

# VCE BUSINESS MANAGEMENT

Units 1 & 2





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Units 1 & 2

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# FEATURES OF THIS BOOK

Edrolo's VCE Business Management Units 1 & 2 textbook has the following features.

## Theory

**Hooks** introduce the content of the lesson in an approachable way.

**Study design dot points** provide explicit links between the content covered in each lesson and the VCAA curriculum.

**Key definitions** are provided for the business terms that are explicitly included in the curriculum.

**Additional terms** are terms not explicitly included in the curriculum that are defined to assist students to understand the context of the theory.

**Real-world examples** and hypothetical 'theory in action' business examples provide context for understanding business concepts and information about businesses.

**Key knowledge units** break down the theory into smaller chunks that correspond with the relevant theory lesson videos on the Edrolo online platform.

The screenshot shows a textbook page titled '2G Sources of finance'. It includes a 'Lesson introduction' section, a 'Key definitions' box, a 'Table 1' with columns for 'Type of finance' and 'Features', and a 'Table 2' with columns for 'Type of finance' and 'Features'. There are also 'Real world examples' and 'Activities' sections. A 'Key knowledge unit' is highlighted in a blue circle on the left side of the page.

**Explore boxes** include useful tips, lesson links, and extension opportunities.

**Activities** provide engagement and an opportunity to apply understanding of the content covered in each lesson

## Questions

**Theory review questions** test if students have understood the fundamental concepts within the lesson.

**Exam-style questions** reflect the style of questions presented in the end-of-year exam for Units 3 & 4, but are based on Units 1 & 2 content.

**Testing previous knowledge questions** provide an opportunity for students to re-engage with related concepts from earlier lessons.

The screenshot shows a textbook page titled '51 Questions'. It includes a 'Theory review' section with multiple-choice questions, an 'Exam style' section with a scenario-based question, and a 'Testing previous knowledge' section with a question about a business's financial performance. A 'Case study skills' section is also visible at the bottom.

**Case study skills questions** develop information-extraction skills and enable students to infer information required to answer case study exam-style questions within the same lesson.

# Answers

**Explanations** are provided for each theory review question to help students understand the answer in greater detail.

**Online video solutions** provide immediate feedback and extra guidance on how to answer questions.

- ✓ I have linked it to marketing
- ✓ I have referred to 'Marketing Mix'
- ✓ I have

**Checklists** break down exam-style questions to highlight what is required to earn full marks.

**51 The product life cycle**

**Theory review**

1. The product life cycle is the period of time from the introduction of a new product into the market to its withdrawal from the market.

2. The product life cycle is divided into four stages: introduction, growth, maturity and decline.

3. The product life cycle is a useful tool for understanding the performance of a product and for developing marketing strategies.

4. The product life cycle is a useful tool for understanding the performance of a product and for developing marketing strategies.

5. The product life cycle is a useful tool for understanding the performance of a product and for developing marketing strategies.

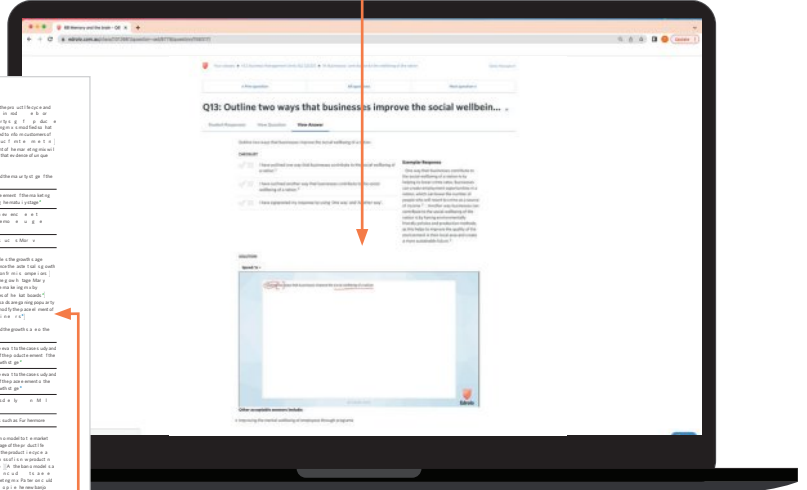
6. The product life cycle is a useful tool for understanding the performance of a product and for developing marketing strategies.

7. The product life cycle is a useful tool for understanding the performance of a product and for developing marketing strategies.

8. The product life cycle is a useful tool for understanding the performance of a product and for developing marketing strategies.

9. The product life cycle is a useful tool for understanding the performance of a product and for developing marketing strategies.

10. The product life cycle is a useful tool for understanding the performance of a product and for developing marketing strategies.



**Exemplar responses** are provided for every exam-style question to demonstrate what a full mark response could look like.

**Other acceptable responses** are included when there are multiple answers that could achieve full marks.

# Reviews

**Area of Study (AOS) summaries** outline knowledge from the entire AOS, and include a concept map demonstrating the relationships between ideas.

**Unit 1 AOS 1 review**

**The business idea**

**AOS summary**

The business idea is the foundation of a business. It is the concept or vision of a business that is to be created. The business idea is the starting point for the development of a business plan and the implementation of the business.

**AOS review activities**

**Review activity 1: Entrepreneurial skills summary table**

**Unit 1 AOS 1 Review Questions**

**Contemporary case study**

**Useful tip**

When you are asked to outline two ways that business can improve the social wellbeing of a community, you should consider the needs of the community and the resources available to the business. You should also consider the impact of the business on the community and the environment.

**Stella Meagan**

Stella Meagan is a young entrepreneur who has started her own business, Stella Meagan & Co. She has a vision of creating a business that is socially responsible and environmentally friendly. She has a plan to improve the social wellbeing of her community by providing employment opportunities and supporting local businesses.

**AOS review activities** help students to revise and develop their understanding of the content covered throughout the whole AOS.

**AOS review questions** include exam-style questions that can be used as a practice test to prepare for in-class tests and end-of-unit exams.

**A contemporary business case study** can be used as a resource to answer the exam-style questions that follow.

# Approaching exam-style questions

The VCE Business Management study design (VCAA, n.d.) specifies that a student's level of achievement in Units 1 and 2 is a matter for school's to determine through a variety of assessment tasks. There are many suitable assessment tasks listed in the study design including a case study analysis and short-answer and extended-answer structured questions, and many schools choose to assess students with these types of questions under test conditions, as this is good preparation for the VCE Business Management examination for Units 3 and 4. The exam-style questions in this Edrolo resource are designed to replicate the same style of question used in the Units 3 and 4 exam, which many Unit 1 and 2 school assessments are based on.

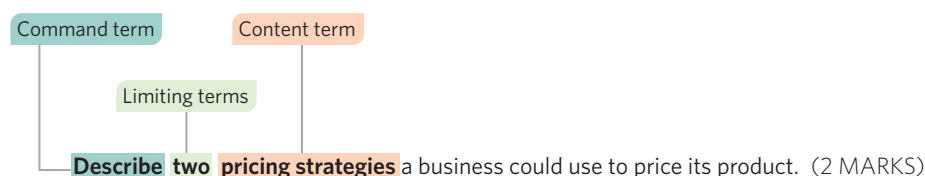


In order to demonstrate a high level of achievement in Units 1 and 2 assessments, it is important for you to understand how to interpret exam-style questions and respond to them appropriately.

## Dissecting a question

Before approaching an exam-style question, it is necessary to dissect the question into its parts to understand what you are required to do. For larger-mark questions, this can also allow you to assess how many marks might be available for each part of the question, and can therefore indicate how much time you spend on each part. Exam-style questions contain the following features: command terms, limiting terms, and content terms. Please note, not all questions have limiting terms. In Example A, there is also a case study provided as a stimulus, which has been common in previous VCE Business Management exams.

### Example A



### Command terms

The Victorian Curriculum and Assessment Authority (VCAA) has published a glossary of 'command terms', which are instructional words commonly used across the Victorian curriculum, including in VCE exams. These terms are often referred to as 'task words' and they communicate instructions to students. In the context of VCE exams, command terms instruct students on how to respond to a question. Common examples of command terms used in Business Management include define, describe, explain, analyse, discuss, and evaluate. You can refer to the VCAA website for the most up-to-date information about command terms.

### Limiting terms

Limiting terms are terms that provide further clarification about what you need to do, or how you need to respond to the question. Limiting terms may quantify the instructions by specifying a number of factors that you need to limit your answer to, or they might qualify the instructions by specifying more information.

### Content terms

Content terms are the terms that come from the VCE Business Management Study Design. These are the topics and concepts you will have studied.

**USEFUL TIP**

You can remember the three categories of key terms as 'CLC'

- Command terms
- Limiting terms
- Content terms

You can apply this framework to guide your response to any question in the exam!

## Responding to a question

Once you have dissected the question, it should be clear how you can respond. For Example A above, you can see that the question is worth two marks, and you are required to describe two pricing strategies. This means there will be two elements required for your response: A description of a chosen pricing strategy; and a description of another chosen pricing strategy.

In this Edrolo resource, you will find checklists to guide your response for each exam-style question, such as the checklist for Example A below:

[One pricing strategy that a business could use is the **cost-plus pricing strategy**. The cost-plus pricing strategy involves **determining the selling price for a product by taking the unit costs and adding a percentage markup.**<sup>1</sup> [Another pricing strategy that can be used is the **competition-based pricing strategy**. The competition-based pricing strategy involves **a business setting a selling price for the product that is similar to that of competing products.**<sup>2</sup>]

✓ ✗ I have **identified** and **described** one pricing strategy a business can use to price its product.<sup>1</sup>

✓ ✗ I have **identified** and **described** another pricing strategy a business can use to price its product.<sup>2</sup>

✓ ✗ I have signposted my response by using, 'One pricing strategy' and 'Another pricing strategy'.

↑  
Signposting improves your response to the question.

## An 'IDEaL' approach to case study questions

It is common for questions in VCE Business Management assessment tasks and exams to contain hypothetical case studies to refer to when responding to the question. When faced with a question like Example B, it can be helpful to use the IDEaL approach. This stands for **I**dentify, **D**efine, **E**xample and **L**ink.

### Example B

Samarth has decided to rent a building on the outskirts of Westfield Doncaster shopping centre and is planning to open a restaurant called Samarth's Samosas. He estimates that he will hire two chefs and ten part-time wait staff. Samarth is currently investigating the different legal and government regulations that relate to his business.

Case study

**Identify** and **explain two** types of **legal and government regulations** that may impact Samarth's business planning. (3 MARKS)

Content term

Command term

Limiting terms

The following exemplar response and checklist demonstrate how using an IDEaL framework can ensure you have comprehensively addressed the requirements of the question.



Identify

Define → [One key regulation Samarth should consider is **employment laws and regulations**, which are rules that govern the relationship between employers and employees.<sup>1</sup>] [As Samarth is going to **hire chefs and wait staff**, he must plan to provide his employees with the minimum wages and

Link → **conditions set out in the relevant legislation.**<sup>2</sup>] [Furthermore, another key regulation Samarth must consider is council regulations, which are the local government's rules made to govern businesses operating in a specific geographic area.<sup>3</sup>] [Samarth may need to consider issues such as how ← Example Samarth's Samosas plans on disposing of its waste, and ensure that these methods comply with the rules on waste set out by the council that Westfield Doncaster is within.<sup>4</sup>]

Identify → ✓ ✗ I have **identified** and **defined** a legal and government regulation.<sup>1</sup> ← Define

✓ ✗ I have provided an **example** relevant to the case study and linked it to my chosen legal and government regulation.<sup>2</sup> ← Example

✓ ✗ I have **identified** and **defined** another legal and government regulation.<sup>3</sup>

✓ ✗ I have provided an **example** relevant to the case study and **linked** it to my chosen legal and government regulation.<sup>4</sup> ← Link

✓ ✗ I have signposted my response by using 'One key regulation' and 'another key regulation'.

✓ ✗ I have referred to the business directly by using 'Samarth' and 'Samarth's Samosas'.

✓ ✗ I have used connecting words, such as 'Furthermore'.

**USEFUL TIP**

You can use the approaches described above to respond to any exam-style question in this textbook, in your in-class assessments, and in end-of-unit exams.

Good luck!

# What is a contemporary business case study?

The VCE Business Management study design (VCAA, 2022), for accreditation period 2023–2027, focuses on using contemporary business case studies. This is to allow students to ‘develop an understanding of the complexity of the challenges facing decision-makers in managing businesses and their resources’. These contemporary case studies must be drawn from the past four years. The importance of case studies is evident in each Area of Study (AOS) in Units 1 and 2, as they all specify the key skill ‘analyse case studies and contemporary examples of business management’.

This Edrolo resource aims to provide you with a contemporary business example for as many concepts in the study design as possible. Throughout every chapter in this textbook, you will find many real-world examples and extended real-world examples. Each Area of Study (AOS) review also contains an extended contemporary business case study. These examples provide information about the businesses’ activities and/or factors that have affected the businesses. Well-known businesses such as Woolworths, Instagram, Bunnings, and Apple are featured, alongside smaller local business examples.



Images (left to right): solomon7, rvlsoft, haireena, Emagnetic/Shutterstock.com

The contemporary case studies provided within this textbook are drawn from events occurring between 2020–2022, and could, therefore be considered ‘contemporary’ for the four years following the particular case study date. However, it is always advisable to remain informed and aware of recent news media and events occurring in well-known businesses.

In addition to real-world examples, there are a variety of hypothetical small business case studies, referred to as ‘theory in action’ examples. These examples are provided for business concepts where it is difficult to obtain information about real businesses, but where a hypothetical scenario is valuable to provide context and a deeper understanding of business concepts. Table 1 provides a summary of the three hypothetical small businesses that are referred to multiple times throughout this textbook.

**Table 1** ‘Theory in action’ hypothetical small business case studies used in this textbook

Hypothetical small business	Business owner	Details
		Elanor is an ex-army veteran who retrained as a personal trainer. She owns and operates a small business that provides high-intensity boot camp fitness sessions to customers. Elanor employs former servicemen and women as fitness instructors, hence the business name ‘Veteran Fitness’
		Stanley owns and operates Epicure, a small gourmet supermarket that stocks high quality food such as imported Italian chocolates, and specialty salad dressings from the United States
		Vanessa owns and operates DevTech, a small technology start-up that provides app development services to other businesses.



# 1

## UNIT 1

### Planning a business

Businesses of all sizes are major contributors to the economic and social wellbeing of a nation. The ability of entrepreneurs to establish a business and the fostering of conditions under which new business ideas can emerge are vital for a nation's wellbeing. Taking a business idea and planning how to make it a reality are the cornerstones of economic and social development. In this unit, students explore the factors affecting business ideas and the internal and external environments within which businesses operate, as well as the effect of these on planning a business. They also consider the importance of the business sector to the national economy and social wellbeing.

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# UNIT 1 AOS 1

## Planning a business

In this area of study, students investigate the concept of entrepreneurship. They consider how business ideas are created and how conditions can be fostered for new business ideas to emerge. New business ideas come from a range of sources, such as identifying a gap in the market, technological developments, and changing customer needs. Students explore some of the considerations to be made before a business can be established, as well as the importance of businesses to the national economy and social wellbeing.

### Outcome 1

On completion of this unit, the student should be able to describe a process for creating and developing a business idea, and explain how innovative and entrepreneurial practices can contribute to the national economy and social wellbeing.

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# CHAPTER 1

## The business idea

### LESSONS

- 1A** Entrepreneurship
  - 1B** Personal motivation for starting a business
  - 1C** Characteristics of successful managers and entrepreneurs
  - 1D** Sources of business opportunity
  - 1E** Goal setting
  - 1F** Business concept development
  - 1G** Market research and initial feasibility studies
  - 1H** Businesses' contribution to the wellbeing of a nation
  - 1I** Business innovation and entrepreneurship
- Unit 1 AOS 1 review

### KEY KNOWLEDGE

- the concept of entrepreneurship
- the personal motivation behind starting a business such as the desire for financial and personal independence, to make a profit and to fulfil a market and/or social need
- the characteristics of successful business managers and business entrepreneurs and how these characteristics contribute to business success
- sources of business opportunity such as innovation, recognising and taking advantage of market opportunities, changing customer needs, research and development, technological development and global markets
- the importance of goal setting and decision-making in business
- the importance of business concept development
- the relationship between business opportunities and business concept development
- market research and initial feasibility studies
- the contribution that businesses make to the economic and social wellbeing of a nation
- the methods by which a culture of business innovation and entrepreneurship may be fostered in a nation, such as government investment in research and development, council grants for new businesses, school-based educational programs in entrepreneurship, and the creation of regional business start-up hubs

# 1A Entrepreneurship

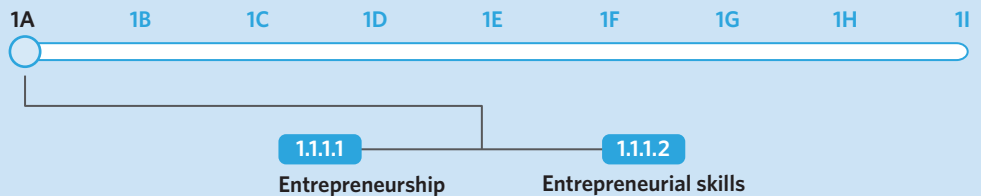
'The people who are crazy enough to think they can change the world are the ones who do' – Steve Jobs

'There is no such thing as failure. Failure is just life trying to move us in another direction.' – Oprah Winfrey



## STUDY DESIGN DOT POINT

- the concept of entrepreneurship



## Lesson introduction

As the process of setting up a business involves many challenges and risks, it takes substantial will and determination to start a business. Individuals who have the desire to transform an idea into an up-and-running business must acknowledge the possibility of failure and be willing to invest their time, money, and career in maximising their chance of success. Therefore, these individuals must have specific skills to set up and run a business successfully.

## Entrepreneurship 1.1.1.1

**Entrepreneurship** is the process of establishing a business to satisfy a need in the market whilst taking on the associated risks. While many individuals in society have business ideas, not all have the desire or ability to take on the financial and social risks of transforming them into a **business venture**. Therefore, entrepreneurship is more than simply having an idea, but rather involves the capabilities of turning an idea into a successful business. Furthermore, creating, launching, and running a business is challenging, time consuming, and expensive. Therefore, an individual must be willing to commit to running the business, as well as taking a variety of financial risks, such as investing their own money to finance a business's activity, or obtaining a **loan** from an external source.

### KEY DEFINITIONS

**Entrepreneurship** is the process of establishing a business to satisfy a need in the market whilst taking on the associated risks.

### ADDITIONAL TERMS

A **business venture** is a new business that is formed which involves risk.

A **loan** involves borrowing a sum of money from another person or institution, and then paying the amount back at a later date with interest attached.

### LESSON LINK

Entrepreneurs will be covered in further detail in **1C Characteristics of successful managers and entrepreneurs**.

### REAL WORLD EXAMPLE



Image: JJava Designs/Shutterstock.com

**Figure 1** Australian entrepreneur Lorna Jane Clarkson is the founder of Lorna Jane, a popular brand of activewear

### Entrepreneurship

Lorna Jane Clarkson is the founder of an athletic apparel retail company known as Lorna Jane. Before the establishment of the first Lorna Jane store, she was a fitness instructor who was bored of the 'unflattering and uninspiring' workout clothing available to women at the time. Risking her financial security and career as a fitness instructor, she started making her own activewear and selling it out of her garage. As of 2021, there are over 134 Lorna Jane stores across Australia.

*Adapted from The Carousel, 'Lorna Jane Clarkson: A Home-Grown Success Story', 2021*

## Entrepreneurial skills 1.1.1.2

An **entrepreneur** is an individual who starts up a business and takes on the associated risks in order to satisfy a need in the market. Entrepreneurs need to develop a specific set of skills when starting up their business. These skills may relate to their ability to take measured risks, lead other employees, develop and conceptualise new products, and make informed business decisions, as well as communicate effectively and create connections with business contacts. Not all entrepreneurs already possess the skills needed to effectively run a successful business, and therefore it may take some time to develop and hone their capabilities. By ensuring they refine such skills, an entrepreneur can maximise the success of their business.

### KEY DEFINITIONS

An **entrepreneur** is an individual who starts up a business and takes on the associated risks in order to satisfy a need in the market.

**Table 1** Entrepreneurial skills

Skill	Description of skill	Importance of the skill
<b>Risk-taking skills</b>	An entrepreneur who is a risk taker is prepared to risk their money, time, and career to run their business despite the possibility of failure.	Through taking calculated risks, an entrepreneur may gain access to more opportunities that can help their business grow and become competitive.
<b>Leadership skills</b>	An entrepreneur who demonstrates good leadership skills will share the business's vision with their employees in order to inspire, support, and persuade them to share this vision.	Providing employees with a clear picture of what the business is hoping to achieve in the future will likely motivate and encourage employees to work towards achieving this vision.
<b>Innovation skills</b>	An entrepreneur who has good innovation skills is able to develop new ideas and processes, as well as find new approaches to problems that may arise.	Innovation can allow a business to distinguish itself from its competitors, or to develop new practices that improve the business's operations.
<b>Communication skills</b>	An entrepreneur who has good communication skills can clearly transfer information to employees and other relevant people, both internal and external to the business. Strong communication is a two-way process requiring an entrepreneur to clearly present their vision, but also listen to, and consider feedback.	Through effective communication, an entrepreneur can provide a clear vision and direction for employees. It also allows the entrepreneur to listen to feedback from employees which may lead to changes that benefit the business and its operations.
<b>Decision-making skills</b>	An entrepreneur who has good decision-making skills is able to select a suitable course of action from a range of plausible options.	The process of starting and running a business will constantly require decisions to be made. Therefore, being able to select the best possible option from a range of alternatives is essential to business success.
<b>Networking skills</b>	An individual who has good networking skills is able to develop business contacts that can provide assistance in the future.	Establishing connections and developing a strong network can allow individuals outside of the business to offer their support and expertise in particular areas, therefore benefiting the business.

### ACTIVITY

#### Entrepreneurial skills

Being an entrepreneur is not for everyone. There are many online quizzes that indicate whether or not you have what it takes to be an entrepreneur. Search up 'Quick quiz: Would you make a good entrepreneur?' - BBC News'. Click on the first link and take the quiz. The quiz questions are designed to estimate whether you have the skills and personal attributes necessary to be a successful entrepreneur, but remember, the results of these types of quizzes are not always accurate. After completing the quiz, answer the following questions:

1. Were you surprised by the result? Why or why not?
2. In your opinion, are there any entrepreneurial skills you think you need to develop?
3. Do you see yourself being an entrepreneur in the future?

### Theory summary

Entrepreneurship involves a variety of risks as there is no guarantee that establishing a business will lead to its success. Therefore, before deciding to establish a business, individuals must determine whether they are willing to put everything on the line to start and grow their business, as well as whether they have the necessary skills required to be an entrepreneur.



# 1A Questions

## Theory review

### Question 1

Entrepreneurship is the concept of: **(Select all that apply)**

- I. transforming an idea into a business venture in order to satisfy a market need.
- II. running an existing business by relying on funding and expertise from others.
- III. utilising a variety of skills to successfully establish and run a business.

### Question 2

It is essential that an entrepreneur has or develops a particular set of skills to maximise the chances of the business being successful.

- A. True
- B. False

### Question 3

Fill in the blank with **one** of the following terms:

- communication
- decision-making

As entrepreneurs need to be able to select a suitable course of action from a range of plausible options, they need to have good \_\_\_\_\_ skills.

### Question 4

Communication skills are important for an entrepreneur as it means that they will be able to:

- A. provide employees with a clear direction so they understand what is required of them, allowing them to perform their role in the business more effectively.
- B. develop new ideas that will help satisfy a need in the market.

### Question 5

Fill in the blank with **one** of the following terms:

- innovation
- networking

An entrepreneur who is able to establish strong connections with individuals outside the business who may be able to offer their support and expertise in the future has the skill of \_\_\_\_\_.

### Question 6

An entrepreneur who has good innovation skills is able to develop new ideas and processes, as well as find new approaches to problems that may arise.

- A. True
- B. False

### Question 7

Fill in the blanks with the following terms:

- leadership
- risk-taking

An entrepreneur who has good \_\_\_\_\_ skills will share the business's vision with their employees in order to inspire, support, and persuade them to share this vision. However, an entrepreneur who has good \_\_\_\_\_ skills is able to gain access to greater business opportunities by taking calculated chances in business.

### Question 8

There are no risks associated with entrepreneurship.

- A. True
- B. False

## Preparing for exams

### Case study skills

#### Question 9

Samantha has recently quit her job working for Bloom Clothing, a business that manufactures and designs clothing for young adults. She has decided that she wants to start her own clothing business but is unsure about what is required of her when running a business.

Identify which of the following statements are **true** or **false** about entrepreneurial skills with reference to Samantha.

	True	False
I. Samantha does not need to develop a strong network of contacts from Bloom Clothing because they have no experience or expertise in the clothing industry and will not be able to help Samantha in the future.	<input type="checkbox"/>	<input type="checkbox"/>
II. Samantha must be willing to take risks to run the clothing business despite the possibility of failure, as this can reveal more opportunities that can help her clothing business grow.	<input type="checkbox"/>	<input type="checkbox"/>
III. Samantha should have good decision-making skills as she will need to be able to select a suitable course of action for the clothing business from a range of plausible options.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Samantha does not need communication skills as she will not need to transfer any information to her future employees about their roles within the clothing business.	<input type="checkbox"/>	<input type="checkbox"/>
V. Samantha should have innovation skills as she needs to be able to develop new ideas and processes, which will distinguish her clothing business from others, such as Bloom Clothing.	<input type="checkbox"/>	<input type="checkbox"/>
VI. Samantha should ensure that she has good leadership skills as she will need to share the clothing business's vision with her employees to motivate them to achieve this vision.	<input type="checkbox"/>	<input type="checkbox"/>

### Exam-style

#### Question 10 (1 MARK)

Define the term 'entrepreneur'.

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#### Question 11 (1 MARK)

Define the term 'entrepreneurship'.

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#### Question 12 (2 MARKS)

Outline the importance of an entrepreneur having good networking skills.

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#### Question 13 (3 MARKS)

Samantha has recently quit her job working for Bloom Clothing, a business that manufactures and designs clothing for young adults. She has decided that she wants to start her own clothing business but is unsure about what is required of her when running a business.

With reference to Samantha, explain the concept of entrepreneurship.

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#### Question 14 (4 MARKS)

Outline the importance of two entrepreneurial skills when starting a business.

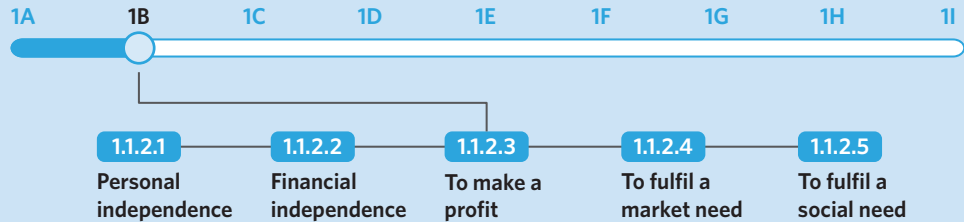
# 1B Personal motivation for starting a business

Starting a business is often described as taking a leap of faith. Throwing yourself into a world of unknowns to try and turn your dreams into an up-and-running business can be daunting. So if it's so doom and gloom, why do so many people want to start their own business?



## STUDY DESIGN DOT POINT

- the personal motivation behind starting a business such as the desire for financial and personal independence, to make a profit and to fulfil a market and/or social need



## Lesson introduction

All successful businesses will sell **goods** or **services** that customers want. For a business to be a successful **start-up**, it is essential for a business owner to have a strong motivation behind creating their business. While the pursuit of profit and financial independence are often important motivators behind many businesses, there are also a number of other reasons an individual may be driven to establish a business. Business owners may be motivated by the desire for personal independence, or the drive to fulfil a social or market need when starting their business.

## Personal independence 1.1.2.1

**Personal independence** involves a person being in control of their own decisions and actions. Many individuals start a business as they have the desire to have full control over their job and be their own boss. Working under an employer involves following instructions and helping someone else achieve their objectives and, as a result, some individuals feel constrained when employed under these conditions for a long period of time. These individuals may want to seek personal independence and be in charge of making decisions in relation to their business. Additionally, starting a business can allow the owner to have greater flexibility in their hours and working conditions as they can dictate these themselves. For example, the owner may decide to work from home for a particular period of time, rather than physically coming to work. This enables them to better adapt their work to their personal needs and lifestyle.

### KEY DEFINITIONS

**Personal independence** involves a person being in control of their own decisions and actions.

### ADDITIONAL TERMS

**Goods** are physical items that satisfy an individual's wants or needs, such as clothing.

**Services** are actions that are performed for customers to fulfil their wants or needs, such as a doctor's appointment.

A **start-up** is a business that is in the early stages of its establishment.

### THEORY IN ACTION

#### Personal independence

Stanley has spent the last seven years as a senior manager of a supermarket. Over time, Stanley has started to burn out, as constantly responding to his employers' instructions has taken its toll. With a passion for gourmet food, Stanley was driven to start working on opening his own gourmet supermarket, Epicure. This has allowed Stanley to be in charge of the direction of the business.



**Figure 1** Stanley is the owner of Epicure and has achieved personal independence through his business

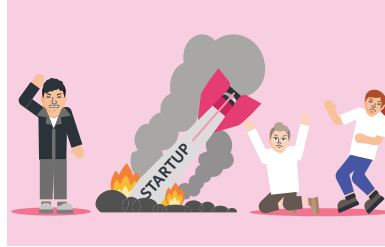
## Financial independence 1.1.2.2

**Financial independence** is the ability to fund a desired lifestyle without relying on income from another individual. One of the main reasons why individuals decide to own their own business is because it allows them to no longer rely on an employer for their income. The revenue and eventual profits that a business owner earns are directly related to the success of their actions when running their business. A successful business has the potential to increase the owner's wealth and may allow them to retire at a young age.

### WANT TO KNOW MORE?

While the desire for financial independence is a strong motivator behind many start-ups, individuals often establish a business without taking into consideration the financial risks of doing so. It is estimated that approximately one in three start-ups in Australia fail within the first year of operation, two in four after three years of operation, and three in four after five years of operation.

*Adapted from Review42, 'What Percentage of Startups fail [30+ Stats for 2022]', 2022*



**Figure 2** There is a high risk of failure when starting a new business

### KEY DEFINITIONS

**Financial independence** is the ability to fund a desired lifestyle without relying on income from another individual.

**Making a profit** involves a business generating more revenue than expenses it incurred.

**Fulfilling a market need** is when a business fills a gap in the market by addressing customer needs that are currently unmet or underrepresented by competitors in the same industry.

### ADDITIONAL TERMS

**Revenue** is the amount of money a business makes from selling its goods or services.

**Expenses** are the costs incurred when operating a business.

A **product** is a good or service that satisfies consumer wants and needs.

## To make a profit 1.1.2.3

**Making a profit** involves a business generating more **revenue** than **expenses** it incurred. Individuals working for an employer often feel that, as an employee, their earning potential is limited. Like the desire for financial independence, individuals can be driven to start their own businesses to earn more money. The belief that the business will eventually make a large profit may be strong enough to encourage a new business owner to persist as a business usually incurs a loss in the early stages of its establishment.

### ACTIVITY

#### To make a profit

While many individuals establish a business with the desire to make a profit, doing so is not as simple as it seems. In fact, some of the most well-known brands did not earn a profit until they were operating for a few years. In groups, research the following businesses and answer the corresponding questions:

#### Businesses:

- Amazon
- Netflix
- Google
- Tesla

#### Questions:

1. When was the business established?
2. When was the business's first profitable year?
3. Do these results surprise you? Why or why not?
4. Why do you think businesses struggle to make a profit as a start-up?

## To fulfil a market need 1.1.2.4

**Fulfilling a market need** is when a business fills a gap in the market by addressing customer needs that are currently unmet or underrepresented by competitors in the same industry. When starting a business, individuals may be motivated to satisfy customer needs that are currently unmet or underserved by other businesses. Creating a **product** that satisfies underrepresented needs is referred to as filling a gap in the market. Businesses can fulfil a market need by providing a good or service that better satisfies existing customer demand, or by creating a new product that meets customer wants and needs.

REAL WORLD EXAMPLE



Image: ymphotos/Shutterstock.com

**Figure 3** Zoom was founded in 2011 by Eric Yuan to fulfil a market need

**To fulfill a market need**

Zoom is a video communication software program founded by Eric Yuan that allows users to meet with one another online. While Zoom became highly popular in 2020 due to the COVID-19 pandemic, Eric Yuan created the app in 2011 to fulfil his own personal needs. During his first year of college, Yuan frequently took ten-hour train rides to see his girlfriend. This inspired him to establish a platform, Zoom, that would make it easier to talk to his girlfriend and allow other families and friends to connect with their loved ones virtually. However, Yuan also created zoom with the foresight of becoming a business communication service, allowing businesses to conduct online meetings. Therefore, individuals would be able to join a business meeting from across the globe, filling a gap in the video conferencing market.

*Adapted from Caltech, 'How Zoom Supported the New Virtual Society and Then Adapted to the World It Created', 2022*

**To fulfil a social need 1.1.2.5**

**Fulfilling a social need** is improving society and the environment through business activities. Many business owners are motivated to establish a business that fulfils a social need and positively impacts society through contributions and improvements to the local or wider community. Examples of common societal issues that a business can address include preserving the environment, aiding disadvantaged individuals, and preventing homelessness. A business that exists to address a social need is called a **social enterprise**.

KEY DEFINITIONS

**Fulfilling a social need** is improving society and the environment through business activities.

ADDITIONAL TERMS

A **social enterprise** is a type of business that aims to fulfil a community or environmental need by selling goods or services.

LESSON LINK

Social enterprises will be covered in further detail in **2B Types of businesses**.

THEORY IN ACTION

**To fulfil a social need**

Elanor is an ex-army veteran who has recently completed a personal training course. She plans to use her qualification to set up a gym facility called Veteran Fitness. The fitness sessions at the gym will be run by other retired servicemen and women who Elanor plans to employ. As Elanor understands how difficult it is for retired servicemen and women to find employment, she is fulfilling a social need by helping them transition to new careers as personal trainers.



**Figure 4** Elanor is the owner of Veteran Fitness, a gym facility dedicated to helping retired servicemen and women find employment

**Theory summary**

There are many different motivations behind starting a business, including:

- personal independence, which is the desire to have full control over one's own decisions and actions.
- financial independence, which is the desire to have full control over one's income.
- to make a profit, which occurs when revenue earned outweighs expenses incurred.
- to fulfil a market need, which is the desire to fill a gap in the market where there is a demand for products but little to no supply.
- to fulfil a social need, which is the desire to address a social issue in the local or wider community.

# 1B Questions

## Theory review

### Question 1

The personal motivation to start a business is the same for all new business owners.

- A. True
- B. False

---

### Question 2

By achieving personal independence, the business owner becomes responsible for decision-making at the business.

- A. True
- B. False

---

### Question 3

Fill in the blanks with the following terms:

- personal independence
- financial independence

The desire to be in control of one's income is \_\_\_\_\_, whereas the desire to be in control of one's decisions and actions is \_\_\_\_\_.

---

### Question 4

A business owner may operate their business to fulfil a social need by:

- A. focusing on improving the welfare of one or more aspects of society.
- B. aiming to meet a currently unmet demand of society.

### Question 5

Fill in the blank with **one** of the following terms:

- to make a profit
- to fulfil a market need

An individual who wants to start a business to increase the amount of money they earn over a period of time is personally motivated \_\_\_\_\_.

---

### Question 6

Addressing a previously unmet area of demand is an example of:

- A. fulfilling a social need.
- B. fulfilling a market need.

---

### Question 7

The personal motivation for starting a business is important for any start-up.

- A. True
- B. False

## Preparing for exams

### Case study skills

### Question 8

James has decided to start a business that will plant one tree in areas affected by deforestation each time a pair of jeans is sold.

Identify which of the following is a correct statement about James' personal motivation behind starting his business.

- A. Through his jeans business, James is fulfilling a market need by meeting customers' demands to preserve the environment.
- B. James initially started his jeans business to make a profit as he felt his earning ability was limited in his previous job.
- C. By addressing the issue of deforestation through his business, James is motivated by fulfilling a social need.

**Question 9**

Nadine has recently finished a university degree studying business and media. After deciding that she would prefer to be her own boss following recent work experience, Nadine has chosen to start her own media business. Part of her decision was also driven by the desire to earn significantly more than other workers her age.

Identify which of the following statements are **true** or **false** about the personal motivation behind Nadine starting her own media business.

	<b>True</b>	<b>False</b>
I. Nadine is starting a media business so that she can have the personal independence of being her own boss.	<input type="checkbox"/>	<input type="checkbox"/>
II. Nadine is starting a media business to fulfil the market need of a lack of media outlets.	<input type="checkbox"/>	<input type="checkbox"/>
III. Nadine is starting a media business to make a profit that earns her more than others her age.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Nadine is starting a media business to address the social need of the lack of affordable access to media.	<input type="checkbox"/>	<input type="checkbox"/>

**Exam-style****Question 10** (1 MARK)

Define the term 'financial independence'.

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**Question 11** (2 MARKS)

Describe personal independence as a motivation behind starting a business.

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**Question 12** (2 MARKS)

Explain how fulfilling a market need may be a motivation behind starting a business.

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**Question 13** (2 MARKS)

Explain how fulfilling a social need may be a motivation behind starting a business.

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**Question 14** (2 MARKS)

James has decided to start a business that will plant one tree in areas affected by deforestation each time a pair of jeans is sold.

Identify and explain the personal motivation behind James' decision to start a clothing business.

---

**Question 15** (4 MARKS)

Nadine has recently finished a university degree studying business and media. Deciding that she would prefer to be her own boss after recent work experience, Nadine has decided to start her own media business. Part of her decision was also driven by the desire to earn significantly more than other workers her age.

Identify and explain the two personal motivations behind Nadine's decision to start her media business.

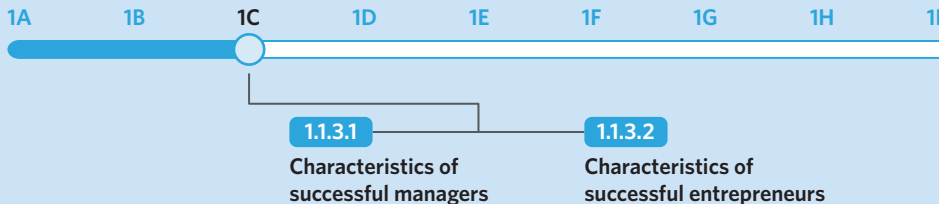
**Testing previous knowledge****Question 16** (2 MARKS)

Outline two reasons why an individual may have the desire to become an entrepreneur.

# 1C Characteristics of successful managers and entrepreneurs

## STUDY DESIGN DOT POINT

- the characteristics of successful business managers and business entrepreneurs and how these characteristics contribute to business success



In order for a builder to construct a house, they must be equipped with all the necessary tools. Without these, their job cannot be successfully completed. Similarly, managers and entrepreneurs require certain tools, or skills, to ensure their business is able to operate successfully. So what are some of the characteristics that these individuals must possess?



## Lesson introduction

Starting and managing a business requires commitment and sacrifice. Establishing and operating a business is likely to be a time-consuming, expensive, and mentally draining process for an individual. In order to succeed, an entrepreneur must possess or develop various different characteristics, such as being innovative, resourceful, and willing to take risks. Similarly, managers must be equipped with characteristics, such as flexibility, determination, and communication skills in order to succeed when faced with challenges that may arise.

## Characteristics of successful managers 1.1.3.1

A **manager** is an individual who has the responsibility of overseeing and handling employees whilst also running the day-to-day business tasks to achieve objectives. Many successful businesses are run by an appointed manager rather than their original founders. While managers are not always responsible for creating and establishing a business, they are critical to a business's success as they oversee and coordinate all business activities. In order to operate a successful business, managers need to develop a range of characteristics.

### KEY DEFINITIONS

A **manager** is an individual who has the responsibility of overseeing and handling employees whilst also running the day-to-day business tasks to achieve objectives.

**Table 1** The characteristics of successful managers

Characteristic	Description	Contribution to business success
<b>Communication skills</b>	A successful manager can clearly transfer information to employees and other relevant people, both internal and external to the business. Strong communication is a two-way process requiring a manager to listen to feedback.	Effective communication provides a clear direction for employees. It also allows the manager to listen to feedback from employees and provide support where needed so that employees can perform their roles better. A manager that listens to feedback will also make employees feel more valued, improving manager-employee relationships.
<b>Determination</b>	Determined managers are hardworking and focused on achieving specific goals.	A determined manager will be driven to put in the significant amount of work required to develop a new business, and effectively plan a business's direction or day-to-day activities.
<b>Knowledge</b>	A knowledgeable manager understands the environment they operate in and how to perform the relevant business tasks.	Being knowledgeable will enable a manager to choose a course of action that is in the business's best interest when change needs to occur.

Continues ►



Table 1 Continued

Characteristic	Description	Contribution to business success
<b>Strong ethics</b>	Being ethical involves possessing strong moral values and acting in accordance with these values by engaging in morally-conscious behaviour.	An ethical manager will ensure that all employees, customers, suppliers, and the environment are treated well. The ethics of a business is also becoming a growing concern and consideration of potential customers. Therefore, by operating ethically, a business may be able to attract more customers to purchase its products.
<b>Flexibility</b>	A flexible manager will be able to adapt to situations with ease.	A flexible manager will be able to adapt and change the business's strategy when required, in order to achieve the best outcomes for a business. As society rapidly changes and customer demands continue to evolve, being able to quickly adapt plans is essential for a business's survival.

## REAL WORLD EXAMPLE



Image: <https://wesfarmers.com.au/who-we-are/leadership-team/profile/rob-scott>

**Figure 1** Wesfarmers Managing Director and Chief Executive Officer, Rob Scott, possesses several characteristics which have enabled him to maintain the company's success in recent years

## Characteristics of successful managers

Rob Scott has been the Managing Director and Chief Executive Officer of Wesfarmers since 2017, having held various other management roles within the company since 2004. Wesfarmers, which owns Bunnings, Officeworks, and Kmart, is one of Australia's largest companies and one of the largest employers in Australia. Mr Scott holds a Master of Applied Finance and a Bachelor of Commerce degree. He has a Graduate Diploma in Applied Finance and Investments, is a qualified Chartered Accountant, and has completed the Advanced Management Program at Harvard Business School. These qualifications, and his many years of experience within the company, render him highly knowledgeable and experienced. Another valuable management characteristic that Mr Scott possesses is determination. This is evident both from his success in management and also his success as a dual Olympian, having won a silver medal in rowing at the 1996 Atlanta Olympics and competed in the 1992 Barcelona games. Mr Scott demonstrated the management characteristic of flexibility in early 2022 when he, along with some of the Wesfarmers executive management team members, temporarily relocated to Melbourne from Perth when Western Australia's border closures were a barrier to managing the company. Mr Scott regularly demonstrates his effective communication skills when speaking with the media about Wesfarmers.

*Adapted from Wesfarmers, 'Leadership Team', n.d. and AFR, 'It's now impossible to run Wesfarmers from Perth: Rob Scott', 2022*

## ACTIVITY

## Successful managers

Read the following scenarios:

- Ocean and Outdoors is a chain of 30 retail stores across Victoria that sell adventure gear, such as hiking boots, wetsuits, and snorkels. Across the 30 stores, there are 650 employees that are all managed by a single manager, Michael.
- High Flyer is an airline that specialises in selling flights between Australia and Asia. In 2020, overseas travel stopped with many employees no longer having any work to do at the business. The planes of the business also had to be placed in large storage areas during this time.
- Sally's Supermarket, located in Camberwell, caters for people with allergies and sells a wide variety of products for people with dairy, gluten, nut, and egg intolerances. Sally is the manager of the supermarket and teaches her team about allergies to ensure they are aware of all allergens in any of their products and do not cross-contaminate any of their groceries.

In small groups, discuss the following questions:

1. For each manager, choose two skills that would be important to operate the business successfully: determination, strong communication, flexibility, knowledge, or strong ethics?
2. Why did you select these two skills given the scenario?
3. Can you think of other skills that would be important for managers of all businesses to possess?

## Characteristics of successful entrepreneurs 1.1.3.2

An **entrepreneur** is an individual who starts up a business and takes on the risks associated in order to satisfy a need in the market. A successful entrepreneur is an individual who is capable of establishing a business that is not only profitable, but also capable of achieving its goals. To become a successful entrepreneur, an individual requires a range of skills and qualities.

**Table 2** The characteristics of successful entrepreneurs

Characteristic	Description	Contribution to business success
<b>Willingness to take calculated risks</b>	An entrepreneur needs to be able to consider and choose when to take appropriate risks, even when the outcome may be failure.	Through taking calculated risks, an entrepreneur may gain access to more opportunities that can help their business grow and become competitive.
<b>Strong networking ability</b>	Being a good networker involves being sociable and helpful so that you can develop business contacts and support networks.	Developing a strong network can allow for individuals outside of the business to offer their support and expertise, which can benefit a developing business.
<b>Determination</b>	Determined individuals are those who are hard working and focused on achieving specific goals.	A determined entrepreneur will respond positively to the stresses faced in developing a new business as they will persevere, helping the business to move forward.
<b>Innovative qualities</b>	Being innovative involves being able to develop new ideas and processes, as well as find new approaches to problems that may arise.	Innovation can allow a business to distinguish itself from its competitors or to develop new practices that improve the business's operations.
<b>Resourcefulness</b>	Being resourceful is the ability to overcome problems using what is currently available.	A resourceful entrepreneur can help their business minimise its costs and be as profitable as possible, especially in the developing stages.
<b>Knowledge</b>	A knowledgeable entrepreneur understands the environment they operate in and how to perform necessary business tasks.	A knowledgeable entrepreneur will be able to adopt the best strategies and business practices when starting a business to improve its chances for success.

### KEY DEFINITIONS

An **entrepreneur** is an individual who starts up a business and takes on the risks associated in order to satisfy a need in the market.

### LESSON LINK

Entrepreneurship was introduced in **1A Entrepreneurship**. Innovation will be covered in further detail in **1D Sources of business opportunity**. Goals will be covered in further detail in **1E Goal setting**.

### REAL WORLD EXAMPLE

#### Characteristics of successful entrepreneurs

Janine Allis is the founder of juice bar, Boost Juice, and is one of Australia's most successful entrepreneurs. Janine took a calculated risk when starting Boost Juice, bringing the juice bar concept that she had witnessed in the United States to Australia in 1999. She entered the fast food market with an innovative focus on 'happy, healthy living, and delicious products'. Janine was determined, working close to 100-hour weeks to achieve her goal despite no money coming in for the first three years of her business venture. Her business now has a number of brands under the banner of Retail Zoo, which includes Boost Juice, Bettys Burgers, Cibo and Salsas. She has over 600 stores in 13 different countries.

*Adapted from Boost Juice, 'About Us', n.d.*



**Figure 2** Janine Allis is the founder of Boost Juice and a successful Australian entrepreneur

**ACTIVITY****Successful entrepreneurs**

A list of characteristics of a successful entrepreneur:

- innovative
- takes risks
- resilient
- has knowledge about the industry in which they are starting a business
- resourceful
- strong social skills and capacity to network
- willing to take responsibility.

Discuss the following questions with the class with regards to the list of characteristics:

1. Which of these skills do you think you already possess?
2. Which of these skills do you think you would be able to develop further?
3. How might you be able to develop one of these skills?
4. Search 'A Brief History of Facebook, Its Major Milestones' on Google and click the link to read an article by Interesting Engineering. What kind of skills did Mark Zuckerberg possess during the establishment of his widely successful 'Facebook'?

**Theory summary**

Being an entrepreneur or a manager is a position that requires a substantial amount of effort and ability from an individual. In order to ensure the business achieves success, there is a range of characteristics that both entrepreneurs and managers should possess.

- A successful manager should have effective communication skills, be determined, knowledgeable, ethical, and flexible.
- A successful entrepreneur should be able to take calculated risks, network well, innovate, show determination, possess relevant knowledge, and be resourceful.

# 1C Questions

**Theory review****Question 1**

Being a successful entrepreneur or manager requires a specific set of skills and qualities.

- A. True
- B. False

**Question 2**

Fill in the blank with **one** of the following terms:

- determined
- ethical

If a manager is \_\_\_\_\_ when making business decisions, the business can become more successful as customers are likely to be attracted to moral businesses, and employees are likely to be more satisfied by their job as they are treated with respect.

**Question 3**

Identify which of the following correctly describes how communication may help a manager achieve business success. **(Select all that apply)**

- I. Employees will understand what is required of them, allowing them to perform their role in the business better.
- II. The manager will be able to form better relationships with employees, allowing for greater employee satisfaction at work, thus motivating employees to work hard.
- III. A manager will be willing to work extra hours, contributing to the achievement of the business's goals.
- IV. A manager will be able to listen to the constructive feedback of employees and implement the ideas suggested by employees that they may not have thought of.

**Question 4**

A manager that is able to adapt to changes easily has the skill of:

- A. resourcefulness.
- B. flexibility.
- C. innovation.

**Question 5**

A manager may prevent long-term business success if they are not ethical.

- A. True
- B. False

**Question 6**

Being knowledgeable is a characteristic of both successful entrepreneurs and managers.

- A. True
- B. False

**Question 7**

In order to be a successful entrepreneur, an individual should be:

- A. determined, resourceful, and willing to take calculated risks.
- B. innovative, indecisive, and persistent.

**Question 8**

A strong networking ability is an important characteristic for an entrepreneur to possess as it helps:

- A. contribute to business success as the entrepreneur is able to gain support and advice from individuals outside the business, receiving their expertise which can assist in developing and growing the business.
- B. contribute to business success as an entrepreneur can use networking to seek new job opportunities in case their business is unsuccessful.

**Question 9**

Determination is a characteristic of both successful managers and entrepreneurs as hard-working individuals who are focused on achieving their goals are likely to devote significant time to their business and persevere even when challenges in the business arise.

- A. True
- B. False

## Preparing for exams

### Case study skills

**Question 10**

Luke has developed his own range of beverages. He is considering starting his own business but isn't sure if he has what it takes to be successful. Luke is also concerned that there are already many established beverage products available.

Identify which of the following statements are **true** or **false** about the characteristics Luke must possess to successfully start his own beverage business.

	True	False
I. Luke must be willing to take risks, such as investing his own money, in order to turn his beverage idea into a business. By taking risks, he may be able to gain more opportunities and grow his business, allowing him to achieve success.	<input type="checkbox"/>	<input type="checkbox"/>
II. Luke does not need to possess any knowledge about the beverage industry before creating his business as he can learn about the industry once the business is established and he has become the manager, since only managers must be knowledgeable.	<input type="checkbox"/>	<input type="checkbox"/>
III. Luke must be realistic and recognise that there are already other beverage businesses, therefore his business will fail even if he has a unique idea as the market is too saturated.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Luke must ensure his beverages are innovative, or different from other drinks on the market, in order to attract customers to his business once it's established.	<input type="checkbox"/>	<input type="checkbox"/>

**Question 11**

Hamish has been an employee at A.S. Motors, a car manufacturer, for 10 years and was recently appointed as the manager. Due to the increase in demand for electric cars, A.S. Motors has recently experienced poor performance. As a result of this, Hamish was appointed as the manager of A.S. Motors in order to help turn the company around.

Identify which of the following are characteristics that Hamish must possess as the manager of A.S. Motors.

**(Select all that apply)**

- I. Hamish must be flexible and change the business's strategy to selling fewer petrol cars and more electric vehicles as customer demands have shifted.
- II. Hamish must be consistent, keeping the business how it is as change will likely rattle employees, and car businesses only succeed if they stick to what they know.
- III. Hamish must be determined and continue to persevere even if poor performance persists for the next few months at A.S. Motors as changes are gradually introduced.
- IV. Hamish must demonstrate strong communication skills by thoroughly explaining to employees any changes he introduces if he does decide to reduce the number of petrol cars sold by A.S. Motors.

**Exam-style****Question 12** (1 MARK)

Define the term 'entrepreneur'.

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**Question 13** (1 MARK)

Define the term 'manager'.

---

**Question 14** (2 MARKS)

Outline how an entrepreneur who is resourceful can contribute to business success.

---

**Question 15** (4 MARKS)

Outline how two characteristics of a successful manager can contribute to business success.

---

**Question 16** (4 MARKS)

Luke has developed his own range of beverages. He is considering starting his own business but isn't sure if he has what it takes to be successful. Luke is also concerned that there are already many established beverage products available.

Explain two characteristics that Luke will need to be a successful entrepreneur.

---

**Question 17** (6 MARKS)

Hamish has been an employee at A.S. Motors, a car manufacturer, for 10 years and was recently appointed as the manager. Due to the increase in demand for electric cars, A.S. Motors has recently experienced poor performance. As a result of this, Hamish was appointed as the manager of A.S. Motors in order to help turn the company around.

Describe two characteristics that Hamish will need to be a successful manager and explain how each of these characteristics contributes to business success.

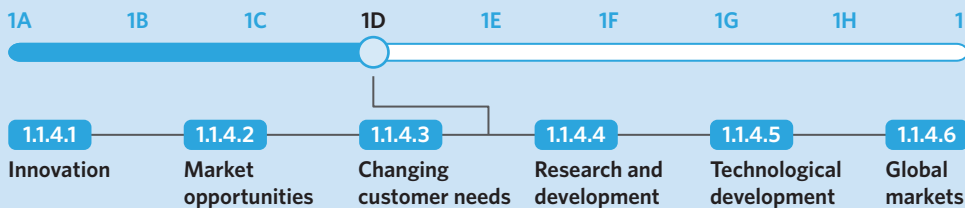
**Testing previous knowledge****Question 18** (3 MARKS)

Describe entrepreneurship and outline one characteristic of a successful entrepreneur.

# 1D Sources of business opportunity

## STUDY DESIGN DOT POINT

- sources of business opportunity such as innovation, recognising and taking advantage of market opportunities, changing customer needs, research and development, technological development and global markets



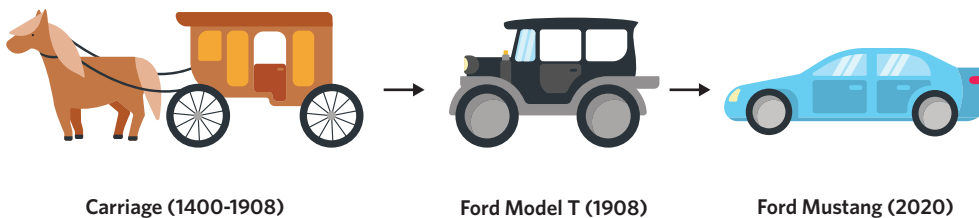
Nokia was once the most successful mobile phone company, but after failing to modernise its phone design, the company endured a rapid loss of market share, culminating in its acquisition by Microsoft in 2013. The company's decline is now considered a cautionary tale for other successful businesses – failure is almost inevitable if a business ignores opportunities for improvement.



## Lesson introduction

Business owners are constantly looking for opportunities to capture more sales in order to increase the overall profit of the business. These opportunities could be new ideas for products, new customers, or taking advantage of global trade. If a business owner is able to recognise and take advantage of these opportunities, they may be able to expand their business's operations and achieve greater success. Business opportunities may arise from innovation, market opportunities, changing customer needs, research and development, technological developments, and global markets. Business owners can capitalize on one or more of these opportunities in their efforts to achieve business success.

## Innovation 1.1.4.1



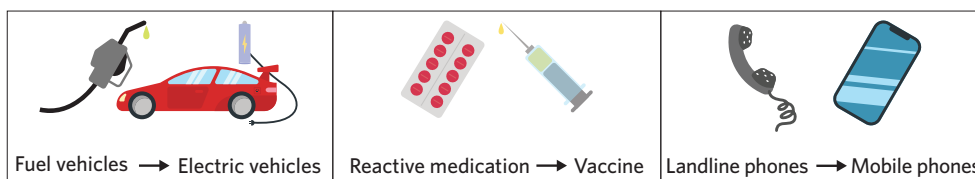
Carriage (1400-1908)

Ford Model T (1908)

Ford Mustang (2020)

**Figure 1** Ford Motor Company has made many major improvements to passenger vehicles since the early 1900's through innovation

**Innovation** involves creating and implementing new ideas or significantly improving upon an existing good, service, or way of doing something. One key characteristic of all innovations is that they provide new solutions to existing problems. Innovation can either involve modifying existing products, or establishing an entirely new idea. Creating or improving products through innovation is a source of **business opportunity** as it attracts customers that are looking to purchase specific goods or services. Innovation requires researching and developing products that add value to customers' lives. By creating unique, innovative products that are better than the products offered by competitors, a business can improve its sales and growth as customers will be more inclined to buy an improved product.



**Figure 2** Examples of innovations from modifying existing products

## KEY DEFINITIONS

**Innovation** involves creating and implementing new ideas or significantly improving upon an existing good, service, or way of doing something.

## ADDITIONAL TERMS

A **business opportunity** is a favourable situation that can lead to improvements or success for a business.

**Bitcoin** is a type of digital currency that is not controlled by a bank or administrator with transactions recorded on a public distributed ledger called a blockchain.

**Internet of things** is the interconnection of everyday objects over the internet, allowing these objects to send and receive data. For example, a light switch can be turned on and off through the internet as a result of this innovation.

**LESSON LINK**

Innovation was introduced in **1C Characteristics of successful managers and entrepreneurs.**



World Wide Web (Internet)



Bitcoin



Internet of Things

**Figure 3** Examples of innovation leading to new ideas

**REAL WORLD EXAMPLE**



Image: MJConline/Shutterstock.com

**Figure 4** AfterPay is an innovative 'buy now, pay later' service available at many Australian retailers which has transformed the shopping experience for customers

**Innovation**

AfterPay is an innovative Australian startup, founded in 2014, that enables customers to purchase goods or services and pay them off in small fortnightly repayments. Over 10,000 stores across Australia and New Zealand allow the use of AfterPay including Kmart, Big W, and Officeworks. These repayments are interest-free and are withdrawn automatically from a customer's bank account. AfterPay was one of the first businesses worldwide to offer a 'buy now, pay later' service to retail customers without charging interest fees or extended debts. Thus, AfterPay can be considered an innovative service, and this new method of purchasing products has become increasingly popular.

*Adapted from AfterPay, 'Our Story', 2022*

**KEY DEFINITIONS**

A **market opportunity** is a need or want that is not currently being met by any business.

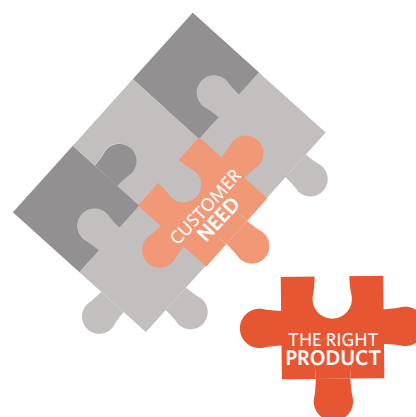
**ADDITIONAL TERMS**

The **business environment** is made up of surrounding factors that influence how a business operates.

**Demographics** are statistical information about the characteristics of a population, such as age, ethnicity, gender, and income.

**Market opportunities 1.1.4.2**

A **market opportunity** is a need or want that is not currently being met by any business. Market opportunities may be created when there are changes in the **business environment** that cause a gap in the market. Gaps can exist when currently available products do not completely satisfy customer expectations or if customer demands are not being met at all. Therefore, if a business can launch a new product or adapt an existing one to meet customer demands before its competitors, the business can fill this gap in the market, meet customer needs, and thus, increase its sales. Business owners should be constantly monitoring the market to identify market opportunities available to them. Market opportunities act as a source of business opportunity as addressing a gap in the market can attract new customers away from competitors.



**Figure 5** A business can fill a gap in the market by selling a product that meets customer demands

**Table 1** Factors that can create market opportunities

Market opportunity	Gap in the market	Explanation
Changing demographics		The luxury fashion market in Australia has grown rapidly due to increases in the level of income of the population.
Changing societal attitudes and norms		Changes to the way people spend have reduced the use of cash in shops and increased card-based payments.
Changing laws and regulations		Australia is no longer allowing animal testing to be conducted for cosmetics. The production of cruelty-free cosmetics and ingredients will increase as a result.
Advancements in technology		Advancements in voice recognition technology have allowed for the creation of smart home and personal assistant devices.

**REAL WORLD EXAMPLE**

**Market opportunities**

The growth of AfterPay as a ‘buy now, pay later’ service is largely due to changes in societal attitudes towards credit cards. Younger generations are much less likely to own a credit card compared to their parents and grandparents. Beforepay, an Australian app helping customers track their finances and budget their spending, released data showing that of its 200,000 users under the age of 35, only 6.9% have a credit card. Data also showed that the number of people using credit cards fell further during the pandemic, with data from March 2021 showing a 7.25% fall in the number of active credit cards since the COVID-19 pandemic began. These trends of decreasing credit card use are largely due to individuals seeking to avoid the interest rates and fees charged by credit card providers. AfterPay is taking advantage of this change in societal attitudes by automatically organising customer repayments and never charging interest if payments are made on time, preventing customers from incurring large fees or extended debts when purchasing items.

*Adapted from AfterPay, ‘Our Story’, n.d. and Savings.com.au, ‘Fewer than 7% of millennials now use credit cards’, 2021*



Image: Josep Suria/Shutterstock.com

**Figure 6** The number of people using credit cards is decreasing, providing a market opportunity for Afterpay due to these changing societal attitudes

**Changing customer needs 1.1.4.3**









**Changing customer needs** are the transitions in the desires of consumers. For a business to operate successfully, it must sell goods or services that continually meet society’s changing needs. Customers’ expectations of businesses are constantly changing.

If a business can predict what customers will want in the near future, it can modify or create goods and services before competitors do. To meet changes in customer needs, business owners should constantly monitor purchasing trends, as well as any customer comments or complaints. These trends and reviews can indicate opportunities for a business to sell new or modified products to better satisfy customers. Therefore, changing customer needs act as a business opportunity as a business can continuously make sales and attracts new customers.

**KEY DEFINITIONS**

**Changing customer needs** are the transitions in the desires of consumers.

**Table 2** The effect of changing customer needs on goods and services

Customer need	Changes in products over time	
Convenience	Bricks-and-mortar shops with set opening hours. 	→ Online stores that are available to access at any time. 
Technology	Traditional wristwatch. 	→ Smartwatch with smartphone applications, such as messages, and internet connectivity. 
Trends	Restaurants with few options that do not cater to dietary restrictions. 	→ Restaurants that offer a range of dietary options as consumers’ diets change. 
Ethical behaviour	Plastic and non-biodegradable packaging that may harm the environment. 	→ Environmentally-friendly packaging that can be recycled in some way. 



## REAL WORLD EXAMPLE

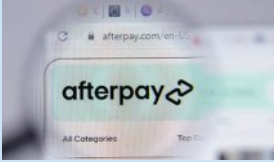


Image: Postmodern Studio/  
Shutterstock.com

**Figure 7** AfterPay is a quick and efficient payment method, catering to customers' desires for a fast purchasing experience

### Changing customer needs

In the age of rapid technological growth, customers are more likely to prefer services that are free, efficient, and easy to set up. AfterPay has addressed these demands by making its payment method easy to use. An AfterPay account can be created and used immediately, unlike application processes for a credit card. Furthermore, AfterPay does not charge any fees for creating an account or making purchases. The business makes its income from merchants, rather than from customers, allowing for customers to be charged no additional fees when making payments, as long as all payments are made on time. By ensuring that its 'buy now, pay later' service can be easily accessed, AfterPay has been able to compete with traditional payment methods, such as credit cards.

*Adapted from AfterPay, 'How it works', n.d.*

### ACTIVITY

#### Changing customer demands

**Scenario 1:** Over the past decade, younger generations have increasingly been trying to change certain lifestyle habits in aims to ensure environmental preservation. This has resulted in many teenagers turning away from fast fashion. However, young adults often find sustainable stores to be too expensive considering their low budgets, while second-hand stores often fail to carry all clothing sizes, making it difficult to buy all clothing items from these stores.

**Scenario 2:** As obesity rates continue to rise in Australia, there are an increasing number of people wanting to work out in an effort to lose weight and stay healthy. Many middle-aged women who are trying to begin working out are having trouble finding the appropriate attire, finding that current women's activewear is often very revealing.

**Scenario 3:** 40% of Australian households own at least one dog, however, recent surveys find that a majority of owners are finding it difficult to walk their dog every day due to work commitments. When asked if they would consider hiring a dog walker, most dog owners reported that dog walkers are too expensive and that they would not hire one.

Discuss the following questions with your classmates:

1. How have customer demands changed over time?
2. What is an idea for a good or service that a business could introduce to address changing customer demands?

### KEY DEFINITIONS

**Research and development** involves directing resources, such as money, towards discovering, creating, and introducing new products and processes.

## Research and development 1.1.4.4

**Research and development** involves directing resources, such as money, towards discovering, creating, and introducing new products and processes. Research and development is commonly completed by businesses to investigate, create, and then test new product ideas. If a product idea is determined to be attractive to potential customers, businesses may begin to sell the product to the public. A business may also complete research and development to improve existing products. Conducting research and development acts as a source of business opportunity as new or improved products and processes can more accurately meet customer needs. By meeting customer needs, a business can increase its sales and gain a competitive advantage, receiving a return on investment on the funds it devotes to research and development.



**Figure 8** The steps of the research and development process

## REAL WORLD EXAMPLE

## Research and development

Apple Inc. is a multinational technology company, established in the United States, that specialises in creating electronics, software, and online services. The company devotes significant amounts of money to research and development in order to provide customers with high-quality products. 'AppleSeed' is Apple's voluntary program that allows customers to sign up to receive the newest Apple products or software before they are released to the public. Apple sends its products to certain customers to trial for a given period of time, and then provides these customers with detailed surveys to reflect on their experience with the product. This allows Apple to gain extensive feedback about its products prior to their release, allowing these products to be altered based on customer criticism. This process can ensure that by the time Apple's product is actually released, it is ideal for most potential customers.

*Adapted from AppleSeed, 'FAQ's', n.d.*



Image: TonyV3112/Shutterstock.com

**Figure 9** Apple has a program that allows it to gather detailed customer feedback about its products before releasing them

## ACTIVITY

## Research and development

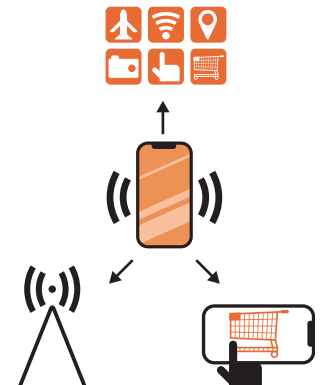
Search up 'Elon Musk emphasises an 'engineering-first' approach at Tesla - Here's why' on Google and navigate to an article by CleanTechnica. Read the article about research and development at Tesla.

Discuss the following questions in small groups:

1. On average, how much does Tesla spend on research and development per car?
2. Compare this amount to other automakers, such as Ford, Toyota, and General Motors. What does this say about Tesla's views on the importance of research and development?
3. What does the article say about how Tesla's 'engineering-first approach' has helped its business success?

## Technological development 1.1.4.5

**Technological developments** are the invention and innovation of tools that solve problems and enhance processes. These developments can act as a source of business opportunity as they improve how businesses create, deliver, and update goods and services. Advancements in technology have led to changes in customer behaviours and needs, resulting in an increase in the pressure on businesses to use technology to meet their expectations. Technology can make existing goods or services more popular and accessible, such as food delivery apps. Additionally, technological developments can allow businesses to improve their production speed and lower production costs. For example, machinery can replace human labour, reducing wage-related expenses which can subsequently improve the profitability of the business.



**Figure 10** Technological developments can allow for new types of goods and services to be created

## KEY DEFINITIONS

**Technological developments** are the invention and innovation of tools that solve problems and enhance processes.

## REAL WORLD EXAMPLE

## Technological development

Despite beginning as a small computer company in a garage in 1976, Apple has become one of the biggest technology companies in the world, now selling a wide variety of products. As technology has developed, Apple has been able to expand the number of products it makes and improve the quality of its existing products. The fingerprint sensor feature on the home button of the iPhone 5s is an example of Apple using a pre-existing technological development to increase the ease of use of its phones. The release of Apple's iPhone X saw another technological development with the introduction of a new feature allowing customers to unlock their phone using their Face ID, a technology adapted by Apple to be used in its products to improve customer experience. Furthermore, Apple uses technological developments when manufacturing its phones, with the capacity to produce over 350 phones per minute in its warehouses as a result of robotics and other technologies used when constructing the phones, according to reports made in 2016.

*Adapted from Apple, 'About Face ID advanced technology', n.d. and New York Times, 'An iPhone's Journey, from the factory floor to the retail store', 2016*

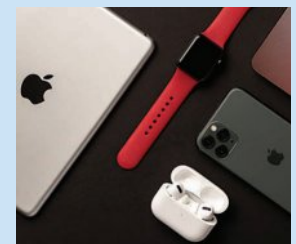


Image: Shahid Jamil/Shutterstock.com

**Figure 11** Technological developments have allowed Apple to continue to improve its products, updating them to possess the most recent technological improvements

## Global markets 1.1.4.6

### KEY DEFINITIONS

The **global market** is the area in which businesses trade goods and services, comprised of both businesses and customers from countries all across the world.

### ADDITIONAL TERMS

#### Globalisation

is increased trade, communication, and travel between countries due to decreased trade barriers and increased technology.

**Domestic** is within a particular country.

The **global market** is the area in which businesses trade goods and services, comprised of both businesses and customers from countries all across the world. Many businesses sell products in overseas countries as well as in their country of origin. Due to **globalisation**, businesses may open new stores in other countries or accept online orders from international customers. Selling to the global market acts as a source of business opportunity as it allows a business to reach more customers, helping to increase sales and market share. However, it is important that the benefits of reaching more customers outweigh the high cost of expanding operations overseas.

In addition to selling overseas, individuals can launch a business by using global markets to bring goods and services to Australia. There may be popular products in other countries that are not yet available in Australia. As such, businesses that are first to introduce popular products or ideas in their **domestic** market may become more competitive and quickly increase their market share.



**Figure 12** Global markets allow businesses to sell their products overseas

### REAL WORLD EXAMPLE



Image: Peppinuzzo/Shutterstock.com

**Figure 13** Apple sells its products to customers from countries all across the world, operating in the global market

### Global markets

Apple Inc. has retail stores in 25 countries across the world and sells its products in many other countries via online services. Therefore, Apple operates in the global market. Selling its products to customers outside of the United States (US) has been advantageous for Apple, with 60% of Apple's net sales coming from outside of the US as of June 2022. The global market further acts as an opportunity for Apple as it has allowed the company to access inputs from all over the world to produce its products. To create the iPhone, Apple uses gold from Peru, copper from Chile, and other minerals from Mongolia. The raw materials of several other countries are also involved in the production process. By both selling its products and purchasing its materials in the global market, Apple has been able to grow into the widely successful company it is today.

*Adapted from Statista, 'Apple's revenue broken down by geographical region 2012-2022, by quarter', 2022 and Ohio State University, 'iPhone commodity chain - Extraction of raw materials', n.d.*

### Theory summary

Business owners can take advantage of business opportunities to start and grow their business. Businesses that use these opportunities to their advantage can increase their customers, profit, and overall competitiveness. There are various opportunities that business owners can take advantage of.

- Innovation involves creating or improving products, processes, or services to solve a problem.
- Market opportunities are the trends or desires that are not being met by existing businesses.
- Changing customer needs are the transitions in what consumers demand from businesses.
- Research and development involves investigating and testing new product ideas and processes.
- Technological developments are advancements in machinery, computers, and software.
- Global markets enable overseas trade.

# 1D Questions

## Theory review

### Question 1

Businesses that do not take advantage of business opportunities will keep earning the same amount of profit and are likely to remain successful.

- A. True
- B. False

### Question 2

By taking advantage of market opportunities and changing customer needs, a business may be able to attract more customers and therefore increase its sales.

- A. True
- B. False

### Question 3

Fill in the blank with **one** of the following terms:

- targeting gaps in the market
- always selling the same products

A business can take advantage of market opportunities by \_\_\_\_\_.

### Question 4

Fill in the blanks with the following terms:

- research and development
- innovation

The business opportunity of \_\_\_\_\_ involves developing new goods or services, or making improvements upon an existing product. In contrast, \_\_\_\_\_ involves directing resources towards discovering, creating, and introducing new products and processes.

### Question 5

Research and development is only necessary when first establishing a business and creating its initial products.

- A. True
- B. False

### Question 6

An ice cream business automating its production line by using machinery to cover its ice cream in chocolate, as opposed to hiring human labour to do so, is an example of a business making use of:

- A. technological developments as a source of business opportunity.
- B. global markets as a source of business opportunity.

### Question 7

Fill in the blank with **one** of the following terms:

- global markets
- domestic markets

Businesses should take advantage of \_\_\_\_\_ to expand their operations overseas.

### Question 8

Businesses can take advantage of market opportunities by introducing successful international products to Australia.

- A. True
- B. False

### Question 9

Businesses should only focus on using one source of business opportunity.

- A. True
- B. False

## Preparing for exams

### Case study skills

Use the following information to answer Questions 10 and 11.

Priya has owned Finite, a restaurant in Melbourne CBD, since 2000. On Finite's menu, nine out of the ten main meals being offered have some kind of meat in them, either chicken, beef, or fish. In a recent census conducted in Victoria, it was revealed that 25% of Victorians now consider themselves to be vegetarian and consume no meat, with the main reason given being that the meat industry negatively impacts the environment.

### Question 10

Identify which of the following is a correct statement about Finite's customers.

- A. Customer demands are changing as society is placing greater value on preserving the environment, with many members of society reducing the amount of meat they consume in aims to lower their carbon footprint.
- B. Customer taste preferences remain constant. The main meals Finite served when they first opened in 2000 will still satisfy all customer needs.

**Question 11**

Identify which of the following are sources of business opportunity at Finite. **(Select all that apply)**

- I. Finite can offer more vegetarian main meals in order to better satisfy its vegetarian customers who can only order one dish from the menu each time they eat at the restaurant.
- II. Finite can change its menu to have fewer meat options and more plant-based meals in order to attract new customers to the business who will be drawn to the business's variety of vegetarian dishes.
- III. Finite could conduct research and development, creating recipes for new vegetarian and vegan main meals and then organising times for customers to taste these new meals and provide feedback to the business about the food.
- IV. Finite can continue to offer predominantly meat dishes as consistency is key in a business, and vegetarians can pick the meat off their plate if they don't want to eat it.
- V. Finite can create an entirely new meat alternative with soy products to use in some of its main meals in order to cater to vegetarian customers.

**Question 12**

Holt is a luxury vehicle manufacturer that was established in 1939. Holt specialises in producing sleek and trendy sedans. However, current market research shows that 28% of prospective buyers are looking to purchase a luxury four-wheel drive.

Identify which of the following statements are **true** or **false** about customers at Holt.

	<b>True</b>	<b>False</b>
I. Customer preferences are favouring luxury four-wheel drives over trendy sedans.	<input type="checkbox"/>	<input type="checkbox"/>
II. Customers of Holt are likely not reflected by the market research that has been done as these statistics only show the preferences of a select group of people.	<input type="checkbox"/>	<input type="checkbox"/>
III. Holt must maintain brand consistency and should therefore continue to predominantly sell trendy Sedans, lowering the price of these sedans to increase market share.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Customers are likely to be attracted towards Holt and away from car manufacturing competitors if Holt produces luxury four-wheel drives as there is currently a gap in the market for these.	<input type="checkbox"/>	<input type="checkbox"/>

**Question 13**

Emilia has worked in New York for the past five years as a co-founder of a popular online service, called New York Fashion, that sends out fashion boxes to subscribed customers each month. These boxes are personalised to each customer based on surveys they are asked to complete about their personal style. Recently, technology that tracks an individual's online shopping searches and data has been produced, which, if used by New York Fashion, could allow the business to more accurately tailor each box to its customers. Emilia has noticed that there is no business operating in Australia that provides a similar service to New York Fashion.

Identify which of the following statements are correct about sources of business opportunity for Emilia.

**(Select all that apply)**

- I. Considering there are no businesses operating in Australia that provide a similar service to New York Fashion, Emilia could introduce New York Fashion to the Australian market by using global markets as a source of business opportunity.
- II. Emilia could use the technological developments that have been made regarding tracking individuals' online shopping searches to provide customers with a more personalised fashion box, increasing their satisfaction with the business.
- III. Emilia could use innovation at New York Fashion to change the way the business operates, providing all subscribed customers with identical fashion boxes, regardless of their fashion preferences, to improve customer satisfaction.
- IV. Emilia could use changing customer demands to begin selling her fashion boxes in states outside of New York.

## Exam-style

**Question 14** (1 MARK)

Define the term 'research and development'.

---

**Question 15** (1 MARK)

Define the term 'market opportunities'.

---

**Question 16** (2 MARKS)

Identify and describe one source of business opportunity.

---

**Question 17** (2 MARKS)

Outline how technological developments can act as a source of business opportunity.

---

**Question 18** (3 MARKS)

Priya has owned Finite, a restaurant in Melbourne CBD, since 2000. On Finite's menu, nine out of the ten main meals being offered have some kind of meat in them, either chicken, beef, or fish. In a recent census conducted in Victoria, it was revealed that 25% of Victorians now consider themselves to be vegetarian and consume no meat, with the main reason given being that the meat industry negatively impacts the environment.

Identify and explain one source of business opportunity available for Priya to use.

---

**Question 19** (3 MARKS)

Holt is a luxury vehicle manufacturer that was established in 1939. Holt specialises in producing sleek and trendy sedans. However, current market research shows that 28% of prospective buyers are looking to purchase a luxury four-wheel drive.

Identify and explain market opportunities as a source of business opportunity available for Holt to use.

---

**Question 20** (4 MARKS)

Emilia has worked in New York for the past five years as a co-founder of a popular online service, called New York Fashion, that sends out fashion boxes to subscribed customers each month. These boxes are personalised to each customer based on surveys they are asked to complete about their personal style. Recently, technology that tracks an individual's online shopping searches and data has been produced, which, if used by New York Fashion, could allow the business to more accurately tailor each box to its customers. Emilia has noticed that there is no business operating in Australia that provides a similar service to New York Fashion.

Explain technological development and global markets as sources of business opportunity available to Emilia.

## Testing previous knowledge

**Question 21** (4 MARKS)

Describe how being innovative is a characteristic of successful entrepreneurs and explain how innovation can be used as a source of business opportunity.

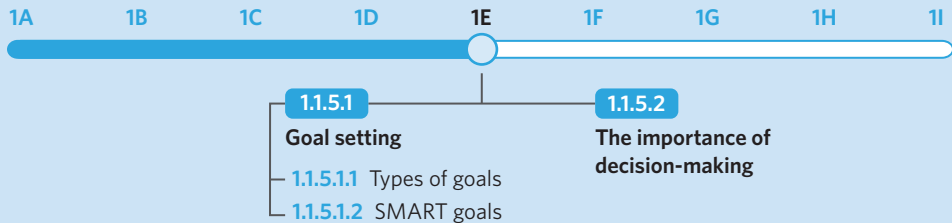
# 1E Goal setting

Trying to start a business without a goal is like a pirate going on a treasure hunt without a map. Without goals, employees may be unsure of the direction that the business is trying to move in. Members of a business can be left confused and unmotivated as they lack a clear explanation of what the business is trying to achieve.



## STUDY DESIGN DOT POINT

- the importance of goal setting and decision-making in business



## Lesson introduction

Setting goals provides a business with a clear focus and direction, and helps measure its success. Establishing objectives clearly outlines a business's purpose and encourages employees to achieve outlined targets. To ensure that goals are effective, they should meet the criteria of SMART goals. A manager should also utilise the skill of decision-making when setting business goals, in order to select the most appropriate course of action for the business.

## Goal setting 1.1.5.1

### KEY DEFINITIONS

**Business goals** are what a business wants to achieve within a specific time frame.

### ADDITIONAL TERMS

**Business strategies** are a series of actions that a business will implement to achieve its goals.

**Financial goals** are targets for improving the overall financial performance of a business.

**Social goals** are targets set by a business that aim to improve the welfare of the community, environment, or employees of a business.

**Profit margin** is the proportion of revenue left over from the sale of a good or service after a business has deducted its expenses.

**Business goals** are what a business wants to achieve within a specific time frame. Business goals are one of the key components of a successful business. Without goals, a business may struggle to identify the direction it wants to take, resulting in a lack of focus and unsuccessful operations. Establishing goals allows employees and managers to work towards a set of shared targets over a period of time. To promote the achievement of these goals, a business will develop **business strategies**. The achievement of business goals can also indicate whether implemented strategies have been successful.

### Types of goals 1.1.5.1.1

Business goals can be categorised into either **financial** or **social goals**. Most successful businesses incorporate a balance of both types of goals.

Financial goals may include expanding a business, increasing revenue, increasing **profit margins**, or improving productivity in business operations. It is important to set and work towards financial goals, as achieving strong financial performance is crucial to a business's long-term survival and success.

In contrast, social goals may include reducing the business's impact on the environment, helping to resolve community issues, or advocating for employee welfare in the industry. Setting and achieving social goals can help improve a business's reputation, which can increase sales and profit as customers are more likely to support a socially responsible business. For example, a business may support its employees by offering flexible working hours, allowing employees to balance their work with other commitments, increasing employee motivation and performance, and therefore improving overall business performance.



**Figure 1** Business goals can be categorised into financial or social goals

### LESSON LINK

Social responsibility will be covered in further detail in **3H Corporate social responsibility (CSR)**.

## REAL WORLD EXAMPLE

## Types of goals

As of 2021, The Lego Group is the largest toy company in the world which is renowned for its Lego brick sets. The business has had a long-standing commitment to socially responsible operations and has established a number of goals focused on the community and the environment. Some of its notable goals include:

- ensuring that all packaging is made from recycled or renewable materials by 2025
- ensuring that the company's operations promote zero waste and that no materials from Lego factories reach landfill by 2025.
- making all core products from sustainable materials by 2030.
- striving to create a diverse and inclusive workplace and focus on establishing an entirely gender-balanced organisation at all levels by 2032.

Through meticulous research and development, The Lego Group is a leader in the manufacturing industry, as it demonstrates its commitment not only to achieving its financial goals but also to its social goals.

*Adapted from The Lego Group, 'Sustainability', 2022*

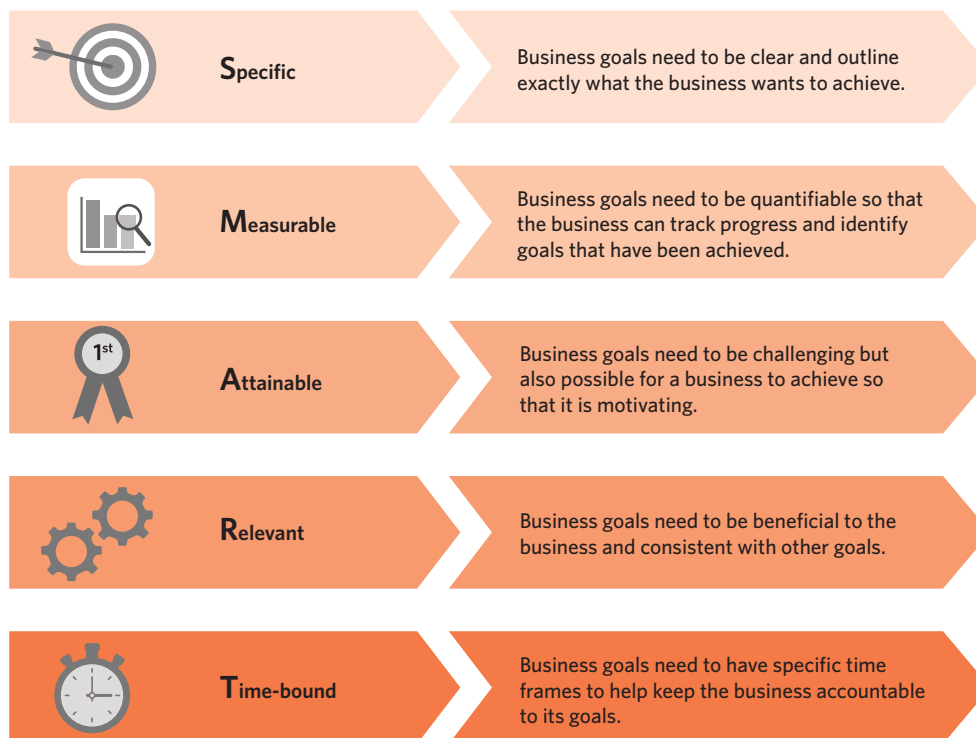


Image: Ekaterina\_Minaeva/Shutterstock.com

**Figure 2** Lego has a focus on social goals for its business

## SMART goals 1.1.5.1.2

The SMART goal criteria are used to create effective goals that can contribute to business success. Creating goals that are specific, measurable, attainable, relevant, and time-bound can provide a business with a clear purpose and direction. Goals can be communicated to the public to promote the purpose of a business, or they can be outlined internally to motivate employees. Once SMART goals have been developed, a business can then create and implement strategies that will support their achievement.



**Figure 3** SMART goal criteria



**ACTIVITY****SMART goals**

You are constantly setting goals in your daily life, whether they are more noticeable goals that you are continuously thinking about, or more subconscious goals which are at the back of your mind. Discuss the following questions with your classmates:

1. Can you recall a scenario when you effectively set a goal and achieved it?
2. What factors or characteristics of your goal do you think made it possible for you to achieve?

Copy out the table into your workbook. Individually, fill out the table and set your own SMART goal. This goal could be related to school, sports, a hobby, your job, or anything else you can think of that you would like to achieve. As you are filling in the table, ask yourself the relevant questions for each criterion.

<b>Specific</b> What exactly do you want to achieve? What does it involve?	
<b>Measurable</b> How will you know when you have achieved your goal?	
<b>Attainable</b> Is your goal within reach for you? What tools might you need to help you achieve it?	
<b>Relevant</b> Will this goal be beneficial to you if you achieve it? Does it align with other goals you may have?	
<b>Time-bound</b> In what time frame would you like to achieve this goal?	

## The importance of decision-making 1.1.5.2

**KEY DEFINITIONS**

**Decision-making** is the skill of selecting a suitable course of action from a range of plausible options.

**Decision-making** is the skill of selecting a suitable course of action from a range of plausible options. Managers have a central role in a business's decision-making process and must utilise this skill when considering areas of potential growth. By evaluating the advantages and disadvantages of potential business decisions, as well as considering the environment in which the business operates, a manager can decide which goals to set. For example, a manager must consider the abilities of the business's employees, any time constraints, and the broader business's vision when setting goals. The goals established by managers will impact the daily actions of the employees of the business, as strategies are put in place to achieve them. Decisions that managers make can impact overall business success, therefore, decision-making is an essential skill for managers to use when setting goals.

**Theory summary**

Goals are an important part of a business's planning and operations. Business goals provide direction and purpose, giving employees and managers a clear understanding of what to work towards. Business goals should follow the SMART criteria, meaning goals should be specific, measurable, attainable, relevant, and time-bound. Two types of business goals are financial goals and social goals.

A business owner should also utilise decision-making to ensure that the appropriate business goals are established by considering the areas that the business wants to focus on and aligning goals with broader business objectives.

# 1E Questions

## Theory review

### Question 1

Business goals are:

- A. the overall reasons behind starting a business.
- B. the ambitions of what a business wants to achieve within a specific time frame.

### Question 2

Financial goals are important for maintaining the profitability of a business, whilst social goals will have no benefit to the financial performance of a business.

- A. True
- B. False

### Question 3

Ensuring that goals fulfil the SMART criteria is beneficial to a business because:

- A. the business will ensure that there is a balance of both financial and social goals.
- B. managers and employees will have a clear purpose and direction when working towards achieving business objectives.

### Question 4

Fill in the blanks with the following terms:

- specific
- measurable

Goals need to be \_\_\_\_\_, to ensure that the business can track progress, as well as \_\_\_\_\_ so that employees understand exactly what needs to be accomplished.

### Question 5

Decision-making is an important skill for a manager to use as the goals decided by a manager will impact the daily operations of the business and may determine its potential success or failure.

- A. True
- B. False

### Question 6

Goal setting is important as it can help provide a business with a clear purpose and direction.

- A. True
- B. False

## Preparing for exams

### Case study skills

### Question 7

Ashley is the owner of Mr Beans, a cafe that has recently opened. Since opening, Mr Beans has been struggling financially and the business is yet to establish any goals for the future.

Identify which of the following is a correct statement about goal setting at Mr Beans.

- A. It is important for Ashley to set financial goals as they will help Mr Beans develop strategies to improve its financial performance, increasing profit if the goals are met.
- B. It is important for Ashley to set financial goals as they will help Mr Beans to improve the welfare of employees at the cafe, as well as customers within the community.

### Question 8

Fun House is a children's entertainment business that offers inflatable party rooms for hire. The manager, Joe, has been considering hiring more staff, in order to meet the increased demand for children's entertainment. He has also been considering renting a new office, although he does not have the funds to implement both changes simultaneously.

Identify which of the following statements are correct about the use of decision-making at Fun House.

**(Select all that apply)**

- I. Whether Joe allocates the funding to hiring more employees, or towards leasing a new office, is reliant on his decision-making skills, which involves considering all available options and selecting the most appropriate course of action.
- II. The decisions that Joe makes are unlikely to have a significant impact on the future success or failure of Fun House.
- III. Joe should use decision-making by considering the business environment and the advantages and disadvantages of both options before allocating the funds.

**Question 9**

The manager of Vintage Designs, Dez, is concerned about the performance of the business. The business has been selling fewer vintage art pieces than they are sourcing each week, as a result of poor salesmanship from employees.

Identify which of the following statements are **true** or **false** about implementing SMART goals at Vintage Designs.

	True	False
I. Dez should set goals for Vintage Designs that clearly outline its aims, in order to ensure that goals are specific.	<input type="checkbox"/>	<input type="checkbox"/>
II. The goals that Dez sets should be measurable, meaning the progress towards achieving each goal will be hard to determine.	<input type="checkbox"/>	<input type="checkbox"/>
III. The goals set at Vintage Designs should be attainable, and therefore Dez should consider the ability of his employees when setting goals.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Dez should a set goal to increase the number of sales per week, as this is an example of a goal that is relevant to the overall objectives of the business.	<input type="checkbox"/>	<input type="checkbox"/>
V. To ensure that each business goal is achieved, Dez should not make any of his goals time-bound, so that employees do not become overwhelmed by pressure.	<input type="checkbox"/>	<input type="checkbox"/>

**Exam-style****Question 10** (1 MARK)

Define the term 'business goals'.

---

**Question 11** (1 MARK)

Define the term 'decision-making'.

---

**Question 12** (2 MARKS)

Outline the importance of goal setting for a business.

---

**Question 13** (3 MARKS)

Ashley is the owner of Mr Beans, a cafe that has recently opened. Since opening, Mr Beans has been struggling financially and the business is yet to establish any goals for the future.

Explain the importance of goal setting for Mr Beans.

---

**Question 14** (3 MARKS)

Fun House is a children's entertainment business that offers inflatable party rooms for hire. The manager, Joe, has been considering hiring more staff, in order to meet the increased demand for children's entertainment. He has also been considering renting a new office, although he does not have the funds to implement both changes simultaneously.

Explain the importance of decision-making for Joe at Fun House.

---

**Question 15** (5 MARKS)

The manager of Vintage Designs, Dez, is concerned about the performance of the business. The business has been selling fewer vintage art pieces than they are sourcing each week, as a result of poor salesmanship from employees.

Describe how Dez could use the SMART goal setting criteria to improve the performance of Vintage Designs.

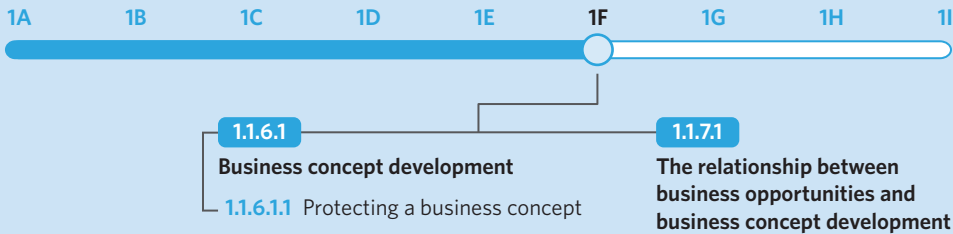
**Testing previous knowledge****Question 16** (4 MARKS)

With reference to one characteristic of a successful manager, explain how a manager could effectively establish business goals.

# 1F Business concept development

## STUDY DESIGN DOT POINTS

- the importance of business concept development
- the relationship between business opportunities and business concept development



When looking at today's most established and successful businesses, it's hard to imagine a time when they were just beginning, let alone when they never existed. Founders of these businesses were once just wishful thinkers with an idea. The first step in their business journey was turning their idea into a reality.



## Lesson introduction

As a business owner, one of the most fundamental steps when establishing a business is identifying the industry the business plans to operate in and what it aims to sell. This process also involves a business owner understanding the opportunities within a market. After an initial business idea has been established, it is important that the idea is also protected by legal barriers.

## Business concept development 1.1.6.1

A **business concept** is a brief outline of the business's idea, its main selling activities, and the features that will provide it with a competitive advantage. Developing a business concept is one of the first steps when starting a business. The initial idea that leads to the establishment of a business is often about creating a new, innovative product or enhancing an existing product. Once an idea for a business is formed, the owner should identify the goods or services the business plans to sell. When developing a business concept, it is important that the business aims to sell goods or services that are currently unavailable in the market or are superior to those currently being sold by competitors. This ensures the business is fulfilling a gap in the market and creating a **competitive advantage** that can assist it in attracting customers away from competitors and towards its products instead. Thus, this can assist the business in successfully entering its chosen market. An individual may then conduct market research on the business concept, such as identifying the needs of potential customers by analysing data, to assess whether the concept has the potential to be successful.



Figure 1 Developing a business concept is a fundamental step when starting a business

### KEY DEFINITIONS

A **business concept** is a brief outline of the business's idea, its main selling activities, and the features that will provide it with a competitive advantage.

### ADDITIONAL TERMS

**Competitive advantage** involves a business having qualities or strategies that provide it with an edge over its competitors.

### LESSON LINK

Market research will be covered in more detail in **1G Market research and initial feasibility studies**.

**KEY DEFINITIONS**

**Intellectual property (IP)** is an original creation of the mind that can be legally owned.

**LESSON LINK**

Trademarks, patents and copyrights will be covered in further detail in **3G Global considerations: Part 2**. Registering a website domain will be covered in further detail in **4B Legal requirements for establishing a business**.

**Protecting a business concept 1.1.6.1.1**

**Intellectual property (IP)** is an original creation of the mind that can be legally owned. A business can protect specific parts of its business concept if they are considered intellectual property. Intellectual property is often very valuable to a business as it includes the unique products, designs, and brands that a business has formulated. These exclusive ideas can be developed and sold in the future to gain a competitive advantage. To make sure that intellectual property is protected and unable to be copied by competitors, a business can implement a range of legal barriers.

**Table 1** The legal barriers that can protect intellectual property

Legal barrier	Description of legal barrier	Application
<b>Trademark</b>	A trademark is a form of legal protection over the rights of a business's name, symbols, colours, packaging, or additional tools used to sell its products.	A trademark will help a business ensure that it possesses a unique image or look that cannot be replicated by other businesses.
<b>Patent</b>	A patent is a licence that provides a business with exclusive rights to the use of innovative devices, methods, and processes.	A patent can help create a competitive advantage by protecting new inventions intended to be sold by a business.
<b>Copyright</b>	A copyright is a free and automatic protection for original ideas such as writing, art, sound, films, and photographs.	A business can take legal action if another entity uses its copyrighted materials.
<b>Domain name</b>	A domain name is a unique website address.	Even if a business is yet to establish an online platform, registering a domain name will ensure a business can use the desired domain address in the future. The domain name can also not be copied once the business is launched.

**ACTIVITY****Protecting a business concept**

With your classmates, decide what type of legal barrier could be obtained to protect the business concept of the following ideas:

1. The electric lightbulb.
2. The Nike logo.
3. The song 'Shape of You' by Ed Sheeran.
4. The website 'Amazon.com'.
5. The colour 'Tiffany & Co. blue'.

In pairs or small groups, come up with your own business concept in one of the following markets:

- clothing
- packaged food
- sporting goods
- technology.






Discuss the following questions within your group:

1. What legal barrier/s should you obtain in order to protect your business concept?
2. What aspect of your business concept may provide a competitive advantage?

# The relationship between business opportunities and business concept development 1.1.7.1

Initial business ideas and concepts are often developed after identifying a business opportunity in the market. After recognising a business opportunity, business owners can decide on the goods or services they want to sell to gain a competitive advantage. The goods or services an individual plans to sell may be a significant improvement on something that already exists or an entirely new offering.

**Table 2** The relationship between business opportunities and business concepts

Business opportunity	Business concept
<p><b>Innovation</b></p>  <p>Source: Luuuusa/Shutterstock.com</p>	<p>Many businesses have used innovation to develop superior products in order to increase their sales. For example, every time a new smartphone is released, it improves upon the previous model. Businesses can gain a competitive advantage by meeting customer needs through more advanced and useful products.</p>
<p><b>Market opportunities</b></p>  <p>Source: Ekaterina Markelova/Shutterstock.com</p>	<p>Businesses have recognised the shift to a more health-conscious society and have used this to sell healthy food options. By doing so, a business can gain a competitive advantage as it attracts customers whose demands for healthy food were previously unmet.</p>
<p><b>Changing customer needs</b></p>  <p>Source: fizkes/Shutterstock.com</p>	<p>Businesses have capitalised on the growing desire of society to lead an active lifestyle by producing a range of activewear products. A business can achieve a competitive advantage by targeting specific clothing needs for different types of physical activity.</p>
<p><b>Research and development</b></p>  <p>Source: ALDECA studio/Shutterstock.com</p>	<p>Businesses have used the progress in research and development of sustainable fuel sources to manufacture more affordable electric cars. This can allow a competitive advantage to be achieved as businesses can be environmentally conscious in a cost-effective way.</p>
<p><b>Technological development</b></p>  <p>Source: Ground Picture/Shutterstock.com</p>	<p>Businesses have used technological improvements to develop smartwatches that can track data better. A competitive advantage can be gained by giving customers advanced insight into aspects of their health and physical activity.</p>

## LESSON LINK

Innovation, market opportunities, changing customer needs, research and development, and technological developments were introduced in **1D Sources of business opportunity**.

**THEORY IN ACTION**



**Figure 2** Elanor used a market opportunity to create the business concept of Veteran Fitness

**The relationship between business opportunities and business concept development**

Elanor’s idea behind Veteran Fitness was to create a social enterprise within the fitness industry. Elanor saw a market opportunity to take advantage of the high demand for boot-camp fitness sessions and offer a unique twist to customers. Elanor identified that she could support former servicemen and women by employing them as fitness instructors. These fitness instructors would provide customers with high-intensity and high-quality fitness sessions. To protect her business concept, Elanor decided to trademark her business name, ‘Veteran Fitness’, as she believes it is essential in order to successfully promote her business.

**Theory summary**

A potential business owner should recognise a business opportunity in the market they are interested in before developing a business concept. Once a business opportunity has been identified, they should develop a business concept that outlines what industry the business wants to operate in, what it sells, and how it will stand out against competitors. An owner may also implement legal barriers to protect elements of their business concept, referred to as intellectual property, from competitors. Once the business concept is created, market research will be conducted to determine if the business concept has the potential to be successful.



**Figure 3** The initial stages of creating a business concept from a business opportunity

# 1F Questions

## Theory review

### Question 1

A business owner should identify a business opportunity before developing a business concept.

- A. True
- B. False

### Question 2

An effective business concept:

- A. aims to fill a gap in the market and create a competitive advantage by analysing customer needs.
- B. aims to sell a similar good or service to other businesses in the market that have already achieved success.

### Question 3

Legally protecting intellectual property:

- A. ensures that the business maintains a competitive advantage by attracting customers away from competitors.
- B. protects the business concept and prevents competitors from copying original ideas.

### Question 4

A potential business owner should legally protect their business concept to ensure that they can be the first to take advantage of a market opportunity.

- A. True
- B. False

### Question 5

Registering a domain name as intellectual property can be useful even if a business is not ready to launch.

- A. True
- B. False

### Question 6

Recognising a business opportunity in the market is beneficial as it can lead to the business: **(Select all that apply)**

- I. gaining a competitive advantage.
- II. protecting intellectual property.
- III. fulfilling unmet customer needs or offering an improved product.

### Question 7

Fill in the blank with **one** of the following terms:

- changing customer needs
- innovation

A business concept can use the business opportunity of \_\_\_\_\_ by creating a good or service that is more advanced or creative than any other available product.

### Question 8

Fill in the blanks with the following terms:

- business concept
- protect the business concept
- business opportunity

A business should first identify a \_\_\_\_\_, then create a \_\_\_\_\_, and finally, it should take steps to \_\_\_\_\_.

## Preparing for exams

### Case study skills

### Question 9

Luke has recently developed a new surfboard style that is not currently being sold anywhere else in the world. The new style offers a unique design to the tail of the board that can help surfers obtain more speed. Luke believes that this design will be very popular and has begun developing a business concept for a surfboard manufacturing company.

Identify which of the following statements are correct about how Luke could protect his business concept.

**(Select all that apply)**

- I. Luke could implement the appropriate legal barriers to ensure competitors cannot steal his surfboard design, allowing him to achieve and maintain a competitive advantage.
- II. As Luke believes his design will be popular, he could copyright the surfboard concept to prevent his competitors from selling the same design.
- III. Luke could obtain a domain name to protect the intellectual property of his unique surfboard design.
- IV. Luke could obtain a patent to protect the intellectual property of his surfboard design, thereby protecting his business concept.



**Question 10**

Henry is currently working at a menswear store in the city. After moving houses, Henry noticed that there were no men's clothing stores in his local shopping strip. Henry is now considering developing his own premium clothing label and establishing a store in the area.

Identify which of the following is a business opportunity fulfilled by Henry's business concept.

- A. Henry's store satisfies changing customer needs for premium men's clothing.
- B. Henry's store has used research and development to manufacture a unique product for customers who shop in his local shopping strip.
- C. Henry has identified a market opportunity as the menswear store would be the only one of its kind in the local shopping strip, fulfilling the unmet needs of customers in the area.

**Exam-style****Question 11** (1 MARK)

Define the term 'business concept'.

---

**Question 12** (1 MARK)

Define the term 'intellectual property'.

---

**Question 13** (2 MARKS)

Describe the process of developing a business concept.

---

**Question 14** (3 MARKS)

Luke has recently developed a new surfboard style that is not currently being sold anywhere else in the world. The new style offers a unique design to the tail of the board that can help surfers obtain more speed. Luke believes that this design will be very popular and has begun developing a business concept for a surfboard manufacturing company.

Explain how Luke can protect his business concept.

---

**Question 15** (3 MARKS)

Henry is currently working at a menswear store in the city. After moving houses, Henry noticed that there were no men's clothing stores in his local shopping strip. Henry is now considering developing his own premium clothing label and establishing a store in the area.

Explain the relationship between business concept development and business opportunities for Henry.

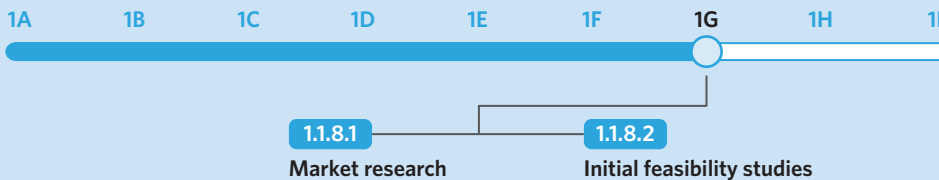
**Testing previous knowledge****Question 16** (2 MARKS)

Explain how research and development can act as a source of business opportunity.

# 1G Market research and initial feasibility studies

## STUDY DESIGN DOT POINT

- market research and initial feasibility studies



## Lesson introduction

Once a concept for a potential business has been developed, its viability must be assessed. Therefore, conducting market research and assessing the potential success of a business concept is an essential step before launching a business. The information that a potential business owner can obtain from market research can help them determine whether it is worth taking the risk of starting a new business. This lesson will cover the necessary steps all potential business owners must take before starting a business, including market research and initial feasibility studies.

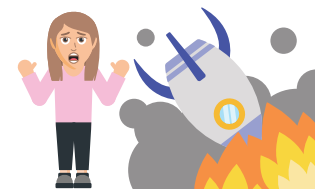
## Market research 1.1.8.1

**Market research** is the process of investigating and analysing the activities and behaviours of customers and competitors in a specific industry. Performing market research enables a business to gain detailed insight into an industry and assess the potential success of its business concept. The market research process aims to gather **quantitative** and **qualitative data** that can provide potential business owners with a greater understanding of the viability of their business idea. A detailed understanding of the market a business owner wants to operate in can enable them to make informed decisions about their products and business direction. Throughout this process, there are a number of different market research questions a business owner may ask.

**Table 1** Qualitative and quantitative market research questions

Qualitative questions	Quantitative questions
What are the strengths and weaknesses of competitors?	How many competitors are in the market?
What features do competing businesses have that can be utilised and improved upon in the potential business?	What price are customers willing to pay for the good or service?
What are customers looking for in their products?	How many customers are in the market?
What are ways that a business could gain a competitive advantage in this market?	What are the sales patterns of customers at different times of the year?

In 1985, Coca-Cola launched the beverage 'New Coke' as a replacement for the original Coke. Coca-Cola failed to research if customers actually wanted to replace the original Coke flavour and, as a result, it faced boycotts and customer protests. In response to customer backlash, Coca-Cola relaunched its original Coke, illustrating the need for businesses to conduct sufficient research.



## KEY DEFINITIONS

### Market research

is the process of investigating and analysing the activities and behaviours of customers and competitors in a specific industry.

## ADDITIONAL TERMS

### Quantitative data

is numerical data, such as figures and statistics.

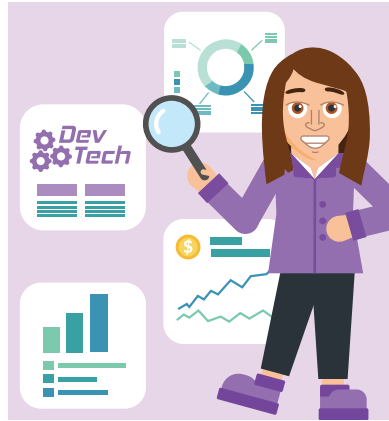
### Qualitative data

is non-numerical data, such as opinions or written survey responses.

## LESSON LINK

Market research practices will be covered in further detail in **5E Market research practices**.

**THEORY IN ACTION**



**Figure 1** Market research helped Vanessa understand the market conditions in the software development industry

**Market research**

Before launching DevTech, Vanessa decided to perform market research on the software development industry. In particular, she gathered information on the level of demand from other businesses for app development services and whether any companies were capable of developing these apps themselves. Vanessa also investigated the types of businesses that would require this service and the size of the projects that they desired. Using this information, Vanessa found that large businesses were often capable of developing their own apps, while small and medium-sized businesses were willing to pay an app development business to do this for them. Performing this market research before launching her business gave Vanessa insights into the type of businesses that are likely to be clients of DevTech's app development services.

**ACTIVITY**

**Market research**

Although market research is an essential step before launching a business, some of the most successful companies in the world have failed to analyse their market before launching a particular product. In groups, research the following market research failures:

- New Coke
- Crystal Pepsi
- 7-Up Gold



Answer the following questions in groups, then discuss each failed product as a class:

1. What was the new product sold and how did it differ from the business's original product?
2. Did the business conduct any market research?
3. If market research did occur, why did the product still fail?
4. How long after its launch did the business discontinue the product?

**Initial feasibility studies 1.1.8.2**

An **initial feasibility study** is a researched evaluation of how viable a business concept is. Market research is one component of an initial feasibility study. Initial feasibility studies inform potential business owners of the different things they must consider when starting a business and the risks involved in its start-up. Potential business owners can then determine if they are willing to establish their business. There are a number of different areas of feasibility that a potential business owner should consider.

**Table 2** Areas of feasibility for a prospective business owner to consider

Areas of feasibilities to consider	Explanation
 Market feasibility (market research)	Using market research to develop an understanding of the <b>market conditions</b> can help determine if the business concept has the potential to be successful in the long term. If it is unlikely to be successful, then the business should not proceed with its establishment.
 Operational feasibility	To determine the operational feasibility of a business, an individual can research what kind of employees they will require, what equipment is needed, and determine the accessibility of these resources. In some instances, the technology required to turn a business idea into reality may not exist.

Continues ►




**KEY DEFINITIONS**

An **initial feasibility study** is a researched evaluation of how viable a business concept is.

**ADDITIONAL TERMS**

**Market conditions** are the factors that make up and influence a specific industry.

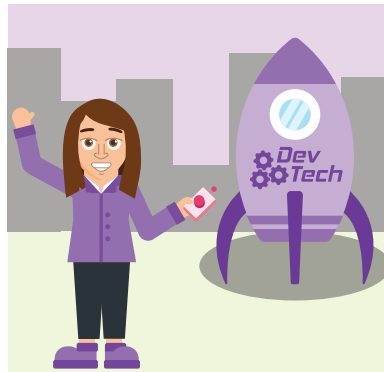
Table 2 Continued

Areas of feasibilities to consider	Explanation
Commercial feasibility 	Commercial feasibility has two distinct features. Firstly, an individual must be able to afford the initial costs of setting up the business. These costs can include hiring the required employees and purchasing the necessary equipment to run business operations. Secondly, the individual will need to determine if the industry and its customers are likely to support the opening of this potential business. This research can involve examining market conditions and assessing the profitability of operating in the industry.
Technical feasibility 	Technical feasibility examines the current skills of the potential business owner and their ability to help the business achieve its goals. Identifying the technical feasibility of a business concept can also help determine the resources that are required to support the owner.
Legal feasibility 	An individual will need to understand the legal regulations associated with starting their business and determine the likelihood that the business continues to comply with applicable laws and legislation.

### THEORY IN ACTION

#### Initial feasibility studies

After Vanessa had conducted her market research, she turned her attention to conducting an initial feasibility study to determine whether she should start DevTech. Vanessa identified she would need to hire a team of developers who could assist her in making the necessary application software. Additionally, she determined that she should hire graphic designers and a financial support team that could help her run the business's operations. Although there was a significant investment required to start the business, Vanessa felt there were no outstanding barriers that would stop the business from launching. Therefore, Vanessa was willing to take on the risk of starting her new business, DevTech.



**Figure 2** An initial feasibility study has helped Vanessa decide that she is willing to start DevTech

### Theory summary

Once the business concept has been developed, market research and initial feasibility studies should be performed to determine if starting a business is a responsible decision.

- Market research involves analysing the behaviour of a market and the factors that influence it.
- Initial feasibility studies assess what is required to start a business and determine if the business concept is viable.

# 1G Questions

## Theory review

### Question 1

Market research and initial feasibility studies help determine if a business concept has the ability to be successful.

- A. True
- B. False

### Question 2

If market research suggests that there is demand for a product, the business concept should always be pursued.

- A. True
- B. False

### Question 3

An initial feasibility study:

- A. evaluates how much money the business concept could make.
- B. determines how viable a business concept is.

### Question 4

The ability of an individual to start a business is assessed under:

- A. technical feasibility.
- B. operational feasibility.

### Question 5

Commercial feasibility helps determine the financial risk associated with starting a business.

- A. True
- B. False

### Question 6

Once market research and an initial feasibility study have been completed, an individual can determine if starting a business is a reasonable idea.

- A. True
- B. False

## Preparing for exams

### Case study skills

### Question 7

Jess has recently developed a business concept for her own physiotherapy business which involves a specialised gym facility for customers to perform their prescribed exercises. Jess is already a qualified physiotherapist, but she will need to hire at least two more employees to keep up with the current demand in the physiotherapy industry.

Identify which of the following statements are **true** or **false** about Jess' physiotherapy business.

	True	False
I. If Jess cannot afford the two physiotherapists, her business concept is not operationally feasible.	<input type="checkbox"/>	<input type="checkbox"/>
II. If Jess is to establish a gym facility, she must ensure that the gym equipment adheres to legal safety standards.	<input type="checkbox"/>	<input type="checkbox"/>
III. Jess does not have the technical skills to operate a physiotherapy practice.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Jess will need to determine if she can afford to fund the business concept to ensure it is commercially viable.	<input type="checkbox"/>	<input type="checkbox"/>
V. Jess does not need to develop an understanding of the market conditions within the physiotherapy industry as she is certain that creating a specialised gym facility will be successful in the long term.	<input type="checkbox"/>	<input type="checkbox"/>

## Exam-style

**Question 8** (1 MARK)

Define the term 'initial feasibility study'.

---

**Question 9** (2 MARKS)

Outline the purpose of market research.

---

**Question 10** (2 MARKS)

Outline the importance of determining the legal feasibility and technical feasibility of a business concept.

---

**Question 11** (3 MARKS)

Outline one difference between qualitative and quantitative data.

---

**Question 12** (3 MARKS)

Distinguish between market research and initial feasibility studies.

