

# WJEC LEVEL 1 / 2 AWARD AND CERTIFICATE IN RETAIL BUSINESS

## KEY TERMS



## UNIT 2: Retail Business

### AC1.1 Describe the forms of retail business

Terms	Meanings
<b>Forms of retail business</b>	
Stores / Shops	<p>Shops and Stores can be described as physical (traditionally bricks and mortar) and either permanent or temporary (see below). Online retailers such as Amazon are increasingly opening physical stores. Sometimes referred to as place in the marketing mix.</p> <p>The location of a physical store is a very important factor in the success of a retail business.</p>
Online retailing	<p>Online shopping (sometimes known as E-tailing, from "electronic retail" or E-shopping) 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-tailing is now a very important part of the retail industry, and is continuing to grow</p> <p>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, such as M-commerce (use of mobile devices to access the Internet).</p> <p>Examples of online retailing include:</p> <ul style="list-style-type: none"> <li>• A retailer's own website,</li> <li>• A third party market place, such as Amazon, Ebay, Etsy,</li> <li>• Social media, such as Facebook, Twitter and Pinterest.</li> </ul>
Multi-channel	<p>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.</p> <p>Examples would be:</p> <ul style="list-style-type: none"> <li>• Next, who have a store, website and catalogue,</li> <li>• Marks and Spencer who have stores, a website and social media sites.</li> </ul>

Hybrid	<p>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.</p> <p>Retailers are redeveloping their stores to create consumer hubs, including services such as cafés and bars, beauty parlours, fitness centres, barber shops, etc.</p> <p>Retailing is now more about lifestyle and not just buying products.</p> <p><u>Examples of Hybrid stores</u></p> <p>Waterstones with a Costa Coffee within the shop.</p> <p>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.</p> <p>Retailers have combined the digital world with the physical world of the store.</p>
Concessions	<p>The owner of the concession pays another business / retailer in order to sell their products in their premises / store. Concessions mainly operate in retail outlets but also take place in other venues such as airports, shopping malls, sporting venues, cinemas, etc.</p> <p>There are two main types of concessions:</p> <ol style="list-style-type: none"> <li>1. 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.</li> <li>2. Unmanned concessions. Products are in store and sold through the store's till and then invoiced when sold, similar to sale or return. An example would be a greeting card spinner in a convenience store.</li> </ol>
Temporary shops	<p>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.</p> <p>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.</p> <p>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.</p>

	<p>Temporary or pop-up shops and stores are used by large and small retail businesses.</p>
Markets	<p>There are a number of different types of market.</p> <p>Indoor or outdoor – these can be general markets or specialist markets, such as arts and crafts markets, French, Christmas and Farmers' markets.</p> <p>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.</p>
Franchises	<p>Franchising is an agreement in which one business (called the franchisee) buys the right to sell the goods or services of another business (called the franchisor), and is allowed to use the franchisor's name.</p> <p>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.</p> <p>The franchisee must agree to run the 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.</p> <p>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.</p> <p>Franchising can benefit the franchisor, as it provides an opportunity to expand without the need for extra capital – the majority of costs are covered by the franchisees.</p> <p>Franchising is very popular in the retail industry, examples include, The Body Shop and Spar.</p>

## AC1.2 Assess forms of ownership of retail business

Terms	Meanings
Forms of ownership	
Sole traders	<p>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.</p> <p>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. This means that the owner is responsible for all business debts and may need to sell personal possessions to repay these debts if the value of the business is not enough to cover the amount of debt owed.</p> <p>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.</p> <p><u>Advantages of setting up as a sole trader</u></p> <ul style="list-style-type: none"> <li>- Decision making is straight forward, the sole trader being able to make instant decisions without checking with someone else.</li> <li>- The sole trader is their own boss and does not follow the instructions of somebody else.</li> <li>- A sole trader business is easy to set up because there is no complicated paperwork to complete as there may be with other businesses.</li> <li>- Some sole traders may be able to operate the business to suit their lifestyle with more flexible working hours.</li> <li>- Any profit is kept by the sole trader and does not need to be shared.</li> </ul> <p><u>Disadvantages of setting up as a sole trader</u></p> <ul style="list-style-type: none"> <li>- 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.</li> <li>- A lack of necessary skills and experience required in owning a business can increase the risk of failure.</li> <li>- 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 or friends are often relied upon for advice.</li> <li>- 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.</li> <li>- 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.</li> </ul>

