

-YOUNG ENTREPRENEUR HOSTING ACADEMY-

National Certificate: New Venture Creation  
(SMME)

SAQA ID 49648 Level 2

## **FACILITATOR GUIDE**

### **Module 3**

#### **Market Requirements**

##### **Identify and demonstrate entrepreneurial ideas**

Unit Standard 119673 Level 2 Credits 7

##### **Match new venture opportunity to market needs**

Unit Standard 119669 Level 2 Credits 6

##### **Manage marketing and selling processes**

Unit Standard 119672 Level 2 Credits 7

##### **Apply the basic skills of customer service**

Unit Standard 114974 Level 2 Credits 2



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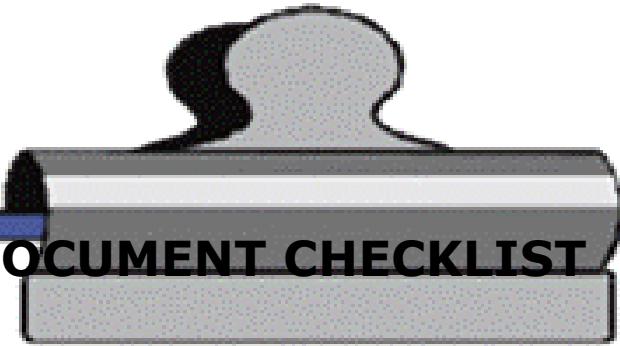
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## DOCUMENT CHECKLIST

Document	✓ / ✗
Strategy and alignment Matrix	
Learner Guides	
Learner Formative Assessment Workbooks	
Summative assessment guide	
Facilitator Guide	
Attendance Register	
Name Tags	
Hand-outs	
Course Evaluation Forms for learners	
Course/Venue Evaluation Forms for facilitator	
Additional Material	
Other:	
<b>Acknowledgement of receipt and preparations</b>	
Facilitators Name and Surname	
Facilitators Signature	
Date	

# YOUR ROLE AS FACILITATOR



You, as facilitator, need to ensure that learners have a thorough understanding of the topic presented. Learners must be able to further learning independently and apply their knowledge and skill in the workplace once they have completed the program.

In order to achieve this, you need to have:

*1. Knowledge of the subject/topic*

- ✓ Understand the requirements of the unit standard
- ✓ Be a Subject Matter Expert (SME) or know more than just the basics about the topic
- ✓ Be able to give examples of how to apply the content in the workplace

*2. Knowledge of the workplace*

- ✓ Be able to indicate how learners can/should apply their knowledge and skill in the workplace

*3. Knowledge of the course content*

- ✓ Be familiar with the material, layout and content of the course.
- ✓ Understand the linkage between the different guides and how they should be used.

*4. Knowledge and understanding of the methodology*

- ✓ Familiarise yourself with the content of the assessment guides and documents for this unit standard.
- ✓ Follow the assessment procedure correctly.
- ✓ Familiarise yourself with the preferred methodology that should be used.
- ✓ Prepare yourself accordingly.

# ***Training Venue and Training Aid Compliance***



Ensure that the following is in place:

## ***Facilitator is in possession of:***

- ✓ Facilitator Guide,
- ✓ Learner Guide,
- ✓ Assessment Guide
- ✓ Attendance Register for each training day
- ✓ Handouts, if applicable

## ***Learners are in possession of:***

- ✓ Learner Guides
- ✓ Assessment Guides

## ***Training Venue contains:***

- ✓ Dictionaries, if available
- ✓ A chair for each learner
- ✓ A desk with sufficient seating space for each learner
- ✓ Paper, pens and pencils for all learners
- ✓ A flip chart stand with flip chart sheets
- ✓ A PC for the slide shows
- ✓ Prestik
- ✓ Whiteboard and permanent markers (3 different colours each)
- ✓ Sufficient ventilation or air-conditioning
- ✓ Schedule of training and relaxation times
- ✓ Name tags for each learner
- ✓ List of classroom conduct, including:
  - Smoke breaks
  - Body breaks
  - Cell phone etiquette
  - General classroom etiquette

# **Structure and Strategy of the Programme**

## **The Facilitator Guide**



It guides you through the duration of the Learning Programme;

As a training aid it contains activities that will assist you in transferring the knowledge and skills as stipulated in the SAQA required specific outcomes and assessment criteria

### **How to use your Facilitator Guide**

The Facilitator Guide contains the essential information to cover the outcomes as stipulated for this Unit Standard. As such, the content of the Learner Guide has to be covered completely.

This learning programme is divided into sections. Each section is preceded by a description of the required outcomes and assessment criteria as contained in the unit standards specified by the South African Qualifications Authority.

These descriptions will define what the learners have to know and be able to do in order to be awarded the credits attached to this learning programme. These credits are regarded as building blocks towards achieving a National Qualification upon successful assessment.

### **Programme Introduction**

The following introductory actions are to be taken upon commencement of the programme:

- ✓ Facilitate him/herself to the learners
- ✓ Let the delegates introduce themselves individually.
- ✓ Give a brief comment after each introduction and welcome the delegate before moving to the next delegate. Give full attention to each delegate as they introduce themselves.
- ✓ Let the participants know what time the breaks are, and for how long. Don't forget lunch time. Tell them where the toilets are and what time you intend to finish.
- ✓ Ensure all administrative tasks such as completion of attendance registers, learner detail forms and the like are completed before the programme commences.

### **Transition**

- ✓ Begin with an appropriate activity, such as an icebreaker, a story or a statement.
- ✓ Ask learners to state their expectations of the course and write them down on a flipchart/whiteboard and put up where visible for duration of course.

### **State Course Outcomes**

- ✓ Go through the objectives and the content before you proceed with your programme.
- ✓ This learning programme introduces a holistic approach to the subject matter presented in this manual, as an introduction to applying acquired knowledge and skills in the workplace.

### **Group and Individual Activities**

A certain level of collective general knowledge can be assumed in any group. Encourage lively discussion in class during group activities. Discussions can take the form of brainstorming if necessary.

Ensure that shy and quiet learners are also drawn into the discussion, as learners will have to learn to start thinking for themselves and taking control of the learning process in order to achieve all the outcomes.

All the conclusions made during group activities have to be noted down by learners in order to achieve all the outcomes. Their notes will form part of formative and summative assessments

Teamwork is important in all the unit standards. Divide the learners into groups and make it clear to them that they have to stay in these groups for the duration of the qualification. They have to learn to cope with conflict and with each other even if they do not get along together, since they will not have any say as to who they will be working with when they find themselves in a working environment.

## Timelines and Lesson Plans



<b>SAQA US ID</b>	<b>UNIT STANDARD TITLE</b>		
114974	Apply the basic skills of customer service		
<b>Institutional Learning Duration</b>	<b>Structured Workplace Learning Duration</b>	<b>NQF LEVEL</b>	<b>CREDITS</b>
Hours	Hours	Level 2	2
<b>SAQA US ID</b>	<b>UNIT STANDARD TITLE</b>		
119672	Manage marketing and selling processes		
<b>Institutional Learning Duration</b>	<b>Structured Workplace Learning Duration</b>	<b>NQF LEVEL</b>	<b>CREDITS</b>
Hours	Hours	Level 2	7
<b>SAQA US ID</b>	<b>UNIT STANDARD TITLE</b>		
119673	Identify and demonstrate entrepreneurial ideas		
<b>Institutional Learning Duration</b>	<b>Structured Workplace Learning Duration</b>	<b>NQF LEVEL</b>	<b>CREDITS</b>
Hours	Hours	Level 2	7
<b>SAQA US ID</b>	<b>UNIT STANDARD TITLE</b>		
119669	Match new venture opportunity to market needs		
<b>Institutional Learning Duration</b>	<b>Structured Workplace Learning Duration</b>	<b>NQF LEVEL</b>	<b>CREDITS</b>
Hours	Hours	Level 2	6

## **Lesson Plan**

### **Set-up of room:**

- ✓ Ensure that room is set up in a u-shape and that all delegates will be able to see flipchart / set up that the learners can easily work in small groups
- ✓ Hand out the learner guides / manuals and learner PoE workbooks (1 each per learner)
- ✓ Attendance register – hand out daily for the learners to complete
- ✓ Ensure that each learner has a name card
- ✓ Water and glasses
- ✓ Check with the kitchen / caterer to confirm tea times and lunchtime

<b>INTRODUCTORY ACTIVITY</b>	<b>1 hour</b>
<p><b>Welcome and Introductions:</b></p> <p><b>Welcome</b> the learners to the programme.</p> <p><b>Briefly</b> go round the room, allow them to <b>introduce themselves</b>.</p> <p><b>Start</b> with a suitable ice-breaker. Refer to the Ice-breaker in the Learner Workbook.</p> <p><b>Ask</b> the group:</p> <ul style="list-style-type: none"><li>✓ What do you understand about the programme?</li></ul> <p><b>Flipchart</b> responses and stick the sheets up in full view of the group</p> <p><b>Inform</b> the learners that this skills programme is aligned to the Unit Standard (quote the number and title)</p> <p><b>Briefly Discuss</b> the modules of the learner guide.</p> <p><b>Point out</b> that the module is outcomes based which means that each individual has to show their competence in a number of areas.</p> <p><b>Explain</b> that throughout the day there will be a number of activities to complete in the <b>Learner Workbook</b> and that those learners who will be doing the formal assessment to gain credits against this unit standard(s) will be issued with a further document – the <b>Learner Portfolio of Evidence Guide</b>, which contains a number of further activities that they will need to complete at the end of the programme and within the workplace to demonstrate their competence.</p>	

<b>SECTION 1:</b>	<b>3.5 hours</b>
Lecture and discussions:  <b>Section 1</b> –Turn to the relevant page in the Learner Guide and discuss the key learning outcomes:	3 hours
Exercises and formative assessments:  <b>Formative Assessments</b>  Refer to the required page in the learner Activity Workbook. Work through the activity with the group and make sure they understand what they need to do.  Follow guidelines provided in the FG for the completion of the activities  <b>Debrief</b> - Ask if there are any questions and allow for some discussion	30 minutes

<b>SECTION 2:</b>	<b>3 hours</b>
Lecture and discussions  <b>Section 2</b> –Turn to the relevant page in the Learner Guide and discuss the key learning outcomes:	2.5 hours
Exercises and formative assessments  <b>Formative Assessments</b>  Refer to the required page in the learner Activity Workbook. Work through the activity with the group and make sure they understand what they need to do.  Follow guidelines provided in the FG for the completion of the activities  <b>Debrief</b> - Ask if there are any questions and allow for some discussion	30 minutes



<b>SECTION 3:</b>	<b>1.5 hours</b>
Lecture and discussions  <b>Module 3</b> –Turn to the relevant page in the Learner Guide and discuss the key learning outcomes:	1 hours
Exercises and formative assessments  <b>Formative Assessments</b>  Refer to the required page in the learner Activity Workbook. Work through the activity with the group and make sure they understand what they need to do.  Follow guidelines provided in the FG for the completion of the activities  <b>Debrief</b> - Ask if there are any questions and allow for some discussion	30 minutes

Revision	30 minutes
Summative questionnaire	30 minutes



## **Summative Activities**

Learners who want to gain credits for the unit standard/s completed, must complete all the summative activities. These include:

- ✓ Summative Test/Knowledge questions (completed during the facilitation session)
- ✓ Workplace assessments (completed and submitted after the facilitation session): discuss the completion of workplace assessments with the learners
- ✓ Workplace Logbook (completed and submitted after the facilitation session)

In order to submit the required evidence for the Portfolio-of-Evidence, learners need to complete all summative activities and attach it to the relevant records.

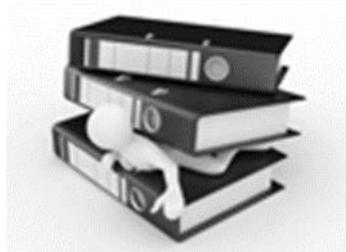
## **Course Content**

The course content covers all the basics required for learners to achieve the outcomes, however, at times there is information that learners will have to obtain by themselves.

To this end, a glossary is also not included in the course material. It is expected of learners to compile their own glossaries, which will form part of outcomes for communication unit standards. Please encourage them to start compiling glossaries as soon as possible. The glossaries can be simple: they need only quote the word and the meaning, as long as they understand what it means.

Learners are required to start thinking for themselves and take control of the learning process as soon as possible. To this end, research projects will form part of some assessments.

## **Class Activities**



During and after the initial training the learner will be required to complete a number of class activities. These activities will be both individual and group activities. The activities are numbered and are to be included in the learner's portfolio of evidence. These activities will measure the progress of the learner through the programme. For authenticity reasons these activities must be handwritten, unless indicated otherwise.

# **Assessment**



The process of assessment of competency should be explained in detail to learners upon commencement of course. The following statements should be made:

Attending the training is not sufficient evidence of competence to award a certificate and the credits attached to this programme. Learners are required to undergo assessment in order to prove competence in order to be awarded the credits attached to this programme, eventually leading to a national qualification.

## ***Explain the concept ‘Competence’***

Competence is the ability to perform whole work roles, to the standards expected in employment, in a real working environment.

There are three levels of competence:

- ✓ **Foundational competence:** an understanding of what you do and why
- ✓ **Practical competence:** the ability to perform a set of tasks in an authentic context
- ✓ **Reflexive competence:** the ability to adapt to changed circumstances appropriately and responsibly, and to explain the reason behind the action

Generally speaking, in the past, education and training institutions became accustomed to awarding certificates based on the amount of time spent in a classroom or training room. In addition, learners were assessed by means of an examination that tested memory as opposed to actual competence. This meant that many learners were awarded certificates and even whole qualifications without ever having to demonstrate that they were able to practically apply their knowledge and skills.

Now, based on the principles of the National Qualifications Framework, in order for the learners to receive a certificate of competence and be awarded credits, they are required to provide evidence of their competence by compiling a portfolio of evidence, which will be assessed by a Service Provider assessor.

## ***Explain the concept ‘Portfolio of Evidence’***

A portfolio of evidence is a structured collection of evidence that proves the learner’s efforts, progress and achievement in a specific learning area, and demonstrates competence.

## ***Explain the Assessment Process***

Assessment of competence is a process of making judgments about an individual's competence through matching evidence collected to the appropriate national standards. That is why the evidence in the learner's portfolio should be closely linked to the outcomes and assessment criteria of the unit standards against which the learners are being assessed.

Ideally, formative assessments should minimise the need for re-assessment as the assessor and the candidate will agree to a summative assessment only when they both feel the candidate is ready.

However, candidates who are deemed not yet competent on a summative assessment will be allowed to be re-assessed no more than two times.

When learners have to undergo re-assessment, the following conditions will apply:

- ✓ Specific feedback will be given so that candidates can concentrate on only those areas in which they were assessed as not yet competent
- ✓ Re-assessment will take place in the same situation or context and under the same conditions as the original assessment
- ✓ Only the specific outcomes that were not achieved will be re-assessed

Candidates who are repeatedly unsuccessful will be given guidance on other possible and more suitable learning avenues.

In order for the assessor to assess competence, the portfolio should provide evidence of both knowledge and skills, and of how knowledge and skills were applied in a variety of contexts.

This Candidate's Assessment Portfolio directs the learner in the activities that need to be completed so that competence can be assessed and the credits attached to the programme be awarded.

- ✓ The assessment requirements for this programme are stated at the beginning of each section.

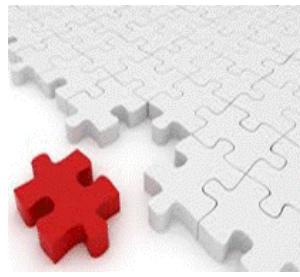
The right of the candidate to appeal against assessment decisions or practices they regard as unfair. An Appeals and Disputes procedure is in place and communicated to all assessment candidates prior to assessment in order for them to appeal on the basis of:

- ✓ Unfair assessment
- ✓ Invalid assessment
- ✓ Unreliable assessment
- ✓ Unethical practices
- ✓ Inadequate expertise and experience of the assessor

Appeals have to be lodged in writing (Candidate Appeal Form) & submitted to the internal moderator within 48 hours, following the assessment in question. The moderator will consider the appeal & make a decision regarding the granting of a re-assessment. The learner will be informed about the appeal-outcome within 3 days of lodging the appeal. Should the learner not be satisfied with the internal appeal outcome, the learner will be advised of the rights to refer the matter to the SETA ETQA.

All the required forms and explanations are included in the assessment guide.

## ***Upon Completion of the Programme***



The facilitator should:

- ✓ Ensure that all learners have completed all Learner Administration documentation, including the Learner Evaluation (of the Facilitator) forms
- ✓ All attendance registers have been completed correctly
- ✓ All Learners are in possession of a:
  - Learner Guide
  - Assessment Guide
  - Clear Instructions as to the subsequent activities leading to assessment, moderation and certification



# **FORMATIVE ASSESSMENT WORKBOOK**

## ***Unit Standard 119673***

### **Activity 1 (SO1 AC1-4): class discussion**

1. Think of all the reasons why one would start a business.

**Any valid reasons coming out of the group, such as want to be own boss, cannot find a suitable job, etc**

2. Discuss the difference between needs and wants and give examples:

**Needs are the things that help us to survive**

**Wants are not necessary for survival. They are things that we would like**

3. Discuss the following businesses in terms of needs, wants and adding value:

3.1. Hairdresser: what needs does s/he satisfy? What wants does s/he satisfy? How does s/he add value?

**Needs any valid needs, such as having hair cut neatly, etc.**

**Wants any valid wants, such as having hair done in fashion styles and colours**

**Value added improving condition of hair, what hair looks like, what person looks like, etc.**

3.2. What are the inputs used?

**washbasins, shampoo, hair dryers, scissors, etc.**

3.3. What are the processes involved

**washing, cutting, colouring, drying**

3.4. What are the outputs produced

**neatly styled hair**

4. Taxi: what needs does s/he satisfy? What wants does s/he satisfy? How does s/he add value?

4.1. Needs

**Need to get to work and back home**

4.2. Wants

**want to leave later than would be possible on bus, collection and drop off points closer than bus, etc.**

4.3. Value added

**less travel time to and from work, collection points closer to work and home, should be able to travel in more comfort – although this is not always the case**

4.4. What are the inputs used?

**vehicle, driving skills, fuel, oil, etc**

4.5. What are the processes involved

**travel to town and back**

4.6. What are the outputs produced

**passengers collected and delivered close to home and work**

5. Hawker selling fruit and vegetables: what needs does s/he satisfy? What wants does s/he satisfy? How does s/he add value?

5.1. Needs

**need to eat**

5.2. Wants

**want to buy vegetables without standing in shop queues, etc**

5.3. Value added

**packed in smaller quantities, close to stations, bus stops, etc.**

5.4. What are the inputs used?

**Vegetables in bulk, plastic bags**

5.5. What are the processes involved

**packing bulk vegetables into smaller bags**

5.6. What are the outputs produced

**vegetables packed in quantities that suit customers**

## Activity 2 (SO1 AC 4): work in pairs

As part of your pre training assignments you were requested to: observe, list and describe at least three small businesses situated in the area in which you live or work.

In groups, discuss your findings. Make notes of the three businesses in terms of:

Name of business	Type of business – what do they do or sell
<b>make sure that learners work from their pre-training assignments</b>	

You were also requested to identify a successful entrepreneur and do research about this entrepreneur. In groups, discuss the entrepreneurs you identified:

Name of entrepreneur	Why do you think he is successful
	<b>make sure that learners work from their pre-training assignments</b>

## Activity 3 (SO1 AC 6): group discussion

Discuss the following questions and note your conclusions.

How many passengers do you think a female taxi driver will be able to collect?

**There is no correct answer, but a female taxi driver will struggle to find passengers**

You run a driver training centre, specialising in training taxi drivers. Do you think they will accept that a white woman can test their driving abilities?



**There is no correct answer, but the answer is probably no**

How many female customers would a male beautician have?

**There is no correct answer, but a male beautician will not have as many customers as a female beautician**

Would a man feel comfortable about visiting a female doctor?

**no**

In a group, discuss the ways of overcoming gender bias for the following:

Female taxi drivers

**Any valid answer for all the topics: such as trial periods for products or services, free demonstrations, etc -**

White woman testing driver's abilities

Women using a male beautician

Men visiting a female doctor

Identify gender barriers for your own business and explain what you would do to overcome these barriers.

**there must be some kind of gender barrier, check that the barrier and the understanding of the barrier is correct**

In a group, discuss cultural barriers that exist for your different business ideas. Also discuss ways of overcoming these barriers.

**Lead the discussion in the form of a brainstorming exercise. note the answers on the flip chart or white board and make sure that learners make notes for their own reference**

During your pre-training assignment you were requested to observe, list and describe at least three small businesses situated in the area in which you live or work.

In your groups, discuss the following about these businesses:

**Employment opportunities lead the discussions and make sure that the answers are valid in terms of the business discussed**

Why these businesses could fail

How these businesses could succeed

Who the customers of these businesses are

What needs these businesses fulfil

What wants these businesses fulfil

What value these businesses add to products or services

What the inputs are

What the processes are

What the outputs are

How to get feedback from customers

What cultural barriers exist for these businesses and how to overcome them

What gender barriers exist for these businesses and how to overcome them

What social barriers exist for these businesses and how to overcome them



## Activity 4 (SO1 AC1-8): individual activity

In your own words, explain what a business is.

**A business is any person, group of people or organisation that takes resources and turns them into products or offers a service to sell to meet a need in the market for a profit.**

What business do you want to start? Identify the business and then discuss the business in terms of needs, wants and value added.

business type

**check that the answers make sense and that the learner understands the concepts**

Needs

Wants

Value added

For your own business idea, discuss the inputs, processes and outputs of the business.

**What are the inputs used? check that the answers make sense and that the learner understands the concepts**

What are the processes involved at

What are the outputs produced

Discuss ways in which entrepreneurs create employment opportunities.

**check that the answers make sense and that the learner understands the concepts**

What employment opportunities will your business create?

**check that the answers make sense and that the learner understands the concepts**

Think about the business you want to start. List the advantages there will be for your business. Remember to quote examples of the advantages.

Advantage	Example
<b>check that the answers make sense and that the learner understands the concepts</b>	

Think about the business you want to start. List the disadvantages there will be for your business. Remember to quote examples of the disadvantages.

Disadvantage	Example
<b>check that the answers make sense and that the learner understands the concepts</b>	

List and describe at least two small businesses situated in the area in which you live or work. Discuss these businesses in terms of the following:

Type and name of business

check that the answers make sense and that the learner understands the concepts

What employment opportunities did these businesses create?

Why do you think these businesses are successful?

What do you think could you learn from these entrepreneurs?

What entrepreneurial characteristics do you think the owner of the business has?

Why do you think so?

In your own words, discuss the reasons that businesses fail and what you will do to make sure that your business is successful.

Owners working in the business:

**Learners should explain why this is wrong, e.g. not enough attention given to marketing activities, etc. successful business owners let others work in business, while they focus on growing and expanding the business**

Emotional decision-making:

**Learners should explain why this is wrong, e.g. wrong decisions made, etc. Successful business owners follow process to ensure correct decision is made.**

Unclear objectives

**Learners should explain why this is wrong, e.g. without objectives, will not be able to find out what you want and how to make business grow and succeed. Successful business owners have clear objectives and work hard to achieve them**

No monthly action plans

**Learners should explain why this is wrong, e.g. without action plans will not know what s/he is doing right, what s/he is doing wrong, how the business is doing, what corrective action to take, etc.. Successful business owners have monthly action plans and they use them to compare actual activity with planned activity so that corrective action can be taken in time**

A lack of systems

**Learners should explain why this is wrong, e.g. employees will not know what the correct way is of doing job, what is expected, etc. Successful business owners have systems so that everyone knows what is expected and also to be able to spot fraud, theft, etc.**

Bad buying

**Learners should explain why this is wrong, e.g. buying at too high a price could mean less or no profits, buying too low could sacrifice quality, etc.. Successful business owners shop around for the best quality at the best price**

Lack of capacity

**Learners should explain why this is wrong, if the business cannot deliver on time, customers are disappointed and will find another**



**supplier. Successful business owners know what the capacity should be and make sure that the business can deliver on time**

No understanding of how to price the goods you sell

**Learners should explain why this is wrong, incorrect prices could lead to business making loss or losing customers. Successful business owners make sure that they know what the market price of the product is, what profit they can expect and how to calculate selling prices**

No understanding of the difference between cash flow and profit

**Learners should explain why this is wrong, cash flow is money available to run business, profit is what is left after everything has been paid. Successful business owners know what their cash flow and profits are**

Too little money too start the business properly

**Learners should explain why this is wrong, if there is not enough money, deliveries will be late, customers will be disappointed, etc. Successful business owners make sure that they have enough money to run the business until the business makes a profit**

List and explain cultural, gender and social barriers that exist for your business idea. Also discuss ways of overcoming these barriers.

cultural barriers

**check that learners understand what cultural barriers are, as explained in the learner guide**

gender barriers

**check that learners understand what gender barriers are, as explained in the learner guide**

social barriers

**check that learners understand what social barriers are, as explained in the learner guide**

Discuss the need for a business plan: why is it necessary and what purpose will it have in terms of your small business?

**The business plan is a formal document in which you will give details of the plan of action you intend to follow in respect of your new venture.**

**Once you have drawn up the business plan, you will use it:**

**As a guideline to manage the business. You will use it to direct the business activities. The business plan is where you put your thoughts and ideas about the business in writing in the form of a formal plan. you will also use the business plan to compare the actual performance of your business against what you predicted it will do.**

**To apply for loans**

**To get partners to invest in the business**

**To apply for terms from suppliers**

**If you want to sell your business**

## Activity 5 (SO2 AC1,2): self-analysis

Select an idea for a new business venture. Do a self-analysis based on the following:

Characteristics required (Describe yourself)

Do you have the technical knowledge and skills

**this activity will be checked by the group – make sure that learners are honest with themselves and that the group's evaluation is fair**

Identify possible training needs in order to compensate for lack of knowledge and skills

Temperament: are you able to work with employees and customers?

Work ethic: are you willing to work hard?

Do you have a desire to take responsibility and be in control?

Do you have a preference for moderate risk?

Do you have a steady confidence in your ability to succeed?

Do you have a high level of energy?

Do you have an orientation toward the future?

Do you have a skill in organising?

Do you have a love of achievement?

Compare your findings in the group. Do your fellow students agree with you?

Here is another self evaluation exercise. Test your strengths and weaknesses by answering the following questions as truthfully as you can:

QUESTION	YES	NO
Are you willing to put your own money into the business?		
Are you a hard worker?		
Do you have enough faith in your business to believe that you can succeed?		
Are you good at selling? This is necessary for most businesses, trading, manufacturing or services		
Do you work well with other people?		
Are you good at communicating with other people?		
In a manufacturing business, can you make things?		
Do you want to be your own boss and do your own thing?		
Do you want to get out there and do something?		
Are you willing to learn?		
Do you have a good credit record or do you have a lot of bad debt?		

If, after having considered all these factors, you are still determined to go into business, you should check your weaknesses and take steps to improve on them.

On the basis of your analysis and group discussion, do an analysis of your strengths and weaknesses:

**check that learners used the questions given to help them complete this activity**

Use the following questions to guide you:

1. Do you know who your competitors are and what they charge for the products or service?
2. Do you have the experience and technical skills to do the jobs that your business needs?
3. Do you know how to set objectives?

4. Do you know how you want the work to be done? Do you have systems in place to make sure the work is done correctly?
5. Do you take time making decisions to ensure that you make the right decision?
6. Do you know who to buy from and at what price to buy?
7. Do you know how to price your products or service?
8. Do you know the difference between cash flow and profit?
9. Will you have enough money to start the business?
10. How much do you know about the industry that you want to start a business in?
11. Are you willing to learn about the industry?
12. Do you know who your customers will be?
13. Do you have a business plan?
14. Have you identified cultural, gender and social barriers to your business?
15. Have you identified ways of overcoming these barriers?
16. Do you have the self-discipline to work hard every day?
17. Are you logical, organised and responsible (good at getting things done)?
18. Are you confident?
19. Are you able to communicate with other people so that they understand you?
20. Are you sociable, with the ability to take leadership?
21. Are you flexible and adaptable or are you fixed in your way of doing things?
22. Are you quick to take opportunities (and ready to take risks)?
23. Are you hard-working, committed and determined ?
24. Will you be able to handle failure?
25. Are you individualistic (not afraid to stand out from the crowd)?
26. Are you creative and imaginative (always coming up with new ideas for the business)?
27. Do you have enough experience in the field you want to start your business in?
28. Do you have the willpower to help you make it through difficult times?
29. Do you know how to negotiate with suppliers?
30. Do you know how to mediate between staff?
31. Do you know how to be sociable with customers?
32. Do you know how to be convincing with prospects?
33. Do you think clearly under pressure?
34. Can you take criticism without being offended or defensive?
35. Do you use your time effectively?.
36. Do you have business skills?
37. Do you have leadership skills?
38. Do you have organisational skills? Are you good at controlling the work of others?

#### **Strengths**

**make sure that learners understand what strengths are and that they know what their own strengths are**

#### **Weaknesses**



**make sure that learners understand what weaknesses are and that they know what their own weaknesses are**

## Activity 6 (SO2, AC2-7): individual activity

Look at your business idea: what knowledge and skills do you need to make a success of your business? What strengths are required by the business? What are your strengths and weaknesses? Match your profile to the business opportunity:

Knowledge and skills needed for the business	My knowledge and skills
	<b>check learners understanding of this activity</b>
	knowledge and skills that I still have to acquire
Strengths needed by the business	My strengths
	Weaknesses that I have to turn into strengths

Draw up an action plan to turn your weaknesses into strengths and to acquire the knowledge and skills needed to start your business. Use the template on the next page to guide you.

During the course of this learnership you have to update this action plan and discuss progress with your facilitator and/or mentor.

**make sure that learners add follow up dates for discussions with mentor or facilitator and that these dates and discussions actually take place.**

<b>Weakness</b>	<b>Knowledge/skill required</b>	<b>Which program will address this weakness?</b>	<b>When can I attend the program?</b>	<b>Completion Date</b>	<b>Is the weakness now a strength? If not, what will I do about it?</b>

## Activity 7 (SO4, AC1): Class activity

### ***Identify entrepreneurial opportunities***

The facilitator will lead a brainstorming session to help you generate ideas for a business. Use the following topics to guide you:

- ✓ Family and friends
- ✓ The community
- ✓ Wider economic trends
- ✓ Credit worthiness
- ✓ Any other opportunities

## Activity 8 (SO4, AC1 - 2): individual activity

What business idea do you think suits you best? Select at least three from the brainstorming session. Describe your business ideas by comparing the idea to your talents, interests and profile. (8)

#### Business idea

- ✓ Your talents: how will you use your talents to make a success of this business? check learners understanding of the activity. if necessary, let learners present their findings to their groups
- ✓ Your interests: are you interested in this type of business?
- ✓ Do you think this idea suits you? Why do you think so?

#### Business idea

- ✓ Your talents: how will you use your talents to make a success of this business? Your interests: are you interested in this type of business?
- ✓ Do you think this idea suits you? Why do you think so?

#### Business idea

- ✓ Your talents: how will you use your talents to make a success of this business?
- ✓ Your interests: are you interested in this type of business?
- ✓ Do you think this idea suits you? Why do you think so?

Are you credit worthy or do you have bad debts? How will this affect your choice of business idea? Will a family member be willing to assist you?

**learners have to be honest, but the answer should be treated confidentially**

## Activity 9: (SO4, AC1-5): group activity

1. Do a risk assessment of at the following risks identified with starting your own business: technical, performance, time, community, environmental and cultural contexts. Use the table on the next page as a guideline.
2. Identify a possible problem relating to any one of the business opportunities discussed or selected by the group. . Discuss the problem and try to find a solution by following the steps above. Note the steps you take, the solution you decide on and how you will monitor the implementation of the solution.

**lead the discussion, maybe in the form of a brainstorming session. note ideas on flip chart or white board and make sure learners take notes**

Did it help you to follow the guidelines in the learner guide? Motivate your answer.

**check learners answers and motivations**

RISK ASSESSMENT		
<b>Identify uncertainties / risks</b> Look for areas of uncertainty.	<b>Analyse risks</b> Specify how those areas of uncertainty can impact on delivering the products or service	<b>Prioritise risks</b> <ul style="list-style-type: none"> <li>✓ Which risks should be eliminated completely, because they have the potential of impacting extremely on the business or because they will need regular management attention,</li> <li>✓ And which risks are small enough not to impact too much on the business and will not need detailed management attention</li> </ul>
make sure that learners identify risks	make sure that learners understand impact	check the prioritising of risks and give guidance where needed

## Activity 10: (S04, AC1-2; 3-5): individual activity

Assess the risks involved in your business idea.

### **Risks associated with technical knowledge and skills**

- ✓ Identify uncertainties

**make sure that learners identify risks**

- ✓ Analyse risks

**make sure that learners understand impact**

- ✓ Prioritise risks

**check the prioritising of risks and give guidance where needed**

### **Risks associated with time**

- ✓ Identify uncertainties
- ✓ Analyse risks
- ✓ Prioritise risks

### **Risks associated with the environment**

- ✓ Identify uncertainties
- ✓ Analyse risks
- ✓ Prioritise risks

### **Risks associated with the community**

- ✓ Identify uncertainties
- ✓ Analyse risks
- ✓ Prioritise risks

After the risk assessment, do you still think your business idea is good and will work? Motivate your answer.

**check learners analysis and decision – do you agree with him/her and the motivation?**

Identify possible problems that relate to your chosen business opportunity.

**check problems with learners and rest of class if necessary**

Use critical thinking skills to find solutions to the problem. State the solutions. If necessary, discuss the problem with your fellow learners or have a quick brainstorming session.

**check solutions with learners and rest of class if necessary**

List at least 10 words / phrases that, in your opinion, describe an entrepreneur and his / her business best:

### **lead the discussion**

In your groups, discuss the following statements about entrepreneurship. State whether you agree or disagree and give a reason for your answer:

- ✓ Entrepreneurs are born, not made.

### **encourage entire class to participate and debate these issues**

- ✓ Entrepreneurs are risk-takers.

### **encourage entire class to participate and debate these issues**

- ✓ Entrepreneurs are dishonest money-grabbers who only protect their own interests.

### **encourage entire class to participate and debate these issues**

- ✓ People who find it difficult to get along with their bosses make successful entrepreneurs.

### **encourage entire class to participate and debate these issues**

- ✓ Entrepreneurs must be young and energetic.

### **encourage entire class to participate and debate these issues**

- ✓ Entrepreneurs are their own boss and are completely independent.

### **encourage entire class to participate and debate these issues**

## **Activity 11 (SO3, AC 2-4): individual activity**

Refer to your pre-training assignment.

1. Identify the characteristics of a typically successful entrepreneur. Pay specific attention to the entrepreneur's ability to
  - ✓ Take calculated risks
  - ✓ Take the initiative
  - ✓ Ensure sustainability

**check that characteristics are valid and in line with explanations in learner guide. if learner has valid idea, not mentioned in the learner guide, share with rest of class**

2. Identify typical entrepreneurial skills, personality traits and values of entrepreneurial value

**check that skills are valid and in line with explanations in learner guide. if learner has valid idea, not mentioned in the learner guide, share with rest of class**

3. Analyse each characteristic in the context of your chosen venture.

**which skills does learner have, how will s/he apply the skill, how will it benefit the business, what will learner do to acquire skills, etc.**

4. Identify and explain the technical, business, managerial and personal traits and characteristics that are required for your chosen venture.

**make sure that learner notes traits and characteristics for all 3 topics**

## **Activity 12 (SO4, AC 1-5): individual activity**

Make a list of people and organisations you intend to approach to help you with your new venture.

- ✓ Help with finances:



## check learners understanding of where to go for help

- ✓ Help with acquiring the knowledge and skills necessary to run your business
- ✓ Help with establishing and growing your business

Write down all the resources you will require for your business.

## check list of resources – is it complete and valid?

### Activity 13 (S05, AC1 & 2): group activity

To explain why we have to set goals and objectives, let us start with an excerpt from the delightful Alice in Wonderland, by Lewis Carroll:

**The cat only grinned when it saw Alice. It looked good natured, she thought, still, it had very long claws and a great many teeth, so she felt it ought to be treated with respect.**

**"Cheshire Puss, " she began, rather timidly, as she did not at all know whether it would like the name; however, it only grinned a little wider. It is pleased so far, thought Alice, and she went on, "Would you tell me, please, which way I ought to walk from here?"**

**"That depends a good deal where you want to get to, " said the cat. "I don't much care where, " said Alice.**

**"Then it doesn't matter which way you walk, " said the cat.**

Answer the following self-check questions in the spaces provided:

1. What does Alice lack?

**Alice lacks a clearly defined goal. Therefore, she could not decide which road she ought to take.**

2. What could this mean for your business?

**Failure. Any individual or company who lacks a clearly defined goal will inevitably fail.**

To get some practice with analysing objectives, analyse the following objectives in a group. Are they SMART?

1. To achieve customer satisfaction.
2. To produce acceptable machine outputs by 1 July.
3. Treble company profit in six years.
4. To understand what makes customers tick.
5. To increase the number of calls made per representative from the current six, to eight per day by June 30.

## ANSWERS:

1. Great intentions, but far too vague. How exactly will customer satisfaction be achieved? What does customer satisfaction mean? There is no standard to measure it. It may mean different things to different people. And, most importantly, there is no reference to time, so it can't be an objective.

Getting better! But what does acceptable really mean? Again there is no standard for acceptability. It means different things to different people. All that this objective has going for it is measurability, that is *by* July 1, assuming that this would be an achievable date by which to produce acceptable machine outputs in the factory.

Still better! It is clear. It contains a result that is measurable, that is, treble the company profits. It has a time limit, that is, within six years. If this is attainable, then it is an OK objective.

What does *understand* mean? This is a disguised word that should never appear in an objective. The Americans call it fuzzy - a good description. What does *tick* mean? It means different things to different people, so it's not much use in our objective, is it? And, most important, there is nothing relating to time, is there? So, if a person is not told when it should happen, you can hardly blame them for not doing it.

Good objective! It mentions time: *June 30*. It states quality, *to increase the calls*. It states quantity, *from six to eight calls per day*. It is clearly written. If, assuming it is possible, with a little stretch, to achieve those extra two calls a day, it is a very acceptable objective indeed.

## 14 (SO5, AC 1&2): individual activity

List the goals you want to achieve for your business:

**check learners goals – are they short term, medium term and long term?**

- ✓ Short term
- ✓ Medium term
- ✓ Long terms

Use your list of goals to list your personal objectives against your business objectives:

<b>Personal Objective</b>			<b>Work Objective</b>		
What is your long term objective regarding your personal life – what do you want to achieve in the next five years			What is your long-term objective regarding your business – what do you want to achieve in the next five years.		
Objective	Target Date	Responsibility	Objective	Target Date	Responsibility

What do you wish to accomplish in your personal life this year?			What do you wish to accomplish in your business this year?		
Objective	Target Date	Responsibility	Objective	Target Date	Responsibility

List the things you need to do to meet your objective for this year			What are the skills you need to obtain to reach your objective		
Objective	Target Date	Responsibility	Objective	Target Date	Responsibility

## Activity 34 (S05 AC3): individual activity

My business action plan

### ***First Month***

what

**check that learner completes all the questions**

why

when

who

how

### ***Third Month***

what

why

when

who

how

### ***Sixth Month***

what

why

when

who

how

### ***One Year***

what

why

when

who

how

### ***Three years***

what

why

when

who

how

### ***Five years***

what

why

when

who

how

Identify suitable mentors and coaches to assist you with the implantation of your plan. Are they available and do they have the capacity to assist you?

**make sure that the mentors and coaches are available and have the capacity**

Identify the resources you will need to successfully implement your plan.

**Make sure that the resources are related to the business idea**



# **Unit Standard 119669**

## **Activity 1 (SO1, AC1-2,5): individual activity**

In your own words, describe the difference between a product and a service.

**a product is a physical thing that the customer buys, while a service is something that you do for the customer to improve his/her life**

Would you classify food as durable or non-durable products?

**non-durable**

Would you classify a stove as a durable or a non-durable product?

**durable**

The price of a product plays two roles when marketing a product. In your own words, list the roles.

**How much of the product will the customer buy?**

**Will the selling of the product bring in profits for the organisation?**

There are two basic ways in which businesses compete against each other. Describe these two ways in your own words.

**Price competition:** when they advise customers that their prices are lower than those of the competitors. Supermarkets do this often, when they advertise special offers on the prices of certain products.

**Non-price competition:** when the business offers more advantages to the customer, so that prices that are higher than those of the competitor are not really important. A very good example is washing powder – on the TV advertisements the manufacturer claims to show housewives how much cleaner washing will be when their product is used. They never mention a price.

In your own words, describe supply and demand.

**Supply** is the amount of a product or services that a business provides to the customers at a certain time and a given price.

**Demand** Is the amount of a product or service that customers want to buy and have money for at a given time at a given price.

Explain the difference between fixed costs and variable costs and give an example of each.

**Fixed costs:** it does not matter how many products the business produces, the fixed costs stay the same. Salaries and wages, equipment costs and rental.

**Variable costs:** these costs become more when you start making more of the product: raw materials and components.

## **Activity 2 (SO1, AC1, 3, 4, 5): group activity**

In a group, discuss the following:

- ✓ You want to start a taxi service. Are you selling a service or a product?

**service**

- ✓ What promotional mix would you decide on to advertise your business? Why?

**any valid idea, such as advertising along the route, personal selling by telling people, etc.**

- ✓ Where would be the best place to locate the business?

**at the taxi rank, etc.**

- ✓ You want to start a furniture shop in your neighbourhood. Will you be selling a product or a service?

**product**

- ✓ What promotional mix would you decide on to advertise your business? Why?

**any valid idea, such as publicity, advertising, sales promotion**

- ✓ Where would be the best place to locate the business?

**where the competition is and/or where customers can see and access the business**

- ✓ You want to start a taxi business. How can you add value to your service?

**we really want some creative ideas from learners, such as handing out peppermints, driving safely, asking them for their choice of music, etc.**

- ✓ You want to start a furniture shop in your neighbourhood. How can you add value to your products?

**creative ideas again, such as a free cup of coffee with consultations, etc.**

1. Explain what is meant by market segmentation.

**the target market broken into specific segments, e.g. geographic location, age, etc.**

2. Explain geographical factors in market segmentation.

**The market is divided according to where customers live and work**

3. List the demographic factors that influence market segmentation.

**age**

**income bracket**

**ethnic origin**

**gender**

**community**

4. In your own words explain why the age of the consumer affects market segmentation.

**people of different ages buy different products, e.g. teenagers don't buy washing powder, while middle aged women normally don't buy mini skirts**

5. In your own words explain why gender affects market segmentation.

**women buy different products from men: women buy clothes, while men buy sporting gear and cars, etc.**

6. How would income affect market segmentation?

**would the target market be able to afford your product, etc?**

1. You want to start a taxi business in the area you live in, driving children to school and back. Who will be your target market?

**parents**

- ✓ Who will be your competition? Think about competitors doing the same thing in the area you live in.

**other taxi and bus services**

- ✓ What can you do to gain a competitive edge over your competition?

**check for creative replies, e.g. collecting children from their homes.**

2. You want to start a furniture shop in your neighbourhood. Who will be your target market?

**families who need furniture, possibly young people who are moving out of the home and need basic furniture for their rooms or flats. children and teenager will normally not be the target market**

- ✓ Who will be your competition? Think about competitors doing the same thing in the area you live in.

**any other furniture store, as well as second hand furniture stores**

- ✓ What can you do to gain a competitive edge over your competition?

**creative replies, such as free deliveries, etc.**

1. In your own words, explain how the economy of the country can influence the market.

**any valid explanation about the price of petrol inflation, etc**

2. In your own words, explain how trends can influence the market.

**any valid explanation, e.g. fashion trends mean new lines of clothes for each season, etc.**

3. In your own words, explain how timing can influence the market.

**any valid explanation, such as be one of the first to introduce a new product or service**

### Activity 3 (SO1, AC1 -6 ) : individual activity

For your own business idea, do the following:

1. Explain how you will add value to your products or service

**check all the replies of this activity for understanding and validity. refer to the learner guide and previous activities to guide you.**

2. Explain the market your business will operate in, using the following as guidelines:

2.1. supply

2.2. demand

2.3. pricing

3. Explain the factors that will influence the market your business will operate in. Use the following topics to guide you:

3.1. What product or service will you sell?

3.2. Price: how will price affect you

3.3. Promotion: explain the promotional mix you will use

3.4. Place: where will your business be located?

3.5. Geographic factors: how will geographic factors affect your products or service?

3.6. Demographic factors: how will demographic factors affect your products or service?

3.7. Competition: how will competition factors affect your pricing and promotional mix?

3.8. Costs

3.9. Supply and demand: how will supply and demand affect your products or service, the price and promotional mix?

3.10. How will you add value to your product or service?

- 3.11. Who will be your target market?
4. Explain the concept of market segments and give examples of the market segments that would be interested in your products or service.
  5. Economy: how will the economy affect your business decisions?
    - 5.1. Trends
    - 5.2. Timing
  6. Explain the difference between product and service marketing by comparing a service business with a business that sells products.

**check understanding of the learner regarding these concepts**

## Activity 4 (SO5, AC1): group activity

1. Explain how the introductory phase will affect your business if you start a taxi service in the area you live in, driving children to school and back.

**Resistance from consumers:**

**Slow growth in sales:**

**Little direct competition:**

**Marketing costs will be expensive:**

**Profits will be low:**

2. Explain how the introductory phase will affect your business if you want to start a furniture shop in your neighbourhood

**Resistance from consumers:**

**Slow growth in sales:**

**Little direct competition:**

**Marketing costs will be expensive:**

**Profits will be low:**

You have started the taxi business. How will you know when your service is in the growth phase?

**Sales increase fast**

**Direct competition increases**

**Improvements in the service**

**High profits**

**Outlets**

**Prices go down**

You have opened the furniture shop. Among the items that you stock are bedroom furniture. One brand of microwave oven has been very popular, customers seem to prefer this brand over the others. How will you know when your product is in the maturity phase?

**The sales growth rate**

**Profit margins decrease**

1. You have been doing well with the taxi business. How will you know when your service is in the decline phase?

**permanent drop in sales**

**Prices may drop initially and then stabilise for a period. Then the time comes when even lowering the price will not help**

**The number of competitors will go down, until only a few remain who can still make a profit out of the product**

2. What can you do in order to continue your business and ensure that you still make a profit?

**any valid solution, such as adding value, advertising, etc.**

## **Activity 5 (SO1, AC 1 – 4; SO5, AC2-5): individual activity**

1. Think about the business you want to start and do the following: How will you know when your business is in the introductory phase?

**Resistance from consumers:**

**Slow growth in sales:**

**Little direct competition:**

**Marketing costs will be expensive:**

**Profits will be low:**

2. How will you identify growth opportunities?
3. How will you know when your business is in the growth phase?

**Sales increase fast**

**Direct competition increases**

**Improvements in the service**

**High profits**

**Outlets**

**Prices go down**

4. What trends and developments will indicate that your business is in the maturity phase?

**The sales growth rate**

**Profit margins decrease**

5. How will you know when your business is in the decline phase?

**permanent drop in sales**

**Prices may drop initially and then stabilise for a period. Then the time comes when even lowering the price will not help**

**The number of competitors will go down, until only a few remain who can still make a profit out of the product**

6. What can you do to retain interest in the products or services you offer to make sure your business stays in the maturity phase or what new products or services can you offer to place your business in the growth phase again?

**any creative solution**

## **Activity 6 (SO2, AC1): individual activity**

In your own words and for your own business idea, explain why market research would be important.



any valid explanation, such as: without market research you don't know what your customers want, etc.

## Activity 7(SO2, AC2-5): group activity

1. You want to start a taxi business in the area you live in, driving children to school and back. You have decided to do market research about the viability of this business. What information do you think you would need?

### lead the discussion and check information for validity and relevance

2. You want to start a furniture shop in your neighbourhood. You have decided to do market research about the viability of this business. What information do you think you would need?

### check information for validity and relevance

What information can you get through internal marketing activities?

### lead the discussion and check replies for validity and relevance

1. You want to do market research to find out if parents are interested in a taxi service that takes children to school. Which tools do you think you should use?

### lead discussion

2. You want to find out what lines of furniture to stock for the customers in the area where you want to open the furniture shop. Which tools do you think you should use?

### lead discussion

1. You want to do market research to find out if parents are interested in a taxi service that takes children to school. You have decided to interview parents personally. In a group, compile a questionnaire of at least 6 questions for your market research activity.

### lead discussion

2. You want to find out what lines of furniture to stock for the customers in the area where you want to open the furniture shop. You have decided to send field workers out to the consumers' homes to discuss the questionnaire with the consumers and leave the questionnaire with the consumer for collection the next day. In a group, compile a questionnaire of at least 6 questions for your market research activity.

### lead discussion

1. When you are using field workers to do the market research for you, there are certain difficulties that you have to plan for. Name and describe them.

### lead the discussion and check learners' understanding

2. Whose responsibility will it be to collect the questionnaires?
3. Give some thought as to how you will pay your fieldworkers for the market research.

Analyse the responses for the following questions:

Why do you use a taxi to and from work	Cheap	1631
	Fast	1091
	Safe	312
	Convenient	1849

If you sent out 2000 questionnaires, what percentage of the sample use taxis because they are cheap, what percentage use taxis because they are fast, what percentage use taxis because they are safe and what percentage use taxis because they are convenient?

Cheap	81
Fast	55
Safe	16
Convenient	92
Which taxi route do you use every day?	
	Route A 755
	Route B 830
	Route C 415

What percentage uses Route A, Route B and Route C?

**Route A 38**

**Route B 42**

**Route C 20**

Using the two questions about the taxi service, in a group analyse the responses and then answer the following questions:

1. The number of people who use taxis because they are safe is very low. How can you use this information to get a competitive advantage over your competition?

**any creative answer, such as: ensuring vehicle looks well, driving safely, etc.**

2. Most people said that they use taxis because it is convenient. How can you use this information to get a competitive advantage over your competition?

**any creative reply, such as collection and drop off points closer to homes of passengers**

3. Most people use Route B every day. You were planning on starting your service on Route C, which most people don't use. How can you use this information to determine whether it would be profitable to start another taxi service on this route?

**Route C is not very popular and should not be considered**

## Activity 8 (SO2, AC1 – 5): individual activity

For your own business idea, do the following:

1. Explain why you will do market research

**check learners understanding per previous activities and learner guide**

2. What information do you think you will need?
3. Where will you get information from?
4. Which market research techniques and tools will you use? Explain your answer
5. Draw up a questionnaire with at least 10 questions to do your market research. Attach a copy of the questionnaire to this assessment.
6. Identify your target market and decide on the sample you will use.
7. Do the research. Attach copies of questionnaires to your assessment as proof.
8. Analyse the responses. Explain how many responses you received and how you analysed the responses.
9. What conclusions did you draw from your market research?

10. How does this affect your business idea? Do you think it will be a success and you will attract enough customers, or do you think you should look around for another business idea?

## Activity 9 (SO3, AC1-4): group activity

You were planning on stocking one or two cheap lines of bedroom furniture and about five or six lines of more luxurious bedroom furniture. On analysing the information gathered from market research, the consumers replied as follows:

- ✓ Bedroom furniture between R2000 and R4000 69%
- ✓ Bedroom furniture between R7000 and R10 000 31%
- ✓ In a group discuss how this affects your view of your target market.

**Most people prefer the cheaper bedroom furniture, so more of this should be kept in stock.**

- ✓ How does this affect your proposed product lines? What changes will you make to your original plan in order to stock the furniture lines that most people want?

### Rather keep the cheaper lines in stock

Determine the market segmentation for the taxi service that takes children to school: which of the following factors would help you to determine the segmentation of your customers?

- ✓ Geographic factors
- ✓ Age
- ✓ Income bracket
- ✓ Gender
- ✓ Community
- ✓ Ethnic origin

**Lead the discussion: the following factors will probably be relevant, but there are no real wrong answers: geographic, age, income bracket, community**

Who would be competition to your taxi service?

**any other taxi or bus service**

You have identified that there is a bus service that takes children to school.

- ✓ The price of the bus fare is cheaper than taxi fare will be.
- ✓ Parents are complaining that the bus arrives late at school, making the pupils late for school.
- ✓ Parents have also complained that the bus is dirty and not in a roadworthy condition.
- ✓ Children who want to participate in activities after school are unable to do so, because the bus leaves at 2o' clock in the afternoon.
- ✓ Most parents work during the day and would like a safe, cheap and reliable service that takes their children to school.

How can you use this information to increase the competitive edge of your proposed taxi service?

**the answers should come out of the questions asked, e.g. make the taxi fare cheaper than ordinary taxi but more than the bus, make sure children are collected on time, etc.**

## Activity 10 (SO3, AC1 - 4): individual activity

1. As a result of your market research, you came to certain conclusions about your business idea. How does this affect your view of your target market?

**check learners understanding of all the activities by referring to previous activities and learner guide**

2. What changes will you make to your original plan for products and/or services?
3. Determine the market segmentation for your business idea. In which market segments would your customer fall?
4. What competition exists to your business idea? What threats do they represent to your business idea?
5. What can you do to increase the competitiveness of your business?

## Activity 11 (SO3, AC3): group activity

In a group, do a SWOT analysis on Pick N Pay. Identify their competitors, what you think their strengths and weaknesses are and what the opportunities and threats are.

**Lead the discussion and make sure learners are able to identify strengths and weaknesses**

Now do a SWOT analysis on KFC.

## Activity 12 (SO3, AC3): individual activity

With the practice you gained by doing the previous exercise, do a SWOT analysis on the proposed new taxi service

**make sure learners are able to identify strengths and weaknesses**

Do a SWOT analysis on the furniture store.

## Activity 13 (SO4, AC4): group activity

In a group, draw up an action plan for the marketing activities involved in promoting your taxi service.

What has to be done	By when must it be done	Who will do it?	How much will it cost?
lead the discussion			

## Activity 14 (SO4, AC 1, 4): individual activity

Set objectives for the taxi service

**check that objectives are SMART**

Set objectives for the furniture store

During previous exercises you decided on a promotional mix for the taxi service. Look at your answer and compare it with what you think now.

1. Decide on a promotional mix for the taxi service.

**if possible, let learners present their decisions to the groups for discussion, otherwise check learners replies for understanding and validity**

2. Decide on a promotional mix for the furniture store.

**if possible, let learners present their decisions to the groups for discussion, otherwise check learners replies for understanding and validity**

3. Why have you decided on this mix?

**if possible, let learners present their decisions to the groups for discussion, otherwise check learners replies for understanding and validity**

Now draw up an action plan for the marketing activities involved in promoting the furniture business.

What has to be done	By when must it be done	Who will do it?	How much will it cost?
<b>check learner's understanding</b>			

## Activity 15 (SO4, AC3): group activity

1. Using the information you have available in the learner guide, compile a control system by which you will measure whether your business and your marketing activities are getting you the results you require. Do this in a group for the furniture store.

**Lead the discussion**

2. Define what steps you could take if it appears that the marketing mix you selected for the furniture store did not have the desired effect: Consumers are not aware of your business and therefore do not come to your store to buy furniture.

**Lead the discussion, learners should be able to make the necessary suggestions, such as: change the mix, arrange a sales promotion, arrange a publicity event, etc**

3. Define what steps you would take if your product range is not what your customers want.

**Lead the discussion, learners should be able to make the necessary suggestions, such as: free samples, change the product range, etc.**

## Activity 16 (SO4, AC2-6): individual activity

1. Using the information you have available in the learner guide, compile a control system by which you will measure whether your business and your marketing activities are getting you the results you require. Do this individually for the taxi service.

**check learners understanding: use the previous activities and learner guide to help you**

2. Define what steps you could take if it appears that the taxi fare is too high for the parents of school children.

**check learners understanding: use the previous activities and learner guide to help you**

3. Define what steps you could take if it appears that the children are complaining about the cleanliness of the taxi(s) and the driving habits of your driver.

**check learners understanding: use the previous activities and learner guide to help you**

4. In your own words, explain why it is important to compile a marketing plan.

**check learners understanding: use the previous activities and learner guide to help you**

5. In your own words, explain why it is important to integrate the marketing plan into the business.

**check learners understanding: use the previous activities and learner guide to help you**

# **Unit standard 119672**

## Activity 1 (SO1, AC1,2): group activity

1. Refer to the marketing plan from the previous unit standard. What promotional mix did you decide on? In a group, decide on suitable ways in which to promote the taxi business. Draw up an action plan to implement the promotion of the business according to the marketing plan.

**lead the discussion, making sure that learners understand what has to be done, why, by when, etc.**

What has to be done	By when must it be done	Who will do it?	How much will it cost?
advertising			
launch			
informal selling			
formal selling			

2. In a group, write an advertisement to place in a local newspaper.

**this is a fun exercise and the advertisement should be creative – the purpose is to get the learners to think about this.**

3. In a group, plan a launch of the taxi service at a local school or shopping centre.

**Lead the discussion. It should be a fun activity, so a launch that is a bit weird is in order**

4. In a group, plan the informal selling activities for the taxi service

**Lead the discussion, making sure that learners understand the importance of completing and monitoring all items.**

5. In a group, plan the formal selling activities for the taxi service

**Lead the discussion, making sure that learners understand the importance of completing and monitoring all items.**

## Activity 2 (SO1, AC3): Role Play

**The purpose of this activity is to give learners some practice on doing a sales presentation. Make sure that learners follow all the steps**

In your groups refer to handout 3 and select one of the products from the handout. You can also choose any other product. Find out what the physical specifications of features, advantages and benefits of the product are. Do the following:

- ✓ Identify the customers who will be interested in the product or service
- ✓ Determine the best sales strategy to follow
- ✓ Explain how you will find new customers (prospecting)
- ✓ Prepare a sales presentation to deliver to the group.
- ✓ Describe the physical specifications of features, advantages and benefits of the product
- ✓ Close the sale



- ✓ The other group members must ask questions about the product and you must be able to answer them. One of the group members must not be interested in the product and one group member must be willing to buy.
- ✓ Each group member must have a turn at selling.