---

**Question 13** (4 MARKS)

Jess has recently developed a business concept for her own physiotherapy business which involves a specialised gym facility for customers to perform their prescribed exercises. Jess is already a qualified physiotherapist, but she will need to hire at least two more employees to keep up with the current demand in the physiotherapy industry.

Explain two areas of feasibility that Jess could consider when determining the initial feasibility of her business concept.

## Testing previous knowledge

**Question 14** (2 MARKS)

Outline the importance of market research following the development of a business concept.

# 1H Businesses' contribution to the wellbeing of a nation

Businesses are one of the most important aspects of modern society. The owner of each business that is started in Australia is not the only person impacted by their business. Every business in Australia contributes to the nation's economy and wellbeing, but how, and to what extent, does each Australian business impact these factors?



## STUDY DESIGN DOT POINT

- the contribution that businesses make to the economic and social wellbeing of a nation



## Lesson introduction

All businesses have individual goals, such as being financially successful and meeting the needs of their customers. In addition to this, all businesses collectively play a central role in the social and economic wellbeing of the nation that they are within.

## Economic wellbeing 1.1.9.1

**Economic wellbeing** is reflected by the level of income, consumption, and wealth people or households have to support their material living standards. A nation's economic wellbeing is indicated by various factors and is influenced by the performance of the economy of that nation. An **economy** is an area or region that engages in the production, consumption, and distribution of goods and services. An economy can also be considered a functioning system that is the combination of the activities performed by the members of a society. The existence of an economy enables people to trade and consume products to satisfy their individual needs and wants. While the government is in charge of the regulation and control of a nation, businesses are one of the main participants in the economy and can consequently impact the performance of the economy in a variety of ways.

### Employment opportunities 1.1.9.1.1

Businesses commonly employ human labour to produce goods and services. As a result, businesses create employment opportunities. High levels of employment benefit the economic wellbeing of the nation, as individuals can use their income to purchase goods and services that meet their needs and wants. Having more employed individuals that can use their wages to purchase products supports the growth of a nation's businesses and creates further job opportunities. Within Australia, the largest contributor to employment is small businesses. Therefore, it is important that small businesses are supported through government policies in order to provide employment to many Australians.

## KEY DEFINITIONS

**Economic wellbeing** is reflected by the level of income, consumption, and wealth people or households have to support their material living standards.

## ADDITIONAL TERMS

An **economy** is an area or region that engages in the production, consumption, and distribution of goods and services.

## Taxation revenue 1.1.9.1.2

**Tax** is a compulsory payment to the government, which is used to finance the provision of public goods and services. Businesses that earn a profit must pay a proportion of their earnings each year to the government in the form of tax. Tax from businesses is one of the main sources of revenue for the government. The government uses tax revenue to provide essential services to Australians, such as healthcare and education. As businesses are responsible for employing and paying individuals, they contribute to this government revenue.

### REAL WORLD EXAMPLE

#### Taxation revenue

The Australian Taxation Office (ATO) is a government revenue collection agency that manages the tax system in Australia. In order to prevent many businesses from becoming bankrupt during the COVID-19 pandemic, the ATO was relatively lenient with businesses throughout this period by not heavily regulating tax payments. However, the ATO is now taking firmer action, particularly against the construction industry, which owes approximately \$7.22 billion in tax following the pandemic. This tax, once collected, will be used by the government to restore economic stability and wellbeing in the aftermath of COVID-19.

*Adapted from news.com.au, 'The construction sector owes a staggering \$7.22 billion to the ATO', 2022*



Image: Mattz90/Shutterstock.com

**Figure 1** The Australian Taxation Office (ATO) is taking firmer action against businesses that have not paid taxes in the aftermath of the COVID-19 pandemic

## Infrastructure 1.1.9.1.3

**Infrastructure** is the essential facilities and structures that are required for an economy to operate. The government is often responsible for funding infrastructure projects, such as the provision of roads, rail networks, communications towers, and water facilities. However, many businesses are employed to help support and facilitate the creation of infrastructure. Infrastructure projects help ensure the economy and society are capable of functioning smoothly. Businesses, such as construction companies, are employed to create, maintain, and develop infrastructure. Therefore, these businesses play a critical role in ensuring that facilities and structures used by an economy function correctly.

## Economic growth 1.1.9.1.4

**Economic growth** is when the total value of goods and services produced by an economy increases over a period of time. Economic growth can be measured by **gross domestic product (GDP)**. The overall function of businesses within the economy is to produce and sell goods and services that individuals want to buy. When businesses sell more, they increase the total value of goods and services produced and sold within an economy, resulting in economic growth. If an economy's GDP grows by a greater amount than its growth in population, it is likely to improve the **material living standards** of members of the population.

### REAL WORLD EXAMPLE

#### Economic growth

The COVID-19 pandemic has had a large impact on economic growth in Australia. As many businesses were forced to close at the beginning of 2020 to comply with the regulations of the Australian Government, this resulted in a sharp decline in the production and consumption of goods and services. A rapid decrease in GDP resulted in Australia recording its first period of economic decline since 1991, decreasing the economic wellbeing of the nation.

*Adapted from Australian Bureau of Statistics, 'Effects of COVID-19 strains on the Australian economy', 2022*

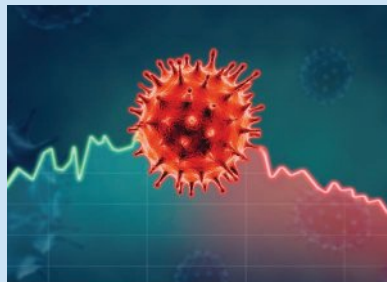


Image: ffikretow/Shutterstock.com

**Figure 2** COVID-19 causes economic decline as businesses are forced to close

### KEY DEFINITIONS

**Tax** is a compulsory payment to the government, which is used to finance the provision of public goods and services.

**Infrastructure** is the essential facilities and structures that are required for an economy to operate.

**Economic growth** is when the total value of goods and services produced by an economy increases over a period of time. Economic growth can be measured by **gross domestic product (GDP)**.

### ADDITIONAL TERMS

**Gross domestic product (GDP)** is the market value of all final goods and services produced within a country in a given period of time.

**Material living standards** is the level of wealth and comfort an individual has from their use of tangible goods and services.



**KEY DEFINITIONS**

**International trade** is the exchange of goods and services between different countries.

**Research and development** involves directing resources, such as money, towards discovering, creating, and introducing new products and processes.

**Social wellbeing** is a measure of the quality of life individuals have, reflected by their non-material living standards.

**ADDITIONAL TERMS**

**Exporting** is selling a product to a customer in another country.

**Importing** is purchasing products from another country.

**Non-material living standards** are non-physical factors that influence the quality of life experienced by individuals.

**LESSON LINK**

Research and development was introduced in **1D Sources of business opportunity**.

**International trade 1.1.9.1.5**

**International trade** is the exchange of goods and services between different countries.

Rather than selling solely to a domestic market, many modern businesses are also **exporting** their products overseas. Exporting has a positive impact on the economic growth of a nation, as money is being fuelled into the local economy from businesses in different countries.

International trade has also enabled businesses to import resources from overseas. **Importing** allows businesses to gain access to cheaper materials, which can reduce business costs and decrease the price of the final product. Importing has also improved the variety of goods and services that businesses can sell to their customers as businesses have access to a wider variety of international resources, helping to better satisfy customers' needs and wants.

**REAL WORLD EXAMPLE**

Image: Parilov/Shutterstock.com

**Figure 3** The Bloomfield Group is one of many Australian businesses that exports coal

**International trade**

The Bloomfield Group is an Australian mining and engineering group which produces high-quality thermal coal. As Australia is the world's largest exporter of coal, The Bloomfield Group exports the majority of its coal to the Asian market. However, The Bloomfield Group is not the only exporter of coal in Australia as coal accounts for more than half of Australia's energy exports. In 2021 alone, the coal industry contributed approximately \$39.17 billion to the Australian economy.

*Adapted from The Bloomfield Group, 'Our Operations', n.d.*

**ACTIVITY****International trade**

International trade plays an important role in Australia's economic wellbeing. Answer the following questions in groups, then discuss your answers as a class:

1. What are Australia's top three imports?
2. What are Australia's top three exports?
3. Who are Australia's top three trading partners?
4. How does international trade contribute to Australia's economic wellbeing?

**Research and development 1.1.9.1.6**

**Research and development** involves directing resources, such as money, towards discovering, creating, and introducing new products and processes. Research and development can significantly drive the economic development of a nation. Through research and development, businesses can investigate and test ways to make improvements to existing products, develop new business processes, or create entirely new products. As a result, businesses can meet the demands of customers, cut costs, and improve the affordability of their products. Subsequently, lower prices can help improve the standard of living in a nation as consumers can purchase more goods and services while spending the same amount as before.

**Social wellbeing 1.1.9.2**

**Social wellbeing** is a measure of the quality of life individuals have, reflected by their non-material living standards. The **non-material living standards** of a nation are an indicator of social wellbeing as these factors influence the quality of life experienced by individuals. For example, social wellbeing can be influenced by factors such as general happiness, crime rates, environmental quality, education, and the accessibility of healthcare.

**Table 1** How businesses contribute to the social wellbeing of a nation

Action performed by businesses	Impact on social wellbeing
A business provides employment opportunities to a number of individuals.	<ul style="list-style-type: none"> <li>Employed individuals are likely to be happier and more fulfilled and may experience less financial stress as they are earning a regular income.</li> <li>The unemployment rate is reduced, which decreases homelessness and crime rates. This is due to the fact that more individuals can afford housing and there is less incentive to turn to crime as a source of income.</li> </ul>
A business focuses on implementing employee wellbeing programs, such as counselling and regular check-ins with each employee.	<ul style="list-style-type: none"> <li>Businesses that provide employees with an opportunity to express their emotions can improve the mental health of their workers.</li> </ul>
A business implements environmentally friendly policies and production methods to reduce waste.	<ul style="list-style-type: none"> <li>These environmentally friendly processes help improve, protect, and preserve the environment.</li> </ul>

**EXTENDED REAL WORLD EXAMPLE****Social wellbeing**

Telstra is a telecommunications company which operates Australia's largest mobile network. Like with many other businesses, the COVID-19 pandemic forced Telstra to close throughout 2020 and 2021, resulting in employees having to work from home. While many other companies struggled to implement working-from-home policies to ensure their employees felt supported and motivated, Telstra adjusted quickly as many employees were already working remotely before the pandemic.

As Telstra understood the negative impact that consistent and lengthy lockdowns have on the social wellbeing of its employees, a wide variety of online programs and activities were implemented. Firstly, regular check-ins with Telstra's leadership team were added to all employees' calendars, providing employees with an opportunity to raise any concerns or issues surrounding working-from-home arrangements. In addition to this, regular catch-ups with groups were scheduled to encourage employees to interact socially with their co-workers. On top of this, weekly mindfulness and yoga sessions were conducted online throughout 2020 and 2021, with the purpose of keeping employees busy and distracted from the reality that working-from-home arrangements will continue for the unforeseeable future.

By implementing these activities, Telstra's human resources department aimed to prevent employees from feeling socially isolated, uncertain, or anxious throughout the pandemic. Many employees have spoken out about how Telstra helped them, with some stating that Telstra has gone 'above and beyond' in assisting them through such difficult times, supporting their mental health and wellbeing.

Overall, Telstra's immediate implementation of these programs was vital, particularly within the first months of the second set of COVID-19 restrictions when mental health problems were at their peak. This was revealed by a national survey conducted by The Medical Journal of Australia, which found that approximately one-quarter of respondents reported mild to medium symptoms of depression and anxiety.

*Adapted from Telstra, 'Reflecting on Telstra's Culture of Wellbeing and Support', 2022*



Image: TK Kurikawa/Shutterstock.com

**Figure 4** Telstra implements social wellbeing programs and activities throughout the COVID-19 pandemic

**Questions**

1. Did your school or workplace implement any wellbeing programs or activities while you were studying or working from home? If so, what kind of activities were conducted online?
2. Discuss what you believe was the intended purpose of these programs or activities on the social wellbeing of their participants.
3. If you were running a business throughout the pandemic, what kind of wellbeing programs would you implement?

## Theory summary

While businesses primarily satisfy the needs and wants of individuals, their impact extends beyond the goods and services they sell. Businesses contribute to the wellbeing of a nation both economically and socially.

- Businesses contribute to the economy by supporting employment levels, taxation, infrastructure, economic growth, international trade, and research and development.
- Businesses contribute to the social wellbeing of the nation by helping raise non-material living standards by reducing crime rates, improving the quality of the environment, and implementing strategies to assist the mental wellbeing of employees.

# 1H Questions

## Theory review

### Question 1

Businesses only contribute to the economic wellbeing of a nation.

- A. True
- B. False

### Question 2

Businesses contribute to the economic wellbeing of a nation by:  
(Select all that apply)

- I. generating taxation revenue.
- II. lowering crime rates.
- III. creating employment opportunities.

### Question 3

Fill in the blank with **one** of the following terms:

- infrastructure
- research and development

Businesses that are employed to help create facilities and structures for society, such as the provision of roads, rail networks, communications towers, and water facilities, contribute to \_\_\_\_\_.

### Question 4

A business contributes to the economic and social wellbeing of a nation by paying taxes to the government.

- A. True
- B. False

### Question 5

Fill in the blank with **one** of the following terms:

- research and development
- international trade

Businesses which conduct \_\_\_\_\_ may be able to investigate and test ways to make improvements to existing products, and develop new products and processes.

### Question 6

Businesses that engage in international trade can sell to more customers, or purchase cheaper materials to reduce their costs.

- A. True
- B. False

### Question 7

Economic growth directly improves material living standards and indirectly improves non-material living standards.

- A. True
- B. False

### Question 8

Businesses can directly improve the social wellbeing of a nation by:  
(Select all that apply)

- I. reducing homelessness.
- II. improving the quality of the environment.
- III. improving material living standards.
- IV. supporting the mental health of employees.

## Preparing for exams

### Case study skills

#### Question 9

Sally is the owner of a small hair accessory business located in Victoria which has been in operation since 2019. She currently sells hair accessories in Australia but has decided to start exporting the hair accessories to Asia. She is also contemplating whether to start importing some of the accessories from China.

Identify which of the following statements is correct about Sally's hair accessory business.

- A. By exporting hair accessories to Asia, Sally is helping improve the economic growth of Australia, as selling goods internationally will inject foreign money into the local economy.
- B. If Sally decides to start importing some of the hair accessories from China, she will gain access to cheaper resources from overseas and be able to increase the selling price of the hair accessories.

### Exam-style

#### Question 10 (1 MARK)

Define the term 'economic wellbeing'.

---

#### Question 11 (1 MARK)

Define the term 'infrastructure'.

---

#### Question 12 (2 MARKS)

Explain how businesses contribute to economic growth.

---

#### Question 13 (2 MARKS)

Outline two ways that businesses improve the social wellbeing of a nation.

---

#### Question 14 (3 MARKS)

Explain how businesses contribute to taxation revenue.

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#### Question 15 (3 MARKS)

Sally is the owner of a small hair accessory business located in Victoria which has been in operation since 2019. She currently sells hair accessories in Australia but has decided to start exporting the hair accessories to Asia. She is also contemplating whether to start importing some of the accessories from China.

Explain how Sally's decision to engage in international trade can impact the economic wellbeing of Australia.

### Testing previous knowledge

#### Question 16 (2 MARKS)

Outline how businesses that operate in a global market contribute to the economic wellbeing of a nation.

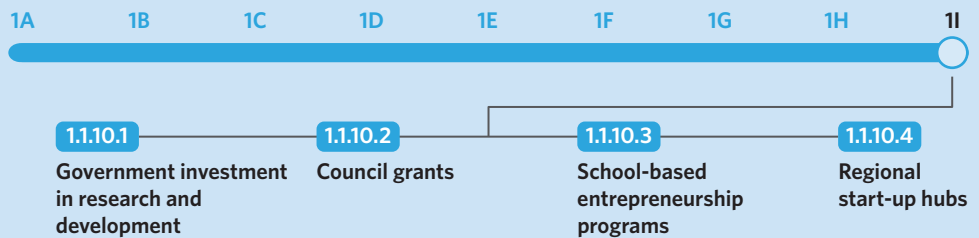
# 1 Business innovation and entrepreneurship

Studies from NAB have found that over 4 in 10 Australians would love to own their own business, and nearly 1 in 10 have already started their own business. The culture of entrepreneurship and innovation in Australia is already thriving. However, for this to continue, the Australian government must keep nurturing this culture. So what are some of the ways that the government can do this?



## STUDY DESIGN DOT POINT

- the methods by which a culture of business innovation and entrepreneurship may be fostered in a nation, such as government investment in research and development, council grants for new businesses, school-based educational programs in entrepreneurship, and the creation of regional business start-up hubs



## Lesson introduction

Innovation and entrepreneurship are two of the key components driving Australia's economic growth. To encourage a culture of innovation and entrepreneurship, the government can provide support and funding for research and development, council grants, and regional start-up hubs. Additionally, government funding for school-based entrepreneurial programs teaches students the skills of starting and running a successful business, increasing the likelihood of Australia's youth engaging in entrepreneurship in the future.

## Government investment in research and development 1.1.10.1

Research and development involves directing resources, such as money, towards discovering, creating, and introducing new products and processes. Research and development is an expensive and time-consuming process for businesses to undertake. The high costs associated with a business paying for studies conducted by research institutions, or technology to engage in research, often discourage smaller businesses from participating in research and development. To combat this, the Australian government has implemented a number of initiatives to assist and encourage businesses to undertake research and development. By making research and development more affordable and accessible for Australian businesses, these businesses are more likely to participate in research and development, strengthening Australia's culture of innovation and entrepreneurship.

### LESSON LINK

Entrepreneurship was introduced in **1A Entrepreneurship**.

Innovation and research and development were introduced in **1D Sources of business opportunity**.

### ADDITIONAL TERMS

A **tax offset** is a direct reduction in the amount of tax that must be paid by a business to the Australian Tax Office (ATO).

**Table 1** Government investment in research and development initiatives

Government initiative	Description
<b>Innovation Connections</b>	Innovation Connections is a service that provides entrepreneurs with advice and funding for research projects. Entrepreneurs can apply for this service and, if accepted, will be paired with an individual who makes recommendations regarding the research project, connects the entrepreneur with research institutions, and helps the entrepreneur apply for a grant to fund research.
<b>The research and development tax incentive</b>	A business that pays tax in Australia, spends at least \$20,000 on eligible research and development activities, and whose aggregated turnover is less than \$20 million will be eligible to apply to receive a <b>tax offset</b> . Receiving a tax offset reduces the cost of research and development expenditure for the business, making the process more financially feasible.

Continues ►

Table 1 Continued

Government initiative	Description
<b>Accelerating Commercialisation</b>	Accelerating Commercialisation is a service that provides entrepreneurs with advice and funding in order to get their unique, or original, good or service to the market. This aims to assist small or medium-sized businesses and start-ups, that are developing new and innovative products, to scale up and commercialise in global markets.

### REAL WORLD EXAMPLE

#### Government investment in research and development

The Australian government has agreed to invest \$4 billion over 12 years (from 2018 to 2029) to support the National Research Infrastructure (NRI) which relates to the facilities, equipment, resources, and experts needed to perform scientific and industry research. Investments in the NRI have allowed for the development of the National Collaborative Research Infrastructure Strategy (NCRIS) program. As of August 2022, the NCRIS program supports 22 funded projects, including the Australian Centre for Disease Preparedness (ACDP). The ACDP engages in research to protect Australia from emerging infectious disease threats. As COVID-19 vaccines were being developed, ACDP tested three of the vaccine candidates, helping them progress to human trials. The ACDP also contributed to monitoring Australia's wastewater for COVID-19, tracking the prevalence of the virus in certain areas as concerns for rising infection rates grew. By providing significant funding to the NRI, the Australian government facilitates the research conducted by the ACDP and thus contributes to the developments in the vaccine the researchers were able to make.

*Adapted from CSIRO, 'Australian Centre for Disease Preparedness', n.d. and Australian Government Department of Education, 'National Research Infrastructure', 2022*



Image: Mongkolchon Akesin/Shutterstock.com

**Figure 1** The Australian government invests in the National Research Infrastructure, subsequently allowing businesses to gain funding for research and development

## Council grants 1.1.10.2

A **council grant** is a one-off financial payment from a local council to a business, which does not need to be repaid, that aims to support business ideas and development. **Councils** have the ability to provide a council grant to an individual or small business within the community with the aim of promoting and encouraging entrepreneurship, and the development of new businesses. Entrepreneurs can use council assistance to help cover the establishment costs when launching their business, purchasing the machinery and equipment they may require to develop their business, and paying the labour costs that they may incur during the expansion of their business. By receiving a grant during these periods of growth, a business can ensure it is financially viable in the long term. Council grants can also reduce the cost of research and development projects, thereby encouraging innovation.

### REAL WORLD EXAMPLE

#### Council grants

The City of Whitehorse is a local council in the eastern suburbs of Melbourne, Victoria. In 2021, the Whitehorse City Council introduced the Whitehorse Business Grants Program. The program aimed to support social and economic sustainability, business growth and prosperity, and industry development following the difficult period for local businesses during the COVID-19 pandemic. Businesses within the council could apply to receive funding within one of two streams. These two streams were business innovation, which provided funding ranging from \$5,000 to \$10,000 to support small businesses with the costs associated with substantial innovative projects; and business support, which provided funding ranging from \$1,000 to \$3,000 for businesses aiming to grow, or re-establish themselves after the pandemic. The program expected businesses to have used their funding by 31 August 2022. By providing these grants to local businesses, the Whitehorse Council facilitated innovation and encouraged small business owners to persist with their business, even if they encountered significant difficulties in recent years due to COVID-19.

*Adapted from City of Whitehorse, 'Whitehorse Business Grants Program', 2022*



Image: Nils Verseemann/Shutterstock.com

**Figure 2** Whitehorse Council provides grants to small and medium-sized businesses to assist them with innovation and provide financial support

### KEY DEFINITIONS

A **council grant** is a one-off financial payment from a local council to a business, which does not need to be repaid, that aims to support business ideas and development.

### ADDITIONAL TERMS

**Councils** are the local level of government in Australia, with each council looking after a specific region within the state.

## School-based entrepreneurship programs 1.1.10.3

One of the places to first encourage a culture of innovation and entrepreneurship is within schools. School-based entrepreneurial programs can help introduce students to the business world, allowing them to develop their business knowledge and problem-solving skills. The overall aim of school-based entrepreneurship programs is to increase student confidence and willingness to develop innovative business ideas in the future.

### EXTENDED REAL WORLD EXAMPLE

#### School-based entrepreneurship programs

Young Change Agents is a nationwide social enterprise that helps Australia's youth in developing their entrepreneurial capacity and identifying opportunities for social entrepreneurship. One of the most popular programs run by the Young Change Agents is the '\$20 Boss'. The program involves providing students with \$20 and guiding them through the process of establishing and running a business using only this money as their initial funds. The aim of the program is for students to generate a profit from their business activities, earning more than the \$20 they were provided with. The program can be run at any time from years 5-10 and can be adapted according to the general capabilities and relevant learning areas of the year level completing the program.

According to Young Change Agents, the program helps students to develop enterprise, financial literacy, problem-solving, communication, and collaboration skills as well as empathy, confidence, trust, ownership, a capacity to think critically, and resilience.

To celebrate the outstanding performance of certain students in the program, Young Change Agents hosts annual awards ceremonies. In 2020, Grow Greener Co. won the prize for years 9-12. Grow Greener Co. sold seedlings to grow food, accompanied by instructions on how to plant and care for them, and healthy recipes to cook them once grown. Winning this award allowed the business to gain a \$500 Seed Investment as well as a virtual mentoring package from Young Change Agents.

For schools with an Index of Community Socio-Educational Advantage (ICSEA) rating of 1100 or below, the Young Change Agents offer funding for schools to run the \$20 Boss program. All students are provided with their initial \$20 and all teachers gain access to toolkits and resources to facilitate the \$20 Boss at their school. The toolkit provided by Young Change Agents provides lesson plans, worksheets, and resources to provide students with guidance as they begin establishing and operating a business. By providing funding and resources, Young Change Agents allows the program to be entirely free for certain schools.

A culture of innovation is developed by the program as students must think of creative ideas when developing the product for their business. Furthermore, as \$20 is a small amount of money to start a business with, students must be innovative when researching, marketing, and selling their goods or service as they have very limited funds to conduct these business activities. A culture of entrepreneurship is also fostered by the program as each student must start their own business, developing an entrepreneurial mindset and skillset to do so.

*Adapted from Young Change Agents, '\$20 Boss', 2022*



Image: Andrii Medvednikov/Shutterstock.com

**Figure 3** Young Change Agents's \$20 Boss program provides students with \$20 to establish and operate their own business, encouraging them to make a profit

#### Questions

1. What kind of information do you think would be useful to learn about before you start a small business?
2. If you were able to participate in the program, what kind of business would you want to run?
3. Young Change Agents provides teachers with the option to follow the 'Full toolkit', which requires 25 lessons for the program to be completed or the 'Lite toolkit', which requires 13 lessons. What do you think would be some advantages and some disadvantages of completing the whole program rather than the 'lite' version? Go to Google and search 'Teacher Toolkits \$20 Boss' if you want more information about the 'lite' and 'full' toolkits.
4. If you have completed this program, or one similar during your schooling, did you enjoy it? Why, or why not?

## Regional start-up hubs 1.1.10.4

**Start-up hubs** are physical spaces that individuals and businesses can go to in order to have office facilities to work in, or to obtain support regarding business matters. Regional start-up hubs are often government initiatives designed to provide a collective working space for new businesses within a specific area or location. Start-up hubs allow business owners to share ideas and practices with each other. Certain start-up hubs also provide a **subsidy** for rental expenses, advisory services, and offer workshops that enhance the skills and knowledge of business owners. LaunchVic is a government organisation that is responsible for providing assistance and support for the running of multiple start-up hubs across Victoria. The existence of LaunchVic has helped encourage the creation and development of numerous businesses across Victoria. Regional start-up hubs also support a culture of innovation and entrepreneurship by creating an environment where business owners can share ideas and practices with one another.

### REAL WORLD EXAMPLE

#### Regional start-up hubs

The Melbourne Innovation Centre is an initiative aimed at helping small businesses and start-ups across Australia thrive through its Business Incubation program, coworking spaces, and delivery of business support programs. In Greensborough, the Melbourne Innovation Centre has established a coworking space. The space includes facilities such as a shared kitchen, breakout spaces, meeting rooms, and car parks. The layout of the start-up hub aims to encourage inclusiveness, growth, and success with open spaces to facilitate this. Start-ups wanting to make use of the office space can pay a small, monthly membership fee to receive 24/7 access to all facilities. Start-up hubs, such as this Melbourne Innovation Centre office, encourage entrepreneurship as business owners can provide a working space for their employees for a relatively low cost, enabling them to channel their money towards developing and marketing their products instead. Furthermore, multiple start-ups work in one office space, allowing employees across businesses to network and share their best practices.

*Adapted from Melbourne Innovation Centre, 'MIC Greensborough', n.d.*



Image: Kzenon/Shutterstock.com

**Figure 4** The Melbourne Innovation Centre Greensborough offers business support programs and allows small businesses to pay a fee to access an office space

### KEY DEFINITIONS

**Start-up hubs** are physical spaces that individuals and businesses can utilise in order to have office facilities to work in, or to obtain support regarding business matters.

### ADDITIONAL TERMS

A **subsidy** is a financial payment provided by the government to an individual or business, generally to promote a specific behaviour.

### ACTIVITY

#### Regional start-up hubs

Go to Google and search 'Pivot City Innovation District'. Research this Geelong start-up hub by looking at its website and discuss the following questions with your peers:

1. On its website, the Pivot City Innovation District asserts that 'Live Tiles', a \$220 million software company, has its offices within this start-up hub. Do you think knowing a successful business is within the hub would entice other entrepreneurs to want to work there too? If so, why?
2. '50 dynamic businesses and organisations' work within Pivot City. Do you think working among many people, all doing different jobs in different industries, would inspire or distract you? Explain your answer.
3. On the map of Pivot City, you can see a range of facilities within the hub such as a gym, barbeque, restaurant, basketball court, and more. Do you think having these amenities could boost employee productivity, or decrease it? Explain.
4. What do you think might be a disadvantage of working within Pivot City with more than '1,000 onsite employees' all in the same area?



## Theory summary

There are a variety of initiatives available to existing and future business owners that assist them in establishing, growing, and operating their business. By assisting these businesses to function, these programs promote innovation as they encourage the evolution of new products and business ideas. In addition, these programs can allow entrepreneurs to establish profitable and sustainable businesses, encouraging other individuals to consider developing their own businesses, thus fostering a culture of entrepreneurship in Australia.

Specific initiatives include:

- Government investment in research and development, which assists businesses to establish innovative processes and products.
- Council grants that financially assist business owners to establish, grow, and maintain their business.
- School-based entrepreneurship programs that teach the future generations various skills and knowledge required to start a business.
- Regional start-up hubs with spaces that allow new businesses to work together, sharing ideas and practices.

# 11 Questions

## Theory review

### Question 1

A culture of innovation and entrepreneurship can be influenced by the government.

- A. True
- B. False

### Question 2

The government provides funding for research and development initiatives with the aim to:

- A. encourage more businesses to participate in research and development by reducing the cost of doing so, strengthening Australia's culture of innovation.
- B. reduce the desire for businesses to innovate their product so that businesses sell more consistent products, improving the Australian economy.

### Question 3

Fill in the blanks with the following terms:

- regional start-up hubs
- government investment in research and development

A culture of innovation can be developed by \_\_\_\_\_ as employees of different start-ups are all surrounded by one another, encouraging each other to be creative by sharing ideas and practices with each other. Furthermore, \_\_\_\_\_ facilitates a culture of innovation as businesses can more easily afford new technologies or the use of a research institution, enabling them to establish innovative processes and products.

### Question 4

Potential features of a regional start-up hub include:

**(Select all that apply)**

- I. government subsidies for rent and utility expenses.
- II. a collaborative environment in which business owners and employees can share ideas and practices.
- III. a tax offset.
- IV. workshops for business owners that enhance their knowledge or skills.

### Question 5

Fill in the blank with **one** of the following terms:

- Regional start-up hubs
- School-based entrepreneurship programs

\_\_\_\_\_ can help introduce students to the business world, allowing them to develop the skills necessary for running a business, such as problem-solving and communication skills.

### Question 6

A council grant is a one-off financial payment from the council to a business that completely covers the cost of starting a business, paying for all marketing expenses, technology requirements, and other expenses incurred by a business upon commencement.

- A. True
- B. False

### Question 7

The Australian government aims to nurture a culture of innovation and entrepreneurship in Australia in order to promote:

- A. happiness among citizens of the nation.
- B. economic growth.

## Preparing for exams

### Case study skills

#### Question 8

Better Together, located in Bendigo, is a co-working space created by the Australian government that allows employees from a number of businesses in the area to operate within a shared, collaborative working space. The office has an open floor plan with desks spread out across the floor to encourage employees from different businesses to mix with one another. Better Together provides businesses that use the facilities with a subsidy to reduce the rental costs of using the hub.

Identify which of the following statements are **true** or **false** about how the Better Together start-up hub can help foster a culture of innovation and entrepreneurship.

	<b>True</b>	<b>False</b>
I. Better Together provides businesses with a subsidy when using the start-up hub. Therefore, reducing the expenses and financial risks associated with starting a business.	<input type="checkbox"/>	<input type="checkbox"/>
II. Better Together contributes to a culture of innovation by encouraging employees of each individual start-up to work only in their own teams, allowing each start-up to focus more on themselves which can ultimately lead to new ideas being produced.	<input type="checkbox"/>	<input type="checkbox"/>
III. Better Together allows employees from multiple businesses to communicate with one another, developing a culture of innovation as they can provide feedback to each other, and share creative practices through collaboration.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Better Together provides start-ups with loans to help businesses establish themselves in the market.	<input type="checkbox"/>	<input type="checkbox"/>

#### Question 9

During 2020, several small businesses across Australia suffered significantly as a result of the pandemic, with many business owners ultimately having to shut down their businesses due to a lack of profit. In efforts to reinvigorate the economy and strengthen the culture of innovation and entrepreneurship within Australia, the Australian government considered ways to encourage citizens to once again start up innovative businesses.

Identify which of the following are ways in which the government could help to foster a culture of innovation and entrepreneurship in Australia. **(Select all that apply)**

- I. Councils across Australia could provide grants to local businesses, which are one-off financial payments from the council to a business that aim to support business ideas and development, and reduce the financial risks associated with starting a business.
- II. The government could fund regional start-up hubs as this will allow start-up entrepreneurs to be surrounded by one another, collaboratively sharing ideas and practices which can lead to innovation.
- III. The government could provide all Australian adults with \$20 and tell them to start a business as this will lead to each individual in the adult population of Australia establishing an innovative business idea.
- IV. The government could provide a tax offset to eligible businesses that spend a certain amount on research and development, encouraging more businesses to engage in practices that allow for innovation to occur.

### Exam-style

#### Question 10 (1 MARK)

Define the term 'council grant'.

#### Question 11 (2 MARKS)

Outline school-based entrepreneurship programs as a method of fostering a culture of innovation and entrepreneurship.

**Question 12** (2 MARKS)

Outline government investment in research and development as a method of fostering a culture of innovation and entrepreneurship.

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**Question 13** (3 MARKS)

Better Together, located in Bendigo, is a co-working space created by the Australian government that allows employees from a number of businesses in the area to operate within a shared, collaborative working space. The office has an open floor plan with desks spread out across the floor to encourage employees from different businesses to mix with one another. Better Together provides businesses that use the facilities with a subsidy to reduce the rental costs of using the hub.

Explain how the Better Together regional start-up hub fosters a culture of innovation and entrepreneurship.

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**Question 14** (4 MARKS)

During 2020, several small businesses across Australia suffered significantly as a result of the pandemic, with many business owners ultimately having to shut down their businesses due to a lack of profit. In efforts to reinvigorate the economy and strengthen the culture of innovation and entrepreneurship within Australia, the Australian government considered ways to encourage citizens to once again start up innovative businesses.

Explain two methods by which a culture of business innovation and entrepreneurship may be fostered in Australia.

**Testing previous knowledge****Question 15** (4 MARKS)

Describe research and development as a source of business opportunity and explain how government investment in research and development can foster a culture of innovation and entrepreneurship.

# Unit 1 AOS 1 review

## The business idea

### AOS summary

This chapter introduced the first area of study (AOS) of the VCE Units 1 and 2 Business Management course. In this chapter, you learnt about how a business creates and utilises opportunities in the market for a new business idea, as well as the personal motivations for starting a business. You also learnt about the ways a business can plan for the future, by setting goals and determining the viability of its concept. Finally, you learnt about how a business can contribute to the wellbeing of society and enhance economic growth through innovation and entrepreneurship.

Lesson **1A Entrepreneurship** covered the concept of entrepreneurship and the skills that an entrepreneur requires to be successful, including risk-taking, leadership, innovation, communication, decision-making, and networking skills.

Lesson **1B Personal motivation for starting a business** covered the factors that personally motivate a business owner to pursue their business idea and establish a business. These motivations for starting a business are:

- personal independence
- financial independence
- to make a profit
- to fulfil a market need
- to fulfil a social need.

Lesson **1C Characteristics of successful managers and entrepreneurs** covered traits that a manager requires to positively contribute to business success, including communication skills, determination, and being knowledgeable, ethical, and flexible. You also learnt about the attributes of a successful entrepreneur, including willingness to take calculated risks, a strong networking ability, and being determined, innovative, resourceful, and knowledgeable.

Lesson **1D Sources of business opportunity** covered the ways a business can harness conditions in the market to develop a new business concept. These sources of business opportunity are:

- innovation
- market opportunities
- changing customer needs
- research and development
- technological development
- global markets.

Lesson **1E Goal setting** covered the importance of setting goals for a business, as well as the types of goals a business can set in order to progress in the future. You also learnt about the SMART goal criteria whereby businesses should set specific, measurable, attainable, relevant, and time-bound goals. Finally, the lesson discussed the importance of decision-making as a skill during business planning and goal setting.

Lesson **1F Business concept development** covered how a business can develop and use a business concept to gain a competitive advantage in the market. You also learnt about how a business can protect its business concept as intellectual property through legal barriers, including trademarks, patents, copyrights, and domain names. Finally, you learnt about the relationship between business opportunities and business concept development.

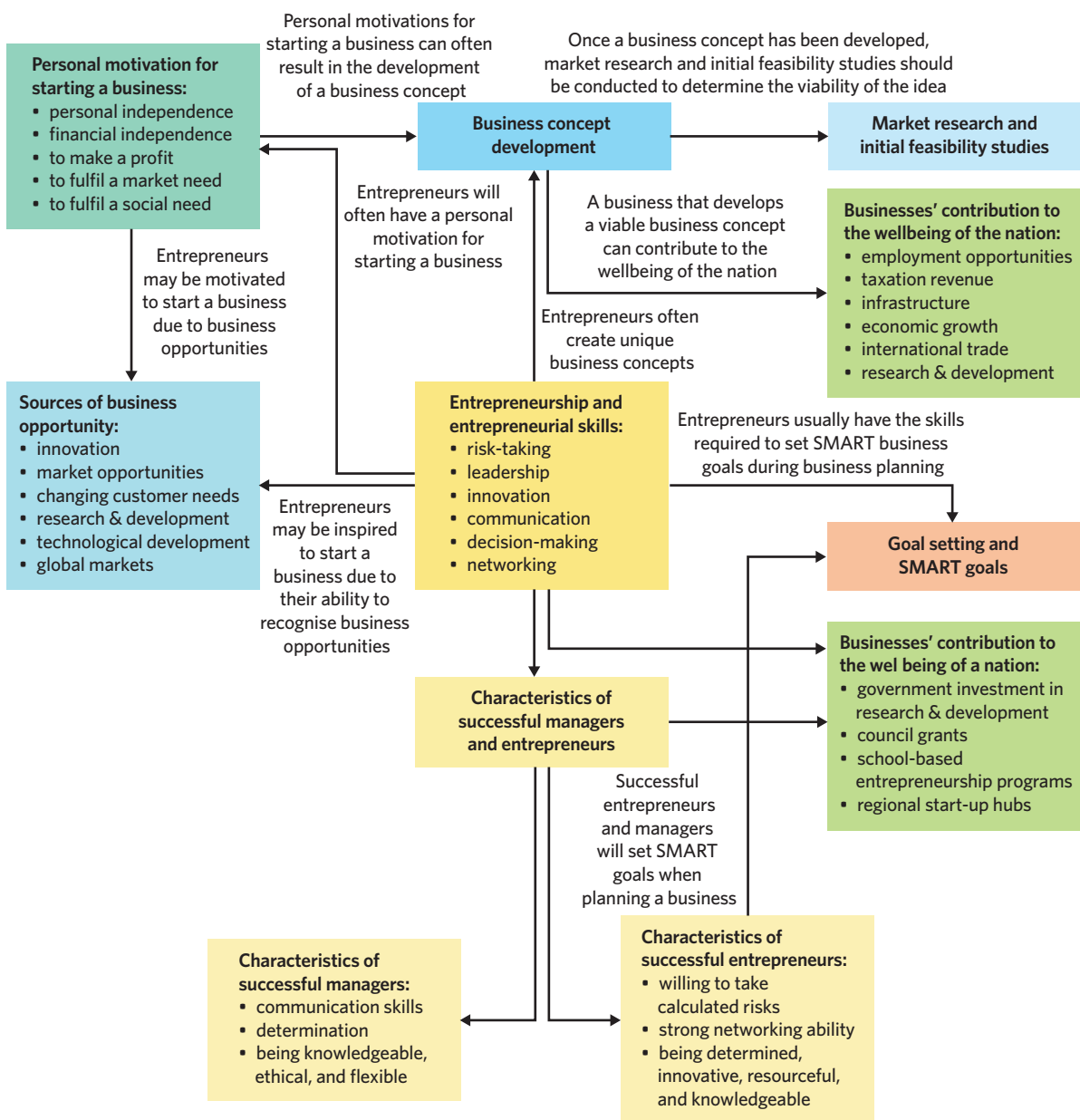
Lesson **1G Market research and initial feasibility studies** covered the process of market research and how a business can use the qualitative and quantitative data that is collected to make informed business decisions. You also learnt about initial feasibility studies and how they can be used by a business owner to consider different areas that may impact the business's start-up, including market, operational, commercial, technical, and legal feasibility.

Lesson **1H Businesses' contribution to the wellbeing of a nation** covered how businesses provide both economic and social benefits to the wellbeing of society. A business can contribute to the economic wellbeing of society by providing:

- employment opportunities
- taxation revenue
- infrastructure
- economic growth
- international trade
- research and development.

Lesson 11 **Business innovation and entrepreneurship** covered the ways in which a culture of business innovation and entrepreneurship may be fostered in a nation. The ways a nation can foster innovation and entrepreneurship include:

- government investment in research and development
- council grants
- school-based entrepreneurship programs
- regional start-up hubs.



## AOS review activities

### Review activity 1: Entrepreneurial skills summary table

You have learnt about the different entrepreneurial skills that an entrepreneur can possess in order to positively contribute to the growth of their business. It is important to remember the different entrepreneurial skills, as well as the importance of each skill to achieve business success.

Copy out the table in your notes. Fill in the table by identifying the entrepreneurial skill that the statement is describing and selecting the correct statement about the importance of the skill. The first row has been completed for you as an example.

Statement	Entrepreneurial skill	Importance of the skill
A skill that involves sharing a business vision with employees to inspire and persuade employees to support an idea.	Leadership skills	<p><b>A.</b> Can motivate employees.</p> <p><b>B.</b> Can minimise business expenses.</p> <p><b>Correct statement:</b> A ✓</p>
A skill that involves being able to clearly transfer information to others and engage in two-way conversations with employees to listen and consider their feedback.		<p><b>A.</b> Can provide direction for the business.</p> <p><b>B.</b> Can minimise the input of employees.</p> <p><b>Correct statement:</b></p>
A skill that requires an entrepreneur to be able to select a suitable course of action from a range of plausible options.		<p><b>A.</b> Can increase the amount of time spent considering business ideas.</p> <p><b>B.</b> Can contribute to business success.</p> <p><b>Correct statement:</b></p>
A skill that requires an entrepreneur to not fear failure and to take calculated risks.		<p><b>A.</b> Can ensure the business only remains in a stable position in the market.</p> <p><b>B.</b> Can allow the business to access more business opportunities.</p> <p><b>Correct statement:</b></p>
A skill that allows an entrepreneur to be creative and look for new ideas and opportunities as they arise in the market.		<p><b>A.</b> Can provide a business with a competitive advantage.</p> <p><b>B.</b> Can limit the distinguishable characteristics of the business.</p> <p><b>Correct statement:</b></p>
A skill that allows an entrepreneur to develop contacts that can provide assistance and advice in the future.		<p><b>A.</b> Can provide a business with support.</p> <p><b>B.</b> Can reduce a business's competitive advantage.</p> <p><b>Correct statement:</b></p>

### Review activity 2: Identifying real-life sources of business opportunity

In this chapter, you have learnt about the ways in which a business can identify business opportunities and use them to develop a business idea. It is useful for a business owner to be able to recognise how real-life businesses initially establish their business idea and take advantage of opportunities to create a viable business.

Search up 'Afterpay's spectacular global success' on the internet and click on the link that takes you to the Financial Review article (Financial Review, 2021). Read the article and answer the following questions in your workbook:

1. How did Afterpay establish its initial business idea?
2. What source of business opportunity did Afterpay use when creating its business idea?
3. Do you think Afterpay's business idea is viable? Why or why not?
4. How is Afterpay planning to increase its competitive advantage in the future?
5. Can you think of any other payment businesses that have utilised Afterpay's technological development as a source of business opportunity?

### Review activity 3: Develop a business concept

During this area of study you were introduced to the business concept, which outlines the business's idea, its main selling activities, and the features that will allow it to gain a competitive advantage. It is important to understand that the development of a business concept is a crucial first step to starting a business.

Imagine you are opening a new workout studio with an adjoining cafe. Your task is to develop a business concept where you outline the idea for the business, what you will sell, and how you will gain a competitive advantage. When developing your business concept, you may consider the style of the studio and cafe, and what goods and services you will offer to your customers. After developing your business concept, consider how you will protect it from competitors through legal barriers.

You may like to complete this activity in small groups and then share your business concept with the class.

# Unit 1 AOS 1 review questions

## Contemporary case study

### Useful tip

In the end-of-year VCAA examination for Units 3 and 4, it is likely that there will be a question asking you to refer to a contemporary business case study. This section of the AOS review is designed to build your skills in answering contemporary case study questions in year 11, so you are even more prepared for the exam at the end of Units 3 and 4. Refer to the section at the beginning of this textbook titled 'What is a contemporary business case study?' for more information. For the following questions, you can refer to Bistro Morgan or any other business you feel confident writing about as a contemporary business example.

### Bistro Morgan

Bistro Morgan is an iconic, Melbourne-based bakehouse that was founded by young entrepreneur, Morgan Hipworth. From a young age, Hipworth had a passion for baking and sharing food which led him to create unique flavour combinations and sweet treats that he initially supplied to local cafes. Before long, Hipworth was selling his creations to many cafes across Melbourne and his popularity online, especially through social media, was continuously increasing. Whilst balancing school and sporting commitments, in 2016, Hipworth launched a pop-up store, selling over 10,000 doughnuts across eight days, before deciding to make this a permanent store named Bistro Morgan.



**Figure 1** Entrepreneur, Morgan Hipworth, established the unique doughnut and sweet treats business known as Bistro Morgan

By initially selling to local cafes and then launching a pop-up store, Hipworth essentially conducted his own market research, gaining an understanding of the demand for his sweet treats amongst customers to help him determine the viability of his business concept.

Hipworth personally financed the opening of Bistro Morgan in Windsor and employs a number of full-time bakers and staff in the bakehouse. He now offers breakfast, lunch, and coffee alongside his doughnuts, further meeting the needs of his customers.

The success of Bistro Morgan can be attributed to both his passion for baking and his ability to recognise a gap in the market for uniquely flavoured doughnuts and creative sweet treats. Each week, Hipworth provides three new flavours that are available only for that week, therefore keeping customers engaged and eager to visit his store. Some of the doughnut flavours at Bistro Morgan include Crème Brûlée, Bruno Mars, and Biscoff Gone Nuts.

As an entrepreneur, Hipworth is an extremely creative, passionate, motivated, and organised individual who balanced operating a business whilst completing his schooling. His advice for other business owners is to be 'prepared to put in the work', demonstrating his diligent and hard-working nature. At the age of 21, Hipworth established a recognisable Australian brand and continues to draw the attention of customers, contributing to the success of the now multi-million dollar business, Bistro Morgan.

*Adapted from Bistro Morgan, 'Our Story', n.d.*

**Answer questions 1–4 with reference to the Bistro Morgan case study shown, or any other contemporary business case study you have studied.**

**Question 1** (2 MARKS)

Describe one personal motivation for starting a business. In your response, refer to a contemporary business case study.

**Question 2** (2 MARKS)

With reference to a contemporary business case study, explain two characteristics of a successful entrepreneur.

**Question 3** (4 MARKS)

Using a contemporary business case study, explain two areas of feasibility that a business owner could consider when determining the initial feasibility of a business concept.

**Question 4** (4 MARKS)

With reference to a contemporary business case study, explain innovation and market opportunity as sources of business opportunity.

**Exam-style**

These questions are typical of Section A in the VCE Business Management exam.

**Question 5** (10 MARKS)

Phoenix has recently noticed that there are no nearby healthy food options for a number of office buildings in her area. Due to a growing trend of healthy eating, Phoenix has identified that there is an opportunity to make more money than she currently is as a chef. She is considering opening a Vietnamese street food store called PhoReal. Phoenix is friendly with many of the managers in the office buildings nearby, and feels she may be able to use this to her advantage.

- Define the term entrepreneurship. (1 MARK)
- Describe one skill that Phoenix will need to be a successful entrepreneur. (2 MARKS)
- Explain the importance of goal setting for Phoenix. (3 MARKS)
- Explain how making a profit and fulfilling a market need may act as personal motivations behind Phoenix's decision to start a business. (4 MARKS)

**Question 6** (12 MARKS)

After undertaking market research, Ezra has discovered that his innovative watch and accessories business, Little Liars, is extremely popular amongst customers and provided him with a competitive advantage in the Australian market. However, Ezra is now looking to plan for the future and enhance the performance of Little Liars and has therefore proposed some new objectives to his employees.

- Define market research. (1 MARK)
- Outline regional start-up hubs as a method of fostering a culture of innovation and entrepreneurship. (2 MARKS)
- Explain two ways Little Liars can contribute to Australia's economic wellbeing. (4 MARKS)
- Describe how Ezra could use the SMART goal setting criteria to improve the performance of Little Liars. (5 MARKS)

**Question 7** (8 MARKS)

Sandra owns Dairy Land, a full-cream milk production company that sells and delivers its milk bottles to customers and supermarkets in the local Gippsland area. Sandra is looking to expand Dairy Land in the future and is wanting to develop a new range of flavoured milk drinks to gain a competitive advantage.

- Explain two ways in which a culture of innovation and entrepreneurship can be fostered in a nation. (4 MARKS)
- Explain how Dairy Land contributes to both the economic and social wellbeing of Australia. (4 MARKS)



# UNIT 1 AOS 2

## Internal business environment and planning

The internal environment affects the approach a business takes to planning and the extent to which planning is successful. A business owner will generally have more control over the activities, functions and pressures that occur within the business. These factors, such as business models, legal business structures and staffing, will also be influenced to some extent by the external environment. Students explore the factors within the internal business environment and consider how planning decisions involving these factors may affect the ultimate success of a business, with success being measured by the extent to which business objectives are met within a specific timeframe.

### Outcome 2

On completion of this unit, the student should be able to describe the internal business environment and analyse how factors from within it may affect business planning.

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# CHAPTER 2

## Internal environment

### LESSONS

- 2A** The internal environment and the external environment
  - 2B** Types of businesses
  - 2C** Types of business models
  - 2D** Purchasing vs establishing a business
  - 2E** Business resource needs
  - 2F** Business locations
  - 2G** Sources of finance
  - 2H** Business support services
  - 2I** Business planning
  - 2J** CSR for business planning
- Unit 1 AOS 2 review

### KEY KNOWLEDGE

- the relationship between the internal environment and the external environment of a business
- types of businesses such as sole trader, partnership, private limited company, public listed company, social enterprises and government business enterprises, and the factors affecting the choice of business structure
- types of business models such as online business, direct-to-consumer business, bricks-and-mortar business, franchise, importer and exporter
- costs and benefits of purchasing an existing business compared with establishing a new business
- business resource needs (natural, labour and capital) and the factors affecting the use of business resources
- business locations and the factors affecting choice of location
- sources of finance available to establish a business and the factors affecting the type and source of finance chosen
- business support services such as legal, financial, technological, community-based, formal and informal networks, and business mentors
- planning analysis tools to assist in determining the strengths and weaknesses of decisions regarding changing internal factors, such as SWOT analysis
- overview of business plans, including the benefits of using them and an outline of their key features
- corporate social responsibility considerations and business planning

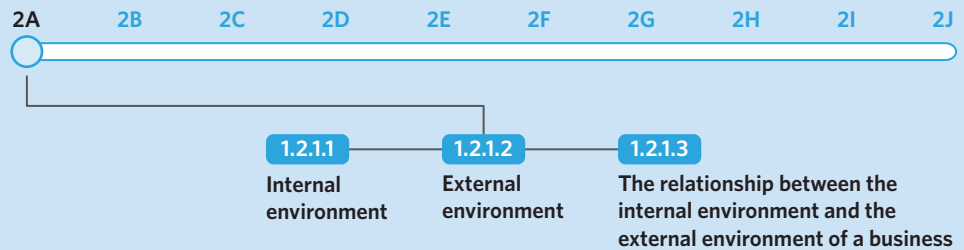
# 2A The internal environment and the external environment

In your everyday life, you are impacted by a variety of factors both internally and externally from the environments around you. For example, the internal factor of being hungry may prompt you to go to a cafe, or you may decide to put on a warm coat due to the external factor of cold weather. Similarly, a business is constantly influenced by various factors within both its internal and external environment.



## STUDY DESIGN DOT POINT

- the relationship between the internal environment and the external environment of a business

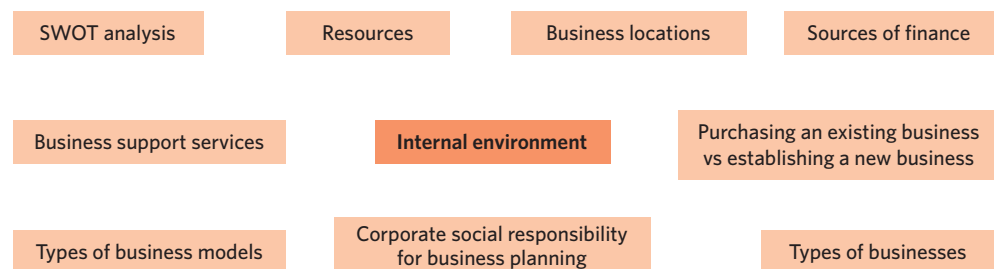


## Lesson introduction

In order to be successful, it is crucial for a business to consider the environment that it operates in. The business needs to plan for factors within its internal environment, as well as its external environment. Planning for these factors enables a business to make strategic decisions and remain competitive in the ever-changing environment.

## Internal environment 1.2.1.1

The **internal environment** involves factors within a business that a business has control over. When planning, business owners have more control over factors in the internal environment than those in the external environment, as decisions about internal factors are ultimately determined by people within the business. A business can change internal factors to align with, or respond to external factors which they cannot control. A business can adapt its internal environment to match conditions in the external environment.



**Figure 1** An overview of the factors affecting business planning from the internal business environment.

## External environment 1.2.1.2

The **external environment** involves the surrounding factors that can impact a business, which it has minimal control over. These factors can be categorised as either **macro factors** or **operating factors**. Macro factors are social, legal, technological, global, and economic conditions that a business operates in and has no control over. Operating factors are the primary external factors impacting a business that it has some control over, for example customers, suppliers, competitors, and special interest groups. It is important for businesses to consider both macro and operating factors during business planning. Assessing these factors can equip businesses to make more strategic and well-informed decisions.

### KEY DEFINITIONS

The **internal environment** involves factors within a business that a business has control over.

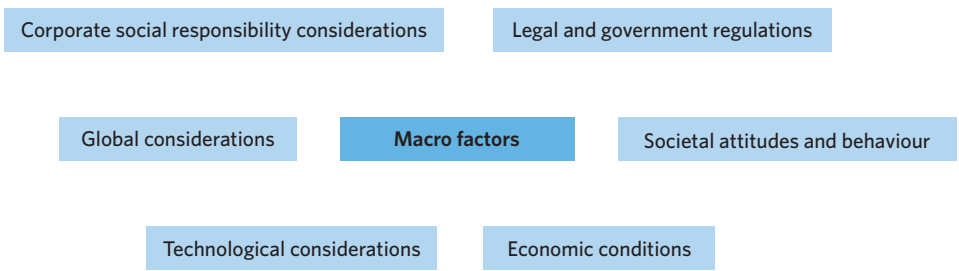
The **external environment** involves the surrounding factors that can impact a business, which it has minimal control over.

**Macro factors** are social, legal, technological, global, and economic conditions that a business operates in and has no control over.

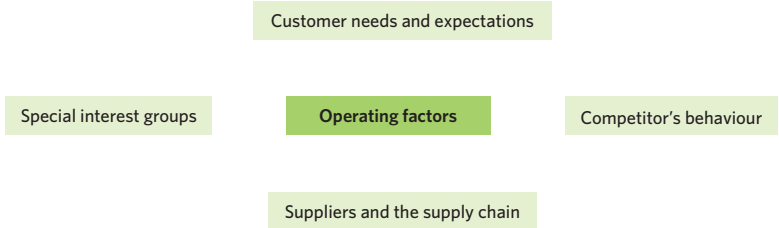
**Operating factors** are the primary external factors impacting a business that it has some control over.

### LESSON LINK

The external environment will be covered in further detail in **Chapter 3 External environment**.



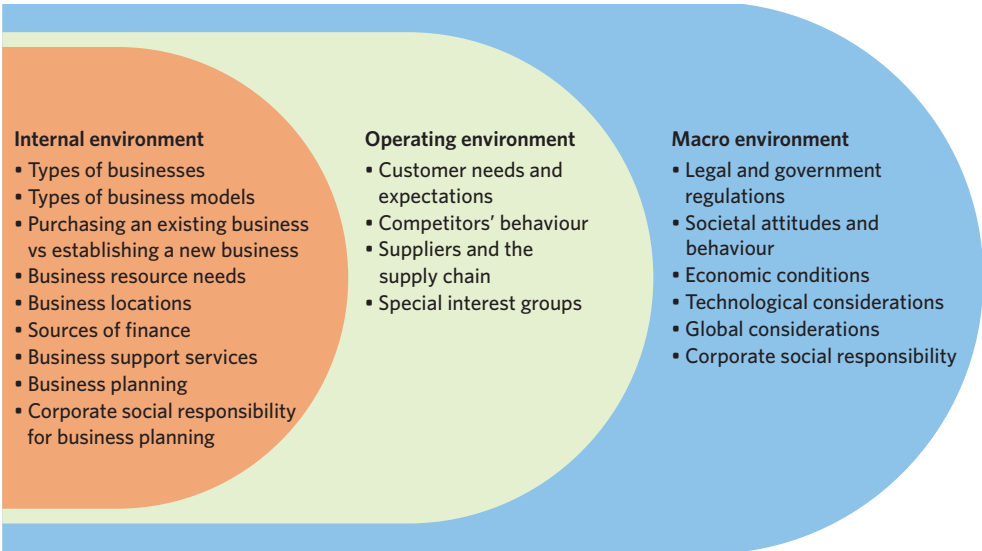
**Figure 2** An overview of the macro factors affecting business planning from the external business environment.



**Figure 3** An overview of the operating factors affecting business planning from the external business environment.

# The relationship between the internal environment and the external environment of a business 1.2.1.3

Both the internal and external business environments can influence and affect each other. As the business has control over the internal environment and can plan for internal factors, it can influence the impact of its activities and decisions on the external environment. Alternatively, the business is unable to control external factors, meaning changes in conditions of the external environment often have a more significant effect on the internal environment of a business. The business should consider and plan for how potential changes in external factors could affect the internal operations of the business. By proactively considering these factors, the business can remain competitive and viable in a continuously changing business world.



**Figure 4** The relationship between the internal environment and the external environment of a business

**Table 1** Examples of how the internal environment can affect the external environment

Internal environment factor	Impact on external environment
Types of business models	<ul style="list-style-type: none"> <li>The type of business model that the business utilises can impact its planning considerations regarding its expansion overseas or into new technologies.</li> </ul>
Business resource needs	<ul style="list-style-type: none"> <li>If the business utilises resources that are of high quality, then the product is likely to meet customer expectations and needs.</li> <li>If the business utilises resources that are of poor quality, then the business could consider sourcing resources from an alternative supplier. This may impact the business's supply chain and transport considerations.</li> </ul>
Business locations	<ul style="list-style-type: none"> <li>If the location of the business is highly accessible, customer needs and expectations may be more readily satisfied.</li> </ul>
Business planning	<ul style="list-style-type: none"> <li>If a business undertakes thorough and appropriate planning for its internal environment, it may be more readily able to adapt and respond to changes in the external environment.</li> </ul>

**Table 2** Examples of how the external environment can affect the internal environment

External environment factor	Impact on internal environment
<b>Macro factors</b>	
Legal and government regulations	<ul style="list-style-type: none"> <li>Changes in government policy and legislation may require a business to alter its internal processes and procedures, including how it considers CSR in its activities and relations with suppliers.</li> </ul>
Societal attitudes and behaviours	<ul style="list-style-type: none"> <li>Changes in societal values, beliefs, and trends can affect a business's resourcing needs and may alter the types of goods and services a business provides to meet customer needs.</li> </ul>
Economic conditions	<ul style="list-style-type: none"> <li>If economic conditions are strong, then customers are more likely to make purchases at the business. Therefore, a business must ensure it has a sufficient number of resources and products available to sell to customers.</li> <li>If economic conditions are poor, then customers are less likely to make purchases at the business. Consequently, the business may require fewer resources and products to meet customer demand.</li> </ul>
Technological considerations	<ul style="list-style-type: none"> <li>If there are new technological advancements, the internal resources needs of the business could be impacted. For example, a business that adopts new machinery in its production line may no longer require all of its labour resources.</li> <li>If there are new technological advancements, the business may have greater financing needs in order to fund the high expense of technology.</li> </ul>
Global considerations	<ul style="list-style-type: none"> <li>Conflict or changes in political conditions in an overseas country may influence a business's ability to obtain its resources and supplies.</li> <li>Worldwide shortages can impact a business's ability to acquire its supplies and meet customer needs.</li> </ul>
<b>Operating factors</b>	
Customer needs and expectations	<ul style="list-style-type: none"> <li>Changing customer needs and expectations could affect the resource needs of a business and the types of goods and services it provides in order to satisfy these changes.</li> </ul>
Competitors' behaviour	<ul style="list-style-type: none"> <li>New competitors in the market, could impact the resourcing needs of the business as it would need to differentiate itself by creating high-quality, innovative products, for example.</li> </ul>
Suppliers and the supply chain	<ul style="list-style-type: none"> <li>If suppliers experience delays, become increasingly unreliable or adopt less effective practices, this could impact the internal resource needs of the business, potentially decreasing the quality and/or quantity of the goods or services a business provides to customers.</li> </ul>
Special interest groups	<ul style="list-style-type: none"> <li>Special interest groups that support and inform a business may influence how it sources its finance and the type of business models it adopts.</li> </ul>

## THEORY IN ACTION

**The relationship between the internal environment and the external environment of a business**

During the launch of DevTech, Vanessa decided to analyse the factors in both the internal and external business environments. During this analysis, Vanessa discovered that in the external business environment, there is a competitor offering similar app development services to that of DevTech. In order to differentiate her business and remain competitive, Vanessa has decided to alter some internal factors, including DevTech's resourcing needs and opportunities for innovation. For example, Vanessa could take control by hiring more qualified software engineers to assist with DevTech's business development, whilst also considering innovative opportunities, including providing free coding programs to youth.



**Figure 5** Vanessa decided to adapt DevTech's internal factors in accordance with external factors within the business environment

## ACTIVITY

**The relationship between the internal environment and the external environment of a business**

Copy the table into your notes and fill in the second column of the table with the business environment that the factor is part of. In the third column of the table, fill in the level of control (high, some, or no control) that the business has over the listed factors.

Factors affecting the business environment	Business environment (internal or external)	Level of control (high, some, or no control)
Resources		
Customers		
Technology considerations		
Competitors' behaviour		
Employees		
Suppliers		
Legal requirements		
Societal trends		
Business location		
Economic conditions		

**Theory summary**

There are factors within a business's internal and external environment that affect how it operates. To achieve business success, managers and owners need to thoroughly assess factors within both the internal and external environment when planning and establishing their business.

- The internal environment is made up of factors within a business that a business can control.
- The external environment consists of macro and operating factors outside of the business, which a business has little to no control over.
  - Macro factors are external conditions that the business has no control over.
  - Operating factors are external conditions that the business has some control over.

# 2A Questions

## Theory review

### Question 1

Business owners must understand and assess the business environments in order to remain successful.

- A. True
- B. False

### Question 2

The business environment is divided into:

- A. the macro and operating environment.
- B. the internal and external environment.

### Question 3

A business has control over factors within the internal environment.

- A. True
- B. False

### Question 4

Fill in the blank with **one** of the following terms:

- minimal control
- no control
- full control

A business has \_\_\_\_\_ over factors within the external environment.

### Question 5

A business only needs to plan for the internal environment, and not the external environment, because it has full control over the internal environment.

- A. True
- B. False

### Question 6

Fill in the blanks with the following terms:

- internal
- external

Technological advancements affecting the \_\_\_\_\_ business environment could influence the resourcing requirements that are part of the \_\_\_\_\_ business environment.

### Question 7

The changing customer expectations of the internal business environment have an impact on the economic conditions within the external business environment.

- A. True
- B. False

### Question 8

A business should consider how the external environment could affect the internal business environment.

- A. True
- B. False

## Preparing for exams

### Case study skills

### Question 9

Chi owns Chocalot, a gourmet chocolate store that has multiple locations around Melbourne. Chi has been operating Chocalot for 10 years and has recently conducted an updated analysis of the internal and external factors affecting the business. Chi has discovered that the quality of chocolates from current suppliers in Belgium has decreased, therefore Chi is now considering changing suppliers. Customers have started to complain about the decrease in quality, and employees feel untrained in dealing with these complaints.

Identify which of the following statements are correct about Chocalot's internal and external business environments. **(Select all that apply)**

- I. Chocalot's internal environment consists of employees and suppliers.
- II. Chocalot's external environment consists of customers and suppliers.
- III. Chi needs to consider both the internal and external business environments in order to appropriately adapt current business practices.

## Exam-style

**Question 10** (1 MARK)

Define the term 'internal environment'.

---

**Question 11** (1 MARK)

Define the term 'external environment'.

---

**Question 12** (3 MARKS)

Distinguish between the internal and external environment.

---

**Question 13** (3 MARKS)

Analyse the relationship between the internal and external environment of a business.

---

**Question 14** (3 MARKS)

Chi owns Chocalot, a gourmet chocolate store that has multiple locations around Melbourne. Chi has been operating Chocalot for 10 years and has recently conducted an updated analysis of the internal and external factors affecting the business. Chi has discovered that the quality of chocolates from current suppliers in Belgium has decreased, therefore Chi is now considering changing suppliers. Customers have started to complain about the decrease in quality, and employees feel untrained in dealing with these complaints.

With reference to Chocalot, explain the relationship between the internal and external business environment.

## Testing previous knowledge

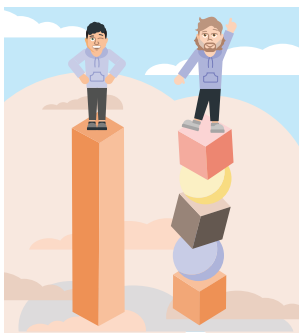
**Question 15** (3 MARKS)

Describe how changing customer needs can act as a source of business opportunity and outline how they are also part of the business environment.



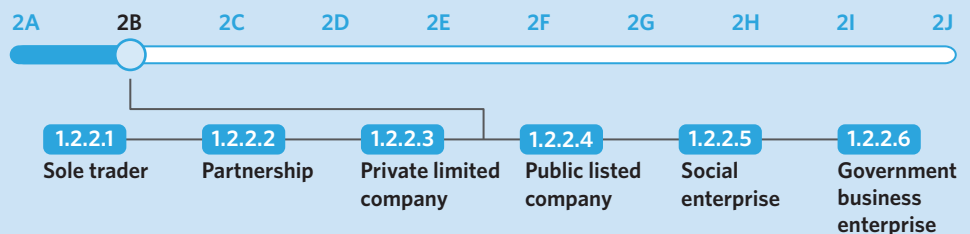
# 2B Types of businesses

The world is filled with businesses that are different in type and size. Choosing an appropriate business structure is a big decision for business owners when starting a business. The choice of which structure suits a business best is crucial as it determines what sort of business it will be.



## STUDY DESIGN DOT POINT

- types of businesses such as sole trader, partnership, private limited company, public listed company, social enterprises and government business enterprises, and the factors affecting the choice of business structure



## Lesson introduction

When planning a business, owners must consider and decide on what type of business they want. Business owners have control over the choice of their business's structure as it is a part of the internal business environment. Common types of businesses include sole traders, partnerships, private limited companies, public listed companies, social enterprises, and government business enterprises. These types of businesses have different characteristics, benefits, and limitations.

## KEY DEFINITIONS

A **sole trader** is a business structure that is owned and operated by one individual.

### ADDITIONAL TERMS

**Unincorporated** is the business owner and the business being viewed as the same legal entity.

**Unlimited liability** is the business owner being held personally responsible for the business's debts.

**Personal income tax** is a portion of an individual's earnings that is paid to the government for public services.

**Debt** is the amount of money that an individual or business owes.

### LESSON LINK

Tax was introduced in **1H Businesses' contribution to the wellbeing of a nation.**

## Sole trader 1.2.2.1

A **sole trader** is a business structure that is owned and operated by one individual. A sole trader has full decision-making power and is legally responsible for all aspects of the business. A sole trader is the cheapest and simplest type of business to operate. As a sole trader, the owner and business are considered as the same legal entity, meaning they are **unincorporated** and therefore have **unlimited liability**. Sole traders assume full responsibility for their business legally and financially. This level of responsibility means the business owner is entitled to all of the business's profits after **personal income tax** has been paid. Tax is a compulsory payment which is used to finance the provision of public goods and services, such as courts and police services. However, sole traders are also fully responsible for the business's **debt**, meaning their personal assets could be seized to pay debts if the business fails. Sole traders can hire employees, however, the owner is responsible to make all business decisions.

**Table 1** Factors affecting the choice of a sole trader

Factors affecting the choice of business structure	Explanation
<b>Risk</b>	<ul style="list-style-type: none"> <li>There is a high level of risk as the owner invests their personal savings into the business.</li> <li>There is a high level of risk as the owner has unlimited liability, meaning their personal assets could be seized to pay business debts.</li> </ul>
<b>Resources</b>	<ul style="list-style-type: none"> <li>The skills and expertise required for business decisions are limited to the knowledge of the owner.</li> <li>Financial resources are limited to the sole trader's personal finances and it could be more difficult to obtain loans from financial institutions.</li> </ul>
<b>Level of control</b>	<ul style="list-style-type: none"> <li>There is a high level of control as the owner has full power over all business decisions.</li> </ul>
<b>Cost</b>	<ul style="list-style-type: none"> <li>Low set-up costs and the owner can retain all of the business's profits.</li> </ul>

**Table 2** Advantages and disadvantages of a sole trader

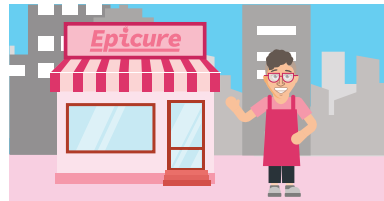
	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>The owner has full control and decision-making power.</li> <li>There is a low risk of disputes as there is only one owner making decisions.</li> </ul>	<ul style="list-style-type: none"> <li>Unlimited liability puts the owner's personal assets at risk, as they can be seized to pay off business debts.</li> <li>The knowledge and skills are limited to the owner, meaning the owner may not have appropriate expertise in various areas.</li> <li>The life of the business ends when the owner dies.</li> </ul>
<b>Employee</b>	–	–
<b>Time</b>	<ul style="list-style-type: none"> <li>Easy and simple to register and set up.</li> <li>Fewer reporting requirements and minimal government regulation.</li> <li>Other owners do not need to be consulted when making decisions, therefore decision-making can be quick.</li> </ul>	<ul style="list-style-type: none"> <li>It may be difficult to take time off work for holidays or when sick, as no one else can operate the business.</li> </ul>
<b>Money</b>	<ul style="list-style-type: none"> <li>Least expensive type of business to set up.</li> <li>The owner can retain all business profits.</li> </ul>	<ul style="list-style-type: none"> <li>Difficult to raise money to expand the business due to being limited to the owner's personal savings. It also can be difficult to access money from financial institutions.</li> </ul>

**LESSON LINK**

Loans will be covered in further detail in **2G Sources of finance**.

**THEORY IN ACTION****Sole trader**

Stanley Yu is a sole trader of his gourmet supermarket business called Epicure. Stanley structured Epicure as a sole trader as it was simple and cost-effective. He conducts the majority of business activities, such as stocking shelves and manning the checkout. Stanley has full control over decisions such as the business's direction and purpose.

**Figure 1** Stanley is the sole trader of Epicure**Partnership 1.2.2.2**

A **partnership** is a business structure that is owned by two to 20 owners. A partnership structure is unincorporated and all of the owners have unlimited liability over business debts. Similar to sole traders, partnerships are easy and inexpensive to establish. Generally, partnerships have a **partnership agreement**, which is a document signed by all of the partners and includes partner details, distribution of profit, responsibilities of each partner, and financial contributions from each partner. Having multiple business owners means the responsibility and financial risks of the business venture are shared, and the resources and expertise of partners are combined. Each partner must pay personal income tax on their share of the profits.

**KEY DEFINITIONS**

A **partnership** is a business structure that is owned by two to 20 owners.

**ADDITIONAL TERMS**

A **partnership agreement** outlines the roles and expectations of the partners in a business.

**Table 3** Factors affecting the choice of a partnership

Factors affecting the choice of business structure	Explanation
<b>Risk</b>	<ul style="list-style-type: none"> <li>• Risk is shared between all of the partners.</li> <li>• Partners are all held personally responsible for business debts.</li> </ul>
<b>Resources</b>	<ul style="list-style-type: none"> <li>• There is greater access to skills and expertise by having multiple partners.</li> <li>• Financial resources can be contributed by all partners which can result in greater access to money for the business.</li> </ul>
<b>Level of control</b>	<ul style="list-style-type: none"> <li>• Control and decision-making is shared between the partners.</li> </ul>
<b>Cost</b>	<ul style="list-style-type: none"> <li>• Low set-up costs.</li> </ul>

**Table 4** Advantages and disadvantages of a partnership

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>• Greater range of expertise and ideas amongst numerous partners.</li> <li>• The financial and legal risks are shared between partners.</li> </ul>	<ul style="list-style-type: none"> <li>• Unlimited liability means that the partners' personal assets are at risk, as they can be seized to pay off business debts.</li> <li>• Conflicts could arise due to shared decision-making and personality clashes amongst partners.</li> </ul>
<b>Employee</b>	–	–
<b>Time</b>	<ul style="list-style-type: none"> <li>• Owners can share the workload and take time off as there are multiple people that can manage the business.</li> <li>• Easy and simple to register and set up.</li> <li>• Fewer reporting requirements and minimal government regulation.</li> </ul>	<ul style="list-style-type: none"> <li>• If one partner leaves, it could be time consuming to restructure the partnership.</li> </ul>
<b>Money</b>	<ul style="list-style-type: none"> <li>• Greater access to finances as there are more people involved.</li> <li>• Minimal startup costs.</li> </ul>	<ul style="list-style-type: none"> <li>• Profit needs to be shared between the partners.</li> <li>• Liability for debts incurred by other partners is held by all of the partners.</li> </ul>

**REAL WORLD EXAMPLE**

Image: ChameleonsEye/Shutterstock.com

**Figure 2** Ben & Jerry's started as a partnership business structure

**Partnership**

Ben & Jerry's is a successful business that sells ice cream, frozen yogurt, and sorbet in over 35 countries around the world. Although Ben & Jerry's is now a public listed company, the business began as a partnership. The business was started in 1978 by two childhood friends, Ben Cohen and Jerry Greenfield, who sold ice cream out of a renovated gas station.

*Adapted from Ben & Jerry's, 'About Us', 2022*

## Private limited company 1.2.2.3

A **private limited company** is an **incorporated** business structure that has at least one **director** and a maximum of 50 **shareholders**. The shareholders need to be specifically selected and approved by the board of directors. Owners are referred to as shareholders, as they own shares in the business. Shareholders expect a return on their original investment by receiving **dividends**, which are a portion of the business's profits, as well as the value of their shares to increase over time. However, prior to shareholders receiving a return on their shares, the company's profits are subject to **company tax**. Shareholders can only sell their shares to people approved by the business. The shareholders of the company have private ownership and **limited liability** over the business's debts. This business structure is identified by the term 'proprietary limited' (Pty Ltd), which must be included after the business name of private limited companies.

**Table 5** Factors affecting the choice of a private limited company

Factors affecting the choice of business structure	Explanation
<b>Risk</b>	<ul style="list-style-type: none"> <li>Shareholders have limited liability and therefore their level of risk is relative to their original investment in the company, rather than their personal assets.</li> </ul>
<b>Resources</b>	<ul style="list-style-type: none"> <li>The business can raise finances by selling shares to shareholders.</li> <li>Greater access to expertise and knowledge as more people are involved in business decisions.</li> </ul>
<b>Level of control</b>	<ul style="list-style-type: none"> <li>A shareholder who owns less than 50% of the company shares has limited influence over business decision-making.</li> <li>A shareholder who owns more than 50% of the company shares has increased decision-making power and control.</li> </ul>
<b>Cost</b>	<ul style="list-style-type: none"> <li>It is an expensive structure to set up and operate.</li> </ul>

**Table 6** Advantages and disadvantages of a private limited company

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>There is limited liability for shareholders.</li> <li>There is a greater variety of expertise and ideas as more people are involved.</li> <li>The business's existence is not threatened by the removal of one director.</li> </ul>	<ul style="list-style-type: none"> <li>Complex reporting requirements, such as annual reports, need to be published for shareholders.</li> <li>It is difficult to change structure once a company has been established.</li> </ul>
<b>Employee</b>	–	–
<b>Time</b>	–	<ul style="list-style-type: none"> <li>It is complex to establish, as the set-up process requires more time.</li> <li>Increased reporting requirements and government regulation.</li> </ul>
<b>Money</b>	<ul style="list-style-type: none"> <li>Since incorporated businesses have greater access to <b>capital</b>, banks are more inclined to provide them with loans.</li> </ul>	<ul style="list-style-type: none"> <li>It is expensive to set up and operate as there are higher set-up and ongoing administration costs.</li> </ul>

### KEY DEFINITIONS

A **private limited company** is an incorporated business structure that has at least one director and a maximum of 50 shareholders.

### ADDITIONAL TERMS

**Incorporated** is a business being established as a separate legal entity from the owners.

**Director** is a person or a group of people who are responsible and in charge of a company.

**Shareholders** are the individuals who have purchased shares of a company and therefore are part-owners of the company.

**Dividends** are regular sums of money paid out to shareholders from a company's profit.

**Company tax** is the portion of profits a company pays to the government for public services.

**Limited liability** is when shareholders are only liable to the extent of their original investment, meaning they are not personally responsible for the business debts.

**Capital** is the resources that can be used for funding a business, such as cash, machinery, and equipment.

## REAL WORLD EXAMPLE



Image: nitinut380/Shutterstock.com

**Figure 3** Linfox is the largest privately-owned logistics company in the Asia Pacific

## Private limited company

Linfox is an Australian transport, logistics, and supply chain business founded in 1956. Today, Linfox is Asia Pacific's largest privately-owned logistics company, involving more than 24,000 people across Australia, New Zealand, and Southeast Asia. Linfox has grown to service nine countries and works with some of the world's largest and most successful businesses, delivering food, resources, and medicine. Linfox has an extensive network of warehouses and distribution centres, and values technology and efficient systems to conduct high-quality and safe operations.

*Adapted from Linfox, 'About Linfox', 2022*

## Public listed company 1.2.2.4

## KEY DEFINITIONS

A **public listed company** is an incorporated business that has an unlimited number of shareholders and lists and sells its shares on the ASX.

## ADDITIONAL TERMS

**Australian Securities Exchange (ASX)** is the electronic market where Australian public company shares are bought and sold.

A **public listed company** is an incorporated business that has an unlimited number of shareholders and lists and sells its shares on the ASX. A public listed company requires a minimum of one shareholder and three directors to operate the business. A public listed company is managed by a board of directors. All public listed companies have 'limited' (Ltd) after their business name, which represents the limited liability of its owners. A public listed company is listed on the **Australian Securities Exchange (ASX)** and any member of the general public can freely buy and sell its shares. Due to the high level of government regulation of these businesses, public listed companies are required to share their financial reports to the public and pay company tax.

**Table 7** Factors affecting the choice of a public listed company

Factors affecting the choice of business structure	Explanation
<b>Risk</b>	<ul style="list-style-type: none"> <li>Shareholders have limited liability and therefore, their level of risk is relative to their original investment in the company, rather than their personal assets.</li> </ul>
<b>Resources</b>	<ul style="list-style-type: none"> <li>There is greater access to more expertise and ideas as more people with varied knowledge are involved in the business.</li> <li>Finances can be obtained by selling more shares to the public.</li> </ul>
<b>Level of control</b>	<ul style="list-style-type: none"> <li>Due to the large number of shareholders, shareholders are legally restricted from making general business decisions.</li> <li>The directors of the company have a high level of control and decision-making power.</li> </ul>
<b>Cost</b>	<ul style="list-style-type: none"> <li>Expensive business structure to establish and operate.</li> <li>Expensive to maintain and comply with all legal regulations and requirements.</li> </ul>

**Table 8** Advantages and disadvantages of a public listed company

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>Shareholders have limited liability.</li> <li>There is greater access to expertise and ideas as more people are involved.</li> <li>No permission is needed to trade and sell shares.</li> <li>The life of the company can live longer than the directors.</li> </ul>	<ul style="list-style-type: none"> <li>Conflicts could arise through shared decision-making between directors.</li> <li>There are complex reporting requirements, such as annual financial reports, that need to be published to the public.</li> </ul>
<b>Employee</b>	–	–

Continues ►

Table 8 Continued

	Advantages	Disadvantages
<b>Time</b>	–	<ul style="list-style-type: none"> <li>• Greater time taken to set up as it is a complex business structure.</li> <li>• Producing annual financial reports can be a time-consuming process.</li> </ul>
<b>Money</b>	<ul style="list-style-type: none"> <li>• Greater access to capital as any member of the public can purchase shares.</li> </ul>	<ul style="list-style-type: none"> <li>• It is expensive to set up and operate.</li> </ul>

## REAL WORLD EXAMPLE

## Public listed company

Woolworths Group Ltd is a public listed company that owns Woolworths supermarkets, Big W, and Everyday Rewards. In 2021, Woolworths Group's net profit after tax was \$1.97 billion and shareholders received a final dividend of 55 cents per share. The Woolworths Group has over 350,000 shareholders and there are currently nine directors on the board.

*Adapted from Woolworths Group, '2021 Annual Report', 2021*



Image: ArliffAtoz2205/Shutterstock.com

**Figure 4** Woolworths Group Ltd is a public company that is listed on the ASX

## Social enterprise 1.2.2.5

A **social enterprise** is a type of business that aims to fulfil a community or environmental need by selling goods or services. Social enterprises are not considered a legal business structure in Australia. Instead, social enterprises are sole traders, partnerships, or private companies that have the main objective to support social or environmental causes, such as reducing poverty, providing employment, and reducing environmental damage. Making a profit is still a fundamental business objective of social enterprises so that they can continue to support their chosen social cause in the future. Unlike other businesses, social enterprises have a primary aim of devoting the majority of their profits to addressing a social issue, rather than shareholders and owners. To be considered a social enterprise in Victoria, a business must contribute at least 50% of its profits towards fulfilling a social or environmental cause. A social enterprise is different from a charity as it earns most of its revenue through sales rather than donations.

## KEY DEFINITIONS

A **social enterprise** is a type of business that aims to fulfil a community or environmental need by selling goods or services.

Table 9 Factors affecting the choice of a social enterprise

Factors affecting the choice of business structure	Explanation
<b>Risk</b>	<ul style="list-style-type: none"> <li>• There is a high level of risk as social enterprises need to find the right balance of fulfilling the social need whilst making a profit.</li> <li>• In terms of the liability of the business, this depends on the legal structure of the social enterprise.</li> </ul>
<b>Resources</b>	<ul style="list-style-type: none"> <li>• The government and other businesses are likely to provide resources and financial support to the social enterprise, since the social enterprise has a positive impact on the community.</li> </ul>
<b>Level of control</b>	<ul style="list-style-type: none"> <li>• Control and decision-making depends on the legal structure that the social enterprise is.</li> </ul>
<b>Cost</b>	<ul style="list-style-type: none"> <li>• It typically is more expensive to set up and run a social enterprise as socially responsible and ethical materials cost more money.</li> <li>• It can also be expensive to maintain as it is more challenging to obtain a bank loan since the social enterprise doesn't purely focus on financial objectives.</li> </ul>

**Table 10** Advantages and disadvantages of a social enterprise

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>The community benefits from the business's activities.</li> <li>The business can develop a positive reputation as they are helping and contributing to society.</li> </ul>	–
<b>Employee</b>	<ul style="list-style-type: none"> <li>Employees have purposeful work so they are more likely to be satisfied with their job.</li> </ul>	–
<b>Time</b>	–	–
<b>Money</b>	<ul style="list-style-type: none"> <li>Likely to receive financial support from other businesses and the government as they have a positive social mission.</li> </ul>	<ul style="list-style-type: none"> <li>Difficult to balance the achievement of financial objectives with social objectives.</li> <li>May be difficult to obtain a bank loan as the business does not solely focus on financial objectives.</li> </ul>

**EXTENDED REAL WORLD EXAMPLE****Social enterprise**

STREAT is a food systems social enterprise that provides disadvantaged young people with support in developing life skills and real world work experience. STREAT was started in 2009 by Rebecca Scott and Kate Barrelle with the purpose of addressing homelessness in Australia by offering training and employment pathways in hospitality. Bec and Kate agreed that there needs to be a holistic approach to their enterprise. When working with disadvantaged and homeless young people, it involves justice, mental health, or drug and alcohol issues. STREAT collaborates with numerous groups of people to bring in resources, such as trainers, trainees, suppliers, and supporters to help effectively train up young people and encourage connections to be made. Young people who begin working at STREAT complete training courses and on-the-job training sessions at its outlets, such as kiosks, cafes, and caterers. STREAT also provides their trainees with individual assistance through drug, alcohol, and mental health programs, as well as housing support.

Since starting STREAT, Bec, Kate, and their team have supported more than 3100 young people, and have invested over 240,000 hours in individualised support services, training, and employment pathways. As a social enterprise, STREAT reinvests 100% of its profits into supporting and training disadvantaged young people.

In the future, the co-founders want to help the planet as well as people. According to Bec 'caffeine is our gateway drug for social change', and initiatives such as sourcing coffee beans sustainably, handling waste responsibly, using renewable energy, and minimising the packaging work towards protecting the planet.

STREAT plans to establish more long-term partnerships with other social enterprises. Bec has contributed to the establishment of 'Moving Feast', which is a collaborative project that focuses on building a fairer, healthier, and more regenerative food system for Victoria. Therefore, STREAT's young trainees will now have the choice of agriculture or hospitality programs. STREAT has a lot of potential to continue growing and helping more young disadvantaged and homeless.

*Adapted from Prospa, 'Helping young people learn STREAT smarts', 2021*



Image source: <https://www.streat.com.au/>

**Figure 5** STREAT is a social enterprise that helps homeless youth

**Questions**

1. What social objectives does STREAT aim to solve?
2. Who does STREAT aim to help and in what ways?
3. How is STREAT looking to grow in the future?

## Government business enterprise 1.2.2.6

A **government business enterprise (GBE)** is a business that is owned and operated by the government. A GBE operates in the **public sector** of the economy and fulfils a specific purpose outlined by the government. Generally, a GBE's purpose is to cater for essential public needs through large-scale public services, such as transport, housing, or communication. The government holds a strong interest in the performance and financial returns of the business, and can propose changes in strategic direction and objectives. Therefore, a GBE should ensure they uphold all reporting requirements as it is accountable to the government and the public.

**Table 11** Factors affecting the choice of a government business enterprise

Factors affecting the choice of business structure	Explanation
<b>Risk</b>	<ul style="list-style-type: none"> <li>There is limited risk as the government owns and designates the business, hence the GBE should have the capabilities to ensure that it is successful.</li> </ul>
<b>Resources</b>	<ul style="list-style-type: none"> <li>As the government appoints GBEs, there should be access to enough resources for it to function sufficiently.</li> </ul>
<b>Level of control</b>	<ul style="list-style-type: none"> <li>High level of government regulations and reporting.</li> <li>The government has strong interests in the financial performance of GBEs and has a lot of control in proposing changes in strategic direction.</li> </ul>
<b>Cost</b>	<ul style="list-style-type: none"> <li>Expensive to maintain and comply with all legal requirements and regulations set by the government.</li> <li>It is less expensive to set up as the government can be relied upon for the initial financial investment.</li> </ul>

### KEY DEFINITIONS

A **government business enterprise (GBE)** is a business that is owned and operated by the government.

### ADDITIONAL TERMS

**Public sector** is the part of the economy that is operated by the government.

**Table 12** Advantages and disadvantages of a government business enterprise

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>Delivers goods and services that help the community and the community's needs.</li> <li>Provides healthy competition to the private sector.</li> <li>GBEs can operate with some independence from the government.</li> <li>GBEs provide services that the private sector would hesitate to invest in.</li> </ul>	<ul style="list-style-type: none"> <li>Governments and politicians can interfere and change the strategic direction of the business.</li> </ul>
<b>Employee</b>	–	–
<b>Time</b>	–	<ul style="list-style-type: none"> <li>GBEs have to follow significant 'red tape', which refers to excessive rules and formalities, compromising how quickly GBEs can do things.</li> <li>Productivity may be lower than private sector businesses as there tends to be a lack of accountability in the public sector.</li> </ul>
<b>Money</b>	<ul style="list-style-type: none"> <li>GBEs can rely on the government for the initial investment.</li> </ul>	–



## REAL WORLD EXAMPLE



Image: ymgerman/Shutterstock.com

**Figure 6** Australia Post is a GBE with the purpose of providing Australia with postal services

### Government business enterprise

Australia Post is a government business enterprise with the purpose of providing Australia with a high-quality and efficient national postal service. Although Australia Post is part of the public sector and is solely owned by the Australian government, it receives no government funding. It is self-funded from the profits that are generated from its postal service operations. In 2021, Australia Post reported a profit of \$100.7 million. The profits are either distributed to the Australian government, or reinvested back into the business.

*Adapted from Australia Post, 'Annual Report 2021', 2021*

## ACTIVITY

### Types of businesses

Have a think about your favourite businesses. What types of businesses are they? Fill in the table with examples of businesses that are the different types. Feel free to do some research online to explore different businesses as well.

Business type	Examples		
Sole trader			
Partnership			
Private limited company			
Public listed company			
Social enterprise			
Government business enterprise			

## Theory summary

The different types of businesses have their own characteristics, as well as, advantages and disadvantages. A business owner can decide whether they want to be a sole trader, partnership, private or public company, or a social enterprise. However, the government decides whether a business can be a GBE.

- A sole trader is an individual owner of a business.
- A partnership is an unincorporated business with between two to 20 owners.
- Private limited companies are incorporated businesses with up to 50 shareholders.
- Public listed companies are incorporated businesses that have an unlimited number of shareholders.
- Social enterprises are a type of business that aims to fulfil a social or environmental need through selling products.
- GBEs are businesses owned and operated by the government.

**Table 13** The characteristics of different types of businesses

	Sole Trader	Partnership	Private limited company	Public listed company	Social enterprise	Government business enterprise
Cost of set-up	Low	Low	Medium	High	Differs on the social enterprise being a sole trader, partnership, or private limited company	N/A
Government regulation	Low	Low	Medium	High	-	High
Raising funds	Owner and loans	Owners and loans	Owners, loans, and selling shares to private investors	Owners, loans, and selling shares to public investors	-	Self-funded

Continues ►

## Theory summary - Continued

**Table 13** Continued

	Sole Trader	Partnership	Private limited company	Public listed company	Social enterprise	Government business enterprise
Ownership	Owner	Multiple partners	Shareholders	Shareholders	-	Government
Decision-making	Owner	Multiple partners	Board of directors	Board of directors	-	Board of directors
Tax on profits	Personal income tax	Personal income tax	Company and personal income tax	Company and personal income tax	-	N/A
Profits	Owner retains all profits	Split between partners	Shared between all shareholders	Shared between all shareholders	Reinvested in business or donated to other organisations	Reinvested into business or distributed to the government

## 2B Questions

### Theory review

#### Question 1

All businesses are considered companies.

- A. True
- B. False

#### Question 2

Companies are an unincorporated business structure.

- A. True
- B. False

#### Question 3

Both private limited and public listed companies can sell their shares on the ASX.

- A. True
- B. False

#### Question 4

Fill in the blanks with the following terms:

- sole trader
- company

A \_\_\_\_\_ has minimal set-up costs, whereas a \_\_\_\_\_ is expensive to establish.

#### Question 5

The owner of a sole trader has a higher level of control over their business compared to shareholders of a public listed company.

- A. True
- B. False

#### Question 6

There is a limited pool of skills and expertise available when using a sole trader structure.

- A. True
- B. False

#### Question 7

Social enterprises have the main objective of making a profit, which is then devoted to shareholders and owners.

- A. True
- B. False

#### Question 8

Government business enterprises do not need to make a profit because the government provides the resources and funding for its operations.

- A. True
- B. False

**Question 9**

Both social enterprises and government business enterprises are owned by shareholders.

- A. True
- B. False

**Question 10**

A variety of factors should be considered before deciding what type of business to establish.

- A. True
- B. False

## Preparing for exams

### Case study skills

Use the following information to answer Questions 11 and 12.

Aadya, Alora, and Anisha are best friends who are thinking about establishing a dog walking business in their local neighbourhood. They all want to be equally involved in the business and share the dog walking responsibilities and profits between them. However, the girls have limited finance to start the business and are wanting to save money whenever possible.

**Question 11**

Identify which of the following is a correct statement about the business Aadya, Alora, and Anisha are thinking of establishing.

- A. A partnership business structure would suit their business best as there are low set-up costs and responsibilities can be shared.
- B. A sole trader structure would suit their business best as Anisha wants to independently own and operate the business.

**Question 12**

Identify which of the following are advantages of implementing Aadya, Alora, and Anisha's chosen business type. **(Select all that apply)**

- I. Conflict could arise between the best friends through the shared decision-making required.
- II. Aadya, Alora, and Anisha can fulfil the social need of walking dogs from shelters.
- III. Aadya, Alora, and Anisha can share the workload.
- IV. It is inexpensive and simple to set up their business as a partnership.

Use the following information to answer Questions 13 and 14.

Sabrina is the founder of Stylz Pty Ltd, a popular hairstyling business located in many cities throughout Australia. Due to the recent expansion of her business, she has incorporated her business and raised finance from 10 new shareholders who have been approved by the board.

**Question 13**

Identify which of the following is a correct statement about Stylz Pty Ltd.

- A. Stylz Pty Ltd is a public listed company as it is incorporated and has shareholders from the general public.
- B. Stylz Pty Ltd is a private limited company as it is incorporated and has 10 shareholders who were approved by the board.

**Question 14**

Identify which of the following are **advantages** or **disadvantages** of Stylz Pty Ltd's type of business structure.

	Advantage	Disadvantage
I. The 10 shareholders of Stylz Pty Ltd have limited liability.	<input type="checkbox"/>	<input type="checkbox"/>
II. The structure is complex and expensive for Sabrina to set up.	<input type="checkbox"/>	<input type="checkbox"/>
III. There is a greater variety of expertise and ideas as more people are involved in Stylz Pty Ltd.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Stylz Pty Ltd would need to complete more complex reporting requirements.	<input type="checkbox"/>	<input type="checkbox"/>

## Exam-style

**Question 15** (1 MARK)

Define the term 'government business enterprise'.

---

**Question 16** (2 MARKS)

Outline two features of a sole trader.

---

**Question 17** (2 MARKS)

Outline two factors that should be considered before choosing a social enterprise as a business type.

---

**Question 18** (2 MARKS)

Explain one factor that a business should consider before choosing a public listed company structure.

---

**Question 19** (3 MARKS)

Aadya, Alora, and Anisha are best friends who are thinking about establishing a dog walking business in their local neighbourhood. They all want to be equally involved in the business and share the dog walking responsibilities and profits between them. However, the girls have limited finance to start the business and are wanting to save money whenever possible.

Propose and justify a business structure that would be most appropriate for Aadya, Alora, and Anisha's business.

---

**Question 20** (5 MARKS)

Sabrina is the founder of Stylz Pty Ltd, a popular hairstyling business located in many cities throughout Australia. Due to the recent expansion of her business, she has incorporated her business and raised finance from 10 new shareholders who have been approved by the board.

Identify and discuss Stylz's Pty Ltd's type of business structure.

---

## Testing previous knowledge

**Question 21** (1 MARK)

Define the term 'internal environment'.

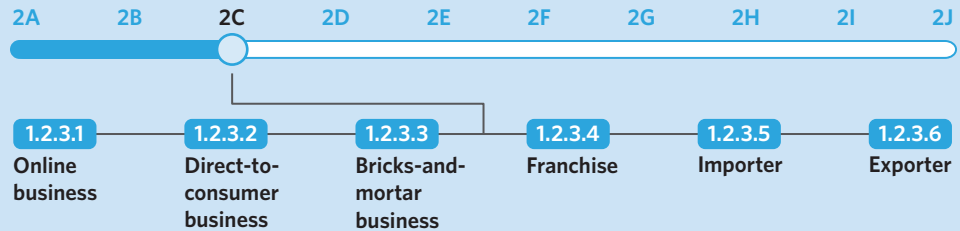
# 2C Types of business models

The world is filled with many different types of businesses that operate in various ways. When starting a business, choosing an appropriate business model is an important decision for business owners, as it can determine the success of the business.



## STUDY DESIGN DOT POINT

- types of business models such as online business, direct-to-consumer business, bricks-and-mortar business, franchise, importer and exporter



## Lesson introduction



In the early stages of planning, a business owner needs to consider and choose the type of **business model** they want their business to have. A business model outlines a business's plan of how it will function and make a profit. There are many types of business models that a business can adopt, such as an online business, direct-to-consumer business, bricks-and-mortar business, franchise, importer, or exporter.

## Online business 1.2.3.1

An **online business** is a business model where goods and services are traded via the internet. Nowadays, in the technologically-advanced world, most businesses have some form of online presence to promote their products and reach a wider audience.

There are several different models of online businesses, which can be distinguished based on many different functions.

**Table 1** Different types of online business models

Type of online business model	Description	Business example
<b>Advertising model</b>	Customers typically have free access to a business's website as revenue is obtained through advertising. Other businesses pay for promotional space on this business's website to promote their products and attract customers.	Facebook earns revenue from different businesses that pay to have their advertisements on Facebook's mobile application and website that users can easily click on.  <small>Image: rvlsoft/Shutterstock.com</small>
<b>Brokerage model</b>	Buyers and sellers are brought together to exchange products online. Money is earned by charging sellers a fee when sales are made.	eBay is an online marketplace that sells a variety of products from many different people and businesses.  <small>Image: rvlsoft/Shutterstock.com</small>

Continues ►

### KEY DEFINITIONS

A **business model** is a plan that identifies how the business will operate to make a profit.

An **online business** is a business model where goods and services are traded via the internet.

Table 1 Continued



Type of online business model	Description	Business example
<b>Direct-to-consumer or merchant model</b>	The business makes direct sales to consumers via the internet.	Cotton On has an online website that allows customers to purchase goods directly through its website.  Image: Tang Yan Song/Shutterstock.com
<b>Subscription model</b>	Businesses regularly charge customers a fee in order to log into and use the website or application.	Netflix requires consumers to pay a monthly subscription to access its streaming service.  Image: r.classen/Shutterstock.com

Table 2 Advantages and disadvantages of an online business model

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>Customers can order products at any time as the business is open 24/7.</li> <li>Businesses are able to develop a wider customer base as the internet provides a global market reach.</li> <li>There is greater customer convenience as they are able to purchase products online from wherever they are located.</li> </ul>	<ul style="list-style-type: none"> <li>Customers cannot touch, try, or feel a product so they may be reluctant to purchase it.</li> <li>It is difficult to offer customer service online, so strong customer relationships may be hard to develop.</li> <li>Customers are exposed to a higher risk of theft due to the possibility of online security breaches occurring.</li> <li>Online security issues may have the potential to negatively impact a business's reputation.</li> </ul>
<b>Employee</b>	–	–
<b>Time</b>	<ul style="list-style-type: none"> <li>Online websites can be set up quickly in comparison to other business models, and less time is devoted to daily operations.</li> </ul>	<ul style="list-style-type: none"> <li>Time is needed to train employees to fulfil online orders and use other features of the website, such as the customer chat box.</li> </ul>
<b>Money</b>	<ul style="list-style-type: none"> <li>Operating online is less expensive than having a physical store presence as business owners avoid costs such as rent.</li> </ul>	<ul style="list-style-type: none"> <li>Development and maintenance of the website software can be costly.</li> </ul>

## REAL WORLD EXAMPLE

## Online business

eBay is an American multinational company that operates as an online marketplace where a variety of different products can be exchanged between various people and businesses. eBay operates as a brokerage model, so it makes money by charging its sellers a fee when sales are made. eBay charges a fee of up to 14.35% of the final product value and \$0.30 per order. For each seller, the first 200 listings each month are free. Sellers can simply list their product by including a picture, product title, product description, and product specifics, and eBay often provides a price recommendation based on similar, recently sold items.

*Adapted from eBay, 'Business Selling on eBay', 2022*



Image: Natee Meepian/Shutterstock.com

**Figure 1** eBay is an online business that utilises the brokerage model

**KEY DEFINITIONS**

A **direct-to-consumer business** is a business model where the business's products are sold directly to consumers with no intermediaries involved.

**ADDITIONAL TERMS****Intermediaries**

are individuals or businesses that serve to transfer a product in a distribution channel from a manufacturer to the end consumer.

A **distribution channel** is a chain of intermediary businesses through which products travel through to reach the end consumer.

**LESSON LINK**

Intermediaries will be covered in further detail in **5G The 7Ps model of marketing: Part 1**.

**KEY DEFINITIONS**

A **bricks-and-mortar business** is a business model that has a physical store presence.

**ADDITIONAL TERMS**

**Clicks-and-mortar** is a type of business model that has a physical store presence as well as an online existence.

## Direct-to-consumer business 1.2.3.2

A **direct-to-consumer business** is a business model where the business's products are sold directly to consumers with no **intermediaries** involved. Intermediaries could include a retailer, wholesaler, or market platforms such as Amazon. Hence, direct-to-consumer businesses have direct **distribution channels**. For example, if a customer buys a brand new Apple iPhone from the Apple website or Apple retail store, this would be considered a direct-to-consumer model. However, if the customer were to buy the brand new Apple iPhone from JB Hi-Fi, this would not be a direct-to-consumer transaction since Apple would have had to sell the iPhone to JB Hi-Fi first, and then JB Hi-Fi would sell to the customer, therefore acting as an intermediary.

**Table 3** Advantages and disadvantages of a direct-to-consumer business model

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>There is greater customer convenience as they are able to buy and receive their products directly from the manufacturer.</li> <li>There is direct control over the brand presence and advertising since the business uses its own channels to sell its products.</li> <li>More reliable sales data and customer information can be obtained for the business to use, therefore a better connection and understanding of the customer base can be formed.</li> </ul>	<ul style="list-style-type: none"> <li>There could be difficulty in growing the business since intermediaries, such as retailers and wholesalers are not used.</li> <li>There could be a high level of competition as it is relatively easy to set up a direct-to-consumer business as it uses a direct distribution channel.</li> <li>The business may not be able to reach as many customers as it is not selling through intermediaries that can provide more promotion and reach customers.</li> </ul>
<b>Employee</b>	–	–
<b>Time</b>	<ul style="list-style-type: none"> <li>A direct-to-consumer business model can save time as additional sales to intermediaries are not made.</li> </ul>	–
<b>Money</b>	<ul style="list-style-type: none"> <li>Obtain higher profit margins because the costs associated with selling to intermediaries are not incurred.</li> </ul>	–

**REAL WORLD EXAMPLE**

**Figure 2** Koala uses a direct-to-consumer business model for selling its furniture

**Direct-to-consumer business**

Founded in 2015, Koala is an Australian direct-to-consumer furniture company with a focus on sustainable and ethical business practices. Koala has no physical store locations and instead is a purely online business that sells its lifestyle products directly to consumers, without the use of intermediate businesses. Koala offers many appealing deals for customers, such as having a 120-night free trial policy and the option of delivery within four hours. Koala prides itself on offering an unbeatable customer experience.

*Adapted from Mayple, How Koala went from \$0 to \$13M in 12 months with email marketing & site optimization, 2022 and Koala, 'Furniture that works for you and our planet', 2022*

## Bricks-and-mortar business 1.2.3.3

A **bricks-and-mortar business** is a business model that has a physical store presence. A bricks-and-mortar store could have different types of locations, for example, inside a shopping centre or on a shopping strip. Customers can experience face-to-face customer service and assistance in-store, allowing for greater interaction between a business and its consumers. Bricks-and-mortar businesses often have an accompanying online website due to the increasing popularity of technology. Combining the bricks-and-mortar and online business model is referred to as a **clicks-and-mortar** model.

**Table 4** Advantages and disadvantages of a bricks-and-mortar business model

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>Customers can see, feel, and test products before purchase.</li> <li>Products can be displayed and promoted in the front windows of the store to attract customers.</li> <li>Customers and employees can have face-to-face interactions, allowing strong customer relationships to be built.</li> <li>Brand recognition can be established through signage and logos, even when the business is closed.</li> </ul>	<ul style="list-style-type: none"> <li>Customers must physically access the store which may be difficult if they are busy or are located far away.</li> <li>Customers may require access to car parking.</li> <li>Businesses must comply with local government regulations, such as footpath signs.</li> <li>Customers may find it inconvenient if they experience crowded stores or long queues.</li> </ul>
<b>Employee</b>	<ul style="list-style-type: none"> <li>More employees may be required for this business model, therefore, increasing employment opportunities and opportunities for career advancement.</li> </ul>	<ul style="list-style-type: none"> <li>In busy periods, employees may feel stressed and overwhelmed by the volume of customers within the store.</li> </ul>
<b>Time</b>	–	<ul style="list-style-type: none"> <li>Time is required to train employees who work in the store.</li> <li>It is time consuming to establish a physical location as time is required to find, renovate (if needed), and fit out the store, and then the ongoing maintenance of the store.</li> </ul>
<b>Money</b>	<ul style="list-style-type: none"> <li>Customers can obtain instant gratification and reward from the purchase of the product, therefore encouraging impulse buying and boosting business sales.</li> </ul>	<ul style="list-style-type: none"> <li>Far more expensive to establish and operate as costs, such as rent, need to be paid.</li> </ul>

**REAL WORLD EXAMPLE****Bricks-and-mortar business**

Mecca is a makeup and skincare company that has more than 100 bricks-and-mortar stores in shopping centres and shopping strips across Australia and New Zealand. Customers can go inside the store to touch and test cosmetic products before making a purchase. Mecca stores also offer tailored face-to-face customer service so customers can seek professional advice before their purchase. Mecca has also built a strong online presence where customers can learn about the brand and purchase products via its website.

*Adapted from Mecca, 'About Us', n.d. and Inside Retail, 'Mecca opens largest New Zealand store yet', 2021*



Image: haireena/Shutterstock.com

**Figure 3** Mecca has bricks-and-mortar stores in many locations across Australia and New Zealand

**KEY DEFINITIONS**

A **franchise** is a business model that grants another person the right to operate under its name, use its business systems, and sell its goods and services.

**ADDITIONAL TERMS**

A **franchisee** is an individual outside of the business who has bought the rights to operate under the name of an existing business and sell its goods and services.

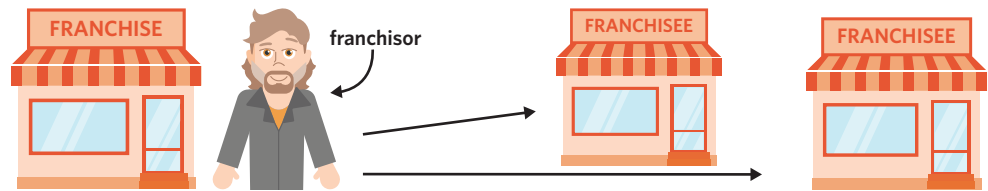
A **franchisor** is the owner of the original business idea who permits another individual to use its name and sell its products for a fee.

A **franchise agreement** states the obligations and responsibilities of the distribution of the business name and products.

**Franchise 1.2.3.4**

A **franchise** is a business model that grants another person the right to operate under its name, use its business systems, and sell its goods and services. A franchise licenses its branding, products, and business processes to **franchisees**. The franchisee typically pays the **franchisor** an upfront fee for the business's licensing, as well as regular promotional fees and a percentage of the revenue each month. A **franchise agreement** sets out all of the conditions and responsibilities of the franchisee and franchisor to ensure the rights are clear for both parties.





**Figure 4** A franchisor sells the rights to use the franchise's business name and distribute its products to a franchisee

**Table 5** Advantages and disadvantages of a franchise business model

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>• Support and advice can be provided by the franchisor as they want the business to succeed.</li> <li>• The business may have already established a good reputation with strong customer loyalty.</li> <li>• Reduced risk of business failure as operations systems and reputation are already established.</li> </ul>	<ul style="list-style-type: none"> <li>• The franchisee has limited decision-making power and independence as the franchisor has the most control over the business.</li> <li>• Reputation of the brand may be negatively impacted by the poor performance of other stores.</li> </ul>
<b>Employee</b>	–	–
<b>Time</b>	<ul style="list-style-type: none"> <li>• There are established systems and processes in place so the time needed to establish these is reduced.</li> </ul>	<ul style="list-style-type: none"> <li>• Training staff to understand the franchise's standards could be time consuming.</li> </ul>
<b>Money</b>	<ul style="list-style-type: none"> <li>• Sales are likely to be high as there is already customer awareness of the brand.</li> </ul>	<ul style="list-style-type: none"> <li>• There is a high cost associated with purchasing a franchise as the established systems and brand identity is included in the cost.</li> <li>• Franchisees must regularly pay a percentage of the profits to the franchisor.</li> </ul>

### REAL WORLD EXAMPLE



Image: shawnwil23/Shutterstock.com

**Figure 5** Boost Juice has adopted a franchise business model

### Franchise

Boost Juice is an Australian juice and smoothie bar franchise. Individuals who are interested in buying a franchise could consider a Boost Juice franchise, particularly if they are interested in healthy food and drinks and share the company's vision. A Boost Juice store costs between \$220,000 to \$350,000 to establish, which includes the costs of the franchise rights, store design, equipment, and training for the franchisee.

*Adapted from Boost Juice, 'Franchising', 2022*

### ACTIVITY

#### Franchise

Research the history and growth of one of the following franchises:

- McDonald's
- Boost Juice
- Bakers Delight
- Jim's Mowing
- Chemist Warehouse

Write a business research report that answers the following questions, and includes any other details that you would like to add:

1. How was the idea for the franchise created?
2. Who founded the franchise? When was it founded? Where was it founded?
3. What goods or services does the franchise sell?
4. How much has the franchise grown since its initial establishment?

## Importer 1.2.3.5

An **importer** purchases goods and services from overseas and sells them in its home country. Due to globalisation, an importer business model is becoming increasingly popular. Some examples of products that Australian businesses import include clothing, vehicles, and technology. The importer must ensure products meet local laws regarding safety and quality, and must consider the costs associated with shipping products from overseas.

**Table 6** Advantages and disadvantages of an importer business model

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>Provides access to products and resources that an owner's home country does not have or produce.</li> <li>Some resources are seasonal, meaning a business can import from overseas when they are not available in the home country.</li> </ul>	<ul style="list-style-type: none"> <li>May be difficult to deal with different systems and regulations in various countries.</li> <li>Importing products can reduce local employment opportunities, which can harm a business's reputation.</li> <li>Lack of reliability in supply chains can mean customers are unable to purchase a business's products, reflecting poorly on the business.</li> </ul>
<b>Employee</b>	–	<ul style="list-style-type: none"> <li>Jobs may be lost if the need for domestic producers is reduced.</li> </ul>
<b>Time</b>	–	<ul style="list-style-type: none"> <li>There are long waiting times when importing products from another country.</li> </ul>
<b>Money</b>	<ul style="list-style-type: none"> <li>A business may be able to access cheaper prices as overseas regulations, such as minimum wages, are different.</li> </ul>	<ul style="list-style-type: none"> <li>May be subject to import <b>tariffs</b>.</li> <li>Increased delivery costs as products travel a further distance.</li> </ul>

### KEY DEFINITIONS

An **importer** purchases goods and services from overseas and sells them in its home country.

An **exporter** produces goods and services in its home country and sells them to overseas buyers.

### ADDITIONAL TERMS

A **tariff** is a tax that needs to be paid on goods being imported from overseas.

### REAL WORLD EXAMPLE

#### Importer

Toyota Motor Corporation is a Japanese automotive manufacturer that produces over 10 million vehicles per year. As Toyota Australia does not manufacture cars, it relies heavily upon imports from other countries. Toyota Australia is an importer, as it brings in vehicles from manufacturing countries, such as Thailand and the USA, to sell in Australia. Toyota Australia is therefore able to supply a wide range of cars that are not otherwise available in Australia.

*Adapted from Wikipedia, 'Toyota', 2022 and AusTrade, 'Export markets - Thailand', 2022*



Image: Boykov/Shutterstock.com

**Figure 6** Toyota Australia imports vehicles from overseas

## Exporter 1.2.3.6

An **exporter** produces goods and services in its home country and sells them to overseas buyers. Similar to the importer model, globalisation has increased the popularity of the exporter business model. Some examples of products that Australian businesses export include iron ore, coal, gold, and education. The exporter must be aware of the various overseas markets and whether the product needs to be adjusted to suit different consumer needs.

