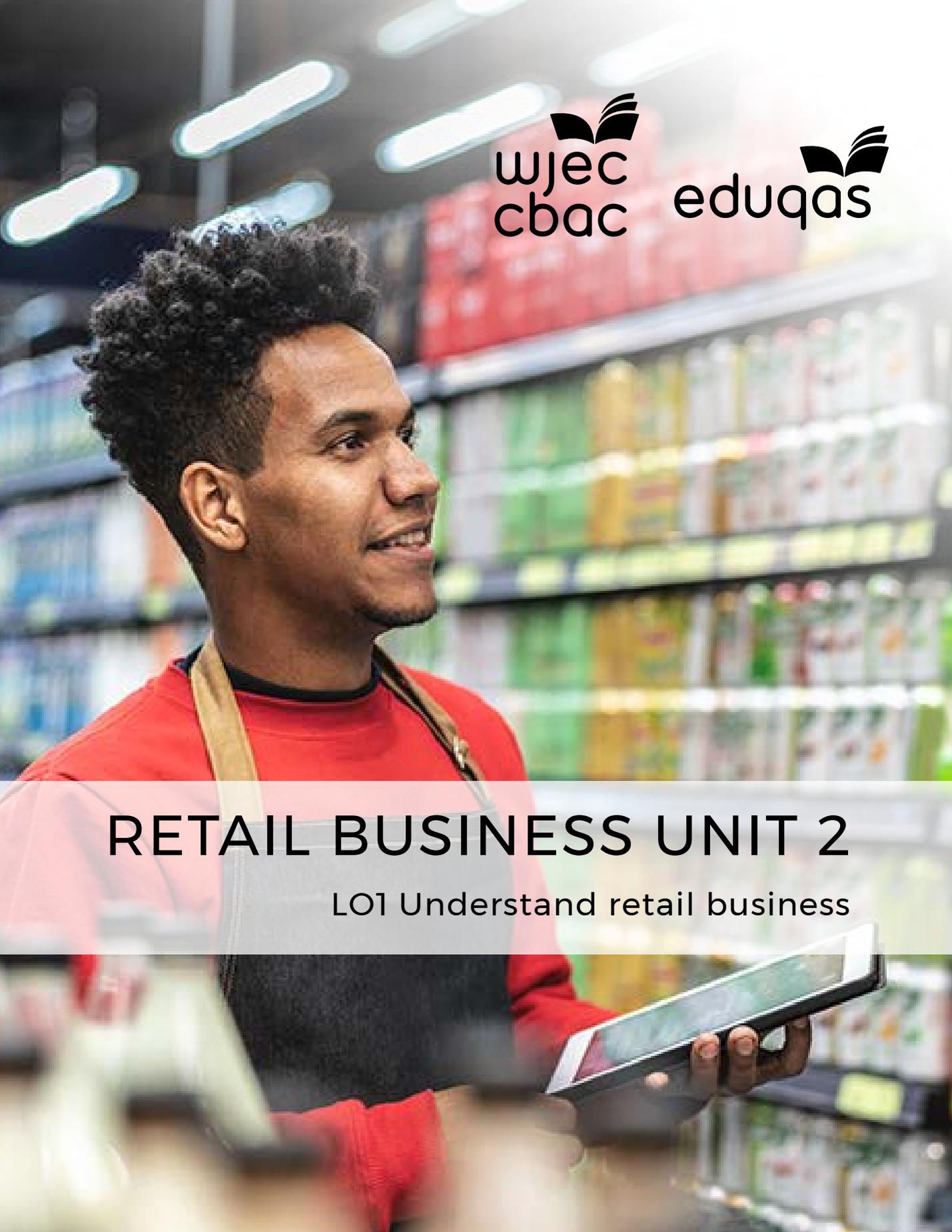


The logo for WJEC CBAC, featuring a stylized black icon of an open book above the text "wjec" and "cbac" stacked vertically.

wjec  
cbac

The logo for Eduqas, featuring a stylized black icon of an open book above the text "eduqas".

eduqas

A young man with dark, curly hair, wearing a red t-shirt and a black apron, is smiling and looking to his right. He is holding a tablet computer in his left hand. The background is a brightly lit supermarket aisle with shelves stocked with various products.

# RETAIL BUSINESS UNIT 2

LO1 Understand retail business

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## LO1 Understand retail business

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## AC1.1 Describe forms of retail businesses

There are many different forms/types of retail businesses.

At a basic level, retailers can be grouped into one of two main forms:

**Stores/shops**  
or  
**Online**

### Stores/shops

Stores/shops are physical buildings that are located all over the country. Many shops are located in town or city centres, often referred to as the “high street”, but many others are located elsewhere, such as out-of-town retail parks, shopping centres, local roads and streets and on main transport routes and hubs (such as airports and train stations). Retail shops sell a wide range of products to consumers, and most will concentrate on selling the same type of product in their shops, though some will sell a range of different products.

1. For each retailer shown below identify the types of products they sell.



2. Why do you think many retailers only sell the same type of product?
3. What are the advantages and disadvantages of selling many different types of products in one shop?
4. What is a department store? Give examples in your answer.

## Investigation

1. Produce a data capture sheet that allows you to collect the names of shops and the products they sell (this sheet should allow you to collect the data on at least 10 shops).
2. Visit your local town centre/high street, and using the data capture sheet record the information.
3. Discuss your findings in class to come up with categories of the different types of shops (for example food or clothes).
4. Produce a graph to show the different categories of shops.

Physical shops come in many different sizes, shapes and design. However, they all tend to have the same main facilities, features and services within the shop. For example, they will all have a pay facility, displays, signage and, if needed, changing rooms. Displays of products are very important for some customers, and physical stores can attract many customers by having the products they sell on display. Displaying products allows customers to hold them or test them out before they buy.

1. Consider the retailers below and explain the importance of displaying products



2. What are the disadvantages of displaying products for these retailers?

Can you think of other facilities, features and services that most physical shops will have?

It is easy to think that most physical shops are owned and run by large-scale, national or international well-known retail brands. However, this is not the case; there are many small-scale independent retail shops that are owned by one person or are small businesses.

Large scale retailers will have many shops around the country or even the world; for example, Apple has opened 506 retail stores across 25 countries, with 38 stores in the UK. Like most large-scale retailers, all Apple stores will follow a similar store layout and theme and sell the same products.



*Apple store in Beijing, China*



*Apple store in Manchester, UK*

Using the internet, find out how many stores there are in the UK for the following supermarkets:

- Aldi
- Asda
- Co-op
- Lidl
- Morrisons
- Sainsbury's
- Tesco.

1. Explain why retailers, such as Apple and the supermarkets listed above, design their stores in the same way.

2. Why would shoppers prefer to shop in a large scale, well-known retail store?

Despite the large presence of these large-scale retailers, small-scale retailers can also be successful, and there are many thousands of them across the UK. However, in recent years many independent retailers are finding it difficult to make a profit, and although many new shops have opened many have also closed. Increasing costs such as rent and wage increases, along with the growth of online retailing, are major contributors to the closure of many shops (although this is also true for some large-scale retailers).

Despite this, many independent retailers are doing well; many shoppers enjoy buying their products from local businesses who often offer a more personal touch and good customer service and sell products different from the branded products most large-scale retailers tend to sell.

### **Investigation**

1. Select a local area, maybe your local high street or an area where there are many shops.
2. Design a data capture sheet that allows you to record the name of the shop, the products they sell, whether the shop is small-scale or large-scale and a space to allow you to note observations about the shop.
3. Carry out the research and record your findings.
4. Produce a chart to illustrate your findings and write a brief report on what you found out.
5. Describe the main differences you observed between the small-scale or large-scale retailers.

You have decided to open a retail shop in your local area. You only have enough money to open 1 shop, so you will be a small-scale retailer.

1. Decide on what you will sell in your shop.
2. Think of a name that will help you attract customers and gives a clue as to what you will sell.
3. On A3 paper or using computer, design the shop layout (best to do this from a bird's eye view). Make sure you not only include the display of the products you will sell, but also the other facilities and features your customers will expect.
4. Who will be your main competitors? Describe how you will try to compete with these and attract customers to your shop.

Two figures are important for physical stores: sales revenue and footfall.

**Sales revenue** is the income made from selling products. It includes the cash taken at the till and also the money taken from customers' credit cards. A retailer, like all businesses, must calculate its sales revenue as part of its financial accounts. Sales revenue is calculated by multiplying the amount sold by the price the customer paid.

Sales revenue is different from profit. To calculate the profit the costs of the business are subtracted from the sales revenue. A retailer can have a large amount of sales revenue, but if its costs are higher, then it will make a loss.

**Footfall** is the measurement of the number of people entering a shop; it is also known as people counting. It is measured over a period of time and can also refer to a high street or shopping centre. Footfall is an important indicator of how successfully a retailer is able to attract customers to its stores and can be influenced by marketing activities (e.g. advertising and sales promotion), the popularity of the brands sold in the store and the design of the store.

However, footfall on its own does not mean sales so it is important that footfall is converted into sales revenue. Many retailers can struggle to turn footfall into sales revenue. Just because a retailer has high footfall does not mean they have high sales revenue. Many retailers will record how many people enter their stores (usually an electronic sensor positioned near the door) over a period of time and then using their sales revenue data (the amount of money the retailer takes at the till), calculate the percentage of sales to footfall. High footfall will mean the store is attracting plenty of customers, but a low conversion rate will indicate that the store or the staff are not doing a good job of maximising sales opportunities. If there is a low

conversion rate, then they can try to work out why shoppers are entering their store but not buying anything. Retailers will be keen to turn visitors to their store into buyers.

The table below shows data for three months for a local independent butcher. An average transaction value has been used as the butcher will sell lots of different types of products for different prices; this will stay the same throughout the three months.

Performance	January	February	March
Number of transactions	1 000	1 200	1 500
Average transaction value	£7	£7	£7
Sales revenue	£7 000	£8 400	£10 500
Footfall	5 000	5 000	7 000
Conversion rate	20%	24%	21%

1. How was the sales revenue calculated?
2. How was the conversation rate calculated?
3. Evaluate the performance of the butcher shop over the three months by:
  - a. looking at just the sales revenue data
  - b. looking at the sales revenue and the conversation rate
4. Give two possible reasons for the performance of the butcher shop over the three months.

## High Street: Five ways UK shopping has changed

By Emma Simpson, Business correspondent, BBC News, 23 August 2019

Hardly a month goes by without news of more shops shutting. So, how many shops have closed recently - and what's behind the high street crisis?

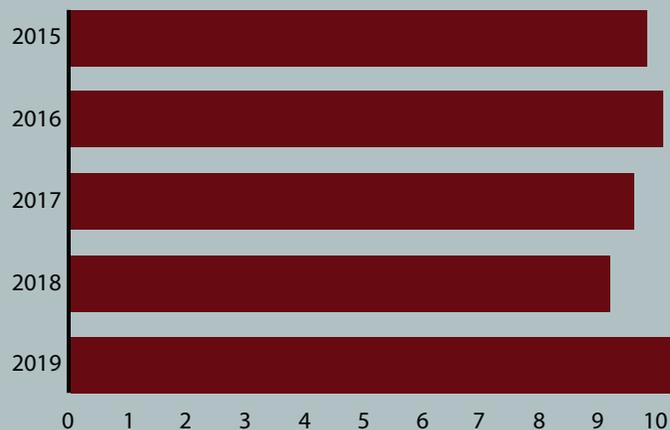
### What shops are closing?

A record 2 481 shops disappeared from UK high streets last year - up 40%.

Big chains such as Toys R Us, Maplin and Poundworld went bust and vanished altogether. Others such as Homebase, Mothercare, Carpetright and New Look closed hundreds of shops between them.

The number of empty shops stands at a record high. In July the proportion of all shops that are empty reached 10.3%, its highest level since January 2015.

More empty shops in the UK  
Average vacancy rate in July (%)



This year, the trend has continued, with fashion chains Karen Millen and Coast announcing closures. They have more than 200 outlets between them. The fast-growing online fashion chain Boohoo snapped up the brands following their collapse. But Boohoo isn't interested in owning and running physical stores, so the number of closures will continue to go up.

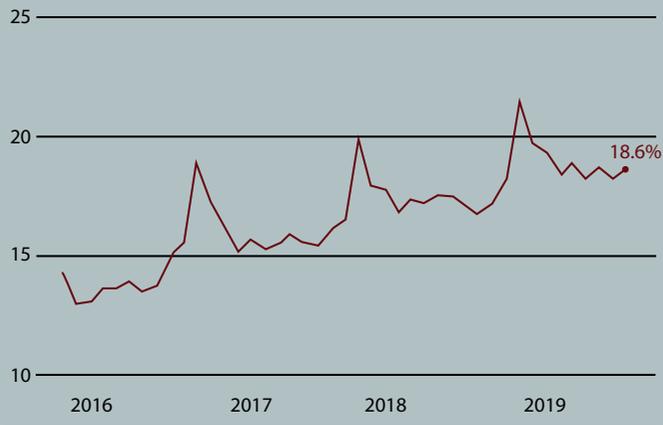
## Why are shops struggling?

In many ways, retail is a pretty simple business. You have to sell things for more than you paid for them. But in the past few years, things have become a lot harder for traditional retailers. Retailers have had to deal with rising costs, from wages and business rates to legal changes such as the introduction of the General Data Protection Regulation (GDPR).

And, at the same time, retailers are trying to adapt to rapidly changing shopping habits. Consumers now spend one in every five pounds online - and if businesses are seeing 20% fewer sales on the shop floor as well as their fixed costs rising, then profit margins will fall.