## Activity 3 (SO1, AC4): group activity

In a group, do the following for the taxi service you use regularly:

- ✓ Identify the key customers of the taxi.

### Learners should provide answers per their own experiences

- ✓ Draw up a list of at least six questions to use when doing a survey regarding customer satisfaction.
- ✓ What should the taxi driver include in his/her continuous improvement checklist?

## Activity 4 (SO1, AC4): individual activity

1. Identify the key customers of your business idea.

### check learners understanding per previous activities and learner guide

2. Identify the sources of information you could use
3. What kinds of information will you need?
4. Work out a plan to get feedback from your customers.
5. Draw up a list of at least six questions to use when doing a survey regarding customer satisfaction.
6. What will you include in your continuous improvement checklist?

## Activity 5 (SO2, AC1-3): individual activity

Explain the importance of planning for all negotiations, including sales.

1. Gather information

### check learners understanding of the importance of gathering information before the negotiations take place

2. Set the climate

### check learners understanding of the importance of setting the climate for the negotiations

3. Define goals

### check learners understanding of the importance of defining goals before the negotiations take place

4. set bargaining objectives

### check learners understanding of the importance of setting bargaining objectives before the negotiations take place

5. preparing the proposal

### check learners understanding of the importance of preparing the proposal before negotiating with the customer

## Activity 6 (SO1, AC3): individual activity and group activity

For your business idea, work out a short presentation to sell your product/service to a corporate customer. The presentation should not be more than five minutes. Work out all the steps to handling negative reactions. Give the presentation in your group. The members of the group will evaluate your effort, using the evaluation forms provided. Attach the evaluation forms to your workbook.

Also set bargaining objectives for yourself to make sure that you do not lose sight of your objectives. Make sure that your objectives include the following:

- ✓ What do you want to achieve?
- ✓ Which issues are not negotiable?
- ✓ Which issues are negotiable

**check learners understanding of the issues that have to be discussed**

## Activity 7 (SO3, AC2): group activity

1. In a group, discuss the process of determining break-even point. How would you do this for the furniture business?

**The group should decide a good buying price, selling price and break even point. lead the discussion. pricing is discussed in full in a later module, this is just to give them some practice.**

2. What factors will affect the period that your quote will be valid for? (Think of the petrol price, etc.)

**no quote should be valid for longer than the tender terms or 1 to 3 months, as markets and input prices change rapidly**

3. Will there be any special conditions or exclusions to the delivery of the product or service?

**learners must think carefully about what they want to exclude and what special conditions will apply**

4. Design a quote for the taxi service.

**make sure that the quote contains all the information:**

**costing and pricing calculations**

**Payment terms and conditions – when will you expect payment and how should payment be made**

**Delivery terms and conditions: who will deliver, where the goods must be delivered to or collected from and when delivery will take place: 2 days after order, a week after order, etc.**

**Are you including or excluding VAT in your price.**

**Specific details of the quantity and quality of the goods or service**

**the price of the goods**

**The period that the quote is valid for**

**Anything that is excluded from the quote, such as collection of guests from the airport or station if you are starting a guest house; or supper or even room service.**

## Activity 8 (SO3, AC1-4): individual activity

1. For your own business idea, discuss the following: What offers would you make to customers? Explain why

**any of the following:**

**Cross-selling**

**Up-selling**

**Offering Discounts**

**Samples**

**Request for proposal**

**Consignment**

2. If you have problems compiling quotes, who will you go to?

**another business owner, an accountant or business consultant or any of the institutions mentioned in the learner guide**

3. Explain the pitfalls and order taking that would apply to your business

**The order number of the customer**

**The exact number and quality of the products or service**

**The delivery date required by the customer**

**The price**

**The payment terms and conditions**

**Delivery terms and conditions**

**Special conditions**

**VAT inclusive or exclusive**

**The person who places the order**

**The contact details of the customer: address, telephone and fax number**

**Delivery address**

- Activity 9 (SO4, AC1-4) (Group Activity)

Where can you find out about tenders? List at least two places.

How often is the government tender bulletin published?

What information will be contained in the tender bulleting? (5)

the RFP number,

closing date and time,

short description of the requirement,

from where the RFP documents could be obtained and

the address to which RFP documents must be submitted

**How will you set up a tender prospecting system?**

Diarise every Friday to make sure that the documents are obtained and then study the documents in detail

**Explain an HDI or historically disadvantaged individual. (4)**

An HDI is a South African citizen who is (1)

female, (1)

or has a disability, (1)

or had no franchise before the national elections in 1994. (1)

**Name four key principles of the Tendering System (4)**

Tendering process should be informed by the department's policy and values

The departmental staff affected should be treated fairly

Achievement of maximum value for money

Providers should be treated fairly and there should be equitable competition

**List 5 indicators that will show when your business is ready to tender. (5)**

Any five of:

Is a registered business

Has a good banking record, credit history and relationship with its suppliers and clients

Is able to deliver - on time, on budget and according to specifications

Is up to date with its taxes

Pays its bills on time

Has the required cash-flow and other resources to complete the contract

Is pro-active, actively looking for business opportunities

Is able to deliver goods or services of consistent quality

Has qualified employees

Has, or can acquire, the right equipment, clothing and accessories to complete the tender

Has registered its employees with the Department of Labour (UIF, Skills Development Levy, Workmen's Compensation etc.); and

Has products that comply with SABS standards

**What are the advantages of being a subcontractor?**

It is easier to get into the market

You have to lay out less of your own capital

You can gain experience about the tender process and then later on you can tender on your own.

**What are the disadvantages of being a subcontractor?**

You have to follow the guidelines laid down by the bigger business, which means that you are not in a position to operate independently

You are not making a name for yourself in the marketplace

**For your own business idea, identify businesses you would be able to enter into joint contracts with.**

In the transport business, any large operation, in other industries any large business that the learner has worked for, for example, or knows someone who works for the business, or any other business that they can identify

**In handout 2 you will find an example of tender documents.**

Volume 1 contains general rules that apply to all tenders. Under point 7 you will find a list of documents that have to be completed for all tenders. In a group, list these documents.

request permission from the competent Local Road Transportation Board/Operating Licence Board (board) to submit a tender or tenders for the provision of the services if it is not already the holder of the necessary permits or operating licences. The letter of approval from the board must be attached to the tender documents (see Form 2 of the Tender Forms

in the case of an operator who also undertakes unscheduled minibus taxi-type services, proof of registration with the Registrar by submitting the relevant certificate of registration or provisional registration;

(b) a certificate or declaration from the Department of Labour that the tenderer has complied with section 53 of the Employment Equity Act, 1998 (Act No. 55 of 1998), once that section has been brought into effect;



(c) A valid, original tax clearance certificate, and in the case of a consortium/association or the utilisation of sub-contractors, a valid original tax clearance certificate in respect of each sub-contractor or party to such consortium, issued by the office of the South African Receiver of Revenue (SARS) where the tenderer, sub-contractor or party concerned, is registered for tax purposes. (Submissions to the Receiver concerned are to be made on form ST5.1 "Application for Tax Clearance Certificate" which is available from the Receiver concerned.)

(d) Where applicable, duly completed and signed undertakings/declarations/certificates in the form set out in Forms 18, 19 and 20 in Volume 5. In the case of Form 20 "Declaration of Financial Support by Owner", every firm or entity that exercises ownership control, as defined in section 48(6)(a) of the National Land Transport Transition Act, 2000 (Act No. 22 of 2000) (the Act), over the tenderer must complete the form. In the case of doubt, the tenderer must ask the Employer for written confirmation that completion thereof is or is not required.

(e) All tenderers must complete the affidavit in Form 7 of Volume 5 regarding previous convictions for relevant offences (if any) committed by the tenderer or any of its directors/members/office bearers.

**Point no 9 states what will happen if tenderers do not attend meetings. In a group find out what happens if you do not attend the meeting.**

If any meeting of tenderers arranged by the Employer, except the service area inspection, have not been attended by the tenderer him- or herself, or a representative of the tenderer who must be—

- (a) suitably qualified to comprehend the implications of the services to be provided; and
  - (b) in the direct employ of the tenderer; or
  - (c) a consultant or agent commissioned by the tenderer,
- this will disqualify the tenderer.

**Point no 11 talks about domicilium citandi et executandi. You must also give the street address where the business located. This is called a domicilium citandi et executandi. If the state wants to take legal action against you, the summons will be served at this address. Which address would you quote as domicilium citandi et executandi?**

Check that this is a street address

**Point no 17 contains rules about the completion and signing of the documents. Point 17.1 states how the documents must be signed. Write the details below.**

signed and witnessed where indicated, in black ink, as provided for, and submitted with the other tender documents as part of the tenderer's tender. Every page of the Tender Forms which is not signed, and every page of the other tender documents, must be initialled by or on behalf of the tenderer. Persons signing or initialling must be duly authorised.

**Point 17.2 gives details of a form that must be completed. Write the details of the form below.**

The Schedule of Quantities (Form 12 of the Tender Forms) must be fully priced and totalled in the currency of the Republic of South Africa to show the amount of the tender

**Are you allowed to make alterations to the forms? Check Point 18 for the answer.**

No unauthorised alteration or addition shall be made to any part of the tender documents. If any such unauthorised alteration or addition is made the tender may be declared void unless otherwise decided by the Tender Board

**Point 20.2 gives details about the submission of tender documents. List the details.**

All the Tender Forms (Volume 5) as well as all supporting documents, must be submitted to the Tender Board strictly in accordance with these Tender Rules and the instructions given in the official tender notice published in the Tender Bulletin. Tenderers must check the numbers of the pages and satisfy themselves that none are missing or duplicated. The Employer will not be liable in respect of claims arising from the fact that pages are missing or duplicated.

20.2 Each tender must be submitted in a separate sealed envelope and be clearly marked with the contract number, title and closing date and the name and address of the tenderer, provided that a combined tender may be submitted in a single envelope marked with all relevant contract numbers. The envelope shall not contain documents relating to any tender other than that indicated on the envelope.

20.4 Tenders close at the time specified in the tender advertisement

**Point 28 states the equity in the company of historically disadvantaged individuals before the tender will be considered. What is the equity percentage required?**

Historically Disadvantaged Individuals shall have more than fifty percent (50%) equity ownership in the company, close corporation, joint venture, partnership or consortium, for the tender to be considered.

28.3 More than fifty percent (50%) of executive management positions of the company, close corporation, joint venture, partnership or consortium shall be held by Historically Disadvantaged Individuals, for the tender to be considered.

**Volume two contains the general conditions of contract. Point no 1 gives details about the meaning of words and terms used in the contract. Give the meaning of the following words:**

✓ **Capacity**

in respect of buses means the maximum number of persons that may lawfully be carried in the bus, including all seated and standing passengers but excluding the driver

✓ **Commencement date**

means the date on which the services will commence as stated in the Special Conditions or the letter of acceptance of the tender

✓ **Day**

includes Saturdays, Sundays and public holidays

✓ **Employer**

means the Provincial Administration /Transport Authority/Core City, or a person designated by that authority to act on its behalf or, in the case of a provincial administration any transport authority or core city to which that administration has ceded its rights and delegated its obligations;

✓ **Midi bus**

means a motor vehicle designed or lawfully adapted by a registered manufacturer in compliance with the Road Traffic Act, 1989 (Act No. 29 of 1989), to carry from nineteen (19) to thirty-five (35) seated persons, excluding the driver

✓ **Minibus**

means a motor vehicle designed or lawfully adapted by a registered manufacturer in compliance with the Road Traffic Act, 1989 (Act No. 29 of 1989), to carry from nine (9) to eighteen (18) seated persons, excluding the driver

✓ **Month**

means a calendar month

✓ **Operating licence**

means an operating licence as defined in the Act which is necessary to enable the Operator to provide the services in terms of the contract, and where the Operator is already in possession of such licence before the commencement date, includes any renewal, amendment or transfer of such licence(s) necessary to enable it to provide the services;

✓ **Operator**

means the person, company, close corporation, joint venture, partnership or consortium whose tender has been accepted by the Tender Board, and includes the Operator's executors, administrators, trustees, judicial managers or liquidators, as the case may be, but not, except with the written consent



of the Employer, any cessionary, delegate or sub-contractor of the Operator or substitute Operator

✓ **Payment certificate**

means the claim form, which is in accordance with Form 23 of the Tender Forms, certified by the Representative and subject to the approval of the Employer, stating an amount which the Operator will be paid by the Employer for services provided in terms of the contract;

✓ **positioning kilometres or dead kilometres**

means kilometres travelled by a vehicle with or without passengers—

- a) from a depot to the starting point of a scheduled trip;
- b) from the end of a scheduled trip to a depot; or
- c) from the end of a scheduled trip to the starting point of the next scheduled trip;

for which the Operator is not entitled to be compensated in terms of this contract

✓ **Revenue kilometres**

means scheduled kilometres actually operated on approved routes for which the Operator is entitled to be compensated in terms of this contract

Route

means a fixed path from origin to destination along a series of roads with intermediate stops as specified in the contract documents or otherwise agreed to between the Parties;

✓ **Scheduled kilometres**

means those kilometres which are authorised in accordance with the time table, as approved and amended from time to time;

Standard bus

means a bus with a capacity of thirty-six (36) to seventy (70) seated persons, excluding the driver, and the number of standing passengers authorised by the relevant roadworthy certificate

✓ **Standing kilometres**

means kilometres which are scheduled in accordance with the time table and for which the Operator is compensated where it is unable to operate scheduled trips, as contemplated in clause 20.3 of the General Conditions

✓ **Tenderer**

means the person, close corporation, company, joint venture, partnership or consortium submitting a bona fide offer to provide the services specified in the tender documents, but excludes any assignee of the tenderer without the written consent of the Employer;

✓ **Timetable**

means a schedule of passenger carrying trips approved by the Employer, indicating all departure times from points of origin and specified intermediate points (not necessarily all authorised stops) as well as arrival times at destinations on each route for specified days, subject to any variation thereof in terms of clause 32

Unsuitable vehicle

means a vehicle which is materially different from those specified in Form 10 of the Tender Forms and clause 10 of the Special Conditions in terms of age, make, model or otherwise, or which the Employer in its discretion deems to be unsuitable to provide the services adequately;

✓ **waybill**

means a document provided by the Operator that reflects duty, route and trip details (including details of passengers carried and tickets issued and cancelled per trip).

**Point 5 of volume 2 states conditions under which scheduled trips may be cancelled. List two**

- (a) agreed to in writing by the Representative in terms of clause 32;
- (b) they form part of a reduced service during holiday periods and have been approved by the Representative at least fourteen (14) days in advance;



- (c) the cancellation is due to unforeseen road closures, obstructions, floods or weather conditions;
- (d) in the opinion of the Employer the cancellation results from immediate danger to life or of personal injury and/or serious damage to property; or
- (e) the cancellation is in the opinion of the Employer due to strike or stayaway action of a general nature, i.e. not confined to the Operator's organisation.

**Point 8 states details of the commencement date. Which clause of the specifications will give details of this date?**

clause 2 of the Specifications

**Point 16 details information that must be given to the employer. Write down these details.**

- (a) actual departure and arrival time of each trip and late and early trips, with proper identification of trip;
- (b) revenue kilometres of each trip;
- (c) cash and multi-journey ticket passenger numbers for each trip;
- (d) detail of trips not operated and reasons therefore, and
- (e) any other information that may reasonably be required from time to time by the Employer which may be relevant to the contract.

**Insurance is discussed under Point 17. Who must arrange public passenger liability insurance?**

The Operator must effect and maintain throughout the duration of the contract, at its own expense, public passenger liability insurance

**Point no 18 states details under which you may refuse to convey a person. List the details.**

the passenger capacity will be exceeded at the time in question by the person wishing to be conveyed, or on grounds of violent, abusive or otherwise offensive conduct on the part of that person or other grounds contemplated in the Act or applicable road traffic legislation, or because the person refuses to pay the fare

**Point 20 states details of payment. When must you submit the claim form?**

As soon as possible, but not later than seven (7) days after the end of each month, the Operator must submit to the Representative a monthly claim form

**When will the representative certify the claim?**

When all the information has been supplied as specified in clause 16 and the duly completed and signed monthly claim forms have been submitted to the Representative, the claim forms will be certified by the Representative if it is satisfied with the contents and correctness thereof.

**When will payment be made?**

The Employer shall effect payment to the Operator as soon as possible but not later than fourteen (14) days after receipt of the error free payment certificate from the Representative

**Point 22 states conditions for permits and operating licences. Where must you apply to get an operating licence?**

competent operating licence board (board) for the necessary operating licences, or amendments to existing permits or operating licences, or approval of fare increases

**Point 25 states whether you may do other transport business outside the contract. Under which conditions will you be allowed to do this?**

provided that the operation of such transport does not in any way interfere with or inhibit its ability to provide the services in terms of this contract

**Point 33 gives details about vehicles. Which form must be completed regarding vehicles?**

Form 10



Volume 3 contains special conditions of contract. How must vehicle and duty numbers be displayed?

- (a) display on the front and rear of the vehicle, the fleet number of the vehicle; and
- (b) display behind the lower right front windscreen of the vehicle the duty number that is being operated.

Volume 4 contains the specifications of the tender. Which points will give details about the following? Commencement of services

2.1

Services to be provided

4

Submission of operating data

7

Have any bidders meetings been scheduled? If so, when and where?

24 May 2006; at the Employer's street address

Which products or services are required?

Personnel transport services

What are the details of the products/services?

Thirty employees to be collected from Pretoria Station on Monday mornings and taken to Gallagher Estates, Midrand, to arrive there no later than 09h00. Thirty employees to be collected from Gallagher Estates, Midrand Friday afternoons at 16h00 and transported to Pretoria Station

When will the tender start? When will the tender end?

The services shall commence on 1 July 2006

The duration of this contract shall be one (1) year, in other words, 30 June 2007

Where must delivery of the service take place?

Pretoria Station, Gallagher Estates, Midrand

Refer to handout 2 and list the requirements as stated in the tender documents.

The following service is required: Thirty employees to be collected from Pretoria Station on Monday mornings and taken to Gallagher Estates, Midrand, to arrive there no later than 09h00. Thirty employees to be collected from Gallagher Estates, Midrand Friday afternoons at 16h00 and transported to Pretoria Station using a suitable midi bus, 1 July 2006 for a period of one year

Provide a description of the route you will be following. A sample is provided for your information. submit a timetable, stating the departure and arrival times

## SUBMISSION OF OPERATING DATA

### 7.1 Duty numbers

Prior to the commencement date the Operator shall submit a complete list of proposed driver duties for Monday to Friday, Saturdays and Sundays. The duty shall have a number and list the starting and end destination names for each trip, together with the appropriate route number and times.

### 7.2 Trip information

Trip information for all approved trips must be provided on a weekly basis or as otherwise required by the Employer (see clause 16.1 of the General Conditions). The contract data base will be maintained by the Representative and will contain the information of all approved trips and be updated on a monthly basis.

### 7.4 Passenger perceptions of the service



Apart from the normal liaison between the Operator and passengers, such as commuter interest groups, surveys and occupancy counts, it is expected of the Operator to report on a monthly basis in writing on complaints received from passengers. The report should include the date and time that the complaint had been received and the actions taken to address specific complaints.

authority to tender from the relevant operating licence board/local road transportation board (board) (see Tender Rule 7).

permission from the competent Local Road Transportation Board/Operating Licence Board (board) to submit a tender or tenders for the provision of the services

proof of registration with the Registrar

a certificate or declaration from the Department of Labour that the tenderer has complied with section 53 of the Employment Equity Act, 1998 (Act No. 55 of 1998), once that section has been brought into effect;

A valid, original tax clearance certificate

completed and signed undertakings/declarations/certificates in the form set out in Forms 18, 19 and 20 in Volume

affidavit in Form 7 of Volume 5 regarding previous convictions for relevant offences (if any) committed by the tenderer or any of its directors/members/office bearers.

Tenders must be submitted strictly in accordance with the tender documents, i.e. without qualifications

All appropriate tender forms, schedules and certificates contained in Volume 5 (Tender Forms) must be fully and properly completed, signed and witnessed where indicated, in black ink, as provided for, and submitted with the other tender documents as part of the tenderer's tender

The Schedule of Quantities (Form 12 of the Tender Forms) must be fully priced and totalled in the currency of the Republic of South Africa to show the amount of the tender

All the Tender Forms (Volume 5) as well as all supporting documents, must be submitted to the Tender Board strictly in accordance with these Tender Rules and the instructions given in the official tender notice published in the Tender Bulletin

Historically Disadvantaged Individuals shall have more than fifty percent (50%) equity ownership in the company, close corporation, joint venture, partnership or consortium, for the tender to be considered.

28.3 More than fifty percent (50%) of executive management positions of the company, close corporation, joint venture, partnership or consortium shall be held by Historically Disadvantaged Individuals, for the tender to be considered

The Operator must take steps to ensure the safety of passengers and property

The Operator must effect and maintain throughout the duration of the contract, at its own expense, public passenger liability insurance for at least R10m (Ten Million Rand) per any one incident and full comprehensive vehicle insurance based on the realistic market value of the vehicle(s) with an insurance company chosen by the Operator and acceptable to the Employer, registered with the Financial Services Board established by the Financial Services Board Act, 1990, and registered in the Republic of South Africa in terms of the Short Term Insurance Act, 1998 or other applicable legislation. Proof of such insurance must be submitted to the Employer prior to the commencement date

The Operator shall be paid monthly for providing the services set out in the Specifications and for approved variations in accordance with clause 32

Standing kilometres will only be paid where scheduled trips are cancelled as provided for in clause 5.1(c), (d) and (e), and clauses 5.2 and 5.3 where applicable, and only for a maximum period of seven (7) days per event

The Operator must total the revenue kilometres operated as well as standing kilometres on each route for the particular month without rounding off any figures further than one decimal point.

Once a total has been obtained the total kilometre amount is to be rounded off to the nearest full kilometre

As soon as possible, but not later than seven (7) days after the end of each month, the Operator must submit to the Representative a monthly claim form in the format prescribed by the Employer in Tender Form 23, containing inter alia the information set out in clause 16.1.

Penalties shall be imposed against the Operator for each offence in accordance with clause 5 of the Special Conditions and the Representative shall advise the Operator on a weekly basis of penalties so imposed

The Operator must promptly do everything in its power to obtain and maintain in force all operating licences or permits, including licences and permits required by local authorities, pay all fees and levies and issue all notices as may be necessary for or be connected with the due operation of the services in accordance with the Act and other applicable legislation

The written consent of the Employer shall be required before the Operator may appoint any substitute operator

The Operator is required to submit with its tender a statement on Form 10 of the Tender Forms, showing what vehicles will be available for the services immediately upon award of the contract and what vehicles will be purchased or leased

The type and condition of all vehicles to be provided by the Operator for the provision of the services must correspond with the requirements of clause 7.2 of the Special Conditions and clause 14 of the Specifications.

The Operator must display identification stickers or decals on vehicles used in providing the services if requested to do so by the Employer.

Any accident damage shall be repaired so that the vehicle complies with the Specifications

All buses must be clean inside and outside when they leave a depot

All vehicles used for the provision of the services must—

- (a) display on the front and rear of the vehicle, the fleet number of the vehicle; and
- (b) display behind the lower right front windscreens of the vehicle the duty number that is being operated.

The Operator must equip, maintain and identify the vehicles in accordance with the Specifications and the destination and shift number shall be correctly displayed at the front of each vehicle for every trip

All vehicles must conform with the requirements and regulations of the Road Traffic Act, 1989 (Act 29 of 1989) or other applicable legislation and applicable SABS specifications.

Details of the existing or proposed vehicles to be used on the services are to be provided on Form 10.

The successful tenderer, if not already in possession of operating licences or permits, must submit applications for operating licences to the provincial Operating Licence Board (board), in terms of clause 22 of the General Conditions, for the provision of public transport services as described in the specifications

The services shall commence on 1 July 2006. or such later date as may be agreed to in writing between the Parties.

The duration of this contract shall be one (1) year, subject to clause 8 of the General Conditions.

**In handout 1 you will find an example of a contract. In a group, study the contract and do the following: Prioritise the tasks**

Tasks could include: arrange for vehicle to be in prime condition, Arrange driver, plan route, get passenger lists, arrange for pickup times, arranging meetings per contract, arranging service of vehicle, arranging to buy fuel, anything that relates to the delivery of the contract

#### **Identify completion dates**

Invoices and supporting documentation must be handed in by the 7th of each month



The contract starts on 3 July, so the first passengers have to be collected the morning of 3 July and will run for 12 months, with a possible extension for 3 months.

Any other completion dates the learners identify for the effective running of the contract

#### Allocate resources

Vehicles must be allocated

A driver must be allocated

Who will do the administration?

Who will attend the meetings as specified in the contract?

Who will work out the routes?

Who will arrange for the servicing etc of the vehicle?

Any other resources the learners might identify

#### Write down the criteria for the tasks

At least three criteria for each task that has to be completed: by when, by who and how

**Identify the risks to your business and state how you will prevent unforeseen circumstances from putting your business at risk.**

Penalties for late or early pickups

Penalties for vehicles in unsatisfactory condition

Penalties for route deviations

Penalties for vehicle breakdowns

Penalties for cancelled trips

Not adhering to time tables

Non submission of operating data

Suspension of operating licence

The operator appoints a substitute operator without the permission of the employer

Any other risks the learners identify

#### Complete the contract action plan on the next page

In a group, do a risk assessment of at least three risks identified in the previous exercise. Use the table on the next page as a guideline.

Then draw up a plan to control the risks. Use the table below as a guideline

In a group, study the contract to find out which documents have to be sent with the invoice in order for payment to be made.

a monthly claim form

daily written statistical data and information for the route on a weekly basis: actual departure and arrival time of each trip and late and early trips, with proper identification of trip, revenue kilometres of each trip; detail of trips not operated and reasons therefore

Risk Assessment		
Identify uncertainties/risks	Analyse risks	Prioritise risks
Explore the entire contract and look for areas of uncertainty.	Specify how those areas of uncertainty can impact on delivering the products or service as required by the contract	Which risks should be eliminated completely, because they have the potential of impacting extremely on the business or because they will need regular management attention,



Risk Assessment		
		And which risks are small enough not to impact too much on the business and will not need detailed management attention

**CONTRACT ACTION PLAN**

Task list	Comple-tion Date	Who will be responsible	Resources	Criteria	Risks	How prevented

## Activity 9 (SO4, AC1-4) (Group Activity)

Where can you find out about tenders? List at least two places.

How often is the government tender bulletin published?

What information will be contained in the tender bulleting? (5)

the RFP number,

closing date and time,

short description of the requirement,

from where the RFP documents could be obtained and

the address to which RFP documents must be submitted

How will you set up a tender prospecting system?

Diarise every Friday to make sure that the documents are obtained and then study the documents in detail

Explain an HDI or historically disadvantaged individual. (4)

An HDI is a South African citizen who is (1)

female, (1)

or has a disability, (1)

or had no franchise before the national elections in 1994. (1)

Name four key principles of the Tendering System (4)

Tendering process should be informed by the department's policy and values

The departmental staff affected should be treated fairly

Achievement of maximum value for money

Providers should be treated fairly and there should be equitable competition

List 5 indicators that will show when your business is ready to tender. (5)

Any five of:

Is a registered business

Has a good banking record, credit history and relationship with its suppliers and clients

Is able to deliver - on time, on budget and according to specifications

Is up to date with its taxes

Pays its bills on time

Has the required cash-flow and other resources to complete the contract

Is pro-active, actively looking for business opportunities

Is able to deliver goods or services of consistent quality

Has qualified employees

Has, or can acquire, the right equipment, clothing and accessories to complete the tender

Has registered its employees with the Department of Labour (UIF, Skills Development Levy, Workmen's Compensation etc.); and

Has products that comply with SABS standards

What are the advantages of being a subcontractor?

It is easier to get into the market

You have to lay out less of your own capital



You can gain experience about the tender process and then later on you can tender on your own.

**What are the disadvantages of being a subcontractor?**

You have to follow the guidelines laid down by the bigger business, which means that you are not in a position to operate independently

You are not making a name for yourself in the marketplace

**For your own business idea, identify businesses you would be able to enter into joint contracts with.**

In the transport business, any large operation, in other industries any large business that the learner has worked for, for example, or knows someone who works for the business, or any other business that they can identify

**In handout 2 you will find an example of tender documents.**

**Volume 1 contains general rules that apply to all tenders. Under point 7 you will find a list of documents that have to be completed for all tenders. In a group, list these documents.**

request permission from the competent Local Road Transportation Board/Operating Licence Board (board) to submit a tender or tenders for the provision of the services if it is not already the holder of the necessary permits or operating licences. The letter of approval from the board must be attached to the tender documents (see Form 2 of the Tender Forms

in the case of an operator who also undertakes unscheduled minibus taxi-type services, proof of registration with the Registrar by submitting the relevant certificate of registration or provisional registration;

(b) a certificate or declaration from the Department of Labour that the tenderer has complied with section 53 of the Employment Equity Act, 1998 (Act No. 55 of 1998), once that section has been brought into effect;

(c) A valid, original tax clearance certificate, and in the case of a consortium/association or the utilisation of sub-contractors, a valid original tax clearance certificate in respect of each sub-contractor or party to such consortium, issued by the office of the South African Receiver of Revenue (SARS) where the tenderer, sub-contractor or party concerned, is registered for tax purposes. (Submissions to the Receiver concerned are to be made on form ST5.1 "Application for Tax Clearance Certificate" which is available from the Receiver concerned.)

(d) Where applicable, duly completed and signed undertakings/declarations/certificates in the form set out in Forms 18, 19 and 20 in Volume 5. In the case of Form 20 "Declaration of Financial Support by Owner", every firm or entity that exercises ownership control, as defined in section 48(6)(a) of the National Land Transport Transition Act, 2000 (Act No. 22 of 2000) (the Act), over the tenderer must complete the form. In the case of doubt, the tenderer must ask the Employer for written confirmation that completion thereof is or is not required.

(e) All tenderers must complete the affidavit in Form 7 of Volume 5 regarding previous convictions for relevant offences (if any) committed by the tenderer or any of its directors/members/office bearers.

**Point no 9 states what will happen if tenderers do not attend meetings. In a group find out what happens if you do not attend the meeting.**

If any meeting of tenderers arranged by the Employer, except the service area inspection, have not been attended by the tenderer him- or herself, or a representative of the tenderer who must be—

(a) suitably qualified to comprehend the implications of the services to be provided; and

(b) in the direct employ of the tenderer; or

(c) a consultant or agent commissioned by the tenderer,

this will disqualify the tenderer.

Point no 11 talks about *domicilium citandi et executandi*. You must also give the street address where the business located. This is called a *domicilium citandi et executandi*. If the state wants to take legal action against you, the summons will be served at this address. Which address would you quote as *domicilium citandi et executandi*?

Check that this is a street address

Point no 17 contains rules about the completion and signing of the documents. Point 17.1 states how the documents must be signed. Write the details below.

signed and witnessed where indicated, in black ink, as provided for, and submitted with the other tender documents as part of the tenderer's tender. Every page of the Tender Forms which is not signed, and every page of the other tender documents, must be initialled by or on behalf of the tenderer. Persons signing or initialling must be duly authorised.

Point 17.2 gives details of a form that must be completed. Write the details of the form below.

The Schedule of Quantities (Form 12 of the Tender Forms) must be fully priced and totalled in the currency of the Republic of South Africa to show the amount of the tender

Are you allowed to make alterations to the forms? Check Point 18 for the answer.

No unauthorised alteration or addition shall be made to any part of the tender documents. If any such unauthorised alteration or addition is made the tender may be declared void unless otherwise decided by the Tender Board

Point 20.2 gives details about the submission of tender documents. List the details.

All the Tender Forms (Volume 5) as well as all supporting documents, must be submitted to the Tender Board strictly in accordance with these Tender Rules and the instructions given in the official tender notice published in the Tender Bulletin. Tenderers must check the numbers of the pages and satisfy themselves that none are missing or duplicated. The Employer will not be liable in respect of claims arising from the fact that pages are missing or duplicated.

20.2 Each tender must be submitted in a separate sealed envelope and be clearly marked with the contract number, title and closing date and the name and address of the tenderer, provided that a combined tender may be submitted in a single envelope marked with all relevant contract numbers. The envelope shall not contain documents relating to any tender other than that indicated on the envelope.

20.4 Tenders close at the time specified in the tender advertisement

Point 28 states the equity in the company of historically disadvantaged individuals before the tender will be considered. What is the equity percentage required?

Historically Disadvantaged Individuals shall have more than fifty percent (50%) equity ownership in the company, close corporation, joint venture, partnership or consortium, for the tender to be considered.

28.3 More than fifty percent (50%) of executive management positions of the company, close corporation, joint venture, partnership or consortium shall be held by Historically Disadvantaged Individuals, for the tender to be considered.

Volume two contains the general conditions of contract. Point no 1 gives details about the meaning of words and terms used in the contract. Give the meaning of the following words:

- Capacity

in respect of buses means the maximum number of persons that may lawfully be carried in the bus, including all seated and standing passengers but excluding the driver

- Commencement date

means the date on which the services will commence as stated in the Special Conditions or the letter of acceptance of the tender



- **Day**

includes Saturdays, Sundays and public holidays

- **Employer**

means the Provincial Administration /Transport Authority/Core City, or a person designated by that authority to act on its behalf or, in the case of a provincial administration any transport authority or core city to which that administration has ceded its rights and delegated its obligations;

- **Midi bus**

means a motor vehicle designed or lawfully adapted by a registered manufacturer in compliance with the Road Traffic Act, 1989 (Act No. 29 of 1989), to carry from nineteen (19) to thirty-five (35) seated persons, excluding the driver

- **Minibus**

means a motor vehicle designed or lawfully adapted by a registered manufacturer in compliance with the Road Traffic Act, 1989 (Act No. 29 of 1989), to carry from nine (9) to eighteen (18) seated persons, excluding the driver

- **Month**

means a calendar month

- **Operating licence**

means an operating licence as defined in the Act which is necessary to enable the Operator to provide the services in terms of the contract, and where the Operator is already in possession of such licence before the commencement date, includes any renewal, amendment or transfer of such licence(s) necessary to enable it to provide the services;

- **Operator**

means the person, company, close corporation, joint venture, partnership or consortium whose tender has been accepted by the Tender Board, and includes the Operator's executors, administrators, trustees, judicial managers or liquidators, as the case may be, but not, except with the written consent of the Employer, any cessionary, delegate or sub-contractor of the Operator or substitute Operator

- **Payment certificate**

means the claim form, which is in accordance with Form 23 of the Tender Forms, certified by the Representative and subject to the approval of the Employer, stating an amount which the Operator will be paid by the Employer for services provided in terms of the contract;

- **positioning kilometres or dead kilometres**

means kilometres travelled by a vehicle with or without passengers—

- from a depot to the starting point of a scheduled trip;
- from the end of a scheduled trip to a depot; or
- from the end of a scheduled trip to the starting point of the next scheduled trip;

for which the Operator is not entitled to be compensated in terms of this contract

- **Revenue kilometres**

means scheduled kilometres actually operated on approved routes for which the Operator is entitled to be compensated in terms of this contract

**Route**

means a fixed path from origin to destination along a series of roads with intermediate stops as specified in the contract documents or otherwise agreed to between the Parties;

- **Scheduled kilometres**

means those kilometres which are authorised in accordance with the time table, as approved and amended from time to time;

**Standard bus**

means a bus with a capacity of thirty-six (36) to seventy (70) seated persons, excluding the driver, and the number of standing passengers authorised by the relevant roadworthy certificate

- **Standing kilometres**

means kilometres which are scheduled in accordance with the time table and for which the Operator is compensated where it is unable to operate scheduled trips, as contemplated in clause 20.3 of the General Conditions

- **Tenderer**

means the person, close corporation, company, joint venture, partnership or consortium submitting a bona fide offer to provide the services specified in the tender documents, but excludes any assignee of the tenderer without the written consent of the Employer;

- **Timetable**

means a schedule of passenger carrying trips approved by the Employer, indicating all departure times from points of origin and specified intermediate points (not necessarily all authorised stops) as well as arrival times at destinations on each route for specified days, subject to any variation thereof in terms of clause 32

**Unsuitable vehicle**

means a vehicle which is materially different from those specified in Form 10 of the Tender Forms and clause 10 of the Special Conditions in terms of age, make, model or otherwise, or which the Employer in its discretion deems to be unsuitable to provide the services adequately;

- **waybill**

means a document provided by the Operator that reflects duty, route and trip details (including details of passengers carried and tickets issued and cancelled per trip).

**Point 5 of volume 2 states conditions under which scheduled trips may be cancelled. List two**

- agreed to in writing by the Representative in terms of clause 32;
- they form part of a reduced service during holiday periods and have been approved by the Representative at least fourteen (14) days in advance;
- the cancellation is due to unforeseen road closures, obstructions, floods or weather conditions;
- in the opinion of the Employer the cancellation results from immediate danger to life or of personal injury and/or serious damage to property; or
- the cancellation is in the opinion of the Employer due to strike or stayaway action of a general nature, i.e. not confined to the Operator's organisation.

**Point 8 states details of the commencement date. Which clause of the specifications will give details of this date?**

clause 2 of the Specifications

**Point 16 details information that must be given to the employer. Write down these details.**

- actual departure and arrival time of each trip and late and early trips, with proper identification of trip;
- revenue kilometres of each trip;
- cash and multi-journey ticket passenger numbers for each trip;
- detail of trips not operated and reasons therefore, and



(e) any other information that may reasonably be required from time to time by the Employer which may be relevant to the contract.

**Insurance is discussed under Point 17. Who must arrange public passenger liability insurance?**

The Operator must effect and maintain throughout the duration of the contract, at its own expense, public passenger liability insurance

**Point no 18 states details under which you may refuse to convey a person. List the details.**

the passenger capacity will be exceeded at the time in question by the person wishing to be conveyed, or on grounds of violent, abusive or otherwise offensive conduct on the part of that person or other grounds contemplated in the Act or applicable road traffic legislation, or because the person refuses to pay the fare

**Point 20 states details of payment. When must you submit the claim form?**

As soon as possible, but not later than seven (7) days after the end of each month, the Operator must submit to the Representative a monthly claim form

**When will the representative certify the claim?**

When all the information has been supplied as specified in clause 16 and the duly completed and signed monthly claim forms have been submitted to the Representative, the claim forms will be certified by the Representative if it is satisfied with the contents and correctness thereof.

**When will payment be made?**

The Employer shall effect payment to the Operator as soon as possible but not later than fourteen (14) days after receipt of the error free payment certificate from the Representative

**Point 22 states conditions for permits and operating licences. Where must you apply to get an operating licence?**

competent operating licence board (board) for the necessary operating licences, or amendments to existing permits or operating licences, or approval of fare increases

**Point 25 states whether you may do other transport business outside the contract. Under which conditions will you be allowed to do this?**

provided that the operation of such transport does not in any way interfere with or inhibit its ability to provide the services in terms of this contract

**Point 33 gives details about vehicles. Which form must be completed regarding vehicles?**

Form 10

Volume 3 contains special conditions of contract. How must vehicle and duty numbers be displayed?

- (a) display on the front and rear of the vehicle, the fleet number of the vehicle; and
- (b) display behind the lower right front windscreen of the vehicle the duty number that is being operated.

Volume 4 contains the specifications of the tender. Which points will give details about the following? Commencement of services

2.1

Services to be provided

4

Submission of operating data

7

Have any bidders meetings been scheduled? If so, when and where?



24 May 2006; at the Employer's street address

**Which products or services are required?**

Personnel transport services

**What are the details of the products/services?**

Thirty employees to be collected from Pretoria Station on Monday mornings and taken to Gallagher Estates, Midrand, to arrive there no later than 09h00. Thirty employees to be collected from Gallagher Estates, Midrand Friday afternoons at 16h00 and transported to Pretoria Station

**When will the tender start? When will the tender end?**

The services shall commence on 1 July 2006

The duration of this contract shall be one (1) year, in other words, 30 June 2007

**Where must delivery of the service take place?**

Pretoria Station, Gallagher Estates, Midrand

**Refer to handout 2 and list the requirements as stated in the tender documents.**

The following service is required: Thirty employees to be collected from Pretoria Station on Monday mornings and taken to Gallagher Estates, Midrand, to arrive there no later than 09h00. Thirty employees to be collected from Gallagher Estates, Midrand Friday afternoons at 16h00 and transported to Pretoria Station using a suitable midi bus, 1 July 2006 for a period of one year

Provide a description of the route you will be following. A sample is provided for your information. submit a timetable, stating the departure and arrival times

**SUBMISSION OF OPERATING DATA**

**7.1 Duty numbers**

Prior to the commencement date the Operator shall submit a complete list of proposed driver duties for Monday to Friday, Saturdays and Sundays. The duty shall have a number and list the starting and end destination names for each trip, together with the appropriate route number and times.

**7.2 Trip information**

Trip information for all approved trips must be provided on a weekly basis or as otherwise required by the Employer (see clause 16.1 of the General Conditions). The contract data base will be maintained by the Representative and will contain the information of all approved trips and be updated on a monthly basis.

**7.4 Passenger perceptions of the service**

Apart from the normal liaison between the Operator and passengers, such as commuter interest groups, surveys and occupancy counts, it is expected of the Operator to report on a monthly basis in writing on complaints received from passengers. The report should include the date and time that the complaint had been received and the actions taken to address specific complaints.

authority to tender from the relevant operating licence board/local road transportation board (board) (see Tender Rule 7).

permission from the competent Local Road Transportation Board/Operating Licence Board (board) to submit a tender or tenders for the provision of the services

proof of registration with the Registrar

a certificate or declaration from the Department of Labour that the tenderer has complied with section 53 of the Employment Equity Act, 1998 (Act No. 55 of 1998), once that section has been brought into effect;

A valid, original tax clearance certificate

completed and signed undertakings/declarations/certificates in the form set out in Forms 18, 19 and 20 in Volume



affidavit in Form 7 of Volume 5 regarding previous convictions for relevant offences (if any) committed by the tenderer or any of its directors/members/office bearers.

Tenders must be submitted strictly in accordance with the tender documents, i.e. without qualifications

All appropriate tender forms, schedules and certificates contained in Volume 5 (Tender Forms) must be fully and properly completed, signed and witnessed where indicated, in black ink, as provided for, and submitted with the other tender documents as part of the tenderer's tender

The Schedule of Quantities (Form 12 of the Tender Forms) must be fully priced and totalled in the currency of the Republic of South Africa to show the amount of the tender

All the Tender Forms (Volume 5) as well as all supporting documents, must be submitted to the Tender Board strictly in accordance with these Tender Rules and the instructions given in the official tender notice published in the Tender Bulletin

Historically Disadvantaged Individuals shall have more than fifty percent (50%) equity ownership in the company, close corporation, joint venture, partnership or consortium, for the tender to be considered.

28.3 More than fifty percent (50%) of executive management positions of the company, close corporation, joint venture, partnership or consortium shall be held by Historically Disadvantaged Individuals, for the tender to be considered

The Operator must take steps to ensure the safety of passengers and property

The Operator must effect and maintain throughout the duration of the contract, at its own expense, public passenger liability insurance for at least R10m (Ten Million Rand) per any one incident and full comprehensive vehicle insurance based on the realistic market value of the vehicle(s) with an insurance company chosen by the Operator and acceptable to the Employer, registered with the Financial Services Board established by the Financial Services Board Act, 1990, and registered in the Republic of South Africa in terms of the Short Term Insurance Act, 1998 or other applicable legislation. Proof of such insurance must be submitted to the Employer prior to the commencement date

The Operator shall be paid monthly for providing the services set out in the Specifications and for approved variations in accordance with clause 32

Standing kilometres will only be paid where scheduled trips are cancelled as provided for in clause 5.1(c), (d) and (e), and clauses 5.2 and 5.3 where applicable, and only for a maximum period of seven (7) days per event

The Operator must total the revenue kilometres operated as well as standing kilometres on each route for the particular month without rounding off any figures further than one decimal point.

Once a total has been obtained the total kilometre amount is to be rounded off to the nearest full kilometre

As soon as possible, but not later than seven (7) days after the end of each month, the Operator must submit to the Representative a monthly claim form in the format prescribed by the Employer in Tender Form 23, containing inter alia the information set out in clause 16.1.

Penalties shall be imposed against the Operator for each offence in accordance with clause 5 of the Special Conditions and the Representative shall advise the Operator on a weekly basis of penalties so imposed

The Operator must promptly do everything in its power to obtain and maintain in force all operating licences or permits, including licences and permits required by local authorities, pay all fees and levies and issue all notices as may be necessary for or be connected with the due operation of the services in accordance with the Act and other applicable legislation

The written consent of the Employer shall be required before the Operator may appoint any substitute operator

The Operator is required to submit with its tender a statement on Form 10 of the Tender Forms, showing what vehicles will be available for the services immediately upon award of the contract and what vehicles will be purchased or leased

The type and condition of all vehicles to be provided by the Operator for the provision of the services must correspond with the requirements of clause 7.2 of the Special Conditions and clause 14 of the Specifications.

The Operator must display identification stickers or decals on vehicles used in providing the services if requested to do so by the Employer.

Any accident damage shall be repaired so that the vehicle complies with the Specifications

All buses must be clean inside and outside when they leave a depot

All vehicles used for the provision of the services must—

- (a) display on the front and rear of the vehicle, the fleet number of the vehicle; and
- (b) display behind the lower right front windscreen of the vehicle the duty number that is being operated.

The Operator must equip, maintain and identify the vehicles in accordance with the Specifications and the destination and shift number shall be correctly displayed at the front of each vehicle for every trip

All vehicles must conform with the requirements and regulations of the Road Traffic Act, 1989 (Act 29 of 1989) or other applicable legislation and applicable SABS specifications.

Details of the existing or proposed vehicles to be used on the services are to be provided on Form 10.

The successful tenderer, if not already in possession of operating licences or permits, must submit applications for operating licences to the provincial Operating Licence Board (board), in terms of clause 22 of the General Conditions, for the provision of public transport services as described in the specifications

The services shall commence on 1 July 2006. or such later date as may be agreed to in writing between the Parties.

The duration of this contract shall be one (1) year, subject to clause 8 of the General Conditions.

**In handout 1 you will find an example of a contract. In a group, study the contract and do the following: Prioritise the tasks**

Tasks could include: arrange for vehicle to be in prime condition, Arrange driver, plan route, get passenger lists, arrange for pickup times, arranging meetings per contract, arranging service of vehicle, arranging to buy fuel, anything that relates to the delivery of the contract

#### **Identify completion dates**

Invoices and supporting documentation must be handed in by the 7th of each month

The contract starts on 3 July, so the first passengers have to be collected the morning of 3 July and will run for 12 months, with a possible extension for 3 months.

Any other completion dates the learners identify for the effective running of the contract

#### **Allocate resources**

Vehicles must be allocated

A driver must be allocated

Who will do the administration?

Who will attend the meetings as specified in the contract?

Who will work out the routes?

Who will arrange for the servicing etc of the vehicle?

Any other resources the learners might identify

#### **Write down the criteria for the tasks**



At least three criteria for each task that has to be completed: by when, by who and how

**Identify the risks to your business and state how you will prevent unforeseen circumstances from putting your business at risk.**

Penalties for late or early pickups

Penalties for vehicles in unsatisfactory condition

Penalties for route deviations

Penalties for vehicle breakdowns

Penalties for cancelled trips

Not adhering to time tables

Non submission of operating data

Suspension of operating licence

The operator appoints a substitute operator without the permission of the employer

Any other risks the learners identify

**Complete the contract action plan on the next page**

**In a group, do a risk assessment of at least three risks identified in the previous exercise. Use the table on the next page as a guideline.**

**Then draw up a plan to control the risks. Use the table below as a guideline**

**In a group, study the contract to find out which documents have to be sent with the invoice in order for payment to be made.**

a monthly claim form

daily written statistical data and information for the route on a weekly basis: actual departure and arrival time of each trip and late and early trips, with proper identification of trip, revenue kilometres of each trip; detail of trips not operated and reasons therefore

<b>Risk Assessment</b>		
Identify uncertainties/risks  Explore the entire contract and look for areas of uncertainty.	Analyse risks  Specify how those areas of uncertainty can impact on delivering the products or service as required by the contract	Prioritise risks  Which risks should be eliminated completely, because they have the potential of impacting extremely on the business or because they will need regular management attention,  And which risks are small enough not to impact too much on the business and will not need detailed management attention

**CONTRACT ACTION PLAN**

Task list	Completion Date	Who will be responsible	Resources	Criteria	Risks	How prevented

# **Unit standard 114974**

## **Activity 1 (SO1, AC1, 3-4): group activity**

Discuss the following and then write your conclusions.

1. How would you define customer service?

**Satisfying the customer's needs with a friendly and helpful attitude or any other valid explanation**

2. Why do you think customer service is important?

**The customer is the only one who brings money into the business; any other valid explanation**

3. What do you think customers want?

**Fast service**

**Courteous service**

**Consistent service**

**Someone who will listen**

**A knowledgeable Person to deal with**

**Expert advice**

**Smooth transactions**

**A specific commitment**

4. Do you think the following things matter when you deal with customers every day? Motivate your answers.

- 4.1. Your appearance

**all the answers should be positive but check the motivation**

- 4.2. Your attitude towards customers

- 4.3. Your ability to answer customer's questions

- 4.4. The way you talk to customers

- 4.5. Your knowledge about your organisation and what they do

Now that you know what customers want, discuss the following in a group and then write your conclusions in the space provided. Discuss customer service in the banking industry.

1. Do you think bank clerks give a good service?

**Lead the discussion and make sure that learners take notes**

2. What would you do differently?

3. Do you think bank clerks treat their customers with respect?

4. All customers have certain practical needs. Which needs of customers do you think a bank meets? List at least four

5. Which needs do you think a bank business does not meet? List at least three.



6. Any business has competition. Think of a bank: what does the competition do that customers like? List at least three things.
7. What does the competition do that customers do not like? List at least three things.
8. Discuss customer service in the taxi industry.
9. Do you think taxi drivers give a good service?
10. What would you do differently?
11. Do you think taxi drivers treat their customers with respect?
12. You represent your company in the eyes of your customers. What do you think you should do to give a good impression of your company if you were a taxi driver? List at least four things.
13. All customers have certain practical needs. Which needs of customers do you think a taxi service meets? List at least four
14. Which needs do you think a taxi business does not meet? List at least three.
15. How will you show your customers that you care about their feelings and that you want them to have an enjoyable experience when dealing with your taxi business? List at least three things.
16. What more can you do to make it enjoyable for your customers to deal with your taxi business? List at least two things.
17. Any business has competition. Think of a furniture business: what does the competition do that customers like? List at least three things.
18. What does the competition do that customers do not like? List at least three things.
19. How can you use this knowledge to improve your own customer service?
20. Why should your own appearance always be neat and tidy?

Discuss what you can do in your business to exceed your customer's expectations.

### **Lead the discussion, making sure that learners make creative suggestions**

A leading health and fitness company wrongly debited my account with a monthly fee. As soon as I noticed this, I contacted them with the problem. They offered to check their records and come back to me.



When they phoned back, timeously, they knew all the details, arranged for a refund directly into my account and offered me a complimentary month's workout.

One week later a letter arrived in the post apologising for the inconvenience and advising me to speak to Sue when I called at the gym. When I got to the gym, Sue was expecting me, knew the full details of my story and once again apologised for the inconvenience.

Using the above case study as well as what you have learnt about customer service as a guide line, answer the following questions:

- ✓ How did the employees satisfy the customer's needs?

### **Lead the discussion**

- ✓ How would this affect the company's image and competitive advantage?
- ✓ What would the consequences have been if the staff did not give such excellent service?

You work in a bank. A customer has just complained to you about incorrect bank charges on her account. You have discussed the complaint with the customer and realise that an error was made, but you do not have the authority to rectify the error. You have explained to the customer that you cannot solve the problem, but will escalate the call. You have also promised the customer that someone from your branch will contact her within 2 days.

The hierarchy in the branch is as follows: your department has a supervisor that you report to. The supervisor reports to the department manager, who reports to the branch manager. The branch manager reports to the area manager who reports to head office.

- ✓ Who will you escalate the query to?

**supervisor**

- ✓ Who has actual ownership of the problem?

**supervisor**

- ✓ Who has perceived ownership of the problem?

**employee**

- ✓ Who should contact the customer to resolve the problem?

**supervisor**

- ✓ Who has to make sure that the customer is contacted within 2 days?

**employee**

## Activity 2 (SO1, AC1, 3): self analysis

Do the following self-analysis to determine your level of customer service:

	Almost Always	Sometime	Almost Never	Not Applicable
<b>1. I know my products well, and I always try to teach my customer more about my organization's products or services.</b>				
<b>2. I offer my customers options and alternatives so they may make a wise decision</b>				
<b>3. I explain all information, especially answers to their cancers and questions, carefully, fully, and respectfully.</b>				
<b>4. I do things for my customers, even when it's not my job.</b>				
<b>5. I accept personal responsibility for solving a customer's problem.</b>				
<b>6. I routinely follow up with several of my customers each week to see if they are happy with our product and services</b>				
<b>7. I learn my customer's name whenever possible, use their name at least once in a conversation, and remember their names.</b>				
<b>8. I work at noticing something special about each person or listening for personal information he or she might</b>				
<b>9. I'm willing to give up personal time (breaks, lunchtime, at the end of my day, weekends) when the customer needs it</b>				
<b>10.I often do something extra to surprise and please my customer (exceed expectations).</b>				
<b>11.I take a sincere personal interest in my customer, and their families.</b>				
<b>12.I take a sincere personal interest in my customer, and their families.</b>				
<b>13.I really listen to my customers' needs and feelings, then I act on what I hear</b>				
<b>14.When either my organization or I make a mistake, I do my very best to fix it.</b>				
<b>15.I often make suggestion of other things we can do to help the customer. If my organization/division or I can't solve the customer's problem, I'll recommend another resource.</b>				
<b>16.I trust my customers and always assume that their intentions are honest.</b>				
<b>17.I always express my thanks and appreciation for choosing our organization/division when help a customer.</b>				

<b>18.I always treat the customer with respect, even if we disagree.</b>				
<b>19.I empathize with the customer's concerns, even if I don't agree with them. I use listening skills to acknowledge his or her feelings and show the customer that I care</b>				
<b>20.Even when the customers aren't there. I do what's best for them-not what's easiest or fastest for me.</b>				

I hope you answered almost always to most of the above questions. If you did not, you will have to work hard at your customer service skills.

### Activity 3 (SO1, AC1, 3): individual activity

- ✓ What is a difficult customer?

any valid explanation

- ✓ Why do customers sometimes become difficult?

Read the following situations and select the response that would indicate effective service. If you feel there is a better way of dealing with the situation note it in underneath the responses. Be prepared to explain your reasoning.

1. You purchased a new house six months ago and one of the necessary actions you took was to organise for the electricity company to disconnect the electricity and reconnect it in your name on the day you moved in. However, it would appear that this was not done and although you have been paying on a monthly basis it has not been recorded as the account is still in the name of the previous owner. Today the electricity company switched off your lights and you have gone to address this with them. Their representative responds ...

- a) "I am sorry sir, but you should have made sure it was in your name".
- b) "We are short handed and have not had time to update new accounts yet".
- c) "The new accounts clerk is not in, come back tomorrow".
- d) "I am sorry sir, would you give me the account number and I will see if I can rectify the situation."

d

2. You purchased groceries at your local supermarket and when you returned home, you found several items were missing. You went back to the store only to be told...

- a) "I packed all your groceries, you must have overlooked them when you packed them away"
- b) "Which items are missing sir? Let me call my Supervisor and we will replace them for you"
- c) "Which items are missing sir? Let me call my Supervisor and see what action we can take"
- d) "Next time check your purchases before you leave the counter"

b or c

3. Salaries and Wages have deducted your pension payment twice from your salary this month. You telephone the Human Resources Department to inform them and are placed on hold for several minutes. Someone else returns to the line and asks about your problem. She too places you on hold. A third person then answers the phone and asks if they can help you. Angrily you say "this is the third time I have explained my problem and if put on hold again I will...!" The person responds ...

- a) "You didn't speak to me so don't shout at me."
- b) "You will need to come into the office with your pay slip before I can sort it out"
- c) "I am sorry sir, you must be very frustrated. Let me draw your pay slip and we can see how to handle this".
- d) "We will check your pay slip and if you are correct, will refund it next month".

c

4. You made reservations last month to fly to Cape-Town to deliver a Training Programme. Today, two days before your departure, the travel agent phones you to inform you that they lost your booking form and have just found it, but the flight is now full and only business class seats are available. You explain that the company only pays for economy class. The agent responds ...
  - a) "So I take it you want me to cancel it?"
  - b) "Perhaps you should try the bus"
  - c) "We will make a reservation for you in business class but only charge you or economy class"
  - d) "You can go to the airport early and request to be put on standby, maybe you'll be lucky".
5. You purchased a fridge last month and it keeps defrosting. You have phoned the agent to put in a service call. The response is ...
  - a) "I am sorry you have had this trouble sir. We are very busy at the moment and I can only book a service call for next week, however, let me see if I can get a replacement fridge in the mean time".
  - b) "Certainly Sir, As we are very busy I have booked it for two weeks on Friday"
  - c) "If you have a complaint about the product, please submit it in writing"
  - d) "I'm sorry about that, we've found that this model of fridge is always faulty, I'll book a service call"

a

## Activity 4 (SO1, AC1-4): group activity

This is a group exercise. Do the exercise individually and then get consensus in your groups. List the 3 most important internal customers and external stakeholders and their expectations for a bank.

