**Business Educators Western Australia (Inc)**

**2018**

Disclaimer: This marking key was developed to accompany the 2018 BEWA Business Management and Enterprise exam. It is strongly advised that teachers work the exam to check all answers before administering it to their students.

**BUSINESS MANAGEMENT AND ENTERPRISE**

**YEAR 12 ATAR UNIT 3**

Student Name:

School:

**Time allowed for this paper**

Reading time before commencing work: Ten minutes

Working time for paper: Three hours

**Materials required/recommended for this paper**

*To be provided by the supervisor*

This Question/Answer Booklet

*To be provided by the candidate*

Standard items: Pens, pencils, eraser, correction fluid/tape (if allowed), ruler, highlighters.

Special items: Nil.

# Important note to candidates

No other items may be taken into the examination room. It is **your** responsibility to ensure that you do not have any unauthorised notes or other items of a non‑personal nature in the examination room. If you have any unauthorised material with you, hand it to the supervisor **before** reading any further.

**Structure of this paper**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Section | Number of questions available | Number of questions to be attempted | Suggested working time (minutes) | Marks available | Percentage of Exam |
| Section OneShort Answer | 6 | 6 | 100 | 60 | 60 |
| Section TwoExtended Answer | 3 | 2 | 80 | 50 | 40 |

*For markers’ use only*

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Section/Question | Marks allocated | Marks achieved | Allocated weighting | % achieved |
| ***Short answer – attempt THREE questions*** |   |   |   |   |
| 1 | 10 |   |   |   |
| 2 | 10 |   |   |   |
| 3 | 10 |   |   |   |
| 4 | 10 |   |   |   |
| 5 | 10 |  |  |  |
| 6 | 10 |  |  |  |
| **Total Marks Allocated** | 60 |   | **60%** |   |
| ***Extended answer – attempt TWO questions*** |   |   |   |   |
| 7 | 25 |   |   |   |
| 8 | 25 |   |   |   |
| 9 | 25 |   |   |   |
| **Total Marks Allocated** | 50 |   | **40%** |   |
| **EXAM TOTAL** |  |  | **100%** |  |

**Section One: Short Answer 60 Marks**

**Question 1** **(10 marks)**

1. Explain how consumer purchasing and spending patterns drive global business development. (3 marks)

|  |  |
| --- | --- |
| Explains how consumer purchasing patterns drive global business development for organic fruit and vegetables | 3 |
| Limited explanation how consumer purchasing patterns drive global business development | 2 |
| States a fact related to consumer purchasing patterns  | 1 |
| Total | **3** |
| Answers could include |
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| --- |
| * Consumers are more knowledgeable regarding regional food and the advantages of organic foods, therefore willing to seek quality foods.
* consumers demanding organic food free from pesticides etc
* consumers are trending towards for more-healthy diet
* consumers are willing to pay more for higher quality food
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| *Accept any other correct, logical answer.* |

1. Describe the role of ethics in global environmental responsible business decisions.(3 marks)

|  |  |
| --- | --- |
| Describes the role of ethics in global business decisions | 3 |
| Outlines the role of ethics in global business decisions | 2 |
| States a fact related to ethics in global business decisions | 1 |
| **Total** | **3** |
| Answers could include |
| * Balancing of what is right even if it costs the business more (eg sourcing raw materials)
* ethics includes decisions regarding environmental responsibility sustainability and corporate social responsibility (CSR)
* ethical decisions based on responsible use of non- renewable resources and environmental damage
* ethical decisions give consideration to triple bottom line
* ethics influence decisions on whether to outsource operations and to ensure companies used to outsource follow ethical business practices
 |
| *Accept any other correct, logical answer.* |

1. Describe two incentives used by the host country and home government for international trade. (4 marks)

|  |  |
| --- | --- |
| For each of the two incentives |  |
| Describes an incentive used by the host country and home government for international trade. | 2 |
| Identifies an incentive | 1 |
| **Total** | **2** |
| Answers could include |
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| **Grants:** * Export Market Development Grant (EMDG) – financial assistance program for aspiring and current SME Australian businesses to develop export markets, administered by Austrade. Encourages international trade

Austrade also assists business by:* providing information about international markets and trends
* arranging meetings with potential clients and partners
* providing ongoing support such as information and advice to assist Australian businesses to reduce time, cost and risk associated with exporting

**Taxation:** * tax concessions for export markets e.g. exports of goods and services from Australia are generally GST-free (conditions apply)