### Rise of online spending

Online sales as a percentage of total retail sales



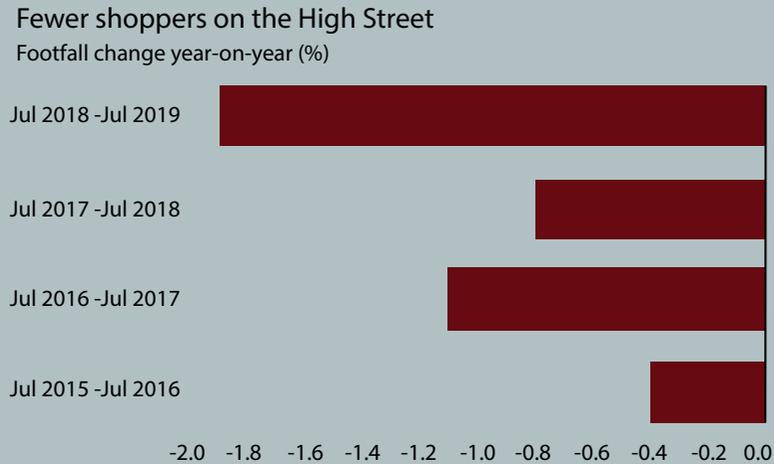
Too many retailers either fail or are unable to adapt to this change. Take Debenhams, it's been struggling for years. Its previous owners had burdened it with a huge amount of debt and it was tied into long rent leases.

Another department store, House of Fraser, was rescued last year by Mike Ashley's Sports Direct. He outlined a plan to create the "Harrods of the high street" and said about 80% of the stores would remain open. But he's now admitted the business was losing more than £1m a week.

Consumers are spending increasing amounts of their disposable income on experiences and lifestyle.

## Are there fewer shoppers?

Shoppers are making fewer visits to high streets. Footfall in main towns and cities has been declining for the past few years.



Poor weather and less spending by consumers have played a role in the fall of footfall. But even with the rise of online shopping, shops still need people to walk through the door if they want to survive.

## How many jobs have been lost?

From March 2016 to 2019, UK retail lost 106 000 jobs.

Poundworld saw the biggest job losses, with more than 5 000 redundancies. Toys R Us and Maplin also lost 5 500 jobs between them.

## What's opening instead?

Although last year saw a big drop in store openings overall, there were some bright spots. Beauty salons, nail bars and independent coffee shops were some categories that saw the largest increases in store openings.

This demonstrates the high street's move away from traditional retailing.

Supermarkets Aldi and Lidl are two of the big names also continuing to open lots of stores.

But the overall picture is the UK has too many shops and in the wrong locations. The

winners will be the businesses that know what their consumers want and give it to them, with great service and products they want to buy.

Adapted source: <https://www.bbc.co.uk/news/business-49349703>

1. How many shops disappeared from the high street last year?
2. Explain why more physical stores are closing.
3. Explain why footfall is an important measurement for physical stores.
4. Use the internet to find out the details of the closure of either Toys R Us, Maplin or Poundworld. Produce a one-sided A4 fact sheet that summarises the main details.

Traditionally physical shops made up most of retail activity. When people wanted to buy something, they had to visit a shop to buy it. However, in the last 20 years, due to the growth of the internet and communication technology (e.g. smart phones), sales in physical shops have declined and many shops have been forced to close – this is sometimes referred to as “death of the high street”. The charts in the article above show the increase in online sales in three years and the fall in the number of shoppers on the high street. This change has led to a rapid increase in online retailing.

Use the internet to find the most recent statistics on the growth of online sales. This could be in a chart, graph or in text. Summarise the information in a short paragraph.

## Online

Online shopping, which is also referred to as e-commerce and e-tailing, is a form of electronic commerce which allows consumers to directly buy goods or services from a seller over the internet. The internet has changed buying habits and e-commerce is now a very important part of the retail industry and is continuing to grow. More recently there has been an increase in sales from wireless handheld devices; this is referred to as m-commerce.



The internet has made it much easier for retailers of all sizes and in different markets to sell their products and services to a wider range of customers. Selling online also allows the retailer to offer a wider range of products and services to sell, as a physical store is not needed to display all the products. This is particularly useful if the retailer is selling large, bulky products. Very few businesses today can afford to ignore the internet – to do so will extremely restrict their competitiveness.

Online retailing allows customers to buy products without visiting a physical store. The constant development of new technology will result in the continuing development of new forms of online retailing.

Examples of online retailing include:

- retailer's own website
- a third-party marketplace, such as Amazon, eBay, Etsy, etc.
- social media, such as Facebook, Twitter and Pinterest.

1. Name an online retailer you or your parents recently used to buy a product. Explain the reason why you bought your product online and not in a physical store.
2. Produce a poster showing the biggest online retailers in the UK.
3. Explain the difference between a retailer's own site, a third-party marketplace and social media retailing.

4. Design a homepage for an online shop for one of the following independent retailers:

- pet shop
- car dealership
- flower shop
- gift shop.

Before you design your page look at examples online to make sure you include all the relevant information and design features.



Ocado is the world's largest dedicated online grocery retailer with over 580 000 customers. Ocado has no stores; all its deliveries to customers come from its warehouses. Ocado was established in 2000 and became a public limited company in 2010. In 2015 Ocado exceeded £1bn in annual sales.

Adapted source: <https://www.ocadogroup.com/>

1. Explain what is meant by a 'dedicated online retailer'.
2. Visit <https://www.ocadogroup.com/> to find out more information about Ocado. Produce a one-sided fact sheet.

Most large established businesses have an online presence in addition to physical stores and other distribution channels. The growth of online shopping has had a negative effect on some retailers who have been unable to compete with the wider choice and lower prices which are often associated with online sales. Many small and local businesses which have been unable to make the transition to e-commerce have been forced to close.

The advantages to a retailer of online retailing include:

- Increase the size of potential customers – a retailer can expand its market beyond just local customers. Sales can go beyond the local area to the whole of the UK and the world. For small retailers this allows them to sell internationally and export their products abroad.

- Open 24/7 – the internet never closes; customers can buy online at a time that suits them. This can increase sales as many people have busy lives and are not restricted by the opening and closing times that physical stores have.
- Easy to access the market – the internet can level the playing field for small business as it is fairly straightforward to set up an online shop or sell through third-party marketplaces like Amazon and eBay.
- Reduce costs – selling online can remove the need to pay for expensive retail premises and in-store staff. One of the main reasons why physical stores are closing is the increased costs of property, rent, rates and pay.
- Personalisation of customers – the internet allows retailers to gather a lot of information about customers and their buying habits. Website analytical tools gives retailers an insight into customers and their needs, so they can target products and offers to the right customers and use marketing tools to target new customers.

The disadvantages to a retailer of online retailing include:

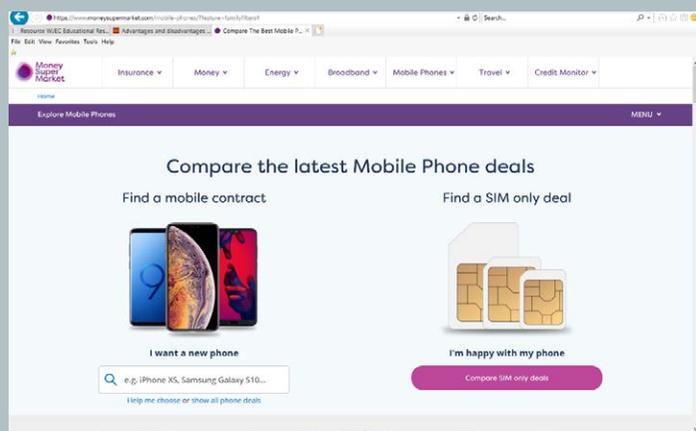
- Website costs – designing and creating an effective website can be expensive. A simple cheap website is possible, but how will this appeal to customers if other businesses have advanced websites that look and work well? Other costs can include security, payment methods for customers and website maintenance. If a retailer is selling a wide range of products, then this can add cost to maintain the professional look and accessibility.
- Warehousing costs – even if there is no physical store, an online retailer will still have to store its products in a physical warehouse/storage facility. The warehouse must be efficient in fulfilling orders in a short period of time and deal with returns. These facilities will need staff.
- Marketing and advertising costs – with so much competition and the use of comparison websites it is important that online retailers have a healthy marketing budget to make sure customers are aware of its online store. Competition is fierce and if a retailer has many competitors it is important to be high on the search list through search engines, this can cost quite a lot.
- Security – as with physical stores there is a need to make sure online retailers protect their stock and their customers. With the rapid growth of the internet, criminals have worked out ways to steal from online retailers and their customers. There is a need for up to date security systems to make sure the website and transaction processes are protected. The reputation of the retailer can be damaged if customer details are stolen or fraudulent transactions take place.
- Establishing customer trust – for a retailer selling online for the first time it can be difficult to develop a good reputation and strong brand. Online customer service is as important as it is in physical stores. With no face-to-face communication it can be difficult to establish customer trust.

1. Explain how selling products through the internet may:
  - reduce costs for a retailer
  - increase costs for a retailer.
2. Select a local small-scale retailer that only sells through its physical store. Describe the products it sells and its customer base. Imagine they are now intending to create a website and start selling online. Write a short report explaining the benefits and drawbacks to them of selling online.

The internet, and the use of search engines, has made accessing customers a great deal easier than in the past. All a business needs to sell its products is a decent website, some form of payment processing and 'shop' software. All of this can be created for less than £500. In fact, there are 1000s of entrepreneurs running their businesses through auction sites such as eBay, with hardly any fixed costs at all. All of these businesses mean extra competition for existing traditional businesses – as well as lowering prices for customers.

A comparison of prices has become a great deal easier for customers. Using the web, individuals can carry out their own research or use comparison sites, such as Money Supermarket, to find the best deal across a huge range of products. This access to pricing information has had an impact on prices charged by businesses. It has been argued by economists that the increase in internet shopping has had a direct impact on lowering inflation rates.

1. Using the Money Supermarket website, look for the best deals for mobile phones.
2. Explain why this website is useful to shoppers. Include what information it gives.
3. Discuss the benefits and drawbacks to retailers of shoppers using comparison websites.



<https://www.moneysupermarket.com/mobile-phones/>

M-commerce is the buying and selling of goods and services through wireless handheld devices such as mobile phones and tablets. This means 'having your retail outlet in your consumer's



pocket'. Through mobile technology, it is now possible to reach customers 24 hours a day. M-commerce does not just mean buying, it is about providing customers with product information and promotions. Consumers use m-commerce to compare prices online, take photos for future reference and research their potential purchases online.

In an era of rapid change and increasingly advanced technology, it is certain that online shopping will continue to evolve. Who can guess how we will be shopping in 5 or 10 years' time?

Businesses will have to keep up with the technological changes or face being left behind. Competitors will look to use new technology to gain sales, and consumers will always demand new and improved experiences when spending their money. It is likely that m-commerce will continue to grow, and the challenge to online retailers and smart phone manufacturers is to improve the online experience through more compatible software, multiple screens, easier checking out procedures and improved security procedures.

One other possible change in future years is the growth of the personalisation of the online shopping experience. With the increased amount of data that is available online and the growth of social media it could be possible for the consumer to have more control of the buying of products online. Another area of growth is social shopping, where consumers interact with each other on social platforms. Retailers can join this conversation and offer products that match the profile of the engaged consumers.

## Digital media

The advancement in digital media has been one reason for the rapid growth of online shopping and social media websites. Digital media includes a wide range of computer software, including imagery, videos, audio, webpages, games and e-books, that can be communicated via the internet and computer networks.

The development of digital media has impacted on traditional media such as print and analogue media; for example, the sales of newspapers and music through CDs have declined as a result of consumers purchasing these digitally.

Digital media is used by a wide range of retailers of all sizes, and digital methods of communication and marketing are faster and more versatile than traditional methods.

Digital marketing is used on websites, blogs, internet banner adverts, online videos and email and mobile marketing. Digital marketing costs less than traditional offline marketing methods. An email or social media campaign, for example, can communicate a marketing message to consumers for much less than a TV ad or print campaign and yet reach a wider audience. It can be used by businesses of all sizes and allows smaller scale businesses to compete with larger multinational companies.

## Social media

Social media has drastically changed in the way in which a business can communicate with its customers. These interactive platforms are used by over 2 billion people in the world; most internet users use a social media website on a regular basis. The most popular of these social websites have become huge sources of information for retailers and a new platforms to target consumers.



Having the right social media presence is very important for retailers. A recent survey carried out in the UK reported that nearly 80% of consumers would buy more often in the future because of a brand's presence on social media. Many retailers, small and large, will carry out social media campaigns as part of their marketing process:

A quick look on most websites will show what social media platforms businesses are using to help them communicate with their customers.

Select three retailers' websites and look for the information on social media. Copy and paste this information into a fact sheet to illustrate how social media is used.

## Multi-channel

Multi-channel is using more than one of the retail channels to sell through. For most retailers this means selling in a physical store and online. Multi-channel retailing allows retailers to sell the same products to the same customers in the same way – the only difference is the medium the customer uses to interact with the retailer.

This is often referred to as 'Clicks and bricks' which means that businesses need to have a web presence (clicks), plus a physical presence on the high street or in shopping centres (bricks). Examples of businesses using this to distribute their products include PC World, Argos and Tesco. Each of these businesses have been very successful in using a web presence to increase sales and customer loyalty.

Very few retailers will use a single channel of distribution. Although there are some exceptions to this, such as ASOS, AO, Very and Wiggle. These retailers are very successful and by concentrating on having an online presence only have managed to build up strong brands and very healthy profits. There are many more online-only retailers who are taking advantage of the continuing growth and popularity of online retailing.

Boohoo is a UK-based online-only fashion retailer and was founded in 2006. Its products are aimed at 16–30 year olds. In 2018 it had sales of just under £580 million. Boohoo employs over 2000 employees and sells its products throughout the world.