**Table 7** Advantages and disadvantages of an exporter business model

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>Access to overseas customer bases can increase sales.</li> <li>The growth of Australian industries is promoted as there is increased demand for products or inputs produced by Australian businesses.</li> </ul>	<ul style="list-style-type: none"> <li>Non-renewable natural resources are often sold which may be harmful to the environment.</li> <li>It may be difficult to understand and accommodate different overseas cultures and laws.</li> </ul>
<b>Employee</b>	–	–

Continues ►

**WANT TO KNOW MORE?**

In 2020, even in the midst of the pandemic, education was Australia's fourth largest export, and Victoria's largest. Australia is highly reputable for its education system, with some of the best universities in the world. Exports of education services can be delivered abroad, over the internet, or by Australian professionals travelling overseas. It can also be provided within Australia as foreign students travel to the country with the purpose of studying. Education is considered an export because education is provided in Australia but sold internationally, therefore generating income for the Australian economy.

*Adapted from The Sydney Morning Herald, 'Foreign students are our fourth largest export, even with the pandemic', 2021 and RBA, 'Australia's Exports of Education Services', 2008*

**Table 7** Continued

	Advantages	Disadvantages
<b>Time</b>	–	–
<b>Money</b>	<ul style="list-style-type: none"> <li>Overseas customers may be willing to pay more for products they do not produce.</li> </ul>	<ul style="list-style-type: none"> <li>There are higher transportation costs to sell overseas rather than domestically.</li> </ul>

**REAL WORLD EXAMPLE**

Image: Red ivory/Shutterstock.com

**Figure 7** Iron ore is exported overseas from Australia

**Exporter**

Fortescue Metals Group Ltd is an Australian mining company and is one of the world's largest producers of iron ore. Fortescue exports over 180 million tonnes of iron ore per year to countries across the world. Fortescue is the core supplier of seaborne iron ore to China, and is now in the Japanese and South Korean markets.

*Adapted from Fortescue Metals Group Ltd, 'About Fortescue', 2022*

**ACTIVITY****Types of business models**

In pairs, answer the following questions about business models:

- Can you think of a business that utilises more than one business model? What business models does it use?
- Brainstorm or research online one business example for each of the business models we have mentioned in this lesson.
- Create a visual diagram and compare the key features of the online business example you have chosen to the bricks-and-mortar business example you have chosen.

**Theory summary**

A business model provides a plan and outline of how a business will operate to generate revenue. Businesses can take on more than one model but should carefully consider the benefits and limitations of each model. Business owners should choose a business model that suits the business's needs and optimises success. Types of business models include:

- online businesses that trade products via the internet.
- direct-to-consumer businesses that sell products directly to consumers.
- bricks-and-mortar businesses that have a physical storefront.
- franchises that give franchisees permission to operate under another business's name, use its business systems, and sell its products.
- importers that buy products from overseas and sell them in their home country.
- exporters that produce products in their home country and sell them to buyers overseas.

## 2C Questions

**Theory review****Question 1**

A business model outlines a business's plan of how it will function and make a profit.

- True
- False

**Question 2**

An online business provides greater convenience to customers as they can purchase goods from wherever they are located, at any time.

- True
- False

**Question 3**

Fill in the blanks with the following terms:

- bricks-and-mortar
- online

The \_\_\_\_\_ business model has strong face-to-face customer interaction, whereas the \_\_\_\_\_ business model has minimal face-to-face customer interaction.

**Question 4**

Most bricks-and-mortar businesses will also have an online presence due to the increasing popularity and influence of technology.

- A. True  
B. False

**Question 5**

A direct-to-consumer business model is when:

- A. the producer sells its products to a retailer, who then sells the products to consumers.  
B. the producer sells the products directly to consumers.

**Question 6**

Fill in the blanks with the following terms:

- franchisor
- franchisee

The \_\_\_\_\_ pays the \_\_\_\_\_ an upfront fee for the business's license, as well as regular promotional fees, and a percentage of the revenue each month.

**Question 7**

Fill in the blanks with the following terms:

- importer
- exporter

An \_\_\_\_\_ obtains products from overseas to sell in its home country, whereas an \_\_\_\_\_ sells domestic products to overseas buyers.

**Question 8**

Businesses can only have one type of business model.

- A. True  
B. False

## Preparing for exams

### Case study skills

**Question 9**

Dominic owns Shaver Supply, a subscription-based business that delivers razors and other personal grooming products to customers by mail on a monthly basis for a monthly fee. Customers can also shop anytime and from anywhere on Shaver Supply's website. The website was developed by Dominic using his coding and design skills, however, he employs people to fulfil online orders.

Identify which of the following are **advantages** or **disadvantages** of Shaver Supply's online business model.

	Advantage	Disadvantage
I. More time is needed to train employees to fulfil online orders.	<input type="checkbox"/>	<input type="checkbox"/>
II. Operating online is typically less expensive than having a physical store presence as Dominic does not need to pay rent for a storefront.	<input type="checkbox"/>	<input type="checkbox"/>
III. Customers cannot touch, try, or feel Shaver Supply's grooming products, hence they may be more reluctant to purchase them.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Customers can experience greater convenience as they can purchase Shaver Supply's products at any time and from anywhere.	<input type="checkbox"/>	<input type="checkbox"/>

**Use the following information to answer Questions 10 and 11.**

Yusuf's Butcher sells gourmet meats and has been located on a busy shopping strip for over 50 years. Yusuf continues to run it in a traditional way where he can interact with customers and enjoy a chat with the locals.

**Question 10**

Identify which of the following is a correct statement about Yusuf's Butcher.

- A. Yusuf's Butcher operates as a franchise as there are many franchisees around Australia that Yusuf has licensed to.  
B. Yusuf's Butcher operates as a bricks-and-mortar business model because Yusuf has a physical store located on a shopping strip.

**Question 11**

Identify which of the following are **advantages** or **disadvantages** of Yusuf's Butcher's business model.

	Advantage	Disadvantage
I. Yusuf's Butcher can display and promote its meats at the front of the store to attract customers.	<input type="checkbox"/>	<input type="checkbox"/>
II. Yusuf is able to interact with customers face-to-face to boost strong relationships.	<input type="checkbox"/>	<input type="checkbox"/>
III. Yusuf would need to pay for costs associated with rent and store features.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Yusuf's Butcher's customers may find it inconvenient to go into the store if there are long queues and crowding.	<input type="checkbox"/>	<input type="checkbox"/>

**Exam-style****Question 12** (1 MARK)

Define the term 'franchise'.

---

**Question 13** (1 MARK)

Define the term 'importer'.

---

**Question 14** (2 MARKS)

Outline one advantage and one disadvantage of an exporter business model.

---

**Question 15** (2 MARKS)

Outline one advantage and one disadvantage of the direct-to-consumer business model.

---

**Question 16** (5 MARKS)

Dominic owns Shaver Supply, a subscription-based business that delivers razors and other personal grooming products to customers by mail on a monthly basis for a monthly fee. Customers can also shop anytime and from anywhere on Shaver Supply's website. The website was developed by Dominic using his coding and design skills, however, he employs people to fulfil online orders.

Evaluate Shaver Supply's online business model.

---

**Question 17** (5 MARKS)

Yusuf's Butcher sells gourmet meats and has been located on a busy shopping strip for over 50 years. Yusuf continues to run it in a traditional way where he can interact with customers and enjoy a chat with the locals.

Identify and discuss Yusuf's Butcher's business model.

**Testing previous knowledge****Question 18** (3 MARKS)

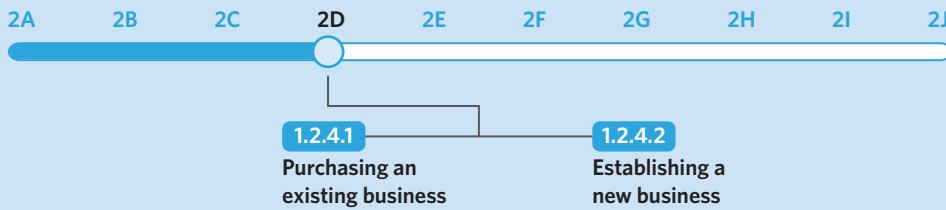
Ying is a franchisee of Goodness Greens Pty Ltd, a healthy food chain with many stores located around Australia.

Identify Goodness Greens Pty Ltd's type of business structure and outline two advantages of its franchise business model.

# 2D Purchasing vs establishing a business

## STUDY DESIGN DOT POINT

- costs and benefits of purchasing an existing business compared with establishing a new business



Acquiring a business can be different for every business owner. Some may choose to purchase an existing business, while some may choose to establish a new one. Is purchasing an already established business the best choice? Is starting a completely new business better? Or do both methods have their own benefits and costs?

## Lesson introduction

Before becoming a business owner, individuals must decide between purchasing an existing business or establishing a new business. Both methods require different planning and preparation approaches, thus, there are advantages and disadvantages for each.

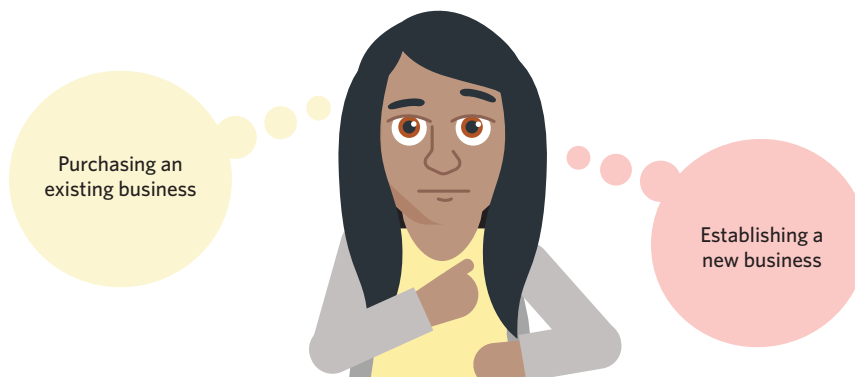


Figure 1 Business owners must choose between purchasing an existing business or establishing a new business

## Purchasing an existing business 1.2.4.1

Purchasing an existing business involves buying a business that is already set up and operating. When buying an established business, the buyer will also obtain the premises, equipment, existing **stock**, employees, customer accounts, and **goodwill** of the established business. It is crucial for a potential buyer to evaluate a business's likelihood of future success before purchasing it.



Figure 2 Reasons why an individual may choose to purchase an existing business

### ADDITIONAL TERMS

**Stock** is the goods stored on the business's premises that are available for distribution or sale.

**Goodwill** is the calculated monetary value of a business's established reputation.

### LESSON LINK

Franchises were introduced in **2C Types of business models**.

**Table 1** Advantages and disadvantages of purchasing an existing business

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>The business may already have a strong reputation with loyal customers.</li> <li>The original business owner and existing employees can provide valuable advice and assistance to promote business success.</li> </ul>	<ul style="list-style-type: none"> <li>When purchasing the business, its reputation can be difficult to judge accurately and may be negative.</li> <li>Previous business success could have been due to the previous owner's personality or personal contacts, which cannot be transferred when the business is sold.</li> </ul>
<b>Employee</b>	<ul style="list-style-type: none"> <li>Employees are less likely to need training since they have experience working at the business.</li> </ul>	<ul style="list-style-type: none"> <li>Employees may be resistant and uncooperative with the change in ownership.</li> </ul>
<b>Time</b>	<ul style="list-style-type: none"> <li>Time can be saved as the business processes and systems do not need to be developed.</li> <li>Stock could already be obtained and suppliers may have been selected.</li> </ul>	–
<b>Money</b>	<ul style="list-style-type: none"> <li>The business can generate revenue immediately as it is already operating.</li> </ul>	<ul style="list-style-type: none"> <li>Goodwill can be difficult to value, meaning the cost of the business may end up being overpriced.</li> </ul>

**REAL WORLD EXAMPLE**

Image: TY Lim/Shutterstock.com

**Figure 3** Individuals wanting to purchase an existing business could consider buying a Boost Juice franchise**Purchasing an existing business**

Boost Juice is an Australian juice and smoothie business. Boost Juice offers franchising opportunities for individuals who are considering buying an existing business. Boost looks out for individuals who are interested in and passionate about healthy food and therefore share the company's vision. Individuals wanting to own a Boost Juice franchise are required to go through a multi-step application and interview process.

*Adapted from Boost Juice, 'Franchising', 2022***Establishing a new business 1.2.4.2**

Establishing a new business is often the best choice for individuals with innovative business ideas that are not yet present in a market. Before starting a new business, the owner needs to consider various factors, such as the location, business name registration, suppliers, and staff employment, as these are yet to be established.

**Table 2** Advantages and disadvantages of establishing a new business

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>Owners have full decision-making control over setting up business systems, store layout, and staff.</li> <li>The business can provide something different that is not currently offered in a market.</li> </ul>	<ul style="list-style-type: none"> <li>There may be difficulty in building a <b>customer base</b> as it is a new business that people are not familiar with.</li> <li>There is greater risk, uncertainty, and room for error as the business is new.</li> </ul>
<b>Employee</b>	–	–

Continues ►

**ADDITIONAL TERMS**

**Customer base** is a group of consumers who continuously purchase goods and services from a business.

Table 2 Continued

	Advantages	Disadvantages
<b>Time</b>	<ul style="list-style-type: none"> <li>• With full authority, business owners can make decisions quickly.</li> </ul>	<ul style="list-style-type: none"> <li>• It may be time consuming to find and train new staff.</li> <li>• It may require a lot of time to set up business processes and systems.</li> </ul>
<b>Money</b>	<ul style="list-style-type: none"> <li>• There are no goodwill costs that need to be paid as the business is new.</li> </ul>	<ul style="list-style-type: none"> <li>• There may be greater difficulty in securing finance as there is no previous business reputation.</li> <li>• Equipment and facilities need to be paid for as they are not already set up.</li> <li>• The business may earn revenue slowly and there is no guarantee sales will be made immediately since the business is completely new.</li> </ul>

**REAL WORLD EXAMPLE****Establishing a new business**

Emily Hazell is the founder of Serotonin Eatery, Exercise + Education Pty Ltd, a plant-based happiness centre in Burnley, Melbourne. Serotonin has three main elements; an eatery, an education platform, and an exercise centre. Since Emily was a teenager, she experienced her own battles with mental health. A big part of claiming back her health was through shaping her lifestyle and diet to improve her physical and mental wellbeing. This passion for a healthy lifestyle resulted in Emily establishing Serotonin Eatery, Exercise + Education to create a community that wants to exchange information about health and wellbeing.

*Adapted from Serotonin Dealer, 'Our Story', 2022*



**Figure 4** Emily Hazell established Serotonin Eatery, Exercise + Education to promote her passion for a natural lifestyle

**ACTIVITY****Purchasing vs establishing a business**

In a pair, have one person choose to purchase an existing business and the other person choose to establish a new business. Take turns debating the advantages of your chosen way to acquire a business. Also, in order to have a proper debate, remember to point out the flaws and disadvantages of the other person's arguments.

**Theory summary**

Both purchasing an existing business and establishing a new business have their own advantages and disadvantages. Starting a new business requires the owner to make decisions on various factors, such as location, employees, and suppliers. However, these are already set up when buying an existing business.



## 2D Questions

### Theory review

#### Question 1

There are different reasons why an individual may choose to buy an existing business instead of starting a new business.

- A. True
- B. False

#### Question 2

One reason why an individual would choose to purchase an existing business is that it has an established customer base.

- A. True
- B. False

#### Question 3

Purchasing an existing business does not include the stock and equipment.

- A. True
- B. False

#### Question 4

One advantage of purchasing an existing business is that employees could be resistant to the change in ownership.

- A. True
- B. False

#### Question 5

Goodwill exists when buying an established business, but does not exist when starting a new business.

- A. True
- B. False

#### Question 6

Before starting a new business, the owner needs to consider factors, such as: **(Select all the apply)**

- I. the hiring and training of employees.
- II. the cost of goodwill.
- III. the location of the business.

#### Question 7

An advantage of starting a new business is that owners have full decision-making power.

- A. True
- B. False

#### Question 8

Starting a new business is the best option for individuals with an innovative concept.

- A. True
- B. False

#### Question 9

Both purchasing an existing business and establishing a new business are viable options for acquiring a business.

- A. True
- B. False

### Preparing for exams

#### Case study skills

#### Question 10

Emily is thinking about going into business. She discovers that there is an opportunity to take over one of her previous workplaces, Chopped, a franchise that sells fresh salads. Currently, Chopped is a profitable business and Emily believes that she could successfully take over the business.

Identify which of the following are **advantages** or **disadvantages** of Emily purchasing an existing business.

	Advantage	Disadvantage
I. The employees may be resistant to Emily becoming the new owner.	<input type="checkbox"/>	<input type="checkbox"/>
II. The purchase of Chopped may be expensive as it is a successful franchise.	<input type="checkbox"/>	<input type="checkbox"/>
III. Chopped already has an established reputation, therefore it will be easier to generate initial sales.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Emily won't need to spend time sourcing supplies as there is already stock ready for use.	<input type="checkbox"/>	<input type="checkbox"/>

**Question 11**

Vishal has thought of an innovative business concept that does not currently exist in the Australian market. Vishal plans to sell customisable mattresses and bed frames. However, he is unsure whether to purchase an established business that is similar to his business concept or to start a new business.

Identify which of the following are **advantages** or **disadvantages** of Vishal establishing a new business.

	Advantage	Disadvantage
I. Vishal can have full decision-making power and set up the business his own way.	<input type="checkbox"/>	<input type="checkbox"/>
II. Vishal may need to allocate a large amount of time to finding and training staff for the new business.	<input type="checkbox"/>	<input type="checkbox"/>
III. Vishal will not need to pay for goodwill.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Vishal may find it difficult to build a customer base since it is a new business.	<input type="checkbox"/>	<input type="checkbox"/>

**Exam-style****Question 12** (2 MARKS)

Outline two disadvantages of establishing a new business.

---

**Question 13** (2 MARKS)

Other than being able to immediately generate revenue, outline two advantages of purchasing an existing business.

---

**Question 14** (4 MARKS)

Emily is thinking about going into business. She discovers that there is an opportunity to take over one of her previous workplaces, Chopped, a franchise that sells fresh salads. Currently, Chopped is a profitable business and Emily believes that she could successfully take over the business.

Discuss Emily's plan to purchase an existing business.

---

**Question 15** (5 MARKS)

Vishal has thought of an innovative business concept that does not currently exist in the Australian market. Vishal plans to sell customisable mattresses and bed frames. However, he is unsure whether to purchase an established business that is similar to his business concept or to start a new business.

Evaluate Vishal establishing a new business.

**Testing previous knowledge****Question 16** (3 MARKS)

Define the term 'online business'. Outline one advantage and one disadvantage of establishing a new, online business.

# 2E Business resource needs

Resources play a fundamental role in a business. They can be used to create a good or perform a service that the business provides to its customers. Think about your local cafe. What resources does it need? What might the cafe need to consider before obtaining those resources?

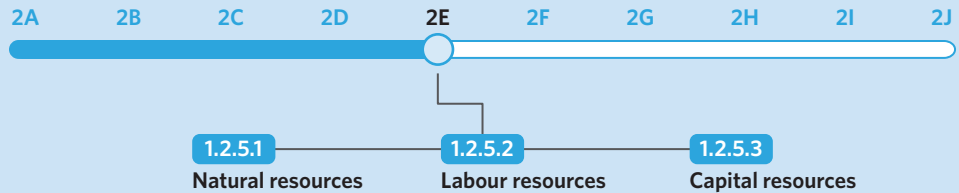
We're actual human beings, not 'resources'!

Well actually, resources are this business's most important asset!



## STUDY DESIGN DOT POINT

- business resource needs (natural, labour and capital) and the factors affecting the use of business resources



## Lesson introduction

In order to operate properly, businesses require various natural, labour, and capital **resources**. Resources are the items required by a business to produce its goods and services. During business planning, business owners must determine the goods that their business requires in order to operate and function properly. Business owners should consider a variety of factors, including **quality**, cost, supplier choice, the nature of resources, and **corporate social responsibility (CSR)**. Businesses have different resource needs which depend on the nature of their work environment and operations.

### KEY DEFINITIONS

**Resources** are the items required by a business to produce its goods and services.

**Corporate social responsibility (CSR)** is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic, and environmental impacts when making business decisions.

**Natural resources** are raw materials from the environment that are used in the production of goods and services.

### ADDITIONAL TERMS

**Quality** is the degree of excellence that something has.

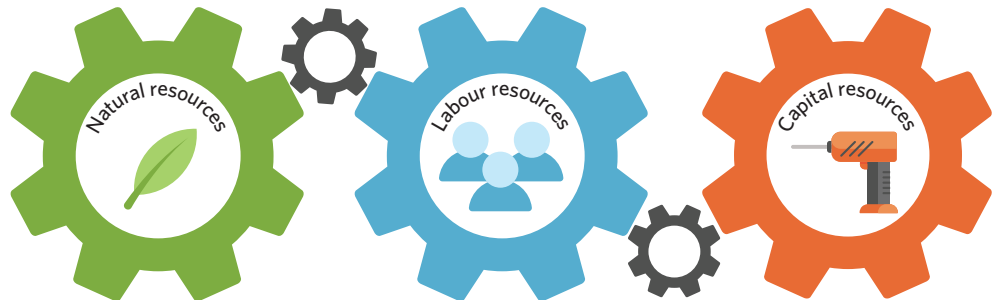


Figure 1 Businesses require natural, labour, and capital resources in order to function properly

## Natural resources 1.2.5.1

**Natural resources** are raw materials from the environment that are used in the production of goods and services. Some examples of natural resources are shown in Figure 2.

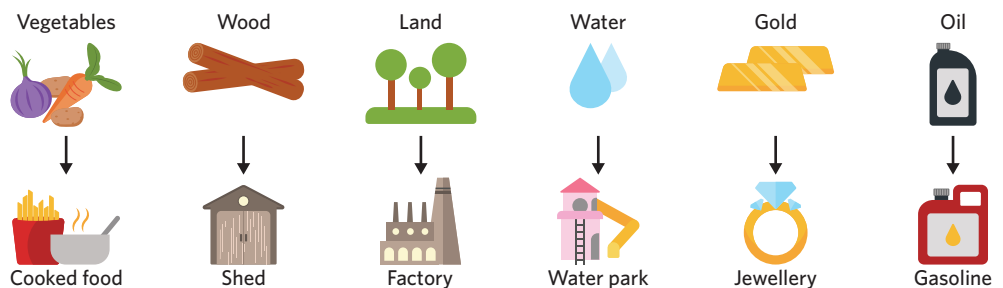





Figure 2 The transformation of natural resources to the final product

**Table 1** The factors affecting a business's use of natural resources

Factors affecting a business's use of natural resources	Considerations	Explanation
<b>Supplier considerations</b> 	<ul style="list-style-type: none"> <li>• Cost</li> <li>• Quality</li> <li>• Location</li> <li>• Reliability</li> </ul>	<ul style="list-style-type: none"> <li>• Business owners may choose cheaper suppliers to reduce their costs and increase profit.</li> <li>• Business owners may choose suppliers with higher-quality natural resources to improve the value of their final product.</li> <li>• Business owners may choose a local supplier to reduce the time taken to receive natural resources.</li> <li>• Business owners are more likely to choose suppliers that deliver natural resources on time and in the right quantities.</li> </ul>
<b>Nature of resources</b> 	<ul style="list-style-type: none"> <li>• Perishability</li> <li>• Storage requirements</li> <li>• Security requirements</li> <li>• Seasonal availability</li> </ul>	<ul style="list-style-type: none"> <li>• Business owners may order resources that have a short shelf life, such as fruit and vegetables, more frequently and in lower quantities.</li> <li>• Some natural resources must be stored in a specific way, such as being refrigerated.</li> <li>• Some natural resources, such as gold, may need to be stored securely to avoid theft.</li> <li>• Some natural resources are only available at certain times during the year, such as seasonal fruit and vegetables.</li> </ul>
<b>CSR</b> 	<ul style="list-style-type: none"> <li>• Environmental standards of suppliers</li> <li>• Social standards of suppliers</li> <li>• Environmental impact of sourcing</li> <li>• Location of suppliers</li> </ul>	<ul style="list-style-type: none"> <li>• To be an environmentally-friendly business, owners may only choose suppliers that operate sustainably. Therefore, owners may choose suppliers that aim to reduce waste.</li> <li>• To be a socially-responsible business, owners may only choose suppliers who treat their employees ethically and better than the minimum legal requirements.</li> <li>• To be environmentally friendly, businesses may avoid using natural resources that harm the environment. For example, businesses may restrict the amount of gas they use due to its impact on global warming.</li> <li>• Businesses may choose Australian suppliers rather than overseas suppliers to support the nation's economy.</li> </ul>


## Labour resources 1.2.5.2

**Labour resources** are the people who provide the business with their skills and qualifications to conduct business activities. Without labour resources, a business would be unable to operate. In the absence of the people who provide and produce business products, a business would not have the means to make sales. Labour resources need to be considered differently from other resources, as human emotions and behaviours need to be taken into account.

### KEY DEFINITIONS

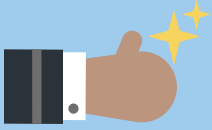

**Labour resources** are the people who provide the business with their skills and qualifications to conduct business activities.

**Figure 3** Employees are labour resources that are essential for business operations**Table 2** The factors affecting a business's use of labour resources

Factors affecting a business's use of labour resources	Considerations	Explanation
<b>Cost</b> 	<ul style="list-style-type: none"> <li>• Wages and salaries</li> <li>• Quantity</li> <li>• Timing</li> </ul>	<ul style="list-style-type: none"> <li>• Business owners may choose to pay minimum salaries and wages to reduce costs and increase profit.</li> <li>• Business owners must employ the right number of labour resources to complete business activities without having an excess of idle employees or be short staffed.</li> <li>• Business owners must have labour resources available only when business activities require completion to avoid unnecessary costs associated with idle use of time.</li> </ul>

Continues ►

Table 2 Continued

Factors affecting a business's use of labour resources	Considerations	Explanation
<b>Quality</b> 	<ul style="list-style-type: none"> <li>• Qualifications</li> <li>• Skills and knowledge</li> <li>• Training</li> </ul>	<ul style="list-style-type: none"> <li>• Business owners should source employees who have qualifications that match their available job positions. Some jobs, such as electrical work, cannot legally be completed by unqualified employees.</li> <li>• Business owners should source employees that have skills and knowledge that match their available job positions. Some complex jobs require high levels of skill and knowledge to be completed well.</li> <li>• Businesses will need to implement training to ensure their employees perform tasks to the business's desired standard. For example, a clothing store should ensure its employees are trained in customer service.</li> </ul>
<b>CSR</b> 	<ul style="list-style-type: none"> <li>• Improving employees' wellbeing</li> <li>• Providing job security</li> </ul>	<ul style="list-style-type: none"> <li>• Businesses should prioritise the wellbeing of their employees and may choose to provide flexible working hours to promote work-life balance.</li> <li>• Businesses should provide employees with job security so that they feel financially safe and valued in their role.</li> </ul>

## Capital resources 1.2.5.3

### KEY DEFINITIONS

**Capital resources** are man-made goods used in the production of goods and services.

**Capital resources** are man-made goods used in the production of goods and services. Capital resources allow businesses to produce their products faster and help deliver high-quality goods and services to customers. Some examples of capital resources are shown in Figure 4.

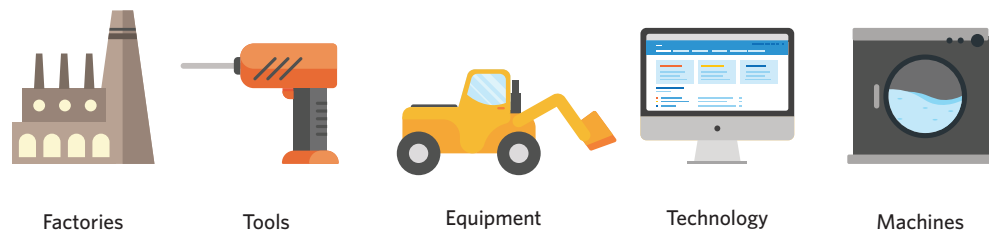





Figure 4 Examples of capital resources

Table 3 The factors affecting a business's use of capital resources

Factors affecting a business's use of capital resources	Considerations	Explanation
<b>Supplier considerations</b> 	<ul style="list-style-type: none"> <li>• Cost</li> <li>• Quality</li> </ul>	<ul style="list-style-type: none"> <li>• To increase their profit, business owners may choose suppliers that supply capital resources at a lower cost.</li> <li>• Business owners may choose suppliers with higher-quality capital resources to increase the quality of their final product.</li> </ul>
<b>Nature of resources</b> 	<ul style="list-style-type: none"> <li>• Capability</li> <li>• Operation requirements</li> <li>• Maintenance requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Businesses may require capital resources that are technologically advanced and can complete tasks that are potentially dangerous or impossible for employees to complete.</li> <li>• Some capital resources, such as complex machinery, require employees to be trained to operate them correctly.</li> <li>• Businesses may need to continuously maintain certain capital resources, such as applying software updates to technology.</li> </ul>
<b>CSR</b> 	<ul style="list-style-type: none"> <li>• Environmental sustainability</li> <li>• Social sustainability</li> </ul>	<ul style="list-style-type: none"> <li>• Businesses may choose to use capital resources that reduce their impact on the environment, such as machinery that can reduce waste associated with human errors.</li> <li>• Businesses may choose to source capital resources from local suppliers to support the nation's economy.</li> </ul>

## EXTENDED REAL WORLD EXAMPLE

### Business resource needs

Yakult Honsha is a multinational company that is based in Japan. The company is best known for its probiotic milk beverage 'Yakult'. At its production factory in Melbourne, different natural, labour, and capital resources are used to produce its final product, 65ml bottles of Yakult Original and Yakult Lite.

Natural resources that Yakult uses in its production include 6.5 billion live lactobacillus casei bacteria, skim milk powder, sugar, flavouring, and water. Yakult considers the social responsibility of its natural resources by sourcing ingredients from local suppliers to support Australian industries and minimise the amount of pollution generated from the transportation of its supplies. The company also considers its environmental impact through its water usage. Yakult's business model includes on-site water treatment facilities, which ensure that all the water used in the production of Yakult products meets Melbourne's water standards.

Labour resources at Yakult include the employees who work on the production line and in its general operations. Yakult's labour resources perform tasks such as operating the machinery and checking the lids are secured properly onto bottles. Yakult considers social responsibility by providing production workers with regular hearing checks to ensure their health is not negatively impacted by their role. Employees are also regularly provided with training opportunities to ensure they can appropriately and safely operate machinery.

Capital resources that Yakult uses in its production process include machinery and equipment, such as conveyor belts, forklifts, and tools used to mould and seal plastic bottles. Yakult has recognised the complexity of its machinery and, therefore, requires employees to understand how to operate these capital resources competently. Yakult considers the environmental sustainability of its capital resources through the use of LED lights, an eco-friendly alternative to regular lighting. Furthermore, Yakult aims to minimise the amount of pollution it generates by only using a natural gas boiler for short periods of time, reducing its carbon emissions. The costs associated with capital resources are also considered at Yakult as it uses off-peak rates for its utilities wherever possible. By utilising off-peak rates, Yakult is charged the minimum electricity prices in its production system.

*Adapted from Yakult, 'About Yakult', 2022 and Yakult, 'Made fresh for you', 2018*



Image: MilletStudio/Shutterstock.com

**Figure 5** Yakult's final product after the use of natural, labour, and capital resources

### Questions

1. What natural, labour, and capital resources does Yakult use?
2. What factors affect Yakult's use of natural resources?
3. What factors affect Yakult's use of labour resources?
4. What factors affect Yakult's use of capital resources?

### ACTIVITY

#### Business resource needs

Match the type of resource to an example.

Natural resource ●

Natural resource ●

Labour resource ●

Labour resource ●

Capital resource ●

Capital resource ●

● Hairdresser

● Water

● Soil

● Calculator

● Barista

● Forklift

## Theory summary

There are three types of resources that a business requires in order to function properly.

- Natural resources are the raw materials that come from the environment that are required to produce goods and services.
- Labour resources are the people who have the expertise, qualifications, and skills necessary to perform business activities.
- Capital resources are the tools and machinery that are used to produce goods and services.

A business must address factors associated with supplier considerations, the nature of resources, cost, quality, and corporate social responsibility (CSR) when planning its resourcing needs.

# 2E Questions

## Theory review

### Question 1

All businesses have the same resource requirement needs.

- A. True
- B. False

### Question 2

The cost of natural resources should be considered during business planning because choosing natural resources that are cheaper can decrease business expenses.

- A. True
- B. False

### Question 3

Fill in the blanks with the following terms:

- capital
- natural

Water is an example of a \_\_\_\_\_ resource, whereas machinery is an example of a \_\_\_\_\_ resource.

### Question 4

The maintenance requirements of capital resources should be considered because continual upgrades and repairs could be costly for a business.

- A. True
- B. False

### Question 5

Fill in the blanks with the following terms:

- capital
- labour

Resources that are man-made goods used in production are called \_\_\_\_\_ resources, whereas \_\_\_\_\_ resources are the actual employees needed to conduct business activities.

### Question 6

Fill in the blank with **one** of the following terms:

- skills and knowledge
- environmental sustainability

The \_\_\_\_\_ of employees needs to be considered when planning for labour resources.

### Question 7

All resources are considered equally important to a business.

- A. True
- B. False

### Question 8

Without resources, a business is unable to operate properly.

- A. True
- B. False

## Preparing for exams

### Case study skills

#### Question 9

Tasty Tuna is a business that fishes for tuna and manufactures canned tuna. The owner, Tony, wants to start using sustainable methods to catch tuna in order for the business to remain competitive and improve the quality of the product.

Identify which of the following factors need to be considered when planning for Tasty Tuna's labour resources.

**(Select all that apply)**

- I. The wage or salary of the labour resources at Tasty Tuna.
- II. The skills and knowledge of the labour resources at Tasty Tuna.
- III. The type of machinery needed to manufacture canned tuna.
- IV. The legal responsibilities regarding employment at Tasty Tuna.

#### Use the following information to answer Questions 10 and 11.

Tee Me is a small T-shirt manufacturer that produces and prints high-quality customisable cotton shirts. The manager, Tanzila, is planning the business's resource requirements and is thinking about changing some of its suppliers to ones that are more socially responsible.

#### Question 10

Identify which of the following are resources that Tee Me would use. **(Select all that apply)**

- I. Soil
- II. Cotton
- III. Printers
- IV. Fish

#### Question 11

Identify which of the following are factors that need to be considered when planning for resources at Tee Me.

**(Select all that apply)**

- I. The cost of the capital resources for Tee Me.
- II. The perishability of the natural resources at Tee Me.
- III. The skills and knowledge of the natural resources at Tee Me.
- IV. The environmental sustainability of the capital resources at Tee Me.

### Exam-style

#### Question 12 (2 MARKS)

Define natural resources and provide one example of a natural resource.

#### Question 13 (2 MARKS)

Define capital resources and provide one example of a capital resource.

#### Question 14 (4 MARKS)

Tasty Tuna is a business that fishes for tuna and manufactures canned tuna. The owner, Tony, wants to start using sustainable methods to catch tuna in order for the business to remain competitive and improve the quality of the product.

Identify and explain two factors Tasty Tuna should consider when planning its labour resources.



**Question 15** (4 MARKS)

Tee Me is a small T-shirt manufacturer that produces and prints high-quality customisable cotton shirts. The manager, Tanzila, is planning the business's resource requirements and is thinking about changing some of its suppliers to ones that are more socially responsible.

Identify two resources that Tee Me would require to operate and explain two factors that need to be considered when planning for these resources.

**Testing previous knowledge****Question 16** (3 MARKS)

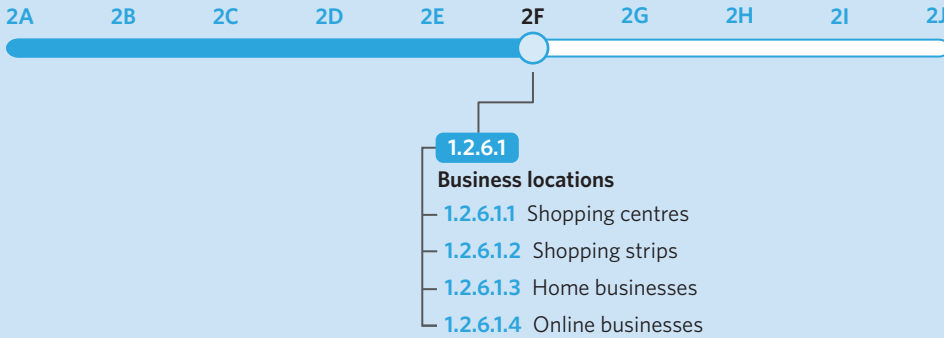
Tai wants to establish a new business where she sells handmade jewellery. She would like to set up a bricks-and-mortar store located in a local shopping strip.

Define the term 'bricks-and-mortar'. Outline two resources that Tai would need to consider when establishing a new bricks-and-mortar business.

# 2F Business locations

## STUDY DESIGN DOT POINT

- business locations and the factors affecting choice of location



## Lesson introduction

A **business location** is the physical or non-physical place that a business operates from. Different types of businesses suit different locations. There are many types of locations that business owners can choose from, and each has a range of factors that influence the decision. The location of a business is vital as it connects customers with the business's goods and services. Choosing a suitable location when starting a business is a critical decision as it can heavily impact a business's success.

### Shopping centres 1.2.6.1

Shopping centres are a major shopping destination for many people as there are many different stores that make up the centre. The purpose of a shopping centre is to act as a central point for all of an individual's shopping needs. Shopping centres are the location of many businesses, such as:

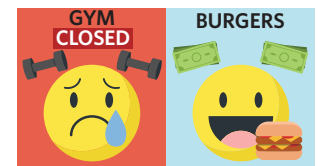
- supermarkets
- department stores
- pharmacies
- clothing stores
- cinemas
- restaurants
- cafes.

**Table 1** Factors affecting the choice of a shopping centre as a business location

Factors affecting the choice of location	Explanation
<b>Visibility and accessibility</b>	Shopping centres generally have very high visibility and accessibility to customers as there are often many people inside.
<b>Cost</b>	Shopping centres often charge businesses very high rental prices. Consequently, business owners need to consider if they can afford this rent as a regular expense.
<b>Proximity to competitors</b>	The likelihood of being close to competitors when operating in a shopping centre is high due to the large number of stores present. This proximity could cause sales to drop as customers may choose to shop with competitors instead.

Continues ►

There are many aspects that influence a business's location choice. For example, the surrounding businesses that make up a business's location have a major impact on the overall success of a business. What do these cartoons suggest about the surrounding businesses of a specific business's location?



## KEY DEFINITIONS

**Business location** is the physical or non-physical place that a business operates from.



Image: Alex Cimbai/Shutterstock.com

**Figure 1** Chadstone shopping centre, the largest shopping centre in the Southern Hemisphere

## ADDITIONAL TERMS

**Visibility** is the ability to be seen.

**Accessibility** is the ability to be entered, used, or understood.

**Proximity** is how close something is.

**ADDITIONAL TERMS****Complementary**

is the combination of two or more things that work well together.

**Foot traffic** describes the number of pedestrians passing or entering a business.

**LESSON LINK**

Laws and regulations will be covered in further detail in **3B Legal and government regulations**.

**Table 1** Continued

Factors affecting the choice of location	Explanation
<b>Proximity to complementary businesses</b>	The likelihood of being close to a complementary business in a shopping centre is high as there are a variety of stores around. Customers can access products at complementary businesses with ease within shopping centres, which can increase sales. For example, if a cinema is close to a snack store, then sales for the snack store may increase.
<b>Proximity to suppliers</b>	The proximity of suppliers should be considered so that transportation costs can be reduced and the supplies can be delivered with ease. In shopping centres, there are often delivery spots underground or on a side street for easy accessibility for suppliers.
<b>Proximity to customers</b>	The proximity of customers should also be considered as shopping centres are generally located centrally so many customers are close by.
<b>Area demographics</b>	Business owners must consider the demographic of people visiting the shopping centre and determine whether this fits their target market. Shopping centres also can attract customers across a wide geographic area as they are a central shopping destination for many customers.
<b>Laws and regulations</b>	There are laws and regulations that businesses must follow when located within a shopping centre. For example, obstruction of the paths and other common areas in the centre is not allowed. The way the store is designed and its floor plan must also comply with the shopping centre's regulations.

**Table 2** Advantages and disadvantages of shopping centres as a business location

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>Greater exposure to customers can improve the business's popularity since shopping centres are often large and well-known establishments.</li> <li>High levels of <b>foot traffic</b> can attract more customers and improve sales.</li> </ul>	<ul style="list-style-type: none"> <li>There is increased competition as there are many stores in close proximity to each business.</li> <li>Set opening hours provide less flexibility for businesses as they need to open and close when the shopping centre does.</li> </ul>
<b>Employee</b>	<ul style="list-style-type: none"> <li>Numerous facilities, such as bathrooms and food courts, that employees can use.</li> <li>Parking is available for employees, which improves accessibility.</li> </ul>	–
<b>Time</b>	<ul style="list-style-type: none"> <li>Delivery truck areas are often available underground in shopping centre parking, which reduces the time taken to load and unload stock.</li> <li>Employees can save time and money travelling to work by utilising the public transport routes nearby.</li> </ul>	–
<b>Money</b>	–	<ul style="list-style-type: none"> <li>Rent is typically more expensive compared to most other locations.</li> </ul>

## REAL WORLD EXAMPLE

**Shopping centres**

Mecca is an Australian cosmetic retailer that provides a multi-brand shopping experience within the beauty industry. Mecca has store locations in many shopping centres in Melbourne, such as Northland and Chadstone. Choosing to locate in shopping centres enables access to greater customer exposure through high levels of visibility and accessibility.

*Adapted from Mecca, 'About Us', 2022*



Image: haireena/Shutterstock.com

**Figure 2** Mecca Maxima has stores in many Australian shopping centres

**Shopping strips 1.2.6.1.2**

Shopping strips are another popular place for people to shop. Some examples of well-known shopping strips in Victoria include Bourke Street, Bridge Road, High Street, and Chapel Street. The busiest shopping strips are often located near public transport routes due to the increased accessibility and have high levels of visibility for passing traffic. Shopping strips are also suitable for nighttime entertainment as many shopping centres are closed in the evenings.

**Table 3** Factors affecting the choice of a shopping strip location

Factors affecting the choice of location	Explanation
<b>Visibility and accessibility</b>	Shopping strips typically have high visibility and accessibility, as they can easily be seen and are usually accessible by public transport, and therefore attract many people.
<b>Cost</b>	The cost of renting or purchasing a premise on a shopping strip is dependent on the popularity of the location. High-traffic locations are significantly more expensive than small or quiet shopping strips.
<b>Proximity to competitors</b>	There is likely to be competitors on large shopping strips, as these are popular storefront locations with a variety of choices for customers.
<b>Proximity to complementary businesses</b>	There is likely to be complementary businesses on a large shopping strip. Complementary businesses will often try to situate themselves next to each other to increase sales.
<b>Proximity to suppliers</b>	Choosing a location that is close to suppliers provides greater convenience for the business, and on a shopping strip, it would be best to have parking close by for stock to be delivered.
<b>Proximity to customers</b>	The locals of the area have the closest proximity to the location, so they are able to have easy access to the stores and are likely customers of the stores.
<b>Area demographics</b>	The shopping strip's area demographics are very important for a business to consider, as it is likely that people local to the area will shop there. The business should ensure that the area demographics are aligned with its target customer demographics.
<b>Laws and regulations</b>	Laws and regulations regarding the shopping strip could impact the ability of the business to put up signage or renovate its premises.



Image: Shuang Li/Shutterstock.com

**Figure 3** Bourke Street shopping strip in Melbourne's CBD

**Table 4** Advantages and disadvantages of shopping strips

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>Fewer competitors compared to shopping centres as there are fewer stores nearby.</li> <li>The local members in the area are likely to visit the shopping strip due to being close to the business, which can increase the business's number of loyal customers.</li> </ul>	<ul style="list-style-type: none"> <li>Local customers may spend less time at the shopping strip if they only come for a specific thing.</li> <li>Shopping strips typically have less foot traffic compared to shopping centres as there is less parking and fewer facilities, such as toilets and lifts.</li> </ul>

Continues ►

Table 4 Continued

	Advantages	Disadvantages
<b>Employee</b>	<ul style="list-style-type: none"> <li>Employees can save time and money travelling to work by utilising the public transport routes nearby.</li> </ul>	<ul style="list-style-type: none"> <li>Often less parking is available for employees who drive to work.</li> </ul>
<b>Time</b>	–	–
<b>Money</b>	–	<ul style="list-style-type: none"> <li>Rent can be expensive if the shopping strip is well established and has high levels of foot traffic.</li> </ul>

## REAL WORLD EXAMPLE



**Figure 4** Homing Instincts sells homewares at its shopping strip location

## Shopping strips

Homing Instincts is a gifts, cards, and homewares store with locations on popular shopping strips, such as on Glenferrie Road in Hawthorn and Puckle Street in Moonee Ponds. The stores have high visibility and accessibility as they are situated on popular streets with public transport routes nearby. The local demographic's interests and income level would have been considered before choosing those particular locations.

*Adapted from Homing Instincts, 'About Us', 2022*

## ADDITIONAL TERMS

A **home business** is a business that operates from an individual's home.

## Home businesses 1.2.6.1.3

There are some businesses that do not need a specific business location but can instead operate as a **home business**. Due to the developments in technology, establishing a home business is becoming more common. A home business is where a business operates in the client's or the owner's home. Some common businesses that operate from home include hairdressers, nannies, and tutors.

Table 5 Factors affecting the choice of a home business location

Factors affecting the choice of location	Explanation
<b>Visibility and accessibility</b>	Home businesses have low visibility and accessibility as they are typically situated in residential streets rather than popular shopping locations.
<b>Cost</b>	There would be no additional costs for renting a business location, as operations occur in the client's or the owner's home. There also tends to be lower costs related to travel, cleaning, and designing the location.
<b>Proximity to competitors</b>	It is unlikely that a home business would be close to competitors as it is located in a residential area.
<b>Proximity to complementary businesses</b>	It is unlikely that a home business would be close to complementary businesses as it is located in a residential area.
<b>Personal factors</b>	Being located at home would be convenient and easy for the business owner as they can save travel time, be close to family, and the stress of managing an alternative store location is reduced.
<b>Area demographics</b>	As home businesses often advertise their business online, the local demographic is not a major factor. However, the area demographics of the residential area do need to be considered as the local residents may be interested in the products that the business has to offer.
<b>Laws and regulations</b>	Home businesses must still register for a business name, ABN (Australian business number), and obtain required business licences and permits. Permits relating to noise levels, zoning, and signage also may be needed.

**Table 6** Advantages and disadvantages of home businesses

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>There is flexibility in business hours since the business is operating from a home location.</li> </ul>	<ul style="list-style-type: none"> <li>There is less visibility as the business is not in a shopping strip or shopping centre, and instead operates in a residential area.</li> <li>There may be a lack of privacy if the customer needs to travel through the rest of the house to arrive at the actual business location.</li> </ul>
<b>Employee</b>	<ul style="list-style-type: none"> <li>If employees are family members and live on the premises, the location is easy to access.</li> </ul>	<ul style="list-style-type: none"> <li>Less living space available as some of the house space would be used for business operations.</li> <li>May be difficult to separate work with life as work is conducted in the living space and this may impact mental wellbeing.</li> </ul>
<b>Time</b>	<ul style="list-style-type: none"> <li>Travel time can be saved if members of the business are working from their own homes as there is no travel required.</li> </ul>	–
<b>Money</b>	<ul style="list-style-type: none"> <li>There is no need to pay additional rent for a business location.</li> <li>Business owners can access tax deductions for living expenses such as lighting, heating, and cooling bills, as these resources are utilised when working from home.</li> </ul>	–

**REAL WORLD EXAMPLE****Home businesses**

Tutoring is an example of a home business, as the tutors can gain customers and perform teaching services at their own house or the client's house. The home business location offers a lot of flexibility for tutors as they are able to decide on their own working hours. Costs are also able to be reduced since there are no additional rental fees.



Image: granata68/Shutterstock.com

**Figure 5** Tutoring as a home business**Online businesses 1.2.6.1.4**

Online businesses use the internet to advertise and sell their goods and services. Due to the significant advancements in technology, online businesses have become more popular. Some businesses only operate online, while other businesses have both online and physical stores. In order to remain competitive, it is important for businesses to have an online presence, as nowadays the majority of businesses do.

**Table 7** Factors affecting the choice of an online business location

Factors affecting the choice of location	Explanation
<b>Visibility and accessibility</b>	<p>Online businesses don't have in-person visibility since they don't have a physical store presence, however, they can increase their online presence through advertisements or building a social media presence. The accessibility of online businesses is very high as their store is available to customers on the internet at any time of the day. An easy-to-use, well-designed website can improve the accessibility of the online business.</p> <p style="text-align: right;">Continues ►</p>

Table 7 Continued

Factors affecting the choice of location	Explanation
<b>Cost</b>	There are no rental costs for a store, however, there are costs associated with setting up and maintaining a website. The business may also need to rent a warehouse to store and ship its products.
<b>Proximity to competitors</b>	Online businesses have a large number of competitors as they are easy to access and numerous other businesses also sell similar products online.
<b>Proximity to complementary businesses</b>	Online businesses don't have complementary businesses close to them, but they can form deals with other businesses to boost sales. The deal could involve placing advertisements for complementary businesses on their website.
<b>Personal factors</b>	Having an online business is convenient for the owner as they are usually able to work from anywhere as they don't operate from a physical location. This flexibility could enable owners to be close to both home and family.
<b>Laws and regulations</b>	Online businesses may need to consider laws and regulations such as shipping restrictions, permits, and taxes.

Table 8 Advantages and disadvantages of online businesses

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>• There is a wider customer base as anyone who has access to the internet can access the store online.</li> <li>• Customers can access products at any time and from anywhere.</li> <li>• The business can easily be advertised on online platforms, such as social media.</li> </ul>	<ul style="list-style-type: none"> <li>• There are many competitors as there are lots of businesses online all across the world that would sell similar products.</li> <li>• As there is no physical presence and visibility, the business may not attract many customers unless they frequently advertise.</li> <li>• Customers cannot touch, try, or feel a product so they may be reluctant to purchase it.</li> </ul>
<b>Employee</b>	<ul style="list-style-type: none"> <li>• Employees may be able to work from their own homes, making their work quick and easy to access.</li> </ul>	<ul style="list-style-type: none"> <li>• Employees may work alone, which can be socially isolating.</li> </ul>
<b>Time</b>	<ul style="list-style-type: none"> <li>• Establishing or adapting an online business can be much quicker compared to a physical store.</li> </ul>	–
<b>Money</b>	<ul style="list-style-type: none"> <li>• There is no rent that needs to be paid for a retail store location.</li> </ul>	<ul style="list-style-type: none"> <li>• There can be costs associated with the development and maintenance of the website, including technical support for customers.</li> </ul>

## REAL WORLD EXAMPLE



Image: Ivan Kruk/Shutterstock.com

**Figure 6** The Iconic is a fashion and lifestyle retailer that sells its products via the internet

## Online businesses

The Iconic is an Australian online fashion and lifestyle retailer that stocks over 1000 brands. The Iconic has created unique browsing features and personalisation options, such as 'Follow the Brand' and 'Find Your Fit', to aid the customer's online shopping experience. The online business also offers free delivery for orders over \$50, 3-hour delivery options available in Sydney, and free returns. The online business location provides convenience for customers as they can shop on an easy-to-use website and application, any time, and anywhere they like.

*Adapted from Google Play, 'THE ICONIC - Fashion Shopping', 2022 and Business News Australia, 'Online fashion retailer THE ICONIC increases market share', 2019*

**ACTIVITY****Business locations**

Fill in the table with the suitable business location/s that you have learnt in this lesson.

Scenario	Suitable business location/s
Ben wants to establish a pet food and toy store with high accessibility and visibility.	
Aamil does not have enough money to rent a store location for his hairdressing business.	
Priyanka needs to consider the laws and regulations regarding where she can put up signage around her store.	
Neve's handmade jewellery business operates 24/7 and customers can purchase products at any time from all across the world.	
Jing wants to attract a high number of local customers to his bakery.	
Brielle believes that it is important for her employees to have access to a wide range of facilities and parking spots whilst at work.	
Risa is worried about the high rental costs and proximity to numerous competitors.	
Saxon wants to save time and not need to travel to work.	

**Theory summary**

Choosing a suitable business location is important as it connects a business with its customers. Businesses often have multiple locations, usually both a physical and online presence. It is crucial for businesses to consider a variety of locations and their factors before selecting the most suitable location.

- Shopping centres are a central point where many different businesses are located.
- Shopping strips are often located on roads with high visibility and accessibility.
- Home businesses perform business operations from an individual's home.
- Online businesses sell goods and services via the internet.

## 2F Questions

**Theory review****Question 1**

Different types of businesses suit different locations.

- A. True  
B. False

**Question 2**

All businesses must have a physical store location.

- A. True  
B. False

**Question 3**

A shopping centre location has low visibility and accessibility.

- A. True  
B. False

**Question 4**

Both shopping centres and shopping strips can be expensive to rent.

- A. True  
B. False

**Question 5**

The area demographic of a shopping strip is very important to consider since it is often the locals who shop in those areas.

- A. True  
B. False



**Question 6**

Fill in the blanks with the following terms:

- shopping strip
- home business

A \_\_\_\_\_ would have less visibility since it is fairly isolated, compared to a \_\_\_\_\_, which has more visibility and is close to other stores.

**Question 7**

Home businesses are convenient for owners since they are able to save travel time and be close to family.

- A. True  
B. False

**Question 8**

Fill in the blanks with the following terms:

- shopping strip
- online business

The \_\_\_\_\_ location has a wider customer base than the \_\_\_\_\_ location, since it can be accessed over the internet rather than exclusively by the local community.

**Question 9**

Online businesses do not need to consider laws and regulations.

- A. True  
B. False

**Question 10**

It is important to select a suitable business location as it connects the customers to the business.

- A. True  
B. False

**Preparing for exams****Case study skills**

Use the following information to answer Questions 11 and 12.

Cosy Cotton is a popular and affordable children's clothing store. Cosy Cotton is planning to establish stores in shopping centres around Australia. Cosy, the owner, knows that there are many businesses that also sell similar products that are likely to be present in shopping centres.

**Question 11**

Identify which of the following could be a reason why Cosy Cotton needs to consider the proximity of complementary businesses.

- A. There is the potential to increase the number of customers at Cosy Cotton.  
B. There is the potential to decrease the number of customers at Cosy Cotton.

**Question 12**

Identify which of the following could be a reason why Cosy Cotton needs to consider the proximity of competitors.

- A. Cosy Cotton's sales could potentially increase if there are more competitors in the area.  
B. Cosy Cotton needs to ensure it has a competitive advantage.

**Question 13**

Hailey's Hair Salon is a small hairdressing business. When planning for her business, Hailey decided to provide her hairdressing services from her home. Her customers can book appointments by phone.

Identify which of the following are **advantages** or **disadvantages** of Hailey's Hair Salon's business location.

	Advantage	Disadvantage
I. Less house space is available for Hailey to use.	<input type="checkbox"/>	<input type="checkbox"/>
II. Travel time is saved since Hailey doesn't need to commute to work.	<input type="checkbox"/>	<input type="checkbox"/>
III. May be difficult to locate Hailey's Hair Salon since there is less visibility in the residential area.	<input type="checkbox"/>	<input type="checkbox"/>
IV. There is no need for Hailey to pay for additional rent, therefore reducing costs.	<input type="checkbox"/>	<input type="checkbox"/>

## Exam-style

**Question 14** (2 MARKS)

Explain one factor that a business owner should consider before choosing to locate on a shopping strip.

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**Question 15** (2 MARKS)

Explain one factor that an online business owner should consider before setting up its online business.

---

**Question 16** (4 MARKS)

Cosy Cotton is a popular and affordable children's clothing store. Cosy Cotton is planning to establish stores in shopping centres around Australia. Cosy, the owner, knows that there are many businesses that also sell similar products that are likely to be present in shopping centres.

Explain why Cosy Cotton would need to consider the proximity of complementary businesses and competitors in the shopping centres.

---

**Question 17** (4 MARKS)

Hailey's Hair Salon is a small hairdressing business. When planning for her business, Hailey decided to provide her hairdressing services from her home. Her customers can book appointments by phone.

Discuss Hailey's choice of her home business location.

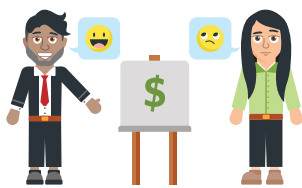
## Testing previous knowledge

**Question 18** (3 MARKS)

Define the term 'bricks-and-mortar business'. Explain one factor that a bricks-and-mortar business should consider before choosing to locate in a shopping centre.

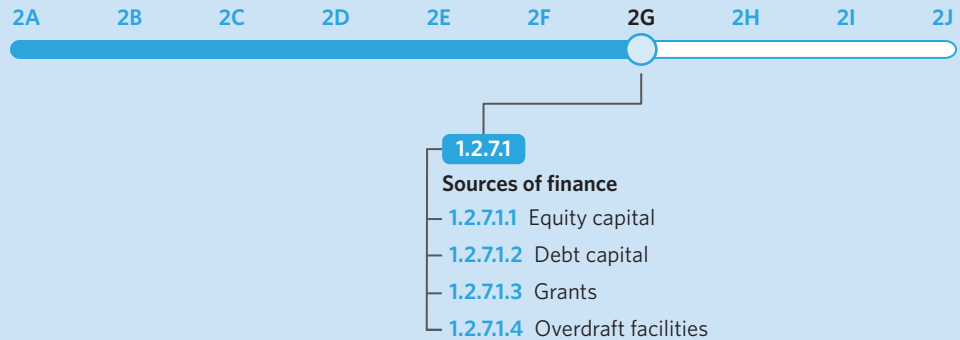
# 2G Sources of finance

Businesses are often known to be quite expensive to start up, operate, and grow. The cost of the location and resources are examples of typical expenses that businesses have. So how can people afford to have a business? Where do people source the money required to start their businesses?



## STUDY DESIGN DOT POINT

- sources of finance available to establish a business and the factors affecting the type and source of finance chosen



## Lesson introduction

When planning a business, business owners should consider how they will fund their business's operations. There are various sources of finance available to business owners, including equity capital, debt capital, grants, and overdraft facilities. In order to select the most appropriate option, there are a variety of factors that a business owner should consider. There are also common startup costs that would need to be recognised, such as planning, research expenses, and business name registration.

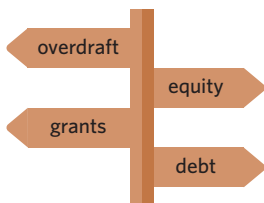


Figure 1 Examples of different sources of finance

### KEY DEFINITIONS

**Equity capital** is money contributed to a business by an investor in exchange for partial ownership.

### ADDITIONAL TERMS

**Shares**, also known as stock, are portions of a company that can be bought and sold as a means for the business to gain revenue.

An **angel investor** is a private investor that contributes money to a new or expanding business. Typically, they also act as a business mentor.

### LESSON LINK

ASX was introduced in **2B Types of businesses**.

## Equity capital 1.2.7.1

**Equity capital** is money contributed to a business by an investor in exchange for partial ownership. Investors gain a degree of ownership of the business based on the amount of equity capital they contribute. As investors are taking a risk when investing in a business, businesses are not required to repay equity capital back to the investor, hence investors expect to see a return on their original investment as the value of the business grows. If the investor owns more than 50% of the company, they will usually have major influence over making company decisions. Owning less than 50% of the company generally means that the investor does not have the authority to make major decisions. Equity capital can come in many forms, such as personal, private, and public equity.

Table 1 Types of equity capital

Type of equity capital	Description	Example
<b>Personal equity</b>	Personal equity is acquired by a business owner contributing their own funds to their business.	<ul style="list-style-type: none"> <li>The personal savings of the business owner.</li> <li>Money borrowed from family and friends.</li> <li>Money borrowed from a business partner.</li> </ul>
<b>Private equity</b>	Private equity is acquired by a business selling its <b>shares</b> to specifically selected individuals or businesses that have been approved by the board of directors.	<ul style="list-style-type: none"> <li>Money from selling shares to specifically selected individuals or businesses.</li> <li>Money from an <b>angel investor</b>.</li> </ul>
<b>Public equity</b>	Public equity is acquired by a business selling its shares to the general public.	<ul style="list-style-type: none"> <li>Money from selling shares on a public exchange, such as the Australian Securities Exchange (ASX).</li> </ul>

**Table 2** Factors affecting the choice of equity capital

Factors affecting the choice of finance	Explanation
<b>Overall cost</b>	<ul style="list-style-type: none"> <li>Funding a business using personal or private equity usually doesn't have any costs.</li> <li>Funding a business using public equity requires a business to undergo an <b>Initial Public Offering (IPO)</b> process, which involves significant costs to organise.</li> </ul>
<b>Flexibility</b>	<ul style="list-style-type: none"> <li>Personal equity has limited flexibility, as it is limited to the amount of savings the business owner has.</li> <li>Private equity is more flexible as business partners and investment businesses may have large amounts of money.</li> <li>Public equity is highly flexible as a business can sell as many shares as it wishes to the public.</li> </ul>
<b>Level of control</b>	<ul style="list-style-type: none"> <li>If a business owner only uses personal equity, they have full control of the business.</li> <li>Raising capital through private and public equity sources will mean investors have partial ownership, therefore, the business owner has reduced control. Reduced control means the ideas and visions of the investors must also be considered.</li> </ul>
<b>Business structure</b>	<ul style="list-style-type: none"> <li>Sole traders and partnerships would typically gain equity from personal sources as they are unable to sell shares to other individuals or businesses.</li> <li>Private limited companies would typically gain equity through private equity as they can only sell shares to selected individuals or businesses approved by the board of directors.</li> <li>Public listed companies would typically gain equity from selling shares to the public on the ASX as it is the best method to raise capital.</li> </ul>

**ADDITIONAL TERMS**

An **Initial Public Offering (IPO)** is where the stock of a company is offered on the stock market for the first time.

**REAL WORLD EXAMPLE****Equity capital**

Uber Technologies Inc. is a transport company that allows users to book cars and drivers to transport themselves and items. With its headquarters located in San Francisco, Uber operates in over 72 countries around the world. Uber is one of the fastest-growing companies and as of September 2022, it was worth \$64.35 billion. However, Uber only became profitable in 2021, after long periods of earning little to no profit. Uber went public on May 9 2019 and its IPO was one of the most anticipated for the year, but fell flat, making Uber the first company since 1975 to have the biggest first-day loss. Over the net 32 rounds of share releases, Uber was finally able to raise \$25.2 billion, with investors like PayPal and Asas Capital making up 116 investors.

*Adapted from Investopedia, 'The Story of Uber', 2022 and MacroTrends, 'Uber Technologies Net Worth 2017-2022', 2022*



Image: Proxima Studio/Shutterstock.com

**Figure 2** Uber utilises equity capital to fund its operations

**ACTIVITY****Equity capital**

The ABC reality television show, Shark Tank, features aspiring entrepreneurs from around the world pitching their business ideas to a panel of angel investors. Search up 'Shark Tank US | Top 3 Biggest Deals' (Sony Pictures Television, 2022) on Youtube and watch the pitch by NuMilk between 11:51 to 23:01.

Answer the following questions:

1. What type of finance is NuMilk seeking?
2. How much money are the founders of NuMilk asking the investors for, and for how much partial ownership of the business?
3. How much money did the founders of NuMilk walk away with at the end of their pitch, and how much partial ownership does the investor have over their business now?

## KEY DEFINITIONS

**Debt capital** is money that has been lent to a business by an external source that must be paid back over time with interest.

## ADDITIONAL TERMS

**Interest** is the money paid at a particular rate for an amount that has been borrowed.

A **loan** is money that has been borrowed.

## Debt capital 1.2.7.1.2

**Debt capital** is money that has been lent to a business by an external source that must be paid back over time with **interest**. Bank **loans** are the most common example of debt capital and can be short, intermediate, or long-term loans. Business owners will typically use a loan to start and expand their business, then repay the loan as the business begins to generate revenue.

**Table 3** Factors affecting the choice of debt capital

Factors affecting the choice of finance	Explanation
<b>Overall cost</b>	<ul style="list-style-type: none"> <li>Debt capital is costly as the business must repay the loan in addition to interest.</li> </ul>
<b>Flexibility</b>	<ul style="list-style-type: none"> <li>Loans can be suitable for various time periods, such as for the short or long term.</li> <li>In addition to smaller loans, banks have the ability to provide high-value loans, which is where they allow more money to be borrowed than the amount that is typically allowed.</li> </ul>
<b>Level of control</b>	<ul style="list-style-type: none"> <li>Business owners maintain a high degree of control over business decisions, as the institutions providing the finances do not have any ownership of the business.</li> </ul>
<b>Business structure</b>	<ul style="list-style-type: none"> <li>Smaller businesses, such as sole traders or partnerships, may find it harder to get a loan if they do not have evidence that they can repay it.</li> <li>Larger businesses, such as private limited or public listed companies, are able to get high-value loans as they usually can show that they have access to enough funds to repay it.</li> </ul>

## REAL WORLD EXAMPLE

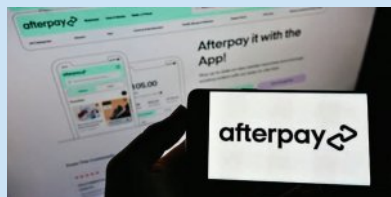


Image: T. Schneider/Shutterstock.com

**Figure 3** Afterpay is now available in stores due to the debt capital it incurred

## Debt capital

Afterpay is an Australian startup that provides customers with the ability to buy goods or services and pay them off in small fortnightly repayments. To operate this business model, Afterpay uses debt from financial institutions to pay retail stores immediately while customers pay at a later date. In 2019, Afterpay had long-term loans of \$50 million.

*Adapted from Afterpay, 'Annual report', 2019*

## Grants 1.2.7.1.3

A **grant** is money provided by a government or another organisation for a particular reason. Governments or other organisations often provide grants to assist businesses that they support, such as businesses that develop medicine or technology. The business must meet the conditions imposed by the grant provider, including only using the grant for the specified purpose.

**Table 4** Factors affecting the choice of grants

Factors affecting the choice of finance	Explanation
<b>Overall cost</b>	<ul style="list-style-type: none"> <li>Since grants are not required to be paid back, there is no cost incurred by the business.</li> </ul>
<b>Flexibility</b>	<ul style="list-style-type: none"> <li>Grants have low flexibility as the business does not get to choose how much it receives and must also meet all the requirements set by the grant provider.</li> </ul>
<b>Level of control</b>	<ul style="list-style-type: none"> <li>Business owners have less control if funded by grants as the grant must be used for the stated purpose.</li> </ul>
<b>Business structure</b>	<ul style="list-style-type: none"> <li>Business structure has minimal impact on the ability to receive grants, as there are many grants available to suit a variety of different businesses.</li> </ul>

## KEY DEFINITIONS

A **grant** is money provided by a government or another organisation for a particular reason.

**REAL WORLD EXAMPLE**

**Grants**

Chobani is an American company that produces high-quality and nutritious, strained yogurt. Chobani started manufacturing in Australia eight years ago and realised that the milk in Australia is quite different to the US. Therefore, a lot of research needed to be conducted to understand the new environment to produce its nutritious, high-quality yogurt using Victorian milk. The Research and Development Tax Incentive, provided by the Australian Government, enabled Chobani to invest in conducting research, therefore allowing Chobani to best utilise local Victorian milk to create its award-winning yogurt.

*Adapted from Commonwealth of Australia, 'Chobani - Building Victorian agriculture', 2022*



Image: OLOZANO/Shutterstock.com

**Figure 4** Chobani uses government grants to produce the high-quality yogurt

**ACTIVITY**

**Grants**

Go to the business.gov.au website and click on the 'Grants and programs' tab (Commonwealth of Australia, n.d.). Scroll through the list of grants and programs and select one that interests you and is suitable for a Victorian business. Note down what the business can get from the grant, who is eligible, and a brief overview of the grant. Report your findings to the class.

**Overdraft facilities 1.2.7.1.4**

**Overdraft facilities** are agreements between banks and businesses or individuals, that allow a bank account to be withdrawn below zero. An overdraft is organised in advance and can be used at any time. To receive this service, banks require businesses to show that they will be able to pay back the money. Overdrafts have a high rate of interest and are often used as a short-term source of finance.

**Table 5** Factors affecting the choice of overdraft facilities

Factors affecting the choice of finance	Explanation
<b>Overall cost</b>	<ul style="list-style-type: none"> <li>Overdraft facilities tend to have high-interest rates and thus, are a relatively expensive source of finance.</li> </ul>
<b>Flexibility</b>	<ul style="list-style-type: none"> <li>Overdraft facilities are highly flexible as a business is able to use them at any time after negotiating the amount and time period with their bank.</li> </ul>
<b>Level of control</b>	<ul style="list-style-type: none"> <li>Business owners keep a high level of control as partial ownership isn't required through an overdraft.</li> <li>Business owners cannot control the ability to access overdraft facilities as banks are able to quickly terminate the service at any time.</li> </ul>
<b>Business structure</b>	<ul style="list-style-type: none"> <li>Business structure has minimal impact on the ability to have an overdraft facility.</li> <li>Large companies can access high-value overdraft facilities as their ability to pay off the funds is higher.</li> </ul>

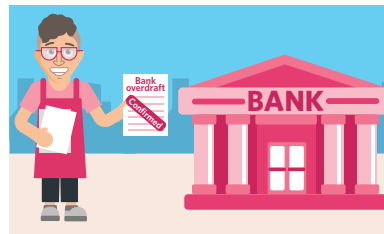
**KEY DEFINITIONS**

**Overdraft facilities** are agreements between banks and businesses or individuals, that allow a bank account to be withdrawn below zero.

**THEORY IN ACTION**

**Overdraft facilities**

After having opened Epicure, Stanely Yu is now experiencing insufficient funds as he spent a large amount of money on the store's grand opening. He has decided to apply for an overdraft as he can borrow money from the bank to assist with this problem. Even though overdrafts have high interest rates, Stanley is certain that the supermarket can generate high sales and revenue after the investment in the grand opening.



**Figure 5** Epicure uses overdraft facilities to borrow money

**ACTIVITY****Sources of finance**

Match the scenario with the relevant source/s of finance.

Scenario	Relevant source/s of finance
Molly wants to have a high level of control of her business and this is her only consideration for obtaining finances.	
Hayley wants a short-term source of finance and does not mind if the interest rates are high.	
Nic is wanting financial capital, as well as a business mentor to guide him through his new business venture.	
Anna has a long-term loan and owes her bank a huge sum of money.	
Isabel has spent years building up her savings account and can use this money to initially fund her business.	
Natalia has a medical business that has great potential to contribute to the community with the help of government funding.	
Sam does not mind having less control over her company, as long as she is receiving a reasonable sum of money.	
Kristen has founded a successful public listed company that obtains money through selling shares on the Australian Securities Exchange.	

**Theory summary**

Businesses should select sources of finance based on their requirements regarding costs, flexibility, control, and business structure. Businesses often use multiple sources of finance as they serve different purposes.

- Equity capital is money provided by an investor in return for partial ownership of the business.
- Debt capital is money that has been borrowed from an external source.
- Grants are money awarded by a government or another organisation for a specific purpose.
- Overdraft facilities are agreements between banks and businesses or individuals that allow a bank account to be withdrawn below zero.

## 2G Questions

**Theory review****Question 1**

It is important for businesses to consider how they will obtain money to run their operations.

- A. True  
B. False

**Question 2**

All businesses must obtain finance in the same way.

- A. True  
B. False

**Question 3**

Fill in the blanks with the following terms:

- public
- private

Selling shares on the ASX is a form of \_\_\_\_\_ equity, whereas \_\_\_\_\_ equity involves selling shares to specially selected individuals or businesses.

**Question 4**

Fill in the blanks with the following terms:

- equity capital
- debt capital

Borrowed money including interest needs to be repaid with \_\_\_\_\_ as a source of finance, however, no repayments are needed when \_\_\_\_\_ is the source of finance.

**Question 5**

Businesses have a high level of control when funded by a government grant.

- A. True
- B. False

**Question 6**

Businesses must pay back government grants with interest.

- A. True
- B. False

**Question 7**

Both government grants and overdraft facilities involve checking and assessing that the business meets specific standards and conditions.

- A. True
- B. False

**Question 8**

An overdraft should not be used in the long term since it has a higher interest rate compared to other sources of finance.

- A. True
- B. False

**Question 9**

The purpose of sourcing finance is to obtain money that the business does not already have in order to establish or grow the business.

- A. True
- B. False

## Preparing for exams

### Case study skills

**Question 10**

MediPill is a medical business that is developing a cure for a virus that currently has no treatment. The business now requires additional finance to research and test cures. MediPill is eligible to receive government grants as its business venture will likely benefit many people.

Identify which of the following are reasons why MediPill is eligible to receive a government grant.

**(Select all that apply)**

- I. MediPill doesn't have enough money and resources to conduct research.
- II. MediPill is a medical business.
- III. MediPill has government support as the cure could benefit many people.
- IV. MediPill has met all conditions set by the government regarding the grant.

**Question 11**

TuteToMe is a private company that connects tutors in Melbourne to students using a mobile app. The founder, Tara, is wanting to expand TuteToMe to other cities where she can set up in-person tutoring locations, but she does not have the finances to do so. She is considering using equity capital as a source of finance.

Identify which of the following are factors that Tara should consider before choosing to finance TuteToMe using equity capital. **(Select all that apply)**

- I. Tara's level of control will be lower if she obtains equity from an investor.
- II. As TuteToMe is a private company, equity capital can be obtained through private sources.
- III. Tara desires full flexibility, which can be achieved by using personal equity.
- IV. Tara requires a source of finance with minimal costs as she currently does not have much money to spend.

### Exam-style

**Question 12** (1 MARK)

Define overdraft facilities as a source of finance.

**Question 13** (1 MARK)

Define debt capital as a source of finance.



**Question 14** (2 MARKS)

Outline two factors to consider when using equity capital as a source of finance.

---

**Question 15** (2 MARKS)

Outline two factors to consider when using debt capital as a source of finance.

---

**Question 16** (3 MARKS)

MediPill is a medical business that is developing a cure for a virus that currently has no treatment. The business now requires additional finance to research and test cures. MediPill is eligible to receive government grants as its business venture will likely benefit many people.

Explain grants as a source of finance available to MediPill.

---

**Question 17** (4 MARKS)

TuteToMe is a private company that connects tutors in Melbourne to students using a mobile app. The founder, Tara, is wanting to expand TuteToMe to other cities where she can set up in-person tutoring locations, but she does not have the finances to do so. She is considering using equity capital as a source of finance.

Identify and explain two factors that TuteToMe should consider when using equity capital as a source of finance.

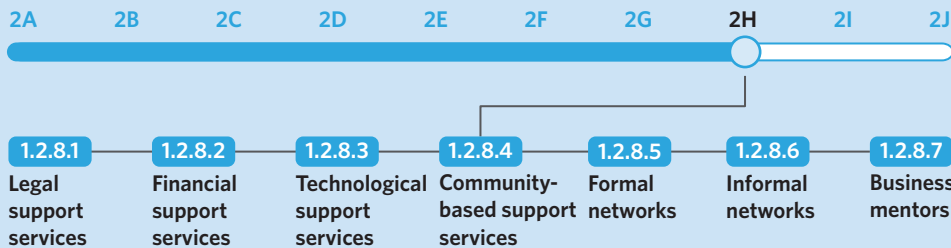
**Testing previous knowledge****Question 18** (2 MARKS)

Define capital resources. Outline how a business can use grants as a source of finance for the cost of capital resources.

# 2H Business support services

## STUDY DESIGN DOT POINT

- business support services such as legal, financial, technological, community-based, formal and informal networks, and business mentors



Imagine you are in the process of starting your own business. There is just so much to do. Wouldn't it be incredibly difficult to do all of those tasks on your own? Are there any people or organisations who could facilitate this process by providing the required support and expertise?



## Lesson introduction

There are many different aspects to running a business, which require a variety of skills and expertise. It may be difficult for a business owner to be knowledgeable in the various areas required to operate a business. To solve this, a business owner can utilise **business support services**, which are the specialised people, facilities, or amenities that aim to help businesses successfully operate. During business planning, owners should identify the support services most relevant for their business's operations. Effectively using a variety of support services can lead to greater business success.

## Legal support services 1.2.8.1

It is crucial for businesses to comply with legal requirements and regulations. As the law is constantly being updated, it may be difficult for business owners to remain aware of the different laws that apply to them. Many business owners will seek support from qualified legal experts, such as a **solicitor**, to ensure that they are following all required regulations. Legal support services can also assist businesses to create contracts and provide legal representation for the business if it is required.



Figure 1 Examples of how legal support services can assist a business

## KEY DEFINITIONS

**Business support services** are the specialised people, facilities, or amenities that aim to help businesses successfully operate.

## ADDITIONAL TERMS

A **solicitor** is a legal professional who is qualified in providing advice on legal matters.

## REAL WORLD EXAMPLE

### Legal support services

Slater and Gordon Lawyers is one of Australia's leading consumer law firms, with the mission to provide people with easy access to high quality and affordable legal services. The firm provides a range of specialised legal services in areas such as superannuation, employment law, commercial law, and insurance. Business owners can use Slater and Gordon as a support service to receive advice regarding legal matters.

*Adapted from Slater and Gordon, 'The Firm', 2022*



Image: Dutchmen Photography/Shutterstock.com

Figure 2 Slater and Gordon Lawyers offer legal support services for businesses

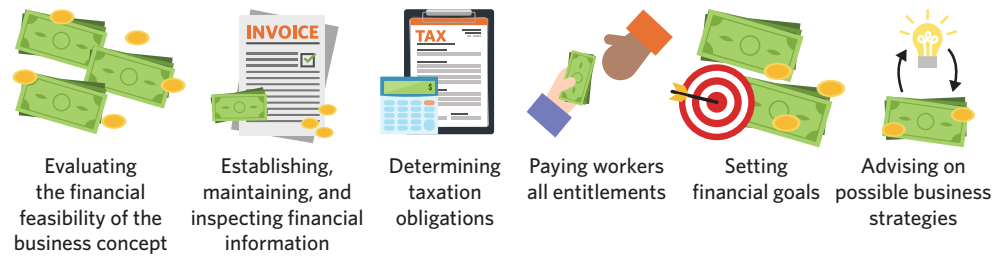
**ADDITIONAL TERMS**

A **bookkeeper** is a person hired by a business to record and document its financial transactions.

An **accountant** is a professional who manages, updates, analyses, and reports a business's financial information.

## Financial support services 1.2.8.2

A business's finances can determine whether it is able to sustain itself or not. Financial support services can assist a business to manage its finances and achieve its financial goals. During business planning, owners may require assistance from qualified experts to better understand the financial details of establishing and running a business. Some examples of financial support services include financial planners, **bookkeepers**, and **accountants**.



**Figure 3** Examples of how financial support services can assist a business

### REAL WORLD EXAMPLE



Image: Muhammad Hanif MM/Shutterstock.com

**Figure 4** Commonwealth Bank provides financial support for businesses

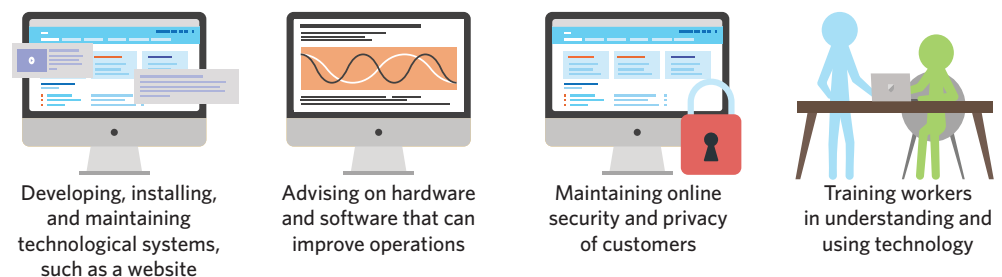
### Financial support services

Commonwealth Bank of Australia is an Australian multinational bank. It offers a variety of financial support services for businesses on both the Commonwealth Bank website and mobile app. Some of the financial support services they provide include account administration, payments and transfer of money, and management of business credit cards.

*Adapted from Comm Bank, 'NetBank for business', 2022*

## Technological support services 1.2.8.3

Due to the continuous technological advancements and increased accessibility to mobile devices, it is important for business owners to plan to incorporate suitable technologies that improve their business's operations. Technology can assist businesses in improving the efficiency and effectiveness of their business processes. In order to remain competitive, businesses should also be aware of any technological developments used by competitors. Technology can be implemented and kept up-to-date with the help of technology experts, such as information and communications technology (ICT) consultants.



**Figure 5** Examples of how technological support services can assist a business

### REAL WORLD EXAMPLE



Image: Vasin Lee/Shutterstock.com

**Figure 6** Technological support services can help businesses keep up with advancements in technology

### Technological support services

Data#3 Limited is an information technology company that provides ICT services. Businesses can seek assistance from Data#3 to help maximise the value of their technology investments. Some of the services that the IT company provides include protecting private customer information, training individuals to use technology, and analysing data.

*Adapted from Data#3, 'Services', n.d.*

## Community-based support services 1.2.8.4

Business owners can connect with community-based business services to engage with the local community. Community-based programs can also bring together like-minded individuals who are interested in business and community involvement. Some examples of community-based support services include start-up **hubs**, classes, and local council events.

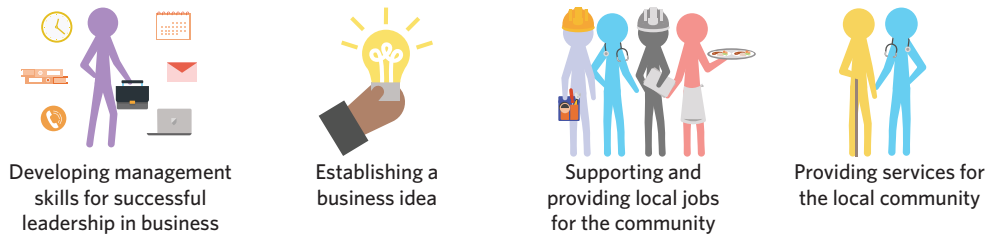


Figure 7 Examples of how community-based support services can assist a business

### ADDITIONAL TERMS

A **hub** is a place where individuals and businesses can go to utilise the space and obtain support.

### REAL WORLD EXAMPLE

#### Community-based support services

iHarvest Coworking Sunshine is a community-based support service started by the Brimbank City Council. It has co-sharing offices and meeting spaces that business owners can use in exchange for a small fee. iHarvest also runs events such as masterclasses, meetups, and mentoring programs within the building to provide business owners support and engagement with the community.

*Adapted from iHarvest Coworking Sunshine, 'iHarvest Program', 2022*



Image: iHarvest

Figure 8 iHarvest is a community-based support service that offers shared working spaces

## Formal networks 1.2.8.5

**Formal networks** are interconnected groups of people and official organisations that assist in offering professional support to business owners. Formal business **networks** can be established through **business associations** and aim to provide advice and support from a large number of professionals. Formal networks can bring together like-minded individuals to communicate and discuss business matters. Talking to experienced business owners enables new business owners to refine their plans and gain insight into different business experiences.



Figure 9 Examples of how formal networks can assist a business

### KEY DEFINITIONS

#### Formal networks

are interconnected groups of people and official organisations that assist in offering professional support to business owners.

### ADDITIONAL TERMS

A **network** is a group or system of interconnected people or businesses.

**Business associations** are organisations that advise and support businesses in a particular industry.

### REAL WORLD EXAMPLE

#### Formal networks

The Victorian Chamber of Commerce and Industry is the largest membership organisation that supports businesses in Victoria. It provides business information and support to more than 47,000 clients from across the state. The Victorian Chamber of Commerce and Industry aims to influence the future of Victoria through business leadership and services focused on innovation, growth, and sustainability.

*Adapted from Victorian Chamber of Commerce and Industry, 'About us', 2022*



Image: lunamarina/Shutterstock.com

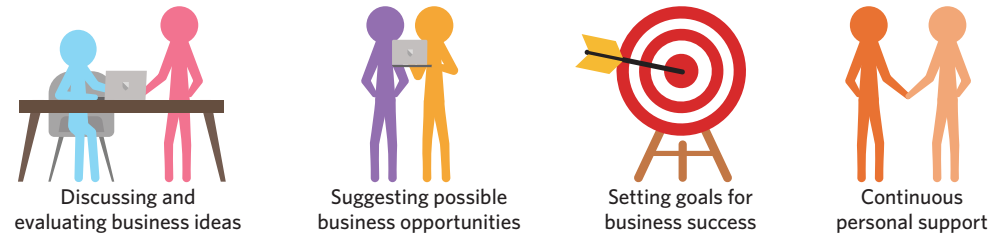
Figure 10 The Chamber of Commerce and Industry is a formal network that connects business people together

**KEY DEFINITIONS**

An **informal network** is an unofficial interconnected group.

**Informal networks** 1.2.8.6

An **informal network** is an unofficial interconnected group. An informal network includes family, friends, and social media that may offer advice and information to business owners. It is a more casual means for a business owner to obtain personal assistance, as well as suggestions on business goals and opportunities. A business owner is able to use these connections to obtain valuable assistance on their business ideas and future growth.



**Figure 11** Examples of how informal networks can assist a business

**THEORY IN ACTION**

**Figure 12** Vanessa Dennis has involved herself in informal networks to connect with other people and businesses

**Informal networks**

As Vanessa Dennis has spent a lot of her career working at a corporate firm, she does not have much experience in start-up businesses. To support her, she has used an informal network of a few friends who have assisted her with evaluating her business ideas and app designs. The informal network also assists her with planning future business goals, in order to adapt to the constant developments in technology.

**Business mentors** 1.2.8.7**KEY DEFINITIONS**

A **business mentor** is an experienced and knowledgeable business person who provides guidance and advice.

A **business mentor** is an experienced and knowledgeable business person who provides guidance and advice. Business owners may choose to seek assistance from a business mentor who can provide expert opinions and ideas for business strategies. Business mentoring is often a one-on-one process, so business owners can receive direct and personal feedback. Mentors can be contacted through government programs and formal or informal networks.



**Figure 13** Examples of how business mentors can assist a business

**ACTIVITY****Business support services**

Go onto the [business.gov.au](http://business.gov.au) website and click on the 'Expertise and advice' tab. Search for a Victorian business support service that is near your area. Note down what type of business support service it is and what assistance is provided. Report your findings to the class.

**REAL WORLD EXAMPLE**

Image: Monkey Business Images/Shutterstock.com

**Figure 14** Business mentor support services encourage expert advice and assistance to be shared

**Business mentors**

The Small Business Bus is a business mentoring support service that travels around Melbourne and regional Victoria on wheels. The Small Business Bus offers assistance and expert advice from experienced business professionals. It provides free face-to-face mentoring sessions to help small businesses start or grow. Virtual sessions are also available for business owners if the Small Business Bus is not in their local area.

*Adapted from Business Victoria, 'Small Business Bus', 2022*

### Theory summary

Business support services aim to provide business owners with any additional assistance and guidance they may need when planning, establishing, and operating their business. There are a variety of different support services that businesses can choose for their specific needs.

- Legal support services ensure that a business meets all of its legal requirements.
- Financial support services assist in managing a business's finances.
- Technological support services assist in managing and implementing the technologies available to businesses.
- Community-based support services assist in engaging businesses with the community.
- Formal networks are official and professional interconnected groups of people and businesses.
- Informal networks are unofficial interconnected groups of people that offer advice to business owners.
- Business mentors are experienced individuals who can assist in providing expert advice and feedback.

## 2H Questions

### Theory review

#### Question 1

Business support services aim to assist business owners with a variety of tasks that have an influence on decision making.

- A. True
- B. False

#### Question 2

Legal business support services can inform and advise businesses on changes to the law.

- A. True
- B. False

#### Question 3

Fill in the blank with **one** of the following terms:

- legal
- financial

An accountant is an example of one way that a business can access \_\_\_\_\_ support services.

#### Question 4

Fill in the blanks with the following terms:

- technological
- financial

To assist with choosing the most suitable software, businesses can make use of \_\_\_\_\_ support services. In contrast, \_\_\_\_\_ business support services can assist businesses with determining taxation obligations.

#### Question 5

Community-based support services assist business owners to engage with their local community.

- A. True
- B. False

#### Question 6

Both informal and formal networks involve groups of individuals or businesses connecting with each other.

- A. True
- B. False

#### Question 7

Business associations are an example of an informal network.

- A. True
- B. False

#### Question 8

Both informal networks and business mentors can assist a business when setting goals.

- A. True
- B. False

#### Question 9

Every type of business support service is needed by all businesses.

- A. True
- B. False

## Preparing for exams

### Case study skills

#### Question 10

Lori is the owner of Coder, a new online platform where individuals learn computer programming skills. Lori has no prior experience in operating a business and lacks management skills, so she has decided to seek out a business mentor for guidance.

Identify which of the following are ways a business mentor could assist Lori as a new business owner.

**(Select all that apply)**

- I. A business mentor could construct and maintain Coder's website and software.
- II. A business mentor could help improve Lori's management skills.
- III. A business mentor could assist in providing networks for Lori to connect with.
- IV. A business mentor could help Lori set goals for future business success.

#### Use the following information to answer Question 11 and 12.

Sven is starting a new business, Kitchenation, that sells specially designed pots and saucepans. His products incorporate new and innovative cookware technologies. He is still in the early stages of establishing the business and has decided to seek support with Kitchenation's legal documents and financing.

#### Question 11

Identify which of the following statements are correct about Sven seeking business support services.

**(Select all that apply)**

- I. Sven is seeking financial support with the financing of Kitchenation.
- II. Sven is seeking mentorship support with the legal documents that need to be completed.
- III. Sven is seeking legal support with the legal documents that need to be completed.

#### Question 12

Identify which of the following are ways that financial support services or legal support services could assist Sven with his new business. **(Select all that apply)**

- I. Financial support services could assist in determining Kitchenation's taxation obligations.
- II. Financial support services could assist in acquiring Kitchenation's intellectual property.
- III. Financial support services could assist in paying all of Kitchenation's employee entitlements.
- IV. Legal support services could assist in drawing up Kitchenation's contracts.
- V. Legal support services could assist in constructing and maintaining Kitchenation's website.

### Exam-style

#### Question 13 (1 MARK)

Define the term 'informal network'.

#### Question 14 (2 MARKS)

Identify one business support service and outline how it can assist a business.

#### Question 15 (2 MARKS)

Outline how technological support services can assist a business.

#### Question 16 (3 MARKS)

Explain the importance of business support services when planning a business.

**Question 17** (2 MARKS)

Lori is the owner of Coder, a new online platform where individuals learn computer programming skills. Lori has no prior experience in operating a business and lacks management skills, so she has decided to seek out a business mentor for guidance.

Explain how a business mentor could assist Lori as a new business owner.

---

**Question 18** (4 MARKS)

Sven is starting a new business, Kitchenation, that sells specially designed pots and saucepans. His products incorporate new and innovative cookware technologies. He is still in the early stages of establishing the business and has decided to seek support with Kitchenation's legal documents and financing.

Identify two business support services that Sven is seeking and outline how both can assist him with his new business.

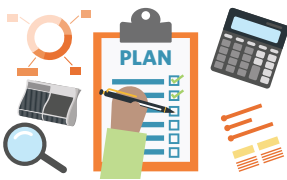
**Testing previous knowledge****Question 19** (3 MARKS)

Define the term 'overdraft facilities'. Outline how financial support services can assist businesses wanting to use overdraft facilities as a source of finance.



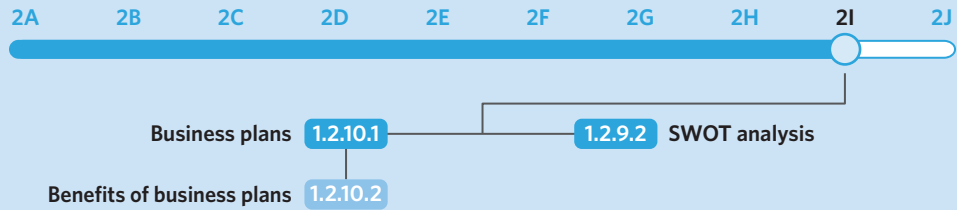
# 21 Business planning

When you write an essay, most teachers would suggest that it is best to plan before you start. You could brainstorm ideas, draft an outline of the structure, and establish your contention. This process is similar to business planning. It is important for a business owner to plan business goals and identify the steps that need to be taken to achieve them.



## STUDY DESIGN DOT POINTS

- planning analysis tools to assist in determining the strengths and weaknesses of decisions regarding changing internal factors, such as SWOT analysis
- overview of business plans, including the benefits of using them and an outline of their key features



## Lesson introduction

**Business planning** is the process of establishing a business's goals and developing strategies to achieve them. A well-established plan can allow a business to clearly construct a path towards achieving its desired objectives. The environment that a business operates in is unpredictable and constantly changing. Therefore, it is important for business owners to plan before they begin operating, as well as continuously plan throughout the lifetime of the business. Businesses can utilise numerous methods to plan for the achievement of their goals and objectives, and the internal and external factors affecting their operations.

## Business plans 1.2.10.1

A **business plan** is a document that outlines a business's goals and objectives, as well as strategies to achieve them. Creating a business plan is essential when starting a business. Business plans should be flexible and continuously evolve and adapt to a business's vision, goals, and internal and external environment. Business plans aim to define the direction of a business and keep it focused on achieving its business objectives.

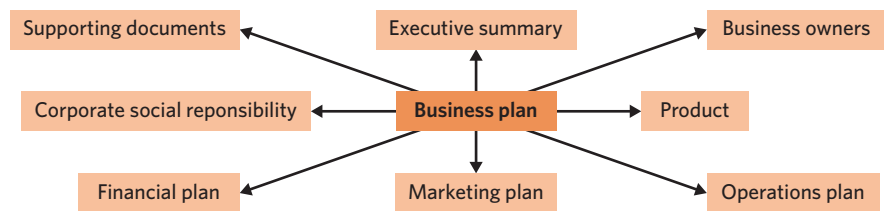


Figure 1 Key features of business plans

Business plans aim to provide a clear direction for the achievement of business objectives. As every business is different, the features of a business plan will vary from business to business. The features of a business plan may also change depending on a business's legal structure, business model, resources, and finances available.

Business plans are typically constructed by the owners or senior managers of a business. When constructing a business plan, owners and managers are likely to obtain input and suggestions from individuals from the relevant areas of the business. Having a business plan can enable the business to effectively adapt to change and manage any emergencies and crisis situations that may occur.

### KEY DEFINITIONS

**Business planning** is the process of establishing a business's goals and developing strategies to achieve them.

A **business plan** is a document that outlines a business's goals and objectives, as well as strategies to achieve them.

**Table 1** Construction of the features in a business plan

Key features	Description
<b>Executive summary</b>	The executive summary is an overview of the business plan that is included at the beginning of the report. It will provide a brief description of a business's <b>philosophy</b> , the products being sold, and the strategies to achieve business objectives.
<b>Business brand</b>	The business brand section within a plan outlines what a business believes to be its vision, and what sets it apart from other businesses. Features outlined in this section could include the business's name, logo, and <b>slogan</b> .
<b>Business owners</b>	A business plan should outline the owners' roles and responsibilities, as well as their skills, qualifications, and past experiences. This description provides an understanding of the individuals leading the business.
<b>Product</b>	This section provides a detailed description of the products that a business plans to or is currently offering. Possible innovations and competitive advantages would also be stated. The product section would also estimate customer demand and outline the price of the product.
<b>Operations plan</b>	The operations plan provides details of a business's production process, including suppliers, inventory, and equipment. The location and facilities to be used for the business's operations could also be stated.
<b>Marketing plan</b>	The marketing plan outlines a business's marketing strategy when it is starting up and operating. The strategy could state who a business is wanting to sell its products to, how a business aims to compete against competitors, and how it plans to promote its products.
<b>Financial plan</b>	The financial plan evaluates the financial feasibility of a business. It estimates a business's initial and ongoing costs, as well as sales and cash flow. The financial objectives of a business are also included to establish clear goals in terms of revenue and profit.
<b>Corporate social responsibility (CSR)</b>	The CSR section outlines how a business plans to maximise its positive community impact and minimise its environmental damage by implementing sustainability strategies.
<b>Supporting documents</b>	The supporting documents section includes the evidence and additional documents that a business may need to qualify its planned business strategies and decisions. The documents could include licences, qualifications, contracts, and advertising material.

**ADDITIONAL TERMS**

A **philosophy** is the beliefs and attitudes that a group or individual wants to uphold.

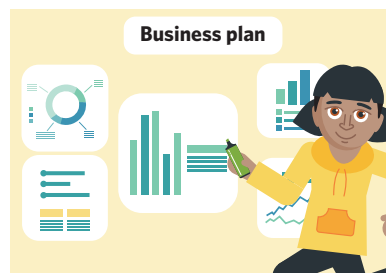
A **slogan** is a memorable phrase that is used by a business in advertising.

**LESSON LINK**

Corporate social responsibility will be covered in further detail in **2J CSR for business planning**.

**THEORY IN ACTION****Business plans**

Elanor has developed a plan to help Veteran Fitness' desired business goals and objectives. Her business plan includes a mission statement that highlights Veteran Fitness' purpose, detailing a focus on training retired servicemen and women to become fitness instructors with the appropriate skillset to provide high-intensity exercise sessions to customers. Elanor's background of being an ex-army veteran and having personal training qualifications is documented in the 'business owners' section of her plan, as it highlights her experience in the field.



**Figure 2** Elanor created a business plan before starting Veteran Fitness

**ACTIVITY****Business plans**

In small groups, come up with an idea for your new business venture. Write a business plan and ensure that all features are included. Using subheadings is a good idea for structuring your business plan.

You can even divide up the plan so each person writes a few different features, however, it is important that you are all on the same page about your new business and its philosophy and objectives.

## Benefits of business plans 1.2.10.2

**Table 2** Benefits of business plans

	Benefits
<b>Business</b>	<ul style="list-style-type: none"> <li>• Business plans help owners assess whether the business is viable and determine if it can successfully operate.</li> <li>• Business plans help a business establish its goals and objectives.</li> <li>• Business plans help owners gain a better understanding of the industry, market, competitors, and customers.</li> <li>• Business plans can be used as a potential benchmark to review business performance.</li> </ul>
<b>Employee</b>	<ul style="list-style-type: none"> <li>• Employee performance may improve as they are provided with clearer direction and understanding of the business and its objectives.</li> </ul>
<b>Time</b>	<ul style="list-style-type: none"> <li>• The business can save time in the future by planning ahead for possible business crises and emergencies.</li> </ul>
<b>Money</b>	<ul style="list-style-type: none"> <li>• Business plans help a business obtain external financing as financial institutions and investors will look at the business plan to determine whether the business is financially viable.</li> <li>• Reduces unnecessary spending as realistic estimates of the costs can be planned.</li> </ul>

## SWOT analysis 1.2.9.2

### KEY DEFINITIONS

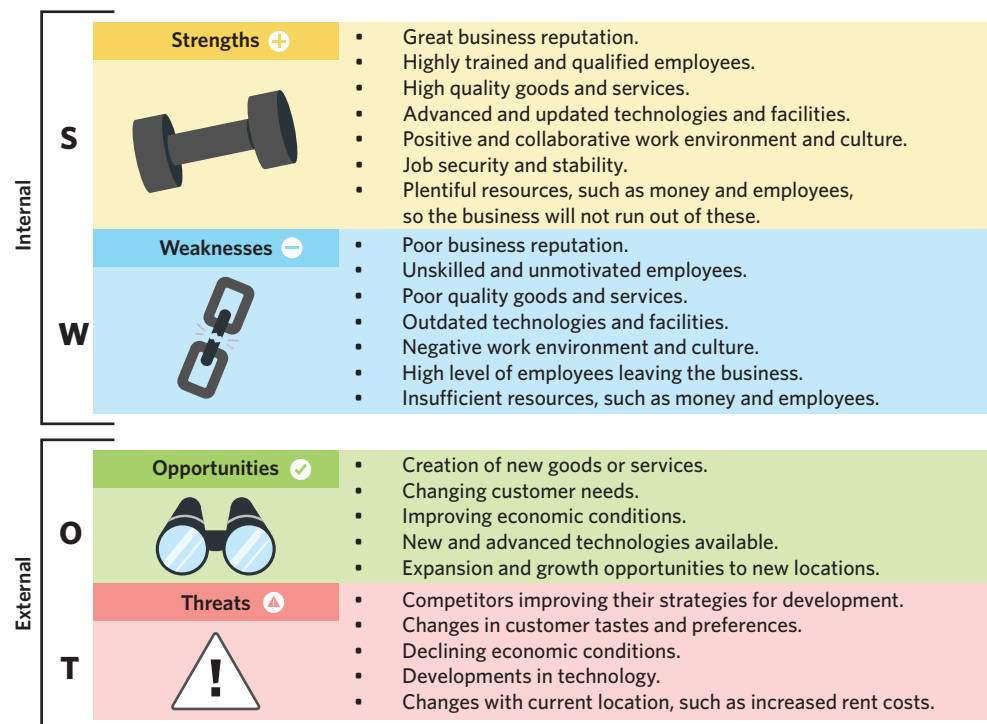
A **SWOT analysis** is a planning analysis tool that helps a business identify its internal strengths and weaknesses, as well as any external opportunities and threats.

### ADDITIONAL TERMS

A **planning analysis tool** is a process that analyses how the business can achieve its goals.

Businesses can use numerous tools during the process of business planning. **Planning analysis tools** allow business owners to understand their present situation and prepare for the future. Effective use of planning tools can provide businesses with a clear direction regarding the specific goals or objectives they wish to achieve and the course of action required to achieve them.

A **SWOT analysis** is a planning analysis tool that helps a business identify its internal strengths and weaknesses, as well as any external opportunities and threats. A business can undertake a SWOT analysis to determine the current position of a business and assist in planning the business's future. A SWOT analysis identifies the strengths of a business that should be maintained and weaknesses that should be minimised in the internal business environment. Additionally, a SWOT analysis also identifies opportunities that a business should take advantage of, and threats to its performance that should be addressed, that occur in the business's external environment.



**Figure 3** Examples of a business's internal strengths and weaknesses, as well as external opportunities and threats

**SWOT analysis**

Founded in 1892, the Coca-Cola Company is an American multinational beverage company that manufactures, sells, and markets soft drinks, water, coffees, and teas. The Coca-Cola Company’s beverage portfolio has expanded to more than 200 brands. Each day, over 1.9 billion servings of the Coca-Cola Company’s drinks are consumed in more than 200 countries.

The Coca-Cola Company could use a SWOT analysis to recognise its current business position, as well as plan for the future of the company.

**The strengths of the Coca-Cola Company could be the:**

- **Wide range of products**  
The Coca-Cola Company has over 200 brands worldwide. This means the company has access to a larger customer base with its diverse products, and means that they have a high level of power within the market. Examples of the Coca-Cola Company’s products include Fuzetea, Schweppes, and Powerade.
- **Large market share**  
In 2020, the Coca-Cola Company had around 44% of the US carbonated beverage market share. The brand’s high percentage of market share means that it is very difficult for competitors to compete.
- **Brand recognition**  
With its red logo, Coca-Cola is one of the most recognisable brands in the world. In 2021, Coca-Cola’s brand was valued at \$87.6 billion US dollars. This is an advantage to the company as it makes it difficult for competitors to compete. Additionally, any product that the brand invests in and launches is likely to gain visibility and attract customers very quickly.
- **High-quality products and secret recipes**  
The Coca-Cola Company’s most well-known drink is the Coca-Cola soft drink. It is a secret recipe that the brand prides itself on and it is difficult for competitors to replicate.

**The weaknesses of the Coca-Cola Company could be the:**

- **Sugar substitutes**  
It is difficult for Coca-Cola to find a sugar substitute that is suitable and will improve the quality of their product without affecting its famous taste.
- **Product diversification**  
Compared to Pepsi, Coca-Cola’s biggest rival, the Coca-Cola Company has low product diversification. Pepsi has launched many snack items, such as Doritos and Lays, however, the Coca-Cola Company only has products in the drinks industry.

**The opportunities for the Coca-Cola Company could be the:**

- **Health trends**  
As consumers are much more health-conscious nowadays, introducing new, healthier products with less added sugar could be an opportunity for the Coca-Cola Company. This would enable the company to gain an even larger market share, as well as satisfy the needs and wants of more customers.
- **Increase presence in developing countries**  
The Coca-Cola Company could expand further into countries with hot climates where cold drink consumption is high. Examples could be that they expand more into Middle Eastern and African countries.

**The threats for the Coca-Cola Company could be the:**

- **Healthier alternatives on the market**  
If the Coca-Cola Company is unable to adapt and produce healthy products, alternatives such as green juices, organic drinks, and smoothies could take over some of its market share.
- **Lack of recycling**  
The Coca-Cola Company is being sued by an environmental group for contributing to plastic pollution. The lawsuit details that the company has misinformed the public about the recyclability of its single-use plastic bottles.

*Adapted from The Coca-Cola Company, ‘Our Company’, 2022, MK Toolbox Suite, ‘3 Great SWOT Analysis Examples with Real Companies’, 2022, and Business Strategy Hub, ‘Coca Cola SWOT Analysis 2022’, 2022*



Image: FoodAndPhoto/Shutterstock.com

**Figure 4** The Coca-Cola Company could conduct a SWOT analysis to recognise its market position and plan for the future

**Questions**

1. Conduct some research online to find any other opportunities or threats to the Coca-Cola Company’s operations.
2. How could the Coca-Cola Company plan to combat its weaknesses?
3. Is it more important for a business to analyse the opportunities or the threats? Explain your reasoning.
4. What do you think is the most difficult part of conducting a SWOT analysis?

**ACTIVITY****SWOT analysis**

Think of your favourite local business, for example, your local cafe, clothing store, or games store. Create a SWOT analysis for this business. Make sure you consider all components of a SWOT analysis, in the external and internal environments.

**ACTIVITY****SWOT analysis**

Fill in the blanks in the table with the SWOT analysis component that is most relevant.

Example	SWOT analysis component (Strength, Weakness, Opportunity, Threat)
Competitors copying the business's products.	
Poor business reputation.	
A high number of employees leaving the business.	
Cost of rent and amenities increasing.	
Positive and safe work environment.	
Growth opportunities to new locations overseas.	
Development of new products.	

**Theory summary**

Business planning can help ensure that the business's vision aligns with its objectives and strategies that it sets out to achieve. A business can utilise many methods to plan for business success.

- A business plan includes many different features and has the purpose to provide a clear direction for the achievement of business goals.
- A SWOT analysis can help businesses identify their internal strengths and weaknesses, as well as external opportunities and threats.

## 21 Questions

**Theory review****Question 1**

Effective business planning can increase the likelihood of business success.

- A. True  
B. False

**Question 2**

Regularly updating the business plan is unnecessary, as planning should only take place during the initial stages of starting a business.

- A. True  
B. False

**Question 3**

Fill in the blank with **one** of the following terms:

- executive summary
- business brand

The \_\_\_\_\_ includes a summary of the business plan.

**Question 4**

Fill in the blanks with the following terms:

- financial plan
- marketing plan

The \_\_\_\_\_ outlines how the business will promote itself, whereas the \_\_\_\_\_ includes an estimate of sales revenue.

**Question 5**

A business plan can be beneficial in helping the business obtain external sources of finance.

- A. True  
B. False

**Question 6**

Fill in the blanks with the following terms:

- internal
- external

The strengths and weaknesses in a SWOT analysis focus on the business's \_\_\_\_\_ environment, whereas the opportunities and threats focus on the business's \_\_\_\_\_ environment.

**Question 7**

Fill in the blank with **one** of the following terms:

- a strength
- an opportunity

Having a positive and collaborative work environment and culture can be identified as \_\_\_\_\_ in a SWOT analysis.

**Question 8**

Fill in the blank with **one** of the following terms:

- weakness
- threat

Declining economic conditions can be identified as a \_\_\_\_\_ in SWOT analysis.

**Question 9**

The creation and development of new goods and services can be identified as an opportunity in a SWOT analysis.

- A. True  
B. False

**Question 10**

Planning tools, such as a SWOT analysis, are useful for interpreting the business's current position and future steps.

- A. True  
B. False

## Preparing for exams

### Case study skills

**Question 11**

Fadhila is starting Speedy, a business that sells specially-designed runners and activewear. Fadhila is in the process of developing a business plan for Speedy, however, it is taking much longer than she expected.

Identify which of the following are benefits of Fadhila developing a business plan for Speedy.

**(Select all that apply)**

- I. A business plan will help analyse Speedy's viability.
- II. A business plan can help Fadhila obtain external sources of finances to fund Speedy.
- III. A business plan may be time consuming for Fadhila to create and continuously update.

**Question 12**

Brooklyn owns Brooklyn Bakes, a business that sells specialty cakes and baked goods. Brooklyn Bakes' goods are of high quality and the business has an excellent customer service reputation. Brooklyn is thinking about expanding the business to new locations and adapting to new consumer preferences, such as low sugar options. However, the business lacks new baking technologies that other competitors have. Brooklyn is also very controlling, which has created a negative work culture.

Identify which of the following statements are **true** or **false** about using a SWOT analysis at Brooklyn Bakes.

	<b>True</b>	<b>False</b>
I. The high-quality products that Brooklyn sells can be identified as a strength in a SWOT analysis.	<input type="checkbox"/>	<input type="checkbox"/>
II. Expanding Brooklyn Bakes to new locations can be identified as a weakness in a SWOT analysis.	<input type="checkbox"/>	<input type="checkbox"/>
III. The negative work culture at Brooklyn Bakes can be identified as an opportunity in a SWOT analysis.	<input type="checkbox"/>	<input type="checkbox"/>
IV. The lack of new baking technologies at Brooklyn Bakes, which other competitors have, can be identified as a threat in a SWOT analysis.	<input type="checkbox"/>	<input type="checkbox"/>
V. Brooklyn Bakes adapting to new consumer preferences, such as low sugar options, can be identified as an opportunity in a SWOT analysis.	<input type="checkbox"/>	<input type="checkbox"/>
VI. Brooklyn Bakes providing excellent customer service can be identified as a strength in a SWOT analysis.	<input type="checkbox"/>	<input type="checkbox"/>

**Exam-style****Question 13** (1 MARK)

Define the term 'business plan'.

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**Question 14** (1 MARK)

Define the term 'SWOT analysis'.

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**Question 15** (2 MARKS)

Outline the marketing plan feature of a business plan.

---

**Question 16** (2 MARKS)

Outline two examples of strengths in a SWOT analysis.

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**Question 17** (4 MARKS)

Describe two features of a business plan.

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**Question 18** (4 MARKS)

Fadhila is starting Speedy, a business that sells specially-designed runners and activewear. Fadhila is in the process of developing a business plan for Speedy, however, it is taking much longer than she expected.

Explain two benefits of Fadhila developing a business plan for Speedy.

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**Question 19** (4 MARKS)

Brooklyn owns Brooklyn Bakes, a business that sells specialty cakes and baked goods. Brooklyn Bakes' goods are of high quality and the business has an excellent customer service reputation. Brooklyn is thinking about expanding the business to new locations and adapting to new consumer preferences, such as low sugar options. However, the business lacks new baking technologies that other competitors have. Brooklyn is also very controlling, which has created a negative work culture.

Apply a SWOT analysis to Brooklyn Bakes' current business situation.

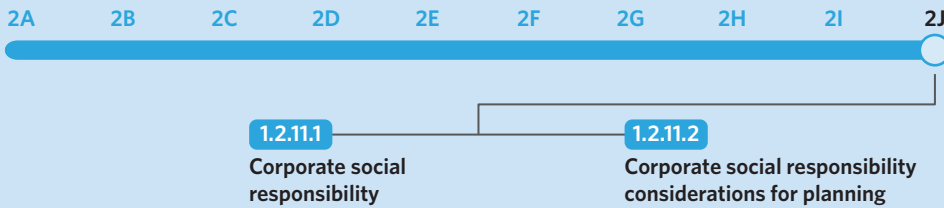
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**Testing previous knowledge****Question 20** (2 MARKS)

Define the term 'business planning'. Outline why it is important for a business to consider the internal environment when planning.

## STUDY DESIGN DOT POINT

- corporate social responsibility considerations and business planning



In the modern world, it is not enough for businesses to purely focus on making a profit. Businesses must also consider the impact of their operations on society and the environment. How can a business do this? What factors should be considered during business planning?



## Lesson introduction

Businesses not only need to consider factors that directly impact their profit, such as their legal structure, model, location, and resources, but they also need to plan how to demonstrate corporate social responsibility (CSR). Business owners can control the decisions they make during planning to ensure the business is demonstrating its commitment to social responsibility, therefore, CSR is an internal factor within the business planning stage.

## Corporate social responsibility 1.2.11.1

**Corporate social responsibility (CSR)** is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic, and environmental impacts when making business decisions. As society becomes increasingly aware of business activities and CSR considerations, business owners are expected to demonstrate a commitment to socially responsible operations. For businesses to survive and remain competitive, they must go beyond legal requirements and display consideration for society and the environment. Therefore, businesses should plan initiatives that demonstrate a commitment to CSR.

