**Business Educators Western Australia (Inc)**

**2021**

Disclaimer: This marking key was developed to accompany the 2021 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**

**UNIT 3**

**MARKING KEY**

**Note to teachers**

This is a suggested marking key. Please note that some questions could elicit a wide range of different answers. This marking key could not possibly cover all of these. Teachers should make a professional judgement if students have made a correct answer that is different to that presented in this marking key.

## Section One: Short answer 60% (60 Marks)

## Question 1 (9 marks)

(a) Explain the concept of managing diversity and why it is an important strategy for business growth. (5 marks)

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| **Description** | **Marks** |
| Explains the concept of managing diversity and why it is important to business growth | 4-5 |
| Describes the concept of managing diversity and states why it is important to business growth | 2-3 |
| States a fact about managing diversity | 1 |
| **Total** | **5** |
| Answers could include:  Managing diversity is a core component of global business. It can involve strategies to:   * ensure everyone is heard * empower employees to make decisions * share credit for success with employees * give constructive feedback and implement feedback from staff * expand into new markets * use bilingual staff for sales campaigns, international business trips, client services * train staff on cross-cultural communication, cultural etiquette, etc.   It is an important strategy for business growth because:   |  | | --- | | * develops strong relationships with suppliers and the workforce. * breeds innovation of ideas, products, and processes. * ensures a more productive working environment as the business grows. * leads to better ideas and methods through openness in communication. * can lead to stakeholders’ willingness to do more business. * can lead to a greater understanding of needs and wants of customers, suppliers, and employees. * when customers are more likely to be satisfied, this can lead to increased sales or use of the service * employees are more likely to be motivated * promotes creativity in the workforce and with suppliers – supports productive relationships and efficiency. | | |
| Accept any other correct, logical answer. | |

(b) Describe **one** benefit and **one** challenge to Australian owned businesses of Free Trade Agreements (FTAs). (4 marks)

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| --- | --- |
| **Description** | **Marks** |
| Benefits and challenges to Australian owned businesses of FTAs: | |
| Describes one benefit | 2 |
| Identifies one benefit | 1 |
| **Subtotal** | **2** |
| Describes one challenge |  |
| Identifies one challenge |  |
| **Subtotal** | **2** |
| **Total** | **4** |
| Answers could include:  Benefits:  increased profits due to Australian-owned businesses selling more products by exporting internationally, with fewer restrictions  greater market share and access to overseas markets  the flow of expert labour can be included in FTAs to help a business.  Challenges:  could lead to more competition in Australia by foreign-owned businesses so that Australian businesses would have more competitors locally  market share for businesses in Australia could be reduced  could become less competitive due to there being higher labour costs in Australia.  can put pressure on small businesses not prepared to expand globally  can put pressure on industries, such as manufacturing, that might be cheaper to complete in other countries. | |
| Accept any other correct, logical answer. | |

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

(a) Explain the rationale and purpose of outsourcing as a strategic alliance. (3 marks)

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| **Description** | **Marks** |
| Explains both the rationale **and** purpose of outsourcing as a strategic alliance | 3 |
| Explains the rationale **or** the purpose of outsourcing as a strategic alliance | 2 |
| States a fact about outsourcing | 1 |
| **Total** | **3** |
| Answers could include:  Outsourcing means moving non-core activities from internal operations of a business to an external party to carry out the activity.  Rational (reason for):   * lower production costs * seek specialised knowledge.   Purpose (goal or what will be achieved):   * pay lower costs per unit as wages are generally lower when using outsourcing. * ability to focus on core business activities (eg design) whilst 3rd party is focusing on non-core activity such as production. | |
| Accept any other correct, logical answer. | |

(b) Discuss the ethical issue of using offshore labour. (4 marks)

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| **Description** | **Marks** |
| Discusses (provides pros/cons) the ethical issue of using offshore labour | 3-4 |
| Describes an ethical issue regarding using offshore labour | 2 |
| States a fact about using offshore labour | 1 |
| **Total** | **4** |
| Answers could include:  The role of ethics in the using offshore labour is to ensure that the operations overseas are conducted using ethical principles. Workers are paid a fair wage and their working conditions are of an acceptable standard.  Australia has lost industries such as the car industry. It has had challenges in its ability to compete with other countries in costs such as wages, safety standards, leave entitlements etc. This has encouraged some industries to use offshore labour.  While creating jobs in developing countries, using offshore labour also decrease employment rates in Australia. Australian workers in the manufacturing industry require reskilling and training, or become unemployed, relying on government assistance. | |
| Accept any other correct, logical answer. | |

(c) Explain how deregulation of the financial market aids global business development.