1. Using the internet, research the following information on Boohoo:
  - its products
  - its financial data – sales and profit
  - its use of social media
  - its website design and features.
  
2. Produce a data sheet to summarise what you researched.

Using a multi-channel approach will increase the number of potential customers and therefore increase sales and profit. However, it will also increase costs as more resources will be needed, and the retailer must make sure there is enough demand for its products and services to make the investment worthwhile.

Local, national and global businesses use multi-channel distribution, with the most popular choice being a physical outlet (e.g. a shop) and website that allows purchases to be made online. Many large businesses use further channels such as catalogues, telephone ordering and mail order to attract as many customers as possible.

Online sales can also be increased through the use of own websites and paying for listings on comparison websites. Other online channels include using social media such as Twitter and Pinterest, and marketplace websites such as eBay and Amazon.

Increasing consumer expectations means that they expect most large, and some smaller retailers, to distribute products and services in physical stores and on the internet. Offering choice and convenience to customers in the way they can buy products is a method in which retailers can increase sales and make them more appealing to a broader number of consumers.

Retailers will attempt to make their multi-channel distribution consistent by using the same branding, image and processes to give customers the same buying experience, whatever channel they choose. Physical stores, websites, e-mails, social media messaging all show the same messages, offers, and products. This is known as omnichannel distribution; this helps to create customer loyalty and provides a continuous experience for the customer. For example, the retailer John Lewis has designed all its distribution channels to offer the same service to customers. Customers can buy from John Lewis in the same way whether in-store, on its website and mobile app or on the telephone.

The current top 10 leaders of e-commerce platforms in the UK in 2019 and their estimated monthly traffic from SimilarWeb, as of March 2019. In reverse order:

10. **Debenhams** is a chain of department stores selling a range of clothing, household items and furniture in more than 170 stores and through its website. Founded in 1778, Debenhams has expanded throughout the country and opened stores in Ireland and Denmark.

Website: [debenhams.com](https://www.debenhams.com) – Estimated monthly traffic: 14.2 Million visits

9. **Currys PC World**, originally an electrical retailer, Currys specializes in selling home electronics and household appliances through the UK and Ireland. Recently combined with PC World by its owner, Dixons Carphone, Currys PC World also provides an e-commerce platform to sell household and telecommunications appliances online.

Website: [currys.co.uk](https://www.currys.co.uk) – Estimated monthly traffic: 17.4 Million visits

8. **John Lewis & Partners** is a chain of high-end department stores that operates throughout the UK, and in Ireland and Australia. Operating with more than 50 stores in the UK, John Lewis has also become a leading online seller of home and electrical appliances, fashion, beauty, baby, sports accessories, etc.

Website: [johnlewis.com](http://johnlewis.com) – Estimated monthly traffic: 20.3 Million visits

7. **Marks & Spencer** is a leading retailer that specialises in selling clothing, home products and luxury food products. Founded in 1884, Marks & Spencer is firmly present in the UK and Ireland. To further its growth, M&S has launched a new round of development by opening brick-and-mortar stores in Europe and Asia as well as selling online through its own website and in a partnership with German e-commerce store Zalando.

Website: [marksandspencer.com](http://marksandspencer.com) – Estimated monthly traffic: 23.7 Million visits

6. **Tesco**, the world's third largest retailer and one of the largest companies in the UK, operates hypermarkets and convenience stores. Through its brick-and-mortar stores and its e-commerce platform, Tesco sells groceries, home and hygiene products as well as clothing, and financial and telecommunications services.

Website: [tesco.com](http://tesco.com) – Estimated monthly traffic: 25.5 Million visits

5. **Asda** is a leading retailer in the UK, owned by the American retail giant Walmart – one of the top e-commerce platforms in the United States. Besides its supermarket where it sells groceries and various consumer, clothing and home products, Asda is also a financial service and mobile phone provider. These services are also on offer online through Asda's e-commerce platform.

Website: [asda.com](http://asda.com) – Estimated monthly traffic: 25.6 Million visits

4. **Argos** is a catalogue retailer also operating more than 800 shops in the UK and Ireland. A subsidiary of the British retailer Sainsbury's, Argos sells electronics, home and garden products, clothing, toys and sports equipment and more. Besides its more traditional operations, Argos has also become a leader in e-commerce in the UK.

Website: [argos.co.uk](http://argos.co.uk) – Estimated monthly traffic: 51.2 Million visits

3. **Asos** is a specialised online fashion and cosmetics retailer for men and women. Launched in 2000, Asos has expanded throughout the years to multiple countries of Europe and Asia. The leading British company in the UK e-commerce market, Asos now employs more than 3000 employees.

Website: [asos.com](https://www.asos.com) – Estimated monthly traffic: 54.3 Million visits

2. **Ebay**, A pioneer of e-commerce, is an American online marketplace that allows people and businesses to sell directly through its online auction platform. Founded in 1995, eBay has expanded to more than 20 countries including the UK, organising the sale of products ranging from cars and vehicles to electronics and fashion, home and garden to sports and toys, and even business and industrial products.

Website: [ebay.co.uk](https://www.ebay.co.uk) – Estimated monthly traffic: 355.5 Million visits

1. **Amazon** was founded in the US in 1994 and started as an online bookstore that later diversified to products including media, electronics, apparel, furniture, food, toys, and jewellery. Having expanded to many countries, including the UK, Amazon has become the uncontested global leader of e-commerce and developed further into brick-and-mortar retail with the acquisition of Whole Foods Market, as well as publishing, electronics, cloud computing, video streaming, and production.

Website: [amazon.co.uk](https://www.amazon.co.uk) – Estimated monthly traffic: 446.5 Million visits

Source: <https://disfold.com/top-e-commerce-sites-uk/>

1. Produce a bar chart to illustrate the estimated monthly traffic of the top ten online retailers.
2. Select one of these retailers, visit its website and explain why you think it is so popular with shoppers.

Beth Jones owns and runs a shop called Cambria Grocer. The shop sells food such as fruit, vegetables, cold meats, breads and dairy products. Her customers are local people; however, tourists and some customers are willing to travel to her to buy her high-quality goods.



Beth has realised the importance of using the internet to sell her products. Therefore, she is considering using the internet to sell her goods on her own site.

Evaluate Beth's plan to sell her products by using the internet in addition to her shop.

The following businesses use multi-channel distribution. For each business, outline the places where customers can buy its products and services.

- Dell computers
- Tesco
- Pandora jewellery
- Apple
- Burberry.

Select one of these businesses and explain how multi-channel distribution has helped to increase sales and profit.

All retailers need an online presence to succeed. Discuss this statement.

## Other forms of retailing

### Hybrid

A hybrid is a mix of two things to form one. Hybrid retail stores link the importance of a physical store with E-commerce and/or hospitality and leisure facilities. Retailers are redeveloping their stores to create consumer hubs, including services such as cafés and bars, beauty parlours, fitness centres, barber shops, etc.



Like multi-channel retailers, hybrid takes advantage of having a physical store and an online store. A hybrid store makes use of both channels and attempts to join them up seamlessly to give shoppers a smooth and unique shopping experience. Retailers have combined the digital world with the physical world of the store. In simple terms, this type of hybrid retailing is developing and improving multi-channel retailing into a more enjoyable and rewarding shopping experience.

Retailing is now more about lifestyle and not just buying products; hybrid stores aim to give shoppers a unique experience. Luxury stores often offer lifestyle experiences to its customers; for example, Dolce & Gabbana has a barber shop service in its London Bond Street store. Other stores display art in the store to give shoppers a more cultural experience.

Hybrid stores offer shoppers complementary in-store services, such as:

- A sports shop working with Adidas to offer fit hubs within the store.
- The Body Shop offering a beauty parlour in its shop to try out products and have a professional make-over.
- The book shop chain Waterstones has many Costa Coffee shops within its shops.
- Grab 'N' Go food retailers who allow shoppers to order online and pick up instore.
- The new digital Argos store layout is a good example of a hybrid store. In store customers can use digital equipment such as iPads and touch screens to look at and buy products.

Suggest how the following retailers could become a hybrid retailer:

- independent DIY hardware store
- car dealership selling Aston Martin cars
- large retail chain selling household electrical products
- gift shop selling mainly to tourists.

Many shopping malls offer customers more than just shops; many also have restaurants, bars, cinemas, children's play facilities, special events and beauty parlours all aimed at improving customer experience. Many retailers also now offer more than just products to sell in their stores; for example, new store designs for supermarkets are more open with spaces for workshops, demonstrations, multiple food outlets, free Wi-Fi and community meeting spaces.

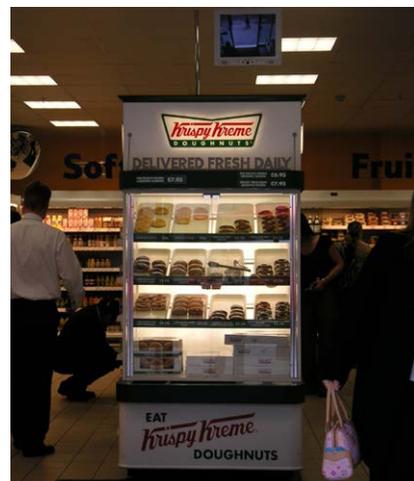
Select one of the following shopping centres and explain, using examples, how it illustrates hybrid retailing:

- Bullring Birmingham
- St David's Cardiff
- Westfield London
- Trafford Centre Manchester.

## Concessions

The owner of the concession retailer pays another retailer to sell its products in its store. In other words, it is one retailer located in another retailer. The concession store is usually smaller in size and will take up a small space within the larger (host) store. The concession store will pay the larger store to do this, either by a lease (rent) or by a percentage of its profits.

Concessions mainly operate in retail outlets but also take place in other venues such as airports, shopping malls, sporting venues, cinemas, etc.



There are two main types of concessions:

- Manned concessions, such as Primark in Selfridges or Oasis in Debenhams; these are run by the retailer with separate tills who rent the space in the store.
- Unmanned concessions. Products are in store and sold through the host store's till and then invoiced when sold. An example would be a greeting card spinner in a convenience store.

The concession retailer will provide all its own products, signage, display and merchandising equipment and its own staff (in a manned concession). The benefits to the concession store are that its costs are likely to be lower than having its own store and footfall will be higher. Increased footfall is also a benefit for the host store.

1. Explain why footfall is likely to be higher for a retailer to be located in another larger retailer rather than have its own store.
2. Explain why a new small-scale retailer may choose to set up as an unmanned concession retailer. Give a suitable example in your answer.

Department stores and supermarkets who have large premises often rent floor space to concession retailers. For example, Tesco stores often have a number of concessions within its large supermarkets; these include, manned outlets such as Timpson, Holland and Barrett, Vision Express and Costa coffee, and unmanned concessions including Krispy Kreme, Rug Doctor and Coinstar.

1. Visit your local supermarket or department store and note the concession retailers who operate within the store.
2. Explain the benefits to the concession store and to the host retailer of agreeing to having the concession store within the store.
3. What disadvantages are there of operating as a concession store?

## Temporary shops

Temporary or pop-up shops often use vacant premises for a short period of time. Pop-up shops have become very popular and are used throughout the retail industry to create interest amongst consumers. In addition to using vacant premises, some pop-up shops create and build their own temporary shops on the high street or in shopping malls.

Pop-up shops have a start date and an end date. This can differ depending on what is being sold; some last for a day only, others trade for weeks or months.



The term pop-up is now used across all temporary stores. Traditional temporary stores include seasonal shops such as Christmas shops and firework shops. However, pop-up stores now range from retailers test trading new product ideas, test trading in a new location, new businesses starting out, online businesses looking for a high street presence and even include pop-up shopping centres.

Temporary or pop-up shops and stores are used by large and small retail businesses.

Many small-scale independent retailers will open a pop-up shop in a vacant shop simply to sell as much stock as possible in a limited time. This is why many pop-up shops are seasonal. Very little money is spent on the store, many selling straight from boxes with limited display. These shops can be very profitable over a short period of time and focus on selling high quantities quickly and are not concerned about giving shoppers an experience or creating brand loyalty.

However, many pop-up shops are opened by established well-known brands to create awareness for a new product or concept they wish to promote with the public. These pop-up stores are more creative and expensive to run. Examples include:

- Nike, the global sports retailer, opened a pop-up store called 'Makers of the Game' in Los Angeles USA in order to kick-off the NBA basketball All-Star Weekend. Shoppers could choose from a variety of activities such as playing basketball on a full-size basketball court and the ability to, with the help of designers and famous basketball players, create a custom pair of trainers from Nike's 90/10 collection.
- Kanye West opened his Life of Pablo merchandise pop-up shop in 21 cities around the world. Fans were able to buy exclusive products for a few days in August. Kanye claimed the stores made a staggering \$1 million dollars in two days.

- Innocent, the smoothie maker, opened a pop-up shop on London Bridge for 11 days as part of its 'Show Winter Who's Boss' campaign. Commuters were offered a free bottle from the brand's new range of smoothies.
- Italian pasta brand Rana opened a pop-up store in London to promote its products to the UK market in an attempt to increase brand awareness in the UK. The pop-up shop allowed shoppers to engage with the sales staff and to experience new types of food. This was followed by its products being sold in Sainsbury's and Waitrose.

As many high street shops have closed, many pop-up shops have taken advantage of the empty retail units to sell their products over a certain time period. Many shoppers are interested in pop up shops as they offer something new and they have an element of novelty. Pop up shops by nature can be different from the normal retailers, possibly a little quirky with sales staff who are keen to sell as many products as possible in the time they have. Many hold special events that aim to give a different experience and develop brand loyalty.

A typical tactic used by pop up shops includes 'here today, gone tomorrow'. The sales assistants can inform shoppers that they are just selling for a couple of weeks. "Quickly you need to buy those t-shirts now, you may never see them again."

