**Business Studies**

**Grade 12**

**Business Strategies**

**NOTES**

1.

* Have a clear vision, a mission statement and measurable/realistic objectives in place.
* Identify opportunities/weaknesses/strengths/threats by conducting environmental scanning/situational analysis.
* Tools available for environmental scanning may include a SWOT analysis/Porter's Five Forces model/PESTLE analysis/industrial analysis tools.
* Formulate alternative strategies to respond to the challenges.
* Develop (an) action plan(s), including the tasks to be done/deadlines to be met/resources to be procured, etc.
* Implement selected strategies by communicating it to all stakeholders/organising the business's resources/motivating staff.
* Continuously evaluate/monitor/measure strategies in order to take corrective action.

2.

* Retrenchments
* Divestiture
* Liquidation
  1. Political
  2. Environmental
  3. Technological
  4. Legal

4.1 Power of Suppliers

4.2 Power of competitors

4.3 Power of buyers

4.4 Barriers of new entrants

4.5 Threat of substitutes

5.1 Concentric diversification

Motivation:

‘….. by opening a butchery and a training centre for young farmers.’

5.2

* The strategy is risky as it involves businesses moving into markets where they have little or no experience.
* Businesses are required to acquire new skills, facilities and techniques when they apply this strategy.
* Businesses must have enough capital if they want to apply the strategy which may not always work for a small business.
* Diversification will require increased costs in labour, materials and technology.
* The business will become more complex and difficult to manage and co-ordinate.
* A great deal of creative thinking is required as the business may lose focus from its main company objectives and goals.

6.

**Market Development**

* It is a growth strategy where businesses aim to sell its existing products in new markets.
* This strategy involves finding new markets and new ways to distribute product.

**Product Development**

* It is a growth strategy where businesses aim to introduce new products into existing markets/modifies an existing product.
* Businesses generate new ideas and develop new products/services

7. 1 Horizontal diversification

7.2 Backward integration

7.3 Horizontal integration

7.4 Market penetration

8.

* New products may be different/ of a higher quality than those of competitors.
* It can increase profits but may come with additional production costs.

9.

* ***Concentric*** diversification
* ***Horizontal*** diversification
* ***Conglomerate*** diversification

10.

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| **CHALLENGES**  **10.1** | **INDUSTRIAL ANALYSIS TOOL**  **10.2** |
| **(a)** Many workers are not qualified for the work. | SWOT analysis |
| **(b)** The new Horizon Guest House charges lower prices for similar services. | Porter’s Five Forces |
| **(c)** RGH is located in an area where the crime rate is high. | PESTLE analysis |

11.

* Examine the underlying basis of a business strategy.
* Look forward and backwards into the implementation process.
* Compare the expected results in order to determine the reasons for deviations and analyse these reasons.
* Take corrective action so that deviations may be corrected.
* Set specific dates for control and follow up.
* Draw up a table of the advantages and disadvantages of a strategy.
* Decide on the desired outcome.
* Consider the impact of the strategic implementation in the internal and external environments of the business.

12. **Advantages of intensive strategies**

* Increased market share reduces the business's vulnerability to actions of competitors.
* Increase in sales/income and profitability.
* Improved service delivery may improve business image.
* Businesses may have more control over the prices of products/services.
* Gain loyal customers through effective promotion campaigns.
* Decrease in prices may influence customers to buy more products.
* Regular sales to existing customers may increase.
* Eliminate competitors and dominate market prices.
* Enables the business to focus on markets/well researched quality products that satisfy the needs of customers.

13.

* ***Market*** penetration
* ***Market*** development
* ***Product*** development

14.

* Application of SWOT analysis/PESTLE/Porter's Five Forces/environmental scanning of the business environments.
* Formulate strategies to meet objectives/Develop measurable strategic

goals/ objectives.

* Implement strategies using action plans, etc.
* Evaluation of strategies/Compare the expected performance with the actual

performance/ Measure business performance in order to determine the reasons for deviations and analyse these reasons, etc.

15.

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| **CHALLENGE**  **15.1** | **PESTLE ELEMENT**  **15.2** | **RECOMMENDATIONS**  **15.3** |
| (a) The profitability of the business has decreased due to high inflation rates | Economical | Reduce the profit margin  Cut down on unnecessary spending |
| (b) low income levels of customers | Social | Offer learnerships/bursaries to members of the community  Offer skills development programmes. |
| (c) MJF had to pay a heavy fine because they did not renew their trading licence in time. | Legal | Renew the trading licence on time.  Review the administrative clerk’s job description.  Diarise the renewal date and follow up with the administrative clerk. |

16.1 **Power of buyers:**

* Businesses must assess how easy it is for its buyers/ customers to drive prices down.
* Determine the number of buyers/ the importance of each buyer to the business and the cost of switching to other products.
* A few powerful buyers are often able to dictate terms to the business.
* Buyers buying in bulk can bargain for prices in their favour.
* If buyers/customers can do without the business’s products they may have more power to determine the prices and terms of sale.
* Conduct market research to gather more information about its products.

16.2 **Competitive rivalry:**

* If competitors have a unique product/service, they have greater power/impact on the market.
* Draw up a competitors profile of each similar business in the area to determine its strength/ Business should determine how many competitors there are and how influential they are in the market.
* If a business has many competitors with similar products, the business will have very little power in the market.
* Some businesses have the necessary resources to start price wars and continue selling at a loss until some/all competitors leave the market.

17.

* P- Political
* E- Economical
* S- Social
* T- Technology
* L- Legal
* E- Environmental

18. Backward integration

Motivation:

GSS merged with Clear Beverages/ a supplier of soft drinks**.**

19.1 **Divestiture/ Divestment**

* The business disposes/sells some assets/divisions that are no longer profitable/ productive.
* Businesses may sell off divisions/product lines with slow growth potential.
* The business sells ownership by decreasing the number of shareholders.
* Unproductive assets are sold to pay off debts.
* Process used to withdraw its investment in another business (divesting).

19.2

**Market penetration**

* New products penetrate an existing market at a low price, until it is well known to the customers and then the prices increases.
* It is a growth strategy where businesses focus on selling existing products to existing markets.
* Focuses on gaining a larger share of the market by reducing prices to increase sales/increasing advertising and promotion.

**Market Development**

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* This strategy involves finding new markets and new ways to distribute product.

**Product Development**

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20.

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| **INDUSTRIAL ANALYSIS TOOL**  **20.1** | **QUOTING FROM THE SCENARIO**  **20.2** |
| SWOT analysis | The vision of the business was not communicated to the employees. |
| Porters’ Five Forces | Cheetahs construction charges low prices per square metre for the same amount of work. |
| PESTLE analysis | The increasing fuel levy announced by the Minister of Finance has impacted negatively on the profits. |

21.

* Power of buyers
* Power of competitors/Competitive rivalry
* Threat of substitution/substitutes
* Threat/Barriers of new entrants to the market
* Power of suppliers

22.1 Retrenchments

22.2 Liquidation

22.3 Market development

22.4 Conglomerate diversification

22.5 Horizontal integration

23.

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24.

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| **CHALLENGE**  **24.1** | **PESTLE ELEMENT**  **24.2** |
| The business' profitability has decreased as a result of high interest rates | Economical |
| use of computerized machinery that has to be constantly updated | Technological |
| RC uses harmful chemicals when preparing their clothes for production. | Environmental |