Answer sheet

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Worksheet 1

These are example answers. Students may give other examples, and within the examples given there could be different interpretations of some objectives.

|  |  |  |  |
| --- | --- | --- | --- |
| Business example | Reason for change | Initial business objective (with brief justification referring to column 1 text) | Current business objective (with brief justification referring to column 1 text) |
| Facebook made losses for nearly 10 years from its creation before it made a profit. As it evolved over those first 10 years, the company focused on increasing its user numbers as quickly as possible because these users would attract their friends and family to use the site. Once the site had become the predominant social network it had achieved its initial objectives and this marked the end of its first stage of development, at which point the company’s objective changed as it had matured and could begin to make profits by selling advertising targeted at its huge user-base. | Stage of development | Growth because initially Facebook judged success simply by how quickly it was increasing the number of users it had  OR  Market share – because this growing user base meant it could focus on being the no.1 social media site | Profit because once it had become the most popular social media platform, the company could focus on selling as much advertising as possible because it had the most users and so was most attractive to companies wanting to target its users. |
| For the first 15 years Ben & Jerry’s (an ice cream company) was run by owners who had a focus on social issues and the company set itself an objective of ensuring that no employee was paid more than 5 × what any other employee earned. This was to ensure that wages were high enough for all staff to afford a good standard of living. After founder Ben Cohen resigned as Chief Executive, the new boss removed this objective and the company focused more on using its well-recognised brand to reward the new owners who had paid a lot of money to buy the company from its founders. | Change of leadership | Social objectives because the founders wanted to make sure that every employee in the company was well paid. | Profit because the new leader (and owners) wanted to ensure that the company was able to reward them for buying it. This ‘reward’ came in the form of increased profits to repay the money they had spent buying the company. |

|  |  |  |  |
| --- | --- | --- | --- |
| Easyjet was created in 1995 with just 70 staff and initially competed by offering very cheap flights and so trying to attract as many customers as possible. This objective continued for many years and by 2013, the company had achieved its early objectives and employed 10,000 staff and was one of the dominant airlines in Europe. The original founder began selling some of his shares of the company whilst still retaining some of the ownership to benefit from the money it had begun to make. | Size of business | Sales because Easyjet needed to focus on attracting as many customers as possible so that it could benefit from economies of scale.  (This could also be seen as growth.) | Financial security because the founder began to sell some of the company so that he made a lot of money as the company had become very valuable. Therefore the owner had achieved personal financial security. |

Worksheet 2

**1** Most negatively affected: a, b, e, f, h, I, j, k

Least negatively affected: c, d, g, l, m

**2** Possible answers:

* Premier Inn was extremely negatively affected because there were lockdowns when people could not travel and so hotels found that they had no customers.
* Zoom was most positively affected because businesses needed a way of holding meetings with staff who were forced to work at home during the pandemic. Also families wanted to keep in contact and so wanted an online videoconferencing platform. This increased the number of people using Zoom massively.
* Amazon was positively affected because in many countries shops selling non-essential goods were shut but, as an online business, Amazon could meet the needs of customers who wanted to buy clothes and other goods.

**3**

* Premier Inn may have changed its objective from sales to survival because it could not ‘sell’ any hotel rooms and so needed to focus on staying in business until lockdowns were lifted.
* Zoom may have changed its objective from survival (as a relatively young company) to focus on increasing its market share, because it knew the market for videoconferencing would grow hugely during the pandemic and it was an ideal time to become the default for people wanting to use videoconferences.
* Amazon may have changed from a growth strategy to focusing on sales or profit. Whilst the company had grown considerably before 2020, as a result of the increased demand for online shopping from Spring 2020, it could then focus on trying to supply its customers with more and new products which should also help them to increase profit.