**Table 1** Advantages and disadvantages of CSR

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>Demonstrating a commitment to CSR can result in a positive business reputation which may attract more customers.</li> <li>Implementing CSR practices may attract highly skilled employees who value ethical conduct and are committed to achieving business objectives.</li> </ul>	<ul style="list-style-type: none"> <li>A constant focus on CSR and implementing strategies to benefit society and the environment may shift focus away from other business tasks, impacting productivity levels.</li> </ul>
<b>Employee</b>	<ul style="list-style-type: none"> <li>Employees typically prefer to work for businesses that are socially responsible and, therefore, are likely to be more motivated and loyal.</li> </ul>	–
<b>Time</b>	<ul style="list-style-type: none"> <li>After CSR practices are implemented, resources are used more productively, therefore production processes may become more efficient.</li> </ul>	<ul style="list-style-type: none"> <li>It can be time-consuming to train employees to implement CSR practices and processes.</li> </ul>
<b>Money</b>	<ul style="list-style-type: none"> <li>Customers may be willing to pay more for goods and services produced by a business with a strong commitment to CSR.</li> </ul>	<ul style="list-style-type: none"> <li>CSR practices can be expensive for a business to initially implement.</li> </ul>

## KEY DEFINITIONS

**Corporate social responsibility (CSR)** is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic, and environmental impacts when making business decisions.

## LESSON LINK

Corporate social responsibility will be covered in more detail in **3H Corporate social responsibility (CSR)**.



## Corporate social responsibility considerations for planning 1.2.11.2

### LESSON LINK

Stakeholders were introduced in **2A The internal environment and the external environment**.

In order to be socially aware and responsible, businesses should actively plan their CSR initiatives. When planning to implement CSR initiatives, businesses should consult their stakeholders to understand what they expect and value. To do so, businesses can organise meetings and conduct market research to determine what their stakeholders desire. For businesses to maintain positive relationships with their stakeholders, they should display integrity and be honest about their CSR practices. As decisions about CSR can significantly influence decision-making and resource requirements, it is important that business owners regularly re-evaluate and thoroughly plan their CSR practices. Demonstrating a strong commitment to operating in a socially responsible manner can assist a business to establish a positive reputation and remain competitive.

**Table 2** CSR considerations for business planning

CSR strategies	Considerations	Examples
<b>Sourcing sustainable resources</b>  <small>Image: stocksre/Shutterstock.com</small>	Businesses should plan to choose raw materials that are from sustainable sources. Resources should come from suppliers who operate ethically and align with the business's commitment to CSR values.	<ul style="list-style-type: none"> <li>• Sourcing inputs locally.</li> <li>• Materials have not undergone animal testing.</li> <li>• No child labour is used to obtain materials.</li> <li>• No dangerous and unfair conditions of work, such as sweatshop labour.</li> </ul>
<b>Planning to sell environmentally responsible products</b>  <small>Image: Dr. Victor Wong/Shutterstock.com</small>	Businesses should plan to sell products that are environmentally sustainable. The business should aim to limit the negative impact that the products have on the environment.	<ul style="list-style-type: none"> <li>• Limited packaging.</li> <li>• Recyclable packaging.</li> <li>• Reusable packaging.</li> </ul>
<b>Providing supportive conditions of work</b>  <small>Image: Jelena Zelen/Shutterstock.com</small>	Businesses should plan to go beyond the minimum legal requirements for the workplace environment. They should aim to exceed the minimum wages and salaries and provide additional benefits to promote employee wellbeing.	<ul style="list-style-type: none"> <li>• Flexible work arrangements, such as working from home.</li> <li>• Free medical check-ups.</li> <li>• Mental health services, such as counselling.</li> <li>• Free exercise and meditation classes and programs.</li> <li>• Wages and salaries that exceed the minimum requirements.</li> </ul>
<b>Fair employment</b>  <small>Image: Rawpixel.com/Shutterstock.com</small>	Businesses should plan to provide employment to disadvantaged groups of people. Businesses should also plan to implement policies ensuring that no discrimination occurs during the hiring process.	<ul style="list-style-type: none"> <li>• Employ people who live with mental or physical disabilities.</li> <li>• Employ people from Indigenous communities.</li> <li>• Employment policies to eliminate discrimination on issues such as gender, ethnicity, and age.</li> </ul>

## REAL WORLD EXAMPLE

**Corporate social responsibility considerations for planning**

The Fairtrade Mark is the most globally-recognised, ethical label and it identifies only Fairtrade-certified products. To obtain the Fairtrade Mark, products must meet the internationally agreed social, environmental, and economic Fairtrade Standards, and the business must undergo an application process outlining its supply chain. The Fairtrade Marks are registered certification marks and trademarks owned and licensed by Fairtrade International. Choosing to buy products that are Fairtrade means that you are supporting farmers and workers to improve their lives and their communities. Fairtrade aims to provide farmers with fairer prices and conditions of trade, while also funding education and healthcare facilities in their communities. The Fairtrade Mark on products indicates that a business is being socially responsible and is obtaining resources from ethical sources. Some examples of Fairtrade-certified products in Australia include Ben & Jerry's ice cream, Pico chocolate, and Macpac.

*Adapted from Fairtrade, 'What is Fairtrade?', n.d. and Fairtrade, 'Fairtrade Products', n.d.*



Image: ricochet64/Shutterstock.com

**Figure 1** The Fairtrade Mark on products is an indicator of a socially responsible product

**ACTIVITY****Corporate social responsibility considerations for planning**

Decide whether the following items are examples of corporate social responsibility considerations. For those that aren't, provide a reason as to why not and explain how a business could turn it into a more socially responsible consideration. The first row has been filled out for you as an example.

Example	CSR consideration: Yes/No	If no, explain how a business could become socially responsible.
Paying employees minimum wage.	No	The business could demonstrate a commitment to CSR by paying employees wages that exceed the minimum requirements.
Using recyclable packaging for products.		
Sourcing cheaper products from overseas.		
Choosing suppliers who use child labour.		
Providing employees with mental and physical wellbeing programs.		
The business employs people who live with mental or physical disabilities.		
Packaging the product with unnecessary amounts of plastic.		
The business not being accommodating to those who need flexible hours to pick up their children.		

**Theory summary**

The public now expects businesses to go beyond legal obligations to promote the wellbeing of society and the environment. Businesses should plan to implement initiatives that display CSR in order to remain competitive in the market. Businesses should regularly assess how their operations impact the environment and society's health and welfare, as well as demonstrate an ethical concern for their employees.

# 2J Questions

## Theory review

### Question 1

It is a legal requirement for businesses to demonstrate a commitment to CSR.

- A. True
- B. False

### Question 2

Fill in the blank with **one** of the following terms:

- positive
- negative

A socially responsible business can build a \_\_\_\_\_ reputation amongst its customers.

### Question 3

Considering a commitment to CSR during business planning is not important for businesses that have the core objective of making a profit.

- A. True
- B. False

### Question 4

Paying employees their required wage or salary should be considered when planning for corporate social responsibility.

- A. True
- B. False

### Question 5

Fill in the blank with **one** of the following terms:

- Having Fairtrade products
- Testing products on animals

\_\_\_\_\_ is an example of a way that businesses can be socially responsible.

### Question 6

Stakeholders should be consulted in the process of planning the implementation of CSR initiatives.

- A. True
- B. False

## Preparing for exams

### Case study skills

### Question 7

Karan is the owner of Craft Chocolatiers, a successful chocolate company that sells its chocolates in many countries across the world. In the past, Craft Chocolatiers has failed to demonstrate that it is a socially responsible business. Karan is now planning ways that the business can display corporate social responsibility.

Identify which of the following are corporate social responsibility considerations that Karan could implement when planning. **(Select all that apply)**

- I. Karan could choose socially responsible suppliers for Craft Chocolatiers cocoa beans.
- II. Karan could focus on providing employees with their minimum wage requirements.
- III. Karan could implement flexible conditions of work, such as working from home.
- IV. Karan could choose to obtain cocoa beans that are Fairtrade.
- V. Karan could focus on paying business debts.

### Exam-style

### Question 8 (1 MARK)

Define corporate social responsibility.

### Question 9 (2 MARKS)

Describe the importance of considering corporate social responsibility during business planning.

### Question 10 (4 MARKS)

Explain two corporate social responsibility considerations that can be addressed during business planning.

**Question 11** (4 MARKS)

Karan is the owner of Craft Chocolatiers, a successful chocolate company that sells its chocolates in many countries across the world. In the past, Craft Chocolatiers has failed to demonstrate it is a socially responsible business. Karan is now planning ways that the business can display corporate social responsibility.

Propose and outline two corporate social responsibility considerations that Craft Chocolatiers could consider during its business planning.

**Testing previous knowledge****Question 12** (3 MARKS)

Define the term 'labour resources'. Explain two corporate social responsibility considerations that a business should consider when planning its labour resources.

# Unit 1 AOS 2 review

## The internal environment

### AOS summary

This chapter introduced the second area of study (AOS) of the VCE Units 1 and 2 Business Management course. In this chapter, you learnt about the internal and external business environments and the relationship between them. You also learnt about different types of businesses, business models, and locations, as well as the resources a business requires to operate and the considerations associated with purchasing or establishing a business. Finally, you learnt about how a business can source its finances, gain support, and plan for the future, whilst also considering corporate social responsibility.

Lesson **2A The internal environment and the external environment** covered the two different environments in which a business operates and the relationship between them. The two business environments are:

- The internal environment
- The external environment
  - Macro factors
  - Operating factors.

Lesson **2B Types of businesses** covered the different types of businesses and the factors a business owner may consider when choosing a business structure. The six different types of businesses are:

- sole trader
- partnership
- private limited company
- public listed company
- social enterprise
- government business enterprise.

Lesson **2C Types of business models** covered the different types of business models a business owner can adopt when planning and establishing their business. The six different types of business models are:

- online business
- direct-to-consumer business
- bricks-and-mortar business
- franchise
- importer
- exporter.

Lesson **2D Purchasing vs establishing a business** covered the costs and benefits of purchasing an existing business compared to those associated with establishing a new business.

Lesson **2E Business resource needs** covered the different resources a business requires to operate and the factors that may affect the use of these resources. The three different types of resources are:

- natural resources
- labour resources
- capital resources.

Lesson **2F Business locations** covered the different locations in which a business owner can choose to establish their business and the factors that may affect their choice of location. The four different types of business locations are:

- shopping centres
- shopping strips
- home businesses
- online businesses.

Lesson **2G Sources of finance** covered the various sources of finance available to support the establishment of a business and the factors that may influence which source is chosen. The four different sources of finance are:

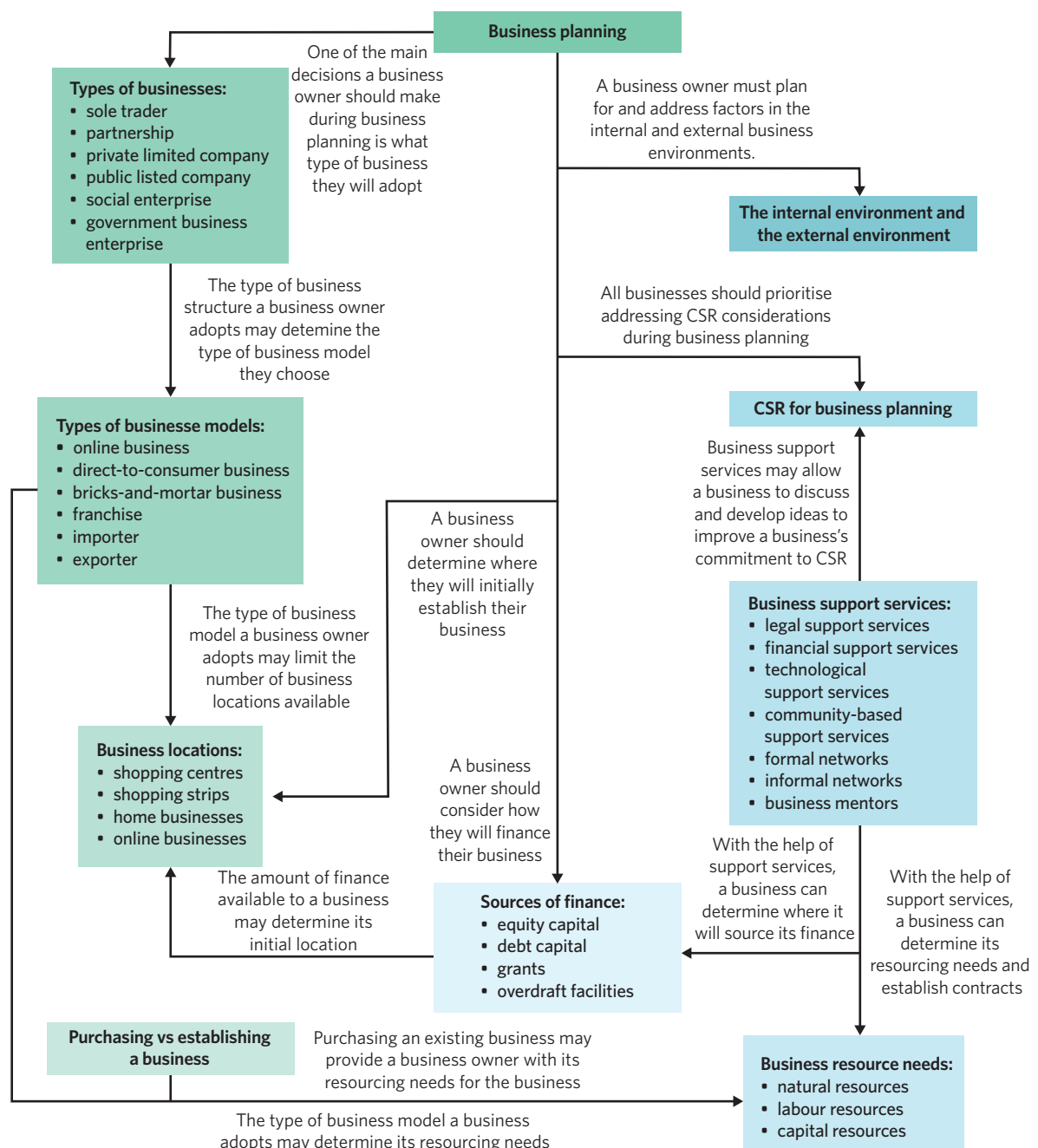
- equity capital
- debt capital
- grants
- overdraft facilities.

Lesson 2H **Business support services** covered the different ways a business owner can seek support throughout a business's establishment and operation. The seven support services available to a business owner are:

- legal support services
- financial support services
- technological support services
- community-based support services
- formal networks
- informal networks
- business mentors.

Lesson 2I **Business planning** covered the concept of a business plan and the benefits of creating a business plan when operating a business. You also learnt about the use of a SWOT analysis as a planning analysis tool to analyse a business's internal strengths and weaknesses, as well as its external opportunities and threats.

Lesson 2J **CSR for business planning** covered the concept of corporate social responsibility (CSR) and the advantages and disadvantages of considering CSR within a business. You also learnt about the different CSR considerations a business owner can address during business planning to ensure the business's activities positively impact society.

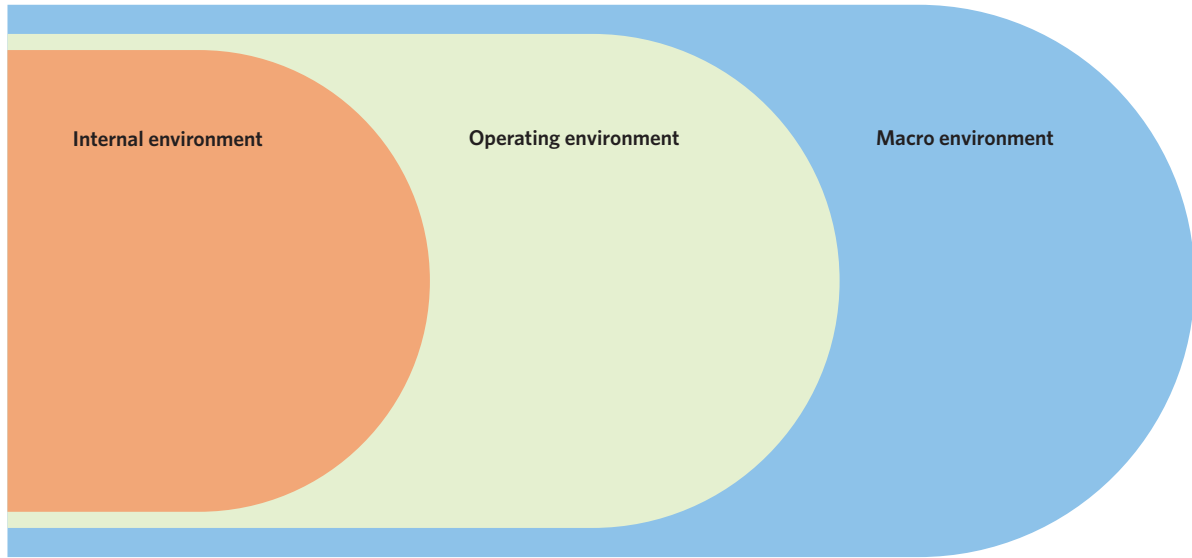


## AOS review activities

### Review activity 1: Internal and external environment diagram

You have learnt about the two environments in which a business operates: the internal and external environment. The external business environment consists of both operating and macro factors. It is important to remember the different components of, and factors within, each environment and the relationship between the two environments.

Copy the diagram into your notes. Fill in the diagram by identifying the factors within each business environment. You may also consider how each factor can impact a business owner’s decisions when establishing and operating their business.



### Review activity 2: Types of businesses summary table

In this chapter, you have learnt about the different types of businesses that a business owner can choose between when establishing their business. Understanding the characteristics of each type of business and the advantages and disadvantages of each is important as it establishes fundamental knowledge for the Unit 3 and 4 Business Management course.

Copy the following table into your notes. Fill in the table by describing the characteristics of the listed type of business, including the number of owners, whether it is unincorporated or incorporated, and whether it has unlimited or limited liability. Provide two advantages and two disadvantages for each type of business.

Type of business	Characteristics	Advantages	Disadvantages
Sole trader			
Partnership			
Private limited company			
Public listed company			
Social enterprise			
Government business enterprise			

### Review activity 3: SWOT analysis

During this area of study you were introduced to the concept of a SWOT analysis, which is a planning tool that allows a business to identify strengths, weaknesses, opportunities, and threats. A SWOT analysis can enable a business to reflect on and understand its current position in the market and determine its future plans and goals.

As senior school students, it is important to reflect on your own performance and create goals for the terms ahead. Copy out the table into your notes. Conduct a SWOT analysis on your performance this year so far. Consider your personal strengths and weaknesses as a student, such as your organisation, time-management skills, or work ethic. Now, consider the external opportunities and threats that you may face. For example, an opportunity may be applying for a leadership program at school, whilst a threat could be the distraction of your phone or social media. Both opportunities and threats can impact your overall performance as a student, therefore it is important to identify and plan for them.

After completing this activity, you may like to discuss your answers in small groups.

<b>Strengths</b>	<b>Weaknesses</b>
<b>Opportunities</b>	<b>Threats</b>

## Unit 1 AOS 2 review questions

### Contemporary case study

#### Useful tip

In the end-of-year VCAA examination for Units 3 and 4, it is likely that there will be a question asking you to refer to a contemporary business case study. This section of the AOS review is designed to build your skills in answering contemporary case study questions in year 11, so you are even more prepared for the exam at the end of Units 3 and 4. Refer to the section at the beginning of this textbook titled 'What is a contemporary business case study?' for more information. For the following questions, you can refer to Jim's Mowing or any other business you feel confident writing about as a contemporary business example.

#### Jim's Mowing

Jim's Mowing is an Australian gardening company that was founded in 1982 and is currently the world's largest mowing and garden maintenance franchise. Despite initially starting out as a sole trader business that was owned by current Chief Executive Officer (CEO), Jim Penman, Jim's Mowing is now a private limited company that is owned by the Jim's Group. The company provides a range of services to customers, including lawn mowing, hedge trimming, garden landscaping, rubbish removal, and gutter cleaning. In order to remain successful, Jim's Mowing has to consider factors in both the internal and external environment throughout its operations.



Figure 1 Jim's Mowing uses a franchise business model

Continues ►



### Jim's Mowing – Continued

Currently, Jim's Mowing has 1,500 franchisees across Australia in addition to networks in Canada, the United Kingdom, and New Zealand. The company has experienced large success through its franchise business model, servicing over 100,000 customers each year. New business owners have the opportunity to either establish a completely new network of the Jim's Mowing franchise, or purchase and take over an existing franchise that is for sale. When becoming a franchisee, Jim's Mowing provides new business owners with a 6-day training course, financial services, and a personal coach that can provide support throughout the establishment of the franchise.

As a garden maintenance company, each Jim's Mowing franchise relies on natural, labour, and capital resources to be successful. In terms of natural resources, the company relies on water for the gardens and fuel for its equipment and vehicles. Furthermore, Jim's Mowing requires labour resources, in the form of employees, who can perform mowing and gardening services for customers. Finally, capital resources, such as gardening equipment and machinery, including chainsaws, whipper-snippers, and lawn mowers, are essential items that Jim's Mowing's employees would need to use when providing services to customers.

Franchise owners have the opportunity to take the lead in their Jim's Mowing business. Consequently, it is important for franchisees to undertake business planning and determine their personal goals for the gardening business. Furthermore, Jim's Mowing franchisees can also address corporate social responsibility considerations during business planning, including how the business will support employees, minimise the harm of its gardening services on the environment, and use environmentally sustainable gardening products.

*Adapted from Jim's Mowing, 'About Us', n.d.*

Answer questions 1–4 with reference to the Jim's Mowing case study shown, or any other contemporary business case study you have studied.

**Question 1** (2 MARKS)

Using a contemporary business case study, outline how legal support services can assist a business.

**Question 2** (3 MARKS)

Explain the relationship between the internal and external environment of a business. In your response, refer to a contemporary business case study.

**Question 3** (4 MARKS)

With reference to a contemporary business case study, discuss a private limited company as a type of business.

**Question 4** (4 MARKS)

Identify two resources required for a business to operate and explain two factors that must be considered when planning for these resources. In your response, refer to a contemporary business case study.

### Exam-style

These questions are typical of Section A in the VCE Business Management exam.

**Question 5** (10 MARKS)

Dal has recently launched an architecture firm, Here's the Drill, which is located in regional Victoria and specialises in designing larger homes. Here's the Drill has two major competitors in the region, but Dal is aiming to establish the firm securely in the market by building strong customer relationships through frequent client meetings. Dal is the sole owner of Here's the Drill and has recently hired three employees to work full-time at the firm.

- Define the term 'external environment'. (1 MARK)
- Outline two factors to consider when using overdraft facilities as a source of finance. (2 MARKS)
- Define labour resources and explain one factor Dal should consider when planning Here's the Drill's labour resources. (3 MARKS)
- Compare Dal's choice of business structure with that of a partnership. (4 MARKS)

**Question 6** (15 MARKS)

Mona and Lisa recently finished VCE and both started studying computer science at university. During their studies, Mona and Lisa have noticed that there is a lack of women within the computer science industry. Therefore, they have decided to launch their own social enterprise, Vinci, that aims to teach female high school students how to code. They have chosen to establish the business online, through interactive workshops and workbooks that customers can progress through at their own pace. Mona and Lisa are also planning to offer a discounted rate for students who come from disadvantaged backgrounds.

- a. Define what is meant by 'online business'. (1 MARK)
- b. Explain how a formal network could assist Mona and Lisa as new business owners. (2 MARKS)
- c. Describe one benefit of Mona and Lisa developing a business plan for Vinci. (2 MARKS)
- d. Explain one corporate social responsibility consideration Mona and Lisa could address during business planning. Justify this CSR consideration for Vinci. (4 MARKS)
- e. Define the term social enterprise and evaluate Mona and Lisa's decision to operate as a social enterprise. (6 MARKS)

**Question 7** (10 MARKS)

No Sugarcoating is a candy business that produces and sells confectioneries in Australia, and is well known for its unique, colourful packaging and adventurous stores with interactive games and activities. The owner of No Sugarcoating, Coen, is currently considering expanding his stores into an overseas market. However, he is concerned about the viability of financing this expansion.

- a. Define equity capital as a source of finance. (1 MARK)
- b. Outline two advantages of establishing a new business. (2 MARKS)
- c. Outline one advantage and one disadvantage of shopping centres as a location to expand No Sugarcoating overseas. (2 MARKS)
- d. Define SWOT analysis and explain how Coen could apply this planning analysis tool at No Sugarcoating. (5 MARKS)

# UNIT 1 AOS 3

## External business environment and planning

The external environment consists of all elements outside a business that may act as pressures or forces on business operations. Students consider factors from the external environment such as legal, political, social, economic, technological, global and corporate social responsibility factors and the effects these may have on the decisions made when planning a business.

### Outcome 3

On completion of this unit, the student should be able to describe the external environment of a business and explain how the macro and operating factors within it may affect business planning.

*Reproduced from VCAA VCE Business Management Study Design 2023-2027*

# 3

## CHAPTER 3

### External environment

#### LESSONS

- 3A** The external environment
  - 3B** Legal and government regulations
  - 3C** Societal attitudes and behaviour
  - 3D** Economic conditions
  - 3E** Technological considerations
  - 3F** Global considerations: Part 1
  - 3G** Global considerations: Part 2
  - 3H** Corporate social responsibility (CSR)
  - 3I** Customer needs and expectations
  - 3J** Competitors' behaviour
  - 3K** Suppliers and the supply chain
  - 3L** Special interest groups
- Unit 1 AOS 3 review
- Unit 1 review

#### KEY KNOWLEDGE

- an overview of the factors within the external (macro and operating) environment that affect business planning
- an overview of key legal and government regulations affecting businesses in the planning stage
- societal attitudes and behaviour such as values, beliefs and trends
- economic conditions such as interest rates, employment levels, tax rates and levels of consumer confidence
- technological considerations such as how the market may change in the future and how businesses adapt to developments in technology
- global considerations such as overseas competitors, overseas markets, offshoring of labour, exchange rates, patenting, copyrights, trademarks and online sales
- corporate social responsibility considerations related to business planning, such as environmental considerations and planning for socially responsible production of goods and services
- customer needs and expectations
- competitors' behaviour
- suppliers of business resources and considerations regarding the supply chain, such as from where resources are sourced and how they reach the business
- special interest groups such as environmental lobby groups, business associations and unions

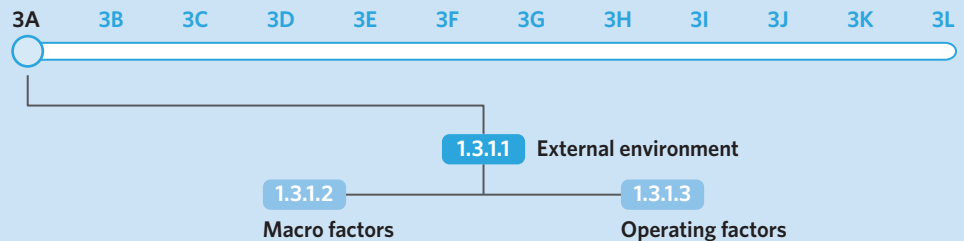
# 3A The external environment

If a business neglected its customers' wants and needs, or ignored the current legal and government regulations, do you think this business would be successful? Probably not! These are just some of the factors within the external environment that all businesses should consider during business planning.



## STUDY DESIGN DOT POINT

- an overview of the factors within the external (macro and operating) environment that affect business planning



## Lesson introduction

**Business planning** is the process of establishing a business's goals and developing strategies to achieve them. During business planning, a business should consider the environment that it operates in as there are many unpredictable factors that can directly impact the business. For a business to be successful, owners must understand how external conditions can positively and negatively impact the business's performance. Once the effects of these conditions are understood, the direction of a business can be carefully planned.

## External environment 1.3.1.1

The **external environment** involves the surrounding factors that can impact a business, which it has minimal control over. These factors can be categorised as either macro or operating factors. Businesses need to consider both macro and operating factors when planning and making business decisions. Assessing these factors can equip businesses to make better and more informed decisions.

### KEY DEFINITIONS

**Business planning** is the process of establishing a business's goals and developing strategies to achieve them.

The **external environment** involves the surrounding factors that can impact a business, which it has minimal control over.

**Macro factors** are social, legal, technological, global, and economic conditions that a business operates in and has no control over.

### THEORY IN ACTION



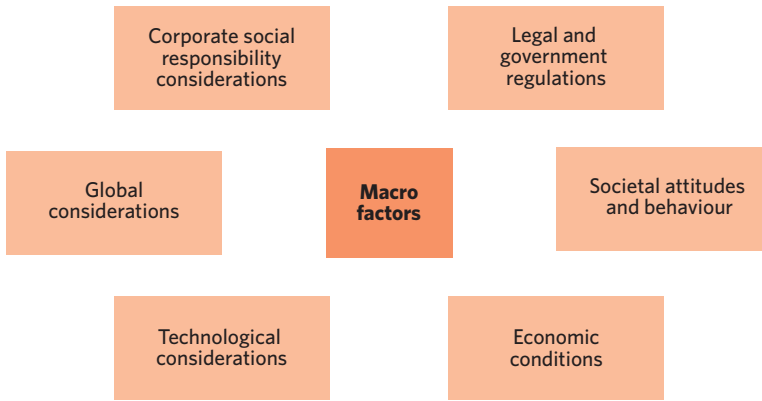
**Figure 1** Vanessa considers the external environment during the planning of DevTech

### External environment

During the launch of DevTech, Vanessa decided to analyse the factors within the external environment, which consists of both macro and operating factors. Looking at factors that DevTech has little to no control over has allowed Vanessa to gain a better understanding of the app development and design industry. With this information, Vanessa feels that she will be able to make better and more informed decisions when planning DevTech, increasing the likelihood that her app development business will achieve success.

## Macro factors 1.3.1.2

**Macro factors** are social, legal, technological, and economic conditions that a business operates in and has no control over. These factors are constantly changing, meaning business owners and managers should try to predict these changes and account for them during business planning. Understanding and responding to macro factors properly is important as they can have a significant impact on the activities and success of a business.



**Figure 2** An overview of the macro factors that can have an impact on business performance

### EXTENDED REAL WORLD EXAMPLE

#### Macro factors

Qantas is Australia's largest domestic and international airline and offers flights to over 90 destinations. During business planning, Alan Joyce, Qantas' current CEO, has demonstrated a strong understanding of the macro environment as he continually undertakes actions to respond to these factors.

- As the laws and regulations in Australia, as well as across the globe, are constantly changing, Qantas ensures it is compliant by continuously updating its policies and practices. In particular, as each country around the world has different laws in place to deal with COVID-19, Qantas must ensure it is aware of and upholds the relevant regulations in each country it travels to. For example, as of 2022, some countries still require masks to be worn in the airport.
- Qantas has considered societal attitudes towards maintaining good hygiene to reduce the chances of contracting COVID-19 and other illnesses by ensuring staff follow strict hygiene protocols. For example, Qantas implement regular and enhanced cleaning policies in frequently visited areas in its lounges.
- As consumer confidence levels related to travel after the pandemic have decreased due to economic conditions in Australia, Qantas has offered all its Australian members a \$50 voucher to use on their next flight.
- As technology is continuously advancing, Qantas invests in technological developments, such as data collection, cloud computing, and intelligent analytics to keep up to date with society's increased reliance on technology.
- As Qantas operates in many overseas markets, in 2022, the airline announced that it would be offering a direct flight between Australia and New York to offer more convenience to customers travelling between these two destinations.
- Qantas' goal to become the global aviation leader in environmental sustainability demonstrates its consideration of corporate social responsibility during business planning.

Overall, Qantas' responsiveness to these changing macro factors in the external environment contributes to the airline's survival, as well as its success. As macro factors are constantly changing, Qantas must ensure it continues to monitor these factors to remain Australia's largest airline.

*Adapted from Qantas, 'Qantas Group', 2022*

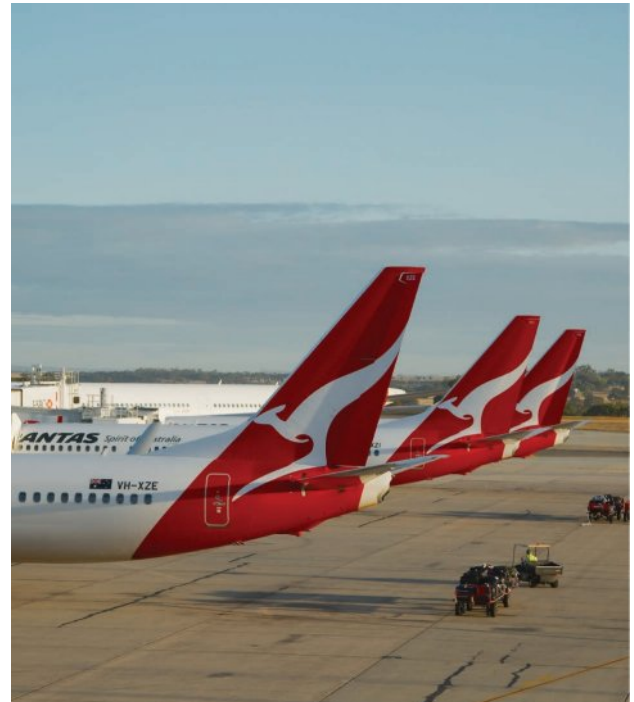


Image: Peter Gudella/Shutterstock.com

**Figure 3** Qantas considers macro factors during business planning

#### Questions

1. What do you think would happen if Qantas did not consider each macro factor?
2. Which factors do you believe are the most important? Why so?
3. Can you think of other ways Qantas would consider macro factors during business planning?

## Operating factors 1.3.1.3

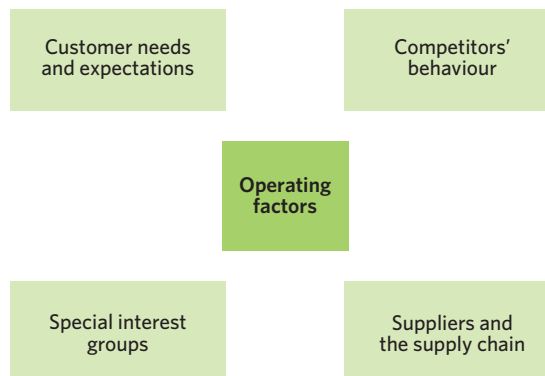
### KEY DEFINITIONS

**Operating factors** are the primary external factors impacting a business that it has some control over.

### ADDITIONAL TERMS

**Stakeholders** are individuals, groups, or organisations who have a vested interest in the performance and activities of a business.

**Operating factors** are the primary external factors impacting a business that it has some control over. These factors involve the external **stakeholders** that businesses closely interact with. Each stakeholder can have a direct effect on a business and its activities. It is important that a business monitors the behaviour of its various stakeholders and creates ways to meet their needs.



**Figure 4** An overview of the operating factors that can have an impact on business performance

### ACTIVITY

#### External environment

Damita has recently resigned from her previous job as a sales assistant at Just Silks, a business selling women's silk clothing. Damita has decided she wants to start her own business selling children's cotton pyjamas. During business planning, Damita considers a variety of factors in the external environment.

Determine if the following considerations are examples of factors within the macro or operating environment:

- When planning what type of clothing she will sell, Damita researched current customer needs in the clothing market and determined there is high demand for children's cotton pyjamas.
- Damita hired a legal professional to inform her of the current legal and government regulations that she must follow when opening her business.
- Damita researched the technology needed to produce her children's cotton pyjamas to keep up with current demand and remain competitive.
- In order to demonstrate her commitment to corporate social responsibility, Damita has decided to implement environmentally-sustainable packaging for the cotton pyjamas.
- Damita has selected an appropriate supplier of high-quality cotton to produce her pyjamas.
- After analysing her competitors, Damita decided that the appropriate selling price for her pyjamas would be similar to her competitors also selling cotton pyjamas.
- Damita decided to open an online store to sell her pyjamas in the overseas market for children's cotton pyjamas.

### Theory summary

There are various factors outside of a business's internal environment that can impact a business and its practices. For businesses to perform optimally, managers and owners need to thoroughly assess the external business environment when planning.

- The external environment consists of macro and operating factors outside of the business which a business has little to no control over.
- Macro factors are the external conditions that the business has no control over.
- Operating factors are the external conditions that the business has some control over.

**Table 1** Similarities and differences between macro factors and operating factors

Similarities	Differences
Both macro and operating factors are a part of the external environment.	The business has some control over operating factors, whereas, it has no control over macro factors.
Failure to recognise and plan for both macro and operating factors can have repercussions on the success of a business.	Operating factors are specific to each business, whereas, macro factors are non-specific and impact all businesses in an industry.

# 3A Questions

## Theory review

### Question 1

A business has no control over factors in the external environment.

- A. True
- B. False

### Question 2

The external environment is comprised of:

- A. macro and operating factors.
- B. macro factors, but not operating factors.

### Question 3

Some examples of macro factors in the external environment include: **(Select all that apply)**

- I. competitors' behaviour.
- II. corporate social responsibility considerations.
- III. societal attitudes and behaviour.

### Question 4

Operating factors include the external stakeholders that businesses closely interact with.

- A. True
- B. False

### Question 5

A business should consider operating factors during business planning because they have:

- A. no effect on a business and its activities.
- B. a direct effect on a business and its activities.

### Question 6

A business should consider factors in the external environment during business planning.

- A. True
- B. False

## Preparing for exams

### Case study skills

#### Question 7

After graduating from school, Thiago wants to open his own business selling sporting equipment. He has never run a business before but understands there are a variety of factors he must consider during business planning.

Identify which of the following statements are correct about factors within the external environment that affect Thiago's business planning. **(Select all that apply)**

- I. Thiago must consider macro factors as they are constantly changing, meaning he must try and predict these changes and incorporate them during planning.
- II. Thiago only needs to consider macro factors, but not operating factors, when planning his sporting equipment business, as operating factors will not impact Thiago at all.
- III. Thiago must consider operating factors because monitoring the behaviour of external stakeholders will assist him in understanding and creating ways to meet their needs.

#### Question 8

Jovani has decided to open his own café in St Kilda. He wants to sell coffee, pastries, and a variety of sandwiches to customers. Jovani has already decided on a coffee bean supplier and is completing interviews to hire employees to work at the café.

Identify which of the following is a correct statement about Jovani considering operating factors when planning his café.

- A. Jovani should consider the needs and expectations of potential customers in the St Kilda area to ensure the café sells the type of coffee, pastries, and sandwiches customers are likely to order.
- B. Jovani should consider the legal and governmental regulations that are relevant to the café to ensure it is compliant and avoids the possibility of receiving fines, suspensions, or even closure.



**Exam-style****Question 9** (1 MARK)

Define the term 'business planning'.

---

**Question 10** (1 MARK)

Define the term 'external environment'.

---

**Question 11** (2 MARKS)

Outline one similarity and one difference between macro and operating factors.

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**Question 12** (3 MARKS)

After graduating from school, Thiago wants to open his own business selling sporting equipment. He has never run a business before but understands there are a variety of factors he must consider during business planning.

Explain how one factor within the external environment will affect Thiago's business planning.

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**Question 13** (3 MARKS)

Jovani has decided to open his own café in St Kilda. He wants to sell coffee, pastries, and a variety of sandwiches to customers. Jovani has already decided on a coffee bean supplier and is completing interviews to hire employees to work at the café.

Explain the importance of considering operating factors during business planning for Jovani.

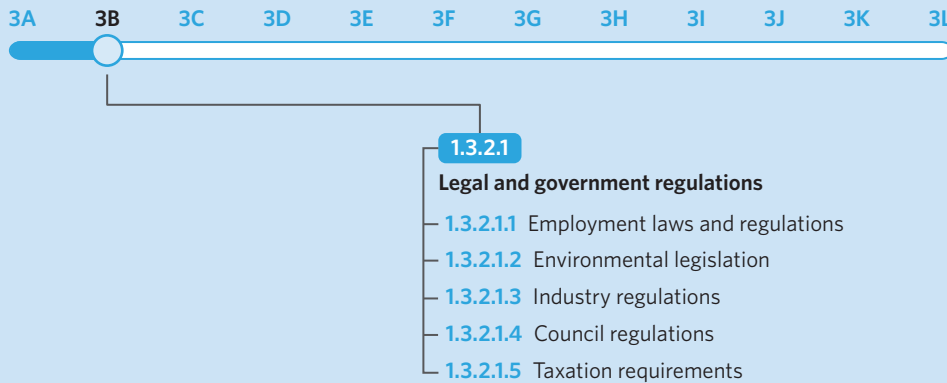
**Testing previous knowledge****Question 14** (3 MARKS)

Distinguish between the internal and external environment.

# 3B Legal and government regulations

## STUDY DESIGN DOT POINT

- an overview of key legal and government regulations affecting businesses in the planning stage



If we didn't have rules and laws, there would be absolute mayhem in society. People would be able to do as they pleased without any punishment. Just as people must follow the law, businesses must also obey certain rules and laws determined by the government. It is essential for every business to abide by relevant regulations to ensure that it is operating legally.

## Lesson introduction

**Legal and government regulations** are the laws and rules made by parliaments and governments, as well as decisions made by the courts. These regulations guide businesses to uphold the safety of the community and promote fair competition within industries. If a business fails to comply with these rules, it risks consequences such as receiving fines, damaging its reputation, or forced closure. With rules and laws being created and updated regularly by federal, state or territory, and local governments, business owners should continuously monitor and consider how these regulations may affect their business's planning and operations.



## KEY DEFINITIONS

**Legal and government regulations** are the laws and rules made by parliaments and governments, as well as decisions made by the courts.

**Employment laws and regulations** are rules that govern the relationship between employers and employees.

## ADDITIONAL TERMS

**Wages** are regular payments of money earned by employees in exchange for work or services they complete, typically paid on a weekly, fortnightly, or monthly basis.

**Working conditions** are the terms that an employee and employer agree to, including job responsibilities, hours of work, dress code, and leave entitlements.

**Unfair dismissal** involves an employee being dismissed for an invalid or unjust reason.

A **dispute** is a conflict between workplace participants as a result of a disagreement.

## Employment laws and regulations 1.3.2.1.1

**Employment laws and regulations** are rules that govern the relationship between employers and employees. When hiring employees, business owners should consider relevant employment laws and regulations. These rules outline the obligations employers and employees owe to one another. Legislation protects employees by setting minimum **wages** and **working conditions**. When planning a business, business owners must recognise their obligation to provide a safe working environment for their employees. The Occupational Health and Safety Act 2004 and the Occupational Health and Safety Regulations 2017 state the requirements that Victorian businesses must fulfil to promote the wellbeing of employees and other people at work. Employment legislation also protects employees against **unfair dismissal** and discrimination in the workplace, and provides methods to resolve workplace **disputes**. In addition, employees are required to follow the safety and workplace regulations outlined by their employers to avoid breaking the law as well as the business's rules.

### LESSON LINK

Occupational health and safety will be covered in further detail in **6K Legal obligations for staffing**.

## REAL WORLD EXAMPLE



Image: Neale Cousland/Shutterstock.com

**Figure 1** SafeWork investigated a suspected breach in employment laws and regulations by Adelaide Football Club during its 2018 pre-season camp

### Employment laws and regulations

SafeWork Australia is an Australian government statutory agency established under the Safe Work Australia Act 2008. In September 2021, SafeWork ruled that Adelaide Football Club had been cleared of breaching any work health and safety laws during its AFL pre-season camp in 2018, concluding there was 'no breach of the Work, Health and Safety Act'. Investigations into the club commenced in 2020 after reports emerged regarding the traumatic practices being used at the camp which caused immense distress for certain players. In his autobiography released in 2022, entitled 'The Boy from Boomerang Creek', star Adelaide player, Eddie Betts, revealed the 'extremely concerning and difficult' experiences he endured on the camp. Although the club was not found to breach any employment laws and regulations with regard to the treatment of its players, the investigation acted as a reminder to all other clubs of the importance of abiding by workplace regulations. When planning business activities for employees, such as a training camp, employment laws and regulations must be considered by management to avoid the business's reputation being negatively impacted and to prevent financial penalties from being incurred.

*Adapted from 7News, 'SafeWork hands down final ruling on Adelaide Crows' controversial pre-season camp', 2021*

## KEY DEFINITIONS

**Environmental legislation** is the set of laws that aim to preserve the environment.

## ADDITIONAL TERMS

**Matters of national environmental significance** are places or entities that have natural and cultural importance and are protected by the Environment Protection and Biodiversity Conservation Act 1999.

### Environmental legislation 1.3.2.1.2

**Environmental legislation** is the set of laws that aim to preserve the environment. This legislation is designed to protect the environment from harmful business activities. Many businesses rely on natural and scarce resources such as oil, water, and gas. When these resources are used improperly, businesses can have a negative impact on the environment. Therefore, environmental legislation is put in place to minimise businesses' impact on the environment and protect these limited resources. During planning, every business owner must investigate whether their business activities will fall under any environmental legislation. Owners must stay informed on all relevant legislation developed by the different levels of government to protect the environment. Environmental laws and regulations often relate to:

- minimising energy use
- reducing water use
- reusing, recycling, and reducing waste
- other **matters of national environmental significance**.

## REAL WORLD EXAMPLE



Image: simon jhuan/Shutterstock.com

**Figure 2** The Environmental Protection Authority Victoria investigates and punishes businesses when a breach of environmental legislation occurs

### Environmental legislation

The Environmental Protection Authority Victoria (EPA) is an independent statutory authority in Victoria, established under the Environmental Protection Act 1970. The environmental regulator aims to limit pollution and waste to protect the environment. On 16 June 2022, the EPA fined a local skip bin business more than \$5,000 for stockpiling industrial waste in a residential area outside of Geelong. This industrial waste consisted of wooden pallets, plastic, soil, broken concrete, and rocks. The dumping of this waste on a suburban property is a direct breach of the Environmental Protection Act 2017, which came into effect as of 1 July 2021. This Act introduced a general environmental duty that requires businesses to take reasonable actions to reduce the risk of harm to human health and the environment that could result from their business activities.

*Adapted from EPA Victoria, 'EPA fines Lovely Banks company over not-so-lovely mess', 2022*

## ACTIVITY

### Environmental legislation

Search up 'Why Australia's environmental laws aren't working' on YouTube and watch the entire video by ABC News (Australia). Discuss the following questions with your classmates:

1. What kind of businesses must first be assessed by the Environment Department before continuing with their activities?
2. What is the biggest issue associated with the current, rapid removal of species' habitats across Australia?
3. What are some flaws of the current process in Australia that businesses must undergo in order to gain approval to conduct certain activities, such as clearing land?
4. Why is the lack of prosecutions in the past two decades against businesses clearing land without permission considered a problem?
5. What do farmers think the main issue of the Act is?

### Industry regulations 1.3.2.1.3

**Industry regulations** are rules that are specific to businesses within a certain **industry**. When planning and starting a business, business owners must research the unique rules and regulations that apply to their business's industry. Industry regulations may require a business to obtain certain qualifications, registrations, **permits**, or **licences**. To check what rules are relevant to the business, owners can refer to the Australian Business Licence and Information Service (ABLIS). The ABLIS is a free government service that helps business owners determine what licences, permits, registrations, and approvals are required for them to operate in a specific industry. For example, businesses that are involved with children require employees to gain a **Working with Children Check**.

### Council regulations 1.3.2.1.4

**Council regulations** are local government rules made to govern businesses operating in a specific geographic area. Local councils have various rules and regulations that can impact many different business activities. Business owners must become familiar with their local council's regulations to avoid legal issues.

**Table 1** Common council regulations businesses must follow

Factor of a business that may be regulated by the council	Explanation
Location of a business	Business location is largely determined by local <b>zoning</b> laws. For example, there are very few business types that would be allowed to operate in a residential zone.
Operating hours of a business	Businesses may only be allowed to operate within a certain set of hours. These restrictions are put in place for issues such as levels of noise allowed at different times.
Types of signs the business displays	There are various restrictions on the signage a business uses. For example, some businesses may not be allowed to display large signboards outside their shopfront as this could create a tripping hazard.
Renovations of business premises	Businesses may face restrictions when they are renovating their store. For example, some buildings may be <b>heritage listed</b> , which can limit the type of renovations a business is permitted to complete.
Waste disposal of a business	Local laws govern how a business manages its waste. For example, local laws may state when and where businesses can dispose of waste.

#### ACTIVITY

##### Council regulations

Chung-He has always had a passion for fitness and has owned and operated a gym in Ashburton for the past 11 years. However, during the lockdown in 2020, Chung-He developed a passion for cooking. He now wants to change his business from a gym to a restaurant, whilst still remaining on the same premises in Ashburton.

Search up '[Permits and registration for your business – City of Boroondara](#)' on the internet and click on the link. Read through the website about the various permits a business owner may need to gain when planning to open a specific business in the council of Boroondara.

Answer the following questions about the permits Chung-He may need as he opens a restaurant:

1. Considering Chung-He already owns the property in Ashburton that he wants to transform into a restaurant, will he need to gain any permit to open this restaurant?
2. Chung-He wants to sell alcohol at his restaurant, what is the name of the permit he would need to do so?
3. Chung-He decides he needs to carry out internal works to add another kitchen to his gym facility in order to transform it into a restaurant, what type of permit will he need to obtain in order to do these works?
4. Click on the '[Apply for a footpath trading permit](#)' link on this website. Can Chung-He advertise his new restaurant in any area outside of his property? If so, what area can these advertisements be within, and is a permit required to put advertisements in this region?

#### KEY DEFINITIONS

**Industry regulations** are rules that are specific to businesses within a certain industry.

**Council regulations** are local government rules made to govern businesses operating in a specific geographic area.

#### ADDITIONAL TERMS

An **industry** is a group of businesses that sell similar types of goods or services.

A **permit** is an official, written statement that authorises a person, or a group of people, to do something.

**Licences** grant a business permission to perform a certain activity.

A **Working with Children Check** is a criminal background check for individuals who are working or volunteering with children under the age of 18.

**Zoning** involves dividing land into different functions, such as commercial, residential, and industrial.

**Heritage listed** is official protection, decided on behalf of the community, that prevents a structure, such as a building, tree, park, or archaeological site, from being changed or removed as it is considered to have significant historic or artistic importance.

**KEY DEFINITIONS**

**Taxation requirements** are laws and rules related to tax that apply to all businesses.

**ADDITIONAL TERMS**

**Tax** is a compulsory payment to the government, which is used to finance the provision of public goods and services, such as courts and police services.

**Goods and services tax (GST)** is a tax imposed on the sale and purchase of most goods and services in Australia.

A **tax file number (TFN)** is a nine-digit number issued by the Australian Taxation Office (ATO) to individuals and businesses for taxation purposes.

**Australian Taxation Office (ATO)** is a government agency that collects revenue for the Australian government.

**LESSON LINK**

Taxation requirements will be covered in further detail in **4B**

**Legal requirements for establishing a business.**

Tax was introduced in **1H** **Businesses' contribution to the wellbeing of a nation.**

**Taxation requirements 1.3.2.1.5**

**Taxation requirements** are laws and rules related to **tax** that apply to all businesses. There are many taxation requirements that a business must fulfil before it can operate legally. During business planning, some requirements that must be considered include obtaining an Australian business number (ABN), an eleven-digit number that is used to identify a business, as this will enable a business to register for **goods and services tax (GST)** when necessary. Additionally, business owners must also apply for the business's **tax file number (TFN)** to the **Australian Taxation Office (ATO)**. Attaining a TFN allows a business to be easily identified for taxation purposes.

**REAL WORLD EXAMPLE**

Image: TK Kurikawa/Shutterstock.com

**Figure 3** Crown Casino was forced to pay \$61 million to the Victorian government after a royal commission revealed the business had evaded its tax requirements

**Taxation requirements**

Crown Melbourne is a casino and resort located on the Yarra River that houses retail shops, a world-class casino, entertainment facilities, and restaurants. In July 2021, Crown Resorts announced it would be paying \$61 million to the Victorian government in unpaid taxes after flouting taxation regulations in 2012, underpaying its taxes by approximately \$37 million. The Victorian Commission for Gambling and Liquor Regulation reported that Crown may have evaded tax by as much as \$480 million. Considering that the tax evasion occurred in 2012, Crown has incurred \$24 million in penalty interest, demonstrating the immense financial consequence of a business neglecting its taxation requirements.

*Adapted from Financial Review, 'Crown pays Victoria \$61m for unpaid taxes going back nine years', 2021*

**Theory summary**

Business activities are largely impacted by key legal and government regulations. Business owners need to adapt their business plans to ensure that they comply with relevant rules to avoid legal consequences.

- Employment laws and regulations promote the safety and wellbeing of a business's employees.
- Environmental legislation governs businesses to minimise their negative impact on the environment.
- Industry regulations consist of set rules and legal requirements for businesses within specific industries.
- Council regulations are the rules enforced by local governments.
- Taxation requirements are a set of rules relating to payments a business must make to the government.

# 3B Questions

## Theory review

### Question 1

Certain businesses do not have to consider any legal and government regulations.

- A. True
  - B. False
- 

### Question 2

Employers are the only individuals who must consider employment laws and regulations.

- A. True
  - B. False
- 

### Question 3

Identify which of the following groups benefit from employment laws and regulations. **(Select all that apply)**

- I. The environment
  - II. Employees
  - III. Employers
- 

### Question 4

All businesses must uphold the same regulations, such as enforcing staff to have a Working with Children Check, regardless of the industry they are within.

- A. True
  - B. False
- 

### Question 5

A business can check the Australian Business Licence and Information Service (ABLIS) to determine what licenses, permits, registrations, and approvals are required for it to operate. In doing so, it is considering its:

- A. industry regulations.
- B. taxation requirements.

### Question 6

Fill in the blanks with the following terms:

- Australian Taxation Office (ATO)
- Australian business number (ABN)

It is a legal requirement for all Australian businesses to obtain an \_\_\_\_\_ and to receive a tax file number by applying to the \_\_\_\_\_.

---

### Question 7

A business wants to renovate the front of its store. However, the business has discovered that the storefront has artistic and historical significance, and thus is heritage listed. By researching the building's heritage-listed status, the business is considering its:

- A. council regulations.
  - B. taxation requirements.
- 

### Question 8

Fill in the blank with **one** of the following terms:

- environmental legislation
- council regulations

When planning the business, a business owner should source information on relevant \_\_\_\_\_, such as how to legally dispose of waste, to ensure the business contributes to preserving the environment and does not face penalties for breaking the law.

---

### Question 9

Following legal and government regulations is one of the most important things to consider during business planning.

- A. True
- B. False

## Preparing for exams

### Case study skills

Use the following information to answer Questions 10 and 11.

Chieko's Computers is an Australian business that manufactures laptops. The owner, Chieko, has always struggled to stay updated with relevant business laws and regulations. Recently, Chieko hired an expert to guide her in making sure the business fulfils its legal and government requirements.

#### Question 10

Identify which of the following are ways Chieko could meet legal and government regulations.

(Select all that apply)

- I. Gaining advice from the expert Chieko hired about the proper disposal of waste from producing computers.
- II. Understanding the relevant licences and permits Chieko's Computers requires in the computer manufacturing industry.
- III. Gaining advice from the expert about how to make above-average computers.
- IV. Chieko could follow regulations and laws that she is familiar with and not worry about any new ones.

#### Question 11

Identify which of the following is a correct statement about the consequences of Chieko's Computers failing to comply with legal and government regulations.

- A. Chieko's Computers may gain more customers as it can save money by refusing to pay tax, therefore enabling the business to sell its computers for a cheaper price, which can increase sales.
- B. Chieko's Computers may face social and legal consequences and the reputation of the business will likely suffer if it refuses to abide by relevant environmental legislation, thus the government may fine the business if laws are broken.

#### Question 12

Samarth has decided to rent a building on the outskirts of Westfield Doncaster shopping centre and is planning to open a restaurant called Samarth's Samosas. He estimates that he will hire two chefs and ten part-time wait staff. Samarth is currently investigating the different legal and government regulations that relate to his business.

Identify which of the following statements are **true** or **false** about the legal and government regulations Samarth should consider when planning.

	True	False
I. Samarth should research the minimum wages and conditions that he must provide for his employees by considering the relevant employment legislation relating to chefs and wait staff.	<input type="checkbox"/>	<input type="checkbox"/>
II. Samarth should plan to cut down any trees on his premises to make room for his restaurant, disregarding any environmental legislation relating to deforestation and clearing of trees on the land.	<input type="checkbox"/>	<input type="checkbox"/>
III. Samarth should obtain an Australian business number (ABN) so that he can register Samarth's Samosas for goods and services tax. He should also apply for a tax file number so that his business can abide by all Australian tax requirements.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Considering he is working within the food industry, Samarth does not need to consider industry regulations relating to food safety procedures as such procedures do not exist in the restaurant industry.	<input type="checkbox"/>	<input type="checkbox"/>
V. Samarth should plan how he will be disposing of the waste created by the business, such as excess food waste, and ensure his disposal method complies with the rules of waste set out by the council that Westfield Doncaster is within.	<input type="checkbox"/>	<input type="checkbox"/>

## Exam-style

**Question 13** (1 MARK)

Define the term 'legal and government regulations'.

---

**Question 14** (1 MARK)

Define the term 'environmental legislation'.

---

**Question 15** (2 MARKS)

Outline two types of key legal and government regulations.

---

**Question 16** (2 MARKS)

Outline how a business could consider council regulations during business planning.

---

**Question 17** (3 MARKS)

Chieko's Computers is an Australian business that manufactures laptops. The owner, Chieko, has always struggled to stay updated with relevant business laws and regulations. Recently, Chieko hired an expert to guide her in making sure the business fulfils its legal and government requirements.

Explain why it is important that Chieko follows legal and government regulations.

---

**Question 18** (4 MARKS)

Samarth has decided to rent a building on the outskirts of Westfield Doncaster shopping centre and is planning to open a restaurant called Samarth's Samosas. He estimates that he will hire two chefs and ten part-time wait staff. Samarth is currently investigating the different legal and government regulations that relate to his business.

Identify and explain two types of legal and government regulations that may impact Samarth's business planning.

## Testing previous knowledge

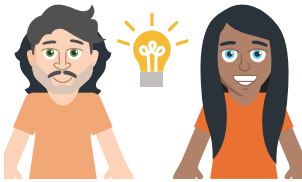
**Question 19** (3 MARKS)

Explain why it is important that businesses consider taxation requirements and how taxation revenue can contribute to the wellbeing of a nation.



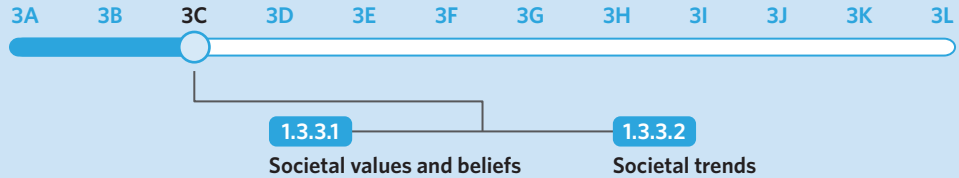
# 3C Societal attitudes and behaviour

Prior to 2020, would you have predicted that you could attend school from the comfort of your own home? Do you think your parents would have expected touch-screen phones to be the new norm when they were young? It is unlikely that you or your parents would have foreseen these changes in technology. These are just a few examples of how society's attitudes have significantly changed over time.



## STUDY DESIGN DOT POINT

- societal attitudes and behaviour such as values, beliefs and trends



## Lesson introduction

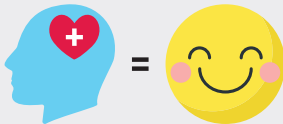

Both **societal attitudes** and **societal behaviour** impact the ways individuals interact with businesses. Businesses are significantly affected by the way customers act, therefore when business planning, an owner should investigate the current values, beliefs, and trends of society. A business's values and products should align with those of the customer. By appealing to what customers believe in, such as being environmentally friendly, a business is more likely to attract customers. To remain competitive, business owners must constantly monitor changes in common societal attitudes and behaviours.

## Societal values and beliefs 1.3.3.1

**Values and beliefs** are the principles, standards, and assumptions upheld by individuals or a group of people, which influence how they make decisions. The collective values and beliefs of society enable individuals to form opinions about how businesses should operate. Due to increased communication globally, such as through social media, society has become more aware of, and concerned about the way businesses operate. There is now an expectation for businesses to have a positive impact on the community and the environment. For example, businesses that use environmentally sustainable materials that are sourced from local suppliers are often viewed more favourably by customers.

Businesses should constantly research changing values and beliefs to develop products that suit these preferences, such as offering healthier food options to appeal to consumer interests in health and wellbeing. There is also an increased focus on how businesses treat their employees. It is expected that businesses treat employees fairly and allow them to achieve a healthy **work-life balance**. This focus is shaped by the importance people place on family and leisure time.

**Table 1** Examples of how values and beliefs impact business planning

Societal values and beliefs	Business response
<p>Greater awareness about improving physical and mental health and wellbeing</p> 	<p>To remain competitive, many business owners have adapted their planning to suit the growing importance society has placed on achieving good mental and physical health. For example, many supermarkets now offer a wider range of healthy food options.</p>
<p>The wellbeing of employees</p> 	<p>Due to the common value and belief that family and leisure time is important, there is an expectation that employees are able to achieve a work-life balance in their job. Many businesses have responded to this expectation by offering employees flexible working hours and work-from-home options.</p>

Continues ►

### KEY DEFINITIONS

**Societal attitudes** are the collective values, beliefs, and opinions held by a group of people.



**Societal behaviour** is the way people act and respond in various situations.

**Values and beliefs** are the principles, standards, and assumptions upheld by individuals or a group of people, which influence how they make decisions.

### ADDITIONAL TERMS

**Work-life balance** is when a person achieves a healthy amount of time allocated to their professional, personal, and family life.

Table 1 Continued

Societal values and beliefs	Business response
Environmental sustainability 	Society is majorly concerned with the negative impact that business activities can have on the environment. To address this concern, many businesses now source their materials ethically and aim to reduce the amount of waste and pollution they generate.
Hygiene practices 	The COVID-19 pandemic has caused society to become more conscious of maintaining good hygiene, in order to reduce the chances of contracting the virus and other illnesses. Consequently, many businesses have responded to this by placing hand sanitisation stations at the front of their store, and encouraging employees to wear masks when serving customers.

## REAL WORLD EXAMPLE

## Societal values and beliefs

The Body Shop is a cosmetics and skincare company that produces natural and cruelty-free products. The Body Shop is committed to being an ethical company and it places significant emphasis on minimising its environmental impact, therefore supporting societal values and beliefs around sustainability. As a result of the damage that plastic has on the environment, The Body Shop has implemented a goal to make its products 100% recyclable by 2025. Furthermore, The Body Shop demonstrates its commitment to environmental sustainability through its production of cosmetics, as it uses 100% natural ingredients that are sustainably sourced and do not conduct animal testing. Therefore, through the implementation of these practices, The Body Shop has demonstrated its awareness of the growing importance society has placed on protecting the environment.

*Adapted from The Body Shop, 'Our Packaging', 2022*






Image: mrfiza/Shutterstock.com

**Figure 1** The Body Shop conducts its business planning around the common value and belief of preserving the environment

## Societal trends 1.3.3.2

A **trend** is a general development in the way a group of people in society are behaving. Businesses can identify a trend by analysing data and looking for patterns. By researching trends, a business can be provided with informative evidence about changing customer interests and purchasing behaviours. Businesses should plan their products and activities according to the trends relevant to their **target market**. By doing so, a business is likely to attract more customers as it is appealing to common desires and needs.

Table 2 Examples of how trends impact business planning

Societal trends	Explanation
Increased reliance on advanced technology 	Businesses have started offering a wider range of devices to meet consumer desires of purchasing advanced technology. Businesses also constantly search for ways to upgrade technological products to ensure the latest advancements are implemented within their designs and processes.
Greater focus and action on achieving gender equality 	Many businesses have implemented workplace policies that enable the achievement of gender equality, such as implementing gender <b>quotas</b> .
Increased purchasing of products related to health and wellbeing 	Many businesses are creating products to cater for customers interested in health and wellbeing. For example, more businesses are selling activewear, exercise equipment, and workout programs.

## KEY DEFINITIONS

A **trend** is a general development in the way a group of people in society are behaving.

## ADDITIONAL TERMS

A **target market** is a specific group of consumers that a business aims its marketing efforts towards.

**Quotas** are a fixed minimum and maximum number that is allowed.

**ACTIVITY****Societal trends**

While you may not initially realise it, COVID-19 has had a significant impact on the behaviours and current trends of society. Search up 'Five new Human Truths for Experiences' on Youtube and click on the first link. Watch the entire video and then answer the following questions:

1. From the video, identify three societal trends that the COVID-19 pandemic has caused.
2. How have these trends impacted the behaviours and practices of businesses?
3. How could businesses cater to the trend of an increased need for hygiene?
4. Can you think of other societal trends caused by the pandemic that may have an impact on businesses? If so, what are they?

**REAL WORLD EXAMPLE**

Image: rblfmr/Shutterstock.com

**Figure 2** Woolworths stocks faux meat products from a popular American nutritious company 'Impossible Foods'

**Societal trends**

Woolworths is one of Australia's leading supermarkets which sells groceries and household products. In 2022, Woolworths announced its decision to expand its range of plant-based products by selling faux meat products from a popular American nutrition company, 'Impossible Foods'. As societal trends have shifted in becoming more aware of the health considerations and environmental impacts associated with livestock, the demand for faux meat has increased. Therefore, these societal trends have driven Woolworths to change its product offering and provide a faux meat option to individuals who love the taste of meat but want a plant-based alternative.

*Adapted from 9News, 'Woolworths stocks Impossible Foods as demand for plant-based products soars', 2022*

**Theory summary**

If business owners adapt their planning to suit the attitudes and behaviour of society and their target market, their business is more likely to be successful and remain competitive. During the planning stage, owners should consider various social attitudes and behaviours in order to satisfy their customers and remain competitive.

- Values and beliefs are what people consider important and help them form positive or negative opinions.
- Trends are general developments in the way a group of people in society are behaving.

# 3C Questions

## Theory review

### Question 1

A business should constantly be aware of current societal attitudes and behaviours in order to remain competitive.

- A. True
- B. False

### Question 2

The values and beliefs of society impact the way a business operates because:

- A. customers are not affected by whether a business represents their current views.
- B. customers are less likely to purchase from a business that does not recognise their current views.

### Question 3

A business that makes no attempt to be environmentally sustainable is failing to recognise society's current views towards protecting the environment.

- A. True
- B. False

### Question 4

A business can identify a trend by:

- A. developing a product that is in line with common values and beliefs.
- B. researching data to discover patterns that may indicate changing customer behaviours.

### Question 5

Businesses should plan their products and activities according to trends that are relevant to their target market.

- A. True
- B. False

### Question 6

Fill in the blanks with the following terms:

- societal behaviour
- societal attitudes

The collective values, views, and opinions of a group of people refers to \_\_\_\_\_. However, the way in which a person acts in certain situations refers to \_\_\_\_\_.

## Preparing for exams

### Case study skills

### Question 7

Ash is a chef who is planning on starting her own business. Ash has recently noticed that the number of people who are interested in purchasing pre-made healthy meals at the supermarket is increasing. Therefore, Ash is planning to open a business that delivers healthy lunches and dinners to people's homes.

Identify which of the following is a correct statement about Ash planning her business.

- A. By noticing the trend of increased demand for healthy food options, Ash was able to plan a business that delivers healthy lunches and dinners to people's homes.
- B. By noticing the trend of people wanting lunches and dinners delivered to their homes, Ash was able to plan a business that satisfies this need.

**Question 8**

Nude Nutrition is a small supermarket chain in Victoria owned by Nadia. During the planning stage, Nadia researched and understood society's growing desire to access environmentally friendly and locally sourced groceries. As a result, Nude Nutrition has planned to source its products from ethical suppliers within Australia. Nadia has also ensured that her employees have flexible working hours, due to society's focus on achieving a work-life balance.

Identify which of the following statements are **true** or **false** about societal values and beliefs that Nude Nutrition has considered.

	True	False
I. As a result of understanding current societal views towards the importance of environmentally friendly and locally sourced food, Nadia obtains her products from ethical Australian suppliers.	<input type="checkbox"/>	<input type="checkbox"/>
II. As a result of understanding current societal views towards the importance of a work-life balance, Nadia has scheduled employees' working hours without their input.	<input type="checkbox"/>	<input type="checkbox"/>
III. As a result of understanding current societal views towards the importance of being environmentally sustainable, Nadia aims to purchase from overseas suppliers.	<input type="checkbox"/>	<input type="checkbox"/>
IV. As a result of understanding current societal views towards the importance of a work-life balance, Nadia allows her employees to have flexible working hours.	<input type="checkbox"/>	<input type="checkbox"/>

**Exam-style****Question 9** (1 MARK)

Define the term 'societal behaviour'.

---

**Question 10** (1 MARK)

Define the term 'values and beliefs'.

---

**Question 11** (2 MARKS)

Outline the importance of considering societal values and beliefs during business planning.

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**Question 12** (3 MARKS)

Ash is a chef who is planning on starting her own business. Ash has recently noticed that the number of people who are interested in purchasing pre-made healthy meals at the supermarket is increasing. Therefore, Ash is planning to open a business that delivers healthy lunches and dinners to people's homes.

Explain how Ash has considered societal trends during business planning.

---

**Question 13** (4 MARKS)

Nude Nutrition is a small supermarket chain in Victoria owned by Nadia. During the planning stage, Nadia researched and understood society's growing desire to access environmentally friendly and locally sourced groceries. As a result, Nude Nutrition has planned to source its products from ethical suppliers within Australia. Nadia has also ensured that her employees have flexible working hours, due to society's focus on achieving a work-life balance.

Identify and explain two ways that Nude Nutrition has considered societal values and beliefs.

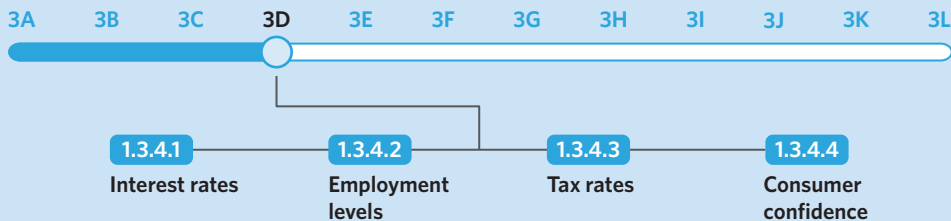
**Testing previous knowledge****Question 14** (3 MARKS)

Identify and describe one way societal trends can impact business concept development.

# 3D Economic conditions

## STUDY DESIGN DOT POINT

- economic conditions such as interest rates, employment levels, tax rates and levels of consumer confidence



## Lesson introduction

**Economic conditions** are the conditions that exist in relation to the productive performance and financial stability of a nation or other geographical area. When planning a business, individuals should consider current and anticipated future economic conditions. As the economy is a macro factor, potential and current business owners are unable to control its effect on businesses and consumers. Instead, individuals should plan to launch their business when economic conditions are favourable, with high levels of consumer spending, as businesses are more likely to be successful when the economy is growing and when customers are financially stable. Individuals who are planning a business should assess current economic conditions using indicators such as interest rates, employment levels, tax rates, and the level of consumer confidence.

## Interest rates 1.3.4.1

An **interest rate** is the price paid for money that has been borrowed, expressed as a percentage. During business planning, individuals must consider the commercial feasibility of their idea. If an individual does not have enough savings, they can take out **loans** to cover initial start-up and operations costs. Before taking out a loan, business owners should consider the interest rate. If interest rates are low, business loans are less expensive and loan repayments are easier to manage. If interest rates are high, business owners will have to pay more for the amount borrowed. Business owners should ensure they are able to afford the interest rate if they take out a loan. Interest rates offered by banks and other financial institutions are influenced by many factors, including Australia's central bank, the Reserve Bank of Australia (RBA). The RBA can amend the interest rates it charges commercial banks each month, which then impacts the interest rates commercial banks charge businesses and individuals. The RBA makes its decision about this interest rate based on global and national economic conditions each month.

### WANT TO KNOW MORE?

The Reserve Bank of Australia (RBA) sets a target for an interest rate called the 'cash rate', which influences other interest rates in the economy. The RBA's cash rate will affect the interest rate that businesses pay for business loans and the interest rate that people pay for their home loans (mortgages). Search up 'RBA cash rate target' to see how the cash rate has changed over time.

*'We want an economy that works for people, not the other way around.'* – Anthony Albanese, the 31st Prime Minister of Australia.

The economic conditions we experience have a strong impact on our lives because it influences our access to goods and services, employment, and our general living standards. The current and anticipated future conditions of an economy can also significantly affect businesses, and should therefore be considered by an individual when planning a business.



### KEY DEFINITIONS

**Economic conditions** are the conditions that exist in relation to the productive performance and financial stability of a nation or other geographical area.

An **interest rate** is the price paid for money that has been borrowed, expressed as a percentage.

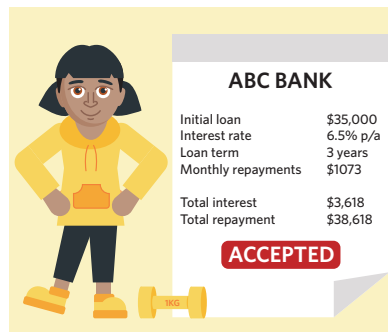
### ADDITIONAL TERMS

**Loans** are sums of money that have been borrowed.

### LESSON LINK

Commercial feasibility was introduced in **1G Market research & initial feasibility studies**.

## THEORY IN ACTION



**Figure 1** Elanor planned to take out a loan with an interest rate of 6.50%

## Interest rates

Elanor identified that she did not have enough savings to pay \$35,000 for all the required gym equipment for Veteran Fitness. As it was important for Veteran Fitness to offer customers a wide range of gym equipment, she considered taking out a business loan. Elanor visited ABC, her local bank, which offered her a business loan of \$35,000 with an interest rate of 6.50% per year. She would be required to pay \$1,073 per month to repay the initial loan plus interest. Elanor calculated that Veteran Fitness could pay off the loan within three years and therefore accepted ABC's offer.

## ACTIVITY

## Interest rates

Search up 'Business loan repayment calculator' and select an option from one of Australia's well-known banks. Use the online calculator to find out how much repayments would be on a business loan of \$100,000 over 5 years, assuming an interest rate of 4%. Now calculate this based on 5% to see how much the monthly repayments change.

After exploring the business loan repayment calculator, answer the following questions in small groups and then discuss your responses as a class:

1. If you were planning a business and requiring a loan of \$100,000 to cover start-up costs, how would an interest rate rise from 4% to 5% affect your plans?
2. Using the online calculator, find out how changing the loan term from 5 to 10 years would affect the monthly repayments. Identify one advantage and one disadvantage of extending the loan term to 10 years.

## Employment levels 1.3.4.2

## KEY DEFINITIONS

The **employment level** is measured as the percentage of the labour force who are working in paid employment.

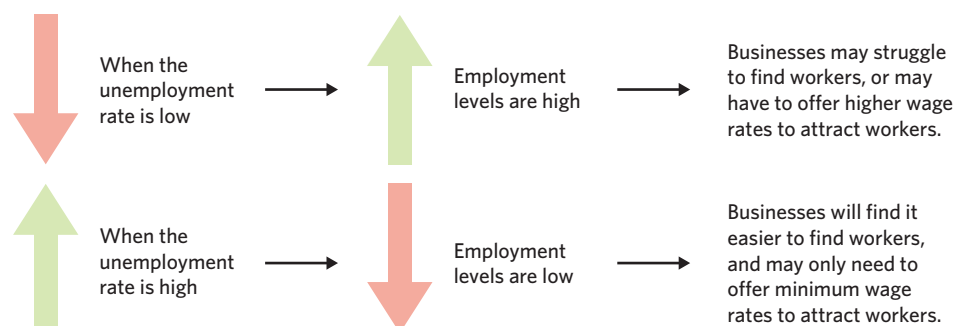
## ADDITIONAL TERMS

The **labour force** is the number of people aged fifteen and over who are willing and able to work.

The **unemployment rate** is the percentage of the labour force who are unemployed.

The **employment level** is measured as the percentage of the **labour force** who are working in paid employment. According to the Australian Bureau of Statistics (2014), the labour force includes the number of people aged fifteen and over who are willing and able to work. Employment levels are often referred to as employment rates, but the most common indicator of employment levels is the **unemployment rate**, which is the percentage of the labour force who are unemployed (not in paid work). It is important to note that anyone who is not willing to work, or is unable to work, is not included in the unemployment rate. For example, full-time students and retired individuals are not included in the unemployment rate calculation.

Employment levels can indicate the availability of workers and may also influence the wages a business needs to offer in order to attract workers. For instance, when low employment levels exist in the economy (high unemployment rate), there are many workers willing and able to work, but not employed yet. This means it should be easier for a business to attract workers, and the business will not necessarily have to offer pay rates higher than the minimum wage for the role. On the other hand, when employment levels are high (low unemployment rate) across the economy, or just in a particular local area or specific industry, a business may struggle to find staff and may have to offer higher wages in order to compete with other job offers the worker may have.



**Figure 2** The effect of employment levels on business planning

## EXTENDED REAL WORLD EXAMPLE

### Employment levels

Australia's unemployment rate fell to 3.5% in June 2022, the lowest it had been since August 1974, when it was 2.7%. A low unemployment rate means there is potential for job vacancies to remain unfilled. This was certainly the case in regional areas of Victoria where many hospitality and tourism businesses were struggling to find staff, leading to temporary closures during peak holiday times and even some businesses closing their doors permanently.

Trawool Estate is a luxury hotel and wedding venue in the Goulburn Valley in Victoria. It boasts a range of accommodation options as well as a restaurant, seasonal outdoor swimming pool, bar, and garden. In 2022, amid staff shortages, Trawool Estate resorted to transporting casual workers from the city to ensure they can meet customer demand. The business also offered higher than minimum wage rates to try to attract workers. A cottage is available on-site to provide overnight stays for staff who don't live locally, and plans are underway to build dedicated staff quarters for the peak summer period. Trawool Estate is also offering perks such as extra annual leave, fuel allowances and even vehicles, in an effort to attract employees.

Meanwhile, in Queensland, in 2022, Tourism Port Douglas launched a major campaign to find beds for tourism workers as international tourists returned and a critical housing shortage impacted the availability of workers in the area. The Adopt-a-Worker project asked the community to put forward any space they had to accommodate the region's much-needed seasonal workers in exchange for cash. Similar schemes were introduced in other tourism areas of Australia, including in the popular coastal town of Lorne in Victoria. The initiative of the Lorne Business and Tourism Association aims to benefit the town, its workers, and visitors by ensuring that coffees are made, beers are poured, dishes are washed, and shelves are stacked. If successful, these Adopt-a-Worker schemes can support businesses by ensuring they have the staff to operate and that tourists will be keen to visit the area.

*Adapted from The Age, 'Regional businesses go to extreme lengths to secure workers', 2022 and ABC News 'Port Douglas tourism body launches Adopt a Worker campaign as housing shortage deters staff', 2022*



Image: Photographer, Tom Yau, [www.trawoolestate.com.au](http://www.trawoolestate.com.au)

**Figure 3** Trawool Estate has experienced severe staff shortages due to employment levels in regional Victoria

### Questions

1. How might the following factors have contributed to worker shortages at Trawool Estate and in Port Douglas?
  - Local housing issues
  - The local unemployment rate
  - The national unemployment rate
2. How might the labour shortages described in this example affect the decision-making of individuals planning to start a business in a regional area?

## Tax rates 1.3.4.3

A **tax rate** is the percentage of income or spending that is required to be paid to the government by individuals or businesses. Business owners must consider their tax obligations when planning a business, in order to budget for these additional business expenses. The government determines and applies different tax rates to businesses depending on their structure. For **unincorporated businesses**, the Australian Taxation Office (ATO) treats the money earned as the individual income of the owner, and thus it is taxed at the relevant personal **income tax** rate of the individual. Because the tax rate is different for **incorporated businesses** (companies) compared to unincorporated businesses, individuals should consider tax rates when deciding on the type of business structure they will adopt. In the 2021-22 financial year, companies were required to pay a **company tax** rate of 25% or 30% of their profit, depending on their size. Business owners should always ensure that they can meet all tax obligations as they fall due, to avoid legal penalties from the government.

### LESSON LINK

Incorporated and unincorporated businesses were introduced in **2B Types of businesses**.

### KEY DEFINITIONS

A **tax rate** is the percentage of income or spending that is required to be paid to the government by individuals or businesses.

### ADDITIONAL TERMS

An **unincorporated business** is a business that does not have the legal status of a company.

**Income tax** is the tax levied on an individual's personal income.

An **incorporated business** is a business that has the legal status of a company.

**Company tax** is the tax levied on a company's profits.



**WANT TO KNOW MORE?**

In Australia, we have a 'progressive' income tax system. This means that the higher your income, the higher the tax rate levied on that income. Search up 'ATO income tax thresholds' to find out the tax rate for someone earning \$18,000 per year, and then the tax rates for individuals earning above \$150,000 per year. Do you think these tax rates are fair? Discuss these individual tax rates with a classmate, teacher, or family member.

## Consumer confidence 1.3.4.4

**KEY DEFINITIONS**

**Consumer confidence** is a measure of consumers' feelings and expectations about current and future economic conditions.

When planning a business, individuals should consider the levels of **consumer confidence**, which is a measure of consumers' feelings and expectations about current and future economic conditions. Consumer confidence levels are measured each month by the Westpac-Melbourne Institute Index of Consumer Sentiment, which is based on a survey of over 1200 Australian households. The survey questions households about their current and future financial situation, their expectations about future economic conditions, and their upcoming plans for spending on major household items. Consumer confidence is high when there is a belief that the economy will grow, and low when economic growth is expected to slow down. Consumers who believe economic conditions will improve are more willing to spend money as they are optimistic about their financial and job security. Potential business owners should plan to launch their business when consumer confidence levels are high, to take advantage of the associated higher consumer spending at this time. When consumer confidence is low, individuals may plan to delay the launch of their business or launch on a smaller scale.

**REAL WORLD EXAMPLE**

Image: QianLin/Shutterstock.com

**Figure 4** When consumer confidence is high, consumers are more likely to head out to spend their money on goods and services

**Consumer confidence**

Consumer confidence in Australia fell sharply in July 2021, as lockdowns were imposed in Melbourne and Sydney as a result of the COVID-19 pandemic. Despite the July decrease, consumer confidence levels were still not as low as they had been during 2020 when the first pandemic lockdowns were imposed. Consumer confidence peaked in November 2021, when lockdowns finally ended, due to the prospect of increased economic activity when businesses and state borders were allowed to reopen. Consumer confidence levels decreased again in 2022 amid interest rate rises, as consumers worried about their ability to meet their home loan repayments each month.

*Adapted from ABC news, 'Consumers lose confidence, retail sales dive as businesses fear they may have to close for good', 2021 and ABC News, 'Business confidence rises with strong profits, but consumers are getting more pessimistic', 2022*

**USEFUL TIP**

A relationship exists between consumer confidence levels and interest rates. Rising interest rates can cause consumers to become pessimistic about their future financial position, since higher interest rates result in higher loan repayments for loans such as home loans, therefore influencing the amount of money consumers are willing to spend on goods and services.

**Theory summary**

Economic conditions are the conditions that exist in relation to the productive performance and financial stability of a nation or other geographical area. These conditions influence the expenses that a business will need to pay, the availability of workers, and the level of sales the business can hope to achieve. Economic conditions are therefore a strong determinant of business success. Important economic factors an individual should consider when planning a business include:

- interest rates, which determine the cost of borrowing.
- employment levels, which can influence the availability of potential employees and the wage required to attract them.
- tax rates, which are an expense of all businesses, but depend on business size and structure.
- consumer confidence levels, which can indicate the degree to which consumers are willing to spend on goods and services.

# 3D Questions

## Theory review

### Question 1

New businesses will not be affected by current economic conditions.

- A. True
- B. False

### Question 2

When planning a business, individuals should consider current interest rates if they expect to take out a business loan.

- A. True
- B. False

### Question 3

Fill in the blank with **one** of the following terms:

- high
- low

If interest rates are \_\_\_\_\_, loans will be less expensive for business owners.

### Question 4

Businesses are more likely to be successful if interest rates and tax rates are low.

- A. True
- B. False

### Question 5

The government is responsible for setting:

- A. interest rates on loans.
- B. tax rates.

### Question 6

The rate of tax paid by a company depends on its size.

- A. True
- B. False

### Question 7

Fill in the blank with **one** of the following phrases:

- consumer confidence is
- interest rates are

When \_\_\_\_\_ low, customers are less willing to purchase goods and services.

### Question 8

Both current and anticipated future economic conditions can affect business planning.

- A. True
- B. False

## Preparing for exams

### Case study skills

### Question 9

Kirra is currently planning to open an art gallery in Collingwood to sell her own paintings. After researching and planning the costs of opening the gallery, Kirra is considering taking out a loan to cover the costs of setting up and running the business.

Identify which of the following statements are **true** or **false** about Kirra's considerations of interest rates.

	True	False
I. Kirra will not have to consider interest rates as she does not need a loan.	<input type="checkbox"/>	<input type="checkbox"/>
II. If Kirra receives a loan with a high interest rate, she will have to plan to pay higher business expenses.	<input type="checkbox"/>	<input type="checkbox"/>
III. If Kirra receives a loan with a low interest rate, her business plans will not be affected.	<input type="checkbox"/>	<input type="checkbox"/>

**Question 10**

Omar and Zuri have recently designed an innovative reusable coffee cup and want to launch a business together. Omar is planning to begin mass-producing their coffee cup and aims to open a store within two months. However, Zuri believes that consumer confidence levels are currently low and they should wait at least six months before opening a store.

Identify which of the following statements are **true** or **false** about Omar and Zuri's decision to open a business.

	True	False
I. Omar and Zuri's business plans will not be impacted by consumer confidence levels.	<input type="checkbox"/>	<input type="checkbox"/>
II. Zuri may plan to launch their reusable coffee cup in six months as she currently has low expectations for the performance of their business.	<input type="checkbox"/>	<input type="checkbox"/>
III. Zuri may plan to launch their reusable coffee cup in six months as she believes customers are currently less willing to spend money on their product.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Omar should plan to launch the business in two months to take advantage of low consumer confidence levels.	<input type="checkbox"/>	<input type="checkbox"/>

**Exam-style****Question 11** (1 MARK)

Define the term 'tax rate'.

---

**Question 12** (1 MARK)

Define the term 'consumer confidence'.

---

**Question 13** (2 MARKS)

Describe how tax rates can affect business planning.

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**Question 14** (2 MARKS)

Describe how employment levels can affect business planning.

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**Question 15** (3 MARKS)

Kirra is currently planning to open an art gallery in Collingwood to sell her own paintings. After researching and planning the costs of opening the gallery, Kirra is considering taking out a loan to cover the costs of setting up and running the business.

Explain how interest rates can affect Kirra's business planning.

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**Question 16** (3 MARKS)

Omar and Zuri have recently designed an innovative reusable coffee cup and want to launch a business together. Omar is planning to begin mass-producing their coffee cup and aims to open a store within two months. However, Zuri believes that consumer confidence levels are currently low and they should wait at least six months before opening a store.

Explain how consumer confidence levels can affect Omar and Zuri's business planning.

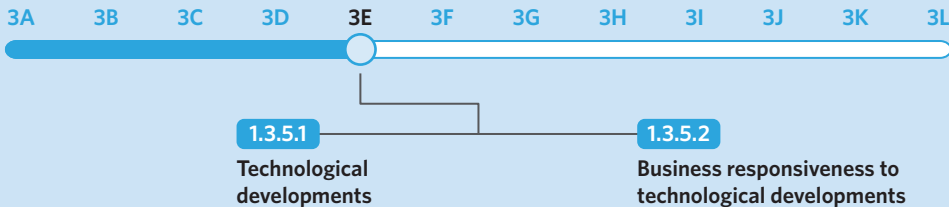
**Testing previous knowledge****Question 17** (2 MARKS)

Describe one way that businesses contribute to taxation revenue.

# 3E Technological considerations

## STUDY DESIGN DOT POINT

- technological considerations such as how the market may change in the future and how businesses adapt to developments in technology



Technology is used in most aspects of life. When you go to school, you may use your computer to complete activities. When you purchase something, you may pay using your card or phone instead of cash. These are some of the many examples of how technology dominates your life. This increasing presence of technology has changed the way that businesses operate.





## Lesson introduction

As technology has evolved, it has significantly changed the way businesses operate. Although developments in technology cannot be controlled, owners should take advantage of the opportunities that technology presents when conducting business planning. Business owners should also consider the impact that technology has on the market, customer expectations, and business processes. Business owners that do not use technology to their advantage may negatively impact the viability of their business, and its products.

## Technological developments 1.3.5.1

**Technological developments** are the invention and innovation of tools that solve problems and enhance processes. When planning a business, owners should consider technological developments as they can significantly improve various aspects of their business and its operations. Taking advantage of new technology can allow a business to increase its precision and speed of production, whilst also providing greater convenience to customers. As a result, incorporating advanced technology within a business can improve its **productivity** and **effectiveness**. If a business does not take advantage of technological developments, its products may become outdated and unattractive to customers.

**Table 1** Examples of how technological developments impact business planning

Common technology	Explanation	Impact on business planning
<b>Automated production lines</b>  <small>Image: Jenson/Shutterstock.com</small>	Many <b>manufacturing businesses</b> have implemented <b>automated production lines</b> , using this technology to reduce the need for human labour.	Manufacturing businesses should plan to adopt automated production lines as they are faster and more precise compared to human labour. Automated production lines also complete repetitive and dangerous tasks which could be demotivating and unsafe for humans to perform.
<b>eftpos</b>  <small>Image: fizkes/Shutterstock.com</small>	Most businesses offer eftpos machines as a method of payment for customers.	Retail businesses should plan to introduce eftpos machines to increase convenience for customers as they do not have to carry cash. Businesses with eftpos machines have a reduced risk of theft as they hold less cash in the store. eftpos machines also have fast transaction speeds and provide proof of payment.

Continues ►

## KEY DEFINITIONS

**Technological developments** are the invention and innovation of tools that solve problems and enhance processes.

## ADDITIONAL TERMS

**Productivity** is the number of goods or services that are produced compared to the number of resources used in the production process.

**Effectiveness** is the extent to which a business achieves its stated objectives.

**Manufacturing businesses** use resources and raw materials to produce a finished physical good.

**Automated production lines** are machinery and equipment that are arranged in a sequence, and the product is developed as it proceeds through each step.

Table 1 Continued


Common technology	Explanation	Impact on business planning
<b>Online presence</b>  <small>Image: afotostock/Shutterstock.com</small>	Most businesses have established an online presence. Many businesses only operate online, whilst others have both a physical store and an online presence.	Businesses should plan to establish an online presence to connect with customers 24/7. The convenience of shopping online through websites has enabled businesses to reach a wider audience and attract more customers, therefore increasing sales.

Table 2 Advantages and disadvantages of technological developments

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>Implementing technology in a business can increase the accuracy and precision of the production process, resulting in a consistent level of quality that can improve a business's reputation.</li> <li>Websites can provide consistent information about the business's prices, sales, and policies for customers.</li> <li>Businesses can easily connect, listen, and respond to customers because technology is easily accessible, therefore improving customer satisfaction.</li> </ul>	<ul style="list-style-type: none"> <li>If businesses continually replace employees with technology, they may develop a poor reputation for increasing unemployment rates and minimising their contribution to the local economy.</li> </ul>
<b>Employee</b>	<ul style="list-style-type: none"> <li>Automated production lines remove repetitive and unsafe tasks for employees, enabling them to perform more creative, challenging, and safer jobs in other areas of the business.</li> </ul>	<ul style="list-style-type: none"> <li>Employees may lose their jobs if technology replaces their role.</li> </ul>
<b>Time</b>	<ul style="list-style-type: none"> <li>Production can run 24/7 as, unlike employees, technology does not require breaks, or holidays, and cannot become unwell.</li> <li>Businesses can improve the productivity of customer service staff by publishing information on their website, such as their refund policies.</li> </ul>	<ul style="list-style-type: none"> <li>If technology breaks down, it can halt production altogether.</li> <li>It can be time-consuming to develop and maintain technology.</li> <li>Training employees to operate technology can be time-consuming.</li> </ul>
<b>Money</b>	<ul style="list-style-type: none"> <li>Introducing technology can reduce the labour resources a business requires, thus reducing wage costs.</li> <li>Customers can purchase a good or service online at their convenience which can increase sales.</li> </ul>	<ul style="list-style-type: none"> <li>Technology generally has high initial setup and maintenance costs.</li> <li>As technology is rapidly evolving, products can quickly become obsolete. Therefore, businesses may need to spend money on researching and upgrading technology.</li> </ul>

## REAL WORLD EXAMPLE



Image: Ivan Kruk/Shutterstock.com

**Figure 1** The Iconic is a business that embraces the technological development of online platforms.

**Technological developments**

The Iconic is one of Australia's most popular online fashion, sporting, and children's clothing retailers. The Iconic does not have a physical store presence and operates solely online through a website and an app. It has introduced many online features to assist customers, including a live chat function, where customer service employees answer questions about delivery, sales, and returns in real time. To provide improved customer convenience, purchases and returns can be made 24/7.

*Adapted from The Iconic, Home Page', n.d.*

**ACTIVITY****Technological developments**




Search up 'The World in 2050: A Peek Into The Future' on Youtube and watch the entire video. Discuss the following questions with your classmates:

1. Identify three technological development predictions from the video. Do you believe these will be a reality by 2050? Why or why not?
2. How will these three technological developments impact future business planning?
3. What do you think are some advantages and disadvantages of the technological developments mentioned in the video?

## Business responsiveness to technological developments 1.3.5.2

When planning a business, business owners must monitor, understand, and adopt the latest technological developments in order to remain competitive within the market. As the demand for the latest technological innovations is increasing, failure to respond and implement these developments may result in the business's goods and services becoming outdated. Businesses must also be aware of the latest technology that they can implement to produce goods and services, as this may allow them to do so at a faster rate to remain competitive. Additionally, businesses should predict how future technological developments will affect the market, as it is safe to assume that technology will continue to impact all aspects of the business world. Many businesses that have been successful in recent decades were able to anticipate evolving customer demands for upgraded technology.

**Table 3** Technology that is likely to become customary in the next few decades

Technology	Explanation	Impact on business planning
<b>Self-driving cars</b>  <small>Image: metamorworks/Shutterstock.com</small>	Self-driving cars are vehicles that are able to sense the surrounding environment and drive themselves with little or no human input. It is predicted that self-driving cars will become a common transport vehicle in the upcoming decades.	All car manufacturers will be significantly impacted by increases in the prevalence of, and customer demand for, autonomous vehicles. To remain competitive, car manufacturers have responded by researching and developing self-driving cars. The insurance industry may be negatively impacted by the rise in self-driving cars, as there is likely to be less accidents and therefore a reduced need for insurance.
<b>Quantum computing</b>  <small>Image: Bartlomiej K. Wroblewski/Shutterstock.com</small>	Quantum computers harness the laws of quantum physics to complete tasks and solve problems that are too complex for normal computers. It is predicted that quantum computers will alter the way businesses store, process, and protect data.	Quantum computing is rapidly developing and will impact all industries. Therefore, businesses must consider the impact that quantum computers will have on their operations and prepare to adopt this technology in their activities.
<b>Personalised and predictive medication</b>  <small>Image: kentoh/Shutterstock.com</small>	Technology is likely to develop to a point where it can constantly track an individual's health data. Data from devices, such as smartwatches and mobile phones, may enable people to predict health issues before they even start to show symptoms. As this technology is developed, healthcare workers will be able to treat patients in a much more personalised way.	Businesses may plan to develop goods and services that enable the healthcare industry to provide more effective treatment to patients.

## REAL WORLD EXAMPLE



Image: TierneyMJ/Shutterstock.com

**Figure 2** Tesla responded to technological developments related to the production of self-driving cars

### Business responsiveness to technological developments

Tesla is an American electric car and clean energy company founded by Elon Musk. As a result of recent technological developments, in 2022, Elon Musk announced that Tesla will have fully self-driving cars by 2023. This was a response to technological advancements in artificial intelligence, safety and security cameras, and radar and lidar sensors. While Elon Musk has failed to live up to past announcements he has made about the production of fully self-driving cars, Tesla is on the leading edge of self-driving technology.

*Adapted from electrek, 'Elon Musk says Tesla will have self-driving cars without the need for human drivers this time next year', 2022*

### Theory summary

Technology continues to change the way businesses operate. Technological developments have enabled businesses to operate at a superior speed and produce products of a much higher quality. Businesses must respond to the latest technological developments by implementing them within the business to prevent products from becoming outdated and less attractive to consumers. When planning a business, owners should invest time and money into researching upcoming technological advancements which are relevant to their business.

# 3E Questions

## Theory review

### Question 1

All businesses should consider technology during business planning.

- A. True
- B. False

### Question 2

Considering technological developments during business planning can improve a business's productivity but not its effectiveness.

- A. True
- B. False

### Question 3

Fill in the blank with **one** of the following terms:

- increase
- decrease

Having an online presence will likely \_\_\_\_\_ customer satisfaction and attract more customers due to the convenience of shopping online.

### Question 4

Fill in the blanks with the following terms:

- automated production lines
- eftpos machines

A business aiming to replace dangerous tasks in its operations system should implement \_\_\_\_\_, whereas, a business aiming to increase convenience for customers so that they do not need to carry cash should implement \_\_\_\_\_.

### Question 5

Businesses that have successfully responded to technological developments do not need to continue monitoring for future changes to technology.

- A. True
- B. False

### Question 6

Self-driving cars, quantum computers, and personalised and predictive medication are all examples of technology that is likely to become the new normal in the coming decades. Therefore:

- A. businesses should ignore these technologies because they have not yet been developed.
- B. businesses should consider these developments during business planning.

### Question 7

Business owners that do not plan to use technology to their advantage may risk their business and its products becoming redundant.

- A. True
- B. False

## Preparing for exams

### Case study skills

### Question 8

Tom's Tennis is a retail shop that sells tennis equipment and sportswear. The owner, Tom, has recently relocated the store to an area closer to the city, which is inconvenient for some of his old customers. After planning ways to prevent theft and improve business performance, Tom has introduced an eftpos machine and is also in the process of setting up a website for his customers to purchase products online.

Identify which of the following are technological developments that are relevant to Tom's planning.

**(Select all that apply)**

- I. Tom is currently setting up an online website for Tom's Tennis where customers can purchase his products.
- II. Tom has recently relocated the store closer to the city for the convenience of some of his old customers.
- III. Tom could introduce more training programs to motivate his employees through professional development.
- IV. Tom has introduced an eftpos machine for customers to make online payments.



**Question 9**

Bashaar and Birrani own a small clothing manufacturing business called B&B clothing. They have researched how many different businesses are using technology to run their business. During recent business planning, Bashaar and Birrani have considered introducing various forms of technology to improve their business performance, processes, and products.

Identify which of the following are **advantages** or **disadvantages** of Bashaar and Birrani introducing technology for B&B.

	Advantage	Disadvantage
I. Technology could enhance the accuracy of B&B's manufacturing process, which could increase customer satisfaction and sales.	<input type="checkbox"/>	<input type="checkbox"/>
II. Technology generally has high initial setup costs, which could compromise B&B's profitability.	<input type="checkbox"/>	<input type="checkbox"/>
III. Some technology may replace B&B's employees, which could harm its reputation.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Implementing technology, such as a website, could enable B&B to better communicate information to its customers, such as its returns policy, increasing productivity.	<input type="checkbox"/>	<input type="checkbox"/>

**Exam-style****Question 10** (1 MARK)

Define the term 'technological developments'.

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**Question 11** (2 MARKS)

Outline two ways that technological developments can impact business planning.

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**Question 12** (2 MARKS)

Outline the importance of a business considering the impact of technology in the future.

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**Question 13** (3 MARKS)

Explain the importance of a business responding to developments in technology.

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**Question 14** (3 MARKS)

Tom's Tennis is a retail shop that sells tennis equipment and sportswear. The owner, Tom, has recently relocated the store to an area closer to the city, which is inconvenient for some of his old customers. After planning ways to prevent theft and improve business performance, Tom has introduced an eftpos machine and is also in the process of setting up a website for his customers to purchase products online.

Explain how Tom has considered one technological development during business planning.

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**Question 15** (5 MARKS)

Bashaar and Birrani own a small clothing manufacturing business called B&B clothing. They have researched how many different businesses are using technology to run their business. During recent business planning, Bashaar and Birrani have considered introducing various forms of technology to improve their business performance, processes, and products.

Evaluate the decision to implement technology at B&B Clothing.

**Testing previous knowledge****Question 16** (2 MARKS)

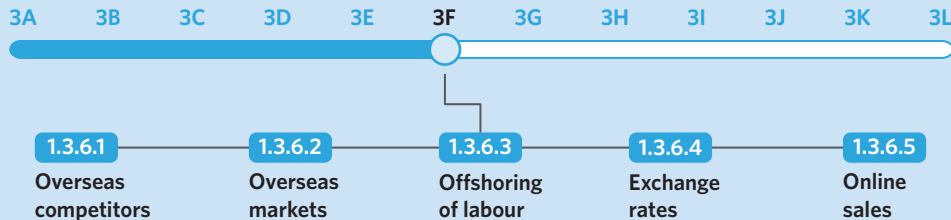
Outline how societal attitudes towards an increased reliance on technology can impact business planning.

# 3F

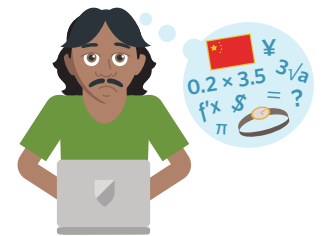
## Global considerations: Part 1

### STUDY DESIGN DOT POINT

- global considerations such as overseas competitors, overseas markets, offshoring of labour, exchange rates, patenting, copyrights, trademarks and online sales



Imagine you own a business selling watches online in Australia and have recently decided to start selling in an overseas market. When conducting research, you have realised that the cost of manufacturing each watch in China is \$1.50 compared to \$18 per watch in Australia. Why do you think it is cheaper to manufacture the watches in China?



### Lesson introduction

Globalisation has resulted in Australian businesses facing more international competition than ever before. If a business owner decides to expand and sell the business's products overseas, they must address a number of global considerations that may impact the business's operations. By doing so, a business can plan out ways to meet customer needs and remain competitive in its specific industry. Businesses that fail to address global considerations may lose customer sales and their position in the market.

## Overseas competitors 1.3.6.1

**Overseas competitors** are businesses that are located in other countries that operate in the same industry and offer a similar good or service. When planning a business, it is important for business owners to consider the actions of competitors within Australia and internationally. As a result of **globalisation**, Australian businesses are facing high levels of overseas competition. Therefore, it is important for business owners to develop an understanding of their overseas competitors by investigating how they operate, and identifying their strengths and weaknesses. This planning will enable a business owner to consider how they can achieve lower costs or implement **differentiation** to distinguish the business from overseas competitors and develop a competitive advantage.

### REAL WORLD EXAMPLE

#### Overseas competitors

Sukin is an Australian-owned natural skincare brand that ships its products worldwide. The cosmetic skincare market is highly competitive both in Australia and overseas. Therefore, to differentiate itself from competitors, Sukin uses Australian botanical antioxidants and essential oils that provide consumers with unique benefits for their skin. As Sukin products do not contain any harsh chemicals, they are highly sought after in overseas markets as they appeal to those wanting natural, ethical, and sustainable skincare. All of Sukin's manufacturing facilities are in Melbourne, assuring customers that its products are made in Australia.

*Adapted from Sukin, 'Why We Choose To Use Australian Ingredients', 2022*



Image: Piranhi/Shutterstock.com

**Figure 1** Sukin differentiates itself from overseas competitors by using Australian botanical ingredients.

### KEY DEFINITIONS

**Overseas competitors** are businesses that are located in other countries that operate in the same industry and offer a similar good or service.

### ADDITIONAL TERMS

**Globalisation** is the process by which governments, businesses, and people across the globe are becoming more interconnected, allowing for increased international trade and cultural exchange.

**Differentiation** involves a business distinguishing its goods and services from competitors that are selling similar items in the market.

## KEY DEFINITIONS

**Overseas markets**

are any markets that are outside of a business's own country of operation.

**ADDITIONAL TERMS****A free trade agreement**

is an international contract that reduces or eliminates trade barriers between two or more countries.

**LESSON LINK**

Legal and government regulations were covered in **3B Legal and government regulations**.

Economic conditions were covered in **3D Economic conditions**.

## Overseas markets 1.3.6.2

**Overseas markets** are any markets that are outside of a business's own country of operation. Business owners can plan to launch their business in both local and overseas markets. By doing so, businesses can access a larger and more diverse customer base, allowing a business to reduce its dependence on its local market. However, as every overseas market has different legal and government regulations, establishing a business in an overseas market requires more planning than starting a business in a local market. When launching a business in an overseas market, it is essential for a business owner to be aware of the different customer needs and expectations. Businesses may need to adapt their products to suit customer needs in different locations in order to attract sales and establish a customer base. Furthermore, when operating overseas, there will be different economic conditions and distribution methods to contend with, as well as cultural and communication barriers that need to be overcome.

**Table 1** How considerations associated with expanding into overseas markets can impact business planning

Consideration	How it impacts business planning
<b>Legal and government regulations</b>	<ul style="list-style-type: none"> <li>A business owner must understand the laws and regulations in each overseas market, such as tax implications.</li> <li>A business may consider expanding into overseas markets where a <b>free trade agreement</b> exists.</li> </ul>
<b>Economic conditions</b>	<ul style="list-style-type: none"> <li>A business should consider the economic conditions in overseas markets, and expand into countries with favourable tax rates and high levels of consumer confidence.</li> </ul>
<b>Transportation and distribution</b>	<ul style="list-style-type: none"> <li>A business owner should consider the transportation and distribution costs in overseas markets, and ensure that these costs are not too high.</li> </ul>
<b>Communication and cultural barriers</b>	<ul style="list-style-type: none"> <li>A business owner may consider hiring an agent who can help them establish connections in the overseas business industry and assist them in understanding the market.</li> <li>A business owner must be aware of cultural differences in the country the business is planning on selling its products in, as failure to do so may damage the business's reputation.</li> </ul>
<b>Staffing</b>	<ul style="list-style-type: none"> <li>A business will need to determine whether it will hire locally or redeploy Australian employees overseas.</li> </ul>
<b>Different customer needs and expectations</b>	<ul style="list-style-type: none"> <li>A business must be aware of the wants and needs of customers in different countries and may have to adapt its products to satisfy these expectations.</li> </ul>

## REAL WORLD EXAMPLE



Image: Michael Vi/Shutterstock.com

**Figure 2** The Westfield Group expanded into the European market

**Overseas markets**

The Westfield Group is an Australian shopping centre company that has a variety of shopping centres worldwide. In 2022, the Westfield Group announced that three Westfield shopping centres would open in Spain, Sweden, and Poland. The move forms part of the Westfield Group's expansion into the European market which began in 2019. Before announcing the opening of stores in these overseas markets, the Westfield Group would have had to ensure it was able to cater to the different needs and expectations of customers in each of these three locations. Additionally, the Westfield Group must have ensured it had a sufficient understanding of the laws and regulations in each of these locations, such as tax implications, to ensure they would be legally compliant upon opening. Before each of these stores opens, the Westfield Group will need to determine whether it will hire locally or redeploy Australian employees overseas. These are just some of the considerations the Westfield Group would have considered before deciding to expand to Spain, Sweden, and Poland.

*Adapted from The Property Tribune, 'Three shopping centres to rebrand as Westfield', 2022*

## Offshoring of labour 1.3.6.3

**Offshoring of labour** involves a business moving its services or processes to another country. When planning a business, a business owner can consider offshoring its labour. Offshoring of labour allows a business to take advantage of lower labour costs, as hiring workers in overseas countries can be cheaper than employing local employees. A business may also use offshoring to increase efficiency or access a more diverse range of skills. For example, the workforce in some overseas countries, such as India, consists of software engineers with highly-specialised skills that are often difficult to find in Australia. A business owner may consider offshoring labour-intensive or time-consuming tasks to allow the business to focus more time and effort towards expansion and gaining a competitive advantage in the market.

### KEY DEFINITIONS

**Offshoring of labour** involves a business moving its services or processes to another country.

**Table 2** How considerations associated with offshoring of labour can impact business planning

Consideration	How it impacts business planning
<b>Legal and government regulations</b>	<ul style="list-style-type: none"> <li>A business owner should consider legal and government regulations in the offshoring country, as tax rates and minimum wages may differ.</li> </ul>
<b>Communication and cultural barriers</b>	<ul style="list-style-type: none"> <li>A business owner should consider the official language spoken in the offshoring country and the level of English spoken by offshore staff.</li> <li>A business owner should consider the cultural norms in the offshoring country to reduce miscommunication.</li> </ul>
<b>Business reputation</b>	<ul style="list-style-type: none"> <li>A business should consider the effect that the offshoring of labour can have on the business's reputation, as sending labour overseas may increase unemployment rates in the local economy and harm a business's reputation.</li> <li>A business should investigate the working conditions in offshore countries to ensure that workers have fair wages and working conditions. If a business sends labour offshore to a country with poor work standards, this is unethical and can also harm a business's reputation.</li> <li>When offshoring labour, a business must ensure the staff it hires are competent. Incompetent employees may create a product of an inferior quality, or result in a poor service being provided, which could negatively impact a business's reputation.</li> </ul>
<b>Time zone differences</b>	<ul style="list-style-type: none"> <li>A business should take into account the time zone difference it has with its offshore country, as vastly different time zones can disrupt business processes.</li> </ul>

### REAL WORLD EXAMPLE

#### Offshoring of labour

Peloton Interactive, Inc. is a fitness and exercise equipment company that is renowned for producing stationary bikes and treadmills that allow users to engage in an interactive fitness class whilst exercising. In 2022, Peloton announced that the company would stop manufacturing its interactive equipment in the US and will instead be outsourcing its production of fitness equipment to a Taiwanese company, Rexon Industrial Corp. The fitness company decided to move production offshore in an effort to lower production costs, particularly as the cost of labour in Taiwan is much lower than in the US.

*Adapted from Arkansas Democrat Gazette, 'Peloton moves production overseas', 2022*

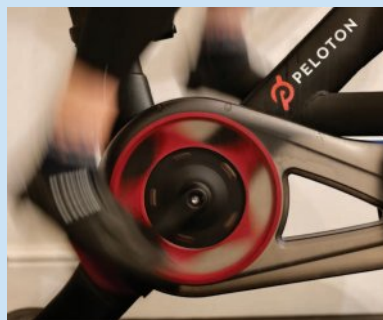


Image: photocritical/Shutterstock.com

**Figure 3** Peloton decides to move the manufacturing of its equipment to the Taiwanese company, Rexon Industrial Corp. to gain access to cheaper labour

## Exchange rates 1.3.6.4

### KEY DEFINITIONS

An **exchange rate** is the relative price at which the currency of one country can be exchanged for the currency of another country.

### ADDITIONAL TERMS

**Currency appreciation** is an increase in the value of a currency against another foreign currency.

**Currency depreciation** is a decrease in the value of a currency against another foreign currency.

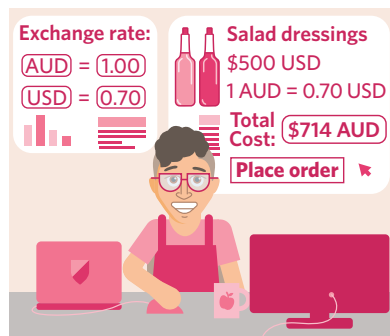
### LESSON LINK

International trade was covered in **1H Businesses' contribution to the wellbeing of a nation**.

An **exchange rate** is the relative price at which the currency of one country can be exchanged for the currency of another country. One of the biggest challenges of conducting business outside of Australia is the impact of exchange rate fluctuations. The exchange rate directly impacts businesses that purchase resources from overseas countries or sell goods and services in an international currency. There are many factors that affect exchange rates, such as political events and economic conditions. Each day, the value of a country's currency can fluctuate, therefore business owners must anticipate changes in exchange rates and ensure they price their goods and services to account for these fluctuations. By planning for exchange rate fluctuations, businesses can maintain their profit margins when these changes occur.

The value of a country's currency may either increase or decrease compared to another currency. **Currency appreciation** will be beneficial for an Australian business that purchases materials from overseas countries, as its Australian dollars can buy more of a foreign currency. However, an appreciation will make a business's goods and services more expensive for overseas buyers, making them less attractive in overseas markets. On the other hand, **currency depreciation** will increase the cost of imports for a business as Australian dollars cannot buy as much of a foreign currency. A depreciation will make a business's goods and services cheaper for overseas buyers, making them more attractive in overseas markets.

### THEORY IN ACTION



**Figure 4** Stanley regularly imports gourmet salad dressings from the United States to sell to Epicure customers

### Exchange rates

Each month, Stanley imports gourmet salad dressings in bulk from the United States. A depreciating Australian dollar makes importing from the United States more expensive for Stanley. For example, when one Australian dollar can buy 0.71 United States dollars, if Stanley orders \$500 worth of salad dressings in US dollars, this ultimately costs him approximately AUD\$704. However, if the Australian dollar depreciates by 1 cent, meaning one Australian dollar can buy 0.70 United States dollars, when Stanley orders \$500 worth of salad dressings in US dollars, this ultimately costs him approximately \$714 in Australian currency.

