**Suggested solutions**

**SECTION A**

**Instructions for Section A**

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

**Question 1** (16 marks)
Alexander is planning to open a café in a local shopping strip. He hopes to offer breakfast, lunch, snacks and drinks. He would like to call his business ‘Sandy’s Place.’ He would like some advice on how to use public relations.

1. Advise Alexander on two legal requirements of which he needs to be aware.

 2 marks

1 mark per relevant legal requirement. These could include:

* Register business name with ASIC
* Taxation payments
* Comply with statutory legislation (Work, healthy and Saftey Act 2011)
* Workcover insurance
1. Explain why Alexander should set up a business bank account that is separate from his personal bank account.

 2 marks

2 marks for a detailed explanation of a reason for separating bank accounts. Reasons could include:

* *Separates Alexander’s personal finances from the café’s*
* *Clarity of café’s financial performance and allows Alex to measure revenue, expenses and interest paid or earned*
1. Outline two factors that Alexander could consider when choosing a supplier. Explain why each of these factors is important for Alexander’s business. 4 marks

1 mark per factor considered when choosing a suppler (2 marks in total).

1 mark per description of why each factor is important (2 marks in total).

Factors need to be relevant to Sandy’s place and could include:

* *Price*
* *Quality*
* *Reliability*
* *Social responsibility*
1. Define public relations

 1 mark

A business’ management of communication with its stakeholders in order to develop and maintain a positive perception of their brand.

1. Explain one way that ‘Sandy’s Place’ could use public relations to develop its image. 2 marks

2 marks for detailed explanation of a relevant PR strategy that could develop Sandy’s Place’s image.

These could include:

* *Publicity*
* *Production of marketing materials*
* *Support of community initiatives, events and clubs*
1. Alexander would like to choose suppliers that value the principles of corporate social responsibility. Using an example of corporate social responsibility, describe one advantage and one disadvantage of making decisions that consider these values. 5 marks

1 mark for description of CSR

2 marks for choosing and explaining a relevant CSR consideration for choosing a supplier for Sandy’s Place, such as:

* *Environmental management policy*
* *Using local suppliers*
* *Ethical treatment of employees*
* *Socially responsible inputs that minimise impact on environment*

1 mark each for an advantage and a disadvantage of the CSR consideration

**Question 2** (20 marks)

Adam is a qualified yoga and Pilates’ teacher. He is about to open his own teaching studio in a wealthy area of Melbourne. He would like to name his business ‘Mindfulness, Yoga and Pilates’ In his first year, Adam hopes to attract enough clients to offer daytime and evening classes three days a week. Adam would like his clients to enrol in full-term courses.

1. Define marketing, explaining how it could be used to help Adam establish a customer base and achieve one business objective. 3 marks

1 mark for definition of marketing, such as; *the link between a business supplying a good/service and consumers with a purpose of satisfying their needs and as a result stimulating sales*.

1 mark for explanation of how marketing could grow customer base at Mindfulness, Yoga and Pilates, such as; *develop an understanding of potential customers and be aware of customer profile when developing, providing service and interacting with customers.*

1 mark for explanation of how successfully satisfying the needs of customers could achieve a business objective, such as;

* *Increase in number of sales*
* *Increase in net profit*
* *Increase in market share*
* *Increase in customer satisfaction*
1. Describe two market research methods that Adam could use before establishing his new business.

 4 marks

1 mark for identifying a relevant method of market research and description of how Adam could use it (x 2 = 2 marks). Relevant methods may involve the collection of primary or secondary data, such as;

* *Observations of competitors or complementary businesses*
* *Customer surveys*
* *Focus groups with prospective customers*
* *Access government demographic data for surrounding community from ABS or local government sources*
1. Using market segmentation, propose a target market for ‘Mindfulness, Yoga and Pilates’.

 3 marks

2 marks for accurately using at least three of the following dimensions to identify features of the target market:

* *Demographic*
* *Psychographic*
* *Behavioural*
* *Geographic*

1 mark for a clearly described target market, such as; *The target market for Mindfulness, Yoga and Pilates would be women that live in the surrounding suburbs, aged 30-50 years that work part-time, have disposable income and time to attend classes during the day. The target market would have an interest in maintain good physical and mental health.*

1. Suggest an appropriate price strategy for one possible service at ‘Mindfulness, Yoga and Pilates’. 2 marks

1 mark for identifying an appropriate price strategy for Mindfulness, Yoga and Pilates, such as;

* *Competition-based pricing*
* *Marketing penetration*

1 mark for justification of price strategy suggested

1. Describe two promotional strategies, suggesting how Adam could use one strategy to attract and retain regular customers. 5 marks

3 marks for detailed description of two appropriate promotional strategies, such as;

* *Advertising in local publications and community focused online platforms*
* *Sales promotions in the form of discounts and a loyalty program*
* *Company website*
* *Direct marketing in the form of a letter box drop in the surrounding area*
* *Publicity in the form of a special event celebrating the business’ opening*