**4**

* Premier Inn would have been negatively affected by the pandemic due to lockdowns and not selling as many hotel rooms. Premier Inn may have changed its objective from sales to survival, and may have made lots of staff redundant in order to achieve its new objective by cutting (labour) costs to match their falling revenues.
* Zoom was positively affected by the pandemic as videoconferencing grew over the period. This may have enabled the company to move from an objective of survival to increasing market share. Zoom may have achieved its new objective by spending more money on advertising its services to the new users who needed a videoconferencing app
* Peloton saw a large increase in the number of people interested in keeping fit at home as they could not go to gyms. Therefore, its objective changed from being solely focused on growth to also include increasing profits. Peloton added lots of new instructors to the platform to provide users with a greater range of exercise classes and so appeal to as wide a range of people as possible and ensure that more subscribers signed up.
* American Airlines faced a drop in the number of people flying due to lockdowns and businesses working remotely. This meant that instead of focusing on profit it had to ensure it survived the pandemic. This might have led American Airlines to cancel orders for new planes (which were no longer required) and request loans from the banks or government.
* HelloFresh saw more people having to stay at home who were used to eating out and so it might have changed objective from profits to trying to take advantage of this growth in the number of people wanting recipe kits by focusing on market share. If HelloFresh could sign up a lot more subscribers (perhaps by reducing prices and benefitting from economies of scale) it would hope that lots of those households could continue the subscription once the lockdowns were lifted.
* Cineworld saw cinemas closed during lockdowns so may have changed from a focus on profit to focus on how it could grow after the pandemic. Cineworld could refurbish its buildings so that it could charge a higher price or add new screens so that it could show more films at the same time. Both of these would cost money though, and so in the short term during the pandemic lockdowns Cineworld might have to focus on survival due to the higher costs and lack of revenue.

Worksheet 3

**1** The company found that it could not meet the demand for its baking flour. It was able to meet some of the increased demand from its stores of flour. It launched a range of smaller bags that could be sold directly to people at home (retail) rather than to big suppliers (wholesale) who would have then sold it to customers themselves. They also moved their employees from one part of the business to another in order to meet demand.

**2** The company had a choice of which way to move. It could have chosen to maximise profits. This would have involved it increasing prices for the flour it could produce. Because demand was so high, some customers would have been prepared to pay the higher price. In most markets, prices rise when there are shortages, so consumers would expect this to happen. The company tried not to do this. Instead, it tried to meet demand but found that its employees were struggling to meet the extra demand on them. At this point, the company decided to stop taking new orders and to close the business for 4 days to give everyone a rest. This is a social objective because it put the interests of its workforce before those of existing or potential customers, and before the profits of the business itself. The company acknowledged that this was a risky strategy, but did ‘the right thing’ in the eyes of its customers by not raising their prices.

Homework sheet

**CASE STUDY: SUPERSKISWISS.COM**

**1** What is meant by a business objective? Use this case as an example.

The objectives of a business are the goals or targets which the business wants to achieve. In this case one of SuperSkiSwiss.com’s objectives is to grow the business. This is suggested by the fact that the company has grown sales revenue from O in 2010 to an estimated €1 543 000 in 2017. SuperSkiSwiss.com also aims to be Europe's number one online shopping site for skiers. SuperSkiSwiss.com hopes to achieve sales of €3 000 000 by 2020.

**2** Some businesses have non-financial objectives. Name two examples of non-financial business objectives.

Examples of non-financial business objectives include social objectives, personal satisfaction, challenge and independence and control.

**3** Work out the change in sales revenue between 2010 and 2017.

For this amended question, the answer will be:



**= 542.9 per cent**

**4** Describe one benefit to SuperSkiSwiss.com of sales growth.

Many owners aim to grow their businesses. This usually means they want to increase sales revenue. It is a common business objective because growth has a number of benefits. For example, as a business grows it will usually gain a larger market share. As market share grows businesses enjoy a higher profile and eventually may be able to have an influence in the market. For example, it may be able to charge higher prices. Other benefits include lower costs, more profits and more security.

**5** SuperSkiSwiss.com may be concerned about social responsibility. What evidence is there in the case study to support this view?

In recent years a growing number of businesses have been keen to improve their social responsibility. For example, SuperSkiSwiss.com appears to consider the needs of the environment when making business decisions. The biggest environmental impacts from SuperSkiSwiss.com are carbon emissions from the distribution of goods, the running of buildings and waste from packaging. SuperSkiSwiss.com aims to use resources as efficiently as possible by controlling emissions, and focusing on the sustainability of packaging. In 2016/17 SuperSkiSwiss.com cut its carbon emissions by 15 per cent. It also reduced its stock and vehicle movements across Europe and saved 11 tonnes of materials by reducing the number of swing tags (product labels) used. This suggests that SuperSkiSwiss.com wants to foster a good public image. If a business has a bad image or poor reputation it may lose customers.