



EXTRA

EXPERIENCED TEACHER RESOURCES & ASSESSMENTS

BUSINESS MANAGEMENT Units 3&4 2023 Written Trial Examination

SUGGESTED SOLUTIONS

<i>Section</i>	<i>Number of questions</i>	<i>Number of questions to be answered</i>	<i>Number of marks</i>
A	5	5	50
B	7	7	25
			Total 75

SECTION A (50 marks)**Question 1** (6 marks)

Referring to a contemporary business, analyse the relationship between management styles and management skills.

Marking Guide

Marked globally

Marks	Description
6	<ul style="list-style-type: none"> • Analysis of how management skills are interlinked with different management styles • Several examples <ul style="list-style-type: none"> ○ Which should relate to the contemporary business example ○ And at least 2 styles + 2 skills discussed • Contemporary business example must be drawn upon to discuss how management styles will influence the skills used in different scenarios <ul style="list-style-type: none"> ○ If this is not done – or example only drawn upon minimally – the response cannot be awarded more than 3-4 marks. ○ Contemporary business example must be a valid contemporary example

Example Response

The type of management style that a manager selects will determine the range and degree of skills they use, and the way in which they use those skills. At Qantas, the decision was made to separate the domestic and international branches, with separate CEOs and separately reported financial results. The implementation of this change was done with an autocratic management style, where Group CEO Alan Joyce used delegation to pass on tasks to other high-ranking employees and designate new CEOs, CFOs, and directors of the separate branches, with little to no input or feedback heard from other employees.

A participative management style was used within the domestic branch, where employees were encouraged to contribute and provide feedback into this change, because Qantas Domestic is “strong and profitable” (Alan Joyce, Qantas Group CEO, Feb 2022) and outfitted with experienced and knowledgeable employees. Because employees are a large part of all decision-making in the participative style, communication is an important management skill for Qantas. Two-way communication was used, where information is shared between managers and employees, with both sides encouraged to listen and give their feedback. Interpersonal skills were also vital. Any decisions which managers propose must be justified to employees to garner their support, and CEO Alan Joyce recognised that the decision to separate the airline’s domestic and international components would have been tough on some employees whose jobs changed or were made redundant, hence used empathy as part of these interpersonal skills.

If Joyce found that these management styles and their associated skills were not working (for example, continued loss of profit), he would have the authority to switch styles and use new skills to once again reform Qantas. For example, if he found that his autocratic style used when implementing the separation was met with extreme resistance from his employees (hence, a greater chance of the change failing), he may have switched to a more persuasive style, using leading to support and motivate his employees and convince them of the importance of having a separate domestic and international business model.

Question 2 (14 marks)

Springdale Cinema specialises in Australian films. Max has owned and operated the Springdale Cinema for the last 10 years with the same 5 employees that have worked there before Max bought the business and consider their co-workers like family. In 2022, a state-of-the-art cinema complex was opened within a 5-minute walk of Springdale Cinema and offered new employees higher wages. To remain competitive, Max updated his business with new screening technology, which is the first of its kind in Australia, and has employed a new projectionist to manage the technology.

- a) Discuss a motivational theory as a long-term motivation strategy that could assist Max to retain his employees.

6 marks

Marking Guide

Marks	Description
6	<ul style="list-style-type: none"> All benefits and costs are correct and appropriate, and hence link well with the case study (CS). 2 benefits + 2 costs. Long term motivation (LTM) is discussed throughout. At least 1x each benefit/cost is linked to LTM. Maslow's Hierarchy or 4-drive content is all correct.
5	<ul style="list-style-type: none"> As above (6 marks), but missing one of these features.
4	<ul style="list-style-type: none"> As above (6 marks), but missing two of these features.
3	<ul style="list-style-type: none"> Answer incomplete. Has some of the 6-mark features but not all. Weak links to CS. Weak links to LTM. If no links present, cannot be more than 3 marks.
2	<ul style="list-style-type: none"> Answer incomplete. Either one benefit or one cost (which is a correct and appropriate benefit/cost) which links to CS and/or LTM.
1	<ul style="list-style-type: none"> Answer incomplete. Either one benefit or one cost (which is a correct and appropriate benefit/cost) with no links.

