

GCSE
Business Studies
Paper 2
Retrieval
Homework Booklet

Growing a Business Questions

Methods to grow:

1. What is internal growth?
2. What are the 2 ways a business can grow internally?
3. What is external growth?
4. What are the 2 ways a business can grow externally?
5. State 2 advantages of growing by launching a new product?
6. State 2 disadvantages of growing by launching a new product?
7. State 2 advantages of growing by entering a new product?
8. State 2 disadvantages of growing by launching a new product?
9. What is a merger?
10. What is a takeover?
11. What is the main reason for a business merging?
12. What is the main benefit of a business taking over another?
13. For each of the sources of finance below state a definition, 2 advantages and 2 disadvantages:
 - a) Selling assets
 - b) Share capital
 - c) Retained profit
 - d) Loan capital

Ownerships for growing businesses:

1. State the characteristics of a private limited company (LTD) – who owns? Who runs the business day-to-day? What happens to the profit? Liability? Anything else you know!
2. State 2 advantages of an LTD
3. State 2 disadvantages of an LTD
4. State the characteristics of a public limited company (PLC) – who owns? Who runs the business day-to-day? What happens to the profit? Liability? Anything else you know!
5. State 2 advantages of a PLC
6. State 2 disadvantages of a PLC
7. What is a multinational business?
8. State 2 advantages of being a multinational business
9. State 2 disadvantages of being a multinational business

Changing aims and objectives:

Explain each of the following reasons for why aims and objectives might change:

1. Market growth
2. Increased competition
3. A competitor launches a new product
4. Decreased competition
5. Poor economic conditions such as a recession
6. New technology can be used in the product
7. Poor recent/current performance
8. New legislation such as an increase in the minimum wage?
9. Internal reasons such as change of manager
10. Why might aims change from growth to survival?
11. What are the impacts of aims changing from growth to survival?

Finance for Growth

| | |
|--|--|
| Internal finance – definition and examples | |
| External finance – definition and examples | |
| Retained profit – definition | |
| Retained profit – benefits | |
| Retained profit – drawbacks | |
| Selling assets – definition | |
| Selling assets – benefits | |
| Selling assets – drawbacks | |
| Loan capital – definition | |
| Loan capital – benefits | |
| Loan capital – drawbacks | |
| Share capital – definition | |

Methods to Grow

| | |
|---------------------------------|--|
| Internal growth – definition | |
| Internal growth – methods | |
| Internal growth – benefits | |
| Internal growth – drawbacks | |
| External growth – definition | |
| External growth – methods | |
| External growth – benefits | |
| External growth – drawbacks | |

Ownerships for Large Businesses

| | |
|--|--|
| Public limited company – definition | |
| Public limited company – benefits | |
| Public limited company – drawbacks | |
| Multinational company – definition | |
| Multinational company – benefits | |
| Multinational company – drawbacks | |

| | |
|-----------------------------------|--|
| Share capital – benefits | |
| Share capital – drawbacks | |
| Stock market flotation meaning | |

Changes in Aims and Objectives

| | |
|--|--|
| Reasons for changes – market conditions | |
| Reasons for changes – technology | |
| Reasons for changes – performance | |
| Reasons for changes – legislation | |
| Reasons for changes – internal reasons | |
| How they change - focus on survival | |
| How they change - focus on growth | |
| How they change – entering new markets | |
| How they change – growing the workforce | |
| How they change – reducing the workforce | |
| How they change – increase product range | |

Methods to grow

1. Explain one benefit to a business growing via a merging with another (3)

2. Explain one disadvantage to a business growing via merging with another (3)

3. Explain one benefit of a business growing via a takeover (3)

4. Explain one drawback of a business growing via a takeover (3)

5. Explain one benefit to a business growing via entering a new market (3)

6. Explain one drawback to a business growing via entering a new market (3)

Ownership

1. Explain one benefit to a business of becoming a public limited company (3)
2. Explain one drawback to a business of coming a public limited company (3)
3. Discuss the impacts to a business of becoming a multinational company (MNC) (6)

Changing aims and objectives

1. Explain one reason why a business may have to change its objective (3)

Changes in the market (SA)

2. Explain one reason why a business may have to change its objective (3)

Changes in the market (SA)

3. Discuss the impacts to a business of changing its aims from growth to survival (6)

4. Discuss the impacts to a business of changing its aims from survival to growth (6)

Going for Gold Ltd (Business growth/Changes in business aims & objectives)

Specification topic: Business growth/Changes in business aims & objectives

Case Study: Going for Gold Ltd

Walter Morris established going for Gold Ltd over 25 years ago, building its reputation as a quality, family owned jewellers. All shares are still owned by members of the Morris family. Based in South Wales, it specialises in producing hand-made jewellery produced from Welsh gold that it sells through its own shops, mail order business and other high-class jewellers. The business employs 50 highly skilled people in jewellery manufacture.

Jewellery made from Welsh gold has been worn by the Royal family for over 100 years and has recently become more fashionable, with various celebrities buying jewellery made from the metal. In addition, increased enquiries from overseas markets have led the business to investigate the possibility of exporting their jewellery abroad.

Patricia Morris has recently taken over as Managing Director of Going for Gold Ltd following the retirement of her father. Eager to make her mark on the business and take advantage of the increasing popularity of jewellery made from Welsh gold both in the UK and overseas, Patricia believes Going for Gold should now focus on growth as its main business objective. However, the Board of Directors is concerned that, if the business is to focus on growth, they need to find additional supplies of Welsh gold, as its own stocks are running low.

One option is to buy a gold mine that has recently come up for sale not far from its headquarters. Ever conscious of the competitive nature of the market, Patricia sees this as a valuable way in which the business could differentiate its products. This is because gold from the mine would only be used by Going for Gold and customers would be able to see the whole production process, from mining of the gold through to finished pieces of jewellery.

Going for Gold needs to raise £2 million to buy the gold mine and the board of directors is considering the use of retained profit or stock market flotation. Profits have increased in recent years and last year the company achieved a sales revenue of £10 million and a net profit of £2 million. However, the board of directors do not want to take unnecessary risks or take out any further loans. In addition, some shareholders have expressed their reluctance to reduce the share of profit they currently receive.

Exam-style questions:

1. Outline **one** reason why Going for Gold's objective has changed as the business has evolved (2)
2. Analyse the drawback to Going for Gold Ltd of using loan capital to finance its growth (6)
3. In order to finance the purchase of the gold mine, Going for Gold Ltd has two options:

Option 1: Retained profit

Option 2: Stock market flotation

Justify which **one** of these options Going for Gold Ltd should choose (9 marks)

Gnaw Chocolate (Business growth)

Specification Topic: Business growth

Case Study: Gnaw Chocolate

Gnaw Chocolate is a company that was founded 10 years ago by Matt and Teri Clarke. Based in Norfolk, the business produces high quality chocolate bars, including some with unusual flavours, such as banoffee pie and lemon meringue. It prides itself on the use of high quality ingredients and is committed to using cocoa from suppliers in West Africa and Brazil, which pay cocoa farmers a fair price.

Despite competition in the market, Gnaw Chocolate proved a huge success with its chocolate bars being sold in over 700 outlets around the UK within 3 years of its launch. Matt and Teri, eager to grow the business, subsequently launched a drinking chocolate range. Such was the demand for their products, they decided to investigate overseas markets and were delighted to find out that quality British products were in high demand in markets around the globe.

Matt and Teri want to expand the business further and are considering the different methods of growth available to the company. Matt feels organic, overseas expansion is the most effective way for Gnaw to meet its growth plans. However, a takeover opportunity has recently become available which has interested Teri. Thompson's Chocolates is an established manufacturer of chocolate and has a network of shops across the UK, which Teri believes could be rebranded as Gnaw outlets.

To date, expansion of Gnaw Chocolate has always been financed through retained profit and loan capital and, as the only shareholders of the business, Matt and Teri are keen to keep control. As a result, they are reluctant to float the business on the stock market to raise the finance necessary to fund a possible takeover.

Exam Style Questions:

1. Outline **one** drawback to Gnaw Chocolate of organic growth **(2)**
2. Analyse the benefit to Gnaw Chocolate of growth through developing new products **(6)**
3. In order to meet its growth plans, Gnaw Chocolate has two options:
Option 1: Takeover of Thompson's Chocolates
Option 2: Expanding overseas through organic growth
Justify which **one** of these options Gnaw Chocolate should choose **(9)**

TOPIC 2.1 GROWING THE BUSINESS

START

1 Define the term organic growth.

2 State two reasons why a business, like the Creative Kitchen Ltd, might decide to grow.

3 Sue and Nikki are considering growing their business by opening new outlets. Explain what type of growth this is and a benefit to their business of this type of growth.

4 Outline two significant risks that The Creative Kitchen Ltd may face if it decides to open several new outlets.

5 The Creative Kitchen Ltd was referred to as 'innovative' in the market for children's play. Define the term innovation.

14 The Creative Kitchen Ltd, regularly hold fundraising events and donate 1.5% of their annual profit to the local children's hospital. Explain two possible benefits to their business from having this ethical approach.