Duty Drawback Scheme enables exporters to obtain a refund on customs duty paid on imported goods tax incentives are given to businesses by the Australian Taxation Office, such as offsets for expenditure on research and development, tax incentives for start-ups, tax incentives for innovation **Other Government incentives can include**: * Export Finance and Insurance Corporation (EFIC) Export Finance Guarantee – Australian government export credit agency, secures finance and minimises risk of payments for Australian exporters
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| *Accept any other correct, logical answer.* |

**Question 2** **(10 marks)**

1. Describe the role of innovation for improving processes, products and services. (4 marks)

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| --- | --- |
| Describe the role of innovation for improving product/service | 2 |
| Sates a fact on the role of innovation for improving product/service | 1 |
|  |  |
| Describe the role of innovation for improving processes | 2 |
| States a fact related to innovation of processes | 1 |
| **Total** | **4** |
| Answers could include |
| **Product/service innovation:** * product innovation refers to changing and improving features, materials or functions of a product or service
* role may be to respond to existing customer demand in a new and better way or anticipate market trends
* role can be to create additional customer demand through new products/adaptations

**Process innovation:** * process innovation is about changing and improving how a business operates, distributes and markets its product
* role may be to reduce waste, time and costs leads to sustained profits
* role can be to develop a less expensive manufacturing process
* process innovation may reduce cost and increase production capacity
* role may be to develop better ways to interact with customers – social media, online purchasing and payment methods.
 |
| *Accept any other correct, logical answer.* |

1. Explain the two (2) factors that impact on the success of innovation. (6 marks)

|  |  |
| --- | --- |
| For each of the four factors |  |
| explains the factor that impacts on the success of innovation | 3 |
| Outlines the factor that impacts on the success of innovation  | 2 |
| Identifies the factor that impacts on success of innovation | 1 |
| **Total** | **3x2** |
| Answers could include |
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| **timing** * the concept of timing in terms of both the innovation/operations cycle of innovation and how this relates to their customer cycles

**cost** * investment in innovation (intellectual property), research and development can be significant, therefore requires appropriate financial resources; and requires appropriate human resources in terms of skill and volume

**marketing strategy** * relates to provision of the right information regarding the innovative products, services, processes, position and/or paradigm, and how the strategy will inform existing markets and develop new markets
* key element of the marketing strategy impacting success will be the timing of its implementation/release to the market and the use of the appropriate distribution channels

**technology** * adoption, implementation, maintenance and training of staff technology skills will assist in innovation/operations area of innovation or the absence of any of these could have negative impacts
* impact in terms of the level of investment required for innovative technology/equipment to support the innovation
* other areas that may be impacted include the use of technology in the e-commerce stage of innovation and in the administrative areas supporting innovation process.
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| *Accept any other correct, logical answer.* |

## Question 3 (10 marks)

Margaret River based food company, Sauceebox have been successfully manufacturing and selling ‘bushtucker’ style foods to the restaurant industry for a number of years. The company draws on the indigenous food traditions from the local area when developing its products, which are now attracting attention from the global market.

1. With reference to the case study, analyse the impact of globalisation on the domestic market. (3 marks)

|  |  |
| --- | --- |
| Description | Marks |
| Analyses the impact and applied to the case study | 3 |
| Limited analysis with some application to the case | 2 |
| States a relevant fact | 1 |
| **Total** | **3** |
| Answers could include:* increased competition from overseas traditional/indigenous foods could drive down prices reducing the profits of Sauceebox
* Increased availability of alternative traditional foods improves consumer choice
* Sourceebox would have to maintain/improve quality of product in face of new competition

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| *Accept any other correct, logical answer.* |

1. Comment on the benefit to the business of having a home grown or developed product.

(3 marks)

|  |  |
| --- | --- |
| Description | Marks |
| Explains the benefit of home grown/developed product applied to the case study | 3 |
| Limited explanation of the benefit with some application to the case | 2 |
| States a relevant fact | 1 |
| **Total** | **3** |
| Answers could include:* increased income to local indigenous businesses through the sales of authentically created and sourced food
* generation of money through local Indigenous Australian communities (multiplier effect) creation of employment opportunities for Indigenous Australians in areas such as bush tucker food development and production, sales and distribution of the products
* local economic development and prosperity from income and employment opportunities
* increased cultural awareness from within the local community in terms of knowledge and pride in traditional food culture
* recognition of high Australian standards, quality and authentic Indigenous Australian food products
* increased cultural awareness and recognition of high quality Australian products could lead to opportunities and/or innovative ideas to pursue other home/grown/developed Indigenous Australian-crafted products.
 |
| *Accept any other correct, logical answer.* |