1. Define what is meant by a temporary shop.
2. Give two reasons why a temporary shop is a suitable form of retailing for some retailers.
3. Explain why a pop-up shop would be beneficial to the following retailers:
  - an independent florist selling Christmas wreaths
  - Apple launching the latest version of its iPhone
  - An author selling copies of her first novel
  - Puma selling merchandise for an upcoming Football World Cup
  - a clothes fashion retailer selling last season's collections.

## Markets

In many ways markets were the original retailers. Hundreds of years ago, before the growth of the high street, markets existed in towns and cities as the only place to buy food and other products.



Today we think of markets as places, either indoor or outdoor, where there are many stalls that sell a range of products. Market stall owners, usually small-scale and independent, run the stalls. There are a number of markets throughout the UK. Some markets are permanent in a specific location, others are temporary and may move location to try and sell to a wider geographical customer base.

Some markets are general, selling a wide choice of products, and many sell food and clothes. Some markets are more specialised such as arts and crafts markets, farmers' markets and antique markets. Some are seasonal – Christmas markets are very popular. Market stalls generally cost much less to run than stores; however, space can be limited to display stock and serve customers. Many famous retailers today started life as market stalls many years ago, and this is often still done by new retailers when they first start trading.

Find out how the following retailers started their business:

- Tesco
- Marks and Spencer
- Dunelm

Produce a timeline for one of the retailers, highlighting its growth over time.

Visit the website <https://theculturetrip.com/europe/united-kingdom/england/articles/the-10-best-markets-in-england/>

Make a list of the ten top markets in England and describe the type of products they sell.

Christmas markets are very popular throughout the world and many pop-up in October through to December the 24th. Many people will travel miles to visit a Christmas market; it's not just about buying things, it is also about the experience. Examples include the following:



- Bath hosts an award-winning market with around 150 chalets selling homeware, gifts, Christmas decorations, handcrafted jewellery and festive food.
- Birmingham has a very popular Christmas market. It has a German Christmas market feel which is extremely popular with shoppers.
- Cardiff Christmas market has over 200 stalls selling arts and crafts, gifts, food and seasonal products.
- Edinburgh has a long-established market that also has a winter ice skating rink.

Former Apprentice contestant, Adam Corbally, started out as a market-trader in his hometown of Glossop, Derbyshire and now runs a successful wholesale and retail fruit and veg business and manages his own property portfolio. Here are his top 10 tips for market stall start-ups:

1. The early bird catches the worm - get there early, get set up and be prepared.
2. Get the best pitch - as crazy as this may sound, always pitch near the toilet or the cafe, people generally visit both in a market, if you're near them you'll get the footfall. If you are casual then get the best pitch you can and then you can always work your way up, respect that some traders will have been there for years.
3. Setting up to sell - always judge your pitch from 25ft away, not stood at it; if it doesn't look right from afar, people won't feel invited to have a look around.
4. There is no such thing as bad weather - it's just not dressing for bad weather; wrap up and always have waterproofs at the ready; a comfy trader is a happy trader. Don't forget about the good weather either, sunhat and sunscreen are a must, people forget that the English sun is the same as the Spanish sun.
5. Float - never overlook the importance of having a healthy float at the start of the day, if you start running around looking for change, you will lose sales.
6. Things to remember - bungee cords (you will see what I mean once you start trading), bags (for customers to take away from the stall), cash till/box/pouch (you'll always need somewhere to keep your money).
7. Get your pricing right - people go to a market for a bargain, make sure you have everything priced clearly. I personally like a deal when I'm in a market, on the flip side I never walk away from a sale.
8. Sales - if you are selling something and you believe in it, you will sell it - trust me and remember to smile, smiles make sales - simple!
9. Connect, talk to people - tales make sales, find common ground and relate to people; if people want a robot, they will go to a supermarket.
10. Network - talk to other traders, introduce yourself, give/receive 'traders' discount, discuss other markets and learn from one another; remember it is not what you do it's how you do it, and if you do it right you will get results.

Source: <https://www.gov.uk/government/news/start-up-tips>

Using the top ten tips and the other information on markets:

1. Describe the main difference between operating a retail business as a market stall and a physical store.
2. Explain why so many new retailers start their business as a market stall.
3. Describe the limitations of operating as a market stall trader.

## Franchises

Franchising is a popular method of growth for a retail business. For entrepreneurs who have developed a successful retail business, franchising is a way to expand their operations.

The owners of the established business (the franchisor) sell the rights to their business logo, name, and model to another business (the franchisee).

The franchisee pays start-up fees and regular royalty payments to the franchisor and in return will have the right to use the business name, logos, store design, processes, marketing ideas and products of the business.

The franchisee must agree to run the retail business according to the franchisor's guidelines and purchase stock from the franchisor, to ensure the franchisee upholds the franchisor's standards.

The franchisee will also receive training from the franchisor to help them start the business.

The franchisee is responsible for all debts incurred, and if there are losses then the royalty payments must still be paid and the losses covered by the franchisee.

Franchising can benefit the franchisor, as it provides an opportunity to expand without the need for extra capital as the majority of the costs are covered by the franchisee.

Franchising offers the following benefits to businesses looking to expand:

- Low costs compared to other expansion methods. The franchisees pay most of the costs, including the premises and employee wages. The number of outlets and sales for the retailer can grow without the need for much capital or needing to request financing from banks or investors.
- Minimises risk. Franchising can generate high financial returns for relatively little risk. A franchisor can earn high royalties from sales from franchisees. These profits can be greater than what could have been earned if the retailer opened and ran the outlets themselves.

- Motivation of franchisees. Hard-working and talented people generally prefer to invest in running a business in return for profits rather than taking a salary as an employee. The more successful the franchisee the more profits they create for the franchisor.

Examples of franchised retail businesses include some large, well-known names such as Clarks Shoes, Cex, Thorntons, Vodafone, Cartridge World, Spar and The Body Shop. There are many smaller, lesser-known retail franchises as well such as Just Shutters, Dorber Collection and the Original Basket Boutique.

There are many examples of successful franchise ventures on the British Franchise Association's website: [www.thebfa.org/](http://www.thebfa.org/)

Visit the website to see what franchises exist.

It is important to understand that a franchise is a method of expansion, not actually a type of business ownership, since a franchise can be operated and owned as a sole trader, a partnership, or a private limited company.

For many people, the prospect of starting up a retail business from scratch - finding a market, selling an unknown product, risking their life savings - is far too daunting.

New retail businesses often find it difficult to survive, with over half of small businesses failing within the first 2 years of operation, many within the first 6 months.

In contrast, less than 1 in 15 franchise outlets actually cease trading in any one year, with 9 out of 10 being profitable. So, operating as a franchisee involves less risk and uses a tested and successful name, format and product.

The franchisee must agree to run the business in the way required by the franchisor. This ensures that quality and standards are maintained. The franchisor surrenders direct control of the business by allowing individuals to run retail outlets in agreed areas under a franchise contract.

The franchisee buys the right to use the established company's name, store design, products, processes, logos, display units and promotional methods.

The franchisee is responsible for all the debts and must pay a royalty payment to the franchisor. The royalty payment is calculated on the year's sales turnover and the franchisee will keep any further profit. If there are losses, then the royalty must still be paid and the losses are covered by the franchisee.

In 2015 the British Franchise Association (BFA) and NatWest Bank carried out research. The results show the importance of franchising to the UK economy:

Franchise industry annual turnover:	£15.1bn
Number of franchisor brands operating in the UK:	901
Number of franchisee outlets:	44 200
Number of people employed in franchising:	621 000
Percentage of profitable franchises:	97%

1. Why do you think franchising is such a popular growth strategy for franchisors?
2. Why are so many new entrepreneurs keen to become a franchisee?

There are both benefits and drawbacks to running a retail business as a franchise for both the franchisor and the franchisee.

#### Advantages for the franchisor

- The franchisor can expand quickly without the need for a large amount of capital.
- The franchisor does not lose control of the business.
- The franchisee has invested their own money and so will be motivated to make the business succeed.
- The franchisor receives fees and royalties from the franchisee.
- The franchisor does not have a large workforce to manage.

#### Disadvantages for the franchisor

- The business' trade name and reputation can be ruined if franchisees do not maintain standards.
- The initial costs of setting up the franchise system, such as training, legal advice, documentation and marketing, can be very expensive.
- On-going costs of national advertising and continual support of franchisees can be expensive.

### Advantages for the franchisee

- There is a good chance of success and less risk for the franchisee because of the well-known name, format and product.
- The franchisee benefits from a ready-made reputation because the franchisor controls the quality of all franchises.
- The franchisor provides sound financial advice and support, so that cashflow and management problems can be avoided.
- The franchisor is responsible for costly activities such as market research and product development.

### Disadvantages for the franchisee

- The franchisee will never feel that the business is theirs - for example the business cannot be sold without permission from the franchisor.
- The franchisee cannot make many decisions; all franchises must be run according to the rules of the franchisor.
- The franchise could be withdrawn at any time without any explanation or compensation.
- Fees, royalties and expensive stock make franchising a costly way to run a business.
- Royalties must be paid by the franchisee, even if the business makes a loss.
- If franchises are set up as sole traders or partnerships, they still face unlimited liability.

Organic Oasis is a franchise company, established in the UK in 2005. The business has over 50 retail stores throughout England, Scotland, Wales and Northern Ireland, providing a wide range of organic food products. Since 2012 the business has used franchising to expand; this strategy has helped it to grow its business and it is currently advertising for new franchisees on its website.

Julian Smith wants to set up his own business selling organic food in Manchester. However, he has just read the information on the Organic Oasis website and is now considering applying to become an Organic Oasis franchisee.

1. Discuss the advantages and disadvantages of Julian becoming an Organic Oasis franchisee and advise him what to do.
2. Discuss the advantages and disadvantages of Organic Oasis expanding through franchising.

Using the internet, carry out research into retail businesses that offer franchise opportunities. Select one franchise opportunity that appeals to you and summarise the following:

- the name of the business
- how much it costs to purchase the franchise
- how much you will have to pay in royalty payments
- the products that are sold
- the advice and training the franchisor offers.

## Past Paper Questions

2015

### Scenario 3

Mapington is a busy town with a population of around 10 000 people. The town's high street has a mixture of retail businesses including franchises, charities, food outlets and some long-established shops such as grocers, bakers and butchers. During the last few years the footfall for the high street has declined and some shops have closed down. Temporary (e.g. pop-up) shops have sometimes rented the empty shops.

The town has a very active retailers' association which supports the town's retail businesses.

3 (a) Explain the following types of retail business. [4]

Franchise

Temporary shop (eg. pop up)

2016

### Scenario 1

Woody Toys is located in a small rural town. It is owned and operated by Teddy Pinetree who designs and makes a range of high quality wooden toys such as aeroplanes, boats, animals and puzzles. However, the shop has become run-down, and the toys are poorly displayed.

Woody Toys has loyal and regular customers, but sales have declined by 20% during the last three years. Teddy has therefore decided to close the shop, and sell his products through a new Woody Toys website. He hopes this will increase sales and profits.

Before investing in a new website, Teddy Pinetree could have considered other forms of retailing.

1 (b) Describe **two** forms of retailing, other than online and concessions, Teddy Pinetree could have considered. [4]

In order to increase sales, Teddy Pinetree has decided to close the shop and sell his products through the new website.

- 1 (c) Discuss how the new website might help Woody Toys to increase sales. [4]

## 2016

### Scenario 2

Red Devil is a business which manufactures and sells a range of mobile phones and accessories.

The business has produced an exciting new model called RD6. As part of its marketing strategy Red Devil has decided to sell its new mobile phone through a number of in-store concessions across a wide range of different retailers.

Red Devil aims to increase sales and market share in the UK mobile phone market.

- 2 (a) (i) Describe the term concessions. [2]
- 2 (a) (ii) Explain **two** benefits to Red Devil of choosing in-store concessions as a method to increase sales and market share. [4]

## 2017

### Scenario 2

Ponsonby PLC is a public limited company. It is a UK based retailer offering a wide range of quality jewellery, watches and gifts. The business is a multi-channel retailer which owns 100 jewellery shops situated on high streets throughout the UK.

The results of a recent customer survey showed that the majority of Ponsonby PLC's customers were female and aged over 40. The results also showed the levels of income, occupations and postcodes of the customers.

Ponsonby PLC's main retail channel is its 100 shops.

- 2 (a) Describe **two** other retail channels which Ponsonby PLC could use to sell its products. [4]

2018

**Scenario 1**

Antoinette is a sole trader who owns a business which operates from a kiosk located in a small shopping centre. She sells a wide range of well-known perfumes. The business is well established and has been operating for seven years.

Antoinette has been informed that a shop selling perfume is to open soon in a nearby street and that the rent for her kiosk is to increase by 10%. However, Antoinette is determined to maintain the profits of the business.

- 1 (a) Using **Scenario 1**, identify which of the following forms of retailing describes Antoinette's kiosk. Tick **one** box only. [1]

Forms of retailing	Tick (✓)
Multi-channel	
Concession	
Temporary shop	

**Scenario 2**

i 2 i Ltd is a high Street optician which Offers eye tests and sells glasses and contact lenses. i 2 i Ltd is a national retail chain and franchise brand which has 200 stores throughout the UK.

i 2 i Ltd have set several financial objectives which they plan to achieve by introducing new retail channels and improving their shops.

- 2 (a) (i) Describe what is meant by a franchise. [2]

- 2 (a) (ii) Suggest **one** reason why operating as a franchise is less risky than operating independently. [2]

2018

**Scenario 3**

JJ's Foodstores PLC is the largest independent food retailer in Wales and currently operates 80 stores. Most of their stores are located in out-of-town retail parks.

