

2023 ASSESSMENT REPORT

BST315116 BUSINESS STUDIES

Section A

Unit 1: The Business Environment / Unit 2: Operations Management

There were four questions in Part A to be answered out of a choice of 8, with the questions being scaffolded (e.g., two-part questions).

Parts (a) were out of 4 marks.

Parts (b) were out of 6 marks.

- Two questions out of 10 from the Business Environment topic.
- Two questions out of 10 from the Operations Management topic.

Students who read and understood the question, and who constructed fluent responses including the appropriate course content, achieved a better result. Structuring answers to clearly address all the requirements of each question, and to ensure clarity of meaning was also important. Students should pay careful attention to the need to include suitable examples as marking schemes are based around the directions given in each question.

Feedback for Criterion 1

Question 1

This question was answered by 84 candidates.

This was not a popular question. Unless students had a good understanding of ethics and CSR, their definitions were rather vague.

In part (a), better answers had good definitions for ethical behaviour and CSR. A good definition for ethical behaviour included terminology such as practices that are socially responsible, morally right, acceptable and unacceptable behaviour, honourable and beyond legal requirements. A good definition for CSR used terminology such as triple bottom line, respect for people, community and broader environment, beyond the legal requirements.

Weaker responses did not identify the difference between the two concepts and focused on fair working conditions, legal compliance, work health and safety practices at work.

In part (b), better answers explained an example of an ethical and socially responsible action and elaborated on a minimum of two good advantages or listed a minimum of 4 advantages.

Weaker responses did not mention a strong example to showcase the advantages on the business.

Question 2

This question was answered by 326 candidates.

Students generally did well in this question.

In part (a), better answers explained the characteristics of sole trader and referred to terminology such as unincorporated business structure, unlimited liability and no perpetual succession and defined key terms.

Weaker responses confused the definition of unlimited liability and unincorporated business structure. A common mistake was referring to business as a company, which is a type of business structure. Some students were confused that sole trader structures had no employees.

Students answered Part (b) better, with most students being able to identify and explain 2 strong advantages and 2 strong disadvantages. This part of the question was worth 6 marks. Therefore, markers were looking for a detailed explanation of each advantage/disadvantage to award the full marks.

Question 3

Question 3 was another frequently answered question.

In part (a), many students found it straightforward, and it was easy for students to gain full marks if they knew the number of employees, for micro, small, medium and large businesses, according to the Bureau of Statistics.

In part (b), better answers provided an accurate definition of the primary, secondary and tertiary industries with an accurate example of each.

Weaker responses provided inaccurate numbers and definitions lacked specific terminology.

Question 4

Question 4 was answered by the majority of students.

Students generally did well in this question.

Students need to look at the mark allocation to ensure that they write enough detail. When part (a) is worth less than part (b), students should ensure that they don't write more detail for part (a) than part (b).

In part (a), better answers described two external influences of the business environment with a range of business terminology. External influences needed to be drawn from PESTLE.

In part (b), students who chose to discuss the economy, could also provide a graph depicting the economic cycle. If doing so, the graph should be labelled and referred to.

Better answers discussed a specific change and its impact on one stakeholder, using an example. External influences needed to come from PESTLE.

Responses needed to focus on external influences as given in the syllabus document e.g., Political, Economic, Social, Technological, Legal and Environmental (PESTLE).

- political (including government policies and changes to policies)
- economic (including the economic cycle – boom and recession)
- social
- technological (including scientific discoveries/ inventions)
- legal
- environmental

Weaker responses did not refer to a specific change and its effect on one stakeholder.

Question 5

This question was answered by 85 students.

In part (a), better answers provided a specific definition of quality control with more relevant points to gain 4 marks.

In part (b), better answers provided a detailed explanation of the benefits of using quality control to improve the production process.

Weaker responses provided limited detail in part (a) with not enough further relevant information for 4 marks. The majority of responses identified one or two benefits but didn't elaborate to a large extent.

Question 6

This question was answered by 261 students.

In part (a), many students found it difficult to achieve 4 marks when explaining what is meant by competitive advantage. Students are encouraged to use the mark allocation as a guide for how much detail to include.

Most students provided an accurate definition of competitive advantage and cited the two sources of cost leadership and product differentiation and the final link to minimise costs and increase market share.

Part (b) was generally answered well with the stronger answers showing how two options gives a competitive advantage and providing an example. Better answers provided a specific definition of product differentiation and cost leadership and stressed the main point that for product differentiation, higher quality/distinguishable features -> higher prices, for cost leadership lower cost of production -> lower selling prices (maintaining profit). When discussing cost leadership, students need to show an understanding of how a business can operate with the lowest costs. Other options were also accepted.

Weaker responses did not make the link between the two options and the gaining of competitive advantage.

Question 7

This question was answered by 241 students.

In part (a), this part of the question was generally easier to award marks. Students should look at the mark allocation as an indicator of how many points to provide.

Better answers provided a specific definition of outsourcing with accurate terminology. Students also included explanations of onshore and offshore outsourcing, with examples.

In part (b), better answers clearly organised their response under one social consequence and one environmental consequence, if a business decides to outsource their operations. Each consequence was worth 3 marks, so better answers provided a detailed explanation of the consequence, using relevant examples.

Weaker responses contained limited explanations of the social and environmental consequence. Students should try not to make generalised statements about factories operating in developing countries. Not all factories have exploitative working conditions. Many companies are vigilant about monitoring the conditions in factories where operations are occurring. This can be done by visiting the factory several times a year.

When describing an environmental consequence, better answers showed an understanding of the impact of increased emissions on the environment.

Question 8

This question was answered by 212 students.

Many students completed this question quite well with some fantastic results.

In part (a), all students who attempted the question could provide a definition sufficient to get 1 mark out of 2 but not all were 100% clear on the role of JIT in production. Most alluded to it or mentioned it specifically in the second part. Better responses provided enough detail for 4 marks.

In part (b), many students could provide 2 advantages and 1 disadvantage. This part of the question was very well answered on the whole.

Weaker responses:

- There weren't many weaker responses but the responses that received a lower grade was commonly because they didn't provide enough detail across all parts of the question, particularly in the definition.
- Most students who achieved a lower mark across these questions did so because they simply didn't provide enough information to demonstrate they fully understood the concepts. For example, they provided a brief definition of the concept but didn't expand upon it and/or they presented an advantage or disadvantage but didn't explain why or how it would contribute or detract from the business's success / profitability.

Feedback for Criterion 5

Common issues in this section were students providing unstructured responses with no examples. Where students did not understand the question, their answers were often unclear and muddled, resulting in a lower rating being provided.

Question 1: Better answers clearly structured their response, by organising their answers into part (a) and part (b).

Question 2: Better responses clearly explained complex ideas using rich business terminology, in contrast to poorer responses, which used informal terms and where detailed knowledge of the theory was unclear.

Question 3: Better responses incorporated more detail – e.g., by incorporating at least 10 facts on the topic (questions were out of 10 marks, so students can expect to incorporate 10 facts). Alternatively, 5 key points, explained well, provided sufficient detail, depending on what the questions are asking.

Question 4: Better responses did not rewrite the question; rather they started to respond to the question immediately.

Question 5: Better responses used bullet points by explaining them fully, as opposed to weaker responses that simply used bullet points, without clearly explaining their relevance.

Question 6: Students should practice writing bullet points that include the main point and then discussion to ensure a sufficient level of detail.

Question 7: The above could also be relevant for information provided in a table format. Better responses included an explanation of each point.

Question 8: Better responses underlined text to demonstrate their understanding of key business terminology.

Question 9: Headings and paragraphs were useful particularly when questions required two concepts. e.g.:

- **Concept 1:**

Start with an explanation of the first concept (this is the *What*), explain how the concept links to the question (this is the *How*). Provide an example and link the example to the question (this is the *Why/Impact*).

- **Concept 2:**

Start with an explanation of the second concept (this is the *What*), explain how the concept links to the question (this is the *How*). Provide an example and link the example to the question (this is the *Why/Impact*).

Section B

Question 9

- a)
- i) Few candidates recognised that competitive advantage can be achieved through product differentiation and cost leadership. Better answers included a discussion around one or both of these, particularly product differentiation where they would talk about limited product offerings. Very few candidates mentioned both concepts and even fewer connected it to the business in question.
 - ii) This question was generally well answered with stronger responses recognising that quality was declining due to the lack of staff training and development provided to casual employees.
 - iii) About $\frac{1}{4}$ of candidates did not attempt to answer this question. Candidates who recognised either labour or knowledge as inputs to the production process generally scored well.
- b) To gain full marks on this question candidates needed to clearly explain the cause and the impact of the issue.
- c) Candidates who clearly showed the link between the issue and its impact on the stakeholder scored well.
- d) About $\frac{1}{4}$ of candidates did not attempt to answer this and few candidates recognised that scheduling is the process of organising tasks that have numerous steps in order to coordinate and be efficient. Strong responses recognised that with more tours, staff and customers, there are more processes to manage. For example, the rostering of staff and the booking of tours/use of IT would become more complex.
- e) Strategies needed to relate to the stimulus. Some candidates relied on theory to describe strategies suitable to improve quality in a manufacturing environment (e.g., maintenance of equipment). Stronger responses focused on techniques relevant to *Hee and Bop* as a service industry.
- f) Many candidates failed to differentiate between short- and long-term consequences with many responses stating “this would happen in both the short and long term”. It is important for students to recognise that some strategies have a negative short-term impact in order to achieve a long-term improvement. For example, providing induction and ongoing training would have a short-term cost (increased expenses for staff training) but would result in improved customer and staff satisfaction, and a better product in the long term.
- g) This question was generally well answered. However, there were students who were confused between legal and ethical and social responsibilities. It was difficult to give marks when the line was blurred. Answers were too often general in nature.
- h) Around $\frac{1}{4}$ of candidates did not attempt this question. Students need to have a better understanding of the differences between operational and strategic decisions and be able to provide examples of each.

Question 10

Overall, students demonstrated a satisfactory understanding of marketing as it applied to *Hee and Bop*.

- a) In order to gain full marks on this question, candidates needed to identify two distinctly separate issues. Some candidates identified the infrequent social media updates and the poor website design as separate issues; however, they then combined the two explanations together, describing them both as the same issue – limited digital presence- so could not attract more than 3 marks, without identifying a separate issue.
- b) This question was generally answered well.
- c) About half of students answered this well, with many students awarded full marks. Some candidates confused pricing strategies with pricing methods. If pricing methods were discussed, marks were awarded for correct descriptions of advantages and disadvantages. Some candidates identified cost leadership as a pricing strategy. Marks were not awarded for this, as it is an operations strategy to develop competitive advantage, not a pricing strategy. Other students confused pricing strategies with marketing strategies to attract customers, e.g., sales promotion. There did not appear to be a clear understanding of pricing strategies, with some students naming them correctly but incorrectly describing them.
- d) This question was fairly straight forward and generally answered well.
- e) This question was generally answered satisfactorily. Better answers demonstrated a good understanding of a range of promotional strategies and applied them to the stimulus.
- f) Many candidates failed to differentiate between short- and long-term consequences with responses stating, “this would happen in both the short and long term”. It is important for students to recognise that some strategies have a negative short-term impact in order to achieve a long-term improvement. For example, developing a comprehensive website with detailed information and a booking system, would incur significant costs in terms of time and money in the short-term but would provide long-term benefits. Many candidates provided surface level responses which did not differentiate between the two strategies and were simplistic, e.g., “both strategies would get more customers in the short term and make more profit in the long term”.
- g) Most candidates were able to recommend a suitable primary research tool; however, less candidates identified suitable secondary research tools. Candidates are reminded that secondary research involves searching for existing data that was originally collected by someone else. Primary research methods were often mislabelled as secondary research options.
- h) Most candidates were able to identify a suitable method, but many failed to effectively explain it. Stronger responses suggested comparing before and after results. Responses that stated “use KPI’s” without suggesting a suitable KPI were awarded partial marks.

Question 11

- a) This question was generally answered well.
- b) Students were not overly familiar with job design, so this limited students from obtaining full marks for this question. They were able to say that if employees were familiar with the job specifications, they could perform their duties more effectively. Approximately 10% of candidates did not attempt to answer this question.
- c) Better answers included an example of monetary and non-monetary benefits. A discussion of its

impact on business culture and/or a clear link between staff motivation and business performance were rewarded.

