

**VCE Unit 2** **Business Management**

**2020**

**Question and Answer Booklet**

**STUDENT NAME: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**TEACHER(S):** Mrs Julie Emerson-Drake Mr Stephen Harris

**TIME ALLOWED: Reading time** **minutes**

**Writing time**  **minutes**

**INSTRUCTIONS**

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| **You are not permitted to use notes, texts or a dictionary.**  **You are to answer each question in space provided.**  **Do not write in pencil.** |

**STRUCTURE OF BOOKLET / MARKING SCHEME**

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| --- | --- | --- |
| Number of questions | Number of questions to be answered | Total marks |
| SECTION A  SECTION B  TOTAL | 2  2  4 | 28  22  50 |

**SECTION A**

**Instructions for Section A**

Answer **all** questions in the spaces provided.

**Question 1** (14 marks)

Mark and Patricia Smith have recently established Marmaduke’s cafe as a private company in the Victorian regional town of Fish Creek. It services a population of just over 800 people as well as tourists. The owners work in the cafe themselves and employ two staff members on a casual basis.

Mark and Patricia purchase their coffee beans from suppliers in Melbourne who import their coffee beans from Brazil (the world’s largest coffee producer). Mark is wanting to expand their range of coffee to include blends from Australian growers and local roasters, however, Patricia believes exclusively serving Brazilian coffee is their point of difference in Fish Creek.

a.Describe one legal requirement, other than in relation to staffing, that Mark and Patricia would have had to consider when establishing Marmaduke’s. 2 marks

*Marking guide:*

**1 mark** - *Identify a legal requirement OTHER THAN staffing*

*[Laws EXCLUDED include OHS, Worksafe, EEO]*

**1 mark** - *Description of how this law affects the business when establishing*

**Sample answer: (Answers may vary)**

One legal requirement that Mark and Patricia would have had to consider is registration of the business name Marmaduke’s. Private companies and other types of businesses are required by law to register a business name through the Australian Securities Investments Commission (ASIC), unless the owners are trading under their own names. However, registering a business name will not prevent other businesses from using the same or a similar name unless the owners protect the use of the name by registering it as a trade mark (although the latter is not a legal requirement).

Examples of other relevant legal requirements: applying for an Australian Business Number (ABN); applying for an Australian Company Number (ACN) as it is a private company; compliance with food safety laws (Food Act 1984) as it is a cafe, the Australian Consumer Law ~~a~~nd business tax law (such as preparation of a Business Activity Statement monthly, quarterly or annually).

b. Outline two factors that Mark and Patricia would need to take into account when choosing appropriate suppliers. 4 marks

*Marking guide:*

**1 mark** for identifying each factor **(x two = 2 marks)**

**1 mark** for outlining why each factor should be taken into account **(x two = 2 marks)**

**Sample answer:**

One factor Mark and Patricia would need to take into account when choosing a supplier is the supplier’s commitment to corporate social responsibility. This refers to the commitment a business has over and above its legal obligations towards customers, employees, the community and the environment. Mark and Patricia would want to ensure their suppliers comply with socially responsible practices, such as ethical sourcing of supplies, and minimise the environmental impact of their operations. Using suppliers that do not comply with socially responsible practices could have a negative impact on Marmaduke’s reputation.

A second factor to consider is Marmaduke’s proximity to its suppliers. Choosing suppliers that are located close to the business will reduce delivery costs and thereby overall costs, which should help Mark and Patricia to achieve their objective of making a profit. Additionally, choosing local suppliers will minimise the impact of operations on the environment by reducing travel-related carbon emissions*.*

*Other factors:* price of raw materials, quality of raw materials, reliability of suppliers to deliver on time.

c.During the planning phase of Marmaduke’s, Mark and Patricia’s friend, Adam, provided them with the following piece of advice:

*‘There is no need to set up a separate bank account for Marmaduke’s business transactions. Save yourself the cost of additional bank fees and the confusion of having two bank accounts and just use your personal bank account.’*