Partnerships	<p>A partnership is an agreement between two or more people to take responsibility for the running of a business, to share profits and to share the risks. By law a business can have between 2 and 20 partners.</p> <p>A partnership is almost as easy to setup as a sole trader; if no formal agreement is drawn up everything is split between the partners.</p> <p>It is advisable for partners to draw up a special agreement, called a Deed of Partnership which will outline how profits will be shared, how much each partner has invested, voting rights and details of each partner's duties and responsibilities.</p> <p><u>Advantages of partnerships</u></p> <ul style="list-style-type: none"> <li>- Partnerships are cheap and easy to set up.</li> <li>- There is no complicated paperwork to set up the business.</li> <li>- Extra capital is available as more than one person is investing into the business.</li> <li>- The workload is shared between the partners.</li> <li>- There is less stress for the owners as decisions and workload are shared.</li> <li>- 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.</li> </ul> <p><u>Disadvantages of Partnerships</u></p> <ul style="list-style-type: none"> <li>- Profits must be shared among partners.</li> <li>- There may be disagreements between partners when making decision or over workload.</li> <li>- Partners have to share the control, and work as a team, they will not be their own boss.</li> <li>- Partners still have unlimited liability.</li> <li>- If a partner dies or becomes bankrupts, the partnerships must come to an end.</li> </ul>
Limited companies	<p><b>What is a limited company?</b></p> <p>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.</p> <p>There are two types of limited company:</p> <p><b>Private Limited Companies</b> (Ltds) sell shares privately, usually to family and friends. Share can only be sold if all the shareholders agree.</p> <p><b>Public Limited Companies</b> (Plcs) can sell shares to the general public via The Stock Exchange.</p>

	<p><b>Why are they called limited companies?</b></p> <p>They are called limited companies because 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). The owners will not be forced to sell their own possessions, like a house, to pay the company's debts. Having limited liability is the main advantage of forming a company.</p> <p>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.</p> <p>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.</p>
	<p><b>What is a private limited company?</b></p> <p>Private limited companies (Ltds) are usually small to medium size businesses, although some large firms are private companies. A private limited company is owned by shareholders approved by the other owners, they are sometimes family businesses.</p> <p>The profits of a private limited company are sometimes paid to the shareholders in the form of dividends, but also are sometimes reinvested back into the business. 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 business "going public" and becoming a public limited company.</p> <p><u>Advantages of private limited companies</u></p> <ul style="list-style-type: none"> <li>- The owners have limited liability.</li> <li>- Additional capital can be easily raised by selling more shares.</li> <li>- The company can keep trading even if a shareholder dies, as a shareholder's shares can be transferred to someone else.</li> <li>- 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.</li> <li>- Private limited companies are relatively cheap to set up in comparison with Plcs.</li> <li>- Private companies cannot be taken over, as shareholders must agree the sale of shares to others.</li> <li>- Private limited companies are usually run by the major shareholders and so there are few arguments regarding the aims of the business.</li> </ul>

	<p><u>Disadvantages of private limited companies</u></p> <ul style="list-style-type: none"> <li>- The company has to publish its accounts every year. These are available for the general public and competitors to see.</li> <li>- 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.</li> <li>- 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.</li> </ul> <p><b>What is a public limited company?</b></p> <p>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 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.</p> <p>As with private 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.</p> <p>To become a public limited company the business must issue at least £50,000 of shares to the public. 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.</p> <p><u>Advantages of public limited companies</u></p> <ul style="list-style-type: none"> <li>- 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.</li> <li>- 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.</li> <li>- 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 a large, established companies.</li> <li>- A public limited company has its own legal status, separate from the shareholders, it can sue and be sued, and it can own property.</li> <li>- A public limited company can take advantage of its size to benefit from economies of scale (find out about this later).</li> </ul> <p><u>Disadvantages of public limited companies</u></p> <ul style="list-style-type: none"> <li>- 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.</li> <li>- The company has to publish its accounts every year, and these are available for general public and competition to see.</li> <li>- Unwanted takeovers are possible as shares can be bought by anyone; the</li> </ul>
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	<p>shareholder who owns more than half the shares controls the business.</p> <ul style="list-style-type: none"> <li>- 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.</li> </ul>
Co-operative	<p>The owners of a co-operative are known as members, there is no overall boss in a co-operative, all members invest in and run the business in a democratic way. Members could include customers, employees or residents. The members share in the profits. Co-operatives may be registered as limited companies.</p> <p>Co-operatives often focus less on profit which leads to better customer service and an emphasis on ethical business practices. 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.</p> <p>Co-operatives are committed to the training and education of their employees and are more likely to be aware of their responsibilities to the local and larger communities.</p> <p>However, decision making can be difficult and may take a long time as everybody has a say in the running of the business and, as co-operatives focus on fairness and ethical business practices, this may limit their opportunities for growth and maximising profit.</p>
Not for profit	<p>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.</p> <p>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.</p> <p>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.</p> <p>Many charities employ paid workers to undertake specialist work, but also rely on volunteers in order to minimise wage costs.</p>