13 Explain what is meant by the 'trade off' between ethics and profit.

12 If Sue and Nikki's growth plans go ahead they will be purchasing further kitchens from Germany. Explain the impact that a fall in the value of the pound against the Euro may have on their expansion plans.

11 Define the term imports.

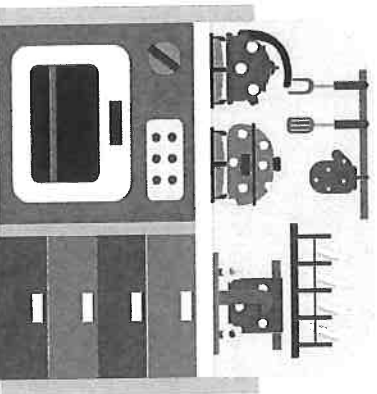
BUSINESS PROFILE

The Creative Kitchen Ltd Hands on play for children aged 3 – 6 years, in a safe environment

Sue and Nikki set up their new venture, The Creative Kitchen Ltd two years ago, and since then the business has gone from strength to strength. The idea was to create a safe, exciting and experimental environment for young children to experience the fun of food.

The entire kitchen construction, custom built and imported from a manufacturer in Germany, has been designed to provide the most realistic 'play' environment for small children. The reviews and feedback from customers have been amazing.

They are considering expanding the number of outlets they own and operate having established a high demand for the facilities in several different regions across the UK.



10 Define the term Globalisation and explain how this has impacted on The Creative Kitchen Ltd.

9 To progress with their expansion plans, Sue and Nikki need to raise £250,000. Describe the external sources of finance that may be available to them as an established business.

8 State the different internal sources of finance that may be available to the Creative Kitchen Ltd.

7 Now established for 2 years, explain how the objectives of the 'Creative Kitchen Ltd' may change.

6 One option for the Creative Kitchen Ltd is to change their legal structure. Explain one reason for and one reason against moving from a private to a public limited business.

Marketing Questions

The product life cycle:

1. What does the product life cycle show?
2. Describe the development stage
3. State the impacts (sales, price, profits, cash flow, etc.) for being in the development stage
4. Describe the introduction stage
5. State the impacts (sales, price, profits, cash flow, etc.) for being in the introduction stage
6. Describe the growth stage
7. State the impacts (sales, price, profits, cash flow, etc.) for being in the growth stage
8. Describe the maturity stage
9. State the impacts (sales, price, profits, cash flow, etc.) for being in the maturity stage
10. Describe the decline stage
11. State the impacts (sales, price, profits, cash flow, etc.) for being in the decline stage
12. What are extension strategies?
13. Give some examples of extension strategies

The design mix:

1. What is the design mix?
2. State the three elements of the design mix
3. Explain what is meant by function
4. Explain what is meant by aesthetics
5. Explain what is meant by cost

Differentiation:

1. What is differentiation?
2. State the methods a business can use to differentiate its products
3. State the benefits of differentiation

Price:

1. When would a business set a high price?
2. When would a business set a low price?
3. What is a high volume pricing strategy? (Price? Sales? Profit margin? Costs?)
4. What are the benefits and drawbacks of this strategy?
5. What is a high profit margin pricing strategy? (Price? Profit margin? Sales? Type of product?)
6. What are the benefits and drawbacks of this strategy?

Promotion:

1. What are the two purposes of promotion?
2. For each of the methods below state 2 advantages and 2 disadvantages:
 - a) Offers
 - b) TV advertising
 - c) Local newspaper advertising
 - d) Leaflets
 - e) Social media
 - f) Direct mail – email and text messages
 - g) Magazine
 - h) Sponsorship
 - i) Targeted website adverts

Place:

1. What is retailing?
2. State 3 advantages of retailing
3. State 3 disadvantages of retailing
4. What is e-tailing?
5. State 3 advantages of e-tailing
6. State 3 disadvantages of e-tailing

Marketing Mix:

1. What is the marketing mix?
2. Why is the marketing mix so important?

Customer service:

1. List example of good customer service
2. List possible impacts of poor customer service
3. What are the stages of the sales process?

Product

| | |
|---|--|
| The design mix – definition | |
| The design mix – function | |
| The design mix – importance of function | |
| The design mix – aesthetics | |
| The design mix – importance of aesthetics | |
| The design mix – cost | |
| The design mix – importance of cost | |
| The product life cycle – description | |
| The product life cycle – introduction | |
| The product life cycle – growth | |
| The product life cycle – maturity | |
| The product life cycle – decline | |
| The product life cycle – extension strategies | |

| | |
|---------------------------------------|--|
| Methods of differentiation | |
| Importance/impacts of differentiation | |

Price

| | |
|--|--|
| Determinants of high price | |
| Determinants of low price | |
| Impacts of high price | |
| Impacts of low price | |
| High volume pricing strategy – description | |
| High volume pricing strategy – benefits | |
| High volume pricing strategy – drawbacks | |
| High profit margin strategy – definition | |
| High profit margin strategy – benefits | |
| High profit margin strategy – drawbacks | |

Promotion

| | |
|------------------------------|--|
| Advertising – description | |
| Advertising – benefits | |
| Advertising – drawbacks | |
| Sponsorship – description | |
| Sponsorship – benefits | |
| Sponsorship – drawbacks | |
| Product trials – description | |
| Product trials – benefits | |
| Product trials – drawbacks | |
| Special offers – description | |
| Special offers – benefits | |
| Special offers – drawbacks | |

| | |
|----------------------------|--|
| Branding – description | |
| Branding – benefits | |
| Branding – drawbacks | |
| Social media – description | |
| Social media – benefits | |
| Social media – drawbacks | |

Place

| | |
|--------------------------|--|
| Retailer – description | |
| Retailing – benefits | |
| Retailing – drawbacks | |
| E-commerce – description | |
| M-commerce – description | |
| E-commerce – benefits | |
| E-commerce – drawbacks | |

Customer Service

| | |
|---------------------------------------|--|
| Customer service – definition | |
| Ways to achieve good customer service | |
| Impacts of good customer service | |
| The sales process | |

Product life cycle

1. Explain one impact to a business of having a product in the development stage (3)
2. Explain one impact to a business of having a product in the introduction stage (3)
3. Explain one impact to a business of having a product in the growth stage (3)
4. Explain one impact to a business of having a product in the maturity stage (3)
5. Explain one impact to a business of having a product in the decline stage (3)

Place

1. Explain one reason a business would choose to set up a physical store (3)
2. Explain one reason a business may choose against setting up a physical store (3)
3. Explain one reason a business would choose to be an etailer (3)
4. Explain one drawback to a business of selling online (3)

Price

1. Explain one benefit of a high margin pricing strategy (3)

2. Explain one drawback of a high margin pricing strategy (3)

3. Explain one benefit of a high-volume pricing strategy (3)

4. Explain one drawback of a high-volume pricing strategy (3)

5. Explain how technology influences prices (3)

Promotion

1. Explain one benefit to business of using leaflets as a method of promotion (3)
2. Explain one drawback to business of using leaflets as a method of promotion (3)
3. Explain one benefit to business of using social media as a method of promotion (3)
4. Explain one drawback to business of using social media as a method of promotion (3)
5. Explain one benefit to business of using sales promotion as a method of promotion (3)
6. Explain one drawback to business of using sales promotion as a method of promotion (3)

Marketing mix

1. Discuss the impact technology has on the marketing mix (6)

Product

GoPro is an American public limited company, which manufactures action cameras that are used in extreme activities such as rock climbing, surfing and base jumping.

Since its stock market flotation in 2004, the company has grown rapidly and has become a leading extreme sports brand. *GoPro*'s sales revenue has increased every year since the company started. However, in 2016 *GoPro*'s sales dropped significantly and the company made a loss of \$116m. This led to the company's share price falling to a record low of \$8.54.

To try and increase sales, *GoPro* launched three new products. These new products were waterproof and allowed smoother video recording. One of these products was the *GoPro Karma* – a new drone that takes aerial action shots.

In 2017 *Go Pro* decided to raise finance to invest in its new product range. This was because cheaper competitors were entering the market, such as the Chinese company *Xiaomi*.

- (e) Evaluate the importance of function within *GoPro*'s design mix. You should use the information provided as well as your knowledge of business.

(12)

Place

Netflix is an American public limited company that sells subscriptions to its online video streaming service. A subscription allows consumers in over 190 countries to stream television programmes and films through the internet.

In 2016 *Netflix* decided to increase the price of its standard UK subscription from £5.99 to £7.49 per month. This move reflected *Netflix's* shift towards producing more of its own original streaming content, such as the hit drama 'Stranger Things', rather than repeating shows that are available on terrestrial channels such as BBC1 or itv1.

In recent years, the online streaming market has become increasingly competitive with rivals, such as Amazon Prime, investing \$180 million on 36 episodes of 'The Grand Tour'. To keep up, *Netflix* has committed itself to spending \$6bn on new, original programming in 2017.

Netflix faces the difficulty of raising prices to fund new shows, whilst at the same time not putting off new and existing subscribers. However, *Netflix* continues to expand and build up its library of programmes and films from non-English speaking countries. *Netflix's* longer-term aim is to successfully enter the Chinese market.

