



Keilor Downs College

PROGRESS THROUGH DISTINCTION

afterpay

**RESEARCH REPORT**

HARSHAVARDHAN TAMMINA

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## Business Management 2023

### Unit 1 Area of Study 3 – The External Environment Research Report

<b>Date Handed Out</b>	Week 4 Monday 15/05	
<b>Due Date</b>	Week 6 Friday 02/06	
<b>Teacher</b>	Mrs Amarasingh	Ms Allouche
<b>Submission instructions</b>	The Report along with the <b>Self-assessment, Student Evaluation</b> and <b>Student Confirmation</b> are to be completed and submitted through Compass, with a printed copy to your teacher.	
<b>Task Outline</b>	<p>Students will be required to conduct research about the business of their choice and answer a set of questions.</p> <p>Once enough information is gathered, they will prepare a written report. The purpose of this is to document the student's insights, discoveries and knowledge of the said business.</p>	
<b>Analysis Report</b>	<p>Use the information gathered from the research to write a 1000 word report. Ensure that it covers each of the aspects listed below and that it is well presented.</p> <p>The following checklist should be used as a guide:</p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Cover page</li> <li><input type="checkbox"/> Introduction</li> <li><input type="checkbox"/> All items in the checklist/assessment criteria/questions</li> <li><input type="checkbox"/> Graphics</li> <li><input type="checkbox"/> Conclusion</li> <li><input type="checkbox"/> Bibliography</li> </ul>	
<b>Mark/Result</b>	<b>/ 40</b>	<b>%</b>

### Student Confirmation

This is all my own work. I have referenced any work used from other sources and have not plagiarised the work of others.

Full Name: VENKATA SAIRAMA HARSHAVARDHAN TAMMINA

Signature: V S R HARSHAVARDHAN T

**To be completed and submitted with the task**

STUDENT REFLECTION	
Circle a number (1 = Strongly DISAGREE " # 5 = Strongly AGREE)	
This is my best work	1    2    3    4 <b>5</b>
I was organised	1    2    3 <b>4</b> 5
I understood the task	1    2    3    4 <b>5</b>
I took notice of the marking guidelines	1    2    3    4 <b>5</b>
I checked the meaning of the key words in the Glossary of Terms	1    2    3    4 <b>5</b>
<b>Next time I will:</b>	
Choose an organisation/business which already has information to collect from and use to submit a report.	

**Please complete the following Self-Assessment following the return of the task:**

I could improve the following skills in future by:	
<b>Skills:</b> Bibliography	<b>Method of Improvement:</b> Saving links every time accessed for research

I would like to see further clarification or assistance with:

**Student Name:** VENKATA SAIRAMA HARSHAVARDHAN TAMMINA

**Student Signature:** V S R HARSHAVARDHAN T

# Unit 1 Planning a Business

## Area of Study 3 External environment

The external environment consists of all elements outside a business that may act as pressures or forces on the operations of a business. Students consider factors from the external environment such as legal, political, social, economic, technological, global and corporate social responsibility factors and the effects these may have on the decisions made when planning a business. Students investigate how the internal environment relates to the external environment and the effects of this relationship on planning a business.

Outcome 3 On completion of this unit the student should be able to describe the external environment of a business and explain how the macro and operating factors within it may affect business planning. To achieve this Outcome, the student will draw on key knowledge and key skills outlined in Area of Study 3.

### Key knowledge

- an overview of the factors within the external (macro and operating) environment and internal environment that affect business planning.

### Macro factors affecting business planning

- an overview of key legal and government regulations affecting businesses in the planning stage
- societal attitudes and behaviour such as values, beliefs and trends
- economic conditions such as how interest rates, tax rates, business and consumer confidence levels affect business planning
- technological issues such as how the market may change in the future and developments in technology
- global issues such as overseas competitors, overseas markets, offshoring labour, exchange rates, patenting, copyrights, trademarks and online sales
- corporate social responsibility issues such as environmental considerations and planning the production of goods and services which are in society's best interests.

### Operating factors that affect business planning

- customer needs and expectations
- competitors' behaviour
- suppliers and the supply chain, such as the resources required for a business and considerations about where these resources are sourced and how they reach the business
- special interest groups such as environmental lobby groups, business associations and unions.

### Key skills

- define, describe, and apply relevant business management concepts and terms
- acquire, record, interpret and share business information and ideas
- research and analyse case studies and current examples of business management applicable to planning a business
- **apply business management knowledge to practical and/or simulated business situations**
- explain the benefits and costs of corporate social responsibility management practices with respect to business planning.