## AC1.3 Suggest objectives of retail business

Terms	Meanings
<b>Objectives</b>	Retailers will have a range of objectives depending on a number of different factors. The main objectives can be grouped into the following:
Financial	<p>These objectives are based on the financial performance of the business and might include:</p> <ul style="list-style-type: none"> <li>• Increasing profit</li> <li>• Increasing sales</li> <li>• Reducing costs</li> <li>• Survival.</li> </ul> <p>Most financial objectives are specific, measurable and time specific, such as increasing profits by 10% over the next 12 months.</p>
Social	<p>These objectives go beyond the operational 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.</p> <p>They might include:</p> <ul style="list-style-type: none"> <li>• Reducing the carbon footprint of the business</li> <li>• Switching suppliers in order to source organic food and local produce</li> <li>• Developing Fairtrade Foundation objectives.</li> </ul>
Business	<p>These objectives focus on business strategy and growth and might include:</p> <ul style="list-style-type: none"> <li>• Expansion – which could include more stores or additional retail channels</li> <li>• Acquisition – buying another company</li> <li>• Diversification into new products or new markets</li> <li>• Recruiting more workers to improve customer service</li> <li>• Increasing the number of hits on an online ordering service.</li> </ul>
Retail specific	<p>These objectives are specific to the retail industry and could include:</p> <ul style="list-style-type: none"> <li>• Introducing additional service such as click and collect or a home delivery service</li> <li>• Introducing a multi-channel approach by starting a website to accompany the physical store</li> <li>• Training staff to improve their product knowledge</li> <li>• Changing suppliers to improve the quality of products being sold</li> <li>• Developing an after sales policy</li> <li>• Replacing the manual stock control with IT systems</li> <li>• Renting store space to concessions.</li> </ul>

## AC2.1

### Explain how the UK business environment affects retail business

Terms	Meanings
<b>UK business environment</b>	<p>While a retail business may have control over many factors it is important to remember that they operate in an ever-changing environment and there are many things they have no control over. Some external factors may have a positive impact on the retail business, while the effects of others may be negative.</p>
Economic factors	<p>There are a number of economic factors that can affect a business, these include tax rates, interest rates, exchange rates, inflation employment levels and the general health of the economy. Economic factors that affect retailers include:</p> <p><u>Inflation</u></p> <p>Inflation is a general increase in prices across the economy. The word general is very important here, as it means that nearly all goods and services bought in the economy are rising in price.</p> <p>Inflation is usually shown as a percentage, for example 2%. If inflation is currently 2% it means that prices are 2% higher than they were this time last year – a basket of goods bought last year for £100 would today cost £102 even though the goods bought are identical.</p> <p><i>What does inflation mean for businesses?</i></p> <p>Businesses need to purchase a variety of materials, as well as energy, water and premises, in order to run their business. If the inflation rate is above 0% it means that costs are rising.</p> <p>For example, a clothes retailer will have to pay more to the manufacturer for the clothes as the cotton the manufacturer uses and the energy it needs to power the sewing machines becomes more expensive. A pay increase for company employees may also be required.</p> <p>If costs are rising, most retailers would want to increase their prices, so they can maintain a certain level of profit. Under normal circumstances, if a retailer raised their prices then consumers would simply shop elsewhere. However, inflation affects all businesses and so they are all raising their prices – consumers do not have the option of shopping for cheaper goods elsewhere.</p> <p><u>Unemployment</u></p> <p>Employment levels (the number of people in work in an economy) tend to rise and fall as the economy grows and declines, this has both benefits and drawbacks for business:</p> <p><i>Economic growth</i></p> <p>Consumer demand for goods and services is high</p>