Example Response

Maslow's Hierarchy represents human needs in the form of a pyramid, depicting the theory that within all individuals exists a hierarchy of 5 needs based on importance.

One benefit of Max using Maslow's theory to motivate his employees at Springdale Cinema is that it would provide him with a detailed 'scaffold' to guide him on how to motivate his employees. He would be able to use Maslow's theory to recognise that his employees, who are likely experienced as they have been working at his cinema for at least ten years, will most likely be motivated by self-esteem and self-actualisation needs. From here, Max can easily implement appropriate strategies to satisfy these needs, such as giving his employees extra responsibilities and recognition (for example, promoting a high-achieving employee to a cinema assistant manager role).

Another benefit of using Maslow's theory for long-term motivation is that by acknowledging that employees will most likely be motivated by higher order needs (given the prior satisfaction of their lower order needs), Max should be able to recognise that staff are less likely to be motivated by increased wages, therefore saving the cost of increasing wages which may not affect motivation.

However, one cost is that once a particular level of need has been satisfied, it can no longer be used to motivate the employee. For example, once an employee's physiological needs have been satisfied (being paid

enough to buy food, afford rent), they will no longer be motivated by physiological, and will only be motivated through factors satisfying their safety needs. This means that use of the hierarchy may struggle to motivate the employees in the long-term, as eventually Max's employees will reach self-actualisation (especially soon as they are likely already at the top end of the hierarchy), meaning Max may struggle to motivate them and they will be more likely to leave the cinema to chase their own creative talents and personal growth.

Another cost of using Maslow's theory on long-term motivation is that it can be time-consuming to implement, as each of Max's employees may be at different stages of the hierarchy, hence satisfied by different factors. If Max has to continually seek different methods to motivate different employees, this will have a negative impact on long-term efficiency, as he will continually have to take time out of his schedule to analyse and implement several different forms of motivation.

- b) Explain relationship between operations management and business objectives regarding Springdale Cinema.**

5 marks

Marking Guide

Marks	Description
5	<p>Explanation of what operations management is/does - how does ops achieve business objectives? (1 mark). Must discuss 2 business objectives in relation to case study.</p> <ul style="list-style-type: none"> • 2 marks per business objective • 2 marks for these linking well to case study
4	<ul style="list-style-type: none"> • As above (5 marks), but missing one of these features (i.e. inadequate link)
3	<ul style="list-style-type: none"> • As above (5 marks), but missing two of these features (i.e. no links at all, but business objectives + ops are discussed)
2	<ul style="list-style-type: none"> • Answer incomplete. Only has two of the 5 mark features.
1	<ul style="list-style-type: none"> • Answer incomplete. Only has one of the 5 mark features.

Example Response

The operations management of Springdale Cinema involves the planning and organisation of resources to achieve efficient output of their cinema services in a way that adds value to customers and creates a profit margin. Operations can assist in the successful achievement of many business objectives through the decision to implement the new screening technology, which will help streamline the production of their film-screening services.

At Springdale Cinema, operations would use this new technology to help achieve the business objective of making a profit. Use of the new, unique technology will encourage customers to visit Springdale instead of other neighbouring cinemas, which will increase sales and therefore revenue. It may also help by decreasing expenses such as wasted time through human errors and save wages through a decreased need for employee labour, hence increasing overall profit.

Operations may also help with fulfilling a market need through Springdale Cinema's new technology. The cinema industry has constantly evolved since its formation, so it is essential that businesses operating as cinemas are keeping up with new advancements in order to satisfy their customers. The use of advanced technology which is one of its kind in Australia will satisfy the desires of customers to have an entertaining experience at the cinema, as well as encourage customers to visit Springdale instead of competing businesses.

c) Describe a low-risk strategy to help Max overcome employee resistance.