(3 marks)

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| **Description** | **Marks** |
| Explains how deregulation of the financial market aids global business development | 3 |
| Describes deregulation of the financial market | 2 |
| States a fact about deregulation of the financial market | 1 |
| **Total** | **3** |
| Answers could include:  Deregulation of the financial market involves the removal of legislative barriers to the flow of capital and competition in financial markets.  It reduces the barriers to the exchange of money across borders and globally – this allows businesses to trade in a global market with less restrictions and costs.  It can give Australian businesses access to markets outside of Australia – this leads to a larger customer base.  It allows for businesses to be cost-effective when they expand globally, to grow their market share internationally and makes it easier to send capital overseas.  Increased competition in banking also allows businesses to lower their borrowing costs. | |
| Accept any other correct, logical answer. | |

**Question 3** **(12 marks)**

Sirens Energy is an oil and natural gas explorer, developer and producer operating in South Australia and Queensland. It provides oil and gas for the domestic market and export markets such as South East Asia. Sirens Energy is creating two subsidiary companies in the Caymen Islands, which is a tax haven. One company will explore global locations for more natural gas deposits and the other will focus on developing specialised exploration equipment.

(a) Explain the tax minimisation strategy that has driven Sirens Energy global business development. (4 marks)

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| **Description** | **Marks** |
| Explains the tax minimisation strategy in relation to the stimulus material | 4 |
| Explains a how a tax minimisation strategy could be used | 3 |
| Describes a tax minimisation strategy | 2 |
| States a fact about a tax minimisation strategy | 1 |
| **Total** | **4** |
| Answers could include:  A tax haven is a jurisdiction that has a low rate of tax or does not levy a tax. It offers some degree of secrecy. Tax havens do not share or provide information to other financial institutions or governments.  Transfer pricing is the setting of the price for goods and services sold between controlled legal entities within an enterprise. For example, if a subsidiary company sells goods to a parent company, the cost of those goods paid by the parent to the subsidiary is the transfer price.  This allows for the manipulation of profits and the consequent amount of tax paid by the enterprise.  Sirens Energy is using the strategy of transfer pricing to a subsidiary company for exploration costs located in the Cayman Island to minimise the amount of tax it will pay. | |
| Accept any other correct, logical answer. | |

(b) Explain a multi-lateral Free Trade Agreement (FTA) that will assist Sirens Energy in its export operations in South East Asia. (3 marks)

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| **Description** | **Marks** |
| Explains a multi-laterial FTA that will assist export operations in South East Asia for Sirens Energy | 3 |
| Describes arelevant multi-lateral FTA | 2 |
| Identifies a relevant multi-lateral FTA | 1 |
| **Total** | **3** |
| Answers could include:  The ASEAN, Australia, New Zealand Free Trade Agreement (AANZFTA) would apply to the source material.  ASEAN-Australia-New Zealand (AANZFTA) free trade agreement features:   * extensive tariff reduction and elimination commitments – 96% by 2020 * reduces costs for Sirens Energy and reduces red tape for exports and imports making it easier for products, services and workers to move from one country to another. * regional rules of origin provide new opportunities for Australian exporters to tap into international supply chains in the region. * promotes greater certainty for Australian service suppliers and investors, including through certain legal protections for investment in ASEAN territories. * provides a platform for ongoing economic engagement with ASEAN through a range of built-in agendas, economic cooperation projects and business outreach activities. | |
| Accept any other correct, logical answer. | |

(c) Sirens Energy is looking to create a strategic alliance to help cover the expenses and risks associated with gas exploration in various global locations. Explain a suitable strategic alliance to assist Sirens Energy in its expansion. (4 marks)

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| --- | --- |
| **Description** | **Marks** |
| Explains why it is an appropriate strategic alliance for Sirens Energy | 3-4 |
| Describes the relevant strategic alliance for Sirens Energy | 2 |
| States a fact about the relevant strategic alliance | 1 |
| **Total** |  |
| Answers could include:  A joint venture would be a suitable strategic alliance. This is an arrangement where two or more businesses join forces to become one entity for a particular purpose or project.  This allows both businesses to develop a new project while still focusing on their core business.  Joint ventures allow for the sharing of business costs, target market and customer bases that are already established individually by each business.  A joint venture would allow Sirens Energy to join with a construction business within the local area that has the cultural and legal knowledge to assist in the business development. This would spread costs and risks to minimise the impact on the core business. | |
| Accept any other correct, logical answer. | |

**Question 4** (10 marks)

Nood Australia, makes a range of skincare and cleaning products using Australian native botanicals. It has expanded its range to include sanitising products to meet the demands of COVID-19. It is also seeking to further export to South East Asia. This region has a growing middle income and the younger generation has become more brand- focussed.