1. Outline two (2) sources of financial risk Julie would need to deal with in her exporting business. (4 marks)

|  |  |
| --- | --- |
| Description | Marks |
| For each source |  |
| Outline source of financial risk | 2 |
| Identify source of financial risk | 1 |
| **Total** | **2x2** |
| Answers could include:* currency fluctuations– the change that occurs in the dollar value of one country’s currency relative to another country’s currency. Currency fluctuations can result in an exporter losing money
* non-payment of monies– not being paid for the goods or services supplied to the export market.
 |
| *Accept any other correct, logical answer.* |

**Question 4** **(10 marks)**

Electroharmonix manufactures electrical components used in a variety of applications, from computers to micro-wave ovens. The company is seeking to expand its operations into New Zealand and beyond, both in terms of selling its products and sourcing raw materials. The company is aware of the many free trade agreements (FTA’s) that have been put in place, and is considering the impacts these may have on its expansion plans.

1. Describe the features and role of the ANZCERTA Free Trade Agreement.

 (4 marks)

|  |  |
| --- | --- |
| Description | Marks |
| Outlines the role of ANCERTA | 1 |
| For each feature |  |
| Outlines a feature | 1-3 |
| **Total** | **4** |
| Answers could include:ANZCERTA: Australia has a Closer Economic Relations (CER) agreement with New Zealand (ANZCERTA) which is similar to an FTA but also includes non-trade related issues. It is one of the most comprehensive bilateral free trade agreements**Key features:*** harmonisation of Trans-Tasman food standard**s** in NZ,
* tariffsand quantitative import or export restrictions on trade in goods originating in the Free Trade Area are prohibited
* reduce or illuminate tariffs (tax and other costs associated with import and exports
* mutual recognitionof goods and occupations – meaning that qualifications and occupations are recognised in each country.
* elimination of travel visas
 |
| *Accept any other correct, logical answer.* |

1. Discuss the benefits and challenges to Australian owned businesses as a result of Free Trade Agreements (FTAs). (6 marks)

|  |  |
| --- | --- |
| Description | Marks |
| Detailed discussion of the benefits and challenges to Australian owned businesses as a result of Free Trade Agreements (FTAs) with reference to case material | 6 |
| Provides details on benefits and challenges of FTA | 4-5 |
| Lists benefits and challenges of FTAs | 3 |
| Identifies a benefit and challenges of FTAs | 2 |
| States a relevant fact  | 1 |
| **Total** | **4** |
| Answers could include:**Benefits**

|  |
| --- |
| * removal of trade barriers on the movement of goods, services, labour and capital
* tariff reductions and elimination of behind-the-border barriers
* economic cooperation
* opportunities to tap into international supply chains
* increased productivity, contribution to GDP growth and increased consumer spending
* fosters competition and innovation as businesses need to maintain a competitive advantage

**Challenges** * FTA benefits often overestimated regarding their use, scope and impact
* domestic producers faced with an increased level of competition from cheap imports
* possibility of below cost products dumped in Australia
* acceptable standards e.g. food standards creates unfair competition
* political, trade and economic security issues.
 |

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| *Accept any other correct, logical answer.* |

**Question 5 (10 marks)**

Seismic Solutions provides sophisticated computer software to the Australian and global mining industry. They are currently developing an innovation to their existing product range that will greatly speed up the time taken to find mineral seams and accurately predict the size of the seam. The company is confident that that this innovation will make its products more attractive to its overseas clients.

1. Explain two (2) potential benefits of innovation for Seismic Solutions. (6 marks)

|  |  |
| --- | --- |
| Description | Marks |
| For each benefit |  |
| Explains benefit with reference to case study | 3 |
| Outlines benefit with limited reference | 2  |
| States a fact about a benefit | 1 |
| **Total** | **6** |
| Answers could include:employment, improved skills in the workforce, better management of environmental impact. **financial gain:** * may lead to increased income or new income through the creation of a new market or capture of more market share
* may prolong the product life cycle by delaying the decline stage
* by adding features or improving quality, customer demand can be maintained or increased

**expansion of global market presence:** * the competitive advantage created by innovation can be translated into global competitiveness
* innovation could lead to further expansion globally

**increased market share:** * innovation results in an improved product (faster exploration and accurate data collection) could capture a new market
* reputation as a market leader in innovative products will be enhanced, increasing market share
 |
| *Accept any other correct, logical answer.* |

