New Venture Creation: NCV Level 2
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Module 1: The business environment

Module 2: The markets & needs for a new venture

Module 3: Financial requirements for a new venture
Module 1
The business environment
In Module 1 we shall be covering:

- the structure and roles of different organisations within their own industry in South Africa
- the concept of a market and how to market products and services
- what market positioning is
- the role of professional associations in the business sector
The 3 types of organisations operating in South Africa

- Private business organisations
- Government organisations
- Non-profit organisations
Government (public) organisations

- offer goods & services to the public
- sometimes compete with private business
- are fully or partly owned by the State (the government)
One example of a government or public-owned organisation is
Another example is
The role of government organisations

- facilitating economic growth by providing finance to ‘would be’ entrepreneurs
- protecting the public against malpractice by private organisations (e.g. Public Protector)
- providing specialised services (e.g. National Lottery)
The role of government organisations

Providing Essential Services

- Electricity
- Refuse removal

?
The role of government organisations

Providing Infrastructure

Sanitation (sewage)

Rail links

?
Non-profit organisations

- aim to uplift & provide support to communities
- do not seek profits
- rely on financial support from the communities they serve
- are privately managed by community groups e.g. churches
One example of a non-profit organisation is
Another example is

......
The role of non-profit organisations

- providing specific medical support to people (e.g. Hospice)
- providing protection for animals (e.g. SPCA)
- protecting the environment (e.g. World Wildlife Fund – WWF)
- providing emergency relief in the case of natural disasters
- supporting the ‘arts’ in the country (e.g. Grahamstown Arts Festival)
- lobbying for specific causes (e.g. Treatment Action Campaign – TAG)
Business organisations

- are the driving force of any free-market economy
- accept risks in pursuit of profits
- offer products and/or services on the open market
An example of a business organisation that sells goods on the open market is
An example of a business organisation that sells services on the open market is
The role of business organisations

- staying in business
- helping to grow the economy
- creating wealth for the country
- creating employment opportunities
- paying taxes to the government
- providing important services
The value chain of a business
Inputs
- raw materials
- information

Transformation

Outputs
- products
- services
Core activities in the value chain

Purchasing → Production → Distribution → Marketing
Support activities in the value chain

- Procurement
- Technology development
- HR Management

Purchasing → Production → Distribution → Marketing
Key stakeholders in a business

- Customers
- Shareholders
- Employees
- Suppliers
- Government
- Community
Business categories

Primary Industries

Secondary Industries

Tertiary Industries
An example of a business sector in the primary category is
An example of a business sector in the secondary category is ………….
An example of a business sector in the tertiary category is
The contribution of these categories to the GDP of South Africa

- Primary, 11%
- Secondary, 24%
- Tertiary, 65%
### The contribution of the major business sectors to SA’s GDP

<table>
<thead>
<tr>
<th>Sector</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Services</td>
<td>20.1%</td>
</tr>
<tr>
<td>Manufacturing</td>
<td>19.5%</td>
</tr>
<tr>
<td>Govt Services</td>
<td>14.7%</td>
</tr>
<tr>
<td>W/sal/retail</td>
<td>13.9%</td>
</tr>
<tr>
<td>Transport</td>
<td>9.7%</td>
</tr>
<tr>
<td>Mining</td>
<td>7.4%</td>
</tr>
<tr>
<td>Personal Services</td>
<td>6.2%</td>
</tr>
<tr>
<td>Agriculture</td>
<td>3.7%</td>
</tr>
<tr>
<td>Construction</td>
<td>2.4%</td>
</tr>
<tr>
<td>Electricity/water</td>
<td>2.4%</td>
</tr>
</tbody>
</table>
Principles of business marketing

Business marketing is the decision and effort by a business to develop a need-satisfying product or service and sell it successfully to customers.

Key principles are:

● A **product** is manufactured

● A **service** is delivered

● Success will only happen if there is a **need** for the product or service e.g. a need for food, clothing, security or social contact

● Success is measured by making a **profit** while meeting the identified need
A **product:**

- is **tangible** – it can be seen, felt, held, tasted, smelt and owned
- is bought in exchange for something of value (e.g. money)
- normally comes in some kind of packaging
- is **owned** by the customer
A service:

- cannot be held, seen or touched – this is called service intangibility
- cannot be separated from the person providing it – this is called service inseparability
- will depend on how professional the person providing it is – this is called service variability
- Cannot be ‘stored’ for later use like a product – this is called service perishability
The principles of trade that define marketing

Needs, wants, demands

Exchange

Value
The difference between needs, wants & demands

- Needs
- Wants
- Demands
The 4 P’s of marketing

Product

Price

Place

Promotion
Promotion

- inform
- persuade
- remind

Advertising

In-store promotion

Direct Marketing

PR (sponsorship)

PR (brochures)

Personal Selling
Market positioning is based on the competitive advantage of a business – for example a superior .......... is the competitive advantage of Coca-Cola.
The *internal* strengths & weaknesses of a business

**Strengths**
- quality products
- cost effective manufacturing
- skilled & motivated employees
- strong brand identity in marketplace
- good business location

**Weaknesses**
- limited capital
- insufficient staff
- limited distribution capacity
- too few products
The *external* opportunities & threats for a business

**Opportunities**
- growth in chosen market
- increase in middle class income
- new distribution methods
- export market opening up

**Threats**
- new competitors entering market
- customer needs & wants changing
- labour unrest in country
- economic recession
Professional associations

- organisations to which professional people such as accountants, engineers, lawyers and teachers belong
- ensure standards of professional ethics & integrity are maintained amongst members
- provide professional training & accreditation for members
- provide access to networking opportunities and job information