Do you agree with Adam’s advice? Justify your answer. 2 marks

*Marking guide:*

**1 mark –** clearly agree or disagree with advice

**1 mark –** support opinion with sound reasoning

**Sample answer:**

I disagree with Adam’s advice. It is very important that Mark and Patricia establish a separate bank account for their business as this will avoid confusion between business transactions and personal transactions. In accounting, this is referred to as the ‘separate entity’ principle. Additionally, by having a separate bank account for the business, it will be possible to evaluate the financial performance of the business, whereas this would be far more difficult using a single mixed account. While Adam argues that the owners would save on bank fees, the benefits of having separate bank accounts far outweigh the extra charges that will be incurred by having more than one account.

d.Recommend one policy Marmaduke should have in place to establish business routines. 2 marks

*Marking guide:*

**1 mark –** clearly outline ONE policy.

**1 mark –** explain how this policy will establish business routines.

**Sample answer:**

One policy Marmaduke should have in place to establish a posivitive routine for staff would be a customer service policy consistent with café’s values and objectives. It would provide guidelines for employees to follow when dealing with customers to ensure a consistent and high level of service is provided. The policy may set-out how employees serve customers and manage complaints.

e.Discuss Patricia’s preferred choice to ony use coffee beans sourced from overseas suppliers. 4 marks

*Marking guide:*

**2 marks –** outline two positives for the business of sourcing from overseas suppliers

**2 marks –** outline two negatives for the business of sourcing from overseas suppliers

**Sample answer:**

Patricia belives her preference to use beans sourced from Brazil provides a unique selling point for Marmaduke, although there are a risks associated with this decision. One limitation of solely using Brazilian grown coffee beans is the risk of unreliable supply. Should a natural disaster occur or there be an issue with shipping, access to Marmaduke’s preferred beans could be compromised, impacting their unique selling point and potentially resulting in lost sales.

Another reason Patricia may want to exclusively serve Brazilian coffee is that it’s a superior product. If this is the case it would establish a competitive advantage for Marmaduke’s and allow them to increase their market share of Fish Creek’s coffee market. Furthermore, there are often cost advantages of sourcing materials from overseas.

**Question 2** (14 marks)

Canadian, Ashley Williams, would like to establish an online business selling blankets. She has identified that Australian homes are not known for their indoor heating systems and believes that there is a ‘gap in the market’ for this product due to many people now working from home. She knows that staff are one of the business’s greatest assets so this will be an important consideration for her. She would like to recruit staff who are knowledgeable about the different types of blankets and their benefits – for example, cotton or wool or polyester fleece.

She would also like her small number of staff to have excellent customer service skills to achieve high levels of customer satisfaction when purchasing online goods. This could include helping customers with merchandising tips so that they are comfortable showcasing their homes in the era of Zoom meetings or suggesting the best materials for people with pets or children

Adapted from <https://www.theage.com.au/lifestyle/fashion/winter-wrap-a-blanket-is-the-only-accessory-you-need-right-now-20200605-p55024.html?btis>

1. Define recruitment. 1 mark

*Marking guide:*

**1 mark –** clearly outline 2 features that identify this concept.

**Sample answer:**

Recruitment is the process of locating and hiring the most suitable applicants for a position (by attracting a wide pool of applicants.)

1. Analyse why recruitment is important for a business. 2 marks

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| *Marking guide:*  **2 marks –** outline WHY recruitment is important. Ie reasons for using.  **TIP**: Q states ‘a business’ so any generic business can be referenced.  **Sample answer:**  It is important for a business because attracting a wide pool of applicants for an advertised position allows the business to choose the candidate who best matches the business needs (ie. Match job specification) so that objectives can be achieved. Eg. improve customer service by having blanket product knowledge. |

1. Explain how using a job specification could help Ashley Williams meet the needs of her customers. 2 marks

*Marking guide:*

**1 mark –** outline of features of a job specification

**2 marks** – explain how the features of a job specification can help the business owner meet needs of the business (link to blanket business examples)

**Sample answer:**

A job specification includes a detailed list of personal skills and characteristics required to perform a job. Using this will help Ashley because she can choose to hire candidates that have experience selling homeware products online or who have skills in understanding blanket features.