1. Suggest two (2) strategies for minimising financial risk in export markets that Seismic Solutions should implement. (4 marks)

|  |  |
| --- | --- |
| Description | Marks |
| Identifies and explains the strategy | 2 |
| Identifies strategy | 1  |
| **Total** | **2x2** |
| Answers could include:* documentation– using letters of credit or pre-payment options will protect against payment default by importers
* insurance– provides protection against risk to exporters selling their products on credit
* hedging (forward) 8– against currency fluctuations or the value of the currency (the exchange rate) changing over a period of time
 |
| *Accept any other correct, logical answer.* |

**Question 6 (10 marks)**

In this increasingly competitive global environment, businesses are constantly faced with the need to adapt to changing market demands and conditions. Success depends to a large extent on the ability of business to recognise the need to change and how to successfully they manage change throughout the business.

1. Discuss how the competitors as an external factor drives change in a global environment. (4 marks)

|  |  |
| --- | --- |
| Description | Marks |
| Discusses how the competitors drives change in a global environment | 3-4 |
| Explains how competitors drive change | 2 |
| States a fact | 1 |
| **Total** | **4** |
| Competitors* Number of competitor in the business environment increases as the business expands globally.
* The more competitors in the external environment the business needs to ensure they distinguish themselves and have a clear competitive advantage.
* Business needs to keep changing and adapting to maintain their own competitors’ edge as competitors continue to innovate and enter the global market.
 |
| * *Accept any other correct, logical answer.*
 |

1. Comment on the role of e-commerce in a global environment. (3 marks)

|  |  |
| --- | --- |
| Description | Marks |
| Comment on the role of e-commerce in a global environment. | 2-3 |
| States a fact on e-commerce in a global environment. | 1 |
| **Total** | **3** |
|  |  |
| Answers could include:* E-commerce allows businesses to enter global/new markets relatively easily and quickly without the need to set up a physical presence in another country.
* Low cost of computers, internet, mobile devices and the growing use of e-commerce globally due to consumers are more confident in its use.
* Allows businesses to conduct transactions without geographical barriers (including B2B to access global supply chains, B2C to access larger consumer markets)
 |
| *Accept any other correct, logical answer.* |

1. Discuss the importance of managing diversity as a strategy for business growth.

 (3 marks)

|  |  |
| --- | --- |
| Description | Marks |
| Discusses the importance of managing diversity linking various strategies for business growth | 3 |
| Outlines the importance of managing diversity linking one a strategy for business growth | 2 |
| States a relevant fact | 1 |
| **Total** | 3 |
| Answers could include

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| --- |
|  |

* Global business environment means dealing with a variety of customers, suppliers and employees as important to build strong relationships with customers, suppliers and employees as the business grows
* strong relationship with suppliers and workforce, more productive as business grows
* workers more motivated, customers satisfied (increased sales), suppliers more likely to develop productive relationship
* openness/communication leads to better ideas and methods
* stakeholders willingness to do more business
* ability to manage diversity leads to a greater understanding of needs and wants of customers, suppliers and employees.
 |

## End of Section One

**Section Two: Extended Answer 50 marks**

**Question 7 (25 marks)**

Denker and Spratt is Melbourne based a clothing company that has enjoyed considerable success in Australia since its inception in 2010. It sells a very broad range of stylish, mid-priced clothing to men and women in the 18-30 age range. The company has recently launched a children’s clothing brand– Denker and Spratt Mini.

Denker and Spratt both designs and manufactures in house, giving the company total control over the entire process. It has won many industry awards in its relatively short time of operation, both for its products and its business model. It is seen as a leading light in the industry for its ethical business practices.

With the growth of emerging markets, the company is now seeking to develop its brands globally. Julie Denker, has been undertaking research into exporting into markets as diverse as India, China and Thailand. During this research process, Julie has realised that it may be possible that some of the manufacturing and distribution processes could be undertaken through developing strategic alliances to assist in global expansion.