3 marks

Marking Guide

Marks	Description
1	<ul style="list-style-type: none"> Identify an appropriate low-risk strategy
1	<ul style="list-style-type: none"> Explain the low-risk strategy
1	<ul style="list-style-type: none"> Include link to Max

Example Response

Communication is the ability to transfer information from a sender to receiver and listen to feedback. Communication will allow Max to explain the reason why the technology is needed to his 5 employees, helping to overcome any resistance he may be faced with as his team of employees is small and likely tight-knit after 10 years of working together, so may show resistance to the change. Communicating the change with his employees will also give Max the opportunity to listen to any feedback from his current employees, giving them the opportunity to contribute their valuable insight gained from 10 years' experience and feel valued, increasing the likelihood of them backing the change and helping Max to implement the new screening technology.

Question 3 (8 marks)

Fitness Evolution is an online personal training business. Following the introduction of a new online platform which the personal training programs are being streamed from, employees' workloads have increased dramatically with no increase in pay to reflect this. They have also received no training from Fitness Evolution as to how to use the new online platform, which has created operational delays and issues. Employees have spoken to management but feel that these issues have not been addressed. They are now considering industrial action in the form of a strike.

a) Justify mediation as a future method of dispute resolution for employees at Fitness Evolution. 4 marks

Marking Guide

Marks	Description
4	<ul style="list-style-type: none"> Provide two features of mediation (2 marks) Includes how each feature of mediation will be beneficial to the situation at Fitness Evolution (2 marks)

Example Response

Mediation involves an independent person assisting Fitness Evolution and their employees by facilitating discussions and clarifying issues. The independent third party would assist discussions between management and employees (or their representatives, i.e. union), allowing employees to express their need for extra training on the new online platform, or what they believe would be a reasonable increase in pay. Management could also discuss any of their own concerns with employees (for example, any concerns regarding the expense of extra training), facilitating a fair discussion where input and feedback is heard from both sides, allowing equal contribution.

Another benefit of mediation is that it would allow the employees and management at Fitness Evolution to come to an agreement on their own terms. For example, management may agree on a flexible training schedule which works for the employees, or an appropriate increase in pay which both parties are satisfied with. As the decision has been mutually reached, it is more likely to be successful as both sides have contributed and want the resolution to work. Mediation may be legally binding if both parties involved choose it to be, benefitting both management and employees of Fitness Evolution as both parties will be held accountable for ensuring any training programs or wage increases are followed through with.

- b) Define corporate culture. Outline a strategy to help Fitness Evolution develop positive corporate culture.

4 marks

Marking Guide

Marks	Description
1	<ul style="list-style-type: none"> Provides definition of corporate culture
2	<ul style="list-style-type: none"> Provides explanation of strategy
1	<ul style="list-style-type: none"> Connects strategy back to shares values and behaviours; including identifying that FE's current corporate culture is negative

Example Response

Corporate culture is the system of shared value and beliefs found within Fitness Evolution. Fitness Evolution has both official corporate culture, which is the desired culture the business wishes to foster, as well as real culture, which is the actual or prevailing culture within Fitness Evolution. It is evident Fitness Evolution is struggling with a negative culture, as the interactions between employees and management have turned hostile following the introduction of the new online platform, with employees feeling undervalued, unsupported and unrecognised. One way in which a positive corporate culture could be created is through the implementation of policies. Appropriate policies to implement may include an online training policy, to assist employees with all they will need to know to operate the online platform, as well as giving them an avenue to approach managers with any concerns or issues which arise. This will help the employees of Fitness Evolution feel recognised and valued, as their own rights and obligations are being recognised by the business, as well as creating a shared system wherein the behaviour expected of everyone is the same.

Question 4 (12 marks)

Phil Phix Phones repairs damaged mobile phone screens and is considering expanding their product range to supplying durable phone cases that will eliminate future phone screen smashes for their customers. These phone cases will be made from recycled materials. Customers will also have the option of recycling their old phone cases through the business – these will then be used in the production of the new phone cases.

- a) Describe the concept of business change for Phil Phix Phones.