Internal customers

<b>CUSTOMER</b>	<b>EXPECTATIONS</b>
1	<b>Lead the discussion and check that learners understand what internal customers and their needs are</b>

External customers

<b>EXTERNAL CUSTOMERS</b>	<b>EXPECTATIONS</b>
1	<b>Lead the discussion and check that learners understand what external customers and their needs are</b>

This is a group exercise. Do the exercise individually and then get consensus in your groups. List the 3 most important internal customers and external stakeholders and their expectations from you in your business:

Internal customers

CUSTOMER	EXPECTATIONS
1	Lead the discussion and check that learners understand what internal customers and their expectations are

External customers

EXTERNAL CUSTOMERS	EXPECTATIONS
1	Lead the discussion and check that learners understand what external stakeholders and their expectation are

In a group, discuss the consequences of poor customer service to the customer.

**frustration, irritation, feelings of helplessness and worthlessness**

Discuss the consequences of poor customer service to the organisation

**loss of customers and loss of revenue**

Discuss the consequences of poor customer service to the individual employee

**at the least disciplinary steps**

## Activity 5 (SO2, AC 1-4): Group activity

### **Role play 1**

In the same groups do the following role play: another member of the group plays the customer; while a different member plays the bank clerk. The customer is very upset, as s/he has just been mugged. His/her wallet, containing the bank card, ID book and driver's licence has just been stolen. S/he has no money and no ID and needs to withdraw money from his/her bank account. The bank clerk has to open the interaction with the customer; request information to clarify and identify the customer's needs and reflect the information back to the customer to confirm understanding. The bank clerk should also close the interaction on a positive note

There are many ways to assist the customer to withdraw some money from his/her account, for example: by asking the date of birth, address and other details that are available from the bank, as well as checking the customer's signature that is on record at the bank. If the customer has a passport, this can be used to identify the customer or maybe another bank clerk has dealt with the customer often and can ID the customer. The customer's contact details are also on record so someone from home or his/her work can also assist to ID the customer. Whatever the solution, the matter has to be escalated to get approval for the withdrawing of the money, but the options can be explained to the customer by the bank clerk. It must also be noted that the customer will not be able to withdraw thousands from the account, just a small amount to tide him over until he can get matters sorted out.

The other members of the group must look at the interaction and then discuss the following:

1. How did the bank clerk open the interaction and how can this be improved on?
2. Did the bank clerk extract information to clarify the need and find out what the customer's requirements and needs are? How can this be improved on?
3. What non-verbal clues did the customer display?
4. What non-verbal clues did the bank clerk display?

5. Did the bank clerk use the non-verbal clues to adjust his approach to the customer accordingly?
6. How can this be improved on?
7. Did the bank clerk close the interaction on a positive note?
8. How can this be improved on?

## Activity 6 (SO3, AC 1-3; SO4 AC1-5): Group activity

### **Role Play 2**

Divide the class into groups of 4 to 6. One member of the group plays the customer; another member of the group plays the bank clerk.

It is month end and the queues in the bank are very long. One customer is upset as he is in a hurry; he has to go to the hospital where his wife is having an emergency operation and he urgently needs a bank guaranteed cheque to pay the hospital. The bank clerk has to open the interaction with the customer; request information to clarify and identify the customer's needs and reflect the information back to the customer to confirm understanding. The bank clerk should also close the interaction on a positive note.

**This matter has to be handled sensitively, as the other customers will become upset if this customer jumps the queue. The bank clerk has to take the customer to one side and sort out the problem without upsetting the other customers.**

The other members of the group must look at the interaction and then discuss the following:

1. How did the bank clerk open the interaction and how can this be improved on?
2. Did the bank clerk extract information to clarify the need and find out what the customer's requirements and needs are? How can this be improved on?
3. What non-verbal clues did the customer display?
4. What non-verbal clues did the bank clerk display?
5. Did the bank clerk use the non-verbal clues to adjust his approach to the customer accordingly?
6. How can this be improved on?
7. Did the bank clerk close the interaction on a positive note?
8. How can this be improved on?

### **Role play 2**

Divide the class into groups of 4 to 6.

One member of the group plays the customer; another member of the group plays the bank clerk. The customer is very angry as his salary does not yet show on his bank statement. The bank clerk has to open the interaction with the customer; use information to clarify and identify the customer's needs and use this information to formulate an appropriate response. The problem must be escalated to the next level and an agreement about the action that has to be taken, including when and how feedback will take place, must be reached with the customer understanding. The bank clerk should also close the interaction on a positive note.

**The customer's salary should be paid in by the employer, so this is actually not the bank's problem, but good customer service means that the situation has to be handled delicately. If necessary, a bank employee can pone the employer to find out what the problem is.**

**The problem will be too big for the bank clerk to handle and must be escalated to the supervisor, called an accountant. The purpose is to show that the bank clerk**

can calm the person down, extract information and promise to solve the problem.

The other members of the group must look at the interaction and then discuss the following:

1. How did the bank clerk open the interaction and how can this be improved on?
2. Did the bank clerk extract information to clarify the need and find out what the customer's requirements and needs are? How can this be improved on?
3. What non-verbal clues did the customer display?
4. What non-verbal clues did the bank clerk display?
5. Did the bank clerk use information about the customer and the need to formulate an appropriate response?
6. Did the bank clerk explain that the query must be escalated?
7. What agreement about follow up actions was reached with the customer?
8. When and how would feedback take place?
9. Did the bank clerk close the interaction on a positive note?
10. How can this be improved on?

### Activity 7 (SO3, AC1 – 3; SO4 AC1-5): individual activity

Think back to the interactions with the customer. Record the main details of the customer's needs each query.

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List two keywords that you have identified

The individual answers should be discussed in their groups after completion of the activity, to give learners practice in active listening and to show them that they should improve their listening skills.



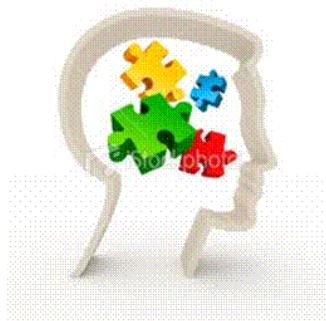
# PERSONAL INFORMATION

<b>NAME</b>	
<b>CONTACT ADDRESS</b>	
<b>Code</b>	
<b>Telephone (H)</b>	
<b>Telephone (W)</b>	
<b>Cellular</b>	
<b>Learner Number</b>	
<b>Identity Number</b>	
<b>EMPLOYER</b>	
<b>EMPLOYER CONTACT ADDRESS</b>	
<b>Code</b>	
<b>Supervisor Name</b>	
<b>Supervisor Address</b>	<b>Contact</b>
<b>Code</b>	
<b>Telephone (H)</b>	
<b>Telephone (W)</b>	
<b>Cellular</b>	

# INTRODUCTION

## ***Welcome to the learning programme***

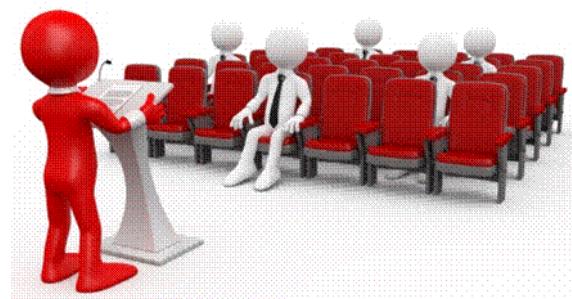
Follow along in the guide as the training practitioner takes you through the material. Make notes and sketches that will help you to understand and remember what you have learnt. Take notes and share information with your colleagues. Important and relevant information and skills are transferred by sharing!



This learning programme is divided into sections. Each section is preceded by a description of the required outcomes and assessment criteria as contained in the unit standards specified by the South African Qualifications Authority. These descriptions will define what you have to know and be able to do in order to be awarded the credits attached to this learning programme. These credits are regarded as building blocks towards achieving a National Qualification upon successful assessment and can never be taken away from you!

# **Structure**

## **Programme Methodology**



The programme methodology includes facilitator presentations, readings, individual activities, group discussions and skill application exercises.

Know what you want to get out of the programme from the beginning and start applying your new skills immediately. Participate as much as possible so that the learning will be interactive and stimulating.

The following principles were applied in designing the course:

- ✓ Because the course is designed to maximise interactive learning, you are encouraged and required to participate fully during the group exercises
- ✓ As a learner you will be presented with numerous problems and will be required to fully apply your mind to finding solutions to problems before being presented with the course presenter's solutions to the problems
- ✓ Through participation and interaction, the learners can learn as much from each other as they do from the course presenter
- ✓ Although learners attending the course may have varied degrees of experience in the subject matter, the course is designed to ensure that all delegates complete the course with the same level of understanding
- ✓ Because reflection forms an important component of adult learning, some learning resources will be followed by a self-assessment which is designed so that the learner will reflect on the material just completed.

This approach to course construction will ensure that learners first apply their minds to finding solutions to problems before the answers are provided, which will then maximise the learning process which is further strengthened by reflecting on the material covered by means of the self-assessments.

### ***Different role players in delivery process***

- ✓ Learner
- ✓ Facilitator
- ✓ Assessor
- ✓ Moderator

## **What Learning Material you should have**

This learning material has also been designed to provide the learner with a comprehensive reference guide. It is important that you take responsibility for your own learning process; this includes taking care of your learner material. You should at all times have the following material with you:

<b>Learner Guide</b> 	<p><b><i>This learner guide is your valuable possession:</i></b></p> <p>This is your textbook and reference material, which provides you with all the information you will require to meet the exit level outcomes. During contact sessions, your facilitator will use this guide and will facilitate the learning process. During contact sessions a variety of activities will assist you to gain knowledge and skills.</p> <p>Follow along in the guide as the training practitioner takes you through the material. Make notes and sketches that will help you to understand and remember what you have learnt. Take and share information with your colleagues. Important and relevant information and skills are transferred by sharing!</p> <p>This learning programme is divided into sections. Each section is preceded by a description of the required outcomes and assessment criteria as contained in the unit standards specified by the South African Qualifications Authority. These descriptions will define what you have to know and be able to do in order to be awarded the credits attached to this learning programme. These credits are regarded as building blocks towards achieving a National Qualification upon successful assessment and can never be taken away from you!</p>
<b>Formative Assessment</b>  <b>Workbook</b>	<p>The Formative Assessment Workbook supports the Learner Guide and assists you in applying what you have learnt.</p> <p>The formative assessment workbook contains classroom activities that you have to complete in the classroom, during contact sessions either in groups or individually.</p> <p>You are required to complete all activities in the Formative Assessment Workbook. The facilitator will assist, lead and coach you through the process. These activities ensure that you understand the content of the material and that you get an opportunity to test your understanding.</p>

## Different types of Activities you can expect

To accommodate your learning preferences, a variety of different types of activities are included in the formative and summative assessments. They will assist you to achieve the outcomes (correct results) and should guide you through the learning process, making learning a positive and pleasant experience.



The table below provides you with more information related to the types of activities.

<b>Types of Activities</b>	<b>Description</b>	<b>Purpose</b>
<b>Knowledge Activities</b> 	You are required to complete these activities on your own.	These activities normally test your understanding and ability to apply the information.
<b>Skills Application Activities</b> 	You need to complete these activities in the workplace	These activities require you to apply the knowledge and skills gained in the workplace
<b>Natural Occurring Evidence</b> 	You need to collect information and samples of documents from the workplace.	These activities ensure you get the opportunity to learn from experts in the industry. Collecting examples demonstrates how to implement knowledge and skills in a practical way

## **Assessments**

The only way to establish whether a learner is competent and has accomplished the specific outcomes is through the assessment process. Assessment involves collecting and interpreting evidence about the learners' ability to perform a task.

To qualify and receive credits towards your qualification, a registered Assessor will conduct an evaluation and assessment of your portfolio of evidence and competency.

This programme has been aligned to registered unit standards. You will be assessed against the outcomes as stipulated in the unit standard by completing assessments and by compiling a portfolio of evidence that provides proof of your ability to apply the learning to your work situation.



### ***How will Assessments commence?***

#### **Formative Assessments**

The assessment process is easy to follow. You will be guided by the Facilitator. Your responsibility is to complete all the activities in the Formative Assessment Workbook and submit it to your facilitator.

#### **Summative Assessments**

You will be required to complete a series of summative assessments. The Summative Assessment Guide will assist you in identifying the evidence required for final assessment purposes. You will be required to complete these activities on your own time, using real life projects in your workplace or business environment in preparing evidence for your Portfolio of Evidence. Your Facilitator will provide more details in this regard.

To qualify and receive credits towards your qualification, a registered Assessor will conduct an evaluation and assessment of your portfolio of evidence and competency.

## **Learner Support**

The responsibility of learning rests with you, so be proactive and ask questions and seek assistance and help from your facilitator, if required.



Please remember that this Skills Programme is based on outcomes based education principles which implies the following:

- ✓ You are responsible for your own learning – make sure you manage your study, research and workplace time effectively.
- ✓ Learning activities are learner driven – make sure you use the Learner Guide and Formative Assessment Workbook in the manner intended, and are familiar with the workplace requirements.
- ✓ The Facilitator is there to reasonably assist you during contact, practical and workplace time for this programme – make sure that you have his/her contact details.
- ✓ You are responsible for the safekeeping of your completed Formative Assessment Workbook and Workplace Guide
- ✓ If you need assistance, please contact your facilitator who will gladly assist you.
- ✓ If you have any special needs, please inform the facilitator

## **Learner Administration**



### **Attendance Register**

You are required to sign the Attendance Register every day you attend training sessions facilitated by a facilitator.

### **Programme Evaluation Form**

On completion you will be supplied with a "Learning programme Evaluation Form". You are required to evaluate your experience in attending the programme.

Please complete the form at the end of the programme, as this will assist us in improving our service and programme material. Your assistance is highly appreciated.

## **Learner Expectations**

Please prepare the following information. You will then be asked to introduce yourself to the instructor as well as your fellow learners



# UNIT STANDARD 119673

SOUTH AFRICAN QUALIFICATIONS AUTHORITY

REGISTERED UNIT STANDARD:

Identify and demonstrate entrepreneurial ideas and opportunities

SAQA ID	US ID	UNIT STANDARD TITLE			
119673		Identify and demonstrate entrepreneurial ideas and opportunities			
ORIGINATOR		ORIGINATING PROVIDER			
SGB Generic Management					
QUALITY ASSURING BODY					
-					
FIELD		SUBFIELD			
Field 03 - Business, Commerce and Management Studies		Generic Management			
ABET BAND	UNIT STANDARD TYPE	PRE-2009 LEVEL	NQF	NQF LEVEL	CREDITS
Undefined	Regular-Fundamental	Level 2		NQF Level 02	7
REGISTRATION STATUS		REGISTRATION START DATE		REGISTRATION END DATE	SAQA DECISION NUMBER
Reregistered		2012-07-01		2015-06-30	SAQA 0695/12
LAST DATE FOR ENROLMENT		LAST DATE FOR ACHIEVEMENT			
2016-06-30		2019-06-30			

In all of the tables in this document, both the pre-2009 NQF Level and the NQF Level is shown. In the text (purpose statements, qualification rules, etc), any references to NQF Levels are to the pre-2009 levels unless specifically stated otherwise.

This unit standard does not replace any other unit standard and is not replaced by any other unit standard.

## PURPOSE OF THE UNIT STANDARD

Learners working towards this standard will be learning towards the full qualification, or will be working within a SMME (Small, Medium, Micro Enterprise) environment, specialising in New Venture Ownership and Management, where the acquisition of competence against this standard will add value to one's job. This standard will also add value to entrepreneurs who are seeking to develop their entrepreneurial skills so that they can become more marketable for bigger contracts, including commercial and public sector contracts, for example the Department of Public Works programmes.



The qualifying learner is capable of:

- Describing and discussing entrepreneurship.
- Identifying own entrepreneurial strengths and weaknesses in relation to opportunity identified.
- Identifying the characteristics of a typical entrepreneur.
- Identifying entrepreneurial opportunities in own context.
- Compiling entrepreneurial goal and personal growth plan.

#### LEARNING ASSUMED TO BE IN PLACE AND RECOGNITION OF PRIOR LEARNING

All learners accessing this qualification must be in possession of a GETC or equivalent qualification. The learner must be competent in Communication Literacy at NQF level 1.

#### UNIT STANDARD RANGE

N/A

Specific Outcomes and Assessment Criteria:

##### SPECIFIC OUTCOME 1

Describe and discuss entrepreneurship.

##### ASSESSMENT CRITERIA

###### ASSESSMENT CRITERION 1

An understanding of what makes up a business is demonstrated and explained in terms of proposed business context.

###### ASSESSMENT CRITERION 2

Entrepreneurship is discussed in terms of employment opportunities.

###### ASSESSMENT CRITERION 3

Advantages and disadvantages of entrepreneurship are explained with examples.

###### ASSESSMENT CRITERION 4

Typical examples of entrepreneurship are presented and explained in terms of the proposed business context.

###### ASSESSMENT CRITERION 5

Reasons for business failure and successes are identified and discussed with examples.

###### ASSESSMENT CRITERION 6

Cultural, gender and social barriers that relate to entrepreneurship are identified and ideas raised on how to overcome them.

###### ASSESSMENT CRITERION 7

The importance of a workable business plan is identified and explained in terms of proposed business context.

##### SPECIFIC OUTCOME 2

Identify own entrepreneurial strengths and weaknesses in relation to opportunity identified.

##### ASSESSMENT CRITERIA

###### ASSESSMENT CRITERION 1

An entrepreneurial profile test is completed and strengths and weaknesses are identified according to profile benchmarks.

###### ASSESSMENT CRITERION RANGE

An entrepreneurial profile includes but is not limited to credit worthiness, entrepreneurial skills and abilities.

###### ASSESSMENT CRITERION 2

The profile is matched to a suitable business opportunity.

###### ASSESSMENT CRITERION 3

A plan of action to address weaknesses is compiled according to results of profile.

###### ASSESSMENT CRITERION 4

Programmes to address skills weaknesses are identified and attended within given time frames.

###### ASSESSMENT CRITERION 5

Ongoing measurement and evaluation tools to maximise strengths and reduce weaknesses are understood and used to measure skills growth.

###### ASSESSMENT CRITERION 6



Entrepreneurial skills are improved according to skills plans and programmes.

**ASSESSMENT CRITERION 7**

Entrepreneurial progress is monitored on an ongoing basis.

**SPECIFIC OUTCOME 3**

Identify the characteristics of a typical entrepreneur.

**ASSESSMENT CRITERIA**

**ASSESSMENT CRITERION 1**

The characteristics of a typically successful entrepreneur are identified and discussed with examples.

**ASSESSMENT CRITERION RANGE**

Characteristics include but are not limited to the ability to take calculated risks, taking initiative, ensuring sustainability.

**ASSESSMENT CRITERION 2**

Typical entrepreneurial skills, personality traits and values of entrepreneurial behaviour are clearly differentiated with examples.

**ASSESSMENT CRITERION 3**

The importance of each characteristic is analysed in the context of a specific new venture.

**ASSESSMENT CRITERION 4**

The technical, business, managerial and personal traits and characteristics required for establishing a successful venture are explained with examples.

**SPECIFIC OUTCOME 4**

Identify entrepreneurial opportunities in own context.

**ASSESSMENT CRITERIA**

**ASSESSMENT CRITERION 1**

Entrepreneurial opportunities are identified and described in relation to own context.

**ASSESSMENT CRITERION RANGE**

Own context includes but is not limited to family, community, wider economic trends and development, credit worthiness, entrepreneurial profile.

**ASSESSMENT CRITERION 2**

Entrepreneurial opportunities are identified and described in relation to the talents, interests and profile of the learner.

**ASSESSMENT CRITERION 3**

Problem-solving and critical thinking techniques in relation to entrepreneurial opportunities are utilised to match opportunity and own talents and interests to proposed new business venture.

**ASSESSMENT CRITERION 4**

Possible problems and limitations of identified opportunity are identified and ways to overcome them are described within scope of opportunity.

**ASSESSMENT CRITERION 5**

A range of risks associated with the new venture are analysed in relation to own context and a decision whether to proceed with business is made according to results of analyses.

**ASSESSMENT CRITERION RANGE**

The analysis of risks include but is not limited to technical, performance, time, community, environmental and cultural contexts.

**SPECIFIC OUTCOME 5**

Compile entrepreneurial goals and personal growth plan.

**ASSESSMENT CRITERIA**

**ASSESSMENT CRITERION 1**

Short, medium and long-term goals are planned in relation to entrepreneurial goals.

**ASSESSMENT CRITERION 2**



Short-term goals for self in entrepreneurial context are clearly described and discussed in relation to personal growth and entrepreneurial goals.

**ASSESSMENT CRITERION 3**

A plan of action to develop technical, business, managerial and personal skills in relation to entrepreneurial opportunity is compiled and implemented according to plan.

**ASSESSMENT CRITERION 4**

Suitable mentors and coaches to assist in implementation of plan are identified based on availability and capacity.

**ASSESSMENT CRITERION 5**

Resources to ensure successful implementation of plan are identified and utilised on an ongoing basis.

**UNIT STANDARD ACCREDITATION AND MODERATION OPTIONS**

- Any individual wishing to be assessed (including through RPL) against this unit standard may apply to an assessment agency, assessor or provider institution accredited by the relevant ETQA, or an ETQA that has a Memorandum of Understanding with the relevant ETQA.
- Anyone assessing a learner against this unit standard must be registered as an assessor with the relevant ETQA, or an ETQA that has a Memorandum of Understanding with the relevant ETQA.
- Any institution offering learning that will enable achievement of this unit standard or assessing this unit standard must be accredited as a provider with the relevant ETQA, or an ETQA that has a Memorandum of Understanding with the relevant ETQA.
- Moderation of assessment will be conducted by the relevant ETQA at its discretion.

**UNIT STANDARD ESSENTIAL EMBEDDED KNOWLEDGE**

The learner must demonstrate an understanding of:

- The principles and skills of entrepreneurship.
- Completing entrepreneurial profile tests.
- The ability to analyse one's own strengths and weaknesses.
- Goal setting techniques.
- Compiling personal growth plans.

**Critical Cross-field Outcomes (CCFO):**

**UNIT STANDARD CCFO IDENTIFYING**

Identify and solve problems using critical and creative thinking processes to identify entrepreneurial opportunities, own entrepreneurial profile and personal growth plan.

**UNIT STANDARD CCFO WORKING**

Work effectively with others as a member of a team, group, organisation or community to identify and pursue entrepreneurial opportunities.

**UNIT STANDARD CCFO ORGANISING**

Organise and manage oneself and one's activities responsibly and effectively in order to compile and develop a personal growth plan within a new venture creation.

**UNIT STANDARD CCFO COLLECTING**

Collect, analyse, organize and critically evaluate information in order to gather information pertaining to entrepreneurial opportunities.

**UNIT STANDARD CCFO COMMUNICATING**

Communicate effectively using visual, mathematical and/or language in the modes of oral and/or written persuasion to source data pertaining to new venture opportunity.

**UNIT STANDARD CCFO SCIENCE**

Use science and technology effectively and critically, showing responsibility to the environment and health of others in ensuring that risk probability factors are effectively determined.

**UNIT STANDARD CCFO DEMONSTRATING**

Demonstrate an understanding of the world as a set of interrelated systems by recognising that problem-solving contexts do not exist in isolation in relation to entrepreneurial opportunities and own context.

**UNIT STANDARD CCFO CONTRIBUTING**

Participating as responsible citizens in the life of local, national and global communities by analysing all aspects of entrepreneurial opportunities identified.





# **ENTREPRENEURSHIP**

## **Outcome**

Describe and discuss entrepreneurship

## **Assessment criteria**

- ✓ An understanding of what makes up a business is demonstrated and explained in terms of proposed business context
- ✓ Entrepreneurship is discussed in terms of employment opportunities
- ✓ Advantages and disadvantages of entrepreneurship are explained with examples
- ✓ Typical examples of entrepreneurship are presented and explained in terms of the proposed business context
- ✓ Reasons for business failure and successes are identified and discussed with examples
- ✓ Cultural, gender and social barriers that relate to entrepreneurship are identified and ideas raised on how to overcome them
- ✓ The importance of a workable business plan is identified and explained in terms of proposed business context

## **Introduction**

To start your own business will need careful planning and lots of perseverance. It will not always be easy, but if you succeed, you will enjoy the benefits of hard work. Every successful businessperson will tell you that he achieved what he did through hard work.

When you intend starting a new venture it is good to have an idea of what you want to do. If you don't have any idea of what to do, that is not a great problem. Some people lose their jobs and are forced to start some sort of a business to survive. Others are luckier and have money available to invest in an undertaking, but do not know what type of business to start.

Therefore, whether you know what type of business you are going to start or not, the basic principles remain the same.

Unfortunately, many people who start out in business don't succeed. This may be for various reasons but whatever the reason, it is sad that something that someone has put his heart in and worked hard for has failed.

This learner guide will give you some guidelines to help you on your way to becoming successful in your new venture. GOOD LUCK! If you're going to spend the time and effort to start a business venture, you might as well do it properly and be successful at the end.

## **Business**

A business is any person, group of people or organisation that takes resources and

- ✓ turns them into products or
- ✓ offers a service to sell to meet a need in the market for a profit.

## **What Is A Small Business?**

There is no definition of a small enterprise that everyone agrees on, but it is generally a description of any enterprise with 50 - 100 employees and includes profit-making enterprises (businesses) as well as non-profit enterprises (such as cooperatives).

Within the definition of a small enterprise, many people also recognise a large number of very small (or micro) enterprises, with less than five employees.



Small enterprises are also sometimes called SMME's (small-, medium- and micro enterprises), a term which includes the larger end of the small business sector which is the medium sized businesses that employ up to 200 people.

## **Reasons for starting a business**

### **Activity 1 (AC1): group discussion**

#### **Needs**

One of the reasons why we start a business, is to satisfy other people's as well as our own **needs**.

Needs are the things that help us to survive. You have certain basic needs which must be fulfilled if you are to keep on living. For example water, food, protection, safety, shelter, home, and so on.

If basic needs are not fulfilled, a person will not survive. The basic reason why people work is to earn a living to survive. If we are also able to satisfy our other needs, we will enjoy a better quality of life.

#### **Wants**

### **Activity 2 (AC1): group discussion**

Another reason for being in business is to satisfy wants.

Wants are not necessary for survival. They are things that we would like, that we enjoy. For example, to make money and get rich, be self employed, buy things like radios and a TV, visit the pub / shebeen, buy a present, see a movie, and so on.

#### **Difference between needs and wants**

Needs are basic to a person's survival. Once these basic needs are fulfilled, certain wants can become important. For example, when you are hungry you need food, but when you are no longer hungry you might want to smoke a cigarette.

Here is another example: The need for warmth is the same for anyone, anywhere. Two people may prefer different ways in which they want to get warm. One person may use a fire, the other a heater.

If your needs are not satisfied you may die, you will not survive. If your wants are not satisfied you will live, but your quality of life may not be that good.

**Needs determine survival. Wants influence quality of life and they are the luxuries you enjoy.**

#### **Adding Value**

Another reason for starting a business is to add value. Adding value is when you take something, add something to it and make it better and easier to sell.

The only reason why a business is started and survives, is that it provides something that someone (a customer) somewhere wants and is willing to pay for it.

Long ago, people could fulfil their basic needs with what nature provided. For example, water from rivers, wild berries and roots, hunting for meat, caves or huts built of mud for shelter.

Today, we get water from the tap, we have hot and cold water in our homes. We have electricity for light heat and cooking. We drive instead of walk. We buy meat from the butchery or supermarket instead of hunting for wild animals. We live in well built homes with lights and water instead of huts. We use telephones to communicate with people. We have watches for time instead of following the sun. We satisfy our needs and wants by paying for food and services such as transport, electricity and telephones.

A person or group of people who form a business can make a contribution by stepping in and filling the gap between the customer's needs and wants and the ability to create the product to satisfy those needs and wants.

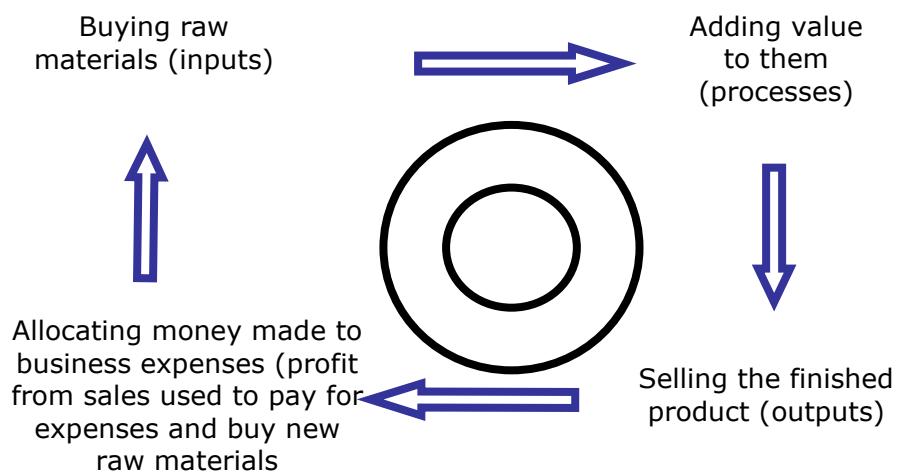
A business does something the customer cannot or will not do. For example, carving out wood or packing a product in smaller quantities, baking a cake, cooking food, fixing a car, cutting hair, making a dress, making beer out of sorghum, and so on.

If a woman buys some wool for R50, knits it into a jersey and sells the jersey for R70, she has added R20 of her time and knitting expertise to make the jersey. She has added value of R20 to the wool.

## Activity 3 (AC1): group discussion

### The business cycle

The basic business cycle is as follows:



### Processes

bring together all the inputs in such a way that it produces the desired product. All the steps, processes, procedures and modifications to the raw materials to produce the products and services of the business come into play here. Often businesses have unique processes that make their products special.

### Outputs

The result of what is done in the process/production phase is called an output. Outputs can be divided into tangible and intangible outputs:

- ✓ Tangible outputs are things that you can see and touch, like a box of matches
- ✓ Intangible outputs are services such as in hospitals, training, telecommunications

### Feedback

No process is complete without feedback. After a business has sold a product or provided a service, it must get feedback.

Examples of feedback include whether the customers buy or do not buy the product/service, financial figures, staff turnover, sales, and so on.

## Activity 4 (AC1): group discussion

### The Business Market

The **market** is described as the **place** where buyer and seller come together.

## **Summary**

- ✓ A business exists to meet a **need**
- ✓ A business exists to earn **money** and make a **profit**

## **Important Terms**

### **Supply**

The number / amount of goods and services which sellers are prepared to **sell** at a given price.

### **Demand**

The number / amount of goods and services that buyers are prepared to **buy** at a given price.

### **Seasons**

Consumer goods like cold drink or even clothing can be affected by seasons.

### **Consumer behaviours**

Sometimes fashion trends, styles and designs can change because consumer behaviour changes. This can affect demand and may result in price having to be reduced.

### **Profit**

Profit = Income from sales less all costs or expenses. The portion of money which is left over in the business after all costs have been covered.

### **Money**

Every business must have money (sometimes called capital to get started).

### **Assets**

Every business needs things which it owns and uses to make the business possible.

### **Plan**

The business plan is the written guide that the business must work out and follow if it is to be successful.

### **Materials**

Any item which is extracted and used as the basis for a new product.

### **Article**

An unfinished product.

### **Processes**

The route materials and articles must go through before they become finished products.

### **Machinery**

A term used to represent any technology which is used to change raw materials into semi-finished articles or into finished products.

### **Added value**

The result of raw materials being transferred into semi finished articles and finished products

### **Production**

A general term used to describe the creation of new products.



## **Market**

The place where products are sold.

## **Price**

The value which is put on a product and which must be paid for that product to be passed over to the consumer.

# **What Is An Entrepreneur?**

An entrepreneur is a person who takes an idea and an opportunity, and turns them into a profitable enterprise by harnessing the necessary skills and resources to manage the risks involved.

The real thrill of entrepreneurship is creating something from nothing. This requires vision, creative thinking, a skill for getting things organised, and a lot of hard work.

There is no single 'entrepreneurial personality type', but there are characteristics that most successful entrepreneurs share. According to one writer, these include:

- ✓ A desire to take responsibility and be in control.
- ✓ A preference for moderate risk (contrary to popular belief, entrepreneurs are not wild risk-takers; they must of necessity face business risks, but these are carefully considered and managed).
- ✓ A steady confidence in their ability to succeed.
- ✓ A high level of energy.
- ✓ An orientation toward the future.
- ✓ A skill in organising.
- ✓ A love of achievement.

## **The Advantages Of Being An Entrepreneur**

Most small business owners agree that there are many reasons why they prefer to run their own businesses than to work for someone else. Among the most important reasons for this are:

### ***The opportunity to control your own future.***

While there are always risks involved, having your own business allows you to chart your own direction and goals. This means not having to rely on a superior's assessment of your performance, for instance, before getting promoted.

### ***The opportunity to reach your full potential.***

By working out your own ideas and plans, your business becomes an expression of your ability and creativity. Many jobs are not like this, and can leave people feeling bored and unmotivated.

### ***The opportunity to make a difference.***

Many entrepreneurs are driven by the results that their business delivers. This can make your work very fulfilling, especially when the impact of your business is great enough to see a difference in the people and environment around you.

### ***The opportunity to do what you enjoy.***

Entrepreneurs will frequently turn their hobbies or passions into an enterprise, allowing them to do what they most love, every day.

## **The opportunity to earn more.**

When you work for a salary the salary is normally limited to within certain scales, while having your own business really allows unlimited earning potential. It all depends on the success of your business, of course, and it would be a mistake to think that all business owners are wealthy.

## **The Disadvantages Of Being An Entrepreneur**

No one will deny that running your own business is demanding and risky, so you need to be completely committed to doing it. These are the main drawbacks you will face:

### **You could lose the money you put into the business.**

For most people, starting a business will be a lifelong dream, and they will put just about all their money into it. The high number of small business failures tells us that there many people will lose their hard earned money in this way.

### **Your income will be uncertain.**

There is no guarantee that you will earn enough to survive. Part of your planning must include ways of ensuring that starting a business won't leave you without a roof over your head, but there are always setbacks that you can't foresee.

### **Your working hours will be long and hard.**

There is no knocking off when your eight hours of work is done. Your business will survive only if you give it the time it demands, and there is sometimes no limit to the things you must accomplish each day.

### **You will have to face stressful times**

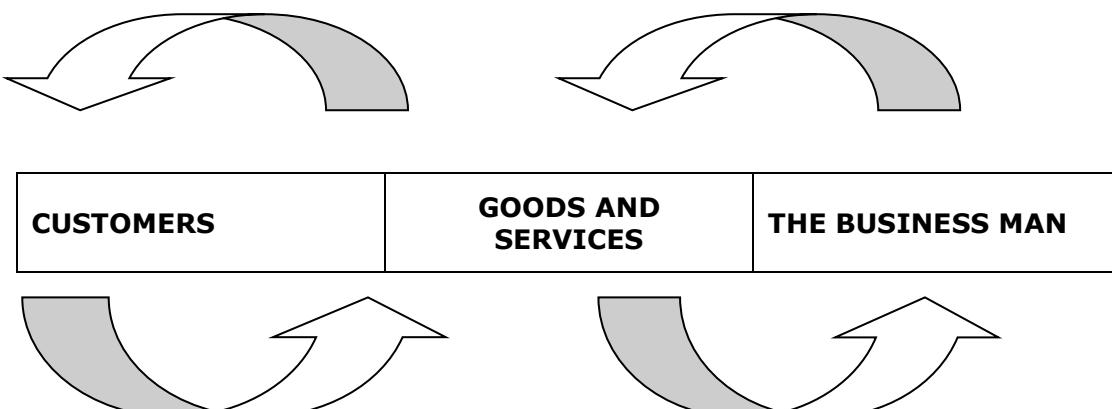
Being a business owner can be stressful, especially when starting up. Entrepreneurs have to deal with the anxiety of what could happen if the business fails, while at the same time staying focused on the job at hand. You need to be able to live with high levels of stress without letting it affect your business or family life.

### **You have to be responsible for everything that goes on**

As a business owner you are responsible for everything that goes on in the business. You are also responsible for your employees. As a business owner, you cannot deny responsibility for things that fall outside your job description, as you could as an employee. In the business, everything falls into your job description and you are ultimately responsible for the entire operation and its activities. This is quite a burden to bear.

## **Why do YOU want to be in Business?**

The purpose of any business is to make money. A good business involves customers who buy the goods and services, the goods and services themselves, and the business man.



Before you decide to start a business, you should have several reasons why you are making this decision, for example:

- ✓ To make as much money as possible
- ✓ To survive; to make money for living
- ✓ To be your own boss
- ✓ Because it is too difficult to find a job. This may be because of economic reasons that affect the whole country. It may be because you do not have the experience and qualifications for the jobs that are available.
- ✓ To show other people that you can be a businessman.
- ✓ To make your dreams come true. You may have always dreamed about becoming a businessman

It is not easy going into business for yourself. There are many things you have to consider. These are:

- ✓ The business could fail
- ✓ The business may make less money than you think it should
- ✓ Competitors may take business away from you
- ✓ The money you have saved might not be enough to start a business
- ✓ When you are sick, it is difficult to find someone you trust enough to manage the business for you
- ✓ It is difficult to take leave
- ✓ Business can become a lonely profession, especially in a one-man business
- ✓ You need to work long hours
- ✓ Stress can affect family relationships, unless the family participates in the business (although this sometimes increases the stress!).

## **Why Small Businesses Fail**

- ✓ Very often the owners end up working in the business, not working on improving the business. You should employ people to work in the business while you make sure that the business improves through planning the business activities, controlling to make sure that what you want done is being done, controlling expenses and making sure that money due is paid on time.
- ✓ Emotional decision-making by owners. Very often people think with their hearts, not their heads. You have to follow a process to make a decision and consult with customers, employees and partners to make sure that the right decision is made.
- ✓ Unclear objectives, the business owner does not really know what he or she really wants. To be successful, you have to set objectives. This way you and everyone else knows what has to be achieved, you will have standards against which to measure whether you are doing the right things and you will know when you are doing wrong things.
- ✓ No monthly action plans to outline what you want to do / how much you want to sell in that month. A monthly action plan is a very important tool. This is the only way you will know how your business is doing. For example, if you wanted sales of R100 000 and your sales are only R80 000 you know that you are not on target and have to take action immediately.



- ✓ A lack of systems. Things are done differently every time, instead of having a system that you can use again and again, making the work easier. If there are no systems you and your employees will not know how to do the work so that the job gets done the right way. For example, if you are operating a taxi service, the routes have to be worked out so that the drivers know where they should go. If you will be selling products, the sales process must be the same every time. If it is not, something important such as collecting the money from the customer will not be done.
- ✓ Bad buying. Some businesses pay too much for the goods they buy. This is always bad, but if you are buying to resell, it is fatal. Shopping around for better deals is very important.
- ✓ Partners may have different goals. If you have a partner, you must have the same goals.
- ✓ Growing too quickly. In the same way a plant or animal can grow too fast for its strength, so can a business. For example, you planned on starting with 3 taxis and suddenly you find you need 5 taxis. It might seem like a good thing, but you will have to find money to finance the 2 extra taxis, drivers to operate the taxis and there will also be extra expenses such as petrol, service and maintenance.
- ✓ Lack of capacity. Not having the right people or equipment can cause a business to fail. If you start a food stall where you intend to sell lunches to 50 people, you have to make sure that you will be able to prepare 50 lunches. If your working area is too small and you can only prepare 30 lunches at a time, you do not have enough capacity.
- ✓ No understanding of how to price the goods you sell. If you sell your goods too cheaply you won't make enough profit. If you price your goods too high, nobody will buy from you.
- ✓ No understanding of the difference between cash flow and profit
- ✓ Too little money to start the business properly. Before you start a business, make sure that you know exactly how much money you will need so that you do not run out of money during the first or second month.

### **Hope**

The greatest danger  
 For most of us  
 Is not that our aim is  
 Too high  
 And we miss it,  
 But that it is too low  
 And we reach it.

Michelangelo (1475 – 1564)

### **The six mistakes of man (Cicero 106 B.C. – 43 B.C.)**

- ✓ The tendency to worry about things that cannot be changed or corrected
- ✓ The illusion that personal gain is made up of crushing others
- ✓ Insisting that a thing is impossible because we cannot achieve it
- ✓ Refusing to set aside trivial preferences
- ✓ Attempting to compel others to believe and live as we do

- ✓ Neglecting development and refinement of the mind, and not acquiring the habit of reading and study

## **Organisations cannot exist without customers**

When you start a business and you want the business to survive you must remember this: **the survival of any business organisation starts and end with customers.**

- ✓ If there are no customers with needs, there will be no business.
- ✓ If there is no business there will be no business organisation, and
- ✓ There certainly will not be jobs or salaries to be earned. Even in a state department it is clear that if there were no constituents, there would be no need for civil servants.

The diagram on the following page shows how individuals create a demand for a product or service.

Human beings have unlimited needs, and there will always be an entrepreneur to satisfy those needs and supply the product or service needed (or wanted).

The product must be supplied:

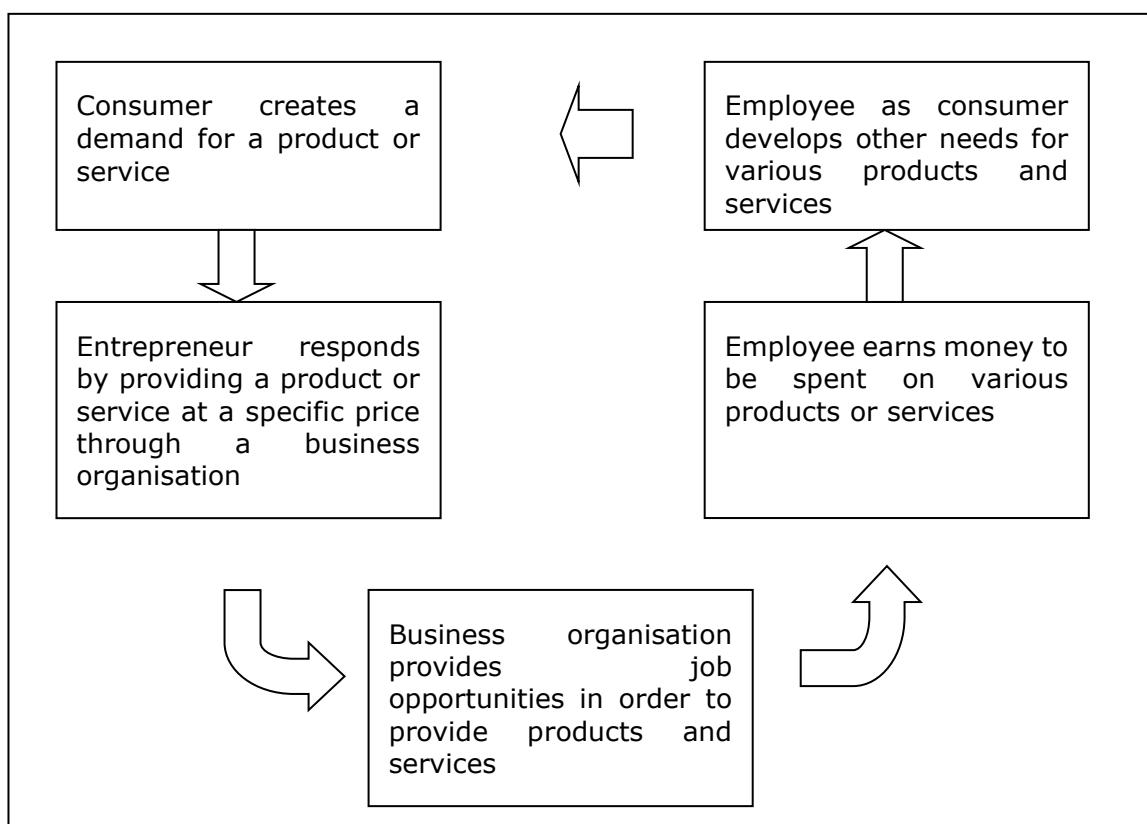
- ✓ at a certain price to be acceptable to the consumer,
- ✓ as well as in sufficient quantities.

**Therefore:**

**No needs, no products or services.**

**No products or services, no jobs.**

**It is true – the customer is KING!**



### Activity 5 (AC 5): group discussion

## ***Examples of entrepreneurship***

**More than 95% of businesses in South Africa are small enterprises. Together, they contribute about 35% of the country's gross domestic product (GDP).**

Even though most small enterprises are micro businesses (that is, they employ less than five people each), **they employ over half the number of people who work in the private sector**. This is why government has identified small enterprises as vital in the fight against poverty and unemployment, as larger companies are not creating enough job opportunities.

Entrepreneurs, those people who make something happen from nothing, are the driving force behind small enterprises. Government can provide support for these businesses, but it cannot make them happen without the energy and vision of individual entrepreneurs, who can see the opportunities at grassroots level and who come up with the ideas to establish successful businesses to the benefit of the whole community.

It is however not only the community that benefits from successful businesses. Good business, no matter where or what the volume of business, is good for the particular industry or business sector, as it creates trust in that industry or sector. People spend money with people whom they trust.

Some good examples of entrepreneurs are:

- ✓ The people who started Vodacom, MTN and other cellular companies. They saw the possibilities of cell phones and worked hard to make the ideas work.
- ✓ MNet and Multichoice: they recognised that people in South Africa would be willing to pay a monthly fee for more and better television entertainment than provided by the SABC.
- ✓ KFC was started by 52 year old man who was bankrupt at the time
- ✓ Virgin companies: started by Sir Richard Branson who left school early to start his first business. By the time his friends left school, his first business was already successful.
- ✓ Then there is the black businessman who started the Black Like Me range of cosmetics in his garage.

### **Activity 6 (AC 4): group discussion**

## ***The Business Plan***

The business plan is a very important document. The business plan is a formal document in which you will give details of the plan of action you intend to follow in respect of your new venture.

Once you have drawn up the business plan, you will use it:

- ✓ As a guideline to manage the business. You will use it to direct the business activities. The business plan is where you put your thoughts and ideas about the business in writing in the form of a formal plan. You will also use the business plan to compare the actual performance of your business against what you predicted it will do.
- ✓ To apply for loans
- ✓ To get partners to invest in the business
- ✓ To apply for terms from suppliers
- ✓ If you want to sell your business

The business plan will include the following:

- ✓ The marketing plan
- ✓ Operational plan
- ✓ Management and Organisational plan
- ✓ Financial plan

## **Cultural, gender and social barriers**

Over and above the reasons for business failure that have to do with the way the business is managed, as discussed earlier, there are 3 more very important barriers to business success. They are gender barriers, cultural barriers and social barriers.

### **Gender barriers**

Many men do not want to do business with women. There is also a perception that certain jobs should be done only by men while others should only be done by women.

#### **Activity 7 (AC 6): group discussion**

Of these barriers are silly. Women drivers can be as bad or as good as the average male driver. A male beautician can give the same good service that a female beautician can give – maybe even better as he will look at it from a man's perspective.

So, if you are faced with barriers due to gender discrimination, you have to find solutions to the problem. Offer one or two free rides to customers who are suspicious of female taxi drivers. Offer some free facial consultations to women who do not feel comfortable with a male beautician. Have a black man oversee some of the testing processes done by a white woman. Exposing people to the potential of people will help them to look beyond their perceptions of gender.

#### **Activity 8 (AC 6): group discussion**

### **Cultural barriers**

Culture is very important to most people and therefore most people would prefer to do business with people from their own culture. Sometimes these cultural perceptions are taken further, for example white people would not easily go to black, coloured or Indian doctors. In the same way, black people would be hesitant to go to a white Sangoma. As with all barriers, this is silly. If people had the same training and have the same commitment, why should people be hesitant to make use of services by people outside their culture?

If you want to sell food to Indians, make sure the food is Halaal as this is very important to their culture. When Jewish people buy food from you, they want to be sure that the food is Kosher.

When dealing with Indians, make sure that you do not make appointments at times when they go to the mosque to pray. Also make sure that your products are not offensive to them and do not make jokes about their religion.

When you are dealing with customers from another culture, make sure that you know what the correct greeting is. Afrikaans speaking people do not really like being called "Bra" or "Sister", while black people have more than one handshake, depending on the type of greeting.

#### **Activity 9 (AC 6): group discussion**

### **Social barriers**

Social barriers to business success have to be the silliest of them all. Business people have to look successful if they have any hope of attracting business. This means that they have to be well groomed, well spoken and in general look and act successful. No woman I know will buy clothes from any sales person whose appearance is untidy or visit a hairdresser whose hair has not been combed. Parents will not easily trust a nursery school teacher who is dressed in a mini dress and short top that exposes her midriff. She does not look capable of looking after children.

If you have a food stall, make sure that the stall, the utensils, the food and you are clean. If not, you will have difficulty attracting customers.

People who see themselves as having the same social position will prefer to mix with people from their own social class. So, it will be difficult if you look poor to persuade rich people

to do business with you. Therefore you have to make sure that your office looks good to customers. If you want to offer a taxi service transporting people to and from parties, the taxi must be roadworthy, look clean at all times, the music must not be too loud and should be to the taste of the customers. No loud thump-thump music – it will put many customers off.

If you want to, say, offer an experience to overseas tourists to sleep in a township, make sure that the sleeping quarters are neat and clean and that the food is prepared in a healthy manner. You can still offer them an authentic experience, but make sure that their comfort is catered to.

## Activity 10 (AC 6) group discussion

## Assessment activities 11 to 17 (AC 1 to 6) individual activities

# OWN STRENGTHS AND WEAKNESSES

## **Outcome**

Identify own entrepreneurial strengths and weaknesses in relation to opportunity defined

## **Assessment criteria**

- ✓ An entrepreneurial profile test is completed and strengths and weaknesses are identified according to profile benchmarks. An entrepreneurial profile includes but is not limited to credit worthiness, entrepreneurial skills and abilities
- ✓ The profile is matched to a suitable business opportunity
- ✓ A plan of action to address weaknesses is compiled according to results of profile
- ✓ Programmes to address skills weaknesses are identified and attended within given time frames
- ✓ Ongoing measurement and evaluation tools to maximise strengths and reduce weaknesses are understood and used to measure skills growth
- ✓ Entrepreneurial skills are improved according to skills plans and programmes
- ✓ Entrepreneurial progress is monitored on an ongoing basis

## **The Right Person For The Job**

### **Do You Have What It Takes? Are You Ready For Business?**

## **Introduction**

To start and run a business, it is not enough just to have a good, viable idea. You also need to have the right skills, attitude and personality to make the enterprise succeed. Here are some points to consider and some questions to answer that will help you to decide whether you are ready to start your own business.

## **Motives**

Think about why you want to start your own business. There are many good reasons, but there is often the danger of having unrealistic expectations. Here are some reasons that people often give, and some notes of caution:

### **I can't find a job:**

If you have to do something to survive, by all means, start trading. Buying and selling things from home or at the roadside is the easiest form of survivalist trade, but it remains a very hard way of making a meagre living. Unfortunately, your chances of developing your business into a thriving one is small. For that, you need every bit of knowledge and experience that one can only pick up in the workplace. It is not suggested that you shouldn't venture into business if you haven't worked before. To give yourself the best chance of success, the most sensible way of going about it is to:

- ✓ Find a job, even part-time or as a volunteer.
- ✓ Use the job to observe and learn all you can about how organisations work, how business works, and how people work together.
- ✓ Convince the people you work for in every possible way to give you an opportunity to manage more work, more systems and other people.
- ✓ Gain management experience, save money.
- ✓ Start a business.



If you do decide to start a business without work experience, **never stop reading and learning**, even while you are running your business. Get constant advice. Learn from your mistakes. It is the most difficult path to choose, but there are people who have had success this way.

## **Independence**

Working for someone else can be frustrating sometimes, but you still need to be disciplined and able to get on with others when you work for yourself.

## **Job satisfaction**

Self-employment allows you to do the job in your own way, and it is very satisfying when your way is successful. You of course, also have to take responsibility when it does not work.

## **Achievement and success**

There can be some glory attached to running your own business, but make sure that you are not trying to prove that you are something you are not. The venture may even fail, despite your hard work. Will you be able to deal with this?

## **Money**

This is not usually enough of a goal by itself, as wealth is by no means guaranteed. You need to be sure that, even if you never get rich, you still want to manage your own business.

## **Is Your Personality Suited To Your Business?**

There is no single type of person that is successful in business, but experience has shown that there are some characteristics that successful self-employed people often have in common:

- ✓ Logical, organised and responsible (good at getting things done);
- ✓ Confident;;
- ✓ Able to communicate and get their point across;
- ✓ Sociable, with the ability to take leadership;
- ✓ Flexible and adaptable;
- ✓ Quick to take opportunities (and ready to take risks);
- ✓ Hard-working, committed and determined ('get up and go' type);
- ✓ Thick-skinned (able to handle failure);
- ✓ Individualistic (not afraid to stand out from the crowd); and
- ✓ Creative and imaginative (always coming up with new ideas for the business).

This list should give you an idea of the challenges you face. You do not need to have all these characteristics, and you will develop and grow with the experience.

If you intend to start up as a partnership, look for complementary characteristics in your partner. The best partnerships are ones where the partners have different abilities and strengths to contribute to the business.

## **Pressures**

The pressures of being self-employed are inescapable. You will be staking practically everything on your own ability. If it goes wrong, there will be no one responsible but you. You may have to work long hours, and there will be times when things get on top of you.

Think about how you would cope under these sorts of situations:

- ✓ You may well get into debt in order to finance the enterprise. Will you be able to maintain your faith in your business, often in the face of others people's doubts?



- ✓ If you employ people, you will need to be positive and show leadership all the time, even when you do not feel like it. Will you be able to be tough and to discipline difficult employees or make difficult demands on your suppliers?
- ✓ There will be times when you feel lonely, isolated and even under attack. Will you always be polite and helpful, even when an awkward customer is giving you a hard time?

This may sound like a nightmare, but you need to be the sort of person who can deal positively with such challenges. Above all, you need a lot of confidence in yourself, and the energy and toughness to get through the bad times.

## **Age And Experience**

There is no doubt that it helps to have some experience in the workplace, and particularly in the sector in which you want to start a business. Surveys reveal that many successful businesses were started by people in their thirties who have some management experience.

On the other hand, young people have some particular advantages: they have fewer domestic commitments, plenty of energy, new ideas and the potential to develop and adapt to the challenges of self employment. Those who typically succeed are in their mid twenties with some education and experience behind them, but still at an early stage in their careers.

## **What Are Your Abilities And Resources?**

Starting your own business is a risky thing to do, so you should get to grips with the various risks as early as possible. This will help you decide if you are willing and able to manage those risks. It will also help you to apply strategies that will reduce the risk.

- ✓ Do you have the financial resources, and can you afford to risk these? For example, you might take a secured loan based on the value of your home. What are your plans if the business fails and you are forced to sell your house?
- ✓ Do you have the experience and technical skills to do the jobs that your new business needs?
- ✓ Do you know enough about the market to know what customers want, where to find them, and how to get ahead of your competitors?
- ✓ Do you have the personal tenacity and discipline to see through hard times when cash will be short and demands will be heavy (from customers, bankers, staff and family)?

In the end, there are no easy answers to such questions, but you must be honest with yourself and try to be as objective as possible. Discuss these points with friends, colleagues and relations. Think about how you have dealt with past challenges, as an indication of your response to difficult new situations.



## **Other Abilities**

While the production aspects of your business will require specific skills and experience, there are broader demands that are as important. These include the ability to:

- ✓ Negotiate with suppliers;
- ✓ Mediate between staff;
- ✓ Be sociable with customers;
- ✓ Be convincing with prospects;
- ✓ Think clearly under pressure;
- ✓ Take criticism without being offended or defensive; and
- ✓ Use your time effectively.

## **Skills And Qualifications**

### **Technical skills**

It is obviously important to have the technical skills and qualifications relevant to your business activity. You must be able to deliver professional standards of work to keep customers satisfied. Even when you apply for start-up finance, lending institutions will be more comfortable if you have relevant qualifications. Certain businesses, such as those in design-related or artistic fields, require exceptional ability.

### **Business skills**

It is essential that you acquire basic business skills if you do not already have them. It is important to understand the principles of business and management including marketing, strategic planning, accounts, personnel management, etc. Ideally, get some basic training in business administration before you start. If this is not possible (many people do not have the time or money initially), then read as much as you can to fill the gaps in your knowledge. The sources of information described earlier will also be able to assist you in this regard.

### **Leadership skills**

If you are happy for the operation to remain small in the end, then you can continue to concentrate on day-to-day activities without worrying about leading, managing or inspiring others. In fact, many people enjoy self-employment because they have the freedom to work independently. However, if you expect your business to grow, you will inevitably have to employ people, and your ability to lead and manage others will be tested.

### **Selling skills**

All businesses require an element of selling. Initially it is important to persuade people to support you, and crucial to be able to win over potential customers. It is possible to learn basic selling techniques, but being outgoing and articulate are equally important.

### **Organisational skills**

To generate sufficient income, small businesses must be well organised and efficient. It is important to be the sort of person who can organise yourself and others, plan, manage your time and who has the discipline to set and meet deadlines.

### **Family commitments**

Many of those who successfully start their own business have the backing of their family, even if this is only in the form of moral support. You'll be under pressure, working long hours. Your family must be prepared for the impact this can have on family life. Also ensure that your family can accommodate the risks that self-employment can bring, especially in terms of lower income in the initial stages and maybe even the implications of the business failing.