Prepare a short report or essay to Julie addressing the following:

1. Explain how financial growth opportunity and loss minimisation drives global business development. (6 marks)

|  |  |
| --- | --- |
| Description | Marks |
| Explains clearly how factors drives global business development with reference to case material | 5-6 |
| Explains clearly how factors drives global business development with limited reference to case material | 4-5 |
| Provides a limited explanation how factors drives global business development | 2-3 |
| States a relevant fact | 1 |
| **Total** | 6 |
| Answers could include:**financial growth opportunities** * possible saturation on local market need to seek global markets for further growth – reach more potential customers as market in India and China are larger than Australia.
* increasing competition in Australian market need to seek opportunities in global markets for further development
* opportunity to take advantage of lower costs of production in Asia by outsourcing or joint venture in manufacturing of clothes.
* Businesses also use a global supply chain. Components or raw materials can be sourced globally improving quality and lowering costs. Clothing fabric can be source that are suitable to climates and taste for the India and China markets.

**loss minimisation*** By expanding operations globally Denker and Spratt can minimize or hedge against losses in one market. Australia could be experiencing a downturn in the economy whilst China’s economy stays strong, therefore any drop is discretionary spending on quality clothes in one market can be minimized by an increase in discretionary spending in another market.
* Diversifying and expanding clothing range into children’s clothes also minimizes risks.
 |
| *Accept any other correct, logical answer.* |

1. Outline the benefits of Denker and Spratt forming a strategic alliance for the planned business expansion in a global market. (3 marks)

|  |  |
| --- | --- |
| Description | Marks |
| Outlines the benefit with reference to the case study materials. | 3 |
| Outlines the benefit | 2 |
| Identifies a benefit | 1 |
| **Total** | **3** |
| Answers could include:* to generate greater income from the alliance compared to developing globally individually, this could be from joining with a fabric business for specific patterns or type of fabric suitable for the local environment
* combining of resources and strategies to create greater competitive edge than the individual companies (synergy) – e.g. skilled staff on clothing design, capital goods, manufacturing/distribution expertise
* cost advantages as resources can be pooled
* greater access to raw materials suitable for the local environments (pattern and fabric types suitable for different climates)
* local knowledge of the global markets
 |
| *Accept any other correct, logical answer.* |

1. Explain the rationale for outsourcing and joint ventures when expanding globally. (8 marks)

|  |  |
| --- | --- |
| Description | Marks |
| Explain the reasons for the strategic alliance linked to the case material | 3-4 |
| Provide the reasons for the strategic alliance | 2 |
| Outline the strategic alliance or state a fact | 1 |
| **Total** | **4x2** |
| Answers could include:Both strategic alliances allow the Denker and Spratt to maintain their independence, outsourcing can allow Julie to expand quickly whilst a joint venture arrangement may take more time and resources to set up.**Outsourcing*** Outsourcing is the transferring of a non-core function to an outside supplier.
* Julie would be using another business to perform the manufacturing of the clothing whilst Denker and Spratt concentrate on the design of their clothes.
* Outsourcing allows Denker and Spratt to take advantage of advanced technology used by specific clothing manufactures to improve efficiency of production and achieve cost reductions.

**Joint Venture*** Joint venture is when two or more businesses set up a separate organisation together to achieve a specific goal.
* For example, Denker and Spratt may align themselves with a Chinese clothes design and set up a separate organisation where the talent of the local designer is used whilst the design uses Denker and Spratts awarding winning processes.
* For Denker and Spratt the local design can assist in ensuring the fabrics and its patterns are suitable for the Chinese climate and consumer tastes, which would be significantly different to Australia.
 |
| *Accept any other correct, logical answer.* |

1. Describe the role of ethics Julie would need to consider when deciding to use outsourcing, including offshore labour. (4 marks)

|  |  |
| --- | --- |
| Description | Marks |
| Describes the role of ethics when outsourcing/offshoring with reference to the case materials | 3-4 |
| Describes the role of ethics when outsourcing/offshoring | 2 |
| Identifies the role of ethics when outsourcing  | 1 |
| **Total** | **4** |
| Answers could include:* Ethical dilemma is the reduced costs of manufacturing clothing in China or India but still ensures employees are paid a decent wage and work conditions that would not bring disrepute or reduce the public image of Denker and Spratt as quality clothing.
* Julie will need to ensure the cost savings of outsource will not impact on her business public image by ensuring the business used comply to International Labour Standards and possible regular check are made to ensure quality and work conditions are acceptable to Julie’s ethical standards.
* Denker and Spratt have received awards for their process due to the control over the quality output. Outsourcing can lead to a decline in quality unless managed.
* Using offshore labour Julie must ensure select manufacturer maintains International Labour Standard or any savings can be lost as poor public image or quality negatively impacts the business.
 |
| *Accept any other correct, logical answer.* |