	<p>Businesses need employees in order to meet consumer demand.</p> <p>Most people who want a job are already employed.</p> <p>In order to attract new employees businesses have to offer higher wages.</p> <p>Businesses will find it increasingly difficult to recruit someone with the right skills and qualities for job.</p> <p><i>Recession / slump</i></p> <p>Consumer demand for goods and services is low, as people have less disposable income to spend.</p> <p>A large number of people are unemployed and looking for work.</p> <p>If businesses decide to take on new workers, they will be able to choose from a wide pool of applicants.</p> <p>Wages will remain low as long as unemployment remains high.</p> <p><u>Interest rates</u></p> <p>Interest rates are the charges made to a business or individual for borrowing money, this money could be an overdraft, credit card, loan or mortgage. Interest rates are essentially the cost of borrowing money from a bank or building society.</p> <p><i>What does a change in interest rates mean for <b>borrowers</b>?</i></p> <p><i>Interest rate increase</i></p> <p>If interest rates rise, more money than expected is needed to pay back any loans, borrowing becomes more expensive. Consumers who have borrowed money are therefore likely to spend less money in the shops.</p> <p><i>Interest rate decrease</i></p> <p>If interest rates fall, less money than expected is needed to pay back loans, borrowing becomes less expensive. Consumers who have borrowed money are therefore more likely to spend more money in the shops.</p> <p>However, interest rates can also be the return savers get from having savings in the bank or building society account. In relation to savings, this means that interest rates are the reward the saver received from having money saved.</p> <p><i>What does a change in interest rates mean for <b>savers</b>?</i></p> <p><i>Interest rate increase</i></p> <p>If interest rates go up, more money than expected is received on any savings in banks and building societies. As interest rates increase, saving becomes a more attractive option for consumers. Consumers who have savings are therefore likely to spend more money in the shops.</p>
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	<p><i>Interest rate decrease</i></p> <p>If interest rates fall, less money than expected is received on any savings in banks and building societies. As interest rates fall, saving becomes a less attractive option. Consumers who have savings are therefore likely to spend less money in the shops.</p> <p><u>Taxation</u></p> <p>The government can change its policy on taxation each year, it can raise taxes to increase the amount of money it receives (to spend on the NHS, schools etc.), or it can decide to reduce taxes to encourage more spending in the economy. Any changes will affect both consumers and businesses.</p> <p>There are several different types of tax payable in the UK:</p> <p><i>Income tax</i> – income tax is a tax on a person's income, this form of tax is statutory deduction from an employee's wages.</p> <p><i>Value added tax (VAT)</i> – VAT is a tax on the purchase of goods and service. VAT is charged on most goods and services that consumers purchase (such as trainers and cinema tickets) and on goods such as services that businesses purchase (such as accounting services and printer ink). The standard rate is currently 20%. Not all products have VAT, for example certain foods and drinks, and children's clothes have 0% VAT.</p> <p><i>Corporation tax</i> – Corporation tax is a tax on company profits, it is paid before shareholders are paid their dividends.</p> <p><u>Business Rates</u></p> <p>Business rates are a tax paid on business properties. The tax is set by the government and collected by local authorities and contributes towards the cost of local services.</p> <p><u>Exchange rates</u></p> <p>Each country has its own currency, for example Japan has the yen, Mexico has the peso, the UK has the pound and Poland has the zloty.</p> <p>If goods or services are being bought from foreign businesses they will expect to be paid in their own currency, and so we would need to change our British pounds for the currency needed.</p> <p>Exchange rates are simply the cost of switching from one currency to another.</p> <p>The price of currencies do not stay the same – every day many different currencies are exchanged and their values can go up or down.</p> <p>Retailers buy goods from other countries such as China and India, so they could end up paying more for goods or less depending on the exchange rate.</p>
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<p><b>Environmental factors</b></p>	<p>The natural resources available to us are limited, we only have them available to us on our planet and once these have run out it will not be possible to create more.</p> <p>Retail businesses are under increasing pressure from consumers and governments to act in a responsible manner and to ensure that our environment and resources are available for future generations to enjoy. This is often referred to as sustainability.</p> <p>There are many ways that businesses have responded to this pressure, including:</p> <ul style="list-style-type: none"> <li>• Reducing the amount of packaging on products (e.g. Easter Eggs)</li> <li>• Increasing recyclability of packaging and the introduction of biodegradable packaging</li> <li>• Promotion of recycling schemes (e.g. old clothes and electronic products)</li> <li>• Encouraging the re-use of carrier bags</li> <li>• Energy saving schemes (e.g. low-voltage lightbulbs and energy saving equipment) and encouraging us to switch off lights and computers when they are not in use</li> <li>• Using alternative sources of energy (e.g. solar panels)</li> <li>• Reducing water consumption (e.g. concentrated fabric softener)</li> <li>• Reducing their carbon footprint (e.g. through miles products travel)</li> <li>• Encouraging smarter use of transport, e.g. asking employees to walk or cycle to work or use car sharing if cars are necessary</li> <li>• Ethics – retailers and consumers are increasingly concerned with what products are made from . e.g. some fashion retailers look for organic cotton. The use of animal fur is of concern to many consumers.</li> </ul> <p>In addition to environmental pressures, businesses are also facing pressure to act ethically, this means knowing what is morally right from wrong and ensuring the business acts in a manner that is fair and right.</p> <p>Ethical awareness has influenced businesses in many ways, for example, some businesses only seek to purchase products from Fairtrade producers in order to ensure suppliers receive a fair price for their goods. Other businesses have sought to raise wages to improve living standards for their workers in poorer countries.</p> <p>Businesses who act in an ethical and / or environmentally friendly way will be viewed in a better light by consumers, which in turn may result in consumer loyalty. The business may see its sales increase, or may be able to charge a higher price for it.</p>
<p><b>Social factors</b></p>	<p>Retailers also have to be aware of the ever changing social factors. These include fashion, tastes and trends.</p> <p>Social factors also affect lifestyle and include: religion, age, changing family structures and wealth. These factors can change over a period of time and so retailers need to be aware of these changes to sell products and services that</p>