- d) Students on the whole, lacked an understanding of staff development programs and mainly discussed the importance of training.
- e) Most students were able to identify legal and social issues. The *Fair Work Act* provided a solid reference point for legal issues and responses that specifically referred to legislation achieved good marks. Students who were able to link high turnover with the impacts of unemployment in the community, demonstrated an excellent understanding of social issues.
- f) A number of students confused the selection process with recruitment strategies – referring more to job specifications, the checking of qualifications and references, testing, etc. Some students did refer to recruitment strategies as being internal recruitment and external recruitment. This was accepted. If this were the case, students needed to relate this to the stimulus – i.e., internal recruitment, given the small number of staff, would need to involve casual employees increasing their work hours.
- g) In order for students to gain full marks for this section they needed to have identified recruitment strategies in f). Very rarely were students able to identify 2 strategies impacting this question.
- h) Students gave much stronger responses to this question, being more familiar with the concept of outsourcing, perhaps as a result of having a strong understanding of operations. However, there was some confusion over the outsourcing of HR function and outsourcing employees. Also some confusion around outsourcing locally and offshore existed.
- i) Markers were looking for a clear link between effective human resource management and improvement in business performance.

Section C

General comments for Question 12 (*The Hungry Fry*):

Item A

SWOT analysis was generally done well and was the highest scoring question. Some students had difficulties in understanding the difference between internal and external factors of a business. Students should ensure that they provide more than 2 words in their answer and if including economic downturn, a brief description of the impact should be included.

Better answers related the opportunities and threats to relevant aspects in PESTLE.

Item B

- a) Ratios were mostly done very well. It appeared that the majority of students understood this question. When necessary, students are reminded to round their calculations to 2 decimal places and include a percentage sign for profitability ratios and gearing ratios. A reminder to students to always show workings (even if the question doesn't specifically ask for that) just in case they make a calculation error.

- b) When analysing the profitability of *The Hungry Fry*, most students demonstrated an understanding that profitability had declined and was now below industry average.

Some students confused decline in sales with a decline in profitability.

The better students commented on why this might be the case.

- c) The current (working capital) ratio was mostly done very well. It appeared that the majority of students understood this question. A reminder to students to always show workings (even if the question doesn't specifically ask for that) just in case they make a calculation error, write to two decimal places when asked to, don't write as a % and the ratio should be written "0.77:1" not "1:0.77".
- d) When commenting on the liquidity most students understood that the business was not liquid. The better answers demonstrated an understanding of the relationship between current assets and current liabilities and the concept of liquidity.
- e) When commenting on the ROROE most students understood that the business was declining.

Item C

Some students did not attempt any of the question. It was towards the end of the paper, and they may have run out of time. A reminder to students to always show workings (even if the question doesn't specifically ask for that) just in case they make a calculation error.

- a) Overall, this was generally well done; however, it was evident some candidates were unfamiliar with the term Contribution Margin.
- b) Overall, this was generally well done.
Most students were able to apply the formula to the stimulus and calculate the correct breakeven point.
Some students did not round UP correctly and some students did not include units/serve/hot chips.
- c) This question identified which students really understood the concept of breakeven and how to manipulate the standard formula or use the alternate formula to calculate selling price.
Many students struggle with solving the equation.
Many students ended up with the answer \$3.76, which is $FC/6,000$ serves per year and did not add the \$1.18 VC/unit to get the correct answer of \$4.94.
- d) This question was poorly done.
Students often identified 2 generic benefits of B/E analysis, such as, help to set selling price and work out how many units a business needs to sell to break even.
Many students did not answer the question by specifically referring to Hungry Fry's business or to how B/E helps with making business decisions.
Most students talked about what information a BE provides rather than how it helps in making decisions applicable to the stimulus.
Average mark awarded 2/4.

Item D

About 30 students did not attempt any or very little of the criterion 4 questions. This might have been due to running out of time, although given this year's paper only had one question (rather than previous years where there were 2 questions with 1 to be completed), this is not likely.

- a) Better answers provided a descriptive strategy to show how *The Hungry Fry* might take advantage of two opportunities. Strategies needed to clearly explain how.
- b) Better answers provided a descriptive strategy to show how *The Hungry Fry* might address two threats. Strategies needed to clearly explain how.
- c) i) Most students were able to identify the impact on employees quite well. Students are reminded that 'analyse' means providing depth in their answer of the impact. Some students wrote about future employees which was acceptable, especially given the stimulus and accompanying financial statements provided did not identify that any one was being employed currently, or in the future.
ii) Many students answered this in general terms about the impact on the business, rather than on the owners. Only part-marks were awarded.
iii) Generally fine.
- d) i) Economic and social influence was done poorly. The wording of the question may have been a factor, so marks were awarded if a student addressed it from the perspective of an economic or social impact or factor, rather than an 'influence'. Many students spoke about environmental influences which was incorrect.
ii) Generally fine.
- e) Many students were able to identify strategies for improving the decreasing profit trend, although it was common that only 1 strategy was explained (2 were required). A number of answers included 'reducing wages'; however, given there was no wage expense included in the financial statements, decreasing them is not an option as a strategy for improving profitability. Students are reminded to carefully read the financial reports provided.
Many students incorrectly identified that 'selling equipment' or 'decreasing drawings' would improve profitability and did not understand that these are cash flow factors, rather than profitability factors. Students are reminded to learn the difference between cash and profit.
- f) This was a relatively easy question; however, many students did not clearly identify the distinction between short- and long-term impacts. The use of sub-headings is strongly recommended to clearly structure answers and ensure all components are addressed.

Suggested Answers

Section A

Unit I – The Business Environment

Question I – ethical behaviour

- a) **Ethical behaviour** is following a set of rules or procedures fairly. Ethical behaviour involves consideration of standards that define what is acceptable and unacceptable behaviour. Ethics looks at moral issues and choices. It is concerned not with what is legally obligated, but instead what is morally the right or wrong choice in a situation. In many decisions involving ethical questions, it can be difficult to objectively determine what is 'right' and what is 'wrong'. It often depends on the individual circumstances surrounding the situation. In business, it can be challenging to work out the correct business decision to make when there are competing interests such as finances and profit competing with community betterment or environmental responsibility. Business ethics is the application of moral standards to business behaviour.

Corporate social responsibility (CSR): refers to open and accountable business actions based on respect for people, community/society and the broader environment. It involves businesses doing more than just complying with laws and regulations. CSR refers to managing a business in such a way that the broader social welfare of the community, including its employees, customers, suppliers and the environment is taken into consideration when making business decisions.

- b) Examples may vary from specific brands/businesses, or from business strategies.

Ethical and social responsibilities can be advantageous to a business when it is used as a marketing tool to improve sales and the business' status in the community. Ethics can contribute to a good name and brand loyalty with customers. The target market in this situation is that sector of the community (which is currently growing in size) who make consumer decisions based on ethical and/or social grounds. Many consumers in today's market have an interest in sustainability and want to buy products that are eco-friendly, so it can help the profit bottom line to offer these types of products. The Australian community is increasingly demanding good corporate citizenship, so businesses that promote this can enjoy an improved reputation which is good for PR.

Businesses that focus on ethical and social responsibilities are often rewarded with improved business performance.

Meeting social responsibilities such as:

- supporting local organisations through donations and sponsorships can increase awareness of the business, leading to increased sales
- employing locals can help the business to achieve social goals of provision of employment
- use of sustainable practices can help to achieve business goals of sustainable development
- overall, business reputation will improve which could lead to goals of profitability and growth being achieved.

Question 2 – business structure

- a) A sole trader is a self-employed person who owns and runs their business as an individual. One person is the owner/operator of the business, so they have full control. A sole trader is legally responsible for all aspects of the business including any debts and losses and day-to-day business decisions because the business is not considered a separate legal entity. A sole trader is the simplest form of business structure and is relatively easy and inexpensive to set up. The owner may employ other people to work in the business, but the owner provides all of the finance, makes all the decisions and takes on all of the responsibility for the operation of the business.
- b) **Advantages might include:**
- simple and cheap to establish – only registration of a business name (\$39 for one year) and obtaining an ABN (free)
 - owner keeps all of the business profits
 - owner is free to make business decisions and operate independently
 - flexibility to work chosen hours
 - customers often prefer to deal directly with the business owner
 - generally, has a lot less paperwork than a company. No separate tax return needs to be lodged, instead the business income and expenses go in the business owner's individual tax return in a separate business and professional items schedule
 - less costly to operate
 - no partner disputes
 - less government regulation
 - no tax on profits, only on income.

Disadvantages may include:

- unlimited liability for debts (personal assets may be used to discharge business debts)
- limited ability to raise funds to establish and maintain the business as one person only has limited access to assets as a security for a loan. This can slow down the growth of the business
- sole traders have to work long hours and may have difficulty taking holidays or sick leave
- the business relies heavily on one individual and their limited expertise (financial, emotional, physical and mental)
- lack of perpetual succession; when the owner dies, so too does the business
- unincorporated legal structure: not a separate legal entity from the owner. E.g., If the business is sued, the owner is too
- need to carry all losses
- burden of management
- need to perform a variety of tasks.

Question 3 – business classification

- a) Micro businesses: 1 – 4 employees, (fewer than 5) and include non-employing businesses, Small businesses: 5 – 19 employees, Medium businesses: 20 – 199 employees, Large businesses: 200+ employees
- b) Primary industry includes those businesses involved in the collection of natural resources.

Secondary industry includes taking a raw material and making it into a finished or semi-finished product.

Tertiary industry involves people performing a vast range of services for other people.

The tertiary sector is sub-divided into quaternary and quinary:

- Quaternary: services that involve the transfer and processing of information and knowledge, e.g., telecommunications, property, computing, finance and education
- Quinary: services that have traditionally been performed in the home, e.g., hospitality, tourism, childcare.

Examples may vary.

Sector	Definition	Features	Examples
Primary	Extraction of natural resources, harvesting of raw materials	Provide the raw materials to the secondary sector	Mining, agriculture/farming, fishing, grazing and forestry
Secondary	Use the raw materials from primary industry to produce goods	Usually referred to as the manufacturing industry	Diamond is shaped, polished, cut then transformed to a pendant, iron ore, coal and limestone are turned into steel
Tertiary	Provides services for the economy (as opposed to physical goods)	Around 75% of Australian economy is service based, retail sector	Transport, leisure, entertainment, education, legal advice, retailers, dentists, banks, health workers

Question 4 – external influences

a) PESTLE

- political (could include government policies and changes to policies, etc)
- economic (could include the economic cycle, boom and recession, interest rates, inflation, etc)
- social (could include demographic changes, consumer trends, etc)
- technological (could include scientific discoveries/inventions, leading edge, established, etc)

- legal (could include laws and regulations, etc)
- environmental (could include environmental impacts of business and changes in the environment, etc)

External influences on the business environment and business refers to all the conditions surrounding a business that can impact a business but are largely out of the business's control.

Influences/factors over which the business has very little control.

A business can only predict, plan for and adapt to.

b) Stakeholders:

- Shareholders or owners
- Managers
- Employees
- Customers / consumers
- Suppliers
- Society/Community
- Future generations.

Examples of a change in external influences on business and the effect on a stakeholder

- **Political:** Increased government regulation of industry (for example, aquaculture) affects shareholders by increasing the cost of production, lowering profits or causing business to either pass on a price rise or lower quality; less efficient operations for shareholders means a reduced return on investment
- **Social:** Demographic changes in a business's geographic region result in an increased market for their product (for example, aged care, play centres), which could lead managers to make choices around expansion and developing strategies to take advantage of this, as well as increasing their workload; need to source and manage increased inputs (e.g., staff and raw materials).

Social influences such as changes in tastes, fashions and culture can impact owners significantly in terms of their sales and profits. Failure to respond to these social changes can threaten the business stability and viability. Shareholders could receive less dividends.

Other examples of changes in social influences can include:

- changing work patterns – e.g., owners will need to provide greater flexibility
- growing awareness of the environment
- increased expectations of family friendly workplaces
- increased workplace diversity
- increased career flexibility and job mobility
- increased participation rates for women

- E.g., the increased participation of women in the workforce has contributed to more flexible and family friendly workplaces. Also, many employers have the view that employees will be more productive if they have a good work/life balance, happy workplaces with perks and greater flexibility in the workplace. Can impact employees, managers, owners – happy workers with work/life balance can improve their productivity and have a more profitable outcome for businesses.
- **Environment** – a change in climate or weather can affect owners with an increase or decrease in revenue. Climate change, natural disasters such as tropical cyclones and floods can affect crops, causing loss of income for suppliers and increased prices for customers due to less supply and increased demand. Costs for business owners could increase and price for consumers which could affect revenue and profitability.
- **Technological** – relates to the impact of the development and use of machinery, specific technologies (for example, nuclear energy) and most relevant today, digital technologies. Examples could relate to business use of, and reaction to social media and online trading, robotics and alternative power generation and storage. New and emerging technologies such as leading-edge technologies and advancements.

