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BUSINESS STUDIES
GRADE 12
PRELIMINARY EXAMINATION 2023

MARKING GUIDELINES

The following marking guidelines needs to be used in conjunction with the IEB Subject Assessment Guidelines. All answers need to be evaluated to see if it is relevant and accurate facts regarding General Retailers.

Keep in mind that all application must relate to the General Retail Industry of South Africa.

SECTION A

QUESTION 1

[50]

1.1	1.2	1.3	1.4	1.5
C ✓✓	B ✓✓	C ✓✓	D ✓✓✓	C ✓✓

1.6	1.7	1.8	1.9	1.10
D ✓✓	B ✓✓	D ✓✓	C ✓✓✓	A ✓✓

1.11	1.12	1.13	1.14	1.15
B ✓✓	A ✓✓	C ✓✓	A ✓✓✓	B ✓✓

1.16	1.17	1.18	1.19
D ✓✓	C ✓✓	D ✓✓	A ✓✓✓

1.20	1.21	1.22
B ✓✓	D ✓✓	C ✓✓

1.23
D ✓✓

QUESTION 2

[26]

- 2.1 Benchmarking ✓✓
- 2.2 Sustainable ✓✓
- 2.3 Current capital ratio ✓✓
- 2.4 Corporate Governance ✓✓
- 2.5 Bribery ✓✓
- 2.6 Analysis ✓✓
- 2.7 Bargaining ✓✓
- 2.8 Brand ✓✓
- 2.9 Work to rule ✓✓
- 2.10 Blue Chip ✓✓
- 2.11 Delphi ✓✓
- 2.12 Recession ✓✓
- 2.13 Viability ✓✓

QUESTION 3

[24]

3.1	K ✓✓
3.2	I ✓✓
3.3	P ✓✓
3.4	M ✓✓
3.5	D ✓✓
3.6	G ✓✓
3.7	N ✓✓
3.8	A ✓✓
3.9	B ✓✓

3.10	F ✓✓
3.11	C ✓✓
3.12	J ✓✓

TOTAL A: 100

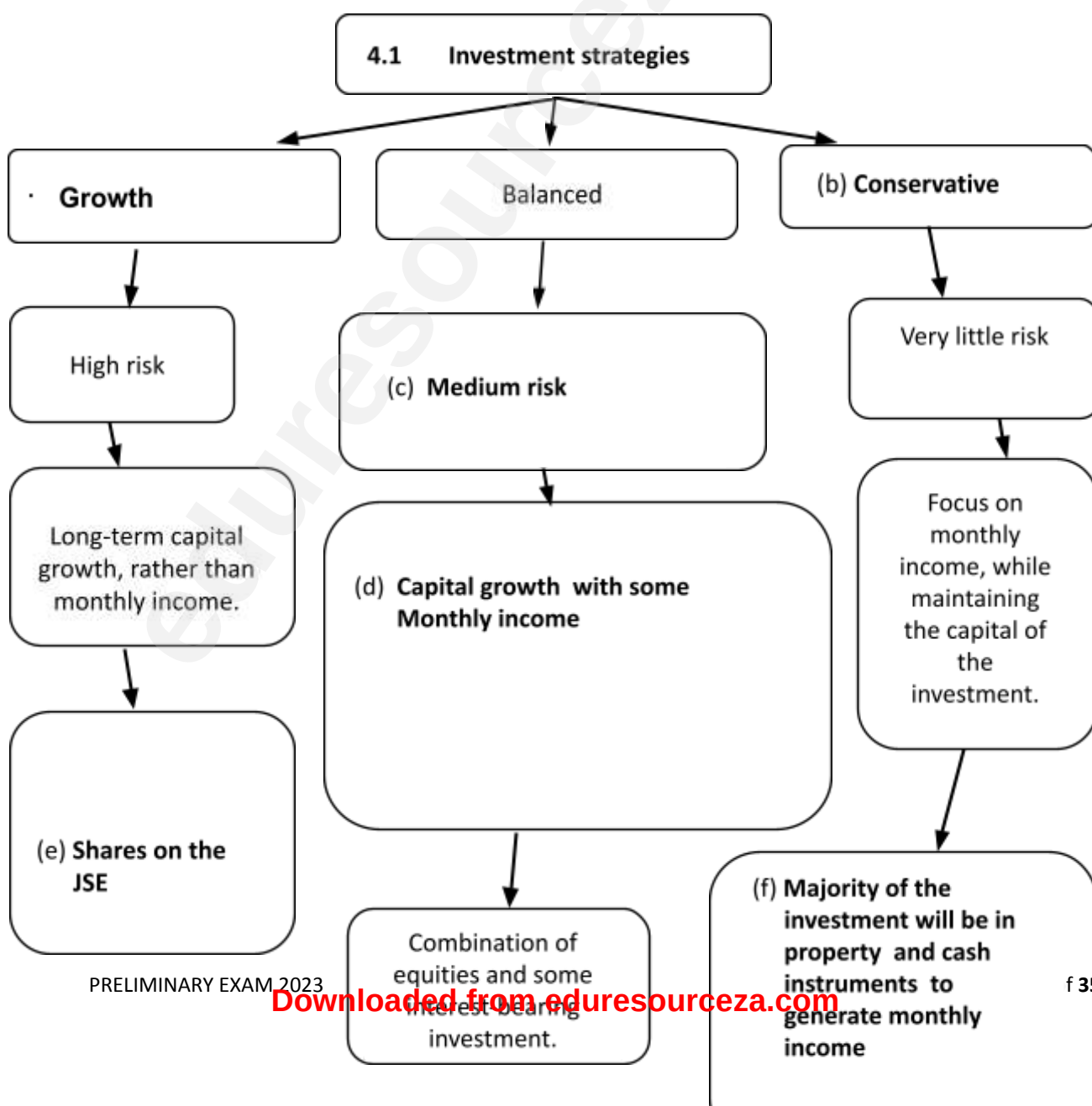
SECTION B

Use the mark allocation as a guide to the length of your answers.

QUESTION 4

[50]

Required: Supply the missing information in each of the following schematic diagrams.



SECTION C

This section is marked using the Rubric as per IEB SAG for Business Studies.

QUESTION 7

[50]

In a highly competitive industry, like the general retail sector, it is of utmost importance to gain and maintain a competitive advantage, especially in the current economic situation of South Africa.

As a business consult you have been asked by a general retailer to assist the top managers in developing strategies to gain and/or strengthen the competitive advantage.