1. Explain **two** factors that determine the feasibility of expanding into South East Asia. (6 marks)

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| **Description** | **Marks** |
| For each of **two** factors that determine the feasibility of expanding into South East Asia: | |
| Explains the factor and relates it to the source material | 3 |
| Describe the factor that determines feasibility | 2 |
| Identifies the factor that determines feasibility | 1 |
| **Total** | **6** |
| Answers could include:  Level of demand by consumers: ability and number of potential customers, including frequency of purchase; have enough potential customers to warrant; investment of expansion; potential customers in South East Asia must be able to afford quality Australian products. Hand sanitizing range that is of natural ingredients will have a high demand due to current COVID 19 and also changing habits of people – sanitizing hands more often.  Consumption patterns: changing trends of consumers; the Asian market is changing rapidly. Consumers in South East Asia are very brand conscious. They like any brand that is trending. This market is very interested in limited edition items coming from the well-known brands. Nood Australia would need to investigate the current consumption patterns for skin care products in South East Asia and compare to existing product line.  Competitor activity: refers to the number of competitors in the market and their market share; low confidence in overseas production systems; new Free Trade Agreement (FTA) reducing barriers. Competition can include local, international, and online businesses. Number of business that have started to produce hand sanitising range due to COVID-19 – competition would be increasing | |
| Accept any other correct, logical answer. | |

## (b) Describes two benefits of home grown/developed products. (4 marks)

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| **Description** | **Marks** |
| For each of **two** benefits of home grown developed products: | |
| Describes the benefit | 2 |
| States a fact about the benefit | 1 |
| **Total** | **4** |
| Answers could include:   * Home grown developed products create employment opportunities for individuals in the local economy. As employment levels rise and local incomes rise, this flows through to other businesses in the local area. * The home country standards of production are high so the goods can be assured to meet quality standards – resulting in higher customer satisfaction. * This increases the reputation of the brand, both locally and overseas. * Warranties are stipulated under Australian law; also parts and servicing are easier to obtain as they are locally sourced. | |
| Accept any other correct, logical answer. | |

**Question 5 (10 marks)**

Yanagin Farms owns two intensive dairy farms in the south west region of Western Australia. Low profit margins on milk products have forced the business to consider changing to growing organic and local produce cheese. Yanagin Farms has invested in a production facility to cater for the growing demand for quality Australian produce and dairy products throughout Asia.

(a) Explain how consumer spending patterns have driven global business development for Yanagin Farms. (4 marks)

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| --- | --- |
| **Description** | **Marks** |
| Explains how consumer spending patterns drive global business development with reference to the stimulus material | 3-4 |
| Describes consumer spending patterns | 2 |
| State a fact about consumer spending patterns | 1 |
| **Total** | **4** |
| Answers could include:  Consumer spending patterns (or consumption) refers to what goods and services are purchased for the satisfaction of the consumer. Consumers are currently spending their money on products that are of a higher quality and with businesses that have high ethical values. This determines the demand for products/services in different countries.  This demand influences business decisions in regard to marketing, product development, pricing, etc. Identifying trends and spending patterns allows businesses to identify gaps in the global market place and create opportunities to innovate and increase sales.  Understanding consumer behaviours related to individual countries (social, psychological, ethical, cultural, and personal, etc.) help global businesses understand their international customers more and helps the business to determine the way they interact with them. The more understanding businesses have over their customers’ spending patterns, the better they are able to meet these demands and hence improve their global sales.  Consumer spending patterns are changing as consumers seek ethical produce from local suppliers. Demand for quality organic products is also growing in overseas markets, especially for Australian products that a known for high quality. | |
| Accept any other correct, logical answer. | |

(b) Explain both financial growth and loss minimisation as drivers for Yanagin Farms expanding into the Asian market. (6 marks)