1. Recommend the most appropriate form of strategic alliance for Denker and Spratt global expansion. (4 marks)

|  |  |
| --- | --- |
| Description | Marks |
| Recommend a strategic alliance with appropriate justification and reference case study | 4 |
| Recommend a strategic alliance with appropriate justification but limited reference case study | 3 |
| Recommend a strategic alliance with appropriate justification | 2 |
| Recommend a strategic alliance with some justification | 1 |
| **Total** | **4** |
| Answers could include:* **acquisition** – also known as a takeover. When one business buys another by purchasing a major stake in the target company. This results in gaining access to a larger potential market
* **justification** – increased customer base that could result in greater market share for the business, increased financial benefits, market research and costs, reduced competition, economies of scale, greater efficiencies and the potential for increased profits
* **merger**- with a foreign business can help gain access to overseas markets.
* **justification** – as acquisition
* **joint venture** – an arrangement where two or more businesses join forces to become one entity for a particular purpose or project
* **justification** of a joint venture – takes advantage of local knowledge of the fashion market or labour expertise. There could be savings in costs and time with a business that is already established in the market
* **franchise** – a business allows other businesses to trade under its name in return for a fee and a share of the revenue generated
* **justification** – run a new business with the company’s established brand name, training, equipment and expertise provided, significant economies of scale and potential global advantage in large-scale advertising.
 |
| *Accept any other correct, logical answer.* |

**Question 8 (25 marks)**

Juvela is a Perth based company specialising in gluten free products to the growing food allergy market. The company has successfully expanded across the continent with branches in Adelaide, Melbourne, Sydney and Brisbane. Juvela is a well-established brand name in the market associated with high quality products using local ingredients. In an attempt to develop his business globally, Slim Margins, Chief Executive Officer (CEO), is considering opening branches in South East Asia and well as expanding into the USA market. These markets are already very competitive with a number of well-established businesses.

Marketing Manager Dylan DeCosta is reviewing the company’s marketing strategy and is concerned about whether the brand will successfully transfer to the global market. He feels that different markets require a different approach and some form of adaptation will be necessary. He is unsure that the company’s use of pictures of wheat free products and the slogan ‘good and go’ will connect with Asian customers in particular. Slim, who has spent years building and developing the brand disagrees and feels that having a standardised global brand would be the most appropriate strategy.

Slim is preparing a report to his management team assessing the feasibility of successfully taking the brand into the global environment.

You have asked to help Slim by preparing a business report or essay addressing the following:

1. Describe two (2) benefits of global branding for this company. (4 marks)

|  |  |
| --- | --- |
| Description | Marks |
| For each benefit |  |
| Describes a benefit of global branding applied to the case | 2 |
| Identifies a benefit with limited application  | 1 |
| **Total** | **4** |
| Answers could include:* **consistency** – enables a business to communicate a consistent message to customers in all markets resulting in stronger brand awareness and positioning
* **low risk** – Juvela can use marketing strategies (promotion and advertising) that have worked in Australia
* **lower cost** – Juvela will be able to achieve economies of scale by using the same advertising and packaging in USA and in Asia. Multiple teams for research and marketing strategy are not needed, a centralised team of people will develop marketing strategies for all markets, thus quicker and less expensive
* **easier to manage** – a standardised approach will be less complex than working with multiple advertising agencies, marketing teams and different strategies
* **better differentiation** – a consistent global brand will stand out from the competition as consumers will see the same logo, colours, product name and advertising.
 |
| *Accept any other correct, logical answer.* |

1. Explain two (2) factors that determine the feasibility of Slim expanding. (6 marks)

|  |  |
| --- | --- |
| Description | Marks |
| For each factor |  |
| Explains a factor determining feasibility applied to the case | 3 |
| Outlines a factor with limited application to the case | 2 |
| Identifies a factor | 1 |
| **Total** | **6** |
| Answers could include:l**evel of demand by consumers:** * ability and number of potential customers, including frequency of purchase
* enough potential customers to warrant investment of expansion
* potential customers must be able to afford higher priced specialist food

**consumption patterns:** * changing trends of consumers
* consumers wanting healthy alternatives to foods containing gluten
* increased recognition of gluten allergies as a medical condition

**competitor activity:** * refers to the number of competitors in the market and their market share

countries in Aisa may make similar products however, these may not be the same quality as authentic Juvela product range |
| *Accept any other correct, logical answer.* |