Write a business report to the top managers where you explain how challenges in the external environment can be identified that can negatively affect the business and provide strategies to overcome these and increase the organisational performance.

Format:

To:

From:

Date:

Topic/Re:

Note: "From" may also be included as "Compiled by ..." at the end of the report.

The following terminology/facts/current affairs cannot be marked as facts as it appears in the paper:

Highly competitive industry	Overcome
Economic situation	Increase organisational performance Profits
Business consultant	Increased prices
General retailer	Cost of living in South Africa is going up
Top managers	South African Reserve Bank (SARB)
Strategies	respond by raising rates
Gain/maintain/strengthen competitive advantage	Food prices have risen sharply in the last year
Challenges	Supply chain constraints
External environment	Pressure on global food prices
Negatively affect	Driven by drought conditions from South America
Strategies	

Note that this has been declared as unfair competition by the Competition Board of SA therefore it can no longer be accepted as a barrier to new entrance in the market:

In shopping malls → The bigger retailer's → negotiate with centre management → to prevent too many competitors → in the same centre.

Introduction

A link must be made between at least TWO of the following 'topics':

- Strategies
- Competitive advantage
- Challenges in external environment
- How to identify challenges
- Negative affects of challenges on the business
- How to increase the organisational performance

Abbreviations

Where the full term is given and the abbreviation, marks are allocated for the term and the abbreviation. But it is limited to 2 marks max

Examples

Max two examples per explanation of term is marked.

Current affairs

- Current affairs must be relevant to general retailers and explained how it effects the retailer in order to receive the mark for current affairs on the rubric.
- Current affairs may not be older than 12 months
- If a current affair is not integrated it is merely a fact mark

Stakeholders

Allocate one mark per stakeholder mentioned

Expected content:

The Macro Environment

- Form part of the external environment.
- The business has no control over events taking place in the external environment,
- The business must design strategies (plans of action) to adapt to situations in the external environment.

Events occurring within the business (internal environment / micro environment) can also have an impact on events in the macro environment

for example:

- In the event of a strike → especially in an industry may have an effect on the economy → for example the motor industry.
- Contributes to the employment/unemployment rate of the country → lead to political unrest when people blame the government.
- The business operations may directly influence the physical environment.

Various tools may be used to analyse the events in the macro environment in order to:

- Eliminate any threats
- Capitalize on opportunities
- to achieve a competitive advantage

Some of the tools that may be used to analyse the macro environment include:

- 1) An Environmental Scan
The business will scan (look at) the macro environments and
- 2) A SWOT-analysis (Only O and T)
 - Only OPPORTUNITIES and THREATS are considered.
 - OPPORTUNITIES are external factors which present the business with an opportunity to be better than their competitors - better products, more efficient service, having access to larger markets.
 - THREATS are external factors that could hamper the success or growth of a business – competition coming up with new products, better service.
- 3) P²E²STLE -analysis:
Each of the letters represents a factor that could potentially threaten the business or that the business may use as an opportunity to create or strengthen the competitive advantage.

3.1 Political factors

This factor focuses on:

- The local political situation of the country in which the business operates.
- The political situation of other countries in which the business may operate.
- World politics in general.

When one reviews the political factors that may impact on the business, the following aspects should be considered:

- The likelihood of Government interference in the economic functioning of the country
- A free market vs. socialism vs. communism.
- degree of political stability in the country
- Investors.
- Political ties with other countries
- Influence trade agreements.
- Degree of media freedom / freedom of speech

- hide corruption.
- The attitude of different political party's
- Mining sectors → EFF is in favours of nationalizing mines → ANC → does not support this view.
- The allocation of Government contracts

3.2 Economic factors

- Factors that must be analysed include:
- Economic growth and development rates in the country
- improvement/deterioration of the standard of living
- Inflation rates
- Higher inflation rate → general price increase → lower the purchasing power
- Interest rates
- Lower the purchasing power & make it difficult for businesses to borrow money to expand.
- Exchange rates
- Imports & exports.
- High unemployment rates
- People do not have money → businesses suffer lower profits.
- Taxes
- Such as income tax, VAT, import duties, etc.

3.3 Ethical factors

Ethics refers to the principles and/or values that will determine if decisions and actions are acceptable.

Ethical elements that the business has to consider:

- Something may be legal BUT NOT ETHICAL in a particular situation.
- A business' set of principles may be ethical BUT IT MAY NOT BE LEGAL in terms of a country's trade regulations.
- Fair Trade refers to respect and transparency in business dealings
- One party will not attempt to exploit the other.
- Corporate Social Responsibility
- To give back to the community.

3.4 Social Economic factors

Refers to:

- the impact that social trends have on the economy
- Consumers' behaviour and their lifestyles.
- The business has to adapt to changes in social trends
- Business has to adapt their marketing and sales tactics.

Apart from social media, other factors for the business to consider in this regard include:

- The average age of the population, the life expectancy and people becoming more health conscious
- The number of single parents providing for a family
- HIV / Aids infection and diseases such as TB and malaria
- Levels of literacy / education

- Unemployment rates
- Personal safety and crime
- Awareness of the issue of pollution and recycling
- Distribution of wealth / poverty
- The changing role of women in society in certain cultures

Focus on:

- Attitudes towards issues such as education, corporate responsibility and the environment
- Demographics
- Ethnic and religious differences
- Lifestyle patterns and changes
- Social mobility
- Media views and perceptions
- Population growth
- Socio-cultural changes

3.5 Technological factors

The equipment the business uses to buy (or make), advertise or sell the products or services.

The following factors have an impact on the business:

- The rapid development of issues surrounding social media.
- Automation of different processes:
- Less use of lower-skilled manual labour.
- Advances in online money transfers
- Internet banking.
- Online shopping
- Quicker sales transactions
- Electronic Point of Sales Scanning Equipment
- Product innovation through Research and Development (R & D) focus on:
 - o Impact of emerging technologies
 - o Impact of technology transfer between industries and countries
 - o The ways in which consumers make purchases
 - o Intellectual property rights and copyright legislation
 - o Technological advances in the field of communication
 - o The level of research funding for technological innovations

3.6 Legal environment

Refers to all laws that impact on the business.

- This may include:
- Labour legislation (laws)
- Labour Relations Act
- The Basic Conditions of Employment Act
- Broad Based Black Economic Empowerment
- Skills development Act
- The Occupational Health and Safety Act
- Legislation (laws) introduced to protect the consumer:

- Consumer Protection Act.
- The Credit Act.
- Laws that protect the environment against exploitation & pollution.
- Criminal justice (laws) that protects the business against piracy.
- Laws relating to paying tax.