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| **Description** | **Marks** |
| For each of **financial growth** and **loss minimisation**: | |
| Explains how the factor drives global business in relation to the stimulus material | 3 |
| Explains how the factor drives global business | 2 |
| States a fact about the factor | 1 |
| **Total** | **6** |
| Answers could include:   |  | | --- | | Financial growth:  Financial growth comes from increased sales and/or reduced expenses, resulting in higher profit or increased profit margins. Globally, this means sales increase through reaching more customers located in another country, or through reducing expenses by using a global supply chain.  Exporting cheese produce through Asia could give Yanagin Farms financial growth because high quality products can charge a higher price, resulting in an increased profit margin. This could also be achieved by outsourcing the final stages of the cheese production to a location offshore.  Loss minimisation:  When experiencing declining market conditions in one market, business needs to expand into other markets to keep level output. With Australian milk profit margins declining, Yanagin Farms can diversify into the cheese market and expand into the Asian market to achieve loss minimisation (and maintain profit maximisation). | | |
| Accept any other correct, logical answer. | |

**Question 6 (10 marks)**

Aurora Jewellery produces unique jewellery, mixing traditional methods from around the world with contemporary designs. Each piece of jewellery is unique and comes with a story to tell from the artist/producer, or tribal history from which the design or method originates. Aurora Jewellery believes that incorporating the story into the product gives it an innovative edge to distinguish it from its competitors.

(a) Describe **two** benefits of innovation for Aurora Jewellery. (4 marks)

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| **Description** | **Marks** |
| For each of **two** benefits of innovation: | |
| Describes the benefit | 2 |
| States a fact about the benefit | 1 |
| **Total** | **4** |
| Answers could include:  Innovation can lead to improved economic outcomes, survival and growth, increased exports, new ways of working, such as virtual working groups, and better management of environmental impacts. Benefits of innovation to a business include:  Financial gain:   * may lead to increased income or new income through the creation of a new market or the 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 a global market presence:   * the competitive advantage created by innovation can be translated into global demand * innovation could lead to expansion; the use of social media to ‘tell stories’ could provide global exposure * technology such as e-commerce, groupware, cloud computing, distribution and payment systems make the business more likely to be successful in global markets (such as the use of applications [apps], Twitter, websites, social media – Facebook, Instagram).   Increased market share:   * innovation may result in a new product significantly distinct from any competitor, especially in a highly competitive jewellery market * a business can enhance its public image and, potentially, consumer demand and loyalty, through innovation, improved technology or promoting its commitment to sustainability or cultural considerations. | |
| Accept any other correct, logical answer. | |

(b) Outlinethe role of e-commerce for Aurora Jewellery in its operations in a global environment. (2 marks)

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| **Description** | **Marks** |
| Outlines the role of e-commerce relevant to the stimulus material | 2 |
| States a fact about e-commerce | 1 |
| **Total** | **2** |
| Answers could include:  E-commerce enables businesses such as Aurora Jewellery to access a global market, increasing brand exposure and the potential to increase sales and profits. The growth of e-commerce and the use of mobile devices such as phones and laptops has enabled better communication between staff, customers, and suppliers around the world.  or  E-commerce enables businesses such as Aurora Jewellery to sell their products/services online over the internet, allowing them to access a global market. It enables business to consumer (B2C), consumer to consumer (C2C) sales and business to business (B2B) buying and selling.  or  Businesses such as Aurora Jewellery can use technology such as mobile commerce, electronic funds transfers, internet marketing, inventory management systems and data collection systems to grow their business in a global environment.  or  Businesses such as Aurora Jewellery have been able to take advantage of developments in transportation, communication systems, secure payment systems, 24/7 online shopping and digital distribution of products to operate in a global environment. | |
| Accept any other correct, logical answer. | |

(c) Explain how a host or home country incentive grant may help Aurora Jewellery in its global business expansion. (4 marks)

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| **Description** | **Marks** |
| Explains how a relevant incentive grant will help Aurora Jewellery in its global expansion | 3-4 |
| Describe a relevant incentive grant | 2 |
| State a fact about an incentive grant | 1 |
| **Total** | **4** |
| Answers could include:  Export Market Development Grant (EMDG):   * administered by Austrade to offer financial assistance to exporters * assists by reducing the expenses of business expansion by   + reimbursing up to 50% of eligible export promotion expenses above $5000   + up to eight grants of up to $150,000 per application   this could include promotion expenses such as production of videos that tell the story regarding the method of production or the artist. | |
| Accept any other correct, logical answer. | |

**Question 7 (25 marks)**

1. Identify the bi-lateral Free Trade Agreement (FTA) that would aid JJM and describe how **one** of its features would benefit the radio station. (3 marks)