The business has been operating for over 30 years in Wales but now has plans to expand the business into England. All new stores will be hybrid.

3 (a) What is meant by the term hybrid? [2]

2019

**Scenario 2**

Michael Stone is a well-known British designer who owns a number of shops selling men's clothes and accessories. He has a number of items left from his summer range and he wishes to clear the stock before he launches his winter range. He has decided to use eBay to set up an online temporary (pop-up) shop to sell these items at discounted prices.

2. (a) (i) What is meant by a temporary shop? [1]

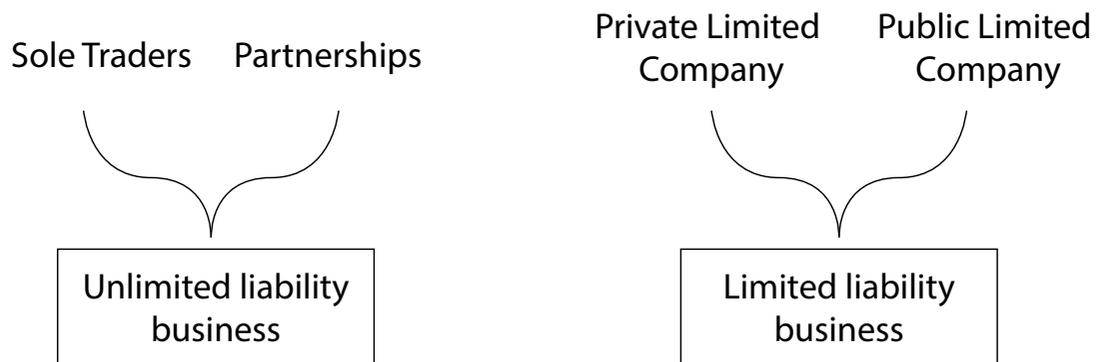
2 (a) (ii) Explain **three** possible reasons why Michael Stone decided to sell his range online rather than in a physical store. [6]

## AC1.2 Assess forms of ownership for retail businesses

Businesses in the private sector range from those which are owned and run by one person to multinationals which employ thousands of people in many countries.

They differ in ownership and control and their legal status.

Businesses are classified in the following way:



One of the biggest decisions to make when starting a retail business is what type of ownership to use. One of the most important considerations is whether to have limited or unlimited liability. Choosing the appropriate ownership for the business is very important and can save the entrepreneurs' personal assets from business creditors (people you owe money to).

### Unlimited Liability

Sole traders and partnerships do not have a separate legal existence from the business. In the eyes of the law, the business and the owner(s) are the same.

As a result, the owners are personally liable for the business' debts. If a sole trader or partnership makes a loss and if things go wrong, then they are responsible for all the debts.

This is called unlimited liability. The owner(s) have a legal obligation to settle (pay off) all the debts of the business. Worse still, there is no distinction between the assets (money invested in the business, including property, equipment and stock) and debts of the business, and the personal assets and debts of the owner. For example, if the business can't repay its loans or gets sued, the owner is responsible. If the business' assets aren't enough to cover the debt or damages then the owner will have to pay the rest of the debts from personal bank accounts, investments, car or even their home.

## Limited Liability

Private limited companies and public limited companies are so called as their owners have limited liability; this means that people who invest in the business only risk losing the amount they have invested.

If the company goes out of business, leaving debts, the owners will only lose the money that they have put into the company (the value of their shares/investment). The owners will not be forced to sell their own personal possessions, like a house, to pay the company's debts.

For example, if an entrepreneur invested £100 000 into a limited liability company and a creditor sues the company to recover money it loaned to the company, the creditor can only get the assets of the company. So, you could lose your £100 000 investment, but you couldn't lose any of your personal assets. Not good news for the creditor!

Having limited liability is the main advantage of forming a company.

Limited companies have a separate legal identity from their shareholders. This means that the company can buy assets, make contracts and take legal action against other businesses in its own name rather than that of its owners. A limited company can also be sued.

## Sole trader

A sole trader is a business that is owned and run by one person. Although a sole trader is owned by only one person, the owner can employ people to work for them.

Sole traders usually finance the business through the owner investing their own savings, money borrowed from friends or family, or a bank loan. There is a lot of financial risk in running a business as a sole trader due to unlimited liability.

The aims and objectives of sole traders will vary according to the type of business, but most sole traders will focus on increasing income and profit to allow the owner to make a living from their investment. Many sole trader businesses will aim to survive in the initial stages of setting up and during difficult economic times.

Many sole traders will operate on a local level; often their main aim is to provide a good product or service to the local community and provide customer satisfaction.

Running your own business is extremely hard work and the risks are great, but so are the rewards.

1. What are the rewards of running your own retail business?
2. What are the risks of running your own retail business?

#### Advantages of setting up as a sole trader:

- Decision making is straight-forward, with the sole trader being able to make instant decisions without checking with someone else.
- The sole trader is their own boss and does not need to follow the instructions of somebody else.
- A sole trader business is easy to set up because there is no complicated paperwork to complete as there may be with other types of business.
- Some sole traders may be able to operate the business to suit their lifestyle with more flexible working hours.
- Any profit is kept by the sole trader and does not need to be shared.

#### Disadvantages of setting up as a sole trader:

- It can be difficult to raise the required capital, as only one person is investing in the business. Banks are not keen to lend money to sole traders due to their high rate of failure.
- A lack of the necessary skills and experience required for owning a business can increase the risk of failure.
- Fewer ideas are put into the business as there is only one owner. The sole trader doesn't have an opportunity to share ideas with any business partners – family and friends are often relied upon for advice.
- The owner may need to work long hours as there may be no one to share the workload. It may be difficult to take time off.
- Unlimited liability is the main disadvantage of this type of business. It can be very risky for the owner – a failing business could cost them their savings and their personal possessions.

Discuss in your class each of the advantages and disadvantages of sole traders listed below. Show your understanding by explaining each point.

Advantages	Disadvantages
Easy to set up	Unlimited liability
Greater owner control	Long working hours
Keep all the profit	Problems in raising capital
Flexibility of working hours	Lack of specialisation
Easy to run	Impact of health

In recent years people have taken up the hobby of designing and producing their own greetings cards. They buy packs of materials which are used to make birthday and Christmas cards. Some have developed their hobby into businesses; selling through market stalls, pop-up shops and online. One such person is Fran Blake who operates her business as a sole trader and has a market stall in her local town.

1. Outline two benefits Fran gains as a result of operating as a sole trader.
2. Explain two disadvantages to Fran of operating as a sole trader.

## Partnerships

A partnership is an agreement between two or more people to take joint responsibility for the running of a business, to share the profits and to share the risks. By law a business can have between 2 and 20 partners.

There is a lot of financial risk in running a business as a partnership due to unlimited liability. The business is not a separate legal entity and the partners are personally liable for the business debts.

A partnership is almost as easy to set up as a sole trader; if no formal agreement is drawn up everything is split equally between the partners.

A partnership means:

- shared ownership
- shared decision-making
- shared workload
- shared profit
- shared liability for debts.

It is advisable for partners to draw up a special agreement, called the **Deed of Partnership**, which will outline the following:

- how profits or losses will be shared amongst the partners
- how much money each partner invests
- voting rights and the number of votes each partner has
- arrangements for ending the partnership due to the leaving or death of a partner
- the details of each partner's duties and responsibilities – who does what.

It is important to know who you are going into business with. Partners should know each other's background, their approach to business, and their vision for the partnership.

Some questions to consider before going into a partnership include:

- only go into business with those you trust
- discuss potential issues before you start
- read and understand the Deed of Partnership.

The aims and objectives of partnership businesses will vary according to the type of business. However, most partnerships will focus on increasing income and profit to allow the partners to make a living from their investment.

Many partnership businesses will aim to survive in the initial stages of setting up and during difficult economic times.

#### Advantages of partnerships:

- Partnerships are cheap and easy to set up.
- There is no complicated paperwork to complete in order to set up the business.
- Extra capital is available, as more than one person is investing into the business.
- The workload is shared between the partners.
- There is less stress for the owners as decisions and workload are shared.
- Each owner will bring their own skills and ideas to the business, meaning that more expertise is available within the business.
- Partners can specialise in particular areas of the business.

#### Disadvantages of partnerships:

- Profits must be shared among partners.
- There may be disagreements between partners when making decisions or over workload.
- Partners have to share the control and work as a team; they will not be their own boss.
- Partners still have unlimited liability.
- If a partner dies or becomes bankrupt, the partnership must come to an end.

Discuss in your class each of the advantages and disadvantages of sole traders listed below. Show your understanding by explaining each point.

Advantages	Disadvantages
Easy to set up	Unlimited liability
Shared responsibility for debt	Disagreements between partners
Shared responsibility for workload	Shared profits
Increased contribution of capital	Workload distribution
Increased expertise and skills	Need for a Deed of Partnership

Gallops is a business selling horse riding equipment in a small shop in a town. It is owned by Sam Fudge and Mary Matthews.

Suggest and explain two advantages to Sam and Mary of being in a business partnership.

1. List 3 advantages of being a sole trader rather than a partnership.
2. List 3 advantages of being a partnership rather than a sole trader.

## Limited companies

Sole traders and partnerships who wish to expand are often held back by a lack of capital (finance). Another drawback is that they both have unlimited liability, which means that taking risks on new developments, new products or new premises can result in personal loss and bankruptcy. A solution to the problem of lack of capital and to the risk that is associated with unlimited liability is to form a limited liability company.

Limited companies are owned by shareholders; these are people who have invested money in order to buy a share of the business. The more shares a shareholder owns, the more control he or she will have within the business.

Jed Thomas is a sole trader selling surfing equipment in his shop in Newquay in Cornwall.

1. Suggest and explain two advantages of Jed being a sole trader.

Surfing has increased in popularity in the area, so Jed wants to take the opportunity to buy the shop next to his. To do this, he needs to raise finance. Jed is considering changing the form of ownership of his business from a sole trader to a partnership.

2. Discuss the advantages and disadvantages that may result from forming a partnership.

The words private and public refer to the types of shareholders that own the company. They are called limited companies because they have limited liability. This means that people who invest in the business only risk losing the amount they invested.

Limited liability is important for the owners of companies. If the company goes out of business leaving debts, they will only lose the money that they have put into the company (the value of their shares). They will not be forced to sell off their own personal possessions, like a house, to pay off the company's debts.

Having limited liability is the main advantage of forming a company.

Underline the definition which best describes the term limited liability.

- the company is limited to the number of shareholders it has
- the company must sell its shares on the stock exchange
- the owners do not have to sell personal possessions if the business fails.

A limited company has separate legal identity in law from its shareholders. So legally a company has the same rights and responsibilities as an individual. A company can buy assets, make contracts, sue other companies and individuals and can be sued itself.

For example:

If you were shopping in a local corner shop that was a sole trader and you fell over some boxes that were left on the floor, then you would sue the sole trader personally as he/she is the business (in the eyes of the law they are one person).

However, if you fell over some boxes left in Tesco (a limited company) then you will sue the company itself and not any individuals who work for them; the company will have to pay any compensation from its profit.

By law, all limited companies must register with the Registrar of Companies at Companies House. They must produce a number of legal documents about the business. All limited companies must hold Annual General Meetings (AGMs) and produce an annual report and accounts for shareholders, to keep them informed of the company's performance.

This separate legal identity is referred to as Incorporation. If a business is incorporated, then it means it is a limited company.

Limited companies are owned by shareholders. These are the people who own shares in the company. Shares are the parts into which the value of the business is divided. The more shares that are owned, the more control the shareholders get.

If a business is valued at £100 million and there are 200 million shares, how much would each share be worth?

The reason why limited companies are split into private and public is because of the people who are able to buy shares in the business:

- A Private limited company can only sell shares privately (hence the name), usually to family and friends. Shares can only be sold if all the shareholders agree.
- A Public limited company can sell shares to anyone, they can be bought by any member of the public (the name!). They are sold publicly on the stock exchange.

**Private limited companies (Ltds)** are usually small to medium size businesses, although some large businesses are private limited companies. A private limited company is owned by shareholders approved by the other owners; they are sometimes family businesses.

The profits of a private limited company are sometimes paid to the shareholders in the form of dividends but are sometimes reinvested back into the business.

The main aims of a private limited company will be to increase income and maximise its profit in order for the shareholders to receive a good return on their investment. Many private limited companies will also aim to achieve growth by expanding their business and opening more outlets, producing a wider range of products or employing more staff. Growth sometimes leads to the business "going public" and becoming a public limited company.

#### Advantages of private limited companies:

- The owners have limited liability.
- Additional capital can be raised by selling more shares.
- The company can keep trading even if a shareholder dies; shareholders' shares can be transferred to someone else.
- The private limited company has its own legal status, separate from the shareholders – it can sue and be sued. A private limited company can also own property.
- Private limited companies are relatively cheap to set up in comparison with public limited companies.
- Private limited companies cannot be taken over, as shareholders must agree the sale of shares to others.
- Private limited companies are usually run by the major shareholders and so there are few arguments regarding the aims of the business.

#### Disadvantages of private limited companies:

- They are more expensive to set up than sole traders or partnerships.
- The company has to publish its accounts every year. These are available for the general public and competitors to see.
- There is separation of ownership and control; directors are elected to run the

business, which means that the owners no longer make all the decisions.

- It may be difficult to raise additional finance as it can be difficult to find suitable new shareholders, or banks may not be keen on lending money to smaller businesses.

A **public limited company (PLC)** is usually a very big business with a large number of employees. This type of business is owned by members of the general public and other businesses who have invested their money into the company by buying shares on the stock exchange. People buy shares in the hope that the business will perform well, leading to an increase in the value of their shares.

As with private limited companies, the profits of this type of business are sometimes paid to the shareholders in the form of dividends and are sometimes reinvested back into the business.

