ANSWER BOOKLET
LIVRET DE RÉPONSES
CUADERNILLO DE RESPUESTAS

1

26/30 → not incl. section d

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Example Ejemplo 27 | 2 7 | Example Ejemplo 3 | 3 |

1

(a) Advantage: stratified sampling reduces sampling bias as the sample space is divided into strata (based on a variety of segmentation techniques such as location and demographic). A number of people from each strata are then selected in proportion to it's ~~its~~ size with respect to the entire population. [This way, the market research ELE completes using this sampling method will reduce bias by fairly representing each sub-division of the sample space]. → dont need to apply

Disadvantage: It is often difficult to get enough information / data that accurately represents the entire target market. This way, strata may be unfairly weighted, or minority strata unrepresented (as there is usually really little data about smaller segments of the population). Thus, the data received from stratified sampling may have an element of bias due to lack of accurate information.

4

(b) Staff appraisal refers to the act of providing feedback to employees on their performance and achievements. ELF's employees appreciate the opportunity to participate in self, formative and summative appraisal as they work, and Giselle believes that this approach to HR my be a significant reason why the car rental division is so successful.

- Self-appraisal allows employees to evaluate their own performance. This allows employees to reflect on their job roles, and realize what they may do better. Employees mention in the case study that self appraisal allows them to continually clarify their job roles, which, according to Daniel Pink, ensures they have clear purpose.

- Formative appraisal is ~~ee~~ a continual dialogue of communication between employees and line managers. This allows for an element of two way communication, enabling employees to be motivated by giving their own feedback to ~~th~~ their line-managers, developing closer personal relationships with them. These formative interviews would allow managers to personalise training, also, as is an important component of the car rental division's approach to HR, enabling employees to better master their work (Pink).

need more application

5

2

· Public limited companies have limited liability. Here, the owners are ~~aunt~~ only ever liable for the debts incurred to the extent of the cash they had originally entered into the business. As public companies are seperate legal entities, therefore, creditors / finance providers cannot acquire the owner's private assets (such as a house) in the case of the business becoming insolvent.

· Public limited companies can (during floatation) raise cash through share capital. Namely, they initially value the business with an IPO, and then can further dilute ownership through additional share offers, whereby any individual on the share market may purchase a stake in the business. This is usually a good source of finance, however too much dilution (beyond, for example, the De Smet's 52%) may make the organisation vulnerable to takeover and/or loss of control.

(b) STEEPLE:

(legal/~~political~~): many countries are banning the sale of ~~electecct~~ ~~electric~~ ~~vehicles~~ cars gasoline & diesel from 2030 (according to Oliver's report). This would mean that the demand for such cars, as well as their fuel (petrol) will naturally decline, as the supply will no longer be allowed to exist, by law. As ELE's gasoline station division has little diversification other than minor retail outlets, the division is facing a major external legal/political threat due to this new legislation. [As no new gasoline vehicles are coming to market after 2030, the target market of ELE will gradually decline until gasoline is phased out entirely, posing an existential threat to one of ELEs most ~~important~~ important divisions.]

(social): the social attitudes towards fossil-fuel-powered transit is changing quickly due to the rising threat of climate change around the world. As Oliver mentioned, the sale of EU's ~~EVs~~ rose 43% in 2020, showing a paradigm shift in consumer behavior. Organisations like ELE could be inflicted ~~with~~ with ever-increasing pressure to become "greener," as two of their divisions rely heavily on the aforementioned fossil fuels. This ~~may~~ may reduce brand loyalty in all three of

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Example Ejemplo 27 | 27 — Example Ejemplo 3 | 3

2

their divisions, which is a significant threat in both the short and long term. [It is only likely that the decreasing price of EVs (STEEPLE economic threat) will further accelerate the changing social attitudes, meaning ELE's business model could ~~very~~ very quickly become redundant.] 6

4

(a)(i) Brand awareness is ~~an~~ ~~done~~ ~~something~~ an objective of the promotional mix within the 7 Ps that occurs when individuals can easily and quickly recognize an organization by its brand. ✓ It is usually a prerequisite to brand loyalty ✓ 2

(ii) High ~~mar~~ market share allows organizations to hold a monopoly over a market, meaning they have more control over their prices etc. using strategies such as price leadership. In the case of Zeat PLC, with a market share in the B2B sector of 75%, they can set prices so that they themselves remain profitable. Given their economies of scale, ✓ Zeat may also reduce the threat of competition by setting prices as a price leader which only they can match, enabling them to easily retain their 75% with little new investment (as mentioned in Oliver's report). 2