- (b) Analyse the benefit to *Netflix* of using the internet to distribute its video streaming service.

(6)

Price

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In 2016 *Netflix* decided to increase the price of its standard UK subscription.

(c) Analyse the impact on *Netflix* of this price increase.

(6)

Promotion

Nando's is a restaurant chain that specialises in Portuguese PERi-PERi chicken and spicy food. Since its first UK restaurant opened in 1992, the chain has expanded rapidly. There are now 339 restaurants in the UK. *Nando's* is popular amongst its target market of young people.

Nando's has used social media to develop a strong brand and to communicate with its target market. Its Twitter feed has over 1.5 million followers. *Nando's* uses viral advertising campaigns, many of which are reposted on social media.

The UK restaurant market has become more competitive. In 2013, *Nando's* decided to trial a takeaway service. After trialling this in 10 restaurants, the takeaway service is now available in every branch. Following the success of the takeaway trial, *Nando's* is now considering developing an app (application) for mobile phones, which can be used to order takeaway food. It also wants to start a home delivery service to improve the profitability of its takeaway service.

Analyse the impact to Nandos of using viral advertising (6)

Customer service

Hi-Tech Sheet Metal is a manufacturing company that specialises in making metal panels. Each panel is designed and produced to meet the specific requirements of each of its customers. Some of the industries supplied include:

- ☐ Medical
- ☐ Computer
- ☐ Vehicle
- ☐ Defence

Hi-Tech operates a large modern factory on the south coast of England and sells to customers all over the UK. As a successful and profitable business, growth is now a key objective. To meet this objective, the firm is now considering pursuing organic growth by expanding abroad and finding new markets. Alternatively, it is considering external growth by taking over a small overseas manufacturer.

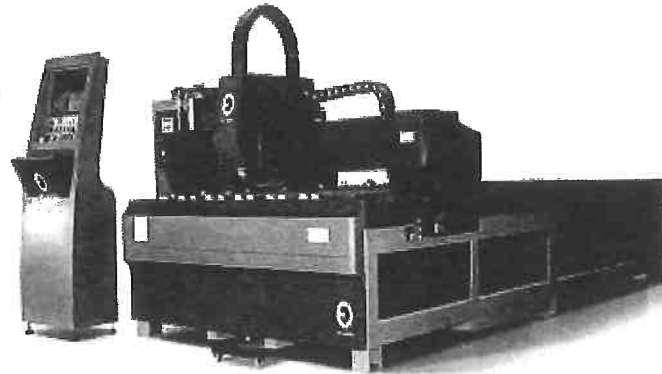


Figure 2

(sources adapted from <http://www.htsm-ltd.co.uk/>)

Hi-Tech uses computer controlled equipment, such as laser cutters, (**Figure 2**) to enable the business to produce goods of the highest quality. The business has used the same, reliable suppliers over the last 10 years and operates a system of job rotation to motivate production employees. *Hi-Tech*, recognising that its customers demand the very best in manufactured products and due to the firm's extensive use of technology in the production line, use quality control to manage quality. This approach to quality allows the business to compete more effectively and efficiently in this highly competitive market.

Hi-Tech has 30 employees, including management and office staff, many of whom have worked for the company for several years. The business relies heavily on the experience of its employees, especially given the need to communicate specialist technical information regarding its products with both colleagues and customers. E-mail is the main method of communication used by the business, although employees have complained that so many emails have made it hard to prioritise workload.

Hi-Tech prides itself on providing good customer service to all of its customers.

(d) Analyse the impact on *Hi-Tech* of providing good customer service to its customers.

(6)

Enterprising Furniture Ltd (The sales process)

Specification topic: The sales process

Case Study: Enterprising Furniture Ltd

Brian Matthews established Enterprising Furniture Ltd six years ago. Based in Nottingham, it started with the idea that there was a gap in the market for affordable furniture. The company buys good condition furniture at cheap prices from houses and flats in the local area. The furniture is then cleaned and polished and sold through a small industrial unit. It is located in an area where some competition exists, such as charity shops that also sell and deliver furniture.

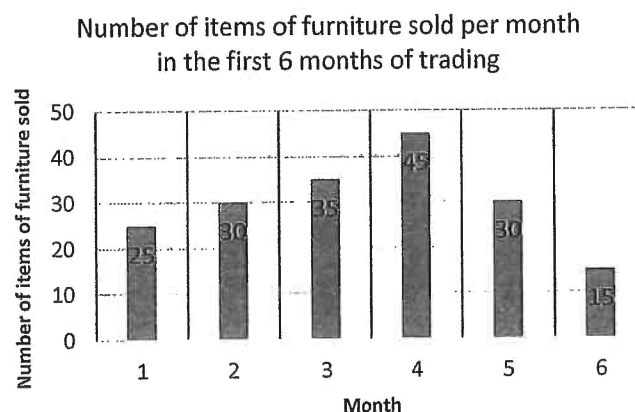
The business has been very successful in Nottingham and, in the last two years, has expanded to three other areas in the Midlands, namely Leicester, Derby and Loughborough.

The staff at Enterprising Furniture Ltd are recruited locally to the business. Those working in the shop take part in formal training provided by a local college. All employees must complete the four modules included in the training course, which consists of product knowledge, the importance of speed and efficiency of service, customer engagement and how to respond to customer feedback.

The post-sales service module is not undertaken by Enterprising Furniture employees and it is seen as unimportant given the nature of the products sold by the business and the additional cost of the module. The sales skills that employees learn have enabled many of the workers to go into better-paid, full time jobs, often in the retail sector.

Figure 1 shows furniture sales made by Enterprising Furniture Ltd in its first six months of trading.

Figure 1:



In the last two months, there have been several complaints from customers who have purchased furniture items from the Leicester branch. These complaints range from lack of care of delivery drivers, damaged furniture and a general lack of interest by employees in customer concerns, once they have bought and paid for an item. This has resulted in furniture returns and costly refunds.

Brian is currently very worried about the fall in monthly sales and the lack of profit that the business is generating. He realises that the overall survival of the company is under threat. He is now considering whether all employees need to undertake post-sales service training in an attempt to save the business and improve customer service levels.

Enterprising Furniture Ltd (The sales process)

Exam-style questions:

1. Using the information in Figure 1, calculate the average number of items of furniture sold per month in the first 6 months of trading. You are advised to show your workings **(2)**
2. Outline **one** benefit to Enterprising Furniture Ltd of providing good customer service **(2)**
3. Evaluate whether Enterprising Furniture Ltd is likely to benefit from all employees undertaking post-sales service training. You should use the information provided as well as your knowledge of business **(12)**

Production Questions

Production methods:

1. What is job production?
2. State 2 advantages of job production
3. State 2 disadvantages of job production
4. What is batch production?
5. State 2 advantages of batch production
6. State 2 disadvantages of batch production
7. What is flow production?
8. State 2 advantages of flow production
9. State 2 disadvantages of flow production

Impact of technology on production:

1. What is CAM?
2. How does it impact businesses?
3. What is 3D printing?
4. How does it impact businesses?
5. What is productivity?
6. How does SCM help to improve productivity?
7. What are barcode systems?
8. How do barcode systems improve productivity?
9. How does technology help to improve quality?
10. How does technology improve flexibility?

Procurement and suppliers:

1. What is procurement?
2. What are the qualities of a good supplier?
3. What are the impacts of a good supplier?
4. What are the qualities of a bad supplier?
5. What are the impacts of a bad supplier?
6. What should a business consider when they choose a supplier?

Stock control:

1. What is stock?
2. What is just-in-case stock control?
3. What is minimum stock level?
4. What is maximum stock level?
5. What is re-order level?
6. What is buffer stock?
7. State 3 advantages of just-in-case stock control
8. State 3 disadvantages of just-in-case stock control
9. What is just-in-time stock control?
10. State 3 advantages of just-in-time stock control
11. State 3 disadvantages of just-in-time stock control

Quality:

1. What is quality?
2. What are the impacts of good quality?
3. What are the impacts of poor quality?
4. What is quality control?
5. State 3 advantages of quality control
6. State 3 disadvantages of quality control
7. What is quality assurance?
8. State 3 advantages of quality assurance
9. State 3 disadvantages of quality assurance
10. What are quality standards?

TOPIC 2.2 MAKING MARKETING DECISIONS

tutor2u

START

1 The marketing mix consists of the 4P's. **State** the 4P's.

2 **Explain** how an understanding of the product life cycle could help Molly to develop her business.

3 **Define** the term mass market.

4 Molly has been told that she has a highly differentiated product. **Explain** to Molly what this means.

14 Molly is always looking to expand her sweet range and is particularly interested in stocking home made fudge and caramels. **Explain** how market research could help to inform Molly's decision.