The prospective entrepreneur must be convinced that he has the attributes and skills to successfully start and manage a new venture.

Remember, this is what you intend to do for the rest of your working life. If you are not "suited" for the job, you will experience endless frustration, which in turn will affect your effective running of the business.

There is so much satisfaction in starting and running a successful business venture. This makes it worth the effort to ensure that you choose a line of business in which you stand the best chance of success and to which you can fully commit your efforts, while doing what you like.

## **Entrepreneur profile**

### Activity 18 (SO2 AC1,2): self analysis



## If you have a bad credit record

If you have a bad credit record, even from a long time ago, it almost automatically disqualifies you from getting bank finance. Do everything you possibly can to settle your old debt and clear your name. Apart from that, the only thing you can do is to be totally open and upfront about it. Don't try to hide it.

Activity 19 (SO2, AC2): match profile to business opportunity

## Action Plans

***Now you know which areas need improvement and you can work towards turning your weaknesses into strengths. To do this you will develop an action plan.***

### Developing The Action Plan

In the action plan you must specify and explain clearly **WHAT** has to be done, **WHY** it must be done, **WHEN** it should be done, **WHO** must do it and **HOW** it should be done.

List all your weaknesses and work out a plan to turn your weaknesses into strengths:

- ✓ Do you need knowledge? How and where can you acquire the knowledge? When are you going to do this?
- ✓ Do you need skills? How and where can you acquire the skills? When are you going to do this?
- ✓ Do you need money? How and where are you going to obtain finance? When are you going to do this?
- ✓ Do you have a bad credit record? How are you going to handle this? And so on.

Action plans are the maps by which you will navigate your course to your destination – your own business. Please refer to the example of an action plan chart in the handout, to help you complete an action plan that is understandable.

### Implement An Action Plan.

Your ideas and goals, as well as the manner in which they are to be achieved must now be brought into operation and must be evaluated continuously.

Plans do not mysteriously activate themselves. You must put the plans into effect.

Planning, no matter how carefully and painstakingly done, is useless and a waste of time without **commitment and action**.

- ✓ This means that you have to start doing the things that must be done according to the action plan
- ✓ Then you have to check on a regular basis whether the tasks in the action plan are still being done and whether they will be finished on time.
- ✓ If things are going wrong, you need to know in time so that the problem can be solved.

An action plan is like a map. It helps us work out what we must do to meet our goal.

Activity 20 (SO2, AC3-7): action plan

# ENTREPRENEURIAL OPPORTUNITIES

## **Outcome**

Identify entrepreneurial opportunities in own context

## **Assessment criteria**

- ✓ Entrepreneurial opportunities are identified and described in relation to own context. Own context includes but is not limited to family, community, wider economic trends and development, credit worthiness, entrepreneurial profile
- ✓ Entrepreneurial opportunities are identified and described in relation to the talents, interests and profile of the learner
- ✓ Problem-solving and critical thinking techniques in relation to entrepreneurial opportunities are utilised to match opportunity and own talents and interests to proposed new business venture
- ✓ Possible problems and limitations of identified opportunity are identified and ways to overcome them are described within scope of opportunity
- ✓ A range of risks associated with the new venture are analysed in relation to own context and a decision whether to proceed with business is made according to results of analyses. The analysis of risks include but is not limited to technical, performance, time, community, environmental and cultural contexts

## ***Choosing The Right Business***

### ***I Don't Have A Business Idea, What Business Should I Start?***

## **Are You Asking The Right Questions?**

Make sure that you have an idea of what it takes to run a business.

If you've never found employment before, are you sure that you've exhausted all possibilities of finding a job? It is easier to find a job than to run a business, even in South Africa. Besides, work experience is very important for success in business.

## **Introduction**

Choosing the kind of business that will work for you takes a lot of thought, as there are a number of important factors to consider. To ensure that the business is viable, you need to find a product or service with a market that you can develop. In other words, you need to be selling something that people want.

However, to be competitive with your business, you also need to have the necessary skills. The business should also suit your personality; otherwise, you will soon lose enthusiasm for the venture.

## **Skills and knowledge**

First, look at your own skills and knowledge. If you are already employed, think about what part of your job you could perform as a business rather than for an employer. Successful businesses are frequently started by people with practical experience in the type of work that the business is in, but who find that they want more independence in their working lives.

Perhaps you could adapt your existing skills by taking a course in something related to what you already know. If you can do this while you are employed, you could lay a good foundation for going out on your own. A worker in a furniture factory could use their woodworking skills to concentrate making a limited range of creative furnishings, instead of competing against well-established retailers.



Your hobby could be turned into a business. A love of gardening could be turned into a horticultural or even home landscaping business, for example. A talent for cooking could lend itself to a catering service for parties at customers' homes.

## **The personality factor**

You completed an entrepreneurial profile during the previous section. Does this profile suggest that you are an entrepreneur? If the answer is yes, go ahead. If the answer is no, reconsider your options.

Does your personality or physique suggest any business ideas? If you have persistence and can communicate well with other people, you might be a good salesperson. There are frequent openings for self-employed salespersons to sell other people's products. If you are good at dealing with people, you might be just the person to take up a retail franchise.

## **Family and friends**

What business opportunities exist within your own family? For example, insurance sales people usually get started by selling insurance to their friends and family. Most of the friends and family work or know other people, and the sales person then requests an introduction to those contacts. Those contacts are then asked for further contacts, and so the chain grows.

This process can be followed by any entrepreneur: use your family and friends and their connections to spread the word about your business. Arrange demonstrations, free samples, etc. to introduce them to your business idea. This is called networking. Entrepreneurs use networking all the time: they use the people they know to make their potential customer base bigger.

If you are not sure about your business idea, you can conduct a marketing survey to test the needs and wants of potential customers. For example, ask working mothers if they need someone to do their hair or demonstrate new fashions during lunch time; would they like a reliable service to transport children to school and back; would they consider buying food for lunch if it is delivered daily and the menu is varied; would an after school care centre for their children put their minds at ease, etc.

Listen to what other people say about their wants and needs – this is how entrepreneurs get business ideas. Maybe working families need a professional house cleaning service or someone to tutor their children after school or to service their cars over weekends at their houses, or maybe they want groceries delivered at home. The main thing is that you, as the entrepreneur, must find out what potential customers want and need and then work out a plan to fulfil that need.

Pay attention to special dates such as Valentines Day, Mothers Day, etc. and think how you can satisfy the needs of customers.

## **The Resources Factor**

If you have a home that you could work from, this could be a valuable resource in starting a business. You could set aside space to sew, knit or perhaps make toys. You could also sell products for other people over the phone.

As communications technology develops, there are more and more opportunities for people to do office work at home using a computer and modem, such as word processing, bookkeeping, freelance writing, research or translation.

## **The Community**

When looking for a business idea, a good place to start is in your local neighbourhood to see what goods or services are needed locally. Think of the problems and difficulties that you have experienced in getting things for your home, at work, or in your leisure activities:

- ✓ What problems cause you most inconvenience or cost you most to correct?
- ✓ What service is not available when you most need it?
- ✓ What products are difficult or impossible to obtain locally?



- ✓ What do you and your neighbours and friends most frequently complain about?
- ✓ Is there any way of providing a local service or product for any of these markets, which somebody will pay for?

When looking for a business idea, also think beyond consumers to goods or services that businesses need. There may be certain things that businesses have difficulty in obtaining locally. A developing industrial or housing area might be suitable to start a food outlet, as the "formal" traders will only move in once construction has been completed.

You can even use your existing area to start another venture e.g. you operate a small bus service from a yard in a rural area.

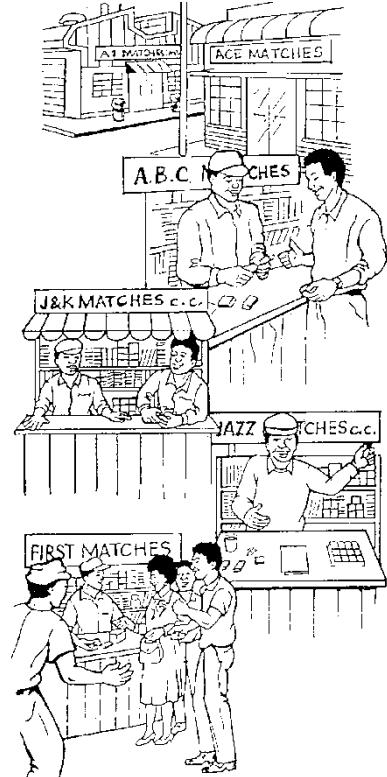
As your yard serves as boarding point, with a regular flow of passengers, you can start your own food outlet in your own yard to provide refreshments to passengers as they wait for buses. This venture can provide employment to the person who manages it on your behalf.

## **Wider economic trends**

Also be aware of what is happening outside your circle of family, friends and the community. Read business newspapers rather than tabloids that only contain gossip. For example, with the rising oil price, the price of petrol will also rise. What business opportunities can emerge as a result of this? Many people have been travelling in their own cars to work. Maybe there is a need for a shuttle service that collects them from home, takes them to their place of work and repeats the process in the afternoon, where they can travel in the comfort they have become used to. Or maybe there is a fuel saving device they can fit to their cars. With the problems in supplying electricity there is a demand for stoves, heaters, etc. that do not operate with electricity or gas – this is a good opportunity.

Then there are all the stadiums being built for the 2010 World Cup – there are many business opportunities available, such as delivering cement and other supplies, opportunities relating to the building itself, opportunities relating to the people who work there – what are their wants and needs.

Do not forget about the 2010 World Cup and general tourism. Opportunities such as tour guides, etc. are many



## **Ask For Advice And Ideas**

When thinking about new business ideas, don't miss an opportunity to pick other people's brains. They can give you little insights into other sectors and opportunities, giving you information that would be very difficult to find elsewhere.

Talk to friends and relatives, as well as business colleagues if you are currently employed. People who have been working in the same company for a long time often have ideas for improving a product or service, but for some reason have not implemented it. If it is something that you can supply, or a service that you can provide, it creates a business opportunity to satisfy a particular need.

## **Selling For Yourself**

If you have experience and skill in selling for an employer, there are opportunities for you to become a sales "agent" - selling goods on behalf of various different manufacturers or providers, and earning a commission.

This normally involves setting up an agency agreement with a manufacturer of goods, which will give you the right to sell their products within a certain geographic area for a certain period. In return for each sale, you would get a commission. The commission would depend on the value of the goods and the level of your involvement in the sale, supply and servicing of the products.

## Opportunities From Legal Developments

New legislation is often a rich field for business opportunities. Every new piece of legislation generates opportunities in terms of administration and compliance. There may be a need to supply parts to adapt an existing product or process to meet new safety or health regulations.

Legislation may require businesses or consumers to do something that they don't have the people or time to do. As a private consultant or contractor, you can build a business on providing these particular services and becoming an expert on what that law requires businesses to do e.g. labour consultant, skills development facilitator, labour broker, etc.

## New Ideas From Local Universities

Students and academics often spend many years on research projects that are not subsequently pursued. Someone may have invented, designed or discovered some interesting new process or product, which could form the basis of a business.

## Buying A Business

Buying a business seems an easy way to enter the business world. However, it can be hazardous if you do not know your way around the financial figures or legal aspects.

## Credit worthiness

Are you credit worthy? You can request a credit check on yourself through your bank or any place that you have an account with, such as Edgars. You can also contact ITC to find out what your credit rating is.

Credit worthiness is in itself a business opportunity. With some training, you can assist people to consolidate their debts, manage their finances better, etc.

## What do you want to DO or SELL?

It would be unwise to start any business before you have decided what you want to do, or what you to sell. To be a success, a business must sell something or provide a service.

You may want to sell goods or articles. It may be something manufactured and then sold directly to the consumer or a retailer, or it may be a service.

Services include things like a garden service, electrical repairs, an advertising agency or a taxi service.

## What Type of Business?

### Trader



A trader buys goods from a factory or a wholesaler to resell to the consumer. Normally he buys from his supplier in bulk, but only sells a few items to each customer. By buying in bulk, he can get a 'good' price and so sell at a profit. For example, a trader may buy twenty packets of potatoes from the market. He then opens the bags and sells a few to each customer.

Trading is the buying and selling of goods, whether these are raw materials for factories, manufactured goods, farm or fishing products. Traders fall into two main

- ✓ Those who buy goods from quantities and then resell smaller. These people are wholesale
- ✓ Those who sell to the public. They or shopkeepers.



manufacturers in large quantities to shopkeepers. traders

are known as retail traders

## **Manufacturer**

A manufacturer makes goods to sell. He normally buys materials from which the goods are made. These goods are then sold to customers

## **Service Business**

A service sells or offers skills. A garage which repairs cars is a service business, as is an independent taxi driver or bus operator, as well as a hair dresser.

## **Wholesalers and retailers**

Wholesalers and retailers perform valuable services for each other, the manufacturer and the public. The following is an analysis of these services:

### ***Wholesalers on behalf of, or for the benefit of, the manufacturer***

- ✓ They place orders for large quantities of goods for manufacture
- ✓ They arrange for the transportation of goods from the factories to convenient points in the country and store the goods in their own warehouses
- ✓ They take over the work, problems and risks of selling to retailers in small quantities
- ✓ They relieve the manufacturer of financial risk by placing their order before the goods are manufactured and allow credit to retailers
- ✓ They create a demand for goods and keep the manufacturer in touch with public needs and wishes

### ***Wholesalers for the benefit of the retailer***



- ✓ They put together large quantities of a variety of goods at convenient centres from which the retailer may collect them. They supply retailers with quantities as they are needed
- ✓ They help the retailer financially by giving credit
- ✓ They relieve retailers of the risk and expense of having to keep large quantities of stock for long periods
- ✓ They advise the retailer of new goods coming onto the market and modern display and sales methods
- ✓ They may advertise certain articles

### ***The retailer for the benefit of the public***

- ✓ They may give customers time to pay by giving credit
- ✓ They help the customer to select suitable articles and give advice on new lines and fashion changes

### ***The retailer for the benefit of the wholesaler***

- ✓ They relieve the wholesaler of the expense of having to open many branches in the suburbs and country areas
- ✓ They relieve the wholesaler of the need to create an organisation that can cope with many small orders
- ✓ They allow credit to many people and deliver small quantities over a large area
- ✓ They create and extend the demand for goods by displaying goods in shops and windows and so increase the demand for the wholesaler's goods
- ✓ Through the retailer, the wholesaler finds out about the requirements, difficulties and complaints of individual consumers

We used the transport industry as an example of support services and related businesses that can be established. Most of these opportunities will relate to other industries as well.

OPPORTUNITY	DISCUSSION
Informal food stalls at transfer station	This is probably the opportunity with the lowest barrier to entry in terms of funds required. However, competition is fierce and success will therefore depend on the ability of the vendor to satisfy customer demands in terms of choice, quality and price.
Dry cleaner	This venture requires high capital investment, but may be a profitable business, especially a franchised operation.
Café	A more formal business such as a café requires much higher input cost and is also subject to increased levels of control and statutory requirements. It is also essential to do the necessary prior market research to ensure the correct location, viability etc. However, a cafe can be developed into a viable and highly profitable business.
Supply of stationery to bus companies	This is an opportunity that requires little capital investment but is subject to fierce price competition from the large suppliers.
Supply of tyres and spares	This opportunity requires substantial capital investment and is also subject to fierce competition. A franchised operation or joint venture with an existing supplier is generally viewed as less risky.
Supply of detergents and cleaning material	This opportunity requires less start-up funds but fierce competition can be expected.
Administering the payroll	This is an ideal opportunity for a personnel officer or clerk with the necessary knowledge of the legislative, tax and basic accounting requirements. Entry requirements limited to entrepreneurship, marketing cost, equipment cost and basic business expenditure.
Rendering catering services	This is an ideal opportunity for an existing chef. Initial capital cost may be high, but is also possible to enter into a leasing agreement with the bus company if existing facilities are available
Rendering a specialised engineering service such as automotive machining, servicing, etc.	This is an ideal opportunity for an aspiring mechanic, foreman or engineering employee. Although viable, huge capital outlay may be required. This is also an industry that is characterised by extremely strong competition due to the fact that high calibre technical staff has been retrenched and render these services from their homes at much lower cost than large firms due to their much lower overhead cost.

The most likely candidates for the above opportunities include stores personnel and engineering clerks and other workshop personnel. However, every individual with an entrepreneurial mindset, commitment and the desire to learn can be successful in any of the above ventures. Existing personnel are in a more favourable position to detect the opportunities in their organisations.

## Activity 21 (SO4, AC1): identify entrepreneurial opportunities

## Activity 22 (SO4, AC1 - 2): identify entrepreneurial opportunities

### **Pitfalls Of A Small Operation**

The following **problems** are currently experienced in securing funding for a small business:

- ✓ A lack of interest from financial institutions, especially when SMME operators are involved.
- ✓ The long time required to approve loans. Banks need time to determine their risk and it cannot be expected from them to immediately approve loans without proper investigation.
- ✓ "Why not buy directly from the supplier without involving the bank?"
- ✓ The negative view of the government's financial credibility.
- ✓ Insufficient generation of revenue to repay capital instalments.
- ✓ The high interest rates.
- ✓ The fact that banks are not prepared to take risks.
- ✓ The stringent information needs of banks. Small businesses do not have the required information systems to provide the information.
- ✓ Unrealistic expectations by banks from small business owners. Banks expect the same from small businesses as from large businesses.
- ✓ Exploitation of small operators by manufacturers in terms of price.

### **Problems experienced from a financial institution point of view**

Requirements for success should also be evaluated from a financial point of view. Without finance, it is not at all possible to start a business and it is therefore necessary to also look at the major concerns that financial institutions have in providing finance to small business owners:

#### **Lack of the following information:**

- ✓ Balance sheet
- ✓ Financial statements
- ✓ Management accounts
- ✓ Insufficient accounting systems in general.

#### **Lack of financial discipline from the side of the business owner.**

Financial discipline and risk are closely related and banks cannot be kept responsible for possible losses and non-payment of loans.

#### **The inability of the business to generate sufficient revenue (income).**

The business should have enough sales that a profit can be made to repay financial commitments.

#### **Residential instability/operating address.**

Business owners should convince banks that they show the required stability in terms of residence and that clients of the bank can be reached when required.

#### **Willingness to pay.**

- ✓ Any non-payment is viewed as a serious risk to banks.
- ✓ Difficulty in reaching the client.

### ***Lack of risk understanding by the owner.***

Business owners do not always realise the risks that banks have to incur in approving and granting loans. Likewise, banks do not have a clear understanding of the peculiar nature of the specific industry the business operates in.

### ***Lack of understanding by bank credit officials.***

- ✓ Insufficient client contact throughout the process. Banks want to maintain good contact with clients throughout to ensure that their risk is minimised.
- ✓ The client does not come back and leaves the follow-up and controlling responsibility to the bank.

In the final analysis banks have to determine their risk. If they lend money to an entrepreneur, it is essential that banks are sure that their loan will be repaid according to the specified terms and conditions. The strict requirements are also beneficial to the entrepreneur because you should only enter the industry if the chances of future success are good.

## Other lessons

- ✓ **Determine real customer needs.** The needs of your customers and your commitment to serve these needs to the best of your ability are very important for a successful business.
- ✓ **Invest in communities and make them feel part of the system.**
- ✓ **Social responsibility as well as marketing and advertising will increase your costs.** Cost in respect of social responsibility should be budgeted for.
- ✓ **Accept organised labour as major stakeholder.** People are indeed an integral part of the business and careful attention should be paid to this vital resource.
- ✓ **Ensure that you acquire the skills you need to remain competitive,** especially in areas such as entrepreneurship, information technology, communications and cross-cultural skills. A competent workforce is viewed as the key to success of any venture, especially within a challenging industry such as public transport.
- ✓ **Follow a turn around strategy to stay in business.** Low cost and higher levels of efficiency are key focus areas in any business, especially against the high levels of competition within the industry.
- ✓ **Be prepared to manage change as ongoing priority to stay in business.** Our world is always changing and you must be able to adapt to changes in the environment that may affect your business.
- ✓ **Encourage a work ethic that will give the stakeholders of your business confidence in your business.** Also make sure that your business is efficient.
- ✓ **Focus on affirmative action and corporate equity.** Compliance with post democratic government policy will to a large extent determine the success of all business undertakings.

## Risk Management

Any business activity, whether it is a regular business activity or delivering according to the terms of a contract, is subject to risks. A risk is a possible event or circumstance that can have negative influences on the business in question. In other words, it is something negative that can happen to the business. The impact of the risk can be on the very existence, the resources (human and capital), the products and services, or the customers of the business. A risk can also impact outside the business: on society, markets, or the environment. A good example is the rising oil price that causes drastic increases in the petrol price.

When a business is always in crisis, the risks of the business are not managed properly. Reasons for poor risk management are:

- ✓ Inability to decide what to do
- ✓ When to do it
- ✓ Whether enough has been done

In order to manage risks we have to understand what a risk is. In my view the most helpful definition is that given by Larry Krantz, Chief Executive of Euro Log Ltd in the UK. Larry says that:

**'A risk is a combination of constraint and uncertainty'.**

We all face constraints (limitations or restrictions) in our businesses, and also uncertainty. We can minimise risk either by eliminating constraints or by finding and reducing uncertainty.

There are two stages in the process of Risk Management:

- ✓ Risk Assessment and
- ✓ Risk Control.

# Risk Assessment

Risk Assessment can take place at any time, though the sooner the better. Risk Control cannot be implemented without doing a Risk Assessment. Most people tend to think that once they have done a risk assessment; they have done all that is needed. This is not true. Like everything else in a business, risk has to be controlled.

Risk Assessment has three elements:

## ***Identify Uncertainties***

**Technological and technical risks:** the current systems and equipment could become outdated and the cost of buying latest equipment could be too expensive. A good example of technological risk is the advances in computer technology. A computer becomes outdated very quickly. If you are thinking of graphic design, for example, your computer equipment and software will become outdated within about two years.

Your technical knowledge and skills, and that of your staff, can also be a risk – do you have the technical knowledge and skills and do you keep up to date on the latest developments? If not, your business could be at risk very quickly.

On the other hand, if you supply technical and technological equipment, it could become an opportunity as the technology changes very quickly – you could find yourself supplying equipment to the same customers every two years.

**Environmental:** do your business premises comply with building regulations? The fast food industry has very strict standards that have to be complied with. Does your business generate a lot of rubbish that has to be thrown away – how will you dispose of this rubbish? The equipment you use must be environmentally friendly. For example, are your vehicles fuel efficient and do they use unleaded petrol? Does your equipment give off harmful substances such as smoke, gases, etc?

**Performance:** will you be able to deliver the goods or services to the standard promised to your customers? For example, if you are operating a shuttle service for school children, will you be able to collect all the children and have them at the school on time? If you want to sell clothes to office workers, will the clothes be of the quality that you promised them?

**Time:** will you be able to provide the goods or service in time every time? For example, if you are delivering food to office workers, will you be able to deliver to 5 office buildings just before lunch time? If you bring the food after lunch, it is too late.

**Community:** will the community support your business; will there be resistance to the business, what is the crime rate in the area you want to set up business? Theft, vandalism, arson are very real risks to any business owner.

**Cultural:** in section 1 social, gender and cultural barriers were discussed. Culture can also present a risk – would your product offend someone whose cultural values are different to yours, would a difference in culture between you and the community create a risk in that the community distrusts you because you come from a different culture, etc? What about demographic changes: are there developments in another community that is taking customers away from your place of business? Are people moving from the area into other areas, etc.

## ***Analyse Risks***

Once you have identified the risks, you have to analyse how these uncertainties can impact on your business: will you still be able to deliver the products or service?

## ***Prioritise Risks***

Determine

- ✓ Which risks should be eliminated completely, because they have the potential of impacting extremely on the business or because they will need regular management attention,
- ✓ And which risks are small enough not to impact too much on the business and will not need detailed management attention.

## Risk Control

In the same way, Risk Control has three elements:

### ***Reduce the effect of Risks.***

There is always something you can do beforehand to reduce the effect of risk. For example, you can service and maintain your vehicles regularly to minimise vehicle breakdowns.

When you mitigate risk, you take whatever actions are possible in advance to reduce the effect of Risk. It is better to spend money on reducing the effect of risk than to sort out the problem later.

### ***Plan for Emergencies.***

Once you have identified risks that could impact severely on your business and you have taken steps to reduce the effect of the risk, also have in place an emergency plan.

You must have the emergency plan in place before the problem arises, so that you and everyone else know what to do in the case of an emergency. If a vehicle does break down, which vehicle will be sent to replace it, for example, how long will it take and who must drive the replacement vehicle. Other things that should also go into the emergency plan could be: how quickly will the vehicle be repaired and brought back into service, and so on.

### ***Measure and Control.***

Track the effects of the risks identified and manage them to a successful conclusion.

This means that you have check continuously whether the steps you have implemented to reduce the risk is working and, when a problem occurs, whether the steps stated in the emergency plan are taken so that the effect of the problem is minimal

If we use the servicing of vehicles as an example, you have to check that the services are done as stated in your plan. Then, if a vehicle does break down, was the replacement vehicle sent with the replacement driver, was the broken down vehicle fixed in time and brought back to service, etc.

We have shown these elements as three separate branches of the same tree. This is correct, but it is important to remember that the process is in fact an iterative one, and the Risk Assessment is only completed when you are satisfied that any undetected risks are now insignificant.

## Summary

The risk plan should include, against each identified risk, an emergency plan to recover from the risk.

This plan will

- ✓ Name the person accountable for recovery from the risk,
- ✓ The nature of the risk
- ✓ The action to be taken to resolve it, and
- ✓ The method by which the risk can be spotted

***A risk which has been reduced may still be a significant and dangerous risk and will still require emergency plans.***

Activity 23: (SO4, AC5): group activity

## Activity 24: (S04, AC5): individual activity

### **Problem Solving And Decision Making**

*'The cause of lightning,' Alice said very decidedly, for she felt quite sure about this, 'is the thunder - no, no,' she hastily corrected herself, 'I meant the other way.'*

*'It's too late to correct it,' said the Red Queen. 'When you've once said a thing, that fixes it, and you must take the consequences.'*

**THROUGH THE LOOKING GLASS - LEWIS CARROLL.**

An entrepreneur can only be as good as his ability to make decisions. When an entrepreneur gets into a situation where a decision is required and there is no one else to turn to, it is up to him and him alone.

Problem solving is part and parcel of the responsibility of any entrepreneur.

The steps involved in decision making actually seem very obvious. But in the work situation, you will have to follow them in a real and sometimes complex, setting. Decisions will become compounded by so many other factors, such as emotions, misunderstandings, defensiveness, prejudices and many more.

***To some degree, your success as an entrepreneur will depend on how well you make your decisions. This will be a very powerful skill to have as you build your business. So, get to grips with it and keep practising it as much as you can now.***

Why should problems be solved and decisions made? If you ignore a problem, it does not go away. In fact, it grows and becomes bigger and bigger until you do something about it. The sooner you make a decision to solve a problem, the easier it is to find a solution. The longer you wait, the bigger the problem becomes until it becomes very difficult to solve the problem.

#### **Define the problem**

The first step in decision making is called '**define the apparent problem**'.

Why do we call it the **apparent problem**? It is always difficult to see a problem as it really is – and not as we perceive it to be, based on our emotions, state of mind, subjectivity, prejudice, guesswork, or as we would 'like' to see it.

To try to bypass most of the human failings that come to the fore when making decisions, you must follow the steps outlined here.

**Peter Drucker**, one of the most eminent and respected authors in management science, says,

***Effective decisions result from a systematic process, with clearly defined elements, that are handled in a distinct sequence of steps.***

When making decisions you must take rational, logical action. You must not rush. You must pause, stand back and look at the problem from all angles. However, this does not mean that you should use more time than necessary.

#### **Collect facts to meet the requirements of the problem**

You need to collect facts that meet the requirements of the problem.

***A fact can be defined as a piece of verified information.***

## **Facts Are Obtained From The Following Sources:**

- **Questioning** of eye witnesses.
  - ✓ **Reading** reports, memoranda and letters, and interpreting them intelligently, seeking clarification if necessary.
  - ✓ Investigating the problem where it is found, for instance, overcrowding could result in an unequal allocation of office space.
  - ✓ **Opinions** are important. This is because the investigating person is not always able to obtain all the facts required. Opinions from trusted people who have credibility are a distinct advantage in problem-solving.
  - ✓ **Feelings** fall into much the same category as opinions. We often get a feeling that we should defer judgement on a particular problem for a short time, although the facts clearly show that we could take legitimate action immediately. Later we realise that the feeling was right as the problem solved itself in a completely different and more satisfactory way.
  - ✓ Find out **what is happening now** and or **what is likely to happen in the future**. If different people are involved, get both sides of the story and, where possible, check with a third party. Obtain written evidence wherever relevant. Do not rely on hearsay.
  - ✓ Define **what is supposed to be happening** in terms of policies, procedures or results and contrast this with what is actually happening.
  - ✓ Try to understand the attitudes and motivation of those concerned. Remember that people will see what has happened or happening, in terms of their own position. Obtain information about internal or external constraints that affect the situation

## **What Questions Should You Ask?**

To define a problem, you need to stop and ask yourself and any witnesses at least as many of the following questions as you can.

- ✓ What happened?
- ✓ Where did it occur?
- ✓ What should have happened?
- ✓ Is that a problem?
- ✓ How bad is the problem?
- ✓ What else is involved? Who or what is affected by it now?
- ✓ Who or what was responsible?
- ✓ Is it an isolated incident or is it likely to happen again?
- ✓ What are the consequences of ignoring the problem?
- ✓ How else can the problem be stated?
- ✓ Have similar problems existed - how were they solved?
- ✓ Why does it have to be solved?
- ✓ When does it have to be solved?
- ✓ What will it cost to solve the problem?
- ✓ Who should solve it?
- ✓ What is likely to happen when the problem is solved?
- ✓ Who will be affected?
- ✓ Are you being influenced by your own feelings about the situation?
- ✓ Is it a problem, or just a symptom?



- ✓ Is this problem linked to other situations?
- ✓ What other external factors should you take into account?

## Verify The Information

After you have gathered information, you have to verify the information.

***The key is which facts are relevant and which are incidental.***

To examine the facts adequately, be sure to separate what you **know** to be true from what you **think** is true. Always try to gather facts from more than one source. Check your information for accuracy and truthfulness.

***Take some time and thought to examine the facts first***

## Analyse The Problem

When you have the answers to most or all the above questions, think it through.

- ✓ **Analyse the facts.** Determine what is relevant and what is irrelevant.
- ✓ Establish the **cause or causes** of the problem.
- ✓ Do not be tempted to concentrate on symptoms rather than the causes. Dig into **what lies behind the problem.**
- ✓ Identify the **extent** of the problem – not all problems are of equal importance and the minor, single-incident problem has to be distinguished from the major, recurrent problem.
- ✓ Develop **theories** about the possible causes.
- ✓ You must be **objective** at this stage. Don't solve a problem that does not exist! Nothing can be more embarrassing than jumping to a conclusion based on misconceptions.

## Symptoms VS Causes

The most difficult task when defining a problem is being able to separate the **symptom** from the **cause**.

Headaches and fever are symptoms of flu, not the cause of the flu. In fact, it is the other way around – the flu causes headaches and fever! Doctoring the symptoms, in this case headache and fever, might make you feel better for a little while, but it will not make the flu go away.

Solving problems also works this way – if you try to solve the symptom, it might work for a little while, but the problem will still be there. The problem will not go away unless you solve the problem itself.

For example, if your telephone lines are always engaged, you may try to solve the problem by adding more phone lines. You could be treating the symptom. The real problem may be too many personal calls. Treating symptoms will never solve problems.

It will be your job to sort through the symptoms in order to find the **real, underlying cause of the problem.**

One way is to **list all the potential causes of the problem.** You may need to be somewhat creative, as the cause could be buried deep.

- ✓ When you feel that you have a comprehensive list of causes to a problem, sort through them. Use your intuition and experience, and select the most likely causes to the problem.
- ✓ You have to be open-minded, because often among the causes there may be some that are embarrassing or difficult for you to handle. A natural human tendency would be to put them aside and look for another cause with an easier solution.

## **Restate the problem**

Once you have gathered all the facts and analysed them and you are sure you are addressing a problem and not a symptom, restate the problem.

Why?

Once you have analysed the facts, the nature of the problem may have changed. By restating the problem, you will ensure that you are addressing the problem and not a symptom.

## **Determine Possible Courses Of Action**

Once you have identified the components of the problem, you can consider possible courses of action. List the possible courses of action in the light of the factual analysis.

- ✓ What are the possible options? List as many as you can.
- ✓ What are the likely end results of each of these?
- ✓ Which of them seems to be the best from all angles?

Where appropriate, use brainstorming and creative-thinking techniques to identify courses of action that may not be immediately evident.

## **Select the solution**

When you select a solution, you should ensure that:

- ✓ You have generated all the possible solutions.
- ✓ You have removed the solutions that are obviously not workable.
- ✓ You have considered all the consequences.
- ✓ The solution meets the established criteria in terms of budget, resources available to you to implement the solution and also any legislative requirements.

Often, there will be only one solution that meets all the criteria. When this is not the case, you should decide:

- ✓ Whether to choose the solution that meets the most important criteria, or
- ✓ Whether you have to generate more solutions.

## **Decision Making Pitfalls To Avoid**

- ✓ **Deciding alone.** There are many benefits to consulting with others on a decision: gaining different perspectives, more resources to draw upon and more commitment to the decision by those consulted.
- ✓ **Every decision a major decision?** Not every decision requires a lengthy decision-making process. Don't get bogged down with minor problems. If they are minor, make a reasonable decision and move on.
- ✓ **"The last time I was wrong was when I thought I made a mistake".** No one is always right. If you have made a bad decision, admit it and get started on fixing it. Remember – it is impossible to force a bad decision into being a good one.
- ✓ **"Boy! I sure wish I hadn't".** Just the opposite of pitfall number 3. Because no one can be right all the time, don't waste your energy regretting bad decisions. Get on to current issues.
- ✓ **Failing to use past precedent.** Maybe the same problem has come up before and been effectively solved. Perhaps, if it has come up enough, there is a company policy that covers it.

## **Implement The Solution**

### **Stakeholders Are Consulted**

***A problem has not been solved until the decision has been implemented.***

Before you implement a solution, you have to discuss the matter with all the people involved, called the stakeholders. This could include

<b>Employees.</b>	<b>The community.</b>
The people who helped you to determine the solution.	And anyone else who may be involved.

No solution will be implemented successfully without the approval and commitment of all the stakeholders. You need their cooperation if you want to ensure that the implementation of the solution will work.

You also have to assign duties and responsibilities. Think carefully not only about how a thing is to be done (by whom, with what resources and then by when) but also about its impact on the people concerned and the extent to which they will cooperate.

You will get less cooperation if you impose a solution. The best method is to arrange things so that everyone arrives jointly at a solution freely agreed to be the one best suited to the situation (the law of the situation again).

***Make sure that everyone who needs to know about the decision is informed.***

### **Monitor Implementation.**

The implementation of the solution must always be monitored. You have to:

- ✓ Check on how effectively the decision is being implemented.
- ✓ Obtain the reactions of those affected.
- ✓ Take corrective action where necessary.

This implies that you will have to develop a control system whereby you can monitor the implementation of the solution.

### **Duration**

Before you implement the solution, you have to decide

- ✓ How long you are going to monitor the implementation: one week, one month, three months, etc.?
- ✓ How often will you monitor the implementation: hourly, daily, weekly?
- ✓ When will you review the monitoring process: after one week, two weeks, one month?

Just as every problem will have its own unique solutions, the way you monitor the solutions will also vary. Some solutions will indeed have to be monitored hourly or daily, while others will require monthly monitoring.

### **Implication And Effects**

The purpose of monitoring the implementation of the solution is to determine whether the solution you selected is working.

- ✓ How will you monitor the implementation?
- ✓ Has the problem been solved?
- ✓ How can you prove this?
- ✓ Have other problems appeared as a result of the solution?
- ✓ Are the stakeholders committed to implementing the solution?
- ✓ Is the process working for them or has it led to unhappiness?

## **Review The Solution**

If the solution is not solving the problem, you have to repeat the problem-solving process in order to find a solution that works.

If the solution that you implemented is solving the problem, you have to find out:

- ✓ Whether the solution will work in similar instances in the rest of your business.
- ✓ Whether new systems have to be developed in order to implement the solution across the entire business.
- ✓ What practices and procedures have to be committed to paper for the implementation of the process across the business?
- ✓ What records are required in order to report on the successful implementation of the solution?
- ✓ What records will be required to standardise the new process?

If your business does not have a system for implementing new processes, you will have to develop such a system.

## **Critical Thinking Skills**

Critical thinking: The process of thinking about ideas or situations in order to understand them fully, identify their implications, and/or make a judgement about what is sensible or reasonable to believe or do.

Critical thinking is when you understand how others think and you also understand your own thinking process. When you can gather evidence to support your reasoning and also evaluate this evidence objectively, you are also applying critical thinking skills.

## **Brainstorming**

This is a highly effective way of finding solutions to problems, provided you implement the process correctly.

It involves the generation of a large number of unconventional ideas whilst eliminating the usual tendencies to criticise or prematurely reject these unusual ideas.

## **The Brainstorming Process**

### **Selection**

Select a topic for brainstorming and also select the members of the group.

### **The Topic**

The group is given advance notice of the topic in the form of a brief description of one or two sentences. The group facilitator discusses with the group a limited amount of background information relating to the problem.

### **Warm-Up Session**

Members are introduced to the concepts of brainstorming in a relaxed manner.



The group discussion should try to identify the barriers of creative thinking and show how they can be overcome.

The purpose of brainstorming is to generate as many ideas as possible in a short period of time. It does not matter if the ideas are silly, this is actually the purpose of brainstorming.

When using brainstorming, creative thinking is very important, as is overcoming the barriers to creative problem-solving.

### ***The four rules of brainstorming:***

- ✓ Free association: participants must state the first idea that came into their heads, no matter how silly or absurd it may seem.
- ✓ Clarification: the person whose idea it was can elaborate on the idea, or someone else can, as one idea leads to another. No evaluation of the idea is allowed at this time.
- ✓ Suspension of judgement: nobody is allowed to pass any comment on anyone else's ideas. This is not the purpose of brainstorming at all.
- ✓ Speed: brainstorming should happen as quickly as possible.

Short practice-runs will demonstrate how little time it takes to produce 50 to 100 ideas. At the end of the warm-up session, the original problem is restarted in as many ways as possible. For example, the problem of reduced profit could be redefined as how to beat competitors, or how to improve marketing. All statements are written down by the leader.

It should develop in a light-hearted, easy-going atmosphere. Brainstorming is a fun thing to do and it should be so for everyone.

### **Brainstorm**

The facilitator reads out the statements and calls for ideas. As they flow, they are numbered and written up on a large flipchart with a large felt-tip pen.

Each sheet is torn off when full and displayed elsewhere in the room. Freedom of expression should be encouraged. The ideas may number from 150 to 600, or more.

There should be pre-set timescale for this session.

Now the solutions can be considered for practicality and so on.

Activity 25 (SO4, AC 3-4): group activity

Activity 26 (SO4, AC 3-4): individual activity

# ENTREPRENEURIAL CHARACTERISTICS

## Outcome

Identify the characteristics of a typical entrepreneur

## Assessment criteria

- ✓ The characteristics of a typically successful entrepreneur are identified and discussed with examples. Characteristics include but are not limited to the ability to take calculated risks, taking initiative, ensuring sustainability
- ✓ Typical entrepreneurial skills, personality traits and values of entrepreneurial behaviour are clearly differentiated with examples
- ✓ The importance of each characteristic is analysed in the context of a specific new venture
- ✓ The technical, business, managerial and personal traits and characteristics required for establishing a successful venture are explained with examples

## Characteristics Of An Entrepreneur

The following definition of an **entrepreneur** is also very relevant for the small business owner: "An entrepreneur is somebody who sees and uses an opportunity to fill a need in the marketplace. It is a person who starts an undertaking, who raises the necessary finance, who organises the venture, and who takes most of the risk if it should fail."

## Shortcomings Of Entrepreneurs

- ✓ Entrepreneurs often set unrealistic time frames.
- ✓ They try to do all things themselves. Entrepreneurs are hesitant to seek help and try to do everything.
- ✓ They allow too many interruptions to interfere with the primary business.
- ✓ Entrepreneurs tend to work without a plan and are therefore not methodical.
- ✓ Entrepreneurs tend not to do homework. Most of the time they are so eager to get things done that they often tend to neglect the necessary preparatory work. .

It is also assumed that you are already convinced in your mind that entrepreneurship is the road to follow. You should therefore have a positive attitude towards starting or taking over a business in the selected industry.

The entrepreneur's decision to start a business is probably the single most important decision an entrepreneur can make. It takes guts to become an entrepreneur. A thorough understanding of the industry that you want to start your business in, its unique features and peculiarities, is very important.

The first important lesson is to keep in mind that it is better to start on a small scale. To start a large operation is not really the sensible way to go for the small entrepreneur. You will need a large capital outlay, which will probably be beyond your mean. Furthermore, a large operation can be very complex. It is better to start small and then your knowledge and skills will grow as the business grows.

Entrepreneurship is also a continuous activity. Once a small business has been established, the entrepreneur is often inspired to expand and build on initial successes. Certain large operations today started many years ago and can be seen as the result of continuous entrepreneurship and the successful identification and exploitation of various opportunities.

Most people think have the following incorrect views of entrepreneurs:

- ✓ entrepreneurs are born, not made
- ✓ entrepreneurs are risk takers



- ✓ entrepreneurs are dishonest money-grabbers who only protect their own interests
- ✓ People who find it difficult to get along with their bosses make successful entrepreneurs.
- ✓ Entrepreneurs must be young and energetic.
- ✓ Entrepreneurs are their own boss and are completely independent.

## Activity 27 (SO3, AC1): group activity

### **This is what research has found:**

#### ***Entrepreneurs are born, not made.***

Most of the qualities associated with entrepreneurship can be developed by appropriate training. Especially important are aspects such as experience, first-hand knowledge and a positive attitude, which are all acquired, not inborn.

#### ***Entrepreneurs are risk-takers.***

This perception probably came about because entrepreneurs generally like to investigate the ‘undiscovered’ and ‘unknown’ and like challenges. However, they take calculated risks and try to minimise existing risks. They assess costs, market/customer needs and persuade others to join and help.

#### ***Entrepreneurs are dishonest money-grabbers who only protect their own interests.***

As in any other career, there are exceptions, but entrepreneurs who want to survive in the long-term have to be honest and give good service. Research has shown that entrepreneurs are generally not driven by greed, but rather by personal ambition and work satisfaction.

#### ***People who find it difficult to get along with their bosses make successful entrepreneurs.***

Entrepreneurs are independent and like taking decisions, but they also have to be able to work with people. Successful entrepreneurs generally have a very good support system of people upon whom they rely.

#### ***Entrepreneurs must be young and energetic.***

It can be advantageous to be young and energetic, but experience, knowledge and honed entrepreneurial skills take time to develop. One is never too old to start a business.

#### ***Entrepreneurs are their own boss and are completely independent.***

They do have the freedom to choose and make their own decisions, but they have a responsibility to a number of people, e.g. clients, suppliers, creditors, family and the community.

### **Some more characteristics of entrepreneurs**

#### ***Taking risks***

As mentioned, entrepreneurs don't gamble with their businesses – they take calculated risks by assessing costs, market and customer needs and persuade others to join and help.

#### ***Taking the initiative***

Entrepreneurs don't wait for someone else to tell them what to do. If they see an opportunity, they calculate the risk, do the market research to determine if a need does exist and how best to satisfy the need and then they go ahead and do what is necessary to satisfy the need.

This means that the entrepreneur has a vision for his business and is also the force that drives the business – he makes sure that the right things get done in order to make the business a success.

An entrepreneur is, therefore someone who thinks positively and is enthusiastic and passionate about his business.

## ***Sustainability***

To make sure that the business is sustainable, means that the entrepreneur has to make sure that the business keeps going on over time. The entrepreneur is in charge of the business and it is his responsibility to make sure that the business is a success for a long period of time.

For example, you may see an opportunity to provide food for workers that are building a stadium. This is an excellent opportunity, but when the stadium is complete, the opportunity is also gone. An entrepreneur will look for other opportunities while the stadium is being built, for example road works or other building projects, so that the business can be sustained in the long term.

An entrepreneur, therefore, is persistent and determined.

## ***Entrepreneurial behaviour***

During this training module a lot has been said about entrepreneurs and what they do to be successful. Let us take a look at the following:

### **Entrepreneurial skills**

#### ***Technical skills***

This includes the technical knowledge and skills to run the business. If you are putting up a food stall, you have to know how to prepare meals properly, what ingredients to buy, etc. If you want to start a taxi business, you have to know how to drive the taxi, when and how maintenance should be done, how to plan routes, etc.

#### ***Business skills***

These skills include:

- ✓ Making sure that you buy raw material and spares correctly. In other words, shop around for the best prices that will still give you best quality. The first person or business you contact will not always give you the best options, so shop around. You have to be able to negotiate with suppliers.
- ✓ Making sure that you employ people for their knowledge and skills and not because they are family members. It takes knowledge and skills to make a success of a business, so make sure that you employ the right people.
- ✓ Making sure that you buy the right equipment. For example, if you want to set up a food stall a gas stove would be more suitable than an electric stove, as the gas stove heats up much more quickly. This means you can prepare meals more quickly.
- ✓ You have to be able to sell your goods at the right price, taking into account what you paid, what your costs were and what profit you want to make so that you can still give a good product at the right price to your customers.
- ✓ You have to understand the different business finance terms, such as cash flow, profit, budgets, etc. in order to make sure that your business runs at a profit.
- ✓ Make sure that you find out how much money you will need to start the business. If you don't, you will run out of money before your business makes a profit and you will be bankrupt before you get the business off the ground.
- ✓ What is your credit record like? What can you do to improve it?
- ✓ Do you have the financial resources, and can you afford to risk these?

- ✓ Customer service: the customer is what makes your business profitable and sustainable and should always be treated with respect and dignity. Without customers, your business will not exist, so make sure that you give excellent customer service. Do you know enough about the market to know what customers want, where to find them, and how to get ahead of your competitors?
- ✓ Make sure your business is sustainable
- ✓ Consider barriers such as social, gender and social and what you can do to overcome them

## **Leadership skills**

An entrepreneur has to encourage his employees in order to make them enthusiastic about the work and the business. If employees are unhappy, they can damage the business. You must be:

- ✓ Able to communicate and get your point across without shouting, screaming and swearing
- ✓ Sociable, with the ability to lead your employees
- ✓ Able to focus on low costs and high levels of efficiency, while still keeping employees and customers happy
- ✓ As an entrepreneur, you have to be able to solve problems and make decisions
- ✓ Take the initiative
- ✓ Take **calculated** risks – do not gamble with your business
- ✓ Leaders must have good personal ethics and a vision for the business
- ✓ Leaders have the trust of their followers
- ✓ Leaders are role models to their followers
- ✓ Leaders have empathy: they understand *what* others say, rather than listening to *how* they say it

## **Selling skills**

- ✓ In order to attract customers, you have to be convincing with prospects – you have to persuade them to buy your product or make use of your services
- ✓ Determine real customer needs. The needs of your customers and your commitment to serve these needs to the best of your ability are very important for a successful business
- ✓ Take the time to be sociable with customers – they like to feel important and will come back to your business if you succeed in making them feel valued.

## **Organisational and managerial skills**

- ✓ Managers must be able to organise their businesses. Make sure that you have systems and procedures in place. Employees need to know what to do, how to do it and what they should use in order to do the work. This is the only way to make sure that mistakes are kept to the minimum.
- ✓ Managers have to be able to control their employees. Employees have to know what authority they have, what the rules in the business are, e.g. what time they start work, what the consequences will be if they do not comply with the rules.
- ✓ Managers must lead employees into the future. Be prepared to manage change as ongoing priority to stay in business. The only thing that is constant in our world today is that things will change quickly and regularly. As a leader, you have to be able to adapt to change and support and encourage employees to do the same
- ✓ Encourage a positive work ethic at your business by setting example and encouraging employees to do the same. Do not arrive late or leave early, do not cheat customers, do not bribe customers or suppliers, etc.

- ✓ Focus on affirmative action and corporate equity. The employment market place is changing and employees like to feel that they are valued and should be treated as such.
- ✓ Able to mediate between staff when they have disagreements

## **Critical thinking skills**

Learn to take decisions and solve problems by using critical thinking skills and following a procedure. Nobody can make correct, informed decisions without first having all the information. The human brain is a wonderful thing – once you start using critical thinking skills, it becomes easier and easier and before you know it, thinking critically and making decisions not based on emotion but on facts, is a habit. The more you practice, the better you get.

Problem solving, decision making and brainstorming are good ways of practicing critical thinking skills.

## **Personality traits**

- ✓ A desire to take responsibility and be in control.
- ✓ A preference for moderate risk
- ✓ A steady confidence in their ability to succeed.
- ✓ A high level of energy.
- ✓ An orientation toward the future.
- ✓ A love of achievement.
- ✓ Want to control your own future.
- ✓ Want to reach your full potential.
- ✓ The opportunity to do what you enjoy.
- ✓ Want the opportunity to earn more.
- ✓ Willing to work long hours
- ✓ Be able to face stressful times
- ✓ Take responsibility for everything that goes on
- ✓ Logical, organised and responsible (good at getting things done);
- ✓ Confident
- ✓ Flexible and adaptable
- ✓ Quick to take opportunities (and ready to take risks)
- ✓ Thick-skinned (able to handle failure)
- ✓ Individualistic (not afraid to stand out from the crowd)
- ✓ Creative and imaginative (always coming up with new ideas for the business).
- ✓ Ensure that you acquire the skills you need to remain competitive, especially in areas such as entrepreneurship, information technology, communications and cross-cultural skills. A competent workforce is viewed as the key to success of any venture, especially within a challenging industry such as public transport.

## **Entrepreneurial values**

- ✓ Take criticism without being offended or defensive
- ✓ Invest in communities and make them feel part of the system.
- ✓ Accept and encourage social responsibility of the business
- ✓ Accept organised labour as major stakeholder. People are indeed an integral part of the business and careful attention should be paid to this vital resource.
- ✓ Use time effectively.
- ✓ Welcome the opportunity to make a difference in the community and society as a whole, as well as to their employees
- ✓ Embrace good work and business ethics and do not get involved in dishonest dealings
- ✓ Want to ensure that the business is sustainable

Activity 28 (SO3, AC 2-4): individual activity

# **SETTING GOALS**

## **Outcome**

Compile entrepreneurial goals and personal growth plan

## **Assessment criteria**

- ✓ Short, medium and long-term goals are planned in relation to entrepreneurial goals
- ✓ Short-term goals for self in entrepreneurial context are clearly described and discussed in relation to personal growth and entrepreneurial goals
- ✓ A plan of action to develop technical, business, managerial and personal skills in relation to entrepreneurial opportunity is compiled and implemented according to plan
- ✓ Suitable mentors and coaches to assist in implementation of plan are identified based on availability and capacity
- ✓ Resources to ensure successful implementation of plan are identified and utilised on an ongoing basis

## **Who Can Help You To Implement Your Plans For Your Business?**

It is a good idea to have a mentor or coach – someone to help you when you start your business. This can be any one of the following:

- ✓ Bookkeepers and accounting officers
- ✓ Business consultants
- ✓ Other business owners
- ✓ Department of Trade and Industry
- ✓ Business partners such as Khula Enterprise Finance Limited, who are an of the Department of Trade and Industry. They were established to help small businesses get credit and will also act as your mentor if you need their help, since they have invested money in them.
- ✓ Most banks also have small business units and they can also help you to implement your plans.
- ✓ Business Partners: The mission of this corporation is to harness the power of entrepreneurship by developing small and medium enterprises for the benefit of South Africans. The main purposes of the corporation are:
  - To help small businesses and entrepreneurs.
  - To help in the establishment and growth of small businesses.
  - Because of this assistance, to create job opportunities.
  - To help small businesses financially.
  - To provide training schemes.
  - To provide support services to businesses which are in the process of becoming established.
  - To provide information services.
  - To provide economic business premises.
  - To provide demonstrations and special displays.

Bookkeepers and business consultants, unfortunately, will charge you per hour for their services.



It is a good idea to join a business organisation where you have contact with other business owners. They will be willing to share their experience and knowledge with you. It is also a good idea to obtain a qualification such as the one you are attending at the moment.

## Activity 29 (SO4, AC 4): individual activity

### **Resources**

What will you need in order to effectively run your business:

- ✓ Where will your office/depot/workshop be situated?
- ✓ office equipment: used by employees: desks, chairs, telephones, faxes, computers, etc.
- ✓ vehicles: for transportation or delivery
- ✓ machinery and equipment: if you are going to make (manufacture) something, the machinery and equipment you will need.
- ✓ Trading stock: finished products that are ready to be sold
- ✓ Raw material: the material you will need to make the products
- ✓ Money: the money to start and run the business
- ✓ Human resources: employees to help you run your business

## Activity 30 (SO4, AC5): individual activity

### **Goal Setting**

All of us have dreams and ideas for our future but how many of these dreams become a reality?

In order to achieve them, you have to start thinking about what you want for your business and your future. You have to set goals for yourself.

The first step is to define what you want. People who are successful do what they do for a reason – they have a goal or goals.

A successful athlete starts out by thinking – I want to play for Bafana Bafana or the Proteas or I want to go to the Olympic Games and compete in the 100m sprint. This is the desire or the wish.

Now, how is s/he going to achieve this goal? A desire only becomes real when that person takes action to make the desire or dream a reality by setting goals and objectives and developing an action plan to achieve these goals and objectives – what must s/he do in order to achieve the goal and realise the dream. Becoming an Olympic athlete or playing for Bafana Bafana does not happen overnight. First the athlete must become fit, then the athlete must acquire (get) the skills that are needed, then the athlete must get the knowledge of soccer games in order to follow the strategy that the coach works out for the team to win games. Then the fitness, skills and knowledge must be improved so that the person can qualify for a local team, a provincial or league team in order to be noticed. Every day that person must work on all these things so that, once the athlete is in a provincial or league team, the selectors for the national team can take notice of him. Once the athlete has been selected for the national team, the process does not stop. He has to become even more disciplined and skilled and knowledgeable so that he keeps his place in the team. At this level, he must also learn how to deal with supporters and the press to keep his image good.

All the above happen because of goals, objectives and action plans and the business world is no different. You want your own business, you have identified the type of business you want, now you must set goals and objectives and develop action plans to make sure that you, the entrepreneur, can be successful.

If we refer back to the example of the athlete, you can see that he set short term, medium term and long term goals:

- ✓ Short term: become fit; acquire skills and knowledge to be included in the local or school team – in other words goals that can be achieved within a few weeks or months.
- ✓ Medium term: keep on improving these skills and knowledge to the point where you can qualify for a provincial or league team –goals that can be achieved within a year or two
- ✓ Long term: work on your image, improve skills and knowledge and team behaviours so that you will be an asset for a national team. Then, improve even more for possible international recognition – goals that will take three to five years to achieve.

It is important that you know yourself well in order to set realistic and reachable goals. Furthermore, once you have set your goals, you have to set objectives: how will you know when you have reached your goal, by when do you want to reach your goal, and what must you do to reach these goals.

## Activity 31 (S05, AC1 & 2): group activity

In our little piece from Alice in Wonderland, Lewis Carroll shows us why setting goals is important. Alice has no clearly defined goal, she does not know where she is going to, and so she could not decide which road she ought to take.

If you don't set goals for your business, the same thing will happen to you. When you have to make choices, you will not know which road to take.

It is interesting that just about everything a person does in life, both at home and at work, is based on some goal or objective. Without them, life's activities would have little value or purpose. When you go on holiday, your desire is to go to Durban or Polokwane or to visit your family. As soon as you start planning for the trip, the desire becomes a goal. The short term goal is to start saving for the trip, making the arrangements for the trip, etc. The medium term goal is to make sure that you save enough money and make sure the arrangements are in place. The long term goal is to leave on time and then to enjoy your holiday.

## What Is The Difference Between A Goal And An Objective?

A **Goal** is a general outcome statement.

An **Objective** spells out clearly and in a way that it can be measured, what the end result should be.

You first decide on a goal that can be achieved, to enable you to focus more accurately on the objective. It would be difficult to develop an objective without some idea of what the goal is.

Therefore, you first decide on **the goal**. Then you will write SMART objectives, in such a way that it will help everyone who is involved to know what is has to be done. This is why the goal always comes before the objective.

### Example

- ✓ The **Goal**: Improve production in the assembly plant,
- ✓ The **Objective**: by 10% before January 15, by upgrading the machinery involved.

The goal is usually only the action or activity. That is, to diet, to stop smoking, to spend more time with the children, to paint the house, or tidy the garage, etc.

These goals are fine for things such as home and sport activities. They do not have enough information to really motivate you to achieve them. That is why we write objectives.

## Setting Objectives

Objectives must always be SMART:



- **Specific**
- **Measurable**
- **Attainable**
- **Relevant**
- **Time bound**

### **Specific:**

Objectives must be specific. Don't say, "I want to bake more cakes per day," rather say: "I want to bake 50 cakes per day".

### **Measurable:**

You must be able to measure the objective so that you can check if you achieve it. Objectives are something that you can use to control the work that is being done. Did you bake 50 cakes?

Include as many of the following as possible:

- ✓ Quality: To SABS standard 1076; without any rejects; as per maintenance schedule rules, etc.
- ✓ Quantity: reduce rejects by 5%; tidy up all the scrap; a minimum of six bottles per case, etc.
- ✓ Cost/Value: reduce the overheads by 5%; cut the competitors price by at least R1, etc.