To become a public limited company, the business must issue at least £50,000 of shares, and the procedure for setting up a public limited company is more complicated than that for a private limited company.

The main aims of a public limited company will be to increase and maximise its profit in order for the shareholders to receive a good return on their investment.

Many public limited companies will also aim to achieve growth by expanding their business and opening more outlets, producing a wider range of products or employing more staff. Many public limited companies will also have ethical and environmental aims.

#### Advantages of public limited companies:

- Similar to private limited companies, PLCs have limited liability. This means that shareholders' personal assets are protected and they only risk losing the money they have invested in the business in the form of shares.
- Additional capital can be easily raised by a PLC; more shares can be sold as there is no upper limit to the number of shareholders. This makes it easier to grow and expand.
- Public limited companies are usually well-known organisations with a good reputation that makes it easier for them to raise finance. Banks are more willing to lend to large, established companies.
- A public limited company can keep trading even if a shareholder dies – a shareholder's shares can be transferred to someone else.
- A public limited company has its own legal status, separate from the shareholders – it can sue and be sued, and it can own property.
- A public limited company can take advantage of its size to benefit from economies of scale (find out about this later).

### Disadvantages of public limited companies:

- It is expensive to set up a PLC, at least £50 000 of share capital has to be available and legal paperwork needs to be produced.
- The company has to publish its accounts every year, and these are available for the general public and competitors to see.
- Unwanted takeovers are possible as shares can be bought by anyone; the shareholder who owns more than half the shares controls the business.
- There is separation of ownership and control as directors are elected to run the business; this means that the owners no longer make all the decisions.

1. Describe the main differences between a private limited company and a public limited company.
2. Why might an owner choose to form a private limited company rather than a partnership?
3. Find out the form of ownership of the following retailers:
  - River Island
  - ASDA
  - Sports Direct
  - Iceland
  - Tesco
  - Specsavers.
4. Select one of the retail businesses and research its growth since it started trading.

Discuss in your class each of the advantages and disadvantages of the business structures listed below. Show your understanding by explaining each point.

Business Structure	Main Advantages	Main Disadvantages
Sole Trader		
Partnership		
Private Limited Company		
Public Limited Company		

## Co-operatives

A co-operative is an organisation that is owned and controlled by a group of people who have an equal say in the running of the business and receive a share of any profits the business makes. The share they receive is called a dividend.

The owners of a co-operative are known as members; all members invest in and run the business in a democratic way and will have similar needs, so they operate the business for their mutual benefit.

Co-operatives are the original people's business – set up by the people for the people.

Co-operatives are run according to a set of values and principles:

- self-help & self-responsibility
- democracy
- equality & fairness
- social responsibility & solidarity
- honesty & openness

The key values of all co-operatives are:

- Membership is open and voluntary – anyone can join.
- Members are always in control – no matter how many shares a member has, they only get a single vote at society meetings.
- Members contribute to capital and decide how to spend it.
- They are committed to education and training of their members and employees.

- They are committed to promoting the development of communities.
- Profits are passed on to the members fairly.

A retail (also known as a consumer co-operative) is where a group of local consumers get together for mutual benefit. They buy products together and sell it for a fair price. The

co-operative is owned and managed by members, who are also customers.

Consumer co-operatives have 3 main principles:

- Each member has only one vote, regardless of the shares they have.
- Anyone may buy a share and become a member, regardless of race, creed or religion.
- Goods and services are sold at reasonable prices; after business costs have been paid, the profits are returned to members in the proportion that they have spent.

The Co-operative Group is the one of the best known and largest consumer co-operative organisations in the world. It is owned by its members. The following information is taken from their website:

### **Why we're Different.**

We're one of the world's largest consumer co-operatives, owned by millions of members. We're the UK's fifth biggest food retailer with more than 2,500 local, convenience and medium-sized stores.

We're also:

- the UK's number 1 funeral services provider
- a major general insurer
- a growing legal services business.



And, we have a minority shareholding in The Co-operative Bank.

As well as having clear financial and operational objectives and employing nearly 70,000 people, we're a recognised leader for our social goals and community-led programmes. We exist to meet members' needs and stand up for the things they believe in.

So, the more successful we are, the more we can give back to you and your local community.

That's why we're different.

Source: <https://www.co-operative.coop/about-us/our-co-op>

Visit the Co-Operative website and answer the following questions:

1. Explain, with examples, how the group has helped the community in recent years.
2. What is responsible retailing? Explain how the Co-op has contributed to this.
3. What are the benefits of being a member of the Co-operative Group?
4. Would you like to become a member? Explain your answer.

#### Advantages of co-operatives:

- The members feel that they have a real impact in the running of the business.
- Co-operatives often focus less on profit, which leads to better customer service and an emphasis on ethical business practices.
- Profits are distributed fairly among the members.
- Members enjoy working together and get great job satisfaction from working for themselves and their colleagues; they are therefore more likely to be motivated to succeed.
- There is less likelihood of arguments as members share the same aims and objectives.
- Members are more likely to be aware of their responsibilities to the local and larger communities.
- Co-operatives are committed to the training and education of their employees.
- The initial investment required in buying shares and becoming a member is less than other ways of starting a business (sometimes just a pound).

#### Disadvantages of co-operatives:

- Decision-making can be difficult and may take a long time as everybody has a say in the running of the business.
- All members have an equal right to speak and contribute to the decision-making process – even if they have little knowledge of the subject being discussed.

- It may be hard for members to make tough decisions that will affect their co-workers, such as job cuts.
- A co-operative's focus on fairness and ethical business practice may limit opportunities for growth and maximising profit.
- Workers in worker co-operatives may find internal promotion or career moves difficult.
- Co-operatives may find it difficult to recruit top quality management - the most able candidate usually demand a very high salary.

- Co-operatives can never be as successful as a limited company. Do you agree with this statement? Explain your answer.

## Not-for-profit

A not-for-profit organisation is a type of organisation that does not earn profits for its owners. All of the money earned by or donated to a not-for-profit organisation is used in pursuing the organisation's objectives. For example, charity shops, voluntary organisations and social enterprises – they often exist to promote a cause.



Social enterprises are formed to provide help within a society; they may provide general support (for example, consumer rights and worker enterprises) or deal with specific issues. A social enterprise may also be established in an attempt to raise awareness of, or provide a solution to, society's problems, such as crime and drug abuse. Charities are organisations that aim to raise money in order to support a cause, such as cancer research or wiping out poverty in third world countries. Charities will focus on minimising costs and organising activities to maximise donations.

Many charities employ paid workers to undertake specialist work, but also rely on volunteers in order to minimise wage costs. Many charities have physical stores and an online presence to sell products to help them raise money.

Charities will often receive donations from for-profit businesses.

Charities are set up to support a number of different causes, including:

- the prevention or relief of poverty
- the advancement of human rights, equity and diversity, education, religion, health, community support, arts, heritage and culture, sport participation, animal welfare and environmental issues.

Most charities that have an income of more than £5 000 must register with the Charity Commission for England and Wales. Charities can receive tax relief and exemptions. (They don't pay a tax on their profits the same way a private business will.) The top ten charities in the UK (ranked by their income) in 2015 were:

1	Cancer Research UK	£446.5m raised out of a total income of £634.9m
2	British Heart Foundation	£263.8m raised out of a total income of £288.2m
3	Macmillan Cancer Support	£214.1m raised out of a total income of £218.4m
4	Oxfam	£192.8m raised out of a total income of £401.4m
5	Sightsavers	£184.7m raised out of a total income of £199.7m
6	RNLI	£170.9m raised out of a total income of £190.1m
7	British Red Cross	£139.1m raised out of a total income of £261.8m
8	Salvation Army	£130m raised out of a total income of £196.3m
9	Save the Children	£125.3m raised out of a total income of £370.3m
10	NSPCC	£115.3m raised out of a total income of £125.9m

1. Identify 5 charities that have physical stores located in your area.
2. For one of these charities list the products they sell.
3. Explain why consumers would buy from a charity shop.

Visit the Oxfam online shop using the link below and describe how the online shop for Oxfam differs from for-profit retail organisations.

<https://www.oxfam.org.uk/shop>

## Past Paper Questions

2015

### Scenario 1

DD Organic Shop is located on a large housing estate within the town of Ashtown. The shop offers a wide range of food and drink and is owned by Mr Daniel Porter and his wife Diane.

A new supermarket is soon to open on the outskirts of the housing estate, and the cost of parking in a nearby car park is to increase, both of which are of concern to the owners.

- 1 (a) (i) Describe the likely form of ownership of DD Organic Shop. [2]
- 1 (a) (ii) Explain **two** advantages of this form of ownership you have described in (a) (i) [4]

### Scenario 2

Zhang PLC (public limited company) is a large electrical retailer which operates in the UK. It specialises in selling home electronics and household appliances. The business has more than 120 stores throughout the UK, many of which are located in out-of-town retail parks.

Zhang PLC's main objective is to be the largest electrical retailer in the UK by 2020.

- 2 (a) (i) Describe the features of a public limited company (PLC). [4]
- 2 (a) (ii) Explain **one** disadvantage of operating as a public limited company (PLC). [2]

2016

**Scenario 1**

Woody Toys is located in a small rural town. It is owned and operated by Teddy Pinetree who designs and makes a range of high quality wooden toys such as aeroplanes, boats, animals and puzzles. However, the shop has become run-down, and the toys are poorly displayed.

Woody Toys has loyal and regular customers, but sales have declined by 20% during the last three years. Teddy has therefore decided to close the shop, and sell his products through a new Woody Toys website. He hopes this will increase sales and profits.

Teddy Pinetree operates as a sole trader.

- 1 (a) (i) Explain **two** advantages to Teddy Pinetree of operating as a sole trader. [4]
- 1 (a) (ii) Explain **one** disadvantage to Teddy Pinetree of operating as a sole trader. [2]

2016

**Scenario 3**

Two fashion designer friends, Izzie James and Ollie Smith, have designed a range of fashionable waterproof clothing called Rainwear Chic. The products include raincoats, trousers, hats, gloves and scarves, all of which are available in a range of colours.

Izzie and Ollie plan to sell the waterproof clothing in their own shop which is located in a busy shopping centre. The shopping centre attracts around 1 million shoppers each week and has nearly 200 shops and stores.

They also intend to sell their clothing through their own website. Rainwear Chic products will be available from Autumn 2016.

Izzie and Ollie need to decide on the form of ownership for Rainwear Chic. The choice is a partnership or a private limited company.

- 3 (a) Summarise **both** forms of ownership and **suggest** which might be the most suitable for Izzie and Ollie. [6]

2017

**Scenario 1**

An outdoor market has been held in the busy town of Proudham for more than 400 years. Every Saturday 50 stalls are set up in the old town square which is in the centre of the town and surrounded by shops. The stalls offer a wide variety of products such as locally made crafts, fresh fruit, fresh vegetables and clothes. The stallholders operate as either sole traders or partnerships.

The stallholders are required to pay £20 to hire a stall each Saturday.

Proudham town centre benefits from good access roads, a bus station and two public car parks.

- |   |     |
|---|-----|
| 1 (a) (i) What is meant by the term partnership?                                      | [1] |
| 1 (a) (ii) Explain <b>one</b> advantage and <b>one</b> disadvantage of a partnership. | [4] |

2017

**Scenario 2**

Ponsonby PLC is a public limited company. It is a UK based retailer offering a wide range of quality jewellery, watches and gifts. The business is a multi-channel retailer which owns 100 jewellery shops situated on high streets throughout the UK.

The results of a recent customer survey showed that the majority of Ponsonby PLC's customers were female and aged over 40. The results also showed the levels of income, occupations and postcodes of the customers.

Ponsonby PLC is a public limited company.

2 (b) (i) Which **two** of the following statements are true? [2]

Description	Tick ( )
Shares can be bought and sold on the Stock Exchange	
The minimum number of owners is two	
A public limited company is owned by the government	
A public limited company is owned by shareholders	

2 (b) (ii) Explain two advantages to Ponsonby PLC of operating as a public limited company. [4]

**Scenario 3**

Poppy Anderson is the owner of a small flower shop called Poppies which is located in a large town. The town has a population of nearly 50,000 and includes a university, a hospital, a college, six schools and a large engineering factory. The unemployment rate in the town is only 1.2%.

Poppies is a well established business that has been making a small profit over the last three years. poppy has set a financial Objective to increase profits by 5% in 2018.

3 (a) Identify the form of ownership for Poppies. Tick one box only. [1]

- a. Co-operative
- b. Sole trader
- c. Public limited company

2018

**Scenario 1**

Antoinette is a sole trader who owns a business which operates from a kiosk located in a small shopping centre. She sells a wide range of well-known perfumes. The business is well established and has been operating for seven years.

Antoinette has been informed that a shop selling perfume is to open soon in a nearby street and that the rent for her kiosk is to increase by 10%. However, Antoinette is determined to maintain the profits of the business.

1 (b) (i) Identify **two** advantages to Antoinette of operating as a sole trader. [2]

1 (b) (ii) Explain **two** disadvantages to Antoinette of operating as a sole trader. [4]

**Scenario 3**

JJ'S Foodstores PLC is the largest independent food retailer in Wales and currently operates 80 stores. Most of their stores are located in out-of-town retail parks.

The business has been operating for over 30 years in Wales but now has plans to expand the business into England. All new stores will be hybrid.

JJ's Foodstores PLC is a public limited company.

3 (b) Evaluate a public limited company as a form of ownership for retail businesses. [4]

2019

**Scenario 1**

Lavish Ltd is a cosmetics business that manufactures and retails handmade cosmetics for women. Their range includes bath and shower products such as bath bombs and shower gels. They also sell face and body products such as face masks and body lotions. Their shops are all located on high streets.