3.7 Physical environment and other Environmental factors

- Environmental factors are important if one thinks of the growing awareness to protect the environment
- To prevent negative consequences such as global warming and changes in weather patterns.
- Move towards more environmentally friendly products
- Recycling
- Efforts to reduce the carbon footprint.

Focus on:

- The level of pollution created by industries
- Recycling considerations
- Attitudes of the government, media and consumers towards the environment
- Changes in legislation regarding environmental issues

Market Environment (External)

The market (environment) is any place (physical or electronic) where goods and services are bought and sold

Although this environment is external to the business, it represents those elements which are interacting with the business on a regular basis:

- Customers
- Suppliers
- Competitors
- NGO's (Non-Government Organisations)
- Strategic alliances
- Intermediaries (Company who acts as a means of communication between 2 party's)
- Industry regulators
- Trade unions and
- Government Departments

External factors → cannot be controlled → can be influenced.

A variety of tools can be used to investigate forces in the market environment, which may include:

- Environmental Scanning Methods
- A SWOT-analysis (O and T only)
- Porter's Five Forces Model

An easy-to-understand tool often used to analyse the Market environment. Porter's Six Forces model

Porter's Model looks at the following aspects:

- 1) The level of rivalry in the market → Competitors → which businesses sell the same product
- 2) The threat of new entrants that may join the market → Competitors → which businesses may try to enter the market in the future
- 3) The availability of substitute products → Competitors → which businesses sell a similar product.
- 4) The power of suppliers → Suppliers of the products
- 5) The power of buyers → Buyers that must be convinced to spend their limited money to buy the product or service
- 6) Complementary products → To increase the demand for the original product, by introducing a complementary product.

1) Level of rivalry (current competitors)

- The number of current competitors in the market is an important factor to consider when assessing the competitiveness or profitability of a particular marketplace.
- In a competitive market, a business would have to compete aggressively to gain and maintain its market share and this could potentially result in lower profit for the business.

Important to know what the competitors are doing.

- Competitor is underperforming in a sector → opportunity for YOU to make more profit.
- Competitor is performing in a sector → threat → implement a tactic to avoid losses

When the business is compared with one's competitors, the following factors require reviewing:

- Size and financial resources of the business
- Market share
- The quality of products / service
- Consumer brand loyalty
- Pricing of products or service
- Convenience of location and distribution channels
- Trading hours

Need to develop strategies → to outperform competitors

Examples of such strategies:

- Customer loyalty programs
- Reducing the price of certain products

Rivalry amongst competitors is usually high when:

- There are many competitors in the market.
- Competitors are more or less of equal size.
- Exit barriers are high (it is expensive to stop selling a particular product, because a large capital investment was made).
- There is limited potential for the market to grow and all competitors have to compete for the same market share.
- When the products in the market are not differentiated (All the same type)

- Goods can easily be substituted for another product.
- There is low level of customer loyalty.

2) Threat of new entrants (NEW business that sees an opportunity to make money)

- If a particular market is seen to be profitable if only a few entry barriers exist, and this may lead to a high level of rivalry arising in the market place.
- The more competitor's → means that your profits will decline → important for existing businesses to look at ways to create high entry-level barriers to the market.

Examples of barriers to keep them out"

- Register a patent
- Advertising on a large scale → promotions (lower price) → difficult for a new business to enter the market.
- Government puts legislation in place → supply of electricity

New entrants come from two sources:

- Small entrepreneurial businesses
- Large corporates

Large corporations

- o Easier to track
- o New locations
- o Often don't have strong capital backing → take longer to make impact on the market
- o New product areas (Virgin that started in the music industry)
- o Mostly unpredictable → can be a threat
- o They already have the business experience, management expertise, labour force, well-known brand and a customer following.

The following are possible barriers that will make it difficult to enter the market:

- The capital required to enter the market is high, i.e., expensive research and development, pricy equipment, etc.
- Existing businesses have strong trademarks or patents protecting their Products/services.
- There is strict government legislation that makes it difficult to enter the market.
- Customer-switching costs to change to a new type of product are high.
- There is a high level of customer loyalty.
- Economies of scale are not easily achievable.

3) Availability of substitute products

- A substitute product does NOT refer to a different brand.
- o Different brands → Simba chips and Willards chips
- o A substitute product → is a different product that satisfies the same need → Butter vs. margarine
- WHY do people use substitute products?
- o It could be a cost factor (microwave popcorn is cheaper than ready-made crisps)

- o A health issue (margarine healthier than butter)
- o a convenience issue (go for a sauna at gym instead of booking a massage)
- o Availability
- o Market research → to understand the customers → thinking & actions

4) The power of suppliers

- Any business that does not have a reliable supplier is certain to encounter problems more often than not.
- In order to be successful, the business depends on the supplier to provide:
 - Good quality product → when needed
 - Delivered on time
 - Correct quantity to the place needed
 - Reasonable price.
- Costs associated with the unavailability of stock:
 - o No material → manufacturer cannot produce (no sales = no profit).
 - o No material → machines and labour cannot be utilised to their full capacity
 - o Administrative and opportunity costs are incurred → difficult to negotiate discounts when placing orders.
 - o Customer goodwill may be lost → go to the competitors.

Suppliers have strong bargaining power when:

- There are few suppliers in the marketplace.
- The supplier is large enough to make it difficult to achieve forward integration in the distribution channel.
- There are limited options to substitute raw materials.
- The cost of switching to a different material is high or it is a complicated process.

Facts:

When the bargaining power of the supplier is high, it allows the supplier to:

- Sell products or raw materials for higher prices
- To offer lower quality products/materials to the business.
- This would have a negative impact on the business, as the business would:
 - paying more for the goods.
 - negative impact on the quality of the product or service being offered in the marketplace
 - negative impact on the overall image of the business selling to the consumer.

5) The power of buyers

The buyers are:

- A wholesaler ordering from a manufacturer
- A retailer buying the products for his shop
- A consumer who spend his/her money at your business.

Buyers must be:

- Respected
- Offered good value for money they may decide to support a different business.