### **Attainable:**

You have to set objectives that can be reached. If you set objectives that cannot possibly be reached, you are wasting time and you and your staff will become discouraged. You cannot possibly start baking 1500 cakes per day, if you have been baking 50 cakes per day.

### **Relevant**

The objective must be relevant to the specific goal as well as the goals of the business. Don't set an objective that has no relevance to the goal: "I want to make 45 meat platters per day" has no relevance to baking cakes. If your objectives are not relevant to the goal, you will confuse yourself and your staff.

### **Time**

You have to set a date by when you want to achieve the objective. "I want to bake 70 cakes per day by the end of February." Examples could be: Within the next two weeks; by January 15; before lunch break/stocktaking/home time, etc.

## Activity 32 (S05, AC1 &2): group activity

## Writing Objectives

Here's a handy tool to use when writing objectives. Use this format and your objectives should always be SMART.

Objective	Target Date	Responsibility
What you want done	By when it should be done	Who should do it

### General rules when writing goals and objectives:

- ✓ Always write down the goals and objectives. We tend to try and achieve goals once we have written them down.
- ✓ You have to make sure that everyone who is going to be involved has to understand the goals and objectives, so always use clear and simple language.
- ✓ Test the objectives on someone else first. If they express the slightest hint of doubt, don't argue - fix it!
- ✓ Communicate both in writing and verbally, if you can.
- ✓ Make sure that the people who have to do the work to achieve the goals understand what is expected of them. Ask the person to repeat in his/her own words what is expected of them. Then you can listen to what they are saying and check if they really understand.



### What successful people do

- ✓ create a dream that is so big that it will keep you excited
- ✓ define the dream in the smallest detail
- ✓ live in the dream so that it becomes real to you on the inside, and then
- ✓ hold on to it so tightly that no one can take it away from you.

**Channelling your grand vision into a specific direction and action makes the difference between being an idle dreamer and being a person with a mission.**

**"THE ACHIEVEMENT OF ONE GOAL SHOULD BE THE STARTING POINT OF ANOTHER" – ALEXANDER GRAHAM BELL**

### An example of goal types in business management:

- ✓ **consumer goals:** this refers to supplying a product or service that the market/consumer wants
- ✓ **product goals:** this refers to supplying an outstanding product or service, compared to the products or service of competitors. The product or service will be of better quality, or be more reliable or cost less or even all three
- ✓ **operational goals:** this refers to running the business in such a way that you make the best use of your human, financial, and other resources in order to meet the needs of customers.

## Activity33 (SO5, AC 1&2): individual activity

Setting objectives in both your work and personal life is very important if you want to achieve your goals. It gives you a sense of direction and focuses you on the important things in your life.

By setting action plans we are able to monitor our progress and achievements. Remember, your future is what you want to make it.

***All your dreams can come true – you only need realistic goals and motivation!***

## Action Plans

### Developing The Action Plan

Once you have written down your goals and objectives you have to develop plans for the realisation of the objectives. These plans are called action plans.

In the action plan you must specify and explain clearly **WHAT** has to be done, **WHY** it must be done, **WHEN** it should be done, **WHO** must do it and **HOW** it should be done.

An action plan is like a map that you will use to find out if things are being done the way you want it done.

You have to refer back to your action plans regularly to find out if you are still on track. When something on the action plan is not working out the way you want it to, do not despair – there is no failure there is only feedback. If things go wrong, don't wait for others to change – start the change with yourself – what can you do differently to get back on track. If what you're doing isn't working, do something different. Learning from feedback means that you are improving your skills, knowledge and action all the time.

So, analyse the action plan, do a problem solving exercise to find out why you are not on track, take corrective action and then change the action plan to include the changes. In a few days, weeks or months, refer back to the action plan again. Keep on following these steps until you have achieved all the objectives noted on the action plan. Start a new action plan until you have achieved your first goal. Then follow this process again until you have achieved the next goal. And so on and so on.

## Activity 34 (S05 AC3): individual activity

### Concluding Remarks

Finally it can be concluded that high levels of commitment and hard work is required to be successful in the small bus sector.

The **key steps in starting a business** can be summarised as follows:

- ✓ Take an **informed** decision to start a business. If you are not sure, do not hesitate to obtain advice.
- ✓ Thoroughly investigate the **viability** of the proposed venture. Evaluate all the advantages and disadvantages.
- ✓ Make sure that you **line up with credible business partners** beforehand.
- ✓ Develop a **business plan** as outlined in later modules.
- ✓ Thoroughly follow the **specifications** and **requirements** of the specific venture.
- ✓ Apply for the required **finance** and make sure that your business plan meets the requirements of the financial institution.

- ✓ **Align** all your efforts, especially during the initial stages of the business. Remember that hard work and commitment are really prerequisites for success in any new venture.

It can be concluded that the entrepreneurial decision to start a business is the most important decision a prospective small business owner can take.

# UNIT STANDARD 119669

SOUTH AFRICAN QUALIFICATIONS AUTHORITY

## REGISTERED UNIT STANDARD:

Match new venture opportunity to market needs

SAQA ID	US	UNIT STANDARD TITLE					
119669		Match new venture opportunity to market needs					
ORIGINATOR		ORIGINATING PROVIDER					
SGB Generic Management							
QUALITY ASSURING BODY							
-							
FIELD		SUBFIELD					
Field 03 - Business, Commerce and Management Studies		Generic Management					
ABET BAND	UNIT STANDARD TYPE	PRE-2009 LEVEL	NQF LEVEL	CREDITS			
Undefined	Regular-Fundamental	Level 2	NQF Level 02	6			
REGISTRATION STATUS		REGISTRATION START DATE	REGISTRATION END DATE	SAQA DECISION NUMBER			
Reregistered		2012-07-01	2015-06-30	SAQA 0695/12			
LAST DATE FOR ENROLMENT	LAST DATE FOR ACHIEVEMENT						
2016-06-30	2019-06-30						

In all of the tables in this document, both the pre-2009 NQF Level and the NQF Level is shown. In the text (purpose statements, qualification rules, etc), any references to NQF Levels are to the pre-2009 levels unless specifically stated otherwise.

This unit standard does not replace any other unit standard and is not replaced by any other unit standard.

## PURPOSE OF THE UNIT STANDARD

Learners working towards this standard will be learning towards the full qualification, or will be working within a SMME (Small, Medium, Micro Enterprise) environment, specialising in New Venture Ownership and Management, where the acquisition of competence against this standard will add value to one's job. This standard will also add value to entrepreneurs who are seeking to develop their entrepreneurial skills so that they can become more marketable for bigger contracts, including commercial and public sector contracts, for example the Department of Public Works programmes.

The qualifying learner is capable of:

- Identifying and describing what marketing is in relation to new venture opportunities.
- Conducting market research.



- Identifying market segments in relation to own venture opportunity.
- Incorporating market research into a marketing plan.
- Exploring product/service life cycle.

### **LEARNING ASSUMED TO BE IN PLACE AND RECOGNITION OF PRIOR LEARNING**

All learners accessing this qualification must be in possession of a GETC or equivalent qualification. The learner must be competent in communication literacy at NQF level 1.

### **UNIT STANDARD RANGE**

N/A

Specific Outcomes and Assessment Criteria:

#### **SPECIFIC OUTCOME 1**

Identify and describe what marketing is in relation to new venture opportunities.

#### **ASSESSMENT CRITERIA**

##### **ASSESSMENT CRITERION 1**

The concept of a market is described, including the four P's of marketing.

##### **ASSESSMENT CRITERION RANGE**

The four P's of marketing include Price, Promotion, Place and Product.

##### **ASSESSMENT CRITERION 2**

A market is described in relation to supply, demand and pricing, utilising examples.

##### **ASSESSMENT CRITERION 3**

The importance of the value addition of a proposed business in relation is explained in relation to the market.

##### **ASSESSMENT CRITERION 4**

Factors that influence markets are explained in the context of proposed business venture.

##### **ASSESSMENT CRITERION RANGE**

Factors that influence markets include but are not limited to the South African economy, trends and developments within the particular new venture industrial context, competition, location, timing.

##### **ASSESSMENT CRITERION 5**

Differentiations between product and service marketing are identified and explained with examples.

##### **ASSESSMENT CRITERION RANGE**

Market segmentation includes but is not limited to specific projects, geographical location, income brackets, age, gender, ethnic, community.

##### **ASSESSMENT CRITERION 6**

The concept of market segmentation is explained with examples.

##### **ASSESSMENT CRITERION 7**

The concept of competition is explained in relation to the marketing function.

#### **SPECIFIC OUTCOME 2**

Conduct market research.

#### **ASSESSMENT CRITERIA**

##### **ASSESSMENT CRITERION 1**

The importance of market research is explained in relation to proposed new venture.

##### **ASSESSMENT CRITERION 2**

Market research techniques are identified and explained in context of proposed new venture.

##### **ASSESSMENT CRITERION RANGE**

Market research techniques include but are not limited to formal and informal research including basic questionnaires, community research, intelligence gathering exercises.

##### **ASSESSMENT CRITERION 3**

Market research tools are identified and utilised to determine viability of new venture.

##### **ASSESSMENT CRITERION 4**

Market research is conducted and factual information is gathered and interpreted in relation to own business.

##### **ASSESSMENT CRITERION 5**



Viability of new venture is determined according to market research findings.

**SPECIFIC OUTCOME 3**

Identify market segments in relation to own new venture opportunity.

**ASSESSMENT CRITERIA**

**ASSESSMENT CRITERION 1**

Own product/service requirements are analysed in relation to the identified target market.

**ASSESSMENT CRITERION 2**

Customers are segmented according to business goals.

**ASSESSMENT CRITERION 3**

The competition to new venture opportunity is identified and analysed to determine the threats they may present.

**ASSESSMENT CRITERION 4**

The changes that may be required to increase competitiveness of new venture are identified and explained in accordance with competitor analysis and market research.

**SPECIFIC OUTCOME 4**

Incorporate market research into a marketing plan.

**ASSESSMENT CRITERIA**

**ASSESSMENT CRITERION 1**

The elements of a marketing plan are outlined and described according to own business context.

**ASSESSMENT CRITERION 2**

New venture opportunity is analysed and marketing plan compiled in accordance with the Four P's of marketing.

**ASSESSMENT CRITERION 3**

Measurement tools to evaluate success of marketing plan are identified and included in plan.

**ASSESSMENT CRITERION 4**

Action goals are outlined and implemented, with timeframes.

**ASSESSMENT CRITERION 5**

Reasons and methods for evaluating and modifying marketing plan are explained and implemented in the context of market research results.

**ASSESSMENT CRITERION 6**

Marketing plan is integrated into business.

**SPECIFIC OUTCOME 5**

Explore product/service life cycle.

**ASSESSMENT CRITERIA**

**ASSESSMENT CRITERION 1**

The concept of a product/service life cycle is explained with examples.

**ASSESSMENT CRITERION 2**

Growth opportunities for new venture are identified and explained with typical examples of how this can be achieved.

**ASSESSMENT CRITERION 3**

Trends and developments in relation to product/service are monitored and product/service life cycle is determined accordingly.

**ASSESSMENT CRITERION 4**

Plans are made to ensure that business venture is aligned to product/service life cycle.

**UNIT STANDARD ACCREDITATION AND MODERATION OPTIONS**

Any individual wishing to be assessed (including through RPL) against this unit standard may apply to an assessment agency, assessor or provider institution accredited by the relevant ETQA, or an ETQA that has a Memorandum of Understanding with the relevant ETQA.

Anyone assessing a learner against this unit standard must be registered as an assessor with the relevant ETQA, or an ETQA that has a Memorandum of Understanding with the relevant ETQA.

Any institution offering learning that will enable achievement of this unit standard or assessing this unit standard must be accredited as a provider with the relevant ETQA, or an ETQA

that has a Memorandum of Understanding with the relevant ETQA.

- Moderation of assessment will be conducted by the relevant ETQA at its discretion.

### **UNIT STANDARD ESSENTIAL EMBEDDED KNOWLEDGE**

The learner must demonstrate an understanding of:

- The principles and skills of marketing.
- The product/service life cycle.
- Basic principles and techniques for conducting market research.
- The four P's of marketing as they relate to new ventures.
- The basic principles for compiling a marketing plan and how this forms part of an overall business plan.

### **Critical Cross-field Outcomes (CCFO):**

#### **UNIT STANDARD CCFO IDENTIFYING**

Identify and solve problems using critical and creative thinking processes to conduct market research, compile marketing plan and explore the product/service life cycle of a potential new venture.

#### **UNIT STANDARD CCFO WORKING**

Work effectively with others as a member of a team, group, organisation or community to identify and compile a marketing plan based on community/industrial needs.

#### **UNIT STANDARD CCFO ORGANISING**

Organise and manage oneself and one's activities responsibly and effectively in order to gather data, compile and develop a marketing plan.

#### **UNIT STANDARD CCFO COLLECTING**

Collect, analyse, organise and critically evaluate marketing information in order to put a sound marketing plan together.

#### **UNIT STANDARD CCFO COMMUNICATING**

Communicate effectively using visual, mathematical and/or language in the modes of oral and/or written persuasion to compile marketing plan.

#### **UNIT STANDARD CCFO SCIENCE**

Use science and technology effectively and critically, showing responsibility to the environment and health of others in ensuring all marketing and product/service life cycle data is effectively incorporated into marketing plan.

#### **UNIT STANDARD CCFO DEMONSTRATING**

Demonstrate an understanding of the world as a set of interrelated systems by recognising that marketing problem-solving contexts do not exist in isolation.

#### **UNIT STANDARD CCFO CONTRIBUTING**

Participating as responsible citizens in the life of local, national and global communities by analysing all aspects of market segments in relation to own new venture opportunity.

# THE MARKET PLACE

## **Outcome**

Identify and describe what marketing is in relation to new venture opportunities

## **Assessment criteria**

- ✓ The concept of a market is described, including the four P's of marketing
- ✓ A market is described in relation to supply, demand and pricing, utilising examples
- ✓ The importance of the value addition of a proposed business in relation is explained in relation to the market
- ✓ Factors that influence markets are explained in the context of proposed business venture
- ✓ Differentiations between product and service marketing are identified and explained with examples
- ✓ The concept of market segmentation is explained with examples
- ✓ The concept of competition is explained in relation to the marketing function

## **Introduction**

Marketing is about selling a product or service to customers. You may have a very good product, but if you don't have customers to buy the product, your business will not be successful.

This is where marketing is important: you have to let your customers know that you have this wonderful product – if they don't know about the product, they cannot buy it. You also have to let your customers know what the price of the product is. Of course, you have to ensure that your price is competitive – in other words not more expensive than the price of your customers. Then you have to make the product available at a place that is convenient to your customers.

When we talk about marketing, the two most important aspects are:

- ✓ Customers who buy from the business
- ✓ Competitors who sell the same or similar products.

Everything in marketing is about these two aspects.

## Activity 1 (SO1, AC1,5): individual activity

### **The Market Place**

This is where the product or service of the business and the customer meet. The easiest way to explain this is to look at a very small business: a hawker selling products on the street. The hawker is the business, the products are the things he/she sells, the price is, of course the price he sells at, the market place is the street corner where he displays his goods and the customers are the people who buy the goods.

This brings us to the four P's of marketing:

- ✓ **Products:** what the hawker sells
- ✓ **Price:** the price he sells at while making a profit
- ✓ **Promotion:** the marketing of the product – how he brings his products to the attention of people who might be willing to buy. Marketing is the link between the business and the customers.



- ✓ **Place:** where he sells the products

## ***Products***

A product can be:

- ✓ A **physical product** such as vegetables, sweets, cold drinks, cell phone pouches, cell phones, computers, soap powder, coffee, etc.
- ✓ A **service:** cutting hair, a beauty parlour, washing cars, life insurance policies, training, TV channels, radio programmes, installing computers, etc.
- ✓ A **mix of physical goods and services:** many computer companies will sell the computers to you (physical products) and also install the computers in your business (service); a hairdresser might cut your hair and also sell coffee or cold drinks, a beauty parlour could show you how to apply your make up (service) and then also sell make up products to you (products). Businesses can sell you cell phones (product) and also explain how to use it (service).

***A product is any item or service that satisfies the need of a consumer (the person buying the product or service).***

Customers buy products or services to satisfy a need. Customers don't buy a product or service simply for the sake of the product or service. They buy products because of what the product can do for them – the benefit they can get from the product.

When a housewife buys laundry detergent (washing powder such as Surf to wash clothes with), she is actually buying cleanliness. When you buy a stove, you buy the ability to cook food.

## ***Classification Of Products***

The type of product an organisation offers to the market, affects the way the product is marketed. The three major types of products are:

- ✓ **Durable products:** these last for some time. This is usually an actual product and not a service. Examples would include tumble dryers, washing machines, furniture and so on. These products are usually expensive, and, because they last long, are not replaced often.
- ✓ **Non durable products:** they are used up in the short term and would include food, drinks, household cleaning materials, etc.
- ✓ **Services:** are products that give the customer instant benefit when the service is performed. It is not something that the customer will use or own. A hair salon or a delivery service is a good example of this. The customer cannot really see the service as you can with food and furniture so the problem for the business is to show the value of the service to customers.



## **Price**

Pricing is one of the most important elements of the marketing mix. The pricing policy of an organisation affects the chances of long-term success, since the profit is built into the price of a product.

The price of a product plays two roles when marketing a product:

- ✓ How much of the product will the customer buy?
- ✓ Will the selling of the product bring in profits for the organisation?

***Price is the exchange value of a product or service, usually stated in terms of money.***

You give the customer a product or service and the customer gives you money – the product is exchanged for money.

### Activity 2 (SO1, AC1, 2): individual activity

Price has many different forms:

<b>FORMS OF PRICE</b>	
<b>TERM</b>	<b>WHAT IS GIVEN IN RETURN</b>
Price	Product or service
Tuition fee	Education
Rent	Place to live
Bus fare or train fare	Transport
Salary	Work (monthly)
Wage	Work (hourly)
Bribe	Illegal actions

A customer has a different way of looking at price to the way a business looks at price:

- ✓ When thinking about the price of a product, a customer thinks about the benefits he/she can gain; the needs that can be met and how the price compares with other businesses offering the same product or service.
- ✓ A business thinks of the cost of the product; the volume of the product that can be sold (how much of the product items can the business sell) and profit margins (how much profit can the business make out of selling the product).

## Competition

In the market place, businesses often compete against each other. When two or more businesses offer the same product or service, they are competing for the same customers. They can compete in two ways:

- ✓ **Price competition:** when they advise customers that their prices are lower than those of the competitors. Supermarkets do this often, when they advertise special offers on the prices of certain products.
- ✓ **Non-price competition:** when the business offers more advantages to the customer, so that prices that are higher than those of the competitor are not really important. A very good example is washing powder – on the TV advertisements the manufacturer claims to show housewives how much cleaner washing will be when their product is used. They never mention a price.

## Activity 3 (SO1, AC2): individual activity

### Factors That Affect Price

#### Costs

The cost of raw materials and the cost of getting the goods delivered to your business.

A hawker selling tomatoes has to buy them at a certain price. He then has to transport the tomatoes to the place where he is going to sell them. Then he also has to pay for the plastic bags in which he packs the tomatoes. All these things cost him money and only once he is sitting by the roadside selling his packets of tomatoes can he start making money.

It is important to take all these costs into account, because he has to sell the packets of tomatoes for more than it cost him to buy them, transport them and package them.

#### Competition

The things your competitors are doing also affect your price. If they are selling the products for less than you are, you will have to investigate if their packets of tomatoes are smaller than yours or if they just got the product cheaper.

Either way, if you want to sell your products, you will have to see if you can sell at the same or even cheaper price than your competitors.

#### Image

The image you want to create for your business will also affect the pricing of your products. If you have a food stand where people buy light and inexpensive lunches, it will cost you less to make food than when you have a big restaurant.

A big restaurant has to pay rent, water and lights, employ staff, buy furniture, etc. No you can probably understand why a meal in a big restaurant costs more than buying lunch from the food stall on the corner – it costs a big restaurant more to prepare a meal and the customer pays for it.

## **Supply and demand**

**Supply is the amount of a product or services that a business provides to the customers at a certain time and a given price.**

If you are a hawker selling packets of tomatoes you would expect to sell maybe 50 to 100 packets a day. This will then also be your supply: you will prepare between 50 and 100 packets of tomatoes every day.

A big vegetable shop, on the other hand, will expect to sell perhaps 500 packets of tomatoes, 300 packets of onions, 450 packets of carrots, etc. per day. They will then ensure that they have enough products to sell to their customers.

**Demand Is the amount of a product or service that customers want to buy and have money for at a given time at a given price.**

The housewife who wants only one packet of tomatoes, will not buy three or four, even if the hawker tells her that she can get three for the price of two. She only wants one and that is all she will buy.

The big restaurant will probably be interested in buying more than one packet of tomatoes if they can get good quality at a cheaper price.

## Activity 4 (SO1, AC2): individual activity

### **Objectives Of Pricing**

The aim of pricing is to ensure that the business sells enough of the product to make a profit.

Remember, the hawker has paid for a certain amount of tomatoes and would like to sell all of them so that he can make a profit and have money to buy some more tomatoes tomorrow.

### **Cost Plus Pricing**

There are two types of costs involved in making products:

- ✓ **Fixed costs:** it does not matter how many products the business produces, the fixed costs stay the same. Salaries and wages, equipment costs and rental.
- ✓ **Variable costs:** these costs become more when you start making more of the product: raw materials and components.

If we look at the hawker and his tomatoes, if he wants to sell more packets he will have to buy more tomatoes and more plastic bags, so these will be variable costs. He is the only one packing them, so salaries and wages will not increase, he does not pay rent and he does not have any equipment other than his hands to package the tomatoes. His fixed costs will stay the same.

The vegetable wholesaler's situation is very similar: he can sell more products without increasing his staff and the costs involved, his rental will not increase because he is selling more vegetables and he will use the same equipment he always uses. The variable costs will increase, because in order to sell more products he has to buy more raw material.

In order to determine the selling price of the product, the business has to determine the fixed costs and the variable costs of the product and then add a percentage to the total. The percentage you add to the total will then be your profit margin.

Example

Your business manufactures steel braais. You have worked out the costs as follows:

Variable costs:	R8 000
Fixed costs	R15 000

Expected sales                    50 braais

Each braai unit therefore costs you (remember, this is provided you sell at least 5 000 braais)

The formula is:

Variable cost + fixed cost divided by current sales

$$\begin{aligned} =R8\ 000 & \quad + \underline{R15\ 000} & = R\ 23\ 000 \\ & \quad 50 & = R\ 460 \text{ each} \end{aligned}$$

Unit price to manufacture is R460

You want a profit margin of 40% (the profit margin is also called the mark-up)

The formula is:

Unit cost x mark-up percentage

$$\begin{aligned} = R460 & \quad \times \quad 40\% \\ & = R184 \end{aligned}$$

You will sell the braais for R 644 of which your profit will be R184 each.

## Activity 5( SO1, AC1): individual activity

### **Place**

For some businesses the place where you locate the business is a more important decision than others. A ladies' hairdressing salon or clothing boutique has to be situated in a place that is good for the customers, while it does not really matter where a spaza, hardware shop and paint shop are located.

Factors to take into account when deciding where to place the business:

### **The Availability Of Resources**

- ✓ Water
- ✓ Electricity
- ✓ Labour
- ✓ Transport
- ✓ Can the raw materials be delivered or must they be collected?

## **Customer Accessibility**

You must always ensure that it is easy for your customers to get to you. The closer you are to your customers the more you improve your chance of success.

Customers must also feel safe, so you must try to find a safe area for the location of the business.

Studies have been done to determine which side of the street is the best side for locating a business, and you should choose the side of the street:

- ✓ With the highest number of customers
- ✓ Where big department stores and other major businesses are located
- ✓ Near the town's fastest growing area
- ✓ That shield customers from bad weather conditions
- ✓ With fewest obstacles to customer traffic, such as loading zones, alleyways, etc.

### **Where not to locate your business:**

- ✓ Areas where there are many abandoned or empty buildings. It creates the impression that you have located your business in an area that is dying
- ✓ Sites that are difficult to reach
- ✓ Places where many previous businesses have failed
- ✓ Places where there is too much heavy traffic
- ✓ Sites that have bad lighting
- ✓ Locations near businesses that have long parking times, such as restaurants and theatres
- ✓ Sites that contain businesses that do not complement your business. An upmarket clothing store situated in an area industrial area where you will find panel beaters, paint shops, hardware stores and so on will mean that you will have customers only during lunch times as everybody else will be working.

## **Promotion**

Promotion is the range of methods used by the business to communicate with its customers, employees and other interested groups.

A business has to tell its customers where it is, what products it sells and, at times, also the price of the products.

The employees also have to know what goes on in the business, so the business also has to promote itself with the employees.

## **Target Market**

Before you can promote your business and its products, you have to decide who the target market is. The target market would be the people who are interested in your products. If you sell packets of tomatoes, your target market would be people who are interested in buying small amounts of tomatoes at a time. If you are a tomato farmer, your target market would be vegetable markets, vegetable wholesales, supermarket chain stores and so on.

***The target market will determine the promotion mix applied by a business.***

## Promotion Mix

The promotion mix is the mix of promotion methods used by a business to communicate with its customers.

The main promotion methods used are:

### **Advertising:**

Placing advertisements in newspapers, magazines, radio and TV advertisements, outdoor advertisements and flyers.

Advertising is a costly process but the most effective if you want to reach many customers.

### **Sales promotion:**

- ✓ Handing out free samples to customers so that they can try out your product;
- ✓ Giving something to the customer for free if he buys a certain amount of your products or giving a discount if the customer buys a certain amount of your products,
- ✓ Sales where products are offered at a special price, even if the customer only buys one product. Back to school sales are an example of this.

### **Publicity**

Is information about a business and its products or services that appear as a news item. It can include a news release describing a newsworthy item, usually with a photograph, which is then sent to the press. If a bakery is attempting to break the world record for making the largest pancake, a news release will be sent to the newspapers.

Sponsorships are also a form of publicity: Vodacom sponsors soccer and rugby in South Africa.

### **Personal selling:**

Is a one-on-one communication from the business to the customer in order to convince the customer to buy the product. Successful personal selling follows a systematic process:

- ✓ Prospecting for customers: this is where you follow up on leads, that you get from friends and family, telephone directories and advertisements.
- ✓ Qualifying the prospects: contacting the prospective client to find out if he has a need for the product, the ability to buy, is able to make the decision to buy.
- ✓ Present the sales message: where tell the customer about the advantages of the product and why he should buy it
- ✓ Close the sale: get the customer to agree to the sale
- ✓ Follow up: ensure that the buyer is happy with the product or service

## Decide On The Promotion Mix

- ✓ **How widely are your customers scattered?** In the case of a supermarket chain such as Pick n Pay, the customers are scattered all over the country, while the customers of a hair dressing salon or a spaza shop are located close to the business. This is why Pick n Pay advertises in newspapers, over the radio and on TV at times. The spaza shop owner will not really benefit from advertising in a newspaper or on TV. If you want to advertise your spaza shop, you would rather advertise by means of flyers or advertise in the local newspaper.
- ✓ **Who is your target market?** Who is going to buy your product? You have to determine who your target market is if you want to advertise. If you had a hair dressing salon, you would advertise by putting a board outside the shop, showing special offers. You could also advertise by distributing flyers to the staff working in businesses around you.

- ✓ **What type of product or service are you selling?** If you are selling life insurance your approach will be different to selling cars or clothes. You can advertise the car or the clothes for sale, but placing an advertisement in the newspaper or sending out flyers if you are selling insurance, will not help at all. You will have to try personal selling or maybe even a sales promotion in order to reach your customers.
- ✓ **How much money do you have to spend on promotion?** In the end your budget will also affect the promotional mix. Advertising in newspapers can be costly, using flyers can be cheaper than advertisements in newspapers or magazines, while personal selling is cheap if you do it yourself, but takes a lot of time.

From the above it is clear that you have to take all the factors into consideration before you decide on a marketing mix.

Your promotional mix would be different when you are selling products and when you are selling services. Well-known products are usually sold very effectively through advertising, while the promotion of new products is often done through personal selling.

Services such as insurance are advertised, but the most effective way is personal selling. Other services such as hairdressing or a taxi service is done through a combination of personal selling, advertising and sales promotions.

New car ranges, such as BMW, Volkswagen, etc. are first introduced to the agents through a publicity event, and then advertised. Finally, personal selling at the dealer also takes place.

## Activity 6 (SO1, AC1): group activity

### ***Adding Value To Your Product Or Service***

Why would you want to add value to your product or service?

If you want to start a spaza shop, for example, chances are that there will be stiff competition for your shop. You want to attract customers to your shop, not just once, but many times. There are many ways of doing this: by stocking products that they need and want to buy, by making it easy for them to buy from you, by making it pleasant for them to buy from you, by listening to what they need and ensuring that you expand your product or service range to accommodate their requests.

This is called adding value to your product or service. You will find that people will rather buy from you if your service is friendly and you accommodate their needs.

Adding value is very important from the customer's point of view. The hair dressing salon that I go to always offers me something to drink while I'm there, I am never kept waiting long and they are always friendly and courteous. The consequence is that I will drive a longer distance just to have my hair done at that specific salon, because they are adding value to their service.

## Activity 7 (SO1, AC3): group activity

# MARKET SEGMENTATION

## *Target Market*

We have seen that a target market is the specific group of customers at whom the business aims its goods or services.

If you want your marketing efforts to be successful, you must be able to give a clear and precise description of who your target customers are. The target customers will determine all the marketing decisions that the business makes.

Within the total market, there are often groups of people who have similar characteristics. These groups are called market segments.

### ***What a business has to do is to***

- ***identify specific groups of customers***
- ***who will respond favourably to a marketing mix***
- ***which is aimed at their specific needs***

Once you have identified the market segment at which you are going to aim the promotion of your products, they are called your target market.

## ***Market segments***

### **Geographic Factors**

The market is divided according to where customers live and work. In which region, province, city and suburb do the consumers live?

Consumers living in different regions have different needs and buy different products. People who live in the Eastern Cape buy different things than people who live in Gauteng. There are many reasons for this, some of the reasons are that they eat differently, their salaries and wages are different and their lifestyles are different.

Similarly, people who live in rural areas also buy different products from those who live in big cities.

### **Demographic Factors**

These factors describe the customers and tell you who your customers are. The most commonly used demographic factors are:

- ✓ **Age:** the products children and young people buy are different to the products that adults and older people buy. Children and teenagers would not be potential buyers of cars, while young people would prefer to buy sporty cars. Adults with children would buy family cars while older people who are nearing retirement age will prefer to buy a car that will last them until they die and is not expensive to maintain.
- ✓ **Income bracket:** the income level of the market segment determines how much they can spend on necessary things and how much they can spend on luxury items such as going to the movies or buying a bigger car or even new furniture.
- ✓ **Ethnic origin:** people from different ethnic origins buy different products. Something as commonplace as washing powder to wash clothes in can be determined by ethnic origin. However, an easier example is to look at food. Different ethnic groups have different preferences for food. Some ethnic groups prefer to eat pap rather than salads, some eat lots of pasta with a little bit of meat, others eat lots of meat with just a little rice or potato. Americans eat a lot of fast food during the day, mostly hamburgers and coke or sandwiches, chips and coke, while South Africans prefer other dishes.

- ✓ **Gender:** women buy different products from men. Women are usually responsible for buying household products such as food and cleaning materials, clothes, furniture and so on. Men have different responsibilities and therefore buy different things. Men buy cars, alcohol, tickets for the theatre and so on.
- ✓ **Community:** the community in which people live also influence their buying decisions. Products can be fashionable in a certain community while it is unfashionable in another community. Mini-dresses are a good example. If you live in a very conservative community, buying and wearing mini-dresses will be frowned upon. On the other hand, if you live in a younger, more fashionable community, everybody will be wearing mini-dresses.

## Activity 8 (SO1, AC5): group activity

### **Competition**

As soon as you start a new business, you will be in competition with other businesses. Even when you have a new product that no one else has, it will only be a short time until someone else does the same thing. Vodacom was the first company in South Africa to introduce cell phones, but it was not very long until MTN was established and now we have a third cell phone company, Cell C.

Competition is a fact of the business life. It is therefore very important that you know everything you can about your competitors:

- ✓ Who they are?
- ✓ Are their businesses growing or not?
- ✓ How does your business compare with the competition?
- ✓ In what areas do you have an advantage over your competitors?
- ✓ In what areas are you weaker than your competitors?
- ✓ What is your competitive edge?

### **Competitive Edge**

***Is what you have when customers can see that your products or services are better than those of your competitors.***

Offering lower prices can bring you customers in the short term, but is not a good plan for the long term. You also have to develop other competitive edges, such as:

- ✓ **Having close and personal contact with your customers:** make an effort to contact your customers to find out if they are happy with your products or service, contact them when it's their birthdays or for any other special occasion such as when the children go to school for the first time, there are so many personal things you can remember about your customers that make them feel special.
- ✓ **Giving your customers personal attention:** be friendly, learn their names and the products they usually buy, let them know when their favourite products are on a special promotion or when you have a new product you think they may be interested in, ,and so on.
- ✓ **Giving your customers good service:** always make sure your customers are happy, never argue with them – unfortunately the customer is always right, don't keep them waiting while you are finishing a personal telephone call or a personal conversation, apologise if you had to keep them waiting, make sure that you and your staff are always friendly and helpful. If your customer needs a product that you don't stock, make an effort to get the product for him or give him good advice where he can get the product.

Remember, though, if you send a customer to someone else, the competition might steal your customer away from you. You should only refer a customer if, for example you are a hair dressing salon and the customer wants to buy products. Don't refer customers to your competition, you might lose the customer.

## Activity 9 (SO1, AC4): group activity

### ***Factors That Influence Markets***

We have discussed many factors that influence markets:

- ✓ Product or service
- ✓ Price
- ✓ Promotion
- ✓ Place
- ✓ Geographic factors
- ✓ Demographic factors
- ✓ Competition

There are still a number of factors that have to be discussed.

### **Economy**

When the inflation rate and interest rates go up, people pay more for goods, loans and bonds and will have less money to spare. The first things they stop buying are luxury products.

On the other hand, when the inflation rate and interest rates go down, people have more money to spend and they start buying luxury goods and spending money on things that they never used to.

You have to bear this in mind, since it will directly influence your business. If you have a hair dressing salon, you might find that customers only come in for the basic things like cutting hair and will not spend money on hair colouring. In a spaza shop, you might find that they stop buying so many soft drinks or buy more of the cheaper brands of products that you stock.

### **Trends**

In terms of products and services, a trend signifies a change in the lifestyle and values of the customers. A good example is cell phones. At one time, only business executives had cell phones, these days just about everybody has one.

The same goes for cameras. With the development of digital cameras, film cameras are becoming less and less popular.

You have to be aware of trends in your industry to ensure that your products or services are in line with these trends, otherwise your business will suffer. If you, for example, stock cameras that use film, chances are that nobody will buy them.

## **Timing**

This is a very important factor when launching a new business or a new product or service. It does not help to wait until the market is saturated before you enter the market place. Let us look at cell phones again as an example. South Africa has a population of about 44 million people and we have three cell phone companies. I do not think it would be wise to start a fourth cell phone company, since most people who want to own cell phones already own one.

On the other hand, another company that offers landline telephones could and should do well, since only Telkom offers it at the moment and they have no competition. If another company also offers this service, we, as the consumers, can only benefit in terms of costs and service.

Timing is crucial for every business venture. If you want to open a spaza shop in your street and there are already two or three in that street, you are entering a market that does not have business for so many spaza shops.

If you want to open a furniture store in your neighbourhood, ensure that you are one of the first to do this, so that you are established by the time that someone else thinks of it.

This is also true of developing new products. There are so many brands and styles of cell phones available that I have difficulty distinguishing between them. The cell phone companies are forever developing cell phones with new features. If you want to bring out a new cell phone that can send SMS's, you are too late. These days everyone wants to send MMS's. the time for cell phones that can only send SMS's has come and gone.

Activity 10 (SO1, AC4): group activity

Activity 11 (SO1, AC1 -6 ) : individual activity

# THE PRODUCT LIFE CYCLE

## **Outcome**

Explore product/service life cycle

## **Assessment Criteria**

- ✓ The concept of a product/service life cycle is explained with examples
- ✓ Growth opportunities for new venture are identified and explained with typical examples of how this can be achieved
- ✓ Trends and developments in relation to product/service are monitored and product/service life cycle is determined accordingly
- ✓ Plans are made to ensure that business venture is aligned to product/service life cycle

## **Introduction**

Products or services have a definite life cycle, just like people. The product is developed, introduced, competes in the market, becomes mature and eventually they are taken off the market.

This is true of most new products, however, the life cycle can be extended, depending on the product and environmental factors.

### **Good examples are:**

All Gold Tomato Juice: this has been around for many years, many competitive products have been produced but it still seems to be a market leader. This product obviously goes through the life cycle, just like every other product, but the life cycle is extended continuously by a promotional mix that brings the product to the audience's attention all the time.

Ivory products and fur coats are also a good example of the life cycle of products. In the 1960's and even 70's, fur coats and ivory jewellery and other products were very popular and much sought after. With environmental pressure, however, fur coats have gone out of fashion completely – nobody will even dare to wear a fur coat any more, and ivory cannot be legally exported from its country of origin any more. This led to a decline in the manufacturing and selling of fur coats and ivory products. It might happen that some countries, with good preservation records, will be allowed to sell ivory products again, but it will take a long time before these products become as readily available as they were thirty to forty years ago. I do not see fur coats becoming very popular again in the near future.

Products like washing machines and vacuum cleaners have been around a long time. The manufacturers of these products take the product life cycle into account and keep on introducing new and improved versions of their products, in line with the product life cycle. The same can be said of motor car manufacturers and just about every other product you can buy.

The length of the life cycle also varies from product to product. Fashion clothes have a very short life cycle, about one season, while other products, such as tomato sauce, have a much longer life cycle.

It is obvious that the product life cycle is a very important factor that you have to take into consideration when you consider your new venture.

- ✓ Are you going to introduce your product, let it run its life cycle and then introduce a new product? An excellent example is toys that relate to movies. When the first Toy Story move was released, you could get the characters in the movies in all the toy stores and these days they are almost impossible to find.
- ✓ Are you going to introduce your product and, when it reaches the end of its life cycle, make improvements to the product? This is what cell phone companies are doing all the time.

- ✓ Are you going to introduce your product and, when it reaches the end of its life cycle, make improvements to the marketing of the product? This is one of the things that All Gold do with their tomato sauce. They don't make changes to the product, it is fine as it is, but one of the things they do is to advertise every now and then, more or less when the product life cycle reaches its last stage.

## **Introductory Phase**

This is when you introduce the product to the market. At first, sales are small but, as customers find it satisfactory sales start to increase. In this phase, you have to concentrate on satisfying the needs of the customers who are buying the product and you also have to introduce the product to the market through the promotional mix. This will hopefully lead to customers buying the product more than once, telling other potential customers about the products so that they start buying as well.

As soon as sales increase, the product moves out of the introductory phase and moves into the growth phase.

### **Characteristics Of The Introductory Phase**

During the introductory phase, you are certain to face difficulties that have to be overcome:

#### ***Resistance from consumers:***

Consumers don't know the product, will they be willing to buy it? Consumers don't' change their buying habits easily, they have to be made aware of the advantages of the new product and then they have to be convinced to buy the product. The only people who will probably buy the new product are people who like to try out new things.

#### ***Slow growth in sales:***

There are many reasons for the slow growth in sales in this phase. Consumers do not know the product and will not easily buy it, wholesalers and retailers do not want to stock the item and sometimes there are production problems as well.

#### ***Little direct competition:***

If it is a new product, there will not be much direct competition. There will be indirect competition from products that used to satisfy the need of consumers. We can look at cellular phones. When cellular phones were first introduced, it was a totally new concept and there was indirect competition from landline telephones. As cell phones grew more popular, first one and then another cell phone company entered the market and consequently there was more competition.

#### ***Marketing costs will be expensive:***

Whenever a new product is introduced, it has to be marketed aggressively to persuade the customers that they need the product.

#### ***Profits will be low:***

Due to the cost of producing and marketing the product. The costs are high and sales are low, so there will be little money left for profit.

## Activity 12 (SO5, AC1): group activity

### **Growth Phase**

During this phase there is a big increase in the number of people who buy the product and people who buy the product again. This is also the phase where competitors start producing the same product. Although it is competition, it also means that the competition advertises as well, so the consumers become more aware of the product.

#### **Characteristics Of The Growth Phase**

##### **Sales increase fast:**

More and more new people buy the product

##### **Direct competition increases:**

If it is a good product and it becomes popular, more and more companies will start producing the product, which increases competition in the market.

##### **Improvement in the production process:**

As soon as the sales increase and you start increasing production, the production process has to become more efficient. This means that more products are manufactured for the same fixed cost.

##### **Improvements in the product:**

Once the product has been tested by consumers, you will know where and how to improve the product, if it is necessary

##### **High profits:**

The profits will increase because there are more sales, you don't have to market as aggressively as in the introductory phase so the marketing costs will go down, production costs are less than in the introductory phase and all this means that the profits will be higher.

##### **Outlets:**

There are more competitors, but the same number of outlets: wholesalers and retailers who stock the product. So the competition for space with wholesalers and retailers also increases.

##### **Prices go down:**

As the demand and competition increases, and the production line becomes more efficient, the price of the product will go down. This will be in order, as you will be producing more of the product at the same fixed cost, so you can increase your competitive edge by lowering the price.

## Activity 13 (SO1, AC1): group activity

### **Maturity Phase**

This phase has two stages. Sales grow, but at a much slower rate than in the growth phase. After that stage follows the market saturation period where sales remain at a more or less constant level as no new consumers are entering the market and the sales that are generated come from repurchases – consumers buying replacements.

## **Characteristics**

### **The sales growth rate**

The rate at which sales grow will decline. This is the first indication that the product has entered the maturity phase. Sales are still high, but the numbers are not increasing as much as before.

### **Profit margins decrease**

There is still a lot of competition and sales are not increasing, so the profit margins will decrease. Sales stay the same, so producing more of the product at the same fixed cost and decreasing prices will cause lower profit margins.

The company will spend more money to market the product. If this does not work, weaker companies will disappear. Companies who want to enter the market with a similar product will find it difficult, since the market is already saturated.

**Activity 14 (SO1, AC1): group activity**

## **Decline Phase**

During this phase, the sales to the target market decreases quickly. There are many similar products that compete for the same target market, so sales go down.

## **Characteristics**

There is a permanent drop in sales. Sometimes the consumer demand decreases so much that the product has to be discontinued.

Companies spend less money is spent on marketing the product. They will stop mass advertising and advertise more selectively. Prices may drop initially and then stabilise for a period. Then the time comes when even lowering the price will not help.

The number of competitors will go down, until only a few remain who can still make a profit out of the product.

**Activity 15(SO1, AC1): group activity**

**Activity 16 (SO1, AC 1 – 4): individual activity**

# MARKET RESEARCH

## **Outcome**

Conduct market research

## **Assessment Criteria**

- ✓ The importance of market research is explained in relation to proposed new venture
- ✓ Market research techniques are identified and explained in context of proposed new venture.
- ✓ Market research tools are identified and utilised to determine viability of new venture
- ✓ Market research is conducted and factual information is gathered and interpreted in relation to own business
- ✓ Viability of new venture is determined according to market research findings

## **Introduction**

***Market research is the collecting, analysing and interpreting of marketing information pertaining to the customers, competitors or market.***

### **When you do market research, you:**

- ✓ Identify what information you need
- ✓ Go out and get that information
- ✓ Look at the information to find out what it tells you about the customers, competitors or markets that you are in
- ✓ And then you do something in your business based on the information

## **Why Should Market Research Be Done?**

Well, if you don't do it, it can lead to the following negative results:

- ✓ A poor location for your business
- ✓ Stocking product lines that the customers don't buy
- ✓ The pricing of your products is incorrect, either too much or too little

The following positive results can come from doing market research:

- ✓ You know where the best place is to locate your business
- ✓ You know which products your customers will buy
- ✓ You will know how much to charge for the products so that they are not too expensive or too cheap
- ✓ You will know who your customers are – your target market
- ✓ You can make good and informed decisions that will benefit your business, because you have good information to base your decisions on

***In other words, you can get a competitive edge.***

## **Example**

Market research does not have to be difficult and complicated or expensive. There is a story about a construction company that was trying to find a competitive edge. The management decided to do market research and so it asked customers about the worst habits of the competitors. Of course, the customers talked about the bad habits of constructions companies:

- ✓ Being impolite
- ✓ Don't care about the dirt that workers bring into the home
- ✓ Staff and equipment that looked shoddy

So, what did this construction company do to be better than their competitors? They

- ✓ Bought new equipment and kept it in good condition
- ✓ Trained their workers to be polite
- ✓ Dressed the workers well in order to project a good image

Did the company benefit from the market research and the changes that were brought in as a result of the market research? Yes. In less than two years the company increased its yearly sales FIVE TIMES! This is the dream of any business: to increase its sales, and to increase it five times is a lot. Imagine the hawker selling tomatoes – if he could increase his sales five times, it would mean that he sells between 250 and 500 packets of tomatoes every day.

You can work it out for yourself: if the profit to the hawker is R3 per packet and he sells between 50 and 100 packets a day, his profit is R150 to R300 per day. If he can increase his sales to between 250 and 500 packets a day, his profit will be R750 and R1500 per day. Can you see the benefit that market research can have for your business?

If you are planning on starting a new business, market research is even more important. How can you know which products to stock, what prices to ask for your products, where to locate your business and how to promote your business if you don't have the correct information?

## **Activity 18(SO2, AC2): group activity**

### ***What Information Do You Need?***

Before you start doing market research, you first have to think carefully about the information you need and then consider how you will get the information.

Think carefully about what you want to know:

- ✓ Who buys the products you want to sell – who is the target market?
- ✓ Where do the customers live – geographical location
- ✓ What products would they buy – buying habits
- ✓ At what price would they buy the product?
- ✓ How should the product be packaged? – will the packaging make a difference?
- ✓ How many customers would buy the product?
- ✓ How much of the product will they buy?

## **Activity 19 (SO2, AC2): group activity**

### ***Information Gathering Exercises***

#### ***Internal Marketing Information***

If you are in an existing business, a lot of the information will already be available. You can look at:



- ✓ Sales records: how much are customers buying from you at the moment? Which products are they buying?
- ✓ Invoices: would give you the same information as above.
- ✓ Customer requests: which products are customers asking for that you don't currently have.
- ✓ Reports from salespeople: will also give you information about customer requirements but will also give you information about prices, how much of the product(s) the customers will be interested in, complaints and compliments from customers.

## **Get Information From Outside Sources**

If you are starting a business, you will have to get the information from outside sources:

The government statistical services and the Department of Trade and Industry will be able to give you information regarding the shopping habits of people, divided into:

- ✓ Age
- ✓ Income bracket
- ✓ Gender
- ✓ Ethnic origin
- ✓ Community
- ✓ Geographical location

You can join trade associations, read trade magazines and even get a lot of valuable information from newspapers. Of course, you can also look at what your competitors are doing.

### Activity 20 (SO2, AC3): group activity

## **Tools For Getting Information From Customers**

You can also get some the information you need directly from the customers.

This can be done in any of the following ways:

### ***Observation:***

Where you observe the shopping habits of customers where they buy the products or make use of the service.

<b>Advantages</b>	<b>Disadvantages</b>
It is good for seeing how customers act	No personal contact
It can give an idea of how the products are packaged	Relies on what you see, this method does not tell you why customers buy what they buy
	Can be expensive and time-consuming

### ***Personal interviews***

You prepare a questionnaire and interview selected people personally

<b>Advantages</b>	<b>Disadvantages</b>

You can establish personal contact with the people who are going to be your customers	Can take a lot of time, since you first have to convince the people to talk to you
You can choose specific people to answer, e.g. only women or men or children or people who make use of taxis. You can choose people who fall into your target market.	Can be expensive
This method is very good for getting facts directly from people	You will not be able to talk to many people
It is a good method if you are asking only a few people	

### ***Telephone:***

Using the same questionnaire, you will interview customers over the phone.

<b>Advantages</b>	<b>Disadvantages</b>
It can be cheaper than personal interviews	They can put the phone down in your ear
You can get a good response rate	You cannot see the person you are talking to
The people you are talking to don't have to identify themselves	You first have to get their telephone numbers
People find it easier to answer questions over the phone than completing a questionnaire	You don't have too much time to talk to the person if you are interviewing them over the phone

### ***Mail surveys/ Internet mail:***

Where you send out questionnaires by mail, requesting the customer to complete the questionnaire and send it back.

<b>Advantages</b>	<b>Disadvantages</b>
You can contact hundred or even thousands of people this way	Not many people will bother to reply
The person who answers does not have to identify him/herself	You have no control over who replies – the person might not even be in your target market
It gives the person time to think	You cannot see the person who answers, there is no personal contact
	Sometimes you have to wait a long time before the answers are returned

## Activity 21 (SO2, AC4): group activity

### **Questionnaires**

Whichever method you choose to gather your information, you will need a questionnaire of some kind in order to know what to ask people and where to record the information you have gathered.

When you compile a questionnaire, think carefully how you phrase the questions that you are going to ask the people out there. You have to phrase the questions in such a manner that the people who complete them must:

- ✓ Be able to understand the question
- ✓ Be able to answer the question
- ✓ Be willing to give you the information you need

When questionnaires are designed, you would make use of three basic types of questions:

**Open-ended:** the person completing can give any answer they like.

Why do you buy this product?	
------------------------------	--

**Either-or:** offers only two answers:

Do you play computer games?	Yes	No
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**Multiple choice:** where you give the person a choice between a number of answers. You would use questions like this in order to find out how people feel. Multiple choice questions can further be divided into questions where a number of answers are possible

Why do you use a taxi to and from work	Cheap	
	Fast	
	Safe	
	Convenient	

Or questions where only one answer is possible

Which taxi route do you use every day?	Route A	
	Route B	
	Route C	

## ***Sampling***

Once you have identified your target market, and you have determined the method you are going to use to conduct the market research, you have to decide how many people you are going to request information from. This is called sampling.

Obviously, you cannot question all the potential customers, so you have to decide on a number of people that will be part of your market research. This is called the sample size.

In order to get a reasonable response, at least 50 to 100 questionnaires should be used.

### **Types Of Sampling**

#### **Random sampling**

This is like choosing numbers at random from a hat. You choose a block of flats or a couple of blocks of houses and then you choose 10 flats or 10 houses at random to be part of the market research.

#### **Cluster sampling**

You divide the population group into clusters and then you choose some of the clusters for random sampling, as above.

### Activity 22 (SO2, AC4): group activity

## ***Conduct The Market Research***

Once you have decided on your methods of gathering information and you have put together your questionnaire, you have to conduct the market research. This means that you have to interview, telephone or observe. If you don't want to do it yourself, you will have to pay someone else to do it.

If you are using fieldworkers, you have to ensure that they are well trained to minimise errors in the collecting of data.

- ✓ Errors when choosing respondents
- ✓ Interviewer dishonesty
- ✓ Misinterpreting or misreporting of information
- ✓ Non responses: where people are not at home or refuse to answer questions

For the process of actually doing the market research, you also have to

- ✓ Set deadlines: start on a specific day and end on a specific day

- ✓ Determine the number of questionnaires you want to complete by that day
- ✓ If you employ field workers, how many questionnaires every day and how many at the end of the period

You have to put an administrative process in place: who is going to collect the completed questionnaires?

You must also have a quality and cost control system in place to prevent dishonesty and prevent fieldworkers from charging too much and wasting too much time. You could, for example, pay per correctly completed questionnaire.

## ***Using the information***

Now you have all the information, you have to do something with it: analyse the information. The only reason you went to all the trouble of conducting market research is that you want information, so that you can analyse the information and use it for the benefit of your new venture.

Once you have all the information, you have to organise it, summarise it and simplify the information so that you can make sense of it.

The easiest would be to prepare a document that lists all the questions. You then count all the answers and add the totals to the document. If we use the questions from a previous exercise:

Do you play computer games?	Yes	1450	No	550
-----------------------------	-----	------	----	-----

Now you can calculate a percentage of the sample who do play computer games and therefore might be interested in buying a new game.

Total questionnaires received: 2000

Total Yes 1450 percentage of sample: 72%

Total No 550 percentage of sample 18%

This means that, of the people who took part in the market research, 72% do play computer games.

### **Activity 23 (SO2, AC4): group activity**

You would follow the steps in activity 22 to analyse the responses. On the basis of the above information, you can now make a decision as to whether there is actually place in the market for a new taxi service, or whether your improved service will satisfy a need with the customers.

### **Activity 24 (SO2, AC4, 5): group activity**

### **Activity 25 (SO2, AC1 – 5): individual activity**

# **IDENTIFY MARKET SEGMENTS**

## **Outcome**

Identify Market Segments In Relation To Your Own New Venture Opportunity

## **Assessment Criteria**

- ✓ Own product/service requirements are analysed in relation to the identified target market
- ✓ Customers are segmented according to business goals
- ✓ The competition to new venture opportunity is identified and analysed to determine the threats they may present
- ✓ The changes that may be required to increase competitiveness of new venture are identified and explained in accordance with competitor analysis and market research

This section will be discussed by means of a group activity, since market segmentation has been discussed in detail in a previous section.

## **Analyse Own Products/Services In Relation To The Target Market**

Activity 26 (SO3, AC1): group activity

## **Segment Customers According To Business Goals**

Activity 27 (SO3, AC2): group activity

## **Identify The Competition To The New Venture Opportunity**

Activity 28 (SO3, AC3): group activity

## **Identify The Changes Required To Increase The Competitiveness Of Your New Venture**

Activity 29 (SO3, AC4): group activity

Activity 30 (SO3, AC1 - 4): individual activity



# MARKETING PLAN

## **Outcome**

Incorporate market research into a marketing plan

## **Assessment Criteria**

- ✓ The elements of a marketing plan are outlined and described according to own business context
- ✓ New venture opportunity is analysed and marketing plan compiled in accordance with the Four P's of marketing
- ✓ Measurement tools to evaluate success of marketing plan are identified and included in plan
- ✓ Action goals are outlined and implemented, with timeframes
- ✓ Reasons and methods for evaluating and modifying marketing plan are explained and implemented in the context of market research results
- ✓ Marketing plan is integrated into business

## **Introduction**

The marketing plan is the plan which a business needs if it wants to succeed in the market place. It can also be said that the marketing plan is the result of planning the marketing process.

You have to decide what your business goals and objectives are, you have to put this in writing and then you have to think critically about your new venture. This is done so that you can identify and create the competitive edge of your venture.

The market is very competitive and dynamic and if you don't have a marketing plan, your business has little chance of being successful.

The marketing plan:

- ✓ Forces you to follow an organised approach to marketing
- ✓ Helps to establish specific directions for your business
- ✓ Ensures that the business is constant in its actions
- ✓ Sets objectives and direction for the business

**The marketing plan also forms part of the business plan.** The business plan is a very important document. The business plan is a formal document in which you will give details of the plan of action you intend to follow in respect of your new venture.

Once you have drawn up the business plan, you will use it:

- ✓ As a guideline to manage the business. You will use it to direct the business activities. The business plan is where you put your thoughts and ideas about the business in writing in the form of a formal plan. You will also use the business plan to compare the actual performance of your business against what you predicted it will do.
- ✓ To apply for loans
- ✓ To get partners to invest in the business
- ✓ To apply for terms from suppliers
- ✓ If you want to sell your business

The business plan will include the following:

- ✓ The marketing plan
- ✓ Operational plan

- ✓ Management and Organisational plan
- ✓ Financial plan

## ***General guidelines before writing a marketing plan***

- ✓ Where do you want the business to be in three years?
- ✓ Once you have determined your target market, ensure that your marketing activities are aimed at the target market.
- ✓ Gather as much information about the business environment, customers and competitors as possible. If you do not have the correct information, your marketing plan will not succeed.
- ✓ Follow the KIS rule: keep it simple. The plan and the process should be as simple as possible. By making the plan and the process complicated, you make it difficult for yourself and others to follow the plan.
- ✓ If you are not sure of what you are doing, get expert help, which is available in the form of courses, such as the one you are attending now, seminars and books.

## ***Elements of a marketing plan***

### **Introduction**

The introduction, sometimes also called the executive summary or the terms of reference, is a summary of the main goals, decisions and recommendations that are in the marketing plan. It describes your marketing plans, the product or service you offer, your target markets, who your competitors are and the level of sales you expect to achieve.

This section is important when you want to present it to your bank, so that they can see the broad outlines of your plan without having to read the whole document.

### **Current Marketing Situation**

The purpose of this section is to describe the current marketing situation – what marketing activities is the business involved in at the moment. This section applies to an existing business as well as a new business. The information that will be included in this section:

### **Description Of The Market**

- ✓ The major market segments that constitute your target market.
- ✓ Your target markets.
- ✓ The specific factors that will have an influence on your customers and which products or services they buy.

### **Details Of The Product**

In this section you would give details about current products that your business offers:

- ✓ Sales figures: how many of which products do you sell every year
- ✓ What prices do you sell at
- ✓ What your profit margins are for each product or product line.

## **Competitors**

Here you identify your biggest competitors and the products they offer.

## **Analysis Of The Business Environment**

Discuss and analyse trends in the business environment, especially those that affect your business and your customers. You have to know and give details about the factors that affect the business environment and these could include:

- ✓ Product
- ✓ Price
- ✓ Place
- ✓ Promotion
- ✓ Timing
- ✓ Geographic factors
- ✓ Demographic factors
- ✓ Competition
- ✓ Economy
- ✓ Trends

In earlier sections of your marketing plan you have already given information about many of the above factors, but the purpose of this section is to discuss these factors in relation to the business environment, which includes your competitors and your customers.