E.g., Managers need to decide whether to introduce leading-edge technologies and weigh up the financial cost of implementation and the overall competitive advantage that may be gained. Employees will need to be retrained or may be made redundant. Owners may receive increased profits/shareholders receive a greater dividend.
- **Legal** – relates to the impact of laws and government regulations upon business. A very broad spectrum of examples include could include changes in employment law, corporation law, environmental laws, consumer protection laws, council regulations, state tax laws and the impact of businesses needing to adapt to new laws. These could include both staff training, new safety equipment, new production methods, etc., all of which can be timely and expensive to implement.
- **Economic** – could relate to the impact of various stages in the economic cycle – Recovery, Peak, Trough, Recession – and their impact on interest rates, level of inflation, level of unemployment, economic growth, expectations of future economic conditions, position in business cycle (level of aggregate demand), consumer confidence of spending and how these affect overall business profitability. Some students drew and labelled a diagram and referred to this in their discussion.

Unit 2 – Operations Management

Question 5 – quality control

- a) Quality control involves the use of inspections at various points in the production process to check for problems and defects. Quality standards and parameters must be defined and applied across the range of products and processes. Then, a range of tests need to be designed to assess the quality of the products against the standards. Any failure to meet the pre-determined quality targets would be assessed and appropriate action taken. This is a reactive approach to quality management.
- b) Possible benefits could include:
 - lower waste which can lead to lower production costs
 - high quality standards which can lead to increased sales

- increased sales, which can lead to increased revenue and increased profit
- higher customer satisfaction due to increased quality
- reduction in production time
- reduced costs of production, which can increase efficiency
- improved training of staff which can lead to improved efficiency in labour, and more knowledgeable and diligent employees.

Question 6 – cost leadership and product differentiation

- a) A competitive advantage is anything that gives a company an edge over its competitors, helping it attract more customers and grow its market share. Competitive advantage refers to factors that allow a company to produce goods or services better or more cheaply than its rivals. Minimising operational costs and the passing on of lower prices can help a business to achieve a competitive advantage. Differentiating products from competitors can result in increased profitability which can help a business to have a competitive advantage. A business could use the increased profits to maximise growth.

These factors allow the productive entity to generate more sales or superior margins compared to its market rivals. Competitive advantages are attributed to a variety of factors including cost structure, branding, the quality of product offerings, the distribution network, intellectual property and customer service. The two main ways of achieving a competitive advantage are cost leadership and product differentiation.

- b) Competitive advantage refers to having an ‘edge’ over competitors. This could be achieved through cost leadership and product differentiation.

Cost leadership involves aiming to have the lowest costs or to be the most price-competitive in the market. A key aspect to cost leadership is that although trading with the lowest cost, the overall business should still be profitable. This means that operations managers must find ways to minimise costs (Chapman, 2021). The gaining of competitive advantage through reducing and minimising costs of production gives the ability to both maintain profit and be more competitive in pricing. All sources of cost advantage are pursued. Examples could include strategies like use of technology, generating economies of scale, relocating manufacturing, inventory controls like JIT, etc.

Product differentiation is the conscious activity by a business to make its product (goods or services) appear different from otherwise similar or identical products of its competitors. How businesses differentiate may include packaging, quality, features, logo, trademark, branding. Offering a unique product which attracts a broader consumer base, will in turn result in an increase in market share and profitability enabling businesses to gain a competitive advantage. Examples could include strategies like biodegradable packaging, different levels of experience in service providers, customisable features, etc.

Question 7 – outsourcing

- a) Outsourcing involves the use of outside (to the business) specialists to undertake one or more key business functions. Outsourcing may be used for various business functions including human resources, operations, marketing and finance. This may be done by a business for a number of reasons, including accessing potentially cheaper labour, accessing resources that the business cannot

otherwise access, and avoiding stringent compliance issues by using a region with fewer requirements.

Students may mention onshore outsourcing: the use of domestic businesses as the outsourcing provider and offshore outsourcing: involves taking the activities/business function to a provider in another country.

b) Social consequences could include:

- increase in employment and standard of living in the country that the manufacturing is outsourced to
- increased unemployment (including suppliers) and deskilled of labourers in original production company
- disruption and marginalisation of indigenous cultures
- unethically produced goods and the impact on workers in some of the factories in developing countries, such as Bangladesh or in some factories in the UK or other developed countries.
- consumer responses to unethically produced goods – could impact customer support and brand loyalty.

Environmental consequences could include:

- increased carbon footprint
- increased emissions contributing to global warming and climate change
- use of chemicals in production and impact on air/water quality
- impact of mode of production on water catchments and energy supplies
- additional packaging and emissions due to excess transportation
- varying environmental laws offshore.

Question 8 – just in time

a) Just in time processing is an inventory management approach which ensures that the exact amount of raw material inputs will arrive only as they are needed in the operation process – that is, made to order. It is a lean production method. The business aims to only make enough products to meet demand.

Advantages could include:

- the business makes only enough products to meet demand
- less storage is required, therefore a wider range of products could be displayed and business facilities can be better utilised
- saves money on holding (storage) and insurance/security costs
- shrinkage costs and losses due to obsolescence are minimised
- the business is able to respond quickly to changes in consumer needs and demands.

Disadvantages could include:

- a very flexible operations function with flexible processing is required
- the business must have a high ability to respond quickly to changes in demand
- suppliers must be reliable and deliveries must be received on time.

There is a risk that customers may miss out on a product that they wish to purchase due to the business not having sufficient stock.

Section B

Question 9 – operations management

a) Evaluate current **operational issues** for *Hee and Bop*:

i) **Establishing a competitive advantage**

A **competitive advantage** is anything that gives a company an edge over its competitors, helping it attract more customers and grow its market share. Cost leadership and product differentiation could lead to the development of a competitive advantage.

Cost leadership – *Hee and Bop* wish to achieve cost leadership by employing teenagers to keep the cost down. But their lack of training and experience is impacting the quality of the tours.

Product differentiation – the brand loyalty and brand recognition built by *Hee and Bop* as a result of word-of-mouth promotion, with a particular emphasis on local knowledge and expertise. *Hee and Bop* offer a range of walking options as far as duration and level of difficulty go.

There is a lack of differentiation in the market due to limited offerings and expertise outside of Fern Tree. This results in the reduced ability to attract customers seeking adventure-style day trips in southern Tasmania, limiting market share and growth.

Hee and Bop have a positive reputation for unique experiences and insider knowledge. However, they face challenges in updating their social media and lack a comprehensive online presence.

Student may address that the business currently has issues in achieving a competitive advantage for the above reasons.

ii) **Quality of Product**

Quality of the final service seems to be **declining** due to staffing challenges, which could ultimately impact the reputation of the business. The brothers might be too busy to offer a consistent, quality service themselves due to the increasing demand for their business, and so they might need to implement some more effective staff training and development to provide a better service.

Perhaps **Total Quality Management** could be implemented to ensure a consistent quality of the tour is offered, and that the responsibility to maintain the quality of the tours is embedded with all members of staff throughout the business.

Quality Control measures like inspections where the brothers might randomly appear on a tour could work but given the lack of time that Henry and Robert have, it seems unlikely that the inspections could be feasibly carried out.

We are looking for: 3 examples of poor quality – lack of training, lack of track knowledge, lack of quality control.

iii) Management of the inputs of their transformational processes

Hee and Bop currently do not have strong management of their inputs. A key to services is the **customer service/the people element**. The business's current experiences highlight that there have been complaints about this lack of knowledge with their casual workers. This **human element** in their inputs is a key component to their transformation processes.

There seems to be a lack of formalised procedures for **training** and **managing casual staff**, leading to inconsistencies in service delivery.

Another input that requires management to ensure quality is the use of **information technology**, such as updating their website and use of social media. This is needed to create the entire tour experience.

Knowledge is a valuable input that informs decision-making, enhances the quality of services, and contributes to the overall effectiveness of the transformation process at *Hee and Bop*. It encompasses a variety of domains, including local expertise, market understanding, and operational know-how, all of which play a role in delivering successful walking tours and managing the business effectively. Knowledge is an input to the transformation process because it helps to improve the efficiency, effectiveness, and quality of the output. Knowledge can be acquired from various sources, such as research, experience, feedback, and training. For *Hee and Bop* knowledge:

- enhances the skills and capabilities of the workers
- helps with solving problems and overcoming challenges
- aids innovation and creating new products or services
- supports meeting or exceeding customer expectations and satisfaction.

Knowledge is a valuable input that can help to create a competitive advantage for *Hee and Bop*.

- b) For one (1) of the issues above, critically analyse the **cause of this business issue** and **its impact** on business performance.

Answers will vary depending on the answers in (a) and the option chosen to discuss. Possible issues:

i) Establishing a Competitive Advantage:

- Issue: Lack of **product differentiation** in the market due to limited offerings and expertise outside of Fern Tree. They do not provide continuous training to improve the employees' product knowledge, they employ staff with limited knowledge and expertise which limits their ability to provide 'adventure style' day trips to expand product offerings. They have not conducted market research to identify popular adventure destinations, nor explore partnerships with local experts, and develop new tour packages to differentiate from competitors.
- Impact: Reduced ability to attract customers seeking adventure-style day trips in southern Tasmania, limiting market share and growth.

ii) Quality of Product:

- Issue: **Inadequate training and high turnover among casual staff result** in guides lacking knowledge of track routes and inability to answer customer questions. They do not seek

feedback from customers, read customer reviews such as on Trip Advisor, spot checks, random inspections. They do not have a structured training program for casual staff, that includes detailed knowledge of tour routes and effective communication skills.

- Impact: Decreased customer satisfaction, potential negative reviews, and damage to the positive reputation built over the years.
- Issue: **Quality of Product** (Casual Staff Knowledge): caused by the high turnover in casual staff and the lack of training procedures.
- Impact: Customer dissatisfaction caused by the lack of consistent knowledge among staff which has the potential for negative reviews. Thus, reputation damage. Word of mouth is crucial for *Hee and Bop's* advertising, and dissatisfied customers might impact the positive reputation built over the years.

iii) Management of inputs:

- Issue: **Lack of formalised procedures for training and managing casual staff**, leading to inconsistencies in service delivery. They do not provide additional and ongoing training, employ experienced and knowledgeable staff. They do not have a document standard for operating procedures included in staff training, conduct regular training sessions, or they do not have a system for ongoing performance feedback and improvement.
- Impact: Inefficient operations, potential safety concerns, and increased workload for Henry and Robert.
- Issue: Poor use of **Technology** – they do not update/maintain social media sites regularly or have a well-developed website – it does not include things like a feedback form, online booking system, feedback mechanism, link to social media, chatbot.
- Impact: limits reach to potential customers, lack of engagement, loss of reputation.

c) Outline the impact of the operational issue you have analysed on one (1) **stakeholder** of your choice.

Answers will depend on responses in (a) and (b) and the issue chosen.

Stakeholders may include:

- **Owners** (Henry and Robert): As the founders and operators of the business, Henry and Robert are major stakeholders. They are directly impacted by the business's performance and financial outcomes.
- **Customers**: Tour participants, both tourists and locals, are significant stakeholders. Their satisfaction and experiences directly influence the success and reputation of *Hee and Bop*.
- **Employees** (Casual Staff): The casual staff employed by *Hee and Bop* are stakeholders. Their experiences, training and satisfaction are crucial for the effective operation of the business.
- **Local Community**: The local community in Fern Tree, Hobart, where *Hee and Bop* is located, is a stakeholder. The business's activities can impact the community's well-being, and community support is essential for long-term success.
- **Suppliers**: Suppliers providing equipment, gear or any other resources needed for the tours are stakeholders. A positive and mutually beneficial relationship with suppliers is crucial for the business's operational efficiency.

- **Tour Companies, Corporate Businesses, School, and Community Groups:** Entities seeking large group bookings are stakeholders. Their interest in *Hee and Bop's* services represents potential business opportunities and collaborations.
- **Tourism and Outdoor Enthusiast Communities:** Communities with a passion for outdoor activities and adventure tourism are stakeholders. Their positive word-of-mouth and engagement can significantly impact *Hee and Bop's* business.
- **Social Media Followers and Website Users:** Individuals following *Hee and Bop* on social media or visiting the website are stakeholders. Their engagement and feedback can influence the business's online presence and reputation.
- **Government and Regulatory Bodies:** Government agencies and regulatory bodies overseeing tourism and small businesses are stakeholders. Compliance with regulations and positive relationships with these entities are important for the business.
- **Investors or Lenders** (if applicable): If *Hee and Bop* has external investors or has taken loans, these individuals or organisations are stakeholders with a financial interest in the business's success.
- **Competitors:** Other businesses in the adventure tourism and outdoor activities sector are stakeholders. Understanding and reacting to competitive dynamics is important for *Hee and Bop's* strategy.
- **Media and Review Platforms:** Journalists, travel bloggers, and online review platforms are stakeholders. Their reviews and coverage can significantly impact the business's reputation and visibility.