3 marks

Marking Guide

Marks	Description
1	<ul style="list-style-type: none"> Define/ explain change
1	<ul style="list-style-type: none"> Identify the change Phil is undergoing [CSR – customer needs]

1	<ul style="list-style-type: none"> Identify how Phil is responding to change and its significance for the business
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Example Response

Business change is when an organisation responds to pressures and adapts or alters its policies, procedures or structure in order to achieve an objective, such as how Phil has considered expanding his product range to include recycled cases and adding the service of phone recycling. Change is inevitable for many businesses, due to external pressures such as emerging technology, competitors and consumer needs. Phil is responding to changing customer needs, which require businesses to exercise a greater degree of corporate social responsibility, by ensuring his products are reducing waste and unnecessary environmental harm by making new cases “from recycled materials”.

- b) Explain whether this product introduction will be a proactive or reactive approach to change for Phil Phix Phones business. 3 marks

Marking Guide

Marks	Description
3	<ul style="list-style-type: none"> Identify that Phil is taking a proactive response (1 mark) Explain how Phil’s response is proactive (2 marks) Includes in explanation: consumer demand/increasing awareness of CSR/what the alternative (reactive) would mean for his business
2	<ul style="list-style-type: none"> Missing one feature of 3 mark response or insufficient detail in explanation of proactive response
1	<ul style="list-style-type: none"> Missing two features of 3 mark response
0	<ul style="list-style-type: none"> If reactive approach is identified

Example Response

It is important that Phil Phix Phones is proactive to change, anticipating and welcoming change in their business environment. In this case, Phil Phix Phones is considering a proactive response to change. He is considering ways to increase sales and revenue to meet changing levels of customer demand by switching from a service-only business model fixing damaged phones. He does this as consumers are becoming more aware of environmental sustainability and more inclined to recycle or purchase goods made from recycled materials.

Phil is ensuring his business conforms to this consumer desire, increasing the chances of business success. If Phil were to adopt a reactive approach to change and not adopt these proposed new products and service quickly, he would risk losing market share and sales, as consumers may choose other phone repair shops which are taking a sustainable approach to their business.

- c) Outline the key elements of the operational system for Phil Phix Phones. 6 marks

Marking Guide

Marks	Description
1	<ul style="list-style-type: none"> Define inputs and link to Phil Phix Phones by providing an example
1	<ul style="list-style-type: none"> Define processes and link to Phil Phix Phones by providing an example

1	<ul style="list-style-type: none"> Define outputs and link to Phil Pnix Phones by providing an example
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Example Response

Inputs refers to the resources used for Phil Pnix Phones' recycling strategy service. In this case, Phil Pnix Phones' inputs would include equipment such as machines to compress or break up the recycled phone cases, labour to take customer's old phone cases to be recycled, and utilities such as electricity in his store to power machinery and lights.

Processes refers to the transformation of inputs into outputs. The processes at Phil Pnix Phones includes the repair of phones, for example fixing the screen or replacing the battery, and the recycling strategy itself, wherein the customer's recycled phone cases are converted into the new ones, ready to be sold.

Outputs are the final product or service which is delivered to the customer; for Phil Pnix Phones, the outputs will include a fully-repaired phone or the finished recycled phone cases which are then sold to the customer.

Question 5 (10 marks)

Using a contemporary business example, describe the key principles of the Force Field Analysis theory (Lewin). Evaluate the use of a Force Field Analysis in determining the success of the business change.

Marking Guide

Marks	Description
10	<p>Appropriate contemporary example is used.</p> <p>FFA is adequately described:</p> <ul style="list-style-type: none"> Weighting: 1 mark Ranking: 1 mark Implementing: 1 mark Evaluating: 1 mark Contemporary example must be referred to throughout explanation (1 mark) <p>FFA is adequately evaluated:</p> <ul style="list-style-type: none"> Benefits (2 x 1 mark) Costs (2 x 1 mark) Overall justification (1 mark) Contemporary example must be referred to throughout explanation (1 mark)

Example Response

Lewin's Force Field Analysis (FFA) is a tool used to help a business implement change – such as, Yakult's 2020 decision to stop providing plastic straws with their probiotic beverage products. FFA recognises that when implementing change, businesses will be faced with driving forces (which promote the desired change) and restraining forces (which hinder or disrupt) the change; for a change to be successful, the business must provide support for the driving forces to outweigh the restraining forces.

