

# What is meant by the term business sector marketing essay



A business sector can be defined as three different things. These are the public, private and voluntary sector also known as the community sector (not for profit). The three different sectors have different purposes and I will go through what these are.

The private sector is quite the opposite from the public sector. The private sector is run by private individuals and not controlled by the government. In the UK the private sector employs the majority of the workforce and is responsible for allocating most of the resources within the economy. The main role of private sector businesses is to make a profit from the services and products they provide for their customers.

Some examples of private sector businesses include retail sales, catering, entertainment and health and fitness. Virgin is an example of a massive private sector company that makes a major contribution to the wealth of the United Kingdom.

We can also break this down further as the private sector contains businesses that are run differently to others. These include a sole trader, a partnership, a private limited company, a public limited company and a franchise. I will now go into detail about why each of the businesses is different which will show why although still falling under the same category of the private sector these businesses are slightly different from each other.

## **Sole Trader**

A sole trader is a company run by only one person so, will have to fund the business out of their own pocket. This type of business is easily set up and you are your own boss which also means all the profits that the business

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makes you are able to keep all to yourself. This all sounds well and good however, a sole trader also has some disadvantages. First of all, the owner will have to deal with any loss to the company which is unlimited liability. It could also be quite hard in getting the money to set up a business as the banks have a stereotypical view of sole trader businesses going out of business in the first year. You also might find that you have to work long hours and get very little holiday if any at all. Sole traders are usually quite small businesses such as an electrician or a plumber.

## **Partnership**

A company run by between 2-20 people. It could be much easier for a partnership to get the money together to start a business as banks look favourably on partnerships as they tend to succeed more compared to for example, a sole trader. Again, we have disadvantages and advantages of a partnership. Any loss made within the company can be split between the owners but equally any profits will also have to be divided between all owners. The decision making process could be a disadvantage too. There could be split views on a certain matter which could cause friction between the owners.

## **Private Limited Company**

A company owned by shareholders and run with limited liability. A downside to a private limited company would be that they cannot offer company shares to the public (float its shares on the stock exchange) this could restrict access to finance especially if the business wishes to become larger. Because a private limited company has limited liability they are only liable to any debts up to a maximum of what they have invested themselves. This of <https://assignbuster.com/what-is-meant-by-the-term-business-sector-marketing-essay/>

course is a good thing. You can only lose what you are prepared to put in. A private limited company also has tighter control on who it issues shares to so this is another good thing.

## **Public Limited Company**

Only two people are needed to run a public limited company however, there is no upper limit. The public including other businesses can buy shares in the company which is good as this means a company can expand by doing this. Most of the shares are bought and sold through the stock exchange and for the public's benefit the share prices are printed in the newspapers so that the public can know the prices. Also, like a private limited company, shareholders have limited liability so, if a company were to go bankrupt then the shareholders are only responsible for the value of their shares.

## **Franchise**

A franchise is an agreement between two parties to allow an entrepreneur to run a business for somebody else but, operate under their name and to sell its goods or services. This agreement grants the rights to operate a certain business at a single address. The rights in the agreement could allow for use of a company trademark, designs and book keeping etc. There is a much reduced risk in setting up a franchise as opposed to the above examples as the name that you are using to trade under is already a well established business therefore this reduces the risk of setting up a business dramatically. You pay for the image the company has already established.

## **Voluntary Sector**

This sector works on very limited budgets. This sector has organisations ranging from national bodies to small local groups. These include youth and community groups, touring clubs, social clubs, sports club associations and art associations. The voluntary sector organisations do not make a profit but at the same time they must work in credit if they are to not go bankrupt. People who work for these organisations do not get paid. The money comes purely from donations or fundraising.