Example:

Stakeholder: Customers

Impact: Customers may have a substandard/disappointing experience, leading to dissatisfaction and potential negative reviews. This could result in a decline in customer loyalty and a decrease in word-of-mouth referrals, impacting the overall reputation of Hee and Bop. This is particularly bad given they rely on word-of-mouth promotion of their product.

d) Analyse how an expanded product offering might impact *Hee and Bop's* **scheduling techniques**.

Scheduling (the process of organising larger tasks that have numerous steps in order to coordinate and be efficient) would become more challenging if *Hee & Bop* were to expand their product offerings. With more tours, staff and customers, there are more processes to manage. For example, the rostering of staff and the booking of tours/use of IT would become more complex.

Example:

An expanded product offering, such as large group bookings, may require adjustments to scheduling techniques. This could include hiring additional staff, optimizing tour routes and durations, and coordinating logistics for larger groups. The scheduling process would need to be more flexible and adaptive to accommodate different types of tours and varying group sizes. Additionally, effective communication and coordination among staff members would become even more crucial to ensure smooth operations and customer satisfaction.

e) Recommend two (2) operations strategies to improve **quality management** at *Hee and Bop*.

Answers may vary, but could include:

Strategies to improve quality management:

- Quality Control – involves the use of inspections at various points in the production process to check for problems and defects.
 - Quality Assurance – Quality assurance involves the use of a system to ensure that set standards are achieved in production.
 - A policies and procedures manual prepared by Henry and Robert to ensure the new staff running the tours do so effectively and consistently. This could include including tour planning, customer interactions and safety protocols.
 - Implement Staff Training Programs – develop and implement comprehensive training programs for casual staff, focusing on route knowledge, customer service and effective communication.
 - **Implement Total Quality Management** to ensure continued excellence and continuous improvement through employee participation and customer focus.
 - Use of technology to improve practice (such as pre-recorded information in headsets to be given to people on the tour, or use of technology for the tour guides to answer questions, etc) to improve efficiencies and profits, maintain bespoke positioning and ensure customer satisfaction.
 - Technology could be adopted such as GPS tracking systems and mobile applications, to assist staff in navigating routes and providing real-time information to customers.
 - Customer Feedback and Continuous Improvement: Establish a system for collecting and analysing customer feedback after each tour. Use this feedback to identify areas for improvement. Manage/monitor complaints as a measure of effectiveness, offer training to staff who receive regular (or any) complaints.
 - Employee Engagement and Recognition: acknowledging and rewarding staff for their contributions to quality service to reduce the high staff turnover.
 - Collaborate with experienced guides or industry experts who may provide additional training, insights and best practices.
 - Prioritise safety in tours by implementing regular safety training for staff, emphasizing emergency procedures and risk management.
 - Using KPI's to set goals for quality and monitor performance.
- f) Critically evaluate how each of the strategies identified in item e) will **improve business performance** in both the short term and the long term.

Answers may include but are not limited to:

Short term

- Improved attitude, morale, productivity of employees. Perhaps the staff will remain with the business for longer than anticipated after finding more motivation.
- Increased customer satisfaction, more repeat customers.
- Increased sales.
- Staff are able to work more efficiently with new technology (after training), meet customer needs and answer questions on the tours.

- Fewer complaints from customers.

Long term

- Sustained decrease in complaints.
- Repeat customers.
- Potential increase in market share and sales revenue (due to good customer service).
- Improved profitability.
- Improved efficiency.
- Competitive advantage on a locally based product.
- Whilst any quality control strategy may cost extra in the short-term, long-term benefits will outweigh short term costs, and will allow Henry and Robert to meet the rising demands for their tours.

g) Recommend and explain an action that would enhance the reputation of *Hee and Bop* in terms of **ethical and socially responsible management**.

Suggestions could vary but might include:

- **Develop Ethical Guidelines:** Clearly articulate a set of ethical guidelines that align with *Hee and Bop's* values and commitment to social responsibility. These guidelines should cover areas such as customer interactions, environmental conservation and community engagement.
- **Promote Responsible Tourism Practices:** Encouraging staff to minimise their ecological footprint, respect local cultures and contribute positively to the communities they operate in. This would include using a variety of tracks to minimise footprint. Use electronic vehicles to locate customers to various locations.
- **Promote Safety and Well-being:** Ensure training programs places a strong emphasis on the safety and well-being of both customers and staff. This includes guidelines on emergency response, first aid training and promoting a positive and inclusive atmosphere during tours.
- **Actively involve the business in community initiatives,** such as conservation projects or local events. Encourage staff to participate in these initiatives voluntarily, fostering a sense of community engagement and responsibility.
- **Seek Customer Feedback on Ethical Practices:** Collect feedback from customers regarding their perceptions of *Hee and Bop's* ethical and socially responsible practices. Use this feedback to identify areas for improvement and demonstrate a commitment to transparency and continuous improvement.
- **Display Ethical and Social Responsibility Certifications:** If applicable, seek and display relevant certifications or memberships that attest to *Hee and Bop's* commitment to ethical and socially responsible business practices. This can include certifications related to sustainable tourism, environmental conservation, or ethical business conduct.
- Employing local staff, reduces unemployment and contributes positively to the local economy. Offering positions to older workers would also add diversity to the staff.
- Offering tours for disadvantaged people in the local community.

- **Various acts of corporate social responsibility** such as sponsoring a local team or providing donations. This would help to improve *Hee and Bop's* corporate reputation or image and demonstrate that it is a socially responsible organisation, resulting in an improved relationship with the local community. Possible outcomes are that more employees will want to work for *Hee and Bop* and customers will prefer to use them as a supplier of tours or for corporate events with conferences.

However, the sponsorship/donations/etc will increase business costs. This could involve a significant initial outlay that may not necessarily lead to immediate returns. In addition, if there are any controversies in the team that *Hee and Bop* sponsor, the initiative might be negative in terms of poor associations.

- By implementing any of these actions, *Hee and Bop* can not only enhance their reputation but also contribute positively to the communities they operate in and the broader tourism industry.

h) Advise Henry and Robert of one (1) **operational** and one (1) **strategic decision** they could implement that would improve *Hee and Bop's* business performance.

Operational decisions include purchasing, dispatching, maintenance, quality control, inventory control and scheduling. As mentioned previously, scheduling will be more complicated with increased products even as it requires improvements and that the right staff are scheduled for the right tours, that customers are delivered the service promised. They could provide more structured staff training.

Examples could include:

- **Training Programs for Casual Staff:** focusing on route knowledge, customer service and safety protocols. Well-trained staff can provide a consistent and high-quality tour experience, addressing customer concerns and contributing to positive reviews.
- **Standard Operating Procedures (SOPs):** for key operational processes, including tour planning, customer interactions and safety measures. SOPs ensure consistency in operations, reduce errors and provide clear guidelines for staff, contributing to a more standardized service.
- **Use of Technology:** such as GPS tracking systems and mobile applications to assist staff in navigation and real-time communication. This will enhance efficiency, reducing the likelihood of errors, and improve communication, leading to smoother tour management.
- **Customer Feedback System:** promoting continuous improvement based on customer feedback which will allow *Hee and Bop* to address specific concerns, refine services and enhance the overall customer experience.
- **Implementing a staff development program** involves day-to-day operations. It includes activities such as scheduling training sessions, coordinating with trainers and managing the logistics of the program.

A **strategic decision** (longer term, bigger picture decisions) that *Hee and Bop* need to make involve their tour offerings and exploring new markets.

Examples could include:

- **Diversification of Offerings:** to explore new tour offerings and adventure-style day trips outside of Fern Tree to meet the increased demand and attract a broader customer base.

- **Increase Online Presence:** to invest in updating the website, actively manage social media accounts and possibly create an online booking system.
- **Partnerships and Collaborations:** with tour companies, schools and community groups for potential large group bookings.
- **Human Resource Management Strategies:** including staff retention programs to address turnover concerns.
- **Market Research and Analysis:** to understand the demand for adventure-style day trips in southern Tasmania and assess the potential market size.
- **Brand Building and Reputation Management:** including effective marketing, community engagement and reputation management.
- **Cost leadership** is generally considered a strategic decision. Cost leadership is a business strategy where a business aims to become the low-cost provider in its industry. This strategy involves achieving the lowest operational costs in the industry, allowing the business to offer its products or services at lower prices than its competitors.
- A **staff development program** is often designed with long-term goals in mind. It aims to improve the overall skills and capabilities of the workforce over time.

Question 10 – marketing management

- a) Explain two (2) issues with *Hee and Bop's* marketing strategies.

Problems that have or may result from poorly targeted marketing strategies by *Hee and Bop* may vary but could include:

- **Limited digital presence and inconsistent social media engagement:** *Hee and Bop's* limited online presence and infrequent updates on their social media account are significant drawbacks. In the modern business landscape, an active and engaging digital presence is crucial for reaching a wider audience and staying top-of-mind among potential customers. The reliance on positive 'word of mouth' advertising is valuable, but neglecting digital marketing can result in missed opportunities, especially considering the increased use of online platforms for travel planning and decision-making. If the business chooses to expand their product range by having more tours in other areas, as a way of targeting the tourist market, they must ensure that the media chosen to promote their services is suitable to the new market otherwise they will not gain that market.
- **Lack of market research and responsiveness to opportunities:** *Hee and Bop's* apparent lack of market research and responsiveness to emerging opportunities is a notable weakness. There is a sharp increase in demand for 'adventure style' day trips in southern Tasmania, as well as interest from tour companies, corporate businesses, school groups, and community organizations. The absence of proactive market research hinders *Hee and Bop's* ability to understand and capitalize on these trends, potentially resulting in missed business opportunities. Lack of market research will mean that time and money has been wasted.
- Target customers may not be aware of locally developed and owned tours. This could be the result of *Hee and Bop* not understanding their target market.
- Relies on word of mouth – this reduces cost (as it is free) but 'word of mouth' may have become negative due to current issues with the younger casual staff not providing effective tours which will discourage customers. It may also be limited in terms of the range of

customers it reaches and is risky as Henry and Robert cannot control the message that the market receives.

- b) Critically analyse the importance of market research as *Hee and Bop* consider how to maximise the current opportunities.

Markers looked for a discussion of the importance of market research and how it impacts the business.

Market research is essential part of any change/introduction of product/service. Businesses rely on matching supply to demand; consumers' needs and wants must shape all aspects of decision-making. Consumers are affected by pricing, place available (location), promotional strategies used and the product/service features.

Market research informs all aspects of the marketing plan.

Market Research helps to understand Customer Needs and Preferences: It will provide *Hee and Bop* with insights into the needs, preferences and expectations of their target audience. Understanding what customers are looking for in adventure-style day trips and large group bookings allows the business to tailor its offerings to meet these specific demands. Without understanding of the customer-base, businesses are 'guessing' they are supplying needs/wants.

Poor research and lack of understanding of the market, the industry, competitors and critical stakeholders will influence whether a business is a success or failure.

Identifying Market Trends and Opportunities: Market research provides information on current trends and emerging opportunities in the adventure tourism industry in southern Tasmania. This includes insights into the popularity of certain activities, destinations or travel preferences.

Understanding who their competitors are: Market research allows *Hee and Bop* to understand who their competitors are, what they offer and how they position themselves in the market. This knowledge is essential for developing a competitive advantage.

Understanding Changing Customer Behaviour: Customer behaviour is dynamic, and market research helps *Hee and Bop* stay attuned to changes in customer preferences, purchasing behaviour and expectations. Lack of primary research and secondary research all lead to a poor understanding of consumer buying behaviour, their characteristics, lifestyle attitudes and values and where the customers are located.

Communicating to the Target Market: Market research helps in understanding how to effectively reach and communicate with the target audience. It provides insights into the most impactful marketing channels, messaging and promotional activities.

Critical to inform decisions around all marketing strategies in terms of price, product, promotion and place. Helps to ensure effectiveness of these strategies.

- c) Explain two (2) **pricing strategies** and evaluate one (1) **strength** and one (1) **weakness** of each if *Hee and Bop* implement them.

Price strategies may include:

- **Price skimming** – set a high initial price and then slowly lowering the price to make the product available to a wider market. The objective is to skim profits of the market layer by layer. When a business charges the highest possible price for the product during the introduction stage of its life cycle.