When a retailer sells to the final consumer, the following aspects may need some consideration:

- What type of product / service is being offered? A consumer is prepared to travel a greater distance to buy specialty goods → car → to get exactly what he/she wants
- Is the consumer brand-loyal? Prepared to swop brands if he/she can get a better deal)
- Price sensitivity - buyers may be happy to pay more if it has a guarantee
- "Snob-value" - Some consumers do not fly with a low-cost airline → meal is
- excluded from the airfare

Facts:

The buyer has the power to demand:

- a lower price,
- a higher level of quality,
- longer trading hours,
- delivery of products,
- a wider variety of goods, etc.
- If the buyer demands any of the above the business will have to decide if it is worthwhile to meet these demands.
- Satisfying more consumer demands would mean lower profits for the business.
- Not meeting the demands, however, may mean no profits if consumers switch to competitors.
- Remember the buyer does not have to be an individual consumer. Another business may also buy the products to resell or manufacture something.

Buyers have strong bargaining power when:

- The buyer is buying in bulk.
- There are many suppliers selling the same or similar products/services.
- Only a few buyers exist (seller "has to sell" to this buyer).
- It is easy and not expensive for the buyer to switch to another supplier.
- When a buyer has the ability to integrate backwards in the distribution channel.

6) Complementary products (now the six-force model)

To increase the demand for the original product, by introducing a complementary product.

For example:

- Bread and Butter
- Contact lenses and contact lenses cleaning solution.
- Fast foods and Mr. Delivery

Complementary products add great value to both products and has created a customer base which is loyal to a product.

Micro (Internal) Environment

- Number of elements in the micro environment that have a direct impact on the business → business has the most control over this environment.
- These aspects are collectively known as the Business Policy.
- When the Micro environment is analyzed, the focus is on the internal business functions. In order to perform the internal analysis, different tools may be used:

A SWOT- analysis (S and W only)

(A weakness has the exact opposite effect on the success of the business to strengths)

- 1) Competitive price (Better Price)
 - Differentiate yourself within the market.
 - Consumers that are price conscious may prefer a more reasonably priced product
- 2) Location
 - Food outlets and convenience stores depend to a large extent on "impulse purchases". → A lot of "foot traffic" → should also be easily accessible to the target market
 - Should pay close attention to the demographics (age, income levels etc.) of the target market when choosing the location.
 - Manufacturing businesses need to look at transportation (raw materials OR the finished product)
 - Sometimes it is better to establish the business close to the source of the raw materials → canned fish, it is easier to transport the finished product than the raw fish → close to the ocean.
 - Other times it may be easier to transport the raw materials rather than the finished product. Furniture → it is much easier to transport wooden logs (tree trunks) than furniture → business close to the target market.
- 3) Patents (When a business is given legal exclusivity to produce a product in a certain manner).
 - It limits potential competitors from entering the same market.
 - Product differentiation creates a competitive advantage for the business → "unique feature"
- 4) A skilled workforce
 - If employees know how to perform their jobs → be less wastage and improved productivity.
 - To attract skilled and motivated workers → pay a fair salary to workers and treat them in a fair manner.
- 5) Business culture (the "way things are done in the business")
 - A culture of meeting deadlines → it will give the customers confidence in the ability of the business.
 - A culture of life-long learning → Employees will stay up to date with changes in working methods.
 - A culture of honesty → employees will think twice before business assets or using business time for personal stuff.
 - A strong CSR culture → will emphasize the importance of caring about others and the environment

- 6) Good marketing and a strong brand
 - The positive association that people have with the brand → It will lead to higher sales
 - Help to reduce marketing costs
 - Allow the business to charge a premium for the products/services.
- 7) Access to financing (CAPITAL) and other resources:
 - No business can function without capital and other resources such as raw materials or equipment to manufacture the product.
 - If a business has sufficient capital available, it makes it possible and easier to obtain other resources.
- 8) Operational efficiency and good quality are synonymous.
 - The more efficient the business → the less wastage → more profit can be made.
 - Good quality products or services will differentiate the business from its competitors enabling greater profits.

A resource-based analysis: → consider both tangible and intangible resources and how these are utilized in the Organisation.

Step 1

- Identify the resource gap and obtain these resources.
- Used to identify resources → tangible and intangible, that the business owns.

Step 2

- Identify the strategic value of each resource
- It is durable → it does not lose value (depreciate) or become obsolete too quickly.
- It is difficult for competitors to copy the resource or get hold of something similar → the more difficult it is to imitate → stronger the competitive advantage.

Step 3

- Is it possible to utilize the resource better and if so, HOW?
- Identify strategies that can be used to create value to each resource

Step 4

- How does the resource create a sustainable competitive advantage and what is the resource's ROI?

Step 5

- Formulate a strategy to ensure each resource is utilized in an optimal manner

A value-chain analysis: → examine the value created (or not) in a chain of activities performed within the business.

- The process of thinking about the different ways in which the business creates value - internally and for the customers.

- The more value it creates → more a customer is willing to pay for it.
- All elements or activities in the business have to be reviewed → adding value to the business.

in a manufacturing business
It is easy to determine value

In a service-orientated business
It is more difficult

Input (raw materials) → converting it (adding value) → something the consumer needs
Input (people skills & equipment → to create a service that the customer values.

The Value chain approach in 3 steps:

- Each activity that makes up the chain (process or system) where value is created is analyzed.
- Value is added if the activity creates a competitive advantage by:
 - o lowering costs
 - o using resources optimally
 - o reducing wastage.
- Activities that are not adding sufficient value → eliminated
- It does not make sense to employ a salaries clerk who will only be busy for one week of the month, but the rest of the time has nothing to do

Business Policy within the Micro (Internal) Environment.

- 1) Vision Statement
 - Represents the dream of the business.
- 2) Mission Statement
 - The starting point for any major strategic initiative and helps to establish common organizational goals.
- 3) The Long-term and Short-term Objectives:
 - Long-term → Goals → to help enable the business to compare actual performance against what was set as objectives.
 - The Short-term → Objectives → are short-term targets that can assist the business in reaching their long-term goals.
- 4) The Culture of the Business
 - Values and attitudes that are shared within the organization.
 - It is these shared beliefs that motivate people to act in a certain manner
- 5) Resources in the Business

Resources include:

 - physical resources → assets
 - financial resources
 - knowledge → valuable staff members are retained
- 6) EIGHT different business functions

6.1 Financial function

- Financial ratios that may be used to devise a strategy / plan of action to improve the function of the business.
- In order to start a business → needs capital → either contributed by the owners or borrowed
- The following two Financial Statements are important:
 - o The Statement of Comprehensive Income (Income Statement)
 - o statement of Financial Position (A Balance Sheet).