### ACTIVITY

#### The relationship between public relations and business objectives

Search up 'XE Currency Converter' on the internet and click on the link that takes you to the XE website (XE, n.d.). Answer the following questions using the currency converter website:

- Under the 'Convert' section on the website, convert \$1 Australian to US currency. How many US dollars can \$1 Australian buy?
- Switch over to the 'Charts' section of the website and view the ten-year chart from Australian dollars to US dollars. From January 2018 to January 2023, has the Australian dollar increased or decreased in value compared to the US dollar? Does this reflect an overall currency appreciation or depreciation?

## Online sales 1.3.6.5

### KEY DEFINITIONS

**Online sales** involve buying and selling goods and services using the internet and is also referred to as e-commerce.

**Online sales** involve buying and selling goods and services using the internet and is also referred to as e-commerce. When planning a business, a business owner should consider whether they will establish an online presence. Online sales present many opportunities for businesses, including reaching a wider range of customers in both local and overseas markets. Customers can conveniently purchase products 24 hours a day through a website, increasing a business's sales opportunities. If a business decides to establish an online presence, it may not require a physical store, which can reduce operating costs such as rent and utilities. As many businesses are now selling products online, failing to take advantage of opportunities to expand using online platforms could result in a business becoming less competitive in the market.

**Table 3** How considerations associated with online sales can impact business planning

Considerations	How it impacts business planning
<b>Website development</b>	<ul style="list-style-type: none"> <li>A business owner should ensure that the business's website is easy for customers to navigate and understand, as a poorly designed website could result in reduced sales.</li> <li>A business owner may need to hire a web developer to establish the business's website, which can be time consuming and costly.</li> </ul>
<b>Technical issues</b>	<ul style="list-style-type: none"> <li>A business's website may experience technical issues, such as slow loading speeds and unavailable website features. This can result in customers being unable to purchase from the business's website.</li> <li>A business may consider hiring a web developer to ensure the business's website functions smoothly.</li> </ul>
<b>Shipping costs</b>	<ul style="list-style-type: none"> <li>A business should consider shipping costs when selling products to customers in various overseas locations and determine what shipping strategy it will use, such as free shipping or <b>flat-rate shipping</b>.</li> <li>A business should consider different shipping services to determine the most suitable freight company for the business's needs.</li> </ul>
<b>Privacy and security</b>	<ul style="list-style-type: none"> <li>A business owner must ensure that its online platform is protected against <b>cyber attacks</b>. A breach of privacy can result in a loss of customer trust, reduced sales, and a negative impact on the business's reputation.</li> <li>A business owner should consider including <b>privacy policies</b> on the business's website to assure customers that the business is responsible and legally compliant in the way it handles personal information.</li> </ul>
<b>Legal regulations</b>	<ul style="list-style-type: none"> <li>A business must ensure it develops policies and processes, particularly in relation to shipping, refunds, and returns.</li> <li>A business owner should ensure they have an understanding of the <b>customs regulations</b> that the business must comply with when making online sales in different countries.</li> </ul>

**ADDITIONAL TERMS**

**Flat-rate shipping** involves a single rate being charged for shipping a good, regardless of its weight or size.

A **cyber attack** is an attempt to gain illegal access to a computer network or system.

A **privacy policy** is a document that details how a business gathers and manages customer information.

**Customs regulations** are the rules and procedures for importing and exporting goods at a country's border.

**REAL WORLD EXAMPLE****Online sales**

Chemist Warehouse is Australia's largest pharmacy retailer that offers discounted prices on a range of pharmaceutical goods. Throughout the COVID-19 pandemic, Chemist Warehouse's online sales of face masks, hand sanitisers, thermometers, and other health-related items significantly increased. As customers feared contracting the virus through face-to-face contact with other individuals in stores, Chemist Warehouse used online sales to minimise the number of customers entering its stores whilst maintaining its volume of customer purchases through its online platform.

*Adapted from Ideas, 'Getting your medication during the COVID-19 crisis', 2022 and The Australian, 'Covid boosts Chemist Warehouse online sales', 2020*



Image: Catrin Haze/Shutterstock.com

**Figure 5** Chemist Warehouse's online sales allowed customers to purchase health-related items throughout the COVID-19 pandemic

**Theory summary**

When planning a business, the owner should address a number of global considerations as they can significantly impact business decisions.

- Overseas competitors are rival businesses located in different countries that sell similar products to customers.
- Overseas markets are markets that are located in another country where a business may be interested in selling its goods and services.
- Offshoring labour involves moving a business's services or processes to another country to gain access to cheaper labour and minimise business expenses.
- Exchange rates are the relative price at which the currency of one country can be exchanged for the currency of a different country and can impact a business's decision to sell its products in each country.
- Online sales involve buying and selling goods and services via the internet, allowing local and global markets to be reached with ease.

# 3F Questions

## Theory review

### Question 1

When planning a business, it is important for a business owner to address global considerations.

- A. True
- B. False

### Question 2

A business only needs to consider the actions of local competitors.

- A. True
- B. False

### Question 3

Fill in the blank with **one** of the following terms:

- overseas markets
- overseas competitors

As globalisation means businesses are operating in a global market, a business should consider local competitors as well as \_\_\_\_\_ during business planning.

### Question 4

Identify which of the following are factors that businesses should consider when planning to expand into overseas markets.

**(Select all that apply)**

- I. The legal and governmental regulations of the overseas market.
- II. Communication barriers between the business's local market and the overseas markets that the business may expand to.
- III. The legal and governmental regulations of the local market because these will apply when the business expands overseas.

### Question 5

Businesses may decide to offshore labour to lower costs, as hiring workers in some overseas countries may be cheaper than the cost of labour in their local country.

- A. True
- B. False

### Question 6

Fill in the blanks with **one** of the following terms:

- offshoring labour
- online sales

A business may consider \_\_\_\_\_ to enable customers in local and overseas markets to purchase goods and services from the internet.

### Question 7

Fill in the blanks with the following terms:

- depreciation
- appreciation

A currency \_\_\_\_\_ is an increase in the value of a currency against another foreign currency, whereas a currency \_\_\_\_\_ is a decrease in the value of a currency against another foreign currency.

### Question 8

Expanding into global markets will require less planning than launching in the local market.

- A. True
- B. False

## Preparing for exams

### Case study skills

### Question 9

Bethany is planning to open a candle store in Australia called Scented Bees. Currently, Bethany makes candles by hand using essential oils. Bethany believes her candles will be popular among overseas buyers and is considering expanding Scented Bees into overseas markets.

Identify which of the following is a correct statement about Bethany considering exchange rates during business planning.

- A. Bethany should consider exchange rates when planning to sell her candles to overseas markets because she will benefit if the Australian currency depreciates, as this means overseas buyers will pay a relatively cheaper price in their own currency for the candles.
- B. Bethany should consider exchange rates when planning to sell her candles to overseas markets because she will benefit if the Australian currency appreciates, as this means overseas buyers will pay a relatively higher price for the candles in their own currency.

**Question 10**

Zhen is planning on launching WebDev, a website development business in Melbourne. Zhen plans on hiring a team of assistants to handle customer enquiries and account management. To lower overall business costs, Zhen is considering offshoring labour to the Philippines. She will need to communicate with the assistants daily.

Identify which of the following statements are **true** or **false** about offshoring labour at WebDev.

	<b>True</b>	<b>False</b>
I. Zhen does not need to understand the legal and government regulations, such as tax rates, in the Philippines as WebDev is based in Melbourne and is only compliant with Australian law.	<input type="checkbox"/>	<input type="checkbox"/>
II. Zhen does not need to investigate the working conditions in the Philippines as the offshoring of labour that will have no impact on WebDev's reputation.	<input type="checkbox"/>	<input type="checkbox"/>
III. Zhen should ensure she understands the level of English proficiency of staff in the Philippines to reduce miscommunication between customers and offshore staff.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Zhen should consider time zone differences, especially if they are significant, as this can be disruptive to daily communications between Zhen and her customer service staff.	<input type="checkbox"/>	<input type="checkbox"/>

**Exam-style****Question 11** (1 MARK)

Define the term 'offshoring of labour'.

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**Question 12** (1 MARK)

Define the term 'exchange rate'.

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**Question 13** (2 MARKS)

Outline two ways a business owner could consider overseas markets when planning a business.

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**Question 14** (2 MARKS)

Describe the importance of considering overseas competitors during business planning.

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**Question 15** (2 MARKS)

Outline two necessary considerations related to online sales when planning a business.

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**Question 16** (3 MARKS)

Bethany is planning to open a candle store in Australia called Scented Bees. Currently, Bethany makes candles by hand using essential oils. Bethany believes her candles will be popular among overseas buyers and is considering expanding Scented Bees into overseas markets.

Explain how exchange rates can affect Bethany's business planning.

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**Question 17** (4 MARKS)

Zhen is planning on launching WebDev, a website development business in Melbourne. Zhen plans on hiring a team of assistants to handle customer enquiries and account management. To lower overall business costs, Zhen is considering offshoring labour to the Philippines. She will need to communicate with the assistants daily.

Explain the considerations Zhen should address in relation to offshoring of labour when planning WebDev.

**Testing previous knowledge****Question 18** (2 MARKS)

Outline the importance of a business considering the legal and government regulations in another country when planning to expand overseas.



# 3G Global considerations: Part 2

After careful consideration, you have decided to have your watches manufactured in China. You provide the Chinese manufacturer with the intricate watch designs and the packaging you want for your brand. Several weeks later, you notice another Chinese manufacturer has stolen your exact watch design and is using a logo almost identical to yours! What do you do?



## KEY DEFINITIONS

**Copyright** is free and automatic protection used on original ideas such as writing, art, sound, films, and photographs.

## ADDITIONAL TERMS

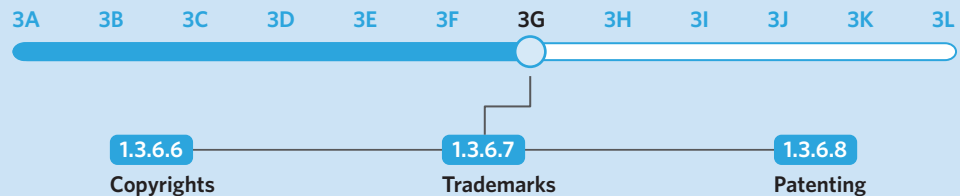
**Copyright infringement** is another person copying an original work for commercial use without the copyright owner's permission.

## LESSON LINK

Intellectual property was introduced in **1F Business concept development**.

## STUDY DESIGN DOT POINT

- global considerations such as overseas competitors, overseas markets, offshoring of labour, exchange rates, patenting, copyrights, trademarks and online sales



## Lesson introduction

Globalisation has significantly transformed the way that businesses operate today. Due to the rise of international competition, it is important for business owners to protect their intellectual property. Business owners must ensure all aspects of their business are original. If these aspects are not unique, the business may face significant fines and penalties.

## Copyrights 1.3.6.6

**Copyright** is free and automatic protection used on original ideas such as writing, art, sound, films, and photographs. It is important for a business owner to consider copyright issues when planning a business. Copyright provides a business with the exclusive right to control the use of its creative work, such as its website content and photographs. In Australia, when a business idea or creative work is created and documented on paper or electronically, it is automatically protected by copyright. Copyright is subject to international conventions, therefore, this prevents other businesses in the overseas market from copying the original ideas of an Australian business. It is important for a business to ensure it is not engaging in **copyright infringement**, as this could result in significant fines and penalties, whilst also negatively impacting its reputation.

**Table 1** How considerations associated with copyrights can impact business planning

Consideration	How it impacts business planning
Legal regulations	<ul style="list-style-type: none"> <li>A business should ensure its expression of ideas is original and unique to avoid copyright infringement.</li> <li>A business must ensure it obtains permission to reproduce or use any work that it does not own.</li> </ul>
Costs	<ul style="list-style-type: none"> <li>Copyright is free in Australia, however, a business may need to hire a lawyer to offer it advice on copyright laws when starting the business.</li> </ul>
Registration	<ul style="list-style-type: none"> <li>A business owner does not need to register for copyright in Australia as it applies automatically when new material is created.</li> </ul>

## REAL WORLD EXAMPLE

## Copyrights

Artikal Sound System is a reggae band that was founded in 2012 and is currently based in South Florida. In 2022, Artikal Sound System sued Dua Lipa for copyright infringements due to the similarities between her 2020 hit song, 'Levitating', and the band's 2017 recording, 'Live Your Life'. When it was released, 'Levitating' was an instant success, and as of 2022, is the longest-charting Billboard top 100 hit ever by a female artist. In the lawsuit, it is alleged that prior to writing 'Levitating', Dua Lipa and her record label, Warner Bros, 'listened to and copied' 'Live Your Life'. The case is yet to be heard in the United States. Therefore, it is essential that businesses, such as Warner Bros, abide by copyright laws to avoid lawsuits that may be damaging its reputation.

*Adapted from Entertainment, 'Dua Lipa sued by reggae band claiming 'Levitating' ripped off their song', 2022*



Image: Christian Bertrand/Shutterstock.com

**Figure 1** Artikal Sound System sued Dua Lipa for copyright infringement for her hit song 'Levitating'

## ACTIVITY

## Copyrights

Search up 'Experts Compare Dua Lipa's 'Levitating' to Artikal Sound System's 'Live Your Life' on YouTube and watch the entire video. Discuss the following questions with your classmates:

1. Do you think the two songs sound similar? Why or why not?
2. After having watched the video, do you believe the similarities are a coincidence or do you think the plagiarism is intentional? Why or why not?
3. Can you think of any other songs that sound familiar to one another that are not mentioned in the video?

## Trademarks 1.3.6.7

A **trademark** is an exclusive right granted over a unique aspect of a business, such as a symbol, word, sound, or number, that is used to distinguish the business or its products. During the planning stage, a business owner should consider registering the business's trademarks. However, trademark registration operates on a country-by-country basis, meaning that an Australian trademark will only provide protection in Australia. As of 2022, no global trademark currently exists, therefore, if a business owner is planning on selling their products overseas, they should consider registering the business's trademark in each country it plans to operate in. Once a business owner registers a trademark, the business has the sole right to use, licence, and sell it to others. If a business owner decides not to register its trademarks, they risk having a competitor use a similar aspect of the business, and have very little power in trying to stop them. Registering a trademark can protect a business's brand, such as its business name or logo. A business has the exclusive right to use the trademark in Australia for an initial period of ten years. After this initial period, the business needs to continually renew its registration to maintain its trademark. Similar to copyrights, trademarks are also protected under law and infringement of trademarks can result in significant penalties and fines.

**Table 2** How considerations associated with trademarks can impact business planning

Consideration	How it impacts business planning
Legal regulations	<ul style="list-style-type: none"> <li>• A business owner must ensure that aspects of its business are original and unique to avoid <b>trademark infringement</b>.</li> </ul>
Costs	<ul style="list-style-type: none"> <li>• The cost of applying for a trademark may differ depending on what the business decides to trademark. These costs can range anywhere between \$200 to \$500. However, the cost may exceed this price range depending on various additional fees.</li> <li>• A business may consider hiring a lawyer to assist with the preparation and lodgment of trademark applications, which may be time-consuming and expensive.</li> </ul>

Continues ►

## KEY DEFINITIONS

A **trademark** is an exclusive right granted over a unique aspect of a business, such as a symbol, word, sound, or number, that is used to distinguish the business or its products.

## ADDITIONAL TERMS

**Trademark infringement** is the reproduction or unauthorised use of an existing trademark without the trademark owner's permission.

Table 2 Continued

Consideration	How it impacts business planning
Registration	<ul style="list-style-type: none"> <li>• A business owner should ensure the trademark they want to use is still available.</li> <li>• A business owner should consider the processing time, as it typically takes at least seven months from when the business trademark is applied for it to become registered.</li> <li>• An Australian trademark only provides protection within Australia. If a business wishes to expand into overseas markets, it should consider registering its trademarks in the overseas countries that it plans to sell in.</li> </ul>

## REAL WORLD EXAMPLE



Image: Tang Yan Song/Shutterstock.com

**Figure 2** The Swatch Group wins its trademark infringement lawsuit against Samsung

## Trademarks

The Swatch Group is a Swiss manufacturer of watches and jewellery which operates internationally. In 2019, The Swatch Group sued Samsung for trademark infringement of its watch faces. According to The Swatch Group, the watch faces of various Samsung watch models, such as the Samsung Gear Sport, Gear S3 Classic, and Frontier were 'identical or virtually identical' to trademarks it already owned. In 2022, The Swatch Group was victorious in its \$100 million lawsuit against Samsung in the High Court of London.

*Adapted from archyde, 'Swatch Group wins lawsuit against Samsung', 2022*

## ACTIVITY

## Trademarks

In groups, research the following trademark infringement lawsuits and answer the corresponding questions below. Discuss your answers as a class:

## Lawsuits:

- The Coca-Cola Company v. Bisleri International Pvt. Ltd.
- Louis Vuitton v. Louis Vuitton Dak
- Yahoo! Inc. v. Akash Arora & Anr
- Apple Corps v Apple Computer

## Questions:

1. Provide a brief summary of the facts of the lawsuit. Why did one party sue the other?
2. In each case, what trademark was the business aiming to protect?
3. What was the outcome of the case?
4. Do you agree with the court's judgement and reasoning? Why or why not?

## Patenting 1.3.6.8

## KEY DEFINITIONS

A **patent** is a licence that provides a business with exclusive rights to use innovative devices, substances, methods, and processes.

A **patent** is a licence that provides a business with exclusive rights to use innovative devices, substances, methods, and processes. When planning a business, a business owner should consider whether it will be necessary to obtain a patent. A patent permits the business owner to exclude others from making, using, or selling its invention. Patents are reserved for ideas that are new, useful, and different from what already exists in the market. Obtaining a patent is important for a business, as it can help protect an invention from competitors, whilst providing a business with the exclusive right to determine how the invention is introduced into a market. Similar to a trademark, a patent registered in Australia only provides protection within Australia. If a business wishes to expand into overseas markets, it will need to obtain a patent in each country it wishes to sell in.

**Table 3** How considerations associated with patenting can impact business planning

Consideration	How it impacts business planning
<b>Legal regulations</b>	<ul style="list-style-type: none"> <li>A business owner should ensure that aspects of the business's patent are new, inventive, and useful. By doing so, the patent application is more likely to be approved and the business owner can avoid <b>patent infringement</b>.</li> </ul>
<b>Costs</b>	<ul style="list-style-type: none"> <li>The application cost will vary depending on the type of patent the business applies for, with the cost typically ranging between \$100 and \$500.</li> <li>A business may consider hiring a lawyer to assist with preparing and lodging patent applications, as this can be time-consuming and expensive.</li> </ul>
<b>Registration</b>	<ul style="list-style-type: none"> <li>If a business registers for a patent, it must ensure it has the necessary documentation to support its patent application.</li> <li>If a business wishes to expand into overseas markets, the business owner should consider registering a patent in each country the business will sell in.</li> </ul>

**ADDITIONAL TERMS**

**Patent infringement** is the unauthorised use of an existing patent without the patent owner's permission.

**REAL WORLD EXAMPLE****Patenting**

Nokia is a Finnish multinational telecommunication, consumer electronics, and information technology company. In 2022, Nokia won a patent infringement case in Germany against Chinese consumer electronics company, Oppo. According to Nokia, Oppo was using Nokia's patented 4G and 5G technologies in its smartphones without Nokia's permission. The court later confirmed Nokia's claims by announcing that 'Oppo [was] using Nokia's patented technologies in its smartphones and...selling them illegally without a licence'. As a result, Oppo was forced to stop selling its phones in Germany and may face similar issues in the future in other European countries.

*Adapted from arsTECHNICA, 'Nokia lawsuit forces Oppo and OnePlus out of the German market', 2022*



Image: Mercurious/Shutterstock.com

**Figure 3** Nokia wins its patent infringement lawsuit against Oppo

**Theory summary**

There are a number of global issues that a business owner must consider when planning a business.

- Copyrights are legal rights that provide business owners with the exclusive right to publish, reproduce, or sell their business's original works such as art, music, films, writing, and computer programs.
- Trademarks are legal rights granted to a business over aspects such as symbols, words, scents, numbers, sounds, or images that are unique to a business and used to distinguish its products.
- Patents are legal rights granted to a business for any processes, devices, substances, or methods that are inventive, new, and useful.

## 3G Questions

**Theory review****Question 1**

When planning a business, a business owner should spend time researching different global considerations that may impact the business.

- A. True
- B. False

**Question 2**

It is important that an Australian business registers for copyrights the moment it creates and documents a business idea.

- A. True
- B. False

**Question 3**

Copyright infringement could result in:

- A. a business facing significant penalties and fines.
- B. a business receiving a small fine, although it would still be able to continue using the original work without the copyright owner's permission.

**Question 4**

Fill in the blank with **one** of the following terms:

- copyrights
- trademarks

A business owner should consider \_\_\_\_\_ to protect a unique aspect of the business, such as a symbol, word, sound, or number, that distinguishes the business from competitors.

**Question 5**

An Australian trademark provides the business with protection in both the Australian and overseas markets.

- A. True
- B. False

**Question 6**

Fill in the blanks with the following terms:

- trademark
- patent

When planning a business, a business owner should consider obtaining a \_\_\_\_\_ to protect the business's invention from competitors. However, obtaining a \_\_\_\_\_ should be considered when a business wants to protect a unique feature that distinguishes it from competitors.

**Question 7**

As the number of global businesses continues to increase, it is important for business owners to ensure they plan to protect their business's branding and products from competitors.

- A. True
- B. False

## Preparing for exams

### Case study skills

**Question 8**

Josef is planning to open a chain of restaurants that sell Portuguese chicken wings and burgers across Melbourne and Sydney. Josef has decided to call the chain Hot Chickenz and would like to use a red and green chicken as his business logo to reflect the flag of Portugal.

Identify which of the following statements are **true** or **false** about trademarks for Hot Chickenz.

	True	False
I. Josef should consider registering trademarks only on the business name 'Hot Chickenz', as the logo does not need to be trademarked.	<input type="checkbox"/>	<input type="checkbox"/>
II. Josef should register trademarks on both the business name and logo to ensure Hot Chickenz has the exclusive right to use, licence, and sell products with this branding.	<input type="checkbox"/>	<input type="checkbox"/>
III. Josef should ensure Hot Chickenz's trademarks are registered overseas.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Josef does not need to register trademarks on either the business name or logo as these are automatically protected under Australian law.	<input type="checkbox"/>	<input type="checkbox"/>

**Question 9**

Emilia is planning on releasing a perfume called Emilia Rose. Emilia has spent years creating the formula for her perfume and is planning on launching Emilia Rose in both local and overseas markets. Emilia Rose contains a rare rose scent called Rolpio, but she is unsure if any other perfumes use the same scent. Emilia has no legal background and is unsure of the patent application process.

Identify which of the following statements are **true** or **false** about patenting Emilia Rose.

	True	False
I. Emilia will only need to register her patent in overseas markets, as patents are automatically registered in Australia.	<input type="checkbox"/>	<input type="checkbox"/>
II. As Emilia has no legal background, she could consider hiring a lawyer to assist with preparing her patent application to ensure it is completed and lodged correctly.	<input type="checkbox"/>	<input type="checkbox"/>
III. Emilia should ensure that Rolpio is not already used in similar products sold in the market as, if another perfume contains Rolphio, there is an increased likelihood of Emilia Rose's patent application being rejected.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Emilia will need to register the patent for Emilia Rose in both the Australian market and overseas markets that she wishes to sell in.	<input type="checkbox"/>	<input type="checkbox"/>

## Exam-style

**Question 10** (1 MARK)

Define the term 'trademark'.

---

**Question 11** (1 MARK)

Define the term 'patent'.

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**Question 12** (2 MARKS)

Describe the importance of considering copyright when planning a business.

---

**Question 13** (3 MARKS)

Josef is planning to open a chain of restaurants that sell Portuguese chicken wings and burgers across Melbourne and Sydney. Josef has decided to call the chain Hot Chickenz and would like to use a red and green chicken as his business logo to reflect the flag of Portugal.

Explain the effect of trademarks on Josef's business planning decisions.

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**Question 14** (3 MARKS)

Emilia is planning on releasing a perfume called Emilia Rose. Emilia has spent years creating the formula for her perfume and is planning on launching Emilia Rose in both local and overseas markets. Emilia Rose contains a rare rose scent called Rolpio, but she is unsure if any other perfumes use the same scent. Emilia has no legal background and is unsure of the patent application process.

Explain the effect of patenting on Emilia's business planning decisions.

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## Testing previous knowledge

**Question 15** (4 MARKS)

Amara is planning on launching Relaxing Bath, a business that sells a range of bath products, such as bath bombs, salts, and oils. After experimenting with different ingredients, Amara has found a signature scent for her bath products. She believes that this scent will be a success in overseas markets as well as Australia.

Explain two global considerations that Amara could address when planning her business.

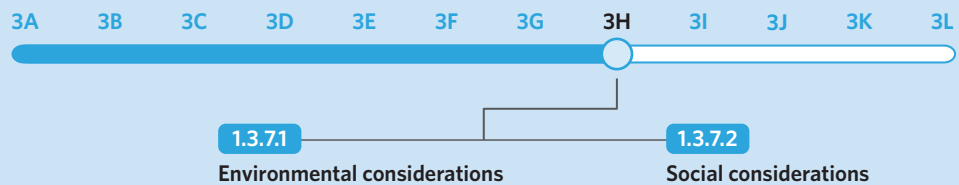
# 3H

## Corporate social responsibility (CSR)

Do you think a business should simply exist with the purpose to make a profit? Given the impact that businesses have on society, is it acceptable for corporations to be detached from the social and environmental issues that are present in our world?

### STUDY DESIGN DOT POINT

- corporate social responsibility considerations related to business planning, such as environmental considerations and planning for socially responsible production of goods and services



### KEY DEFINITIONS

#### Corporate social responsibility (CSR)

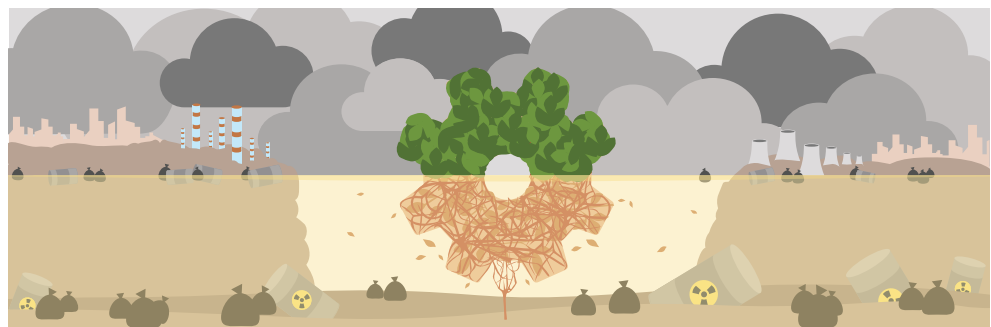
is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic, and environmental impacts when making business decisions.

### ADDITIONAL TERMS

**Environmental sustainability** involves making an effort to ensure natural resources are not permanently depleted or damaged by business activities.

### Lesson introduction

**Corporate social responsibility (CSR)** is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic, and environmental impacts when making business decisions. As society becomes increasingly aware of business activities, business owners are expected to responsibly conduct their actions. For businesses to survive and remain competitive, they must go beyond legal requirements and display consideration for society and the environment. Therefore, as society now expects businesses to take the initiative to improve their environmental and social performance, businesses should ensure they consider implementing CSR practices during business planning.



### Environmental considerations 1.3.7.1

A business should consider the welfare of local, national, and global societies by protecting and preserving the environment. Business activities, such as producing goods and services, can significantly damage the environment. Therefore, to implement CSR initiatives, business owners should plan to consider the environmental impacts of their business activities and aim to increase the **environmental sustainability** of their business practices.

**Table 1** Examples of how business owners can plan to demonstrate CSR by considering the environment

Business planning to implement CSR	Explanation
Business owners could plan to source environmentally sustainable resources from local suppliers instead of overseas suppliers.	A business can improve the environmental sustainability of its resources by sourcing them from ethical and sustainable suppliers, allowing the business to minimise its environmental impact. Additionally, choosing local suppliers benefits the environment as it reduces the distance that supplies must travel, lowering the emissions of the business as a result.



Image: VanderWolf Images/Shutterstock.com

Continues ►

Table 1 Continued

Business planning to implement CSR	Explanation	
Business owners may plan to use various waste management strategies when producing goods and services. Waste management strategies include recycling and reusing excess materials where possible.	Reducing the number of raw materials used, as well as recycling resources where possible, minimises the amount of waste that a business generates when producing its goods and services. Therefore, fewer materials from the business are likely to contribute to landfill.	 Image: Dr. Victor Wong/Shutterstock.com
When planning the packaging for a product, owners may decide to eliminate all packaging that is not environmentally friendly.	When manufacturing products, business owners could adopt recyclable packaging. By doing so, a business increases the likelihood that a customer will dispose of the packaging in an environmentally friendly manner, minimising the business's negative impact on the environment.	 Image: UvGroup/Shutterstock.com
When deciding what energy sources to use, business owners can choose environmentally friendly, renewable resources. Some examples of renewable energy sources are solar power and wind turbines.	Choosing renewable energy sources to meet a business's energy needs protects the environment, as these sources cause minimal or no pollution to the environment.	 Image: LeoWolfert/Shutterstock.com
Business owners could plan to donate a portion of their profits to organisations that seek to save the environment.	Donating money to organisations that aim to protect and preserve the environment can assist them to fulfil their purpose. Businesses that support environmental organisations can strengthen their positive impact on the environment.	 Image: wk1003mike/Shutterstock.com

## EXTENDED REAL WORLD EXAMPLE

## Environmental considerations

Google is a technology company that specialises in internet-related services. Over the past two decades, Google has demonstrated its commitment to using its resources in the most efficient and sustainable manner. In 2007, Google became the first major company to become carbon neutral, setting a precedent for other major companies to follow. In addition, since 2017, Google has matched 100% of its global electricity use with purchases of renewable energy. In 2019, the company invested \$150 million USD in renewable energy in its manufacturing processes, and made the largest corporate purchase of renewable energy in history. In 2020, Google became the first major company to neutralise its entire carbon emissions. Google is clearly dedicated to creating a more sustainable future and improving the health of our planet.

In 2020, Google set its most ambitious sustainability goal to operate entirely on carbon-free energy in its offices and data centres worldwide by 2030. By implementing these goals, Google demonstrates its awareness of, and dedication to tackling climate change. Google has identified three strategies to help achieve this goal. Firstly, Google believes that assisting in the development of clean energy technologies will allow for advancements in relation to carbon-free energy technologies to be made faster. Secondly, Google aims to develop new transactional approaches which will allow it to purchase clean energy 24/7. The final strategy that Google believes will help achieve its 2030 carbon-free energy goal is through the development of partnerships and advocating for policies that aim to accelerate the reduction of carbon emissions released by electricity grids across the world. Overall, through the implementation of these CSR practices, Google demonstrates its dedication to having a positive impact on the environment.

*Adapted from Google, 'A policy roadmap for 24/7 carbon-free energy', 2022*



Image: efa2015/Shutterstock.com

**Figure 1** Google has gained a positive reputation as an environmentally friendly business

## Questions

1. Does Google's implementation of CSR practices affect your view of the company? Why or why not?
2. What are some advantages and disadvantages of Google's decision to become carbon-free by 2030?
3. Do you expect large companies, like Google, to implement practices to address environmental sustainability? Why or why not?



## Social considerations 1.3.7.2

Another element of CSR that businesses need to consider is their impact on society. The goods and services that businesses produce and their activities can have a significant impact on society. It is important that business owners plan to reduce any negative social impacts their activities may have, and consider ways they can positively contribute to society.

**Table 2** Examples of how business owners can plan to demonstrate CSR by considering impacts on society

Business planning to implement CSR	Explanation	
Business owners could plan to source resources from local suppliers instead of overseas suppliers.	Selecting a local supplier demonstrates CSR as it can provide local citizens with employment and boost the local economy.	 Image: Olivier Le Moal/Shutterstock.com
If a business adopts technology that replaces its human labour, business owners should assist affected employees. For example, business owners may offer employees a different job within the business, or assist them to find employment elsewhere.	Providing employees affected by technology with a different job, or assistance in finding another job, can reduce unemployment in society. Low unemployment levels are important in society to minimise social issues, such as crime and homelessness.	 Image: Elnur/Shutterstock.com
Business owners could plan to produce goods and services that are beneficial for society. For example, an app developer could produce a mindfulness program.	Businesses can display CSR if they avoid producing products that have a negative effect on the health and wellbeing of individuals. Instead, businesses can produce goods and services that positively contribute to society.	 Image: Prostock-studio/Shutterstock.com
Business owners could plan to devote a portion of the business's profit to offering employees paid volunteer time. For example, businesses can pay employees to spend several days per year volunteering at the employee's organisation of choice.	Businesses that empower employees to devote their time to volunteering during a paid workday show significant concern for society. A business that has set workdays where employees can volunteer will have a positive impact on improving various social issues.	 Image: wavebreakmedia/Shutterstock.com

### ADDITIONAL TERMS

**Philanthropy** is an active effort to promote the wellbeing of others, such as by donating money to charity.

### REAL WORLD EXAMPLE



Image: enchanted\_fairy/Shutterstock.com

**Figure 2** Ben and Jerry's commits to showing CSR by positively impacting society

### Social considerations

Ben and Jerry's is a multinational company that produces ice cream, frozen yoghurt, and sorbet. Ben and Jerry's displays CSR through various business activities which focus on benefiting the community. One example of Ben and Jerry's CSR activities includes its corporate **philanthropy** program, where it awards \$1.8 million each year to organisations that are addressing a social problem. Ben and Jerry's employees are responsible for choosing organisations that support the resolution of a wide range of social issues.

*Adapted from Ben and Jerry's, 'Ben & Jerry's Corporate Social Responsibility', 2022*

**ACTIVITY****Corporate social responsibility (CSR)**

Koko is the owner of Sushi Central, a dine-in and takeaway Japanese restaurant that operates in Melbourne CBD. Currently, Koko sources her sushi ingredients, such as rice, seaweed, and fresh fish, from overseas suppliers as it is cheaper than those that are local. However, Koko has noticed that the quality of these ingredients has declined. As a result, some of the ingredients have to be thrown away which is increasing the level of waste at Sushi Central. Koko has decided to implement an automatic sushi maker within Sushi Central's kitchen to increase the rate of its production system and better meet current demand at the restaurant, whilst simultaneously minimising wasted ingredients as sushi can be made more precisely. Koko currently has five chefs, however, as she is implementing an automatic sushi maker, two of the chefs will be replaced by this technology. Furthermore, for takeaway orders, Koko wants to replace plastic packaging with environmentally friendly materials to minimise Sushi Central's environmental impact and demonstrate the restaurant's commitment to CSR. Fill in the following table with strategies that Koko is planning to, or could plan to implement at Sushi Central to address each CSR consideration:

Environmental considerations	Social considerations

**Theory summary**

As society becomes increasingly aware of business activities and expects ethical conduct from businesses, it is important that business owners plan to implement strategies that demonstrate CSR. Businesses should consider the social and environmental implications of producing their goods and services. Business owners should also strive to act in the best interests of the local, national, and global community by positively contributing to society. While there are many benefits of CSR for a business, there are also some unavoidable limitations that businesses must consider.

**Table 3** Advantages and disadvantages of CSR

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>Implementing CSR practices can result in a positive business reputation which may attract more customers.</li> <li>Implementing CSR practices may attract highly skilled employees who value ethical conduct and are committed to achieving business objectives.</li> </ul>	<ul style="list-style-type: none"> <li>A constant focus on CSR and implementing strategies to benefit society and the environment may decrease productivity levels in the completion of other business tasks.</li> </ul>
<b>Employee</b>	<ul style="list-style-type: none"> <li>Employees typically prefer to work for businesses that are socially responsible.</li> <li>Employees are likely to be more motivated and loyal to a business that demonstrates CSR.</li> </ul>	<ul style="list-style-type: none"> <li>Where the business is constantly implementing new CSR practices that aim to minimise waste in production, employees may feel overwhelmed and may struggle to adapt to new practices within the business.</li> </ul>
<b>Time</b>	<ul style="list-style-type: none"> <li>After CSR practices are implemented, production processes may be more efficient.</li> </ul>	<ul style="list-style-type: none"> <li>It can be time-consuming to implement CSR practices.</li> </ul>
<b>Money</b>	<ul style="list-style-type: none"> <li>Customers may be willing to pay more for ethically produced goods and services.</li> </ul>	<ul style="list-style-type: none"> <li>CSR practices can be expensive for a business to initially implement.</li> </ul>

# 3H Questions

## Theory review

### Question 1

As long as businesses do not harm society, they are displaying corporate social responsibility.

- A. True
- B. False

### Question 2

A business owner can address a corporate social responsibility environmental consideration by:

- A. choosing global suppliers that treat their employees fairly.
- B. choosing local suppliers to reduce transport emissions.

### Question 3

Identify which of the following are environmental considerations of CSR: **(Select all that apply)**

- I. A business owner is planning to recycle any excess materials that are not used in production to reduce the number of materials that are discarded.
- II. A business owner replaces all plastic packaging with reusable and recyclable paper packaging.
- III. A business owner adopts technology that replaces its human employees but offers them a different job within the business.
- IV. A business owner decides to donate a portion of its profits to organisations that seek to protect and preserve the environment.

### Question 4

Sourcing from local suppliers to provide local employment opportunities relates to a:

- A. social consideration.
- B. environmental consideration.

### Question 5

A business that decides to produce goods and services that are beneficial to the health and wellbeing of society during its business planning is addressing social considerations.

- A. True
- B. False

### Question 6

Planning to consider society and the environment can be difficult for businesses because:

- A. society may have a negative perception of businesses that display CSR.
- B. implementing CSR practices can be both time-consuming and costly.

### Question 7

Corporate social responsibility only relates to environmental and social considerations.

- A. True
- B. False

## Preparing for exams

### Case study skills

### Question 8

Calypso is currently planning the details of her luxury candle business, Calypso's Candles. Calypso has always been passionate about purchasing from businesses that show consideration for society and the environment, and holds her prospective business to the same standard.

Identify which of the following statements are **true** or **false** about corporate social responsibility considerations at Calypso's Candles.

	True	False
I. If Calypso decides to eliminate unsustainable packaging from her candles, this is an example of a social consideration.	<input type="checkbox"/>	<input type="checkbox"/>
II. If Calypso decides to source her resources, such as candle wax, from local suppliers to reduce transport emissions, this is an example of an environmental consideration.	<input type="checkbox"/>	<input type="checkbox"/>
III. If Calypso decides to devote a portion of her profits to paying her employees to spend a workday volunteering at an organisation that tackles a social issue, this is an example of a social consideration.	<input type="checkbox"/>	<input type="checkbox"/>
IV. If Calypso decides to replace employees and adopt technology to automate the candle-making process, but assists them in finding a new job, this is an example of an environmental consideration.	<input type="checkbox"/>	<input type="checkbox"/>

**Use the following information to answer Questions 9 and 10.**

River is an Australian business that produces kombucha. River's kombucha is sold in many supermarkets and grocery stores across the country. The owner, Gina, used to work at a business that showed a strong commitment to corporate social responsibility. Gina is determined to introduce this same level of concern for corporate social responsibility in her own business.

**Question 9**

Identify which of the following is a correct statement about River implementing a corporate social responsibility strategy.

- A. River could ensure that it meets all its legal obligations.
- B. River could allow employees to spend some of their paid work time volunteering at an organisation of their choice.

**Question 10**

Identify which of the following are advantages of River implementing a corporate social responsibility strategy.

**(Select all that apply)**

- I. River's employees will likely be more motivated to work for a business that demonstrates corporate social responsibility.
- II. River could charge a premium price for its kombucha as customers are generally willing to pay more for socially responsible products.
- III. It is both time-consuming and expensive for River to pick which corporate social responsibility strategy suits the business.
- IV. The public is likely to perceive River positively if it demonstrates corporate social responsibility.

**Exam-style**

**Question 11** (1 MARK)

Define the term 'corporate social responsibility'.

**Question 12** (2 MARKS)

Describe one advantage and one disadvantage of a business demonstrating corporate social responsibility.

**Question 13** (4 MARKS)

Calypso is currently planning the details of her luxury candle business, Calypso's Candles. Calypso has always been passionate about purchasing from businesses that show consideration for society and the environment, and holds her prospective business to the same standard.

Explain two corporate social responsibility considerations Calypso can address during business planning.

**Question 14** (4 MARKS)

River is an Australian business that produces kombucha. River's kombucha is sold in many supermarkets and grocery stores across the country. The owner, Gina, used to work at a business that showed a strong commitment to corporate social responsibility. Gina is determined to introduce this same level of concern for corporate social responsibility in her own business.

Propose and justify one corporate social responsibility consideration that River could plan to address.

**Testing previous knowledge**

**Question 15** (3 MARKS)

Outline the relationship between corporate social responsibility and business planning.

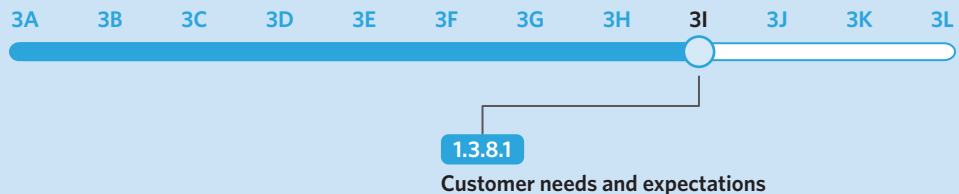
# 3 Customer needs and expectations

If you want to grab a coffee before school, what factors determine which cafe you go to? Do you go to a drive-through cafe that allows you to pick up your coffee easily? Or would you choose the cafe where the barista always treats you like a friend? A business must consider the factors that make a customer more likely to purchase its products.



## STUDY DESIGN DOT POINT

- customer needs and expectations



## Lesson introduction

When planning a business, a business owner should not only consider the macro factors that will affect the business, but also plan for the various operating factors. As customers are an operating factor, a business has some degree of control over its interactions with them. It is important that a business monitors customer behaviour and considers how to best meet their needs. By doing so, a business can increase customer satisfaction and business sales.

## Customer needs and expectations 1.3.8.1

### KEY DEFINITIONS

**Customer needs** are the essential requirements that customers intend to fulfil with the purchase of a good or service from a business.

**Customer expectations** are the values or benefits that customers seek when purchasing a good or service from a business.

### ADDITIONAL TERMS

**Customer retention** is the ability of a business to keep its customers over time and is a measure of customer loyalty.

**Customer needs** are the essential requirements that customers intend to fulfil with the purchase of a good or service from a business. However, **customer expectations** are the values or benefits that customers seek when purchasing a good or service from a business. Unlike customer needs, customer expectations are not essential requirements, but are things customers anticipate when making a purchase. If a business does not meet customer expectations, it is unlikely that customers will be fully satisfied. During business planning, it is important for a business owner to investigate who their potential customers will be, and what they require and prefer when purchasing a good or service. In order to be successful, a business should identify relevant customers' needs during the planning stage of a business, and ensure that it can provide a good or service that can fulfil these needs.

By consistently meeting customer needs and exceeding customers' evolving expectations, a business is more likely to improve customer satisfaction, which can improve **customer retention** and increase sales. However, if a business fails to consider its customers' needs and expectations, it may tarnish the business's reputation and cause customers to purchase from competitors, ultimately damaging the business's sales and overall performance.

### LESSON LINK

Operating factors were introduced in **3A The external environment**.

**Table 1** The effect of customer needs and expectations on business planning

Needs and expectations	Explanation	How it impacts business planning
<b>Customer convenience</b>	<ul style="list-style-type: none"> <li>Customers expect an experience that saves them time and effort, meaning it is important for a business owner to plan how they can offer the most convenient experience for their customers.</li> </ul>	<ul style="list-style-type: none"> <li>A business owner could consider offering customers convenient options, such as next-day delivery and a click-and-collect service.</li> <li>A business owner could consider accepting multiple payment options, such as PayPal and Afterpay, to increase customer convenience.</li> </ul>

Continues ►

Table 1 Continued

Needs and expectations	Explanation	How it impacts business planning
<b>High-quality good or service</b>	<ul style="list-style-type: none"> <li>A business owner should ensure that their products are of a high standard and operate as a customer needs and expects.</li> </ul>	<ul style="list-style-type: none"> <li>A business owner should consider working closely with suppliers to ensure products are of a high quality and free of defects.</li> <li>A business could consider conducting inspections of products before distribution to customers to ensure products meet desired standards and operate as a customer needs and expects.</li> </ul>
<b>Social responsibility</b>	<ul style="list-style-type: none"> <li>As customers have become increasingly more informed and conscientious about their buying decisions, a business owner could consider making more ethical decisions.</li> </ul>	<ul style="list-style-type: none"> <li>A business owner could consider sourcing ethical materials to produce their products and therefore meet customer needs and expectations for socially-responsible products.</li> <li>A business could consider ways to reduce its waste and pollution to meet customer needs and expectations of social responsibility.</li> </ul>
<b>Responsive customer service</b>	<ul style="list-style-type: none"> <li>Customers expect a business to respond to their queries promptly. A business should ensure customers are able to interact with the business in order to earn customer loyalty.</li> </ul>	<ul style="list-style-type: none"> <li>A business may consider having a dedicated support team to respond to customer queries.</li> <li>A business owner should consider offering customer service through a number of different channels, such as phone calls, email, live online chat, and social media.</li> <li>A business could consider establishing a 'frequently asked questions' page on its website to provide customers with a quick answer to common questions.</li> </ul>

## REAL WORLD EXAMPLE

**Customer needs and expectations**

Starbucks is the largest multinational coffee chain in the world. The coffee business aims to redefine the process of ordering beverages for customers, and has reached such success partially due to its dedication to meeting customer needs and expectations. The company consistently updates its menu to adhere to changing customer tastes and trends. In 2008, the brand launched 'My Starbucks Idea' to allow customers to give their input into what would improve their experience with the brand, therefore demonstrating that they value customer feedback. Since then, over 300 suggestions have been implemented in Starbucks stores, including a free birthday gift and the Hazelnut Machiatto flavour. In recognition of the preference of many customers to support socially-responsible brands, Starbucks has partnered with several organisations to give back to the community. For example, the company has a USD \$10 million partnership with Closed Loop Partners to create eco-friendly coffee cups and reduce its environmental impact. The brand also attempts to emphasise customer convenience, such as the 'order ahead' option in the Starbucks app, which allows customers to skip the queues and pick up their coffee as quickly as possible. This dedication to creating a high-quality customer experience is what allows Starbucks to remain one of the most successful coffee chains worldwide.

*Adapted from Quality Logo Products Blog, 'Building a Community: Why Starbucks Gets Customer Service Right', 2022*

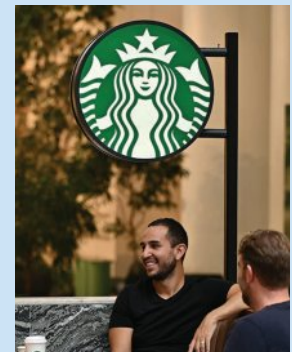


Image: Wachiwit/Shutterstock.com

**Figure 1** Starbucks emphasises a dedication to upholding customer needs and expectations

**ACTIVITY****Customer needs and expectations**

In pairs or small groups, come up with your own business idea. You will need to decide on a business name and what good or service you will be offering to customers.

Discuss the following questions with your classmates:

1. What is an example of a customer need your business may address?
2. What is an example of a customer expectation that your business may address?
3. Do you think that meeting customer needs and expectations would be costly to the business? Why or why not?
4. If you had limited resources such as time or money, would you choose to prioritise a customer need or an expectation?

## Theory summary

It is important for a business owner to identify and consider customer needs and expectations when planning a business. A customer need is an essential requirement that customers intend to fulfil when purchasing a product, whereas a customer expectation is the perceived value that customers seek when purchasing a product from a business. By considering customer needs and expectations, a business can maintain a positive reputation and is likely to experience higher levels of customer satisfaction, customer retention, and sales.

# 31 Questions

## Theory review

### Question 1

During the planning stages of a business, a business owner must consider ways to meet customer needs and expectations.

- A. True
- B. False

### Question 2

When planning, a business owner only needs to focus on meeting customer needs.

- A. True
- B. False

### Question 3

Fill in the blanks with the following terms:

- non-essential
- essential

Customer needs are \_\_\_\_\_ to a customer, whereas customer expectations are considered to be \_\_\_\_\_.

### Question 4

Identifying and fulfilling customer needs can lead to a business experiencing: **(Select all that apply)**

- I. lower customer retention.
- II. higher rates of customer satisfaction.
- III. increased sales.

### Question 5

A business must offer free next-day delivery to ensure it can retain customers and meet their needs.

- A. True
- B. False

### Question 6

A business should consider sourcing ethical materials to make its products, to exceed customer expectations and establish a positive reputation.

- A. True
- B. False

### Question 7

Exceeding customer expectations can result in:

**(Select all that apply)**

- I. the customer being more likely to purchase again from the business.
- II. an improvement in the business's reputation.
- III. lower levels of customer satisfaction.

### Question 8

A business that does not consistently consider changing customer needs and expectations is unlikely to lose customers to competitors.

- A. True
- B. False

## Preparing for exams

### Case study skills

### Question 9

Trent is considering opening a clothing store located in Brunswick, offering a range of unisex clothing items and accessories. He is also planning to launch an online store to allow customers to browse the range of clothing he will be offering.

Identify which of the following statements are correct about the importance of Trent considering customer expectations. **(Select all that apply)**

- I. Considering customer expectations during business planning is not important as Trent will have both an online and a physical storefront, meaning customers will be satisfied.
- II. Considering customer expectations will allow Trent to satisfy customer preferences, such as sourcing sustainable fabrics, therefore establishing an ethical and positive reputation for the business.
- III. Trent could consider customer expectations, such as being able to shop online, to increase the likelihood that customers will be satisfied with his business.

### Question 10

Ava is planning the launch of her small business, Lipstix. Ava has decided to use JCX, a large manufacturer located in Japan, to manufacture her luxury lipsticks for a cheap price. Lipstix will have both a physical store and online store.

Identify which of the following statements are **true** or **false** about the importance of Ava considering customer needs and expectations.

	True	False
I. Ava could consider customer expectations by planning to offer convenient options, such as a click-and-collect service, for customers who shop online.	<input type="checkbox"/>	<input type="checkbox"/>
II. Ava could consider customer needs by providing a free gift when they purchase their first product.	<input type="checkbox"/>	<input type="checkbox"/>
III. Ava could consider customer needs by ensuring that JCX uses high-quality materials when manufacturing Lipstix.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Ava could consider customer expectations by charging a premium price for her products in order to increase revenue.	<input type="checkbox"/>	<input type="checkbox"/>

### Exam-style

#### Question 11 (1 MARK)

Define the term 'customer needs'.

#### Question 12 (1 MARK)

Define the term 'customer expectations'.

#### Question 13 (2 MARKS)

Outline two ways a business owner could consider customer needs when planning a business.

#### Question 14 (3 MARKS)

Trent is considering opening a clothing store located in Brunswick, offering a range of unisex clothing items and accessories. He is also planning to launch an online store to allow customers to browse the range of clothing he will be offering.

Explain the importance of Trent considering customer expectations during his business planning.

#### Question 15 (4 MARKS)

Ava is planning the launch of her small business, Lipstix. Ava has decided to use JCX, a large manufacturer located in Japan, to manufacture her luxury lipsticks for a cheap price. Lipstix will have both a physical store and online store.

Explain how Ava could consider customer needs and expectations when planning Lipstix.

### Testing previous knowledge

#### Question 16 (3 MARKS)

Explain how demonstrating a commitment to corporate social responsibility could allow a business to satisfy customer expectations.



# 3J Competitors' behaviour

'The number one thing that has made Amazon successful by far is our obsessive compulsive focus on the customer, as opposed to obsession over the competitor' – Jeff Bezos

Founder of Amazon, Jeff Bezos, believes the company's success was primarily due to its focus on customers rather than competitors. Do you believe a business owner should focus their efforts solely on the customer, or is it important to consider competitors' behaviour too?



## KEY DEFINITIONS

**Competitors** are businesses that operate in the same or similar industry and offer a similar good or service.

## ADDITIONAL TERMS

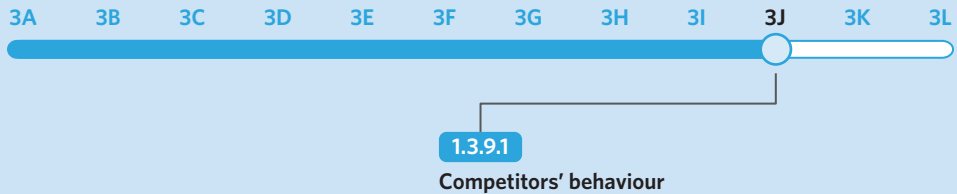
**Competitive advantage** refers to the conditions or attributes that place a business in a superior position compared to its immediate competitors.

## LESSON LINK

Overseas competitors were introduced in **3F Global considerations: Part 2**.  
Market research was introduced in **1G Market research and initial feasibility studies**.

## STUDY DESIGN DOT POINT

- competitors' behaviour



## Lesson introduction

While all businesses must satisfy customer needs and expectations, they must also focus on outperforming their competition. When planning a business, a business owner must consider the behaviour of any existing competitors in the market, as well as the possibility of any future, competitors. As competitors are an operating factor, a business owner has no control over the actions of competitors. However, business owners can control how they anticipate and plan to respond to competitors' behaviour. If a business owner fails to consider the behaviour of competing businesses, such as their mistakes or successes, the business could miss out on potential opportunities in the market.

## Competitors' behaviour 1.3.9.1

**Competitors** are businesses that operate in the same or similar industry and offer a similar good or service. When planning a business, it is important for a business owner to consider the behaviour of both local and overseas competitors in order to establish a **competitive advantage**. One way a business owner can analyse the competitiveness within the industry they plan to operate in is by conducting market research. Having a detailed understanding of competitors will enable business owners to make informed decisions about their own products and business direction. Business owners will also be able to differentiate themselves from competitors by identifying what makes their own goods or services unique in the market. For a business to succeed within an industry, it must quickly respond to changes in the behaviour of competitors and deal with any potential threats before they arise. It is also important that a business owner considers and plans for the potential emergence of new competitors in the market.

**Table 1** How competitors' behaviour affects business planning

Competitor behaviour	Impact on business planning
Competitors selling a similar good or service for a lower price	<ul style="list-style-type: none"> <li>A business may need to reconsider its manufacturing and operating costs to determine if it can lower production costs in order to offer its product at the same or similar price to competitors.</li> <li>A business may need to reconsider its competitive advantage in the market if it cannot sell at a competitive price. For example, a business could attract customers by offering free delivery on all orders.</li> </ul>
Competitors selling a highly unique good or service	<ul style="list-style-type: none"> <li>A business must build a competitive advantage and invest in creating a good or service with newer or more unique features.</li> </ul>
Entering an industry where few businesses have a large market share	<ul style="list-style-type: none"> <li>A business must investigate the strengths and weaknesses of its competitors, and take advantage of the competitors' weaknesses.</li> <li>Business owners must continuously innovate in the industry.</li> </ul>

Continues ►

Table 1 Continued

Competitor behaviour	Impact on business planning
The threat of potential new competitors entering the market	<ul style="list-style-type: none"> <li>• A business must anticipate the emergence of new competitors entering the market and have a plan to respond.</li> <li>• A business should consider the threat of new competitors, as a high number of businesses entering the market can make an industry more competitive, and may decrease a business's profit.</li> </ul>

## REAL WORLD EXAMPLE

## Competitors' behaviour

Instagram is a social networking platform which was founded in 2010, and was later acquired by Facebook in 2012. The platform has a focus on sharing photos and videos, in addition to a direct messaging feature for group and individual messages. Over the past decade, Instagram has kept a close eye on the features that other major social media platforms have developed and has altered its own platform in order to remain relevant to users. In 2017, the introduction of Instagram stories closely mimicked a similar feature on the social media platform, Snapchat. Both social media apps allow users to post photos for their followers to see that delete after 24 hours. At the end of 2019, Instagram implemented reels, which allow users to post short and engaging videos. Again, this feature closely mimicked another popular social media platform, TikTok. Instagram ensures that its platform is up to date with competitors in order to avoid losing any current consumers to another social media platform that may be considered more engaging or useful. By analysing competitors' behaviour, Instagram attempts to become the most useful social media platform and increase its market share.

*Adapted from MUO - Technology, Simplified, 'Are All Social Media Platforms Becoming the Same?', 2022*



Image: Antlii/Shutterstock.com

**Figure 1** Instagram continually analyses competitors' behaviour in order to stay competitive

## ACTIVITY

## Competitors' behaviour

Catherine is considering starting her own catering business, called Catherine's Catering, which would operate in Keysborough and its surrounding suburbs. During the planning stages of the business, Catherine needs to analyse and respond to the behaviour of various competing catering businesses in the area.

After conducting market research, Catherine has identified the following competitor behaviours:

- Alinta's Catering offers a selection of healthier food options for customers who are more health conscious.
- Beatrice's Budget Catering advertises the lowest prices in the area and offers a special '3 for the price of 2' deal for customers.
- Chung-Hee Family Catering has a large market share in the catering industry as they have the largest selection of high-quality food items, including hot and cold food, desserts, and catering for all allergies.

Discuss the following questions with your classmates:

1. How could Catherine's Catering respond to the three competitor behaviours identified in order to remain competitive in the market?
2. Should Catherine attempt to offer the highest quality food in the market at the same time as being the cheapest catering option for customers? Why or why not?

## Theory summary

When planning a business, a business owner must consider the actions of both local and overseas competitors. Business owners should ensure they spend time investigating the strengths, weaknesses, pricing strategies, and product offerings of their competitors before establishing a business. Businesses should be quick to adapt and respond to changes in competitors' behaviour in order to stay relevant in the market and maintain a competitive advantage.

# 3J Questions

## Theory review

### Question 1

An essential step during business planning involves the business owner considering the actions of competitors.

- A. True
- B. False

### Question 2

One way a business can investigate competitors' behaviour is by:

- A. conducting market research.
- B. analysing customer trends and preferences.

### Question 3

A business owner should research the strengths and weaknesses of its competitors as it will allow them to:

- A. ensure their business's goods or services are as similar as possible to competitors.
- B. make more informed decisions about their business's product offerings and pricing strategies.

### Question 4

A business should only consider the impact of local competitors' behaviour when planning.

- A. True
- B. False

### Question 5

When planning a business, a business owner only needs to consider existing competitors in the market.

- A. True
- B. False

### Question 6

If a new competitor enters the market and sells a product at a lower price, a business could: **(Select all that apply)**

- I. increase its prices to attract new customers.
- II. reconsider its manufacturing and operating expenses to reduce costs where possible.
- III. focus on developing its own competitive advantage in the market.

### Question 7

If a business owner fails to consider competitors' behaviour when planning, they could miss out on opportunities in the market.

- A. True
- B. False

## Preparing for exams

### Case study skills

### Question 8

Lydia is planning on launching a clothing and accessories store in Highpoint Shopping Centre called Misty Boutique. There are currently many vacant shops surrounding the area where Misty Boutique will be located. Lydia is worried about the number of existing competitors in Highpoint such as Mayer, a department store with a large market share. Lydia is also concerned about the significantly lower prices Mayer charges for its accessories.

Identify which of the following statements are **true** or **false** about considering competitors' behaviour during business planning at Misty Boutique.

	True	False
I. Lydia should consider the vacant stores surrounding her. If new competitors occupy these stores in the future, this could make the industry more competitive and decrease Misty Boutique's potential profit.	<input type="checkbox"/>	<input type="checkbox"/>
II. Lydia should increase her prices to remain competitive in the market and increase the market share of Misty Boutique.	<input type="checkbox"/>	<input type="checkbox"/>
III. Lydia will not need to consider the vacant stores around her, as it is unlikely that new businesses will negatively impact her sales	<input type="checkbox"/>	<input type="checkbox"/>
IV. Lydia may need to reconsider Misty Boutique's manufacturing and operating costs to compete with Mayer's low prices.	<input type="checkbox"/>	<input type="checkbox"/>

## Exam-style

**Question 9** (1 MARK)

Define the term 'competitors'.

---

**Question 10** (2 MARKS)

Explain how a business owner could consider competitors' behaviour when planning a business.

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**Question 11** (3 MARKS)

Explain the importance of considering competitors' behaviour during business planning.

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**Question 12** (4 MARKS)

Lydia is planning on launching a clothing and accessories store in Highpoint Shopping Centre called Misty Boutique. There are currently many vacant shops surrounding where Misty Boutique will be located. Lydia is worried about the number of existing competitors in Highpoint such as Mayer, a department store with a large market share. Lydia is also concerned about the significantly lower prices Mayer charges for its accessories.

Explain two competitor behaviours that may affect Lydia's business planning decisions.

## Testing previous knowledge

**Question 13** (3 MARKS)

Explain how a business could utilise market research when considering competitors' behaviour during business planning.

# 3K Suppliers and the supply chain

Due to the impact of the COVID-19 pandemic, the number of consumers favouring Australian-made products has significantly increased. Australians are urging businesses to support local jobs and the Australian economy. Are you more likely to purchase a product that is Australian-made? Would you still purchase Australian-made products even if they were more expensive?



Made in Australia

## KEY DEFINITIONS

**Suppliers** are individuals or businesses that provide the resources required to produce goods and services.

A **supply chain** is the network of individuals or businesses that are involved in producing and distributing a good or service to customers.

## ADDITIONAL TERMS

**Inputs** are the resources used by a business to produce goods and services.

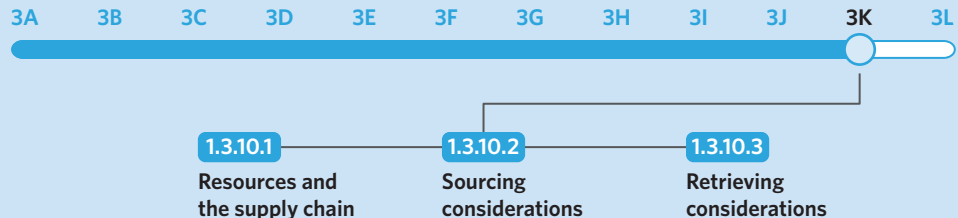
**Outputs** are the final goods or services produced as a result of a business's operations system, that are delivered or provided to customers.

A **wholesaler** is a business that sells products in large quantities and at lower prices than retailers.

A **retailer** is a business that sells products directly to customers.

## STUDY DESIGN DOT POINT

- suppliers of business resources and considerations regarding the supply chain, such as from where resources are sourced and how they reach the business



## Lesson introduction

When planning a business, a business owner will need to decide which businesses it will use to supply them with the materials it requires to create its products. A business may decide to purchase materials locally, or from overseas. It is important for business owners to consider how these choices may impact the business planning process.



**Figure 1** A business owner will need to consider where they will source their resources, and how these resources will be transported to the business

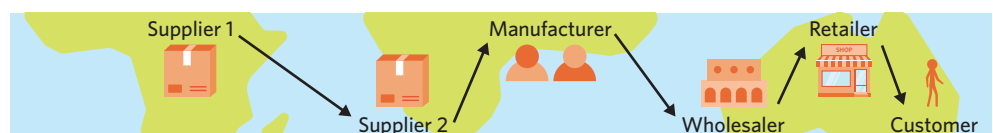
## Resources and the supply chain 1.3.10.1

When planning a business, it is important that business owners choose appropriate **suppliers**, which are individuals or businesses that provide the resources required to produce goods and services. Suppliers directly affect businesses as they provide the **inputs** that are used to produce an **output**. During business planning, a business owner should research which businesses can supply the business with its desired resources. If a business owner selects trustworthy and reliable suppliers, this can positively affect a business's reputation, customer satisfaction, and sales.

A business may receive all inputs from one supplier or from a combination of many different suppliers. In order to operate, a business owner must plan and establish a **supply chain**, which is the network of individuals or businesses that are involved in producing and distributing a good or service to customers. Supply chain participants typically include suppliers, manufacturers, **wholesalers**, **retailers**, and customers. The supply chain involves coordinating the flow of inputs, from raw materials right through to delivering the final product to consumers. A business owner should ensure that the resources required by the business are transferred between each supply chain participant efficiently before reaching the business. Businesses that have an efficient supply chain can produce a sufficient number of products to meet customer expectations and demand.

## LESSON LINK

Suppliers will be covered in further detail in **4D The importance of choosing appropriate suppliers**.



**Figure 2** The various participants that are involved in a supply chain

## REAL WORLD EXAMPLE

### Resources and the supply chain

The Body Shop is a British company that sells ethical and sustainable hair, beauty, and skincare products. It has a Community Fair Trade programme that involves sustainably sourcing raw ingredients from women living in Ghana, Africa. Each woman handcrafts raw ingredients, such as shea butter, using traditional techniques to ensure products are of the highest quality. In exchange, The Body Shop pays premium living wages to empower women living in these vulnerable communities, allowing them to achieve an independent income and increase their self-confidence.

*Adapted from The Body Shop, 'Our Sustainability Commitments', 2022 and The Body Shop, 'Fair Trade in Beauty', 2022*



Image: TungCheung/Shutterstock.com

**Figure 3** The Body Shop's supply chain relies on thousands of suppliers across 21 countries






## Sourcing considerations 1.3.10.2

When planning a business, business owners should consider where the business will source its resources from. A business may choose to source its resources locally or use a supplier located overseas. However, there are various factors to consider, such as **import duties**, which may impact its ability to obtain supplies. Resources may also be sourced from a variety of suppliers in both local and overseas markets.

### ADDITIONAL TERMS

**Import duty** is a tax paid on imports which travel from one country to another.





**Table 1** How sourcing considerations can impact business planning

Consideration	Local suppliers	Overseas suppliers
 <p><b>Time</b></p>	<ul style="list-style-type: none"> <li>By sourcing its supplies locally, a business typically receives resources much faster than if it were to source them from overseas suppliers, helping a business maintain a competitive edge.</li> </ul>	<ul style="list-style-type: none"> <li>A business owner should consider the time taken to receive resources from overseas, as shipping may take longer and there is less predictability of delivery times.</li> </ul>
 <p><b>Shipping costs</b></p>	<ul style="list-style-type: none"> <li>A business owner should consider the total cost of shipping in order to accurately forecast costs.</li> <li>A business owner could consider whether there is the option of picking up resources from local suppliers to save on shipping costs.</li> </ul>	<ul style="list-style-type: none"> <li>Sourcing from overseas markets could result in higher shipping costs than sourcing locally.</li> </ul>
 <p><b>Social responsibility</b></p>	<ul style="list-style-type: none"> <li>By sourcing from local suppliers, a business can support the local economy, which can improve the business's reputation and customer loyalty.</li> <li>By sourcing locally, a business can promote sustainable business practices by reducing transport distances and fuel emissions, therefore reducing its environmental impact.</li> </ul>	<ul style="list-style-type: none"> <li>Sourcing from an overseas supplier could harm a business's reputation and customer loyalty, as there is an increased expectation from consumers to source inputs locally.</li> </ul>
 <p><b>Access to resources</b></p>	<ul style="list-style-type: none"> <li>Local suppliers may not have the necessary resources to meet the business's requirements.</li> </ul>	<ul style="list-style-type: none"> <li>Overseas suppliers may enable businesses to access skills and raw materials that may not be readily available within the local market.</li> </ul>
 <p><b>Legal regulations</b></p>	<ul style="list-style-type: none"> <li>By sourcing locally, a business does not need to comply with customs regulations.</li> </ul>	<ul style="list-style-type: none"> <li>Sourcing from an overseas supplier may require a business to comply with customs regulations.</li> <li>A business owner would also need to consider tax rates in different overseas markets, as sourcing from certain countries may result in a business being subject to import duties.</li> </ul>

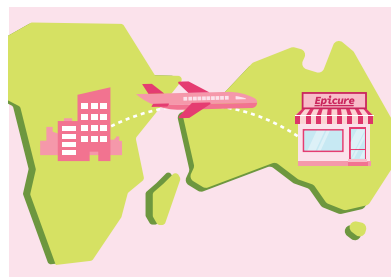
## Retrieving considerations 1.3.10.3

After deciding what resources will be required and where to source them from, a business owner must plan how the resources will reach the business. Retrieving resources from a local market requires less planning than if a business was to source resources from overseas markets.

**Table 2** How retrieving considerations can impact business planning

Consideration	Local markets	Overseas markets
<b>Road transport</b> 	<ul style="list-style-type: none"> <li>Road transport is a cost-effective option of retrieving resources from local suppliers.</li> <li>A business owner could pick up goods directly from the supplier to save delivery costs.</li> <li>It may be slow across long distances or subject to delays due to traffic.</li> <li>The limited capacity of trucks means businesses cannot use this road transport for extremely large orders.</li> </ul>	<ul style="list-style-type: none"> <li>Road transport is not available for Australian businesses wanting to retrieve overseas supplies.</li> </ul>
<b>Air transport</b> 	<ul style="list-style-type: none"> <li>Air transport can be a costly method of retrieving resources over a short distance.</li> </ul>	<ul style="list-style-type: none"> <li>Air transport is beneficial for businesses that require items to be delivered quickly over long distances.</li> <li>Air transport can be expensive due to tax and fuel surcharges.</li> </ul>
<b>Rail transport</b> 	<ul style="list-style-type: none"> <li>Retrieving resources by rail could be slower than other methods.</li> <li>Rail transport is a cost-effective option for businesses, particularly if a business is buying large items which need lots of space to transport.</li> </ul>	<ul style="list-style-type: none"> <li>Rail transport is not available for Australian businesses wanting to retrieve overseas supplies.</li> </ul>
<b>Sea transport</b> 	<ul style="list-style-type: none"> <li>Sea transport cannot be used for transportation between states in Australia, with the exception of Tasmania.</li> </ul>	<ul style="list-style-type: none"> <li>Retrieving resources via sea could be slower than other methods.</li> <li>Sea transport could be disrupted by factors such as weather, which could delay the retrieval of resources to the business.</li> <li>Sea transport is a cost-effective and environmentally-friendly way to retrieve resources, as there is less pollution compared to air transport.</li> </ul>

### THEORY IN ACTION



**Figure 4** Epicure retrieves speciality chocolate from a supplier in Italy

### Retrieving considerations

Stanley has established a long-term relationship with Baci Italia, a major supplier of chocolate that is based in Italy. Stanley regularly imports handmade Italian chocolate to stock in Epicure as it is popular among his local Italian customers. The chocolate cannot be sourced within Australia, as it contains special cocoa beans only found in Italy. Stanley and Baci Italia have secured a contract that provides Epicure with express delivery by plane and a guaranteed delivery time frame of one week.

**ACTIVITY****Suppliers and the supply chain**

Mandy is thinking of establishing her own clothing brand, Mrs Winnie, where she is planning to sell a range of stylish, ultra-warm sweatshirts and tracksuit pants. Due to her limited sewing experience, Mandy is considering sending her designs to an Australian manufacturer to produce the garments, and then picking the finished clothes up. She will then package and ship the garments to customers who have bought them off her website.

Place a number between 1 to 5 next to each of the following items, to identify the order in which you think Mandy should consider each item in the supply chain.

Mandy should calculate the time and costs associated with using an external manufacturer to create her clothes, rather than sewing them herself.	
The sweatshirts and track pants will be packaged by Mandy and shipped off to customers.	
After coming up with the design of her clothing items, Mandy should find a suitable manufacturer to create her clothes.	
Mandy should determine what fabrics she wants to use to create ultra-warm, high-quality clothes.	
Mandy will have to decide if she wants to retrieve the finalised clothing items from the manufacturer by rail, air, or road.	

Discuss the following questions with your classmates:

1. In your opinion, what sourcing considerations are most crucial for Mandy to consider?
2. Do you think having more steps or people involved in the supply chain is positive or negative? Why?

**Theory summary**

A business owner should ensure they plan what resources the business will require, where the resources will be sourced from, and how they will be retrieved. There are various operating factors that can affect decisions made by a business owner when planning a business.

- Suppliers are individuals or businesses that provide the resources required to produce goods and services.
- The supply chain is the network of individuals or businesses that are involved in producing and distributing a good or service to customers.

A business should be aware of both sourcing and retrieving considerations when establishing its supply chain, which relates to where it finds its resources from and how it transports these resources.

## 3K Questions

**Theory review****Question 1**

A business's choice of suppliers can have a direct impact on the business and its success.

- A. True
- B. False

**Question 2**

If a business owner considers suppliers who are reliable and produce high-quality goods, this can: **(Select all that apply)**

- I. improve a business's reputation.
- II. decrease customer retention.
- III. increase a business's sales.

**Question 3**

Supply chain participants include:

- A. manufacturers.
- B. retailers.
- C. wholesalers.
- D. all of the above.

**Question 4**

A business should only source its resources from local suppliers in order to be successful.

- A. True
- B. False



**Question 5**

If a business sources its resources locally, this can:

- A. increase fuel emissions.
- B. increase transport distance.
- C. improve the business's reputation.

**Question 6**

A business may source its resources from overseas suppliers in order to:

- A. ensure resources travel a shorter distance.
- B. access resources that are not available within the local market.
- C. minimise its environmental impact.

**Question 7**

Retrieving resources from overseas suppliers requires less planning than retrieving resources from local suppliers.

- A. True
- B. False

**Question 8**

Retrieving resources via air transportation is the most cost-effective option for a business.

- A. True
- B. False

**Question 9**

A business has no degree of control over its interactions with suppliers.

- A. True
- B. False

## Preparing for exams

### Case study skills

**Question 10**

Jhenè recently started making tie-dye sweaters for her friends and family. After posting photos on Instagram, hundreds of people are now asking to purchase Jhenè's creations. Jhenè is now planning to launch an Australian business called Tie-Dye Heaven and is considering sourcing her plain sweaters and tie-dye kits from a supplier in the United States.

Identify which of the following statements are **true** or **false** about Jhenè sourcing inputs from an overseas supplier.

	<b>True</b>	<b>False</b>
I. Jhenè should consider the time it will take for the sweaters and kits to arrive in Australia, as sourcing from the United States could take much longer than a local supplier.	<input type="checkbox"/>	<input type="checkbox"/>
II. Jhenè should not source her supplies from overseas, as this will result in a reduced quality of inputs.	<input type="checkbox"/>	<input type="checkbox"/>
III. Jhenè should consider the shipping costs, as sourcing sweaters and kits from the United States could be more expensive.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Jhenè should ensure the supplier in the United States can increase the transport distance as much as possible, as this can reduce Tie-Dye Heaven's fuel emissions.	<input type="checkbox"/>	<input type="checkbox"/>

**Question 11**

Gaku is a Year 12 VCE student and is planning the launch of his online business called Pokefun Cards. Being a student, Gaku has a limited amount of money to spend on his business. He has conducted research and found a printing business in Hong Kong that has agreed to supply him with high-quality cardstock, as well as print and package his first sample order of 500 playing cards for a low price.

Identify which of the following statements are **true** or **false** about considerations for retrieving resources for Gaku.

	<b>True</b>	<b>False</b>
I. Gaku could consider using rail transportation, as it is a fast and efficient option for retrieving Pokefun Cards from Hong Kong.	<input type="checkbox"/>	<input type="checkbox"/>
II. Gaku could consider retrieving resources using road transportation, as it is a cost-effective option that would be best suited to Gaku's limited budget.	<input type="checkbox"/>	<input type="checkbox"/>
III. Gaku could consider using air transportation, as it is an efficient method of transporting small and lightweight products, like Pokefun Cards, over long distances.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Gaku could consider retrieving resources using sea transportation, as it is a cost-effective option that would be best suited to Gaku's limited budget.	<input type="checkbox"/>	<input type="checkbox"/>

**Exam-style****Question 12** (1 MARK)

Define the term 'suppliers'.

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**Question 13** (2 MARK)

Outline the importance of choosing appropriate suppliers when planning a business.

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**Question 14** (2 MARKS)

Define the term 'supply chain' and outline one reason why having an efficient supply chain is important.

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**Question 15** (3 MARKS)

Jhenè recently started making tie-dye sweaters for her friends and family. After posting photos on Instagram, hundreds of people are now asking to purchase Jhenè's creations. Jhenè is now planning to launch an Australian business called Tie-Dye Heaven and is considering sourcing her plain sweaters and tie-dye kits from a supplier in the United States.

Explain one consideration Jhenè could address when sourcing inputs from overseas suppliers.

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**Question 16** (4 MARKS)

Gaku is a Year 12 VCE student and is planning the launch of his online business called Pokefun Cards. Being a student, Gaku has a limited amount of money to spend on his business. He has conducted research and found a printing business in Hong Kong that has agreed to supply him with high-quality cardstock, as well as print and package his first sample order of 500 playing cards for a low price.

Describe two ways Gaku could consider retrieving resources for Pokefun Cards.

**Testing previous knowledge****Question 17** (3 MARKS)

Explain the importance of supply chain management in order to satisfy customer expectations.

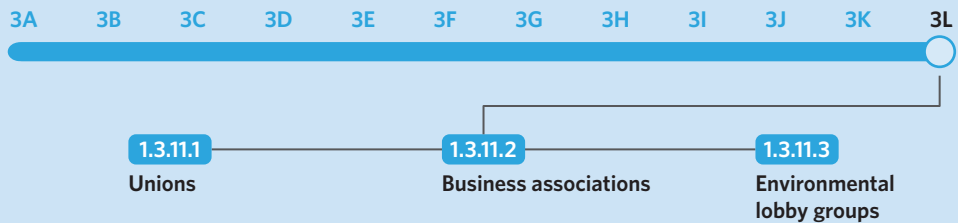
# 3L Special interest groups

During business planning, it is important for businesses to consider how to meet the expectations and needs held by the people and organisations that take interest in their activities. A business owner must navigate the business environment and ensure that they are keeping all relevant groups happy with their operations, or they may face serious social or legal backlash.



## STUDY DESIGN DOT POINT

- special interest groups such as environmental lobby groups, business associations and unions



## Lesson introduction

**Special interest groups** are organisations or a group of people that seek to influence laws, policies, or behaviours to benefit a specific cause. When planning a business, business owners should consider that the operating environment can be influenced by special interest groups. These organisations represent important groups of individuals, such as employees, business owners, and customers. They can also exist to protect the environment by persuading businesses to act in an environmentally-friendly manner. During business planning, the needs of special interest groups should be considered to avoid negative publicity and conflict between stakeholders.

## Unions 1.3.11.1

**Unions** are organisations composed of individuals who represent and speak on behalf of employees in a particular industry to protect and improve their wages and working conditions. During business planning, business owners should investigate whether a union exists for employees in their industry. Unions are able to significantly influence employment laws and negotiate with businesses to increase wages and working conditions. They also represent and defend employees when issues such as discrimination and bullying arise in the workplace. Businesses that do not comply with union requests may face significant consequences, such as a union legally organising an **employee strike**. Unions may also expose businesses to the media and lead them to develop a negative public reputation. During business planning, a business that effectively cooperates with the relevant union for its industry can avoid conflict and reduce the likelihood of developing a negative reputation.

**Table 1** The impact of unions on business planning

Employee-related issue	Impact of unions	Effect on business planning
<b>The level of remuneration provided to employees.</b>	<ul style="list-style-type: none"> <li>Unions support and advocate for employees obtaining higher wages, bonuses, and benefits.</li> </ul>	<ul style="list-style-type: none"> <li>During planning, businesses should consider the remuneration levels unions have requested from similar businesses within the industry.</li> </ul>
<b>The working conditions provided to employees.</b>	<ul style="list-style-type: none"> <li>Unions advocate for fair, secure, and safe working conditions for employees. This may include requesting safety standards that exceed the legal requirement and provide employees with additional benefits, such as extra breaks.</li> </ul>	<ul style="list-style-type: none"> <li>During planning, businesses should consider the working conditions unions have requested from similar businesses within the same industry.</li> </ul>

Continues ►

## KEY DEFINITIONS

**Special interest groups** are organisations or a group of people that seek to influence laws, policies, or behaviours to benefit a specific cause.

**Unions** are organisations composed of individuals who represent and speak on behalf of employees in a particular industry to protect and improve their wages and working conditions.

## ADDITIONAL TERMS

An **employee strike** is a mass refusal by employees to work under particular wages or conditions.

## LESSON LINK

Remuneration and conditions of employment will be covered in further detail in **6J Employee expectations**.

Table 1 Continued

Employee-related issue	Impact of unions	Effect on business planning
<b>Treatment of employees.</b>	<ul style="list-style-type: none"> <li>Unions advocate for the fair treatment of all employees. This may include representing employees who have been unfairly dismissed or discriminated against in the workplace.</li> </ul>	<ul style="list-style-type: none"> <li>Businesses should plan to establish rules that ensure the fair and equal treatment of all employees.</li> </ul>

## REAL WORLD EXAMPLE

## Unions

The Australian Nurses and Midwifery Federation (ANMF) is a union that provides support to over 97,000 Australian nurses, midwives, and carers. During the COVID-19 pandemic, the ANMF reported that employees within the aged care industry were not receiving adequate support to deal with the health crisis, and the union lobbied for pay increases for healthcare workers. The union represented aged care nurses and caregivers by informing the government that healthcare workers were not being provided with clear information and guidelines. ANMF also criticised healthcare providers for failing to consult the union on how to approach the pandemic to ensure its healthcare workers were safe and healthy at work.

*Adapted from Australian Nursing and Midwifery Journal, 'ANMF (Vic Branch) confident surge payments for Victorian healthcare workers will continue post January', 2022*



Image: Boyloso/Shutterstock.com

**Figure 1** The Australian Nurses and Midwifery Federation represented nurses and aged care workers during the COVID-19 pandemic

## Business associations 1.3.11.2

**Business associations** are organisations that advise and support businesses in a particular industry. Business associations provide advice relating to employers' rights and responsibilities, as well as a large range of issues that must be considered before starting a business. They may provide information through training programs, seminars, conferences, or personal consultations. Different business associations exist for different business types, such as small businesses and family-owned businesses. Businesses should become members of the association that is best suited for their specific industry and operations, which they join by paying a membership fee.

## KEY DEFINITIONS

**Business associations** are organisations that advise and support businesses in a particular industry.

Table 2 The impact of business associations on business planning

Business-related issue	Impact of business associations	Effect on business planning
<b>Legal requirements when starting a business.</b>	<ul style="list-style-type: none"> <li>Business associations can provide new business owners with an outline of all the legal requirements they must meet to successfully start their business.</li> </ul>	<ul style="list-style-type: none"> <li>Business owners will be more likely to adequately plan for all legal requirements needed to start their business.</li> </ul>
<b>Industry-specific information and news.</b>	<ul style="list-style-type: none"> <li>Business associations provide up-to-date news relevant to specific industries, such as changes in consumer demands.</li> </ul>	<ul style="list-style-type: none"> <li>Business owners are more likely to adequately plan for the current and future business environment, as they have up-to-date information about their industry.</li> </ul>
<b>Connecting with other similar businesses.</b>	<ul style="list-style-type: none"> <li>Business associations can put new businesses in contact with established businesses to help build beneficial relationships and networking skills.</li> </ul>	<ul style="list-style-type: none"> <li>Business owners are more likely to plan for their business to be unique and work closely with others.</li> </ul>

REAL WORLD EXAMPLE



Image: EQRoy/Shutterstock.com

**Figure 2** The Victorian Chamber of Commerce and Industry runs large networking events to promote relationships between business owners

**Business associations**

The Victorian Chamber of Commerce and Industry (VCCI) is one of the largest and oldest business associations in Victoria. To support its members, VCCI operates events that allow businesses to network with each other. 'Business After Dark' is an annual networking event held by VCCI in Melbourne's Marvel Stadium. The event brings thousands of business leaders together over food and drinks, while encouraging owners to develop new business relationships and find new business opportunities.

*Adapted from Victorian Chamber of Commerce and Industry, 'Victorian Chamber Business After Dark: Marvel Stadium', 2022*

KEY DEFINITIONS

**Environmental lobby groups** are organisations that advocate for the protection of the environment and promote environmental issues to businesses, the government, and the public.

ADDITIONAL TERMS

**Sustainability** is the ability to use something or act in a manner that does not deplete resources for the future.

**Environmental lobby groups** 1.3.11.3

**Environmental lobby groups** are organisations that advocate for the protection of the environment and promote environmental issues to businesses, the government, and the public. When establishing a business, business owners should consider how their operations may affect the environment. If a business chooses to operate in a manner that is harmful to the environment, environmental lobby groups will often campaign to the public and the government to prohibit the business from continuing its operations. For new businesses that aim to minimise their environmental impact, environmental lobby groups can provide support and advice on planning to implement **sustainability** into the business's operations.

**Table 3** The impact of environmental lobby groups on business planning

Business-related issue	Impact of environmental lobby groups	Effect on business planning
<b>Environmental sustainability of business operations.</b>	<ul style="list-style-type: none"> <li>Environmental lobby groups advocate for sustainable business practices in various ways. For example, these groups may organise protests to express concern for environmental sustainability or inform the public through media platforms.</li> </ul>	<ul style="list-style-type: none"> <li>Businesses should be aware of any past and ongoing actions from relevant environmental lobby groups, and avoid activities that are condemned by these organisations.</li> <li>Businesses should plan their operations to be environmentally sustainable, for example, by implementing renewable energy.</li> </ul>
<b>Compliance with environmental legislation.</b>	<ul style="list-style-type: none"> <li>Environmental lobby groups can influence environmental legislation and campaign for new laws and regulations.</li> </ul>	<ul style="list-style-type: none"> <li>Businesses should monitor relevant changes to environmental legislation to ensure their planned operations are legal.</li> </ul>

REAL WORLD EXAMPLE



Image: John Gomez/Shutterstock.com

**Figure 3** Australian environmental lobby group, the Australian Conservation Foundation, advocates for climate change awareness

**Environmental lobby groups**

The Australian Conservation Foundation (ACF) is an environmental lobby group that advocates for the protection of the environment, focusing on issues related to climate change, pollution, and the protection of wildlife. ACF's #ClimateActionNow campaign gained significant traction throughout 2022, pressuring Australian businesses to adopt environmentally-conscious behaviours, such as switching to clean energy sources. The campaign involved partnering with various politicians and public figures such as AFL players, rallying with students, and using social media to spread their activist message. One of the primary aims of the campaign was to ensure that the politicians appointed by Australians in the May elections had a focus on climate change, in order to ensure that new legislation was introduced. The ACF has had a significant impact on the daily business activities of many organisations, as businesses perceive pressure to comply with social attitudes and legal guidelines in order to be promoting environmental protection.

*Adapted from the Australian Conservation Foundation, 'Together we made the call for #ClimateActionNow louder than ever', 2022*

**ACTIVITY****Special interest groups**

Certain business scenarios involve or relate to the three special interest groups explored in this lesson: unions, business associations, and environmental lobby groups. Fill in the table below by identifying what special interest group may be involved, or have an interest in each business scenario.

Scenario	Relevant special interest group
A cosmetics business is thinking about introducing new packaging and is looking for advice on what type of packaging is least harmful to the environment.	
The manager of a cafe is confused about what food-handling guidelines apply to his business.	
A telemarketing business is not giving employees the correct amount of annual leave.	
The CEO of a start-up accounting firm is struggling to find contacts and make connections within the industry.	
A manufacturing business produces an extremely large amount of pollution and does not responsibly dispose of chemical waste.	
Employees of a supermarket chain are considering going on strike as they believe that they are being underpaid for the work that they do.	

**Theory summary**

During business planning, business owners should consider the influence of special interest groups in the operating environment. Special interest groups are able to affect the behaviours and actions of businesses, the government, and the general public.

- Unions are organisations that represent and support employees of a particular industry.
- Business associations are organisations that provide advice and guidance to businesses in a particular industry.
- Environmental lobby groups are organisations that advocate for the protection of the environment.

## 3L Questions

**Theory review****Question 1**

Special interest groups can have a significant influence on a business's operating environment, and are therefore important to consider during business planning.

- A. True  
B. False

**Question 2**

Unions exist to represent and speak on behalf of:

- A. employers.  
B. customers.  
C. employees.

**Question 3**

During business planning, business owners should consider what unions have requested from existing businesses within the industry.

- A. True  
B. False

**Question 4**

Fill in the blanks with the following terms:

- business associations
- unions

Whilst \_\_\_\_\_ support new and existing businesses, \_\_\_\_\_ support employees to maintain and improve wages and working conditions.

**Question 5**

Fill in the blank with **one** of the following terms:

- Environmental lobby groups
- Business associations

\_\_\_\_\_ are organisations that exist to advise and support businesses in a specific industry, such as businesses that work with animals.

**Question 6**

Both business associations and environmental lobby groups can provide business owners with information on how to fulfil environmental legislation.

- A. True
- B. False

**Question 8**

Special interest groups are capable of influencing the government, legislation, and the perspectives of the public.

- A. True
- B. False

**Question 7**

Businesses should plan to avoid the environmentally-sustainable practices promoted by environmental lobby groups.

- A. True
- B. False

## Preparing for exams

### Case study skills

**Question 9**

Hugo is considering opening an Asian-fusion restaurant in Melbourne's CBD. He will need to employ several chefs and a few waitstaff to ensure the smooth operation of the restaurant. Hugo is currently in the process of deciding on what wages and working conditions he should offer employees in the employee agreement.

Identify which of the following statements are correct about the impact of unions on Hugo's business planning.

**(Select all that apply)**

- I. Hugo's restaurant will be required to pay its employees the maximum wage in the hospitality industry in order to satisfy union requirements.
- II. Hugo will need to establish rules that ensure the fair and equal treatment of all employees at the restaurant, in order to comply with the guidelines established by unions for the treatment of employees.
- III. If the union representing hospitality workers requests the government to change minimum wages and conditions, Hugo's business will need to satisfy these new laws.

**Question 10**

Josie is planning to open Experisus, a race track located in Lilydale. She has found a suitable location to build her business, but she will have to destroy a large amount of forest land in the area. Josie thinks the block of land has several native trees and plants, but the local council has already given their approval.

Identify which of the following statements are correct about the impact of environmental lobby groups on Experisus's operating environment. **(Select all that apply)**

- I. Environmental lobby groups may advocate for the council to retract its approval of the business location, meaning Josie will have to find a new business location.
- II. Josie will not be swayed to change her business location as the local council has already given their approval, and environmental lobby groups are not very influential.
- III. Josie may be prohibited from using her planned business location as Experisus' planned location requires the destruction of forest land and native plants.

### Exam-style

**Question 11** (1 MARK)

Define the term 'business association'.

**Question 12** (1 MARK)

Define the term 'environmental lobby group'.

**Question 13** (3 MARKS)

Identify and describe how one special interest group can affect business planning.

**Question 14** (3 MARKS)

Hugo is considering opening an Asian-fusion restaurant in Melbourne's CBD. He will need to employ several chefs and a few waitstaff to ensure the smooth operation of the restaurant. Hugo is currently in the process of deciding on what wages and working conditions he should offer employees in the employee agreement.

Explain two ways that unions may impact Hugo's business planning.

---

**Question 15** (3 MARKS)

Josie is planning to open Experisus, a race track located in Lilydale. She has found a suitable location to build her business, but she will have to destroy a large amount of forest land in the area. Josie thinks the block of land has several native trees and plants, but the local council has already given their approval.

Explain how environmental lobby groups can affect Experisus's operating environment.

**Testing previous knowledge****Question 16** (3 MARKS)

Identify and describe one special interest group that may influence a business to consider corporate social responsibility during business planning.



# Unit 1 AOS 3 review

## The external environment

### AOS summary

This chapter introduced the third area of study (AOS) in Unit 1 of the VCE Business Management course. In this chapter, you learnt about the macro and operating factors of the external environment which can influence operations and decision-making when planning a business. These macro factors included legal regulations, societal attitudes, as well as economic, technological, global, and corporate social responsibility considerations. This area of study also explored operating factors, including the needs and influence of stakeholders, such as customers, competitors, suppliers, and special interest groups.

Lesson **3A The external environment** covered the different factors that comprise the external environment and affect business planning. The two types of factors are:

- macro factors
- operating factors.

Lesson **3B Legal and government regulations** explored the requirements a business must adhere to when business planning in order to comply with legislation and maintain an ethical working environment. The regulations are:

- employment laws and regulations
- environmental legislation
- industry regulations
- council regulations
- taxation requirements.

Lesson **3C Societal attitudes and behaviour** covered the social factors that a business should consider during business planning, in order to cater to the preferences of its target market and remain successful. The social factors impacting a business are:

- societal values and beliefs
- societal trends.

Lesson **3D Economic conditions** covered changes to the financial and productive performance of the geographic location in which a business operates, and the impacts these changes have on business planning. The four conditions explored are:

- interest rates
- employment levels
- tax rates
- consumer confidence.

Lesson **3E Technological considerations** covered changes in the market in regard to technological development. The chapter also covered the importance of a business being responsive to these changes in business planning.

Lesson **3F Global considerations: Part 1** covered the various factors that a business may need to consider when interacting with suppliers or customers overseas. The global considerations are:

- overseas competitors
- overseas markets
- offshoring of labour
- exchange rates
- online sales.

Lesson **3G Global considerations: Part 2** covered various factors that a business should consider when components of their business activities, resources, or target customers are overseas. The global considerations are:

- copyrights
- trademarks
- patenting.

Lesson **3H Corporate social responsibility (CSR)** explored the considerations that a business can plan to implement in order to conduct business activities in an ethical manner. These considerations are environmental considerations and social considerations.

Lesson **3I Customer needs and expectations** covered the requirements and values of customers that have an impact on business planning, as a business owner should plan to cater to the preferences of individuals who may purchase their goods or services.

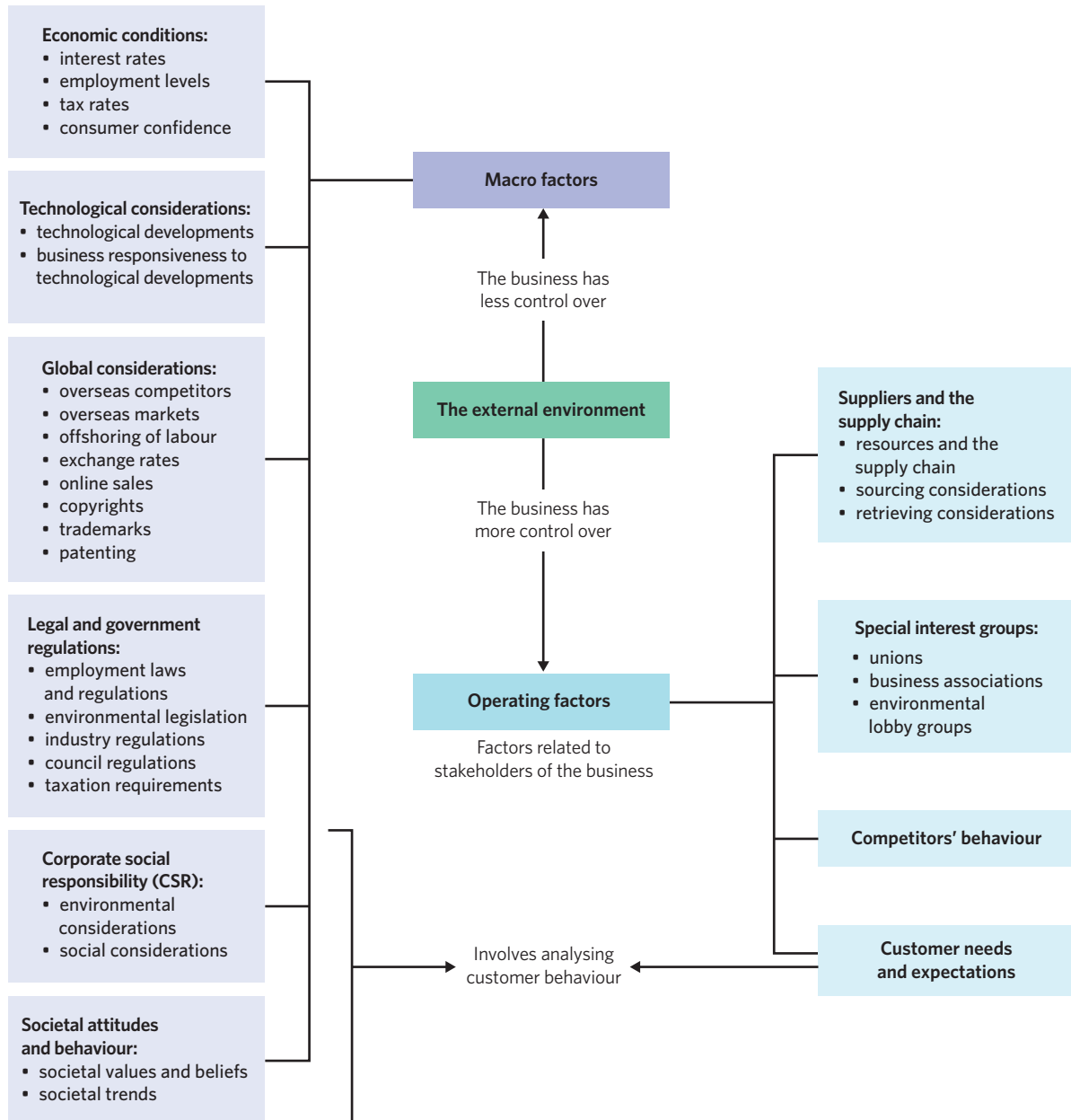
Lesson **3J Competitors' behaviour** covered the reasons why it is important for a business to be aware of the behaviour of its competitors. Business owners may need to plan to adapt the activities of the business in order to attain a competitive advantage.

Lesson **3K Suppliers and the supply chain** covered the importance of a business considering what resources it requires, where to source its supplies from, and how it will retrieve its resources as part of its supply chain. The considerations are:

- resources and the supply chain
- sourcing considerations
- retrieving considerations.

Lesson **3L Special interest groups** covered the various groups which may influence the activities of a business, and therefore should be considered during business planning. The special interest groups are:

- unions
- business associations
- environmental lobby groups.



## AOS review activities

### Review activity 1: Macro and operating factors

Businesses are influenced by a wide variety of pressures in the external environment which may influence business planning. These factors, as part of the external environment, can be categorised as either macro or operating factors which the business either has minimal or no control over.

Copy out the table into your workbook and categorise the following considerations as either a macro or an operating factor.

- council regulations
- environmental impact
- offshoring of labour
- customer expectations
- societal beliefs
- retrieving resources
- technological developments
- unions
- activity of competitors
- social trends

Macro factors	Operating factors

### Review activity 2: Identifying real-life external pressures

In this chapter, you have learnt about the ways in which factors in the external environment can impact business planning. It is important for a business owner to continually analyse and adapt to both macro and operating factors that may impact the business.

Search up '*Adapting to the next normal in retail: The customer experience imperative*' on the internet and click on the link that takes you to the McKinsey and Company website (McKinsey & Company, 2020). Read the article and answer the following questions in your workbook:

1. What legal factors would retail businesses have to adapt to as a result of the pandemic?
2. What social factors would have been influential on business planning?
3. What external considerations for business planning may be conveyed in the following quote from the article: 'COVID-19 has dramatically and suddenly shifted more customer traffic to digital channels'?

### Review activity 3: Business planning for external pressures

Titan Iron is a manufacturing business located in the suburb of Carrum Downs, Melbourne, which employs over 200 staff.

Read the following descriptions of external pressures and identify a suitable response the business may have to implement to address the external pressure described. The first row has been completed for you as an example.

External pressure	Suggested response
Changing societal attitudes have led to recent protests urging local manufacturing businesses to stop polluting the surrounding area with harmful waste.	Titan Iron may plan to implement an initiative to more responsibly dispose of, and reduce waste, in order to lessen its environmental impact.
Competing manufacturing businesses have begun to implement new robotic machinery in their automated production line to increase efficiency.	
The Frankston City Council has implemented new rules and regulations regarding the operating hours of businesses in Carrum Downs, due to housing developments nearby.	
A survey revealed that over 35% of employees working in the manufacturing industry are extremely unhappy in their roles.	
The overseas country from which Titan Iron obtains some of its inputs has implemented a temporary export ban on the required materials.	

# Unit 1 AOS 3 review questions

## Contemporary case study

### Useful tip

In the end-of-year VCAA examination for Units 3 and 4, it is likely that there will be a question asking you to refer to a contemporary business case study. This section of the AOS review is designed to build your skills in answering contemporary case study questions in year 11, so you are even more prepared for the exam at the end of Units 3 and 4. Refer to the section at the beginning of this textbook titled 'What is a contemporary business case study?' for more information. For the following questions, you can refer to Glassons or any other business you feel confident writing about as a contemporary business example.

### Glassons

Glassons is a clothing brand which was established in the early 1900s and has since become one of Australia and New Zealand's largest fashion chains. The brand incorporates socially responsible practices into its operations, which is a growing necessity for businesses in the modern fashion industry.

One of the ways in which Glassons demonstrates a commitment to corporate social responsibility is by ensuring that its supplies, from both Australia and from overseas, are ethically sourced. In 2021, 81% of its swimwear was made with recycled fabrics, 48% of Glassons' product range was sustainably sourced, and it achieved an A rating from the Ethical Fashion Report 2021. Furthermore, the brand is aware of its environmental impact. In an effort to reduce waste, Glassons has adopted compostable packaging when shipping online orders to customers, in keeping with changing social attitudes around the use of harmful, one-use plastics. Finally, Glassons also has a focus on social responsibility by going above and beyond its legal obligations to promote the wellbeing of its employees. Staff members of Glassons are given access to a discounted gym membership, discounted health care, hardship support, as well as the option to use an Employee Assistance Programme (EAP). The brand acknowledges its focus on the health and happiness of its employees in order to contribute to positive workplace culture.

Emphasising values that align with corporate social responsibility assists Glassons to stay competitive in the market, by marketing itself as an ethical brand to shop at for its target demographic of younger women. The brand must remain aware of the initiatives, product ranges, and price points of its competitors in the fashion market in order to maintain this competitive edge. For example, Glassons may have a sale during the holiday period in response to its competitors also offering discounted apparel.

Glassons ensures that shopping is a convenient process for its customers, by offering services such as express shipping, in-store or posted delivery, and both a website and an app to allow customers to browse the product range and ask questions to customer support staff. Technology, such as its website and app, allows customers to browse Glassons' products at any time of the day from any location, as well as stay up-to-date on the latest offers, collections, and sales.



Image: Ho Su A Bi/Shutterstock.com

**Figure 1** Glassons' business planning is continuously impacted by the external environment

*Adapted from Glassons, 'About us', n.d., Glassons, 'Sustainability Journey', 2022, and Hallenstein Brothers, 'Sustainability People', n.d.*

**Answer questions 1-4 with reference to the Glassons case study shown, or any other contemporary business case study you have studied.**

#### Question 1 (3 MARKS)

Explain the importance of choosing appropriate suppliers when planning a business. In your response, refer to a contemporary business case study.

#### Question 2 (4 MARKS)

Referring to a contemporary case study, identify and explain two ways a business can consider societal values and beliefs.

**Question 3** (4 MARKS)

Describe two considerations related to online sales when planning a business. In your response, refer to a contemporary business case study.

**Question 4** (5 MARKS)

With reference to a contemporary business case study, explain how two factors within the external environment may impact business planning.

**Exam-style**

These questions are typical of Section A in the VCE Business Management exam.

**Question 5** (10 MARKS)

Mac and Pepper are the owners of Nature's Mart, an organic supermarket located in Mornington, Victoria. The popularity of fresh food with minimal preservatives and added sugar has allowed Mac and Pepper to save enough money to open a second store location. In response to competing supermarkets implementing socially responsible practices, Mac and Pepper are also planning ways to demonstrate corporate social responsibility.

- Define the term 'external environment'. (1 MARK)
- Outline the importance of considering societal values and beliefs during business planning. (2 MARKS)
- Explain the importance of Mac and Pepper considering competitors' behaviour during business planning. (3 MARKS)
- Explain two corporate social responsibility considerations Mac and Pepper can address during business planning. (4 MARKS)

**Question 6** (11 MARKS)

Lucy and Chloe have decided to start a cleaning business called Diamond Surfaces. The partners have noticed that traditional cleaning services are often difficult to book and communicate with, and have created their own app to make booking services easier for clients. Furthermore, they have been investigating using new equipment to assist them in cleaning more efficiently, in order to ensure there is minimal disruption to the household in which they are working.

- Describe two ways a business could consider customer needs when planning a business. (2 MARKS)
- Outline two advantages of implementing technological developments at Diamond Surfaces. (2 MARKS)
- Describe how one special interest group can affect business planning at Diamond Surfaces. (3 MARKS)
- Identify and explain two types of legal and government regulations that may impact Lucy and Chloe's business planning. (4 MARKS)

**Question 7** (10 MARKS)

Marvellous Magic is a chocolate manufacturer that produces and sells its chocolate in Australia. Marvellous Magic sources its supplies from overseas countries, including Brazil. Marvellous Magic is well known for its unique, colourful packaging and its logo of a purple wizard. Recently, Marvellous Magic has been considering selling its products globally. To expand Marvellous Magic's operations successfully, Rahim is currently considering the best way to finance this decision.

- Define the term 'supply chain'. (1 MARK)
- Describe one way Rahim could consider how Marvellous Magic receives its resources. (2 MARKS)
- Explain how interest rates could impact Marvellous Magic's business planning. (3 MARKS)
- Explain two global issues that could impact Marvellous Magic during business planning. (4 MARKS)

# Unit 1 review

## Section A (40 marks)

### Question 1 (11 MARKS)

After graduating from university with a computer science degree, Shira decided to launch her own business called Shira's Tech Assistance. The business offers customers technical support for any problems they have with their computers, mobile phones, or any other devices. Shira's Tech Assistance also offers repairs to damaged technology. After operating for a few months, Shira realises she requires assistance with planning ways to improve the customer experience at her business. She is also planning to move to a larger office space so she can hire more employees to assist customers and provide a designated pick-up and drop-off point for customers to leave and collect their technology.

- Define the term 'employment levels'. (1 MARK)
- Explain how employment levels can affect Shira's business planning. (3 MARKS)
- Explain formal networks and legal support services as a source of business support for Shira's Tech Assistance. (4 MARKS)
- Analyse how customer expectations could impact Shira's business planning. (3 MARKS)

### Question 2 (12 MARKS)

Nic is a software developer who recently quit his job after noticing a gap in the grocery market. After seeing the rising success of ride-sharing apps and food delivery services, Nic believes that he can set up a successful business where customers can place grocery orders with supermarkets, and have a driver pick up and deliver their orders. As his business will not have a physical store and therefore, no associated costs, such as rent and utilities, Nic believes this is an affordable business to establish. One of Nic's major concerns is that he lacks marketing experience and is unsure of how to promote a brand new business effectively.

- Describe the purpose of an initial feasibility study (2 MARKS)
- Outline two important entrepreneurial skills that Nic may require when starting his business. (2 MARKS)
- Describe two areas of feasibility that Nic may need to consider when determining the initial feasibility of his business concept. (4 MARKS)
- Discuss Nic's decision to establish a new business, rather than purchasing an existing one. (4 MARKS)

### Question 3 (17 MARKS)

Silky Pty Ltd is a private limited company that sells specially-formulated organic skincare. Sage is now determining whether to expand the company by opening more stores throughout Australia. She is considering selling shares and using equity capital to finance the expansion.

- Define equity capital as a source of finance. (1 MARK)
- Outline two factors that Sage may have considered before choosing to establish a private limited company. Discuss Sage's decision to operate Silky Pty Ltd as a private limited company. (6 MARKS)
- Explain two factors Sage should consider when using equity capital as a source of finance. (4 MARKS)
- Define what is meant by 'corporate social responsibility'. Evaluate whether businesses should commit to operating in a way that is socially responsible. (6 MARKS)

## Section B (20 marks)

**Case Study**

Zali Swim Ltd is an Australian company that manufactures beachwear. Established fifteen years ago, Zali Swim Ltd is now one of the biggest swimwear manufacturers in Australia. Its products are being worn by multiple celebrities around the country and the business is widely recognised through its unique surfboard logo. The owner, Jade, has recently decided to implement advanced machinery in Zali Swim Ltd's manufacturing process to improve the quality and speed of its production of beachwear.

Over the next five years, Zali Swim Ltd is planning on achieving various targets, including:

- Expanding into American and European markets.
- Reducing its impact on the environment and positively contributing to society.
- Becoming the leading Australian swimwear manufacturer.

*'We hope to truly become a global brand that positively contributes to the world in many ways'.* - Jade O'Shannessy.

Recently, Zali Swim Ltd has received negative publicity for the amount of waste that it discards during its production process. To avoid developing a poor business reputation, Jade is currently planning ways to reduce Zali Swim's environmental impact.

**Question 1** (2 MARKS)

Outline the importance of a business considering the impact of technology in the future.

---

**Question 2** (4 MARKS)

Explain two sources of business opportunity for Zali Swim Ltd.

---

**Question 3** (4 MARKS)

Explain the effect that trademarks and overseas markets may have on Zali Swim Ltd's decisions during business planning.

---

**Question 4** (6 MARKS)

Identify and define one factor from the internal environment and one factor from the external environment. Explain how these factors could impact Zali Swim Ltd's business planning.

---

**Question 5** (4 MARKS)

Explain one corporate social responsibility (CSR) consideration Zali Swim Ltd could plan to implement. Justify the implementation of this CSR consideration.

# 2

## UNIT 2

### Establishing a business

This unit focuses on the establishment phase of a business. Establishing a business involves compliance with legal requirements as well as decisions about how best to establish a system of financial record keeping, staff the business and establish a customer base. In this unit, students examine the legal requirements that must be met to establish a business. They investigate the essential features of effective marketing and consider the best way to meet the needs of the business in terms of staffing and financial record keeping. Students analyse management practices by applying key knowledge to contemporary business case studies from the past four years.

*Reproduced from VCAA VCE Business Management Study Design 2023–2027*





# UNIT 2 AOS 1

## Legal requirements and financial considerations

It is essential to deal with legal and financial matters when establishing a business. In this area of study, students are introduced to the legal requirements and financial considerations that are vital in establishing a business. They also consider the implications for the business if legal and financial requirements are not met.

### Outcome 1

On completion of this unit, the student should be able to outline the key legal requirements and financial record-keeping considerations when establishing a business, and explain the importance of establishing effective policies and procedures to achieve compliance with these requirements.

*Reproduced from VCAA VCE Business Management Study Design 2023–2027*



# 4

## CHAPTER 4

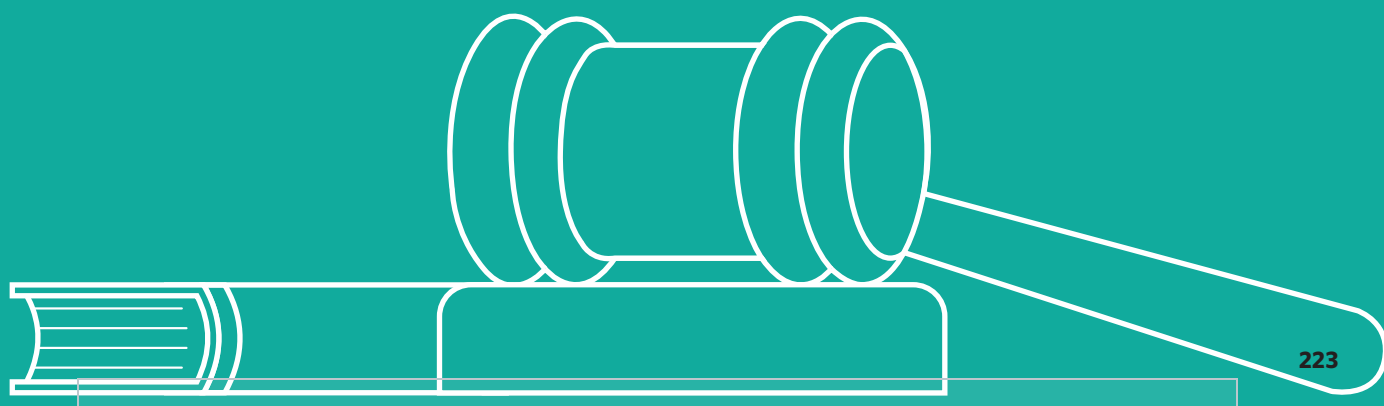
### Legal requirements and financial considerations

#### LESSONS

- 4A** External professionals
  - 4B** Legal requirements for establishing a business
  - 4C** Financial considerations
  - 4D** The importance of choosing appropriate suppliers
  - 4E** Policies and procedures
  - 4F** Technological and global issues
- Unit 2 AOS 1 review

#### KEY KNOWLEDGE

- an overview of key legal requirements for establishing a business such as registering the business name, registering a website domain, trade practices legislation, business tax compliance and work safe insurance
- an overview of the role of external professionals when establishing a business
- the importance of establishing bank accounts, financial control systems and record-keeping strategies
- the importance of choosing appropriate suppliers including the benefits and limitations of suppliers that meet the corporate social responsibility objectives of the business
- the need for policies and procedures to achieve compliance with legal requirements and establish business routines
- technological and global issues that may affect decision-making when establishing a business, such as generating customer databases and contacts with overseas suppliers and retailers



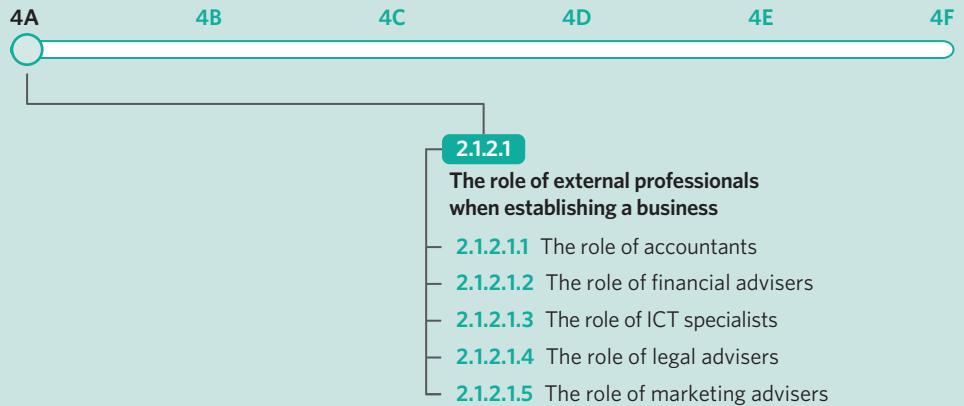
# 4A External professionals

Imagine you have just started your own business. Do you think you possess the skills to manage the business's finances, technological systems, and marketing practices, whilst also ensuring the business is legally compliant, or would you turn to professionals for help?