Strengths:

- **Maximises Early Profits:** Price skimming allows a business to capture the highest possible price from early adopters or those willing to pay a premium for a new product.
- **Signals Premium Quality:** The initial high price can create a perception of high quality and exclusivity, attracting customers who associate price with value.
- **Supports Early Marketing Costs:** It helps recover initial research, development and marketing costs quickly.

Weaknesses:

- **Limited Market Reach:** The high initial price may limit the product's appeal to a smaller market segment, potentially missing out on a broader customer base.
 - **Price Erosion Over Time:** As competitors enter the market or as the product's novelty wears off, the business may need to lower prices, leading to potential customer dissatisfaction.
 - **Requires a Strong Brand Image:** Success relies on the ability to maintain a strong brand image to justify the premium price.
- **Loss leader** – A loss leader is a pricing strategy in which a product or service is offered at a price below its production or acquisition cost. The purpose of this strategy is not to generate immediate profit from the sale of the loss leader but to attract customers and stimulate additional sales of complementary or higher-margin products and services.

Strengths:

- **Attracts Traffic and Attention:** A low-priced 'loss leader' product attracts customers to the store or website, increasing overall visibility and foot traffic.
- **Encourages Additional Purchases:** Customers may buy other, higher-margin products once they are in the store or engaged with the business.
- **Competitive Advantage:** It can serve as a competitive strategy, signalling affordability and value, especially when compared to competitors.

Weaknesses:

- **Profitability Concerns:** The strategy involves intentionally selling a product at a loss, which can impact short-term profitability.
 - **Customer Expectations:** Customers may come to expect low prices for all products, making it challenging to revert to regular pricing.
 - **Risk of Cannibalisation:** There's a risk that customers primarily focus on the loss leader and ignore higher-margin products.
- **Penetration pricing** – set a low initial price for the tours to increase sales and market share. Once this has been captured, they can increase the price. This might work well for the new tour locations being considered. When a business charges the lowest price possible for a product or service so as to achieve a large market share.

Strengths:

- **Rapid Market Share Acquisition:** Penetration pricing can quickly capture market share by offering a lower price than competitors.
- **Attracts Price-Sensitive Customers:** Appeals to price-sensitive consumers who are looking for affordable options.
- **Discourages New Entrants:** A low initial price can deter potential competitors from entering the market.

Weaknesses:

- **Profit Margins:** Initially, profit margins may be slim, and the business might operate at a loss until economies of scale are achieved.
 - **Perceived Quality:** Customers may associate lower prices with lower quality, impacting brand image.
 - **Sustainability:** The business must have a plan for gradually raising prices once market share is established, which can be challenging.
- **Price points / Price lining** – Product line pricing – is where different products within the same product range are priced at different price points. This might work well with offering tours with different levels of experience for the tour guides, or different durations, etc. Selling products only at certain predetermined prices.

Strengths:

- **Simplicity:** Price point pricing is straightforward and easy to understand, making it accessible to a broad range of customers.
- **Competitive Pricing:** Aligning prices with common price points in the market can make the product competitive.
- **Convenience:** Customers find it easier to make purchasing decisions when prices end in familiar digits (e.g., \$9.99).

Weaknesses:

- **Profit Margins:** Price point pricing might limit profit margins, especially if the business has not effectively differentiated its product or service.
 - **Perceived Value:** Customers may associate products with rounded prices as being of lower quality compared to products with non-rounded prices.
 - **Limited Pricing Flexibility:** The strategy may limit the ability to respond quickly to changes in market conditions or to implement dynamic pricing.
- **Bundle pricing** – is where the business offers a group of products at a reduced price. If *Hee and Bop* are looking to engage with conferences and other large groups, this strategy might apply well. Where customers gain a ‘package’ of goods and services in addition to the tangible good they purchased.

Strengths:

- **Value Perception:** Customers often perceive bundled offerings as a better value compared to purchasing each item individually. This perception can drive sales.

- **Increased Sales Volume:** Bundle pricing can lead to higher overall sales volume as customers are encouraged to purchase more items to benefit from the package deal.
- **Cross-Selling Opportunities:** Bundles create opportunities to cross-sell related products, introducing customers to items they might not have considered purchasing separately.
- **Customer Satisfaction:** Customers may appreciate the convenience and simplicity of purchasing multiple items together, leading to higher satisfaction.
- **Competitive Differentiation:** Offering unique bundles can differentiate a business from competitors, attracting customers who are drawn to the exclusive combination of products or services.

Weaknesses:

- **Profit Margin Challenges:** While bundle pricing can increase sales volume, it may pose challenges to maintaining optimal profit margins, especially if the individual items have higher margins when sold separately.
 - **Perceived Complexity:** Some customers may find bundled pricing structures confusing or overwhelming, leading to hesitation or reluctance to make a purchase.
 - **Cannibalisation:** There's a risk that customers who would have purchased items individually may opt for the bundle, leading to reduced revenue from standalone product sales.
 - **Customisation Limitations:** Bundles may not cater to the diverse preferences of individual customers who may prefer to customise their purchases.
 - **Unwanted Items:** Customers may be forced to buy items they don't want or need as part of a bundle, which can lead to dissatisfaction.
 - **Market Saturation:** In markets where bundle pricing is prevalent, the strategy may lose its novelty and effectiveness, and customers may become immune to its appeal.
 - **Difficulty in Pricing:** Determining the right price for a bundle can be challenging, as it requires consideration of the perceived value of each included item and the overall attractiveness of the package.
- **Prestige or Premium pricing** – this is where the price is set high to indicate the exclusivity and luxury nature of the product. A high price is charged to give the product an aura of quality and status.

Strengths:

- **Perceived Quality:** Higher prices can create an association with superior quality, craftsmanship and exclusivity, leading to a perception of luxury and prestige.
- **Brand Image Enhancement:** Premium pricing contributes to building a strong and aspirational brand image. Consumers may associate the higher price with a premium brand identity.
- **Profit Margins:** Premium pricing allows businesses to achieve higher profit margins, especially if the cost of production or service delivery remains manageable.
- **Exclusivity and Scarcity:** Higher prices can create a sense of exclusivity and scarcity, attracting consumers who desire unique or limited-edition products.
- **Customer Loyalty:** A segment of the market values prestige and is willing to pay a premium for perceived superior quality. This can lead to strong brand loyalty.

- **Positioning Against Competitors:** Premium pricing helps position a product or service above competitors, creating a distinct market position and differentiating it from lower-priced alternatives.

Weaknesses:

- **Limited Market Reach:** Premium pricing may limit the potential customer base, as not everyone can afford or is willing to pay the higher prices associated with prestige products.
 - **Price Sensitivity:** Premium pricing makes the product or service highly price-sensitive. Economic downturns or changes in consumer spending habits can significantly impact demand.
 - **Competitive Challenges:** If competitors offer similar or comparable products at lower prices, the business may face challenges in justifying the premium and maintaining market share.
 - **Negative Perceptions:** Some consumers may view premium pricing as excessive or unjustified, leading to negative perceptions if they believe the value doesn't match the cost.
 - **Risk of Imitation:** Competitors might replicate the product features and qualities, offering similar perceived value at a lower price, challenging the premium brand.
 - **Maintaining Consistency:** Ensuring consistent and high-quality products or services is crucial. Any decline in quality can erode the perceived value and harm the premium brand image.
 - **Market Saturation:** In markets with numerous premium offerings, the strategy may become less effective and consumers may become immune to the prestige associated with higher prices.
 - **Balancing Volume and Price:** Achieving the right balance between a premium price and the volume of sales is challenging, and businesses must carefully manage this balance for profitability.
- **Psychological pricing** – setting prices at a level that considers the psychological impact on consumers, influencing their perception of the product or service and their willingness to make a purchase. Instead of strictly considering only the cost and demand factors, psychological pricing considers the way consumers perceive prices and aims to leverage these perceptions to encourage buying behaviour.

Strengths:

- **Perceived Value:** Psychological pricing can create a perception of value among consumers. Prices ending in .99, for example, may seem significantly lower than the next whole number, even if the actual difference is small.
- **Consumer Attraction:** Odd or charm prices, such as \$9.99, are often more attractive to consumers. The lower left digit is what tends to be most memorable, influencing the perception of the overall price.
- **Competitive Advantage:** provides a competitive edge by influencing customer preferences and choices based on emotional responses to pricing cues.

Weaknesses:

- **Deception Concerns:** Some consumers may view odd or charm pricing as deceptive, feeling that businesses are trying to manipulate their perception. This could potentially lead to a loss of trust.
- **Limited Applicability:** Psychological pricing may not be suitable for all types of products offered by *Hee and Bop*.
- **Focus on Perception, Not Costs:** Relying solely on psychological pricing may divert attention from the actual costs of running the tours, leading to potential challenges in sustaining profitability in the long run.
- **Complexity:** Implementing various psychological pricing strategies can make pricing structures more complex. This complexity may pose challenges in terms of communication and clarity for both customers and business owners.

d) Describe one (1) **impact on customers** and one (1) **impact on the owners** if *Hee and Bop* expand the product element of the marketing mix.

Impacts on customer may include:

- Increased choice of products/services to satisfy consumer
- Tour options may satisfy more consumers
- On the other hand, an increasing customer base may impact on the satisfaction of current customers, e.g., too many people on tours to have the personalised treatment.

Example: Customers would benefit from an expanded product element as it provides them with a greater variety of tour options. The introduction of new and diverse tour packages could cater to different preferences, interests and adventure levels. Customers seeking specific experiences or looking for more choices in terms of tour duration, difficulty or themes would find the expanded product offering appealing. This could enhance customer satisfaction by providing a more personalized and tailored experience, increasing the likelihood of repeat business and positive word-of-mouth referrals.

Impact on the owners:

- May need to review their product offering
- Could be very costly to implement initially but lead to higher sales in the long run
- Sales volume and/or revenue may fall or increase
- Market share may be threatened/expanded.

Example: Expanding the product element can lead to increased revenue and business growth for the owners. Offering a wider range of tour packages, especially in response to the increased **demand** for 'adventure style' day trips, can attract **new customer segments** and tap into previously untapped markets. The diversification of offerings may lead to **higher sales volumes**, potentially **maximising revenue**. Additionally, if the new products are well-received and contribute positively to the business's reputation, it could strengthen *Hee and Bop's* **market position** and **competitiveness**, bringing long-term benefits and **sustained profitability**.

- e) Recommend two (2) **promotional strategies** that will effectively communicate with *Hee and Bop's* target market.

Promotional strategies may include:

- **Advertising** – Advertise in suitable publications e.g., travel magazines and websites (e.g., Trip Advisor), billboards at the airport, flyers in hotels.
- **Social Media Campaigns** – utilise social media platforms, especially Instagram and Facebook, to showcase visually appealing content from the walking tours. Use high-quality photos, videos and stories to highlight the unique experiences, breathtaking views and insider knowledge that *Hee and Bop* offers. Run contests or campaigns. Ask customers to share reviews. Engage with followers through comments and direct messages. Create a sense of community and rapport.
- **Content Marketing** – Blog Posts and Articles. Email newsletters.
- **Personal selling and relationship marketing**
- **Celebrity endorsement** – encourage big names (local celebrities, politicians, media outlets) to visit and undertake a tour and spread the word on social media.
- **Sales promotions** – special offers. Introduce limited-time promotions or discounts for early bookings, group bookings, or seasonal offers. This creates a sense of urgency and incentivizes potential customers to act. E.g., bring a friend on your tour and receive an extra discount on a future tour each for free.
- **Publicity and PR**
- **Branding campaign** – capitalise on the clean, green, fresh image of Tasmania and the world-renowned regions that the tours operate in.
Sponsor local and/or national events for exposure.
- **Collaborate with local influencers or bloggers** in the outdoor and travel niche who have a significant following. These influencers can share their experiences with *Hee and Bop's* tours, reaching a wider audience and providing authentic recommendations.
- **Community Engagement Events** – Participate in local community events or outdoor festivals to engage with the target audience directly. Set up booths, distribute promotional materials and offer on-the-spot promotions to attendees.

- f) Critically evaluate how each of the strategies identified in item (e) will improve business performance in both the short term and long term.

Answers will depend upon what students have discussed in (e)

Short term:

- Attract customers
- Increase in sales revenue through improved product selection with different tour locations on offer
- Increased profits for the business are possible (but depend on business's costs).

Long term:

- Increased market share
- Gaining edge on competitors
- Improved sales by branding to develop long term reputation.

Social Media Campaigns:

Short Term:

- Increased Visibility and Engagement: Immediate likes, shares and comments can generate buzz around *Hee and Bop's* tours, attracting attention and potential customers.
- Short-Term Bookings: interested individuals are prompted to sign up for upcoming tours.