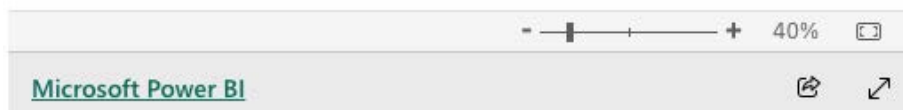
<b>Business Analysis Report / Marking Guide</b>		<b>Marks</b>	
	<b>Introduction or Executive Summary:</b> the executive summary should consist of a paragraph or two which explores the mission and vision statements, provides a brief outline of your business' plans and goals and anything else that you found interesting but that was not covered in the question-and-answer part of the report	3	
1	Describe the operating environment (OE) and macro environment (ME), in which (chosen business) operates. (3A)	2	
2	Identify 2 stakeholders from the OE and ME and state their interest with your chosen business. (3A)	4	
3	Describe two legal and government regulations that might affect (chosen business) (3B)	2	
4	Outline what is meant by consumer confidence levels and how these affect planning in a business. Write briefly about how one of the above affects your business. (3D)	3	
5	Explain two technological developments that (chosen business) considered, undertaken in the last three years. (3E)	2	
6	In what ways have overseas competitors impacted the chosen business? (3F)	2	
7	How has your business (or how could your business) considered customer needs (3I) and societal attitudes and behaviours (3C) in its business planning?	4	
8	Identify two ways in which corporate social responsibility issues (social, environmental) have impacted on chosen business. (3H)	2	
9	Explain how special interest groups influence your chosen business stating an example. (3L)	3	
10	Explain how your chosen business manages suppliers (3K sourcing considerations)	2	
	Completing Edrolo 3A- 3L (Videos and completing Multiple choice questions	10	
	Conclusion	3	
	Presentation (cover page, layout, graphics) including two visuals that support your discussion of two questions.	3	
	<b>TOTAL -</b>		<b>/45</b>

# Afterpay:

Afterpay Limited is a financial institution for 'Buy Now Pay Later' headquarters in Sydney, Australia. Afterpay is not only available in Australia, but also in New Zealand, Canada, the United States and in United Kingdom which the business is trading as ClearPay. Afterpay launched in Australia in 2015 and entered as a public company on the ASX in 2016. In early 2022, all of Afterpay's stock was purchased and the business was acquired by Block inc.

2015

Afterpay launched in Australia



## External Environment

A business tends to have an internal and external environment. In the external environment, there are 2 topics; Operating Environment and Macro Environment.

The Operating Environment consists of 4 factors which are;

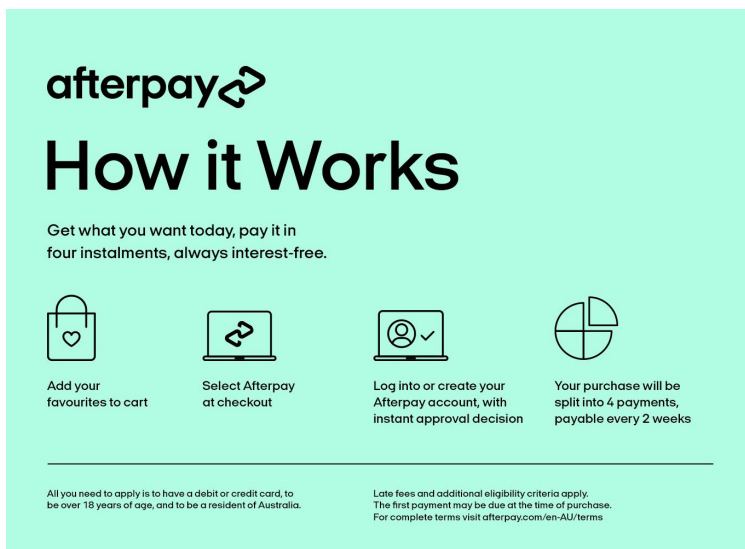
- Competitors Behaviour
- Suppliers & Supply Chain
- Customer Needs & Expectations
- Special Interest Groups

In the Operating Environment, the business has some control over the factors mentioned above. Afterpay also follows this in their operating environment. For Afterpay's instance, they have a major competitor for their Australia and New Zealand customers, Latitude Financial Services, trading as Gem Finance in New Zealand. They have been in the market since the same year of when Afterpay started so both businesses would have very tight competition.