BUSINESS PROFILE

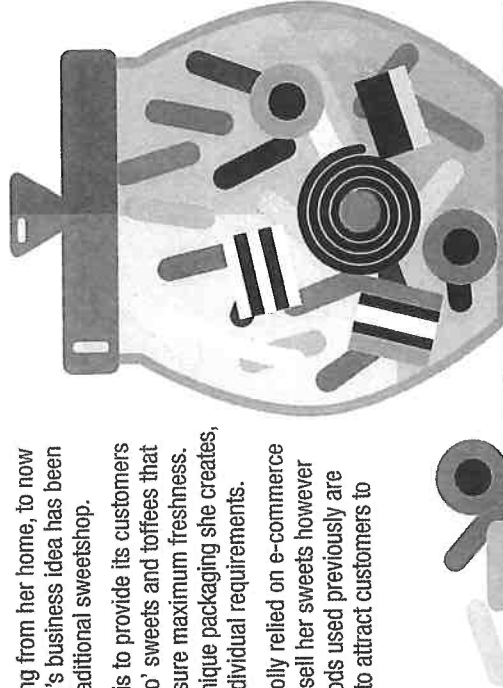
The Sweetie Jar

Selling high quality retro sweets for all occasions

Initially selling and distributing from her home, to now opening her first shop, Molly's business idea has been an enormous success – a traditional sweetshop.

The aim of The Sweetie Jar is to provide its customers with the highest quality 'retro' sweets and toffees that are packaged to order to ensure maximum freshness. Molly prides herself on the unique packaging she creates, custom designed to meet individual requirements.

Prior to the store opening Molly relied on e-commerce to market her business and sell her sweets however she is finding that the methods used previously are not as effective when trying to attract customers to her store.



6 Opening the shop has resulted in much higher overheads for Molly than she had operating from home. She thinks that she will need to increase her prices in the sweet shop to cover this. **Explain** two factors Molly should consider before raising price.

7 **Define** the term sponsorship.

11 **State** the three main distribution channels.

10 **Define** the term distribution.

9 Molly has designed a unique logo that is used on all of 'The Sweetie Jar' packaging, she feels this helps her to have a clearly identifiable brand. **Explain** two reasons why branding is important to a business, like Molly's.

8 Molly has relied heavily on e-commerce to market her business but now feels that her marketing strategy for the shop needs to be different. **Explain** two suitable methods of promotion for 'The Sweetie Jar'.

Methods of Production

| | |
|-------------------------------|--|
| Job production – description | |
| Job production – benefits | |
| Job production – drawbacks | |
| Batch production – benefits | |
| Batch production – benefits | |
| Batch production – drawbacks | |
| Flow production – description | |
| Flow production – benefits | |
| Flow production – drawbacks | |

| | |
|--|--|
| | |
| Impact of technology on production – benefits | |
| Impact of technology on production – drawbacks | |

Stock Control

| | |
|--|--|
| Stock – description | |
| Procurement – definition | |
| Logistics – description | |
| Qualities of suppliers | |
| Impacts of good relationships with suppliers | |
| Just-in-case stock control – description | |
| Minimum stock level | |
| Maximum stock-level | |
| Re-order stock level | |
| Buffer stock | |
| Lead time | |
| Bar gate stock graphs | |

| | |
|--|--|
| Just-in case stock control – benefits | |
| Just-in case stock control – drawbacks | |
| Just-in-time stock control - description | |
| Just-in time stock control – benefits | |
| Just-in time stock control – drawbacks | |

Quality

| | |
|-------------------------------------|--|
| Quality - definition | |
| Impacts of good quality | |
| Impacts of poor quality | |
| Quality control – characteristics | |
| Quality control – benefits | |
| Quality control – drawbacks | |
| Quality assurance – characteristics | |
| Quality assurance – benefits | |

| | |
|----------------------------------|--|
| | |
| Quality assurance – drawbacks | |

Production methods

1. Explain one benefit to a business using job production (3)
2. Explain one drawback to a business using job production (3)
3. Explain one benefit to a business using flow production (3)
4. Explain one drawback to a business using flow production (3)
5. Discuss the impact to a business of using batch production (6)

Impact of technology

1. Explain a positive impact technology has on production (3)
2. Explain a negative impact technology can have on production (3)

Stock

1. Explain one reason a business might choose to hold lots of stock (3)
2. Explain one disadvantage to a business of holding lots of stock (3)
3. Explain one reason a business might choose to hold low levels of stock (3)
4. Explain one disadvantage to a business of holding low levels of stock (3)
5. Discuss the impacts to a business of using just in time stock control (6)
6. Discuss the impacts to a business of using just in case stock control (6)

Suppliers

1. Discuss the factors a business will consider when choosing its suppliers (6)
2. Discuss the impacts to a business of having a good supplier (6)
3. Discuss the impacts to a business of having a good supplier (6)

Quality

1. Explain one benefit to a business of selling high quality products (3)
2. Explain one drawback to a business of selling low quality products (3)
3. Explain one benefit to a business of using quality assurance (3)
4. Explain one disadvantage to a business of using quality assurance (3)
5. Discuss the impacts to a business of using quality control (6)

Methods of production

Analyse the impact on Whitakers Chocolate of using batch production (6)

Extract C

Manufacturing Standards Quality at Whitakers Chocolates Limited

Hygiene and food safety is vital to Whitakers' manufacturing and this is demonstrated through a comprehensive quality assurance management system. Batch production processes and procedures are designed, continually updated and communicated to all personnel so that they understand the importance of meeting legal and customer requirements. The quality assurance system is certified against the British Retail Consortium (BRC) Global Food Standard and Whitakers Chocolates Limited consistently achieves high standards when audited. This achievement also meets the requirements of customers' changing tastes and preferences. Senior management reviews the effectiveness of the system on a regular basis and ensures that adequate resources are provided.

5

10

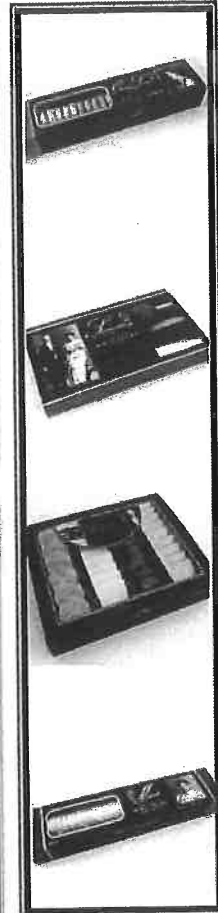
(Source: http://www.whitakerschocolates.com/?page_id=37)

Extract B

Chocolate manufacturers urged to hold more buffer stocks in the light of optimistic sales forecasts

The Association of the Chocolate, Biscuit and Confectionery Industries of Europe has called for chocolate manufacturers to hold larger buffer stocks to cover the supply of raw materials like sugar, skimmed milk powder and cocoa.

(Source adapted from 'http://www.bakeryandsnacks.com/Regulation-Safety/Caobisco-calls-for-extended-buffer-stocks-to-combat-supply-fluctuations?utm_source=copyright&utm_medium=OnSite')
utm_source=copyright&utm_medium=OnSite')



Quality

Hi-Tech Sheet Metal is a manufacturing company that specialises in making metal panels. Each panel is designed and produced to meet the specific requirements of each of its customers. Some of the industries supplied include:

- ➔ Medical
- ➔ Computer
- ➔ Vehicle
- ➔ Defence

Hi-Tech operates a large modern factory on the south coast of England and sells to customers all over the UK. As a successful and profitable business, growth is now a key objective. To meet this objective, the firm is now considering pursuing organic growth by expanding abroad and finding new markets. Alternatively, it is considering external growth by taking over a small overseas manufacturer.

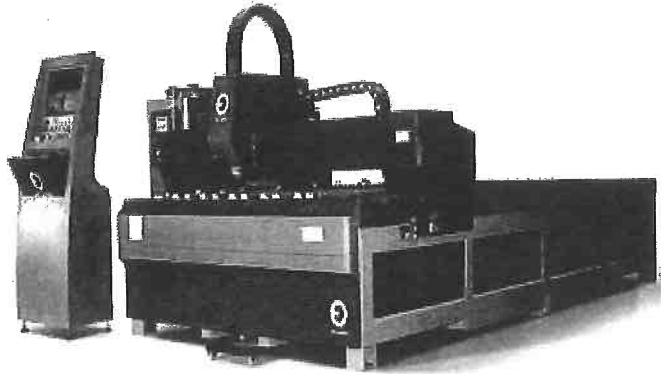


Figure 2

(source adapted from <http://www.htsm-ltd.co.uk/>)

Hi-Tech uses computer controlled equipment, such as laser cutters, (**Figure 2**) to enable the business to produce goods of the highest quality. The business has used the same, reliable suppliers over the last 10 years and operates a system of job rotation to motivate production employees. *Hi-Tech*, recognising that its customers demand the very best in manufactured products and due to the firm's extensive use of technology in the production line, use quality control to manage quality. This approach to quality allows the business to compete more effectively and efficiently in this highly competitive market.

Hi-Tech has 30 employees, including management and office staff, many of whom have worked for the company for several years. The business relies heavily on the experience of its employees, especially given the need to communicate specialist technical information regarding its products with both colleagues and customers. E-mail is the main method of communication used by the business, although employees have complained that so many emails have made it hard to prioritise workload.

(b) Analyse the impact on *Hi-Tech* of using quality control in its production process.