	<p>meet the needs of consumers.</p> <p>Social responsibility – a retail business may wish to be considered as one which shows concern for the environment and / or for the local community. Retail businesses may sponsor a local football team or run promotions whereby equipment can be provided for a local schools.</p> <p>Demographic factors are concerned with the size, location and distribution of the population. The structure of the UK population is constantly changing and there are number of demographics that can affect a retail business:</p> <ul style="list-style-type: none"> <li>• Population size – growing or declining</li> <li>• Immigration / emigration</li> <li>• Age distribution</li> <li>• Birth rate</li> <li>• Older population</li> <li>• Households – smaller families / single parent / working families</li> <li>• Ethnic minority groups</li> <li>• Income – increasing or decreasing.</li> </ul> <p>Demographics can be used to determine product preferences or buying behaviours of consumers. Many retailers can identify their key customers through these various factors and try to make sure they are selling the right products to the right people.</p>
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## AC2.2

### Explain the effects of location characteristics on retail businesses in different location

Terms	Meanings
<b>Locations</b>	
Urban	<p>Retailers that are located in city and town areas where there is a high concentration of people. Within these urban areas there will be a clearly defined shopping area that will have a large concentration of physical stores. Also within urban areas there are less dense areas such as smaller shopping hubs and high streets. Retailers will also locate in residential areas where they may be the only physical store in that area.</p> <p>Urban areas tend to have a large footfall and will attract people from other geographical areas.</p>
Rural	<p>These are areas located outside cities and towns and are less populated. Retailer will locate here but will tend to be focused at the local population and will have a much lower footfall than urban areas.</p>
Local	<p>Many retailers are sole traders or small businesses and will have only one physical store in one location. Their customers are local people and they will concentrate their business on providing a service to these. In recent times these local retailers have come under increasing competition from larger retailers and many have been forced to close down.</p>
Transport hubs	<p>A transport hub is a place where passengers and cargo are exchanged between vehicles or between transport modes. These include bus stations, train stations, tram stops, airports and ferry ports. These transport hubs may offer a range of retail businesses depending on their size.</p>
Shopping centres	<p>Many area of the UK now have shopping centres, usually in urban areas where a range of different retailers are housed under one roof. These shopping centres will usually have other hospitality and leisure facilities to satisfy a wide range of customer needs and will have a high footfall.</p>
Out-of-town retail parks	<p>These have grown in popularity over the last 20 years. These are usually located away from city centres with easy access and good parking facilities. Many retailers who locate on out-of-town retail parks will have larger stores that are not possible in urban areas and open for longer hours.</p>