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| **Description** | **Marks** |
| Identifies the FTA and describe how one of its feature would benefit JJM | 3 |
| Identifies the FTA and describes one of its features | 1 |
| Identifies the FTA | 1 |
| **Total** | **3** |
| Answers could include:  The Australian New Zealand Closer Economic Relationship Trade Agreement (ANZCERTA) eliminates trade barriers between Australia and New Zealand such as tariff costs, reducing the expenses of export trade.  It allows the mutual recognition of skills and qualifications in both countries and allows the free movement of specialised employees such as radio technicians, presenters etc. to move and work between the two countries. | |
| Accept any other correct, logical answer. | |

(b) Outline **one** internal factor and **one** external factor that is driving change at JJM. (4 marks)

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| **Description** | **Marks** |
| For each **internal** and **external** factor: | |
| Outlines the factor that drives change and links it to JJM | 2 |
| Outlines the factor that drives change | 1 |
| **Total** | **4** |
| Answers could include:  Internal factors that drive change:  • management’s desire to introduce change, e.g. costs can be a factor in driving change  • listener numbers decreasing, leading to a decrease in advertising revenues.  External factors that drive change:  • Social factors  There are evolving social norms as people change expectations and consumption behaviours, e.g. more 18-30 year olds have their music on personal transportable devices or pay subscription fees to Spotify. With the start of Apple Play and Android auto options for cars, they are even listening to these devices rather than the radio whilst driving.  • Technological factors  Technology is rapidly changing and impacts on the way businesses are able to interact with stakeholders. This could drive change in the way a business distributes products, engages in e-commerce or uses social media to connect with customers.  The use of technology by consumers also drives change as it forces businesses to reconsider their own use of technology and interaction with outside parties. In this case online music streaming via Spotify has changed listener characteristics. Younger generation use devices to play music free of advertisements. | |
| Accept any other correct, logical answer. | |

(c) Describe **two** resistances to change at JJM. (4 marks)

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| **Description** | **Marks** |
| For each of **two** resistances to change at JJM: | |
| Describes the resistance to change at JJM | 2 |
| Outlines the resistance to change | 1 |
| **Total** | **4** |
| Answers could include:   |  | | --- | | Financial costs:   * resistance might be based on the real or perceived costs of changing to a new playlist * new technologies, processes or equipment might be costly – financing difficult due to declining advertising revenues.   Staff attitude:   * fear of change or the unknown – feelings of being overwhelmed or powerless with organisational change and uncertainty * self-interest and misunderstanding * attitude of mistrust – if employees don’t believe management can succeed, change is likely to fail * employees may be concerned they will be made redundant or may have to undergo significant training.   *If the business expands to New Zealand:*  Cultural incompatibility in mergers/takeovers:   * employees may have a certain approach to work and with a leadership restructure, or in case of organisational change, new work groups or friendships may be broken. This may impact motivation of employees * if new leaders have cultural differences, there may be barriers to effective communication or growth of working relationships. |   Note: Managerial inertia is **not** a resistance to change relevant to the source material. | |
| Accept any other correct, logical answer. | |

(d) Draw a diagram of Lewin’s Forcefield Analysis model, illustrating how it applies to JJM, and advise JJM on proceeding with the change. (8 marks)

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| **Description** | **Marks** |
| Draws a diagram of Lewin’s Forcefield Analysis model: | |
| Draws a detailed diagram where all elements are addressed.  *Change Indicated, minimum of 3 drivers and 3 resistors, rating for each, and totals* | 5 |
| Draws a diagram where most elements are addressed | 3-4 |
| Draws a diagram with limited detail | 1-2 |
| **Subtotal** | **5** |
| Advice to JJM: | |
| Provides advice on the decision to change in relation to the source material | 3 |
| Provides advice on the decision to change | 2 |
| States a fact regarding Lewin’s Forcefield model | 1 |
| **Subtotal** | **3** |
| **Total** | **8** |
| Answers could include:  Lewin argued successful businesses must be constantly updating, adapting and changing. The force field model is used by business to evaluate the forces for and against change and adding a value to their importance.   * If forces for are stronger, implement the change. * If driving forces for have the same total as restraining forces, no change should take place.   Advice to JJM is to continue with the change as driving forces are stronger but minimise staff resistance by keeping them well informed, offer retraining or suitable redundancy packages as soon as possible.  Example:  **DRIVERS RESISTORS**  Change in Playlist and develop sister station in NZ  Staff knowledge and expertise in comedy/sports (4)  Declining rating and listener numbers (5)  Financial costs of developing new playlist/offering redundancies (4)  Declining revenue income (5)  Cultural incompatibilities with NZ (eg difference sense of humour) (3)  Change in social norms – move away from radio for music due to technology (5)  **Totals 15 11** | |
| Accept any other correct, logical answer. | |