(6)

Stock

Nando's is a restaurant chain that specialises in Portuguese PERi-PERi chicken and spicy food. Since its first UK restaurant opened in 1992, the chain has expanded rapidly. There are now 339 restaurants in the UK. *Nando's* is popular amongst its target market of young people.

Nando's has used social media to develop a strong brand and to communicate with its target market. Its Twitter feed has over 1.5 million followers. *Nando's* uses viral advertising campaigns, many of which are reposted on social media.

The UK restaurant market has become more competitive. In 2013, *Nando's* decided to trial a takeaway service. After trialling this in 10 restaurants, the takeaway service is now available in every branch. Following the success of the takeaway trial, *Nando's* is now considering developing an app (application) for mobile phones, which can be used to order takeaway food. It also wants to start a home delivery service to improve the profitability of its takeaway service.

Nando's restaurant in Exeter uses a just in time (JIT) stock control system.

(c) Analyse the drawback for *Nando's* of using just in time (JIT).

(6)

Delilah's Desserts Ltd (Working with suppliers)

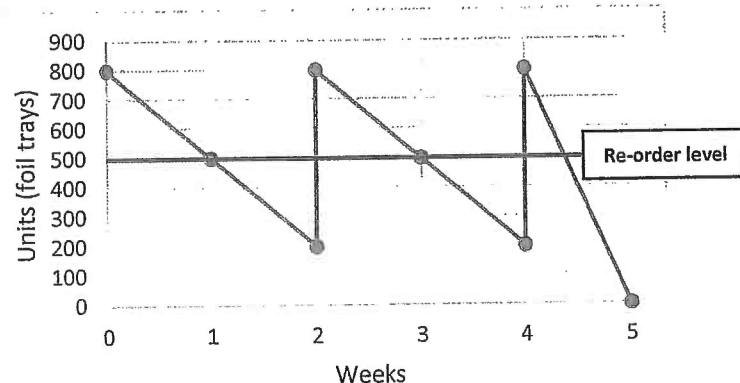
Specification Topic: Working with suppliers

Case Study: Delilah's Desserts Ltd

Delilah Price started her business, Delilah's Desserts Ltd, when she was twenty years old using a loan from her parents. Since then the business has grown significantly and now, twelve years later, is making £2 million of sales revenue through supplying a variety of desserts to a wide range of restaurants, hotels and cafes in the south-west of England and Wales. These are delivered from her factory, which is situated on the outskirts of Bristol. Delilah currently plans to increase the number of orders she receives and the amount she produces by 20% next year.

For some considerable time, Delilah has been concerned about the business's best approach to stock control and management. She has considered introducing just in time stock control, but continues to manage her stock holding using a bar gate stock graph and holding buffer stock for key food ingredients and packaging. Figure 1 shows a bar gate stock graph for stocks of foil trays used to package Delilah's popular cheesecake dessert.

Figure 1:



Last year, Delilah used 78 boxes of these trays and paid £270 per box. Each box contained 200 trays. However, her current supplier of foil packaging trays has just gone out of business and therefore she has asked two new suppliers to provide details about their foil trays, such as selling price, delivery times and foil quality, shown in Table 1. The information submitted was based on being able to supply Delilah's Desserts for two years. Each box, from either supplier, would contain 200 trays.

Table 1:

| Supplier name | Selling price | Delivery time from placement of order | Foil quality | Distance from Bristol Factory | Trade credit Offered | Quantity supplied per year (200 trays per box) |
|------------------------------|---------------|---------------------------------------|-------------------|-------------------------------|----------------------|--|
| J Marks Packaging Ltd | £295 per box | 2 days | Heavy grade foil | 15 miles | 28 days | Based on 80 boxes per year |
| Rookery Foils & Plastics Ltd | £249 per box | 4 days | Medium grade foil | 140 miles | 21 days | Based upon 100 boxes per year |

Delilah needs to consider this decision carefully. A key concern is that, over recent months, demand for desserts has become increasingly difficult to predict. In addition, rising food costs has meant some of her customers, such as restaurants, have become increasingly aware of price when selecting their dessert suppliers. Many of these restaurants are also looking for suppliers which offer 28 days trade credit.

Delilah's Desserts Ltd (Working with suppliers)

Exam-style questions:

1(a) Using Figure 1, identify the week when delivery of the order placed in week 3 arrived **(1)**

(b) Using Figure 1, calculate the amount of foil trays that were delivered in week 4. You are advised to show your workings **(2)**

2. Analyse the impact on Delilah's business of the decision to manage stock using a bar gate stock graph and holding buffer stock **(6)**

3. Delilah's Desserts plans to increase the amount of desserts it produces next year by 20%. It has two options in its choice of new supplier for its foil trays:

Option 1: J Marks Packaging Ltd

Option 2: Rookery Foils & Plastics Ltd

Justify which **one** of these options Delilah should choose **(9)**

TOPIC 2.3 MAKING OPERATIONAL DECISIONS

tutor2u 

START

1 State the three different production processes.

2 Using the Business Profile to help you, explain which method of production Harvey & Sons Ltd will use to produce their products. Give evidence to support your answer.

3 Explain two advantages to Harvey & Sons Ltd from using their chosen method of production.

4 Define the term productivity.

5 Due to the unique nature of Harvey's Conservatories, productivity is low compared to some of its competitors who mass produce their products. Explain how this could be improved using technology.

14 Explain why good customer service is important to a business, like Harvey & Sons Ltd.

13 State the 5 steps of the sales process.

12 Explain two reasons why quality is so important to the brand of Harvey Conservatories.

11 Explain two benefits to Harvey & Sons Ltd from making well-managed logistic and supply decisions.

10 Define the term logistics.

9 Explain the importance of building strong relationships with suppliers for a company like Harvey & Sons Ltd, who rely on JIT to manage their stock levels.

8 Define the term procurement.

7 Explain how a bar gate stock graph could be useful to Harvey and Sons Ltd when making purchasing decisions.

BUSINESS PROFILE

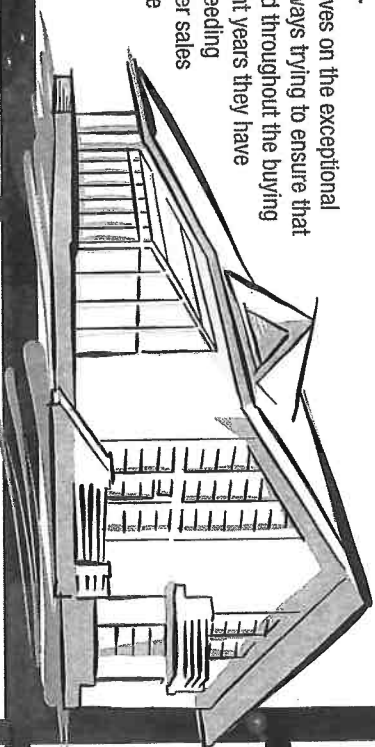
Harvey's Conservatories

Selling luxury, bespoke conservatories to meet all needs

Harvey & Sons Ltd, based in the North West of England, run a nationally recognised conservatory business selling custom made conservatories and garden rooms to meet specific customer requirements.

Their high quality, bespoke designs retail upwards from £8,000 and attract customers from across the country who are attracted to the company's strong reputation for high quality products and unique designs.

Harvey & Sons pride themselves on the exceptional customer service offered, always trying to ensure that the customer is well informed throughout the buying process and beyond. In recent years they have won two awards for the 'exceeding customer expectations in after sales service' – something they are particularly proud of.



Employees Questions

Organisational structures:

1. What is meant by organisational structure?
2. What is an organisation chart?
3. What is a hierarchical/tall structure?
4. State 2 advantages and 2 disadvantages of a tall structure
5. What is a flat structure?
6. State 2 advantages and 2 disadvantages of a flat structure
7. What is a wide span of control?
8. State 2 advantages and 2 disadvantages of a wide span of control
9. What is a narrow span of control?
10. State 2 advantages and 2 disadvantages of a narrow span of control
11. What is a centralised structure?
12. State 2 advantages and 2 disadvantages of a centralised structure
13. What is a decentralised structure?
14. State 2 advantages and 2 disadvantages of a decentralised structure

Communication:

1. Examples of communication that takes place in businesses?
2. Impacts of insufficient communication?
3. Impacts of excessive communication?
4. Barriers to effective communication?

Ways of working:

1. What are permanent contract?
2. What impacts do they have on businesses?
3. What are temporary contracts?
4. What impacts do they have on businesses?
5. What are freelance contracts?
6. What impacts do they have on businesses?
7. What is mean by Full time hours?
8. What impacts do they have on businesses?
9. What is meant by part time hours?
10. What impacts do they have on businesses?
11. What is meant by annualised hours
12. What impacts do they have on businesses?
13. What are zero hour contracts?
14. What impacts do they have on businesses?
15. What impacts can technology have on ways of working?

Recruitment:

Define the following:

1. Job advert
2. Job description
3. Person specification
4. CV
5. Application form
6. Short list

7. Interviews

8. What is meant by internal recruitment?
9. State 2 advantages of 2 disadvantages of internal recruitment
10. What is meant by external recruitment?
11. State 2 advantages of 2 disadvantages of external recruitment

Training and development:

1. What is formal training?
2. What is informal training?
3. What is self-learning?
4. What is on-going training?
5. What are performance reviews?
6. What are the benefits of training employees?