In your marketing plan you must be aware of and discuss how these trends are affecting or will affect your business.

## **Marketing Analysis**

This section is where you organise the results of your marketing research and the knowledge of your own business and compare this to your competitors.

The easiest way to do this is to do a SWOT analysis.

SWOT is the name given to the analysis of Strengths, Weaknesses, Opportunities and Threats of an organisation. A SWOT analysis is usually done as part of the strategic planning of an organisation and is used to help determine the goals and objectives of the organisation.

Most of the information used in the SWOT analysis is obtained from marketing and market research. Organisations and businesses use marketing research to keep in touch with the needs and wants of their consumers.

When doing a SWOT analysis, you identify and describe the strengths, weaknesses, opportunities and threats to the organisation.

Strengths and weaknesses are **internal factors** which affect the business in a positive or negative way. Opportunities and threats are **external factors** in the environment that influence your business.

### **Strengths**

- ✓ Knowledge of the products and the business. Since your organisation provides the product or service, the employees should have a very good knowledge of the products or services that you provide.
- ✓ A good location for your business. The closer you are to your customers, the more convenient it is for them to buy from you.
- ✓ Little effective competition. If your business is in a location where there is little competition, it is definitely a strength, since customers would prefer to buy from you, if your location is closer

- ✓ A good product or service is always a strength
- ✓ A pleasing manner towards customers and potential customers

## **Weaknesses**

- ✓ Inexperience in the business
- ✓ Lack of business skills
- ✓ A poor location for the business
- ✓ Too much competition
- ✓ No demand for the product

## **Opportunities**

- ✓ These are business opportunities that you can identify. You may identify an opportunity for a product or service that has not been offered before, particularly in the area where your organisation operates. If no one is selling soup in winter in your area and you happen to be in the fast food market, this is an opportunity.
- ✓ The sales or marketing personnel may have identified a new product or service for which there is a need. If you are a training company, including HIV/AIDS training in your products is an opportunity, since there is a big need for this kind of training today.
- ✓ These may come about through an awareness of the economic situation, such as a high petrol price that creates a need for smaller cars that use less petrol.
- ✓ Low interest rates causes people to buy bigger houses, while high interest rates will have the opposite effect.
- ✓ Hotels and guest houses are built close to airports and near tourist attractions to make it easier for tourists and travellers to sleep over.

There are many threats to a business, some brought on by the environment, others through a lack of control of the business. The main threats are

## **Threats**

- ✓ Economic depression. High interest rates results in less spending by consumers.. You need to know this so that you can change your range of products or services to suit the needs of the consumer.
- ✓ Population movement away from the location.
- ✓ Unemployment poses a threat to a business. If a mine closes down, for example, thousands of people suddenly have less money to spend. This will impact negatively on any business.
- ✓ Product depreciation. When consumers stop buying your products, this is a threat to the organisation that has to be identified very quickly. You need to find out what they are buying instead of your products and why they are not buying your products anymore. Businesses that are very vulnerable to this kind of threat are business that are in the catering industry. If you serve bad food to consumers once and it is advertised in the media, your business will suffer. Consumers would go to a competitor to satisfy this need.

Of course, there are many more strengths, weaknesses, opportunities and threats than those that were listed.

***By doing market research and a SWOT analysis, the organisation can quickly determine what it is doing right and where improvements are necessary.***

Emerging threats and opportunities are usually defined as a result of consumer research where an analysis of trends in existing and potential markets is undertaken. These analyses take account of the various environmental forces which have bearing on consumer needs, company operations and competitive, technological, social, economic, cultural, legal, political and demographic trends.

The environment in which the enterprise operates changes continually -new problems occur and new opportunities are created. It is, therefore, essential that the organisation adapts to this changing environment. It must solve the problems and utilise the opportunities.

Similarly, an organisation should continually examine its internal operations in order to identify strengths (what it is doing right), so that it can continue to do the right things and weaknesses (what it is doing wrong) so that it can fix the problems.

From a SWOT analysis, a business determines where it is placed in the market and it can then prepare the goals and objectives to rectify threats and weaknesses and capitalise on opportunities and strengths.

Businesses use SWOT analyses to define the present and future business, new and current products and services that it will provide. A SWOT analysis also tells the organisation how it is doing in relation to its competitors.

A combination of products and markets is then selected for the organisation. This combination is implemented by adding new products or services and discontinuing some of the older products that are no longer in demand. The end result should be the expansion of the business or organisation.

**Activity 31 (SO3, AC3): group activity**

**Activity 32 (SO3, AC3): individual activity**

## **Set Objectives**

In this section you state your marketing objectives: what you want to achieve through marketing during the time frame of your plan.

These objectives should be set around the four P's of marketing: Product, Price, Place and Promotion.

When you set objectives, you have to ensure that:

- ✓ You express your objectives in terms of numbers or values: 30% increase in sales during the next 12 months, or net profits of R120 000 during the next 12 months, or 250 000 units sold monthly by the end of this year
- ✓ You rank your objectives in order of importance, as this helps you to focus on the most important issues
- ✓ Your objectives are reasonable and that you will be able to reach them. Your objectives should be a challenge, but not so much of a challenge that you cannot reach them.
- ✓ You should add a date by which you want to attain each objective

**Activity 33 (SO4, AC 1): individual activity**

## Decide On Your Marketing Strategy

How do you plan on achieving your objectives?

Now you must decide on the promotional mix you are going to use in order to market the product to your target market. Once again, you have to bear the four P's of marketing in mind: product, price, promotion, and place.

### Activity 34 (SO4, AC1): individual activity

#### Action Plans

While the marketing strategy tells you how you are going to achieve your objectives, the action plans are drawn up in order to get the marketing strategy implemented:

- ✓ When will the marketing activities start
- ✓ When will the activities be reviewed
- ✓ When will the activities be completed

In other words, you will assign activities to various specific people involved in your business so that certain things are done by a certain time:

- ✓ What will be done
- ✓ By when will it be done
- ✓ Who will do it
- ✓ How much will it cost

Of course, if you have a small or one-man business, you will have to do all this yourself, so you must think carefully about the dates by when the activities should be finished. Also, setting deadlines for yourself and others helps to ensure that things actually get done on time.

### Activity 35 (SO4, AC4): group activity

### Activity 36 (SO4, AC4): individual activity

## Projected Budget and Profit/Loss Statement

The budget and profit and loss statements will be covered in detail under a different unit standard. For the purpose of this unit standard, we are only mentioning things that should be included here.

- ✓ If you achieve your targets, what will the profit or loss to the business be?
- ✓ How much money did you budget for marketing?

## Measure Results

When you do your marketing plan, you have to set up controls in order to measure your results. You have to know on a continuous basis whether your marketing efforts are successful and whether your marketing strategy is achieving what you want it to achieve.

In real life, things hardly ever work according to plan. If your marketing strategy is not working out the way you planned, you need to know as soon as possible, so that you can change the marketing strategy.

This means that you have to set up a control system in order to measure the result of your marketing and business activities. This control system will be linked to the objectives that you set and the action plan you instated.

If, for example, you stated that you want to transport 150 children to school after operating your taxi service for six months, you would expect to transport between 25 and 50

children every day after two months. If, after two months, you are only transporting 15 children daily, something is wrong and you have to find out what it is.

### **How would you measure results?**

Every week or month or every second month, depending on the time period you determined when you set your objectives and your action plans, you will check:

- ✓ Your sales figures: how much furniture have you sold? How many sets of bedroom furniture, how many sets of lounge furniture, how many stoves and fridges? Or, in the case of the taxi service, how many passengers do you carry every day? At what price?
- ✓ Is your business profitable – are you making a profit every month?

You have to work out your control system and add it to the marketing plan.

If your sales figures are on target or maybe even over target, well done. You must be doing something right. You can also use your control system to find out what you are doing right, so that you can keep on doing the right things for the benefit of your business.

### **Take Steps To Rectify The Situation.**

If your sales and profits are not on target, you need to know why not.

- ✓ Did your promotional mix not work?
- ✓ Is your price too high or too low?
- ✓ Is there a problem with your range of products?
- ✓ Maybe the problem lies with your location (place)?
- ✓ Was there a problem with your market research?

You will have to find out where the problem lies, so you have to gather information again. You will employ the same information gathering exercises you did previously.

- ✓ Talk to sales people and customers: what problems are they experiencing? Would another product range suit the target market better?
- ✓ Look at invoices: which products are the customers buying and which products are not popular?
- ✓ Is there a problem with the price? Ask your salespeople and your customers.
- ✓ Is the location of your business out of the way for customers?
- ✓ Is there a problem with customer service?
- ✓ Is there a problem with the administration system in the business?
- ✓ Did your marketing efforts not reach the intended target market? Why not?

Once you know where the problem(s) are, you can take steps to rectify them. You can:

- ✓ Change your product range.
- ✓ Align your prices with the rest of the market.
- ✓ Use incentives to bring customers to your location, if you are unable to change the location.
- ✓ Change your marketing mix, if customers are not aware of your business.
- ✓ Improve customer service to give your business the competitive edge

From the above it is clear that the marketing plan must be compiled and made an indispensable part of the business.

### **Activity 37 (SO4, AC3): group activity**



## Activity 38 (SO4, AC2-5): individual activity

# UNIT STANDARD 119672

SOUTH AFRICAN QUALIFICATIONS AUTHORITY

REGISTERED UNIT STANDARD:

Manage marketing and selling processes of a new venture

SAQA ID	US	UNIT STANDARD TITLE					
119672		Manage marketing and selling processes of a new venture					
ORIGINATOR		ORIGINATING PROVIDER					
SGB Generic Management							
QUALITY ASSURING BODY							
-							
FIELD		SUBFIELD					
Field 03 - Business, Commerce and Management Studies		Generic Management					
ABET BAND	UNIT STANDARD TYPE	PRE-2009 LEVEL	NQF LEVEL	CREDITS			
Undefined	Regular-Fundamental	Level 2	NQF Level 02	7			
REGISTRATION STATUS		REGISTRATION START DATE	REGISTRATION END DATE	SAQA DECISION NUMBER			
Reregistered		2012-07-01	2015-06-30	SAQA 0695/12			
LAST DATE FOR ENROLMENT	LAST DATE FOR ACHIEVEMENT						
2016-06-30	2019-06-30						

In all of the tables in this document, both the pre-2009 NQF Level and the NQF Level is shown. In the text (purpose statements, qualification rules, etc), any references to NQF Levels are to the pre-2009 levels unless specifically stated otherwise.

This unit standard does not replace any other unit standard and is not replaced by any other unit standard.

## PURPOSE OF THE UNIT STANDARD

Learners working towards this standard will be learning towards the full qualification, or will be working within a SMME (Small, Medium, Micro Enterprise) environment, specialising in New Venture Ownership and Management, where the acquisition of competence against this standard will add value to one's job. This standard will also add value to entrepreneurs who are seeking to develop their entrepreneurial skills so that they can become more marketable for bigger contracts, including commercial and public sector contracts, for example the Department of Public Works programmes.

The qualifying learner is capable of:



- Implementing marketing plan
- Negotiating a deal with a customer
- Outlining processes and principles for completing basic quotes
- Outlining processes and principles for completing tender documents

#### **LEARNING ASSUMED TO BE IN PLACE AND RECOGNITION OF PRIOR LEARNING**

All learners accessing this qualification must be in possession of a GETC or equivalent qualification. The learner must be competent in mathematical and communications literacy at NQF level 1.

#### **UNIT STANDARD RANGE**

N/A

Specific Outcomes and Assessment Criteria:

##### **SPECIFIC OUTCOME 1**

Implement marketing plan.

#### **ASSESSMENT CRITERIA**

##### **ASSESSMENT CRITERION 1**

Marketing concepts outlined in business plan are integrated into business activities and tasks and activities drawn up accordingly.

##### **ASSESSMENT CRITERION 2**

Suitable ways in which to promote product/service of new venture are determined and implemented according to marketing plan.

#### **ASSESSMENT CRITERION RANGE**

Promotion of a product/service includes but is not limited to advertising, launches, informal selling, formal selling, and the various activities undertaken to make customers aware of a product/service.

##### **ASSESSMENT CRITERION 3**

Selling techniques are utilised to promote product/service.

#### **ASSESSMENT CRITERION RANGE**

Selling techniques include but are not limited to establishing selling networks, the AIDA principle (Attention, Interest, Desire, Acceptance), direct selling, cold calling, principles of negotiation.

##### **ASSESSMENT CRITERION 4**

Customer relations practices are implemented to ensure customer satisfaction.

#### **ASSESSMENT CRITERION RANGE**

Customer relations practices include but are not limited to after-sales service, customer surveys to determine levels of customer satisfaction.

##### **SPECIFIC OUTCOME 2**

Negotiate a deal with a customer.

#### **ASSESSMENT CRITERIA**

##### **ASSESSMENT CRITERION 1**

Basic principles of negotiation that are utilised to secure new business are outlined and explained with examples.

##### **ASSESSMENT CRITERION 2**

The principles of planning for negotiations are explained and implemented according to own business context and market research.

##### **ASSESSMENT CRITERION 3**

Appropriate negotiation techniques are applied to own venture and business contexts.

##### **SPECIFIC OUTCOME 3**

Outline processes and principles for completing basic quotes.

#### **ASSESSMENT CRITERIA**

##### **ASSESSMENT CRITERION 1**

The different types of offers are explained in relation to securing business transactions.



## **ASSESSMENT CRITERION 2**

Principles and procedures for compiling quotes are identified and explained in relation to own business context.

### **ASSESSMENT CRITERION RANGE**

Principles and procedures for compiling quotes include but are not limited to costing and pricing calculations, terms and conditions (including payment terms), legal implications of quotes, an outline of a typical quotation, basic marketing and financial principles incorporated into quotes.

## **ASSESSMENT CRITERION 3**

Support in compiling quotes is sought where necessary in order to ensure full understanding of the criteria that apply.

### **ASSESSMENT CRITERION 4**

The common pitfalls in quoting and order taking are explained with examples in relation to own business venture.

### **SPECIFIC OUTCOME 4**

Outline processes and principles for completing tender documents.

## **ASSESSMENT CRITERIA**

### **ASSESSMENT CRITERION 1**

Tendering principles pertaining to commercial and public tenders are explained with examples.

### **ASSESSMENT CRITERION 2**

The risks associated with tendering are identified and basic risk management procedures are implemented according to own business context.

### **ASSESSMENT CRITERION RANGE**

Risks pertaining to tendering include but are not limited to cash flow, funding requirements, compliance requirements, performance requirements, technical requirements.

## **ASSESSMENT CRITERION 3**

The financial advantages and disadvantages of a tender are analysed to determine if it would make business sense to submit the tender.

### **ASSESSMENT CRITERION 4**

Support is sought to complete tender documents where relevant in order to ensure full understanding of tendering conditions and criteria.

## **UNIT STANDARD ACCREDITATION AND MODERATION OPTIONS**

- Any individual wishing to be assessed (including through RPL) against this unit standard may apply to an assessment agency, assessor or provider institution accredited by the relevant ETQA, or an ETQA that has a Memorandum of Understanding with the relevant ETQA.
- Anyone assessing a learner against this unit standard must be registered as an assessor with the relevant ETQA, or an ETQA that has a Memorandum of Understanding with the relevant ETQA.
- Any institution offering learning that will enable achievement of this unit standard or assessing this unit standard must be accredited as a provider with the relevant ETQA, or an ETQA that has a Memorandum of Understanding with the relevant ETQA.
- Moderation of assessment will be conducted by the relevant ETQA at its discretion.

## **UNIT STANDARD ESSENTIAL EMBEDDED KNOWLEDGE**

The learner must demonstrate an understanding of:

- Basic techniques for implementing a marketing plan
- Basic selling skills
- Basic principles of customer care and after-sales service
- Basic negotiating techniques

- Basic principles and procedures for compiling quotes
- Basic principles and procedures for interpreting and completing tender documents
- Basic risk management principles pertaining to quotes and tenders for new venture
- Interpersonal and communication skills within marketing and selling context

Critical Cross-field Outcomes (CCFO):

#### **UNIT STANDARD CCFO IDENTIFYING**

Identify and solve problems using critical and creative thinking processes to determine best approaches for marketing and selling business products/services

#### **UNIT STANDARD CCFO WORKING**

Work effectively with others as a member of a team, group, organisation or community to implement marketing action plan

#### **UNIT STANDARD CCFO ORGANISING**

Organise and manage oneself and one's activities responsibly and effectively to that sufficient time is set aside for marketing and selling activities

#### **UNIT STANDARD CCFO COLLECTING**

Collect, analyse, organise and critically evaluate financial and related information in order to prepare for negotiations, quotations, and tenders

#### **UNIT STANDARD CCFO COMMUNICATING**

Communicate effectively using visual, mathematical and/or language in the modes of oral and/or written persuasion to compile quotes, tenders, marketing and selling plans

#### **UNIT STANDARD CCFO SCIENCE**

Use science and technology effectively and critically, showing responsibility to the environment and health of others to gather necessary data to for input to negotiations, quotations and tenders

#### **UNIT STANDARD CCFO DEMONSTRATING**

Demonstrate an understanding of the world as a set of interrelated systems by recognising that factors influencing the marketing and sales of a new venture business operations do not exist in isolation and that wider economic issues, supplier and community issues can affect operations

#### **UNIT STANDARD CCFO CONTRIBUTING**

Participating as responsible citizens in the life of local, national and global communities by ensuring that sales and marketing practices are proactively approached within the context of economic, socio-political and community trends and developments to ensure greater sales success

SOUTH AFRICAN QUALIFICATIONS AUTHORITY

# IMPLEMENT THE MARKETING PLAN

## Outcome

Implement a marketing plan

## Assessment criteria

- ✓ Marketing concepts outlined in business plan are integrated into business activities and tasks and activities drawn up accordingly
- ✓ Suitable ways in which to promote product/service of new venture are determined and implemented according to marketing plan. Promotion of a product/service includes but is not limited to advertising, launches, informal selling, formal selling, and the various activities undertaken to make customers aware of a product/service
- ✓ Selling techniques are utilised to promote product/service
- ✓ Selling techniques include but are not limited to establishing selling networks, the AIDA principle (Attention, Interest, Desire, Acceptance), direct selling, cold calling, principles of negotiation
- ✓ Customer relations practices are implemented to ensure customer satisfaction. Customer relations practices include but are not limited to after-sales service, customer surveys to determine levels of customer satisfaction

## Implement Marketing Concepts

The marketing concepts contained in the marketing section of your business plan have to be implemented to ensure that you meet your marketing target.

During this session, you will undertake various group and individual activities aimed at helping you to implement the activities needed to make sure that you meet your sales targets, as without sales you will not generate any income.

## The Importance Of Sales In An Organisation

Industry and Commerce have changed their marketing attitudes quite dramatically since the beginning of the 19th century. The sort of policy which was in force was one of 'We make what is best for our plant and best for our pocket - and sell it! In other words, the profits of the owners and their shareholders were the main concern.

This changed after World War Two. Since then buyers have emerged as a vital, combative force on a global scale time signaling the end of the 'seller's market'. Today, people buy what they choose - not necessarily what the producers want to sell them. We are now in the era of the '**buyer's market**'.

It thus follows that, in order to remain in business profitably by increasing the company's share of the market, we now have to sell **satisfaction** to our prospective customers ~ and on a highly competitive basis

**Note** *Think about this: there are many departments in any organisation, such as Finance, Accounting, Production, Human Resources, and Sales. Of all these departments the only department that brings money into the organisation is the Sales and Marketing Department. All the other departments cause money to flow out of the organisation.*

We live in a **customer-orientated** society and this trend is visible throughout the world.

Customer-orientation means that the emphasis falls on

- ✓ the **individual** customer,
- ✓ the **society** to which he or she belongs and
- ✓ the **government** which has the authority over both.

## **What Is Selling?**

Selling is the creation and transference of ideas. Prospective customers are well aware that your job is to sell them ideas, and they expect you to do so well and convincingly. If you can do this, it is likely that they will consider buying, provided always that your proposition is the best buy for them. Selling is, therefore, very much a matter of effective communication

To put it more simply, selling is **satisfying the customer's needs and wants** (requirements) with a product and service for which the customer is happy to pay.

## **What Is Marketing**

Marketing is the process in a society by which the demand structure for economic goods and services is anticipated, enlarged and satisfied through the conception, promotion, exchange and distribution of such goods and services.

This means that marketing includes anticipating what customers will need, developing the right products or services to meet the need, making the product available at a reasonable price and also selling the product to the consumer.

### **Promote your product or service**

#### **Advertising**

**Advertising** is a form of communication whose purpose is to inform potential customers about products and services and how to obtain and use them. Or you could look at advertising as an impersonal transfer of a marketing message that is paid for.

- ✓ The purpose of advertising is to inform consumers where they may buy a product or service and at what price.
- ✓ The need-satisfying qualities of the product are also mentioned
- ✓ The trademarks or brand names that identify the sponsor of the advertisement must be mentioned: the address, telephone number, name of your business and the contact person
- ✓ The advertisement should persuade the target audience to buy or use your product or service

If you plan to place advertisements in newspapers and magazines, follow these rules:

- ✓ one product or service per advertisement
- ✓ if you are offering a discount, this should be in bigger letters
- ✓ only well-known businesses display their logo at the top – while you are still building your business, rather start the advertisement with a phrase that will catch the eye of the reader, for example:

#### **Second Hand Nissan Canopy**

- ✓ followed by the details of the product such as the price, the type of vehicle the canopy will fit, etc
- ✓ if you are offering discount, state the discount and the conditions, as well as an end date of the special offer

10% discount if this advertisement is brought with by Friday.....

- ✓ if you have a visual representation of the product, for example a photo or a picture, use it
- ✓ state your contact details boldly

## Phone Thabo now at ...

- ✓ followed by your logo and address

If you plan on advertising over the radio, you will find that they will be able to give you advice, but some general rules do apply:

- ✓ the jingle (tune) should catch the ears of listeners
- ✓ name the product or service, as well as the benefits of the offer – remember you want to persuade consumers to buy your product
- ✓ if you are offering discount, state the discount and the conditions of the discount
- ✓ make sure that your contact details are repeated more than once

Advertising on TV – you will be guided by professionals who do this every day for a living.

Advertising, especially in newspapers and magazines, is a cheap, effective way to communicate with many consumers at once. The entrepreneur has to remember that advertising is on-way communication – he has no way of knowing what the response of the reader will be. This is why careful thought must be given to the advertisement.

## Launch

Motor car manufacturers often use an event to launch a new model car; this is why it is called a launch. Prospective corporate clients such as motor car dealers, managers of company fleets and other high-profile clients are invited to attend the launch. At the launch snacks and some drinks are provided, there is opportunity for clients to mingle and the main event is the launch of the new car. This provides opportunity to show the car and to describe all its features and benefits.

Anybody can use a launch to introduce a new business, product or service to prospective customers. A launch can be very expensive, so the launch should be planned carefully and you have to make sure that you invite the press and customers who are in your target market. If you do not, the event will not be successful.

## Informal selling

Informal selling happens when the customer walks through the door to buy your product, or when you phone an existing customer to find out if they need anything. Advertising is also informal.

## Formal selling

Formal selling is when you make an appointment to see a customer or a prospective customer. You will prepare a formal presentation to introduce yourself and your business to the customer and to explain the advantages of your products or service to the customer. A launch is also formal selling.

## Seminars

A seminar is a meeting called for the purpose of increasing understanding of a subject under discussion. A seminar can be held to introduce a new product to the market. By using a seminar, you communicate with more than one customer at a time. Techniques used include:

- ✓ Speeches
- ✓ Audio-visual presentations
- ✓ Question and answer sessions after the presentation

A seminar offers your company a chance to **maximise exposure**, and to exploit one of the few occasions in a company's life when it is inherently newsworthy, such as when launching a new product.

## Activity 1 (SO1, AC1,2): group activity

# **Sales Techniques**

**Tip** It is not possible to sell ‘anything to anybody, anytime’. You have to believe in your product or service, your company, yourself and your customer to sell successfully

Everybody, on a day-to-day basis, buy things that are not sold to them. They buy on their own initiative to satisfy their **needs and wants** and they do this almost without thinking. This changes when something is being sold to them: **they start to think**.

As a sales person you will be responsible for more than just selling a product or service. Your activities will include:

- ✓ **Explaining** the benefits of products
- ✓ **Demonstrating** how products work
- ✓ Answering **questions** and dealing with **objections**
- ✓ **Organising** the terms of the sale
- ✓ Seeing that buyers are **satisfied**
- ✓ Gathering **information** that can be used by the company to improve the marketing strategy

**You will apply different sales strategies in different situations.**

## **Person-To-Person**

Person-to-person selling is one-on-one communication between you and the customer with the purpose of **convincing** the customer to purchase your product or service. This includes direct sales such as door-to-door sales and party-plan selling. Direct selling involves products sold to the final customer.

You will engage in person-to-person sales in the following circumstances:

- ✓ Where the price is **negotiable** rather than fixed, for example second-hand motor cars or a garage or boot sale
- ✓ Where the product is technically complex and requires a **demonstration** with a question-and-answer session. Most industrial equipment and specialised instruments are sold this way.
- ✓ Where the product is new and **relatively unknown** on the market and the persuasiveness of the salesperson can convert a conservative customer
- ✓ Where retail outlets have a great variety of sizes, qualities, colours and designs and the customer needs to talk to a sales person in order to **make a choice** and come to a decision
- ✓ Large department stores where the **knowledge** of the sales person saves the customer time and effort and encourages the customer to buy instead of window-shop

### **The advantages of personal selling are:**

- ✓ **Flexibility**: you as the sales person can adapt your sales presentation to suit the needs and behaviour of the individual customer. You can also monitor a prospective customer’s reaction to your sales pitch and make adjustments where necessary
- ✓ Your **focus** is on potential customers so there is little wasted effort
- ✓ Person-to-person selling usually results in an **actual sale**

## Telemarketing or cold-calling

Cold calling is when you approach a prospective customer or client, by telephone, where the customer was not expecting such an interaction. The word "cold" is sometimes thought of as being used because the person receiving the call is not expecting a call or has not specifically asked to be contacted by a sales person.



Telemarketing happens in the following ways:

- ✓ You dial up listed telephone numbers, e.g. from a **telephone directory**, in a planned fashion. You will use the same sales message for each telephone call.
- ✓ You can use a specific **database**. Your sales presentation will be less structured.
- ✓ Prospects phone the company as a result of an advertisement on TV, radio or in the printed media.

### **The advantages of telemarketing are:**

- ✓ It is flexible
- ✓ You can get immediate feedback from the prospect
- ✓ The service is more personal
- ✓ You have an opportunity to develop two-way communication with the client

The **difficulty** of telemarketing is that people are often less willing to listen or respond than they are in a face-to-face situation. You have to be courteous and to the point to encourage a positive response from the customer.

The **timing** of the phone call is also important. Call them when it is convenient for them to take the time to listen. If you call when they are about to leave for lunch is not a convenient time for the customer.

When you deliver your sales presentation, be **natural**. Do not sound as if you are reading from a script, as it shows a lack of creativity.

## Direct Mail

Promotional material is sent directly to customers and potential customers. When you make use of direct mail to sell to customers, you have to make sure that your mailing list is **up-to-date**..

Direct marketing should be well **researched** to ensure that it is aimed at the target market. Mailing lists can be obtained from firms that specialise in compiling mailing lists of customers who have bought products through direct mail in the past and are likely to do so in the future.

Because using a single mail shot has no value, it is customary to plan a **direct marketing campaign** that consists of a series of letters, brochures, computer disks or audio tapes. One letter or brochure leads to the next and the combination of the mailings has a cumulative effect.

Direct mail is popular because it can be personalised and aimed at a specific target market and encourages a direct response from the customer. An incentive to respond quickly, such as an end date for the promotion, is usually included, as is a response aid, where the customer is requested to fill in something.

Direct mail items have to be attractive to the customer or they may throw it away unopened without reading it.

## E-Mail

Sending e-mails to prospective customers is the same as direct mail, the difference being that it happens electronically. All the same principles apply:

- ✓ You must make sure of your target market
- ✓ Use mailing lists from firms that specialise in compiling data of prospective customers who have responded in the past and will probably do so again

- ✓ Make the e-mail visually interesting to encourage the prospective customer to read and respond to the e-mail
- ✓ Run a campaign where one e-mail leads to the next to ensure that the mailing has a cumulative effect
- ✓ Include incentives such as a buy by date, a response aid and special offers
- ✓ Use the advantage of sending photos and graphics of the product or service with the e-mail

## Web

Selling goods and services on the World Wide Web is becoming very popular. The product is advertised on the company's web site and a means for the customer to place the order and pay for the product or service is included.

In fact, electronic sales has reached the stage where the regular customers of a manufacturer and wholesaler have access to certain areas of the sales processing system of the manufacturer or wholesaler, where the customer can place the order on-line, track the progress of the order and find out the delivery date on-line.

It is easy for customers to access a web site and browse through the product range, place orders on the web site and arrange payment through the website. In future it is possible that most sales will happen this way.

The web site can include visual displays of the products, animated demonstrations of the features of the products, the range of designs, colours, sizes, and qualities of the products. If the customer needs advice, a response aid in the form of e-mail is provided on the web site.

Many companies include a section where customers can give feedback or contact them. As can be seen, Amazon.com has an interactive web site where customers can track their orders, view and change their orders, return an item and even visit their Help department

The screenshot shows the Amazon.com homepage. The top navigation bar includes File, Edit, View, Favorites, Tools, and Help. The address bar shows the URL http://www.amazon.com/. On the left, there's a sidebar with links for Toys & Games, Sports & Fitness, Exercise & Fitness, Sports & Outdoors, Tools & Automotive, Bargains, Friday Sale, Outlet, Today's Deals, and Gifts & Lists. The main content area features a 'Hot New Releases in Electronics' section, an 'Organize and Accessorize' section with images of iPod accessories, cell phone holders, PDA cases, and bags, and a promotional offer for 'Hundreds of DVDs up to 50% Off'.

## AIDA

Whether you are advertising, launching, cold-calling or selling person-to-person, the basic sales process must have at the very least the following steps:

- ✓ A - Attention (Awareness): attract the attention of the customer – do something or say something or show something that will catch the person's attention
- ✓ I - Interest: raise the interest of the customer interest by demonstrating features, advantages, and benefits.
- ✓ D - Desire: convince customers that they want and desire the product or service and that it will satisfy their needs.
- ✓ A - Action: lead customers towards taking action and/or purchasing – close the sale

Because we live in a world where the customer has many options to choose from, the following letter has been added, to make the acronym AIDAS:

- ✓ S - Satisfaction – make sure that the customer is satisfied so that s/he buys from your again and become a repeat customer. You will find that repeat customer will recommend you to their friends, family and colleagues.



## Selling networks

**Multi-level marketing (MLM)**, also known as **Network Marketing** is a business distribution model that allows a parent multi-level marketing company to market their products directly to consumers by means of relationship referral and direct selling. The housewives who sell Tupperware and make-up products are part of a network marketing business.

The people responsible for selling the product are independent and do not earn fixed salaries, they earn commission on the products they sell. These people are called distributors, associates, sales consultants, independent agents and so on. The distributors build an active customer base and actively recruit other sales people who then fall under their control. In this way, the sales person develops what is called a downline and is then called an area distributor or area manager or whatever the terminology in the parent organisation is. Area distributors then earn commission on the sales of the distributors in their downline, as well as commission on their own sales directly to customers.

Selling networks can have many levels, where the people on the higher levels earn commission from the sales of people in their downline.

New salespeople may be asked to pay for their own training and marketing materials, or to buy a significant amount of inventory

The main difference between network marketing and pyramid schemes is that in network marketing there are products that are sold and commission is earned on these products. In a pyramid scheme, there are not products that are sold.

## Principles of negotiation

The sales process is also a negotiation process – you are negotiating with the customer to change his money for your product. Any good sales process should also therefore include negotiation principles.

### Preparation

- ✓ Establish each side's needs and position
- ✓ Analyse the case of the involved parties
- ✓ Identify the common ground

### Authority and mandate

- ✓ Establish clear limits
- ✓ List negotiable issues
- ✓ Establish their importance
- ✓ Establish settlement ranges
  - ✓ Best deal
  - ✓ Likely settlement
  - ✓ Bottom line

### Planning and strategy

- ✓ Identify a win-win position which will suit both parties
- ✓ Develop your bargaining strategy

### The negotiation

- ✓ Be prepared to negotiate in good faith
- ✓ Listen to the other side
- ✓ List possible questions and problem areas and prepare answers



- ✓ Keep talking, even when the going gets tough
- ✓ Caucus when problems threaten to deadlock the discussions
- ✓ Be prepared to be flexible within your mandate limits

### ***Gaining acceptance of the agreements***

- ✓ Present agreements to your constituency
- ✓ Highlight the pro's and con's of the agreement and the benefits of accepting the terms.
- ✓ Ensure buy-in

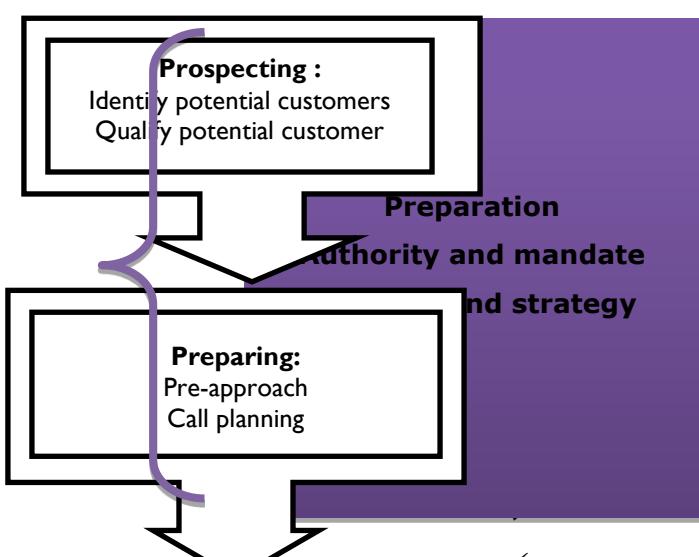
### ***Implementation***

- ✓ Keep your word
- ✓ Do what you have agreed to do within the time-frame
- ✓ If problems occur inform the other side immediately and indicate what action needs to be taken.

## Sales Process

## Principles of negotiation

✓



### Preparation

#### Authority and mandate

#### Objectives and strategy

✓

✓

### The negotiation

#### Handle objections

Ask questions

Respond directly

✓

✓

✓

✓

### Closing

Ask for the sale

### Gaining acceptance of the agreements

✓

✓

✓

### Implementation



## **Key Stages Of The Sales Process**

As a sales person, it is important that you understand the **sales process**. If you follow a preset sales process it will help you to become more effective at selling. Following is a simple but effective process showing the main steps in the selling process.

### **Prospecting**

When you prospect, you develop a list of potential customers.

There are two main activities involved in prospecting: **identifying prospects** and **qualifying** your prospect as a genuine prospective buyer who has the authority to buy and also the budget to buy. Qualifying your prospect is very important. If you make your sales presentation to someone who is not the decision-maker, the following will happen:

- ✓ You have to do the presentation all over again, or
- ✓ The person you have been talking to will deliver your message to the decision-maker

Neither of these situations is ideal. How do you find out if you are speaking to the decision-maker? Gather more information by asking questions:

- ✓ 'What other people will be involved in this purchasing decision?'
- ✓ 'Who else do you feel should be in on this meeting?'
- ✓ 'Who else do you feel should be in on this meeting?'
- ✓ 'What is the decision-making process at your company?'

You have discovered that the person you are talking to is not the decision-maker, now you have to find out who is the decision-maker by asking, for example: '**Who** does make the buying decisions in your company?'

To find out if the customer has the budget to buy, you have to ask some more **questions** in order to keep the customer talking, while you gather more information:

*'Mr Jones, I would like to tell you about our product, however, I need to ask you a few questions so that I can give you the best possible service. Is that all right?'*

When you are gathering information about the prospect, always use **open-ended questions** and not closed questions. Closed questions require a simple Yes or No answer and does not serve your purpose at all.

**Examples** of open-ended questions:

- ✓ 'What is the real problem with ...?'; 'What is your opinion about..?'; 'What would you suggest...?'; 'What difference would it make if...?'
- ✓ 'Why is ... important to you?'; 'When did you first notice the problem?'
- ✓ 'Where did you go for help?'
- ✓ 'Who would use the software?'
- ✓ 'How price sensitive are the ...?'; 'How do you feel about...?'
- ✓ 'Do you think it would be better if...?'
- ✓ 'Could you tell me more about...?'
- ✓ 'May I ask what you like most about...?'

## Preparing

Preparing for a sale involved two key activities: pre-approach and planning the call/appointment

**Pre-approach:** where you gather more **information** about the potential customer. Answers to the following questions can help you to gather the information you need:

- ✓ Who is the customer?
- ✓ What are the customer's needs?
- ✓ What other information do you need, such as contact details?
- ✓ Where would you find the information?

### **Steps in planning the call/appointment:**

- ✓ Specify the **objectives**: what do you want to achieve. Put your objectives in writing, this helps you to achieve them.
- ✓ Develop a course of action: **how** are you going to achieve your objectives
- ✓ Make an **appointment**: this is your initial contact with the client, so be friendly, confident and cheerful.

**Note**    *Never make a sales call without first writing down your objectives. A call with no purpose costs just as much as a sales call with a purpose*

**Your primary goal in making the call is to make a sale**

## Presentation

### **Work To A Script**

Before you visit or call a customer, it is a good idea to make a list of the main points which you want to bring to your customer's attention. As there are many things to remember in terms of product knowledge, selling skills, etc., and you run the risk of being sidetracked during your presentation, this list will ensure that you communicate all necessary information to the prospect.

After doing the same presentation for the umpteenth time, it may happen that the salesperson starts taking shortcuts. You start leaving out information that does not seem important to yourself. This same information however, can be of crucial importance to the customer in making his buying decision. Working to a script will reduce the risk of you cutting corners and losing the sale as a result of not providing enough information to satisfy the customer's needs.

Make sure that your presentation is clear and well prepared.

- ✓ Greet the prospect by his/her name. 'Good morning Mr ...'
- ✓ **Introduce** yourself and identify the company.
- ✓ **Outline** the purpose of the sales call. Remember to smile and to use the other person's name. Ask open-ended questions.
- ✓ Build **interest** about the product or service by outlining the strong points of the product or service. People do not buy products, they buy **benefits**: 'What is in it for me?' and 'What will it do for me?' You will sell more effectively if you spend most of your sales presentation by showing or explaining the benefits of the product or service.
- ✓ Act on feedback you receive from the client. Selling requires that you **listen** to the customer. Ensure that you understand what the customer is saying. To do this, you have to ask questions and confirm with the customer by summarising what the customer's needs are: 'In other words, Mr Smith, you are saying that you need ... Am I

correct?' This will make the customer feel that s/he is **important**. Now that you know what the customer wants, you can satisfy his/her needs. Give **compliments**.

- ✓ Always make sure that you talk in terms of the **other person's interests**. When people talk about what they want to talk about, it makes them feel important.
- ✓ Develop a **genuine interest** in other people. When a customer feels that you are interested in them, you build a rapport with your customer and, of course, they feel important. Memorise personal details about the customer, such as where they went on holiday, what achievements they or their family have attained, and so on. The next time you call, you can start the conversation by talking briefly about the holiday or the prizes won by family members.
- ✓ **Listen** to the customer. To become a great salesperson you have to become a great listener.

## **Presentation Techniques**

- ✓ Use exhibits such as **charts, diagrams, close-ups**, etc. to make the presentation credible.
- ✓ **Testimonials** from existing customers also work well.
- ✓ If you use **examples** of the product you give the customer additional evidence of the benefits.
- ✓ Many products come with **guarantees**. Explain the guarantee to the customer, it helps to relieve anxiety.
- ✓ **Demonstrating** how the product works to the client is a positive sales tool, but requires careful planning.

## **Handle Objections**

It is natural for a customer to postpone, delay or even avoid making a purchasing decision.

There are **two basic rules** for handling objections:

- ✓ ask **questions** and
- ✓ **respond directly** to the concern expressed by the prospect

## **Close The Sale**

After you have completed all the steps, it is time to close the deal. There is more than one way of asking for the sale or closing the sale.

## **Identify Obstacles**

It is natural for a customer to postpone, delay or even avoid making a purchasing decision.

There are **two basic rules** for handling objections:

- ✓ ask questions and
- ✓ respond directly to the concern expressed by the prospect

Types Objections	of	Ways to overcome these objections
Timing		Find out the reason for possible delays Point out the advantages of making the decision immediately
Price		Explain the reason for the higher price Point out the quality and benefits that the customer will receive
Competition		Point out the additional benefits that the company provides Point out a new feature or benefit that a competitor may not have
Yes... but		Agree with the customer's objections and then make a statement to offset the objection
Boomerang method		Take the customer's reason for not buying and change it into a reason to buy
Comparison method		Minimise the customer's objection by comparing it to something acceptable
Case history method		Use the example of a satisfied buyer to offset the customer's objection

## ***Buying Signals***

Buying signals are clues that the customer, mostly unknowingly, gives that he is ready to buy. These signals can come at any time, so be ready to close from the word go.

Customers are not going to afford you the luxury of saying '...Yes, I'll take three of those, please...' at the end of every sales pitch.

Customers often mean more than what they say. Listen carefully to what the customer is saying. If a customer is reluctant to buy because he 'cannot afford it', he may be able to afford it but just needs reassurance that he is getting good value for money. He is giving you a **verbal signal** that he will buy the item if he is satisfied that he is getting the best deal.

In addition to listening to your customer, you need to observe his actions and reactions. By doing this you can easily pick up **non-verbal** buying signals. If a customer keeps looking at the smaller model of the car that you are showing him, and not paying attention to what you are saying, it is a sign that he would rather buy the smaller model.

## ***Ask For The Business***

Avoid talking yourself out of the sale by rambling on about the features and benefits of a product or service and about how you can arrange finance if the customer cannot buy cash, while the customer has the money to pay for the item and has made up his mind about buying. In the process you might say something that makes the customer rethink his decision to buy.

Once you detect any buying signal you must **ask for the business**, before he changes his mind. If you get a buying signal, **stop selling and close!**

## ***Closing***

You close a sale when you get a customer to **commit to purchasing** your product or service.

For various reasons many salespeople have a fear of closing. Fear of rejection, lack of proper product knowledge, inadequate preparation, personality clashes, etc. can all contribute to this state of affairs. It is thus crucial that you are confident that you have the necessary product knowledge and do thorough preparation before you approach your prospect.

It's a good idea to **tread carefully when approaching a customer about a possible sale**. Putting pressure on them to buy may boost your immediate sales, but you risk making them feel unhappy with their purchase. This could make customers less likely to buy from you again. They may even return the goods or cancel a service agreement when they've had time to think things over more carefully. Use your judgement about the personality of the person you're dealing with to assess how they will react.

The type of close that you use will be determined by various factors, such as the product, the customer's character, your own character, availability of stock, etc.

Depending on the circumstances, you can use one or more of the following types of closing:

- ✓ **Direct:** The direct close is used when you get strong positive buying signals. The customer does not need any motivation to buy as he has already made up his mind to buy.
- ✓ **Action:** The action close involves the sales consultant taking an action, indicating that he assumes that the customer is buying e.g. the customer has indicated the colour of paint he prefers and the sales consultant prepares to mix the paint. If the customer does not stop him, he has closed the deal by his action of starting the mixing process.
- ✓ **Opportunity Window:** Here you create a window of opportunity within which time the customer has to take advantage of a special offer or forfeit. This form of close is often used by large supermarkets or department stores, where they offer special discounts on certain goods for a short time.

Another example: If customers order stock to the value of R2000 of your new range before the end of the month, they will get the display and storage unit, worth R250, free of charge.

- **Benefits:** The benefits close is used when you emphasise the benefits of a product rather than the features. The customer now realises that in addition to the item's features, he can also benefit by using that specific product e.g. the benefit of a unique safety feature.
- **Trial Product:** When you use the trial product close, you allow the customer to take a sample of the product to taste, use, listen to, look at, etc. This sample must be just enough to serve as appetiser for the real thing. You often find free CD's, with parts of software applications that you can install on your computer to use or browse for a limited period, inside computer magazines. These samples usually contain just enough information to make you want to find out more about the actual product.
- **Objection:** You can use a customer's objection to close. The customer may object to the price of the item, upon which you can reply that he is paying for extremely good quality and that he will benefit in the end, as the item will last much longer than a cheaper one.

Although there are numerous techniques you can use to close a sale, you don't necessarily need to use all of them. In certain circumstances some, or even all of them, may not be useful e.g. with an existing customer.

## Closing Existing Customers

The usual techniques for closing sales are not always appropriate for existing customers.

Techniques you could use:

### **Ask For Repeat Orders.**

If customers are happy with the product and service, it should be easy to secure further orders. Monitor their buying history to determine when they are due to buy again.

If the customer, e.g. a building contractor, buys large volumes, and is going to need these volumes for the duration of the project, you can secure the order for the next purchase right after delivery of the first order. Ask the customer to confirm the next order to allow you enough time to order from your supplier and for your supplier to deliver to you.

***Tip As you execute more orders completely, accurately and on time, the customer is likely to gain confidence in you and eventually direct most of his business your way.***

### **Maintain Regular Contact**

If you are in retail and customers come to you, this is especially important. Unlike the sales representative, who calls on his customers on a regular basis, you need to entice your customers into your business. By getting your customers into the business you are maintaining regular contact.

***Note Use email, the telephone, regular mailings and face-to-face meetings to keep your customers briefed about special offers, sales, new products and product promotions.***

- Link Deals

You can offer the customer envelopes at a discount, providing he buys his copying paper from you too.

### **Negotiate Fixed Prices**

In the case of the building contractor, you can secure orders by offering to supply specified items at fixed prices for the duration of the project, providing he buys all his stock of those items from you.

### **Taking No For An Answer**

If you have done everything possible to close the deal and the customer still says no, there is not much you can do but **accept and respect his decision**. Don't push too hard - you might push him right into the hands of the opposition.

You must however, let the customer know you'll always be available to answer any other queries and, if he seems at all interested, keep in touch, i.e. treat him as any other prospect. His circumstances or yours may change, allowing you to make a sale at a later stage.

## **What To Do When The Sale Is Lost**

Have you heard the saying ‘...some you win, some you lose...’? This saying, when applied to sales and salespeople, should be ‘...some you win, some you **learn**...’.

Losing a sale does have an upside to it – you can learn from it by analysing the whole process and identifying where you went wrong. Work through all the stages of the sales process and decide which area you need to brush up on.

Did you **qualify** the prospect properly? Was the problem with the **presentation**? Did you **listen effectively** and answer all the prospect’s questions? Did you **identify needs and solutions**? Did you react on **buying signals**? Did you **close** at the right time by **asking for the business**?

**After losing a sale it is natural to feel bad about it. It doesn’t do much for your confidence either.**

**Tip** A good way to get your confidence back after losing a sale, is to successfully close a sale as soon as possible after losing one. Choose a prospect that you are absolutely certain is going to buy (a ‘sitting duck’) and close that sale. This will boost your confidence again.

## **Follow-Up Actions**

Remember, your commitment to the customer doesn’t stop once you’ve closed a deal. **Good after-sales care is essential if you want customers to return.**

Firstly, check all documentation for accuracy

Make sure that the customer has received his goods on time and in good order. If an installation was necessary, find out if the customer is **happy with the work** done and with the way the installation crew treated him.

This customer will automatically go onto your list of prospects, if not there yet, and you must keep him informed about special offers, product demonstrations, new products, etc.

**Tip** When you contact a customer to follow up on a previous sale and the customer has no complaints or queries, you can use the opportunity to sell. Be ready with two or three products that you think might interest him and follow the sales process from there. You’ll be surprised at how many ‘bonus’ sales you can create in this way.

**Warning** Do not try this if the customer has a complaint or unsolved queries.

## ***Customer relations practice***

### **Build a customer profile**

You need information about your customers for the effective running of your business.

Your accounts section needs information about the customer to process transactions (invoices, statements, etc.), send letters and update existing customer lists.

Useful information will include:

- ✓ contact information, e.g. company name, address, telephone and fax numbers, and names and job titles of relevant personnel.
- ✓ what they have bought from you, when, and from which salesperson - so you can identify what they seem most likely to buy and then plan your sales and marketing efforts.
- ✓ their service history and any complaints.
- ✓ their account history, to assess whether they pay on time, and how profitable they have been - some customers may not actually be very profitable.

In total, this information should give you an idea of your best and worst customers, and what they buy from you.

You might include areas such as the response to previous promotions. Your purpose is to establish the "how" and "why" of responses or sales.

If you are selling to business markets, you could compile information about:

- ✓ what they do - industry sector, public or private sector, turnover, number of employees and location.
- ✓ their buying behaviour - how they place orders, their size and frequency.
- ✓ names of contacts within a company.

If you are selling to consumers, you could compile information about:

- ✓ your customers' buying behaviour, including product usage and brand loyalty.
- ✓ their age, gender, occupation and approximate income.

When compiling information, check that you have complied fully with legal requirements.

### **Identify decision makers and influencers**

When you sell to other businesses, you need to identify and then target the **decision makers**. These are the people to speak to as they will decide whether or not the company is going to make use of your product or services.

The final decision often lies with the individual who signs the cheque - but this won't always be the case. Others may also play an important role in the buying process.

The **influencer** is the person that would normally use your product and has first hand experience and knowledge of the application and use thereof. If you can convince him of the benefits of using your product or service, his influence is valuable in motivating other decision makers to buy your product.

If you deal with large companies, you are bound to come across a '**gatekeeper**' at some stage. This is a person who collects all information on which the buying decision will be made and presents it to the other decision makers. It is crucial to provide a gatekeeper with all necessary information in writing, to ensure that all the information gets to the decision makers. Include supporting material such as handouts, user guide, etc.

**Tip** Provide the gatekeeper with a corporate portfolio containing all the relevant documents as well as supporting material like samples. In a case like this, a PowerPoint presentation can be used to great effect.

Depending on the structure of the business, the final **decision maker** can be someone like the buyer, financial director or the managing director.

Although it may be necessary to speak to another person than the decision maker, it is always best to speak to the decision maker directly. As you develop a relationship with the customer, your chances of eventually dealing with the decision maker increase.

## **Identify influencing factors (motives for and against buying)**

It is essential to be aware of what motivates people to buy or not to buy. Different factors will influence people differently e.g. a customer whom you deliver to is not going to care about the **location of your business**, as he does not need to go there, you deliver to him.

**Price** is normally the biggest motivator to buy or not to buy, but if your product comes at a good price and your service is not up to scratch, you will surely lose business.

To customers in a remote area the **availability of stock** will be important.

Customers often have special needs such as wanting an item which you don't normally keep in stock. Putting in a little extra effort to satisfy the **customer's specific needs** will go a long way in ensuring ongoing support from that customer.

## **Identify Key Customers**

Some of the factors that put customers into the "key customer" category are:

- ✓ They should contribute meaningfully to your profits
- ✓ They should operate in an area of the market that is meaningful to your future
- ✓ Their market segment should be growing and should have significant growth potential
- ✓ They should want/need the products/services that you provide
- ✓ They should really want to become your business' long-term partner and want a mutually rewarding relationship with you
- ✓ They should be prepared to share confidential information with you
- ✓ They should be leaders in their field if possible – their reputation should benefit your company

As many people as possible in your business should know who the key customers are, as well as what you do differently for them.

## **Sources of information include:**

- ✓ sales records
- ✓ market research
- ✓ newspapers and trade journals
- ✓ trade shows and exhibitions
- ✓ conferences and seminars
- ✓ competitors' literature and sales ads

## **After sales service**

### **Contact your customers regularly**

Reasons for initiating contact:

- ✓ To introduce yourself
- ✓ To remind the customer that you still exist
- ✓ To confirm delivery details
- ✓ To report on new developments
- ✓ To advise on pricing/specification changes
- ✓ To provide new information

Many customers are quite reasonable. Those that aren't must be dealt with politely but firmly. Tell your customer if the value of an order doesn't justify extraordinary attention. Customer A might warrant two personal visits a month, plus at least four phone calls and two personal letters. Customer B might only warrant one visit, two phone calls and a monthly mail shot.

### **Referrals**

People talk to each other and one thing they talk about a lot is money and value for money. If a customer is happy with your service he will not only keep buying from you, but he will also spread the word, resulting in other people coming to your business as a result of your good service, after hearing about it from your happy customer.

A satisfied customer may also give you referrals in the form of other people you can contact (leads). If this happens you must make sure to follow up the lead and inform your source of the outcome of your follow up. Although you might not get a sale by following up on the lead, you show your appreciation towards the customer by following up on the lead, otherwise he might not give you another lead. The next lead he gives you might result in a huge sale.

### **Repeat Sales**

You need to constantly be on the lookout for opportunities to create repeat sales. Establish what the customer's normal consumption of a product is. Avoid 'overstocking' customers, as this will ruin your chances of any repeat sales until he has disposed of the surplus stock.

Get to know your regular customers well and anticipate when they will be needing more of your product. If your customer sees that you take interest in him and his business, and he feels he is getting good value for money, he is bound to keep on buying from you for as long as you satisfy his needs and make him feel important.

## **Identify cross and up-selling opportunities**

### **Cross-selling**

Cross-selling happens when a customer needs a product and you sell him that product but you also sell other related products that the customer may need.

If the customer buys paint, he's going to need sandpaper, a paint scraper, masking tape, a pan & roller, brushes, a drop sheet, dust mask, cleaning materials, maybe a ladder and scaffolding, etc.

### **Up-selling**

Up-selling happens when the salesperson motivates the customer to buy a bigger or more expensive item than what he originally wanted.

The customer may be interested in buying a small car and is looking at an entry level model of the car. By using your sales techniques you can motivate him to buy the more luxury model.

**Tip** Always be aware of other items that you can sell together with what the customer is buying. If you practice it enough, it becomes second nature.

## **Offering Discounts**

It is common practice to give discount to customers who buy a lot and buy regularly. In this way you 'reward' them for their support.

## **Obtaining and reporting customer feedback**

It is important to know what your customers think of your service.

- ✓ What are the reasons why we don't follow up?
- ✓ What are the benefits of following up?
- ✓ What methods of follow – up do you use?

## **Types of Follow – Up**

- ✓ Thank you notes/ even post – it!
- ✓ Survey

## **Possible Survey Questions**

- ✓ What concerns do you have about our service?
- ✓ What pleased you the most about our service?
- ✓ How can we make our service better?
- ✓ What can we do to save time?
- ✓ What company do you most like to do business with? Why?

## **Continuous Improvement Checklist**

- ✓ What's the benefit to the customer? Will the customer easily understand the benefit?
- ✓ What impact will this have on our employees/team
- ✓ How will it affect our existing systems?
- ✓ Is anyone else doing it successfully? What can we learn from their experience?
- ✓ What could go wrong?
- ✓ Will it give us an advantage over our competitors?
- ✓ When should we improve our service?
- ✓ What can we change and improve to make it easier for the customer to work with us?
- ✓ How can we respond faster to customer requests?
- ✓ What have we learned?

## **Enhancing Customer Service**

- ✓ Analyse customer data
- ✓ Create an advisory board
- ✓ Focus on everyone developing strong people skills
- ✓ Improve our core services
- ✓ Find ways to keep employees involved



Activity 2 (SO1, AC3): Role Play

Activity 3 (SO1, AC4): group activity

Activity 4 (SO1, AC4): individual activity

# NEGOTIATE WITH A CUSTOMER

## **Outcome**

Negotiate a deal with a customer

## **Assessment criteria**

- ✓ Basic principles of negotiation that are utilised to secure new business are outlined and explained with examples
- ✓ The principles of planning for negotiations are explained and implemented according to own business context and market research
- ✓ Appropriate negotiation techniques are applied to own venture and business contexts

When you are in business for yourself or even when you work in a business that is dependent on customers, the aims of the selling system of the business are

1. Customer satisfaction
2. Customer loyalty
3. Growth

This is the only way you will be able to survive and make a profit. In order to ensure that you reach the above aims, you and your employees have to cultivate certain attitudes that are aimed at improving sales.

## **Attitudes to Cultivate**

Successful sales people must:

- ✓ Visualize themselves closing the sale before getting the customer
- ✓ Believe in their ability to succeed
- ✓ Treat every day with a sense of urgency, since their livelihood depends on it
- ✓ Treat every contact as a sales opportunity
- ✓ Treat rejection or failure to close a sale as a learning opportunity
- ✓ Approach every day with the same enthusiasm
- ✓ Set themselves specific, measurable and achievable goals and targets
- ✓ Always think big (to change their attitudes and suit their aspirations)
- ✓ Always ask for advice if things are not going according to plan

## **Presentation Skills**

Once you have the right attitude, you have to acquire presentation skills. When you are telling someone about your products, services or business so that you can sell products and services or obtain credit or finance, you are “making a presentation”

## **How to Make a Good Presentation**

### **Step One**

Have a clear **goal** in mind. I must know what I want to **achieve** with my presentation.

- ✓ Do I want to **sell** my products / services?
- ✓ Do I want **credit** from a supplier?
- ✓ Do I want a **loan**?
- ✓ Do I want to give **information** only?



## **Step Two**

I must have a **plan of action**.

- ✓ Where will I **meet** with the people I am going to present to?
- ✓ What will I **say** to them?
- ✓ What will I **show** them?
- ✓ I must try to **anticipate** what they will want to **see** and **know**

## **Step Three**

I must dress as **appropriately** as possible. The things I **show** them must be **neat, tidy** and to the point.

## **Step Four**

I must **practise** my presentation as **often** as I can before I actually present.

### **The Presentation Speech**

#### **Opening:**

The opening must be interesting and exciting. Give background information about your business or products.