(e) Advise JJM on how Kotters 8 Step change model could assist them with reference to step 1 and 5. (6 marks)

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| --- | --- |
| **Description** | **Marks** |
| For each of **step 1** and **step 5** from the Kotter model: | |
| Provides advice on how the step assists JJM | 3 |
| Describes the step with reference to the source material | 2 |
| Outlines a fact about the step | 1 |
| **Total** | **6** |
| Answers could include:  Create urgency**:**  to change so that employees understand the critical reason for moving forward. The declining listener number and advertising revenues could mean the downfall of the radio station, resulting in unemployment, redundancies etc. This step assists JJM by pushing employees to accept change and contemplate own futures with the radio station, as some employee may choose to move on or retrain in comedy or sports.  Create short term wins: the change plan should have short term targets to establish movement towards the overall goal, such as first successful comedy playlist, an increase in listener numbers, or increasing advertising revenue by 10%. Staff motivation will increase if they can see targets are celebrated. For staff at JJM it could mean that their jobs are safe. | |
| Accept any other correct, logical answer. | |

**Question 8 (25 marks)**

(a) Explain **two** factors that impact on the success of innovation for Click-A-Treat. (6 marks)

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| **Description** | **Marks** |
| For each of **two** factors that impact on the success of innovation for Click-A Treat: | |
| Analyses the factor that impacts on the success of innovation for Click-A-Treat | 3 |
| Describes the factor that impacts on success of innovation | 2 |
| Outlines the factor that impacts on the success of innovation | 1 |
| **Total** | **6** |
| Answers could include:  Timing:  Timing is important in terms of both the innovation/operations cycle of innovation and how this relates to their customer cycles. It may also be influenced by overall economic conditions. The impact could be that a model based on subscription, especially with gourmet (luxury items), may not succeed during an economic downturn/contraction, when consumer discretionary spending declines.  Cost:  The cost of investment in innovation, research and development canbesignificant; therefore it requires appropriate financial resources and appropriate human resources in terms of skill and volume. Click-A-Treat is only a small business and may not have the financial resources to devote to continuous innovation and research to ‘the story’ behind new chocolates.  Marketing strategy:  Marketing strategyrelates 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. A 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. Click A Treat’s marketing strategy of ‘the story’ behind the chocolate needs to remain accurate and checked regularly. If one of their suppliers is discovered doing the ‘wrong thing’ it will impact their whole line.  Technology:  Theadoption, implementation, maintenance and training of staff and technology skills will assist in the 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 processes. E-commerce technology including keeping client details secure. Customers can research ‘the story’ behind the chocolate supplier. Use of social media for poll on the month chocolates supplied – increase customer engagement for a subscription service – increase customer satisfaction. | |
| Accept any other correct, logical answer. | |

(d) Explain the role of ethics for Click-A-Treat and its global suppliers. (3 marks)

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| --- | --- |
| **Description** | **Marks** |
| Explains the role of ethics with reference to the source material | 3 |
| Describes the role of ethics in business | 2 |
| States a fact about the role of ethics in business | 1 |
| **Total** | **3** |
| Answers could include:  The role of ethics is to guide business to consider not just profits but also the environment and people.  Environmental responsibility means being environmentally responsible regarding sustainability, recycling, using solar energy, reducing carbon emissions and being conscious about their environmental impact.  Click-A-Treat should be aware of its suppliers’ practices, exercise corporate social responsibility and consider environmental impacts. Including these as part of their decision-making will allow them to charge premium prices as it captures the ethically-minded consumers who are willing to pay for these considerations. | |
| Accept any other correct, logical answer. | |

(c) Describe **one** source of financial risk for Click-A-Treat operating in a global environment. (4 marks)

