



SUBJECT and GRADE	Business Studies Grade 12
TERM 1	<i>Week 7</i>
TOPIC	Application of the industrial analysis tools: SWOT analysis, Porter's Five Forces and PESTLE
AIMS OF LESSON	<p>At the end of this lesson, you should be able to:</p> <ul style="list-style-type: none">• Compile a SWOT analysis• Name and identify the elements of Porter's Five forces model• Apply Porter's Five Forces model• Name and apply PESTLE analysis factors• Explain how PESTLE factors pose challenges to businesses• Recommend ways in which businesses can deal with the challenges that are posed by PESTLE factors
RESOURCES	<p><i>Paper based resources</i></p> <ul style="list-style-type: none">• <i>WCED Grade 12 Business Studies Core Notes (2020): p. 31 - 34</i>• <i>BSTD Revision for the Final Exam Workbook (2019): Environments</i>• <i>Via Afrika Business Studies Grade 12 Learner's Book</i>• <i>Platinum Business Studies Grade 12 Learner's Book</i>• <i>Oxford Successful Business Studies Grade 12 Learner's Book</i>• <i>Solutions for a Business Studies Grade 12 Learner's Book</i>• <i>Focus Business Studies Grade 12 Learner's Book</i>

INTRODUCTION

- In grade 10 you were introduced to the SWOT analysis. This is an analysis tool used in the Micro environment of a business.
- Read the case study below and complete the SWOT analysis in your workbooks by quoting from the scenario.

ZETTIE'S BOUTIQUE

Zettie is the owner of Zettie's Boutique, situated in Parow. She sells affordable suits for ladies and gentlemen as well as imported shoes and designer jackets. She has a degree in business management and her sales manager has a diploma in marketing. The demand for her products has increased so much that she has opened new branches in Hermanus and Paarl

Shelly's Boutique that sold designer clothing in Hermanus and Paarl has closed both their branches.

The municipalities in two of the cities have shortened trading time by one hour and increased their levies on rates.

Regular increases in the fuel price have increased transportation cost between branches. The overall impact has been that there is a decrease in the profits of the boutique.

Zettie has employed John, a new cashier with no experience. John treats customers unprofessionally.

Draw the template of a SWOT analysis in your workbook and **quote** two **STRENGTHS**, two **WEAKNESSES** as well as one **OPPORTUNITY** and one **THREAT**.



Remember! You **MUST** quote directly from the text! **DO NOT** use your **OWN WORDS**

STRENGTHS	WEAKNESSES
• •	• •
OPPORTUNITIES	THREATS
•	•

- As you know a Business is affected by what happens within the business (also called the micro environment), and outside of the business (the market and macro environments)
- Now to determine the impact of the elements of the market and macro environments on the business we will use the Porter's Five Forces and PESTLE analysis tools.