The Macro Environment consists of 6 factors which are;

- Economic Conditions
- Technological Considerations
- Global Considerations
- Corporate Social Responsibility Considerations
- Legal and Government Regulations
- Societal Attitudes & Behaviour

In the Macro Environment, the business has no control over these factors and the business usually can affect the status of a business if not followed. These factors always change from time to time and it is crucial for a business to plan for them prior they are officially affecting them. Afterpay has to follow Legal & Government Regulations in order to function as a business. Recently, a new legal issue has been raised and being going around in the public. **'Buy Now, Pay Later'** businesses must implement the Consumer Credit Act 2009. This will be a *game-changer* in the market for Afterpay and it's competitors as most of the BNPL businesses have not been implying credit background checks.



The process of Afterpay is:

1. Choose a product from an Afterpay retailer online or in-store
2. Proceed to the checkout and select Afterpay as the payment method
3. Once, an account has been created and you have been approved, you will be able to own the product
4. You pay the instalments in 4 payments which will always be interest-free

## Technological Developments

As mentioned earlier, Afterpay was acquired by Block Inc in 2022. However, the truth behind this is that, Block Inc was formerly known as Square Inc. Square Inc is the multinational technology company who build and provide Point-of-Sale (POS) products, solutions and hardware to businesses from roadside trucks to large restaurants. Now, Square offers Afterpay as a BNPL payment option to merchants who use Square on a daily basis. Many Australians are familiar with this white little card machine. With this, businesses who use Square POS and are Afterpay Merchants have an advantage of generating more sales/leads.

Afterpay released an app for their iOS users towards the end of 2021 due to the fact a competitor business named Money had released theirs and had great success.

Afterpay was expected to release an Android app in 2022 and did release it. Afterpay's app has a success of online shopping with merchant integration and products.



# BNPL by the numbers

Offering Afterpay as a BNPL (buy now, pay later) payment option can help increase your average order value and attract new customers – at no risk to your business.

## 85%

85% of Afterpay customers discovered a new merchant in the last six months.<sup>1</sup>

## 18%

Customers who use Afterpay have an 18% higher average order value.<sup>2</sup>



## 1 M

Afterpay makes 1 million merchant referrals every day.<sup>3</sup>

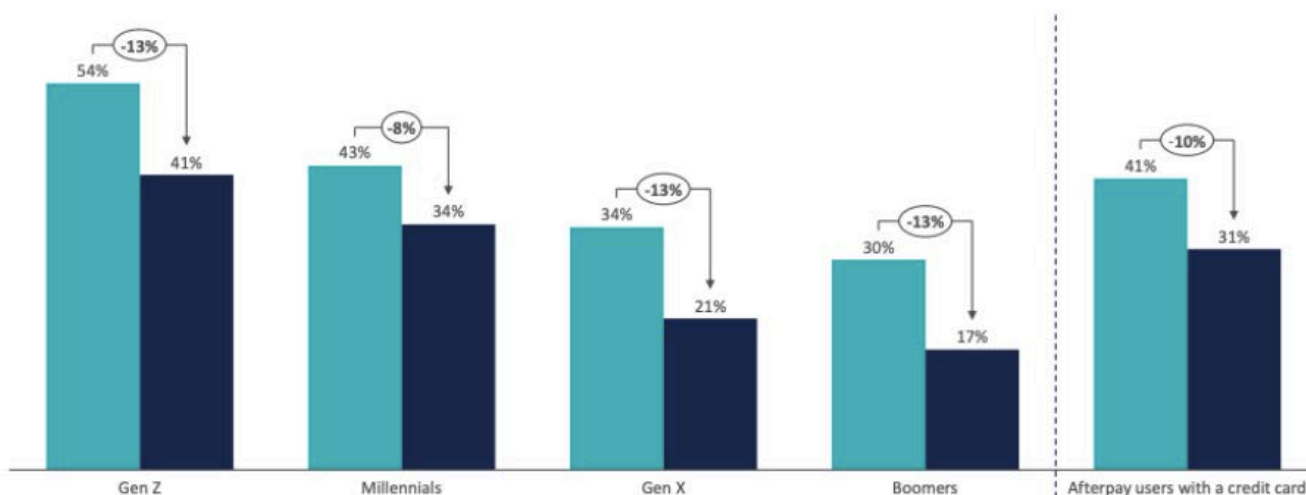


## Australians using BNPL services find it less stressful relative to using credit cards

Proportion of total debt stress from credit card and BNPL debt

% of total debt stress (n = 523), 2022

Credit card related stress<sup>1</sup> BNPL related stress<sup>2</sup>



Note: Sample includes only those using both credit cards and BNPL services.