- ✓ Name of business and owners
- ✓ What type of business is it?
- ✓ Why this type of business was chosen?
- ✓ Where will the business operate from?
- ✓ Why will the business succeed
- ✓ What are the advantages of the products?
- ✓ What are the advantages to the prospective customer in buying from you or making use of your services?

#### **Body:**

This will be the purpose of your presentation:

- ✓ Summary of sales pitch
- ✓ Summary of marketing plan (if applicable)
- ✓ Summary of financial plan (if applicable)
- ✓ Summary of staffing policies (if applicable)

#### **Ending:**

- ✓ Why this business will be a success
- ✓ Ask for what is required – sales, loan, credit, etc.

## **Principles of Negotiation**

You may well ask – why do I need negotiating skills? Almost all corporate customers and many private or smaller customers will want to bargain about the price of your products or services. Corporate customers, especially, will want to negotiate payment terms that are favourable to them, sometimes up to 60 days. Such long payment terms can cause your business to fail. If you have to pay your suppliers in cash or after 30 days and you have to wait for another 30 days before you are paid, you will run out of money with which to buy supplies.

You will then have to negotiate a deal with the customer that satisfies the customer and still enables you to make a large enough profit to ensure that your business survives.

Luckily, as with most other areas of knowledge and skills, we can learn from other people's experience. There are things you can do and steps you can follow that can help you to negotiate successfully.

## **Preparation**

You have to be clear about

- ✓ minimum and maximum prices,
- ✓ how much discount you can give,
- ✓ what payment terms are acceptable
- ✓ and even when and how you can deliver the products or services

Before beginning to negotiate (and clarify where a common ground can exist).

## **Strategising**

You have to determine what is vital for your business's success and keep these points in mind when going into negotiation. However, you should remain be realistic and consider both the ideal agreement or conclusion and the worst possible settlement which might have to be accepted.

## **Commitment**

You have to be firm yet flexible and you have to choose the order of priorities. Negotiation is about listening and exchanging views in order to find a solution that is acceptable to you and the customer.

## **Listening skills**

Are you a good listener?

If you answered yes, jot down the reasons why you think you are a good listener.


If you answered no, then list and briefly describe three listening techniques you could apply to improve your listening skills.


Negotiation can stem out of managing conflict. However it can also stand alone when emotions are not an issue.

**We can define negotiation as follows:-**

**“A discussion between two or more independent parties, who have differing interests or expectations about an issue or limited resources, which attempts to find a settlement of agreement about how best to resolve these differences through a process of dealing or bargaining”**

## **Steps In The Negotiation Process**

### **Preparation**

The first step in the bargaining process is to prepare. Follow these steps:

#### **Gathering Information**

Do research about your customer, especially if it is a corporate customer. You would be surprised to find out how many people can give you advice:

- ✓ Your banker
- ✓ Other business owners
- ✓ Customers or employees of the customer

You need information so that you can clarify where a common ground can exist. For example, a big corporate customer may have certain organisational rules about payment terms and discounts for large orders. On the other hand, they may also have publicly committed to supporting small and medium enterprises. You can then use their public claims to negotiate better payment and discount terms.

Always make sure that you are well prepared so that you are not caught off guard.

#### **Set the climate**

You have to be firm and flexible and you have to choose the order of priorities and leave your ego at home. Commit to the negotiation process. Commit to finding a solution that is acceptable to everyone.

Decide on your problem solving strategies beforehand.

#### **Define goals**

- ✓ What do you want to achieve?
- ✓ Which issues are not negotiable?
- ✓ Which issues are negotiable

#### **Setting Bargaining Objectives**

Once you have set the goals, break them down into objectives. Once again, decide:

- ✓ What do you want to achieve?
- ✓ Which issues are not negotiable?
- ✓ Which issues are negotiable

When you set bargaining objectives and goals, you also have to consider the following:

- ✓ Favoured outcome: the ideal outcome for your business, what would be the best solution according to your goals and objectives



- ✓ Settlement point: this is determined by what you are prepared to give as opposed to what you take. Can you give discount in return for quicker payment?
- ✓ Point beyond which you cannot go: you cannot wait longer than 30 days for payment. This is the point beyond which you cannot go.

## **Prepare your proposal**

Now you have to prepare your proposal. In your proposal, state clearly what is negotiable, or on the table, and what is not negotiable.

## **Developing a Strategy**

When developing your strategy, think about the following:

- ✓ Negotiation relationship styles and how you are going to use them
- ✓ Questioning styles and how you will use questions to understand the customer's point of view
- ✓ How to ensure that you and the customer can do business

## **Getting started**

When starting negotiations it is important to set an environment that will help you and the customer to reach an agreement. This means that you have to be friendly but firm. You can never be aggressive, this has a negative impact on the other person and therefore on the negotiations. If the customer becomes angry and aggressive, you have to use conflict management to calm them down and open them up for the negotiation process.

## **Building Understanding**

Once the negotiation process has started, you have to build understanding between yourself and the other party. You can do the following to ensure that you build understanding:

- ✓ Communicate main points effectively by paraphrasing, summarising, etc
- ✓ Listening to the customer
- ✓ Ask questions
- ✓ Testing arguments and positions: you have to test the other side's arguments and bargaining positions. Remember that negotiation is a process of giving and taking until a mutual agreement is reached.

When preparing your proposal, keep these guidelines in mind:

- Know what you want to say and what you do not want to say
- Use words that say what is on your mind in such a way that the listener will get the same picture
- Provide actual examples to make your point
- Separate what you think (assumptions and opinions) from what you know (facts)
- Encourage feedback. Check for understanding
- Keep the talk centred on the main subject, not side issues
- Try to make the other person feel good, and important

## **Bargaining**

The bargaining process usually includes:

- Getting and making concessions here you will refer back to your bargaining objectives. From these you will know which concessions you can make and which objectives are really not negotiable.
- Moving towards agreements: once the concessions have been made and given and deadlocks have been broken, the parties will start moving towards agreements on the issues at hand.

## Closing

When closing negotiations, do the following:

- If an agreement has been reached, summarise the agreement points and get commitment from both parties to uphold the agreements. Ideally, these agreements should be put on paper and signed by both parties.

## Handle Negative Reactions

Sometimes you may sense that a climate of rejection is building up against you at the negotiating table. Consider how these guidelines could help to reduce the other party's negative reactions

- ✓ Don't abruptly disapprove or contradict someone's statement. Instead ask for clarification or additional information to support what was said.
- ✓ Find a point of agreement to build on rather than disagree. If you can't find something agreeable in the content of the discussion, agree with the feelings of the other person.
- ✓ Use every opportunity to positively reinforce the other person's behaviour, ideas or actions.

Remember that people want positive attention paid to what they say and do. They want acceptance of themselves and their ideas whenever possible.

Rarely does anybody change their mind by being asked, told or directed to do so. If you want to influence the listener to see things differently, avoid using threatening language, verbal or nonverbal. By doing so, you can decrease the need for the listener to become defensive.

## Anticipate resistance

Anticipate the things that would influence the listener to resist; take them into account, empathise and know the other person. You can get to know others by being aware of

- ✓ their beliefs and how they look at the world
- ✓ what makes them feel comfortable, confident
- ✓ what throws them off balance
- ✓ what kind of phrases get through to them and
- ✓ what things they do that are effective or ineffective.

## Build credibility

People resist others less and listen to them more because of credibility. Whenever possible, build your credibility through

- ✓ knowledge
- ✓ dependability and trustworthiness and
- ✓ energy and drive.



Activity 5 (SO2, AC1-3): individual activity

Activity 6 (SO1, AC3): individual activity and group activity

# QUOTES

## **Outcome**

Outline processes and principles for completing basic quotes

## **Assessment criteria**

- ✓ The different types of offers are explained in relation to securing business transactions
- ✓ Principles and procedures for compiling quotes are identified and explained in relation to own business context. Principles and procedures for compiling quotes include but are not limited to costing and pricing calculations, terms and conditions (including payment terms), legal implications of quotes, an outline of a typical quotation, basic marketing and financial principles incorporated into quotes
- ✓ Support in compiling quotes is sought where necessary in order to ensure full understanding of the criteria that apply
- ✓ The common pitfalls in quoting and order taking are explained with examples in relation to own business venture

## **Types of offers**

You can make various types of offers to your customers. The following were discussed in the previous section:

- ✓ Cross-selling
- ✓ Up-selling
- ✓ Offering Discounts
- ✓ Samples: you can offer small free samples of your products in order to introduce

You can also offer your services or products in reply to a **RTF**: Request for proposal is an invitation for suppliers, through a bidding process, to submit a proposal on a specific product or service. An RFP is usually part of a complex sales process.

If your product is unknown or you want to introduce a new product and you know the customer well, you can offer goods on consignment. **Consignment** is the act of **consigning**, which is placing the goods in the hand of the customer but retaining ownership until the goods are sold. In the context of sale, it is usually understood that the consignee – the customer - pays the consignor – you- (the person who owns the items for sale or the only after the goods have been sold).

**Quote:** many customers will need a formal quote from you before they will consider making use of your services or buying from you.

## **Quotes**

In the business world it is common practice for a customer to request a quote for your products or services. It is important to note that the quote is binding, since you are confirming the price and the terms and conditions of the quote in writing. Should the customer accept the quote, you will have to adhere to the terms and conditions of the quote.

Before you even think of quoting a customer, you have to take the following into account:

- ✓ Your costing and pricing calculations
- ✓ Payment terms and conditions – when will you expect payment and how should payment be made



- ✓ Delivery terms and conditions: who will deliver, where the goods must be delivered to or collected from and when delivery will take place: 2 days after order, a week after order, etc.
- ✓ Are you including or excluding VAT in your price.
- ✓ Specific details of the quantity and quality of the goods or service
- ✓ the price of the goods
- ✓ The period that the quote is valid for
- ✓ Anything that is excluded from the quote, such as collection of guests from the airport or station if you are starting a guest house; or supper or even room service.

## **Marketing opportunity**

Any contact with a customer, even a complaint, is a marketing opportunity. This is also true of quotes. Never miss the opportunity to advise customers about your range of products, special offers, etc.

You can state any special offers or other products that your customer may be interested in on the quote, for example bulk discounts, new products or special offers.

## **Price**

### **Cost price**

When you are selling goods, the cost price is the purchase price of the product plus the transportation cost to deliver the goods to your premises.

To this you will add expenses such as:

- ✓ Rental of premises
- ✓ Water and lights
- ✓ Telephone
- ✓ Salaries and wages
- ✓ Manufacturing costs

Once you have the total cost of the product or service, you will add your profit margin and that will give you your selling price. VAT is added to the selling price for the total price of the goods.

### **Mark-up method to calculate selling price**

- ✓ Determine the cost price of the product. Remember, the cost price is the actual buying price plus delivery costs to transport the product to your premises.
- ✓ Add a mark-up. Make sure that the mark-up provides for all the expenses of your business plus an amount for profit.
- ✓ This mark-up is then the difference between the cost price of a product and the selling price.

Many business owners make a decision about the mark-up of their products. Mark-up is usually stated as a percentage: 25% or 45%.

For example, the business owner can decide to add a mark-up of 25% to tinned foods, but a mark-up of 50% to shirts.

### **Example**

100 shirts are bought at R10, 00 per shirt. The railage for the entire shipment is R12, 00. The wholesaler offers a 5% discount. Calculate:

- The cost price per shirt
- The selling price per shirt if a mark-up of 50% per shirt is added.

### **Cost price per shirt**

Cost price of goods purchased	
(R10, 00 x 100)	= R1 000, 00
Less cash discount (5%)	= <u>50, 00</u>
	= R 950, 00
Plus transport	= R <u>12, 00</u>
	= <u>R 962,00</u>

### **Cost price of 1 shirt**

R962, 00 divided by 100	= R 9, 62
-------------------------	-----------

### **Selling price per shirt**

Cost price per shirt	= R 9, 62
Plus mark-up of 50%	= <u>R 4, 81</u>
Selling price per shirt	= <u>R 14, 43</u>

## **Break-even**

Now you have to work out how many units of the product must be sold to cover fixed costs such as rental for premises, salaries and wages, etc: in other words to "break-even". The break even point is the point where no profit or loss is made.

### **Example**

- ✓ You rent a food wagon to sell hot dogs outside a busy shopping centre.
- ✓ The rent of the food wagon is R100-00 per week.
- ✓ The cost per hot dog is R3-00. The selling price per hot dog is R4-00.
- ✓ How many hot dogs must you sell to cover the rent of the wagon? In other words to "break-even"

### **Calculation:**

Selling price R4-00 less cost of R3-00 = Contribution of R1-00.

Therefore to calculate how many hot dogs you must sell to pay R100-00

R100-00 divided by R1-00 = 100 hot dogs

Now to the above example you need to add your transport costs of R50.

The rental of the food wagon and your transport costs are fixed costs as these costs do not change irrespective of whether you sell 100 or 500 hot dogs per week.

However the costs of the hot dog (Bread Roll + Sausage + Gas) are termed as variable costs.

In order to "break-even" you must sell enough hot dogs to cover your fixed costs (Rent R100 + transport R50)

### **Calculation:**

Divide R150 by R1.00 (your contribution)



Answer is: You must sell 150 hot dogs to "break-even"

And to make a profit, you must sell more than 150 hot dogs.

To summarise, the break-even point is the point where **total costs = total revenue**.

### **BEP = Total fixed cost**

#### **Fixed cost distribution per unit**

Once you have sold one more unit then you start making a profit.

### ***Lowering prices***

An entrepreneur should also take care should he decide to lower his prices.

#### ***Example***

**Assume that an entrepreneur decides to offer a 10% cash discount and he calculates that because of this his customers will increase by 20%.**

	<u>Without discount</u>	<u>With discount</u>
Cost price per article	R 5,00	R 5,00
Plus mark-up (50%)	R <u>2,50</u>	R <u>2,50</u>
Normal selling price of the article	R 7,50	R 7,50
Less discount (10%) R		R <u>0,75</u>
Real selling price	R 7,50	R 6,75
Number of units sold	<u>100</u> units	<u>120</u> units
Total sales	R750,00	R810,00

He therefore calculates that he can increase his sales by R60 or 8% by allowing a 10% discount.

In practice this advantage is often of brief duration, however, because if his competitors should also lower their prices he can lose his newly gained clients. It could also happen that after a while his sales return to the normal number as before and his situation will then be as follows:

	<u>Without discount</u>	<u>With discount</u>
Cost price per article	R 5,00	R 5,00
Plus mark-up (50%)	R <u>2,50</u>	R <u>2,50</u>
Normal selling price Per article	R 7,50R	R 7,50
Less discount	<u>-</u>	<u>0,75</u>
Real selling price	R 7,50	R 6,75
Number of units sold	<u>100</u> units	<u>100</u> units
Total sales	R750,00	R675,00

The retailer's sales have therefore decreased by R75 or 10%.



## **The effect of discount on gross profit**

Over and above the fact that the offer of a discount does not always have the desired effect on the total sales, it often happens that a discount lowers the gross profit (in terms of monetary value).

### *Example*

Assume that an entrepreneur decides to offer his clients a 10% discount in the hope of having his sales increase by 20% (as in example 3). The effect of this discount on the gross profit of the entrepreneur is as follows:

	<u>Without discount</u>	<u>With discount</u>
Cost price per article	R 5, 00	R 5, 00
Plus mark-up	R <u>2, 50</u>	R <u>2, 50</u>
Normal selling price per article	R 7, 50	R 7, 50
Less discount (10%)	_____ -	_____ 0, 75
Real selling price	R 7, 50	R 6, 75
Number of units sold	<u>100 units</u>	<u>120 units</u>
Total sales	R750, 00	R810, 00

**But:**

Total sales	R750, 00	R810, 00
Less cost price of sales	<u>R500, 00</u>	<u>R600, 00</u>
	<u>100 (units)</u>	<u>120 (units)</u>
= Gross profit	R250, 00	R210, 00

Although the dealer sells 20% more, his gross profit actually declined by R40, 00 or 16%.

For the above dealer still to make a gross profit of R250, 00 after allowing the 10% discount, his sales (in units) have to increase by more or less 43%. The computation is as follows:

Desired gross profit =	R250, 00
Gross profit per unit after discount =	Selling price - Cost Price
=	R6, 75 – R5, 00
=	R1, 75



$$\begin{aligned}
 \text{Sales in units (needed for gross} \\
 \text{profit or R250, 00)} &= 250 - R1, 75 \\
 &= 143 \text{ units}
 \end{aligned}$$

Sales therefore have to increase from 100 units to 143 units in order to realise the same gross profit as before the discount.

The following table gives an indication of the extent to which turnover has to increase to keep the gross profit constant when cash discounts are offered.

Mark-up on cost price	Discount	Percentage increase in turnover needed to maintain level of gross profit
50%	5%	17,6%
	10%	42,9%
	15%	81,8%
	20%	150,0%
33,33%	2,5%	11,1%
	5%	25,0%
	10%	66,7%
25%	2,5%	14,3%
	5%	33,3%
	10%	100,0%

## Payment terms and conditions

You have to specify the payment terms and conditions in your quote. Are you giving the customer 30 days or 60 days to pay for the goods or do you require payment on delivery of the goods.

Be careful of granting your customers terms longer than 30 days. When you start your business, you should rather request customers to pay on delivery.

Remember that you have to pay rent, telephone, water and lights, salaries and wages and your suppliers with the money that you generate from sales. If you have to make these payments before your customers pay you, you can have cash flow problems.

## Delivery terms and conditions

In your quote you also have to state the date the goods will be ready for collection or delivery. Also specify whether the price includes delivery to the premises of the customer, or whether delivery will be charged extra.

If a special vehicle, such as a refrigerated truck, is required to make the delivery, remember to mention this in the quote.

## VAT

In your quote, state whether the price includes or excludes VAT, or whether you are not registered for VAT. Remember that VAT is levied at 14% and will make a big difference to your profit margin if you make an error.



## **Product or service**

Be specific about the number of products as well as the quality of the products or services. Also state whether any guarantees will apply and for how long the guarantee will apply.

If it is a service that will be rendered, be specific about the terms and conditions of the service: where, when, for how long, etc.

## **Period**

This is a very important point – you have to state the period that the quote will be valid. If you don't, you can be in a position where you quoted 12 months ago and the customer still expects the same price. This can be a serious problem if you are in the transport business and the petrol price has increased drastically.

## **Special conditions**

- ✓ Make sure that you clearly state anything that is excluded from the price, such as collection of guests from the airport or station if you are starting a guest house; or supper or even room service.
- ✓ If your quote is dependent on the petrol price or Us Dollar exchange rate, state so clearly in the quote.
- ✓ Sometimes when we provide services such as training of employees, we will need to make use of the resources of the customer, for example for training rooms and so on. If this is the case, state so clearly on the quote.

## **Legal implications**

Customers will hold you to your price, especially once the delivery has been made. It is not good business practice when the price on the quote and the price on the invoice differ, this is why you have to state a period that the quote will be valid for.

If the customer places the order after this period has expired, you have to notify the customer of the change in price before you carry out the order. Discuss the new price with the customer, explaining that the period for the special offer has elapsed and that the price will now be increased. Confirm with the customer that s/he still requires the goods before carrying on with the order.

You cannot legally expect a customer to pay more for a product than the amount on the quote, unless the customer has not abided by the terms and conditions of the quote, for example:

- ✓ if the special price is for orders of 50 or more products and the customer orders only 35
- ✓ if the delivery address changes and it means extra delivery charges for you
- ✓ if the period of the special offer has expired
- ✓ if you stated on the quote that only 150 items of the product are available and that they will be sold to the first customer who orders and pays

## **Common pitfalls**

Most of the problems with quoting for business would happen when you forget to clearly state any of the above terms. Check, double check and triple check:

- ✓ Your costings and mark-up
- ✓ Selling price and discount
- ✓ Payment terms and conditions
- ✓ Delivery terms and condition
- ✓ Special conditions
- ✓ VAT
- ✓ The period that the quote is valid for

If you are unsure, get help from another business owner, an accountant or business consultant or any of the institutions mentioned in the learner guide.

Once the customer accepts the order, another set of problems will appear. Make sure that the order taker notes:

- ✓ The order number of the customer
- ✓ The exact number and quality of the products or service
- ✓ The delivery date required by the customer
- ✓ The price
- ✓ The payment terms and conditions
- ✓ Delivery terms and conditions
- ✓ Special conditions
- ✓ VAT inclusive or exclusive
- ✓ The person who places the order
- ✓ The contact details of the customer: address, telephone and fax number
- ✓ Delivery address

## **Get Support When Compiling Quotes**

When you compile quotes, you have to make sure that you comply with all the criteria and avoid pitfalls. You must also make sure that the quote has an expiry date and that you have taken all the variables such as price fluctuations into account.

If you are unsure about how to compile a quote, you can get help with:

- ✓ your bookkeeper
- ✓ other business people
- ✓ your local business association
- ✓ off the Internet

**Activity 7 (SO3, AC2): group activity**

**Activity 8 (SO3, AC1-4): individual activity**





## An example of a quote:

<p style="text-align: center;"><b>QUOTE</b> <b>All Furniture</b> <b>19 Union Street</b> <b>Any City</b> <b>Tel: (123) 456 7890 Fax: (123) 4567981</b></p>						
<b>Quote to:</b> Mr. Somebody 10 Other Street Any City			<b>To be delivered to:</b> Mr. Somebody 10 Other Street Any City			
Quote No.	Date	Contact Person	Quote valid until	Payment Terms		
010108	17/11/08	Me Anybody	17/12/08	Cash on delivery		
Quantity	Description		Price Each	Amount		
1	Apex dining room suite		2500.00	2500.00		
			Sub total	2500.00		
			VAT	350.00		
			Invoice total	2850.00		
We also have the following special offers: Microwaves at R300 full colour TV's from R900						
Thank you for your interest in our products – we pride ourselves on our fast delivery and after sales service						



# TENDERS

## **Outcome**

Outline processes and principles for completing tender documents

## **Assessment criteria**

- ✓ Tendering principles pertaining to commercial and public tenders are explained with examples
- ✓ The risks associated with tendering are identified and basic risk management procedures are implemented according to own business context
- ✓ Risks pertaining to tendering include but are not limited to cash flow, funding requirements, compliance requirements, performance requirements, technical requirements
- ✓ The financial advantages and disadvantages of a tender are analysed to determine if it would make business sense to submit the tender
- ✓ Support is sought to complete tender documents where relevant in order to ensure full understanding of tendering conditions and criteria

## **What Is A Tender?**

A government department cannot go to a shop and buy what is needed. Because public money is being spent, government and government departments have to try and get the best prices and quality for goods and services that they need. Government and government departments also have to give every business the same opportunity to provide the goods or services that are needed.

When a government department issues a tender, it means that the department is inviting business to provide goods or services on a contractual basis. When a business wants to supply a government department, it has to complete and submit the tender document that is issued by government. Once the tender document has been completed and handed in, it means that the business has made an offer to supply government with the goods or services that are needed.

The government department will consider all the tender documents that are submitted and will accept one. The government will then enter into a contract with the business.

Tendering is a structured, competitive and transparent process:

- ✓ It helps find supplies or services needed from outside government.
- ✓ Better prices and higher quality are also obtained because tenderers compete with each other in an open market.

Because of this, and to avoid confusion and unhappiness, there are strict rules that regulate the tendering process.

## **State Tender Board**

In South Africa, the State Tender Board oversees the procurement of work for government. The Tender Board falls under the Department of Finance.

- ✓ Tenders are published in the SA Government tender bulletin every week on Fridays.
- ✓ At the same time, many tenders are also published in newspapers
- ✓ The general rule is that tenders should be published at least three weeks before the closing date, but it can happen that a shorter period is given
- ✓ One of the aims of the procurement policy is to ensure transparency and accountability
- ✓ The government also wants to redress the imbalances that were created under Apartheid by giving preference to previously disadvantaged people in terms of race, gender and disability.

The present procurement policy was clarified and defined by:

- ✓ the Preferential Procurement Policy Framework Act (No 5 of 2000) and
- ✓ the Preferential Procurement Regulations, 2001.

## **Principles Of Tendering**

The key principles of a successful tendering process are:

- ✓ Tendering process should be informed by the department's policy and values
- ✓ The departmental staff affected should be treated fairly
- ✓ Achievement of maximum value for money
- ✓ Providers should be treated fairly and there should be equitable competition

## **Characteristics Of The Tender System**

It is essential to understand the broad characteristics of the tender system to enable the prospective entrepreneur to evaluate his or her decision to enter the industry via this option:

- ✓ The tender system implies a contract for a **fixed period** of time.
- ✓ The very nature of the tender for contract system is therefore **non-permanent**.
- ✓ The tender environment is characterised by strong **competition**, even from outside the industry.
- ✓ It is necessary to **change the mindset** of employees from a career orientation to an opportunity driven or entrepreneurial mindset. In a typical tendered business, people may be required to do multiple tasks that may differ from the specialised nature of jobs in the pre-tender environment. For example, the large number of positions in the pre-tender era such as inspectors, regulators, radio operators, route controllers etc., may be combined into fewer positions due to the need to compete with lower cost structures.
- ✓ The **penalty system** requires strict adherence to operational, vehicle and other standards. Operators receive financial penalties for deviating from contract requirements. The penalty system requires that staff members in all positions are well trained and fully competent for their tasks.

## **Procure Tender Documentation**

A Request for Proposal (RFP)/tender invitation is issued to prospective suppliers/vendors by an organisation, such as the Government, when it needs to acquire (buy) or sell specific goods or services.

The Gauteng Provincial Government is committed to Black Economic Empowerment and all advertised RFPs will be subject to the Preferential Procurement Policy Framework (PPPF) Act - Act no 5 of 2000. It was decided by the National Cabinet that a preference mechanism be introduced in the State procurement of all goods and services, to target especially those individuals discriminated against under the previous political dispensation.

In response to the RFP, a bidder/tenderer, being a person who offers supplies/services in writing to an organisation at a specific price, submits a bid/tender/proposal to the organisation. A bid/tender/proposal is a written offer on the official RFP documents from the bidder/tenderer to the Province and if accepted by the Province, a letter of acceptance and a binding contract comes into effect. A contract is a legal and binding agreement, which is entered into between the buying organisation and the successful bidder/tenderer in terms of the RFP.

Bids invited by the Gauteng Shared Service Centre (GSSC) and Gauteng Provincial Departments are subject to the General Conditions Of Tender, Contract And Orders (form VEND 02). It is of vital importance that prospective bidders study this document thoroughly in order to be fully acquainted with all the terms and conditions contained therein. This document can be obtained free of charge from the offices of the GSSC and Gauteng Provincial Departments from the following address

The government publishes tender invitations, also called Request for Proposals (RFP's) in the Government Tender Bulletin. The Government Tender Bulletin is published on a weekly basis and the current subscription is R34.20 per annum. This publication is obtainable from the following address:

The Government Tender Bulletin

POSTAL ADDRESS:

The Government Printer  
Private Bag X85  
Pretoria  
0002

Tel. No. (012) 334-4735, 334-4736, 334-4737

STREET ADDRESS:

The Government Printer  
149 Bosman Street  
Pretoria

The Government Tender Bulletin is also available on the Internet on the following web sites:

- <http://www.treasury.gov.za>, and
- <http://www.gov.za/tenders/>

In the Tender bulletin you will find the following information:

- ✓ the RFP number,
- ✓ closing date and time,
- ✓ a short description of the requirement,
- ✓ where you can collect the RFP documents and
- ✓ The address to which RFP documents **must** be sent.

***See handout 1 for examples.***

At times RFP advertisements are also placed in the following newspapers: Die Beeld, Sowetan and The Star. However, all Provincial Government tenders must appear in the Government Tender Bulletin, so if you subscribe to the Tender Bulletin you will always have the latest tender information to hand.

The Gauteng Shared Service Centre (GSSC) and Gauteng Provincial Departments also advertise their Request for Proposals (RFPs)/tender invitations electronically on the following web site:

<http://www.globalerfx.com>

These bids are subject to the General Conditions of Tender, Contract and Orders (form VEND 02). If you want to bid on tenders, you first have to study this document so that you know what is required of you. You can get the General Conditions document free of charge from the following address:

It is of vital importance that prospective bidders study this document thoroughly in order to be fully acquainted with all the terms and conditions contained therein. This document can be obtained free of charge from the offices of the GSSC and Gauteng Provincial Departments from the following address:

75 Fox Street OR                           The Head Offices  
Marshalltown                                 of all the GPG Departments  
2107

If you want to respond electronically to tenders advertised on the GSSC website, you will have to register on the [www.globalerfx.com](http://www.globalerfx.com) web-site. The registration is done free of charge. If you want to download the software, there will be a fee attached. See the website for more details.

If you have queries, you can contact the GSSC Contact Centre at 011 355-2222. They will be able to advise you of all advertised RFPs for Gauteng for which you can submit bids, as well as the closing date of each of these RFPs.

## **Set Up A Tender Prospecting System**

Tenders are published every week, either in print form or on the website. It is therefore necessary that all business owners who want to tender for business, sets up a system where the latest tender documents are obtained and studied in order to identify possible tenders that the business can tender for.

The easiest way to do this is to give an order to one of your employees to obtain the latest tender documents and advise you of possible tenders. To make sure that the documents are obtained and studied, you will probably have to do this yourself rather than giving the job to someone else.

Make a note on your computer, in your diary or on your cell phone for every Friday to remind you to obtain the latest tender documents. Take your time when studying the tender documents, if necessary do it over weekends, to make sure that you tender for products or services that you are able to deliver.

Whatever you do, be proactive. Just because tendering information is supposed to be made available as widely as possible, it doesn't mean that it will come to you automatically. Apart from keeping a keen eye on newspapers and the Tender Bulletin, you need to apply the age-old business principle of networking. Stay in contact with the government buying offices that put out the most appropriate tenders for your business. In that way you can proactively stay informed about coming tenders

### **Points System**

This government policy introduced a system where tenders are evaluated in terms of points scored.

A package of adjudication criteria is worked out with a maximum total of 100 points. Each bid is evaluated according to the number of points it scores for each criterion, with the highest point-scoring bid winning the tender. See page 4 of this handout for an example.

National and provincial government departments must adhere to this policy as well as national and provincial legislation.

On the other hand, metropolitan, district and local municipalities have to draw up their own procurement policies, which must also be in accordance with the national legislation.

The criteria for adjudicating tenders are usually explained in SA government tender documents, so bidders are able to adjust their bids accordingly.



## HDI

The definition of who qualifies as a "historically disadvantaged individual" (HDI) very important in order to apply government policies to favour historically disadvantaged persons.

An HDI is a South African citizen who is

- ✓ female,
- ✓ or has a disability,
- ✓ or had no franchise before the national elections in 1994.

The main advantage is given to people who were unable to vote under Apartheid (i.e. people of African, coloured or Indian origin).

By implication it also means that no black person who is under 28 years of age in 2004 (no one who was under the voting age of 18 in 1994) can claim HDI status in terms of race. This means that a white woman or a disabled person will score more points in terms of HDI status than a black man who is younger than 28.

Although preferential points may be claimed by individual owners or shareholders who are actively involved in the tendering enterprise or consortium, public companies on their own do not qualify for preferential points.

Equity ownership, and the role or position of whoever is actually doing the work within the consortium, determines the number of points allocated for HDI status. The maximum number of preferential points that may be allocated for HDI status is 20 points (out of a total of 100 points) for contracts of under R500 000 in value, and 10 points for contracts of over R500 000 in value. Larger contracts of over R2 million in value are generally "open" tenders, i.e. with such contracts no preferences apply.

There are a number of official forms that need to be filled in to accompany the bid: e.g.

- ✓ tax clearance certificate,
- ✓ declaration of interest,
- ✓ preference certificate (containing HDI status of shareholders or partners).

If these forms are not filled in or do not accompany the bid, the tender is generally not accepted.

The procedure for the closing of the tenders is usually as follows: at the closing date and time stipulated on the tender document, the tender box is opened in public and the tenderers' names and the tender amounts are read out so that all present can hear what the various bids were. Thereafter, the adjudication of the tender is left up to the adjudication panel. The open, public nature of the closing of the tender enables bidders to see that a fair process is adhered to.

## Classification Of Tenders

### **Goods and Services**

- ✓ For tenders under R30 000, the relevant government department will usually just approach three registered providers for a quotation. This is why it is so important to get your business registered on their database!
- ✓ Tenders of more than R30 000 must generally be advertised to all providers, even those not listed on the register.
- ✓ Large tenders (usually over R200 000) must be advertised and formally adjudicated by one of the Tender Boards.

### **Building and Engineering Tenders**

- ✓ Tenders of over R2 million are classified as major and will be widely advertised as well as formally adjudicated.
- ✓ Tenders below R2 million usually classed as minor.
- ✓ Tenders of under R100 000 are considered micro.

## **How Do You Qualify For Preference Points?**

The law requires the application of a preference point system for tenderers who are Previously Disadvantaged Individuals (PDIs) or women.

- ✓ Generally, for government tenders under R500 000, 80% of the tender will be adjudicated on price and 20% on the PDI or gender status of the business owner(s).
- ✓ For tenders over R500 000, the 90/20 price system applies.

You have to complete the relevant section (ST 11) if you want to be eligible for consideration under this system.

## **Tendering**

### **When Is A Business Ready To Tender?**

- ✓ Is a registered business
- ✓ Has a good banking record, credit history and relationship with its suppliers and clients
- ✓ Is able to deliver - on time, on budget and according to specifications
- ✓ Is up to date with its taxes
- ✓ Pays its bills on time
- ✓ Has the required cash-flow and other resources to complete the contract
- ✓ Is pro-active, actively looking for business opportunities
- ✓ Is able to deliver goods or services of consistent quality
- ✓ Has qualified employees
- ✓ Has, or can acquire, the right equipment, clothing and accessories to complete the tender
- ✓ Has registered its employees with the Department of Labour (UIF, Skills Development Levy, Workmen's Compensation etc.); and
- ✓ Has products that comply with SABS standards

### **Does my business have to be registered as a CC or company?**

No. A sole trader or partnership may tender. However, the business has to be:

- ✓ Registered or licensed with the relevant local authority
- ✓ It must have a bank account; and
- ✓ It must be registered with the South African Revenue Services and must have an up-to-date tax clearance certificate.

### **Decide If You Can Deliver the Goods or Services Required**

Once you have the tender documents, you have to decide:

- ✓ Will you be able to handle the required workload – the tender document will tell you exactly what is required, how much is required and everything else you have to know in order to make a decision.
- ✓ Will you be able to deliver the goods or services at the required standards: the quantity (number) of goods as well as the quality that is expected will also be stated in the tender document?
- ✓ Will you be able to deliver the goods or services in time: the date and time when goods or services have to be delivered will also be stated clearly in the tender document?



**NB: To be able to bid on tenders, you have to register your business with the Registrar of Companies at the Department of Trade and Industry.**

## **Take Note Of The Cut-Off Time**

The Government Tender Bulletin gives addresses of where RFP documents can be collected and submitted after completion. The closing time on the due date is strictly 11:00 am and no bids/tenders/proposals are accepted thereafter. It is your responsibility as the bidder/tenderer to make sure that you deliver the bid/tender/proposal on time to the correct address.

## **Late Tenders**

If you deposit your bid in the tender box after the closing time stated, your bid is late. If you mail your bid/tender/proposal, the documents will be put into the tender box when they are received. This means that you will have to mail the documents at least one week before the due date to make sure that your documents are not late. Then you will have to find out whether your documents were received and deposited in the tender box before closing time.

A late bid/tender/proposal shall not be admitted for consideration and where practical shall be returned unopened to the bidder/tenderer accompanied by an explanation.

## **Wait For The Letter Of Acceptance**

Once a decision to award the RFP has been taken, a letter of acceptance is sent to the successful bidder/tenderer. It is then imperative on the successful bidder/tenderer to start planning in order to ensure that delivery is efficient and within the required time period and quality.

The Letter of Acceptance will generally be followed up with either a purchase order or a formal contract too.

## **Gain Access To Finance If Necessary**

Financial support should be arranged before the bidder/tenderer receives an order.

## **Important Notes**

It is the responsibility of bidders/tenderers to ensure that their bids/tenders/proposals are submitted before the closing time to the correct address. Bids/tenders/proposals received after the closing date and time are late and shall NOT be accepted for consideration.

NORMALLY ALL PROVINCIAL TENDERS CLOSE AT 11:00 ON THE CLOSING DATE, AS INDICATED IN THE RFP DOCUMENT – REFER TO FORMS RFP 01 AND RFP 02, AS DETAILED IN PART II.

All RFP documents as well as the relevant Preference Points Claim Forms must be signed in INK. Failure to sign the forms in ink may invalidate the bid/tender/proposal.

A definite price must be indicated in the RFP document (refer specifically to forms RFP 06 and RFP 07, as detailed in PART II) and statements such as 'to be negotiated' or 'to be advised' are not acceptable and will be disregarded.

Bids/tenders/proposals submitted by facsimile, telex or telegram will NOT be considered.

It should be noted that bids/tenders/proposals are valid for a certain period (normally 90 days - refer specifically to form RFP 02, as detailed in PART II), during which period the Province will evaluate and consider the bids/tenders/proposals received. Awards will normally be made within the 90 day period.

Queries may be addressed to the Gauteng Shared Service Centre\* (GSSC) Contact Centre at 011 355-2222 :- please remember to state the relevant RFP number in order to find out if the specific tender has been awarded yet.

The GSSC Contact Centre will also be able to inform prospective bidders of all advertised RFPs for which bids may be submitted, together with the closing date of each of these RFPs.

## **Costing And Pricing**

If you are going to tender for business, you have to be able to cost and price your products or services so that you know whether the tender will be profitable.

### **Break-Even Analysis**

This method evaluates whether the firm will be able to break even (cover costs but not make a profit) with a particular price. It focuses on the break – even point (BEP). This is the point where total costs = total revenue.

BEP = Total fixed cost

Fixed cost distribution per unit

Once you have sold one more unit then you start making a profit. It will begin at 40 cents per unit because after fixed costs have been paid off then it becomes a profit.

It is good to perform a break-even analysis of various prices and then compare it to the demand that you are expecting. A target profit can also be added to the BEA (a total is added on to the fixed cost. This analysis just shows the importance of cost. The lower your fixed costs the lower the BEP and the quicker you make a profit.

### **Break-Even**

We need to calculate how many units must be sold to cover fixed costs, in other words to "break-even".

In other words – the point where no profit or loss is made.

#### **Example:**

You rent a food wagon to sell hot dogs outside a busy shopping centre.

The rent of the food wagon is R100-00 per week.

Your transport is R50 per week

The cost per hot dog is R3-00. The selling price per hot dog is R4-00.

How many hot dogs must you sell to cover the rent of the wagon and your transport? In other words to "break-even"

#### **Calculation**

Selling price R4-00 less cost of R3-00 = Contribution of R1-00.

Therefore to calculate how many hot dogs you must sell to pay R150-00

R150-00 divided by R1-00 = 150 hot dogs

The rental of the food wagon and your transport costs are fixed costs as these costs do not change irrespective of whether you sell 100 or 500 hot dogs per week.

However the costs of the hot dog (Bread Roll + Sausage + Gas) are termed as variable costs, since these costs change depending on how many hot dogs you sell.

In order to "break-even" you must sell enough hot dogs to cover your fixed costs (Rent R100 + transport R50)

## Mark-Up

A mark-up is the rand amount that is added to the cost of the product in order to make a profit and to find out what selling price to use. It is usually a percentage of the cost price. 30 % mark-up on R100 = R30. The full price would therefore be R130. Most companies choose a mark-up and apply it to all their products.

The process by which an entrepreneur arrives at his sales price is known as his pricing policy. One or more of the following factors usually determines a pricing policy:

- ✓ The recommendations of the supplier
- ✓ The prices asked by competitors
- ✓ The entrepreneur's own pricing policy

In most small businesses we find a combination of all the factors. However, even the most loyal customer is price-conscious; in other words, no customer will tolerate being exploited. A consumer will therefore soon determine when he is being charged "too much" for a product.

It is therefore important that the selling price of the product should not be too high, otherwise this will frighten off customers. On the other hand the selling price of the article should not be too low, because the entrepreneur has to make a large enough profit to enable him to keep the business going by covering his own costs and having some compensation for himself.

In the first place, the cost price of a product is determined, and then a mark-up or surcharge is added to it. This mark-up has to must cover all the expenses of the enterprise, plus a net profit. This mark-up is then the difference between the cost price of a product and the selling price.

In order to facilitate the calculation of a selling price, a decision can be made beforehand about the mark-up (usually a percentage) which should be charged on products. One can thus decide that a dealer can add a mark-up of 25% to tinned foods, but a mark-up of 50% to shirts.

### Example 1

100 shirts are bought at R10, 00 per shirt. The railage for the entire shipment is 12,00. The wholesaler offers a 5% discount. Calculate:

- ✓ The cost price per shirt
- ✓ The selling price per shirt if a mark-up of 50% per shirt is added.

$$\checkmark \quad R10, 00 \times 100 \quad \checkmark \quad R1 000, 00$$

Less cash discount (5%)                    R     50, 00

    R 950, 00

Plus railage                                R 12, 00

Total cost for 100 shirts              R 962,00

*Cost price of 1 shirt*

$$R962, 00 \quad R \quad 9, 62 \\ 100$$

Selling price per shirt	
Cost price per shirt	R 9, 62
Plus mark-up of 50%	R 4, 81
Selling price per shirt	R 14, 43

## **Factors Which Influence Selling Price**

It would have been useful if all businesses could have added the same mark-up to their goods, but this does not happen in practice. There are various factors, which influence selling prices of goods.

### **Competition**

Many businesses feel that selling prices are the only means of competition, and this often causes price wars. It could happen, for example, that one dealer can purchase his goods at a lower wholesale price, which will also mean that he can charge a lower selling price. It could also happen than one competitor might have a promotion for a fixed period and then sell certain products very inexpensively for that period. When selling prices have to be determined one should continually keep account of the competitor's prices.

### **Stock turnover rate**

The general experience is that the higher the stock turnover rate is, the lower the mark-up. That is why, for example, the mark-up on groceries is so much lower than the mark-up of software.

### **The location of the business**

Rural general dealers are normally more expensive than speciality stores in the cities. The reason for this is that it is more expensive for them to obtain their stock than it is for the city merchant. Normally they also have to stock a wider variety of products (which causes higher costs), and their business hours are often longer than those in the city.

### **Type of stock**

Fresh products carry the risk of going off. Clothing carries the risk of going out of fashion. These risk factors contribute to these products having a higher mark-up.

### **Image of the business**

To many consumers price is not a significant factor. Some customers consider it important to be able to say that they shop at a certain store and then they do not mind paying a higher price. For this group of consumers other aspects, such as service, variety or product presentation are often more important.

## **Completing The Tender Documentation**

- ✓ Follow the instructions carefully. Even the smallest error may result in the cancellation of your tender application.
- ✓ Make sure that you have enough time to prepare and submit an offer before the due date.
- ✓ Deliver or post your tender documents to the correct address by the due date, and at the correct time.
- ✓ Make sure that you will be able to comply with all the requirements and specifications for the goods and services that have to be supplied.
- ✓ Include all the relevant experience you have in relation to the proposed contract.

### **Make sure that you**

- ✓ Include your VAT registration number, if you have one.
- ✓ Guarantee the quality of your products or services. Also provide details of any SABS or ISO marks or sign of quality assurance that you are entitled to use.
- ✓ Offer substitute products or services where necessary
- ✓ Offer to make refunds if you fail to deliver as agreed.
- ✓ Declare the percentage or quantity of imported products
- ✓ State patents and details of any royalties
- ✓ Describe the packaging
- ✓ Give the time and place of delivery
- ✓ Provide samples of products or goods if required
- ✓ Use delivery documentation including delivery notes
- ✓ Complete the tender documents in ink and sign alterations in full.
- ✓ Obtain import permits for goods that were not made in SA; and
- ✓ Supply the prices that you paid for the goods.

## **Forms**

You will need to complete the following standard forms for National and Provincial government tenders:

FORM	ST 36	Conditions for tendering with the state	Also includes details of the addresses for delivery of your tender application.
FORM	ST 8	Official cover page of the tender document	To be signed in ink. Includes details of the buying department, validity period and closing date
FORM	ST 5	Tax Clearance Certificate	Obtained from SARS, should be valid at time of submitting the tender and should have a validity period longer than the validity period of the tender document.
FORM	ST 6	Essential conditions relating to the tender	Supplementary conditions to those laid out in ST36. Important to study carefully, as deviation from these conditions may invalidate your tender.



FORM	ST 7	Closing dates, tender number, durability, service concerned. Different ST7 forms may be used for different types of goods or services.	Also deals with the description of the product of price, delivery period etc.
FORM	ST 10	Asks questions that will help in the adjudication of the tender	State any deviation in specification from those in the original tender; whether or not your quoted price is firm; whether you are an agent for the product or service; the amount of stock you carry; the type and location of the service facilities you offer; your VAT number (if any).
FORM	ST 11	Promotes development of local businesses	Preference Point Certificate to be signed. Applies only for services less than R2 million.
FORM	ST 12	Prevents tendering on the basis of association	Declaration of interest. EnPromotes development of local businesses during fair and equal treatment, you must declare any relations with members of the tender board or government department.

**Note: These forms are part of the tender invitation and are also available at any procurement office.**

## Get Help With Completing Tender Documents

You can get help with the completion of tender documents from:

- ✓ Other business people who have done this
- ✓ A business consultant
- ✓ A bookkeeper or accounting officer

The bookkeeper or business consultant will charge a fee for helping you, while another business owner will probably do it for free.

## Manage The Risks Involved

Any business activity, whether it is a regular business activity or delivering according to the terms of a contract, is subject to risks.

When a business is always in crisis, the risks of the business are not managed properly. Reasons for poor risk management are:

- ✓ Inability to decide what to do
- ✓ When to do it
- ✓ Whether enough has been done

In order to manage risks we have to understand what a risk is. In my view the most helpful definition is that given by Larry Krantz, Chief Executive of Euro Log Ltd in the UK.



Larry says that:

**'A risk is a combination of constraint and uncertainty'.**

We all face constraints (limitations or restrictions) in our businesses, and also uncertainty. We can minimise risk either by eliminating constraints or by finding and reducing uncertainty.

There are two stages in the process of Risk Management:

- ✓ Risk Assessment and
- ✓ Risk Control.

## Risk Assessment

Risk Assessment can take place at any time, though the sooner the better. Risk Control cannot be implemented without doing a Risk Assessment. Most people tend to think that once they have done a Risk Assessment, they have done all that is needed. This is not true. Like everything else in a business, risk has to be controlled.

Risk Assessment has three elements:

### ***Identify Uncertainties***

Explore the entire contract and look for areas of uncertainty.

### ***Analyse Risks***

Specify how those areas of uncertainty can impact on delivering the products or service as required by the contract.

### ***Prioritise Risks***

Determine

- ✓ Which risks should be eliminated completely, because they have the potential of impacting extremely on the business or because they will need regular management attention,
- ✓ And which risks are small enough not to impact too much on the business and will not need detailed management attention.

## Risk Control

In the same way, Risk Control has three elements:

### ***Reduce the effect of Risks***

There is always something you can do beforehand to reduce the effect of risk. For example, you can service and maintain your vehicles regularly to minimise vehicle breakdowns.

When you mitigate risk, you take whatever actions are possible in advance to reduce the effect of Risk. It is better to spend money on reducing the effect of risk than to sort out the problem later.

### ***Plan for Emergencies***

Once you have identified risks that could impact severely on your business and you have taken steps to reduce the effect of the risk, also have in place an emergency plan.

You must have the emergency plan in place before the problem arises, so that you and everyone else know what to do in the case of an emergency. If a vehicle does break down, which vehicle will be sent to replace it, for example, how long will it take and who must drive the replacement vehicle. Other things that should also go into the emergency plan could be: how quickly will the vehicle be repaired and brought back into service, and so on.

### ***Measure and Control***

Track the effects of the risks identified and manage them to a successful conclusion.

This means that you have to check continuously whether the steps you have implemented to reduce the risk is working and, when a problem occurs, whether the steps stated in the emergency plan are taken so that the effect of the problem is minimal.

If we use the servicing of vehicles as an example, you have to check that the services are done as stated in your plan. Then, if a vehicle does break down, was the replacement vehicle sent with the replacement driver, was the broken down vehicle fixed in time and brought back to service, etc.

We have shown these elements as three separate branches of the same tree. This is correct, but it is important to remember that the process is in fact an iterative one, and the Risk Assessment is only completed when you are satisfied that any undetected risks are now insignificant.

## **Summary**

The risk plan should include, against each identified risk, an emergency plan to recover from the risk.

This plan will

- ✓ Name the person accountable for recovery from the risk,
- ✓ The nature of the risk
- ✓ The action to be taken to resolve it, and
- ✓ The method by which the risk can be spotted

***A risk which has been reduced may still be a significant and dangerous risk and will still require emergency plans.***

## **Risk Management**

Tendering for business is not easy money – there are risks involved. Some of these risks include:

- ✓ Cash flow
- ✓ Funding requirements
- ✓ Compliance requirements
- ✓ Performance requirements
- ✓ Technical requirements

In order for you to manage these risks, you have to analyse the requirements of the tender in order to determine what you can do.

# Analyse Tender Requirements

Before you even consider tendering for work, you have to study the terms and conditions of the tender in detail.

In a group, discuss why a tender document should be studied in detail

There are many reasons for this: to know what has to be done, when and how it should be done, what the penalties are for non-delivery, start and finish dates, payment terms and conditions, reports that have to be handed in, dispute procedures, etc

The tender will provide details about payment terms, compliance requirements, performance requirements as well as technical requirements.

You have to find out if you will be able to cope with the delivery terms of the tender. Take the following steps to analyse the tender document:

- ✓ Get the information you need
- ✓ List the requirements laid down by the tender
- ✓ Do a work breakdown or product itemisation
- ✓ Calculate unit costs & implement profit mark-ups
- ✓ Complete a schedule of quantities/products/services
- ✓ Plan the delivery of products or services
- ✓ Identify risks
- ✓ Determine how you will manage these risks

1. **Extract information from bidders meetings and tender documents:** Before you complete the tender documents you first have to read through it very carefully so that you know what is required and whether you can actually compete for this tender.
2. **List the tender requirements:** Now you have to make a list of the tender requirements and then determine whether you will be able to deliver in terms of the tender requirements.
3. **Do a work breakdown or product itemisation**
4. **Calculate unit costs & implement profit mark-ups**
5. **Complete the schedule of quantities/products/services**

## Planning

Nothing in life happens without planning, you even plan attendance at a soccer or rugby match: you have to budget for the amount of the ticket, you have to make sure that you are not working that day, you have to arrange for transport there and back, you probably arrange to sit with friends and so on. All this involves planning

When you have secured a contract, the delivery of the terms and conditions of the contract must also be planned. You have to arrange for vehicles, drivers, administration procedures to comply with the documents that will be required before you can get payment and many other things. This is one of the reasons why you have to study the contract: so that you can plan how to deliver against the contract.

## Plan the delivery of products or services

What do you have to take into account when you plan the delivery of the terms and conditions of the contract, also called the deliverables?

- ✓ What is the purpose of the contract – the goals and objectives
- ✓ What specific tasks have to be done in order to deliver against the contract
- ✓ Where will the resources come from: money, people such as drivers and administration clerks, vehicles and other equipment

- ✓ The contract will state exactly how the service or products must be delivered: the time of delivery, the date(s) of delivery, the quality of delivery
- ✓ What can happen to prevent the delivery of the product or service – in other words, what risks are there for your business

## Action Plan

Once you know this, you can draw up a schedule for the tasks that have to be done. You will usually do this by means of an action plan.

### Prioritising tasks

The first thing you have to do is to list the tasks in order of importance. This is called prioritising tasks.

One would think that the first thing you have to do would become the first task, but this is not always true. You also have to take into account how long a task will take.

If we use baking a cake as an example, the first step according to the recipe would be to get the ingredients together – the flour, sugar, butter, etc. BUT the cake also has to be baked at a certain oven temperature, so the first thing you would actually do, would be to turn the oven on to the correct temperature, as the oven takes some time to reach the temperature you want. If your first step is to turn the oven on, it will have reached the correct temperature by the time you have mixed all the ingredients together so you do not have to wait for the oven right at the end of the process.

So, when you prioritise tasks you have to take into account:

- ✓ Which tasks have to be done first
- ✓ How long will each task take
- ✓ Will you have to do certain tasks first because they will take longer to finish
- ✓ Which tasks will only have to be done at a later stage

Here is an example of a task list in order of importance, with space where the finish date must be written in:

<b>Task list</b>	<b>Date when it must be completed</b>
1. list the first task, e.g. arrange insurance for the bus	State the date: 16 June 2...
2. list the second task, e.g. plan the route	State the date: 18 June 2.....

### Allocate resources

Once you have prioritised your tasks, you have to state which resources you will need in order to finish the tasks: people, money, vehicles and equipment, etc.

You will allocate resources for each task you specified. This means you will add a table to your task list, to create space to list the resources.

Following is an example:

<b>Task list</b>	<b>Completion Date</b>	<b>Who will be responsible</b>	<b>What will they need</b>
1. Arrange insurance for the bus	16 June	Someone to phone the insurance company, e.g. Sipho (you as the business owner) to phone the insurance company	Telephone to make the call
2. Plan the route			Transport to the insurance company to complete the forms
2. Plan the route	18 June	Someone to plan the route, e.g. Samson (the driver) will plan the route	A road map
			Writing materials: pencil, pen and paper

## Criteria

How will you know that the task has been completed in a satisfactory way? You have to tell yourself and your staff how the task should be done.

Following is an example of the action plan:

<b>Task list</b>	<b>Completion Date</b>	<b>Who will be responsible</b>	<b>Resources</b>	<b>Criteria</b>
1. Arrange insurance for the bus	16 June	Sipho to phone the insurance company	Telephone to make the call	Confirmation of insurance from insurance company
2. Plan the route			Transport to the insurance company to complete the forms	
2. Plan the route	18 June	Samson will plan the route	A road map	Completed route map
			Writing materials: pencil, pen and paper	

## Identifying risks

Now you have to write down what the risks for the business could be if these tasks are not completed in time and in the right way.

<b>Task list</b>	<b>Completion Date</b>	<b>Who will be responsible</b>	<b>Resources</b>	<b>Criteria</b>	<b>Risks</b>	<b>How prevented</b>
1. Arrange insurance for the bus	16 June	Sipho to phone the insurance company	Telephone to make the call	Confirmation of insurance from insurance company	Contract can be cancelled if proof of insurance not handed in by 18 June	Hand in proof of insurance by 17 June
			Transport to the insurance company to complete the forms			
2. Plan the route	18 June	Samson will plan the route	A road map  Writing materials: pencil, pen and paper	Completed route map	Driver can get lost on first trip, resulting in penalties	Test route by 19 June

## Manage The Risks

### **Cash flow and funding**

When you are dealing with tenders, the money will only be paid once the terms and conditions of the tender have been complied with and then only on specific dates as indicated in the tender document.

It could happen that you have to wait 60 days or longer for payment of invoices and this will affect your cash flow negatively.

When considering the risks involved, you also have to consider how the tender will affect the cash flow of your business.

If you find that your cash flow will be severely affected, you have to consider alternative solutions, for example getting funding to carry the business financially for the period you have to wait for payment.

This involves extra costs and these should be included in cost calculations.

# **Compliance, Performance And Technical Requirements**

There are a couple of things you could do to comply with the requirements of the tender.

## **Subcontracting To a Larger Business**

At times the conditions of the tender may be too much for you to handle on your own. The number of goods that must be delivered could be too much for you alone, for example, or they might require more buses or delivery vehicles than you have. At times like this it makes sense for smaller businesses to work together in order to get the business. Or, you can work together with a larger business until you are able to tender on your own.

### **Some advantages:**

- ✓ It is easier to get into the market
- ✓ You have to lay out less of your own capital
- ✓ You can gain experience about the tender process and then later on you can tender on your own.

### **Some disadvantages**

You have to follow the guidelines laid down by the bigger business, which means that you are not in a position to operate independently.

When you subcontract to a larger contractor, the larger company remains responsible for delivering the goods or services as per the tender. This means that the larger contractor "takes a chance" by using you, therefore the larger contractor will expect certain things from you. They will look at the following:

- ✓ Your track record: how have you conducted your business to date?
- ✓ Quality of your staff: is your staff competent to handle the conditions of the tender?
- ✓ Customer care: how good is your customer care? Do you put the interests of your customers first? Are your customers happy with your products/service?
- ✓ Are you and your company reliable? Can the contractor depend on you to deliver on time every time according to the standards laid down?
- ✓ The quality of your equipment and vehicles: is your equipment reasonably modern so that breakdowns will not occur? Are your vehicles in a good condition so that there will not be delays with transporting goods or passengers?

Of course, if you are the major bidder, you will want the same assurance from smaller companies that will help you to deliver the goods or services.

## **Joint Ventures, Strategic Alliances, Etc**

The very nature of the tender system in its present format, namely to subcontract a certain portion of tendered services to SMME operators, is a significant opportunity for alliances and joint ventures. This is an ideal opportunity for the entrepreneur to enter the industry and to learn from experienced operators.

To provide entrepreneurs with structured assistance, it is essential that particular attention be paid to the further development of sufficient models, such as:

- ✓ Joint ventures
- ✓ Strategic alliances
- ✓ Subcontracting models
- ✓ Empowerment models
- ✓ Ownership models



Various initiatives are already in place in the industry that provides excellent opportunities to small entrepreneurs. These opportunities include:

- ✓ Driver ownership schemes
- ✓ Profit sharing schemes
- ✓ Establishment of separate subcontracting employee companies
- ✓ Selling of sub-units of the operation to workers
- ✓ Community ownership

It is essential that prospective entrepreneurs acquaint themselves with these initiatives and developments and also show their interest and commitment to participate. Various other models may also be considered and entrepreneurs can play a significant role in showing interest to participate in new developments.