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| --- | --- |
| **Description** | **Marks** |
| Describes the source of financial risk in relation to the source material | 3-4 |
| Describes the source of financial risk | 2 |
| States a fact about source of financial risk | 1 |
| **Total** | **4** |
| Answers could include:  Currency fluctuations refers to the change that occurs in the dollar value of one country’s currency relative to another country’s currency.  When the Australia dollar declines in value the cost of importing chocolate is greater. When the Australia dollar strengthens in relation to another currency the cost of imports is less, leading to higher profit margins.  Currency fluctuations can result in changes in imports costs for Click-A-Treat, which could affect the price they charge consumers. As a subscription service Click-A-Treat is locked into set monthly fees and imported chocolates will need to stay within this price or the business could suffer a loss for that month.  Note: Non-payment of monies is **not** a source of financial risk relevant to this source material as the business does not receive payment for goods. For Click-A-Treat this may not be a source of great risk as a subscription service is used, therefore payment is received up-front before delivery. | |
| Accept any other correct, logical answer. | |

(d) Explain **two** strategies Click-A-Treat could use to minimise the financial risk of operating in a global environment. (6 marks)

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| --- | --- |
| **Description** | **Marks** |
| For each of **two** strategies: |  |
| Explains how the strategy minimises risk for Click-A-Treat | 3 |
| Describes the strategy | 2 |
| Outlines the strategy | 1 |
| **Total** | **6** |
| Answers could include:  Insurance:  Insurance provides protection against risk when a third party assumes the risk on payment of a fee. Risk can include transport insurance to protect against damage or loss of products in transit. This could assist Click-A-Treat for transit of stock into Australia and also stock lost on delivery to clients.  Hedging (forward or option):  Hedging will protect against currency fluctuations. This is when the value of the currency is agreed upon at the time of negotiations; therefore, if a currency fluctuation occurs, Click-A-Treat will not be affected. This allows Click-A-Treat to determine if the chocolates can be sourced within their price parameters of the subscription fees by setting costs before delivery. | |
| Accept any other correct, logical answer. | |

(e) Analyse the impact of globalisation on both international cooperation and domestic markets, and how this affects Click-A-Treat. (6 marks)

|  |  |
| --- | --- |
| **Description** | **Marks** |
| For each of **international cooperation** and **domestic markets**: | |
| Analyses the impact in relation to Click-A-Treat | 3 |
| Describes the impact | 2 |
| States a fact about the impact | 1 |
| **Total** | **6** |
| Answers could include:  International cooperation:  International cooperation such as FTAs, co-productions and strategic alliances allow for the growth of globalisation. It makes the opportunities to trade in and with other countries more attractive and easier for businesses. Lack of international cooperation or wars between nations can hinder the ability for further globalisation. This has allowed Click-A-Treat to create relationships with unique suppliers all over the world. It will also reduce the costs of importing chocolate supplies in the form of reduced tariffs for Australian imports as part of FTA agreements.  Domestic market:  Domestic businesses might need to decrease the price of their products to compete with global businesses, affecting their profits. This can lead to cost-cutting domestically, including redundancies. Competition in fashion from low-cost producers is high. Click-A-Treat has been required to value add to their chocolates with ‘the story behind’ as a point of difference to other global chocolate sellers and offer a subscription service to remain competitive. | |
| Accept any other correct, logical answer. | |

**Question 9 (25 marks)**

(a) Outline **two** benefits to Allbody Denim of becoming a global brand. (4 marks)

|  |  |
| --- | --- |
| **Description** | **Marks** |
| For each of **two** benefits to Allbody Denim of becoming a global brand: | |
| Outlines the benefit | 2 |
| Identifies the benefit | 1 |
| **Total** | **4** |
| Answers could include:   |  | | --- | | Consistency:  Communicating a consistent message to all customers in all markets results in stronger brand awareness and positioning.  Low risk:  The business can use marketing strategies that have worked in domestic markets.  Lower cost:  The business can achieve economies of scale by using the same advertising/packaging around the world. A centralised team can develop marketing strategies for all markets.  Easier to manage:  A standardised approach to global branding will be less complex to manage.  Better differentiation:  A consistent global brand can stand out from the competition. The same logo, colours, product names and advertising can be seen all over the world. | |  | | |
| Accept any other correct, logical answer. | |

(b) Discuss the difference between a standardised and adapted approach to marketing. (4 marks)

|  |  |  |
| --- | --- | --- |
| **Description** | | **Marks** |
| Discusses (including for/against) standardisation and adaptation | | 3-4 |
| Outlines a difference between standardisation and adaptation | | 2 |
| States a point for or against standardisation or adaptation | | 1 |
| **Total** | | **4** |
| Answers could include: | | |
| Standardisation:  Can reduce costs by keeping the elements of the marketing mix consistent.  Gives a consistent message, making the brand more recognisable. | Adaptation:  More expensive to change elements of the marketing mix in each country.  Confusing global brand image with changing elements of the marketing mix. | |
| Accept any other correct, logical answer. | | |