The figures from these two financial statements will be used to explain the four main objectives of the financial function:

- o Maximise profits → keep expenses/cost of products as low as possible
- o Increase profitability → Return on investment
- o Ensure liquidity → Enough cash to cover expenses
- o Remain solvent → Assets must be greater than your liabilities

Important issues → consumers can buy on credit

A) To maximize profit

- To keep expenses or the cost of the products as low as possible.
How?
 - o Reducing the cost of sales.
 - o negotiating with suppliers for better prices.
 - o by finding a cheaper supplier.
 - o Reducing the operations expenses.
 - o where wastage can be reduced.
- o To increase the selling price (sales) to make more profit.

B) To increase profitability (Means Return on Investment (ROI))

- ROI will only be increased if profits are maximized.

$$\frac{\text{Net profit (after tax)}}{\text{Turnover (equity)}} \times \frac{100}{1}$$

C) Liquidity

- Every business must ensure it has enough cash to cover expenses.
- There are two liquidity ratios that we look at:
 - o Current capital ratio.
 - o Acid test ratio.

1) Current capital ratio

- An acceptable ratio is 2:1
- For every R1 the business owes, it has R2 of its own.
- This shows that the business is NOT in financial trouble and will be able to pay all their debt.
- Current assets: Current liabilities
- Current assets - Inventory/Stock + Trade & Receivables/Debtors + Cash
- Current liabilities - Trade & Payables(Creditors) + Bank overdraft

Current CAPITAL is Too high:

- Too much cash in the bank,
- Credit given too easily (Debtors) or
- Too much stock kept.

Current CAPITAL is Too low:

Risk that current liabilities (Including Creditors) may not be paid from current assets.

2) Acid test ratio

- Acceptable ratio is generally 1: 1
- For every R1 the business owes, it has R1 of its own.
- This R1 does not include any stock (inventory) because it is difficult to sell stock when closing your business.
- Current assets – inventory : Current liabilities
- Inventory is eliminated (-) because it is difficult to convert to cash.

3) Solvency

- Assets must be greater than your liabilities.
- If liabilities exceed assets the business is insolvent (bankrupt) and can no longer continue with business operations.
- Total assets : Total liabilities
- Total assets : Non-Current + Current Liabilities
- Acceptable ratio is 2 : 1

Advantages of credit sales:

- Turnover (and thus profit) increases as more goods can be sold to more customers.
- Customers will return to buy on credit
- The seller will often increase his selling price → to wait for his money and take the risk of bad debts.
- Credit stimulates the economy → more jobs

Disadvantages of selling on credit:

- The credit trader needs more working capital → delay in payment from the debtors.
- Risk of bad debt
- Administrative expenses (telephone bills & salaries) will be higher to collect the debts.
- It can generate an increase in demand which may lead to demand pull- inflation → price will go up

6.2 Human Capital (HC) function | Human Resources (HR) function

- Labour is an important factor of production
- Management and labour → good relationship → reaches the goal of maximizing profitability.
- Workers are unhappy → profitability will suffer.

The objectives of the HR department are:

- To determine how many workers/levels of skills are required.

- Recruit to fill vacancies.
- Employee's → placed in the most suitable positions.
- Train staff to improve productivity.
- Employees must be motivated to improve productivity.
- Reward hard work from employees.
- Retention of staff
- Work satisfaction and job security.
- To implement and monitor all of the above mentioned
- Ensure that requirements regarding labour legislation are met.

6.3 Marketing function

A product must satisfy the needs of consumers:

- Must be sold at a price → consumer is prepared to pay.
- Goods must be distributed to a place that is convenient for the consumer
- Consumer must be informed about the availability of the product.
- In order to determine the above → do market research.
- Helps to identify the target market based on variables such as age, income, gender, marital status, hobbies / interests and occupation.
- The following DIAGRAM illustrates the four policy instruments and the relevant sub-sections covered by the marketing function

6.4 Public Relations function

- Involve all the activities that influence the opinions of the public.
- It is a continuous, long-term interaction between → business & external stakeholders
- Aim is to create and maintain a favorable image of the business → all the stakeholders.
- Issues that may be handled by the Public Relations Department:
 - A crisis involving bad publicity
 - A positive situation → the launch of a new

6.5 Administrative function

Responsible for:

- Collecting all data in the business/business environment.
- Processed data into information.
- The information is stored and made available to management
- Admin handles all the paperwork and record keeping in the business to comply with legislation

6.6 General Management function

The basic tasks of management are:

- To Plan for the future of the business
- Organise to get all staff and materials (resources) needed in the business
- Lead workers to make sure they are working
- To control all activities in the business

6.7 Supply chain management (SCM) or Procurement/Purchasing

Includes all activities that are performed to deliver the:

- o Right product or service
- o to the right customer
- o at the right time
- o at the right place
- o and the most reasonable cost.

Supply chain management (SCM) refers to:

Sourcing → Processing → Manufacturing → Transporting → Storing and distributing products or services FROM when the raw materials are extracted until the final product is sold to the final customer.

The aim of Supply chain management (SCM) is to:

- Oversee the flow of materials and information from the supplier to his final customer.
- The more effective the control of the material or products in the business, the less capital has to be invested in stock.
- Ethical supply chain management is becoming more important:
- Businesses expect their suppliers to be ethical by not making use of child labour.

3.8 Additional management tasks include:

- The coordination of the different functions in the business
- Communication with employees and customers
- Delegating tasks to subordinates
- Disciplinary action
- Decision making and motivating workers.

Balanced Scorecard → Quick but comprehensive understanding of the overall performance of the business by looking at the inter-relationship between different variables.

Four focus points:

- Financial perspective: Profit, profitability, liquidity and other financial ratios are important indicators of financial performance
- Customer perspective: How customers see the business and what their expectations are from the business.
- Internal (business) process perspective: Operations processes
- The Learning and Growth perspective: intangible assets.

Overall Organisation Performance

Problem Solving and Creative Thinking

1) Problem Solving and Creative Thinking

Problem solving can be defined as:

The process of finding solutions to difficult or complex issues

What are the possible steps that could be followed during a problem-solving process?

Step 1 - Identify the resource gap (problem).

Step 2 - Explain what impact it will have on the business AND start considering all the possible solutions.

Step 3 - Choose the best solution(s) and explain it in breadth and depth.

Creative thinking can be defined as:

"identifying a problem the consumer is not even aware of yet and finding a way to solve that problem".

Goal of Creative Thinking

- a) To make use of a creative thinking and problem solving techniques.
- b) To Identify strategies to improve the overall performance of the business
- c) The aim of finding creative solutions
- d) Is to create and maintain a competitive advantage.