CONCEPTS AND SKILLS		CAN YOU?															
	<p>Porters five forces</p> <ul style="list-style-type: none"> Business use the Porters five forces model to analyse their position in the market. According to Porter five elements can be used to determine a Business's place in the market. These forces are: <table border="1" data-bbox="491 321 1308 1243"> <tr> <td data-bbox="491 321 787 505"> Competitive rivalry <i>Refers to the number of competitors and their ability to influence the market.</i> </td> <td data-bbox="787 321 1079 505"> <ul style="list-style-type: none"> Number of competitors Quality differences Customer loyalty </td> <td data-bbox="1079 321 1308 505"> <i>e.g. Many competitors will drive prices down</i> </td> </tr> <tr> <td data-bbox="491 505 787 688"> Power of buyers <i>The business must assess how easy it is for buyers/customers to drive prices down.</i> </td> <td data-bbox="787 505 1079 688"> <ul style="list-style-type: none"> Number of customers Size of each order Ability to substitute </td> <td data-bbox="1079 505 1308 688"> <i>e.g. fewer customers will drive prices up</i> </td> </tr> <tr> <td data-bbox="491 688 787 872"> Power of suppliers <i>Refers to the extent to which suppliers can influence prices.</i> </td> <td data-bbox="787 688 1079 872"> <ul style="list-style-type: none"> Number of suppliers Size of suppliers Uniqueness of product/service </td> <td data-bbox="1079 688 1308 872"> <i>e.g. few suppliers can drive prices up</i> </td> </tr> <tr> <td data-bbox="491 872 787 1055"> Threat of new entry <i>Determine how easy it is for a new business to enter the market</i> </td> <td data-bbox="787 872 1079 1055"> <ul style="list-style-type: none"> Time and cost of entry Barriers to entry Specialist knowledge </td> <td data-bbox="1079 872 1308 1055"> <i>e.g. if a business can enter the market easily, it may drive prices down</i> </td> </tr> <tr> <td data-bbox="491 1055 787 1239"> Threat of substitution <i>Buyers preparedness to substitute your product</i> </td> <td data-bbox="787 1055 1079 1239"> <ul style="list-style-type: none"> Cost of change Uniqueness of product Substitute performance </td> <td data-bbox="1079 1055 1308 1239"> <i>e.g. if your product is unique, the price will not be influenced.</i> </td> </tr> </table> <p>PESTLE ANALYSIS</p> <p><i>You need to name the PESTLE factor, identify challenges of each factor and make recommendations to businesses on ways to deal with the identified challenges.</i></p> <p><i>You will find notes on this topic on page 33 and 34 of the core notes.</i></p>	Competitive rivalry <i>Refers to the number of competitors and their ability to influence the market.</i>	<ul style="list-style-type: none"> Number of competitors Quality differences Customer loyalty 	<i>e.g. Many competitors will drive prices down</i>	Power of buyers <i>The business must assess how easy it is for buyers/customers to drive prices down.</i>	<ul style="list-style-type: none"> Number of customers Size of each order Ability to substitute 	<i>e.g. fewer customers will drive prices up</i>	Power of suppliers <i>Refers to the extent to which suppliers can influence prices.</i>	<ul style="list-style-type: none"> Number of suppliers Size of suppliers Uniqueness of product/service 	<i>e.g. few suppliers can drive prices up</i>	Threat of new entry <i>Determine how easy it is for a new business to enter the market</i>	<ul style="list-style-type: none"> Time and cost of entry Barriers to entry Specialist knowledge 	<i>e.g. if a business can enter the market easily, it may drive prices down</i>	Threat of substitution <i>Buyers preparedness to substitute your product</i>	<ul style="list-style-type: none"> Cost of change Uniqueness of product Substitute performance 	<i>e.g. if your product is unique, the price will not be influenced.</i>	<p>CAN YOU?</p> <p><i>Determine how the other examples may impact the business's place in the market.</i></p> <p><i>So? What can the business do?</i></p> <p>They can improve</p> <p><i>Analyse the market environment of Farah's Events using the Porter's Five Forces model.</i></p> <div data-bbox="1398 773 1934 1239" style="border: 1px solid black; padding: 5px;"> <p>FARAH'S EVENTS</p> <p>Farah's Events specialises in catering for weddings. Despite Farah's high prices, she has many customers due to excellent service and stylish decor. It was easy to start her business, as she only needed a trading license and a small amount of capital. Farah's Events buys all her products from West Coast Ltd, who is the only provider of wedding decorations and materials in this industry. Helena's Party Planners, who operates in the same area, offers similar services at affordable prices.</p> </div> <p>Remember! You must also advise Business on ways to</p>
Competitive rivalry <i>Refers to the number of competitors and their ability to influence the market.</i>	<ul style="list-style-type: none"> Number of competitors Quality differences Customer loyalty 	<i>e.g. Many competitors will drive prices down</i>															
Power of buyers <i>The business must assess how easy it is for buyers/customers to drive prices down.</i>	<ul style="list-style-type: none"> Number of customers Size of each order Ability to substitute 	<i>e.g. fewer customers will drive prices up</i>															
Power of suppliers <i>Refers to the extent to which suppliers can influence prices.</i>	<ul style="list-style-type: none"> Number of suppliers Size of suppliers Uniqueness of product/service 	<i>e.g. few suppliers can drive prices up</i>															
Threat of new entry <i>Determine how easy it is for a new business to enter the market</i>	<ul style="list-style-type: none"> Time and cost of entry Barriers to entry Specialist knowledge 	<i>e.g. if a business can enter the market easily, it may drive prices down</i>															
Threat of substitution <i>Buyers preparedness to substitute your product</i>	<ul style="list-style-type: none"> Cost of change Uniqueness of product Substitute performance 	<i>e.g. if your product is unique, the price will not be influenced.</i>															