1. Comment on the standardisation and adaptation options for this global brand when applying elements of the marketing mix. (10 marks)

|  |  |
| --- | --- |
| Description | Marks |
| Comment on standardisation for the global brand with reference to the case | 4-5 |
| Comments on standardisation for the global brand with limited reference to case | 3 |
| Comments briefly on standardisation for the global brand | 2 |
| Makes a comment on standardisation | 1 |
| **Sub Total** | **5** |
| Comment on adaptation for the global brand with reference to the case | 4-5 |
| Comments on adaptation for the global brand with limited reference to case | 3 |
| Comments briefly on adaptation for the global brand | 2 |
| Makes a comment on adaptation | 1 |
| **Sub total** | **5** |
| **Total** | **10** |
| Answer could refer to:**Options for global branding could include:** * corporate
* product name
* product features
* positioning
 |
| Answers could include:

|  |
| --- |
| **Standardisation**: * provides a consistent message regarding health (gluten free, allergy markets)
* allows economy of scale for production, packaging etc.
* customers are visually aware of same brand in different markets. This will allow travelling allergy suffers confidence in products with brand when purchasing overseas.
* by selling one unified product lacks uniqueness – may not be as competitive against local products/businesses.
* limits flexibility that can have a negative reaction by neglecting local requirements.

**Adaptation**: * shows respect for local markets/culture/customers
* leads to better company image and sales
* leads to greater customer satisfaction
* generates higher costs to change marketing mix for each market
* is time consuming including market research and adaptation time
 |

 |
| *Accept any other correct, logical answer.* |

1. Recommend whether the business should standardise or adapt if it expands their business globally providing a rationale for your response. (5 marks)

|  |  |
| --- | --- |
| Description | Marks |
|

|  |
| --- |
| Recommends (provides comprehensive reasons in favour/applies to case study) standardisation or adaption alternative  |

 | 4-5 |
| Recommends (provides some reasons in favour/applies to case study) standardisation or adaption alternative  | 2-3 |
| Outlines factors that need to be considered in the recommendation  | 1 |
| Not attempted | 0 |
| **Total** | **4** |
| Answers could include:

|  |
| --- |
| **Factors that could be considered in recommendation:** * customer needs/wants – market research needed to determine differences
* language and culture – different words and colours have different connotations and meanings in other countries
* legal – requirements on packaging and labels

**Marketing mix alternatives:** * standardisation marketing mix is best used when cultures and environments are similar,(USA) including customer demands (needs and wants)
* adaptation marketing mix used in recognition of local markets to suit local tastes, (East Asia) meet specific market needs, leads to greater customer satisfaction.

**Recommendation/application to case study**: Standardise: * brand name would translate globally across all borders
* use Australia because it is recognised for high standards
* small Australian company may not have funds required to adapt to each market.
* Asian markets becoming more westernised (similar needs and wants due to increasing ‘internationalised’ middle class).
 |

 |
| *Accept any other correct, logical answer.* |

**Question 9 (25 marks)**

Potopia, produces hand-made, high quality ceramic ornamental vases and pots. Making the products is a highly skilled, labour intensive and time consuming process, relying on highly skilled workers, who hand produce the products from the design phase through to final manufacture.

Bronte Baxter, the recently appointed marketing director thinks that the production process is out-dated and she is proposing that the company should remain in control of the designing of the product, but that the manufacturing processes be outsourced to an overseas company.

She believes that focusing solely on the design process, would enable the business to invest in state of the art computer aided design technology and produce products that have a much wider appeal than just to the current target market.

Outsourcing the production process will see the business avoid the distractions created by problems arising from the production process, excessive production times and issues with sourcing raw materials.

The owner of the business, Anna Bates is resistant to change from the current business model, meanwhile rumours have started to circulate about the possible changes and job losses.

Prepare a short report or essay to Bronte and Anna addressing the following points.

**(**a) Explain how one (1) internal factor may act as drivers of change for Potopia. (4 marks)

|  |  |
| --- | --- |
| Description | Marks |
| Explains an internal factor driving change for Potopia | 3-4 |
| Explains an internal factor driving change | 2 |
| Identifies a factor  | 1 |
| **Total** | 4 |
| Answers could include* Finance/Available Resources
* Culture/Policy and Procedures
* Employees
* Management

Change in the Management strategic direction of Potopia from all stages of the production to just design due to the current processes being out dated and costly, making it difficult for the business to keep up with demand and/or remain competitive in pricing, therefore driving change.Employees: Any change in the strategic direction of Potopia means that some highly skilled potters may lose their jobs to outsourcing. |
| *Accept any other correct, logical answer.* |