Summary:

Some examples of problems/challenges that may occur in the business environment.

MICRO ENVIRONMENT:	MARKET ENVIRONMENT:	MACRO ENVIRONMENT:
▪ Lack of or change in mission and vision. ▪ Business risks ▪ Inefficient organisational culture. ▪ Procurement, storage and distribution of resources. ▪ Difficult employees. ▪ Negotiations with unions. ▪ Strikes, etc.	▪ Urbanisation which leads to the depopulation of rural areas. ▪ Supplying of credit to consumers. ▪ Demographic issues. ▪ Consumers' bargaining power. ▪ Insufficient stock supply from suppliers. ▪ Intermediaries that increases the cost of distribution. ▪ Services by intermediaries who do not meet expectations. ▪ Strong competition. ▪ Consumer protection such as debt counselling.	▪ Inflation / Interest rates / Exchange rates. ▪ New technology. ▪ Infrastructure not being maintained. ▪ Rising costs because of e.g. e-toll. ▪ Lack of fuel. ▪ Poor electricity supply. ▪ Weather changes. ▪ Increase of people in informal settlements. ▪ High unemployment rate and other socio-economic issues. ▪ Increased demand for environmentally friendly products.

Creative Thinking and Problem Solving Techniques

2. Different *creative thinking and problem solving techniques* that can be used to develop *strategies for improving the performance of the business*:

2.1 Pros and Cons chart

Helps the manager to make a decision based on the advantages and disadvantages of a specific option, for example:

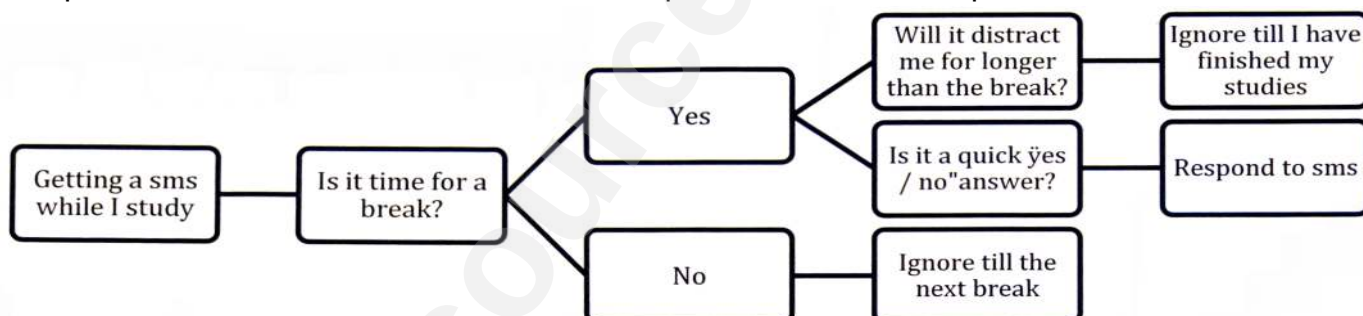
Introducing a new subject at school	
PROs	CONs
- Gives learners a wider choice - May attract more learners	- Do not have a teacher with the subject knowledge - Have to build another classroom

**The decision made may change, if circumstances at a later stage change.*

2.2 DecisionTree

It is a visual representation of different outcomes to a single event.

It helps the decision maker to look at different options and the consequences of each.



2.3 SCAMPER

□ A checklist with idea-spurring questions.

Element	Questions
Substitute	What materials can be substituted to improve the product? Which supplier can be substituted? Can a new market be created for this product?
Combine	What would happen if two or more features of the product/service were combined? Can this product/service be combined with other products/ services? Can different materials be combined when making this product? Which other resources can be combined when making this product OR when rendering this service?
Adapt	How can this product/service be adapted to satisfy the same or a different need? How can the product/service be adapted to perform more reliably? Can the product be adapted to make it more environmentally friendly?
Modify	What can be modified to make it better? (Colour/Shape/Sound/ Size/Form/Taste)

	How can this product be made smaller/bigger/faster or more fun?
Put to a new use	How can the wastage be recycled to make something else? Can this product be used elsewhere? How else could this product be used?
Eliminate or Elaborate	What features should be added or taken away from this product? How will this affect the target market?
Reverse	What would happen if we reversed or changed the order of service delivery? Can the sequence of production be rearranged? What impact will a change in layout or pattern have?

2.4 The Delphi technique

To obtain the opinions of experts on a particular topic → they interact, but remain anonymous → prevent personal opinions.

“Steers” would like to launch a new “Wrap” on its menu

Steps:

- Initial questionnaire/survey (At local Steers outlets)
- Results tabulated and circulated to participants
- Second questionnaire/survey issued (Professional chefs, Fast food research experts)
- Final ideas and suggestions prioritised using a rating scale (7/10 people indicated that people enjoy the “Wrap”)

2.5 A value-chain analysis

Examine the value created (or not) in a chain of activities performed within the business.

The Value chain approach in 3 steps:

Step 1

Each activity that makes up the chain (process or system) where value is created is analyzed.

Step 2

Value is added if the activity create a competitive advantage by:

- ❖ lowering costs
- ❖ using resources optimally
- ❖ reducing wastage.

Step 3

Activities that are not adding sufficient value → eliminated

2.6 SWOT

Strengths	Internal factors that make your business better than others.
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Weaknesses	Internal factors that are stopping your business from being better than competitors.
Opportunities	External plans that can be put into place to improve the weaknesses of your business.
Threats	External issues that you can't change, you need to know them in order to steer your business around them.

2.7 PE²STLE

Each of the letters represents a factor that could potentially threaten the business or that the business may use as an opportunity to create or strengthen the competitive advantage.

2.8 A Resource-Based Analysis

- ☐ The Resource-Based Approach to problem solving states that the business should find out which resources are of strategic importance to the business.
- ☐ Focus on tangible and intangible resources and how these are utilized in the Organisation.
- ☐ Used to identify the resources that the business owns.
 - Step 1
Identify the resource gap and obtain these resources.
 - Step 2
Identify the strategic value of each resource
 - Step 3
Is it possible to utilize the resource better and if so, HOW?
 - Step 4
How does the resource create a sustainable competitive advantage and what is the resource's ROI?
 - Step 5
Formulate a strategy to ensure each resource is utilized in an optimal manner

2.9 Balanced Score Card

The BSC forces management to focus on issues that are important because they create value in and for the business.