- 1 (a) (i) Using **Scenario 1**, identify the form of ownership of Lavish Ltd. Tick one box only. [1]

Forms of retailing	Tick ()
Public limited company	
Partnership	
Private limited company	

- 1 (a) (ii) Explain **one** advantage and **one** disadvantage for Lavish Ltd using this form of ownership. [4]

## AC1.3 Suggest objectives of retail businesses

Objectives are goals that the retail business will set itself. These are used to measure the success of the business.

Businesses are not the only organisations that have objectives; your school or college, football teams, the police service and government all have objectives. Individuals also have objectives. Although these are personal to the individual, the concept is the same as it is for businesses – we all need targets in our life to challenge us and make us put the effort in to achieve those targets.

List three objectives you have set yourself this year. These may be based on your school progress or on other aspects of your life.

Business objectives are based on business aims. Business aims are what the business wants to achieve in the future. Aims tend to be quite generic and broad and are the starting point for identifying business objectives.

Business objectives are specific and measurable targets the business will set to achieve its aims.

Business objectives can be grouped into the following main categories:

- business
- financial
- social
- retail specific.

### Business objectives

#### Survival

Many retail businesses fail within 2 years of being set up, so for a small business, the initial objective is to survive the difficult time of gaining customers, establishing a good local name and building a reputation. Even for some big businesses, survival can become a priority. Many established high street retailers have struggled in recent years. The main objective of these retailers was to survive in the short term; however, retailers such as BHS, Toys R Us, Poundworld, Maplin, JJB Sports, Staples and Comet have all ceased to exist.

To survive, a business has to at least break even. This means that it makes neither a profit nor a loss. If a business continually makes a loss it will almost certainly go out of business. During times of economic recession (when sales can be low) larger businesses will have to adjust their objectives. They may be able to cope with making a loss for a short while, but eventually they will have to carry out actions to turn this around; this can involve making workers redundant or closing a number of outlets or factories.

## Growth

Nearly all businesses started as small businesses – usually as sole traders or partnerships. Think of how each of the following started:

- Marks and Spencer – a market stall in Leeds
- Boots – a chemist shop in Nottingham
- Tesco – a market stall in London
- Virgin – a record shop in London.

Over time these businesses grew to become the very large-scale businesses that they are today. They have enormous sales, revenues and profits resulting from enormous capital, marketing budgets and workforces. Failure to grow could result in business failure as competitors will grow and impact on the business. Standing still in the business world is not a good objective.

A retail business cannot stand still; it needs to grow in a competitive retail environment. A business should aim to keep moving forward and not remain static. Growth is also referred to as expansion.

A retail business can grow in several key ways:

- sell more of the same products in the same market
- sell more of the same products in different markets
- selling different products in different markets
- extend its range of products
- open new stores or distribution channels
- employ more workers
- take-over another business either selling the same products or different goods and services (known as acquisition)
- online retailers increasing their presence on search engine searches and comparison sites or increasing the number of hits on their websites.

Many retail businesses will focus on sales growth, which is selling as many of its products as possible. This is linked to increasing market share (see below).

Some retail businesses will spend large amounts of money to improve their growth. They hope that this will lead to greater profits in the long term. Growth is often based on reinvesting profits, which will reduce short term profits but leading to greater market dominance (a higher market share) in the longer term that can lead to greater profits.

Selling more of the same products in different markets and selling different products in different markets is also known as diversification.

The following retailers have experienced excellent growth in the last few years:

- ASOS
- Lush
- Missguided
- Primark
- Screwfix
- Superdry.

Select one of these retailers and carry out research to find out how they have expanded in recent years. Produce a summary including:

- background – how they started, form of ownership, what they sell, etc.
- facts and figures about the business – sales figures, profits etc. over time (look at the growth per year)
- how they grew – the reasons why they are successful, the methods and strategies they used.

Suggest two possible examples for each of the following growth methods listed below. You can decide on what type(s) of retailer you will use in your answer.

- extending product range
- acquiring another business selling the same products
- opening new stores or distribution channels
- selling more of the same products in different markets.

### Increase market share

The market share is the proportion of sales made by a business in relation to the whole market. The market share is calculated by the number of customers a business has and is usually given as a percentage. For example, if consumers as a whole buy 200 bars of chocolate and 50 bars are bought from one shop, then that shop will have a market share of 25%.

The UK market share of grocery stores (supermarkets) in 2018 is shown below.

Supermarket	Market share August 2018
Tesco	27.4%
Sainsbury's	15.5%
Asda	15.2%
Morrisons	10.4%
Aldi	7.6%
The Co-operative	6.6%
Lidl	5.5%
Waitrose	5%
Iceland	2.1%
Others	4.7%

Tesco is the market leader (the business with the largest share of the market) in grocery sales in the UK. Market share is important as it shows how well the business is doing compared to the competition and it allows the business to measure the success of its activities in the market as a whole. Businesses that have a higher market share are usually more profitable and in a stronger position in the long term. Being the market leader is also beneficial when negotiating with other businesses and improves its status and reputation. Tesco will be keen to remain the market leader and the other supermarkets will be keen to increase their market share.

Through increasing brand identity some businesses may concentrate on establishing their brand name through customer loyalty programmes, advertising and new product lines so they become the most recognised business in their market. In the short term this may reduce profit but in the long term it could result in achieving higher sales and profits.

They may even be able to force other competitors out of the market, by using loss making pricing strategies in the short term, that the competitors can't compete with.

Market share is usually presented graphically in a pie chart.

The table below shows the UK market share of grocery stores (supermarkets) in 2012.

Supermarket	Market share August 2012
Tesco	30.9%
Asda	17.5%
Sainsbury's	16.4%
Morrisons	11.5%
The Co-operative	6.8%
Waitrose	4.6%
Aldi	3%
Lidl	2.8%
Iceland	2%
Others	4.5%

1. Describe what has happened to the UK market share of grocery stores between 2012 and 2018.
2. Produce a suitable graph to present the market share in 2012 and 2018 for all supermarkets.
3. With reference to market share, assess the success of each supermarket over the 6 years.

Find out the market share of the following retail markets in the UK:

- clothing
- mobile phone network providers
- mobile phone device providers.

Select one of these markets and produce a pie chart to show the market share.

## Customer satisfaction

Customer satisfaction measures how goods or services supplied by a retail business meet or surpass a customer's expectation. Customer satisfaction is important because it provides retail business owners with information that they can use to manage and improve their businesses.

Sales made by a retailer are linked to the levels of customer satisfaction. If a retailer fails to meet customer satisfaction, then it could result in a decrease in sales and profit. Equally, if customer expectations are met and customers are happy with the goods and services they receive, then it is likely that sales and profits will increase. In a competitive business environment, it is important that retail businesses meet customer expectations, otherwise they will take their custom elsewhere.

A retail business may focus on improving customer satisfaction with the hope that this will lead to improved sales. If a business has experienced problems with satisfying customer expectations in the past, it may well decide to make this a key objective in the future.

Failing to meet the needs of customers is particularly true for small retailers that rely on repeat business and positive word-of-mouth (the passing of information and opinions by oral communication between people who use the business) advertising for its success. This can alienate current customers and stop the business attracting new customers. The reputation of the business will suffer.

1. Explain the link between customer satisfaction and sales.
2. Explain why focusing on customer satisfaction may improve the business.

Write a description for each of the following business objectives:

- survival
- growth
- diversification
- acquisition
- market share
- market leader
- customer satisfaction.

## Financial objectives

These objectives are based on the financial performance of the business.

### Break even

Break even is the point at which a business makes neither a profit nor a loss. This financial objective is often used alongside the business objective of survival.

**Break even is where total revenue = total cost.**

If a business produces or sells one less good, the business makes a loss, if it produces or sells one more, it makes a profit. The break-even point is therefore a very important measure for a business, as it shows how much it needs to produce or sell in order to make a profit. A new retail business will often set break even as its main objective in the first few years of business. Many retailers will be prepared to make a loss in the first or second year of business in order to build up a customer base.

## Increasing sales revenue

This financial objective is often used alongside the business objective of increasing market share. Many new and established retailers will focus on increasing sales revenue.

Sales revenue is the total value of the products and services sold.

This objective concentrates only on revenue and does not consider the costs of increasing sales revenue. If a retailer wants to improve its market share in a competitive market over a period of time, then it will be willing to suffer higher costs in the short term in order to grab a larger part of the market share. An increase in sales revenue can be achieved through selling more products to existing customers, selling products to new customers or changing prices.

A local convenience store has decided to raise prices in its store by 5% in order to increase its sales revenue.

1. Explain how this action may increase its sales revenue.
2. Explain how this action may decrease its sales revenue.

The following methods can be used to increase sales revenue. For each method, find out what it means and describe how it can increase sales revenue. Give at least one example for each method.

- up-sell
- cross-sell
- raise prices
- volume discounts
- frequency of buying discounts
- bundle products
- hold special events
- offer complimentary services
- expand distribution channels.

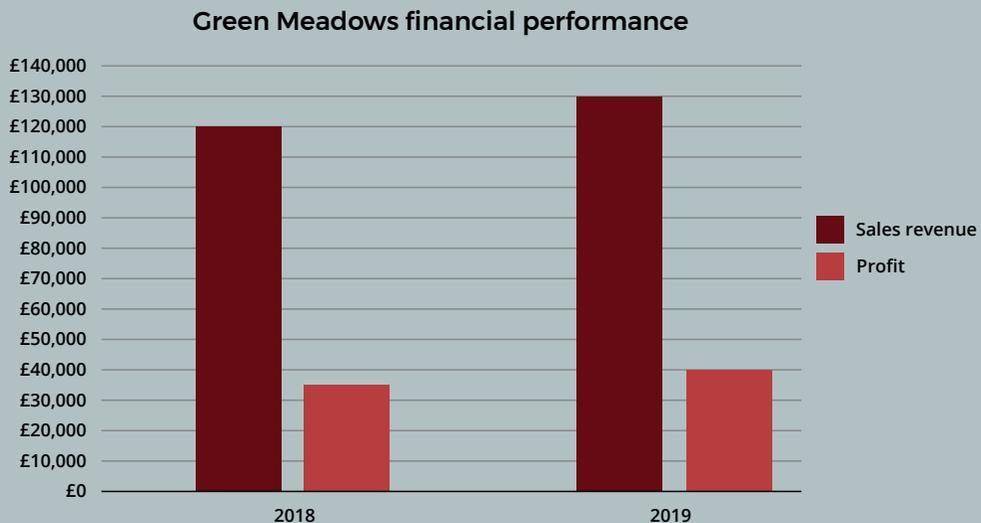
## Increasing profit

Most businesses want to do more than just survive; they want to make a profit and lots of it. They want to make as much as possible. Increasing profit is different from increasing revenue as profit is what remains after all the costs of running the business have been met.

$$\text{Sales revenue} - \text{costs} = \text{profit}$$

Increasing profit is possibly the main objective for most businesses and entrepreneurs. After all, why would you run a business or invest in a business if there is not going to be a worthwhile cash return? Profits can be increased through increasing revenues and/or reducing costs.

Green Meadows Ltd is a garden centre with one outlet located in Watford, England. The graph below shows the financial data for 2018 and 2019.



1. Identify the form of ownership of Green Meadows Ltd.
2. Explain the difference between revenue and profit.
3. Green Meadows set the following objectives for 2019:
  - Increase sales revenue by 10%
  - Increase profit by 10%
4. Explain possible reasons for the financial performance of Green Meadows Ltd.

When a retailer wishes to increase profit, it may seem that the easiest way to this is to simply raise its prices. However, business is not as simple as this as shoppers are not stupid; most shoppers act rationally and will shop elsewhere if a retailer raises prices. Saying that, some businesses can get away with raising prices as they may have a strong brand, be the market leader or have little competition.

## JD Sports rewarded for focus on millennials



A focus on younger consumers has helped JD Sports to buck the retail gloom and report record results. The sportswear retailer said pre-tax profits rose 15.4% to £339.9m in the year to 2 February, with revenues jumping 49.2% to £4.7bn.

Executive chairman Peter Cowgill told BBC News: "The business has stayed very much in tune with the millennials.

"This is in terms of providing customer experience and customer focus." The brand has expanded worldwide across Europe, Asia-Pacific and the US.

The results show that standing out in a crowded market with exclusive products, a unique proposition and placing the experiences at the heart of the store is a winning formula in today's digital age. Despite the challenging conditions on the high street, retailers who continue to thrive are those that have embraced change, invested in digital and listened to their customers to keep products fresh and desirable.

The sports retailer is really focusing on its brands and making sure it has a tight focus on its products and really responding to what its customers actually want.

Source: <https://www.bbc.co.uk/news/business-47945565>

1. Find out what is meant by the term millennials.
2. What is meant by pre-tax profits?
3. Identify the two financial objectives included in the first paragraph.
4. Using the information in the article above and through further online research, explain why JD sports achieved its financial results.

### Read the information on the businesses below:

*Dixons Carphone Profits Jump 19%*

#### **Profits at Dixons Carphone have jumped 19% after a rise in sales of phones and domestic appliances in its home market.**

In the six months to 29 October, pre-tax profits climbed to £144m while sales rose 4% to £4.9bn. "We have been focusing on reducing our fixed cost base," said Seb James, group chief executive. Dixon Carphone reported growth in all its main divisions, including a 23% jump in sales in Nordic countries.

Sales were also positive in its core markets, the UK and Ireland, where it trades under the brands Currys, PC World and Carphone Warehouse.

That was partly driven by higher sales of mobiles and consumer electronics, as well as a plan to reduce store numbers.

The company aims to close 134 outlets while it rolls out electrical superstores that merge its three main brands.

