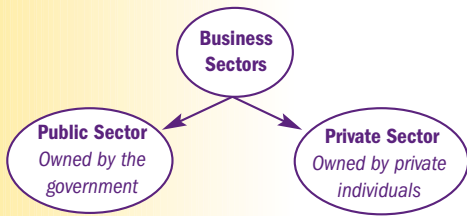


Sectors of Business



We have just seen how some businesses in the mixed economy are owned and run by private people and some are owned and run by the government.

Those businesses which are owned and run by private individuals are said to be in the **private sector**. Those businesses which are owned and run by the government are said to be in the **public sector**.



Figure 1.4
Examples of public sector and private sector businesses in Northern Ireland

ACTIVITY

Make a list of six privately owned businesses and two publicly owned businesses in your nearest town. Write the names of the businesses in your notebook.



These two main divisions, or sectors, of business are differently organised and financed and their aims are also different. These differences are dealt with in detail later in this book in Unit 1.2.

Significance of small- to medium-sized enterprises (SMEs)

What are SMEs?

An SME is a business which has fewer than 250 employees. In 1996 the European Union issued the

A micro business has fewer than ten employees
A small enterprise has a maximum of 50 employees
A medium sized enterprise has a maximum of 250
A large enterprise has more than 250 employees

following definitions. At the time of writing, these definitions are still being used but are to be updated in the near future.

Importance of SMEs

The following statistics illustrate the importance of SMEs. Altogether in the United Kingdom it is estimated that there were 3.7 million businesses at the start of the year 2000. 99% of those businesses were small, often without any employees at all. 25,000 of those businesses were medium-sized, with between 50 and 250 employees each. 7,000 of the total number of businesses were large, employing more than 250 people.

Number of Businesses	Number of Employees
3,668,000	Less than 50
25,000	50–250
7,000	More than 250

Almost half of all employees work in small businesses. Northern Ireland is a small-business economy with the majority of businesses falling into this category. In the year 2000 alone, there was an increase of 300 businesses in Northern Ireland and the province has the highest business survival rates of any region in the United Kingdom. For example, 70.1% of firms which registered in Northern Ireland in 1996 were still in business three years later, compared with 62.4% in England, 63.1% in Wales and 61.2% in Scotland.

This success is largely due to the high level of government support which is given to SMEs through agencies such as Invest Northern Ireland as well as the former Local Enterprise Development Unit (LEDU). People who cannot find other work are encouraged to use their business ideas to start a new business. Training and ongoing support are given to such businesses.

The government is supportive of SMEs and encourages their development because they:

- provide a key source of local employment
- create local economic development
- improve the standard of living for the local community
- promote an enterprise culture
- increase competition
- lead to greater consumer choice.

ACTIVITY

Many businesses remain small by choice. Consider the following case study and answer the questions at the end.

Sandra was excellent at ICT at school but could not find suitable work when she left school. She owned a very good computer and other equipment and decided to work from home as a word processor and printer. She advertised locally and soon got lots of work processing theses for university students and undertaking office overload work for local businesses.

The quality of her work was first class and many people were advising her to open new premises and employ some people to help her.

Figure 1.6

Activity continues overleaf

Although the idea was tempting, Sandra decided to remain as she was.

1. Name two advantages which Sandra has in her present work.
2. List two disadvantages which Sandra has in working on her own.
3. Sandra was tempted to expand her business. What benefits would she have gained by employing other people to work for her?
4. Sandra's prices are very reasonable, according to her customers. How, and why, might her prices have altered if she had enlarged her business?

Potential and Implications of E-commerce for Business

What is e-commerce?

E-commerce (short for electronic commerce) is a very up-to-date method of buying and selling goods using the Internet. This method is being adopted by most businesses and gives them access to customers all over the world. This is known as the global market.

The system is very simple to operate. The business designs a website which describes its product or service, giving all necessary details such as price, colour and dimensions. Obviously, it is important that the home page is attractive in order to encourage customers to view the contents of the site.