1. Propose a marketing strategy for Allbody Denim as it seeks to expand into Asia, that considers standardisation or adaptation in the following areas:

* product name
* corporate slogan
* product feature
* positioning. (10 marks)

|  |  |
| --- | --- |
| **Description** | **Marks** |
| Proposes a coherent marketing strategy for Allbody Denim | 2 |
| Proposes a marketing strategy for Allbody Denim | 1 |
| **Subtotal** | **2** |
| For each of the elements of **product name**, **corporate slogan**, **product features** and **positioning**: | |
| Identifies which strategy to take (standardisation or adaptation) and provides a relevant reason | 2 |
| States a fact about the element | 1 |
|  | **8** |
| **Total** | **10** |
| Answers could include:  Allbody Denim should standardise because the brand has had success domestically as well as internationally in the USA market – it could capitalise on the brand being recognisable when it enters the Asian market.  or  Allbody Denim should adapt to the sensitivities of the Asian market to ensure that it targets the market with the most appropriate language and style.  or  A combination of both standardisation and adaptation.  Product name:  Allbody Denim needs to be translated into different languages to ensure translated words do not have a different meaning. Denim is universal but the name Allbody could have issues.   * Standardise – to develop global brand recognition. * Adaptation – change the word Allbody to something simple that translates in all languages, such as Work Wear Denim.   Corporate Slogan:  Is a short phrase to convey a message about what the business stands for. ‘Everyday a different journey with Denim’ could translate poorly in different languages and leave the consumer confused about the product.   * Standardise – sends a consistent message about the brand. * Adaptation – should consider the local language and customs of new markets and ensure the slogan is not lost in translation. For example, simplifying to ‘Everyday Denim with Style’ indicates a fashion product.   Product features:  The traits that provide values and benefits to consumer and differentiate the product from its competitors. Features need to suit different customs, such as ‘painter’ jeans may be seen as poor or lower class in some cultures, or the colour red as offensive.   * Standardise – the business has already achieved success with its innovative colours and patterns which grows the brand of the business. * Adaptation – change to various shades of blue to beige/white representing Australian beaches. Jeans with patterns of city scrapers to resemble city offices.   Positioning**:**  Strategic exercise that defines where the product fits into the market compared to its competitors. It is based on a perception using two features (e.g. price and quality).   * Standardise – Allbody Denim maintains its position as an ethical producer of unique designs that sits above other mass-produced brands. * Adaptation – Allbody Denim may consider raising their profile in the new market to become a niche luxury brand to cater for western aspirations, and consumer trends in Asian markets. | |
| Accept any other correct, logical answer. | |

(d) Identify **two** risks that Allbody Denim should consider as it seeks to expand into Asian markets. (2 marks)

|  |  |
| --- | --- |
| **Description** | **Marks** |
| Identifies **two** risks that Allbody Denim should consider as it seeks to expand into Asian markets | 2 |
| Identifies **one** risk that Allbody Denim should consider as it seeks to expand into Asian markets | 1 |
| **Total** | **2** |
| Answers could include:   * Although there was success at New York Fashion Week for a USA market, this does not guarantee success for an Asian market. * Although the unique colours and designs based on Australian life are popular in Australia, this does not guarantee that they will be popular in an Asian market. * Although the jeans may suit the Australian market, they may not suit the climate for some countries in the Asian market. | |
| Accept any other correct, logical answer. | |

(e) Recommend to Allbody Denim if expansion to Asia would be advisable. (5 marks)

|  |  |
| --- | --- |
| **Description** | **Marks** |
| Makes a logical recommendation supported by relevant evidence from the source material | 4-5 |
| Makes a logical recommendation with reference to the source material | 2-3 |
| Makes a recommendation with a general justification | 1 |
| **Total** | **5** |
| Answers could include:  It is recommended that Allbody Denim expand into Asia because of the high interest and demand for the product. The product has a proven successful track record in Australia, and now in the USA, so there is every chance of it succeeding in a market that aspires to adopt western trends in fashion.  Factors to justify the expansion include:   * global awareness of the product due to the invitation and success of its show at New York Fashion Week * an overall demand for Australian products in the region * a differentiated product thanks to unique colours and designs based on Australian life * aspirations of the market to follow western fashion trends. | |
| Accept any other correct, logical answer. | |