## STUDY DESIGN DOT POINT

- an overview of the role of external professionals when establishing a business



## Lesson introduction

The process of establishing a business can be complex. Often, business owners will not possess every skill that is required for them to establish and operate a business. Therefore, business owners may decide to seek the assistance of individuals who are experts in particular areas where the business owner is not. Examples of these professionals include accountants, financial advisers, ICT specialists, legal advisers, and marketing advisers.

## The role of external professionals when establishing a business 2.1.2.1

**External professionals** are highly-skilled individuals that businesses hire to provide expertise in a particular area of operation. The process of establishing a business requires a wide variety of tasks to be completed and decisions to be made. However, business owners may not have the knowledge or possess the required skills to complete particular tasks or make business decisions. As a result, they may turn to external professionals for assistance. When a business owner utilises external professionals, the business may be better able to achieve its objectives and improve its performance as tasks may be completed more efficiently and to a higher standard.

### The role of accountants 2.1.2.1.1

An **accountant** is a professional who manages, updates, analyses, and reports a business's financial information. When establishing a business, business owners should consider hiring an accountant to assist in creating and maintaining financial statements. It can be difficult for a business owner to understand and make sense of financial information if it has not been presented in a clear manner, or if they lack the relevant accounting knowledge required for its interpretation. Therefore, hiring an accountant can allow a business owner to make sense of, and analyse the financial position of the business, assisting them to determine areas for improvement. In addition, it is important that a business owner seeks the advice of an accountant prior to purchasing an existing business. An accountant will be able to analyse the existing business's financial reports to determine if there are any issues, such as whether the business has any outstanding debts.

## KEY DEFINITIONS

**External professionals** are highly-skilled individuals that businesses hire to provide expertise in a particular area of operation.

An **accountant** is a professional who manages, updates, analyses, and reports a business's financial information.

## LESSON LINK

Purchasing an existing business was introduced in **2D Purchasing vs establishing a business**.

Cash flow will be covered in further detail in **4C Financial considerations**.

**Table 1** The role of accountants

Role	Explanation	How the role assists businesses
<b>Create financial reports</b>	Accountants must create financial reports, such as an income statement, balance sheet, and cash flow statement. These reports summarise financial information so that it is understandable to business owners who do not have background knowledge of accounting.	Business owners can determine if the financial position of the business is favourable, or whether corrective action is required. For example, an income statement might reveal that the business's expenses are too high and should be minimised to increase profit.
<b>Ensure legal compliance</b>	Accountants must remain up-to-date with all laws and regulations that businesses must follow in relation to their finances. For example, as all businesses are legally required to pay tax, accountants must ensure the business is fulfilling all its taxation requirements, such as paying <b>Goods and Services Tax (GST)</b> .	By ensuring all legal obligations are met, a business avoids facing penalties, such as receiving fines, suspensions, or even forced closure.
<b>Create budgeted reports</b>	Accountants are responsible for creating budget reports, which contain estimates of a business's intended income and expenses for a particular period of time.	Business owners can compare actual income earned and expenses incurred with what was budgeted to determine whether the business's performance for that period was satisfactory.

**LESSON LINK**

Taxation requirements were introduced in **3B Legal and government regulations**.

**ADDITIONAL TERMS**

**Goods and Services Tax (GST)** is a tax imposed on the sale and purchase of most goods and services in Australia.

**REAL WORLD EXAMPLE****The role of accountants**

Binder Dijker Otte (BDO) is an international accounting company that has offices around Australia. In 2022, BDO was ranked as one of the top accounting firms in the world. Some of BDO's largest clients include Apple, Facebook, and Intercontinental. BDO offers a wide range of services to businesses of all different types and sizes, from small businesses to large corporate organisations. For example, BDO offers tax-related services and is known for its tax professionals who possess wide expertise and deep industry knowledge. As a result, BDO ensures its clients meet all of their tax obligations, and subsequently achieve their business objectives. In addition, BDO offers 'buying due diligence services', which includes examining the financial position of a particular business that a potential business owner is interested in purchasing. Therefore, through its extensive list of accounting-related services, BDO is able to assist a wide range of businesses and fulfil their accounting needs.

*Adapted from BDO Australia, 'Industry Services', 2022*



Image: JHVEPhoto/Shutterstock.com

**Figure 1** BDO is an international accounting company that assists a wide range of businesses

**The role of financial advisers 2.1.2.1.2**

A **financial adviser** is a professional who provides expert advice to individuals and businesses in relation to monetary matters, personal finances, and potential investments. When establishing a business, business owners may choose to seek the advice of a financial adviser to assist in both personal and business-related monetary decisions. By understanding a business owner's personal and business monetary goals, financial advisers can help create a financial plan to increase the businesses' profits, while protecting and maximising personal wealth. Financial advisers can also analyse the business's financial position to provide insights into where the business can minimise expenses, whilst also highlighting areas of opportunity where the business may be able to achieve financial success.

**KEY DEFINITIONS**

A **financial adviser** is a professional who provides expert advice to individuals and businesses in relation to monetary matters, personal finances, and potential investments.

**Table 2** The role of financial advisers

Role	Explanation	How the role assists businesses
<b>Manage the business owner's personal finances</b>	Financial advisers assist business owners in protecting their personal assets. For example, financial advisers may create a financial plan that has recommendations for current and future investments, superannuation, and retirement planning.	The creation of a financial plan can allow business owners to understand their current financial situation and determine how they can enable business growth. For example, business owners may be able to make greater personal investments in the business.
<b>Analyse the feasibility of a business's financial goals and recommend other possible investment opportunities</b>	Financial advisers will gain an understanding of a business owner's current financial goals to achieve the business's vision. It is then the role of the financial adviser to analyse the likelihood of achieving these goals and highlight possible opportunities to maximise success.	If the financial adviser determines that a particular goal is not feasible, the business owner can save time and money that may have been wasted if the goal were pursued. These resources can then be invested into other opportunities that are recommended by the financial adviser, helping the business to grow.
<b>Analyse and assist in the management of current business expenses</b>	It is the role of a financial adviser to examine a business's expenses, and determine areas in which spending can be minimised.	By identifying areas in which the business owner spends more than necessary, financial advisers can help a business reduce its expenses and thus, increase profit.

**REAL WORLD EXAMPLE**

Image: 360b/Shutterstock.com

**Figure 2** Deloitte provides a wide range of financial advisory services**The role of financial advisers**

Deloitte is a management consulting company that operates worldwide. Among other services, Deloitte provides a wide range of financial advisory services to help businesses optimise their finances. For example, Deloitte advises businesses on a variety of financial strategies that a business could implement to maximise revenue and minimise expenses. Additionally, Deloitte provides financial advisory services relating to a business's infrastructure, debt, transactions, and valuations.

*Adapted from Deloitte, 'Services', 2022***KEY DEFINITIONS**

An **Information and Communications Technology (ICT) specialist** is a professional who develops and maintains the technological systems that are used by businesses to store and retrieve data.

**ADDITIONAL TERMS**

A **customer database** is a collection of information about existing and potential customers.

**The role of ICT specialists 2.1.2.1.3**

An **Information and Communications Technology (ICT) specialist** is a professional who develops and maintains the technological systems that are used by businesses to store and retrieve data. As technology has transformed the way businesses operate, business owners should consider hiring an ICT specialist when establishing their business. An ICT specialist can help a business develop and maintain a website that allows customers to purchase products online, whilst they can also create a **customer database** to track the searching and purchasing habits of its customers. In addition, technological advancements have enabled businesses to collect and store large amounts of private customer information. Therefore, businesses must ensure that the data collected is safely secured and protected. A business that fails to protect customer information may be subject to data breaches, which can severely damage the business's reputation. A business may also face legal consequences if breaches of privacy legislation occur. Therefore, as managing data can be a highly complex process, business owners who do not possess these skills should consider hiring an ICT specialist to protect and store this data.

**Table 3** The role of ICT specialists

Role	Explanation	How the role assists businesses
<b>Set up and maintain a website and customer database</b>	As ICT specialists are equipped with web development skills and understand technological jargon, they can help create a business's website and customer database to store information about existing and potential customers.	Through the creation of a website, a business is able to sell its goods and services to a wider range of customers through online sales. Additionally, a business may be better equipped to meet individual customer needs by utilising the information stored in its database, including customer purchasing preferences and habits.
<b>Ensure legal compliance related to data management</b>	ICT specialists ensure a business's data is properly stored, and may establish firewalls and install antivirus software to prevent data breaches.	Minimising the possibility of data breaches can ensure a business is legally compliant with privacy laws. By ensuring all legal obligations are met, a business can avoid facing penalties, such as fines, suspensions, or forced closure.
<b>Provide training to employees regarding privacy issues and establish security policies</b>	An ICT specialist may need to provide training to employees to minimise the risk of security breaches within the business.	By providing training to employees, the risk of security breaches is minimised, which ensures all sensitive information is protected. This assists in the prevention of data breaches, protecting a business's reputation.

**LESSON LINK**

Privacy legislation will be covered in further detail in **4E Policies and procedures**.

Customer databases will be covered in further detail in **4F Technological and global issues**.

Management of data will be covered in further detail in **5K Technology and marketing**.

Protecting customer privacy will be covered in further detail in **5N CSR considerations in marketing**.

**REAL WORLD EXAMPLE**

**The role of ICT specialists**

Data#3 is an information technology company that operates across Australia. Among its extensive service offerings, Data#3 provides digital and ICT advisory services to organisations. Data#3 prides itself on providing specialised senior advice in relation to leading, managing, and operating a business's technology. For example, Data#3 can help businesses with their digital strategy and develop a plan to optimise efficiency and business growth.

*Adapted from Data#3, 'About Data#3', 2022*



Image: metamorworks/Shutterstock.com

**Figure 3** Data#3 offers ICT advisory services to businesses across Australia

**The role of legal advisers 2.1.2.1.4**

A **legal adviser** is a professional who provides expert advice to businesses regarding their legal responsibilities. Unlike lawyers, legal advisers work directly for a business and provide legal advice to that particular business. As there are many legal requirements when establishing a business, business owners should consider hiring a legal adviser to ensure they are compliant with laws and regulations that are relevant to the business. As business laws are often highly complex and constantly changing, a business owner may hire a legal adviser to provide general legal advice. For example, a legal adviser may inform the business owner that they must register for an Australian Business Number (ABN), an eleven-digit number that is used to identify a business, before the business may begin operating. Alternatively, a business owner may hire a legal adviser that specialises in a particular area of law, such as contract law, patent law, or labour law. For example, when the business owner begins hiring employees, they may seek the advice of a legal adviser that specialises in contract law to provide their opinion on the drafting of employment contracts.

**KEY DEFINITIONS**

A **legal adviser** is a professional who provides expert advice to businesses regarding their legal responsibilities.

**LESSON LINK**

Intellectual property was introduced in **1F Business concept development**.

**Table 4** The role of legal advisers

Role	Explanation	How the role assists businesses
<b>Provide advice relating to the drafting of contracts</b>	Legal advisers may be hired by a business owner to provide advice regarding the drafting of employment contracts. For example, the legal adviser may indicate the requirements that must be included in each employment contract, such as the terms and conditions of employment, and an outline of the roles and duties of the employee and employer.	As the process of drafting a contract can be complex, hiring a legal adviser ensures the business meets all legal requirements in relation to its employees by including all necessary requirements in each contract.
<b>Ensure compliance with all relevant laws and regulations</b>	Legal advisers may analyse the business's policies and procedures to ensure it meets all legal obligations relevant to the business and its practices. For example, all businesses must follow occupational health and safety laws to minimise the risk of injuries or accidents.	By ensuring all legal obligations are met, a business avoids facing penalties, such as fines, suspensions, or forced closure.
<b>Protect a business's trademarks and patents</b>	Legal advisers may be required to help register a business's trademarks and patents, whilst also ensuring the business is not infringing on existing intellectual property rights.	Registering trademarks and patents ensures the business has exclusive rights to intellectual property. Furthermore, this also ensures the business does not face penalties or lawsuits associated with infringing existing intellectual property rights.
<b>Provide in-house counsel for conflicts that arise between stakeholders, such as employees and management</b>	Legal advisers may be required to resolve conflicts that arise between stakeholders, such as employees and management, by meeting with each party to understand the issue and provide resolutions.	Solving disputes within the business may prevent potential lawsuits from arising, which have the potential to damage the business's reputation depending on the nature of the claim.

**The role of marketing advisers 2.1.2.1.5****KEY DEFINITIONS**

A **marketing adviser** is a professional who provides expert advice to businesses in relation to promoting and selling their products.

A **marketing adviser** is a professional who provides expert advice to businesses in relation to promoting and selling their products. When establishing a business, business owners may choose to seek the advice of a marketing adviser to effectively understand and cater to the wants and needs of their target market. Marketing advisers are required to conduct extensive market research of the business's target market and gain an understanding of the business's objectives. Therefore, a marketing adviser can assist a business to develop an appropriate marketing strategy to best achieve these objectives. After conducting their research, a marketing adviser can assist a business by developing appropriate advertising strategies, digital and social media marketing, and public relations strategies.

**Table 5** The role of marketing advisers

Role	Explanation	How the role assists businesses
<b>Develop appropriate advertising strategies</b>	Marketing advisers can help a business develop the most appropriate advertising campaign to reach the business's target market. For example, businesses can advertise their products through television commercials, social media, or via email.	As there is a wide variety of advertising strategies that a business can choose from, marketing advisers can help the business select the most appropriate advertising methods, as they have an in-depth understanding of the business's target market.
<b>Provide branding and design assistance</b>	As marketing advisers have expertise regarding the type of branding that best appeals to a business's particular target market, they can help a business create and design its logo, slogan, and website to effectively attract customers.	As customers identify a business through its branding, including its logo, marketing advisers can help the business create an easily recognisable and memorable brand.
<b>Develop digital and social media marketing strategies</b>	Marketing advisers can help a business determine ways to advertise its products through various technological developments, such as <b>search engine optimisation</b> , <b>email marketing</b> , and <b>artificial intelligence</b> . In addition, marketing advisers can also help a business select the most appropriate social media platforms to advertise its products, depending on the target market.	As digital and social media marketing can be highly complex, marketing advisers can ensure businesses do not waste resources on technological strategies that are unlikely to reach the business's target market. For example, as different social media platforms are suited to different age groups, this can determine which platforms the business will use to advertise its products.
<b>Develop effective public relations strategies</b>	Marketing advisers can help businesses connect with media channels and influencers, which the business can use to communicate messages to its intended audience.	As marketing advisers often have strong media and influencer networks, they can help a business gain publicity and improve its brand awareness.

**LESSON LINK**

Technological developments in marketing were introduced in **5K Technology and marketing**.

Public relations was introduced in **5L The relationship between public relations and business objectives**.

**ADDITIONAL TERMS**

**Search engine optimisation** is a process used by businesses to ensure their website ranks higher in search results when customers search for goods or services related to the business online.

**Email marketing** is the process of sending personalised electronic messages to existing customers to promote a business's goods and services.

**Artificial intelligence** is software that is able to mimic the behaviour of humans.

**ACTIVITY****External professionals**

Match each external professional to their role:

- |                      |   |   |
|----------------------|---|---|
| Accountants ●        | ● | Analyse the business's policies and procedures to ensure it meets all legal obligations relevant to the business and its practices. |
| Financial advisers ● | ● | Ensure a business's data is properly stored, establish firewalls, and install antivirus software to prevent data breaches.          |
| ICT specialists ●    | ● | Create financial reports, such as income statements, balance sheets, and cash flow statements.                                      |
| Legal advisers ●     | ● | Manage the business owner's personal finances.  |
| Marketing advisers ● | ● | Help a business develop the most appropriate advertising campaign to reach its target market.                                       |



## EXTENDED REAL WORLD EXAMPLE

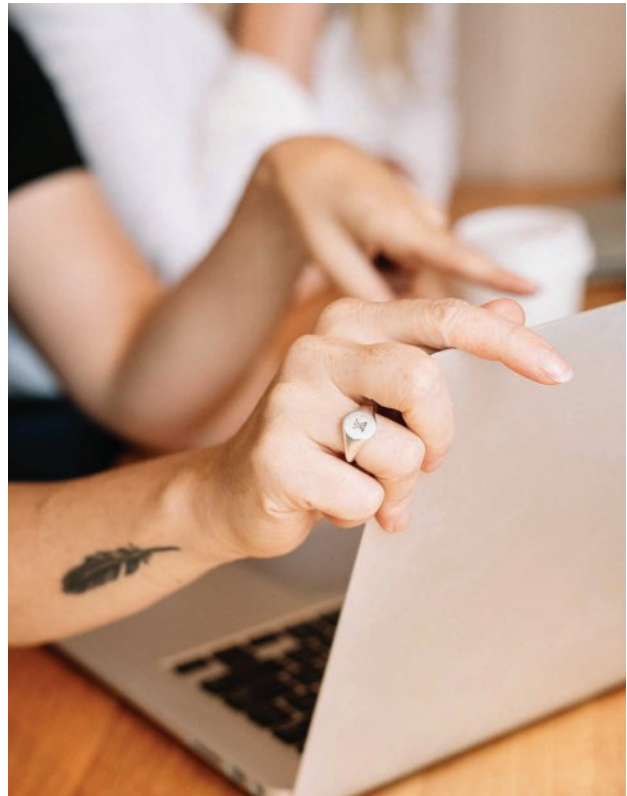
### The role of marketing advisers

littleBIG is a marketing agency located in Cremorne, Victoria that provides marketing assistance to businesses. littleBIG offers a range of marketing services that are provided by a team of individuals who have specialised marketing skills and expertise, alongside a well-rounded knowledge of the industry. Before advising a business on the best way to promote and sell its products, littleBIG ideally starts with a 'discovery session' to understand the business's goals and objectives. During this process, littleBIG will analyse the business's target market, establish a budget, and create a detailed timeline and roadmap for the implementation of the business's marketing strategy. Some businesses have their marketing strategy well mapped out already, and they come to littleBIG for assistance to execute some, or all of it.

Through its talented graphic design specialists, littleBIG offers branding and design assistance to businesses to help with the creation and design of logos, brand systems, websites, and other visual communications that can attract customers to the business. In addition, littleBIG assists the business with designing the product and its packaging. Furthermore, littleBIG has demonstrated an awareness of the rise in popularity of digital and social media marketing by providing assistance to businesses in these areas. littleBIG helps businesses develop successful social media campaigns through popular platforms, such as Facebook and Instagram, that aim to function alongside a business's website. littleBIG's digital marketing strategies consider many additional tactics, including search engine optimisation, paid search campaigns, email marketing, and influencer engagement.

Priding itself on its unsurpassed media and influencer relationship network, littleBIG is able to connect businesses with the most influential digital publishers, print and broadcast media, and social media feeds. As a result, businesses are able to build brand awareness and increase sales. Moreover, littleBIG can help businesses create and organise either in-person, or virtual events. Previously, littleBIG organised many high-impact launches, parties, and brand activations across many industries. Furthermore, in order to create brand awareness and showcase products, littleBIG also helps businesses create effective advertising campaigns using enticing visuals and a smart use of words.

*Adapted from littleBIG, 'About', 2022*



**Figure 4** littleBIG provides marketing assistance to businesses across many industries

### Questions

1. Do you think littleBIG's 'discovery session' is important? Why or why not?
2. On the internet, search for 'littleBIG' and click on the relevant link to its website. On the 'View Work' page, look through littleBIG's portfolio. Do you recognise any of littleBIG's work?
3. Out of littleBIG's portfolio, which marketing campaign do you consider most effective? Why?

## Theory summary

When establishing a business, business owners should seek the assistance of external professionals to provide them with a specific set of skills in their area of expertise. Examples of common external professionals that are hired by a business include:

- accountants, who help businesses manage, update, analyse, and report their financial information.
- financial advisers, who assist business owners and individuals with business-related and personal finances, whilst also aiding with financial planning.
- ICT specialists, who develop and maintain technological systems for businesses.
- legal advisers, who can help ensure businesses follow all relevant laws and regulations.
- marketing advisers, who can help businesses determine the best way to promote and sell their products to customers.

# 4A Questions

## Theory review

### Question 1

During the establishment of a business, business owners should consider seeking assistance from external professionals.

- A. True
- B. False

### Question 2

Financial advisers can help a business by:

- A. ensuring the business complies with all relevant laws and regulations.
- B. analysing and assisting in the management of current business expenses.

### Question 3

Legal advisers only provide general legal advice as they do not specialise in a particular area of law.

- A. True
- B. False

### Question 4

Fill in the blank with **one** of the following terms:

- legal advisers
- ICT specialists

As developments in technology have provided businesses with access to large amounts of customer data, a business owner should consider hiring \_\_\_\_\_ to ensure data is properly stored.

### Question 5

ICT specialists may be required to:

- A. provide training to employees regarding privacy issues and establish security policies to prevent data breaches.
- B. develop digital and social media marketing strategies.

### Question 6

Marketing advisers can help a business develop the most appropriate advertising campaigns that will successfully reach the business's target market.

- A. True
- B. False

### Question 7

Business owners may not need to hire an external professional in an area they already have knowledge and expertise in.

- A. True
- B. False

## Preparing for exams

### Case study skills

### Question 8

Ruby and Fahim are the owners of Ouch That Hurts, a medical clinic located in Camberwell. Currently, Ruby and Fahim record transactions on loose-leaf paper as neither of them has an understanding of accounting processes. While Fahim wants to hire an accountant, Ruby believes their current recording system is adequate.

Identify which of the following statements are correct about the role of an accountant at Ouch That Hurts.

**(Select all that apply)**

- I. An accountant will continue to record transactions on loose-leaf paper in the same way as Ruby and Fahim.
- II. An accountant can properly record Ouch That Hurts' financial information and create financial reports that determine if the business's financial position is favourable.
- III. As Ruby and Fahim do not have an understanding of accounting processes, an accountant will be better equipped to ensure that Ouch That Hurts is compliant with all relevant laws and regulations.

**Question 9**

Emily and Nyla have recently opened Hunters, an Italian restaurant that is known for its traditional handmade pasta, which is available for both dine-in and takeaway. Emily and Nyla want to develop a website, where customers can order food online, and create a customer database to be able to predict the orders of frequent customers. However, Emily and Nyla do not have website development and design skills and, are therefore looking for external assistance.

Identify which of the following statements are **true** or **false** about hiring external professionals at Hunters.

	<b>True</b>	<b>False</b>
I. Emily and Nyla should hire a marketing adviser to provide advice related to the design of Hunters' website that will best showcase its traditional handmade pasta.	<input type="checkbox"/>	<input type="checkbox"/>
II. Emily and Nyla should hire a legal adviser as Hunters is not currently legally compliant	<input type="checkbox"/>	<input type="checkbox"/>
III. Emily and Nyla should hire an ICT specialist to help establish and maintain Hunters' website and customer database, enabling the orders of frequent customers to be predicted.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Emily and Nyla should hire an accountant to organise Hunters' financial information, as accounting standards are currently being breached.	<input type="checkbox"/>	<input type="checkbox"/>
V. Emily and Nyla should hire a financial adviser to manage their personal finances, as both owners invested all of their money into the Italian restaurant and need to manage their savings.	<input type="checkbox"/>	<input type="checkbox"/>

**Exam-style****Question 10** (1 MARK)

Define the term 'external professionals'.

---

**Question 11** (2 MARKS)

Describe the role of a legal adviser when assisting businesses.

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**Question 12** (2 MARKS)

Outline two roles of a financial adviser when assisting businesses.

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**Question 13** (3 MARKS)

Ruby and Fahim are the owners of Ouch That Hurts, a medical clinic located in Camberwell. Currently, Ruby and Fahim record transactions on loose-leaf paper as neither of them has an understanding of accounting processes. While Fahim wants to hire an accountant, Ruby believes their current recording system is adequate.

Explain the role of an accountant at Ouch That Hurts.

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**Question 14** (4 MARKS)

Emily and Nyla have recently opened Hunters, an Italian restaurant that is known for its traditional handmade pasta, which is available for both dine-in and takeaway. Emily and Nyla want to develop a website, where customers can order food online, and create a customer database to be able to predict the orders of frequent customers. However, Emily and Nyla do not have website development and design skills and, are therefore looking for external assistance.

Explain the role of two external professionals that Emily and Nyla could hire when creating the business's website.

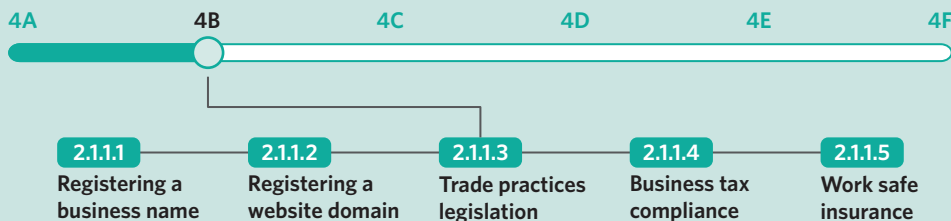
**Testing previous knowledge****Question 15** (2 MARKS)

Describe the role of a legal adviser in assisting a business to adhere to its taxation requirements.

# 4B Legal requirements for establishing a business

## STUDY DESIGN DOT POINT

- an overview of key legal requirements for establishing a business such as registering the business name, registering a website domain, trade practices legislation, business tax compliance and work safe insurance



Before you can legally drive, there are a number of requirements that must be met, including practising for a specific number of hours, being of age, and passing the final driving test. Similarly, before starting a business, owners must fulfil various legal requirements.



## Lesson introduction

During the establishment of a business, the owner must be aware of, and uphold all legal requirements and regulations that are relevant to the business's operation. There are several legal bodies that monitor, govern, and assist businesses in fulfilling their legal requirements. However, it is ultimately the owner's responsibility to remain up-to-date and comply with the relevant legislation when starting and operating their business. A business that follows all of its legal requirements can avoid any negative consequences to its operation, such as fines, suspensions, or even forced closure.

## Registering a business name 2.1.1.1

A **business name** is the title that a business operates under and what customers use to identify the business. It is a legal requirement for all businesses to obtain an Australian Business Number (ABN) and to register a business name with the Australian Securities and Investments Commission (ASIC). Registering a business name ensures that no two businesses are operating under the same title. One exception to this legal requirement is when a business owner decides to operate their business under their own name. In this case, the owner does not need to register a business name. However, if an owner chooses to add extra terms, such as '.co' or 'the barber', they must register this business name. Registering a business name does not guarantee that other businesses are not allowed to use a similar name or part of a business's name. Therefore, to protect a business name, owners should apply for a **trademark**.



Figure 1 Steps to follow when registering a business name

## REAL WORLD EXAMPLE

### Registering a business name

The Australian Securities and Investments Commission (ASIC) is an independent government body that oversees financial and market services. ASIC enforces legislation related to business name registration and assists business owners during this registration process. One way that ASIC supports business owners is by enabling them to register a business name online, whilst also allowing them to search their chosen name through the ASIC website to see whether it is available to use.

Adapted from ASIC, 'For business', 2022

## KEY DEFINITIONS

A **business name** is the title that a business operates under and what customers use to identify the business.

## ADDITIONAL TERMS

A **trademark** is an exclusive right granted over a unique aspect of a business, such as a symbol, word, sound, or number that is used to distinguish the business or its products.

## LESSON LINK

Trademarks were introduced in **1F Business concept development**.



Image: azrin aziri/Shutterstock.com

Figure 2 The Australian Securities and Investments Commission (ASIC) assists business owners with registering a business name

## KEY DEFINITIONS

A **website domain** is a website address that identifies a business's online site.

## ADDITIONAL TERMS

**auDA (.au Domain Administration)** is a self-regulatory body that oversees and manages the .au domain space.

## Registering a website domain 2.1.1.2

A **website domain** is a website address that identifies a business's online site. As society becomes increasingly reliant on technology, it is very common for businesses to establish an online presence. A necessary step for businesses operating online is to create a website domain. Before creating a website domain, a business owner should determine whether the business's chosen domain name has already been used or trademarked. If the domain name is available, the business owner should register for the domain through **auDA (.au Domain Administration)**. A business can have multiple website domains linked to its name to enable customers to easily find it online.

## ACTIVITY

### Registering a website domain

Search up 'auDA' on Google and click on the first link (.auDA, 2021). Answer the following:

1. How many .au domains are registered in Australia?
2. Identify three accredited registrars listed on the website.
3. At the top of the website, hover over '.au Domain names' and click on the first drop-down labelled '.au Domain names'. Match each '.au namespace' with the relevant description from the auDA website.

.au namespaces	Description
org.au	For Commonwealth, state, territory, and local government bodies. This domain is managed on behalf of the Australian government sector by the Department of Finance.
id.au	For commercial entities, such as companies (with an ABN/ACN as registered through ASIC), and businesses (registered with state governments).
edu.au	For charities and non-profit organisations.
vic.au	For incorporated associations, political parties, trade unions, and sporting and special interest clubs.
gov.au	For commercial entities, such as companies (with an ABN or ACN as registered through ASIC), and businesses (registered with state governments).
com.au	For educational institutions registered at the federal or state level. This domain is managed by auDA in accordance with the .au Domain Administration Rules: Licensing.
asn.au	For individuals who are Australian citizens or residents.

## KEY DEFINITIONS

**Trade practices legislation** is the law that governs how a business interacts with customers and competitors.

## ADDITIONAL TERMS

**Guarantees** are promises that a business makes to customers regarding a good or service.

**Warranties** are a type of written guarantee that a business will repair or replace a faulty product if required within a specific time period.

## Trade practices legislation 2.1.1.3

**Trade practices legislation** is the law that governs how a business interacts with customers and competitors. A business should refer to trade practices legislation to ensure its activities align with legal obligations within its relevant industry. Specific industry-related legislation is created to ensure that businesses are engaging with competitors and customers fairly. The Competition and Consumer Act 2010 (CCA) governs how Australian businesses operate. This Act led to the establishment of the Australian Competition and Consumer Commission (ACCC) which governs business operations and enforces punishments if a business breaches legislation.

**Table 1** Some of the rights and obligations stated within the CCA

Obligations	Explanation
Commit to <b>guarantees</b> and <b>warranties</b> .	Businesses are expected to uphold promises to customers when there is an issue with a good or service.
Do not collude.	Businesses within the same industry must not unlawfully work together. For example, businesses cannot collectively increase their prices for goods or services to increase the profitability of the market.
Do not falsely advertise goods or services.	Businesses are expected to be honest when advertising the price and function of a good or service.

## REAL WORLD EXAMPLE

## Trade practices legislation

Samsung is a Korean multinational electronics company that produces devices such as smartphones and tablets. In 2019, the ACCC initiated legal action against Samsung Australia, taking the electronics company to court for false advertising. The ACCC argued that Samsung's advertisements of the water resistance feature in some of its Galaxy model phones, which involved submerging them in water, were misleading to customers. The court case involved 300 Samsung advertisements and the ACCC provided evidence of customers who sought a warranty and were not successful in their claim. In June 2022, Samsung admitted to misleading consumers and was ordered to pay \$14 million by the Federal Court of Australia.

*Adapted from Australian Competition and Consumer Commission, 'Samsung Australia to pay \$14m penalty for misleading water resistance claims', 2022*



Image: Austris Antons/Shutterstock.com

**Figure 3** Samsung Australia was ordered to pay \$14 million for falsely advertising its water-resistant phones

## Business tax compliance 2.1.1.4

**Tax compliance** is the extent to which an individual or business meets tax obligations. It is a legal requirement for all businesses to pay tax. The tax requirements of businesses can vary depending on the business type and value of earnings, however, all businesses are governed by the Australian Tax Office (ATO). To ensure tax compliance, a business should consider referring to government bodies and documents, or hiring a registered tax agent for advice. If a business does not meet its tax obligations, it may face penalties, fraud charges, or be forced to stop operating.

Some tax obligations a business must comply with include **income tax** and **pay-as-you-go (PAYG)**. Most businesses must also comply with Goods and Services Tax (GST). Businesses are expected to lodge **tax returns** to determine how much of their income is allocated to tax. Owners operating as sole traders or in partnerships are subject to tax rates similar to individuals, meaning they are required to pay tax on their income when it is above \$18,200. However, private limited and public listed companies are usually taxed at a flat rate of 30%.

## LESSON LINK

Taxation requirements were introduced in **3B Legal and government regulations**.

Sole traders, partnerships, private limited companies, and public listed companies were introduced in **2B Types of businesses**.

Financial support services were introduced in **2H Business support services**.

## KEY DEFINITIONS

**Tax compliance** is the extent to which an individual or business meets tax obligations.

## ADDITIONAL TERMS

**Income tax** is the tax individuals and businesses must pay which is calculated from their income.

**Pay-as-you-go (PAYG)** is a system that involves individuals and businesses paying tax at regular intervals.

**Tax returns** are documents that are filled out by individuals and businesses to calculate how much of their income will be taxed.

## REAL WORLD EXAMPLE

## Business tax compliance

The Australian construction industry is focused on the construction, renovation, and demolition of buildings and infrastructure in Australia. As a result of financial difficulties faced by businesses during the COVID-19 pandemic, the Australian Taxation Office (ATO) was lenient with the construction industry throughout this period and did not heavily regulate tax payments. However, in 2022, the ATO took firmer action against the construction industry for not paying approximately \$7.22 billion in tax during the COVID-19 pandemic.

*Adapted from news.com.au, 'The construction sector owes a staggering \$7.22 billion to the ATO', 2022*



Image: Bannafarsai\_Stock/Shutterstock.com

**Figure 4** The construction industry failed to meet its tax obligations throughout the COVID-19 pandemic

## Work safe insurance 2.1.1.5

### KEY DEFINITIONS

#### Work safe insurance

is compulsory insurance that assists employers to meet their obligation of financially compensating and supporting employees who become injured or ill because of their work.

### ADDITIONAL TERMS

#### WorkSafe Victoria

is an independent government body that governs how businesses maintain workplace health and safety.

#### WorkCover insurance

is financial protection provided to businesses when employees become injured or ill in the workplace.

**Work safe insurance** is compulsory insurance that assists employers to meet their obligation of financially compensating and supporting employees who become injured or ill because of their work. While all businesses are legally required to maintain a safe working environment, employees may still become injured or ill when completing their roles within the business.

**WorkSafe Victoria** aims to ensure that businesses are providing a safe working environment for employees by enforcing Occupation Health and Safety (OH&S) laws. WorkSafe Victoria helps businesses to prevent the likelihood of work-related injuries and provides compulsory **WorkCover insurance** to all businesses that pay over \$7500 in wages per year. If employees are injured within the workplace, WorkCover insurance assists employers to meet their obligation of financially compensating and supporting injured employees.

### REAL WORLD EXAMPLE



Image: Nils Versemann/Shutterstock.com

**Figure 5** A Victorian worker was caught fraudulently obtaining compensation payments from WorkSafe Victoria

#### Work safe insurance

While WorkSafe Victoria aims to protect and compensate employees who have been injured or become ill at or from work, some individuals take advantage of this. In 2022, the Magistrates' Court ruled a Victorian worker was guilty of fraudulently obtaining compensation payments from WorkSafe Victoria. From 2018 to the end of 2019, the worker illegally received over \$35,000 in weekly benefit payments for a supposed wrist injury. The Magistrates' Court condemned his greed, arguing that future individuals who take advantage of the compensation scheme will face serious consequences.

*Adapted from insurancenews.com.au, "Undone by greed: beef stockist caught trying to cheat WorkSafe", 2022*

### Theory summary

Before a business is established and prepared to operate, it is expected that it will comply with a number of legal requirements and expectations. If a business fails to follow legislation, it will face legal consequences. Legal requirements include:

- registering a business name, which enables a business to operate under a certain name.
- registering a website domain, which is a necessary step when a business establishes an online presence.
- trade practices legislation, which promotes businesses to fairly interact with competitors and customers.
- business tax compliance, which is a necessary requirement that involves businesses paying tax to the government.
- work safe insurance, which provides employers with insurance if one of their workers is injured at work.

# 4B Questions

## Theory review

### Question 1

Businesses that do not comply with legal requirements will only have to pay fines.

- A. True
- B. False

### Question 2

An owner does not have to register a business name if they decide to operate the business under their own name.

- A. True
- B. False

### Question 3

Fill in the blank with **one** of the following terms:

- website domain
- business name

A business that wants to establish an online presence should register a \_\_\_\_\_.

### Question 4

The Australian Competition and Consumer Commission (ACCC) is a government agency that:

- A. businesses can use to register their website domain.
- B. governs business operations and enforces punishments if a business breaches legislation.

### Question 5

Trade practices legislation ensures businesses are engaging with competitors and customers fairly.

- A. True
- B. False

### Question 6

Fill in the blank with **one** of the following terms:

- Work safe insurance
- Business tax compliance

\_\_\_\_\_ ensures employees are financially compensated and supported for injuries or illnesses that occur as a result of their work.

### Question 7

Businesses that are not tax compliant may face penalties, fraud charges, or be forced to stop operating.

- A. True
- B. False

### Question 8

Business owners should consider relevant legal requirements before establishing a business.

- A. True
- B. False

## Preparing for exams

### Case study skills

### Question 9

Justina is planning to open a hairdressing salon in a few months. She has registered her business name as 'Justina's Hair Salon'. Justina plans to advertise and sell her own curated shampoos to customers and hire a number of hairdressers as soon as the business opens.

Identify which of the following statements are **true** or **false** about legal requirements that Justina should consider when planning her hairdressing salon.

	True	False
I. Justina does not need to consider tax requirements as tax compliance does not apply to business owners when opening a business.	<input type="checkbox"/>	<input type="checkbox"/>
II. Justina must consider trade practices legislation when advertising and selling her own shampoos, whilst also remaining transparent about the product's benefits and features.	<input type="checkbox"/>	<input type="checkbox"/>
III. Justina does not need to consider registering a website domain as she has already registered her business name which automatically provides her with a website domain.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Justina must consider WorkSafe insurance as she plans to hire a number of hairdressers, so she needs to implement practices that comply with Occupational Health and Safety legislation.	<input type="checkbox"/>	<input type="checkbox"/>



**Exam-style****Question 10** (1 MARK)

Define the term 'trade practices legislation'.

---

**Question 11** (2 MARKS)

Describe how a business would register a website domain.

---

**Question 12** (2 MARKS)

Describe the importance of a business complying with taxation requirements.

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**Question 13** (3 MARKS)

Explain how a business could comply with trade practices legislation.

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**Question 14** (4 MARKS)

Justina is planning to open a hairdressing salon in a few months. She has registered her business name as 'Justina's Hair Salon'. Justina plans to advertise and sell her own curated shampoos to customers and hire a number of hairdressers as soon as the business opens.

Explain two legal requirements Justina should consider when establishing her hairdressing salon.

**Testing previous knowledge****Question 15** (4 MARKS)

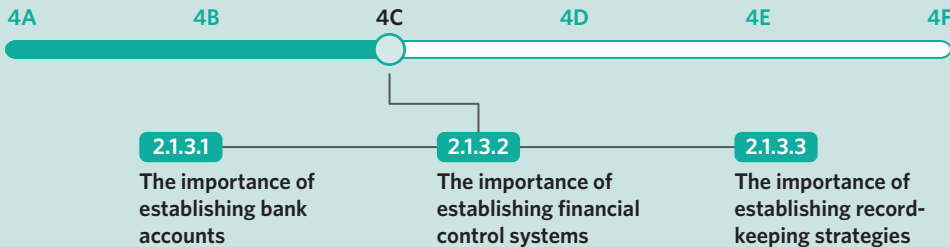
Gabi works at a marketing firm in Melbourne's CBD. Gabi has decided that she no longer wants to work for Greg, the manager of the marketing firm because she wants more control over her work. As a result, Gabi has decided to establish her own catering business.

Explain one personal motivation behind Gabi's decision to start her own catering business and outline one legal requirement that is relevant when starting her business.

# 4C Financial considerations

## STUDY DESIGN DOT POINT

- the importance of establishing bank accounts, financial control systems and record-keeping strategies



'One day Amazon will fail. Amazon will go bankrupt.'  
– Jeff Bezos, Executive Chairman of Amazon.

All businesses face the risk of going bankrupt or failing if they do not keep track of, and maintain, their finances over a long period of time. Do you think all businesses need to keep track of their money?



## Lesson introduction

When establishing a business, there are a number of financial requirements managers should consider to ensure they are able to track and monitor the money that the business makes and spends. Managing a business's **financial performance** is vital to achieving business goals, such as making a profit. However, without the appropriate financial systems in place, a business is likely to face financial losses and could potentially fail.

## The importance of establishing bank accounts 2.1.3.1

A **bank account** is an arrangement made with a bank where a business or individual can deposit and withdraw money. Having a bank account can enable a business to manage and track all the money coming in and out of the business. By establishing a business bank account, owners create a bank account separate from their personal bank account. The ATO (Australian Taxation Office) requires owners operating private limited companies or public listed companies to create a separate bank account for their business. The owners of these incorporated businesses are considered a separate legal entity from their business, and are thus taxed independently from the business. Although not considered a separate entity, partnerships must also have a separate business bank account as this business structure must lodge its own **tax return**. When creating a bank account, owners can decide which bank to store the business's funds within based on the interest rates and fees for loans.

Bank accounts can be created and monitored in person as well as electronically. Business bank accounts enable owners to track both cash and cashless transactions. Overall, creating a bank account is beneficial as it confirms a business's financial transactions, it does not, however, categorise specific types of financial transactions. If a separate bank account is not created, businesses may waste time separating personal and business spending, and could face punishment from the ATO as a separate bank account is necessary for taxation purposes.

**Table 1** The importance of creating a business bank account

### The importance of establishing a business bank account

- Enables a business to separate business and personal spending.
- Enables a business to properly calculate its bank balance and understand its financial position.
- Enables a business to accurately lodge its tax returns.

## KEY DEFINITIONS

A **bank account** is an arrangement made with a bank where a business or individual can deposit and withdraw money.

## ADDITIONAL TERMS

**Financial performance** is how well a business is able to manage its expenses and revenue over a period of time. This can be determined by evaluating the business's overall profits or losses.

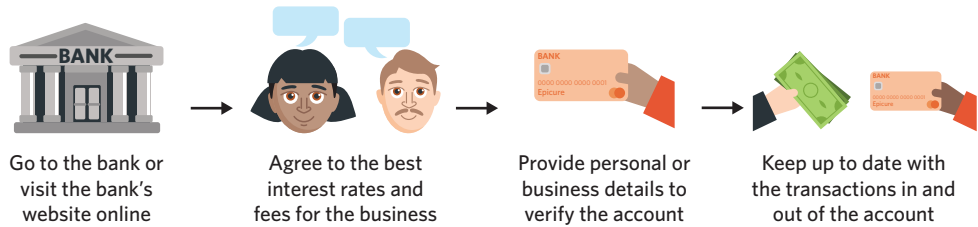
**Tax returns** are documents that are filled out by an individual or business to calculate how much of their income will be taxed.

## LESSON LINK

Private limited companies, public listed companies, and partnerships were introduced in **2B Types of businesses**.

Loans were introduced in **2G Sources of finances**.

The Australian Tax Office (ATO) and taxation were introduced in **3B Legal and government regulations**.



**Figure 1** The process of creating a bank account

**THEORY IN ACTION**



**Figure 2** Stanley Yu established a bank account for Epicure

**The importance of establishing bank accounts**

Epicure is a gourmet supermarket owned by Stanley Yu. Stanley first planned to use his own bank account to manage Epicure’s finances. However, having discussed this with other business owners, Stanley has identified that he needs to separate the business’s money from his own. This way, he would be able to better keep track of Epicure’s financial transactions as it prevents him from confusing the transactions of the business with his personal transactions.

**The importance of establishing financial control systems 2.1.3.2**

**KEY DEFINITIONS**

**Financial control systems** are processes and procedures used to direct and monitor a business’s finances.

**ADDITIONAL TERMS**

**Fraud** is a crime that may involve an individual being deceitful to gain a financial benefit.

**Business reports** are documents created periodically throughout the year to provide owners and stakeholders with a summary of the business’s overall financial performance.

**Budgeting** involves estimating a business’s future financial transactions to ensure it remains in a financially viable position.

**Auditing** involves assessing a business’s financial information to verify that it is true and accurate.

**Cash flow** is the amount of money, or cash, coming in and out of the business over a period of time.

**Financial control systems** are processes and procedures used to direct and monitor a business’s finances. These systems help a business oversee its transactions and financial position. Financial control systems can establish and assess business practices to prevent **fraud** and errors. These systems enable business finances to be used appropriately and categorised accurately while helping plan out future financial activities. Correctly categorising types of financial transactions contributes to a business creating accurate financial statements and **business reports**. Businesses can either have employees within the business or an external expert to supervise financial control systems.

Financial control systems provide businesses with a better understanding of how much money they are spending and investing. **Budgeting** and **auditing** are some of the most common types of financial control systems used by businesses to understand and monitor their finances. With this knowledge, businesses can make informed financial decisions. Moreover, financial control systems can identify and prevent risks that would otherwise prohibit a business from achieving business objectives. Although these systems are beneficial for a business to use, it is time consuming to prepare financial documents and can be costly to hire external experts.



**Figure 3** A business using financial control systems

**Table 2** The importance of a business establishing financial control systems

The importance of establishing financial control systems
Can help businesses avoid:
<ul style="list-style-type: none"> <li>• large financial losses</li> <li>• fraud</li> <li>• financial mismanagement</li> <li>• low <b>cash flow</b>.</li> </ul>

**Table 3** The importance of budgeting

Factors of the business that budgeting assists	How these factors are improved by budgeting
Avoid large financial losses	<ul style="list-style-type: none"> <li>Estimating a business's revenue and spending can allow for unnecessary expenses to be reduced before a financial loss occurs.</li> </ul>
Helps detect fraud	<ul style="list-style-type: none"> <li>Budgeting can identify unexpected or irregular changes in the business's financial position by comparing expected transactions with actual transactions.</li> </ul>
Avoid financial mismanagement	<ul style="list-style-type: none"> <li>Budgeting realistically sets out expected earnings and expenses. It also helps identify when and how much money can be spent by the business to avoid unnecessary losses.</li> </ul>
Avoid low cash flow	<ul style="list-style-type: none"> <li>Budgeting enables a business to predict when cash flow may be low based on estimated sales and expenses for a specific period.</li> </ul>

**Table 4** The importance of auditing

Factors of the business that auditing assists	How these factors are improved by auditing
Avoid large financial losses	<ul style="list-style-type: none"> <li>Auditing examines the accuracy of processes used to detect and prevent errors or fraud.</li> </ul>
Helps prevent fraud	<ul style="list-style-type: none"> <li>By auditing the business's finances, the effectiveness of procedures used to detect and prevent fraud can be assessed. For example, auditing checks that all customer transactions have been recorded and have receipts to prove the transaction occurred.</li> </ul>
Avoid financial mismanagement	<ul style="list-style-type: none"> <li>Auditing investigates whether current financial practices support the proper allocation of funds.</li> </ul>

**REAL WORLD EXAMPLE****The importance of establishing financial control systems**

KPMG is an accounting organisation which provides tax, audit, and advisory services to organisations globally. For over a decade, KPMG has been the independent registered public accounting firm, also referred to as the 'independent auditor', of Citigroup, an American financial services corporation and investment bank. KPMG received a total payment of \$100.1 million from Citigroup in 2021 for its provision of auditing services, consolidating financial statements, and assisting Citigroup in maintaining internal control over financial reporting in exchange for compensation. In Citigroup's 2022 Proxy statement, Citigroup's Audit Committee confirmed its continued support for KPMG, having conducted a review of the independent auditor. The committee confirmed 'it is in the best interests of Citi and its investors to appoint KPMG to serve as Citi's independent registered accounting firm for 2022'.

*Adapted from Citigroup, '2022 Proxy Statement', 2022*



Image: Isabelle OHara/Shutterstock.com

**Figure 4** KPMG is the independent auditor of Citigroup

## The importance of establishing record-keeping strategies 2.1.3.3

### KEY DEFINITIONS

**Record-keeping strategies** are methods used to keep track of the financial transactions of a business over a period of time.

### ADDITIONAL TERMS

**Cash books** are manual or electronic books where all cash transactions within a business are recorded.

**Record-keeping strategies** are methods used to keep track of the financial transactions of a business over a period of time. By making use of these strategies, a business can categorise its transactions, providing it with information that is used for business reports. Most small businesses record transactions in **cash books**, which is the simplest form of record-keeping used to prove cash transactions. Record-keeping can be completed electronically or manually, however, the ATO requires a business to archive written records of transactions for a minimum of five years. If there is no proof of these transactions, a business may face legal consequences. Manually categorising and keeping a daily record of financial transactions, such as customer sales, may be time consuming and subject to human error. Therefore, a business may purchase software to manage records electronically in order to increase accuracy and save time. Accurate record-keeping allows a business to monitor how money is being used and identify unnecessary transactions that may be causing financial losses. However, the use of software to complete record-keeping is likely to initially increase business costs as the business must buy the technology and train staff to ensure they understand how to use it.

**Table 5** The importance of record-keeping strategies

	A	B	C
1	6-May-2022	7-May-2022	8-May-2022
2	\$1267.98	\$991.14	\$2144.70
3	\$1719.12	\$1151.09	\$3019.22

**Figure 5** Recording daily financial transactions using electronic spreadsheets

### The importance of establishing record-keeping strategies

- Enables a business to accurately keep track of financial transactions.
- Enables a business to prove financial transactions that need to be reported when lodging tax returns to the ATO.
- Enables a business to conduct valid audits.
- Enables a business to form accurate business reports.

**Table 6** The importance of maintaining cash books

Factors of the business that maintaining cash books assists	How these factors are improved by maintaining cash books
Keeps track of financial transactions	To properly use a cash book, a business must keep a daily log of the cash coming in and out of the business and the type of transaction associated with it.
Proves financial transactions that need to be reported for tax returns	A cash book provides a written or electronic record of the cash paid and received by a business over time.
Enables a business to conduct valid audits	Cash books allow a business to accurately record financial transactions that are then independently assessed and tested.
Enables a business to form accurate business reports	A cash book accurately records financial transactions, which are then used to create the financial statements that form a part of a business report.

### REAL WORLD EXAMPLE



Image: monticello/Shutterstock.com

**Figure 6** MYOB provides record-keeping services for Australian businesses

### The importance of establishing record-keeping strategies

Mind Your Own Business (MYOB) is an Australian corporation that provides businesses with accounting, tax, bookkeeping, and other financial service software. It is used primarily by small to medium-sized Australian businesses. By paying a specified fee to MYOB, businesses can gain access to its various accounting software. This software can create GST reports for a business, send these directly to the ATO, calculate employees' wages and tax, provide an up-to-date and accurate summary of the business's cash flow, and ensure all bookkeeping is accurately completed. Once a business pays for the software, the business's accountants, bookkeepers, advisers, and business partners can all gain access to the categorised financial records for no additional cost. MYOB's software can help business owners to manage daily business finances and provide them with awareness of the business's financial state.

*Adapted from MYOB, 'Accounting software', 2022*

**ACTIVITY****Financial considerations**

Martin and Piper have been operating a small restaurant located in Hawthorn called 'The Bird', for the past year. In the first year of operation, Martin and Piper devoted significant money to renovating their restaurant and marketing it to the public, leaving them with limited funds to spend on other business activities. In order to manage their finances, Martin and Piper have a cash book in which they record all transactions of the business. On certain occasions, Martin and Piper have forgotten to make a note of certain transactions that have occurred, only remembering the following day. The Bird may face legal consequences if some of its financial records are missing, therefore Martin and Piper are looking for new ways to keep written records of transactions. Furthermore, Martin and Piper have been struggling to keep financial records and when looking at bank statements, they must first determine which expenses are personal costs, and which relate to the business. The Bird has not established its own bank account and rather receives all funds, and pays for all costs, through the owners' personal accounts. Although Martin and Piper keep all financial records for the business themselves, the partnership has decided to hire an external auditor to review this information and ensure its validity. This is costing The Bird significant money.

Answer the following questions relating to the scenario above in small groups. Discuss your answers with the class:

1. Why might The Bird be using cash books, as opposed to electronic record-keeping strategies to keep track of its business expenses?
2. What are some advantages of The Bird purchasing software to categorise the business's financial records, as opposed to doing so manually?
3. Despite their limited money to spend on financial considerations, Martin and Piper have hired an external auditor to verify the accuracy of The Bird's financial information. Why is it important that auditing is completed correctly?
4. Considering The Bird is a partnership business, the business must lodge its own tax return. What steps must Martin and Piper take in establishing a bank account to ensure The Bird can lodge its own tax return?
5. What are some other benefits of business owners establishing a business account, separate from their personal accounts?

**Theory summary**

When establishing a business, it is important that owners ensure their business monitors the money coming in and out of it in order to track its overall financial performance. There are many tools that a business can use to manage its finances, these include:

- a bank account, which enables a business to track the cash flow in and out of the business, and separate personal and business expenses.
- financial control systems, which allow a business to monitor and manage its financial transactions and detect any errors or fraud.
- record-keeping strategies, which enable a business to accurately keep track of, and categorise, all transactions.

# 4C Questions

## Theory review

### Question 1

Businesses should ensure certain financial considerations are in place as this allows them to achieve business objectives and can prevent the business from incurring financial losses.

- A. True
- B. False

### Question 2

Financial control systems enable a business to:

- A. assess a business's ability to accurately manage and categorise its finances.
- B. control how much money the business spends.

### Question 3

There are different types of financial control systems, including:

**(Select all that apply)**

- I. budgeting.
- II. cash books.
- III. electronic record-keeping software.
- IV. auditing.

### Question 4

Fill in the blanks with the following terms:

- documenting
- monitoring

Financial control systems focus on \_\_\_\_\_ a business's financial position, whereas record-keeping strategies focus on \_\_\_\_\_ financial transactions.

### Question 5

Keeping detailed records of all financial transactions that occur within the business is important because:

**(Select all that apply)**

- I. the business must have proof of financial transactions to show the ATO when lodging a tax return.
- II. it indicates whether fraud has occurred.
- III. it enables a business to complete valid audits about this information.
- IV. it allows a business to form accurate business reports.

### Question 6

Establishing a business bank account is important as it enables a business to separate personal and business spending and allows a business to accurately lodge tax returns.

- A. True
- B. False

### Question 7

Fill in the blank with **one** of the following terms:

- a bank account
- financial control systems

Establishing and maintaining \_\_\_\_\_ is important for a business as it can ensure financial mismanagement is avoided by realistically setting out expected earnings and expenses.

### Question 8

Business owners only need to consider implementing financial considerations once they have been operating their business for a few years, as before then, the cost of establishing these considerations is likely to outweigh the benefits received from using them.

- A. True
- B. False

## Preparing for exams

### Case study skills

### Question 9

Killara and Lowanna own Solino, a streetwear brand based in the Northern Territory. Currently, the business's finances are tracked through Killara's bank account. Killara and Lowanna believe it would be best to create a separate account specifically for the business.

Identify which of the following statements is correct about the benefits of establishing a separate bank account at Solino. **(Select all that apply)**

- I. Killara and Lowanna will be able to accurately keep track of Solino's finances over time.
- II. By having a separate bank account for the business, Killara's personal transactions will no longer be mixed in with the transactions of the business, allowing for tax returns to be lodged more accurately as business finances are separated.
- III. Killara and Lowanna will be able to categorise Solino's financial transactions by establishing a bank account.

**Question 10**

Rafs is a vintage store that sells old-school music records, clothing, and books. There are currently 40 stores located across Australia. Last year, the business was unable to meet its objective of making a profit. Fanus, the owner, fears the business will face large financial losses in the future and plans to implement strategies to prevent this issue.

Identify which of the following statements is **true** or **false** about the introduction of financial control systems at Rafs.

	<b>True</b>	<b>False</b>
I. By implementing the financial control system of auditing, Rafs could detect and prevent financial errors as the accuracy of processes used by the business is examined.	<input type="checkbox"/>	<input type="checkbox"/>
II. Considering Rafs did not make a profit last year, it is not important for the business to spend money on financial control systems as these are expensive and will provide little help to the business.	<input type="checkbox"/>	<input type="checkbox"/>
III. Financial control systems can be used by Rafs to prevent the misallocation of funds, meeting the objective of making a profit whilst avoiding large financial losses.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Introducing financial control systems at Rafs will require Fanus to record daily financial transactions in a cash book to ensure that financial records are maintained.	<input type="checkbox"/>	<input type="checkbox"/>

**Question 11**

In 2022, Kiel planned to open an açai business called Ohana, however, he did not have enough money. After selling some of his personal assets to gain enough funds, Kiel will be able to open Ohana in Australia in 2023. While the business has a separate bank account to monitor finances, Kiel needs to implement strategies to accurately track the money coming in and out of the business.

Identify which of the following statements is **true** or **false** about the introduction of record-keeping strategies at Ohana.

	<b>True</b>	<b>False</b>
I. Record-keeping strategies such as cash books, can enable Kiel to monitor daily money transactions either manually or electronically.	<input type="checkbox"/>	<input type="checkbox"/>
II. The use of record-keeping strategies at Ohana can reduce the likelihood of the business meeting its set objectives.	<input type="checkbox"/>	<input type="checkbox"/>
III. By implementing strategies to record information, Ohana can improve the reputation of the business as customers will perceive it as an organised business.	<input type="checkbox"/>	<input type="checkbox"/>
IV. By keeping a record of all business transactions, Ohana can accurately prove business expenses when lodging a tax return to the ATO.	<input type="checkbox"/>	<input type="checkbox"/>

**Exam-style****Question 12** (1 MARK)

Define the term 'financial control systems'.

**Question 13** (2 MARKS)

Outline two reasons why establishing record-keeping strategies is important for a business.



**Question 14** (2 MARKS)

Killara and Lowanna own Solino, a streetwear brand based in the Northern Territory. Currently, the business's finances are tracked through Killara's bank account. Killara and Lowanna believe it would be best to create a separate account specifically for the business.

Describe why Killara and Lowanna need to establish a bank account for Solino.

---

**Question 15** (3 MARKS)

Rafs is a vintage store that sells old-school music records, clothing, and books. There are currently 40 stores located across Australia. Last year, the business was unable to meet its objective of making a profit. Fanus, the owner, fears the business will face large financial losses in the future and plans to implement strategies to prevent this issue.

Explain the importance of establishing financial control systems at Rafs.

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**Question 16** (3 MARKS)

In 2022, Kiel planned to open an açai business called Ohana, however, he did not have enough money. After selling some of his personal assets to gain enough funds, Kiel will be able to open Ohana in Australia in 2023. While the business has a separate bank account to monitor finances, Kiel needs to implement strategies to accurately track the money coming in and out of the business.

Explain the importance of setting up record-keeping strategies at Ohana.

**Testing previous knowledge****Question 17** (4 MARKS)

Propose and justify one financial consideration a business may implement to ensure it maintains tax compliance.

# 4D The importance of choosing appropriate suppliers

## STUDY DESIGN DOT POINT

- the importance of choosing appropriate suppliers including the benefits and limitations of suppliers that meet the corporate social responsibility objectives of the business



### 2.1.4.1

#### The importance of choosing appropriate suppliers

- 2.1.4.1.1 Price
- 2.1.4.1.2 Quality
- 2.1.4.1.3 Reliability
- 2.1.4.1.4 Location
- 2.1.4.1.5 Socially responsible suppliers

Before buying a car, there are certain characteristics of the car that should be considered to ensure it is the right one for you. Such factors include price, quality, and reliability. Similar considerations should be made by a business when choosing suppliers, as the characteristics of the suppliers can have a significant impact on the business's ability to achieve its goals.



## Lesson introduction

When establishing a business, it is important that business owners choose appropriate suppliers. A business must maintain positive relationships with its suppliers in order for the two parties to effectively work together. Suppliers deliver various **inputs** that are used by a business to produce an **output**, that is then sold to customers. Therefore, business owners should select suppliers with characteristics that assist the business to achieve its objectives and improve its competitiveness.

### Price 2.1.4.1.1

A business needs to consider how much its various suppliers will charge for their resources and delivery. The price charged by suppliers can quickly increase the expenses of the business, which may impact how much customers have to pay for the business's goods or services. Suppliers that charge low prices can enable a business to lower overall production costs and increase its profit. If the cost of supplies is low, a business may be able to charge customers a lower price. Reduced prices could attract **cost-conscious customers** and increase a business's competitiveness. However, in some cases, inputs sold for a minimal cost are of much poorer quality than more expensive inputs.



**Figure 1** The price of inputs affects a business's production costs, therefore impacting the retail price of its outputs and the overall profit it can achieve

## ADDITIONAL TERMS

**Inputs** are the resources used by a business to produce goods and services.

**Outputs** are the final goods or services produced as a result of a business's operations system, that are delivered or provided to customers.

**Cost-conscious customers** purchase goods or services primarily based on price. If another business offered a cheaper alternative, these customers would be likely to switch immediately.

### Quality 2.1.4.1.2

The quality of resources or materials provided by suppliers influences the overall quality of a business's output. Customer satisfaction is generally based on the level of quality of the goods or services customers receive. If the quality of a good or service fails to meet customer expectations, customers may be less satisfied and less likely to purchase from the business in the future. In turn, the business's reputation may be negatively affected, which can decrease its sales, market share, and competitiveness. Low-quality inputs can also increase the amount of faulty products produced, increasing the amount of waste the business generates. Additionally, the business may have to provide refunds to any dissatisfied customers who return defective goods.

## LESSON LINK

Suppliers were introduced in **3K Suppliers and the supply chain**.

### Reliability 2.1.4.1.3

Businesses should select suppliers that can deliver the required quantity of inputs at the right time. Reliable suppliers can enable a business to produce goods or services on time and meet customer demand. On the other hand, unreliable suppliers are likely to make errors during delivery or deliver items late, causing a delay in the business's production of its goods and services. It is important that businesses form strong relationships with suppliers as this can improve reliability and enable businesses to meet customer demand.

### Location 2.1.4.1.4

It is important for a business to consider where suppliers are located. Suppliers that are nearby can reduce the costs a business incurs due to transportation. Businesses that aim to be environmentally friendly may choose local suppliers to minimise transportation emissions. Choosing local suppliers also enhances the wellbeing of the general community by creating more local employment. On the other hand, a business may choose suppliers that are located further away from the business, such as suppliers located overseas, to obtain certain inputs or access cheaper resources. However, selecting suppliers that are distant or overseas can increase transportation costs and increase the likelihood of inputs arriving late or being damaged during delivery.

### Socially responsible suppliers 2.1.4.1.5

It is important for a business to review its **corporate social responsibility (CSR)** objectives when deciding which suppliers to source its inputs from. Businesses should consider the **sustainability** of their suppliers' activities, as well as how they treat their employees, the environment, and the local community. The reputation of a business could be impacted by the suppliers it chooses to use.

#### KEY DEFINITIONS

**Corporate social responsibility (CSR)** is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic, and environmental impacts when making business decisions.

#### ADDITIONAL TERMS

**Sustainability** involves making an effort to ensure natural resources are not permanently depleted or damaged by business activities.

#### LESSON LINK

Corporate social responsibility was introduced in **2J CSR for business planning**.

**Table 1** Considerations when choosing suppliers that meet CSR objectives

Consideration	Common CSR objective	Explanation
Fair and ethical treatment of employees	<ul style="list-style-type: none"> <li>To have a positive social impact locally, nationally, and globally.</li> </ul>	Suppliers that provide employees with sufficient pay, work breaks, and fair working conditions promote their employee's wellbeing.
Local suppliers	<ul style="list-style-type: none"> <li>To support the local economy.</li> <li>To reduce the negative impact on the environment.</li> </ul>	Suppliers that are located near the business can reduce transportation emissions and increase employment locally.
Ethical sourcing of materials	<ul style="list-style-type: none"> <li>To improve the sustainability of products and the environment.</li> <li>To reduce the amount of waste.</li> </ul>	Suppliers that source materials ethically contribute to the production of environmentally-friendly products.
Use environmentally-friendly practices	<ul style="list-style-type: none"> <li>To reduce the negative impact on the environment.</li> <li>To improve the sustainability of business practices.</li> </ul>	Suppliers that engage in activities, such as recycling, reduce the negative impact on the environment.
Choosing a supplier with high-quality materials	<ul style="list-style-type: none"> <li>To reduce the amount of waste.</li> </ul>	Selecting suppliers with higher quality inputs can improve the quality of outputs, decreasing the number of defective or returned products.

**Table 2** Advantages and disadvantages of choosing socially responsible suppliers

	Advantages	Disadvantages
Business	<ul style="list-style-type: none"> <li>A business's reputation can be improved when working with socially responsible suppliers, therefore improving its competitiveness.</li> </ul>	<ul style="list-style-type: none"> <li>Businesses may have less choice of suppliers when deciding on suppliers that meet their CSR objectives.</li> <li>Socially responsible suppliers may not offer certain inputs needed for production.</li> </ul>

Continues ►

Table 2 Continued

	Advantages	Disadvantages
<b>Employee</b>	<ul style="list-style-type: none"> <li>Employees may be more motivated to work at a socially responsible business and contribute to achieving objectives.</li> </ul>	–
<b>Time</b>	–	<ul style="list-style-type: none"> <li>It may be time-consuming to find ethical suppliers or communicate expectations to suppliers.</li> </ul>
<b>Money</b>	<ul style="list-style-type: none"> <li>A business can earn more revenue as customers are likely to have a better perception of a business that is socially responsible.</li> </ul>	<ul style="list-style-type: none"> <li>Inputs may be more costly from ethical suppliers due to increased wage costs compared to cheaper, less ethical suppliers.</li> </ul>

### REAL WORLD EXAMPLE

#### Socially responsible suppliers

Patagonia is an American retailer of outdoor clothing and gear, with several stores operating across Australia. The business has a strong environmental focus, sourcing its supplies in such a way that contributes to its goals of mitigating environmental damage. The business has a '4-fold' approach to choosing its suppliers, starting with screening new suppliers to ensure they meet Patagonia's sourcing, quality, social, and environmental standards. 94% of Patagonia's clothing lines use recycled materials, 85% of its lines are Fair Trade Certified sewn, and 100% of the virgin cotton in Patagonia's clothes is grown organically. The business also monitors its suppliers through its tier-1 monitoring program to ensure all laws and regulations regarding child labour, overtime wages, hours of work, discrimination, and health and safety are being complied with. By introducing a range of initiatives to support its suppliers and ensure inputs are being sourced in an environmentally-friendly manner, Patagonia has achieved a positive relationship with its customers as it is perceived as an ethical and considerate brand.

*Adapted from Patagonia, 'Working With Factories', 2022*



Image: sylv1rob1/Shutterstock.com

**Figure 2** Patagonia has introduced a number of initiatives to ensure its inputs are sourced in a socially responsible way

### ACTIVITY

#### The importance of choosing appropriate suppliers

Search 'Sourcing our Recycled Packaging - The Body Shop' on YouTube and watch the full video by The Body Shop. Discuss the following questions about the video in small groups:

1. Describe some of the socially responsible aspects of The Body Shop's sourcing of its packaging. In what ways is the business contributing positively to the environment?
2. Do you think sourcing packaging in this way has helped The Body Shop develop a positive reputation?
3. The Body Shop reports 'paying women the same as men'. What are some advantages and disadvantages of paying higher wages to suppliers for The Body Shop?
4. The Body Shop is based in England, manufacturing its products there. What might be a disadvantage of The Body Shop purchasing from a supplier in the Himalayas?
5. After watching the video, do you think you would be more or less likely to purchase a product from The Body Shop?

### Theory summary

When establishing a business, choosing a supplier that aligns with the business's objectives is important. If an appropriate supplier is not chosen, a business may face many issues including high costs, increased levels of wastage, and customer dissatisfaction. By ensuring its suppliers meet business requirements and corporate social responsibility objectives, a business is likely to meet customer demand and improve overall business performance.

# 4D Questions

## Theory review

### Question 1

An appropriate supplier is any supplier that offers the necessary inputs for a business.

- A. True
- B. False

### Question 2

A bakery needs flour and oil to produce its cakes, however, its current supplier has begun charging a high price for oil. To decrease production costs, a business may: **(Select all that apply)**

- I. try to negotiate with the supplier.
- II. choose another supplier that sells oil for a lower price.
- III. accept the high price.

### Question 3

Fill in the blanks with the following terms:

- price
- location

A business should consider the \_\_\_\_\_ of a supplier before purchasing its inputs as suppliers located far from the business could increase transportation costs. Additionally, a business should consider the \_\_\_\_\_ of its supplier's inputs as the greater the cost of the inputs, the higher the cost of production.

### Question 4

An advantage of an Australian business choosing to source its inputs from an overseas supplier is:

- A. other countries may have lower minimum wages, therefore a business can source materials at a cheaper price, minimising business expenses.
- B. people in other countries tend to be more reliable than Australians, reducing the likelihood of a business receiving late deliveries from suppliers.

### Question 5

Businesses should only look for suppliers that deliver on time if they aim to work with them in the long term.

- A. True
- B. False

### Question 6

By having a good relationship with suppliers, a business can improve the likelihood of its inputs being delivered on time.

- A. True
- B. False

### Question 7

Fill in the blanks with the following terms:

- customer satisfaction
- high-quality inputs
- sales

If a business works with a supplier that provides \_\_\_\_\_ it can improve \_\_\_\_\_, the business's \_\_\_\_\_, and therefore its market share.

### Question 8

A business's market share cannot be affected by any unethical activities of its suppliers.

- A. True
- B. False

### Question 9

A supplier can be considered socially responsible if it: **(Select all that apply)**

- I. severely cuts its employee's wages.
- II. recycles excess materials to minimise wastage.
- III. produces high-quality inputs so that fewer defective outputs are produced.
- IV. provides its employees with fair working conditions and adequate breaks.

### Question 10

If a business fails to choose the appropriate supplier with regards to the price, location, reliability, quality, and social responsibility of the supplier, the business may incur high costs, increased levels of wastage, and customer dissatisfaction.

- A. True
- B. False

## Preparing for exams

### Case study skills

#### Question 11

Aayush plans to open Fast Repairs, a computer repair store in Melbourne. Aayush aims to maintain low operational costs. However, he has not chosen any suppliers to source computer parts.

Identify which of the following statements are **true** or **false** about Fast Repairs' choice of supplier.

	True	False
I. Aayush should aim to find a supplier selling computer parts at the lowest cost in order to maintain low operational costs.	<input type="checkbox"/>	<input type="checkbox"/>
II. Aayush should pay more for computer parts if the supplier promises high-quality, parts as this can allow him to maintain low operational costs.	<input type="checkbox"/>	<input type="checkbox"/>
III. By sourcing cheap inputs, the operational costs of the business can be reduced, therefore, Fast Repairs can increase its number of sales as computers can be repaired for a cheaper price.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Considering Fast Repairs is a business selling a service, not a good, no inputs are required for the business, therefore Aayush does not need any suppliers.	<input type="checkbox"/>	<input type="checkbox"/>

#### Question 12

Amari is set to open Melt, a chocolate cafe in North Melbourne. Amari plans to choose a cheap overseas supplier of raw cacao beans to compete with other businesses in the industry. However, protests have recently been held in Melbourne slandering businesses that do not promote fair work rights.

Identify which of the following are **advantages** or **disadvantages** of Amari choosing a socially responsible supplier.

	Advantage	Disadvantage
I. Employees at Melt with an environmental conscience may be more motivated to achieve business objectives as they believe they are making a positive impact by working for a business that supports ethical sourcing.	<input type="checkbox"/>	<input type="checkbox"/>
II. Sourcing from an ethical supplier will likely increase the expenses of Melt as ethical suppliers often pay their workers more than other suppliers.	<input type="checkbox"/>	<input type="checkbox"/>
III. It may be time-consuming to determine whether a supplier overseas is meeting the CSR standards of Melt.	<input type="checkbox"/>	<input type="checkbox"/>
IV. By sourcing from ethical suppliers, Melt can improve its reputation and increase its sales as the protests demonstrate that customers are against unethical businesses.	<input type="checkbox"/>	<input type="checkbox"/>

### Exam-style

#### Question 13 (2 MARKS)

Describe the importance of a business considering location when choosing a supplier.

#### Question 14 (2 MARKS)

Describe the importance of a business considering quality when choosing a supplier.

#### Question 15 (2 MARKS)

Outline two factors that a business should consider when choosing a supplier.

**Question 16** (2 MARKS)

Aayush plans to open Fast Repairs, a computer repair store in Melbourne. Aayush aims to maintain low operational costs. However, he has not chosen any suppliers to source computer parts.

Explain how price may affect Fast Repairs' choice of supplier.

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**Question 17** (4 MARKS)

Amari is set to open Melt, a chocolate cafe in North Melbourne. Amari plans to choose a cheap overseas supplier of raw cacao beans to compete with other businesses in the industry. However, protests have recently been held in Melbourne slandering businesses that do not promote fair work rights.

Discuss Amari sourcing inputs from a socially responsible supplier.

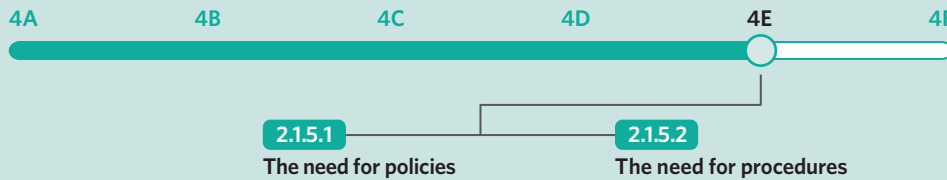
**Testing previous knowledge****Question 18** (3 MARKS)

Explain the importance of considering customer expectations during business planning when choosing an appropriate supplier.

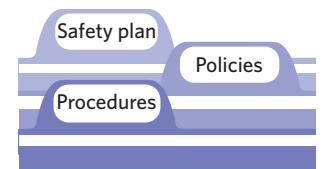
# 4E Policies and procedures

## STUDY DESIGN DOT POINT

- the need for policies and procedures to achieve compliance with legal requirements and establish business routines



In order to maintain peace and order within our society, the Australian government creates policies that all Australians must follow. Similarly, businesses should also enforce policies and procedures that all members of the business must abide by to enable effective decision-making and create a positive work environment. What factors may influence the creation of different policies and procedures by a business?



## Lesson introduction

Businesses have rules and processes in place to guide employees on how to behave appropriately in the workplace. The aim of these rules and processes is to ensure that employees do not breach legislation that applies to the business. Procedures are also important as they outline a routine for employees to follow, assisting the business in achieving its goals. Without appropriate rules and processes, a business may not perform well, or properly follow legislation, causing financial loss or punishments to be incurred.

## The need for policies 2.1.5.1

**Policies** are written statements that outline the expected performance and behaviour of employees. The policies of a business inform and guide employees to make decisions that meet the business's expectations and legal requirements. A business will often create policies to abide by relevant legislation. Many laws impact how businesses operate so it is important to create policies that meet legal obligations. Without policies, employees may break the law, which can result in the business facing legal consequences. To ensure a business follows legislation, it should remain aware of updates in law and amend its policies when required.

A business can also create policies to establish business routines. These routines are designed to encourage employees to achieve business goals and to share workplace responsibilities. Policies designed to establish positive workplace routines should clearly align with a business's values and goals. If employees do not follow a policy, managers should consider making policy changes or speaking to employees to understand why they are not following the policy. If employees continue to dismiss policies, formal warnings may be made.

### KEY DEFINITIONS

**Policies** are written statements that outline the expected performance and behaviour of employees.

### ADDITIONAL TERMS

**Harassment** is when a person is treated unfairly and feels violated by another person's actions.



Figure 1 The process of developing and implementing a business policy

Table 1 Types of legislation that influence business policies

Legislation	What it covers	Types of policy introduced
<b>Equal Opportunity Act</b>	Workplace <b>harassment</b> , bullying, and discrimination.	<ul style="list-style-type: none"> <li>Workplace bullying and harassment policy</li> <li>Inclusion and diversity policy</li> </ul>
<b>Privacy and Data Protection Act</b>	Personal customer information and its misuse when being collected by public organisations.	<ul style="list-style-type: none"> <li>Privacy policy</li> </ul>

Continues ►

### LESSON LINK

Legal requirements were introduced in **3B Legal and government regulations**.

Legislation was introduced in **4B Legal requirements for establishing a business**.



**ADDITIONAL TERMS**

The **Equal Opportunity Act** is legislation that aims to eliminate harassment and discrimination in the workplace to protect individuals within the business.

The **Privacy and Data Protection Act** is legislation that aims to protect and reduce the likelihood of confidential customer or business information being misused.

The **Occupational Health and Safety Act** is legislation that outlines business workplace expectations specifically to do with safety and health conditions.

The **Competition and Consumer Act** is legislation that states the rights of customers and the expectations the business must maintain when selling goods or services.

**Table 1** Continued

Legislation	What it covers	Types of policy introduced
<b>Occupational Health and Safety Act</b>	Safety and health conditions in the workplace.	<ul style="list-style-type: none"> <li>• Emergency policy</li> <li>• Occupational Health and Safety policy</li> </ul>
<b>Competition and Consumer Act</b>	Customer rights when engaging with a business to prevent misleading or deceptive conduct.	<ul style="list-style-type: none"> <li>• Guarantees</li> <li>• Warranty</li> <li>• Refund or return policy</li> </ul>

**Table 2** Types of policies created to establish business routines

Business policy	Purpose
<b>Customer service policy</b>	Instructs employee behaviour when interacting with customers.
<b>Internet policy</b>	Advises employees on how to use the business's internet connection and network appropriately.
<b>Social media policy</b>	Ensures employees are aware of how to act on social media.
<b>Dress code</b>	Outlines the expected work attire for employees.
<b>Absence and time off policy</b>	Ensures employees are aware of how to notify employers of any absences and schedule when they need time off.

**REAL WORLD EXAMPLE**

Image: TK Kurikawa/Shutterstock.com

**Figure 2** Coles implements a number of policies to protect its customers and employees

**The need for policies**

Coles Supermarkets Australia is a supermarket, retail, and consumer services chain operating across Australia. The business has a number of policies listed on its website that its employees must comply with to maintain their employment. Coles' Privacy Policy informs consumers of the personal information the company collects about its customers and outlines the practices in place to ensure that data is collected and handled in a way that protects consumer privacy. The Work Health and Safety Schedule imposes obligations on both employees and contractors to comply with safety regulations when performing duties for the business. The schedule also sets out the obligations of Coles to provide a safe work environment at all times. Furthermore, Coles has a strong focus on promoting inclusion and diversity within the business, enacting policies to ensure team members feel included regardless of age, disability, race, gender expression, sexual orientation, religion, or ethnicity.

*Adapted from Coles Group, 'Documents and Policies', 2022*

**KEY DEFINITIONS**

**Procedures** are a series of actions that employees must follow in order to abide by the business's policies.

**ADDITIONAL TERMS**

**Grievances** are issues that may come up in a workplace and give rise to formal complaints being made.

**The need for procedures 2.1.5.2**

**Procedures** are a series of actions that employees must follow in order to abide by the business's policies. The purpose of procedures is to provide employees with a step-by-step guide on how to act in specific situations or events. Procedures are usually designed to encourage employees to behave in a predictable and routine manner. Employees must follow business procedures to meet legal obligations and support the achievement of business goals. Business procedures are often based on policies. Therefore, some procedures may relate to **grievances** while others will focus on the way employees should respond to emergency events.

A business should review its procedures to make sure they align with the most recent legislation and are consistent with changes the business has made to any policies. Businesses should also consistently assess whether employees are following their procedures. To establish business routines, management can create procedures, such as a process for opening and closing the store. Procedures ensure employees uphold set expectations during both specific events and more generally over the course of performing business activities.



**Figure 3** The process of creating business procedures

**Table 3** Types of legislation and policies that influence business procedures

Relevant legislation	Policy	Procedure
Equal Opportunity Act	Equal opportunity or inclusion policy	Steps to deal with workplace bullying and harassment.
Privacy and Data Protection Act	Privacy policy	Steps for dealing with a breach in customer privacy.
Occupational Health and Safety Act	Emergency policy	An evacuation plan.
Competition and Consumer Act	Customer refund policy	Process for dealing with product returns.

**Table 4** Types of policies that influence procedures created to establish business routines

Business policy	Procedure
Customer service policy	Method for dealing with customer complaints.
Social media policy	Method for dealing with incorrect social media use by employees.
Dress code	Method for dealing with employees in incorrect uniforms.
Absence and time off policy	Method for dealing with unscheduled employee absences or time off.

### REAL WORLD EXAMPLE

#### The need for procedures

ING Bank is a European financial institution that provides retail, commercial, investment, and other banking services. In compliance with privacy legislation, ING has established a privacy policy to ensure 'the right people use the right data for the right purpose'. Despite these policies, in August 2022, an Australian customer of ING found that he was able to access the account information of at least two other customers through his internet bank login. The information of these customers included their BSB number, account number, and account balances as well as the second customer's account details which briefly flashed on the screen. ING learnt of the issue and quickly 'identified and resolved' it overnight by using the emergency procedures it has in place for when an accidental privacy breach does occur. Privacy procedures are needed to prevent issues like this from occurring in the first place, however, if a privacy breach does occur, businesses should also ensure that they have set procedures that enable them to quickly respond to the breach.

*Adapted from The Guardian, 'Glitch lets ING Australia customer see others' account information', 2022*

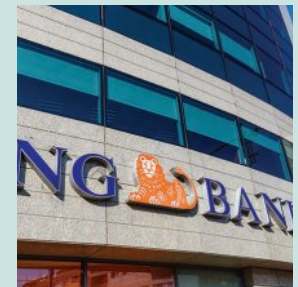


Image: Dziewul/Shutterstock.com

**Figure 4** ING Bank uses privacy procedures to respond to breaches of customer privacy

**ACTIVITY****The need for policies and procedures**

Every school is likely to have a number of procedures in place for when issues arise. For example, if there is a fire within the school, your school would have established an evacuation plan detailing where to go, and how to get there.

In small groups, answer the following questions:

1. What are some other procedures your school has in place? For example, do you know the steps you should take if you feel sick at school?
2. How have these procedures been communicated to you?
3. Are these procedures written down, or were you informed of them orally?
4. Are there any other procedures relating to certain issues that you think your school should introduce?
5. Search up Section 43 of the 'Work Health and Safety Regulations 2011' which relates to the duty to prepare, maintain, and implement an emergency plan. If a school has an emergency plan, yet has never tested this plan using an emergency drill, is the school's emergency policy in violation of this regulation?
6. The Work Health and Safety Regulations 2011 set out that a business must provide 'information, training and instruction to relevant workers' about the emergency procedures. Why is it important that workers are informed about the emergency policies of the business?

**Theory summary**

When establishing a business, management should look at the necessary policies and procedures they need to introduce. Depending on the legislation relevant to the business, different businesses will need to create various policies and procedures. Policies and procedures serve a role in ensuring employees uphold business routines.

- Policies are written statements that specify expected employee performance and behaviour in a business.
- Procedures are step-by-step plans that must be followed when abiding by a business's policies.

**Table 5** Advantages and disadvantages of policies and procedures

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>• Policies and procedures can ensure employees are aware of, and following, necessary legislation.</li> <li>• When establishing policies and procedures, management must communicate these to employees, allowing for two-way communication to be developed between employees and management. This can improve the relationship between employees and management.</li> </ul>	<ul style="list-style-type: none"> <li>• Business objectives may not be achieved if the policies and procedures are not communicated properly to employees.</li> </ul>
<b>Employee</b>	<ul style="list-style-type: none"> <li>• Procedures can provide employees with clear instructions and expectations to abide by.</li> </ul>	<ul style="list-style-type: none"> <li>• If the policy or procedure is outdated or does not meet the business's requirements, employees may still be restricted to follow the processes of such procedures, even though there may be a better, alternative course of action.</li> </ul>
<b>Time</b>	<ul style="list-style-type: none"> <li>• Once policies and procedures have been implemented, a business can save on time spent repeating rules and processes to employees.</li> </ul>	<ul style="list-style-type: none"> <li>• It may be time-consuming to find out which legislation applies to a business and to create the required policies and procedures after doing so.</li> <li>• It may be time-consuming to implement, manage, review, and update policies and procedures consistently if they are not being followed by employees, or the legislation changes.</li> </ul>
<b>Money</b>	<ul style="list-style-type: none"> <li>• A business can improve its performance and generate higher profits if employees are actively following policies and procedures.</li> </ul>	<ul style="list-style-type: none"> <li>• The business may incur additional expenses as hiring new staff to oversee policy development and implementation can be costly.</li> </ul>

# 4E Questions

## Theory review

### Question 1

Policies and procedures help a business and its employees abide by legislation.

- A. True
- B. False

### Question 2

Legislation set by the government can only impact a business's policies, but not its procedures.

- A. True
- B. False

### Question 3

A business's policies and procedures provide employees with: **(Select all that apply)**

- I. an outline of the behaviour and performance that is expected of them.
- II. information about the history of the business and its foundations.
- III. a step-by-step guide on dealing with certain situations.
- IV. methods of conducting their business duties to ensure they are in compliance with all legislation.

### Question 4

Fill in the blanks with the following terms:

- procedures
- policies

The aim of \_\_\_\_\_ is to remind employees of expected behaviour and performance, whereas, the aim of \_\_\_\_\_ is to provide an easily-followed process to employees on how to handle an escalating issue.

### Question 5

An advantage of a business introducing policies and procedures is that:

- A. they can enable a business to ensure all employees are following necessary legislation, preventing the business from encountering legal troubles as a result of its employee's actions.
- B. the implementation of new policies may require a business to hire staff to oversee policy development, increasing the costs of the business.

### Question 6

Fill in the blank with **one** of the following terms:

- policy
- procedure

If the laws surrounding discrimination in the workplace change, a business will need to amend its current discrimination \_\_\_\_\_ to ensure that employees are aware of the behaviour that is expected of them, prompting them to alter the way they act in the business accordingly.

### Question 7

All businesses across Australia need to introduce the exact same policies and procedures.

- A. True
- B. False

## Preparing for exams

### Case study skills

Use the following information to answer Questions 8 and 9.

Precision is a new recycling business with a factory in Victoria owned by Akilah. The business is planning to hire over 100 employees by next month. Akilah understands that Precision needs to communicate its expectations to employees, as the business could face legal consequences if employees do not comply with all national and local laws.

### Question 8

Identify which of the following is a correct statement about establishing policies at Precision.

- A. Precision could identify relevant Victorian laws and create policies that outline how employees should behave in order for these specific requirements to be met.
- B. Precision should create policies that enable it to achieve its business objectives, disregarding relevant Victorian legislation as adhering to this is optional.

**Question 9**

Identify which of the following statements are correct about introducing policies to establish business routines at Precision. **(Select all that apply)**

- I. Precision could create policies that communicate the behaviour and performance expectations of new staff, allowing employees to create routines by following these expectations.
- II. Precision should create different policies for each new Precision employee so they each have a routine tailored to their needs.
- III. Precision should continuously assess employees' responses to policies at Precision to determine whether they are following these policies, updating these if required.

**Question 10**

Nadja plans to open Nadja's Pizzeria, a restaurant specialising in gourmet pizzas. She intends to hire seven employees in the next few months. Nadja is planning on creating policies and procedures for these new employees to follow. However, Nadja is new to Victoria and is not familiar with local legislation.

Identify which of the following are **advantages** or **disadvantages** of Nadja establishing policies and procedures at Nadja's Pizzeria.

	<b>Advantage</b>	<b>Disadvantage</b>
I. By introducing policies and procedures, Nadja will not need to continuously repeat expected behaviour and performance to employees, saving time	<input type="checkbox"/>	<input type="checkbox"/>
II. The establishment of policies and procedures at Nadja's Pizzeria may cause the expenses of the business to increase, as Nadja may have to hire other staff members to oversee policy development.	<input type="checkbox"/>	<input type="checkbox"/>
III. Nadja can prevent the business from facing legal consequences by ensuring all employees are following relevant legislation through the establishment of policies and procedures, and the constant assessment of these to ensure employees are following them.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Nadja may find it time-consuming to research and implement relevant legislation as she currently has very limited knowledge of the laws her business must abide by.	<input type="checkbox"/>	<input type="checkbox"/>

**Exam-style****Question 11** (1 MARK)

Define the term 'policies'.

**Question 12** (2 MARKS)

Outline the purpose of procedures.

**Question 13** (3 MARKS)

Describe how a manager could establish procedures to comply with legal requirements and set business routines.

**Question 14** (3 MARKS)

Precision is a new recycling business with a factory in Victoria owned by Akilah. The business is planning to hire over 100 employees by next month. Akilah understands that Precision needs to communicate its expectations to employees, as the business could face legal consequences if employees do not comply with all national and local laws.

Explain how Precision could establish policies to comply with legal requirements and set business routines.

**Question 15** (5 MARKS)

Nadja plans to open Nadja's Pizzeria, a restaurant specialising in gourmet pizzas. She intends to hire seven employees in the next few months. Nadja is planning on creating policies and procedures for these new employees to follow. However, Nadja is new to Victoria and is not familiar with local legislation.

Evaluate the establishment of policies and procedures at Nadja's Pizzeria.

**Testing previous knowledge****Question 16** (3 MARKS)

Explain how a business could consider employment laws and regulations when establishing policies and procedures.

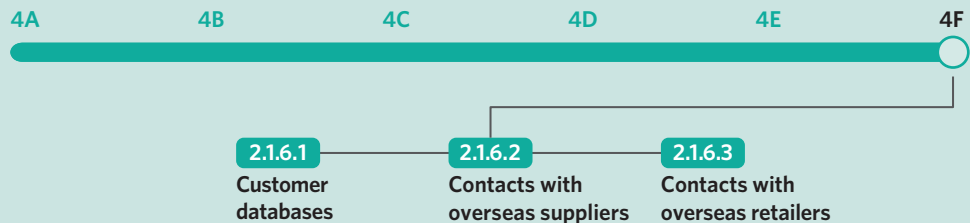
# 4F Technological and global issues

Advancements in technology and the global business environment affect the way businesses operate and satisfy customer needs. Could you imagine a world where you could only purchase goods and services from the country you live in? Do you think businesses should keep up with technological advancements and consider expanding their activities overseas?



## STUDY DESIGN DOT POINT

- technological and global issues that may affect decision-making when establishing a business, such as generating customer databases and contacts with overseas suppliers and retailers



## Lesson introduction

When establishing a business, it is important to consider how technology can affect the collection and use of information. It is also necessary to consider the impacts of technology on a business's interactions with customers, competitors, and suppliers. A business's global environment can also impact how it operates. If a business chooses to operate internationally, it should make appropriate decisions that consider legal and financial implications.

## Customer databases 2.1.6.1

A **customer database** is a collection of information about existing and potential customers. To establish a customer database, businesses collect and track customer data, such as personal information, past purchases, and buying habits. Customer data can be collected internally by a business when an individual makes a purchase or is browsing through its online website. In some cases, businesses may also purchase information on customer behaviours that other companies have collected through research. Businesses can use customer information to identify, examine, and predict what goods and services customers desire, as well as the day and time they usually make these purchases.

Customer databases enable businesses to make decisions on what goods or services will be most successful for them to offer, and when they should sell these goods or services to attract customers. For example, when an individual searches for a particular product, the business can identify what the person is interested in buying and provide a discount on a specific product to encourage a sale. Ultimately, a well-managed customer database enables a business to effectively identify and satisfy customer needs.

However, businesses must consider the issues that can arise when generating a customer database. Customer privacy is a main consideration as customer databases include personal information, such as names, addresses, and other contact details. Businesses must ensure that their customer's privacy is not breached to comply with legislation and customer expectations.



Figure 1 Businesses collect information from various existing and potential customers

### KEY DEFINITIONS

A **customer database** is a collection of information about existing and potential customers.

### LESSON LINK

Protecting customer privacy will be covered in further detail in **5N CSR considerations in marketing**.

**Table 1** How issues with customer databases can impact a business's decision-making

Issue	How it impacts decision-making
Storing customer data	<ul style="list-style-type: none"> <li>• A business must decide what digital system to use to safely and securely store customer information.</li> </ul>
Storing sensitive customer information securely	<ul style="list-style-type: none"> <li>• A business must implement policies and tools to protect private customer information from hackers and the public.</li> <li>• A business will need to implement policies that also align with privacy laws, such as the Privacy and Data Protection Act.</li> </ul>
Accessing customer data	<ul style="list-style-type: none"> <li>• A business should ensure the systems it uses enable customer data to be accessed quickly and easily.</li> <li>• A business may choose to train staff so they can easily access and manage customer data on the database.</li> </ul>
Buying customer data from other companies	<ul style="list-style-type: none"> <li>• A business should consider the costs of buying customer information from other companies compared to generating its own data.</li> </ul>
Generating its own customer database	<ul style="list-style-type: none"> <li>• Businesses should assess and allocate sufficient time and money to track and analyse customer data.</li> </ul>

**Table 2** Advantages and disadvantages of customer databases

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>• Customer databases can enable a business to predict the desires of potential customers and produce goods and services that satisfy these needs, increasing sales.</li> <li>• Customer databases can allow a business to maintain relationships with existing customers and meet their needs.</li> </ul>	<ul style="list-style-type: none"> <li>• Poor management of customer databases can lead to private customer information being hacked or leaked, negatively impacting the business's reputation.</li> </ul>
<b>Employee</b>	<ul style="list-style-type: none"> <li>• Employees that are trained to update customer databases can be equipped with new skills and a broader pool of knowledge.</li> </ul>	<ul style="list-style-type: none"> <li>• Employees may become frustrated if they are frequently interrupted by training programs related to updating customer databases.</li> </ul>
<b>Time</b>	<ul style="list-style-type: none"> <li>• A business can quickly identify existing customers when they interact with the business instead of wasting time identifying if they are new or existing customers.</li> </ul>	<ul style="list-style-type: none"> <li>• It may be time-consuming to gather and record customer information.</li> <li>• It may be time-consuming to train staff to update customer databases.</li> </ul>
<b>Money</b>	<ul style="list-style-type: none"> <li>• A business can identify and target potential customers by providing special offers on goods and services they desire, to increase sales and therefore, profit.</li> </ul>	<ul style="list-style-type: none"> <li>• It can be costly to purchase information on customer behaviour from external businesses.</li> <li>• Installing software and technology to establish a customer database can be expensive.</li> <li>• Poorly managed customer information may lead to privacy breaches and cause customers to no longer purchase from the business, decreasing sales and profits.</li> <li>• Training staff to update customer databases may be expensive.</li> </ul>



## EXTENDED REAL WORLD EXAMPLE

### Customer databases

The Iconic is an Australian online fashion and lifestyle retailer that stocks over 1000 brands. Before using The Iconic's website, customers are provided with the option to accept the business's privacy policy which specifies that it tracks customer interactions through its online site. As a result, The Iconic is able to track and manage customer data to better understand the types of products that particular customers, who accept the privacy policy, desire.

The Iconic records and collects data based on what customers purchase, as well as what they browse for. By collecting data based on these two categories, The Iconic's customer database includes information on existing customers who have purchased from the business before, as well as customers who do not proceed with a purchase. To analyse and predict the behaviour of each potential or existing customer, The Iconic collects a wide variety of data. For example, some of the data it collects includes the types of products and brands customers search for, the products customers hover over most and click on, and even the products that are added to the customer's cart and then removed. In addition, The Iconic's 'swipe to like' feature further assists in the creation of customer databases. This feature allows customers to swipe left on photos of products that they dislike, and swipe right on those they like. Therefore, this feature allows The Iconic to suggest products that customers are likely to purchase.

Through these various website features, The Iconic is able to establish a customer database based on customer preferences related to the different types, colours, sizes, brands, and prices that it offers. With advancements in technology, The Iconic has been able to gain real-time data from online customer activity and make effective decisions.

*Adapted from UNSW Sydney, 'How THE ICONIC uses data analytics to help customers buy what they really want', 2020*



Image: Ivan Kruk/Shutterstock.com

**Figure 2** The Iconic effectively tracks customer data on its online website

### Questions

1. What are some advantages for customers of The Iconic establishing a customer database that allows the business to make tailored product suggestions to each customer?
2. What are some advantages for The Iconic of using technology to establish a customer database?
3. What are some important legal factors The Iconic should consider when using technology that analyses customer activity?
4. Do you think the costs of researching, installing, and maintaining its various customer tracking software would outweigh the benefits of gathering unique customer data at The Iconic? Why, or why not?
5. When shopping online, do you have any concerns about the amount of your data that these online stores can access and store? If yes, what could these stores do to mitigate these concerns?

## KEY DEFINITIONS

**Overseas suppliers** are individuals or businesses that sell raw materials or resources in a country overseas.

## ADDITIONAL TERMS

**Free trade** is being able to buy and sell goods or services internationally with minimal government restrictions or rules.



**Figure 3** A business may choose to work with overseas suppliers to meet customer needs

## Contacts with overseas suppliers 2.1.6.2

**Overseas suppliers** are individuals or businesses that sell raw materials or resources in a country overseas. A business owner may wish to source its resources overseas to gain access to cheaper and/or higher-quality resources which it can then use to produce goods and services. Globalisation has enabled businesses to establish contacts with overseas suppliers in a much more efficient manner.

When establishing relationships with overseas suppliers, a business owner should identify what resources it needs to purchase, and then identify and select the most appropriate suppliers to contact. An agreement is then developed between the business and its chosen overseas suppliers. However, businesses should consider the potential issues associated with establishing contacts with overseas suppliers. Legislation and government restrictions may limit **free trade** between some countries, which may impact what resources a business can buy. The ability to communicate with overseas suppliers may also affect business decisions.

**Table 3** How issues with generating contacts with overseas suppliers can impact business decisions

Issue	How it impacts decision-making
Legal and government restrictions on trade	<ul style="list-style-type: none"> <li>• A business may purchase from overseas suppliers whose resources can be cheaply imported with minimal fees.</li> <li>• A business may prioritise using suppliers located in countries that have a free trade agreement with its home country.</li> </ul>

Continues ►

Table 3 Continued

Issue	How it impacts decision-making
Corporate social responsibility (CSR) of suppliers	<ul style="list-style-type: none"> <li>A business may prioritise sourcing inputs from ethical, socially responsible suppliers who promote environmental sustainability.</li> </ul>
Types of inputs offered by suppliers	<ul style="list-style-type: none"> <li>A business may purchase resources from suppliers that sell inputs that are not readily available in its home country.</li> </ul>
Language barriers	<ul style="list-style-type: none"> <li>A business may choose to establish a relationship with suppliers that speak the same or similar language to improve communication.</li> <li>A business may introduce multiple channels of communication to reduce language barriers.</li> </ul>

**LESSON LINK**

Suppliers were introduced in **3K Suppliers and the supply chain**.

Socially responsible suppliers were introduced in **4D The importance of choosing appropriate suppliers**.

Table 4 Advantages and disadvantages of generating contacts with overseas suppliers

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>A business has a wider range of suppliers to choose from.</li> <li>A business's reputation may improve if overseas suppliers provide ethically-sourced inputs.</li> <li>A business may gain access to resources that are not readily available domestically.</li> </ul>	<ul style="list-style-type: none"> <li>A business may face negative public perception if its overseas supplier engages in unethical behaviour.</li> <li>Cheaper inputs may be of a lower quality, which can decrease customer satisfaction.</li> </ul>
<b>Employee</b>	–	<ul style="list-style-type: none"> <li>Employees may be required to travel overseas to visit suppliers and check on their operations, disrupting their workflow.</li> </ul>
<b>Time</b>	–	<ul style="list-style-type: none"> <li>It may be challenging to maintain communication with overseas suppliers due to timezone differences.</li> <li>Delivery may be time-consuming depending on where the supplies are being sent from.</li> </ul>
<b>Money</b>	<ul style="list-style-type: none"> <li>A business may have access to cheaper overseas resources.</li> </ul>	<ul style="list-style-type: none"> <li>Government restrictions may require a business to pay higher prices and incur extra costs to obtain supplies.</li> <li>Supplies can be damaged during delivery, increasing expenses associated with waste.</li> </ul>

**REAL WORLD EXAMPLE****Contacts with overseas suppliers**

The Body Shop is a cosmetics and skincare company that produces natural and cruelty-free products. The company obtains raw materials from 130 suppliers across 26 countries. For example, The Body Shop sources its handcrafted shea butter from Ghana and its recycled paper gift bags from India. By only purchasing its inputs from suppliers that uphold specific ethical standards, such as fair employee working conditions, The Body Shop is able to maintain its reputation as an ethical and sustainable brand.

*Adapted from The Body Shop, 'Our Ingredients', 2022*



Image: JHVEPhoto/Shutterstock.com

**Figure 4** The Body Shop has established and maintains contacts with overseas suppliers

**ACTIVITY**

**Contacts with overseas suppliers**

Search 'Starbucks - Farmer Support' on the internet, click on the appropriate link to Starbucks' website and read the entire article. Discuss the following questions about the article in small groups:

1. Describe some of the socially responsible aspects of Starbucks' sourcing of coffee beans. How is the business positively contributing to the environment?
2. What are some advantages and disadvantages of Starbucks' dedication to supporting farmers and their communities?
3. How does Starbucks' sourcing of coffee beans from overseas suppliers impact the way you view the business?

**Contacts with overseas retailers 2.1.6.3**

**KEY DEFINITIONS**

**Overseas retailers** are individuals or businesses that sell goods and services directly to customers overseas.



**Figure 5** A business may generate contacts with overseas retailers to sell its products internationally

**Overseas retailers** are individuals or businesses that sell goods and services directly to customers overseas. As a result of globalisation, competition between businesses has increased. In order to remain successful, businesses need to consider how they will effectively compete with both domestic and international retailers. Establishing contacts with overseas retailers enables businesses to sell their goods and services to international customers.

When generating contacts with an overseas retailer, a business owner needs to specify what they hope to sell to customers overseas. If the retailer agrees with the proposed idea, it will enter an agreement. A business would then sell specific goods and services to retailers, which are then sold to customers. When establishing a business, a business owner should consider potential issues associated with generating contacts with overseas retailers as it can impact their decisions. Legal and government restrictions, the expectations of retailers, and their activities can affect how a business sells goods and services overseas.

**Table 5** How issues with generating contacts with overseas retailers can impact business decisions

Issue	How it impacts decision-making
Legal and government restrictions on trade	<ul style="list-style-type: none"> <li>• A business may choose to sell its products to overseas retailers in countries that have minimal fees and extra costs associated with the goods and services it exports.</li> <li>• A business may favour retailers that operate in countries that have established a free trade agreement with its respective country.</li> </ul>
Meeting retailer expectations	<ul style="list-style-type: none"> <li>• A business may change its processes to suit the requirements of overseas retailers, such as labelling products in a specific way.</li> </ul>
CSR of retailers	<ul style="list-style-type: none"> <li>• A business may choose to work with retailers that operate in a socially responsible manner and encourage the achievement of its CSR goals.</li> </ul>

**Table 6** Advantages and disadvantages of generating contacts with overseas retailers

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>• A business can enhance its customer base by selling its products through overseas retailers.</li> <li>• By selling its products in another country, a business can improve its brand recognition.</li> </ul>	<ul style="list-style-type: none"> <li>• A business may gain a bad reputation if overseas retailers engage in unethical behaviour.</li> <li>• Customers may not receive the same service experience overseas as they would domestically.</li> <li>• Businesses may lose some control over marketing and how goods and services are perceived overseas.</li> </ul>
<b>Employee</b>	–	<ul style="list-style-type: none"> <li>• Employees be required to visit overseas retailers for important meetings, which may be considered undesirable and disruptive to their workflow.</li> </ul>

Continues ►

Table 6 Continued

	Advantages	Disadvantages
<b>Time</b>	<ul style="list-style-type: none"> <li>A business owner can save time associated with establishing a store overseas to build relationships and sell to customers.</li> <li>Businesses can save time spent complying with legislation as overseas retailers are operating in line with country-specific legislation.</li> </ul>	–
<b>Money</b>	<ul style="list-style-type: none"> <li>A business owner can minimise expenses associated with establishing their own store overseas.</li> <li>A business can improve its sales by providing goods and services to a larger customer base.</li> </ul>	<ul style="list-style-type: none"> <li>It may be costly for a business to meet product standards and expectations of overseas retailers.</li> </ul>

### REAL WORLD EXAMPLE

#### Contacts with overseas retailers

Frank Body is an Australian beauty brand that is mainly known for producing body and face ground coffee scrubs. After gaining popularity through social media, Frank Body has sold its products in over 140 countries worldwide. Founders Bree Johnson, Jess Hastiz, Erika Geraerts, Alexander Boffa, and Steve Rowley identified a significant opportunity to sell Frank Body scrubs in the United States (US) and chose to generate contacts with overseas retailers. In 2016, Ulta became one of a few US-based retailers to carry and sell Frank Body products directly to American customers. Ulta is a beauty retailer that offers cosmetics, skincare, and hair goods and services to customers. Currently, customers can purchase Frank Body products in approximately 1,000 Ulta stores across America.

*Adapted from FrankBody, 'The ULTA x frank body Ambassador Program', 2022 and Glossy, 'Clean beauty brand Frank Body adds hair care to portfolio', 2019*



Image: Jonathan Weiss/Shutterstock.com

**Figure 6** Ulta beauty is an American retailer that sells Frank Body products to customers

### Theory summary

Businesses that choose to operate globally should consider how they can effectively satisfy customer needs, whilst managing the effects of global expansion. Technology has improved the development and management of customer data, helping many businesses better meet customer needs. Additionally, as businesses are operating in a global market, it is essential that businesses consider sourcing from overseas suppliers and selling goods and services globally through overseas retailers. Therefore, business owners must decide how to conduct their business's activities based on the impact of technological and global issues on the business's intended goals.

# 4F Questions

## Theory review

### Question 1

A business should not consider technological and global issues as it has no control over them.

- A. True
- B. False

### Question 2

A business can use customer databases to:

(Select all that apply)

- I. analyse a customer's past purchasing habits.
- II. collect and sell sensitive customer data with any other business.
- III. identify a customer's buying habits.

### Question 3

Fill in the blanks with the following terms:

- overseas suppliers
- customer databases

A common issue associated with \_\_\_\_\_ is that businesses must ensure the information collected is safe and secure to prevent hackers from leaking private customer information. Alternatively, sourcing resources ethically to avoid developing a poor reputation is an issue associated with \_\_\_\_\_.

### Question 4

Before sourcing materials from an overseas supplier, it is important that a business considers factors, such as legislation that limits free trade between countries.

- A. True
- B. False

### Question 5

Fill in the blank with **one** of the following terms:

- overseas suppliers
- overseas retailers

Generating contacts with \_\_\_\_\_ enables businesses to sell their goods and services directly to international customers.

### Question 6

By considering technological and global issues, a business is likely to make decisions that enable it to better meet the needs of its customers.

- A. True
- B. False

## Preparing for exams

### Case study skills

#### Question 7

Nairobi is the owner of Pino, a business that produces ice cream in an assortment of flavours. Nairobi has decided to purchase raw materials, such as cacao beans, from overseas suppliers to produce rich ice cream flavours. She wants to maintain low production costs to achieve a profit in the next two years.

Identify which of the following are **advantages** or **disadvantages** of Nairobi generating contacts with overseas suppliers.

	Advantage	Disadvantage
I. Pino may be able to reduce costs related to the purchase of cacao beans, as they may be cheaper when purchased from another country.	<input type="checkbox"/>	<input type="checkbox"/>
II. Government restrictions may cause Pino to incur higher costs for the delivery of raw materials.	<input type="checkbox"/>	<input type="checkbox"/>
III. Pino's reputation may improve if its overseas suppliers are ethically sourcing inputs, such as cacao beans.	<input type="checkbox"/>	<input type="checkbox"/>
IV. It may be time-consuming for Nairobi to exchange information with overseas suppliers due to communication issues, such as language barriers or time differences.	<input type="checkbox"/>	<input type="checkbox"/>
V. Raw materials, such as cacao beans, may be damaged during delivery between the business and the overseas supplier.	<input type="checkbox"/>	<input type="checkbox"/>

## Exam-style

**Question 8** (1 MARK)

Define the term 'overseas retailers'.

---

**Question 9** (2 MARKS)

Outline the importance of a business protecting its customer database.

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**Question 10** (2 MARKS)

Outline two disadvantages of generating contacts with overseas retailers.

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**Question 11** (3 MARKS)

Explain the impact of generating contacts with overseas suppliers on business decisions.

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**Question 12** (4 MARKS)

Discuss how generating customer databases affects businesses.

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**Question 13** (5 MARKS)

Nairobi is the owner of Pino, a business that produces ice cream in an assortment of flavours. Nairobi has decided to purchase raw materials, such as cacao beans, from overseas suppliers to produce rich ice cream flavours. She wants to maintain low production costs to achieve a profit in the next two years.

Evaluate Nairobi's decision to generate contacts with overseas suppliers.

## Testing previous knowledge

**Question 14** (3 MARKS)

Tabitha is the owner of Larry's Dairy, a business that sells milk, cheese, and yoghurt. Tabitha currently sources her dairy products from Samuel's Farm, located in Gippsland, Victoria, which is known for its socially responsible business practices. However, Tabitha is considering sourcing her dairy products from an overseas supplier to lower her expenses.

Explain one factor that Tabitha should consider before generating contacts with overseas suppliers.

# Unit 2 AOS 1 review

## Legal requirements and financial considerations

### AOS summary

This chapter introduced Unit 2 of the VCE Business Management course which focuses on the establishment stage of a business. In this chapter, you learnt about the roles of various external professionals in helping the business to manage and understand key legal requirements and financial considerations, including assisting in the management of financial systems. You also learnt about the policies and procedures that can be introduced to ensure legal compliance and establish business routines. Additionally, this chapter covered the importance of choosing appropriate suppliers, including suppliers from overseas. Finally, you learnt about technological and global issues that may affect business decision-making when establishing a business.

Lesson **4A External professionals** covered the role of various professionals when establishing a business. These professionals include individuals assisting the business with tasks such as managing its finances, developing and maintaining technological systems, upholding relevant legal requirements, and helping the business grow its customer base. The professionals outlined in this lesson were accountants, financial advisers, ICT specialists, legal advisers, and marketing advisers.

Lesson **4B Legal requirements for establishing a business** detailed the steps a business must take to ensure legal compliance when commencing their business. These key legal requirements include:

- registering a business name
- registering a website domain
- trade practices legislation
- business tax compliance
- work safe insurance.