Long Term:

- Brand Loyalty: Followers who have positive experiences may become repeat customers and brand advocates.
- Growing Follower Base: Over time, successful social media campaigns contribute to a growing follower base, ensuring a continuous audience for future promotions and updates.

Advertising:

Short-Term:

- Increased Visibility: This can lead to immediate exposure to a larger audience, potentially attracting new customers.
- Immediate Sales Boost: Well-executed advertising campaigns can drive immediate sales by creating a sense of urgency or promoting limited-time offers. Customers who see the advertisements may be motivated to make purchases quickly.
- Promotion of Special Offers: This can attract price-sensitive customers who are looking for immediate value.
- Event or Product Launch Impact: Can create awareness and generate quick interest and participation.
- Response to Market Changes: Short-term advertising allows *Hee and Bop* to quickly respond to changes in the market, address immediate challenges, or capitalise on emerging opportunities.

Long-Term:

- Brand Building and Recognition: Over time, customers become more familiar with the brand, leading to increased trust and recognition.
- Establishing a Positive Reputation: Customers who consistently see positive messages about the business are more likely to develop a favourable perception.
- Customer Loyalty: Building a strong brand presence and maintaining regular communication can foster a sense of loyalty and repeat business.
- Market Share Growth: It helps *Hee and Bop* solidify its position in the market, potentially increasing its share over time.

- **Adapting to Industry Trends:** allows *Hee and Bop* to adapt to changing industry trends and customer preferences. It provides a platform to communicate how the business evolves to meet the needs of its target audience.
- **Competitive Advantage:** Continuous advertising helps *Hee and Bop* stay ahead of or at par with competitors. It reinforces the unique selling points and competitive advantages of the business.
- **Expansion Opportunities:** As *Hee and Bop* builds a strong brand image, long-term advertising can open up opportunities for geographical expansion or the introduction of new services, attracting a broader customer base.

Content Marketing:

Short Term:

- **Increased Website Traffic:** users seek more information about the destinations and tours.
- **Improved Search Visibility.**

Long Term:

- **Authority and Credibility:** making the business a go-to source for adventure-related information.

Partnerships with Local Influencers:

Short Term:

- **Immediate Exposure:** immediate exposure to their audience, potentially resulting in quick bookings.
- **Authentic Recommendations:** Authentic endorsements from influencers can quickly build trust among their followers, leading to short-term engagement.

Long Term:

- **Sustained Credibility:** Continuous exposure from influencers keeps *Hee and Bop* top-of-mind for their audience.
- **Follower Growth.**

Special Promotions and Discounts:

Short Term:

- **Immediate Bookings:** customers are motivated by the urgency to avail the special offer.
- **Word-of-Mouth Referrals:** Satisfied customers lead to immediate word-of-mouth referrals.

Long Term:

- **Customer Retention:** Offering special deals to repeat customers can foster loyalty over time.
- **Brand Image:** Consistent, well-planned promotions contribute to a positive brand image.

Community Engagement Events:

Short Term:

- **Immediate Brand Exposure:** Participating in local events provides immediate brand exposure to the community, leading to increased awareness.

- On-Site Bookings: Events can result in on-site bookings as attendees express immediate interest in *Hee and Bop's* offerings.

Long Term:

- Community Integration: fosters long-term community integration, strengthening *Hee and Bop's* ties with locals.
- Positive Reputation: contributes to a positive reputation, influencing long-term customer perception.

g) Recommend one (1) **primary** and one (1) **secondary market research tool** that *Hee and Bop* could consider using to identify their target market.

Primary Research:

- Surveys and Questionnaires
- In-depth interviews
- Focus groups
- Observational Research – directly observe the behaviour of potential customers doing similar outdoor activities.

Example: Hee & Bop should do a customer satisfaction survey that includes questions regarding motivations for participation and demographics. Analysis of these answers would identify homogenous groups who are engaging positively with their product.

Secondary Research:

- Industry Reports and Publications - Access industry reports and publications related to adventure tourism, hiking trends and outdoor activities in Tasmania. Look for market trends, forecasts, etc.
- Online Analytics and Social Media Insights: use online analytics tools and social media insights to understand the online behaviour of potential customers. Track engagement, demographics and preferences on digital platforms, e.g., Google Trends.
- Government Reports and Tourism Statistics: Access government reports and tourism statistics specific to Tasmania. Look for data on tourist arrivals, spending patterns and popular attractions, e.g., ABS.

Example: Tourism Tasmania collects tourist information and tourism data that Hee & Bop could use to identify the numbers of people engaged in tours and their specific characteristics.

h) Recommend one way *Hee and Bop* could **assess the success** of their marketing strategies.

- Return customers
- Brand awareness
- Website or social media traffic/interactions/followers
- Increased bookings
- Increased profits
- Increased market share.

Question 11 – Human Resource Management

a) Explain two (2) **causes** of *Hee and Bop's* **underperforming staff**.

Must refer to the stimulus.

Causes may include:

- Lack of opportunities
- Lack of training and procedures
- High staff turnover
- Inadequate Human Resource Management
 - No job analysis / ineffective job design
 - Wrong people employed (poor acquisition)
 - Poor induction/training processes
 - Little in the way of performance appraisal processes
 - Lack of feedback
- Negative business culture
- Few / no promotion pathways
- Lack of certainty of working hours – casual nature of the position
- Lack of connection, not feeling empowered or part of the team
- Limited Motivation and Engagement: The nature of the work being seasonal and primarily attracting teenagers might result in lower motivation levels. Without adequate motivation strategies, employees may lack the enthusiasm needed to provide excellent customer service and contribute positively to the business
- Unclear expectations and responsibilities.

b) What is **job design**? Explain how job design would **impact** *Hee and Bop's* business **performance**.

Job design: the process of establishing employee's roles and responsibilities. It includes the number, kind and variety of tasks that a worker is expected to carry out in the course of performing their job. Its main purpose is to optimise work processes to create value and maximise performance.

Job design approaches include: job rotation, job enlargement and job enrichment.

Job design is the process of creating a job that enables the organization to achieve its goals while motivating and rewarding the employee. This means that a well-designed job leads to higher productivity and quality of work, while also leading to higher job satisfaction, lower absence and lower employee turnover intentions.

Job design can help managers determine the following:

- how an employee completes tasks
- the tasks an employee must be able to perform

- the order in which the employee needs to complete the tasks.

Impact of Job Design on *Hee and Bop's* Business Performance:

- **Enhanced Employee Performance:** Proper job design ensures that employees are assigned tasks that align with their skills and interests. This alignment can lead to increased job satisfaction and motivation, resulting in improved performance in tasks related to tour operations, customer service and overall business functions.
- **Reduced Turnover and Increased Retention:** Job design that clearly defines roles and responsibilities helps in reducing confusion among employees. This clarity can contribute to higher job satisfaction, lower turnover rates and increased retention of experienced staff. This is crucial for *Hee and Bop*, given the current high turnover among their casual staff.
- **Improved Customer Satisfaction:** If staff members are adequately trained and competent in their responsibilities, it can lead to improved customer service, resulting in higher customer satisfaction and positive word-of-mouth advertising.
- **Efficient Tour Operations:** Clearly defined roles and efficient task allocation contribute to streamlined tour operations, minimising the chances of errors, delays or confusion during tours.
- **Effective Training Programs:** The development and implementation of effective training programs address gaps in skills and knowledge, ensuring that staff members are well-prepared for their responsibilities.
- **Adaptability to Market Changes**
- **Increased Employee Engagement:** Well-designed jobs often provide employees with a degree of autonomy and responsibility. This autonomy can contribute to increased employee engagement as staff members take ownership of their roles, leading to a more committed and motivated workforce.
- **Clear Communication Channels:** Job design influences the structure of communication.

c) Distinguish between **monetary and non-monetary rewards**. Briefly explain why an increase in these rewards may **improve business performance**.

Monetary rewards – those reflected in pay or having financial value including wages, salary, commissions, overtime pay, bonuses, discounts, payment for childcare, payment for holidays.

Non-monetary rewards – those rewards that do not have a specific financial value, such as work from home opportunities, flexible working hours, positive business culture, professional development opportunities, interesting work and career security. Relates to the job and the environment.

How do rewards improve business performance?

Higher rewards (either monetary or non-monetary) should result in an incentive for staff to work hard and succeed. Increasing these rewards should also attract (and retain) better qualified and skilled people to seek to work at *Hee and Bop*, which should also increase productivity and quality of work, and therefore the overall business performance:

- Motivation and employee satisfaction
- Retention and loyalty

- Performance improvement
- Competitive advantage in talent acquisition
- Employee engagement
- Flexibility and adaptability.

d) Critically analyse the **role of a staff development program**. Explain one (1) criterion Henry and Robert could use to measure its **effectiveness** if it is implemented.

Employee Development is about preparing employees to take on **greater responsibility** (gaining more experience into the future). Training is a large part of development. It can also be done by mentoring, job rotation, delegation.

Staff development program – a program to improve skills and knowledge related to carrying out the duties of the staff's position, and in operating in the work environment in general. The intended outcome of such a program is to improve the quality of work by the staff (better tours), improve the satisfaction of the staff (higher productivity and engagement with work), and ultimately improve the overall experience for staff and customers in the business. Students may refer to examples of training, such as on the job and off the job.

Effective development programs can help **retain employees** and help **improve motivation** as they take on greater responsibility.

The criterion for success could include: employee job satisfaction (through an employee survey), customer satisfaction (through considering the numbers of customer complaints or through a customer survey) or through the development of a performance appraisal that could be administered by Henry and/or Robert.

- **Key performance indicators** – track performance metrics such as sales numbers, customer satisfaction scores, tour ratings or any other quantifiable indicators tied to the success of the business.
- **Absenteeism levels** – the percentage of scheduled work hours that employees are not present at their workplace due to unplanned absences.
- **Staff retention levels** – assess whether participation in the staff development program correlates with improved employee retention rates. Compare turnover rates before and after the implementation of the program. Identify whether employees who participated in the program are more likely to stay with the company.
- **Employee Engagement** – measure the level of employee engagement and enthusiasm towards their work and the organization, considering the impact of the development program on job satisfaction. Use surveys, interviews or focus groups to gather feedback on employees' perceived value of the program, job satisfaction levels and their overall engagement within the workplace.

e) Identify one (1) **legal** and one (1) **social implication** when hiring casual employees.

Casual employees can be a valuable asset to business, especially when needing to manage fluctuating demand for products. A legal obligation for *Hee and Bop* when hiring casual employees is that they need to ensure they are correctly remunerating under the respective award. This is a common area of error for business in service and seasonal industries.

Legal implications

- Complying with various employment awards
- Complying with National Employment Standards (NES) e.g., casual conversion (once you have been casual for 12 months, you have the option to be converted to permanent part time.)
- Complying with the Fair Work Act 2009
 - Employment Contract
 - Minimum Wage and Entitlements
 - Employment Status Classification
 - Workplace Health and Safety
- Complying with Equal Employment Opportunity and Anti-Discrimination legislation.

Compliance with these may include consideration of different work entitlements for staff such as pay and superannuation.

The wording in the question says 'when hiring casual employees' but answers suggest any legal aspect of having casual workers.

Social implications

A social implication to consider is the financial situation of families and the community and considerations of whether it will be enough work to be able to support someone. If it isn't, then expectation of that staff member to be able to be loyal might need change. However, another consideration would be that the work would be a perfect fit for people looking for more work life balance or less work.

- Increased quality of life for staff.
- More job satisfaction and motivation.
- Increased earnings may result in economic growth in the local area due to increased spending in the local community.
- High turnover may impact the unemployment levels in the community – an increase in unemployment may result in less disposable income, less spending, lowering quality of life.
- Certainty of employment may boost the confidence in investing the community.
- Less flexibility in hours – Casual employment may offer flexibility but may also lead to challenges in achieving work-life balance for employees. May make the role less desirable for young people.
- Employee Morale and Engagement – A workforce with a high proportion of casual employees may experience lower overall morale and engagement due to the perceived lack of job security.
- Communication and Team Dynamics – Communication and team dynamics may be affected by a mix of permanent and casual employees. Casual workers may feel less integrated into the workplace.
- Career Development Opportunities – Casual employees may perceive limited career development opportunities compared to permanent employees.

- Career Development Opportunities – for young people casual employment gives them the opportunity to participate in the workforce, allowing them to develop valuable skills which are transferable to other future jobs, creating a more skilled workforce.

Parts (f) - (i) assess Criterion 4

- f) If Henry and Robert decide to expand *Hee and Bop* to new tour locations, they will need to recruit some additional staff members.

Recommend two (2) **recruitment strategies** that Henry and Robert could use.