BSC focus on the following views:

Perspectives (views)	Explanation	Example
The financial perspective:	Focuses on maximum utilisation of assets and minimizing costs in order to create shareholder value.	● Technology → electronic invoicing → save paper ● Logistics → route planning → save fuel

The customer perspective:	Focuses on how customers see the business and what their expectations might be.	• Nando's sells healthy food.
The internal business perspective:	Is focused on innovative products and services:	• Wacky Wednesday burgers
The learning and growth perspective:	Focus on how employees in the business can intellectually continue to improve and create value. (intangible assets of the business)	• Leadership, • accountability, • culture and teamwork are important components when developing a culture of lifelong learning and development.

Strategies

A strategy is:

- a very specific plan of action
- to set in motion the effective use of resources
- aim of achieving the organisational objectives
- through a pattern of decision making
- that will address the issues that confront the business.

Management has to address these strategies, irrespective of which environment the problem developed in.

What is Strategic management (definition)?

Top management analyses events that take place in the business environment

These events may be something that developed over time (a trend) or a event that may come as a surprise (crisis) to the business.

Essential Steps in Implementing a Management Strategy

The following eight Steps are important:

1. Define the business's vision, mission and corporate objectives.
2. Analyse the different environments in detail:
 - Micro environment → "SW" internal aspects of a SWOT analysis
 - Market environment → "Porter" "OT" external aspects of a SWOT analysis
 - Macro environment → P²E²STLE analysis "OT" external aspects of a SWOT analysis
3. Possible issues that the business should consider when choosing a strategy:
 - Return on investment (ROD required and other financial issues)
 - Risk factors
 - Potential for business growth, and the effect that it would have on the chosen strategies
 - The image the business is trying to create or maintain
 - The effect of decisions on ownership and control of the business
 - Political (e.g. BBBEE or EE) or social (e.g. CSI, AIDS) issues
4. Identify the various strategic options available:
 - Depending on the type and size of the business
 - as well as its aims and objectives,

these options would vary significantly.

5. Evaluate and analyse the viability of each strategic option, prioritising them in order of importance ('Plan A' then 'Plan B')
6. Plan the implementation of the chosen strategy (Plan A), ensuring that all factors are considered, especially the assumptions on which the chosen strategy is based. For example, if the strategy is based on importing products, the assumption is that the import contract will be signed and that the exchange rates will remain stable enough for a viable profit.
7. Implement the chosen strategy ensuring that it is still in line with the organisational objectives.
8. Monitor and control the strategy with special attention given to managing changes. This is important because any strategy needs to be flexible enough to adapt to changing circumstances.

Advantages of having a strategy in place are:

- It gives direction to the business and therefore helps management to understand long-term consequences of current decisions.
- It ensures consistency in decision-making and the manner in which problems are addressed.
- It differentiates management roles and areas of responsibility.
- It puts the business and its role in the broader economy, involving a variety of stakeholders, into perspective.
- It anticipates changes in the internal and external environment and links the environments to ensure resource allocation is aligned with changes in these environments.

The chosen strategy will be based on the competitive advantage of the business.

Types of Business Strategies

A business strategy describes how a particular business (department) intends to succeed in the chosen market, and more so against its competitors.

1) Generic strategies:

Types of strategies	Definition:	
Generic strategies	1) Low cost strategy	☐ <u>Aim:</u> To gain a competitive advantage by having the lowest possible cost. ☐ <u>This can be achieved in two ways:</u> • The business has access to cheap raw materials (low input cost) • Lower the cost of manufacturing: - o Mass production - o Technology - o Re-engineering activities ☐ Lowering your costs open yourself up to be attacked by other companies attempting the same strategy

Types of strategies	Definition:	
Generic strategies	2) Focus strategy	☐ <u>When:</u> Businesses <u>focus on a specific market segment</u> (niche market) ☐ This is based on: • Geography • Culture • Age • Any other criteria that created a unique group of customers in the market. ☐ These markets are often <u>overlooked by competitors</u> or viewed as not being “worthwhile” ☐ The <u>business must have expert knowledge of the niche market</u> and the <u>ability to develop the products for this market segment</u> .

Types of strategies	Definition:	
Generic strategies	3) Differentiation Strategy	☐ Aimed at providing a unique product/service which will ensure customer loyalty. ☐ This uniqueness may be based on factors such as; • Quality (real or perceived per brand name, image) • After sales support • Product features • Distribution • Marketing efforts

2) Corporate strategies:

Types of strategies	Definition:		
Corporate strategies		2.1.1 Joint venture strategy	☐ When <u>businesses</u> or stakeholders <u>come together to achieve the businesses goals</u> and gain a

	2.1 Corporate combination strategies		competitive advantage <u>by joining resources effectively.</u> ☐ Usually for a <u>specified time period</u> ☐ <u>During</u> this joint venture <u>each business maintains its own identity.</u>
		2.1.2 Merger strategy	☐ When <u>businesses combine by mutual consent</u> → to the advantage of all the businesses involved in the merger. ☐ This involves <u>buying most, if not all, of a targeted company</u> in order to <u>gain full control.</u> ☐ This type of strategy is often <u>used as part of a business growth strategy.</u>
		2.1.3 Take over strategy	☐ <u>Friendly takeover</u> - a mutual agreement is reached ☐ <u>Hostile takeover</u> - no mutual agreement → acquiring company purchase large stakes in the targeted company until it reaches majority ownership of the company.

Types of strategies	Definition:		
Corporate strategies	2.2 Decline / Defensive strategy <u>A decline strategy occurs when:</u> • a business has experienced difficult times • Management has decided to decline in one area in order to grow or take advantage of a more viable opportunity in a different area.		
	2.2 Decline / Defensive strategy	2.2.1 Divestiture strategy	Selling assets, parts of the business
		2.2.2 A liquidation strategy	Where the business is sold or terminated
		2.2.3 Retrenchment strategy	It reduces the size of the company.