To be successful in removing their plastic straws, Yakult must first have identified the driving and restraining forces surrounding this change. Driving forces may have included reduction of cost, as fewer plastic materials would need to be purchased as less output is being produced, and societal attitudes, with the general

community becoming more aware of the adverse effects of plastic on the natural environment. Restraining forces may have included organisational inertia, as Yakult had been providing these straws with their product for over 80 years so removing them was a big change, and employees, as it is likely some employees' jobs may have suddenly changed due to the shift in production processes.

Yakult would then have to weigh the driving and restraining forces, by scoring and attributing a value to the driving and restraining forces to determine the level of impact each force can potentially have on the change. Yakult would rank the driving and restraining forces accordingly in order of value to determine their total score. This ranking will determine whether the total power of the restraining forces will be outweighed by the driving forces, in which case they should go ahead with implementing the change.

In order to succeed in removing their straws Yakult must then have implemented processes to assist their driving forces to outweigh their restraining forces. For example, Yakult used advertising to alert the general community of their decision to abolish plastic straws, to encourage environmentally-conscious customers to purchase their beverages. They may have also used various forms of training to assist in overcoming any employee resistance or organisational inertia, to help employees at Yakult understand the meaning and reasoning of the decision, and to help them find a sense of purpose and pride in the removal of plastic straws. Following the change, Yakult must conduct an evaluation to determine whether the change has been successful. This could be done through the use of key performance indicators – if targets have been met and business objectives achieved (for example, reduced waste) Yakult would know their change has been successful.

One advantage of Yakult using FFA is that by identifying strategies to facilitate driving forces and overcoming restraining forces, this will increase the likelihood of success in removing plastic straws. Being able to identify that organisational inertia and employees may act as a barrier to the removal of plastic straws allowed Yakult to implement strategies (such as training) to overcome these challenges, hence improving the chances that removing plastic straws will be successful. However, using FFA would be time consuming for Yakult, as time would be taken out of managers' and employees' schedules to identify and analyse driving and restraining forces, as well as planning the change. If the change were to take longer than needed to be implemented, this would give competitors valuable time to gain a competitive advantage, increasing the chances of the change being unsuccessful if customers choose to purchase other probiotic beverages instead of Yakult, regardless of their decision to remove straws.

Overall, though it may be time consuming, an FFA will be an invaluable resource for Yakult to use in the process of removing plastic straws. Knowing which factors to promote and which to overcome will greatly increase the chances of Yakult's change being successful.

SECTION B (25 Marks)**Case Study**

The following is an email exchange between Alex, the Store Manager of Bright Light Sun-Shades' Beach St Store in Victoria, and Mark, the operations manager of Bright Light Sun-Shades. Mark is based in Sydney, where the company's head office is located.

Hi Alex,

Thanks for your email regarding the opening of Bigger and Better SunShades next to our shop on Beach Street. We agree that they will provide new competition for us, but we are confident that the introduction of our new online system and updated website will provide a much more unique experience for customers, as they will be able to customise their sunshades for the first time ever! We think this new feature will ensure our loyal customers stay with us.

Keep up the terrific work you do for us and our customers.

Kind regards,

Mark

Operations Manager, Bright Light Sun-Shades

Hi Mark,

I agree our new customised feature will be well received by our customers but compared to Bigger and Better SunShades lower prices, it might not be enough to keep our loyal customers shopping at our stores. As the customisable sunshades are all customised online, we have seen a drop in the numbers of customers walking through our doors to browse our options. The cost of production for the customisable sunshades has also increased our expenses dramatically, because so many new fabric patterns have been purchased. Many of these new patterns are unpopular with customers, meaning they have not been used at all.

We are already behind on sales compared to last quarter. Our market share has dropped to a new low of 12.6%.

Can you please advise how we can increase our sales as I am worried we will not be able to make budget in the coming months.