(recruitment strategies could include internal recruitment and external recruitment but must link to the stimulus i.e. internal recruitment, given the small number of staff, would need to involve casual employees increasing their work hours given the small number of staff employed).

Recruitment is the process of finding the 'best qualified pool of applicants for a job'. It is more than 'hiring employees'. Recruitment can be internal or external. The job description and job specification are important tools in recruiting the best pool of applicants.

Recruitment strategies may include:

- **Engage an external recruitment agency**, with greater expertise in recruitment and no longer rely on family friends.
- **Employee Referral Program**: Implement an employee referral program to encourage current staff members to recommend suitable candidates.
- **Partnerships with educational institutions** provide access to students with relevant skills and knowledge. Tasmanian Colleges offer Outdoor Leadership and Guiding courses – tap into graduating students.
- **Local Community Engagement**: Connect with local community centres, outdoor clubs, and educational institutions to tap into the pool of individuals with a passion for outdoor activities.
- **Advertise on Social Media**: Use social media platforms, especially ones popular among outdoor enthusiasts, to advertise job openings and attract a diverse pool of candidates. Social media can help reach a wide audience, including individuals who are passionate about outdoor activities and might be interested in joining *Hee and Bop*.
- **Online Job Platforms**: Post job openings on specialised online platforms that cater to outdoor and adventure-related roles.
- **Partnerships with Outdoor Education Programs**: Form partnerships with outdoor education programs at schools or universities to attract students with relevant skills and interests.
- **Targeted Local Advertising**: Use local advertising channels, such as community bulletin boards, local newspapers, or radio stations, to reach individuals in the area.
- **Collaboration with Tourism Training Programs**: Partner with tourism training programs or institutions such as TasTAFE to recruit individuals with a background in tourism, guiding and hospitality.

- g) Critically **evaluate** how each of the strategies identified in item f) will **improve business performance** in both the **short term** and the **long term**.

Answers may vary, depending on responses in (e)

Short term:

- Reduction in recruitment expenses
- Reduction in training and development for new employees' costs
- Less down time training new employees
- Increased profits, due to reduced expenses
- Quickly attract individuals familiar with the new tour locations, addressing immediate staffing needs.
- Faster recruitment process
- Immediate availability of students for internships or entry-level positions
- Satisfied customers and community members can spread positive word of mouth, attracting potential candidates.
- **Improvement in the quality of staff:** by targeting individuals with a passion for the outdoors, outdoor enthusiasts, and those with relevant skills or training, *Hee and Bop* can attract a pool of candidates who are likely to be genuinely interested and knowledgeable about the activities the business offers. This will lead to an improved quality of staff which contributes to enhanced customer experiences, increased customer satisfaction and positive word-of-mouth marketing, all of which positively impact business performance
- **Greater alignment with business culture:** recruitment strategies that target individuals with a passion for the outdoors and adventure align with *Hee and Bop's* core values and company culture. They are more likely to be more motivated, aligned with the business goals and contribute positively to the overall atmosphere, enhancing the company's reputation
- **Enhanced Skills and Knowledge of employees:** collaborating with outdoor education programs, tourism training institutions and experienced professionals ensures that *Hee and Bop* recruits individuals with relevant skills and knowledge
- **Wider Audience Reach:** using online platforms, social media and community engagement broadens the reach of job advertisements, attracting a diverse pool of candidates. This positively impacts creativity, innovation and problem-solving.

Long term:

- Increased motivation, productivity
- Increased customer satisfaction due to improved quality and/or improved customer service
- Improved job satisfaction supporting continual improvement, innovation
- Loyal staff, positive business culture
- Increased profits, due to reduced expenses, increased productivity, increased revenue
- Fosters a positive employment brand

- Brand building
- Community connection
- A well-managed referral program fosters ongoing employee engagement, contributing to long-term retention
- Employees may refer individuals who align well with the company culture, leading to higher quality hires
- Ongoing community engagement contributes to long-term integration, making *Hee and Bop* an integral part of the local community
- Establishing relationships with schools contributes to a long-term talent pipeline as students progress in their careers
- Partnerships enhance *Hee and Bop's* reputation within the tourism education sector over time
- Positive word of mouth builds a sustainable reputation, making recruitment efforts more effective in the long term.

h) Critically evaluate one (1) **positive** and one (1) **negative** impact on *Hee and Bop* if they decided to outsource their human resource functions.

Outsourcing human resource functions, such as for recruitment or payroll aims to take advantage of the specialist skills provided by them and to ultimately achieve a reduction in labour costs.

Positive impacts could include:

- Reduced labour costs – External HR service providers often operate on a more efficient and cost-effective scale, reducing the overall financial burden on the business.
- Reduced time needed by Henry and Robert to manage HR functions and they can instead focus on the core business functions.
- Access to specialist advice – External HR providers typically have a depth of knowledge in HR practices and compliance, ensuring that the business remains up-to-date with industry standards.
- Support in upholding all legal requirements for the business.
- Access to Advanced Technology and Systems – Outsourcing often involves access to advanced HR technologies and systems that the business may not have the resources to implement independently. This can streamline HR processes, improve accuracy, and enhance overall efficiency.
- Mitigates the risk of legal issues and non-compliance, ensuring that *Hee and Bop* adheres to all relevant employment laws.
- Improved HR functions in the business.

Negative impacts could include:

- **Loss of control:** Loss of Control: Outsourcing may result in a loss of control over certain aspects of HR management. *Hee and Bop* may have less direct oversight of HR processes, potentially impacting decision-making and responsiveness.

- **Confidentiality Concerns:** Outsourcing HR functions may involve sharing sensitive employee information with external service providers. This raises concerns about the confidentiality of employee data, and if not managed properly, it could lead to privacy issues and damage the company's reputation.
 - **Employee Disconnect:** A potential negative impact is the perceived disconnect between employees and HR when HR functions are outsourced. Employees may feel a lack of direct support and engagement from HR professionals who are not physically present in the workplace.
 - **Communication Challenges:** Outsourcing HR functions can introduce communication challenges between the external provider and the internal team. Miscommunication or delays in information flow may occur, affecting HR responsiveness and employee satisfaction.
 - **Dependency on Service Providers:** *Hee and Bop* becomes dependent on the performance and reliability of the external HR service provider. If the provider experiences issues or fails to deliver quality services, it could negatively impact HR processes and overall business operations.
 - **Cultural Misalignment:** If the external HR provider does not understand or align with *Hee and Bop's* organisational culture, there may be challenges in effectively managing employee relations, engagement and cultural aspects within the company.
 - **Lack of understanding of the specific nature of this business.**
 - **Loss of direct recruitment contact.**
 - **Loss of business knowledge.**
- i) Advise *Hee and Bop* how effective human resource management can **improve business performance**.

Effective human resource management can improve business performance by:

- Improving customer satisfaction (which addresses a current issue that can be solved with recruitment and selection processes and training) – increase in sales/revenue/profitability
- Reducing staff turnover – improves productivity, reduces cost, increases profitability
- Increasing staff morale – improves productivity
- Employee Training and Development programs provide opportunities that ensure employees have the skills and knowledge needed to excel in their roles, leading to **increased productivity** and **improved business outcomes**
- Clear Communication and Employee Engagement contribute to a positive workplace culture. Engaged employees are more likely to be **committed, innovative, and focused** on achieving business objectives
- Attracting the right people with the necessary skills and cultural fit ensures that the workforce is capable of **contributing to the company's goals**. This, in turn, enhances overall business performance
- Attracting more potential employees
- Improving outputs/motivation/effort

- Performance Management and Recognition programs help identify high performers, address performance issues and align individual goals with organizational objectives. Recognition for achievements **motivates employees**, leading to improved overall performance
- Prioritising employee **health and safety minimises workplace accidents**, reduces absenteeism and fosters a positive reputation. A safe and healthy workforce is more productive and contributes to long-term business success
- Effective Human Resource Planning ensures that the **right talent** is available at the right time. This proactive approach minimises disruptions, optimises staffing levels and supports business growth
- Employee Well-being Programs contribute to a healthier and more engaged workforce, leading to increased job satisfaction, reduced turnover and enhanced overall productivity
- Diversity and Inclusion Initiatives foster creativity, innovation, and a broader range of perspectives within the organisation. This inclusivity positively influences decision-making and problem-solving, ultimately improving business performance
- Employee Exit Interviews and Continuous Improvement: Learning from employee departures allows the organization to address underlying issues, improve HR practices and enhance overall workplace satisfaction, contributing to sustained business success
- Technology Adoption in HR Processes: Utilising HR technology improves the efficiency of HR operations, reduces administrative burdens, and allows HR professionals to focus on strategic initiatives that positively impact overall business performance.

All of which would contribute to offering quality product, improved sales and improved profits.

Section C

Part A

Question 12

Stimulus *The Hungry Fry*

In the space provided, construct a SWOT table for *The Hungry Fry* (THF). Identify two (2) strengths, two (2) weaknesses, two (2) opportunities and two (2) threats.

Students needed to provide more than just a word or two in order to receive the full 1 mark allocation for each item. ½ a mark only for 1- 2-word answers.

- **Strengths** are things that THF is currently doing that are in their control (internal environment) and are good.
- **Weaknesses** are things that THF is not currently doing/doing but shouldn't be, but these things are in their control (external environment).
- **Opportunities** are things outside of THF (external environment) that they could take advantage of in the future.
- **Threats** are those things outside of THF (external environment) that might adversely affect them in the future – they need to be prepared for them.

Answers may vary, suggested responses could include:

STRENGTHS	WEAKNESSES
<ul style="list-style-type: none">• Specialist chip maker• Operating successfully for 25 years• Enjoyed a positive reputation for years• Owners have a lot of varied catering experiences• Business has all relevant licences and insurances• The proposed Cash Budget for the upcoming 6 months of sales of expanded product offerings looks very promising, if THF have calculated correctly and their assumptions are valid.• Low non-current liabilities, so THF may have capacity to increase external debt if they choose.• Owners are open to/have the ability to access new markets, particularly outdoor music festivals• Owners are interested in selling other food items.	<ul style="list-style-type: none">• Sales have declined recently• Net profit has been deteriorating rapidly over the past 3 years which is a huge concern• Have reduced sale price of chips, which has not improved performance• Food truck is old and looking tired Deep fryers are old and not performing well/as consistently as they should which is affecting outputs.• Current trajectory for profits is a very concerning trend• Large increase in vehicle costs over the past 3 years because of ageing fleet• Drawings are too high• THF now have an overdraft which they didn't have in previous years Inventory figures are increasing which indicates product isn't selling – money is being tied up in items that are not generating sufficient revenues• Apparent lack of control of costs – income statement• Lack of focus on healthy options• Product quality issues related to fryer.

OPPORTUNITIES

- Music festivals are becoming more popular, especially since COVID restrictions have lifted
- Research shows outdoor community events are expected to increase in the future
- Change in consumer preferences - Tasmanians' appetites for varied food options from other cultures (eg: churros, dumplings) continue to expand, so there is a growing market for the expanded product offerings THF are considering
- Downturn in economic conditions (e.g.: high unemployment, increased interest rates) might increase the amount of customers willing and able to spend money on items like take aways, RATHER than on restaurant meals – potential for new target markets
- Upturn in economy – increased disposable income could increase spending on take aways
- ½ a mark for 'expand product range' as an opportunity without link to consumer preferences

For 0.5 marks only

- Expand product range
- Economic upturn
- Economic downturn/decline.

THREATS

- Increasing number of other food trucks as competitors in the market
- Cost of inputs (potatoes) is high
- Competitors are offering exotic food items which are popular and may be stealing market share from THF
- Customers who are disappointed with the THF's reduced quality product (under cooked chips) may not ever return/may give negative word of mouth publicity, given their negative experience
- Downturn in economic conditions (e.g.: high unemployment, increased interest rates) might decrease the amount of customers willing and able to spend money on 'luxury' items like take aways, and they may choose to only eat at home
- Potential new food safety laws and regs
- Possible new council regulations

For 0.5 marks only

- Competition
- Economic downturn/decline.

Part B

Students can't gain full marks if the answer has been incorrectly rounded to 2dp and if a % symbol is not included.

a)

Required	Industry Average	Ratio calculation 2022	Ratio calculation 2023
Gross profit ratio	54.03%	$GPR = \frac{35300}{58000} \times 100$ $= 60.86\% (2dp)$	$GPR = \frac{17170}{50000} \times 100$ $= 34.34\% (2dp)$
Net profit ratio	32.05%	$NPR = \frac{22700}{58000} \times 100$ $= 39.14\% (2dp)$	$NPR = \frac{610}{50000} \times 100$ $= 1.22\% (2dp)$

b)

- Profitability of THF has been deteriorating rapidly over the past 3 years.
- Most concerning, is the rapid decrease in NP ratio to 1.22% in 2023, compared to all other similar businesses whose NP ratio is a very healthy 32.05%.
- Operating costs of THF are substantially higher compared to similar businesses.
- The operating costs in the Income Statement indicate it is costing more to run THF year on year – all 'below the line' costs are increasing steadily each year, despite decreased sales revenue/money coming into the business.
- Gross profit ratio indicates that up to 2022, THF had better control over supply costs (e.g., raw chips) compared to similar business and were able to make more 'above the line' profits. In 2023, they are below similar businesses in this measure in 2023 by about 20%.

c)

Students can't gain full marks if the answer has not been rounded to 2dp and if the answer was not expressed as a ratio to 1.