2 marks for describing how one of the above strategies could be used to attract/retain customers, such as;

*Adam could use sales promotion strategies to both attract new customers and retain existing customers. Price discounts could be offered to encourage potential customers to attend one of the business’s classes, for example, joining fee waived for membership, 20% saving on first class or purchase 5 classes for the price of 4. Additionally, a loyalty program could be offered to existing customers as a way of rewarding them for their support, such as, every month of membership customers receive a complimentary class.*

1. Describe and justify at what stage in the product lifecycle ‘Mindfulness, Yoga and Pilates’ services would be. Excluding price and promotion, suggest one 7P strategy that would be useful for this business at this stage. 3 marks

1 mark for identifying and briefly describing that business is in the ‘introduction’ phase of the PLC.

1 mark for justification of the above, such as; *Business is about to open and as it hasn’t commenced operation it hasn’t entered the growth phase yet.*

1 mark of suggesting another 7P strategy suitable for introduction phase.

**SECTION B – Case study**

**Instructions for Section B**

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

**Case study – ‘Exam Success’**

Philippa is the owner and manager of ‘Exam Success’ – a Melbourne-based business that creates learning and revision materials for Victorian VCE students. It also provides tutoring services. It is almost the end of the school year so Philippa is aiming to finalise her staffing needs for the following academic year.

Philippa would like to employ two new staff members who are Business Management specialists. They will be required to tutor students, help students with goal-setting timelines and create lesson plans for teaching and revision activities. They could also be required to assess student work. The successful candidates must have a relevant university degree with a teaching qualification. Prior to teaching, they must also obtain permission to teach children with either a ‘Victorian Institute of Teaching’ registration or a ‘Working with Children Check’. Ideally, the candidates would have prior experience teaching in a secondary school environment.

Philippa is considering her employment arrangement options of full-time, part-time, contractual and casual. She would like her staff to be motivated and productive and meet the scheduling needs of the business.

**Question 1** (2 marks)

Explain why new staff are important for business success.

2 marks for description of how new staff contribute positively to a business. Possible points made include:

* *New skills and knowledge can improve the productivity and quality of good or service provided*
* *New ideas shared can improve strategic decisions, such as, product innovation, operational strategies*
* *New perspective to challenge the status quo of a business and stimulating new thinking.*

**Question 2** (4 marks)

Distinguish between a job description and a job specification. Propose information that would be in each of a job description and a job specification for a vacant position at ‘Exam Success’.

1 mark for definition of job description and job specification

1 mark for clear difference between both terms, such as, *job description covers is business centric, for example, tasks and responsibilities the business expects an employee to complete whereas job specification is candidate centric, for example, the personal attributes, experience and knowledge an employee needs to complete the role.*

1 mark for each proposal relating to Exam Success (2 marks in total), such as;

*Job description – develop lesson plans and provide business management tuition or assist students in developing goal-setting timelines*

*Job specification – tertiary qualification and VIT registration*

**Question 3** (3 marks)

Explain why ‘Exam Success’ would use external recruitment for these roles.

2 marks for explanation of external recruitment and how it is beneficial for a business looking to improve its workforce, such as, *larger pool of candidates, recruit staff with specific skills and can be more cost effective than internal recruitment*

1 mark for relevant application of theory to Exam success, such as, *a targeted external recruitment activity will provide Philippa with a large pool of specialist candidates. A broader choice of business management tutors will improve the possibility of employing a higher quality tutor than currently exists at Exam Success.*

**Question 4** (4 marks)

Once Philippa has completed her recruitment, she needs to select the candidate. Describe an appropriate selection method that Philippa could use to select the best candidate. Explain one advantage and one disadvantage of this chosen method.

1 mark for description of an appropriate selection, such as, *interview or work testing*

1 mark for describing why it would be appropriate for Exam Success.

1 mark for explanation of an advantage of using interviews *(assess BM knowledge, communication skills, build relationship)* or work tests *(accurate indication of capability as test reflects role, candidate can’t fake proficiency)*

1 mark for explanation of a disadvantage of using interviews *(often requires more than one interview to understand suitability which is time consuming for a small business)* or work tests *(can be time consuming and for Exam Success element of risk if the work test is a bad experience for the student).*

**Question 5** (6 marks)

Propose two employment arrangements for ‘Exam Success’ and justify their use. Suggest the best option for ‘Exam Success’ to meet the needs of either the employer or the employee.

2 marks for proposing and providing a brief description of one employment arrangement, such as, *casual,* and reasons why this would suit Exam Success, such as, *provides staffing flexibility as tutors can be used (and paid) only when there is student demand for tutoring services.*

2 marks for proposing and providing a brief description of another employment arrangement, such as, *part-time,* and reasons why this would suit Exam Success, such as, *form of continuous employment which provides certainty for both Exam Success and the tutor. Also, provides Exam Success with flexibility as they are able to roster tutors when there is student demand, for exam example, after school hours and week-ends.*

2 marks for suggesting and explaining best option.