Kind regards,

Alex

Manager of Beach Street Store, Bright Light Sun-Shades

Hi Alex,

I understand your concern. However, we are not competing with customers on cost but are instead offering a premium product and a premium experience. Our loyal customers across all of our stores nation-wide will appreciate this. To increase in-store sales, please ensure all employees are familiar with the features of the

new website and can assist any customers with questions about customising their sunshades.

Kind regards,

Mark

Operations Manager, Bright Light Sun-Shades

Question 1 (2 marks)

Define percentage of market share.

- a. With reference to Mr Hafda's case, outline **one** reason for the Victorian criminal court hierarchy.

3 marks

Marking Guide

Marks	Description
1	<ul style="list-style-type: none"> Define percentage of market share
1	<ul style="list-style-type: none"> Link to case study, including reference to figure provided

Example Response

Percentage of market share is a KPI which measures the total proportion of sales within a given industry, in relation to competitors, which a business has, expressed as a percentage within a given time period. For example, Bright Light SunShades' market share measures their total proportion of sales within the sunshade industry, in relation to competitors such as Bigger and Better SunShades. It has decreased unfavourably to 12.6%.

Question 2 (4 marks)

Discuss the technological strategy Bright Light is using to sell their customised sunshades.

Marking Guide

Marks	Description
4	<ul style="list-style-type: none"> 2 x benefits of online services provided, with appropriate link to case study 2 x costs of online services provided, with appropriate link to case study
3	<ul style="list-style-type: none"> -1 mark if one of the links to case study is inadequate or not provided, or if insufficient detail provided about benefits/costs
2	<ul style="list-style-type: none"> -2 marks if missing links to case study or if only one benefit and costs provided with insufficient detail
1	<ul style="list-style-type: none"> -3 marks if missing/ insufficient links to case study and limited discussion of technological strategy
0	<ul style="list-style-type: none"> If strategy discussed that is not technological

Example Response

Online services are services provided to customers via the internet, including the development of websites such as Bright Light's customisable sunshades website. One advantage of using online services such as website development is increased convenience for customers. As customers can place an order online from

virtually anywhere, rather than having to go into Bright Light’s Beach Street store, this will significantly expand Bright Light’s potential customer base, including customers who may live too far away from a physical store, or cannot visit the store for other reasons (too busy, no transport etc). This will help increase sales, potentially increasing revenue and profit.

However, one disadvantage of online services is that websites can be prone to technical difficulties, meaning at times they may not work as required. Assuming the customisable feature is only available via the website, this means that if the website crashes or stops working, customers will not be able to purchase any customisable sunshades, meaning Bright Light will miss out on valuable sales and decreased revenue. Technical difficulties will also decrease Bright Light’s effectiveness, as they may not be able to achieve objectives such as making a profit and increasing market share when customers cannot use the website to purchase their sunshades.

Question 3 (3 marks)

Analyse the effect the change of customising sunshades online has had on the Beach Street store manager, Alex.

Marking Guide

Marks	Description
1	<ul style="list-style-type: none"> Identify that the effect of the change is negative
1	<ul style="list-style-type: none"> Explanation of why the change is negative, providing an example
1	<ul style="list-style-type: none"> Include a link to the case study as part of the analysis

Example Response

Bright Light’s introduction of customisable sunshades has had a primarily negative effect on Alex. It can take managers like Alex significant time and skill to adjust to new changes, especially since she is also currently dealing with her store being “behind on sales” and market share at “a new low of 12.6%”. She would need to train the employees she is responsible for to deal with the impact of the customisation option (for example, customer questions and concerns), which would require planning and organisation, cutting into her time to figure out ways to compete with Bigger and Better SunShades’ new store whilst experiencing “a drop in the number of customers” shopping instore, likely affecting her store’s profit. This would increase her stress and workload, reducing her efficiency if she must work slower to train employees, serve customers and run her store.

Question 4 (4 marks)

Outline **two** driving forces for Bright Light.