Lesson **4C Financial considerations** covered the importance of a business implementing and sustaining various financial systems in order to remain financially viable and adhere to all tax requirements. This lesson considered the importance of establishing:

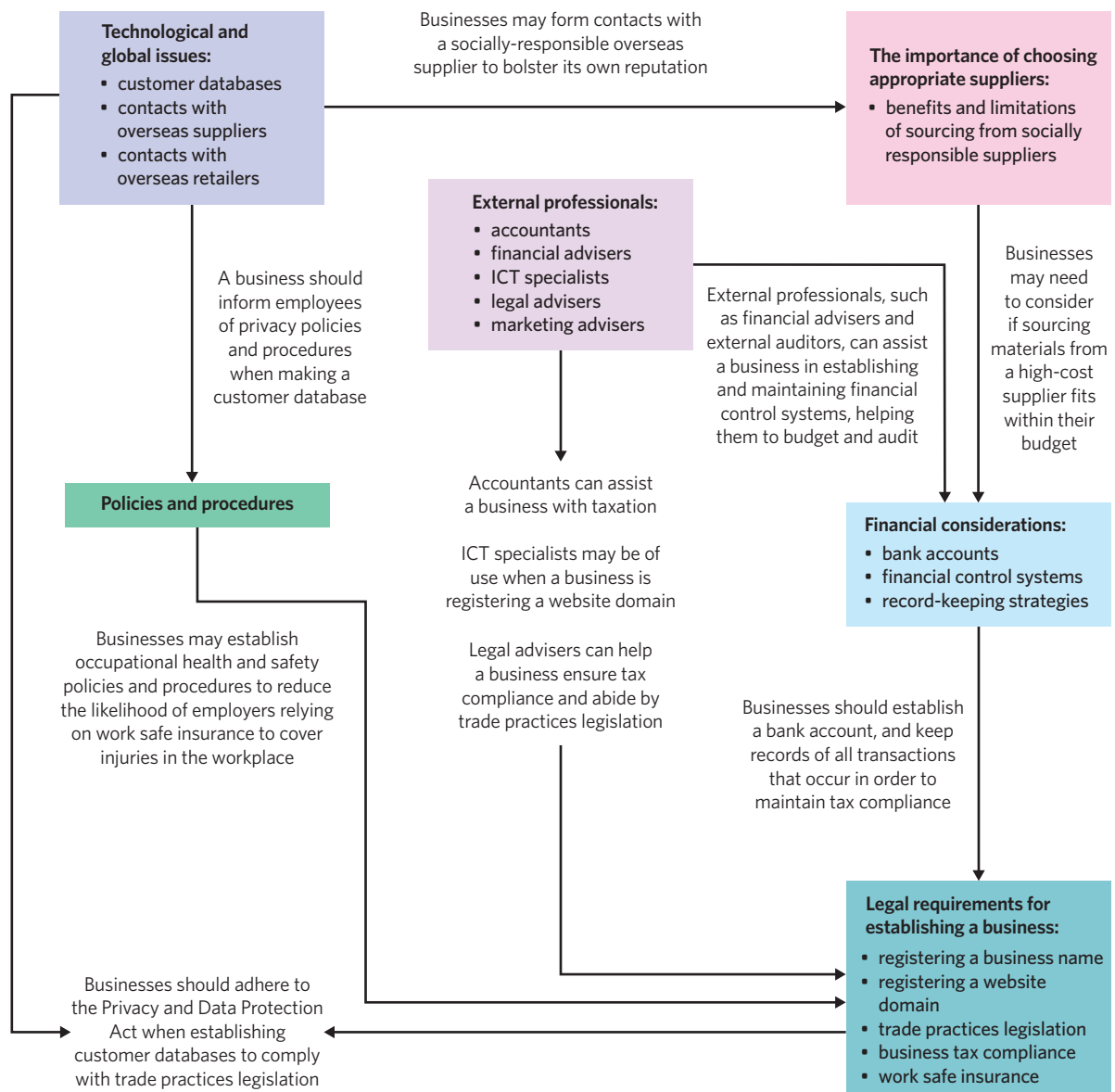
- bank accounts
- financial control systems
- record-keeping strategies.

Lesson **4D The importance of choosing appropriate suppliers** covered the various factors a business must consider when selecting suitable suppliers to purchase materials for its operations. It also detailed the benefits and limitations of a business purchasing its inputs from a socially responsible supplier. The characteristics a business should consider before selecting its suppliers included:

- price
- quality
- reliability
- location
- social responsibility.

Lesson **4E Policies and procedures** covered the need to establish policies and procedures in order to comply with legal requirements, such as occupational health and safety and privacy legislation. The lesson also considered the ability of policies and procedures to establish business routines as employees are aware of what is expected of them. Finally, this lesson discussed the advantages and disadvantages of establishing policies and procedures.

Lesson **4F Technological and global issues** covered the technological and global issues that may impact the ability of a business to generate customer databases and develop contacts with overseas suppliers and retailers. The lesson detailed the financial and legal considerations that should be taken into account when making decisions regarding the collection of customer data, as well as the establishment of contacts with suppliers or retailers overseas.



## AOS review activities

### Review activity 1: External professional's profile

You have learnt about the different external professionals that can assist a business owner during the process of establishing a business. Such professionals are able to assist by helping the business manage its finances and technological systems, maintain legal compliance, as well as market its products to achieve success. It is important to be aware of the role that each of these professionals play in a business.

Imagine you are an accountant working for a small start-up business to manage its finances. However, you want to become an accountant for a larger business that has over 200 employees and is seeking to hire a new employee in order to maintain key legal requirements and manage its financial systems. In your workbook, design a mock LinkedIn Profile detailing your role as an accountant. This could include your day-to-day work at your current position, the skills you possess, and the importance of your work. You want to emphasise to future employers why you, as an accountant, are valuable for their business.

Be creative when creating your profile. If you want to base it on real LinkedIn profiles, you can. You may also want to include other details about your accountant persona, including:

- name
- summary
- experience.
- profile photo
- honours and awards



## Review activity 2: Choosing an appropriate supplier case study

In this chapter, you learnt about the importance of choosing appropriate suppliers when establishing a business. There are many factors a business should consider when deciding which supplier to purchase materials from.

Beyza's Bakehouse is a small patisserie in Richmond run by Beyza, selling a variety of Turkish desserts. To create her desserts, Beyza must purchase a specific amount of flour, eggs, sugar, butter, and milk every two weeks. Due to health issues, Beyza's current supplier of her eggs can no longer meet her demands. As a result, Beyza is looking for a new supplier of eggs and is considering the following two supplier candidates:

**Candidate one:** Cheeky Chooks is a supplier of caged eggs located in Cremorne, a five-minute drive from Beyza's Bakehouse store in Richmond. Considering it collects its eggs from hens in small cages, Cheeky Chooks does not require large amounts of land for its chickens to roam. Therefore, Cheeky Chooks has been able to reduce operations costs, offering eggs for just \$2 a dozen which is well below the average price that eggs are sold for in the industry. However, the small cages have adverse impacts on the chicken's health, causing the quality of the eggs to decline. In addition, the hens at Cheeky Chooks usually have a much shorter lifespan than the average hen due to these cramped conditions which is an issue that environmental activists have raised. The unstable health of Cheeky Chook's hens also results in the supplier often being unable to meet orders from businesses, as its hens suddenly stop laying eggs, decreasing the business's reliability.

**Candidate two:** Free To Roam is a supplier of free-range eggs located on a farm just outside of Castlemaine. The business is renowned for providing the best conditions for its hens, ensuring they are always healthy. Subsequently, the eggs produced by Free To Roam are high quality, likely improving the taste of desserts made with these eggs. Free To Roam solely relies on solar and wind energy to run its operations and is regarded as one of the most socially-responsible chicken farms in the region. To maintain ideal conditions for its hens, Free To Roam charges \$12 a dozen. On top of this high cost, Beyza would also have to pay significant delivery costs due to the long distance between Richmond and Castlemaine. The long journey between the two suburbs also increases the likelihood of eggs cracking during delivery, decreasing the reliability of eggs supplied by Free To Roam.

After reading a summary of the two supplier candidates, consider the following factors of each supplier:

- price
- quality
- reliability
- location
- social responsibility.

With your peers, answer the following questions:

1. Do you believe any of these factors relating to suppliers are more important than the others? For example, are the cheaper eggs of poor quality more important than expensive eggs of high quality?
2. How important do you believe it is for a business to choose socially responsible suppliers?
3. Would you stop shopping from a clothing store if you found out its cotton, for example, was sourced from an unethical supplier that mistreats its employees?
4. After weighing up the factors and considering which factors you personally value more, which supplier would you recommend to Beyza?

## Review activity 3: Breach of legal requirements

Search up '*Monster Energy wins \$292 million false-advertising verdict against rival Bang*' on the internet and click on the article by Reuters, 2022. Read the article and answer the following questions:

1. By falsely advertising its 'Super Creatine' energy drink, Bang was in violation of which legal requirement of establishing a business?
2. What is the name of the Australian legislation relating to the legal requirement of falsely advertising a product?
3. One reason why a business should not falsely advertise its products is to ensure it avoids legal consequences, such as those incurred by Bang. What might be another reason why it is important for a business to engage in truthful marketing?
4. In the court case, Bang argued that the 'Super Creatine' marketing of its drinks was 'not important to a customer's decision to buy the drink'. Do you agree with this argument?

# Unit 2 AOS 1 review questions

## Contemporary case study

### Useful tip

In the end-of-year VCAA examination for Units 3 and 4, it is likely that there will be a question asking you to refer to a contemporary business case study. This section of the AOS review is designed to build your skills in answering contemporary case study questions in year 11, so you are even more prepared for the exam at the end of Units 3 and 4. Refer to the section at the beginning of this textbook titled 'What is a contemporary business case study?' for more information. For the following questions, you can refer to Cotton On Group or any other business you feel confident writing about as a contemporary business example.

### Cotton On

Cotton On Group is an Australian, global retailer that owns and operates a number of clothing and stationery brands, including Cotton On Kids, Supré, Rubi, Typo, and Factorie. Cotton On operates as both a bricks-and-mortar model, with over 1,500 stores across 18 countries, and an online business. Through the website, an individual can browse each brand, purchase products, access customer services, and read about Cotton On's policies. Cotton On's website collects data from the purchasing habits of those using it. According to Cotton On Australia's Privacy Policy, the business collects personal information such as the name, gender, date of birth, address, email, and phone number of the customer making an online purchase. Information from the computer making the purchase is also collected such as IP address, browser type, and access times. The privacy policy explicitly states that Cotton On does not collect and retain financial information such as credit card numbers. The policy 'complies with all applicable privacy principles and laws' such as the Privacy and Data Protection Act 2014 (Vic). Employees of the business comply with appropriate procedures to ensure personal information cannot be accidentally lost or accessed in an unauthorised way. In the case of any personal information being disclosed to a third party, reasonable steps are taken to mitigate this mistake.

In addition to its privacy policy, Cotton On has several policies related to the sourcing of its materials, such as the 'Child Labour and Forced Labour Policy' and 'Anti-Slavery and Human Trafficking Policy'. Cotton On adheres to its '14 Rules to Trade' which regulate its suppliers to ensure they maintain safe working conditions, provide labour with fair working hours, prevent corruption, and more. Despite its focus on ensuring an ethical supply chain, Good on you, a website reviewing the ethics of different companies, rated Cotton On's sustainability and ethical efforts 'not good enough' due to concerns of the business failing to pay a living wage to workers in its factories across China, India, and Bangladesh. 87% of Cotton On Group's orders are from China and 10% are from Bangladesh, with the remaining raw materials and supplies being sourced from Hong Kong, Myanmar, and India. Considering the low labour costs in China, sourcing from there has enabled Cotton On Group to maintain its high-profit margins, earning \$1.2 billion of revenue before tax in 2020. Cotton On counters the claims condemning the quality of conditions for workers in factories that Cotton On sources its supplies from, emphasising that it conducts 'regular factory audits' which review waste, factory conditions, and workers' rights, among other factors of the supply chain.

In 2014, Cotton On introduced its Africa Cotton program which, as of 2021, has supported 15,000 farmers and their families across Kwale, Kenya. As part of the program, Cotton On is providing farmers with the knowledge and tools to introduce sustainable farming practices, such as water conservation, responsible soil management, and pest resistance for crops. This allows the farmers to harvest crops year-round. The program is also creating employment in an area where jobs are scarce, helping to provide farmers with a stable income that may allow them to send their kids to school, invest in housing, and secure better healthcare. Cotton On affirms its commitment to continue the program, expanding it to other regions of Kenya and Mozambique.



Image: pohwee\_see/Shutterstock.com

**Figure 1** Cotton On Group has policies in place to maintain the business' legal compliance and programs to ensure its supplies are ethically sourced

*Adapted from Cotton On Group, 'Privacy Policy', 2021, Good on you, 'How ethical is Cotton On?', 2022, Supply Management, 'Cotton On puts focus on supplier relations', 2016, and Cotton On, 'Doing Good', 2021*

Answer questions 1–4 with reference to the Cotton On case study shown, or any other contemporary business case study you have studied.

**Question 1** (3 MARKS)

With reference to a contemporary business case study, outline the role of ICT specialists.

**Question 2** (3 MARKS)

Explain how a business can establish policies to comply with legal requirements and set business routines. In your response, refer to a contemporary business case study.

**Question 3** (4 MARKS)

Using a contemporary business case study, explain two advantages of generating contacts with overseas suppliers.

**Question 4** (5 MARKS)

With reference to a contemporary business case study, evaluate the sourcing of inputs from a socially responsible supplier.

## Exam-style

These questions are typical of Section A in the VCE Business Management exam.

**Question 5** (8 MARKS)

Manny is a tradesman who is hoping to start his own home construction business. He plans to name the business QuickFix and operate across Melbourne. Manny is starting to hire employees and hopes to begin operating within the next month.

- a. Define the term 'policies'. (1 MARK)
- b. Outline two reasons why establishing financial control systems is important for a business. (2 MARKS)
- c. Justify the need for procedures at QuickFix. (3 MARKS)
- d. Describe one legal requirement Manny should consider when establishing QuickFix. (2 MARKS)

**Question 6** (11 MARKS)

Rita and Marsai are planning to open MIXT, an online clothing store. The pair hope to source vintage clothes from all over the world and restore the clothes to sell to their customers. After noticing a trend in people wearing vintage clothes, Rita and Marsai believe the business will be successful. However, both owners are unsure of how to keep track of sales made online.

- a. Define the term 'customer database'. (1 MARK)
- b. Outline the importance of a business complying with trade practices legislation. (2 MARKS)
- c. Explain the importance of MIXT establishing record-keeping strategies. (3 MARKS)
- d. Evaluate the suitability of Rita and Marsai establishing a customer database at MIXT. (5 MARKS)

**Question 7** (16 MARKS)

Aaliyah has just opened Nourish, an Australian plant-based hair care business. She plans to adopt the business structure of a private limited company in order to gain initial money to start her business. Aaliyah has decided to source inputs, such as shea butter and almond oil, from suppliers overseas to produce moisturising hair butter. As the USA has a larger market for hair products, Aaliyah also hopes to sell Nourish products overseas but is unsure of the legal requirements involved in selling her products in a foreign country. Aaliyah has decided to hire an external legal adviser to help her understand and adhere to legal requirements.

- a. Outline two disadvantages of a business generating contacts with overseas retailers. (2 MARKS)
- b. Describe the role of a legal adviser hired by Nourish. (3 MARKS)
- c. Identify and explain one consideration Nourish should make when choosing suppliers. (3 MARKS)
- d. Discuss Nourish's choice of generating contacts with overseas suppliers. (4 MARKS)
- e. Explain the importance of establishing financial control systems and a bank account at Nourish. (4 MARKS)

# UNIT 2 AOS 2

## Marketing a business

Establishing a strong customer base for a business is an important component of success. In this area of study, students develop an understanding that marketing encompasses a wide range of management practices, from identifying the needs of the target market and creating a brand presence through to consideration of the 7Ps of marketing and the impact of rapidly changing technology on marketing practices. They also consider effective public relations strategies and the benefits these can bring to a business.

### Outcome 2

On completion of this unit, the student should be able to explain how establishing a customer base and a marketing presence supports the achievement of business objectives, analyse effective marketing and public relations strategies and apply these strategies to business-related case studies.

*Reproduced from VCAA VCE Business Management Study Design 2023-2027*

# 5

# CHAPTER 5

## Marketing a business

### LESSONS

- 5A** Marketing, a customer base and business objectives
- 5B** Marketing and the internal environment
- 5C** Marketing and the external environment: Part 1
- 5D** Marketing and the external environment: Part 2
- 5E** Market research
- 5F** Target market attributes
- 5G** The 7Ps model of marketing: Part 1
- 5H** The 7Ps model of marketing: Part 2
- 5I** The product life cycle
- 5J** Customer relations strategies
- 5K** Technology and marketing
- 5L** The relationship between public relations and business objectives
- 5M** Public relations strategies
- 5N** CSR considerations in marketing

Unit 2 AOS 2 review

### KEY KNOWLEDGE

- the relationship between marketing, establishing a customer base and business objectives
- internal and external (macro and operating) environment factors affecting the establishment of a customer base and creation of a brand identity
- market research practices such as data collection techniques, analysis and interpretation
- target market attributes such as market dimensions, segments, consumer trends and behaviour
- the 7Ps model of marketing: product, price, place, promotion, people, physical evidence and process
- the product life cycle: introduction, growth, maturity, decline, extension, and the relationship between each of these stages and the choice of marketing strategy
- the features and value of customer relations strategies such as providing quality customer service and establishing customer loyalty programs
- technological developments in marketing such as social media, email marketing, search engine optimisation, artificial intelligence, data analytics and management of data
- an overview of public relations and its relationship to business objectives
- public relations strategies such as planned and crisis public relations, the importance of maintaining a positive relationship with the customer base and the implications if this relationship is not maintained
- corporate social responsibility management considerations regarding establishment of a customer base, such as green marketing and the protection of customer privacy

# 5A Marketing, a customer base and business objectives

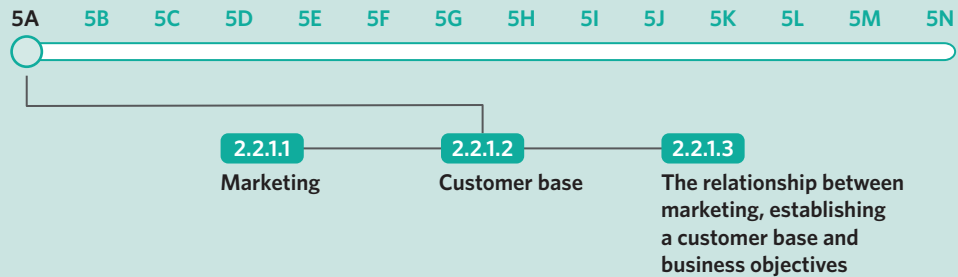
Marketing is more than just advertising a product. It is a vital tool for all businesses and involves numerous processes that work to engage customers with a product.

We learned to speak your language so your generation will start to pay attention to our ads



## STUDY DESIGN DOT POINT

- the relationship between marketing, establishing a customer base and business objectives



## KEY DEFINITIONS

**Marketing** is the process of implementing strategies to price, promote, and distribute products to current and potential customers.

A **customer base** is a group of consumers who continuously purchase goods and services from a business.

## ADDITIONAL TERMS

**Market research** is the process of collecting information relating to customer needs and preferences.

A **target market** is a specific group of customers at which a business's product is aimed at.

A **customer profile** is a specific description of the type of person a business is selling to, including their demographic, psychographic, and geographic characteristics.

## LESSON LINK

All marketing strategies listed in table 1 will be covered in further detail during this chapter  
**Chapter 5 Marketing a business.**

## Lesson introduction

In order to sell products, businesses need to invest time and money into marketing strategies. Marketing is a vital process that businesses undertake to promote their products, establish a customer base, and achieve business objectives.

## Marketing 2.2.1.1

**Marketing** is the process of implementing strategies to price, promote, and distribute products to current and potential customers. Marketing is much more than just advertising a product. Successful marketing involves a number of processes that help develop, promote, distribute, and price a business's product appropriately. During the process of developing a product, a business should conduct **market research** and identify its **target market**. A business's target market will help determine how the product will be promoted, distributed, and priced.

**Table 1** Marketing strategies related to developing, promoting, distributing, and pricing a product

	Marketing strategies
<b>Developing a product</b>	<ul style="list-style-type: none"> <li>Market research practices</li> <li>Identification of target market attributes, such as market dimensions, segments, consumer trends, and behaviour</li> </ul>
<b>Promoting a product</b>	<ul style="list-style-type: none"> <li>Advertising</li> <li>Sales promotion</li> <li>Public relations</li> <li>Product placement</li> <li>Building brand awareness</li> </ul>
<b>Distributing a product</b>	<ul style="list-style-type: none"> <li>Managing distribution channels</li> <li>Managing intermediaries</li> </ul>
<b>Pricing a product</b>	<ul style="list-style-type: none"> <li>Determining pricing strategies</li> </ul>

## Customer base 2.2.1.2

A **customer base** is a group of consumers who continuously purchase goods and services from a business. When developing a product it is important for a business to identify its customer base. To do so, a business needs to recognise the types of customers who are likely to purchase the product. This process can be done through market research or by creating a **customer profile**.

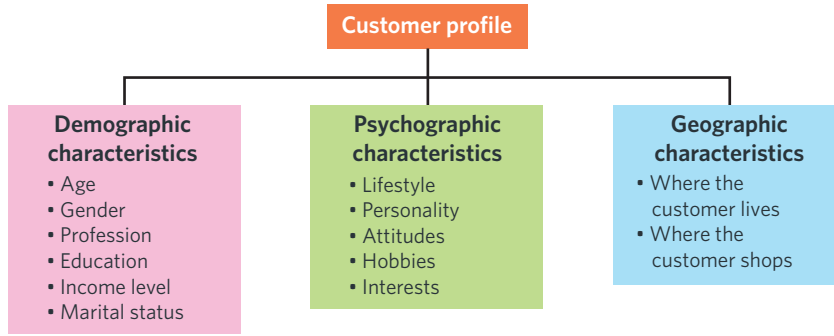


Figure 1 Elements of a customer profile

Once a business has identified its customer base, it should:

- ensure that the product offered suits the needs of the customers within the customer base.
- focus its marketing on specifically targeting the types of individuals within the customer base.
- develop marketing strategies that encourage repeat purchases from those within the customer base.

When analysing their customer base, many businesses are aware that 80% of their sales come from 20% of their customer base. This 20% of the customer base contributes to the majority of a business’s sales and is made up of its most loyal customers. Therefore, ensuring that a business’s marketing strategy focuses on retaining loyal customers is essential for maintaining a strong customer base and sales figures.

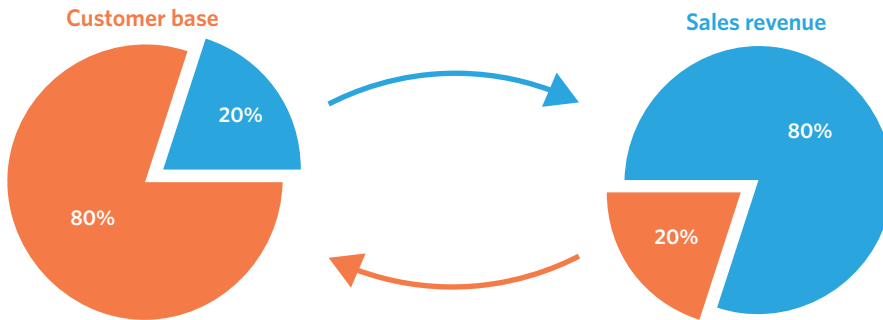


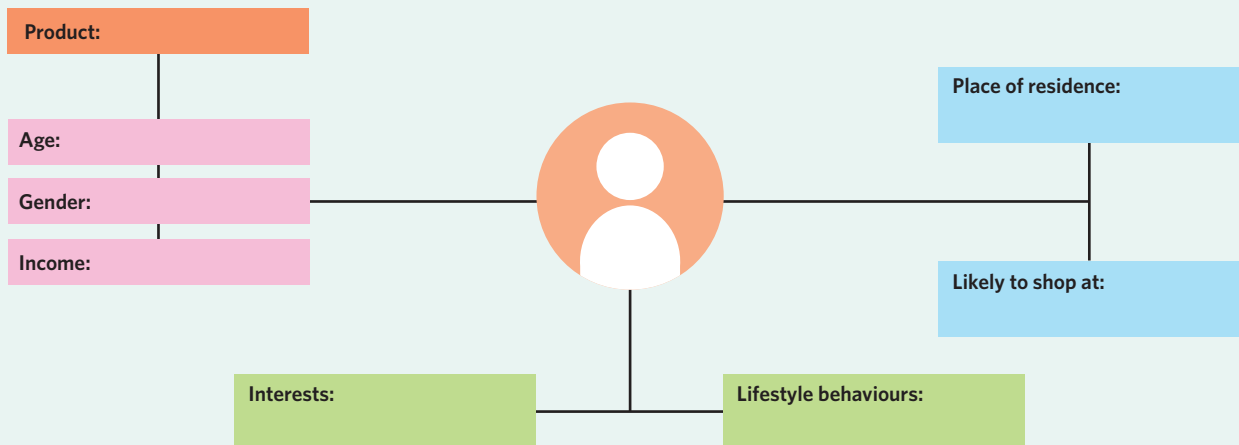
Figure 2 80% of a business’s sales come from 20% of the business’s customer base

**ACTIVITY**

**Customer base**

Consider a product that you or a family member has purchased recently. With your product in mind, envision that you are head of the marketing team for that particular product before it has been released to the public. It is your job to create a customer profile to recognise the types of customers who are likely to purchase the product. Use the following questions to help you fill in the customer profile template:

- What ages does your product appeal to?
- Does your product appeal to all genders?
- Is your product more likely to appeal to those with high, average, or low incomes?
- Does your product appeal to someone with specific interests?
- Does your product appeal to a certain personality or lifestyle?
- Is your product only available to purchase in specific locations?
- Is your product only available to purchase from specific retailers?





## The relationship between marketing, establishing a customer base and business objectives 2.2.1.3

### KEY DEFINITIONS

**Business objectives** are the goals a business intends to achieve.

**Business objectives** are the goals a business intends to achieve. A business will aim to fulfil multiple business objectives at any given time. Effective marketing can be a great pathway for a business to achieve the following objectives:

- increasing sales
- increasing market share
- improving levels of customer satisfaction
- increasing profit.

**Table 2** The relationship between marketing, establishing a customer base and business objectives

Business objective	How marketing and establishing a customer base can achieve the business objective
<b>Increasing sales</b>	Targeting a business's customer base can increase the number of customers who will make repeat purchases, subsequently increasing the number of sales.
<b>Increasing market share</b>	Offering a product that suits the needs and wants of those within the business's customer base, better than competitors, can help increase a business's percentage of sales within its respective industry.
<b>Improving levels of customer satisfaction</b>	Ensuring the product offered suits the needs of those within the business's customer base can lead to lower amounts of customer complaints. A lower number of customer complaints indicates that customers are more satisfied with the business's product.
<b>Increasing profit</b>	Marketing strategies focused on targeting those within the business's customer base can establish loyal customers who purchase products regularly. This can increase sales revenue and allow the business to increase its overall profit.

### Theory summary

Successful marketing involves developing, promoting, distributing, and pricing a product appropriately. To market its products effectively, a business needs to identify its customer base and ensure that the needs of the customer base are being met. If a business is able to identify its customer base and conduct effective marketing, it can result in the achievement of business objectives.

# 5A Questions

## Theory review

### Question 1

A business can successfully achieve objectives by identifying its customer base and applying targeted marketing strategies.

- A. True
- B. False

### Question 2

Marketing is only the process of a business advertising its products.

- A. True
- B. False

### Question 3

Successful marketing usually targets:

- A. all customers.
- B. a business's customer base.

### Question 4

Fill in the blank with **one** of the following terms:

- customer base
- customer profile

A \_\_\_\_\_ is a group of customers who continuously purchase goods and services from a business.

### Question 5

One way a business can identify its customer base is through the creation of a customer profile.

- A. True
- B. False

### Question 6

Identify what a business should do once it has identified its customer base: **(Select all that apply)**

- I. ensure that the product offered suits the needs of the customers within the customer base.
- II. focus its marketing efforts on specifically targeting the types of individuals within the customer base.
- III. focus on creating a customer profile for every customer within its customer base.

### Question 7

Through effective marketing, focused on a business's customer base, a business can achieve various business objectives.

- A. True
- B. False

## Preparing for exams

### Case study skills

### Question 8

Megan is the owner of a cereal business called MK Cereals. The business has recently developed a new, healthy, wholegrain breakfast cereal that it plans to introduce to the market this year.

Identify whether the following inferences, related to MK Cereals, are likely to be **true** or **false**.

	True	False
I. Megan should identify the business's customer base so that marketing strategies can be executed effectively.	<input type="checkbox"/>	<input type="checkbox"/>
II. MK Cereals' customer base would consist of all customers interested in purchasing cereal.	<input type="checkbox"/>	<input type="checkbox"/>
III. MK Cereals' customer base would consist of health-conscious customers interested in purchasing cereal.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Through marketing to its customer base, MK Cereals can increase sales and the number of returning customers, ultimately contributing to the achievement of business objectives.	<input type="checkbox"/>	<input type="checkbox"/>

**Exam-style****Question 9** (1 MARK)

Define the term marketing.

---

**Question 10** (1 MARK)

Define the term customer base.

---

**Question 11** (2 MARKS)

Identify and describe one way a business can identify its customer base.

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**Question 12** (3 MARKS)

Explain the relationship between marketing, establishing a customer base, and the achievement of business objectives.

**Testing previous knowledge****Question 13** (3 MARKS)

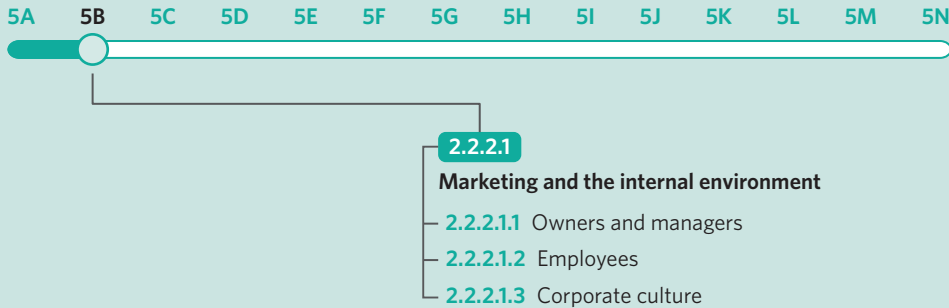
Megan is the owner of a cereal business called MK Cereals. The business has recently developed a new, healthy, wholegrain breakfast cereal that it plans to introduce to the market this year.

Explain the relationship between marketing, establishing a customer base, and the achievement of business objectives at MK Cereals.

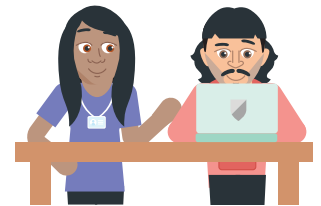
# 5B Marketing and the internal environment

## STUDY DESIGN DOT POINT

- internal and external (macro and operating) environment factors affecting the establishment of a customer base and creation of a brand identity



A brand's customer service often determines how customers perceive the business. If a business provides you with poor customer service, will you perceive it negatively? Would you choose to shop there again?



## Lesson introduction

In this lesson, we will focus on factors within the internal environment that affect a business's ability to establish a customer base and brand identity. These factors include owners and managers, employees, and corporate culture.

## Marketing and the internal environment 2.2.2.1

The **internal environment** involves factors within a business that a business has control over. Within the internal environment, there are a number of factors that can affect a business's marketing strategy. As a business has complete control over these factors, it can direct its marketing campaign to suit customer needs and improve customer interactions. By adapting and improving its marketing campaign, a business can expand its customer base and enhance its **brand identity**.

## Owners and managers 2.2.2.1.1

Owners and managers are responsible for improving business performance. To improve business performance, owners and managers can implement and lead new marketing strategies that establish the business's customer base and improve brand identity. To establish a business's marketing strategy, owners and managers should:

- have the ability to create customer profiles to identify and establish a business's customer base.
- target marketing practices to suit the specific needs of the customer base or rely on the skills of marketing experts.
- develop and improve the business's brand identity.
- adapt and lead marketing strategies to respond to changes in the business environment.

### LESSON LINK

The internal environment was introduced in **2A The internal environment and the external environment**.

Customer profiles were introduced in **5A Marketing, a customer base and business objectives**.

### KEY DEFINITIONS

The **internal environment** involves factors within a business that a business has control over.

### ADDITIONAL TERMS

**Brand identity** is the unique set of values a business seeks to portray to its customers.

## THEORY IN ACTION



**Figure 1** Elanor plans on creating customer profiles to build a customer base

### Owners and managers

As the owner of Veteran Fitness, Elanor wants to improve her business's performance. Elanor plans on building Veteran Fitness' brand identity based on the fact that each fitness instructor is a retired army veteran. In order to build a customer base, Elanor has decided to create customer profiles containing information such as the customer's preferred fitness instructor. She plans on using this information to better understand and market her service toward her customers' fitness needs.

## Employees 2.2.2.1.2

Employees play an important role in the marketing process as they directly interact with customers who purchase the business's products. A business should ensure that employees understand the aim of marketing strategies and behave according to these strategies. The way employees present themselves can directly affect how customers perceive the business. Employees should aim to be polite, efficient, respectful, and responsive to deliver excellent customer service. Good customer service can enhance a business's brand identity and help to expand its customer base. Alternatively, poor customer service can negatively affect how customers perceive the business.

## REAL WORLD EXAMPLE



Image: pio3/Shutterstock.com

**Figure 2** Apple provides a high level of customer service in its stores globally

### Employees

Apple is an American technology company with stores located worldwide. Apple prides itself on delivering high-quality customer service, with all employees having a high level of expertise in Apple products. Customers are able to pre-book in-store appointments online for product maintenance or repair. Upon entering the store, customers are greeted by an employee who can direct them to the appropriate area to meet their needs. By offering exceptional customer service in its stores, Apple has been able to strengthen its customer base and brand identity.

*Adapted from Apple, 'Apple Support', n.d.*

### ACTIVITY

#### Employees

Think about your favourite restaurant, hotel, or store. Often, the way we interact with employees directly impacts our willingness to return to the business in the future. Discuss the following questions with your classmates:

1. Does the way employees present themselves and interact with customers have an effect on your willingness to continue purchasing from the business?
2. Do you believe that good customer service enhances the business's brand identity?

## Corporate culture 2.2.2.1.3

**Corporate culture** is the shared values and beliefs of a business and its employees. It can shape how a business operates on a day-to-day basis and is an essential factor affecting the way employees interact with customers. A business should aim to develop a workforce that considers customer needs and preferences, embraces customer feedback, and promotes positive customer experiences. Creating and maintaining a workplace environment that is customer-focused can result in customers feeling valued, leading to improved perception and positive word-of-mouth which can help promote the business. A business that has customer-focused values is likely to have a strong customer base and enhanced brand identity. However, when a business's culture is not customer-focused, it may lead to disengaged staff and therefore, poor customer service. This may result in the business developing a poor reputation, which can damage its brand identity and result in the loss of loyal customers.

### KEY DEFINITIONS

**Corporate culture** is the shared values and beliefs of a business and its employees.

## REAL WORLD EXAMPLE

### Corporate culture

Google is a technology company which specialises in internet-related services. As a company that encourages its highly-qualified employees to be innovative and creative, Google is renowned for its forward-thinking corporate culture. Google's workplace features an unconventional office layout and highly-flexible working hours that create an interactive business environment. As a high percentage of employees have expressed their satisfaction with working at Google, the tech giant has developed a strong brand identity as a company that focuses on ensuring its employees are satisfied. This has enabled Google to establish a strong customer base and strengthen its reputation within the technology industry.

*Adapted from Employee Experience Magazine, 'Company Culture at Google', 2022*



Image: achinthamb/Shutterstock.com

**Figure 3** Google's positive corporate culture enhances the company's brand identity and assists in establishing a customer base

### Theory summary

There are multiple factors within a business's internal environment that may affect its chosen marketing strategy, customer base, and brand identity.

- Owners and managers are responsible for implementing strategies to create customer awareness about the business and encourage customer loyalty.
- Employees must ensure they deliver excellent customer service and act in a way that reflects the business's values.
- The business should ensure it develops a positive corporate culture to improve its reputation.

## 5B Questions

### Theory review

#### Question 1

A business has no control over factors within the internal environment.

- A. True
- B. False

#### Question 2

Fill in the blank with **one** of the following terms:

- owners and managers
- employees

To establish a marketing strategy, \_\_\_\_\_ should create customer profiles to identify and establish the business's customer base.

#### Question 3

By ensuring employees deliver high-quality customer service, a business can improve its brand identity.

- A. True
- B. False

#### Question 4

A business's corporate culture directly affects the way employees interact with customers and plays an important role in establishing and maintaining a customer base.

- A. True
- B. False

#### Question 5

A business can expand its customer base and enhance its brand identity by adapting and improving its marketing campaign.

- A. True
- B. False

## Preparing for exams

### Case study skills

#### Question 6

JJ's Juice is a juice bar that has just opened in Melbourne's CBD. The business has recently employed seven staff who are currently being trained. The owner, James, wants to establish a strong customer base and brand identity.

Identify which of the following statements are **true** or **false** about JJ's Juice.

	True	False
I. James can establish a strong customer base by only training employees to make juice and not focusing on providing quality customer service.	<input type="checkbox"/>	<input type="checkbox"/>
II. By developing a customer profile and targeting marketing strategies toward individuals who fit the customer profile, James can establish a strong customer base.	<input type="checkbox"/>	<input type="checkbox"/>
III. By establishing a culture that is customer-focused, James can establish a strong customer base and brand identity.	<input type="checkbox"/>	<input type="checkbox"/>

### Exam-style

#### Question 7 (1 MARK)

Define corporate culture.

---

#### Question 8 (2 MARKS)

Outline how owners and managers can help a business establish a strong customer base.

---

#### Question 9 (2 MARKS)

Outline how a business's corporate culture can affect its brand identity.

---

#### Question 10 (3 MARKS)

Other than corporate culture, explain how one factor within the internal environment can affect a business's customer base and brand identity.

---

#### Question 11 (3 MARKS)

JJ's Juice is a juice bar that has just opened in Melbourne's CBD. The business has recently employed seven staff who are currently being trained. The owner, James, wants to establish a strong customer base and brand identity.

Explain how one factor within the internal environment can help JJ's Juice establish a strong customer base and positive brand identity.

### Testing previous knowledge

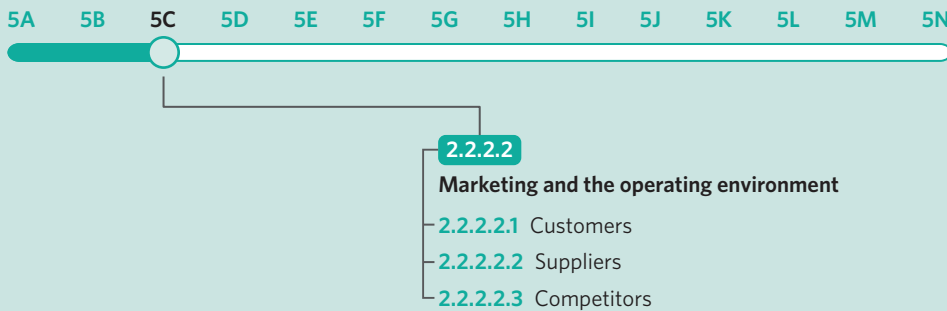
#### Question 12 (3 MARKS)

Explain how one factor from the internal environment can affect a business's customer base and assist in the achievement of business objectives.

# 5C Marketing and the external environment: Part 1

## STUDY DESIGN DOT POINT

- internal and external (macro and operating) environment factors affecting the establishment of a customer base and creation of a brand identity



Imagine you are walking through a shopping centre and start to crave some cookies. Which business are you more likely to purchase the cookies from? Sally's Supermarket or Gino's Groceries? Which business is providing you with value as a customer?



## Lesson introduction

In this lesson, you will focus on operating factors within the external environment that affect a business's ability to establish a customer base and brand identity. These factors include customers, suppliers, and competitors.

## Marketing and the operating environment 2.2.2.2

**Operating factors** are the primary external factors impacting a business which it has some control over. These factors include customers, suppliers, and competitors. It is important for a business to be aware of the impact these factors may have on its marketing strategy. In doing so, a business can make necessary changes that promote the success of its marketing strategy and establish a strong customer base and brand identity.

### Customers 2.2.2.2.1

Customers are one of the most important stakeholders within a business's external environment. Through their purchases, customers generate the majority of a business's revenue. It is therefore vital for a business to recognise the importance of customers and develop marketing strategies that are **customer-focused**. A business should make various decisions in regard to its customers to avoid negatively impacting its customer base and brand identity.

**Table 1** The effect of customers on a business's customer base and brand identity

	Effect on customer base	Effect on brand identity
Customer needs and preferences	<ul style="list-style-type: none"> <li>Marketing strategies that communicate how products fulfil customer needs can help the business establish and expand its customer base.</li> <li>Products that are designed to continuously satisfy customer needs can help a business create brand loyalty, thus helping to establish a strong customer base.</li> </ul>	<ul style="list-style-type: none"> <li>Marketing strategies that are customer-focused will reach the business's target market and improve customer perception of the products the business offers.</li> <li>Customers are likely to positively perceive the business and its offerings when products are designed to meet their needs and preferences.</li> </ul>
Customer experience	<ul style="list-style-type: none"> <li>Customers are likely to continue purchasing from a business that treats them well and values their time and money, increasing the loyalty of the customer base.</li> </ul>	<ul style="list-style-type: none"> <li>Businesses that are honest and treat customers well can improve customer perceptions of the business.</li> </ul>

## KEY DEFINITIONS

**Operating factors** are the primary external factors impacting a business which it has some control over.

## ADDITIONAL TERMS

**Customer-focused** is the process of prioritising customer needs and preferences.

## LESSON LINK

Macro and operating factors were introduced in **3A The external environment**.

Customers as an operating factor were introduced in **3I Customer needs and expectations**.



**ADDITIONAL TERMS**

**Resale** is the process of a business selling products bought from manufacturers to customers.

**Suppliers 2.2.2.2.2**

Suppliers may be able to influence the development of a business's marketing strategy, as those that provide a business with products for **resale** may influence how it markets the product. In some cases, suppliers may provide a business with marketing materials for the products it will resell. A business that uses a supplier's marketing material can ensure customers are able to easily identify products through known logos and branding, thus promoting the establishment of a strong customer base. Businesses that choose suppliers who provide high-quality products in a timely manner can also improve customer satisfaction and their perception of the business, allowing them to establish a strong customer base and brand identity.

**REAL WORLD EXAMPLE**

Image: Zety Akhzar/Shutterstock.com

**Figure 1** Businesses are provided with Coca-Cola branded fridges to display their products

**Suppliers**

The Coca-Cola Company is an American multinational corporation that specialises in the production of beverages. While the company is famously known for its cola, Coca-Cola, it also produces over 160 drinks including coffee, juice, mixers, soft drinks, sports drinks, tea, and water. As a supplier, the Coca-Cola Company provides businesses with marketing tools to display its products, such as Coca-Cola branded fridges that display the famous 'Coca-Cola' logo. The Coca-Cola brand is known by many, therefore, a lot of businesses that resell Coca-Cola beverages adopt the same marketing strategies as the Coca-Cola Company by displaying logos and branding that promote the beverages.

*Adapted from Coca-Cola, 'New in 2022: Taste and design innovations include Coca-Cola with coffee mocha and refreshed packaging for Coca-Cola flavours', 2022*

**ACTIVITY****Suppliers**

In the retail businesses pictured, are you able to identify how suppliers may have influenced the marketing efforts for the displayed products? Discuss the following questions with your classmates:

1. What are some examples of the types of promotional material that suppliers are providing to any of these retailers?
2. What are some common elements between the material that suppliers are providing to these retailers?
3. Can you think of examples where you have seen a business display marketing material that was provided by a supplier?

**Competitors 2.2.2.3**

A business should be aware of the marketing strategies used by competitors as they are likely to focus on the same target market. Businesses should attempt to differentiate their marketing strategy from competitors by introducing one that generates more **customer value**. Unique marketing strategies can allow a business to attract customers from its competitors, which can expand its customer base and improve its brand identity. Businesses can also take advantage of competitors leaving the market or failing to meet customer needs by introducing marketing strategies that capture the unsatisfied customer base of competitors.

**ADDITIONAL TERMS**

**Customer value** is the satisfaction a consumer feels after purchasing a product.

## THEORY IN ACTION

## Competitors

Recently, there has been a large influx of new members at Veteran Fitness. Elanor attributes this to her decision to introduce Veteran Fitness' latest promotion. This promotion provides new customers who sign up for a 12-month contract with a membership fee of \$0 for their first 3 months. Elanor decided to implement this strategy when she noticed that recently established gyms in the local area were offering new members their first month free. By making herself aware of the marketing strategies of competitors, Elanor was able to successfully implement a promotion that generates more value for customers. Therefore, this allowed her to expand her customer base and improve Veteran Fitness' brand identity.



**Figure 2** Elanor considered the marketing strategies of her competitors before implementing her own

## LESSON LINK

Competitors as an operating factor were introduced in **3J Competitors' behaviour**.

## Theory summary

Within the external environment, it is important for businesses to consider operating factors when developing a marketing strategy. These factors include customers, suppliers, and competitors. Businesses should assess how each of these factors could affect their customer base and brand identity. If a business constantly assesses and adapts marketing strategies to changes in its external environment, it can establish and expand its customer base and brand identity.

## 5C Questions

### Theory review

## Question 1

Since operating factors are in the external environment, a business has no control over how they may influence the success of its marketing strategy.

- A. True
- B. False

## Question 2

Providing a great customer experience can help a business establish its customer base and brand identity.

- A. True
- B. False

## Question 3

A business should be aware of the marketing strategies used by its competitors as they are likely to have the same target market.

- A. True
- B. False

## Question 4

Fill in the blank with **one** of the following terms:

- competitors
- suppliers

In some cases, \_\_\_\_\_ will provide a business with marketing material that allows customers to easily identify products through recognisable logos and branding.

## Question 5

Having a customer-focused marketing strategy involves:

- A. prioritising customer needs and preferences.
- B. marketing aggressively to steal competitors' customers.

## Question 6

Fill in the blank with **one** of the following terms:

- no control
- some control

Customers, suppliers, and competitors are all examples of operating factors which are factors within a business's external environment that a business has \_\_\_\_\_ over.

## Preparing for exams

### Case study skills

#### Question 7

Baby Beans is a cafe based in the eastern suburbs of Melbourne. The owner, Tallon, has noticed that all of the other cafes in the area offer customers a loyalty card that gives them a free coffee after every eighth coffee purchase.

Identify which of the following statements are **true** or **false** about Baby Beans.

	True	False
I. Tallon can establish a strong customer base by considering the marketing strategies of competitors and then implementing one that delivers more customer value.	<input type="checkbox"/>	<input type="checkbox"/>
II. Tallon can improve brand identity by implementing a loyalty card that provides more value than competitors, improving the perception of Baby Beans.	<input type="checkbox"/>	<input type="checkbox"/>
III. Tallon can establish a strong customer base by considering the needs and preferences of his customers.	<input type="checkbox"/>	<input type="checkbox"/>
IV. If Tallon considers the needs and preferences of his customers, this will likely worsen brand identity as customers are already satisfied by competitors.	<input type="checkbox"/>	<input type="checkbox"/>

### Exam-style

#### Question 8 (1 MARK)

Define the term 'operating factors'.

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#### Question 9 (2 MARKS)

Outline how suppliers may influence a business's marketing strategies.

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#### Question 10 (2 MARKS)

Describe how considering competitors can assist a business to create a strong brand identity.

---

#### Question 11 (3 MARKS)

Other than competitors, explain how one factor within the operating environment can affect a business's customer base and brand identity.

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#### Question 12 (3 MARKS)

Baby Beans is a cafe based in the eastern suburbs of Melbourne. The owner, Tallon, has noticed that all of the other cafes in the area offer customers a loyalty card that gives them a free coffee after every eighth coffee purchase.

Identify and describe one operating factor that could help Baby Beans establish a strong customer base and brand identity.

### Testing previous knowledge

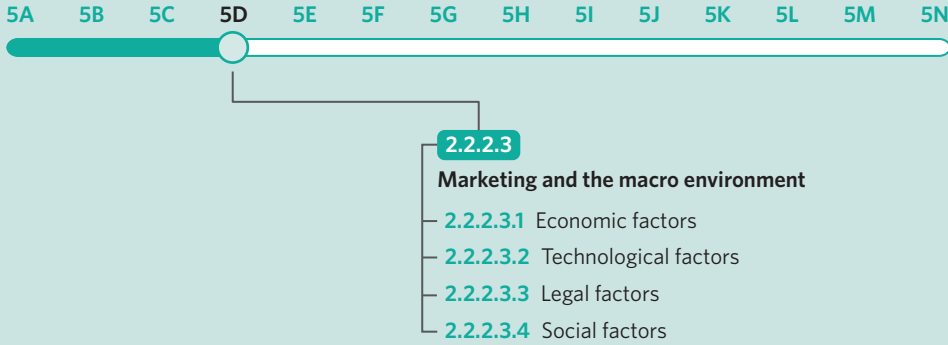
#### Question 13 (3 MARKS)

Explain how considering one factor within the internal environment can affect a business's customer base and brand identity.

# 5D Marketing and the external environment: Part 2

## STUDY DESIGN DOT POINT

- internal and external (macro and operating) environment factors affecting the establishment of a customer base and creation of a brand identity



## Lesson introduction

All businesses need to consider factors in the external business environment when developing a marketing strategy, including those within the macro environment. The macro environment consists of economic, technological, legal, and social factors that influence business operations and consumer purchasing behaviour. Therefore, it is essential for a business to consider factors in the macro environment before implementing any marketing strategies. In doing so, a business can increase the likelihood of successfully establishing a customer base and creating a reputable brand identity.

## Marketing and the macro environment 2.2.2.3

**Macro factors** are social, legal, technological, and economic conditions that a business operates in and has no control over. When undertaking marketing, it is important for a business to consider the factors within the macro environment to ensure its promotional strategies are accurately meeting customer needs.

### Economic factors 2.2.2.3.1

A business should be aware of economic factors within its country of operation as they can have an impact on consumer purchasing behaviours. By understanding and analysing **economic conditions**, a business can determine the marketing strategies that it will implement to attract and retain customers. During periods of strong economic growth, **disposable income** is high, meaning consumers are more inclined to purchase goods or services that are offered by a business. This provides an opportunity for businesses to expand their customer base. On the other hand, when economic growth and disposable income levels are low, consumer confidence decreases, meaning individuals are less likely to spend their money. Consequently, a business may implement fewer marketing strategies and emphasise its lower prices to attract price-conscious customers.

In the last decade, society has experienced periods of economic growth and decline, increases in the use of social media, the implementation of new laws, and an emphasis on environmental preservation. How have these changes influenced consumer purchasing decisions and the way businesses market their products?



### LESSON LINK

Customer base and brand identity were introduced in **5A Marketing, a customer base and business objectives**.

Macro factors were introduced in **3A The external environment**.

### KEY DEFINITIONS

**Macro factors** are social, legal, technological, and economic conditions that a business operates in and has no control over.

### ADDITIONAL TERMS

**Economic conditions** are the conditions that exist in relation to the productive performance and financial stability of a nation or other geographical area.

**Disposable income** is the income an individual has remaining after tax.

## REAL WORLD EXAMPLE



Image: TY Lim/Shutterstock.com

**Figure 1** Harvey Norman understands and utilises economic conditions surrounding the EOFY to attract customer purchasing

### Economic factors

Harvey Norman is an Australian retail company that sells technology, homewares, and electrical products in-store and online. Before the end of the financial year on 30 June, Harvey Norman holds an annual End of Financial Year (EOFY) sale, during which it sells a wide range of its products at extremely low prices. The EOFY signifies a time when individuals lodge their tax returns. A person's tax return can include electronics and stationery that they use for work, which they can claim as costs to minimise the tax they pay to the government. Consequently, before 30 June there is a significant rise in electronics purchases. Through its EOFY sale, Harvey Norman takes advantage of the economic conditions in Australia, as the company understands that many consumers want to increase their tax deductions by purchasing products before the EOFY on 30 June. In 2022, Harvey Norman discounted phones, including the iPhone 12 and Samsung Galaxy, by \$100, and reduced its prices across other products such as laptops, vacuum cleaners, and microwaves. In doing so, Harvey Norman utilised effective marketing strategies to entice customers to purchase from the company. Therefore, analysing economic factors allowed Harvey Norman to market its EOFY sale, attract customers, and increase its profits.

*Adapted from Finder, 'The best EOFY 2022 deals from Harvey Norman', 2022*

### Technological factors 2.2.2.3.2

Technological factors can have both a positive and negative impact on a business's customer base and brand identity. Technological developments can increase a business's ability to market its products. For example, social media can provide seamless communication and rapid response times when handling customer enquiries, improving overall customer satisfaction and increasing the likelihood of purchasing from the business again. However, technological advancements can also cause a business's products to become outdated, which may lead to fewer customers returning to purchase a good or service, as they seek products with the most up-to-date features. Therefore, businesses must be aware of changes in technology and update their products in order to enhance their marketing strategies and maintain a strong customer base.

## REAL WORLD EXAMPLE



Image: Daria Nipot/Shutterstock.com

**Figure 2** Australia Post responded to technological factors by upgrading 4000 of its offices and facilities to better meet customer demands

### Technological factors

Australia Post is a government business enterprise (GBE) that delivers mail and parcels across Australia. Due to increases in online shopping, especially during the COVID-19 pandemic, demand for parcel delivery services offered by Australia Post has skyrocketed. In response to this increase in consumer demand, Australia Post upgraded technology across 4000 post offices, delivery facilities, and support offices in 2022. The postal business has responded to changes in technology usage among consumers, such as the increased popularity of online shopping, by ensuring that its own processes are technologically up-to-date. Australia Post has considered technological factors and upgraded its technology to be as efficient and effective as possible, leading to greater customer satisfaction.

*Adapted from Parcel and Postal Technology International, 'AusPost completes major telecoms transformation program', 2022*

### ADDITIONAL TERMS

**Legal regulations** are the laws and rules made by the government, as well as decisions made in court.

### Legal factors 2.2.2.3.3

All businesses are required to comply with **legal regulations** to continue operating. Therefore, it is crucial for a business to consider legal factors across all its activities and be aware of regulatory bodies and legislation that affect its operation. A business that complies with its legal obligations and markets itself in an ethical, socially-responsible manner is more likely to establish a loyal customer base and positive brand identity. Alternatively, failure to comply with legal regulations can result in negative consequences for a business, including fines, store closure, and negative brand identity. If customers believe a business is not adhering to its legal requirements, they may choose to purchase from competitors, which negatively affects the business's ability to maintain its customer base and profitability.

**REAL WORLD EXAMPLE****Legal factors**

One legal factor that businesses must consider is the National Minimum Wage. The National Minimum Wage is defined as the pay rate that an employee receives on an ordinary work day. All businesses in Australia have a legal obligation to pay employees at or above the minimum wage, unless workers are employed under alternative agreements. On 1 July 2022, the National Minimum Wage in Australia increased by 5.2% from \$20.33 per hour to \$21.38 per hour. As a result, businesses in Australia had to consider this legal factor and ensure that they were able to comply by 1 July to avoid illegal conduct and underpaying staff. Therefore, businesses must constantly monitor changes to their legal obligations in order to avoid potential negative consequences.

*Adapted from Fair Work Ombudsman, 'Minimum wages increase from July 1', 2022*

**Social factors 2.2.2.3.4**

Social factors, including societal beliefs, behaviours, and trends, are constantly changing. Therefore, a business should consider these factors when developing its marketing strategies to ensure they are targeting consumer wants and needs. For example, many businesses have been prompted to emphasise their commitment to sustainability through their marketing strategies, as societal concern for the environment has increased. A business can also adapt its marketing strategies to take advantage of consumer trends, engaging those who are socially aware and expanding its customer base. By considering social factors in marketing, a business's brand identity can be improved, as consumers perceive the business as socially aware and responsible.

**LESSON LINK**

Consumer trends will be covered in further detail in **5F Target market attributes**.

**REAL WORLD EXAMPLE****Social factors**

The H.J. Heinz Company is a producer of many non-perishable foods and condiments worldwide. To respond to increased consumer interest in sustainability, Heinz formulated a set of strategies to minimise its environmental impact. Consequently, in 2022 Heinz announced that it would be transitioning its plastic squeeze tomato ketchup bottles to a 'Ketchup Bottle of Tomorrow' made from 'sustainably sourced wood pulp'. This bottle works towards Heinz's sustainability goal of having all environmentally-friendly packaging by 2025, as these new tomato sauce bottles are biodegradable, 'paper-based, renewable, and recyclable'. Therefore, Heinz is responding to social factors, such as increased concern for environmental sustainability, to better market its tomato ketchup and sustain its loyal customer base.

*Adapted from EcoWatch, 'Heinz Is Developing a Paper Ketchup Bottle', 2022*



Image: ChebanenkoAnn/Shutterstock.com

**Figure 3** Heinz is transitioning from plastic to sustainable wood pulp tomato ketchup bottles to respond to increased societal concern for environmental sustainability

**ACTIVITY****Marketing and the macro environment**

Search up '74 Years of McDonald's Marketing in Two minutes' on YouTube and watch the entire video (Fast Company, 2014).

McDonald's is an American fast-food company that is renowned worldwide for its signature burgers, fries, and desserts. Since its opening in 1955, McDonald's has altered its marketing practices significantly to adapt to changes in economic, technological, legal, and social factors. After watching the video on McDonald's, answer the following questions:

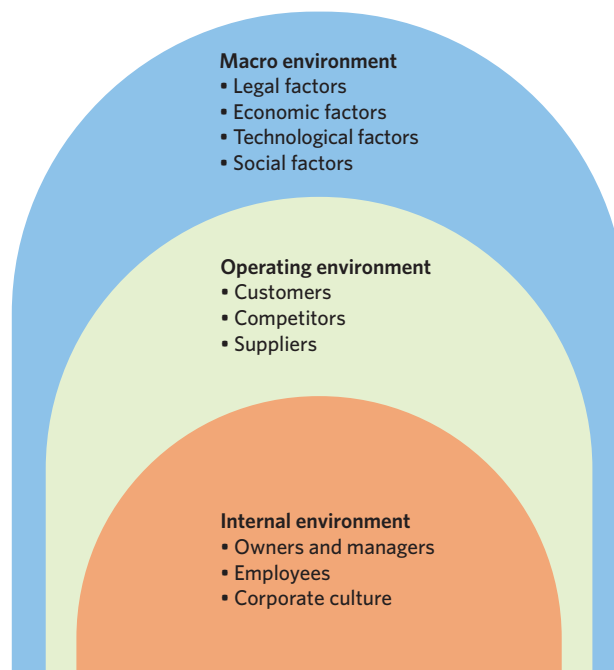
1. How did McDonald's adapt its promotion strategies to changing factors in the macro environment?
2. Why did McDonald's consider macro factors in its marketing strategies?
3. What were some of McDonald's successes and failures in its marketing strategies?
4. How has McDonald's marketed its products for success?

## Theory summary

When developing a marketing strategy, a business must take into account factors in the macro environment. A business has no control over these factors, as they are part of the external business environment, therefore they must be aware of, and respond to any changes that may occur. Factors in the macro environment include:

- Economic factors which can help determine whether a business will increase its investment in marketing strategies or promote its goods and services to consumers at a lower price.
- Technological factors which can ensure a business's products remain up-to-date with advances in technology and continue attract customers.
- Legal factors which must be considered by a business to ensure it remains compliant with all its obligations and avoid penalties.
- Social factors which can be analysed to understand trends in societal attitudes and allow a business to constantly appeal to consumer needs.

When a business assesses and adapts its marketing strategies to changing macro factors, it can establish and expand its customer base and brand identity.



**Figure 4** Summary of the internal and external factors affecting the establishment of a customer base and the creation of brand identity

## 5D Questions

### Theory review

#### Question 1

Considering macro factors is not important for businesses that already have a successful marketing strategy.

- A. True  
B. False

#### Question 2

Fill in the blanks with **two** of the following terms:

- growth
- decline
- more
- fewer

When the economy is experiencing a period of \_\_\_\_\_, consumer confidence has decreased alongside disposable income. Therefore, a business should implement \_\_\_\_\_ marketing strategies.

#### Question 3

By considering economic and technological factors, a business can improve its:

- A. brand identity and customer base.  
B. response to environmental sustainability.

#### Question 4

Fill in the blanks with the following terms:

- technological factors
- social factors

A business can consider \_\_\_\_\_ by upgrading its current technology to be more efficient and less wasteful. In turn, this also allows a business to consider \_\_\_\_\_, such as minimising its impact on the environment.

#### Question 5

A business must consider legal factors to ensure it is compliant with all legislation that governs its operation.

- A. True  
B. False

#### Question 6

When a business considers factors in the macro environment, it is more likely to develop a marketing strategy that consumers are responsive to.

- A. True  
B. False

## Preparing for exams

### Case study skills

Use the following information to answer Questions 7 and 8.

Pat owns Come In, a restaurant located in a heritage-listed building in Melbourne that strictly takes no bookings, wanting customers to simply 'come in'. Recently, Pat has noticed that more customers are asking for vegan options at Come In. Currently, its menu has limited offerings for these individuals. In response to this insight, Pat is working with his chefs to create a completely vegan menu to go alongside the current menu. This will ensure that Come In is catering to the changing dietary needs of many Australians.

#### Question 7

Identify which of the following is a correct statement about how considering social factors can help Come In establish a strong customer base.

- A. By increasing the range of vegan food options at Come In and advertising this change, Pat can ensure vegan consumers are included in the restaurant's customer base.
- B. Developing a vegan menu at the restaurant will guarantee that existing meat-loving customers remain loyal to Come In.

#### Question 8

Identify which of the following statements are **true** or **false** about how considering social factors can help Come In improve its brand identity.

	True	False
I. Considering social factors and increasing vegan food options allows the public to view Come In more reputably, improving its brand identity.	<input type="checkbox"/>	<input type="checkbox"/>
II. Adding vegan options to the menu at Come In will not improve its brand identity as Pat has not considered social factors against this change.	<input type="checkbox"/>	<input type="checkbox"/>
III. Developing a vegan food menu alongside the current menu is allowing Pat to successfully transition Come In's brand identity to an all-vegan restaurant.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Come In's brand identity is likely to improve as customers will develop a positive perception of the restaurant for being more inclusive of the dietary needs of consumers.	<input type="checkbox"/>	<input type="checkbox"/>

### Exam-style

#### Question 9 (1 MARK)

Define the term 'macro factors'.

#### Question 10 (2 MARKS)

Outline how economic factors may influence a business's marketing strategy.

#### Question 11 (2 MARKS)

Explain how technological factors can affect a business's ability to establish a customer base.

#### Question 12 (3 MARKS)

Describe how one factor from the macro environment may affect a business's customer base and brand identity.



**Question 13** (3 MARKS)

Pat owns Come In, a restaurant located in a heritage-listed building in Melbourne that strictly takes no bookings, wanting customers to simply 'come in'. Recently, Pat has noticed that more customers are asking for vegan options at Come In. Currently, its menu has limited offerings for these individuals. In response to this insight, Pat is working with his chefs to create a completely vegan menu to go alongside the current menu. This will ensure that Come In is catering to the changing dietary needs of many Australians.

Describe how considering social factors can help Come In establish a strong customer base and brand identity.

**Testing previous knowledge****Question 14** (3 MARKS)

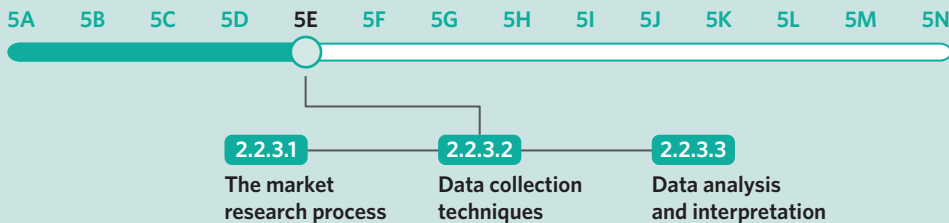
Queens is a paint company that produces tins of paint for home renovations and artistic purposes. The operations manager, Elizabeth, has noticed that Queens' current method of mixing paint by hand is resulting in slower paint delivery services to customers and is wasting large amounts of time. To improve Queens' current level of profit and better satisfy customer needs, Elizabeth is considering investing in new paint-mixing technology.

Explain how considering one factor in the macro environment could help Queens successfully market its products to its customer base and achieve its business objectives.

# 5E Market research practices

## STUDY DESIGN DOT POINT

- market research practices such as data collection techniques, analysis and interpretation



Businesses require customer data and information to make meaningful decisions, such as what products to create and how to attract new customers. Without this data, managers are forced to blindly make decisions, without knowledge of the expected outcome. But, what steps must be taken to ensure a business gathers the required data? What exactly makes data so useful? How can this data be used to make meaningful decisions for a business?

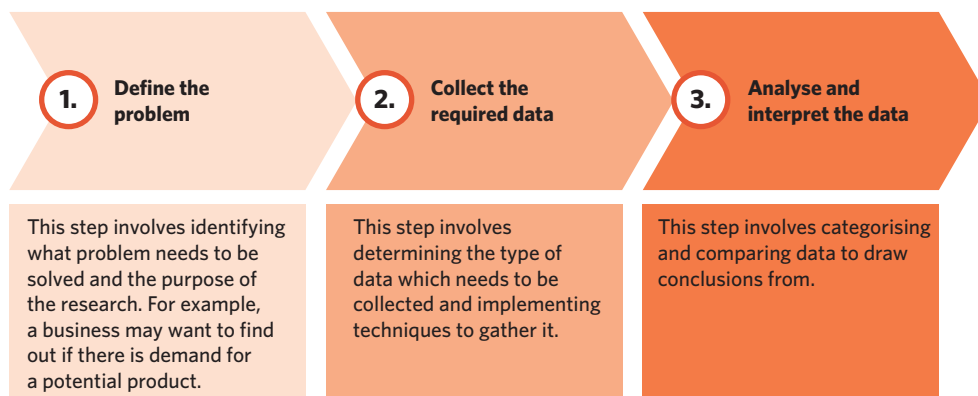


## Lesson introduction

Before creating and selling products to customers, a business needs to determine whether the good or service they wish to develop will be successful in the market. **Market research** is the process of investigating and analysing the activities and behaviours of customers and competitors in a specific industry. Through effective market research, businesses can interpret customer attitudes, behaviours, and expectations and then make decisions that improve customer value. Without effective market research, a business may fail to satisfy customer needs and therefore be less competitive in the market.

## The market research process 2.2.3.1

Market research is conducted through a series of steps where businesses can gather a range of information which can help them develop and implement relevant and effective marketing strategies. Businesses use market research to help ensure their goods and services satisfy current customer needs as well as have the ability to attract new customers. Market research assists businesses to identify any opportunities within their respective market or business problems that they may need to resolve, ultimately allowing them to successfully compete within their industry. Market research is often conducted by a marketing professional, such as a **market research analyst**, as they have experience in interpreting and drawing conclusions from gathered data.



## KEY DEFINITIONS

**Market research** is the process of investigating and analysing the activities and behaviours of customers and competitors in a specific industry.

## ADDITIONAL TERMS

A **market research analyst** is a marketing specialist who gathers and investigates customer information.

Figure 1 The market research process

## LESSON LINK

Market research was introduced in **1G Market research & initial feasibility studies**.



**Table 1** Valuable information which can be obtained through conducting market research

Information	Explanation
Potential market changes and new trends	Businesses can identify what competitors are offering in the market and new opportunities which have not been implemented to attract customers.
Customer preferences, attitudes, and behaviours	Businesses can determine what existing customers expect from products and which products they are willing to purchase. Businesses can understand consumer likes and dislikes.
Needs of potential customers	Businesses can identify who their potential customers are, as well as their needs. Understanding potential customers enable businesses to decide whether they can produce products to satisfy these needs.
Effectiveness of a new product	Businesses can identify whether existing and potential customers are willing to purchase a new product to estimate its success. Businesses should consider aspects, such as product features, packaging, and innovations.
Effectiveness of marketing	Businesses can identify how, when, and where customers best absorb marketing and promotion techniques.
Degree of competition in the market	Businesses can identify how many competitors are in the market and which competitors obtain the most sales to determine whether it would be possible to compete in this market. Businesses should also continually keep track of competitors and their market share once they have entered the market.

## Data collection techniques 2.2.3.2

When conducting market research, businesses must consider what kind of information they want to collect. Different types of information require different resources, including time and money. Businesses can choose to collect either **primary data** or **secondary data**. Across primary and secondary data, the information collected may be classified as **quantitative data** or **qualitative data**. In most cases, businesses will use both primary and secondary data to optimise their results. By collecting secondary data first, a business can save on time and money associated with gathering primary data. Business-specific research is required when gathering primary data which comes with financial and time costs, unlike secondary data collection. In some cases, businesses may not need to do further research after gathering secondary data as it may apply to a business's current situation.

**Table 2** Methods used to collect primary data

Methods	Explanation	Example
	<p><b>Surveys</b> can provide quantitative and/or qualitative data. Surveys usually involve a set of questions where people select a predetermined answer or write their own answer to express their opinion. Survey questions may be in a multiple-choice and/or open-ended format and are generally conducted online, through the mail, on the phone, or in person.</p>	<p>A post office may send surveys online to 100 recent customers. An example of a survey question would be 'How happy are you with your recent deliveries? Rate your experience from 1 to 10'.</p>
	<p>An observation provides quantitative and/or qualitative data. It can involve a business observing customer actions and behaviours before and during their purchase.</p>	<p>A grocery store may track the type and amount of items that customers buy through self-checkouts or regular store checkouts.</p>

Continues ►

### ADDITIONAL TERMS

**Primary data** is information that is collected for the first time by the business for its research purpose.



**Secondary data** is information that has already been collected for another purpose.

**Quantitative data** is information that can be measured in numbers and figures.

**Qualitative data** is information that is descriptive and non-numerical.

**Survey** is a research method that involves asking questions to collect data from a group of people.

Table 2 Continued

Methods	Explanation	Example
	<p>Experimentation provides quantitative data and helps businesses determine what specific factors lead to the purchase of a product.</p>	<p>A cereal business may package its cereal using two different packages and have them sold in different stores to see which one leads to more sales.</p>
	<p><b>Focus groups</b> provide qualitative data. Focus groups involve a few people who reflect the demographics of a business's target customers. These people are able to share their opinions and beliefs during discussions after being prompted by open-ended questions.</p>	<p>A mobile technology business may gather five people to determine their thoughts on a new mobile phone. A question that may be asked is 'What is your favourite feature of this product and why?'</p>

**ADDITIONAL TERMS**




**Focus group** is a small group of people who are brought together to discuss their opinions on topics, such as product features and benefits.

**Sales records** are documentation of customer information including their previous purchases with a business, their payment methods, and their address.

**Government agencies** are organisations that are responsible for a specific area of control.

**Australian Bureau of Statistics (ABS)** is a national government agency that provides statistical information on a range of economic, government, and social issues, such as technology usage in Australia.

Table 3 Methods used to collect secondary data

Methods	Explanation	Example
	<p>Company records provide quantitative data. Company records include data that has already been collected by the business. An example may be a business's <b>sales records</b>.</p>	<p>A car retailer may refer to its previous sales records to determine the trend in customer sales over the past few years.</p>
	<p>An internet search can provide both quantitative and qualitative data. Businesses can use a legitimate search engine to gather information related to the specific industry, market, and competitors. The information collected is published by sources external to the business.</p>	<p>A makeup retailer may search online to find information about competitors who are gaining more sales in the industry before creating a new line of products.</p>
	<p>A government agency provides quantitative data. Many <b>government agencies</b> publish information relevant to market research. This information is then collected by an external source. An example of a government agency is the <b>Australian Bureau of Statistics (ABS)</b>.</p>	<p>A home construction business may refer to ABS to identify the rate of home loans in all Australian states before expanding its services to new states.</p>

**THEORY IN ACTION**



Figure 2 Elanor collects customer opinions using online surveys

**Data collection techniques**

Elanor, the owner of Veteran Fitness, plans to invest in expanding her gym to include an indoor spa and sauna to further distinguish it from other gyms in the local area. However, she is unsure whether this would be a success with current customers. The new facility is expected to cost over \$100,000. Elanor has decided to collect primary data to determine whether customers would be willing to pay for and continually use these new gym features. She has hired a market research analyst to create and distribute online surveys to 250 existing customers.



**Figure 3** Businesses need to analyse and interpret the collected data

## Data analysis and interpretation 2.2.3.3

After collecting the required data, businesses need to analyse and interpret their findings to draw meaning from the data. Regardless of whether primary or secondary data is collected, businesses need to capture key findings so that they can solve problems and make effective decisions. To do so, the collected data needs to be edited to include high-quality data and is usually transformed into tables and graphs to be easily interpreted. This process can be done using software applications, such as Excel and Power BI. From there, the data can be tested and compared to identify any market trends and changes in customer attitudes and behaviour.

Once the data is analysed, it is important for a business to interpret the analysed data to make meaningful decisions. Data interpretation involves a business examining the reason for changes in customer attitudes or explaining why there are certain market trends. Data analysis and interpretation enable businesses to make effective decisions, such as whether to launch a specific product, target a new customer market, or make changes to their current offerings. Effective decision-making can help a business achieve objectives, increase competitiveness, and improve overall performance. A final report can be created and presented to summarise all the findings and decisions proposed.

### THEORY IN ACTION



**Figure 4** Veteran Fitness's market research analyst discovered that customers would be willing to pay for the new spa and sauna services

### Data analysis and interpretation

After collecting customer responses from the online survey, Elanor wants to understand the data. The market research analyst created tables and graphs using Excel spreadsheets to clearly showcase customer responses. Through analysis and interpretation, Elanor was able to see that 70% of customers would be willing to pay for and frequently use Veteran Fitness' indoor spa and sauna. From this outcome, Elanor can develop strategies to implement the indoor spa and sauna over the next year and effectively distinguish Veteran Fitness from competitors.

### ACTIVITY



**Figure 5** Conduct market research within your school canteen

### Data analysis and interpretation

You are thinking of starting a food stall in your school's canteen. Create a survey that you could hand out to your target market to determine what their needs are and if they are interested in your food stall opening up. Some sample questions you could ask in your survey have been provided. Be sure to capture both qualitative and quantitative data.

1. Do you have any dietary requirements or preferences?
2. What is your budget to spend on food and drink?
3. Do you drink coffee?
4. How many times a week do you visit the canteen?
5. Do you like the food and drinks that the canteen is currently offering?

After you finish creating your survey, ask your friends, classmates, and teachers to fill it out. Then, you can analyse and interpret the results to determine whether or not your food stall will be a successful business venture.

## Theory summary

Market research informs businesses about trends in the market, changing customer attitudes, and competitors' behaviour. It is important that businesses employ or hire experts to conduct analysis and interpretation to draw accurate conclusions from the collected data. Market research involves three steps:

1. Defining the problem at hand before collecting data from primary and/or secondary sources.
2. Collecting the required data by considering what resources are needed and what resources are available.
3. Analysing and interpreting data by transforming the gathered data into tables and graphs, then drawing conclusions to make decisions.

# 5E Questions

## Theory review

### Question 1

Businesses will always be successful when making changes or selling new products without market research.

- A. True
- B. False

### Question 2

Data collection, analysis, and interpretation are steps within the market research process.

- A. True
- B. False

### Question 3

Fill in the blanks with the following terms:

- primary
- secondary

A business may choose to gather \_\_\_\_\_ data and refer to information that already exists or gather \_\_\_\_\_ data and collect information firsthand, or both.

### Question 4

It would be more timely and cost-effective to gather secondary data before primary data.

- A. True
- B. False

### Question 5

Qualitative data can be provided by both focus groups and internet searches.

- A. True
- B. False

### Question 6

Data can be analysed and interpreted to identify consumer trends and behaviours.

- A. True
- B. False

### Question 7

Data analysis and interpretation enable a business to make effective decisions, such as whether to discontinue a specific product.

- A. True
- B. False

## Preparing for exams

### Case study skills

### Question 8

Y Square is a business that develops and sells gaming consoles in Australia. Y Square aims to develop a new console, called the YS500, to stand out from competitors and increase market share. During data collection, Y Square decided to develop a focus group of seven people to gather customer opinions and thoughts.

Identify whether the following inferences from the case study are **true** or **false**.

	True	False
I. Y Square is collecting primary data when gathering customer opinions from a focus group	<input type="checkbox"/>	<input type="checkbox"/>
II. Y Square can directly use customer opinions and thoughts to inform a decision without interpreting them.	<input type="checkbox"/>	<input type="checkbox"/>
III. Y Square may currently be unsure as to whether there will be customer demand for the YS500 console.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Y Square will need to transform customer opinions and thoughts into tables so it is easily interpreted and can lead to effective decision-making.	<input type="checkbox"/>	<input type="checkbox"/>

**Use the following information to answer Questions 9 and 10.**

Lomell is a cosmetic business that specialises in providing beauty goods and services. In the past few months, Lomell has faced a drop in average monthly sales by \$15,000. Lomell is hoping to improve sales and increase its competitive advantage by changing the store layout and its beauty service stations. However, the owner, Rahma, is not sure what existing and potential customers desire.

**Question 9**

Identify which of the following statements best describes Lomell's current situation.

- A. Lomell hopes to improve its goods and services to increase sales.
- B. Lomell is sure it will experience an increase in sales without change.

**Question 10**

Identify which of the following inferences from the case study are true. **(Select all that apply)**

- I. A survey will allow Lomell to determine and identify any changes in customer attitudes and preferences on current products.
- II. An internet search will enable Lomell to find customer information which is internal to the business.
- III. An internet search may enable Lomell to identify the activities and performance of current competitors who are gaining market share.

**Exam-style****Question 11** (1 MARK)

Outline one reason why data analysis and interpretation is important.

**Question 12** (3 MARKS)

Describe the market research process.

**Question 13** (3 MARKS)

Explain one method a business could utilise to collect secondary data for market research.

**Question 14** (3 MARKS)

Y Square is a business that develops and sells gaming consoles in Australia. Y Square aims to develop a new console, called the YS500, to stand out from competitors and increase market share. During data collection, Y Square decided to develop a focus group of seven people to gather customer opinions and thoughts.

Explain the market research process at Y Square.

**Question 15** (6 MARKS)

Lomell is a cosmetic business which specialises in providing beauty goods and services. In the past few months, Lomell has faced a drop in average monthly sales by \$15,000. Lomell is hoping to improve sales and increase its competitive advantage by changing the store layout and its beauty service stations. However, the owner, Rahma, is not sure what existing and potential customers desire.

Explain two methods that Lomell could use to collect data for effective market research.

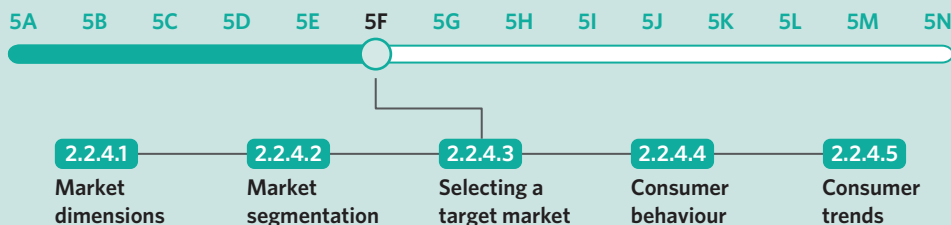
**Testing previous knowledge****Question 16** (3 MARKS)

Explain how social factors can affect a business when establishing its customer base. Identify and describe one method a business could use to collect primary data for market research on its customer base.

# 5F Target market attributes

## STUDY DESIGN DOT POINT

- target market attributes such as market dimensions, segments, consumer trends and behaviour



Imagine you operate a business that manufactures coffee machines and you are deciding on the target market of a new model. Would you try to market it to all consumers looking for a coffee machine? Or would it be more suitable to focus your marketing efforts on individuals with specific characteristics?



## Lesson introduction

Most markets consist of a large number of consumers each with different needs and wants. Therefore, it is unrealistic for many businesses to market their goods and services to the entire market. Instead, businesses can break down the market into different segments of consumers to determine which segment they should market their product towards for success. When segmenting the market for its product, a business should also consider consumer behaviour and trends to ensure its marketing strategy is appropriate to establish and maintain a customer base.

## Market dimensions 2.2.4.1

**Market dimensions** are an indication of the total number of potential customers who could purchase a product from a business in a particular market. Therefore, market dimensions essentially inform a business about the size of the market for a particular good or service and allow a business to understand how large the market is for its product. It is important for businesses to understand how many consumers are in the market it operates in, as market dimensions are different for every product. The implementation of marketing strategies is determined by the size of the market. Therefore, a business should consider whether its marketing strategies are tailored to a **niche market** or a **mass market**.

## REAL WORLD EXAMPLE

### Market dimensions

Sukin is an Australian skincare brand founded in 2007 that sells sustainable products that contain natural and environmentally-friendly ingredients. The market dimensions for Sukin's skincare range are very large, meaning it caters to many consumers, as skincare is considered a necessity for many people. Consequently, Sukin must produce a range of skincare products to suit the various needs and characteristics of consumers within the market, catering to different age groups, skin types, and other preferences. Therefore, Sukin not only has a wide variety of products, such as face masks and sunscreens, but also a number of skincare ranges, including signature, super greens, and blemish control, to cater for and target the needs of many consumers in the skincare market.

*Adapted from Sukin, 'Our Story' n.d. and 'All products', n.d.*



Image: Piranhi/Shutterstock.com

**Figure 1** Sukin produces a wide variety of skincare products and has a number of specialised products to cater to the large market dimensions of the skincare market

## KEY DEFINITIONS

**Market dimensions** are an indication of the total number of potential customers who could purchase a product from a business in a particular market.

## ADDITIONAL TERMS

A **niche market** is a small, specialised market for a particular product.

A **mass market** is a large market for goods and services produced on a substantial scale, for a significant number of consumers.



## KEY DEFINITIONS

**Market segmentation** is the process of dividing a market into different groups of consumers that share similar characteristics.

## Market segmentation 2.2.4.2

**Market segmentation** is the process of dividing a market into different groups of consumers that share similar characteristics. Businesses will often conduct market segmentation before marketing to consumers, as it is often unrealistic for a business to promote its product to the entire market. For example, a business selling specialised cooking utensils and equipment would not market its products to the entire cookware market, but perhaps to chefs and up-market restaurants.

To conduct market segmentation, a business can divide the different consumers within a market into segments based on demographic, geographic, psychographic, and behavioural characteristics. Conducting market segmentation will help a business owner understand which group of customers are most likely to respond to their goods and services. This enables a business to specifically target customers through its marketing campaign and therefore can enhance the success of its products.

**Table 1** Market segmentation characteristics

Characteristics	Examples
<b>Demographic characteristics</b>	<ul style="list-style-type: none"> <li>• Age</li> <li>• Gender</li> <li>• Income</li> <li>• Education</li> <li>• Nationality</li> <li>• Occupation</li> </ul>
<b>Geographic characteristics</b>	<ul style="list-style-type: none"> <li>• Size of city</li> <li>• Rural or urban</li> <li>• Climate of location</li> </ul>
<b>Psychographic characteristics</b>	<ul style="list-style-type: none"> <li>• Lifestyle</li> <li>• Personality; introverted, extroverted, ambitious</li> <li>• Hobbies</li> <li>• Attitudes</li> <li>• Social class</li> </ul>
<b>Behavioural characteristics</b>	<ul style="list-style-type: none"> <li>• Regular or first-time product users</li> <li>• Purchasing frequency</li> <li>• Reason behind the purchase; quality, service, speed, or price</li> </ul>

### ACTIVITY

#### Market segmentation

For each of the following cars, conduct market segmentation by analysing the demographic, geographic, psychographic, and behavioural characteristics that each car is likely to be associated with. As a class, discuss the market segmentation for each car:



Image: Everyonephoto Studio/Shutterstock.com

**Car 1**



Image: yousang/Shutterstock.com

**Car 2**



Image: franz12/Shutterstock.com

**Car 3**



Image: Gabriel Nica/Shutterstock.com

**Car 4**

## Selecting a target market 2.2.4.3

A **target market** is a specific group of consumers that a business aims its marketing efforts towards. Following market segmentation, a business can determine which consumers make up its target market by analysing each market segment. A business's target market should only contain market segments that are likely to be receptive to the product and therefore contribute to a business's profit. By selecting a target market, a business can focus its marketing on consumers whose needs and preferences are likely to be satisfied by the product, rather than the entire market. Marketing to a specific target market is important as it allows a business to:

- focus its marketing efforts on consumers who are likely to purchase the business's product.
- focus its marketing efforts on consumers who are likely to engage and respond to the product's promotional material.
- save costs by targeting specific, profitable segments of the market, as opposed to the entire market.
- narrow its focus to a target market, making it easier for the business to understand the trends and behaviour of customers within its target market.

In some cases, a business may identify both a **primary** and **secondary target market**. Although the primary target market will generate the majority of the business's revenue and sales, the secondary target market can be a profitable and responsive segment to focus marketing strategies on. For example, a business that produces crutches and wheelchairs may have its primary target market consist of institutions, such as hospitals and healthcare facilities, whilst its secondary market may include individuals, including those who are injured or disabled.

### KEY DEFINITIONS

A **target market** is a specific group of consumers that a business aims its marketing efforts towards.

### ADDITIONAL TERMS

A **primary target market** is a business's main target market, to which it will exhaust most of its marketing efforts.

A **secondary target market** is a smaller segment of the market that is the second-most likely group of customers to purchase a business's goods or services.

### REAL WORLD EXAMPLE

#### Selecting a target market

Dove is an American personal care brand owned by the company Unilever, with products available around the world. Dove offers a wide range of personal care products, including shampoos, moisturisers, and deodorants, that are each targeted towards different segments of the personal care market. Dove Men+Care products are designed for male personal care, primarily targeting young to middle-aged males. By identifying the appropriate target market segments for each of its Dove products, Unilever is able to focus its marketing efforts on those who are most likely to purchase the products. For example, Dove Men+Care clean comfort deodorant is a 0% aluminium aerosol, therefore Unilever is likely to target its marketing towards men who have sensitive skin or wish to minimise their environmental impact.

*Adapted from Dove, 'Men+Care', n.d.*



Image: Bozidar Acimov/Shutterstock.com

**Figure 2** Dove targets its marketing of Men+Care products to young and middle-aged men

### ACTIVITY

#### Selecting a target market

For each of the target markets described, match them with one of the listed products.

Pregnant females who are having their first-born child. ●

Young to middle-aged adults (18–35 age group) who have an active lifestyle and are interested in health and fitness. ●

A friendship group of older, retired women, who are celebrating a birthday. ●

Men and women who live in an apartment with a small patio. ●

● A high-tea experience voucher at a luxury hotel that includes sandwich and sweets platters, as well as an endless supply of tea.

● A cot and pram for newborn babies.

● A small, compact barbecue that comes with tongs, spatula, and an apron.

● A yearly membership to a gym in the Melbourne CBD that includes access to all equipment and fitness classes.

## Consumer behaviour 2.2.4.4

**Consumer behaviour** is the actions of those who purchase goods and services for consumption. Businesses should be aware of consumer behaviour to assess how consumers may respond to their marketing strategies. To understand consumer purchasing behaviour, businesses should consider the factors that influence the purchasing decisions of consumers. These factors include cultural, personal, psychological, and social factors. For example, if everyone in a person's peer group purchases a product, they are more likely to also purchase this product due to the social factors that are influencing their decision.

### KEY DEFINITIONS

**Consumer behaviour** is the actions of those who purchase goods and services for consumption.

**Table 2** Factors influencing the purchasing decisions of consumers

Factors	Examples
<b>Cultural factors</b>	<ul style="list-style-type: none"> <li>• Nationality</li> <li>• Ethnicity</li> <li>• Religion and beliefs</li> </ul>
<b>Personal factors</b>	<ul style="list-style-type: none"> <li>• Age</li> <li>• Demographics</li> <li>• Life stage; single, newly married, married with children</li> <li>• Lifestyle</li> <li>• Personality</li> <li>• Wealth</li> </ul>
<b>Psychological factors</b>	<ul style="list-style-type: none"> <li>• Perception</li> <li>• Attitudes</li> <li>• Motives; taste, comfort, safety, pleasure</li> <li>• Personality</li> </ul>
<b>Social factors</b>	<ul style="list-style-type: none"> <li>• Peer groups</li> <li>• Family and friends</li> <li>• Social class</li> </ul>

## Consumer trends 2.2.4.5

### KEY DEFINITIONS

**Consumer trends** are developed patterns in consumer behaviours, attitudes, and values.

**Consumer trends** are developed patterns in consumer behaviours, attitudes, and values. For a business to understand the market it is operating in, it must be aware of the current consumer trends. Businesses can identify customer trends by analysing patterns in consumer behaviour. Some consumer trends that are dominating the market include the increased use of online shopping and the increased demand for healthy food products. When a business recognises current consumer trends, it can adapt and improve its marketing strategies to more accurately target specific consumers with a product, which can be advantageous to overall business performance.

### REAL WORLD EXAMPLE



Image: Catrin Haze/Shutterstock.com

**Figure 3** Woolworths offers consumers online grocery deliveries to cater to current consumer trends

### Consumer trends

Woolworths is one of Australia's leading supermarkets, selling groceries and household products to a variety of consumers. Online shopping has become an increasingly popular trend in Australia, with many consumers now purchasing goods via the internet. To respond to this trend, Woolworths offers consumers the option to order their groceries online and have them delivered to their doorstep. Consumers can track their delivery and have their groceries delivered the same day they order, which offers a high level of convenience for busy individuals. To further cater to this consumer trend, Woolworths also has an app on both the Apple App Store and Google Play that allow consumers to view weekly specials, set reminders to bring their reusable bags when shopping in-store, sort and store their shopping list, and order groceries online.

*Adapted from Woolworths, 'Grocery Delivery', n.d. and Woolworths app, 'Shopping on the go is now easier than ever', n.d.*

### Theory summary

Instead of marketing products to the entire market, businesses will often break down the market into smaller segments of consumers who have similar characteristics, needs, and preferences. Once the market has been segmented, businesses will select a target group, to market their goods and services towards. A business's target market consists of individuals most likely to be receptive towards a business's marketing efforts, therefore contributing to its profitability. To improve its marketing strategies, a business should also analyse consumer behaviour and be aware of changing consumer trends to ensure it develops and promotes products that will attract and retain customers.

# 5F Questions

## Theory review

### Question 1

The best way to market a product is to target the entire market.

- A. True
- B. False

### Question 2

Market dimensions are an indication of the:

- A. different groups of consumers that share similar characteristics.
- B. total number of potential customers who could purchase a product from a business in a particular market.

### Question 3

Fill in the blanks with the following terms:

- selecting a target market
- market segmentation

The process of dividing the market into different groups of consumers that share similar characteristics is \_\_\_\_\_ .  
By conducting this process, a business can focus its marketing on consumers who are most likely to be satisfied with the product through \_\_\_\_\_ .

### Question 4

When selecting a target market, a business should also consider:

- A. consumer behaviours and trends.
- B. how to best promote its product to the entire market.

### Question 5

By marketing its products to a target market, a business can: **(Select all that apply)**

- I. focus its marketing efforts on customers who are most likely to purchase the business's product.
- II. save costs by targeting specific profitable segments of the market, as opposed to the entire market.
- III. market to the entire market to gain more profit.

### Question 6

Analysing current customer behaviours can help a business identify how customers may respond to marketing strategies and allow it to better focus its efforts towards its target market.

- A. True
- B. False

### Question 7

If a business has trendy products, it will not need to market to consumers or a target group.

- A. True
- B. False

## Preparing for exams

### Case study skills

### Question 8

Wholesome Wholefoods is an organic health food store that sells local Australian-made produce and packaged goods. The owner, Alex, has recognised that his current method of marketing to the entire Australian population is extremely costly and is not resulting in as many sales as he hoped. Consequently, Alex is currently trying to identify Wholesome Wholefoods' target market to improve the current business situation.

Identify which of the following statements are correct about the importance of selecting a target market at Wholesome Wholefoods. **(Select all that apply)**

- I. Selecting a target market will enable Alex to focus marketing efforts on potential customers who are most likely to purchase Wholesome Wholefoods' organic products.
- II. Alex can ensure he is marketing Wholesome Wholefoods' products to the entire market in the most profitable way.
- III. Wholesome Wholefoods will be able to minimise costs by targeting specific customers who are likely to be interested in the product.

**Question 9**

Mara owns Runathon, an activewear business that is exclusive to women. Mara is currently developing some new designs for teenage girls to expand her activewear lines at Runathon. As a result, Mara is in the process of creating a new marketing plan for this new range.

Identify which of the following statements are **true** or **false** about market segmentation at Runathon.

	True	False
I. After conducting market segmentation, Mara will better understand how she can market Runathon's products to all teenage girls in Australia.	<input type="checkbox"/>	<input type="checkbox"/>
II. Mara can undertake market segmentation by dividing the activewear market into smaller groups made up of consumers who share similar characteristics.	<input type="checkbox"/>	<input type="checkbox"/>
III. The most appropriate market segment to promote Runathon's new designs to is likely to be active teenage girls.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Runathon's target market will include individuals who are likely to be most responsive to the activewear products.	<input type="checkbox"/>	<input type="checkbox"/>

**Exam-style****Question 10** (1 MARK)

Define the term 'target market'.

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**Question 11** (2 MARKS)

Outline one factor that may influence consumer behaviour.

---

**Question 12** (2 MARKS)

Outline one benefit of a business keeping up with consumer trends.

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**Question 13** (3 MARKS)

Wholesome Wholefoods is an organic health food store that sells local Australian-made produce and packaged goods. The owner, Alex, has recognised that his current method of marketing to the entire Australian population is extremely costly and is not resulting in as many sales as he hoped. Consequently, Alex is currently trying to identify Wholesome Wholefoods' target market to improve the current business situation.

Explain why selecting a target market is important for Wholesome Wholefoods.

---

**Question 14** (3 MARKS)

Mara owns Runathon, an activewear business that is exclusive to women. Mara is currently developing some new designs for teenage girls to expand her activewear lines at Runathon. As a result, Mara is in the process of creating a new marketing plan for this new range.

Explain how market segmentation can assist Mara in identifying a target market for Runathon's activewear.

**Testing previous knowledge****Question 15** (4 MARKS)

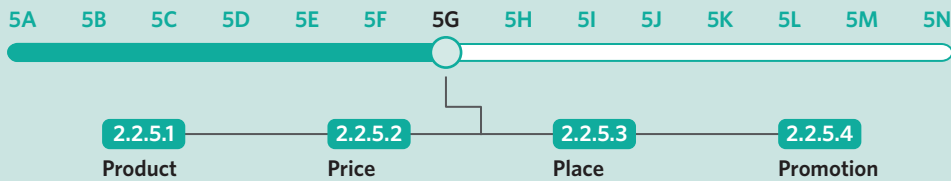
Tinkers is a homewares store located in the suburbs of Melbourne. At the beginning of the year, the manager, Bel, wanted to increase Tinkers' market share by 3% and improve overall customer satisfaction. Bel is considering starting a marketing campaign to promote Tinkers' new range of homewares to customers.

Explain how identifying consumer behaviours and trends may assist Tinkers in achieving its business objectives.

# 5G The 7Ps model of marketing: Part 1

## STUDY DESIGN DOT POINT

- the 7Ps model of marketing: product, price, place, promotion, people, physical evidence and process



'Stopping advertising to save money is like stopping your watch to save time.'

- Henry Ford, founder of Ford Motor Company.

In order for a business to thrive in a competitive market, it must be able to market its product. Marketing is about more than just advertising, it's about the business's ability to create, distribute, and promote products that satisfy customer needs.



## Lesson introduction

The 7Ps marketing mix is a marketing model that a business can use to determine its strategy for satisfying the needs of customers in its given market. The marketing mix consists of seven elements – product, price, place, promotion, people, physical evidence, and process. Making use of this marketing mix can enable a business to effectively produce and deliver products to its target customers. A business can deliver long-term customer value and achieve its overall objectives by continuously assessing its marketing mix. This lesson will cover the first four Ps of this marketing model and the other three Ps will be covered in the next lesson.

## Product 2.2.5.1

A **product** is a good or service that is offered to consumers to satisfy a need or want. The nature of a product can be broadly categorised as a **tangible product** or an **intangible product**. Services, such as haircuts or experiences, are typically intangible products. On the other hand, goods, such as computers or shoes, are tangible products. It is important to note that most products do not fit neatly into only one category. For example, a car may appear to be a tangible item, however, the customer assistance and repair services offered when purchasing this good provide customers with intangible products as well.

There are various marketing considerations related to the product element of the marketing mix.

## REAL WORLD EXAMPLE

### Product

Sukin is an Australian skincare business which is sold globally and is 'at the forefront of the health and wellness movement'. Businesses may attempt to brand themselves in a specific way in order to appeal to a certain demographic. Sukin's branding, as reflected on its website and in its advertisements, focuses on being natural and sustainable, differentiating its brand from skincare competitors. The packaging of Sukin's products, as seen in figure 1, is very simplistic with earthy tones and plant imagery. This appeals to environmentally-conscious consumers and further highlights the sustainable benefits of Sukin's brand compared to competitors.

Adapted from Sukin, 'Our Story', n.d.



Image: Piranhi/Shutterstock.com

**Figure 1** Sukin's packaging and branding distinguish its skincare products from others in the market

## KEY DEFINITIONS


A **product** is a good or service that is offered to consumers to satisfy a need or want.

## ADDITIONAL TERMS

A **tangible product** is a physical product that has the ability to be touched and stored.

An **intangible product** is a non-physical product that cannot be touched or stored.

**Table 1** Marketing considerations relating to the product element of the marketing mix

Marketing consideration	Description	Aim	Example
<b>Branding</b> 	Branding involves a business creating a name, design, or logo that is recognisable and memorable, allowing consumers to easily identify it.	Many businesses attempt to create a distinctive brand name and logo to stand out from competitors. This can make a brand more memorable for consumers, encouraging them to purchase from the brand.	<p>Apple is one of the most recognisable brands in the world.</p>  <p>Image: Vytautas Kielaitis/Shutterstock.com</p>
<b>Design</b> 	Design involves a business creating and developing a product that has the appropriate features and functions to fulfil its intended purpose.	A high-quality design ensures that the product's features are able to fulfil the needs and wants of consumers.	<p>Fitbit has a lightweight design with accessible charging features, making it ideal for consumers to wear and use daily.</p>  <p>Image: AmaPhoto/Shutterstock.com</p>
<b>Quality</b> 	Quality is the degree to which a product fulfils its purpose without any defects or inefficiencies.	Consumers are likely to purchase and repurchase high-quality products as these products will be reliable in meeting their expectations.	<p>Levi Strauss &amp; Co are renowned for producing high-quality jeans.</p>  <p>Image: NP27/Shutterstock.com</p>
<b>Positioning</b> 	Positioning involves a business establishing the image of its product or business and the needs it fulfils, including its specific features and benefits, compared to competitors. For example, a fashion brand may choose to present its clothing as a high-end product.	Positioning enables a business to generate a positive <b>product image</b> that is unique from competing businesses. This can inform consumers of the reasons why they should purchase from the business as opposed to competitors that offer a similar product.	<p>Tesla has established a high-quality image for its brand, differentiating its products from other electric vehicle businesses by creating unique features and a refined car design.</p>  <p>Image: canadianPhotographer56/Shutterstock.com</p>
<b>Packaging</b> 	Packaging involves designing the elements that the product will be presented in. Packaging should be designed to include elements of the brand name or logo.	Well-designed packaging can help improve a consumer's perception of a product, as it can enable a business to stand out from competitors and can draw a consumer's attention to the product.	<p>Red Bull has packaging which is instantly recognisable, developing a positive product image for the business. The two fighting bulls on the packaging represent energy and power, enabling the product to stand out from competitors.</p>  <p>Image: monticello/Shutterstock.com</p>

**ACTIVITY****Product**

You want to create a business selling a protein drink (or another product of your choice). In pairs, write a summary about the features of your protein drink and draw a basic design of the product whilst considering the following questions:

1. Who is likely to be purchasing protein drinks?
2. How could the packaging of your drink appeal to this demographic?
3. What are the other protein drinks currently on the market?
4. How could your brand distinguish itself from these drinks to stand out from the competition?
5. What kind of product image do you want to create for this drink?
6. You want to market to a group of people that strongly value the environment, what would you change about your product?

**Price 2.2.5.2**

When selling a product, a business must carefully consider how to price its products in order to achieve a **profit margin**. **Price** is the amount that a customer pays for a good or service. If the price of a product is too high, customers may choose to purchase from competitors with lower prices. If the price of a product is too low, customers may perceive the product as being ‘cheap’ or of poor quality, encouraging them to purchase from competitors with a ‘higher-quality’ product.

Managers should consider a number of factors when determining prices, such as production costs, the price of competing products in the market, and the stage of the product life cycle. There is a range of different pricing strategies that managers may use when deciding how to price the business’s products.

**LESSON LINK**

The product life cycle will be covered in further detail in **5I The product life cycle**.

**KEY DEFINITIONS**

**Price** is the amount that a customer pays for a good or service.

**ADDITIONAL TERMS**

**Product image** is the consumer perception associated with a given product.

**Profit margin** is the percentage of revenue remaining after expenses have been deducted.

**Unit cost** is the cost of producing one unit of a particular good or service.

**Markup** is the additional amount (usually a percentage of the unit cost) added to the unit cost of a product.

**Table 2** Different types of pricing strategies

Pricing strategy	Description	Characteristics	Advantages	Disadvantages
<b>Cost-plus pricing</b>	A business determines a product’s price by taking the <b>unit cost</b> and adding a percentage <b>markup</b> to determine the sale price.	<ul style="list-style-type: none"> <li>• The most simple pricing method.</li> <li>• Businesses can determine a markup that will allow them to achieve the desired profit margin.</li> </ul>	<ul style="list-style-type: none"> <li>• The simplicity of this strategy allows for product pricing to be easily determined.</li> <li>• Prices can be easily adjusted if production costs increase.</li> </ul>	<ul style="list-style-type: none"> <li>• Competitor prices are not considered.</li> </ul>
<b>Competition-based pricing</b>	A business sets a price similar to its competitors’ price.	<ul style="list-style-type: none"> <li>• Price may be set just above, just below, or equal to competing products.</li> <li>• Industries with high levels of competition can use this pricing strategy.</li> </ul>	<ul style="list-style-type: none"> <li>• Businesses can be more competitive by offering competitive prices.</li> <li>• A business is likely to generate sales as customers are already purchasing the product at similar prices.</li> </ul>	<ul style="list-style-type: none"> <li>• If competitors have cheaper production costs, it can result in lower profits.</li> <li>• As a business’s product is similar to competitors, the business will need to compete on variables other than cost, such as product quality or features.</li> </ul>

Continues ►



Table 2 Continued

Pricing strategy	Description	Characteristics	Advantages	Disadvantages
<b>Penetration pricing</b>	A business sets a lower price than competitors when first entering a market in order to quickly gain market share.	<ul style="list-style-type: none"> <li>A business can use this strategy for new products to quickly gain market share within an existing industry.</li> <li>Consumers can be convinced to purchase a product from a business rather than competitors as it is offered at a lower price.</li> </ul>	<ul style="list-style-type: none"> <li>Businesses can be more competitive by offering competitive prices.</li> <li>A business can gain market share quickly as products are priced lower than the competition.</li> </ul>	<ul style="list-style-type: none"> <li>If production costs are higher than competitors, it may result in lower profits.</li> <li>Setting lower prices than competing products may cause consumers to perceive the product as lower quality.</li> </ul>
<b>Price skimming</b>	A business sets a high initial price when the product enters the market and then lowers the price over time.	<ul style="list-style-type: none"> <li>Generally used to recover any research and development costs incurred during product development.</li> </ul>	<ul style="list-style-type: none"> <li>A business can use this strategy to quickly cover product development costs.</li> <li>A business is provided with higher profit margins compared to other pricing strategies.</li> </ul>	<ul style="list-style-type: none"> <li>There is an increased need to compete on other variables such as product quality or features.</li> <li>In industries with high competition, this strategy may not be feasible.</li> </ul>
<b>Complementary pricing</b>	A business sets a low price for one item and a high price on another item that is typically bought alongside the cheap item (eg. a printer and ink cartridges).	<ul style="list-style-type: none"> <li>The low-cost product entices customers to purchase the product and subsequently purchase the complimentary product as well.</li> <li>Profits can be generated from the high-cost product sales.</li> </ul>	<ul style="list-style-type: none"> <li>A business can increase profit margins by making large profits on the high-cost complimentary product.</li> </ul>	<ul style="list-style-type: none"> <li>Other businesses may offer a cheaper version of the high-cost complimentary product, encouraging customers to purchase this, thus making the strategy redundant.</li> </ul>
<b>Psychological pricing</b>	A business makes the price of an item appear lower than it actually is (eg. selling a product for \$19.99 as opposed to \$20.00). Psychological pricing also relates to pricing a product to give consumers a certain perception of it (eg. customers associate expensive products with high-quality).	<ul style="list-style-type: none"> <li>Customer's attention towards a product can be boosted if it appears to be priced cheaper than competing products (eg. \$2.99 vs \$3.00).</li> <li>A business can persuade customers to buy its product as it appears to be a good deal.</li> </ul>	<ul style="list-style-type: none"> <li>A business can attract more sales if customers perceive its products as being good value for money.</li> <li>A business may increase its sales if it sells its products at a higher price as the products can appear to be of a high quality.</li> </ul>	<ul style="list-style-type: none"> <li>The “.99” pricing strategy has been overused and customers often realise that these perceived deals are not that strong.</li> <li>Customers may feel they are being manipulated.</li> <li>This strategy will only be effective if the products are of a high quality, otherwise, customers are unlikely to re-purchase the product.</li> </ul>

## REAL WORLD EXAMPLE

## Price

Sukin prides itself on selling 'affordable skincare products', making use of a competition-based pricing strategy by selling its skincare at a similar price to competing brands. Neutrogena, a popular skincare brand sold in Australia, sells its 118mL bottle of facial moisturiser for \$12.49, while Sukin's 125mL bottle of facial moisturiser has the regular retail price of \$11.95. By offering a slightly lower price than its competitor, Sukin adopts a competition-based pricing strategy. The price of this moisturiser is also an example of the psychological pricing strategy, as \$11.95 appears to be noticeably lower than the rounded up price of \$12.00, despite the small difference between these two prices.

*Adapted from Sukin, 'Natural Face Products', n.d. and Neutrogena, 'Moisterisers', n.d.*



Image: pittyh6/Shutterstock.com

**Figure 2** Sukin makes use of a competition-based pricing strategy as well as psychological pricing

## ACTIVITY

## Price

In 2021, Samsung introduced its Galaxy S21, declaring it would be sold for US\$800. Just a year prior, Samsung's Galaxy S20 model had debuted at a starting price of US\$1000. This 20% decrease in the starting price of Samsung's new model came at a time when Apple had released its iPhone 12 standard model at a price of US\$800. According to Gartner analyst Tuong Nguyen, 'the [Galaxy S21's] price makes it slightly more acceptable [for] a slightly larger portion of the population' to purchase. Samsung and Apple have typically released their new phone models within a similar price range. Answer the following questions in small groups:

1. By making the price of its Galaxy S21 US\$800 to be more similar to the US\$800 price of Apple's iPhone 12, Samsung made use of which pricing strategy?
2. If Samsung decided to make use of a complimentary pricing strategy when setting the prices of its charger and new phone model, how may Samsung price these items in consideration of complimentary pricing?
3. Consider if Samsung releases a phone in 2024 for \$1500, but decreases the price of the phone to \$1000 just one month following the phone's release. What pricing strategy would Samsung be making use of and what would be one advantage of using this strategy?

## Place 2.2.5.3

**Place** is an element of the marketing mix relating to how a business distributes its product to customers. In order for a business to sell its products, these products must be available for customers to access. Businesses use **distribution channels** to provide their products to customers. A business can either make use of direct distribution channels, in which products travel from producer to consumer, or indirect distribution channels in which **intermediaries** are involved. These intermediaries may include **wholesalers** and **retailers**. Businesses can choose to utilise multiple distribution channels to meet demand and reach a large number of customers.

**Table 3** Different types of distribution channels

Distribution channel	Description	Characteristics
<b>Producer to customer (direct)</b>	Products are sold directly from the business to consumers.	<ul style="list-style-type: none"> <li>• A business has the highest degree of control over the distribution channel as there are no intermediaries.</li> <li>• Typically, service businesses will use this distribution channel as services are intangible and cannot be stored.</li> </ul>
<b>Producer to retailer to customer (indirect)</b>	A producer sells its products to a retailer who then sells the products to customers.	<ul style="list-style-type: none"> <li>• Typically used for perishable products with a short shelf life, such as fruit and vegetables.</li> </ul>
<b>Producer to wholesaler to retailer to customer (indirect)</b>	A producer sells large quantities of a product to a wholesaler, who then sells the products to retailers, where customers can purchase them.	<ul style="list-style-type: none"> <li>• Typically used for consumer goods, such as clothing or computers.</li> </ul>

## KEY DEFINITIONS

**Place** is an element of the marketing mix relating to how a business distributes its product to customers.

## ADDITIONAL TERMS

A **distribution channel** is a chain of intermediary businesses through which products travel through to reach the end consumer.

**Intermediaries** are individuals or businesses that serve to transfer a product in a distribution channel from a manufacturer to the end consumer.

A **wholesaler** is a business that sells products in larger quantities and at lower prices than retailers.

A **retailer** is a business that sells products to the public for personal consumption.

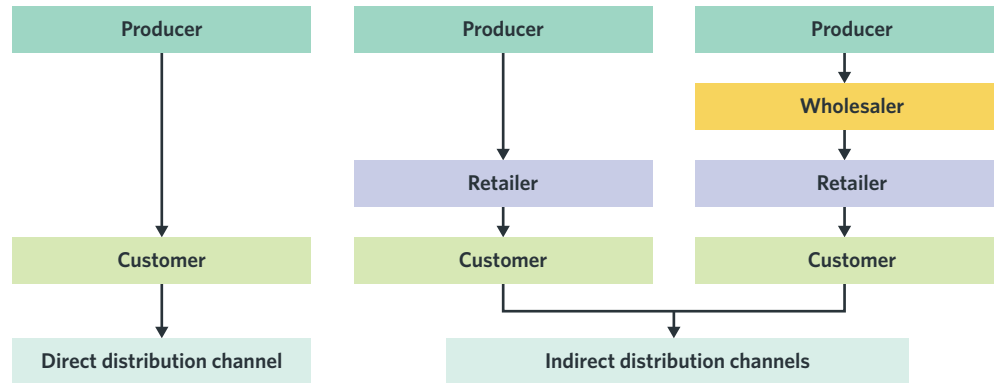


Figure 3 The different types of distribution channels

REAL WORLD EXAMPLE



Image: Jackson Stock Photography/Shutterstock.com

Figure 4 Woolworths makes use of an indirect distribution channel

Place

Woolworths is a chain of supermarkets across Australia that makes use of an indirect distribution channel when sourcing its produce for its grocery stores across the country. Woolworths' produce is primarily sourced from Australian farmers therefore the produce goes indirectly from the farmer (producer) to Woolworths (retailer) to the customers of the store (consumers). Anthony Bouer is one of the farmers Woolworths relies on, producing carrots, potatoes, celery, onions, and lettuce on his farm in Mt Sylvia, Queensland.

Adapted from Woolworths, 'Meet the Growers', n.d.

ACTIVITY

Place

Draw an arrow to connect the business scenario to the type of distribution channel adopted by the business.

Clean Machine:

This business offers complete car-cleaning services to customers. Customers drive their car to the business's location and Clean Machine completes the cleaning service on-site.

● ● Producer to customer

Betty's Boutique:

Betty, the manager of this boutique, purchases women's clothing from a warehouse in China that buys the clothes in bulk from the creator of these garments. Once the clothes reach Betty, she sells them on her website to customers.

● ● Producer to retailer to customer

Greg's Grocer:

This business is a store selling exotic produce from countries across Asia. Greg, the manager, orders his produce from farms across Asia. This produce then gets shipped directly to Greg's Grocer where it is sold to customers.

● ● Producer to wholesaler to retailer to customer

# Promotion 2.2.5.4

**Promotion** is the marketing communications used by a business to inform, promote, and remind its target market about its product. This is an important element of the marketing mix as it focuses on informing current and potential customers about the business's product, therefore helping the business to increase its customer base. When informing customers about its product, a business should aim to clearly communicate the features and benefits of the product and how it will satisfy customer needs. To promote their products effectively, businesses should establish promotional objectives that outline what the business desires to achieve from its promotional activities.

These objectives could include, to:

- inform consumers about the features and capabilities of a new product.
- remind consumers about an existing product.
- persuade consumers to purchase its product instead of purchasing from competitors.
- change customer behaviour and generate **brand loyalty**.

Once a business has established its promotional objectives, it can then decide on the appropriate **promotional mix** to use to achieve set objectives.

### LESSON LINK

Customer base was introduced in **5A Marketing, a customer base and business objectives**.

Target market was introduced in **5F Target market attributes**.

### KEY DEFINITIONS

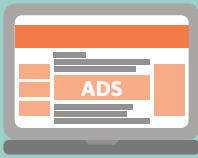


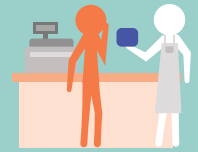
**Promotion** is the marketing communications used by a business to inform, promote, and remind its target market about its product.

### ADDITIONAL TERMS

**Brand loyalty** is the tendency of customers to continuously purchase one brand's product over another.


The **promotional mix** is the set of promotional strategies used by a business to promote its products.

