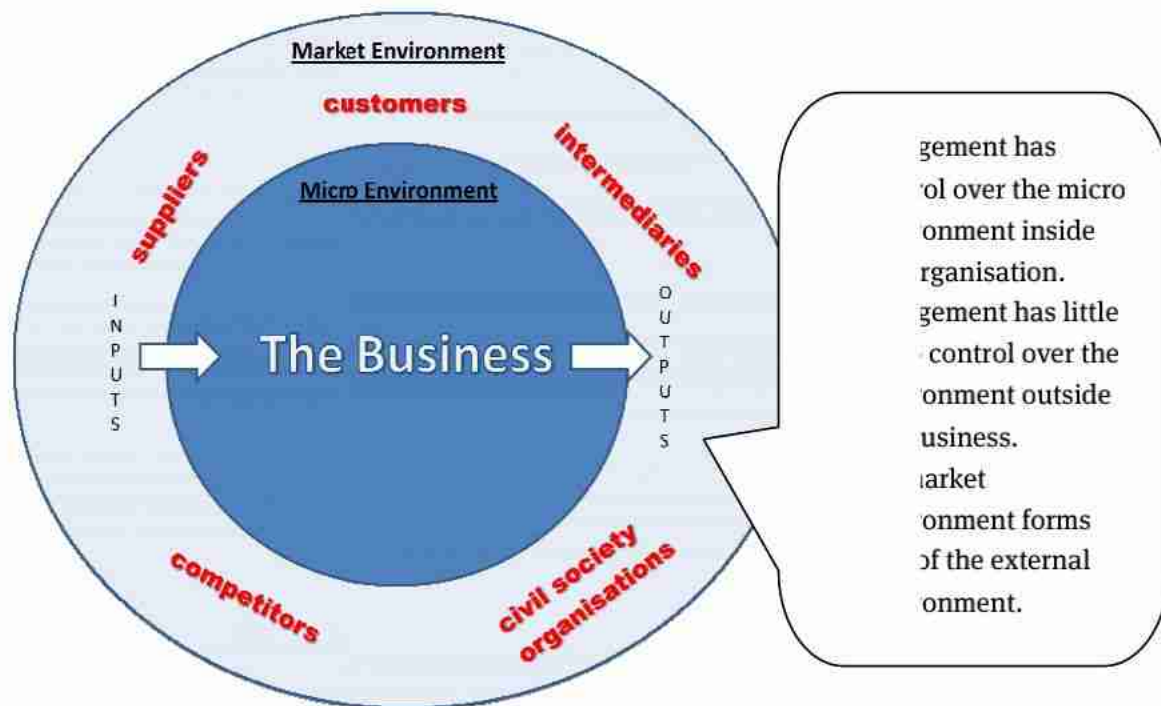


## Overview



## Unit 1 The market: customers and consumers

- Customers form the 'market' of the business.
- Customers pay for goods and services to satisfy their needs.
- Maslow classified these needs in a hierarchy:
  - Level 1 Biological and physiological needs (air, food, drink, shelter, warmth, sleep)
  - Level 2 Safety needs (protection, security, order, law, limits, stability)
  - Level 3 Belongingness and love (family, affection, relationships, work)
  - Level 4 Esteem needs (achievement, status, responsibility, reputation)
  - Level 5 Self-actualisation (personal growth and fulfilment).
- Consumers identify products or services they would like to buy.
- They consider prices
- Consumer behaviour and choices are influenced by cultural, social, personal and psychological factors.

### 1.1 Cultural factors

- Cultural factors differ from country to country and can be based on religion, geographical region, race, favourite hobbies, sport.
- Family wealth, levels of education, income, tradition and occupation form separate classes in society

# Market environment

## 1.2 Social factors

- Social factors include reference groups (group of people to which individuals believe they belong), family role (father, mother, single parent), role and status in the community (clubs, groups, organisations).

## 1.3 Personal factors

- Personal factors such as age, occupation, lifestyle, economic situation, personality and self-concept (characteristics).

## 1.4 Psychological factors

Four psychological factors or needs that affect buying behaviour: motivation, perception, learning, belief and attitude.

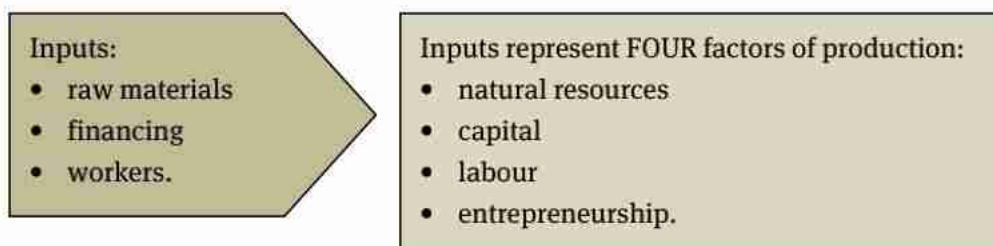
### Businesses classify customers according to demographic and lifestyle characteristics.

- Demographic characteristics include ethnic background, age, income, education, gender, location, occupation, number of people per family and children's ages.
- Lifestyle characteristics include cultural background, religious beliefs, political beliefs, value systems, recreation and hobbies, music preferences, food preferences, eating preferences, entertainment preferences, travel preferences, social interaction patterns and media habits.
- Managers do market research on these factors to identify sales opportunities.