**2 + 3. Name three businesses from three different Business Sectors and describe by writing a paragraph on each, what each business does.**

## **Public Sector – NHS**

The NHS is publicly funded and provides mostly free services to anyone who lives in the UK however, there can be some charges associated with eye tests, dental care and prescriptions. The business purpose of the NHS is to provide a service to the public rather than making a profit. It is the largest publicly funded health service in the world and is funded by the government. Around 60% of the budget allocated to the NHS is used to pay staff. Drugs and other supplies take up 20%. The remaining 20% is split between things such as training costs, medical equipment, catering and cleaning.

Below is a diagram of how the NHS works:

NHS. gif

Image taken from: [www.nhs.uk/England/AboutTheNhs/Default.cmsx](http://www.nhs.uk/England/AboutTheNhs/Default.cmsx)

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## **Private Sector – Carphone Warehouse**

Known as the Phone House outside of the UK the Carphone Warehouse has three different fields of operation: Distribution, data services and telecom services. The Carphone warehouse sells mobile phones, accessories and even insurance. They provide sales of goods where the customer can purchase anything they like within a selected branch over the counter. They also have a website where customers can purchase goods and have them conveniently delivered to their home saving time and money. Also, like many successful businesses they have expanded their business nationwide and even abroad which has proved very successful. The main aim for a private sector business such as the Carphone Warehouse is to make a profit from the services they provide to their customers. A private sector company is very unlikely to get involved in the non profit area of business.

Store numbers at 31st December 2009 european\_map. jpg

Image taken from: [www.cpwplc.com/phoenix.zhtml?c=123964&p=irol-history](http://www.cpwplc.com/phoenix.zhtml?c=123964&p=irol-history)

## **Voluntary Sector – Oxfam**

Oxfam was founded in England in 1942. It is a non-political, independent organisation, with no religious affiliations. Oxfam's aim is a simple one: To work with others to find lasting solutions to poverty and suffering. This is given on their website [www.oxfam.org](http://www.oxfam.org).

[uk/coolplanet/kidsweb/oxfam/whatox.htm](http://uk.coolplanet/kidsweb/oxfam/whatox.htm)

Oxfam have programmes in over 70 different countries. They work with local people to help improve their life. They might help train health workers, set up a school and safeguard water supplies.

Oxfam respond to emergencies helping people who have been hit by a disaster like that of a hurricane or a flood. They also speak up on behalf of people to ensure that governments listen to them and act on better supporting people in disaster hit areas.

A voluntary sector organisation such as Oxfam does not work like the other sectors do. They do not exist to make a profit and are not funded by the government. They rely on donations and fundraising by everyday normal people to help them keep running.

#### **4. Justify why each of the 3 businesses is in its sector**

##### **Public Sector – NHS**

The NHS is in the public sector which is paid for by the government. It is in this sector precisely for that reason. The government pays the staff employed by the NHS who are doctors, nurses and midwives etc. The NHS is different from a private sector company as it doesn't seek to make profits but instead it provides a service to the people. They might charge for a few things like a prescription or an eye test but overall the NHS is a free service funded by the government which comes from tax payer's money.

##### **Private Sector – Carphone Warehouse**

The Carphone Warehouse is in the private sector as its main aim is to make a profit and to maximise its profits. All private sector companies have the

same aim. They all exist to make a profit. They are not funded by the government (public sector) and they do not exist to provide a free service and rely on donations to run the business (voluntary sector). This is why the Carphone Warehouse fits into the private sector.

### **Voluntary Sector – Oxfam**

Oxfam is in the voluntary sector as it's neither funded by the government nor set up to make a profit. Oxfam is a registered organisation that aims to help people in need. The services they provide are free. The money to help keep the charity running has to be raised from fundraising and donations.

### **5. Describe the term “ Business Classification”**

According to [www.rmcareers.com](http://www.rmcareers.com) the term Business Classification means:

“ The systematic arranging of business operations into groups or categories according to certain criteria.”