Motivation:

1. What is motivation?
2. What are the impacts of motivated employees?
3. What are the impacts of demotivated employees?
4. For each of the methods below give a definition, explain how they motivate staff and state 2 advantages and 2 disadvantages:
 - a) Remuneration
 - b) Bonuses
 - c) Commission
 - d) Fringe benefits
 - e) Job rotation
 - f) Job enrichment
 - g) Autonomy

Organisational Structure

| | |
|---------------------------------------|--|
| Organisational structure – definition | |
| Hierarchical structure – description | |
| Hierarchical structure – benefits | |
| Hierarchical structure – drawbacks | |
| Flat structure – description | |
| Flat structure – benefits | |
| Flat structure – drawbacks | |
| Centralised structure – description | |
| Centralised structure – benefits | |
| Centralised structure – drawbacks | |

Communication

| | |
|---|--|
| Insufficient communication - definition | |
| Insufficient communication – impacts | |
| Excessive communication - definition | |
| Excessive communication – impacts | |
| Barriers to effective communication | |

Ways of Working

| | |
|------------------------------------|--|
| Permanent contract – definition | |
| Permanent contract – benefits | |
| Permanent contract – drawbacks | |
| Temporary contract – definition | |
| Temporary contract – benefits | |
| Temporary contract – drawbacks | |
| Freelance contract – definition | |
| Freelance contract – benefits | |
| Freelance contract – drawbacks | |
| Full time hours – definition | |
| Full time hours – benefits | |
| Full time hours – drawbacks | |
| Part time hours – definition | |

| | |
|--|--|
| Part time hours – benefits | |
| Part time hours – drawbacks | |
| Flexible hours – definition | |
| Flexible hours – benefits | |
| Flexible hours – drawbacks | |
| The impact of technology on ways of working – benefits | |
| The impact of technology on ways of working – drawbacks | |

Recruitment

| | |
|--------------------------------------|--|
| Directors | |
| Senior managers | |
| Supervisors | |
| Operational staff | |
| Support staff | |
| Person specification | |
| Job description | |
| Application form | |
| CV | |
| Internal recruitment – definition | |
| Internal recruitment – benefits | |
| Internal recruitment – drawbacks | |
| External recruitment – definition | |
| External recruitment – benefits | |
| External recruitment – drawbacks | |

Training and Development

| | |
|-------------------------------------|--|
| Formal training - description | |
| Formal training – benefits | |
| Formal training – drawbacks | |
| Informal training - description | |
| Informal training – benefits | |
| Informal training – drawbacks | |
| Self-learning – description | |
| Ongoing – training – description | |
| Ongoing training – benefits | |
| Ongoing training – drawbacks | |

Motivation

| | |
|-------------------------------------|--|
| Motivation – definition | |
| Financial methods of motivation | |
| Non-financial methods of motivation | |
| Remuneration – definition | |
| Remuneration – benefits | |
| Remuneration – drawbacks | |
| Bonus– definition | |
| Bonus – benefits | |
| Bonus – drawbacks | |
| Commission – definition | |
| Commission – benefits | |
| Commission – drawbacks | |

| | |
|---------------------------------|--|
| Promotion– definition | |
| Promotion– benefits | |
| Promotion– drawbacks | |
| Fringe benefits – definition | |
| Fringe benefits – benefits | |
| Fringe benefits – drawbacks | |
| Job rotation – definition | |
| Job rotation – benefits | |
| Job rotation – drawbacks | |
| Job enrichment – definition | |
| Job enrichment – benefits | |

| | |
|----------------------------------|--|
| | |
| Job enrichment – drawbacks | |
| Autonomy – definition | |
| Autonomy – benefits | |
| Autonomy – drawbacks | |
| Impacts of motivated employees | |
| Impacts of demotivated employees | |

Organisational structure

1. Explain one benefit to a business of having a tall structure (3)
2. Explain one drawback to a business of having a tall structure (3)
3. Explain one benefit to a business of having a flat structure (3)
4. Explain one drawback to a business of having a flat structure (3)
5. Explain one benefit to a business of having a wide span of control (3)
6. Explain one drawback to a business of having a wide span of control (3)
7. Discuss the impacts to a business of having a narrow span of control (6)

Communication

1. Explain one impact to a business of having excessive information communicated (3)
2. Explain one impact to a business of having too little information communicated (3)
3. Discuss the factors that could lead to poor communication for a business (6)

Ways of working

1. Explain one benefit to a business of having part time staff (3)
2. Explain one benefit to a business of having permanent workers (3)
3. Explain one benefit to a business of having staff on zero-hour contracts (3)
4. Explain one drawback to a business of having staff on zero-hour contracts (3)
5. Discuss the impact to a business of having temporary workers (6)
6. Discuss the impact to allowing staff to work from home (6)

Recruitment

1. Explain one benefit to a business of internal recruitment (3)
2. Explain one limitation to a business of internal recruitment (3)
3. Explain one benefit to a business of external recruitment (3)
4. Explain one limitation to a business of external recruitment (3)
5. Discuss the impacts to a business recruiting the right staff (6)

Training and development

1. Explain one benefit to a business of training their staff on the job (3)
2. Explain one benefit to a business of training their staff off the job (3)
3. Explain one limitation to a business of training their staff on the job (3)
4. Explain one limitation to a business of training their staff off the job (3)
5. Discuss the impacts to a business of not training their employees (6)

Motivation

1. Explain one benefit to a business of having a motivated workforce (3)
2. Explain one drawback to a business of having a demotivated workforce (3)
3. Explain one way a business can motivate their staff (3)

Job rotation (SA)

4. Explain one way a business can motivate their staff (3)

Bonus (SA)

5. Discuss the impacts to a business of using job enrichment to motivate staff (3)
6. Discuss the impacts to a business of using commission to motivate their staff (6)

Motivation

Hi-Tech Sheet Metal is a manufacturing company that specialises in making metal panels. Each panel is designed and produced to meet the specific requirements of each of its customers. Some of the industries supplied include:

- Medical
- Computer
- Vehicle
- Defence

Hi-Tech operates a large modern factory on the south coast of England and sells to customers all over the UK. As a successful and profitable business, growth is now a key objective. To meet this objective, the firm is now considering pursuing organic growth by expanding abroad and finding new markets. Alternatively, it is considering external growth by taking over a small overseas manufacturer.

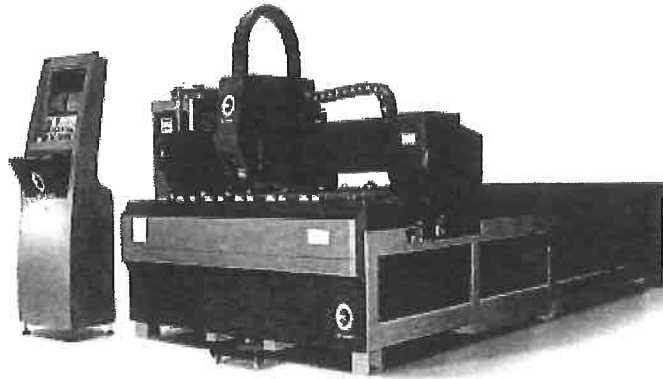


Figure 2

(source adapted from <http://www.htsm-ltd.co.uk/>)

Hi-Tech uses computer controlled equipment, such as laser cutters, (**Figure 2**) to enable the business to produce goods of the highest quality. The business has used the same, reliable suppliers over the last 10 years and operates a system of job rotation to motivate production employees. *Hi-Tech*, recognising that its customers demand the very best in manufactured products and due to the firm's extensive use of technology in the production line, use quality control to manage quality. This approach to quality allows the business to compete more effectively and efficiently in this highly competitive market.

Hi-Tech has 30 employees, including management and office staff, many of whom have worked for the company for several years. The business relies heavily on the experience of its employees, especially given the need to communicate specialist technical information regarding its products with both colleagues and customers. E-mail is the main method of communication used by the business, although employees have complained that so many emails have made it hard to prioritise workload.

Analyse the impact on Hi-Tech of using job rotation for its production workers (6)

Organisational structure

Sterling Stores is a British Institution. First starting in 1944 it expanded to become a high street name for classic, good quality clothing and food. There are now 360 stores across Britain and the head office remains in Marylebone Road in London where centralised decisions are made such as what clothing ranges will be designed and launched for each new season. The company targets a wide range of socio economic groups and ages but has a particular loyalty among women aged 35+. Tough competition on the high street from discounters and fast fashion retailers have been slowly eroding Sterling Stores' market share over the past ten years but the strong brand and store familiarity is loved by customers as well as their excellent customer service and generous exchange policy. Many birthday and Christmas presents are bought from Sterling Stores as it is so easy to exchange or return goods.