Required	Ratio calculation 2022	Ratio calculation 2023
Current (or working capital) ratio)	$WCR = \frac{6050}{7890} : 1$ $= 0.77 : 1 (2dp)$	$WCR = \frac{3400}{9960} : 1$ $= 0.34 : 1 (2dp)$

d)

2:1 is a solid WC ratio in general and they are below this

WC has deteriorated / declined / got worse

Short term assets are not sufficient to cover CL

Risk to the business's viability and cash flow

A general rule of thumb suggests a solid WCR (or current ratio) should be around 2 : 1, that is, for every 1 dollar of current liabilities /short-term financial obligations owed to external parties, there should be 2 dollars of accessible current assets to cover the debt.

Unfortunately, THF does not have the benefit of a solid WCR. In 2022, at 0.77 to 1, it was well below the general rule of thumb, (for every 1 dollar of current liabilities, the business has 77 cents of current assets) and continued to be concerning in 2023 at 0.34 to 1, due to the high accounts payables amount (that is, the amounts owed to suppliers due to buying the inputs (chips) on credit).

Students should show an understanding of liquidity. THF will have difficulty meeting their short-term financial obligations. While it's great cash flow management to buy supplies on credit wherever possible, THF is struggling to hold enough liquid assets to be able to pay off the amounts in the time frame (usually short-term, probably 30 – 90 days) which will cause suppliers to potentially cease offering credit to THF and require cash purchases only. THF don't have enough cash to afford this.

Now THF have a bank overdraft in 2023, there is increasing pressure for the business to earn enough cash from sales in order to meet the high interest amounts that is required.

e)

Students should draw 1 conclusion only and make reference to the industry average.

THF's deteriorating RROE over the 3 years from 2021 to 2023 is significantly concerning.

They enjoyed a RROE above industry average in 2021 and 2022, but it has reduced to 0.92% in 2023 which is significantly below the industry average of 20%.

In 2023, for every dollar contributed by the owners, the owners receive 0.92 cents in net profit.

It is also considerably below what THF owners might get on an investment in a blue chip company or general investment account in a bank.

For every 100 dollars of investment in the business, the owners of THF are only receiving 92 cents in return. This is extremely concerning and indicates their money is not working very hard at all.

Part C

a)

Students can't gain full marks if the \$ sign has been left out.

Total: \$1.18

Selling price is \$5.50 per serve

Costs (variable) of each serve is 1.18

CM = Selling price per unit – variable cost per unit

5.50 – 1.18 = 4.32

The contribution margin each serve of hot chips makes towards covering annual costs is \$4.32.

b)

Students can't gain full marks if the answer is not rounded up to the nearest whole number and if the answer does not have units or hot chips or servings written after it.

$$\text{Break – even point} = \frac{\text{Total Fixed Costs}}{(\text{Selling price per unit} - \text{Variable cost per unit})}$$

$$\text{BE} = \frac{22\,560}{(5.50 - 1.18)}$$

$$\text{BE} = \frac{22\,560}{4.32}$$

$$\text{BE} = 5222.22$$

BE = 5223 units/hot chips/servings must be sold per year to break even. (answer must be rounded up)

c)

Students cannot gain full marks if the \$ sign has been left out.

$$\text{If using a formula, Selling price} = \frac{\text{Fixed costs} + \text{Profit} + (\text{variable costs} \times \text{units sold})}{\text{Units Sold}}$$

If sales of hot chips can be increased to 500 per calendar month, this equates to 6000 servings per year.

Given the Total Fixed Costs are per year, the calculation needs to either use 6000 as the units sold (that is, 500 per month x 12 months), OR the TFCs need to be divided by 12 to get a monthly amount of 1880.

The answer below shows the former.

$$SP = 22\,560 + 0 + (1.18 \times 6000)$$

$$6000$$

$$SP = \frac{22\,560 + 7080}{6000}$$

$$6000$$

$$SP = \frac{29640}{6000}$$

$$6000$$

$$SP = 4.94$$

THF could charge a selling price of \$4.94 per hot chips serving to break even if they are able to sell 500 serves per calendar month/6000 serves per year.

OR, Rearrange the BE formula:

$$6000 = \frac{22\,560}{SP - 1.18}$$

$$6000(SP - 1.18) = 22\,560$$

$$6000SP - 7080 = 22\,560$$

$$6000SP = 22\,560 + 7080$$

$$6000SP = 29640$$

$$SP = 29640 \text{ divided by } 6000$$

$$SP = \$4.94$$

OR, if fixed costs have been divided by 12:

$$500 = \frac{1880}{SP - 1.18}$$

$$500(SP - 1.18) = 1880$$

$$500SP - 590 = 1880$$

$$6000SP = 22\,560 + 7080$$

$$500SP = 2470$$

$$SP = 2470 \text{ divided by } 500$$

$$SP = \$4.94$$

d)

The answer needs to be applied to the business or to making decisions to get full marks – not just generic benefits of break-even.

- Usefulness in helping determine whether a sufficient market size exists in the area THF want to be selling in around Tasmania.

- Good for ‘what if’ type calculations when they vary prices and costs, especially when they compare to competitors selling prices.
- Identifies viability from desired return/profit point of view.

THF can use the cost/volume/profit calculations to find out:

- the number of units that must be sold to cover fixed costs
- the number of units that must be sold to cover total costs (i.e. to break-even)
- the number of units that must be sold to make a certain level of profit
- the selling price required to break-even
- the selling price required to make a certain level of profit
- how the break-even point is affected by changes in costs, volume or selling price
- how profit is affected by changes in costs, volume or selling price.

Part D

a)

2 marks for each opportunity discussed, as long as the detail includes an explanation of HOW the business can take advantage of these. Students should include a specific strategy.

Examples may include but are not limited to -

Opportunities

Other businesses are selling other food items which are successful.

Music festivals are becoming more popular, especially since COVID restrictions have lifted, which could be an avenue for increased sales/profits for THF.

Research shows outdoor community events are expected to increase in the future.

Tasmanians’ appetites for varied food options from other cultures (e.g.: churros, dumplings) continue to expand, so there is a growing market for the expanded product offerings THF are considering.

Downturn in economic conditions (e.g., high unemployment, increased interest rates) might increase the amount of customers willing and able to spend money on items like take aways, RATHER than on restaurant meals – potential for new target markets.

Example 1: OPP:

Music festivals are becoming more popular and therefore there is a potential growth market where THF are able to go and run their business.

Action to address OPP:

THF can organise to attend the music festivals / apply for a registration to be present at them. This can be widely promoted on various social media platforms that the target market might access, e.g.: if music festivals are for current/modern music lovers, then using TikTok might be a useful promotional strategy, or if music festival is targeted at older people (e.g.: Elton John), then using Facebook might be a useful promotional strategy. THF can make short videos which inform the public about their product. This will

bring in more customers which will increase sales revenues and potential profits if costs associated are carefully managed.

b)

2 marks for each threat discussed, as long as the detail includes an explanation of HOW the business can address these

Threats

Example 1: THREAT:

Increasing number of other food trucks as competitors in the market. Competitors are offering exotic food items which are popular and may be stealing market share from THF.

Action to address THREAT:

THF will need to differentiate their product from their competitors and should focus on purchasing new deep fryers to improve the quality of their products and they should increase their range of pre-prepared fryable foods. THF could also differentiate from competitors through a service aspect, such as time, expertise, etc. THF should promote them heavily using a range of promotional strategies that are appropriate to the target market. This will provide more revenue for the business.

Example 2: THREAT:

Customers who are disappointed with the THF's reduced quality product (under cooked chips) may not ever return/may give negative word of mouth publicity, given their negative experience.

Action to address THREAT:

THF should purchase new deep fryers to improve the quality of their products and entice the customers to return through promotional aspects. This will provide more revenue for the business.

c)

i) THF employees:

- They will need to be trained to properly cook and serve the new items and understand what is in each one in order to convey that info to customers with questions about the new items.
- They might feel more pressure to 'juggle' different/more complex orders from customers due to the expanded range of items for sale.
- Some staff might leave (although this is unlikely).
- Could potentially increase job security.
- Increase skill level.
- Lower job satisfaction due to increased pressure and stress and responsibility.

ii) THF owners:

- They will need to train the staff (or get the manager to do so) to properly cook and serve the new items and understand what is in each one in order to convey that info to customers with questions about the new items.
- They might feel more pressure to 'juggle' different/more complex orders from customers due to the expanded range of items for sale.

- Some staff might leave (although this is unlikely) and they will need to go through the recruitment phase to get new staff. This may be time consuming and add to their pressures.
- The business will increase sales and hopefully profits, which may take the pressure off the owners who currently are experiencing drastic deterioration in profits.
- The owners will now need to ‘manage’ the ordering of additional products and might now be dealing with more/new suppliers.
- Invest capital to buy new equipment.

iii) Tasmanian community:

- Increased options for buying food from food trucks.
- More food trucks might mean shorter queues and therefore shorter waiting times which is a positive thing.
- Positive impact on local businesses that become suppliers of the food truck business.
- Payment of fees to local council can benefit local community.
- Increase in jobs possibly.
- Stimulate local economy.

d)

i) **Economic** –

- Stimulate spending in local community
- Supply and demand
- Provide an income for people employed because of the new contract
- Inflation, interest rates, economic conditions
- Benefits the local farmer financially which will flow on to the local community via jobs and spending.

Social –

- Long term contracts can mean positive partnerships with local farmers, leading to potential for expanded promotional strategies, eg: THF can ‘promote’ the farmer supplier’s farming methods (if sustainable, environmentally friendly) to their target market, leading to greater exposure of the farmer’s farming methods and educating the broader community
- How that helps anyone in society
- Employment opportunities
- Helps the farmer with business success, quality of life, job security.

ii) **Risk** – THF’s reputation may be tainted if the local farm supplier doesn’t look after their workers and this hits the media – guilty by association; THF may be locked into a high cost contract for a long period of time that they can’t get out of, even if the price of potatoes goes down; THF

might find it difficult to access inputs (potatoes)/create a new contract with other farmers if their local farmer goes out of business/changes hands.

Benefit – Long term contracts provide certainty for costs of inputs and allow THF to plan for the short and longer-term.

e)

- Finding a new/cheaper supplier
- Implementing quality management to reduce wastage of inputs
- Economies of scale
- Use of inventory management like JIT to reduce the storage costs of the supplies
- Increasing price of chips to ensure that the profit margins are higher
- Increase sales of chips to increase profit
- improving cash flow
- Use the overdraft to ensure payments are made on time and interest isn't charged on overdue payments to accounts payables
- Buy all supplies on credit and arrange for long payment periods
- Look at ways to reduce costs in order to decrease payments
- Only purchase inventory/stock 'just-in-time' so there is no need for storing/warehousing and it also reduces risk of shrinkage (throwing away consumable items that have passed the use by date)
- Anything about improving working capital management:
 - Increase amount of Current Assets that are held in order to improve the access to liquid funds and improve the Working Capital ratio (which is really problematic at the moment)
 - Look at reducing accounts payables amounts – these seem very high compared to the amounts that are held in inventory which is odd
 - Move short time liabilities into non-current liabilities to allow THF to have a longer period of time to pay them back
 - Anything about THFs ability to improve net profits through better cost controls and/or increased sales
 - Decreasing owner's drawings if possible to allow more money to stay in the business and be used to generate more revenues.
- Anything about leasing new equipment and food trucks, rather than buying. This will reduce the large outlay of funds from the business and allow a better cash flow management as the owners will have clarity about the costs each month.

f)

- **Short-term** – Might take weeks/months to get the word out that THF are now selling expanded product range and therefore a lag in increasing sales revenue. The costs of buying the new frozen foods as inventory might outweigh the revenue generated from them. THF can manage this by only buying small amounts at the start of the new venture, rather than buying lots and running the risk of them not selling.
- **Long-term** – THF's expanded product range will generate additional exposure to a wider target market and result in more sales and potentially higher profits.

This may allow expansion of number of food trucks being operated by THF.