Location characteristics	<p>There are a number of location factors that will differ depending on the location of the retail store. Before deciding on where to locate a retailer will consider these factors:</p> <ul style="list-style-type: none"> <li>• Rents / rates – are these high or low / can the retailer afford to pay?</li> <li>• Parking – more customers could be attracted to the store if there is plenty of parking space and it was free.</li> <li>• Access – how easy is it to get to the store? Is there public transport?</li> <li>• Infrastructure – is there technical structures already in place – roads / water / power / etc.?</li> <li>• Competition – is there existing competition in the area? Will this have a negative or positive affect?</li> <li>• Local demographics – are the right customers in the area, has it a big enough footfall?</li> </ul>
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## AC2.3

### Suggest methods used by retail business to achieve objectives

Terms	Meanings
Methods	
Marketing initiatives	<p>A marketing initiative includes any promotional activity that aims to inform the public of products and persuade them to buy it. It involves:</p> <ul style="list-style-type: none"> <li>• Making the potential customer aware that there is product for sale</li> <li>• Explaining what the product is</li> <li>• Making the potential customer aware of how the product will satisfy their needs</li> <li>• Persuading them to buy the product.</li> </ul> <p>There are a number of methods or techniques a business can use to promote their products and services, including:</p> <p><u>Advertising</u></p> <p>Advertising includes any paid messages sent to customers about a retail business or its products.</p> <p>Advertising is carried out through the media. There are many types of media that can be used, the most popular are:</p> <ul style="list-style-type: none"> <li>• Television advertising</li> <li>• Radio advertising</li> <li>• Newspapers advertising</li> <li>• Magazines</li> <li>• Posters and billboards</li> <li>• Transport</li> <li>• Cinemas</li> <li>• Leaflets and flyers</li> <li>• Direct or junk mail</li> <li>• Online advertising.</li> </ul> <p><u>Sales promotion</u></p> <p>Sales promotion is an attempt to give a short term boost to sales and there are many methods a retail business can use:</p> <ul style="list-style-type: none"> <li>• Buy one get one free (BOGOF)</li> <li>• Discounts</li> <li>• Better value</li> <li>• Competitions</li> <li>• Free gifts</li> <li>• Customer loyalty cards</li> <li>• Product trials</li> </ul>

	<ul style="list-style-type: none"> <li>• Point of sale materials.</li> </ul> <p><u>Direct marketing</u></p> <p>A retail business can profile customers and build up a database of information that they can then use to directly target specific groups who may be attracted to their products or services. Direct marketing usually involves sending advertising leaflets through the post – it is usually referred to as direct mail. The internet and email are also used by many businesses to target potential customers.</p>
Diversification	<p>Diversification is when a business enters a new market or industry in which the business is not currently in. The retailer may sell new products or expand its current product range to attract new customers. This can be a risky method to achieve objectives as the retailer may have no previous experience of the market and how to attract new customers.</p>
Staff training	<p>Retailing employs thousands of people and the industry is labour intensive. Although this can be an expense to a retailer it is important that the staff are trained to deal with customers effectively. A well trained workforce will add to the appeal of the retailer as customers expect retail staff to be polite, helpful and know the details of what products they are selling</p> <p>Most staff training deals with:</p> <ul style="list-style-type: none"> <li>• Customer services</li> <li>• Health and safety</li> <li>• Product knowledge</li> <li>• Systems knowledge – ICT / equipment</li> </ul>
Using stakeholder support, e.g. lobbying	<p>Retailers in high street and town centres are facing serious challenges from out-of-town shopping centres and the growth of online and mobile retailing. Many believe that high streets need to be social places with a vibrant evening economy and to offer something that neither shopping centres nor the internet can match.</p> <p>Retailers have a number of different stakeholders who could support the business in achieving its objectives. These include local residents, other local businesses, local residents, councillors, business support services, government, town teams, Portas Pilots etc.</p> <p>It is in the interest of these stakeholders that retailers, especially small locally owned retailers, thrive in the community to employ local people and provide products.</p>
New retail channels	<p>Looking at the other retail channels that the retail business could start to sell through. The growth of E-commerce and M-commerce has allowed smaller retailers to consider a multi-channel approach to their business to increase their customer base.</p>

Improvements to store /shops	<p>The retail environment is very competitive and by carrying out improvements to stores more customers are likely to be attracted to visit.</p> <p>This could include maintenance to the outside of the store such as signage and repainting. In-store could include new fixtures and fitting, lighting, a wider range of services such as extra tills, a changing room, café, improved displays, in store signage and a greater emphasis on branding.</p>
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