

MARKET ENVIRONMENT



PAPER



TOPIC

Define/Elaborate on the meaning of the market-environment.

The market environment refers to the immediate external components that directly affect the ability of the business to operate. For the business to be successful it must be able to influence the components in this environment

Outline/Describe/Explain/Discuss the components of the market environment.

Customers

Suppliers

Intermediaries

Competitors

Civil Society

Customers

- Consumers are the final users of the product/service.
- if customers are not happy with the products or services of a business, they will turn to a competitor.
- Consumers/customers refer to individuals or other businesses that purchase products and services from a business
- The market is the new and old customers who have money to buy goods/services

Suppliers

- Businesses need to ensure that they identify reliable suppliers in the market
- Business can establish a good relationship with their suppliers by signing long-term contracts for their raw materials at fixed prices.
- If suppliers fail to provide business with quality resources/inputs or if the suppliers don't deliver these resources/inputs on time or at the right place then the business will not be able to meet their goals/objectives.
- Suppliers are individuals or other businesses that provide/supply businesses with inputs or resources that they need in order to produce/manufacture their products or services

Intermediaries

- These are individuals or businesses that distribute and sell the products/services of a business
- Intermediaries bridge the gap between producers and consumers.
- Intermediaries include: wholesalers, retailers, agents, brokers, transportation services, etc
- Some intermediaries assist businesses with packaging and advertising of their products and services

Competitors

- New entrants to the market.
- Businesses should monitor the activities of their competitors so that they could produce goods or services that are of better of quality than their competitors.
- Competitors refer to businesses/organisations that provide or sell more or less the same goods and services.
- Business will be forced to offer quality products or services at the lowest possible prices or else they will lose their customers to their competitors

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- CBOs, non-governmental organisations - NGOs, regulators, strategic allies and unions)

Community Based Organisations (CBO)

- Are established to assist community with job application, socio-economic development and becoming self-sufficient

Non-Government Organisations (NGO)

- Are non-profit organisations that operate separately from the government. Are established to fulfil important in the community by addressing some socio-economic issues

Regulators

- Are government bodies that make rules and regulations to control the activities of businesses

Unions

- Are established bodies that protect the interest of workers. They have the right to call for industrial action such as strikes or go-slows if their demands are not met by organisations or the government

Strategic Allies

- Businesses that combine their resources to undertake a project that will benefit all of them. They may share their expertise and information to benefit all their members

Explain the reasons why competition poses a challenge to businesses.

- Competition as one of the components of the market environment poses a challenge to businesses because it is not within the control of the business
- Consumers will buy from the business where they get the most value for money and they could choose the competitor
- Business could find that they are unable to make sufficient profit when the demand is not high enough
- Businesses could find it hard to differentiate itself from its competitors to gain a competitive advantage

Explain the meaning of opportunities and threats in a business context and give practical examples of each.

- Businesses are faced with both opportunities and threats in the market environment in which they operate.
- Businesses do not have any control over these however, they can influence them to some extent.

Meaning of opportunities

- Businesses need to constantly seek opportunities in their external environment in order to remain competitive.
- These are factors in the external environment that will contribute or are already contributing to the success of a business. Example, decrease competition, reliable suppliers, decrease taxes, favourable government legislation etc.

Examples of opportunities

- Decrease in taxes, closing down of a competitor's business, decline in interest rate and favourable legislation by the government.

Meaning of threats

- Threats are any factors in the external environment that will stand in the way or is already standing in the way of businesses achieving their goals.
- Factors in the external environment that will stand in the way of the business achieving its goals or objectives. Example, new business entering the market, shortage of suppliers, industrial actions, increase taxations and inflation. Thinking strategically in this way will help a business to remain successful.

Examples of threats

- Increase in taxes, new businesses entering the market, increase in interest rate, and changes in government legislation.

Identify opportunities and threats from given scenarios/case studies/statements.

Conduct research on opportunities and threats faced by businesses. Make recommendations for improvement.