Chapter 4. Impact of external influences

Key terms

1. Cartel: a group of business that act together to reduce competition in a market- by fixing prices.
2. Monopoly: a market dominated by a single business.
3. Oligopoly: a market dominated a few large businesses.
4. Peer-to-peer(P2P) lending: providing loans to individuals or businesses through online services that match lenders with borrowers.
5. PESTLE analysis: analysis of the external political, economic, social, technological, legal. And environmental factors affecting a business.
6. Predatory pricing: setting a low price to force rivals outs of business.
7. Rivaly: the competition that exists between business operating in the same market.

1. External Influences

⇒ To deal with unexpected events called external influences.

⇒ External influences may fall into a number of different categories which are outlined below.

2. PESTLE Analysis

1.) Political (P) - political stability influences business

2.) Economics (E) - state of the economy can have impact on business activity

3.) Social (S) - social and cultural changes also affect businesses.

4.) Technological (T) -technological developments provide new product opportunities and improve efficiency.

5.) Legal (L) - Legislation at business to protect vulnerable groups.

6.) Environmental (E) - increasing protective of the environment due to globalisations issue.

The Structure of markets

- **Competition** is the rivalry that exists between Arms when they are trying to sell goods in particular market

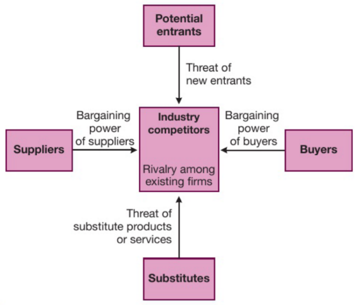
	Competitive market	Monopoly market	Oligopoly market
Definition	Market with many buyers and sellers.	Only one seller supplies products in the market.	Few larger firms supply products in the market.

The impact on businesses of a changing competitive environment.

1. Increasing new entrants
2. Increasing new products
3. Rising in consolidation

PORTER'S FIVE FORCES

- Another way of looking at the ***competitive environment*** is to consider a model put forward by Michael Porter.



▲ Figure 4 The five competitive forces that determine industry profitability

1. the bargaining power of suppliers.

- The more power a supplier has over its customers, the higher the prices it can charge.

2. The bargaining power of buyers

- If buyer has bargaining power, it can push price down.

3. The threat of new entrants

- If businesses can easily enter an industry and exist, if profit are low, it becomes difficult for existing businesses in the Industry to charge high prices and make high profits.

4. Substitutes

- the more substitutes the higher competition

5. Rivalry among existing firms

- If rivalry is fierce can push down price and profit