(b) Discuss two (2) factors that would result in resistance to change in this business. (8 marks)

|  |  |
| --- | --- |
| Description | Marks |
| For each factor |  |
| Discusses the factor and apply to the case | 3-4 |
| Discusses a factor  | 2 |
| Identifies a factor  | 1 |
| **Total** | 8 |
| **financial costs:** * costs associated with introducing new CAD technology
* cost/benefit of the change and if it is worthwhile
* costs associated with ensuring outsourced products are of sufficient high quality

**staff attitude:** * **f**ear of change of direction to his business due to employees losing their job (eg highly skilled potters)
* fear of the unknown of new CAD procedures
* self-interest (staff involved in the production process)
* misunderstanding leading to fear of job losses

**managerial inertia*** set up and management of the outsourcing process could be problematic
* devaluing of highly skilled and trained employees
* CAD would involve learning and managing new skills and process
* Inability/reluctance to keep up to date with market trends/new target markets
 |
| *Accept any other correct, logical answer.* |

(c) Analyse how two (2) steps from Kotter’s 8 step theory of change management can be used in Potopia’s change management process. (8 marks)

|  |  |
| --- | --- |
| Description | Marks |
| For each step |  |
| Applies the step to the case study providing details | 3-4 |
| Explain how the step can be used to manage change process | 2 |
| Outlines the step  | 1 |
| **Total** | 8 |
| Answers could include1.**Create a sense of urgency*** for change to happen, it helps if a sufficient number of people within an organisation want it - at least 75% of people wanting it creates a critical mass. Potopia would have to ensure that sufficient numbers of employees through extensive dialogue. Could include a SWOT analysis

2.**Form a guiding coalition*** change requires a strong leadership and visible support from key people such as Bronte within the organisation. Bronte need to form a coalition. By working as a team, the coalition helps to create more momentum and build the sense of urgency in relation to the need for change.

**3.Develop a vision and strategy*** The need for change must be accompanied with a clear description about how things will be different in the future following the change. Strategies should be developed by and with the coalition

**4.Communicating the vision*** Bronte must ensure that the vision is effectively communicated. She must hold regular face to face meetings, produce updates via email, in support of, not instead of face to face meetings. She must be available at all time to discuss the change.

5.**Empowerment/ removal of obstacles*** As change leader, Bronte must identify and remove obstacles and obstructions to change. This could include resistant individuals and/or groups and reinforcing the need for change

**6.Generating short-term wins*** success breeds success. Kotter advises that an early taste of victory in the change process gives people a clear sight of what the realised vision will be like.
* It is also important to recognise and reward all those people who make these early gains possible.
* Bronte should to be looking for - and creating – opportunities for these early wins e.g. successfully implementing new CAD technology, designing first new range of products

7.**Consolodate and build on change**

|  |
| --- |
| * continue with change processes, review, reflect and build on previous success
* set continuous short term goals and timelines
* assign responsibilities to employees to increase motivation
 |

8.**Institutionalise/ Anchor changes in the culture*** change/amend policy and procedures to embed change
* Bronte must focus on the reason for outsourcing production and implementing CAD technology i.e. to remain competitive in a global environment. This needs to be reinforced in Potopia’s corporate culture.
* Bronte needs to establish a team of people with expertise in overseas operations (knowledge of customs, regulations, etc. of the new county in which they are locating).
* Ensure staff are fully trained in new CAD technology
 |
| *Accept any other correct, logical answer* |

(d) Explain how Potopia could use Forcefield Analysis to prepare for the proposed change

 (5 marks)

|  |  |
| --- | --- |
| Description | Marks |
| Explains how the Potopia specifically could use Forcefield analysis to prepare for change | 4-5 |
| Explains how Forcefield analysis could be used, with limited application to the case (may use a complete labelled diagram) | 3 |
| Describes the model with limited application to the case | 2 |
| Describes the Forcefield analysis model (may use a diagram to assist) | 1 |
| **Total** | 5 |
| Answers could include* Forcefield analysis (Lewin) model there are forces driving change and forces restraining it. Weights are allocated to these drivers and resistors according to their significance. Where there is equilibrium between the two sets of forces there will be no change. In order for change to occur the driving force must exceed the restraining force.
* The model enables Potopia to assess how influential the drivers of and resistors to change.
* The company can then form strategies to either reinforce the key drivers for change and/or reduce and eliminate the resistors to change.
 |
| *Accept any other correct, logical answer.* |

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