(b) GPM = Gross / sales

⇒ Gross = Revenue − COGS
= 330 − 110
= 220

∴ GPM = 220/330
= ~~0.67~~ 0.6667
= 66.67%. 2

fixed assets

(c) • Capital expenditure are incurred costs due to actions that are ~~not directly related~~ related to the purchase of assets that are long term, or last more than a year. For ELE, this will include land such as that on which the gasoline stations are built. The expansion of the gasoline stations, which was financed by retained ~~profits~~ profits in 2009 is another example of long term, fixed asset expenditure. Finally both the presented options have high capital costs, due to the nature of purchasing ~~new land~~ (for new land (India) or ~~new~~ completing ~~R&D~~ R&D for Monica's option.

- On the other hand, revenue expenditure concerns the cash outflow on both COGS and other short ~~te~~ term expenses of the business. It is usually financed through short term finance and/or retained profits, and includes costs like marketing, salaries, utilities, and COGS. For ELE, their gasoline division will need to purchase gasoline from suppliers. They will need to purchase raw materials to manufacture air compressors in the 2nd division. [All three divisions will need to expend cash in revenue expenditure for salaries, utilities, marketing and a variety of other expenses.]

3

(d) Balance sheet for ELE PLC as at 31 Dec 2021

	€ Mil
Net Fixed Assets	~~2?~~ 270
Current Assets	150
Current liabilities	100
Working Capital	50
TA - CL	~~330~~ 320
Less: long term liabilities	100
Net Assets	~~230~~ 220

→ show calculation for net fixed assets.

Financed by:	
share capital	130
Acc. ret. profits	90
Equity	220

In response to growing threats to both their gasoline station and ~~care~~ car rental divisions, Giselle and Monica have both proposed ~~an~~ ~~idea~~ ~~an idea~~ their ideas for ELE's future:

Driving		Restraining	
(3) Large market -	OPTION 1: GISELLE (3, 4)	- unknown market / limited local knowledge	(4)

Driving		Restraining	
(4) First mover advantage -	OPTION 2: MONICA (4, 3)	- Investment costs for fixed assets & R&D	(3)

Moving car rental operations to India would give ELE access to a large target market. While locals and international tourists are unlikely to require rental cars, the growing domestic tourist market is promising for ELE, and is only likely to grow further due to a rising middle ~~c~~ class and a population of 1.38 billion (stimulus). The option, therefore, is said by Hugo to offer high returns due to this large market, therefore ~~negating~~ softening the initial capital expenditure required. As ~~The financial~~ ELE must reconsider their gasoline powered vehicles in Europe, they could even potentially use part of their

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4

€270 million in fixed assets to purchase new vehicles overseas, and it is likely that combined with their €90 million retained profits, they will be able to expand without needing to ~~sell more~~ dilute control beyond 52%..

However India is an unknown market when it comes to car rentals. The case study offers little information on market research, and that which is provided is merely secondary research on characteristics of Indian transport. The highlighted cheap transport and limited 4% rental cars on the road are simply examples of threats, and could impede ELEs ability to gain traction in the foreign market with their European knowledge ~~&~~ having limited applicability in the foreign country. ~~As~~ As evidenced by the market development strategy on the Ansoff matrix, this expansion ~~entails~~ entails significant risk, which is a major restraining force on the FFA.

Undertaking the second option quickly will give ELE what Monica has rightly identified as a first-mover advantage. Europe is known for market saturation, particularly within industries like car rentals, meaning that first mover advantage would give ELE invaluable access to what is currently an unsaturated market, but what likely become one if Oliver's predictions on electric vehicles are to be correct.

However, the plethora of recommendations for the ln3T brand will require significant capital investment, including for developing a website, as well as purchasing electric vehicles, which according to Oliver in 2022, are still more expensive than gasoline powered vehicles (partly the reason why the first mover advantage still exists - due to this barrier to entry). With the current economic climate around the world, as identified, getting access to cheap debt for such an investment is difficult. However ELEs balance sheet shows significant retained profits as well as many fixed assets with relatively little depreciation, which would become dormant if ELE undertook this ~~ve~~ venture. Hence, ELE could likely fund this investment internally, still posing a risk, but reducing the size of this restraining force.

In conclusion, as the India expansion has been said to be too risky on the Ansoff matrix it is recommended that FLE undertake the IN3T option. Not only will it let them gain critical first mover advantage but ~~will also~~ is also able to be funded internally, hence the 4 vs. 3 on the FFA for this option.