1. Describe one cost and one benefit for this business of using psychological testing as a selection method . 2 marks

*Marking guide:*

**1 mark** – one cost

**1 mark** – one benefit

**TIP:** link answers to the case study business

**Sample answer:**

One cost for a business of using psychological testing is that it may not accurately assess a candidate’s suitability to a particular role. Eg. it may not identify a lack of customer service skills. One benefit for the business is that it can be used to assess a person’s ability to think conceptually and solve problems. This ability could transfer to problem-solving skills for the new online business.

1. Distinguish between the employment arrangements of part-time and casual. Evaluate these differing staffing strategies for Ashley William’s new business. 7 marks

*Marking guide:*

**2 marks** – Distinguish

**TIP**: Use a clear feature of these employment arrangements – including a ‘linking word’ to show difference.

**2 marks** – strength and weakness of part-time

**2 marks** – strength and weakness of casual

**1 mark** – opinion of best option for this business.

**Sample answer:**

Part-time employment is where employees enter into a *continuing contract of employment* on a pro-rata basis *whereas* casual employment is where employees enter into an *irregular (short-term) contract of employment.*

A strength of part-time employment is that the business will be rewarded for the ongoing contract with committed workers who will likely achieve set business objectives. A weakness is that the business may have inadequate staff if peak periods fluctuate.

A strength of casual employment is that the new business can employ staff to meet online business selling time periods. A weakness of casual employment is that the business may have a lack of staff to meet a surge in demand if trading conditions change eg. rapid increase in sales due to COVID lockdowns.

Overall, the business should choose casual employment as it provides opportunity for the new blanket business to reduce its operating expenses quickly if trading sales decline.

**SECTION B – Case study**

**Instructions for Section B**

Use the case study provided to answer the questions in this section. Answers must apply to the case study. Answer **all** questions in the spaces provided.

Jessica Maddock wears her skates at St Kilda beach.



No, you haven't been transported back to the 1970s. The year 2020 has seen sales of roller skates soar as people look for fresh ways to stay active without breaking COVID-19 restrictions. The trend has been powered by social media apps such as TikTok and Instagram, where roller skating videos are hugely popular, drawing millions of views. One skating shop has described the demand for products in recent months as ‘absolutely mad’, with skates in pastel colours being the big sellers among those looking to lace up and hit the pavement.

Flight attendant Jessica Maddock said she took up skating after a visit to the ‘Church of 8 Wheels’ roller rink in San Francisco. “The introduction of heavy restrictions on outdoor recreation due to the COVID-19 pandemic had only increased the appeal” she said. “When we went into lockdown, I thought what a great activity to keep fit. Me and everyone else,” the 31 year old said. “We’re kind of restricted, I guess, it’s great to get out and do more than go for a walk. I definitely try and get out a few times in a week if I can, it’s a good challenge.”

At “Bladeworx” in Braeside, which has sold skating equipment since 1993, owner Bill Fortune has been battling to keep up with the boom in demand. As soon as new stock comes in from his supplier, it’s straight out the door. “It’s been mad, absolutely mad,” he said. ‘It’s huge, the spike in demand for roller skates has been breathtaking.”

Mr Fortune said sales had started taking off at the beginning of the first lockdown and had not slowed down. It has changed his business. Before the coronavirus pandemic, 90 per cent of sales at Bladeworx came from inline skates or roller blades. Since then, roller skates had accounted for 80 per cent.

“It’s like Christmas from a demand point of view, perhaps even better, there’s that kind of desperation among customers, they want their order ASAP.” With the sun coming out and Melbourne hopefully ending its long lockdown in the coming months, there could be even more roller skaters on the streets over summer.