Another way to explain this is to say that we have three different Business sectors, Primary, Secondary and Tertiary. These three sectors are split according to the type of service they provide, this is what we call Business Classification. For example, the primary sector takes natural resources and converts them into primary products. All businesses that fall under this category are therefore classed as primary. We can include in the primary sector, agriculture, fishing, forestry, mining, oil extraction and quarrying.

The secondary and tertiary sectors are arranged in the same way. The secondary sector is made up of businesses that manufacture finished goods.



Manufacturing industries such as vehicle production, making of clothing and engineering all come under the secondary sector.

Finally, the tertiary sector is made up of businesses that sell a product to the public. The tertiary sector provides services to the general population and businesses. We can include retail, transportation and restaurants under the tertiary sector.

So, to conclude, Business Classification means to organise businesses into sectors that match the criteria in which they operate.

## **6. Explain why it is important to have a Business Classification system**

It is important to a lot of people including the government that we have a business classification system so, we can notice certain areas which need improving or so that people such as investors know where to invest their money (or to at least have an idea). To give an example of this, we could have a potential investor who is looking to invest some money into a certain business sector. This person would need to know what is happening in the different sectors so he can know how secure his investment within that area is. If he didn't have the correct information that he needed then he might put a lot of money at risk not knowing what will happen to it whereas, with the correct information and by looking at the growth and decline in certain sectors, he can be more sure of where his money would be safer placed.

It is also important that we have a Business Classification system so that the government can successfully record information from the different business sectors to show which areas are growing and which are declining. This is vital

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so that our economy is always progressing the best that it could be. The government will know by looking at the different sectors which areas need money put into them and which areas don't need as much help.

## **7. Provide one example of a business from each type of Business Classification and say why it has been included in that classification**

### **Primary – Fishing**

Fishing is a primary sector business as fishermen take natural resources and convert them into primary products. In this example it would be the many different types of fish that they catch (natural resource) and then turn into a primary product allowing them to be sold at a fish market or similar.

### **Secondary – Car Manufacturing**

Car manufacturers fit into the secondary sector as they create a finished usable product such as in this example a car. They manufacture a product so they fall under the secondary sector.

### **Tertiary – Supermarkets**

A supermarket falls under the tertiary sector as they provide services to the general population and to businesses. A supermarket will typically purchase manufactured goods from secondary sector businesses and sell them to the consumers. An example could be fish. At first a primary product which is then manufactured (a secondary product) then sold to the public by the supermarket (tertiary).

## **8. Explain which sectors as identified by the Business Classification System, are growing and which are declining**

### **Primary**

Although in the primary sector there are certain areas which are growing such as the production of organic food and the extraction of minerals, overall the sector is declining. We can see various different reasons for this including that of non renewable resources. We only have limited amounts of things such as coal, petroleum and natural gas. All of these things cannot be produced, grown or generated. Once these are gone, they are gone.

A number of Nottingham mines have closed over the years including the RJB owned mine which saw its profits drop dramatically leading up to its closure. The coal reserves soon ran out which caused hundreds of employees to transfer to other mines in the region.

We are now importing a lot of non renewable sources from abroad. We do this because finding new resources can be very expensive and difficult. This, of course, causes the primary sector to decline.

### **Secondary**

The secondary sector is declining and I think the obvious thing here is of course the advances in technology. Why would a business pay for somebody to do a job when we now have robots that can do things at a much lower cost and perhaps even better than a human? Also, a lot of companies have now relocated abroad to countries where manufacturing costs are much lower so that they can continue to make profits instead of paying high labour costs. Examples could be of the textile and ship building industries which

have vanished due to cheap imports. This also causes the secondary sector to decline.

## **Tertiary**

The tertiary sector is forever growing and this is because everyone needs a service that falls under the tertiary sector. Everyone needs to eat so we have places like McDonalds and Burger King. As a country becomes more developed there is an increasing need for tertiary sector services such as transport and banking. The tertiary sector should keep steadily growing over time because again the demand for goods is growing.