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Candidate session number: / Numéro de session du candidat: / Número de convocatoria del alumno:

20 N TZ O P. 2 - B M S L

Candidate name: / Nom du candidat: / Nombre del alumno:

JAMIE SULLIVAN

Please write question numbers in the following format: / Veuillez numérotter les questions en utilisant la présentation suivante: / Sirvase escribir los números de las preguntas en el siguiente formato:

1 2 3 4 5 6 7 8 9 10

a) used when a business runs into liquidity problems because their customers are paying on credit, while their own debtors are requiring payments  
 - the 'debt factoring' firm will "purchase" the products that are sold. Once the client pays, the debt factoring firm will receive the money as well as an additional fee or percentage.

Forecast

b. Cash Flow Statement for MV from Jan 2021 to Jun 2021

	Jan	Feb	Mar	Apr	May	Jun	\$ (000's)
opening	20	21.5	23	24.5	23.5	22.5	
Inflows:	-	-	-	-	-	-	
· cash sales	75	75	75	70	70	70	
Total inflows	75	75	75	70	70	70	
outflows	-	-	-	-	-	-	
· costs	37.5	37.5	37.5	35	35	35	
· overheads	5	5	5	5	5	5	
· salaries	30	30	30	30	30	30	
· marketing	1	1	1	1	1	1	
Total Outflows	73.5	73.5	73.5	71	71	71	
Net cash flow	1.5	1.5	1.5	(1)	(1)	(1)	
Closing	21.5	23	24.5	23.5	22.5	21.5	

c) - an increase in ~~eg~~ ~~so~~ average variable costs will likely ~~at~~ reduce profit margins if the finance director abandons the mark-up strategy, as the business MV will no longer be making 100% profit on income ~~or~~ ~~as~~ the average revenue (disregarding fixed costs)

- If MV maintains their mark-up strategy, they will likely need to increase their marketing budget in order to maintain market share, further cutting into ~~pro~~ the CRM

- current GPM is consistently at 50% for the entire first half of 2021

- If the costs increase, then the gross profit (sales revenue - costs) will ~~eds~~ fall below 50%. This would be true if the finance director goes ahead with her plan to remain competitive through removing the cost-plus pricing strategy.

a) personal finance  
bank loan

b) Positive: low labour turnover means that staff are highly motivated and satisfied with their work. Accordingly, BTO gets overwhelming positive reviews, especially regarding their "experienced staff."

Negative: BTO's policy to reward more senior staff becomes more costly as years progress with low labour turnover. This, over time, will contribute to the BTO's already lower than average net profit margins as the fixed costs ~~escalates~~; of salaries will be increased.

BTO

c) Advantage: give them a unique selling point as their club feet being part of their social network "feels like a club." This way, brand value is increased, meaning BTO could possibly increase prices while still maintaining their current market share. This would be due to increased brand loyalty.

Disadvantage: like what happened after expansion, businesses such as BTO who use social media are also vulnerable to negative

online reviews and feedback which could go viral and spread quickly. Within BTO, this could cause them to lose loyal customers, as negative information tends to spread faster than positive information online. After the aforementioned negative comment, sales at all three BTOs declined, hinting at the volatility of using ~~online marketing~~ and social media networking.

d) in response to a growing market, as well as relatively low profit margins, Ben from BTO, the owner of BTO is looking to expand his business by perhaps starting two more restaurants alongside his current one.

DRIVING

RESTRAINING

(3) take advantage of growing demand	Up	- decrease brand value / lose loyal customer (2)
(3) economies of scale	Scale	- low quality control - taller organisational structure / less motivated workers More bureaucracy (2)
Total: 6		Total: 4

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(2)

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Part a) : cont.

Ben's decision to increase the size of BTD would allow them to take advantage of increasing market growth, in light of changing social attitudes surrounding vegan food. Importantly, expanding in 2018 would make BTD prepared, and give them a good opportunity to use this preparation to beat ~~but~~ competition to the new market share increased and demand. Furthermore, increasing capacity will potentially create demand through positive word of mouth as a ~~result~~ result of the <sup>positive</sup> ~~positive~~ brand image that BTD has due to their social media marketing and social media networking strategies in their promotional mix. By expanding early, BTD will give them the opportunity to create themselves a "star" product on the BCG Matrix, which would help them ~~more~~ increase their profit margins, in ~~inve~~ ~~which Ben exposi~~ ~~expone~~ identified.

a) cont.

Engaging in this internal growth strategy would also let BTO benefit from various internal economies of scale in terms of ~~stop~~ purchasing goods and ingredients. In ~~fact~~, Ben identified large high quality ingredient costs as ~~an~~ a contributing factor to below-average profit margins. By increasing the goods ~~you~~ bought from suppliers, ~~the~~ ~~cost~~ the average cost per item will reduce. BTO could also benefit from a better supplier relationship, resulting in reduced lead times and preferential credit terms.

As a relatively small company, BTO has benefitted from a "club-like" culture, where social media networking and word of mouth has been critical to ~~acquiring~~ <sup>having</sup> market share. This has given BTO a unique selling point, helping them acquire loyal customers. However, a larger organisation will result in a taller organisational structure, where the managers will be more distant from the customers. Hence, Ben will not be able to reply to all reviews, and the online network will become inundated with new customers reducing BTO's premium and club-like feel, which to this point has been dictating part of their success.

d) contd.

Finally, the taller organisational structure would result in a longer chain of command, and more bureaucracy. This would likely reduce the motivation of the employees, detracting from BTO's second USP. Hiring 32 new employees would ~~likely~~ also mean that the bonus reward program would need to be revised to reduce overheads, which would ~~likely~~ result in current workers being dissatisfied, creating stakeholder conflict.

In conclusion, BTO should participate in the internal growth strategy to triple its size. While the problems associated with the taller organisational structure present definite issues, Ben must address the low profit margins urgently, and take advantage of the ~~increased market share~~ growing market.