Richard Green, CEO of the company has been described by many as a dictator. His authoritarian leadership style and inability to accept criticism is a trait that has made him feared among his fellow board of directors. The chain of command consists of 8 levels of hierarchy including divisional directors, regional managers and individual department managers. One of Richard's strategic decisions has been to discontinue selling children's clothing from medium sized stores in order to maximise food sales. Many customers were upset by this and gave feedback to store managers at various branches including Liverpool and Warrington but the regional manager failed to pass this on to his superiors or the board of directors. Richard also decided to cut back on staffing to try and compete more on price with the discount chains. Again unhappy customer feedback was not passed back to head office and the directors were unaware. Market share fell by 3% in just 6 months.

Last year the labour turnover among middle managers at Sterling Stores rose from 8% to 12%. Managers cited the fact that they had a lack of freedom in their role which was tightly supervised by regional directors.

In order to improve performance Richard Green has spoken to his fellow directors who suggested cutting the number of layers of hierarchy from 8 to 6. This would make 2 layers of management redundant although they would have the choice to accept voluntary redundancy or be redeployed elsewhere in the organisation.

1. Analyse the impact of Sterling Stores of delayering (6)
2. Analyse the impact to Sterling Stores of being a centralised structure (6)

Fred's Superstore (Effective communication)

Specification Topic: Effective communication

Case Study: Fred's Superstore

Established over 70 years ago, Fred's Superstore is a family owned, independent supermarket based in Martinstown. Surrounded by several villages, Martinstown is a large market town that attracts local people to carry out their weekly shop. Like any large supermarket, it sells a wide range of food and non-food items such as clothing and petrol. Fred's prides itself on excellent customer service and realises the importance customer satisfaction has on success.

The business has always performed very well and has maintained high sales levels, helped by the fact that there are no other supermarkets in the area, although the growth in on-line sales is an increasing threat that the store faces from larger grocery chains. The superstore employs over 180 full-time and part-time workers. The business also recruits a number of temporary employees in the store over Christmas and during the summer holidays. Jobs at the store are popular, as Fred's is the largest employer in the area.

With such a large organisation, it is important to make sure that all employees receive the same messages. A newly appointed store manager felt communication was excessive in the supermarket and, as a result, has attempted to reduce the amount of information employees receive on a daily basis. Meetings are held once a month and an employee newsletter is sent out four times a year. There is also a website, aimed at the public, which has a password-protected section for employees to keep up to date with the latest news. However, staff have complained recently that they are not receiving important information. This had led to incorrect product pricing and delays in changing in store displays. This has caused confusion for employees and customers alike.

Because of the number of part-time staff, all important messages are emailed. However, on several occasions recently, messages have not been received in time for the necessary action to take place and, in some cases, have not arrived at all. Although technology has provided many benefits to the operation of the superstore, a recent decision to allow three office staff to work from home using a computer link has not been popular. Other employees believe it is reducing the presence of important staff in store and employees working at home feel they are missing out on important information and events, which has lowered their motivation levels.

Exam-style questions:

- 1. Outline one benefit to Fred's Superstore of employing temporary staff (2)**
- 2. Analyse the impact on Fred's Superstore of insufficient communication (6)**
- 3. Evaluate whether Fred's Superstore is likely to benefit from the increased use of remote working (12)**

Town & Country Bank (Effective training & development)

Specification Topic: Effective training & development

Case Study: Town & Country Bank

Town & Country Bank is based in the Midlands. It has 82 branches in towns and cities across the region, with its head office and call centre based in Birmingham. In addition to providing bank accounts for customers, it offers mortgages, personal loans, credit cards and a range of insurances. 60% of its customers are aged over 45 and 38% are over the age of 60 years.

Will Phillips, Chief Executive, recently approved a £4 million investment into a new IT system. The system, called "Rapport", enables bank employees to record details of conversations with customers to build up a picture of their personal financial arrangements. For example, as they speak to a customer, an adviser in branch may find out when a customer's home insurance is due to be renewed. They can then record this information in "Rapport" and it will prompt Town & Country to send a letter or make a telephone call to the customer to provide them with a quote for their insurance when it is due for renewal. It will also prompt bank advisers to encourage customers to get an insurance quote when they visit the bank.

In addition, branches are being refitted to create large areas for customers to use newly installed self-service machines, enabling them to carry out transactions, such as paying money into their account themselves. Employees in branch are now expected to spend much more time talking and selling products to customers.

To support this change, Will has also insisted on a full-scale training programme. At a further cost of £1.2 million, an external training company will deliver training to every branch team as it goes through its refurbishment. Branch managers, customer service managers and sales staff will attend a 2-day training course on the use of "Rapport". They will then be expected to provide ongoing training for all branch employees.

The training course will focus specifically on the use of "Rapport" and customer service. The customer service training will involve staff learning how to greet and talk to customers, how to help customers use the self-service technology and improve their understanding of the sales process.

Will sees this project as vital to the ongoing success and growth of the bank given the increasingly competitive nature of market. Table 1 contains information presented to the board of directors when the investment was approved.

Table 1:

| | Town & Country Bank | Industry Average |
|--|---------------------|------------------|
| Net profit margin | 8.1% | 9.5% |
| Average cost of running a branch per year | £735,000 | £640,000 |
| % of branch transactions using self-service | 54% | 72% |
| % of customers who say they are pleased with service from their branch | 87% | 73% |

Town & Country Bank (Effective training & development)

Exam-style questions:

- 1. State *one* way in which Town & Country trains and develops its employees (1)**
- 2. Analyse the drawback to Town & Country Bank of using formal training (6)**
- 3. Evaluate whether Town & Country Bank is likely to benefit from training and developing its employees. You should use the information provided as well as your knowledge of business (12)**

TOPIC 2.5 MAKING HUMAN RESOURCE DECISIONS

START

1 Define the term hierarchical structure.

2 The Marino brothers have been very keen to operate their business with a very flat structure. **Explain** two advantages to Little Italy of organising the business in this way.

3 Although the organisational structure is flat, decision making is centralised. **Explain** two disadvantages of this to the business 'Little Italy'.

4 Little Italy is a very busy restaurant. **Explain** two reasons why maintaining effective communication is vital to the continued success of the business.

5 Define the term 'barrier to communication'.

14 **Explain** how job rotation could motivate the employees at Little Italy.

13 State three financial methods of motivating employees.

12 Luca is keen to ensure that they have a happy, motivated workforce. **Explain** two ways in which motivation can help to retain employees.

11 Define the term retention.

10 Little Italy takes considerable pride in the training and induction programme provided for all new employees. **State** two benefits the business will gain from this programme.

9 **Explain** the difference between formal and informal training.

8 Luca has advertised the current vacancies on a national job vacancy website. **Explain** two advantages of this as a recruitment method.

7 State the 4 key documents used in the recruitment process.

6 Many of the staff employed by Little Italy will work flexible hours. **Explain** two benefits to the business of this approach.

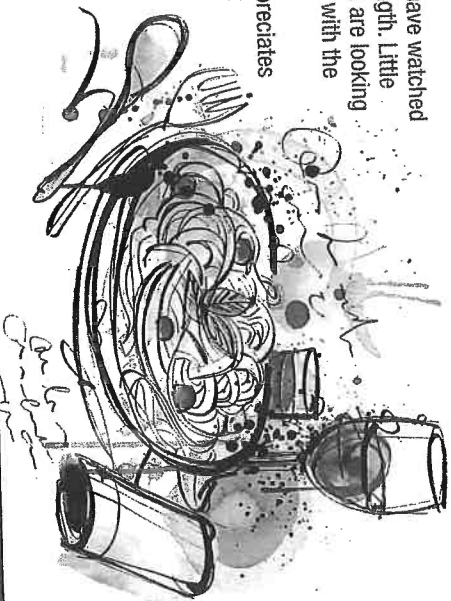
BUSINESS PROFILE

Little Italy, a small Italian restaurant owned and run by brothers Luca and Stefano Marino, opened its doors in 2016.

In a short space of time the Marino's have watched their venture go from strength to strength. Little Italy now employs 15 staff in total and are looking at taking on two further chefs to cope with the additional demand at the weekends.

Luca has a background in HR and appreciates the importance of employing the right people and looking after them well. He regularly tells Stefano that

"happy staff = satisfied customers."



External Environment Questions

Ethics and the environment:

1. What is meant by business ethics?
2. What are examples of ethical behaviour?
3. What are the benefits of a business being ethical?
4. What are the drawbacks of a business being ethical?
5. What are examples of unethical behaviour?
6. What are the benefits of a business being unethical?
7. What are the drawbacks of a business being unethical?
8. What is a pressure group?
9. What methods do they use to influence businesses?
10. What impact can they have on businesses?
11. What impacts can businesses have on the environment?
12. How can businesses lessen their impact on the environment?

Globalisation:

1. What are the benefits of globalisation on businesses?
2. What are the drawbacks of globalisation to businesses?
3. What is a trading bloc?
4. What are the benefits of being in a trading bloc?
5. What are the drawbacks of being in a trading bloc?

