



Business



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Commercial Business Concept

The business is based on a corporate entity that engages in commercial or professional activities. The company conducts its operations by producing goods, offering services, or retailing prefabricated goods, all with the aim of generating revenue and the business can be a for-profit or non-profit company that performs charitable tasks.

What am I selling?

Products or services play a crucial role in the development and growth of commercial activities. The sales process involved in these activities revolves around a negotiation between two parties: the buyer and the seller. The seller aims to fulfill all the requirements sought by the buyer through the product or service they provide. The following questions will help you determine the most suitable product or service for your needs:

- 01 > What is the purpose of the product, service or technology provided?
- 02 > What are the similarities and differences between them and what is currently available and offered?
- 03 > Who is the targeted customer?
- 04 > What are the characteristics of your target customer or market? and do you have more than one target market of customer?
- 05 > Why would the customer choose what you offer instead of what is currently available?

Size of the Market

It is assumed that studying the market comprehensively is essential to develop an integrated business model that addresses the needs of the target group and ensures an effective product or service delivery. This entails understanding the market's demand for these products and services and the strategies for trading among different parties. To determine the market's size, traders can consider the following questions:

01 ▶ How big is the market in the city (or governorate)?

02 ▶ How big is the market in the region?

03 ▶ How big is the market in the country?

04 ▶ How big is the market globally?

Competitors

You can assess market competitiveness by studying how your competitors operate and the methods they use to attract the target audience. This study aims to understand and analyze competitors in the same market, identify their strengths and weaknesses, and leverage your competitive advantage, the following table can help in assessing competitors :

	My company	Direct Competitor Company	Indirect Competitor Company
Name			
Price			
Description			
Quality			
Competitive Advantage			
Weakness			
Strength			

Cost Calculation:

Cost accounting calculates all costs associated with the establishment, production, and operation of business activities, including fixed and variable costs. It is used to document and classify expenses, and it also provides the following benefits:

- Cost calculation per unit of manufactured products or services provided .
- Pricing process of the product or service.
- Identify the source of waste and the wasted time during the production process.
- Identify the profits of each product or service separately, as it helps in maximizing profits.

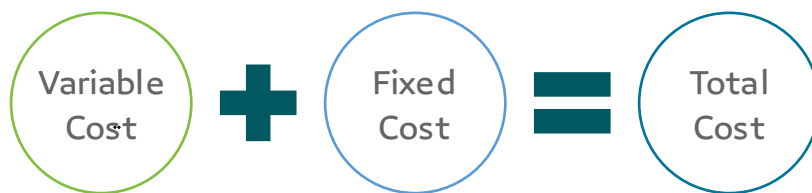
Costs are divided into two main types:

01 ▶ Variable costs:

These are costs that change based on business activities involving the production of materials and services. The total variable costs change directly with the volume of activity. A 10% increase in activity volume results in a 10% increase in total variable costs. Similarly, a 25% increase in activity volume leads to a 25% increase in total variable costs. These costs are part of the total production costs.

02 ▶ Fixed costs:

These costs are unaffected by changes in production volume, such as the costs associated with fixed assets. Increases or decreases in production typically do not impact these costs.



You can use the following table to determine the cost of any product of your choice by identifying the raw materials expected to be used in its production process.

List of raw material used	Cost per unit

Pricing Strategy:

The pricing of a product or service is a crucial factor in driving sales. Pricing is meant to establish the financial value a consumer is willing to pay for the product or service. As a result, pricing should be mutually satisfactory, and it is not a random process. Instead, it is based on principles and research to determine a competitive value that aligns with the value of the product or service relative to its price.

The following table illustrates the methodology of calculating the real cost of your product, for example, after calculating the product cost and profit margin, we establish the initial price. Then, we assess competitor prices, market conditions, and arrive at the final product price.

Traditional methods	Product Cost	Profit	Starting Price
Competition	Prices offered		Second price
Market Impact	Price that customers are willing to afford		Third price
Average	Starting price+second+third	÷3	Final price

Trade Terms



Revenue

Sales (Unit sold X price of service)



Product cost

total costs involved in making a product and selling it to the consumer (raw materials, parts, labor).



Service cost

total amount you spend to provide the service (tool used and labor)



Total profits

Revenue-Total costs



Net profits

Cash earned by the company after paying employees' salaries and all other expenses.



Balance Sheet

presentation of the company's financial position at a certain time, including its assets, liabilities, and equity shares.



Income statement

Presentation of a company's revenues and expenses at a specific time, along with the resulting profit or loss, often referred to as the profit and loss statement

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