1 Question: "What proportion of your debt stress do you attribute to Credit Card?"

2 Question: "What proportion of your debt stress do you attribute to BNPL?"

Source: Pureprofile (2022) Survey of BNPL users; Mandala analysis.

Mandala

Many customers take advantage of 'Buy Now Pay Later' institutions by opening multiple accounts as Afterpay does not require much verification. After customers open these accounts, they tend to have financial issues trying to pay back what they've purchased under the BNPL scheme, which makes them to open loans or get credit products such as credit cards. When this tends to happen, they end up in debt and the interest keeps on racking up daily. Most of their income goes towards paying back these 'loans' and have very less amount to spend for essential needs. Customer confidence levels are when consumers tend to purchase products they do not need and it has been rapidly increasing over the past decade. This involves economic growth which is great for our trading and economy services globally, but for the 'lower to middle class' families, they are just working their life off to pay back.

# afterpay ↺ vs Klarna.

## Overseas Competitors

Afterpay has one major overseas based competitor. Klarna offers the exact same service as Afterpay, 4 installment payments however, you can use Klarna at any store, not just specific merchants. One of the factors Klarna offers is that there is no late fee of installment payments for purchases under \$25, however Afterpay may charge up to 25% depending on how late you pay and the price of the product. As many customers prefer one card for any store they prefer, Afterpay has to make up to this competition due to the factor of Klarna only came to the Australian market in 2020.

## Corporate Social Responsibility

Corporate Social Responsibility is the business responsibility beyond just the legal laws and business operations. A business which focuses on CSR has a likelihood of a higher success rate. Many organisations choose to donate to non-profit organisations or partake in environmental activities.

In April 2021, Afterpay introduced a new sustainability element to their service. Afterpay had partnered with Magpies & Peacock and Surf rider which are both non-profit organisations. Customers had the option to add a \$1 donation to these organisations and Afterpay would match the customer's donations and donate the money to these organisations. This element Afterpay had decided during business planning helped build their Social Responsibility.

## Special Interest Groups

Special Interest Groups are unions, associations, and groups who represent and evaluate businesses and companies to benefit a cause. Afterpay has banks who represent them as unions as they receive the financial support from them. As, BNPL organisations are required to work under the Consumer Credit Act soon, they will get more support from businesses.

Another Social Responsibility element Afterpay included was during the hard times of COVID-19, Afterpay partnered with A Common Thread and Baby2Baby organisations to provide donations. They had the same program as the \$1 donation and Afterpay had committed to donating over \$200,000 to multiple organisations over the world.

Afterpay has also started an Environmental project. They have partnered with Patch to reduce emissions for Climate Change. Afterpay implemented Patch's API into their backend software and with that, customers who are interested can see their estimated carbon impact of their spending history and cost of offset to the related emissions.



## Consumer Confidence

Consumer Confidence is the measure of evaluating on how consumers are finding the current and future market and economic conditions. Consumer Confidence is measured every month with around 1200 households by Westpac-Melbourne Institute Index of Consumer Sentiment. This survey includes household questions related to current financial and household future financial status. It is recommended for businesses to plan new solutions and services when consumer confidence is high. To make sure Afterpay follows this pathway of consumer confidence, Afterpay set out these 4 following protections for consumer confidence. With these factors put in place, according to Afterpay's research, customers are very unlikely to fall in debt as 95% installments are paid on time.

1. Customer spending limits start low (average order value is less than \$150) and increase over time with positive customer repayment history.
2. If a single payment is missed, the consumer cannot use our platform, which ensures that they can't fall into the revolving cycle of debt.
3. Afterpay offers a hardship policy and allows for a flexible payment arrangement without charging any additional fees.
4. Soft credit checks were introduced for US in-app customers to help customers spend within their means – creating a healthier, more responsible customer base for our merchants and for our platform.

## Customer Needs, Societal Values and Behaviours

Societal values & Beliefs are the standards which a group holds and a business decides if they will follow these decisions during business planning. Businesses are recommended to regularly change research the market and societal values to update their business operation depending on the trend. Customer needs are needs the essential requirements for a customer which a business should meet to gain customer satisfaction. However, customer expectations are also good to have for a business but they are not essentially required.

Afterpay's made to meet customer needs and satisfaction. Afterpay only issues late installment fees in the United States and makes sure if a customer misses a payment, the account of the customer gets locked till they're up to date. This ensures customers to follow these expectations so that they can receive the full benefit of the service and Afterpay remains successful.



**Afterpay**

Reviews 135,544 • Excellent



✓ VERIFIED COMPANY