Marking Guide

Marks	Description
2	<ul style="list-style-type: none"> Identify two driving forces (2 x 1 mark)
2	<ul style="list-style-type: none"> Explain how each driving force acted as a driving force for Bright Light (2 x 1 mark)

Example Response

Driving forces are those which promoted the decision for Bright Light to introduce their customisable sunshade option. One driving force was their competitors including Bigger and Better SunShades, who offer rival sunshades in the sunshade market. Bigger and Better SunShades' decision to open a store next door provided more competition for Bright Light; hence, it was a driving force which promoted the innovative idea to differentiate their business model, to prevent a loss of market share.

Another driving force was pursuit of profit. As a result of the likely decrease in market share caused by Bigger and Better SunShades' new store opening, Bright Light would likely have lost sales to their competitor, making a new business strategy necessary to continue making a profit.

Question 5 (4 marks)

Explain how either Materials Requirement Planning or a Master Production Schedule would help Bright Light meet one business objective.

Marking Guide

Marks	Description
1	<ul style="list-style-type: none"> Define MPS/MRP
1	<ul style="list-style-type: none"> Identify an appropriate business objective which Bright Light will aim to achieve
1	<ul style="list-style-type: none"> Explain how MPS/MRP will help a business objective
1	<ul style="list-style-type: none"> Connect the achievement of the business objective to Bright Light

Example Response

A Master Production Schedule (MPS) is a statement of what Bright Light intends to produce, in what quantities over a set time frame, considering forecast customer demand & production costs. An MPS may help Bright Light meet the business objective of making a profit, which occurs when business revenue is greater than expenses. Having an MPS would allow Bright Light to only order the exact quantity of raw materials that they know they will use in the production of their sunshades, reducing the money spent on fabrics which are currently going to waste due to low customer demand, hence increasing overall profit. An MPS would also help Bright Light make a profit by reducing the amount of storage needed to store excess materials, such as excess or spare fabrics. This would help the business reduce expenses such as transportation costs, rent costs, and possibly even labour costs if less employees are needed to manage stored materials, hence increasing overall profit.

Question 6 (5 marks)

Describe Porter's Generic Strategies. Justify which strategy Bright Light should use.

Marking Guide

Marks	Description
2	Explain how low-cost would be appropriate for Bright Light <ul style="list-style-type: none"> 2 x benefits or 1 x benefit and 1 x cost

2	Explain how differentiation would be appropriate for Bright Light <ul style="list-style-type: none"> • 2 x benefits or • 1 x benefit and 1 x cost
1	Identify which of the two (low-cost or differentiation) would be more appropriate for Bright Light

Example Response

Porter's Generic Strategies can be used to help a business gain a competitive advantage through either reducing production costs (low-cost) or making its products or services more appealing to customers than competitor products (differentiation).

One advantage of differentiation for Bright Light is that it should increase their sales and profitability. By adopting a new, innovative technique of premium sunshades that their other competitors may not be using, this will attract customers to buy Bright Light's sunshades instead of their competitors' sunshades, helping increase sales and again increase their market share.

Another advantage of using differentiation is that Bright Light can charge a premium price for its sun shades. This can help cover the cost of the new technology. It may appeal to customers who are not price conscious and are looking for the latest technology.

Question 7 (3 marks)

Outline one strategy Bright Light could use to address a key performance indicator.

Marking Guide

Marks	Description
1	<ul style="list-style-type: none"> • Identify an appropriate strategy
1	<ul style="list-style-type: none"> • Connect the strategy to a relevant key performance indicator
1	<ul style="list-style-type: none"> • Explain how the strategy will address the key performance indicator for Bright Light

Example Response

Bright Light could use training to address their declining number of sales, which measures the number of sunshades sold over a certain time period. This would involve providing staff with the skills to improve their performance in both making and selling sunshades to their customers. This would be most effective through on-the-job training, where Bright Light's employees would be taught new skills such as how to help customers customise sunshades, during an ordinary workday in Bright Light's Beach St store. This method of training will better equip employees with the customer service and sales skills required to sell more sunshades to customers, hence increasing number of sales.