Introduction to business

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# Introduction

We can understand the term business by simple definition business is any activity undertaken for profit. For example, buying potatoes for $ 100 and resale them for $ 120 will also be considered as business as this activity has earned a profit of $ 20. However, the nature, size, and type of business organization can vary. An entity can form a profit and not-for-profit. It can be large or small, forming a sole trader, partnership public or private company (Alexander Osterwalder, 2013).

This report will examine the start-up business of a sole trader selling fast food. The report will analyze external and internal information a sole trader requires during the planning, decision-making, and control stages. Moreover, the PESTEL and Porter's five forces model will also be applied to sole trader businesses.

# Internal and External Information

A fast food business can be a sole trader, partnership, or private company. However, the report will focus on sole traders initiating the fast food business. The name, location, and capital investment are internal things that must be considered during the planning stage (Archie B. Carroll, et al., 2017). Customers, suppliers, creditors, and inventory can be considered external information that needs to be gathered and analyzed. The following discussion will examine the three critical stages of any start-up business as a sole trader. It will analyze the strategies of a sole trader in order to be effective and efficient in a competitive and dynamic business environment.

## Planning

Failing to plan is like planning to fail. This phrase highlights the importance of planning. For any startup, business planning is an essential thing. Firstly, planning regarding what to do by a sole trader to initiate a fast food business needs to determine on which scale the business can be expanded. The size of investment available with a sole trader will help plan the business's size and offerings. For example, a fast food business can be initiated with burgers, fries, and rolls. These are basic offerings of a fast food outlet. Moreover, planning also includes whom to serve, individual or corporate clients (50MINUTES, 2015). Finally, planning customers directly related to revenue and the business's target market will capture.

## Decision-making

A new business requires many decisions, for example, where to open. The location of a fast food outlet matters a lot. A fast food outlet in downtown areas will provide the opportunity for frequent customers. If a populous and busy area surrounds it, it will affect its ability to earn revenues and profits. Moreover, decision-making regarding the employability of a business includes the number of workers needed to hire to entertain customers and at what rate of wage employees need to be hired. For food, business Chefs can be considered vital as they are responsible for providing consistent quality food. The most important decision involves the selling price of offerings. It must be carefully derived by calculating the breakeven point and profit margins.

## Control

An effective control system allows businesses to sustain themselves for the long term. It involves monitoring what was planned and what occurred. An effective control system helps businesses to grow and achieve their targets. In a sole trader business, there is usually a central control system. The business carries values and rituals the owner practices in his/her personal life. The character of a sole trader plays a significant role in establishing a control system.

# PESTEL Model

It is used to scan the external and distant environment of a business. Sole trader businesses are at high risk of closure when a shift in external environmental factors. For example, an alcohol business can become illegal if the government restricts the sale of alcohol and related offerings. The following discussion will analyze how the external environment can affect fast food outlets initiated by a sole trader.

## Political Factors

It includes rules, regulations, and policies the government and responsible business authorities enact. Food and regulatory authorities in European countries are strict and impose stringent requirements and multiple quality control testing and certifications to initiate the food business. However, third-world initiating a food business by a sole trader is the simplest form of business.

## Economic Factors

It includes demand, supply, rate of interest, and inflation. For example, a populous country must have a high demand for food items which may provide a great opportunity to increase prices due to high demand. And countries where financial institutions provide low or zero-interest-rate loans to investors, more business organizations are set up and grow. Moreover, an abandoned supply of raw materials and inventory also helps businesses start trading available commodities (50MINUTES, 2015). On the other hand, if the demand for available commodities in a country is low, the business person can enter into import and export business and earn from foreign exchange. Therefore, economic factors are critical indicators for startup businesses to consider.

## Social Factors

It includes the demographic and cultural characteristics of a population. It greatly affects startup businesses. If a commodity is culturally accepted, there is a vast opportunity to grow and excel. However, in contrast, if a business is inconsistent with the socioeconomic characteristics of a population, the growth of the business may be restricted. For the fast food business, offerings must not contradict the religious beliefs of halal and haram. In a Muslim country, a fast food outlet should not offer hamburgers and pork meat. The offerings must be segmented effectively to satisfy the target market optimally (Alexander Osterwalder, 2013).