Types of strategies	Definition:
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Corporate strategies	2.3 Growth strategy To <u>increase the market share</u> (target market) of the business. <u>Aim:</u> to grow the business' turnover and sales volumes.		
	2.3 Growth strategy		
	Existing Market	2.3.1 Market penetration strategy	☐ The existing market & existing products are used to expand. o Offering budget meals (Specials)
		2.3.2 Product development strategy	☐ Taking a new product and offering it to an existing market. o Health Burger & Salad
	New Market	2.3.3 Market development strategy	☐ Expanding to other countries in Africa o Open in new Malls
		2.3.4 Diversification Strategy	☐ The business enters a new market with a new product or a product that this business has never sold before. o KFC – Chicken pizza

Growth strategy as an expansion tool could happen through:

- a. Internal growth also known as “organic growth”
 - o Emphasizing existing products/services in existing markets and channels
 - o Increased customer retention (consumer retention management)
 - o New product development
 - o New market and channel development
- b. External growth (alliances, acquisitions and mergers etc.)
 - o Adjusting the businesses core objectives and surroundings
 - o Existing products/services, markets and distribution channels.

3) Integration strategies

Types of strategies	Definition:
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Integration strategies	3.1 Forward integration Strategy (focus on distribution of the product)	☐ Whereby <u>business activities are expanded to include control of the direct distribution or supply of a company's products.</u> ☐ For example: ☒ When a <u>business starts its own chain of retail stores</u> (selling their products direct to the consumers) <u>eliminate the middleman</u> in the distribution process and <u>therefore reduce the ultimate selling price to consumers.</u>
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Types of strategies	Definition:	
Integration strategies	3.2 Backward integration Strategy (focus on the suppliers)	☐ When the business decides to <u>eliminate the Power of the Suppliers</u> by: a) Buying out a supplier b) Creating its own manufacturing plant. (Wimpy manufactures its own tomato sauce) ☐ <u>Advantages of the backward integration strategy:</u> ☒ There will <i>always be stock</i> ☒ And <i>cheaper</i> , because no other business has to make a profit.

Types of strategies	Definition:	
Integration strategies	3.3 Horizontal integration (in the distribution channel)	☐ It means that the business has <u>taken over one of its competitors in the distribution channel.</u> ☐ For example: ☒ <u>Buying out the delivery company</u> they used and revamp their trucks with their own logo. ☐ <u>This strategy may be an effective strategy when:</u> ☒ Organization competes in a growing industry. ☒ Competitors lack of some capabilities, competencies, skills or resources that the company already possesses.

- 4) Other strategies that can be used to improve
THE OVERALL PERFORMANCE of the business:

Types of strategies	Definition:		
Other strategies that can be used to improve THE OVERALL PERFORMANCE of the business	4.1 Revise business strategies	4.1.1 Revised business mission (The purpose the business serves).	☐ <u>When management of a business goes back to relook at the business mission</u> ☐ It might mean that the <u>business needs to revise it's purpose for existing.</u> ☐ <u>This is done when:</u> ✓ The consumer no longer wants the merchandise → time to revise the business mission. ✓ The mission and objective are not aligned with what the business desire for the future. ☐ If this happens management must immediately revise the mission to "meet the future before it happens".

Types of strategies	Definition:		
Other strategies that can be used to improve THE OVERALL PERFORMANCE of the business	4.1 Revise business strategies	4.1.2 Establish or revise objectives:	☐ Objectives are <u>all the milestones on the way to achieving the businesses vision and/or competitive advantage.</u> ☐ It is important that the <u>management revise or re-analyse these objectives</u> to determining if they are leading to the businesses vision.

Types of strategies	Definition:	
Other strategies that can be used to improve THE OVERALL PERFORMANCE of the business	4.2 Allocate resources differently	☐ Resources in the business refer to employees, money, machines, time, raw materials and even skills. ☐ <u>Aims</u> at the business using resources to improve the businesses success. ☐ <u>Resources should be allocated where they are most productive:</u> ❖ Were they create the biggest competitive advantage ❖ Generate the most profits. ☐ <u>When resources are allocated to a task that does not add value →task has to be:</u> ❖ Outsourced ❖ Be terminated so the resources can be re-allocated to a more productive parts.

Types of strategies	Definition:	
Other strategies that can be used to improve THE OVERALL PERFORMANCE of the business	TQM is a process where everybody in the business is committed to thinking about how all actions impact on the quality of all tasks and overall customer satisfaction.	☐ <u>No business will survive</u> if it <u>does not</u> keep <u>customers satisfied</u> . ☐ Customer satisfaction refers to <u>internal customers</u> and <u>all the employees</u> who are trained in the business ☐ <u>If the training department does not follow the philosophy of TQM:</u> - o employees will <u>lack the correct knowledge</u> to do their jobs. - o <u>morale may be low</u> because employees <u>do not feel empowered</u> to do their jobs.

		- o Will <u>impact</u> on production, marketing and <u>all other departments</u> of the business where these employees work. □ In order to determine the quality of a product or service, <u>inspections</u> OR <u>sampling</u> can be conducted.
Types of strategies	Definition:	
Other strategies that can be used to improve THE OVERALL PERFORMANCE of the business	4.4 Benchmarking	□ <u>Benchmarking</u> is when the business <u>looks at what is "best practice"</u> in the industry. □ <u>This involves measuring the business:</u> - o <u>Current performance</u>  with the standard it should be achieving. - o <u>If the business is underperforming</u>  the steps they must implement to eliminate the underperformance gap
	4.5 Financial ratios	□ Chapter 1

Types of strategies	Definition:	
Other strategies that can be used to improve THE OVERALL PERFORMANCE of the business	4.6 Performance appraisals (360°) and self-evaluation	□ A Performance appraisal is a tool used to plan, evaluate and improve the performance of employees. ❖ <u>A planning tool</u> → during the performance appraisal the employee and his/her manager discuss and agree on performance targets. ❖ <u>An evaluation tool</u> → at the next appraisal: - o The employee evaluates his/her performance (self-evaluation) - o The manager also evaluates the employee's performance. - o Input may even be requested from other relevant parties that the employee interacts with while performing the job. - o This may include customers, suppliers, peers and subordinates.

		- o This is called a 360⁰ performance appraisal. ❖ <u>A feedback tool</u> → the achievement (or not) of targets is discussed and action plans are developed to solve problems. ☐ Promotion opportunities and career paths are also discussed.
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Types of strategies	Definition:	
Other strategies that can be used to improve THE OVERALL PERFORMANCE of the business	4.7 Continuous Skills Development	☐ The business should strive to <u>create a culture where employees are constantly growing and learning</u> → will lead to continuous improvement in the functioning of the business. ☐ Just think how fast <u>Technology is changing</u> around us → <u>Staff acquires new skills.</u> ☐ The <u>business has to provide learning opportunities</u> (self-development) to achieve personal goals.
	4.8 Teamwork	☐ Teamwork generates new ideas to improve the business.

TOTAL C: 50
GRAND TOTAL: 300