GAUTENG PROVINCE
EDUCATION
REPUBLIC OF SOUTH AFRICA

BUSINESS STUDIES

GRADE 10

TERM ONE

CHAPTER 3

THE MARKET ENVIRONMENT

2020

TABLE OF CONTENTS

This chapter consists of 6 pages

CONTENT DETAILS FOR TEACHING, LEARNING AND ASSESSMENT PURPOSES

- Explain/Define the meaning of the market environment.
- Outline/Describe/Explain/Discuss the components of the market environment
- Identify the components of the market environment from given scenarios, statements/case studies/cartoons/pictures and motivate your answer.
- Explain/Outline/ Give examples of other organisations/civil society.
- Explain the reason why NGOs and CBOs form part of the market environment
- Explain the meaning of opportunities and threats in a business context and give practical examples of each.
- Identify opportunities and threats from given scenarios/ case studies and statements
- Conduct a research on opportunities and threats faced by businesses. Make recommendations for improvement

1 The Meaning of the market Environment

- Challenges and influences outside the business.
- Businesses have little or no control over the environment.
- All elements that determine the reasons for the existence of a business.
- Includes all forces/stakeholders that have a direct effect on the functioning of the business.

2 Components/Features/Elements of the market Environment

- Suppliers
- The market (Customers/Consumers)
- Competitors
- Intermediaries
- Civil society

2.1 Suppliers

- Suppliers are individuals/agents who provide the raw materials, transport and other services to the business.
- The business needs inputs from suppliers to produce goods and services.
- Suppliers play an important role in the success or failure of a business e.g. consumers will purchase the product/services from another business if a supplier is unable to supply a particular product/services.
- Businesses usually choose suppliers provide the best quality of goods, correct quantity and deliver goods at the agreed upon times and at the best price.
- Producers and manufacturers are some examples of suppliers as they supply raw materials.

2.2 The market (Customers/Customers)

- The market refers to all the people who have money to buy goods and services.
- These people are known as consumers or customers.
- Customers are the buyers of products and services offered by businesses.

- Their spending decision is influenced by cultural, social, personal and psychological factors.
- Businesses should understand their customers' needs and wants in order to build a good relationship with them.
- The more customers the business have the more money they have flowing through the business.
- The government is also a customer as it buys goods/services from businesses through contracts and tenders.

2.3 Competitors

- Competitors are all businesses that provide similar products or services for more or less the same target market.
- Businesses also compete with other businesses for skilled employees/raw material/equipment/finance etc.
- Competition also comes from businesses that produce possible substitute goods.
- Competition is influenced by the following Porter's Five Forces model:
  - New entrants to the market
  - Power of suppliers
  - Power of consumers
  - Threats of substitute products/services
  - Competitive rivalry.
- Competition is beneficial to customers because it keeps prices down.
- Competition also promotes innovation and encourages businesses to be more productive.

2.4 Intermediaries/Agents

- The intermediaries of a business are all those businesses that play a role in distributing/promoting the goods and services to customers.
- They bridge the gap between the manufacturer and the consumer.
- They serve as a link the micro environment to the market environment.
- Intermediaries make it easier for the consumer to access the product, by selling the product closer to the consumer's location.
- Intermediaries often affect the final price of goods and services as they place a mark-up on the product before they sell it to consumers.
- Many intermediaries/Agents receive a commission on the sale of products.
- Some of the examples of intermediaries are:
  - Retailers, agents and wholesalers
  - Financial institutions and insurance brokers.

2.5 Civil society/Other organisations

- Civil society are those organisations that deal with social problems.
- These organisations include non-government organisations (NGO's)/ community based organisations (CBO's) unions/regulators/strategic allies etc.
- A CBO could affect the operation of a business through lobbying.

2.5.1 Non-government organisations (NGO's)

- NGOs are non-profit organisations that do not operate under the control of the government.
- They are established to fulfil important needs in the community by addressing some socio-economic issues.
- NGO's high ethical and moral standards.

2.5.2 Community based organisations (CBO's)

- CBO's have been established to assist the community in job creation /socio economic development and in becoming self-sufficient.
- They are local organisations that operate in the community.
- They focus on socio-economic issues such as:
  - HIV/Aids
  - Unemployment
  - Crime
  - Illiteracy
  - Substance abuse
- CBOs often rely on donations from businesses/private persons for funding.

2.5.3 Unions

- The trade union movement in South Africa is the largest union on the continent.
- They are concerned about the wellbeing of their members in the work environment.
- They deal with issues such as working conditions/fair pay structures/unfair treatment and dismissal/fringe benefit etc.
- The trade union is not part of the business but influences it in a direct way e.g. negotiations for changes to conditions of services such as hours of work and wages can affect the price of products and profitability.

2.5.4 Regulators

- Regulators are organisations that set rules and requirements for the operation of businesses in that industry.
- The government is known as the regulator as it uses laws to control business practice.
- Regulators remove any bad business practice from the market
- Regulators draw up rules that impact directly on what businesses may and may not do.

- Some of the examples of regulators in South Africa are the:
  - National Energy Regulator of South Africa (NERSA) which regulates electricity/ piped gas/petroleum pipeline industries etc.
  - National Credit Regulator (NCR) which regulates the supply of loans/credit by credit providers such as banks and retailer such as clothing and furniture.
  - Independent Communications Authority of South Africa (ICASA), which regulates the South African communications, broadcasting and postal services sectors.
  - Advertising Standards Authority (ASA) regulates advertising in the public interest.

2.5.5 Strategic alliance

- The concept “alliance” refers to two or more businesses that work together in joint venture.
- Business form strategic alliances to obtain expertise from one another either for survival or to become more competitive in the market.

3 Reasons why NGO’s and CBO’s form part of the market environment.

- They employ workers and supply consumer goods and services.
- They fulfil important needs of the community.
- They are concerned with the welfare of others.

4 The meaning of opportunities and threats in a business context

- There is a lot of competition between businesses as mentioned above.
- Management sees competition as an opportunity and a threat.

4.1 Opportunity

- Opportunity takes place when consumers are made aware of the product if it is marketed by different businesses.
- Opportunities will always be available when consumers need to satisfy their needs.

4.2 Threats

- A threat exists if a business is unable to produce/perform s desired because of reasons outside the business such as competition/legislation/global economic trends.

Examples of opportunities and threats

OPPORTUNITIES	THREATS
• Expansion of product lines to serve a broader range of customers. • Entering into new markets • Decline in interest rates • New law which increases consumer minimum wages and salaries • Increase in investor in the business • Increase in production due to increase in demand	• New competitors entering the market with a lower prices. • New legislation which could limit business transactions. • Changing buyer needs and tastes • Slower market growth. • Increase in interest rates • Less investment in the business