Ethics and the Environment

| | |
|--|--|
| Business ethics – definition | |
| Examples of ethical behaviour | |
| Benefits of being ethical | |
| Drawbacks of being ethical | |
| How businesses can be environmentally sustainable? | |
| Pressure group – definition | |
| Actions by pressure groups | |
| Impact of pressure group action on businesses | |

Globalisation

| | |
|--|--|
| Imports | |
| Exports | |
| Barriers to trade (list) | |
| Tariffs – description and impact | |
| Quotas – description and impact | |
| Export subsidises – description and impact | |
| Trading blocs – description and impact | |
| Benefits of globalisation | |
| Drawbacks of globalisation | |
| Changes to the marketing mix if selling internationally | |

Globalisation

1. Explain one drawback to a business that exports products to a country that has imposed quotas (3)
2. Explain one drawback to a business that exports products to a country that has imposed tariffs (3)
3. Discuss the impacts to a business of globalisation (6)

Ethics & environment

1. Explain one way a business can be ethical (3)

2. Explain one way a business can choose to be unethical (3)

3. Explain one reason a business may choose to be ethical (3)

4. Explain one reason a business may choose to be unethical (3)

5. Discuss the drawbacks to a business that is unethical (6)

British Jets plc (Business and globalisation)

Specification topic: Business and globalisation

Case Study: British Jets plc

British Jets plc is a large, well-known company that makes aircraft. It operates in a competitive market where costs of production are high. For example, American firm Boeing manufacture an aircraft called the Dreamliner, which is said to cost \$110 million to make (about £90 million). The rewards however are great, with the Dreamliner selling to airlines all over the world for a price of around \$197 million (about £160 million).

Due to the costs of developing an aircraft being so expensive, British Jets plc share these development costs with other businesses, many of which are located overseas. Each of these businesses have expertise in a particular area such as wheels and brakes or electronics and, as a result, can manufacture cheaper component parts than British Jets plc.

British Jets plc currently employs about 150,000 workers in the UK making and assembling aircraft bodies and engines, including production of some component parts. In addition, another 150,000 workers across the UK have jobs linked to the business, for example workers at UK steel making firms.

British Jets plc has recently decided to increase its aircraft sales to non-EU countries. The company tried to break into these markets five years ago, but faced significant barriers to trade and competition. British Jets plc found there were already several manufacturers making aircraft, based in countries such as China and India, which could produce reliable products and sell them at a lower price than British Jets plc.

In order to be competitive and increase aircraft sales, British Jets plc is considering whether it should buy more component parts from overseas or change its business location to China. If the latter proved successful, China could be a global base for British Jets plc in the future.

Exam-style questions:

1. Outline **one** barrier to trade that British Jets plc faces when selling to overseas markets (2)
2. Outline **one** impact on British Jets plc of globalisation (2)
3. British Jets plc is considering two options to increase aircraft sales in non-EU countries:

Option 1: Buying more component parts from overseas

Option 2: Changing its business location to China

Justify which **one** of these options British Jets plc should choose (9)

Little Miss Boo (Ethics, the environment and business)

Specification Topic: Ethics, the environment and business

Case Study: Little Miss Boo

Little Miss Boo was founded 10 years ago by Richard White and his daughter Karen. Richard was a successful entrepreneur, whilst Karen was a designer for a high street clothes retailer. Little Miss Boo is an e-tailer that sells affordable, fashionable clothing aimed at females aged 14-21 years. It is proud of its ability to respond quickly to the latest fashion trends and has an easy to use website that displays its product range.

In order to compete with high street retailers, such as Primark and H&M and other online businesses, Little Miss Boo has to keep costs as low as possible. The majority of clothes sold by Little Miss Boo are made in Bangladesh and Vietnam. Suppliers are expected to produce new season ranges very quickly, with new collections launched every three months onto the website.

When the business first started, Little Miss Boo experienced a high level of sales and profit. However, a recent TV documentary identified Little Miss Boo as a firm which used “unethical” clothing suppliers i.e. those with a record of low pay, poor working conditions and forcing employees to work long days to meet deadlines for new clothing ranges. The business was also criticised for using suppliers with poor environmental and sustainability records.

In addition, a pressure group called “Labour Behind The Label”, which campaigns to improve working conditions of employees in clothes manufacturers across the world, actively uses social media to encourage young people and other consumers to think about the ethics and impact of buying items of clothing priced at less than £10.

Karen had never really given environmental and ethical issues much thought however, due to recent events, she now feels it is the right time to take action. In response, she approached a range of alternative suppliers, including some based in the UK, where she could be more confident of their pay, working conditions and environmental and sustainability records. However, Karen found from her research that, on average, the costs of buying stock would increase by around 15% if she changed suppliers.

Eager for Little Miss Boo to become an ethical business, Karen has decided she needs to persuade her father of the benefits. Richard however, remains unconvinced that customers are affected by such issues and feels low prices are still the more important factor when young people choose where to buy their clothes.

Exam-style questions:

1. Outline **one** impact on Little Miss Boo of considering the environment in its business decision-making **(2)**
2. Analyse the impact of pressure group activity on the marketing mix of Little Miss Boo **(6)**
3. Evaluate whether Little Miss Boo is likely to benefit from becoming an ethical business. You should use the information provided as well as your knowledge of business **(12)**

Bounce In (Making marketing decisions)

Specification topic: Making marketing decisions

Case Study: Bounce In

The indoor trampolining market has grown massively in the UK, with the number of parks increasing from just four, eighteen months ago, to one hundred today. An additional twenty parks are in the process of being built across the country.

Bounce In is just one of the many businesses that have entered this highly competitive market. A year ago, the business opened its first park in Slough, a large site that consists of one hundred interconnected trampolines. The firm's success in Slough resulted in the business opening another park in Warwick, a few months ago, partly due to the quality reputation and excellent safety record the business has built up. Table 1 contains information about sales at the Warwick park.

Table 1:

| | |
|------------------------------|-------|
| Selling price per customer | £10 |
| Number of customers per week | 7,500 |

Bounce In hopes to continue with its expansion plans and is considering opening a third park in Solihull, which is located 15 miles away from Warwick, and has a population of 210,000 people. Table 2 contains information about the Solihull park.

Table 2:

| | |
|---|------------|
| Estimated overall total profit for the investment | £4,125,000 |
| Number of years | 5 |
| Cost of investment | £1,500,000 |

After carefully considering the financial information, Bounce In has made the decision to open the new park in Solihull. However, given the increasing levels of competition, the business realises that it needs to use the marketing mix effectively to build a competitive advantage quickly. The marketing manager thinks Bounce In should offer a wider product range than its competitors, including activities such as bouncing dodgeball, a foam pit and tumble tracks. The finance manager disagrees, believing that the business should reduce average prices by 5% in order to attract customers. Despite these differences in opinion, both managers agree that the business needs to develop its use of e-commerce.

TOPIC 2.4 MAKING FINANCIAL DECISIONS

START

1 Define the term gross profit.

2 Calculate the forecasted gross profit margin for both the van and salon option in 2018.

3 Calculate the percentage change in sales revenue from 2017 to 2018 (salon option).

4 Define the term net profit.

14 Explain how the information contained in the bar chart could help Ellie with her investment decision.

BUSINESS PROFILE

Scissor Yappy

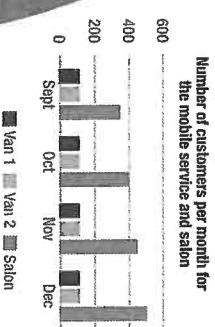
Professional dog grooming for your canine companion!

Scissor Yappy dog groomers has been running for five years, initially operating as a mobile salon. Recent growth in customer numbers has meant that the owner, Ellie, has been looking at the possibility of moving into permanent premises rather than buying a second van. She feels that the time wasted travelling between appointments could be used to book in more dogs if she worked from a fixed location.



| | 2017 (actual from 1 van) | 2018 (forecast with extra van) | 2018 (forecast with salon) |
|---------------|-----------------------------|-----------------------------------|-------------------------------|
| Sales Revenue | \$52,500 | £105,000 | £201,250 |
| Gross Profit | \$32,000 | £64,000 | £145,000 |
| Net Profit | £12,500 | £25,000 | £68,500 |

| | Yappy Profit 2nd van | Yappy Profit Salon |
|--------------------|----------------------|--------------------|
| Initial Investment | £26,000 | £105,000 |
| Year 1 | £12,500 | £68,500 |
| Year 2 | £12,500 | £75,000 |
| Year 3 | £12,500 | £85,000 |



Data Drop

5 Calculate the forecasted net profit margin for both the van and salon option in 2018.

6 Based on the profit data and your calculations to Q3 explain which option is the most profitable for Scissor Yappy.

7 Define the term ARR.

8 Using the investment data provided in the data drop, calculate the ARR for both options.

9 Based on your answers to question 8, explain which option you would recommend for Ellie's business.

10 Explain two possible limitations of the data available to Ellie when she makes her investment decision.

11 Ellie has a range of financial data available to her to help when making her decision. State two other sources of data that could be useful to Ellie in this situation.

12 If forecasts are correct, Ellie will be expecting approximately 500 customers per month in her salon. Using her forecasted sales revenue for the year to help you, calculate the average spend per customer.

13 In the month of December, Ellie expects to reach her highest number of customers in the salon. Calculate the percentage increase in customers compared with when she operated from her original mobile van.