### Activity 9(SO4, AC1-4) (Group Activity)

# UNIT STANDARD 114974

SOUTH AFRICAN QUALIFICATIONS AUTHORITY

## REGISTERED UNIT STANDARD:

Apply the basic skills of customer service

SAQA US ID	UNIT STANDARD TITLE					
114974	Apply the basic skills of customer service					
ORIGINATOR	ORIGINATING PROVIDER					
SGB Insurance and Investment						
QUALITY ASSURING BODY						
FIELD			SUBFIELD			
Field 03 - Business, Commerce and Management Studies			Finance, Economics and Accounting			
ABET BAND	UNIT STANDARD TYPE	PRE-2009 NQF LEVEL	NQF LEVEL	CREDITS		
Undefined	Regular	Level 2	NQF Level 02	2		
REGISTRATION STATUS	REGISTRATION START DATE	REGISTRATION END DATE	SAQA DECISION NUMBER			
Reregistered	2012-07-01	2015-06-30	SAQA 0695/12			
LAST DATE FOR ENROLMENT	LAST DATE FOR ACHIEVEMENT					
2016-06-30	2019-06-30					

In all of the tables in this document, both the pre-2009 NQF Level and the NQF Level is shown. In the text (purpose statements, qualification rules, etc), any references to NQF Levels are to the pre-2009 levels unless specifically stated otherwise.

This unit standard does not replace any other unit standard and is not replaced by any other unit standard.

## PURPOSE OF THE UNIT STANDARD

This Unit Standard provides a broad introduction to customer services and includes both internal and external customers. The focus is knowledge, skills, values and attitudes in relation to the learner's own context and experience of the world of work.

The qualifying learner is capable of:

- Explaining customer service.
- Engaging in an interaction with a customer.
- Demonstrating communication skills in responding to a customer.
- Processing a query in order to respond to a customer need.



## **LEARNING ASSUMED TO BE IN PLACE AND RECOGNITION OF PRIOR LEARNING**

Learners should:

- Hold a GETC or equivalent qualification.
- Be competent in communication and mathematical literacy NQF level 1.

## **UNIT STANDARD RANGE**

The typical scope of this Unit Standard is:

- Customer enquiries from internal and external customers including, but not limited to, needs, problems, complaints, requests for specific information and enquiries of a general nature.
- Customer interaction may be face to face and/or on the telephone.
- An approach to a customer includes, but is not limited to resolving conflict, dealing with aggression, empathy and awareness of issues of diversity.

## **Specific Outcomes and Assessment Criteria:**

### **SPECIFIC OUTCOME 1**

Explain customer service in a financial services environment.

#### **ASSESSMENT CRITERIA**

##### **ASSESSMENT CRITERION 1**

The concept of good customer service is explained with reference to a business sector and an organisation's competitive edge.

##### **ASSESSMENT CRITERION 2**

Different types of customer are identified within a specific organisation.

##### **ASSESSMENT CRITERION 3**

The consequences of poor service are identified with reference to the customer, the employee and the organisation.

##### **ASSESSMENT CRITERION 4**

The procedure for escalating queries is explained with reference to own limit of authority.

### **SPECIFIC OUTCOME 2**

Engage in an interaction with a customer.

#### **ASSESSMENT CRITERIA**

##### **ASSESSMENT CRITERION 1**

An interaction with a customer is opened with reference to an organisation's internal standards.

##### **ASSESSMENT CRITERION 2**

Information is requested to clarify the need.

##### **ASSESSMENT CRITERION 3**

The customer's needs are identified and reflected back to the customer to confirm understanding.

##### **ASSESSMENT CRITERION 4**

Non-verbal communication clues are used to determine an approach to the interaction.

##### **ASSESSMENT CRITERION 5**

An interaction is closed with reference to an organisation's internal standards.

### **SPECIFIC OUTCOME 3**

Demonstrate communication skills in order to respond to a customer need.

#### **ASSESSMENT CRITERIA**

##### **ASSESSMENT CRITERION 1**

Active listening skills are demonstrated in three different customer service interactions.

##### **ASSESSMENT CRITERION 2**

Keywords are identified in a customer dialogue and used to formulate an appropriate response.

##### **ASSESSMENT CRITERION 3**

The main details of the customer's needs, request, query or complaint are recorded and the entry is checked for accuracy with the customer.

### **SPECIFIC OUTCOME 4**

Process a query in order to respond to a customer need.

#### **ASSESSMENT CRITERIA**

**ASSESSMENT CRITERION 1**

Information about the customer and the need is used to formulate an appropriate response.

**ASSESSMENT CRITERION 2**

The response is communicated to the customer using appropriate language.

**ASSESSMENT CRITERION 3**

Enquiries outside own level of authority are escalated to the appropriate party.

**ASSESSMENT CRITERION 4**

An agreement on follow up actions is reached with the customer.

**ASSESSMENT CRITERION 5**

Feedback on the progress of a query is given to the customer.

**UNIT STANDARD ACCREDITATION AND MODERATION OPTIONS**

This Unit Standard will be internally assessed by the provider and moderated by a moderator registered by a relevant accredited ETQA or an ETQA that has a Memorandum of Understanding with the relevant accredited ETQA.

**UNIT STANDARD ESSENTIAL EMBEDDED KNOWLEDGE**

N/A

**Critical Cross-field Outcomes (CCFO):****UNIT STANDARD CCFO IDENTIFYING**

The learner is able to identify and solve problems in responding to and processing a customer query.

**UNIT STANDARD CCFO WORKING**

The learner is able to work effectively with others as a member of a team or organisation in responding to customer queries and escalating enquiries that are outside the level of own authority.

**UNIT STANDARD CCFO ORGANISING**

The learner is able to organise and manage him/herself and his/her own activities responsibly and effectively in dealing with queries and knowing when to escalate the problem to another authority.

**UNIT STANDARD CCFO COLLECTING**

The learner is able to collect, organise and critically evaluate information in providing customer service.

**UNIT STANDARD CCFO COMMUNICATING**

The learner is able to communicate effectively in responding to customer queries.

**UNIT STANDARD CCFO DEMONSTRATING**

The learner is able to demonstrate an understanding of the world as a set of related systems by recognising the consequences of poor customer service.

**UNIT STANDARD CCFO CONTRIBUTING**

The learner is able to be culturally sensitive in engaging in interactions with customers in a business environment.

# CUSTOMER SERVICE

## **Outcome**

Explain customer service in a financial services environment

## **Assessment criteria**

- ✓ The concept of good customer service is explained with reference to a business sector and an organisation's competitive edge
- ✓ Different types of customer are identified within a specific organisation
- ✓ The consequences of poor service are identified with reference to the customer, the employee and the organisation
- ✓ The procedure for escalating queries is explained with reference to own limit of authority

## **Why Is Customer Service Important?**



The customer is the only one who brings money into the business! Everything else in the business costs money – production, delivery, administration, finance, stores. All this costs money and not one of the employees is bringing his own money into the business. Or are you prepared to work for no pay?

So, where do you think the money comes from? From the customers buying your products or making use of your services, of course. If nobody buys the products

or services that your business offers, where will the money for your salary come from?

Let us use a few examples to further emphasize this point:

- ✓ If you own a taxi and you have no passengers, how will you live? Where will the money come from to pay for the taxi, insurance, your food, clothes, house, etc? So, how can you possibly have an arrogant and don't care attitude towards your passengers?
- ✓ If you are a bus driver, the passengers who make use of your bus service pay to be transported. How then can you justify bad driving, rudeness or even ordering your passengers about? They are paying to make use of your service and you should be the humble one, not your passengers.
- ✓ If you are a hair dresser and you dye a customer's hair purple instead of blonde, how can you expect your customer to pay for that? Your customer is not the one who should pay for your mistake – you made the mistake and you should pay for it and pay for it double – by fixing up the customer's hair and adding a few extra hair sessions for free.
- ✓ If you are a doctor, you do not have the right to keep your customers waiting for hours and then rush through the examination. Your time is not more important or of more value than those of your patients. Furthermore, how dare you be rude and condescending towards people who are paying for your service?
- ✓ If you are a car dealer and you sold a customer a car that is giving him problems, how dare you act like it is not your problem? If you want more customers, you had better sort out that problem or it may happen that you will not have any other customers.
- ✓ If you work in a clothing store and a customer wants a dress or shirt in a size that is not available in your store, the right thing to do is to phone around to other stores for the correct size. How dare you send the customer to three or four other stores in order to find the correct size? That is your job and, if you want the customer to come back to your store, you had better start working on customer service.

- ✓ And so the list goes on and on and on. We have all had bad experiences which have caused us not to go back to that company. Do you really want this to happen to your organisation?

## **Customers Vote with Their Money**

Remember that customers vote with their money.

- ✓ Don't think that they will automatically continue using our services. Their vote of confidence will only be confirmed once they buy their next product or service.
- ✓ Our past achievements do not count much. The way in which we manage the moments of truth is what really makes the difference.



## **Changing Our Culture and Mindset**

To adapt to changes in the environment is not easy, but mandatory.

***The way we serve our customers will determine our relevancy in the market, and if we are not relevant, we will be out of business soon.***

Proactive customer care is therefore a mindset and attitude that should form the basis of our approach to our work in general.

***Everyone in the organisation should take the needs of our customers to heart and try our very best to satisfy their needs to the best of our ability.***

To really be effective in the market, the entire organisation should change. This is not an easy task. It has become clear that we have to change to stay relevant in the market.

### Activity 1 (SO1, AC1): group activity

## **Good Customer Service**

***"I am the customer, satisfy my needs - add a friendly touch and a little personal attention - then I will become a walking advertisement for your business. Ignore my needs, be careless, inattentive and badly mannered and I will never have anything good again to say about your business."***

In the financial sector, as will all other business sectors, customer service is the only activity that will make a difference to the customer. Businesses in the same business sector offer the same kinds of products and services at prices that are very competitive. For the customer, there is little to choose from when making a choice between financial consultants, insurance companies and banks. The only way a business can stand out and attract the attention of customers is by excellent customer service. This means that :

- ✓ Customer service is the key to a business's success.
- ✓ It is everyone's responsibility.
- ✓ Personal appearance and professionalism provide the foundation for customer service excellence.
- ✓ Poor customer service is expensive.
- ✓ Good customer service is invaluable.

- ✓ Good service results in increased productivity and profits because management and employees are all working together to achieve the same goal, to ensure that the business is successful.

## **Ten Commandments of superior customer service relationships**

1. The customer is the most important person in the business.
2. The customer is not dependent on you - you are dependent on the customer. You work for the customer.
3. The customer is not an interruption of your work. The customer is the purpose of your work.
4. The customer does you a favour by visiting your business. You are not doing the customer a favour by serving them.
5. The customer is as much a part of the business as anything else, if the business was sold, the customer would go with it.
6. The customer is not a cold statistic. The customer is a person with feelings and emotions, just like you. Treat the customer better than you would want to be treated.
7. The customer is not someone to argue with or compete against.
8. It is your job to satisfy the needs, wants and expectations of your customers and, whenever possible, resolve their fears and complaints.
9. The customer deserves the most attentive, courteous and professional treatment you can provide.
10. The customer is the lifeblood of your business. Always remember that without customers, you would not have a business. You work for the customer.

## **What Customers Want**

### **Fast service**

Customers don't want to wait for service; they want it as quickly as possible. We all know this is not always possible, but if you follow these tips, it should help you with your customer relations:

- ✓ Acknowledge the customer, don't ignore him/her. "Good day, I will be with you in a moment."
- ✓ Work as fast as you can without being rude to anybody.
- ✓ Do not have lengthy private conversations with someone else while a customer is waiting. Customers find this irritating.
- ✓ If you are still learning how to do the job, explain this to the customer. They will usually understand.
- ✓ Apologise if you have kept a customer waiting.

### **Courteous service**

Never underestimate the value of common courtesy. Saying "please" and "thank you" will go a long way towards keeping your customers happy.

- ✓ "Certainly Mrs Mokoena. May I please have your account number?"
- ✓ "Good day Mr Naidoo. How may I help you?"
- ✓ "Thank you for calling and for bringing this to our attention"
- ✓ "Thank you for your patience"



- ✓ “It’s a pleasure Mrs Niemann” – or – “You’re welcome. Have a wonderful day”

## **Consistent service**

Whether a customer is dealing with you or with a colleague, the quality of service he receives should not differ. He should be able to expect and rely on a high level of service, regardless of who he speaks to.

## **Someone who will listen**

It is not merely a part of your job to listen to customers. It is most likely the most important function you have to fulfil. Communication immediately breaks down when one party to a conversation is not listening. It will result in the customer repeating his request / information, etc., which will lead to annoyance.

The customer has a right to expect you to listen to his/her problems with the service your organisation is giving. The customer also has a right to expect you to give him/her information if they request this.

## **A knowledgeable Person to deal with**

Customers expect, and deserve, to speak to someone who is knowledgeable about the organisation’s products and services, and who won’t waste their time. They want an immediate response to their problem, rather than a call-back at a later stage.

## **Expert advice**

There is often more than one product / service option that could satisfy a customer’s needs, each with its own benefits. Therefore they need advice on which option will best suit their needs. Your product knowledge and experience with other customers will help you to make the correct recommendations. Remember, it is in your best interest that the customer does not make a wrong decision.

## **Smooth transactions**

It is your duty to make sure that everything works smoothly for the customer. When new policies are introduced, or other obstacles are presented to customers, you need to smooth these over with the customer. It may mean taking extra time to explain something, but you will retain happy customers.

- ✓ “Don’t worry. It’s not that confusing. Let me explain it for you.”
- ✓ “I can quickly show you how the new policy will help you.”
- ✓ “I understand why you don’t like the changes. Perhaps we can go over them together and I can point out some of the benefits.”

## **A specific commitment**

It may happen that a customer requires specific information that you possibly cannot supply him with at that time, in which case you will have to make a few inquiries and call him back. Never be vague in your commitment to call him back, for example:

- ✓ “I will call you back towards the end of the week.”
- ✓ “I will get back to you sometime later today, or perhaps tomorrow.”

Be as specific as you possibly can.

- ✓ “I’m not sure why the error appeared on your account. I will look into it and call you back by three o’clock this afternoon. Would that be a good time to call you?”
- ✓ “It may take a day or two to find out what happened to your order. I will talk to the relevant departments and get back to you on Friday. What would be a good time for me to call?”

Of course, if you are driving a bus or another transport vehicle, it may not always be possible for you to call the customer back personally. In that case, you take the problem

to one of the administrative staff whose job it is to handle customer queries, request them to contact the customer in order to sort out the problem and THEN YOU HAVE TO MAKE SURE THAT THEY DO CALL THE CUSTOMER!

When customers have suggestions about the improvement of service, you also have to bring this to the attention of the responsible people in the organisation.

***In short, you have to CARE for your CUSTOMERS!***

***Customer service is meeting or exceeding the expectations of customers in the process of satisfying their needs***

## Activity 2 (SO1, AC1): group activity

Let us take a look at areas that need improving as far as customer service in the financial sector is concerned

<b>Where we were</b>	<b>Where we want to be</b>
Customers are merely using our services	Customers pay our salaries
Sometimes they are wasting our time	Customers are kings
We know what they want	We must find out exactly what they want and try our best to exceed their expectations
We have a captive market	We must outperform the competition

## **Competitive Edge**

Every business wants to gain the competitive edge. What is the competitive edge?

***Is what you have when customers can see that your products or services are better than those of your competitors***

Those activities you undertake attract customers to your organisation and away from the competition are what gives you the competitive edge. As mentioned, all banks and insurance companies offer the same products and services. The only way you can make sure that customers come to you instead of going to the competition is to provide such good customer service that your customers stay loyal and recommend your business to other people.

## **Satisfied and Loyal Customers**

- ✓ Satisfied customers are not automatically loyal
- ✓ Satisfied means different things to different people
- ✓ We must understand what our customers expect so we can **Wow!** them
- ✓ Customers don't expect us to give them so much that we drive ourselves out of business
- ✓ Customers will be loyal to an organisation that exceeds their expectations
- ✓ A loyal customer has had a customer experience that he or she wants to repeat over and over again
- ✓ A loyal customer may forgive us when there is a problem
- ✓ A loyal customer will recommend us
- ✓ Competitors can easily lure "satisfied" customers away, but competitors have to work hard to capture loyal customers
- ✓ Earning customer loyalty is everyone's responsibility

## **Steps To Earning Customer Loyalty**

There are two steps to earning the loyalty of your customers:

- ✓ Provide the service or product the customer wants, when they want it and the way they want it.
- ✓ Then, we have to go a step further – we have to exceed their expectations by doing something they don't expect.

Activity 3 (SO1, AC1): group activity

Activity 4 (SO1, AC1, 3): self analysis

Activity 5(SO1, AC3): case study

## **Moment Of Truth**

**A moment of truth is possibly the single most important item of this entire programme. During this delicate interaction with the customer, we as key staff members can keep a loyal customer satisfied, or hand him or her to the competition forever.**

A moment of truth can be defined as

- ✓ any interaction
- ✓ or contact

between

- ✓ the customer
- ✓ and the company,
- ✓ its staff or its products and services.

**During this moment the customer can decide to use your product or service or not.**

Every moment of truth may result in a decision by the customer, either positive or negative.

**“Every time that we are in contact with a customer, it is a moment of truth, a point in the ongoing relationship between us which is going to guarantee the future of our business...or turn that customer over to our competitors.”**

**“Every time that we are face-to-face with a customer we are on trial, and at the moment of truth, the customer is both the judge and jury, and has ultimate power. They can use you or drop you.”**

Moments of truth are critically important in securing customer loyalty.

An important question that should be answered is **What's In It For Me?** This is the most important question that the customer asks, what's in it for me.

If the customer does not perceive that there is something in the deal for him, the deal would not go through. Maybe this is the reason why there is a tendency to lose customers after a fare increase. At that moment that customer perceives that the value of the ticket is more than the value he or she will get. There is not much in the deal.

## **What Customers Hate**

***In understanding the customer it is also essential to know what they dislike or hate.***

***The following are items that customers normally dislike:***

- ✓ It's not my job. Sometimes customers expect every member of the organisation to assist them with whatever complaint they have. You may not know all the answers, but the least you should be able to do is to direct customers to those people who can help them. As far as the direct customer interface is concerned, every member of the organization should be in a position to assist every customer with the routine business issues such as information, prices, availability, etc.
- ✓ I only work here, or I am not paid to do that. If a customer gets this reply, he or she is automatically upset. This is a severe blockage in the customer relationship and no reply of this nature should ever be made by any responsible staff member.
- ✓ Come back tomorrow. People like to be helped immediately. Telling them to come back tomorrow will not make friends.
- ✓ Please stand in the complaints queue. People hate queues.
- ✓ Dealing with more than one person. Customers prefer to deal with one person, and especially the person that helped them initially.
- ✓ Put your queries on paper or fill in a form. Customers hate writing and want their complaints settled verbally.
- ✓ Broken promises. Nothing upsets a customer more than a broken promise. This is a sure response to ensure that the customer will lose faith and trust in the company. Never make a promise unless you can live up to it.
- ✓ Eating. Eating while dealing with customers is a sign of disrespect and should be avoided at all times.
- ✓ Chewing gum is also a sign of disrespect.
- ✓ Private phone calls. A private call while dealing with a customer may give the impression that the customer is not important. Customers always want to feel that they are important and special.
- ✓ Smoking. Smoking while dealing with customers and the public is also a sign of disrespect.
- ✓ When a job is not done properly. Imagine you service your car at a specific dealer and half of the instructions have not been carried out. Everything should be done as expected by the customer.
- ✓ Queues. Standing in long queues is frustrating and a waste of time. Although it is not possible to avoid queuing, every effort should be made to reduce the frustration of long queues. Even a friendly word when the customer reaches the counter can have a very positive effect on the customer.
- ✓ Prejudice kills trust and faith. Be as objective as possible and try to listen to what the customer wants to say. Be objective and fair in your assessment.
- ✓ Untidiness is a sure source of customer dissatisfaction.
- ✓ Place. Any venue or place associated with the company should at all times be neat and clean.
- ✓ Person. People working for the company are our ambassadors and a neat appearance is mandatory.



- ✓ Lack of punctuality. Punctuality is a key aspect of the service industry. Punctuality is therefore of critical importance to ensure lasting customer relationships. People tend to remember the single unfortunate incident and tend to forget the hundred times the service was good.
- ✓ Excuses tend to break down the customer relationship. Rather apologise and accept the blame if the complaint is legitimate, but don't try to rectify the situation by providing handy excuses.
- ✓ Red tape is also detrimental to the customer relationship. Imagine you tell a person that his complaint will be forwarded to the customer relations department and that they will look into the matter if they have time.
- ✓ Lies and false promises destroy faith and trust. Never lie to any person. Rather tell the person the truth, although it may not be the easiest way out. Sometimes people tend to lie just to get the other person off his back. Lying to a customer is a sure way to lose him or her forever.
- ✓ Arguments and rudeness. Never enter into man argument with a customer. Rather listen to the complaint and try to solve the problem than to argue. You may win the argument on technical grounds but you may lose a loyal customer forever.
- ✓ Waiting. Finally people don't want to wait. As far as possible, attend to customers immediately.

## **Customer Service Complaint Process**

Every organisation has or should have a procedure to follow when a customer has a complaint. The customer will voice his complaint, usually to one of the front line staff. If he/she cannot handle the problem, it will be referred to the supervisor. If the supervisor cannot solve the problem, it will be referred to the manager and so on upwards until the problem reaches a level where the decision can be made that will solve the problem.

This does not mean that the customer is transferred from the receptionist, to the supervisor to the manager. The receptionist, or other front line employee, will get all the relevant details about the problem from the customer, advise the customer that the problem will be solved but that he/she (front line employee) has to refer the matter to someone more senior and that a representative of the organisation will contact the client within a certain time period.

The matter is then referred to the next level, usually supervisory level, with the receptionist giving the supervisor all the relevant details. Front line staff must realise at this point that the customer made him/her aware of the problem and that the customer will contact him/her if no action is taken.

This means that the problem in essence remains with the first contact person of the organisation until the problem has been solved and the customer is satisfied. Even though the problem has been referred to more senior staff, the customer still regards the first contact as the person responsible for solving his problem.

Therefore, if you were the first contact with the customer, it is imperative that you follow up on progress. If you don't and the more senior staff do not contact the customer, you are going to have a very angry customer on your neck. Make it part of your job to ensure that customer complaints brought to your attention are sorted out to the customer's satisfaction, even if you are not the one who will make the final decision. Ask your supervisor or manager about the progress and enquire whether the customer has been kept up to date. This will make your life easier.

## The Process To Follow

### When The Customer Contacts You

- ✓ The first thing to do is to calm the customer down by diffusing emotions such as anger. The best way to do this is to **listen** and not interrupt, then tell the customer what you can do.
- ✓ Take notes of what the customer says as this will demonstrate that you are taking him seriously.
- ✓ Say "uh huh", "umm" etc. as this will also indicate to the customer that you are listening.
- ✓ Practice honest empathy.
- ✓ Remain **calm**. It is easy to get angry in return, but we need to recognise that the customer's anger is directed at the situation and not at us. Do not ever take a customer's anger personally, as it is not aimed at you – the customer is simply taking his frustration out on you. You might not like it, but **it is the customer's right to do this**. If you can sympathise and empathise with the customer in your mind while the customer is complaining, you will not take his anger personally. Pass comments like "I can see this is a problem".
- ✓ Admit the problem if necessary but do not compromise your organisation.
- ✓ While the customer is talking, make notes of the key points of the problem.
- ✓ Get agreement on the issue by **summarising** it. "Let me see if I understand ..." "Is there anything else we should resolve ...?"
- ✓ State what action you will follow in detail. Tell the customer **what** you will do to solve the problem, **how** it will be done and by **when** it will be done. The customer wants to know the details of the solution and he has the right to know.
- ✓ Obtain **final agreement** on the solution. Make sure that the customer agrees with your solution - "Will that correct the problem Sir?"
- ✓ If not, go back and start again.



### When you cannot solve the problem but someone else can

- ✓ If you need to refer the customer, do not just say, "I will transfer you" but rather explain why you cannot help and the other person will be able to.
- ✓ Make sure you summarise the situation to the new person dealing with that particular customer and don't expect the customer to explain his complaint all over again. When you do this, you are irritating an already dissatisfied customer.
- ✓ Make sure that the customer is not transferred from one person to the other to another one and to another one again. This is silly and childish – the customer does not want to talk to five or eight or twenty people in your organisation to sort out his problem. He wants to talk to one, maybe two people and then, if the problem can still not be solved, **he wants you to go and talk to all those people in order to sort out his problem!**
- ✓ Unfortunately, we seem to have gotten into the habit of passing customers with complaints backwards and forwards between employees, without solving the problem and without thinking of the effect this might have on the customer! And then we expect the customer to do business with us again! What a cheek we have – the customer owes us nothing and we owe the customer everything – out jobs, income, home, clothes, food –EVERYTHING. Without customers no business will survive and if the business does not survive you will not have a job. If you do not have a job, you have no income and no income means no food, no clothes, no house, no car – it means you have nothing. Look after your customers!

**Understand this – it is not the customer's job to talk to many people in your organisation in order to sort out his problem – that is part of your job. The customer has already paid for the product or service, which is faulty, how can you expect him to pay even more with his time, his telephone bill and his peace of mind in order to get the problem sorted out?**

**If the customer had wanted bad service or faulty products, he would surely not have paid the price charged for good service or products with no faults, would he? No, of course not.**

- ✓ If you cannot solve the problem and the person who can is not in the office or not available, tell the customer that you will refer the problem. Tell the customer who you will refer the problem to and also tell the customer by when the responsible person will contact him. Then you had better make sure that you refer the problem with all the relevant details to the responsible person and then make sure that the problem is solved.
- ✓ Always end by thanking the customer. The last thing you say is the one most likely to be remembered. It also says that you are glad the person brought the problem to your attention and that will make him feel cared about.

**Never use terms like;**

- "I Can't..."
- "That's ridiculous..."
- "Impossible..."
- "Forget it..."
- "My company does not believe..."
  - "You should not..."
  - "It's not my job..."
- "Don't shout at me, it's not my fault..."

**In the customer's eyes you represent the organisation and IT IS YOUR JOB TO LISTEN TO THE CUSTOMER**

## ***Escalate queries***

There will be times when you are unable to resolve the customer's enquiry using the resources at your immediate disposal.

*There is no shame in admitting to the customer that you are unable to answer their enquiry provided that you escalate the problem correctly and see the enquiry through to a close.*

*Escalation is also referred to as "Elevation". Sometimes either of these terms are used to mean making a call higher priority.*

### **When to Escalate a Call**

You may find yourself in a situation where you need to refer your call to your manager/supervisor; for example, if the customer becomes difficult or abusive or begins to raise other, company-wide issues. As soon as you run into problems resolving a customer's enquiry, you should immediately take steps to identify your next source of assistance. Other examples could include:

- ✓ Customer requests it or wants to speak to a manager
- ✓ The problem impacts the business
- ✓ It is a personnel issue (for example a Senior Level Manager or Executive is affected)
- ✓ No apparent solution

- ✓ More than one person is affected
- ✓ More than one department is affected

***The general rule for escalation is if you can't deal with it find someone who can!***

You should also remember to get back to the customer within the time stated. It is so easy to become engrossed in finding a solution that you forget to keep in touch with the customer!

## Query Escalation Routes

Some of the alternatives for call escalation include:

- ✓ Senior staff within the department or branch
- ✓ Staff at another department
- ✓ Customer services department

## Call Escalation Procedure

The key points to remember when escalating a call can be summarized as follows:

- 1) Identify as soon as possible the need to escalate a call.
- 2) Pass on as much detail as possible.
- 3) Obtain an estimate of likely 'time to fix'.
- 4) Stay in control of the query - maintain dialogue with the customer.

***Do not close the communication until the customer agrees.***

## Ownership

Ownership is the problem of who is responsible for the query if the problem is escalated. There are two types of ownership to consider: **actual** and **perceived**.

### Actual ownership

The person who is dealing with the problem; if you have escalated it to someone else, they have ownership.

### Perceived ownership

As you initially took the call, your customer perceives that you have ownership even though you may be handing ownership to another level or area of expertise. **So the customer expects you to keep in touch with them and keep them informed at each phase of the problem-solving process.**

### Managing ownership

A query or problem management system in which calls or tasks can be assigned and which can prompt the user with reminders automatically is a great help in managing the complexity of having more than one person work on a query.

When escalating the query, you must provide the customer with a reasonable time frame of **response**. This does not have to be the time when the problem will be fixed, but the time when they can next expect to hear from the Help Desk.

**The most important thing is for the customer to be contacted within the agreed time frame.** The procedures for the Help Desk should set out a process for ensuring that this happens (for example, recording contact in a management application).

*It is good practice for the department to contact the customer after the first communication both because of the positive impression it creates and because it is better to encourage clients*

*not to make "progress report" calls, as these waste time. However, a client may prefer to telephone to find out the status of a problem (for example, if they are uncertain of how they can be contacted within the time period specified).*

Activity 6 (SO1, AC4): group activity

## ***Handling Difficult Customers***

Activity 7 (SO1, AC1): individual activity

### **Rules of customer service**

The first essential rule of customer service is that "***the customer is always right***".

This is true, even if the customer:

- ✓ Is angry
- ✓ Difficult
- ✓ Is not really right
- ✓ Is shouting at you
- ✓ You did not make the customer angry – it's not really your problem, since it's not really your job.

The second rule of customer service is: "***It's not what you think but what the customer wants***". Put yourself in the customer's shoes, so to speak, and imagine how s/he must be feeling. If you were the customer, you would not care about the suppliers' problems, only your own.

## Tips for calming difficult or angry customers:

Let the caller have his say so that he has the chance of cooling down	Don't say anything which will feed the flames
Apologise for the error or inconvenience	Try to establish a relationship and show that you understand their problem
Listen – do not interrupt	Question fully to obtain all the facts
Deal with the problem, not the personality	Do not get personally or emotionally involved
Take responsibility of the problem unless any action is completely outside your control	Explain misunderstandings without being patronizing
State what you are going to do and do it	Stay cool and calm
Remember, the caller is angry at your organisation, not you	Use "I can hear you are very angry"
Use phrases that show you care for the caller's situation	"I can imagine how you feel"
"I would feel the same way too"	Use "Thank you for bringing this to our attention"
Take action immediately and follow up	

**Remember, when dealing with a difficult customer, it is not so much WHAT you say but HOW you say it.**

**Don't panic**

**Don't try to conceal a mistake, at the risk of harming the department**

**Take responsibility for the error**

**Learn from your mistakes**

**Don't brood over your mistakes**

Activity 8 (SO1, AC1,3): group activity

# **Internal And External Customers**

The customer is normally viewed as a customer external to the company. The customer is the most important person in the company, but is not employed by the company. As a company we are dedicated to serving the customer.

## **Internal customers**

It is also necessary to have customer relationships inside an organisation. If we follow customer care principles inside an organisation, we are better geared to serve our primary and most important customer, namely the customer.

Let us look at a few examples of internal customer relationships:

- ✓ The **Human resource Department** serves the entire staff compliment of the company in terms of remuneration, industrial relations and training services. All employees are therefore clients or customers of the HR department.
- ✓ The **technical department** provides high quality vehicles to their customers, namely the operations or manufacturing department.
- ✓ **Accountants** provide financial statements and management information to their clients, namely management and other users.
- ✓ **Administrative staff** members render a service to their customers, who may be various other people in the organisation.
- ✓ **Security officers** protect the assets of their customers, namely all people working for the company, as well as other external stakeholders.

It is clear that the internal customer relationships play a key role in serving the external customers. The message is therefore clear: If we strengthen the internal customer relationships, we add value to our customers.

Each and every person in the organisation should actively participate in creating value. If someone does not contribute to the customer, either directly or indirectly, we cannot afford to keep such a person on the payroll.

## **External customers**

Everyone outside the organisation is a potential customer. External customers of a financial institution will include:

- ✓ Corporate customers, such as gold and coal mines, chain stores for example Edgars and Shoprite, cell phone companies, etc.
- ✓ Government departments, e.g. SA Revenue Services, SA Police Services, etc.
- ✓ Local government bodies and municipalities
- ✓ Privately owned businesses both small and medium
- ✓ Clubs, such as sport clubs
- ✓ Private individuals like you and I

All these customers pay service and/or administration fees and are entitled to good service and to have their problems solved.

Activity 9 (SO1, AC2): group activity

Activity 10 (SO1, AC3): group activity



# SECTION SEVENTEEN: INTERACTIONS WITH CUSTOMERS

## **Outcome**

Engage in an interaction with a customer

## **Assessment criteria**

- ✓ An interaction with a customer is opened with reference to an organisation's internal standards
- ✓ Information is requested to clarify the need
- ✓ The customer's needs are identified and reflected back to the customer to confirm understanding
- ✓ Non-verbal communication clues are used to determine an approach to the interaction
- ✓ An interaction is closed with reference to an organisation's internal standards
- ✓
- ✓
- ✓ Most organizations have a policy or some sort of standard that should be used when a client is approached. This will mostly include some sort of greeting sentence and the general way you treat the customer.
- ✓ An example would be:
- ✓ Teller: Good day sir, welcome to FNB. How may I help you?
- ✓ Client: Hello, I would like to make several deposits into different accounts please.



## **Extract The Main Idea**

It is essential to have a clear grasp of what the client's needs are so that you can address those specific needs and not waste time on irrelevant issues as this can further aggravate your client.

In order to achieve this you need to create an atmosphere that is conducive to listening.

- ✓ Maintain eye contact to indicate sincerity.
- ✓ Also use nonverbal cues such as a nod of the head to indicate that you understand what is said. This will make it easier for the client to continue and focus on the issues at hand.
- ✓ Repeat the main issues to show the client that you are taking notice of what is said and that you are committed to finding a solution to his problems.
- ✓ Focus on these issues and make notes to help you remember them.
- ✓ By summarising what the client said in your own words will indicate to the client that you are paying attention. It will also help clarify any misinterpretation of what the client said and assist you to concentrate by actively involving yourself in the process.

## **Ask Questions**

Often the client will not reveal all the details of what a problem is. It is then necessary to determine the full extent of the matter by asking relevant questions to clarify his need. Make sure that these questions are to the point and can once again be summarised in your own words to express understanding and commitment.

Certain types of questions will be more helpful than others:

### ***Open Questions***

These generally begin 'How ...?' 'What ...?' "Where ...?" "Who ...?" They require a fuller answer than 'Yes' or 'No'. They may be used to:

- ✓ Gain information: 'What happened as a result?'
- ✓ Explore thoughts, feelings, attitudes and opinions: 'What were you hoping to achieve?' "How are you feeling having done that?" "What's your view on that?"
- ✓ Consider hypothetical situations and explore options: 'What would help?'; 'How might you deal with ...?'; 'What are the possible options for ...?'
- ✓ 'Why?' questions are useful open questions, but can sometimes be less helpful if they sound too much as if they are judgmental – seeking justification for action. In such circumstances they can sound moralising: 'Why did you do that?'

### ***Closed questions***

These invite a 'Yes' or 'No' answer and as such may unhelpfully close down the options for responding: 'Did you not think of that possibility?'; 'Do you get on well?'

Repeated use of closed questions can take the discussion along a downward spiral of awkward communication with the client saying less and less and you becoming pressured to ask more and more questions.

There are times when closed questions are useful as a questioning summary: 'So, overall, you are saying you were pleased with that session?'

### ***Elaboration questions***

These may or may not be open questions, and are used to encourage the person to elaborate on what has already been said: 'Can you give me an example?'; 'Can you say a little more about that?'

### ***Leading questions***

These suggest to the client that a particular answer is expected, and that there are particular beliefs or values that should be held: 'Do you really think that ...?' 'Shouldn't you be considering ...?'

### ***Multiple questions***

Several different questions are asked in one sentence leading to potential confusion for both the client and yourself: 'Is it that you feel ... or that you think it would be better if ... or perhaps that she should ...?'

Usually, you would not use a mixture of the above questions when finding out what the client's needs are.

## **Then, of course, you have to**

- ✓ LISTEN to the client's answer,
- ✓ Pay attention to the client's body language for any hidden messages and
- ✓ Use problem solving techniques to get to the bottom of the problem.

## **Clarify Appropriate Information**

As we have seen, some people use jargon and slang during communication. When this happens it is important to clarify this information by expressing it in plain language and ensuring that you know exactly what is meant thereby.

It is also important that you check with the client that the client understands what you are saying.

## **Check The Client's Interpretation**

An open-ended question asks for more than a simple "yes" or "no" answer and forces the recipient to elaborate on his answer.

These questions normally begin with "who", "what", "where", "when", "which" or "how". Use such questions to ensure that the client understands what you are communicating.

## **Describe and Explain a Range Of Relevant Options.**

Once the problem has been identified and understood by both parties it is time to formulate and agree upon a workable plan of action to resolve the matter at hand.

Suggest a range of possible relevant options to achieve this. You can also ask the client for his/her opinion on how to solve the problem. This lets the client feel that he/she is part of the process and will usually help to calm the client down.

The options that you suggest should always be in line with company policy. Many companies have specific ways in which specific situations are handled and any suggestions you make must always be in line with this.

HiFi corporation, for example, do not give cash refunds. They have what is called a carry in warranty, meaning that the client takes the faulty product back to them and they will then have the product replaced or repaired. You cannot then tell the client that he will get his money back, because it's not going to happen and will irritate the client even more.

## **Reach Consensus On The Most Viable Option**

When the options have been discussed and understood you and the client must agree on which option is the best in the circumstances.

Once you and the client have agreed on the best course of action, you then have to agree to an action plan on how the issue will be resolved. Included in the action plan should be the following:

- ✓ Date of the discussion with the client
- ✓ State the problem/s or issue
- ✓ State the action plan: who will do what
- ✓ Follow up dates: when will follow up be done.
- ✓ Follow up procedures: what will the procedure for following up be: will you phone or write the client, when will the client do this or that, when will your organisation do this or that.
- ✓ Who in your organisation will be responsible for the follow up
- ✓ And any other relevant information

## **Outline The Proper Procedure To Be Followed**

After reaching consensus on which plan of action to follow this plan of action must be outlined and discussed with the customer step by step.

The plan must outline all the responsibilities of both parties as well as deadlines when different steps need to be completed.

If necessary, a letter or e-mail should be sent to the client as confirmation of the discussion.

## **Close the interaction with the customer**

Before you close a call, check with the caller that his/her needs have been attended to and that you are in agreement with the action that is to be taken.

Try to finish the conversation with the caller in such a way that he is left with a good impression of the company. Let him put his phone down first and always replace your own phone gently.

End the conversation on a positive note which leaves the caller with a good impression of the organisation

The following statements will conclude your call in a professional manner

*"Thank you for calling, enjoy the rest of your day"*

*"Thank you for your enquiry"*

*"Good bye and thank you for calling"*

*"Thank you for calling, I will certainly get Sipho to call you as soon as he comes in"*

*"If you have any questions, please call me"*

*"If Sipho does not get back to you by this afternoon, please do not hesitate to contact me again"*

## **Nonverbal Communication**

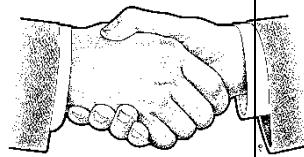
There are many different types of nonverbal communication but for the purpose of this unit standard we are going to deal with nonverbal communication that directly interacts with verbal communication.

When communicating verbally you can express different feelings without even noticing or voicing these feelings. It is important that you know what these signals are and to be aware that you are also communicating these signals to the people you are communicating with. Just as important is that you recognise these signals that others communicate to you.

Some of these signals are:

## **Handshake**

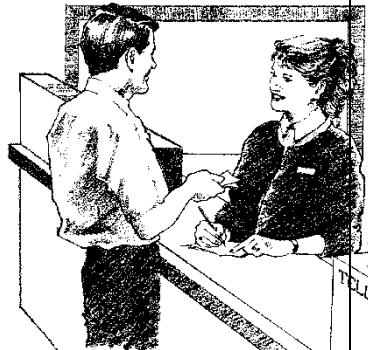
This normally conveys a first impression of the person you are dealing with. A firm handshake will illustrate confidence and gets the other person's attention. Hold on to his hand a little longer than is necessary to keep his attention. A sloppy handshake will, in contrast, can be interpreted as a sign of insincerity and/or laziness.



## **Eye Contact**

Much can be interpreted by eye contact or the lack thereof.

- ✓ **Direct eye contact** and a friendly expression will indicate openness and honesty. Always look the other person in the eye and maintain eye contact to show the speaker that you are listening.
- ✓ **Lack of eye contact** can mean that the listener is not paying attention, is bored with what you are saying or is uncomfortable with what you are talking about. Not making eye contact can also indicate dishonesty and distrust.



## **Gestures**

It is normal to make hand gestures during conversation to emphasise a point, but there are other gestures that convey your inner feelings without you making them consciously.



These include hand-, foot- and leg activity. Restless hands or shaking of the legs or feet can be a sign of agitation or nervousness.

## **Posture**

Sitting or standing straight will indicate that the listener is alert and paying attention, while slouching in a chair or leaning against a wall or door is a sign that the listener is not really interested in what is going on.



Be very careful of this one as it can very easily be misinterpreted, especially in a working- or business environment. A hug and a "high-five" between winning team mates is an expression of victory or celebration, while stroking a secretary's neck when dictating a letter to her can be seen as sexual harassment.

## **Distance**

All of us need personal space and when someone else invades that space we feel uncomfortable and threatened. Personal space is the distance between yourself and the person you are talking to.

The space between close friends or relatives will be much closer than the space maintained by a company director and a subordinate or opposing parties in an argument.

Determine what personal space is appropriate in a situation and maintain that space. Never intrude on someone else's personal space, as this will make the other person feel threatened and distract his attention from what is communicated.

# **Nonverbal Messages**

**A nonverbal message can function together with a verbal message in the following ways;**

A nonverbal message **reinforces** the verbal message by adding to its meaning. Banging your hand on the table while reprimanding someone conveys a stronger message than words alone and adds emphasis to your statement and captures the listener's attention.

A nonverbal message can **complement** a verbal message when it conveys the same meaning. A greeting in a friendly tone of voice, accompanied by a warm smile will compliment your verbal message.

A nonverbal message may **substitute** the verbal message. When you arrive home and are irritable and impatient it is not necessary to tell anyone that you had a terrible day at work. Likewise a passionate hug and kiss will tell your spouse that you love him/her without you having to say it.

Nonverbal behaviour functions to **regulate** the flow of verbal interaction. Slight hand movements, eye contact, tone of voice, nodding of the head and other nonverbal behaviour tells the recipient to talk, repeat a statement, hurry up or finish the conversation. For example, the chairperson at a meeting uses eye contact or hand gestures instead of words to indicate who's turn it is to speak.

A nonverbal message can **accentuate** what is said. While addressing an audience a speaker may talk louder and wave his finger in the air to stress a point that he is making. Speakers at political meetings are very good at this.

A nonverbal message may **contradict** the verbal message. This happens when a speaker says one thing but does another. A new company executive about to make his first presentation to the board of directors may claim not to be nervous despite his trembling hands and sweating forehead. Contradictory cues often tell us when someone is being sarcastic or merely teasing.

## Activity 11 (SO2, AC 1-4): Role play

# COMMUNICATION SKILLS

## Outcome

Demonstrate communication skills in order to respond to a customer need

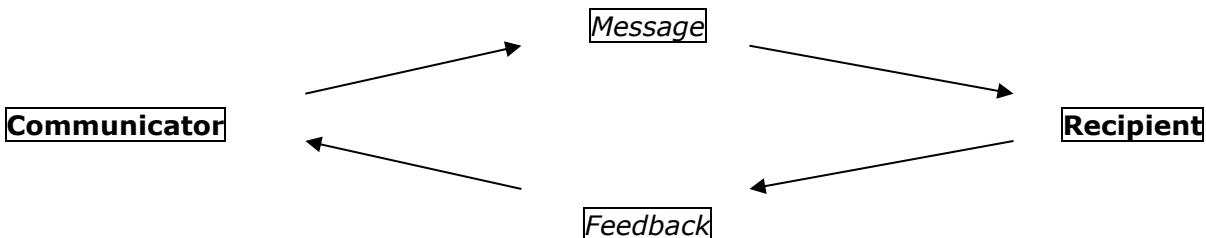
## Assessment criteria

- ✓ Active listening skills are demonstrated in three different customer service interactions
- ✓ The main details of the customer's needs, request, query or complaint are recorded and the entry is checked for accuracy with the customer.
- ✓ Keywords are identified in a customer dialogue and used to formulate an appropriate response

### DEFINITION OF COMMUNICATION

**"HUMAN COMMUNICATION IS THE PROCESS WHEREBY MEANING IS CREATED BETWEEN TWO OR MORE PEOPLE."**  
**(TUBBS & Moss, 1994)**

## The Communication Process



Communication is the interaction between at least two people, the communicator and the recipient. There can, however, be more than one recipient, like an audience listening to a speech or watching a movie.

### The Communicator

starts the communication process by conveying a **message** about what he feels, thinks or believes about a matter that he wishes to share with others.

The **message** is that which the communicator wishes to convey to others by way of communication and can be used by the communicator to attempt to persuade someone to his way of thinking or it can be an idea, thought or feeling that the communicator wishes to share with others. This message needs to be communicated in some form, for while the message remains a thought in the communicator's mind it cannot be received or interpreted by a recipient.

### The Recipient

Receives the message, interprets it and reacts. This reaction is called **feedback**.

### Feedback

is not always verbal, but can also be conveyed by means of other reactions e.g. applause after a good performance, joy after receiving good news or even a bloody nose after insulting someone.

## **Forms Of Communication**

There are many forms of communication such as personal-, mass-, intercultural- and organisational communication, but for the purposes of this unit standard we will only deal with personal communication as communication with clients in a financial environment is normally conducted on a one-on-one basis.

### ***Intrapersonal Communication***

Before reacting to a message the recipient thinks about various possibilities in his mind. He has thus been communicating with himself and this form of communication is called intrapersonal communication.

### ***Interpersonal Communication***

With this form of communication there is interaction between persons and communication can vary from direct instructions to casual conversation. There is also constant feedback.

From the above it is clear that communication can be verbal as well as non-verbal, both of which will be discussed. It is also important that we deal with the necessary skills to communicate effectively as well as the barriers to effective communication.

## ***Determine The Emotional State Of The Caller/Client***

### ***Verbal Communication***

Much of your emotional state is reflected in the way that you speak. The tones, pitch, pace and volume of your voice can determine how a listener will interpret what you are saying.

By controlling these vocal characteristics you can become a more effective speaker.

The **tone** is the sound of your voice e.g. bright or deep, and expresses your feeling or mood. A bright tone will indicate feelings of excitement, joy, etc. while a deep tone will indicate feelings of placidity or sorrow.



The **pitch** is determined by the tension on your vocal cords, i.e. how high or low your voice sounds. Generally you will speak at a high pitch when excited and at a lower pitch when relaxed.

The **pace** or speed at which you speak can also be influenced by your emotional state. When you are telling someone that you have won the Lotto you will talk much faster than when you are telling him that you cannot attend a major sporting event.

You need to adapt the **volume** of your voice to the environment. Factors such as:

- ✓ being indoors or outdoors,
- ✓ number of listeners in a room,
- ✓ the size of the room,
- ✓ background noise and
- ✓ availability of amplification

will determine the volume at which you speak.

The **volume** of your voice can also indicate whether you are excited or relaxed, angry or friendly.

When communicating with a client/caller you must always be aware of these characteristics.

- ✓ By actively listening to what the client/caller is saying
- ✓ and the way in which it is said

You can determine his emotional state and thus prepare yourself as to what you are going to reply and how you are going to do it.

## Active Listening

Paying attention and focusing on what the speaker says and comparing that to your own experiences

Active listening is a **skill** and is as important as giving orders in obtaining results.



- ✓ Give your full attention to what is being said.
- ✓ Make sure that you really understand.
- ✓ Listen between the lines.
- ✓ Look for non-verbal clues.
- ✓ Mentally summarise and evaluate objectively.
- ✓ Be empathetic.
- ✓ Determine whether he expects: guidance, support, motivation, action or silence.

### What Makes A Good Listener?

This is actually a question of feedback. Good listeners use a variety of non-verbal and minimal cues to keep the other person talking. These include the use of phrases such as:

"Yes"

- ✓ "I understand"
- ✓ "And then what"
- ✓ "Tell me more"
- ✓ "If I understand you correctly..."

Although the above illustrates how your natural reactions to different states of emotion can influence the manner in which you speak, it must be mentioned that you can intentionally alter some or all of these factors to enhance what you are saying.

Do not overdo such variations as this might have exactly the opposite effect on what you are trying to communicate.

When communicating with someone else you must always strive to do it as **naturally and evenly** as possible. Be yourself!!

### Adjust own tone, pitch and volume

It is a fact of life that during interaction with clients, at some stage or another there is going to be some sort of conflict. This may be due to a variety of reasons.

When dealing with any client it is important to adjust your own tone, pitch and volume of your voice to reply to both verbal and nonverbal messages in such a way so as not to offend the client in any way.

A satisfied client thanking you for going the extra mile will normally speak in a relaxed and friendly manner, using warm tones and speaking at a moderate pitch and pace. It is easy and pleasant to reply to this client's messages as there is no aggression or threatening behaviour from his side and there are not many variations in the verbal and nonverbal messages he is communicating and therefore you can conduct a relaxed conversation.

Dealing with an irate client is slightly more complicated as he is upset about something and his emotional state can change at any time.

Such a client must be handled carefully and considering and using the following simple guidelines can assist you to do this successfully.

- ✓ **Acknowledge the conflict** – speak in a neutral tone and pitch and beware not to be drawn into a shouting match as this will only serve to aggravate the situation. DO NOT ARGUE AND DO NOT TELL THE CLIENT NOT TO SHOUT AT YOU!!
- ✓ **Listen actively** – be aware of verbal and nonverbal cues as to the emotional state of the client. Talking rapidly at a high pitch and tone, vigorous hand gestures and fidgeting will indicate irritability.
- ✓ **Reply with empathy** – when dealing with an irate client you don't fight fire with fire. Let the client experience your empathy by speaking calmly even if he is excited. Do not raise your voice although you might feel irritated yourself. Allow him to voice all his frustration and be ready with suggestions for a workable solution to the problem. Keep the discussion issue-orientated and don't get personal.

## Keywords

While communicating with the customer, listen for keywords that will tell you what the customer's problem really is. A keyword is a word that is important in the customer's communication. For example, a customer may ramble on about poor service and all the problems he is experiencing and then on top of it all he has to cope with the bank's charges that are not correct and blah blah blah. The keywords would be **bank charges** and **incorrect** – this is the reason for the customer's complaint. once you have identified the keywords, you know what the customer's problem is.

## Identify Barriers To Effective Communication

Many barriers to effective communication exist and can be detrimental to effective communication. Following are a few that have bearing on what is dealt with in this unit standard.

### **Poor interpersonal skills**

Poor interpersonal skills include poor listening and/or sensitivity to nonverbal communication.

We have discussed listening skills and nonverbal communication at length. When you deal with clients, you have no excuse for not listening to what the client is saying or listening to non verbal communication. It is part of your job and you have to do it. when a client is discussing something with you, the client is entitled to your undivided attention.

***Always remember: you cannot listen while you are talking. In order for you to listen, you have to keep quiet and pay attention.***

### **Failure to identify the needs of the receiver.**

This happens when you listen to only part of what the client is saying and then start jumping to conclusions instead of listening to the client until he has stopped talking.

Only then can you come to conclusions, which you have to check with the client anyway, by repeating the issue as you understand it to the client.

"Am I correct in understanding that you want ..... done" or "As I understand, the problem is ...."

### **Different cultural backgrounds.**

Clients will not always take differences in cultural backgrounds into account, but you have to. You are not allowed to judge a client or anyone else you are talking to because their cultural background is different to yours.

When you are communicating with someone who is not a client, you can explain your cultural background, if you wish, as long as you do it in a nice way.

When you are dealing with a client, it is part of your job and your duty to take that person's cultural background into consideration. If you don't know much about that person's cultural beliefs, you have to make an effort to find out what they are. This will make future communication with the client easier.

## **Lack of intercultural understanding.**

This is a major problem in our country today. Unfortunately, when you are dealing with clients, you have to ensure that you do not suffer from a lack of intercultural understanding.

## **Messages with too much/little information.**

Many people find it difficult to express themselves clearly when they are under stress. They will usually either give you too much or too little information.

You have to be aware of this, so that you can:

- ✓ Focus on the important and relevant issues when a client gives too much information
- ✓ Ensure that you get all the relevant information when a client gives too little information

"I was mugged, they hit me over the head, there was blood all over the place, I had to go to the hospital to get stitches and my handbag was stolen." This is an example of too much information. You have to find out what the problem is that the client wants to address.

"My handbag was stolen." This is too little information and you have to find out what the issue is that the client wants resolved.

## **Irritating mannerisms that prevent people from listening.**

When a person is tapping on the desk or tapping a pencil against his teeth the whole time that you or he is talking, or when someone shakes his knee or twitches his shoulder all the time.

Some people say "You know..." a lot, others say "ah..." all the time while talking. There are many more examples of irritating mannerisms that you should not adopt while talking to a client. When a client has these mannerisms, however, you have to ensure that they do not distract you from listening to the client.

## **Use of insensitive or abusive language by the sender or receiver.**

This is never acceptable, but can happen when a client is angry or irritated and perceives that his problem is not going to be addressed properly.

The best way to handle this is to calm the client down without saying anything about his insensitive or abusive language.

You will find in most instances that the client will apologise as soon as he can see that his problem is going to be addressed in a way that is satisfactory to him. The next time this client is angry and has to deal with you, he will usually not be abusive.

You must always be aware of how you talk to other people in order to ensure that you do not use insensitive or abusive language, as many people stop listening when you talk to them in a way that they don't like.

When dealing with a client you must be able to identify these barriers and overcome these barriers by using the skills that you have developed. You must also ensure that you do not erect barriers to communication by one of the above actions.

## **Capture Information**

### **Record Details**

It is good practice to make rough notes of the main ideas during communication. This will enable you to recall these main points at a later stage.

Rough notes will usually take the form of a summary and you do this while talking to the listener.

Always also ensure that you check your summary with the listener. You can say something like: "Can I make sure that this is the problem you want resolved..." and then you quote the problem/s from your notes.

Types of summaries:

- Paraphrasing: when you rewrite something using your own words.

- You can summarise in point form.
- When you are summarising a big piece of text, you will make use of headings and sub-headings. This manual is an example of using headings and sub-headings to break a big piece of text into smaller pieces.
- Another method of summarising is using a mind-map.

## **Record Accurate File Notes**

From your rough notes you should record a detailed and accurate version of what was said and decided for future reference, giving all the relevant details. This can be done manually or by using your word processor.

This would normally be in the form of an internal memo, which would include all the details of the communication with the listener:

- ✓ Date
- ✓ Problem/s
- ✓ Action plan
- ✓ Follow up dates
- ✓ Follow up procedures
- ✓ Who is responsible for the follow up
- ✓ Feedback to and from the listener
- ✓ And any other relevant information

The record of the transaction can also be in the form of a report or even a form designed by the company for the purposes. The procedure will depend on the organisation you work for.

What is important is that you are the first contact with the listener, so it remains your problem: you have to ensure that

- ✓ The action plan is followed,
- ✓ That the dates are diarised,
- ✓ That the follow up procedures are followed correctly
- ✓ That the responsible people actually do what is required of them
- ✓ And that feedback is given to the listener.

**Activity 12 (SO3, AC1 – 3): individual activity**

**Activity 13 (SO3, AC 1-3): Role Play**

**Activity 14 (SO3, AC1 – 3): individual activity**

# PROCESS QUERIES

## **Outcome**

Process a query in order to respond to a customer need

## **Assessment criteria**

- ✓ Information about the customer and the need is used to formulate an appropriate response
- ✓ The response is communicated to the customer using appropriate language
- ✓ Enquiries outside own level of authority are escalated to the appropriate party
- ✓ An agreement on follow up actions is reached with the customer
- ✓ Feedback on the progress of a query is given to the customer

## ***Respond to the customer's query***

In summary, the procedure to follow when processing queries is as follows:

1. Extract the main idea from the client's communication: you must use the information you get from the client to analyse the problem and formulate a response that is appropriate to the problem. Before you respond to the client, determine the emotional state of the client and formulate your response accordingly. In other words, if the client is upset, don't argue with the client or shout at the client, but use the tactics discussed in this learner guide to calm the client down.
2. Once you are sure what the client's problem is and how you can solve it and you have calmed the client, reply to the customer's query using appropriate language and voice tone. If the customer's query arrived by mail, fax or e-mail, the appropriate route is to telephone the customer to acknowledge the query, briefly discuss the action you will be taking, and then to confirm everything by mail, fax or e-mail. This procedure may differ in your organisation.
3. If necessary, escalate the query to the next level, advising the customer of the escalation as well as who you are escalating the query to. Make sure the customer has this person's contact details. Follow the escalation procedure described in this learning material or as required by your organisation.
4. Make sure that the customer understands and agrees with the action plan that will be followed to solve the problem, as well as what each party's responsibilities are. It can happen that the customer has to provide some information or documentation in order to solve the problem. This has to be included in the action plan.
5. Make sure that you record the main idea and the supporting details in the files as required by your organisation.
6. Follow up if the query has been escalated. Make sure the customer is contacted and given feedback on the progress of the query.

Activity 15 (SO4, AC 1-4): Role play

Activity 16 (SO4, AC1 – 3): individual activity