## Technological Factors

Digitalization has revolutionized the operations of the business. It opens new avenues for businesses to grow and excel in a different segment. With an online presence, businesses can serve global customers. Technological factors provided a global perspective to businesses. Technology is vital in the fast food business during order booking and payments. It also allowed businesses to offshore their supply chain and procure inventory from international vendors. It allows business people to open up an online segment of fast food business where they can save expenses of brick and motors model of business.

## Ecological Factors

These factors are related to the sustainability of the natural environment and habitats. Every business consumes natural resources to carry out business, and the rate or volume of consumption directly affects this planet's life and sustainability. Therefore, business activities are closely monitored and controlled concerning their environmental impact. For example, airline companies with their operations contribute to the carbon emission rate, which harms the ozone layer and the health of different species on earth. Similarly, if a fast food business aggressively consumes meat to prepare its offerings, the eco-system balance will be disturbed (Archie B. Carroll, et al., 2017). Therefore, eco-friendly agencies and authorities certify such businesses and approve their environmentally friendly businesses.

## Legal Factors

Governments are responsible for monitoring and controlling illegal businesses in a country. They are also responsible to levied taxes on such businesses to generate revenues and carry out their welfare activities. Sole traders of a fast food business must also consider selling legal commodities and must conduct business while fulfilling ethical and legal obligations.

# Porter Five Forces

This model helps businesses understand their offerings' attractiveness and business in an industry. Porter has suggested four forces, and their combination creates a rivalry in an industry which is the fifth force. Let us understand and apply Porter's five force model to a startup business fast food by a sole trader.

## Bargaining Power of Customers

Customers of a business are responsible for their revenues and profits. If the bargaining power of customers is strong, they can extract high-quality products at low prices. Bargaining power can be increased due to its size, liquidity, and strength. Businesses with customers with strong bargaining power can earn reasonable but low profits. Such businesses provide high quality at a nominal price. It is suggested that sole traders must make a segment of business concerning their customers so each segment would exert weak power and the business can earn high profits.

## Bargaining Power of Suppliers

A high number of suppliers contribute to the weak bargaining power of suppliers because identical goods will be available in the market, and businessman will choose a supplier with relatively low prices. However, with customization, suppliers can exert strong bargaining power. Due to their rare commodity, such suppliers have strong bargaining power and can ask for competitive prices. On the other hand, the liquidity of business people can lessen the bargaining power of suppliers. A sole trader dealing in the food business can weaken bargaining power by buying bulk and selecting a low-cost supplier. This strategy would allow for earning greater profits and high margins.

## Threat of Substitute

It includes those businesses that compete in the Food industry. Therefore, the industry can generate a business that will vanish from the fast food business's offerings. For example, the inclination of vegan trend can substitute fast food business as fast food can be considered fatty food and encourage obesity. At the same time, an advocate of the vegan trend talks about environmental sustainability and health benefits. Therefore, the vegan trend can create a serious threat of substitutes for the fast food business.

## Threat of New Entrant

It involves the switching cost of customers where the switching cost is a high threat of new entrants is weak. For sole trader businesses, the threat of new entrants is always high because the business size can only cater to some markets. There are always segmentations that would encourage new entrants to invest in a given industry. For example, the food industry is vast and carries room for new investors.

## Industry Rivalry

The above analysis provides a competitive industry for a fast food business's sole trader. However, the demand is high, so the number of customers they ask for consistent quality at competitive prices would not allow the business to earn premium profits. Moreover, buying in bulk from a low-price offering supplier can ensure reasonable profitability. A sole trader cannot avoid new entrants; however, making alliances with complementary businesses can secure high margins.

# Conclusion

A fast food startup by a sole trader requires a unique business name, clear identification of its customers, well-researched location, and handsome investment to capture desired segments of the fast food industry. The information about customers, suppliers, and industry dynamics is pertinent during the planning, decision-making, and control stages. Moreover, political, economic, and technological factors are important for the growth of the business they must be taken care of. Porter's five forces analysis identified that the vegan trend could endanger the business.

# Recommendation

* A sole trader must identify and analyze their markets effectively and efficiently.
* To install the digitalized system for order booking and payment. It will ensure an effective and efficient control system.
* Reinvest some portion of profits into business for high sustainability.

# References

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