Source: [bbc.co.uk/business](http://bbc.co.uk/business)

1. Comment on how well Dixons Carphone has performed.
2. Identify the factors that affected the profits for Dixons Carphone.

## Reducing costs

Remember the calculation to calculate profit:

$$\text{Sales revenue} - \text{costs} = \text{profit}$$

A retail business can increase its profit by keeping the same sales revenue but reducing its costs. The article above on Dixons Carphone shows how reducing costs can increase profits. Many large retail businesses will often look to reduce their costs in an attempt to increase profits.

1. List 6 different types of costs a retail business will have to pay.
2. For each cost you listed, suggest how a retailer could lower its costs.
3. There are many internet sites giving advice to small businesses on how to reduce costs. Carry out an internet search to find out what advice is given to retailers on reducing their costs.

Write a description for each of the following financial objectives:

- break even
- increasing sales revenue
- increasing profit
- reducing costs.

## Social

Social objectives go beyond the activities of the business; they realise that retailers operate in the wider community and their actions have an effect on society. They may focus on ethical or environmental issues or helping the local community. Examples include:

- reducing the carbon footprint of the business
- switching suppliers in order to source organic food and local produce
- developing Fairtrade Foundation objectives
- supporting local charities.

Not all retail businesses will look to increase profits or aim for growth. Some businesses will have other objectives. There are many businesses that will try to minimise the impact of their activities on the environment, consider the needs of society and have objectives which are based on their beliefs. For example, businesses may try to ensure suppliers in developing countries have fair working conditions; ensure employees are earning a fair wage and sourcing products from sustainable sources.

Having social objectives may impact on the profit that can be made; however, businesses that focus on ethical and environmental objectives are happy to do this as they believe that they have an important role to play and the focus for the business is not profit but society and the environment.

Charities such as Oxfam, Cancer Research UK and RSPCA all have retail outlets and wish to sell as many products as possible, but their main objective is not financial, it is to raise money to help them achieve their main objectives.

Examples of private sector retail businesses that have strong social objectives include The Body Shop and the Co-op. This objective may come at a cost though in terms of lower profits for the business. However, modern businesses have to be respectful of the wider community and take their social and environmental responsibilities seriously.

Many retailers will have social objectives as part of their business strategy. Using the internet find examples of social objectives for:

- a supermarket
- a global retailer
- an online-only retailer.

**Hint:** Many retailers will have social/ethical/environmental policies.

A retail business that wishes to grow and increase its profit, but also have social objectives, will face some hard questions:

- Should we pay just the minimum wage rates to our employees?
- Should we promote products that might damage health?
- Should we transfer our production of our products to countries with less strict health and safety laws?
- Should we source our products from a low-cost developing economy?
- Should we buy cheaper products that need transporting thousands of miles?

The following information is taken for the Holland and Barrett website - [www.hollandandbarrett.com/](http://www.hollandandbarrett.com/)



Holland & Barrett International is one of the world's leading health and wellness retailers and the largest in Europe, supplying its customers with a wide range of vitamins, minerals, health supplements, specialist foods and natural beauty products. With over 145 years of experience in the industry, our name is a familiar sight in almost every major city and town across the UK and is becoming increasingly more visible further afield, in markets as diverse as the Netherlands and Malta to the UAE, China and India.

Our stores vary in size averaging at 1,100 sq ft, with smaller standard shops selling our core traditional products across the supplements, fruit, nuts and seeds categories. Larger stores have a more extensive range of health foods, including frozen, chilled and sports nutrition alongside a wide range of natural beauty products.

We want our stores to be full of discovery, where our customers can touch, feel and interact with our products. That's why we've been introducing new store features over the past five years including the Pick n Mix stations with dried fruit, snacks and seeds, the Tea Bar, where our customers can purchase their favourite infusion and the popular Oil and Vinegar station.

In 2015 we opened the doors to our first Holland & Barrett "More" store in Chester. These are the largest stores. The More stores are designed to give our customers access to the widest selection of health food and natural beauty products on the high street. The More stores introduced our new Deli Counter, offering a wide selection of olives and sundried tomatoes along with much more. The Natural Beauty area is also much larger, with a huge range of make-up, cosmetics and haircare completely free from parabens, SLS and Microbeads. Customers are also able to make their own products personalised for them at our Make Your Own' counters.

We are an omnichannel retailer and have invested £30m in recent years in technology that has transformed our online and mobile propositions. Our website is now fully integrated with our network of high street stores providing an easier and more seamless shopping experience for our customers. Building on our existing home delivery service, click and collect means customers will no longer need to wait in at home for deliveries and can order from the convenience of their mobile phone or tablet, collecting from their local store. Our store associates are also able to use iPads to review products and solutions with customers and then help them to choose products in store or to place orders online.

We have also invested in developing online propositions to support our international franchise network. Our franchisees in China, Singapore and UAE are all supported by the local market Holland & Barrett website, and in China we have also launched the Holland & Barrett proposition on local and international websites. India is our fastest growing franchise market and online sales are now available through the website of the local franchisee, Apollo Hospitals. Overall, Holland & Barrett ships products to more than 30 countries, well beyond its existing store network covering 14 territories.

1. Using the information on Holland & Barrett, explain how the business has grown and adapted in a competitive environment.
2. Explain how Holland & Barrett are a good example of an omnichannel retailer.

We believe in innovation not just for innovation's sake, but in sourcing products to fulfil our customers' health and well-being needs from the comfort of their high street. In 2015, we set out our aim to become the UK's largest Free From retailer with the launch of the largest Free From food range available in the UK and the country's

first ever Free From concept store - Holland & Barrett More. Catering for the needs of the estimated 10 million of food allergy and intolerance sufferers in Britain, our proposition listed 600 Free From products at launch with the aim to go on to list 3,000 products, covering all the main Free From categories defined in legislation, from gluten and dairy free through to nut, egg and fish allergies. This wasn't just a business move for us. One of the drivers for the new proposition was the personal experience of CEO Peter Aldis. Peter has learned how to cope with a young son with a nut allergy. This experience also prompted Holland & Barrett to partner with national charity Allergy UK, which campaigns to ensure allergy is not a forgotten condition, and provides advice, information and support to people with allergies and food intolerance.

Holland & Barrett International's well-being ethos means charity is a big deal. Our own foundation Healthy Hope supports fundraising efforts of our associates across our business with the key focus on health and well-being, education relating to health, well-being and the environment and the protection and improvement of the environment. Every year we donate a large amount of money from various fundraising events to Rainbows Children's Hospice in Loughborough. Here, life-limited children and their families can find care and support. At Holland & Barrett we don't just want to be good for our customers, we want to be good for the planet too. That's why in 2007 we launched the Plan-it-Green project to ensure we are environmentally responsible retailers. We are very proud of our achievements here:

- We were the first retailer to abandon plastic bags in store, six years before the 5p charge was introduced by the Government this year.
- We are the only national retailer to have introduced an entire range of toiletries free from parabens and sodium lauryl sulphates.
- We look to source over 95% of our products from suppliers in the UK to considerably reduce the need for sea and air freight.
- We have introduced carbon offsetting initiatives with the Carbon Trust and switched to renewable materials for all advertising materials.

3. Summarise Holland & Barrett's social objectives.
4. Describe the actions Holland & Barrett has taken to meet these social objectives.
5. Discuss how having strong social objectives will impact on their profit.

## Retail specific objectives

Business, financial and social objectives can apply to any business, not just retail. Retailers may also have objectives that are specific to the retail industry. These can include:

- introducing an additional service such as click and collect or a home delivery service
- introducing a multi-channel approach by starting a website to accompany the physical store
- training staff to improve their product knowledge
- changing suppliers to improve the quality of products being sold
- introducing marketing initiatives to increase sales
- developing an after-sales policy
- replacing the manual stock control with IT systems
- renting store space to concessions
- improving in-store merchandising.

These retail specific objectives will often link with business, financial and social objectives. For example, the introduction of a website will also increase sales revenue and hopefully profit, or the development of an after-sales policy should help the retailer keep customers happy and help them to maintain their market share.

Jack Howells is the owner of a small DIY store located on the outskirts of Bristol. His shops sell a small range of DIY products including hand tools, electrical supplies and tools, paint and decoration, bathroom accessories, plumbing, power tools and garden products.

Jack started the business 6 years ago and does not have a website. His store is very cluttered and often customers cannot find what they are looking for. Customers enjoy chatting with Jack and taking advantage of Jack's extensive knowledge of his products and DIY projects.

At times, customers who visit the store are frustrated with the products they want not being in stock. Jack has many loyal repeat customers, but finds it difficult to attract new customers, especially younger customers (ages 25-35).

Jack is keen to grow his business but is unsure how to do this.

1. Suggest and explain 3 retail specific objectives that Jack could use to grow his business.

Many retailers will summarise their aims and objectives in a short statement; this is called its mission or vision statement. This statement will also refer to the retailer's strategy, which is made up of a number of actions and policies in order to achieve its aims and objectives. Large-scale limited businesses and multinational retailers will publish their strategy or vision/mission statement on their website. However, for many small-scale and independent retailers the strategy may not be written down, it might just be in the head of the owner or owners.

Below is the strategy of the NEXT group, the multinational clothing retailer. The information is taken from its website: <https://www.nextplc.co.uk/about-next/our-strategies-and-objectives>

### **Our strategies and objectives**

The primary financial objective of the NEXT group is to deliver long term returns to shareholders through a combination of sustainable growth in earnings per share and payment of cash dividends. NEXT believes this objective is best achieved by continuation of the following strategies:

- Improving and developing NEXT product ranges, success in which is measured by sales performance.
- Profitably increasing retail selling space. New store appraisals must meet demanding financial criteria before the investment is made and success is measured by achieved profit contribution and return on capital against appraised targets.
- Increasing the number of profitable NEXT Directory customers and their spend, both in the UK and through international online sales.
- Managing gross and net margins through efficient product sourcing, stock management and cost control.
- Focussing on customer service and satisfaction levels in both Retail stores and Directory.
- Maintaining the Group's financial strength through an efficient balance sheet and secure financing structure.
- Generating and returning surplus cash to shareholders by way of share buybacks or, more recently, special dividends.

1. In your own words summarise the objectives of the NEXT group.
2. Identify if these objectives are business, financial, social or retail specific objectives.

When a retailer sets an objective, it is important that it can be used to measure the performance of the retailer at a later date. For that reason, all objectives should be specific, measurable and time specific.

Examples include:

- Increasing profits by 10% over the next 12 months
- introducing a website by July 2020
- reducing costs by 5% by the end of 2020.

All these objectives are specific as they each refer to a particular aspect of the business – profits, website and costs.

They are also measurable as a value has been given for two of them – 10% and 5%. Even though the website objective has no numerical value, it is also measurable as it will either be working or not.

All three objectives are time specific – they all have to be achieved by a certain date.

It is also worth considering a 4th condition for having an effective objective – it should also be realistic. Can you imagine the suitability of an objective for a retailer that says – increase profit by 50% by April 2020? Although this objective is specific, measurable and time specific, it is also totally unrealistic to increase profits by this amount in this short period of time.

Select a retailer of your choice, it can be small-scale or large-scale.

1. Compose one financial objective, one business objective, one social objective and one retail specific objective. You are not allowed to repeat the objectives given above. Your objectives must be specific, measurable, time specific and realistic.

Returning to the first activity of the objectives section:

List three objectives you have set yourself this year. These may be based on your school progress or on other aspects of your life.

Now rewrite the 3 objectives to make sure they are specific, measurable, time specific and realistic.

## Past Paper Questions

2015

### Scenario 1

DD Organic Shop is located on a large housing estate within the town of Ashtown. The shop offers a wide range of food and drink and is owned by Mr Daniel Porter and his wife Diane.

A new supermarket is soon to open on the outskirts of the housing estate, and the cost of parking in a nearby car park is to increase, both of which are of concern to the owners.

The owners of DD Organic Shop have set a financial objective to increase profits by 12% in 2015.

- 1 (c) (i) Suggest **two** financial objectives, other than increasing profits, the owners could have set. [2]

2016

### Scenario 3

Two fashion designer friends, Izzie James and Ollie Smith, have designed a range of fashionable waterproof clothing called Rainwear Chic. The products include raincoats, trousers, hats, gloves and scarves, all of which are available in a range of colours.

Izzie and Ollie plan to sell the waterproof clothing in their own shop which is located in a busy shopping centre. The shopping centre attracts around 1 million shoppers each week and has nearly 200 shops and stores.

They also intend to sell their clothing through their own website. Rainwear Chic products will be available from Autumn 2016.

Rainwear Chic will need to set objectives in its first year of business.

- 3 (b) (1) Suggest **two** realistic objectives for Rainwear Chic's **first year** in business. [2]

2017

**Scenario 3**

Poppy Anderson is the owner of a small flower shop called Poppies which is located in a large town. The town has a population of nearly 50,000 and includes a university, a hospital, a college, six schools and a large engineering factory.

The unemployment rate in the town is only 1.2%. Poppies is a well established business that has been making a small profit over the last three years. Poppy has set a financial objective to increase profits by 5% in 2018.

Poppy has set a financial objective to increase profits by 5% in 2018.

3 (b) (i) Suggest **three** other objectives, other than profit, for Poppies. [3]

2019

**Scenario 1**

Lavish Ltd is a cosmetics business that manufactures and retails handmade cosmetics for women. Their range includes bath and shower products such as bath bombs and shower gels. They also sell face and body products such as face masks and body lotions. Their shops are all located on high streets.

The table below shows the profit made by LavishLtd in the last four years

Year	Profit (£)
2018	11.6 million
2017	12.4 million
2016	8.2 million
2015	11.6 million

1 (iv) Based on the change in profit from 2017 to 2018, suggest **two** possible business objectives Lavish Ltd may set for 2019. [2]

# Acknowledgements

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