The customer selects the goods which he/she wishes to purchase and gives the details of his/her credit card. On receipt of the order, the business prepares the goods for despatch and debits the customer's credit card as payment.

The use of the Internet in business has become very sophisticated. For example, customers using the worldwide delivery firm DHL can place their orders, then pay and track the progress of a delivery on-line.

There are many advantages for both customers and suppliers in using e-commerce, as well as some disadvantages:

Advantages of E-Commerce for a Business

- Having access to a global market makes the business better known
- This wider market gives the business the opportunity to be ahead of its competitors
- E-commerce increases sales which usually leads to increased profit for the business
- Expensive showrooms and premises are unnecessary which is a major saving
- Advertising costs are kept to a minimum
- Increased sales and production enable the business to take advantage of economies of scale
- The business is always open so there are opportunities for sales at all times.

Advantages of E-Commerce for Customers

- Customers have a much wider range of goods from which to choose
- It is easy for customers to 'shop around' a number of websites and get the best bargain available

Figure 1.7

- Prices are frequently lower on the Internet because the expense of advertising is reduced and business have been able to take advantage of economies of scale
- Customers can shop at any time they find suitable
- It avoids traffic congestion in towns.

Disadvantages of E-Commerce for a Business

- Being part of the global market brings the business into competition with a large number of others
- Designing and updating the website is expensive since specialists usually have to be employed **Figure 1.8**
- Market research needs to be very detailed in order to assess the requirements of customers in such a wide market
- The business has to pack products very carefully and distribute them over a wide area. This is very expensive. Distribution is also dependent on the services of either the Post Office or private carriers
- Certain groups – such as the elderly – find computers intimidating. Since customers need to have access to the Internet this makes e-commerce unsuitable for goods such as walking aids or other products designed for the elderly.

Disadvantages of E-Commerce for Customers

- The customer must own, or have access to, a computer and be on-line.
- The service is very impersonal and it is difficult to make further enquiries about the goods
- In reality the goods may look different from the impression given on the screen. It is also impossible to gauge the quality of items such as clothes or fabrics
- Returning unsuitable goods can be inconvenient
- Payment is generally by credit card so e-commerce is not available to any customer who does not use this method of payment
- There is a security risk attached to giving credit card details, although this problem is being reduced.

Here are three examples of very different businesses, all of which use e-commerce.



Figure 1.9
The Culloden Hotel, Cultra

The five-star Culloden Hotel in Cultra is one of the Hastings Group of hotels and a member of the exclusive Small Luxury Hotels of the World.

The hotel's website gives a full description of the hotel and its facilities as well as a picture gallery of its interior and exterior. This serves as one of the Culloden's marketing methods.

Until recently, the Culloden Hotel had taken its bookings either over the telephone or through the Global Distribution System. The latter system was very expensive because the hotel was charged commission on each reservation made. Recently the hotel introduced on-line bookings which saves this charge. Now visitors can log on to the hotel's website, give the details of their accommodation requirements, learn if the accommodation is available and make the booking straight away.



Figure 1.10
The Culloden Hotel's on-line reservations page

ACTIVITY

Answer the following questions in your notebook.

1. Justify the commission charge which is made by the Global Distribution System.
2. What effect is the gallery of pictures of the hotel likely to have on bookings?
3. Give one benefit to visitors of being able to make their hotel reservations on-line.
4. State one possible disadvantage of the on-line reservation system to visitors.
5. What effect is the changeover to on-line bookings likely to have on the hotel staff?

The National Association of Estate Agents (NAEA) says that approximately 86% of estate agents have their own websites and report that people selling their homes now expect to see their homes displayed on the Internet.

The NAEA has estimated that the Northern Ireland based site 'propertynews.com' is getting more than 32,000 hits per day and that the Internet now accounts for 14% of all enquiries from people wishing to move house in the province.

This method enables buyers quickly to find homes which would be suitable for them. They then can contact the agent concerned instead of spending time unnecessarily visiting a number of estate agents and viewing a large number of houses.