ACTIVITIES/ASSESSMENT	<p>You will find activities on these topics in your textbooks. Please refer to the section on Industrial analysis tools for activities. You can also find good exercises on these topics in previous examination papers.</p> <p>Below are questions on these topics you can find in previous papers:</p> <table border="1" data-bbox="485 272 844 532"> <thead> <tr> <th>Examination</th> <th>Questions</th> </tr> </thead> <tbody> <tr> <td>Nov 2018</td> <td>6.1</td> </tr> <tr> <td>Nov 2017</td> <td>2.3 and 2.5</td> </tr> <tr> <td>Nov 2016</td> <td>7</td> </tr> <tr> <td>March 2018</td> <td>2.5</td> </tr> <tr> <td>March 2017</td> <td>6.1</td> </tr> <tr> <td>March 2016</td> <td>2.1</td> </tr> </tbody> </table>	Examination	Questions	Nov 2018	6.1	Nov 2017	2.3 and 2.5	Nov 2016	7	March 2018	2.5	March 2017	6.1	March 2016	2.1
Examination	Questions														
Nov 2018	6.1														
Nov 2017	2.3 and 2.5														
Nov 2016	7														
March 2018	2.5														
March 2017	6.1														
March 2016	2.1														
CONSOLIDATION	<ul style="list-style-type: none"> This lesson dealt with the Gr 12 Industry analysis tools as set out in the Gr12 Examination Guidelines. Understanding the content should enable you to apply the knowledge and skills required to successfully answer questions based on these topics in all Formal Assessment Tasks. You should be able to identify challenges in the micro, market and macro environments, link it to the elements of the SWOT-analysis, Porters five forces model and PESTLE-analysis and advise business or make recommendations on how to address these challenges. Thank you for spending time to work through this lesson and the prescribed content. Remember: <i>“Success is no accident. It is hard work, perseverance, learning, studying, sacrifice, and most of all, love of what you are doing or learning to do.” – Pele</i> 														
VALUES	<ul style="list-style-type: none"> <i>Caring: You are our most important clients in the educational landscape, therefore it’s important that that we provide you with the necessary resources for self-directed study.</i> <i>Responsiveness: It’s our responsibility to make sure that quality lesson plans are developed timeously and distributed to you.</i> <i>Competence: After working through the lesson plans you should be able to demonstrate the skills and knowledge acquired, to complete the required assessments tasks successfully.</i> 														
ACTIVITY ANSWERS	<p>Baseline Activity: SWOT-analysis</p> <table border="1" data-bbox="583 1190 1934 1481"> <thead> <tr> <th>STRENGTHS</th> <th>WEAKNESSES</th> </tr> </thead> <tbody> <tr> <td> <ul style="list-style-type: none"> She sells affordable suits for ladies and gentlemen imported shoes and designer jackets She has a degree in business management her sales manager has a diploma in marketing she has opened new branches in Hermanus and Paarl </td> <td> <ul style="list-style-type: none"> have increased transportation cost there is a decrease in the profits of the boutique Zettie has employed John, a new cashier with no experience John treats customers unprofessionally </td> </tr> </tbody> </table> <p>Please note!! You must</p>	STRENGTHS	WEAKNESSES	<ul style="list-style-type: none"> She sells affordable suits for ladies and gentlemen imported shoes and designer jackets She has a degree in business management her sales manager has a diploma in marketing she has opened new branches in Hermanus and Paarl 	<ul style="list-style-type: none"> have increased transportation cost there is a decrease in the profits of the boutique Zettie has employed John, a new cashier with no experience John treats customers unprofessionally 										
STRENGTHS	WEAKNESSES														
<ul style="list-style-type: none"> She sells affordable suits for ladies and gentlemen imported shoes and designer jackets She has a degree in business management her sales manager has a diploma in marketing she has opened new branches in Hermanus and Paarl 	<ul style="list-style-type: none"> have increased transportation cost there is a decrease in the profits of the boutique Zettie has employed John, a new cashier with no experience John treats customers unprofessionally 														

OPPORTUNITIES	THREATS
<ul style="list-style-type: none"> • The demand for her products has increased • she has opened new branches in Hermanus and Paarl • Shelly's Boutique that sold designer clothing in Hermanus and Paarl has closed both their branches 	<ul style="list-style-type: none"> • The municipalities in two of the cities have shortened trading time by one hour • increased their levies on rates • Regular increases in the fuel price

Porter's Five Forces model

FORCE	ELEMENT FROM SCENARIO	ADVICE
Power of buyers	<ul style="list-style-type: none"> • Despite Farah's high prices, she has many customers due to excellent services and stylish decor. 	She can improve her market share by a rigorous marketing campaign
Barriers to entry	<ul style="list-style-type: none"> • It was easy for Farah to start her business because it required a small amount of capital • And only a trading license. 	Try to increase market share by diversifying, e.g. a wider variety of events
Competitive rivalry	<ul style="list-style-type: none"> • Farah may be stronger than Helena's Party Planners, as she renders excellent services. • Despite Farah's high prices she has more customers than her competitors. 	Try to improve market share by diversifying, e.g. introduce a wider range of products and services
Power of suppliers	<ul style="list-style-type: none"> • West Coast Ltd has more power over Farah's Events, since West Coast Ltd is the only supplier in the market • West Coast Ltd can easily increase the prices of their services. 	Farah can try to produce some of the products herself or to get the services of suppliers in other areas
Threat of substitutes	<ul style="list-style-type: none"> • Some customers may prefer to organise traditional wedding ceremonies on their own, which may not require the services of Farah's Events. 	Include traditional ceremonies in the product she offers