## Unit 2 Suppliers and intermediaries

### 1 Suppliers

The business needs inputs to produce goods and services:



Inputs come from suppliers and must be available:

- at the right time
- for the right price
- of the right quality
- of the right quantity.

The business must:

- maintain good relationships with suppliers
- compare costs, quality and service of new suppliers.

# Market environment

Examples of suppliers:

- Banks and shareholders are suppliers of capital.
- Trade unions negotiate on behalf of workers and are seen as suppliers of human resources.
- Producers and manufacturers supply raw materials.

## 2 Intermediaries

The intermediaries of a business are all those businesses that play a role in distributing and promoting the goods and services to customers.

Intermediaries are special type of suppliers and include:

- wholesalers
- retailers
- agents
- spaza shops
- banks
- insurance brokers
- micro-lenders
- advertising agencies
- telecommunication providers
- transport firms
- e-commerce websites.

### 2.1 Functions of intermediaries

<b>Intermediaries add value to the product.</b>	
2.1.1 Place value	Intermediaries get the product to the consumer where the consumer wants it and therefore add place value to the product.
2.1.2 Time value	An intermediary that stays open when the manufacturer is closed adds time value to the product.
2.1.3 Ownership value	Banks supply finance by means of loans or credit cards to make it possible to buy items and so add ownership value to products.

# Market environment

## Unit 3 Competitors

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Competitors are all the businesses that provide a similar product or service and compete for the support of the same customers. Strategies to keep the support of the market include:

- Monitor the target market.
- Promote customer loyalty.
- Keep an eye on competitors.

### 1 Three categories of competitors

Category 1	Products are seen as similar, for instance, different kinds of tea.
Category 2	Competitors offer similar products but in a different kind of business, for instance, a hardware store and Game could sell similar products.
Category 3	Stores that are completely different can also compete with each other, for instance, a hardware store and garden centre.

## Unit 4 Civil society

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Civil society is all the groups that have an actual or potential interest in or impact on an organisation's ability to achieve its objectives.

### 1 Categories of civil society

Financial	Credit bureaux, large stokvels
Media	Local radio and newspapers
Citizen action	Environmental activists questioning acts of business
Local community	Neighbourhood residents and community organisations
General public	Community as a whole

### 2 Examples of formal organisations in civil society

Different formal organisations play a role in the market environment – some are community-based (CBOs) and others are non-governmental (NGOs).

- SANCU is dedicated to promote and protect consumer rights.
- Commission for Conciliation, Mediation and Arbitration (CCMA) helps employers and employees to maintain fair labour practices.
- Trade unions such as COSATU, SADTU, NUI and others negotiate on behalf of their members (employees) for better working conditions and pay.

# Market environment

## 3 Regulators

- The government creates a number of regulators that have to oversee the operations of parts of civil society.
- The rules of these regulators will impact directly on what businesses may and may not do, for example:

Advertising Standards Authority of South Africa (ASA)

ASA keeps an eye on the content and truthfulness of advertisements in South Africa.

South African Bureau of Standards (SABS)

The SABS tests products to make sure that they comply with the prescribed standards.

The South African Civil Aviation Authority (SACAA)

SACAA regulates all civil aviation in South Africa. They test pilots and other aviation personnel regularly to check that they can do their jobs.

The Liquor Board of South Africa

The Liquor Board decides where and to whom to issue licenses to sell liquor.

## 4 Strategic allies

- Part of the market environment of a business is the strategic allies of the business.
- The first allies of any business are other businesses in the vicinity.
- Most towns and cities have one or more business associations, usually called a Chamber of Commerce.
- Many business owners join these groups, because such a group can lobby the authorities for more business-friendly regulations.
- Businesses can also join a trade organisation for their type of business.

## Opportunities and threats in the market environment

Opportunities and threats	
The market (customers and consumers)	
Opportunity	Threat
<ul style="list-style-type: none"> <li>• Market research for new markets</li> </ul>	<ul style="list-style-type: none"> <li>• Consumer Protection Act</li> <li>• Decrease in buying power</li> <li>• Change in consumer behaviour</li> </ul>
Suppliers	
Opportunity	Threat
<ul style="list-style-type: none"> <li>• Negotiate trade discount</li> </ul>	<ul style="list-style-type: none"> <li>• Banks and insurance companies can increase fees and premiums.</li> <li>• Increase in cost of raw-materials</li> <li>• Strikes</li> </ul>

# Market environment

Intermediaries	
Opportunity	Threat
<ul style="list-style-type: none"> <li>Intermediaries can broaden the market.</li> </ul>	<ul style="list-style-type: none"> <li>May influence pricing and marketing strategies</li> </ul>
Competitors	
Opportunity	Threat
<ul style="list-style-type: none"> <li>Business can come up with new ideas to gain advantage.</li> </ul>	<ul style="list-style-type: none"> <li>Competitors can 'steal' customers.</li> <li>Competitors can steal or copy ideas.</li> <li>Competitors can drop their price and make it impossible to compete.</li> </ul>
Civil society	
Opportunity	Threat
<ul style="list-style-type: none"> <li>Good relationships can create positive image.</li> </ul>	<ul style="list-style-type: none"> <li>Poor relationships can destroy image.</li> </ul>