<https://www.theage.com.au/national/victoria/insta-and-iso-driving-absolutely-mad-roller-skating-revival-20200907-p55t8j.htm>

**Question 1** (4 marks)  
With reference to two market segments, justify a target market for rollerblades.

*Marking guide:*

**2 marks** x 2 market segments to link to a target market = 4 marks

**Sample answer:**

One market segment is geographic which is where customers work or live. Rollerblades would likely appeal to suburban customers or those close to the city.

Another market segment is psychographic which includes attributes of personality, social class and lifestyle. Rollerblades would appeal to customers who are extroverted achievers from middle-class backgrounds. (or new fashionable pastel colours)

**Question 2** (4 marks)  
Describe two primary market research methods that would benefit “Bladeworx” in determining the types of rollerblades required to meet customer needs.

*Marking guide:*

**2 marks** x 2 PRIMARY market research methods.

**TIP**: surveys and questionnaires are the SAME market research method.

**Sample answer:**

One primary market research method is a focus group. An informal group of 6 to 12 participants , with a facilitator, could discuss possible design features to appeal to rollerblade users. Eg. proposed new pastel colours.

Another method is observation. This is where people’s actions and behaviours when using the rollerblades would be noted. Popular skate parks or areas could be visited to observe how rollerblades are used to determine features such as blade widths or braking systems needed for a variety of geographic surfaces.

**Question 3** (3 marks)

Explain the relationship between marketing and the achievement of one business objective for ‘Bladeworx’.

*Marking guide:*

**1 mark** – key concepts of marketing

**1 mark** – one business objective

**1 mark** – link element(s) of marketing to ‘how achieve’ business objective (relationship)

**Sample answer:**

Marketing is the process (7Ps of marketing) that provides the link between producers or providers of goods and services and consumers. Using elements such as development of rollerblade product features that will appeal to customers (eg. a new safety locking mechanism or introduction of new pastel designs) can achieve the objective of an increase in the number of sales.

**Question 4** (2 marks)  
Explain how ‘Bladeworx’ could use a customer loyalty program to establish a customer base.

*Marking guide:*

**1 mark** – outline of key features of a customer loyalty program

**1 mark** – explain how these features will establish a customer base.

**Sample answer:**

A customer loyalty program involves a business offering loyalty points or special offers or discounts for frequent purchases. If Bladeworx offers an incentive such as loyalty points to people who regularly purchase their products, they are likely to be rewarded with increased purchases of rollerblades or in fashion colours or designs in its product range.

**Question 5** (6 marks)  
All products progress through the product lifecycle. Using examples from the 7Ps model of marketing, propose what will be happening as rollerblades progress through each of the following stages in the product lifecycle:

* Growth
* Maturity

*Marking guide:*

**2 marks** – explanation of growth stage

**2 marks** – explanation of maturity stage

**2 marks** – examples of 7Ps for each stage

**Sample answer:**

In the growth stage, sales will be rising fast resulting in increased profits. At this stage, competitors may have now entered the market. A suitable P strategy for rollerblades would be promotion where Bladeworx would aim to infor consumers of the benefits of their product to persuade them to increase their purchases. Eg. promotion of the pastel colour range.

In the maturity stage, sales have stabilised and competition for the product is strong. Profit can fall due to satisfaction of consumer demand. New entrants may be taking sales from the business. A suitable P strategy in this stage of the lifecycle for rollerblades would be price. Bladeworx may offer a promotional discount to encourage consumers to increase purchases of other rollerskate novelty colours or designs.

**Question 6** (3 marks)

* 1. Define public relations. 1 mark

**Sample answer:**

The way in which a business creates a positive image and maintains a strong relationship with its customers through its interactions with the public and media.

* 1. Describe how publicity could be used by ‘Bladeworx’ as a method to meet its public relations’ objectives. 2 marks

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| **Sample answer:**  Publicity is a free form of mass communication with the aim of attracting favourable attention to a business. Bladeworx could use social media uploads / postings of customers using their rollerskates to promote a positive image to potential customers of both its products and its brand name. |