**Table 4** Promotional strategies that a business can use to form its promotional mix

Promotional strategy	Description	Examples	Advantages	Disadvantages
 <p><b>Advertising</b></p>	Advertising involves creating a message to publicly promote a business's products.	<ul style="list-style-type: none"> <li>• Advertising can be conducted through platforms, such as television, newspapers, radio, social media, or the internet.</li> </ul>	<ul style="list-style-type: none"> <li>• A business can reach a broad audience and attract new customers.</li> <li>• A business can use this strategy to successfully promote products to its target market.</li> </ul>	<ul style="list-style-type: none"> <li>• A business's marketing expenses can increase if it makes use of particularly expensive forms of advertising, such as television ads.</li> <li>• If the message is not compelling, consumers may disregard it and the product.</li> </ul>
 <p><b>Sales promotion</b></p>	Sales promotion involves providing customers with short-term incentives to promote a trial or use of a product.	<ul style="list-style-type: none"> <li>• Sales promotion can include price reductions, free samples, demonstrations, or 'buy one get one free' deals.</li> </ul>	<ul style="list-style-type: none"> <li>• A business can effectively increase sales in the short term.</li> <li>• It is easy for a business to monitor the effectiveness of the promotion.</li> </ul>	<ul style="list-style-type: none"> <li>• A long-term increase in sales may not occur.</li> <li>• Competitors may copy sales promotion techniques, making the promotion less effective.</li> </ul>
 <p><b>Direct marketing</b></p>	Direct marketing involves selling products straight to the public.	<ul style="list-style-type: none"> <li>• Direct marketing can include physical mail outs, telemarketing, and door-to-door sales.</li> </ul>	<ul style="list-style-type: none"> <li>• A business can effectively generate customer loyalty.</li> <li>• Face-to-face communication can be more persuasive.</li> </ul>	<ul style="list-style-type: none"> <li>• Customers may perceive direct marketing techniques as an invasion of privacy.</li> <li>• A business cannot use this strategy to quickly reach a wide audience.</li> </ul>
 <p><b>Personal selling</b></p>	Personal selling involves a sales representative meeting a customer in person and selling the business's product.	<ul style="list-style-type: none"> <li>• Typically used for products with high prices or products with complex features. For example, cars or software programs.</li> </ul>	<ul style="list-style-type: none"> <li>• Sales representatives can be highly persuasive as they have extensive product knowledge.</li> <li>• A business can gain insight into the customer's interests through body language.</li> </ul>	<ul style="list-style-type: none"> <li>• Money may need to be spent training sales staff.</li> <li>• A business is unable to quickly reach a wide audience.</li> </ul>

Continues ►

Table 4 Continued

Promotional strategy	Description	Examples	Advantages	Disadvantages
<b>Public relations</b> 	Communicating an intended message and building strong relationships with stakeholders.	<ul style="list-style-type: none"> <li>Public relations include strategies that improve public perception of the business and its products.</li> <li>These public relations strategies may include making use of social media, sponsoring events, or sending monthly newsletters to relevant stakeholders.</li> </ul>	<ul style="list-style-type: none"> <li>A business can use this strategy to build a positive brand image.</li> <li>It is low cost as most forms of publicity are free.</li> </ul>	<ul style="list-style-type: none"> <li>A business may risk facing negative publicity.</li> <li>It may be difficult for a business to control the publicity.</li> </ul>

### EXTENDED REAL WORLD EXAMPLE

#### Promotion

Woolworths frequently implements new promotions in an attempt to entice customers to shop at its stores instead of competitors. In September 2021, Woolworths introduced its 'Woolworths Bricks' campaign. Woolworths Bricks are Lego-style collectibles that are made from at least 80% recycled materials. This campaign allowed customers to collect a pack of bricks for every \$30 they spent in-store or online. There were 40 different Brick packs available for customers to collect, meaning customers could build a replica Woolworths supermarket if all packs were collected.

Another promotional campaign Woolworths has launched is its 'Fix-Ems' campaign, released in July 2022, which allowed shoppers to receive one Disney, Pixar, Marvel, or Star Wars woven patch for every \$30 spent. These items were made from at least 80% recycled materials and were certified by the Good Environmental Choice Australia (GECA). The promotion encouraged shoppers to collect all 36 different character patches with some being rarer than others, resulting in certain Fix-Ems being sold for hundreds of dollars online.

Woolworths often introduces promotions, such as these, that appeal towards children, encouraging kids to urge their parents to purchase more to increase their chances of collecting all products of the promotion. By increasing the number of families in its customer base, Woolworths can increase market share and profit. Children often have substantial influence on a household's choice of supermarket for the weekly shop, and families have large grocery bills, relative to other supermarket shoppers. The type of marketing used by Woolworths in these promotions has been coined 'Pester Power'. Although effective, the use of this marketing has caused Woolworths to face backlash from many customers. The Billion Dollar Mum Report found that 75% of mothers have succumbed to pester power, purchasing a product due to the nagging of their kids. However, interviews conducted by Kidspot have found that parents are increasingly refusing to support such promotions.

For both the Bricks and Fix-Ems promotions, Woolworths provided customers with the option to return their collected items to a Woolworths store and drop them in a dedicated bin if they no longer wanted them, allowing these products to be recycled. This decision enables Woolworths to maintain an environmentally-friendly brand image.

In addition to this, Woolworths frequently creates advertising campaigns for television, spending \$118 million on advertising in the 2020-21 financial year alone. In 2022, Woolworths produced an advertisement highlighting its commitment to sourcing 100% of its electricity from renewable sources by 2025.

*Adapted from The Australia Institute, 'Govt spends more on advertising than Coles, Woolworths, McDonalds amid cross bench calls for greater oversight', 2022, Kidspot, 'Woolworths' Disney Fix-Ems are selling for hundreds of dollars online', 2022, and Woolworths, 'Bricks', n.d.*

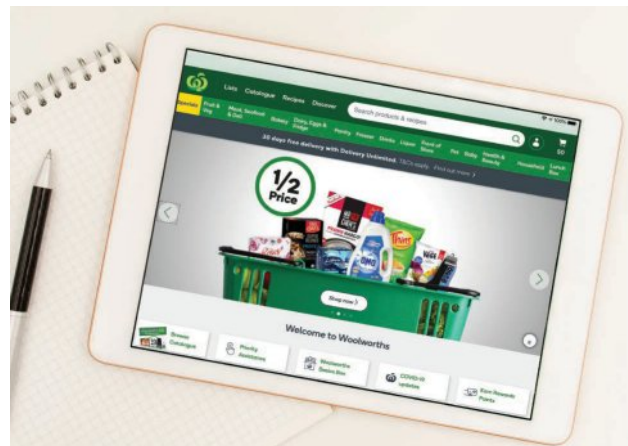


Image: Daria Nipot/Shutterstock.com

**Figure 5** Woolworths uses promotional campaigns to persuade customers to shop at Woolworths as opposed to competing grocery stores

#### Questions

1. Do you think it is ethical for Woolworths to engage in this 'Pester Power' marketing?
2. Would promotions like these, which usually last a month at Woolworths, result in increased customer loyalty for the business?
3. Can you think of any disadvantages of Woolworths engaging in these promotional campaigns?

**ACTIVITY****Promotion**

Draw a line connecting the following famous tag-line to the business it came from:

- |  |                      |
|--|----------------------|
| ● "Lowest prices are just the beginning" | ● Skittles           |
| ● "Just do it"                           | ● Bunnings Warehouse |
| ● "Taste the rainbow"                    | ● Mortein            |
| ● "Down, down, prices are down"          | ● Kit Kat            |
| ● "Have a break, have a _____"           | ● Nike               |
| ● "More smart, more safe, _____"         | ● Coles              |

Discuss in groups how many of these phrases you instantly recognised. What does this indicate about the effectiveness of these advertisements?

**LESSON LINK**

Public relations will be covered in further detail in **5M Public relations strategies**.

**Theory summary**

The 7Ps model of marketing provides a framework for businesses to make appropriate and effective decisions about how to market their products.

- Product focuses on decisions related to branding, design, quality, and positioning.
- Price focuses on selecting an appropriate price for a product being sold to customers.
- Place focuses on selecting the right distribution channel to deliver a product to customers.
- Promotion focuses on implementing appropriate promotional strategies to sell a product and showcase the brand.

## 5G Questions

**Theory review****Question 1**

The marketing mix provides a framework for businesses to choose appropriate marketing strategies to achieve objectives.

- A. True  
B. False

**Question 2**

Fill in the blanks with the following terms:

- tangible
- intangible

Products that can be touched and stored are known as \_\_\_\_\_ products and are typically goods, whereas products that cannot be touched or stored are known as \_\_\_\_\_ products and are usually services.

**Question 3**

Fill in the blank with **one** of the following terms:

- with
- without

A service business typically uses a distribution channel \_\_\_\_\_ intermediaries

**Question 4**

The producer-to-customer distribution channel involves a manufacturer selling directly to the customer.

- A. True  
B. False

**Question 5**

The product element of the marketing mix focuses on informing current and potential customers about the good or service that the business sells.

- A. True  
B. False

**Question 6**

Fill in the blank with **one** of the following terms:

- Personal selling
- Direct marketing

\_\_\_\_\_ is the promotional strategy that involves a sales representative meeting a customer in person and selling the business's product.

**Question 7**

Price skimming is an example of a strategy implemented under the 'promotion' element of the 7Ps model of marketing.

- A. True
- B. False

**Question 8**

Fill in the blanks with the following terms:

- penetration pricing
- competition-based pricing

The \_\_\_\_\_ strategy involves a business setting its prices at a similar cost to competitors, whereas the \_\_\_\_\_ strategy involves the business setting initial prices lower than competitors when entering the market in order to quickly gain market share.

**Question 9**

Cost-plus pricing involves a business setting a high initial price for its product when it enters the market and then lowering the price over time.

- A. True
- B. False

**Question 10**

Without an effective marketing mix, businesses can provide customer value in the long term.

- A. True
- B. False

## Preparing for exams

### Case study skills

#### Use the following information to answer Questions 11 and 12.

Demazy Designers is a handbag manufacturer based in Melbourne. Demazy Designers uses the finest Italian leather to produce high-quality handbags. Once produced, the handbags are sold to retail stores across Australia where customers can purchase the handbags.

**Question 11**

Identify which of the following is the 'producer' at Demazy Designers.

- A. The manufacturer of the high-quality handbags.
- B. The retail stores across Australia.
- C. The consumers purchasing the high-quality handbags.

**Question 12**

Identify which of the following is a correct statement about Demazy Designers

- A. Demazy Designers uses the producer-to-customer distribution channel, a direct distribution channel.
- B. Demazy Designers uses the producer-to-retailer-to-customer distribution channel, an indirect distribution channel.

#### Use the following information to answer Questions 13 and 14.

Jason owns a gym in Melbourne CBD called 'Fit and Fierce' that offers weekly memberships to customers. He has noticed a decline in customers as a result of a cheaper gym opening across the street from his.

**Question 13**

Identify which of the following are examples of pricing strategies that Fit and Fierce could implement when selling its monthly gym memberships. **(Select all that apply)**

- I. Jason could implement price skimming in which he sets a high initial price for his gym membership but lowers the cost of this overtime.
- II. Jason could make use of the direct marketing strategy in which he sells his gym membership straight to the public.
- III. Jason could make use of a quality strategy in which he increases the quality of his gym memberships to encourage more customers to purchase these memberships.
- IV. Jason could make use of a competition-based pricing strategy in which he sets the price of his gym memberships at a similar price to competitors.

**Question 14**

Identify which of the following is a correct statement about using a competition-based pricing strategy at Fit and Fierce.

- A. This strategy would involve Jason offering his gym memberships at a price just above, just below, or equal to the price of the memberships being offered by the cheaper gym that has opened across the road from Fit and Fierce.
- B. This strategy would involve Jason determining the price of his gym membership by taking the unit cost of the membership and adding a percentage markup to this to determine the sale price of a Fit and Fierce membership.

**Question 15**

Otis' Oatmeal is a business that produces healthy organic oatmeal. The oatmeal is packaged in environmentally-friendly paper bags and sold in retail stores throughout Melbourne. The owner of the business, Emma, is looking to construct a promotional mix to promote her oatmeal but does not like the idea of public relations.

Identify which of the following statements are **true** or **false** about Otis' Oatmeal.

	True	False
I. Emma could use advertising to promote her oatmeal and inform customers about the benefits of her product.	<input type="checkbox"/>	<input type="checkbox"/>
II. Emma could use a sales promotion, such as giving out free samples in selected retailers to promote her oatmeal product.	<input type="checkbox"/>	<input type="checkbox"/>
III. Emma could promote her oatmeal through personal selling, as oatmeal is a high-priced product.	<input type="checkbox"/>	<input type="checkbox"/>

**Exam-style****Question 16** (1 MARK)

Define the promotion element of the marketing mix.

**Question 17** (2 MARKS)

Describe two pricing strategies a business could use to price its product.

**Question 18** (2 MARKS)

Outline two promotional strategies a business can use in its promotional mix.

**Question 19** (2 MARKS)

Outline one advantage and one disadvantage of sales promotion as a promotional strategy.

**Question 20** (2 MARKS)

Demazy Designers is a handbag manufacturer based in Melbourne. Demazy Designers uses the finest Italian leather to produce high-quality handbags. Once produced, the handbags are sold to retail stores across Australia where customers can purchase the handbags.

Identify and describe the distribution channel Demazy Designers uses to distribute its handbags.

**Question 21** (3 MARKS)

Jason owns a gym in Melbourne CBD called 'Fit and Fierce' that offers weekly memberships to customers. He has noticed a decline in customers as a result of a cheaper gym opening across the street from his.

Identify and describe how Jason could use a competition-based pricing strategy when selling monthly memberships at Fit and Fierce.



**Question 22** (4 MARKS)

Otis' Oatmeal is a business that produces healthy organic oatmeal. The oatmeal is packaged in environmentally-friendly paper bags and sold in retail stores throughout Melbourne. The owner of the business, Emma, is looking to construct a promotional mix to promote her oatmeal but does not like the idea of public relations.

Identify and explain two promotional strategies Emma could adopt in her promotional mix.

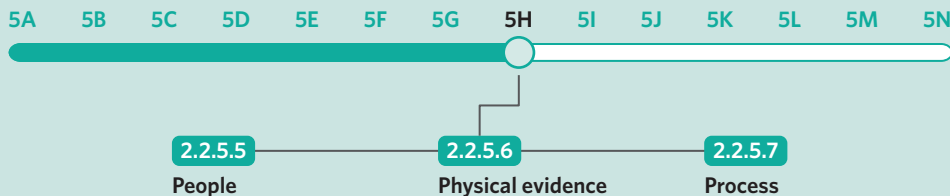
**Testing previous knowledge****Question 23** (3 MARKS)

Define the term 'target market' and outline one promotional strategy a business may implement to remind its target market about its products.

# 5H The 7Ps model of marketing: Part 2

## STUDY DESIGN DOT POINT

- the 7Ps model of marketing: product, price, place, promotion, people, physical evidence and process



Despite being a renowned car brand that sold almost one million vehicles in 2021 alone, Tesla has never spent a cent on advertising. How can a business achieve this type of success without dedicating any of its funds to advertising?



## Lesson introduction

The 7Ps marketing mix is a marketing model that businesses can use to ensure they are satisfying the needs of their target market. The marketing mix enables a business to effectively produce and deliver products to target customers, enabling them to generate a loyal customer base. A business can maintain consumer loyalty and achieve its overall objectives by continuously assessing its marketing mix. In this lesson, the three remaining Ps of the marketing model; people, physical evidence, and process will be explored.

## People 2.2.5.5

**People** are the individuals that influence a customer's perception of a business and its products. This includes all individuals that contribute to a business's reputation, such as owners, managers, employees, and customers. Owners and managers significantly influence the business's culture, decisions, and products offered by the business. As the leaders of the business, owners and managers must nurture a positive culture and strive to set strong standards for employees in order to achieve optimal customer satisfaction. The quality of customer service that employees provide can impact how a customer perceives the business. Therefore, employees must maintain the standards set by owners and managers to preserve the business's reputation. To maintain a positive business reputation, employees should be:

- properly trained to provide customers with a high level of customer service.
- knowledgeable about the business's products.
- motivated and passionate about the products offered by the business.

Customers are also an important aspect of the people element of a business's marketing mix. Customers who have a positive attitude towards the business and its products are likely to recommend the business to friends and family, or other potential customers. **Word-of-mouth recommendations** by loyal customers can be a powerful tool to increase a business's popularity and improve its reputation.

### LESSON LINK

Customer base and target market were introduced in **5A Marketing, a customer base and business objectives**.

Employees, owners, and managers were introduced in **5B Marketing and the internal environment**.

### KEY DEFINITIONS

**People** are the individuals that influence a customer's perception of a business and its products.

### ADDITIONAL TERMS

**Word-of-mouth recommendations** involve a customer expressing their interest in a business's product and recommending the good or service to others through conversation.

## REAL WORLD EXAMPLE



Image: pio3/Shutterstock.com

**Figure 1** Apple's positive management and skilled employees have allowed the company to develop strong customer loyalty

### People

Apple Inc. is a multinational technology company based in the United States which was the highest-ranked technology company in the world, based on sales revenue, in 2022. Apple has been able to generate and maintain strong customer loyalty for its products and has curated the highest brand loyalty out of any smartphone manufacturer operating in the US. The 'people' element of Apple's marketing mix has significantly contributed to this strong brand loyalty. The managers at Apple have created a positive culture for employees by providing them with employee discounts, raises, and also offering them opportunities to share feedback through surveys. These initiatives by management at Apple have allowed the business to consistently attain a high ranking in Glassdoor's 'Best places to work' ranking. The positive corporate culture at Apple encourages a strong work ethic among employees who are passionate about the business they work for. This reflects in the way Apple 'Geniuses', the employees responsible for providing technical support at Apple, treat customers. The customer service at Apple is frequently praised due to its 'customer-first strategy' which focuses on building a genuine relationship between employees and customers. By concentrating on the 'people' element of its marketing mix, Apple has been able to establish and maintain a loyal customer base.

*Adapted from Retently, 'The Reasons Behind Apple's Customer Loyalty and High NPS', 2022 and Apple Insider, 'Apple has most loyal smartphone customers in US, study finds', 2021*

### ACTIVITY

#### People

Search up 'Anagha - Customer Service Consultant' and 'David - Customer Care Consultant' on YouTube and watch both of these videos (Medibank, 2019).

In small groups, discuss the following questions:

1. Anagha shares that Medibank provides 'constant support and training' for customer service consultants, allowing them to 'know Medibank's products and services inside out'. Why is it important for businesses to have well-trained staff with strong product knowledge?
2. Anagha describes the 'great work environment' of Medibank in which she is provided with the flexibility to have 'free mornings and afternoons'. Describe the type of culture this would create at Medibank?
3. Do you think a 'great work environment' would help improve both employee and customer satisfaction? If so, why?
4. David describes himself as 'looking to make a difference' in the lives of his customers. Do you think the passion of employees impacts the quality of customer service they provide to customers?

### KEY DEFINITIONS

**Physical evidence** is the environment in which the business and customer interact.

## Physical evidence 2.2.5.6

**Physical evidence** is the environment in which the business and customer interact. Essentially, physical evidence involves the non-human elements that customers engage with when browsing and purchasing from a business. There are a variety of visible elements that make up the physical evidence of a business.

**Table 1** Elements of a business's physical evidence

Elements	Description	Example
<b>Facilities</b>	The items a business uses to conduct everyday activities.	<ul style="list-style-type: none"> <li>• Furniture</li> <li>• Equipment</li> </ul>
<b>Interior design</b>	The design of a business's physical location or website.	<ul style="list-style-type: none"> <li>• Simple</li> <li>• Clean</li> <li>• Informative</li> <li>• Eye-catching</li> <li>• Easy to navigate</li> <li>• Colour schemes</li> </ul>

Continues ►

Table 1 Continued

Elements	Description	Example
<b>Ambience</b>	The atmosphere of the environment where a business and customer interact.	<ul style="list-style-type: none"> <li>• Scent</li> <li>• Temperature</li> <li>• Mood</li> <li>• Sounds</li> </ul>
<b>Evidence of a service being performed</b>	The physical elements that can be seen when a service has been performed. These elements allow customers to assess the quality of the service before they purchase.	<ul style="list-style-type: none"> <li>• A nail salon may display pictures of previous clients that have had their nails done.</li> </ul>
<b>Digital world</b>	Physical evidence also encompasses a business's reputation within the digital world. The business's reputation may be shaped by the reviews and feedback received from customers.	<ul style="list-style-type: none"> <li>• If the business has positive reviews, this can entice other customers to purchase from the business as there is physical evidence that the business delivers quality products.</li> </ul>

### REAL WORLD EXAMPLE

#### Physical evidence

ST. ALi is an Australian business that sells bags of coffee beans both in retail stores and online, whilst also operating its own cafe in South Melbourne. Staff have created a strong ambience in the cafe by following a minimalistic, industrial aesthetic with an abundance of fresh plants. This simplistic interior design of the cafe is also encapsulated in the packaging of ST.ALi's coffee beans and its website which both follow a sleek, monocratic colour scheme. ST.ALi has maintained a positive online presence with an average rating of 4.3 out of 5 stars on Google Reviews. Tripadvisor reiterates the cafe's positive reputation with a 4-star average rating from over 600 reviews.

*Adapted from ST. ALi, 'ST. ALi Coffee: About us', 2022 and Tripadvisor, 'St Ali Coffee Roaster', n.d.*



**Figure 2** ST.ALi coffee has created physical evidence for its business which creates a positive customer perception

### ACTIVITY

#### Physical evidence

You are the manager of Lolly World, a store that specialises in selling every flavour of jelly beans. In small groups, design your own bricks-and-mortar store for Lolly World by writing down the features of this store and its associated website. Consider the following questions when designing the interior of the store and website:

1. Who is most likely to be shopping in a jelly bean store?
2. What colours would appeal to this demographic?
3. Should the store have a scent? If so, what scent?
4. What layout of the store would be most effective?
5. How could you offer customer samples in a way that maintains cleanliness?
6. How can you design your website to be eye-catching for customers?
7. Should the website include a section for customers to write reviews about Lolly World's jelly beans?

### LESSON LINK

Bricks-and-mortar was introduced in **2C Types of business models**.

## KEY DEFINITIONS

The **process** is the procedure set in place throughout the entire customer purchasing experience at a business.

## Process 2.2.5.7

The **process** is the procedure set in place throughout the entire customer purchasing experience at a business. The process element of the marketing mix focuses on a customer's experience at the business. This includes all of the steps from the customer discovering the product to receiving it. The process element of the marketing mix includes how the customer:

- finds out about the product.
- chooses the product over alternatives.
- purchases the product.
- receives the product.

The purchasing process that customers experience to receive a product can impact customer satisfaction and, consequently, the business's reputation. A business should aim to have a seamless process that enhances customer satisfaction and value.

**Table 2** Methods to improve a customer's purchasing experience

Method	Explanation
<b>Information</b>	Customers should be well-informed about the product they are interested in and its features.
<b>Purchasing options</b>	Customers should be provided with a variety of ways to purchase the product, such as cash, EFTPOS, or 'buy now pay later' payment methods.
<b>Efficient service</b>	A business should have fast and responsive communication with customers.
<b>Knowledgeable staff</b>	Staff should be knowledgeable about products and be able to help customers make informed decisions.

## REAL WORLD EXAMPLE

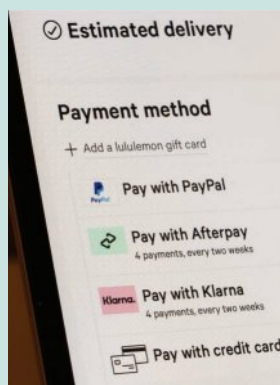


Image: Tada Images/Shutterstock.com

**Figure 3** The Iconic provides a seamless purchasing experience for customers

### Process

The Iconic is an online Australian fashion and sports retailer. The purchasing experience provided by The Iconic is simple and seamless as customers are able to create an account that stores their payment and shipping details. By having an account with The Iconic, customers can receive personalised shopping recommendations each time they access the website. While customers can pay with their credit card, The Iconic also offers various payment methods to provide customers with an enhanced shopping experience, such as Apple Pay, PayPal, and Afterpay. Additionally, The Iconic's website has live customer support functions to allow customers to receive help in real time when purchasing items. Finally, Australian customers are able to receive their purchases rapidly as The Iconic offers several different delivery options, including Parcelpoint and express delivery services. Parcelpoint allows customers to pick up their parcel from a preferred pick-up point so that they do not have to wait for the parcel to be delivered to their door. For Australians, The Iconic also allows eligible customers to have their orders delivered in a matter of hours between specific times on weekdays. By making the purchasing process quick, easy, and efficient, The Iconic has been able to maintain a strong customer base and business reputation.

*Adapted from The Iconic, 'Help Centre', n.d.*

**ACTIVITY****Process**

Think of a product you recently bought online and fill out the survey provided in reference to this product. If you haven't bought anything online in the past 12 months, join with a partner and complete the survey together.

Survey questions	Green	Yellow	Red
<b>Were all the features of the item you bought listed on the website? (eg. dimensions, the fabric used, how to take care of the product)</b>	Yes - all information on the product was clear.	There was some information about the product.	There was information about the product but it was misleading. For example, the site said a clothing item had certain dimensions that it did not.
<b>Did any staff of this online business help you during your purchase?</b>	Yes - I was able to chat with a staff member for support during the purchasing process.	No - there was a customer service employee to reach out to but I did not feel the need to.	No - there was no customer service employee on the website that I could contact with my queries.
<b>When the product arrived, was it well-packaged and in good condition? For example, did the package include a receipt, information on how to return the item if needed, and product information?</b>	Yes - the product was well-packaged, with no damage to the product.	Yes - the product was in good condition but the packaging lacked some care (eg. no pamphlets or receipts included).	No - the packaging was poor and did, or could have, resulted in the product being damaged.
<b>How long did it take for the product to come?</b>	Less than one week.	1-2 weeks.	2 weeks or more.
<b>How many payment options were available when purchasing the item? Options may include paying by credit card, PayPal, 'buy now pay later', or breaking up the payment into instalments.</b>	3 or more purchasing options.	2 purchasing options.	1 purchasing option.

Now tally up how many of your answers were green, yellow, or red. If two or more of your answers were a certain colour, read the correlating opinion:

- Green: This business has a strong process element of its marketing mix as it is able to effectively provide its products to customers to ensure their satisfaction.
- Yellow: This business should consider improving some aspects of its process.
- Red: The process element of this business's marketing mix is poor and must be improved as it will likely cause customer dissatisfaction.

After completing the survey, discuss the following questions in small groups:

1. Which aspects of the process element do you value most? For example, the time taken to receive the product, the payment options available, or the state of the product's packaging?
2. If you bought a product and most aspects of the purchasing process fell into the 'red' category on the survey, would you re-purchase from this business?
3. If you had a product from a business with at least one aspect of its process in the 'yellow' or 'red' part of the survey, how could the business you shopped at improve this aspect of its process?

**Theory summary**

The 7Ps model of marketing provides a framework for businesses to make appropriate and effective decisions to market their products.

- People focuses on individuals that influence a customer's perception of a business's products.
- Physical evidence focuses on the environment where customers interact with the business.
- Process focuses on the purchasing experience that customers undergo while purchasing a product.

# 5H Questions

## Theory review

### Question 1

The 7Ps marketing mix is a marketing model that businesses can use to ensure they are satisfying the needs of their target market.

- A. True
- B. False

### Question 2

Customers can help a business achieve a positive reputation for its products.

- A. True
- B. False

### Question 3

Fill in the blank with **one** of the following terms:

- better
- worse

By providing customers with multiple ways to pay for its products, a business can make the purchasing experience \_\_\_\_\_ for its customers.

### Question 4

Employees are able to improve a customer's perception of a business by: **(Select all that apply)**

- I. being knowledgeable about the products of the business.
- II. writing fake reviews, pretending to be a customer, to recommend the business to others.
- III. being well-trained to provide high levels of service to customers.
- IV. demonstrating passion when talking to customers about the products sold by the business.

### Question 5

Customer reviews are an example of:

- A. physical evidence.
- B. process.

### Question 6

Fill in the blanks with the following terms:

- physical evidence
- process

The \_\_\_\_\_ element of the marketing mix focuses on the purchasing experience for a customer. On the other hand, the non-human elements of the business that customers interact with relate to the \_\_\_\_\_ element of the marketing mix.

### Question 7

There are many ways a business can improve the 'process' element of its marketing mix, which include: **(Select all that apply)**

- I. training staff to be more knowledgeable about the products provided by the business.
- II. ensuring efficient service.
- III. hiding important information about the business's product so customers are not overwhelmed.
- IV. providing multiple purchasing options for customers when paying for the business's product.

### Question 8

When marketing a product, a business should only consider how to promote its product through advertising campaigns.

- A. True
- B. False

## Preparing for exams

### Case study skills

### Question 9

Curls and Cuts is a hair salon based in Melbourne's CBD. Recently the owner, Jeff, has set up an online platform where customers can post photos of their haircuts and leave feedback in the form of comments. The feedback that has been posted on the online platform has been very positive so far.

Identify which of the following statements are **true** or **false** about Curls and Cuts.

	True	False
I. By receiving positive photos and feedback on its public website, potential customers of Curls and Cuts may see these reviews, allowing Jeff to develop a strong reputation for his business among potential customers.	<input type="checkbox"/>	<input type="checkbox"/>
II. Jeff can attract more customers to his business as customers who see the physical evidence of quality services on Curls and Cuts' website may be enticed to purchase these services.	<input type="checkbox"/>	<input type="checkbox"/>
III. Employees will be negatively affected by positive reviews, impacting the culture at Curls and Cuts.	<input type="checkbox"/>	<input type="checkbox"/>
IV. By providing customers with the opportunity to give feedback, Jeff can consider their opinions and make changes to his business based on customer recommendations.	<input type="checkbox"/>	<input type="checkbox"/>

**Question 10**

Fitzroy Fashion is a clothing business that specialises in the sale of vintage and retro clothing. All employees are considered vintage clothing connoisseurs who provide excellent advice to customers. Recently, the owner, Hailey, has noticed that more customers are wanting to pay using credit or debit cards. Currently, the business only accepts cash, which has led to some customers being dissatisfied with Fitzroy Fashion's service.

Identify which of the following is a correct statement about customers at Fitzroy Fashion.

- A. Customers would like more payment methods, including payment by card and EFTPOS, to be available to them.
- B. Customers want employees of Fitzroy Fashion to be more knowledgeable about the vintage clothing being sold.

**Exam-style****Question 11** (2 MARKS)

Define physical evidence as an element of the marketing mix.

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**Question 12** (2 MARKS)

With reference to the process element of the marketing mix, outline two ways in which a business can ensure customers have a positive purchasing experience.

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**Question 13** (4 MARKS)

Identify and describe two groups of people that can positively influence a business's reputation.

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**Question 14** (3 MARKS)

Curls and Cuts is a hair salon based in Melbourne's CBD. Recently the owner, Jeff, has set up an online platform where customers can post photos of their haircuts and leave feedback in the form of comments. The feedback that has been posted on the online platform has been very positive so far.

Explain physical evidence as an element of Curls and Cuts' marketing mix.

---

**Question 15** (3 MARKS)

Fitzroy Fashion is a clothing business that specialises in the sale of vintage and retro clothing. All employees are considered vintage clothing connoisseurs who provide excellent advice to customers. Recently, the owner, Hailey, has noticed that more customers are wanting to pay using credit or debit cards. Currently, the business only accepts cash, which has led to some customers being dissatisfied with Fitzroy Fashion's service.

Explain one way that Hailey can improve Fitzroy Fashion's process to enhance the customer purchasing experience.

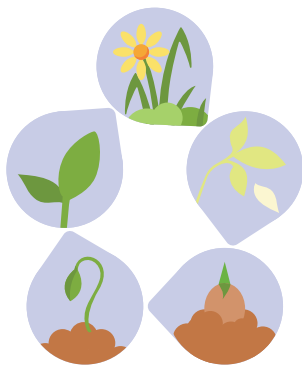
**Testing previous knowledge****Question 16** (3 MARKS)

Distinguish between the place and physical evidence elements of the marketing mix.



# 51 The product life cycle

In the same way humans and plants progress through a life cycle, so do products. Businesses must be aware of where their products are located in this life cycle to ensure they are implementing the best strategies that will lead to the achievement of their objectives.



## KEY DEFINITIONS

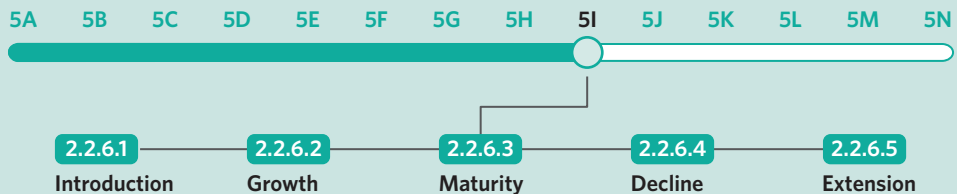
**The product life cycle** is a series of stages that a product will pass through from the moment it is introduced to the market until it becomes obsolete or replaced.



**Figure 2** The introduction stage of the product life cycle is like initially planting a seedling into the soil

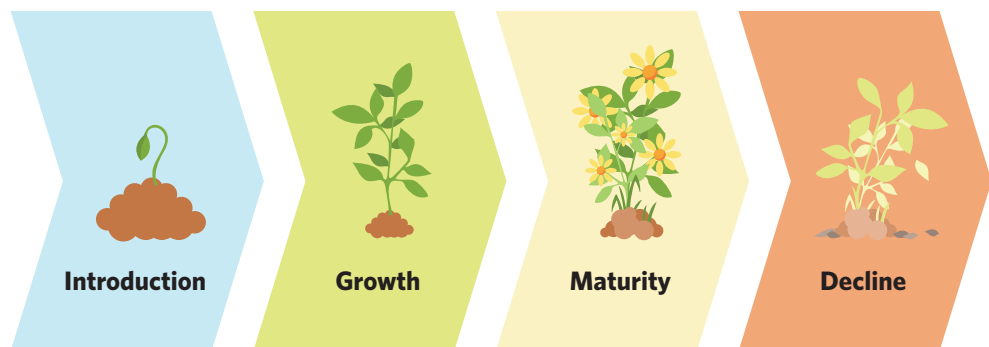
## STUDY DESIGN DOT POINT

- the product life cycle: introduction, growth, maturity, decline, extension, and the relationship between each of these stages and the choice of marketing strategy



## Lesson introduction

**The product life cycle** is a series of stages that a product will pass through from the moment it is introduced to the market until it becomes obsolete or replaced. This cycle consists of four stages; introduction, growth, maturity, and decline. It is important for a business to recognise each stage of the product life cycle, identify where its products currently sit in this cycle, and adapt its marketing mix accordingly. A business can extend a product's life cycle by using extension strategies that aim to prolong the product life cycle and prevent it from entering the decline stage.



**Figure 1** Stages of the product life cycle

## Introduction 2.2.6.1

The introduction stage is the first stage of the product life cycle, where the product is initially introduced to the market. At this point, sales and market share are low as customer demand for the product needs to be built. During the introduction stage, a business will adapt its marketing strategies to increase customer awareness of its new product with the aim to increase sales and market share. It is important to note that many products do not make it past this introduction stage, which may be due to a lack of consumer demand or interest in the product. Consequently, many businesses choose to adapt products already present in the market to reduce the risk of wasting time and money on a failed business venture.

## LESSON LINK

The marketing mix was introduced in **5G The 7Ps model of marketing: Part 1**.

**Table 1** The relationship between the introduction stage and the marketing mix

Element of the marketing mix	Marketing strategy during the introduction stage
<b>Product</b>	The product is introduced to the market in its most basic form.
<b>Price</b>	<b>Price penetration</b> may be used to quickly gain market share. However, a business may also set premium prices to recover the costs of research and development.
<b>Place</b>	Distribution is selective with the product only available in a limited number of outlets.
<b>Promotion</b>	Promotion is targeted at <b>early adopters</b> in an effort to educate them on the benefits of the product.
<b>People</b>	Employees are specifically trained to interact with customers to inform them about the features of the new product.
<b>Physical evidence</b>	The business will provide accurate evidence about the product testing and product features.
<b>Process</b>	After-sales services, such as warranties, are promoted to gain the trust of potential customers.

**ADDITIONAL TERMS**

**Price penetration** involves setting prices lower than competitors in an effort to increase market share.

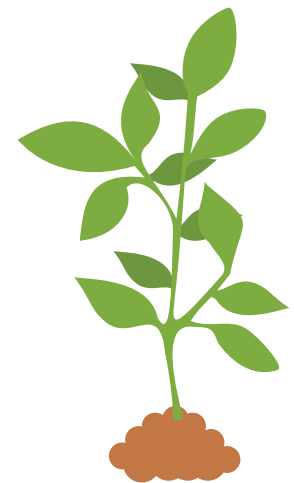
**Early adopters** are customers who are the first to embrace a new product.

## Growth 2.2.6.2

The second stage of the product life cycle is the growth stage. During this stage, customers have accepted the product, resulting in rapid sales growth. This often starts to attract attention from competitors, as other businesses develop their own version of the product. Therefore, successful marketing is vital during the growth stage to establish and retain customers in the business.

**Table 2** The relationship between the growth stage and the marketing mix

Element of the marketing mix	Marketing strategy during the growth stage
<b>Product</b>	The product quality, design, and features are improved.
<b>Price</b>	Price can be increased if price penetration was previously used. Alternatively, to beat competitors, the price may also be lowered if a premium price was previously used. Increased or mass production may also lower business costs, enabling the business to offer the product to customers at reduced prices.
<b>Place</b>	Distribution is increased as the product gains popularity amongst consumers.
<b>Promotion</b>	Promotion is now targeted to a wider audience of consumers.
<b>People</b>	Employees are more experienced with informing customers about the product's features.
<b>Physical evidence</b>	Evidence of the product's success increases as the product becomes more popular amongst consumers.
<b>Process</b>	The offering of after-sales services by the business is increased.



**Figure 3** The growth stage of the product life cycle is reflective of a plant growing and developing in preparation to flower

**ADDITIONAL TERMS****Market saturation**

occurs when a product no longer attracts new customers and reaches its maximum level of growth in the market.

**Brand image** refers to the general impression held by current and potential customers.



**Figure 4** The maturity stage of the product life cycle correlates to the flowering of a plant when it reaches its full potential



**Figure 5** The decline stage of the product life cycle relates to the wilting of a plant and its eventual death

## Maturity 2.2.6.3

The third stage of the product life cycle is the maturity stage. During the maturity stage, a business will reach its peak level of product sales before they begin to plateau due to **market saturation**. The business will face a high level of competition, due to the increased popularity of the product amongst consumers, and therefore will need to focus on retaining its position in the market.

**Table 3** The relationship between the maturity stage and the marketing mix

Element of the marketing mix	Marketing strategy during the maturity stage
<b>Product</b>	The business will attempt to improve the product to differentiate it from competitors.
<b>Price</b>	Prices may be lowered to compete within the industry and maintain market share.
<b>Place</b>	Distribution is further increased to a larger number of outlets.
<b>Promotion</b>	Promotion is now concentrated on <b>brand image</b> and distinguishing the product from the competition.
<b>People</b>	Employees are trained to inform customers of the unique product attributes that distinguish it from competitors.
<b>Physical evidence</b>	The business will provide evidence of the unique product attributes that distinguish the product from competitors.
<b>Process</b>	Processes related to the sale of the product and customer service will become strongly established within the business.

## Decline 2.2.6.4

The fourth stage of the product life cycle is the decline stage. During the decline stage, a business will experience a steady decrease in sales as its product becomes obsolete or outdated. This is often due to other innovations that replace the existing product, competitors producing a superior product, or a lack of customer interest.

**Table 4** The relationship between the decline stage and the marketing mix

Element of the marketing mix	Marketing strategy during the decline stage
<b>Product</b>	The business will attempt to sell the existing stock before the product is discontinued. The product will not be updated or improved.
<b>Price</b>	Price may be reduced to clear out existing stock.
<b>Place</b>	Distribution is now limited to low cost distribution channels.
<b>Promotion</b>	Promotion is cut back or discontinued.
<b>People</b>	Employees may be trained to offer promotional deals to clear out existing stock.
<b>Physical evidence</b>	Evidence will still be provided to customers to demonstrate that the product continues to be useful.
<b>Process</b>	Business processes related to the sale of the product will still be in place.

## Extension 2.2.6.5

Instead of going through the decline stage, a business can implement strategies to lengthen the product life cycle. There are a range of extension strategies that a business can pursue to prevent its product from becoming obsolete. This allows a business to reinvigorate the product life cycle and re-establish its products amongst its competitors, leading to further increases in profit, market share, and success.

**Table 5** Extension strategies to extend the product life cycle

Extension strategy	Description of the strategy
<b>Exporting to new countries</b>	Exporting to new countries can extend a product's life cycle. Marketing the product to new locations can allow the business to reach new customers and face less competition.
<b>Creating a new, innovative version of the product</b>	Creating a new or updated version of a product can prevent the product from lagging behind the competition. Continuous improvement of a product can also prevent the product from becoming obsolete.
<b>Changing promotion techniques</b>	Changing promotion techniques can allow a business to recover sales growth. New and innovative advertisements can entice new customers, whilst increasing customer recognition and perception of the product.



**Figure 6** The extension stage of the product life cycle is like sowing new seeds from the fully matured plant, allowing it to undergo another growth cycle

### REAL WORLD EXAMPLE

#### The product life cycle

Apple is a multinational technology company based in California that designs, develops, and sells consumer electronics. In 2001 Apple revolutionised the MP3 player by introducing the iPod Classic, a pocket-sized portable media player that changed the way the world listened to music.

**Introduction [2001–2004]:** When the iPod Classic was first introduced to the market, it was introduced in its basic form, with 5GB and 10GB options available. Promotion of the iPod Classic was focused on demonstrating the product's ability to allow users to listen to music on the go. Distribution of the iPod Classic was selective, meaning that only Apple and authorised retailers sold the product. The price of the iPod Classic was set at a premium of \$590.

**Growth [2004–2008]:** During the growth stage, Apple began to update its range of iPods, releasing the iPod Mini, iPod Shuffle, and iPod Nano. Apple's range of iPods offered consumers the ability to purchase a product that best suited their needs and budget. Distribution was expanded further to supermarkets and department stores across the world. Promotion was focused on establishing brand image, with Apple spending 60% of total advertising on the iPod product line.

**Maturity [2008–2010]:** During the maturity stage, Apple introduced the iPod Touch which was the first iPod to have a coloured touch screen with video and photo capability. The introduction of the iPod Touch allowed Apple to differentiate its product from competitors, such as the Microsoft Zune, which eventually exited the market in 2011.

**Decline [2011–2014]:** By 2013 the global sales of the iPod range had dropped significantly. This may have been due to the growing popularity of the iPhone, which had all the features of the iPod products as well as cellular access. Promotion of the iPod was cut back and distribution channels were reduced.

As of 2022, the Apple iPod has been discontinued, with the technology company confirming that it will no longer make the iconic music player. The iPod will continue to be sold in stores across the globe until supplies are depleted.

*Adapted from The Marketing Agenda, 'Apple iPod: Product Lifecycle', 2014 and TechRadar, 'You probably didn't realise, but Apple still sells iPods', 2022*

**ACTIVITY**

**The product life cycle**

**Part A**

Fill in the following diagram with the correct name and description of the product life cycle stage:

**Stage:**

--	--	--	--

**Description:**

--	--	--	--

**Options:**

Decline	Introduction	Maturity	Growth
The stage where the product enters the market.	The stage where the sales growth peaks and then begins to plateau.	The stage where product sales decrease as it becomes outdated or obsolete.	The stage where customers have accepted the product and it experiences its fastest sales growth.

**Part B**

If there was an extension strategy incorporated into the product life cycle, how would you add this to the diagram? In your workbook, draw out the diagram of the product life cycle. Write on the diagram where this extension strategy would be added and indicate its impact on annual sales volume.

**Theory summary**

The product life cycle consists of four distinct stages; introduction, growth, maturity, and decline. At each of the different stages, businesses will adapt their marketing strategies appropriately to achieve desired outcomes.

- The introduction stage occurs when sales and market share are low and the business is focusing on improving awareness and customer interest in its new product.
- The growth stage occurs when sales growth is at a high and the business is facing increased levels of competition.
- The maturity stage occurs when the business faces high levels of competition, while sales growth peaks and then begins to plateau.
- The decline stage occurs when the business experiences a firm decline in sales as its product becomes obsolete or outdated.

To extend the product life cycle, a business can implement extension strategies to maintain sales growth and avoid going into the decline stage.

# 51 Questions

## Theory review

### Question 1

Fill in the blanks with the following terms:

- growth
- decline
- introduction
- extension
- maturity

The first stage of the product life cycle is the \_\_\_\_\_ stage, which is followed by the \_\_\_\_\_ stage, then the \_\_\_\_\_ stage, and finally the \_\_\_\_\_ stage. A business can attempt to lengthen the product life cycle by using \_\_\_\_\_ strategies.

### Question 2

During the introduction stage of the product life cycle, sales and market share are low.

- A. True
- B. False

### Question 3

Compared to the introduction stage of the product life cycle, the growth stage involves:

- A. a more select distribution of the product.
- B. targeting a wider audience with promotion.

### Question 4

The maturity stage of the product life cycle is when a business will experience its fastest sales growth.

- A. True
- B. False

### Question 5

Fill in the blanks with the following terms:

- extension
- decline

To avoid the \_\_\_\_\_ stage of the product life cycle, the business may implement \_\_\_\_\_ strategies to prolong the product's life in the market.

### Question 6

A business that understands the product life cycle and has an awareness of where its product currently sits in the cycle will likely be able to better adapt its marketing mix.

- A. True
- B. False

## Preparing for exams

### Case study skills

### Question 7

Marty owns McFly, an electric skateboard company that recently entered the Australian market and established its brand image through an effective promotional campaign. Marty is aware that his electric skateboards are currently in the growth stage of the product life cycle and is seeking advice on how to best approach this stage so he can ensure McFly is successful in Australia.

Identify which of the following statements are **true** or **false** about McFly.

	True	False
I. During the growth stage, McFly should aim to improve the features, quality, and design of its electric skateboards.	<input type="checkbox"/>	<input type="checkbox"/>
II. During the growth stage, McFly should aim to promote its electric skateboards only to early adopters.	<input type="checkbox"/>	<input type="checkbox"/>
III. During the growth stage, McFly should aim to increase distribution as electric skateboards become more popular amongst consumers.	<input type="checkbox"/>	<input type="checkbox"/>
IV. During the growth stage, McFly should aim to reduce its offering of after-sales services.	<input type="checkbox"/>	<input type="checkbox"/>

**Question 8**

Patterson is a banjo manufacturer on the outskirts of Brisbane that has been selling its banjos to millions of musicians worldwide for over 30 years. Designers at the company recently developed a new banjo model that is proposed to enter the market in the next two months. Management at Patterson is set to first launch the new banjo exclusively in Australia before expanding and selling the new banjo globally in the following months.

Identify which of the following statements are correct about Patterson. **(Select all that apply)**

- I. When Patterson introduces the new banjo model into the market, it will be in the introduction stage of the product life cycle.
- II. Initially, the promotion of the new banjo should target a large audience of consumers.
- III. As Patterson has been operating for 30 years, this new banjo model is an extension strategy.
- IV. Patterson may use price penetration to quickly gain market share when the new banjo model enters the market.

**Exam-style****Question 9** (2 MARKS)

Define the product life cycle.

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**Question 10** (2 MARKS)

Outline one extension strategy a business could use to lengthen a product's life cycle.

---

**Question 11** (3 MARKS)

Describe the maturity stage of the product life cycle and explain how the people and physical evidence elements of the marketing mix may be modified during this stage.

---

**Question 12** (3 MARKS)

Marty owns McFly, an electric skateboard company that recently entered the Australian market and established its brand image through an effective promotional campaign. Marty is aware that his electric skateboards are currently in the growth stage of the product life cycle and is seeking advice on how to best approach this stage so he can ensure McFly is successful in Australia.

Outline the growth stage of the product life cycle and describe how Marty may modify the product and place elements of the marketing mix during this stage at McFly.

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**Question 13** (4 MARKS)

Patterson is a banjo manufacturer on the outskirts of Brisbane that has been selling its banjos to millions of musicians worldwide for over 30 years. Designers at the company recently developed a new banjo model that is proposed to enter the market in the next two months. Management at Patterson is set to first launch the new banjo exclusively in Australia before expanding and selling the new banjo globally in the following months.

Identify and describe the stage of the product life cycle the new banjo at Patterson will be in when it is first introduced to the market. Explain how two elements of the marketing mix may be established.

**Testing previous knowledge****Question 14** (4 MARKS)

Nora owns Roberto's, an Italian wine producer with one of its wineries located in the Barossa Valley. Last year, Nora partnered with an Italian chef and released a unique wine collection specifically for cooking. This business venture was extremely successful for Roberto's as Nora saw rapid growth in both sales and brand recognition. Currently, this wine collection is in the maturity stage of the product life cycle and Nora is now considering new ideas for future wine collections.

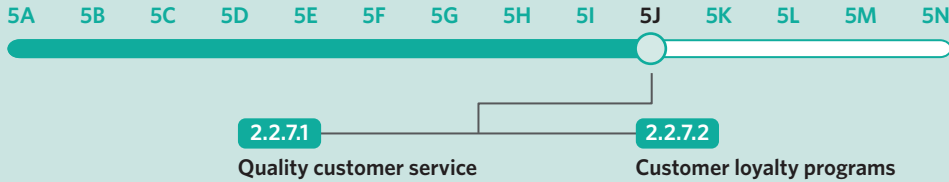
Explain how the marketing mix elements of promotion and process differ in the growth stage compared to the maturity stage of the product life cycle at Roberto's.

# 5J

# Customer relations strategies

## STUDY DESIGN DOT POINT

- the features and value of customer relations strategies such as providing quality customer service and establishing customer loyalty programs



*'The key is to set realistic customer expectations, and then not to just meet them, but to exceed them – preferably in unexpected and helpful ways.'*  
 – Richard Branson, Founder of the Virgin Group

Marketing is not only focused on meeting customer expectations in relation to the products being sold, but also on how customers are being treated. However, do all businesses provide good customer service? How can a business improve its customer relationships?

## Lesson introduction

Marketing not only focuses on advertising products, but also on how a business manages its **customer relations**. A customer's experience with a business can influence customer satisfaction and their relationship with the business. For businesses to be successful, they need to build strong relationships with their customers who will continuously purchase their products. It is vital that a business invests time and money into ensuring customers feel welcomed and satisfied throughout the entire purchase process, including post-purchase care.

## Quality customer service 2.2.7.1

A customer's experience with a business can determine whether or not they will purchase or continue to purchase products from a business. A business can provide **quality customer service** before, during, and after a customer's purchase to improve customer satisfaction. To provide high-quality customer service, businesses should aim to optimise customer value at every interaction with the business. Through effective **customer relationship marketing**, businesses can establish and develop customer value, satisfaction, and loyalty.

**Table 1** Features and the value of quality customer service

Feature	Explanation	Value
<b>Process of dealing with customer complaints, refunds, and returns</b>	<ul style="list-style-type: none"> <li>A business should have policies in place to promptly respond to customers who are dissatisfied with the goods or services they receive.</li> <li>A business should also have processes in place to efficiently and effectively deal with customer refunds and returns.</li> <li>A business should be flexible with its return policies and go beyond its legal requirements.</li> <li>A business could take on board negative feedback and change policies to resolve customer issues.</li> <li>A business could try to understand why the customer is refunding or returning the item.</li> </ul>	<ul style="list-style-type: none"> <li>Customers feel their concerns have been addressed and are likely to come back to the business.</li> <li>Customers are satisfied that their refund has been processed without delay and are more likely to purchase from the business in the future due to their efficient refund policies.</li> <li>Customers feel valued as the business is willing to provide a refund where they are not legally obligated to do so. For example, the business could allow refunds to customers who simply change their mind.</li> <li>Customers feel that their opinions are valued and are willing to return to the business.</li> </ul>

Continues ►

## KEY DEFINITIONS

**Customer relations** is the way a business creates, builds, and maintains customer relationships.

**Quality customer service** is a business consistently going above and beyond expected performance to ensure customers are satisfied with their experience.

## ADDITIONAL TERMS

**Customer relationship marketing** is a business implementing marketing strategies to develop and maintain customer value and loyalty.



Image: michaeljung/Shutterstock.com

**Figure 1** Quality customer service involves businesses providing customer value both in-store and online



**LESSON LINK**

Policies were introduced in **4E Policies and procedures**.

**Table 1** Continued

Feature	Explanation	Value
<b>Employee attitudes, behaviour, and knowledge</b>	<ul style="list-style-type: none"> <li>• A business's employees should uphold business values, such as being committed to customer satisfaction and remaining kind to customers.</li> <li>• Highly knowledgeable staff should provide customers with the information needed to make a purchase they are satisfied with.</li> <li>• Employees should make an effort to acknowledge and remember the customers who frequently return and purchase from the business.</li> </ul>	<ul style="list-style-type: none"> <li>• Customers feel welcome and attended to when making a purchase. Therefore, customers are likely to speak positively about the business to others.</li> <li>• Customers feel like their needs are being met and have trust in the value of their purchase. Therefore, these customers are likely to return to the business.</li> <li>• Customers feel valued and welcomed by employees who remember them and are likely to keep purchasing from the business.</li> </ul>
<b>Communication before and after a purchase</b>	<ul style="list-style-type: none"> <li>• A business should notify and inform customers about current offers, sales, and new products.</li> <li>• A business should provide customers with assistance after a sale if needed and contact them to see if they were happy with the service.</li> </ul>	<ul style="list-style-type: none"> <li>• Customers are constantly informed of the latest offers and products and are likely to be intrigued and purchase from the business as a result.</li> <li>• Customers feel satisfied with their overall purchase and are willing to share their positive experiences. An example of what a business could say post-purchase in an email is, 'How did we do?'. This encourages the customer to provide feedback on their experience.</li> </ul>
<b>Accessibility</b>	<ul style="list-style-type: none"> <li>• A business should maintain an open environment that encourages customers to speak to employees when there is a problem and provide multiple points of contact.</li> </ul>	<ul style="list-style-type: none"> <li>• Customers feel that the business is reliable and builds trust with the business. Therefore, customers are more likely to return.</li> </ul>
<b>Store and website layout</b>	<ul style="list-style-type: none"> <li>• A business should aim to clearly highlight to customers the products for sale, both in-store and online.</li> </ul>	<ul style="list-style-type: none"> <li>• Customers are able to search and find the items they want quickly which can increase their level of satisfaction during their purchasing experience.</li> </ul>
<b>Speed of response</b>	<ul style="list-style-type: none"> <li>• Businesses should be quick when dealing with a problem.</li> </ul>	<ul style="list-style-type: none"> <li>• Customers feel that their concerns have been addressed rapidly and are likely to purchase from the business again.</li> </ul>

**ACTIVITY****Quality customer service**

Think about a time when you were out shopping or dining and you had an exceptional customer service experience. Draw a mindmap with 'Quality customer service' in the middle and branches coming out from it, outlining why the experience was so good.

Questions to think about when drawing your mindmap:

1. How did the staff communicate with you?
2. What was the store environment like?
3. Were you waiting for a long time to be served?

**REAL WORLD EXAMPLE**

**Quality customer service**

Myer is an Australian department store that sells fashion, homeware, and beauty products. After implementing its 'Customer First Plan', Myer's sales grew by 5.5 per cent to \$2.65 billion during the 2021 Financial Year. Myer's CEO, John King, stated that 'this performance is best captured in record customer satisfaction scores with an 83 per cent average customer satisfaction score during the 2021 Financial Year'. Myer's 'Customer First Plan' included initiatives such as growing the online business, space optimisation within the store, and refocusing the merchandise in order to improve its product range. Myer's improvements enabled customers to receive quality service and encouraged more sales.

*Adapted from Business News, 'Myer roars back with \$46m profit as online sales continue to surge', 2021*



**Figure 2** Myer's focus on customer service has enabled the business to increase sales

**Customer loyalty programs 2.2.7.2**



**Figure 3** How customer loyalty cards work

**Customer loyalty programs** are marketing initiatives that enable customers to gain benefits for frequently purchasing from a business. Businesses can establish customer loyalty programs to encourage existing customers to make repeat purchases. Loyalty programs can also attract new customer sales as individuals may be interested in the rewards offered by a business. Examples of common rewards that customers may receive include discounts, free products, and early access to new products. When customers sign up for loyalty programs, businesses can gain customer information and add it to their existing customer database. After every transaction, a business can collect information such as the type of products a customer wants to purchase and when they usually purchase products. With this information, businesses can target loyal customers with specific promotions to encourage further purchases.

**Table 2** Features and value of a customer loyalty program

Feature	Explanation	Value
<b>Rewards offered</b>	<ul style="list-style-type: none"> <li>A business should provide customers with various rewards, such as discounts, free shipping, exclusive access to new products, or a free birthday gift.</li> <li>A business can create different levels of rewards according to the number of points customers earn. This enables a business to provide exclusive offers to more loyal customers, therefore increasing customer motivation to make purchases.</li> </ul>	<ul style="list-style-type: none"> <li>Customers feel recognised for their frequent purchases and are encouraged to make repeat purchases.</li> </ul>

Continues ►

**KEY DEFINITIONS**

**Customer loyalty programs** are marketing initiatives that enable customers to gain benefits for frequently purchasing from a business.

**LESSON LINK**

Data analytics will be covered in further detail in **5K Technology and marketing**.

Customer databases were introduced in **4E Technological and global issues**.

Table 2 Continued

Feature	Explanation	Value
<b>Personalisation</b>	<ul style="list-style-type: none"> <li>A business should provide customers with information about their current point status and send customised messages to inform them of exclusive offers and rewards they can earn.</li> <li>The data analytics collected from the loyalty program's usage enables the personalisation of marketing communications to consumers.</li> </ul>	<ul style="list-style-type: none"> <li>Customers are reminded of current offers and encouraged to make repeat purchases.</li> </ul>
<b>Usability</b>	<ul style="list-style-type: none"> <li>A business can ensure its loyalty cards are easy to use by allowing customers to access and gain points and rewards both online and in person.</li> </ul>	<ul style="list-style-type: none"> <li>Customers are more likely to frequently purchase from the business and are encouraged to use their loyalty card during every transaction.</li> </ul>

## REAL WORLD EXAMPLE



Image: haireena/Shutterstock.com

**Figure 4** MECCA's Beauty Loop loyalty program enables customers to receive benefits from their frequent purchases

### Customer loyalty programs

MECCA Beauty Loop is MECCA's customer loyalty program that recognises and provides loyal customers with many benefits. MECCA Beauty Loop offers three levels of recognition – Level 1: Beauty Discoverer, Level 2: Beauty Devotee, and Level 3: Beauty Aficionado. Four times a year, customers in each of these levels will be offered an exclusive Beauty Loop Box, which contains a selection of MECCA's favourite beauty products. Customers in each of these levels will also receive a free birthday gift every year. The more customers spend at MECCA, the higher they will progress through the Beauty Loop levels. As a result, customers will be able to enjoy many more benefits, such as priority invitations to events, complimentary MECCA Natural Makeup Applications, exclusive insider access to new and limited edition products, and more Beauty Loop Boxes. MECCA's Beauty Loop loyalty program provides customers with more of the products they love, the samples they want, and the experiences they enjoy. MECCA is able to use the data analytics generated from these loyalty programs to better determine customer purchasing behaviours and more relevant marketing communications.

*Adapted from MECCA, 'MECCA Beauty Loop', 2022*

### ACTIVITY

#### Customer loyalty programs

Think about a business's loyalty program that you are a part of or conduct some research online if you are not a part of any. Some examples could be Boost Juice's Vibe Club, Chatime's Loyal-Tea Club, or Woolworths' Rewards loyalty program.

Discuss with your classmates the following questions:

1. What benefits do you receive from the loyalty program?
2. Do you receive emails or app notifications about the business's latest deals and sales?
3. Are you more likely to continue to shop with the business because you are part of its loyalty program?
4. What do you think the business gains from these loyalty programs?

### Theory summary

When marketing products, a business needs to consider how it will develop and maintain its customer relationships. By implementing customer relations strategies, a business can encourage repeat purchases and develop strong customer loyalty, which improves a business's reputation. There are a number of customer relations strategies:

- Quality customer service involves going above and beyond regular customer service to provide customers with an exceptional and memorable experience.
- Customer loyalty programs are initiatives that enable customers to earn rewards by making repeat purchases with a business.

# 5J Questions

## Theory review

### Question 1

Businesses that focus on managing customer relations are more likely to be successful.

- A. True
- B. False

### Question 2

Businesses must plan in order to provide quality customer service.

- A. True
- B. False

### Question 3

Fill in the blank with **one** of the following terms:

- below
- above

Quality customer service is a business providing service \_\_\_\_\_ the expectation in an industry.

### Question 4

Fill in the blank with **one** of the following terms:

- process of dealing with customer complaints
- store and website layout

A business can improve customer relations by ensuring its \_\_\_\_\_ enables customers to find the product they need and want.

### Question 5

Quality customer service and customer loyalty programs both aim to improve customer satisfaction and loyalty.

- A. True
- B. False

### Question 6

A feature of a loyalty program is the rewards, such as discounts and free shipping, which customers can earn.

- A. True
- B. False

### Question 7

Customer relations are only important for businesses that operate in physical stores.

- A. True
- B. False

## Preparing for exams

### Case study skills

### Question 8

Mizono is a small coffee shop located in Richmond that specialises in selling mocha lattes and cupcakes. Mizono aims to increase customer sales and compete with larger well-known coffee shops. Sade, the owner, is thinking about introducing a loyalty card that offers customers a free coffee after their eighth coffee purchase from Mizono.

Identify which of the following are correct statements about Mizono. **(Select all that apply)**

- I. Mizono can encourage new and existing customers to make repeat purchases of coffee with the offer of a free coffee.
- II. Mizono may lose customers by offering a free coffee after eight consecutive purchases.
- III. Mizono can develop strong customer loyalty by introducing a loyalty card to customers.

**Question 9**

Rashida and Jane own a candle shop called Summers. Summers has four regular full-time staff that are very knowledgeable about how the candles are made. In three months, Summers has been able to sell out of its signature marshmallow fluff-scented candle four times. Rashida and Jane believe this is because the marshmallow fluff candles are placed at the front of the store.

Identify which of the following statements are **true** or **false** about Summers.

	True	False
I. Summers' knowledgeable staff encourages customers to trust their recommendations and make repeat purchases.	<input type="checkbox"/>	<input type="checkbox"/>
II. Summers' store layout confuses customers.	<input type="checkbox"/>	<input type="checkbox"/>
III. Summers' inexperienced staff discourage customers from returning to the store.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Summers' store layout enables customers to easily find and purchase the marshmallow fluff-scented candles.	<input type="checkbox"/>	<input type="checkbox"/>

**Use the following information to answer Questions 10 and 11.**

Blingz is a nail salon located in Maribyrnong, which just opened four months ago. Although it receives great compliments from its customers, Blingz does not have many customers who return frequently. The owner, Mina, aims to implement a customer relations strategy to increase sales by 40% over the next six months.

**Question 10**

Identify which of the following is a correct statement about Blingz's current situation.

- A. Blingz is struggling to develop a loyal customer base.
- B. Blingz aims to increase sales by 10% in the next 6 months.

**Question 11**

Identify which of the following are correct statements about Blingz. **(Select all that apply)**

- I. Introducing a loyalty program may enable Mina to encourage customers to return regularly for nail services.
- II. Maintaining consistent communication before and after a nail appointment adds to quality service and can encourage customers to return.
- III. Offering rewards through a loyalty program can make loyal customers feel recognised and appreciated.
- IV. Having policies in place at the nail store to ensure customer complaints are handled well will have no impact on ensuring that customers will return to Blingz.

**Exam-style****Question 12** (1 MARK)

Define the term 'quality customer service'.

**Question 13** (2 MARKS)

Outline customer loyalty programs as a customer relations strategy.

**Question 14** (3 MARKS)

Mizono is a small coffee shop located in Richmond that specialises in selling mocha lattes and cupcakes. Mizono aims to increase customer sales and compete with larger well-known coffee shops. Sade, the owner, is thinking about introducing a loyalty card that offers customers a free coffee after their eighth coffee purchase from Mizono.

Explain the use of a customer loyalty program at Mizono.

**Question 15** (4 MARKS)

Rashida and Jane own a candle shop called Summers. Summers has four regular full-time staff that are very knowledgeable about how the candles are made. In three months, Summers has been able to sell out of its signature marshmallow fluff-scented candle four times. Rashida and Jane believe this is because the marshmallow fluff candles are placed at the front of the store.

Describe two features of quality customer service at Summers.

---

**Question 16** (4 MARKS)

Blingz is a nail salon located in Maribyrnong, which just opened four months ago. Although it receives great compliments from its customers, Blingz does not have many customers who return frequently. The owner, Mina, aims to implement a customer relations strategy to increase sales by 40% over the next six months.

Identify and explain one customer relations strategy Mina can implement to optimise customer value.

**Testing previous knowledge****Question 17** (2 MARKS)

Outline two advantages of using customer loyalty programs to establish a customer database.

# 5K Technology and marketing

Have you ever wondered how much information big tech companies, such as Google and Facebook, have collected about you? Or how your computer and phone seem to suspiciously advertise goods and services exactly when you need them? What other technological developments have you noticed in relation to businesses and marketing?



## KEY DEFINITIONS

**Technological developments** are the invention and innovation of tools that solve problems and enhance processes.

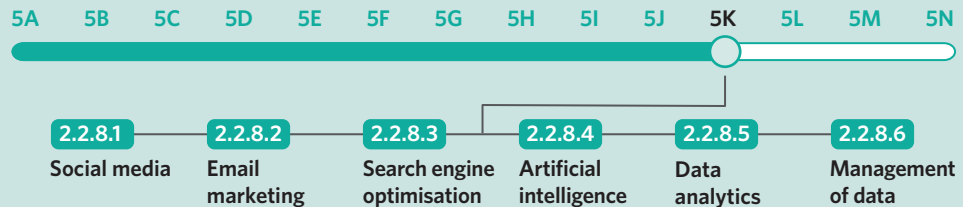
**Social media** is the online platforms that can be used to connect with others and share content.

## ADDITIONAL TERMS

**Demographics** is statistical information about the characteristics of a population, such as age, ethnicity, gender, and income.

## STUDY DESIGN DOT POINT

- technological developments in marketing such as social media, email marketing, search engine optimisation, artificial intelligence, data analytics and management of data



## Lesson introduction

**Technological developments** are the invention and innovation of tools that solve problems and enhance processes. Technological developments in marketing have changed the way businesses advertise their goods and services to customers. Modern marketing practices allow for campaigns to be personalised and tailored to each customer to ensure their individual wants and needs are met. This personalisation is achieved through the use of technology which allows businesses to interact with customers and understand their trends and purchasing behaviour. Technological developments that are widely used by businesses include social media, email marketing, search engine optimisation, artificial intelligence, data analytics, and management of data. As technology is constantly progressing, businesses must adopt the latest developments to ensure they advertise their products in the best way possible.

## Social media 2.2.8.1

**Social media** is the online platforms that can be used to connect with others and share content. The rise in popularity of social media has significantly changed the way businesses promote and sell their goods and services to customers. The presence of social media platforms has forced businesses to switch from conventional methods of advertising, such as newspapers and television ads, to current methods, such as Facebook, Instagram, and more recently, TikTok. As of 2022, there are approximately 4.48 billion active social media users. Therefore, advertising through these platforms allows businesses to reach a wider audience and increase brand awareness. The effectiveness of social media marketing can be attributed to the ability of businesses to target ideal customers based on **demographics**. For example, businesses can target users based on gender, age, location, behaviours, interests, website visitors, email lists, and more. Therefore, social media enables businesses to increase sales and market share as a larger number of individuals are exposed to the business's brand.

**Table 1** Advantages and disadvantages of social media

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>• Businesses can reach a wider audience and increase their brand awareness.</li> <li>• A business's brand can be promoted when customers follow, like, and share its social media pages.</li> <li>• Businesses can easily connect, listen, and respond to customers, improving customer satisfaction.</li> <li>• Social media posts can direct potential customers to a business's website, increasing website traffic.</li> <li>• There is potential for businesses to collaborate with influencers and content creators to promote their brand.</li> </ul>	<ul style="list-style-type: none"> <li>• Social media may be difficult to use for some age groups, such as elderly people.</li> <li>• There is a large risk of security breaches due to the growing number of hackers who have the power to destroy a business's reputation.</li> <li>• A business may receive negative comments on its social media posts which may damage its reputation.</li> </ul>
<b>Employee</b>	–	–
<b>Time</b>	–	<ul style="list-style-type: none"> <li>• It may be time-consuming for businesses to develop successful social media strategies to increase brand awareness.</li> </ul>
<b>Money</b>	<ul style="list-style-type: none"> <li>• Some social media platforms, such as Instagram and Facebook, have a marketplace where customers can purchase goods and services, increasing sales and profits.</li> <li>• Social media can be cheaper than traditional advertising activities.</li> </ul>	<ul style="list-style-type: none"> <li>• The additional resources needed to create social media content may be expensive for businesses.</li> </ul>

**REAL WORLD EXAMPLE****Social media**

Duolingo is a language-learning application that allows users to learn how to speak up to 41 different languages. In February 2021, Duolingo joined TikTok, a video-focused social-networking service, and since then, has generated 4.2 million followers and 79.4 million likes in 2022. As approximately 42% of TikTok users are between 18 and 24 years old, Duolingo began to produce amusing videos to target this age group, encouraging them to download the app and start learning a language. The videos starring the company's mascot, an unhinged and threatening owl who is fed up with people ignoring his daily lesson reminders, quickly became a success and resulted in Duolingo becoming the number one education app on the Apple App Store. Therefore, the success of Duolingo after joining TikTok demonstrates the effectiveness of using social media as a marketing tool to gain customers.

*Adapted from Marketing, 'Duolingo gets massive TikTok following thanks to passive-aggressive owl', 2022*



Image: Konstantin Savusia/  
Shutterstock.com

**Figure 1** Duolingo joins TikTok, a popular social media platform, to encourage users to join the language-learning app



## KEY DEFINITIONS

**Email marketing** is the process of sending personalised electronic messages to existing customers to promote a business's goods and services.

## Email marketing 2.2.8.2

**Email marketing** is the process of sending personalised electronic messages to existing customers to promote a business's goods and services. Email marketing is a popular digital marketing strategy used by businesses to increase brand awareness and connect with customers. A business can significantly increase its sales by sending personalised emails to a list of customers who have consented to receive information about the business. There are different types of emails that a business can send to customers, depending on the circumstances. For example, promotional emails may be used to advertise new product releases or provide exclusive offers to select customers to increase sales. Informational emails are also popular and provide customers with details about improvements or changes to existing products within the business. Additionally, sending re-engagement emails is another common marketing strategy used to reconnect with customers or subscribers who have not purchased from the business in a while. Therefore, email marketing can create brand loyalty by reminding and encouraging customers to make frequent purchases from the business.

**Table 2** Advantages and disadvantages of email marketing

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>• Emails can be personalised to suit the individual wants and needs of customers.</li> <li>• The business can send emails containing surveys or questionnaires to collect customer feedback and improve its goods and services.</li> <li>• Emails containing promotions for particular products can direct customers to a business's website, increasing website traffic.</li> <li>• The email marketing list is permission-based, therefore individuals have chosen to receive the email communications and may be more genuinely interested in the business and its products.</li> </ul>	<ul style="list-style-type: none"> <li>• Customers may become frustrated by receiving constant emails from a business and may choose to unsubscribe from mailing lists.</li> <li>• The marketing campaign may not be successful if the business does not have the correct design or an appropriate marketing list.</li> </ul>
<b>Employee</b>	–	–
<b>Time</b>	<ul style="list-style-type: none"> <li>• As emails are automated, businesses can send emails out quickly.</li> </ul>	<ul style="list-style-type: none"> <li>• It can be time-consuming for the business to design and implement the campaign.</li> </ul>
<b>Money</b>	<ul style="list-style-type: none"> <li>• Email marketing encourages customers to purchase goods or services, increasing sales and profits.</li> </ul>	<ul style="list-style-type: none"> <li>• It can be expensive for the business to implement as additional employees may need to be hired to manage the emails.</li> </ul>

## REAL WORLD EXAMPLE



Image: Alex Photo Stock/Shutterstock.com

**Figure 2** Uber announces the reintroduction of its most affordable ride option, Uber Pool, through an email campaign

### Email marketing

Uber is a popular ridesharing company that allows its customers to be matched with a driver in a matter of minutes. In order to communicate the latest news, offers, and promotions to its customers, Uber sends simple email campaigns which are known for being easy to read and straight to the point. This is because Uber divides its information into different coloured blocks, each colour representing a different update. In May 2022, Uber emailed all of its customers in Melbourne to announce the re-introduction of Uber Pool, its most affordable ride option. As customers share their rides with strangers travelling in the same direction to lower the fee, this option was unavailable throughout the duration of the COVID-19 pandemic due to strict social distancing rules. Therefore, the email reintroducing this service clearly outlines that Uber Pool is back in Melbourne, with the first line reading 'Our most affordable ride is back!' in large bolded letters. Accompanying the announcement is an interactive button that enables customers to 'discover' more about Uber Pool, as well as a 25% discount to customers who use Uber Pool before 1 June 2022. Therefore, through email marketing, Uber was able to notify its Melbourne customers of the latest decision to re-introduce Uber Pool.

*Adapted from Uber, 'Have you heard? Pool is back!', email correspondence from Uber, 2022*

## Search engine optimisation 2.2.8.3

**Search engine optimisation** is a process used by businesses to ensure their website ranks higher in search results when customers search for goods or services related to the business online. As the number of businesses using websites to promote and sell goods and services is increasing, businesses must constantly aim to improve website visibility and traffic. To do this, search engine optimisation is used to improve a business's position in search results pages and is a fundamental part of digital marketing. Search engine optimisation makes a business more visible when customers search for goods or services related to the business online through platforms, such as Google, Bing, and Yahoo!. Unlike paid search advertising, search engine optimisation is free and involves the use of natural search results. Therefore, a business must research elements that search engines look for, such as keywords, visitor behaviour, and site structure and design, in order to ensure its website is ranked as high as possible in search results.

### KEY DEFINITIONS

**Search engine optimisation** is a process used by businesses to ensure their website ranks higher in search results when customers search for goods or services related to the business online.

**Table 3** Advantages and disadvantages of search engine optimisation

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>Websites that rank high on search engine result pages are often considered to be trustworthy and of high quality.</li> <li>Improved website traffic could increase sales.</li> <li>Customers are more likely to visit websites that rank higher in search engine results, improving a business's brand awareness.</li> </ul>	<ul style="list-style-type: none"> <li>Businesses that pay for a higher website rank will receive priority on search results pages compared with businesses that solely focus on search engine optimisation.</li> <li>Businesses that partake in search engine optimisation have to compete with the rest of the internet.</li> </ul>
<b>Employee</b>	–	–
<b>Time</b>	<ul style="list-style-type: none"> <li>Search engine optimisation will likely save a customer's time in finding the business online as it is likely to be one of the first matches with a customer's search</li> </ul>	<ul style="list-style-type: none"> <li>Researching appropriate elements to ensure a business is highly ranked can be time consuming.</li> <li>It takes time for search engine optimisation to be effective as results are not instantaneous.</li> </ul>
<b>Money</b>	<ul style="list-style-type: none"> <li>Search engine optimisation is free as it uses organic search results rather than paying for advertising.</li> <li>As more customers are active on a business's website, this can increase sales and profits.</li> </ul>	<ul style="list-style-type: none"> <li>It can be expensive to devise search engine optimisation strategies.</li> </ul>

### REAL WORLD EXAMPLE

#### Search engine optimisation

Amazon is a technology company that offers a range of services including e-commerce. In order to optimise its product listings, Amazon uses its own search engine optimisation process known as 'Amazon A10'. Through this technology, Amazon ensures that each time a customer searches for a product, they are matched with the best possible options available on Amazon's website. The A10 search engine focuses on maximising its 'revenue per click' and allows the company to increase the likelihood of customers purchasing high-quality and affordable products. An essential aspect of Amazon's search engine optimisation process is the use of keywords. Therefore, businesses that sell their products through Amazon must ensure they research keywords used by 'Amazon A10' to ensure their products rank high in search results.

*Adapted from Seller Interactive, 'Amazon SEO in 2022: A Comprehensive Guide', 2022*

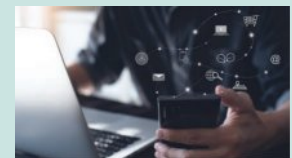


Image: TippaPatt/Shutterstock.com

**Figure 3** 'Amazon A10' is Amazon's search engine optimisation platform which ensures customers are matched with the best possible products based on their search

**KEY DEFINITIONS**

**Artificial intelligence** is software that is able to mimic the behaviour of humans.

**LESSON LINK**

Artificial intelligence will be covered in further detail in **6C Technological developments and staffing needs**.

## Artificial intelligence 2.2.8.4

**Artificial intelligence** is software that is able to mimic the behaviour of humans. Artificial intelligence is used by businesses to provide the best possible customer experience and enhance the efficiency and success of marketing campaigns. The use of this technology allows businesses to collect and analyse data which can be used to gain customer insights and predict customer behaviour. This information can then be used to make automated advertising decisions that are designed to target particular customers. Using artificial intelligence allows a business to predict the needs and wants of particular customers, enabling personalised messages to be sent at the most appropriate times to improve the impact and success of marketing campaigns. While customers may not realise it, this technology alters the way they purchase goods and services. Examples of how businesses utilise artificial intelligence include the use of chatbots for customer enquiries, assistance, and providing product recommendations based on previous purchases. Therefore, artificial intelligence has revolutionised the way businesses advertise their goods and services to customers.

**Table 4** Advantages and disadvantages of artificial intelligence

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>Artificial intelligence reduces the likelihood of a data breach by avoiding human errors.</li> <li>Customers who receive personalised messages may feel valued by the business, improving its reputation.</li> </ul>	<ul style="list-style-type: none"> <li>Software is not always reliable and may inaccurately interpret the data that is collected.</li> <li>Customers may prefer to speak to a human rather than receive automated responses from chatbots.</li> </ul>
<b>Employee</b>	–	<ul style="list-style-type: none"> <li>The use of chatbots may make many employee roles redundant.</li> </ul>
<b>Time</b>	<ul style="list-style-type: none"> <li>An automated marketing process allows for faster business decisions related to marketing.</li> <li>Chatbots increase productivity due to speedy automated responses.</li> </ul>	–
<b>Money</b>	<ul style="list-style-type: none"> <li>Personalised messages can be sent to customers at appropriate times to increase sales and profits.</li> <li>The use of chatbots reduces business expenses in the form of employee wages, increasing profits.</li> </ul>	<ul style="list-style-type: none"> <li>It can be expensive to invest in artificial intelligence technology.</li> </ul>

**REAL WORLD EXAMPLE**

Image: Daniel Krason/Shutterstock.com

**Figure 4** Airbnb adopts artificial intelligence through its 'Smart Pricing Algorithm' which recommends appropriate listing prices

### Artificial intelligence

Airbnb is an online marketplace that allows property owners to rent out their homes to individuals who are looking for accommodation. In 2015, Airbnb launched its 'Smart Pricing Algorithm' which is an artificial intelligence software that analyses relevant data to generate and recommend an appropriate listing price for each house. The built-in tool takes into consideration many factors when determining an appropriate price, including the quality of the listing, local demand, the average number of people who view the listing, and the number of searches for similar listings. Ensuring each home is advertised at a price that best reflects the market assists the homeowner in maximising the number of individuals who stay at their home. As this artificial intelligence tool is constantly analysing the market and updating the listing price to remain competitive, homeowners are able to receive the most up-to-date information and prices.

*Adapted from Emerj, 'Artificial Intelligence at Airbnb – Two Unique Use-Cases', 2021*

## Data analytics 2.2.8.5

**Data analytics** is the process of examining information that has been collected by businesses in order to draw conclusions and make effective decisions. After collecting data, businesses must analyse the information to be able to understand customer behaviour and implement appropriate marketing strategies in response. Through data analytics, businesses can gain insight into how customers have responded to past marketing campaigns and draw conclusions about whether they have been successful. This will help the business create future marketing strategies that attract new customers and sales. Data analytics also assists in predicting customer behaviour by analysing past purchases and search histories. Based on this information, the business can send personalised and targeted advertisements to its customers to increase awareness and sales. Therefore, the analysis of data collected by businesses is essential for the business to understand customer behaviour.

**Table 5** Advantages and disadvantages of data analytics

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>Businesses can send personalised messages to customers to ensure their individual needs are met, enhancing the customer experience.</li> <li>As data analytics allows businesses to send personalised messages to customers, this encourages customers to repeatedly purchase from the business, improving customer loyalty.</li> <li>Through analysing how customers have responded to past marketing campaigns, the business can determine strategies to make improvements for the future.</li> </ul>	<ul style="list-style-type: none"> <li>Customers may become annoyed if they receive too many advertisements or product recommendations.</li> <li>The business may have misinterpreted or inaccurately analysed the data collected which may lead to inaccurate marketing decisions.</li> <li>There is a potential for data breaches which may cause customers to lose trust in the business, negatively impacting the business's reputation.</li> </ul>
<b>Employee</b>	<ul style="list-style-type: none"> <li>Additional employees may need to be hired to interpret the data collected by the business.</li> </ul>	–
<b>Time</b>	<ul style="list-style-type: none"> <li>A customer's time searching for products may be saved where the item they intended to purchase is recommended to them.</li> </ul>	<ul style="list-style-type: none"> <li>It can be time consuming to analyse the data that has been collected.</li> </ul>
<b>Money</b>	<ul style="list-style-type: none"> <li>Customers will likely purchase products that have been recommended by the business based on past purchases or searches, increasing sales and profits.</li> </ul>	<ul style="list-style-type: none"> <li>Businesses may have to hire data analytics experts which can be expensive.</li> </ul>

### KEY DEFINITIONS

**Data analytics** is the process of examining information that has been collected by businesses in order to draw conclusions and make effective decisions.

### LESSON LINK

Data analysis and interpretation was introduced in **5E Market research practices**.

### REAL WORLD EXAMPLE

#### Data analytics

Spotify is an audio streaming service that has millions of songs on offer to its users who can listen for free or pay a subscription and obtain additional benefits. Known for providing its users with a personalised experience, Spotify uses data analytics to make music recommendations to listeners, allowing them to discover more. By examining the type of content users listen to, Spotify is able to group people together and recommend music based on what similar users are listening to. In addition, Spotify analyses keywords and phrases that are being used to describe songs on online sources, such as articles and blog posts. This helps Spotify compare and group music to ensure the most relevant song recommendations are made to listeners. Therefore, by analysing all the data collected, Spotify can help users discover and listen to new music and better satisfy its customers.

*Adapted from AI, Data & Analytics Network, 'How Spotify Uses Data to Keep You Listening', 2021*



Image: Ink Drop/Shutterstock.com

**Figure 5** Spotify uses data analytics to make music recommendations to listeners

**ACTIVITY**

**Data analytics**

As individuals have different tastes, the types of goods and services that are recommended online will greatly differ with each person. With your class, search the following terms on Google with your own device to determine the types of products that are advertised to you:

- Clothes
- Shoes
- Bags

Then, compare the types of products that have been recommended to you with the results of some of your classmates by answering the following questions:

- Did the results change for each person?
- How did they change?
- Were there any similarities in the results?
- Do the products satisfy your individual wants, needs, or tastes?

## Management of data 2.2.8.6

**KEY DEFINITIONS**

**Management of data** is the practice of collecting, organising, using, and storing data securely so businesses can use this information to make effective decisions.

**Management of data** is the practice of collecting, organising, using, and storing data securely so businesses can use this information to make effective decisions. As we live in a digital world where society relies on technology to function, the information and data that businesses have access to is continuously increasing. Therefore, businesses must implement appropriate strategies to ensure their management of data is effective and assists in decision making. Businesses will adopt appropriate hardware and software tools to help create a database of information about their customers. To ensure that businesses can accurately predict customers' needs and wants, data that is collected should be organised so that only directly relevant information is used. This will allow businesses to accurately recognise individual customer preferences and purchasing habits. Based on this information, businesses will be able to implement accurate marketing strategies which promote goods and services to customers more likely to purchase them. Additionally, data management ensures that the information collected by the business is secure, backed up, and unable to be accessed by unauthorised individuals. This will protect the business from experiencing data breaches, losses, and thefts which is vital to complying with consumer protection laws related to privacy.

**Table 6** Advantages and disadvantages of management of data

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>• The business can accurately advertise goods and services to customers by ensuring the correct information is collected and used.</li> <li>• Backing up data can prevent businesses from losing important information.</li> </ul>	<ul style="list-style-type: none"> <li>• There is still potential for data breaches that may damage a business's reputation because data may not be properly stored.</li> <li>• The software and hardware may be vulnerable to failure and may break down.</li> <li>• The software tools are often highly complex and may be difficult to implement and operate.</li> </ul>
<b>Employee</b>	-	-
<b>Time</b>	<ul style="list-style-type: none"> <li>• The business can respond quickly to changing customer wants and needs due to receiving reliable and up-to-date data.</li> </ul>	<ul style="list-style-type: none"> <li>• It can be time consuming to constantly maintain and update data management systems.</li> </ul>
<b>Money</b>	<ul style="list-style-type: none"> <li>• Customers will likely purchase products that have been recommended by the business based on past purchases or searches, increasing sales and profits.</li> </ul>	<ul style="list-style-type: none"> <li>• The software and hardware used to collect and organise data can be expensive.</li> </ul>

## REAL WORLD EXAMPLE

### Management of data

Tesla is an automotive and clean energy company that produces and sells electric cars. Unlike many other car companies, Teslas are equipped with an array of smart technologies including self-driving capabilities, in-built cameras and sensors, as well as self-parking features. The use of this technology enables Tesla to collect data from its cars which can be used to develop and refine its software systems. This allows for improvements to be made to future and existing cars through software updates, ensuring customer needs are satisfied. To ensure its management of data is secure, Tesla has systems in place to protect sensitive data from being breached as well as backup systems to prevent information from being corrupted.

*Adapted from BBN Times, 'How Tesla is Using Big Data: Benefits & Challenges of Big Data in Self Driving Cars', 2021*



Image: Kaspars Grinvalds/Shutterstock.com

**Figure 6** Tesla's management of data assists in the improvement of its future cars and current software systems

### WANT TO KNOW MORE?

In March 2018, Facebook was under heavy scrutiny for breaching the data of approximately 87 million users in the largest data breach scandal to date. Often referred to as the 'Cambridge Analytica' scandal, the personal information of millions of users was unlawfully collected without their consent by a British consulting firm known as Cambridge Analytica. This was achieved through the company's creation of a Facebook quiz which exposed a loophole within Facebook's application programming interface. Cambridge Analytica was able to collect the private information of each person who completed the quiz. This information was then used as a political advertising tool to enhance the success of Donald Trump's presidential campaign by targeting ads to existing and potential supporters using the voter data gathered. Mark Zuckerberg, Facebook's CEO, continues to experience the aftermath of the scandal. In May 2022, it was announced that Zuckerberg was being sued by the Washington D.C Attorney General for failing to protect the privacy and data of its users in the 'Cambridge Analytica' scandal.

*Adapted from ABC News, 'DC attorney general sues Mark Zuckerberg over Cambridge Analytica data breach', 2022*

### Theory summary

Developments in technology have transformed the way businesses promote and advertise their goods and services to customers. There are a number of technological developments in marketing:

- The global use of social media has resulted in many businesses utilising platforms, such as Facebook and Instagram, to increase brand awareness and remain competitive.
- Email marketing can be used to send personalised messages to existing customers to encourage sales.
- Businesses that focus on search engine optimisation will rank higher in search engine result pages, improving brand exposure and increasing website traffic.
- Businesses can adopt artificial intelligence to predict customer behaviour and advertise goods and services at appropriate times to maximise sales.
- Data analytics allows businesses to make sense of data that has been collected and better understand customer tastes and preferences.
- Management of data ensures useful information is securely stored within the business so that it can be used for future marketing strategies.

# 5K Questions

## Theory review

### Question 1

Technological developments in marketing allow businesses to provide customers with a more personalised shopping experience.

- A. True
- B. False

### Question 2

Fill in the blank with **one** of the following terms:

- Data analytics
- Email marketing

\_\_\_\_\_ involves the business examining information that has been collected in order to better understand customer behaviour.

### Question 3

Email marketing can result in customers becoming frustrated when the business sends emails too frequently.

- A. True
- B. False

### Question 4

Fill in the blank with **one** of the following terms:

- search engine optimisation
- social media

Through the use of \_\_\_\_\_, a business can improve its position and rank higher on search results pages.

### Question 5

Businesses only use social media to advertise their goods and services to a younger age group.

- A. True
- B. False

### Question 6

The process of ensuring that data collected is secure, backed up, and unable to be accessed by unauthorised individuals is an example of:

- A. artificial intelligence.
- B. management of data.

### Question 7

Artificial intelligence can be used to predict the needs and wants of particular customers and allow businesses to make automated advertising decisions that are designed to target particular customers.

- A. True
- B. False

## Preparing for exams

### Case study skills

### Question 8

Bethany's Boots is an online business that specialises in selling a variety of stylish boots. To provide customers with a personalised shopping experience, Bethany's Boots collects customer information based on past purchases, so it can recommend boot styles that each customer may like. The owner, Bethany, has no systems in place to store and protect all the data that is collected, which has made her worried that the information is not secure and may result in a data breach.

Identify which of the following statements explains the importance of effective management of data at Bethany's Boots. **(Select all that apply)**

- I. The chances of a data breach occurring will significantly decrease if data is managed effectively as the information collected by Bethany's Boots will be secure and protected.
- II. Bethany will be able to continue providing customers with a personalised shopping experience if the data collected in relation to customer preferences will be secure and backed up.
- III. Bethany's Boots can automate its marketing campaigns by adopting artificial intelligence to predict the future sales of its boots.

**Question 9**

Stephen is the owner of Comfy Couches, a business that is known for its unique couch designs to suit different customer preferences. Stephen uses email marketing to notify customers of new couches that are released in order to encourage customers to visit the online store. Recently, customers have been complaining that Comfy Couches sends too many emails and are consequently unsubscribing from receiving future emails.

Identify which of the following are **advantages** or **disadvantages** of email marketing at Comfy Couches.

	Advantage	Disadvantage
I. Emails can be personalised to suit the individual needs of customers by advertising couch designs that best reflect customer tastes.	<input type="checkbox"/>	<input type="checkbox"/>
II. When a large number of customers unsubscribe from receiving emails from Comfy Couches, sales and profits will likely decline as fewer customers are notified of new couches that are released.	<input type="checkbox"/>	<input type="checkbox"/>
III. Comfy Couches' customers are becoming frustrated by the constant emails from the business and are choosing to unsubscribe from receiving further emails.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Emails containing promotions for particular couches can direct customers to Comfy Couches' website, increasing website traffic.	<input type="checkbox"/>	<input type="checkbox"/>

**Exam-style****Question 10** (2 MARKS)

Describe the impact of social media in marketing.

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**Question 11** (2 MARKS)

Describe the impact of data analytics in marketing.

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**Question 12** (3 MARKS)

Explain how artificial intelligence can impact marketing practices for businesses.

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**Question 13** (4 MARKS)

Discuss the use of search engine optimisation in marketing.

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**Question 14** (3 MARKS)

Bethany's Boots is an online business that specialises in selling a variety of stylish boots. To provide customers with a personalised shopping experience, Bethany's Boots collects customer information based on past purchases, so it can recommend boot styles that each customer may like. The owner, Bethany, has no systems in place to store and protect all the data that is collected, which has made her worried that the information is not secure and may result in a data breach.

Explain the importance of effective management of data at Bethany's Boots.

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**Question 15** (4 MARKS)

Stephen is the owner of Comfy Couches, a business that is known for its unique couch designs to suit different customer preferences. Stephen uses email marketing to notify customers of new couches that are released in order to encourage customers to visit the online store. Recently, customers have been complaining that Comfy Couches sends too many emails and are consequently unsubscribing from receiving future emails.

Discuss the use of email marketing at Comfy Couches.

**Testing previous knowledge****Question 16** (3 MARKS)

Explain how businesses can use email marketing to establish a customer base.



# 5L The relationship between public relations and business objectives

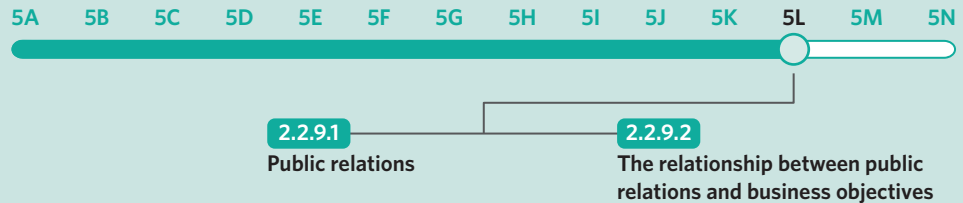
'Publicity is absolutely critical. A good PR story is infinitely more effective than a front page ad.'  
 - Richard Branson, founder of Virgin Australia.

What does this quote suggest about public relations and business success?



## STUDY DESIGN DOT POINT

- an overview of public relations and its relationship to business objectives



## Lesson introduction

A business's public perception and image are important in attracting new customers, which can increase sales and promote business success. It is therefore vital for a business to maintain and develop its image to assist with the achievement of business objectives.

## KEY DEFINITIONS

**Public relations (PR)** is communicating an intended message to the public to create and sustain a positive business reputation.

## ADDITIONAL TERMS

**Publicity** is the process of attracting the attention of the public or **media**.

**Media** is the communication channels and tools used to spread information to a wide audience.

**Publics** are individuals or groups who interact with and can be impacted by a business's activities. They can be internal or external to a business.

A **public relations (PR) campaign** is the coordination of public relations activities to improve a business's reputation, including events, community involvement, and social media.

**Action groups** are a number of people who work together for a particular cause.

## Public relations 2.2.9.1

**Public relations (PR)** is communicating an intended message to the public to create and sustain a positive business reputation. It involves a business sharing specific information to gain **publicity** and develop and maintain a relationship with its **publics**. During this process, the business does not make any payments to control how a message is communicated to the public and this is considered unpaid media. Unpaid media is one way that businesses use public relations to communicate messages and generate trust with its publics. The main focus of public relations for a business is managing what information is released to the public and how it is spread. Public relations is important to businesses as they rely on this form of communication to develop and assist in improving their reputation, or to generate a positive brand image to the public. Maintaining a positive reputation is vital to any business as public opinion is often difficult to change, thus when a business's reputation is tarnished, it can negatively affect performance. Businesses can conduct public relations through a **public relations (PR) campaign** which, when managed effectively, can generate strong public exposure for the business and be a cost-effective method of promotion.



Figure 1 Examples of internal and external publics

## EXTENDED REAL WORLD EXAMPLE

### Public relations

Spotify is a music and podcast streaming platform that provides listeners with free services and paid ad-free subscriptions. In 2022, Spotify received media scrutiny after a number of podcasts were said to be spreading misinformation about health and disease, leading to a series of controversial and ill-informed opinions being believed worldwide. This issue associated with Spotify's inability to moderate content, negatively impacted its business reputation and the relationship that the streaming platform had with its publics. Many of the artists who permit Spotify to stream their music and podcasts, threatened to boycott the platform. Some artists, including Joni Mitchell and Brene Brown, already announced that they would be leaving Spotify due to the offensive language and misinformation that other podcasters and musicians are expressing on the platform. Moreover, Spotify not only faced the threat of losing its artists, but many of its listeners publicly stated that they had deleted the app, most likely opting for alternative platforms, such as Apple Music and Apple Podcasts. Therefore, because Spotify was unwilling to immediately condemn and limit the misinformation and discrimination present on its platform, its market share in the music streaming market was negatively impacted.

In February 2022, Spotify released statements where the CEO, Daniel Ek, claimed the company was implementing several first-of-its-kind measures to help combat misinformation and provide greater transparency in an effort to restore Spotify's reputation. Furthermore, the music-streaming giant simultaneously published its platform rules, which had been enforced for a number of years, to highlight to its public that it never stood for the publishing of misleading information, and that it values the education of its customers. In doing so, Spotify aimed to reduce the negative business image that had been generated from this situation, to regain the trust of its listeners and artists, whilst also establishing a positive reputation amongst the general population

*Adapted from Reuters, 'Spotify's Joe Rogan saga spotlights podcast moderation challenge', 2022 and TIME, 'Here's a List of Artists Boycotting Spotify Because of Joe Rogan', 2022*



Image: Chubo - my masterpiece/Shutterstock.com

**Figure 2** Spotify received criticism over its content moderation which negatively impacted the music-streaming platform's reputation and relationship with its publics

### Questions

1. How could Spotify have avoided the negative publicity it received?
2. What were the negative impacts of Spotify implementing a public relations campaign after the situation occurred?
3. How did public perceptions change, following the misinformation crisis at Spotify?
4. Do you think Spotify will be able to regain the trust of its artists and listeners? Why or why not?
5. How might this situation impact Spotify's future performance as a streaming platform?

### USEFUL TIP

Whilst both public relations and advertising enable businesses to develop and communicate their brand image, there are key differences between them. A defining feature of a public relations campaign is that it is not product-specific, meaning it aims to promote the business as a whole, showcasing its values and overall vision to its publics. This is unlike advertising, which targets a specific audience with a new product that aims to meet their needs. Furthermore, public relations usually has minimal or no cost, which differs from cost-intensive advertising campaigns, and lacks the same level of control that comes with advertising.

## The relationship between public relations and business objectives 2.2.9.2

A business's image plays an important role in getting customers to support the business and purchase its goods and services. The main goal of public relations is to improve a business's brand image and public reputation, as poor public relations can sometimes result in negative business performance. By meeting public relations goals, a business can enable the achievement of its overall business objectives. Therefore, it is important that a business's public relations strategies align with its business objectives.

**Table 1** The relationship between public relations and business objectives

PR goals	Description	Relationship with business objectives
<b>Improved business reputation</b>	Effective PR can lead customers to associate a business with positive characteristics, such as reliability or environmental sustainability, which can improve its reputation.	<ul style="list-style-type: none"> <li>• A positive business reputation can increase consumers' likelihood of purchasing goods and services, which can increase sales and market share.</li> </ul>
<b>Increase customer demand</b>	Effective PR can inform individuals of a business's products and attract customer attention, increasing customer demand.	<ul style="list-style-type: none"> <li>• An increase in customer demand means that more goods and services are sold, increasing market share.</li> <li>• Increased sales and market share can also enable a business to make a profit.</li> </ul>
<b>Improved public recognition</b>	Effective PR can lead a business to gain a well-established place in the market and across the public. This means the business is more reputable and can stand out against competitors in the industry.	<ul style="list-style-type: none"> <li>• An increase in public recognition can improve customer confidence. Confident customers are more likely to make a purchase, enabling a business to make a profit.</li> <li>• Improved public recognition can make a business more noticeable than competitors, allowing a business to increase its market share.</li> </ul>
<b>Improve an unfavourable business image</b>	Effective PR can help a business slowly reduce a negative public perception.	<ul style="list-style-type: none"> <li>• Reducing a business's negative image can enable a business to repair its business reputation and slowly regain customers, increasing its sales and market share.</li> </ul>

**REAL WORLD EXAMPLE**

Image: Veja/Shutterstock.com

**Figure 3** LEGO donated LEGO MRI scanners to hospitals across the globe to fulfil a social need of creating more positive experiences for children in medical environments

**The relationship between public relations and business objectives**

LEGO is an international company founded in Denmark that produces toys that are interactively built by customers using plastic bricks. On 23 February 2022, the LEGO foundation decided to donate 600 LEGO MRI scanners to hospitals across the globe in an effort to help reduce the fear surrounding MRI scanners among children. This announcement is an example of how LEGO has chosen to engage in public relations to positively influence the company's reputation. The initiative allows LEGO to meet the business objective of fulfilling a social need as by donating these LEGO MRI scanners, the toy company is allowing children to explore the MRI process in a more playful and less daunting way. Therefore, LEGO is ultimately assisting hospitals in making children feel more comfortable in their care, creating more positive and calmer experiences for children. Furthermore, the positive reception of this idea amongst LEGO's publics may also enhance the company's ability to make a profit and increase its market share as customers view the toy manufacturer as an ethical business.

*Adapted from LEGO, 'The LEGO Foundation to donate LEGO® MRI Scanners to hospitals globally', 2022*

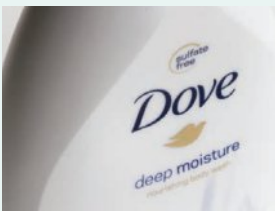
**ACTIVITY**

Image: Tada Images/Shutterstock.com

**Figure 4** Dove's #ShowUs public relations campaign has helped advocate for authentic female representation since its launch in 2019

**The relationship between public relations and business objectives**

Search up 'Show Us - It's On Us' on YouTube and watch the entire video (Dove South Africa, 2021). Founded in America in 1957, Dove is a hygiene and personal care company that sells its products internationally. In 2019, Dove launched its #ShowUs campaign to advocate for the authentic representation of women in advertising and the media, promoting true-to-life depictions and breaking down stereotypes in the beauty industry. After watching the video consider the following questions:

1. How is Dove promoting authentic female representation in advertising?
2. What impression do you have of Dove as a company after viewing this campaign?
3. Do you think this campaign has positively influenced Dove's business reputation? Explain why or why not?
4. How do you think this campaign would help Dove achieve its business objectives?

## Theory summary

Public relations aims to promote a desirable business image whilst also developing and maintaining a positive relationship with its publics. Businesses often invest time in public relations to improve their image and overall reputation. By aligning public relations goals with overall business objectives, public relations can support the achievement of these objectives and improve business performance. However, businesses must consider the potential implications of public relations and be prepared to solve any issues that may arise, including negative representation in the media and damage to business reputation.

# 5L Questions

## Theory review

### Question 1

Public relations is only useful for businesses with an unfavourable public image.

- A. True
- B. False

### Question 2

Fill in the blanks with the following terms:

- external publics
- internal publics

Individuals or groups directly impacted by a business's decisions are \_\_\_\_\_, whereas, \_\_\_\_\_ are individuals or groups indirectly impacted by a business's decisions.

### Question 3

A business cannot control how its publics interpret messaging through public relations.

- A. True
- B. False

### Question 4

A business that invests time in public relations is:

- A. paying for a specific message to be communicated to the public.
- B. communicating a positive image of the business through unpaid media.

### Question 5

Public relations is only focused on improving a business's sales.

- A. True
- B. False

### Question 6

Fill in the blanks with the following terms:

- public relations goals
- business objectives

In order to achieve \_\_\_\_\_, a business must align them with its \_\_\_\_\_.

## Preparing for exams

### Case study skills

### Question 7

Stark is a cookware company that manufactures and sells handcrafted pots, pans, and other cooking utensils and equipment. Toni, the manager, has set Stark's main objective of making a profit but has recently been struggling to gain customer interest. However, Toni is hoping to utilise a public relations campaign to showcase the high quality, ethical production of Stark's cookware and generate customer awareness of the brand to achieve its objectives.

Identify which of the following statements are **true** or **false** about Stark.

	True	False
I. Stark's aim of making a profit can be achieved solely through public relations.	<input type="checkbox"/>	<input type="checkbox"/>
II. Public relations can improve Stark's public awareness and the likelihood of making a profit.	<input type="checkbox"/>	<input type="checkbox"/>
III. Aligning public relations goals with business objectives can help Stark make a profit.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Building positive public awareness will not help Stark make a profit.	<input type="checkbox"/>	<input type="checkbox"/>

**Use the following information to answer Questions 8 and 9.**

Agnes owns Alignment, a mental wellbeing centre in the northern suburbs of Brisbane. Alignment provides free therapy and physical activity classes for teenagers and young adults, as well as operating a cafe and wellbeing store. Alignment aims to fulfil a social need of providing young people with mental health care and facilities to better their own wellbeing. Agnes must also make a profit from Alignment in order to reinvest money back into the business to improve its facilities. Agnes has undertaken many public relations campaigns in the past to assist her in achieving objectives.

**Question 8**

Identify which of the following statements best describes Alignment's business objective.

- A. Alignment's main objectives are to increase market share and make a profit to allow Agnes to increase her personal income.
- B. The main objectives at Alignment are to make a profit and fulfil a social need to ultimately better the community.

**Question 9**

Identify which of the following is a correct statement about Alignment.

- A. A PR campaign would allow Alignment to attract more customers which can generate more sales and increase profits.
- B. Alignment's previous PR campaigns were unsuccessful in achieving the business's proposed objectives.

**Exam-style****Question 10** (2 MARKS)

Define the term 'public relations'.

**Question 11** (2 MARKS)

Describe the importance of effective public relations.

**Question 12** (3 MARKS)

Explain the relationship between public relations and business objectives.

**Question 13** (3 MARKS)

Stark is a cookware company that manufactures and sells handcrafted pots, pans, and other cooking utensils and equipment. Toni, the manager, has set Stark's main objective of making a profit but has recently been struggling to gain customer interest. However, Toni is hoping to utilise a public relations campaign to showcase the high quality, ethical production of Stark's cookware and generate customer awareness of the brand to achieve its objectives.

Explain the relationship between public relations and business objectives at Stark.

**Question 14** (5 MARKS)

Agnes owns Alignment, a mental wellbeing centre in the northern suburbs of Brisbane. Alignment provides free therapy and physical activity classes for teenagers and young adults, as well as operating a cafe and wellbeing store. Alignment aims to fulfil a social need of providing young people with mental health care and facilities to better their own wellbeing. Agnes must also make a profit from Alignment in order to reinvest money back into the business to improve its facilities. Agnes has undertaken many public relations campaigns in the past to assist her in achieving objectives.

Explain the relationship between public relations and two business objectives at Alignment.

## Testing previous knowledge

### Question 15 (4 MARKS)

Lila & Coco is a designer fashion label focused on the sustainable production of timeless clothing staples. After two years of success, the managers of Lila & Coco are looking to expand the fashion label and broaden its customer base. They are thinking a strong public relations campaign may assist them in achieving this business objective.

Define the term 'customer base'. Explain how effective public relations at Lila & Coco could broaden its customer base.

# 5M

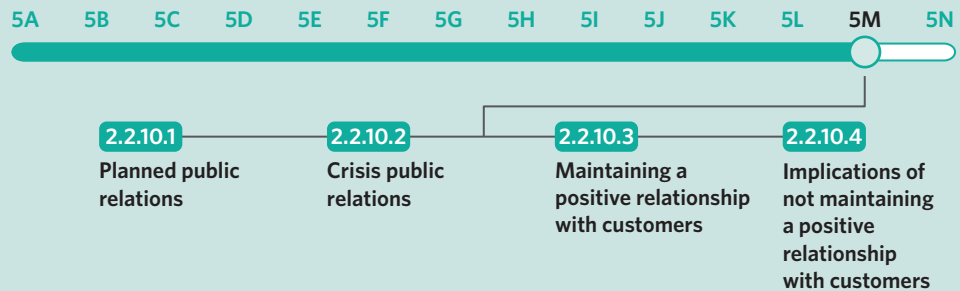
# Public relations strategies

The way a business decides to showcase its products and respond to negative situations can significantly impact its reputation. If a business's message is not well communicated, it can confuse and mislead customers, leading to poor public perception. Can you recall a crisis where a business crumbled under the media's pressure?



## STUDY DESIGN DOT POINT

- public relations strategies such as planned and crisis public relations, the importance of maintaining a positive relationship with the customer base and the implications if this relationship is not maintained



## Lesson introduction

A business needs to ensure that the values and messages it projects to the public align with its overall objectives. When communicating to the public, a business may be **proactive**, if it is taking advantage of a situation, or **reactive**, if an issue has affected its image. As the public has a lot of control over the reputation of a business, it is important for businesses to implement effective **public relations strategies** to achieve a positive image and maintain a strong relationship with its publics. By doing so, a business is more likely to achieve its objectives and improve its overall performance.

## Planned public relations 2.2.10.1

**Planned public relations** is a business proactively communicating intended messages to various publics. Businesses that engage in planned public relations are able to have a degree of control over how information is conveyed and received in regards to change or new activity. Therefore, for any business, undertaking planned public relations is highly favourable as the business retains control and can implement the campaign in its own time. To implement a public relations campaign, businesses need to plan and select appropriate strategies which align with their business objectives. After implementing public relations strategies, businesses should engage with and respond to feedback from their publics to develop strong long-term relationships and improve their business performance.

**Table 1** Types of planned public relations strategies

Strategy	Explanation	Aim
	Media releases involve developing and distributing written statements to print and electronic news reporting organisations. The intention is for the media to then publish this information through television, radio, an online website, or other internet-based platforms.	Media releases aim to inform publics of new business activities or business changes. In turn, this may attract attention and new customers, allowing the business to build awareness, improve performance, and achieve its objectives.

Continues ►

### KEY DEFINITIONS

**Planned public relations** is a business proactively communicating intended messages to various publics.





### ADDITIONAL TERMS

**Proactive** is taking action before a problem, need, or change arises.

**Reactive** is taking action after a problem, need, or change arises.

**Public relations strategies** are actions used to communicate a particular message to the public and influence their perception.

Table 1 Continued

Strategy	Explanation	Aim
	Publications can involve a business distributing information to news reporting organisations which can be included in newsletters. This strategy may also involve a business distributing information directly to the public through brochures or catalogues which express a business's mission and goals in relation to the community. Publications may also be through online or print media.	Publications aim to inform publics of business changes, new products, or upcoming events to encourage a positive perception of the business and enhance its reputation
	Events are when a business engages with customers, shareholders, employees, managers, and the general public to present its products in person or through live online demonstrations. A business may also develop events to encourage news reporting organisations to report on the business and its event. Examples of events include seminars, conferences, and open day tours.	Events are used by businesses to interact with the public and enhance customer perception of the business to ultimately develop strong relationships.
	Sponsorships involve a business financially supporting a team, individual, or group in exchange for publicity benefits. For example, a business may sponsor a charity or sports team in exchange for its logo being displayed on its products.	Businesses establish sponsorships with a team, individual, or group to build public awareness of their brand and products. This can be positively perceived by publics as the business is giving back and aiming to support the community, further developing its positive reputation.
	Social media is using online platforms, such as Instagram and Twitter, to communicate a message to both internal and external publics. Social media enables businesses to respond quickly to issues and promote their brand in a cost-effective manner.	Businesses use social media to directly inform internal and external publics of new business changes or activities and develop a positive image.

### REAL WORLD EXAMPLE

#### Planned public relations

Giorgio Armani is an Italian luxury fashion label that designs, manufactures, and sells a variety of products, including shoes, accessories, fragrances, homewares, and cosmetics. On Earth Day in 2022 (22 April), Giorgio Armani launched its Armani/Values website and published a number of articles and media resources informing the public about the fashion label's 'authentic and solid values' that are 'respectful of all the resources that the Group draws on'. In particular, the brand highlighted its inclusive and diverse workplace, as well as its commitment to sustaining the environment and respecting cultural heritage. This planned public relations was well-prepared and developed by Giorgio Armani. It allowed the business to highlight its dedication to the community and environment since its establishment in 1975, enhancing the fashion label's achievement of fulfilling a social need. The brand also received unpaid media attention from the launch of its Armani/Values website, potentially increasing Giorgio Armani's ability to gain a competitive advantage and increase market share in the designer industry.

*Adapted from Harper's BAZAAR, 'I feel I should both be an example and offer support': Giorgio Armani unveils Armani/Values', 2022*



Image: hurricanehank/Shutterstock.com

**Figure 1** Giorgio Armani adopted planned public relations when launching Armani/Values to emphasise the fashion label's commitment to people and the planet



## Crisis public relations 2.2.10.2

### KEY DEFINITIONS

#### Crisis public relations

is a business reactively communicating to various publics in response to an issue that can negatively affect its reputation

### ADDITIONAL TERMS

#### Crisis management

is identifying potential risks that a business may encounter and determining how it will deal with them.

#### A crisis communication plan

is a guide that describes the processes that a business will follow during an emergency situation and when handling negative publicity.

**Crisis public relations** is a business reactively communicating to various publics in response to an issue that can negatively affect its reputation. It requires a business to act immediately in response to emergency situations, such as product failures, negative employee actions, poor publicity, and emergencies in the external business environment, including a global pandemic. During a crisis, a business must be careful and considerate when releasing responses to the public and media. Businesses that fail to respond to a crisis publicly and in a timely manner may face backlash from internal publics, customers, action groups, news reporting organisations, and suppliers. In some cases, businesses may be subject to legal action.

A business can prepare for future crises through **crisis management** which allows the business to have a clear approach to dealing with negative situations. Furthermore, to reduce negative publicity when dealing with a crisis, a business should have a **crisis communication plan** in place. A crisis communication plan highlights how the business aims to handle the crisis, when each step should be implemented, and the staff members responsible for each stage of crisis management. By implementing a crisis communication plan, a business can ensure it is operating according to its business goals, legal requirements, and considering its relationships with its publics. Such a plan can also ensure that the business's response is appropriate, timely, and addresses all areas of the crisis in a public setting which can avoid further backlash and partially restore the business's reputation.

It must be noted that businesses should always be aiming to avoid crises and proactively respond to situations in the business environment. However, when a negative situation does arise, having the appropriate tools and plans in place and implementing effective crisis management strategies is extremely important.



**Figure 2** A business should be prepared to implement public relations to deal with a crisis

**Table 2** Elements of a crisis communication plan

Who	What	When
<ul style="list-style-type: none"> <li>Who are the publics that are affected by the crisis and need to be addressed through the response?</li> <li>Who will the crisis communication team be composed of and led by?</li> </ul>	<ul style="list-style-type: none"> <li>What information must be communicated to publics?</li> <li>What other questions or information could be asked by the public?</li> <li>What are the facts which are being referred to?</li> </ul>	<ul style="list-style-type: none"> <li>When should a response be delivered to publics?</li> <li>When should the public be updated on business activities?</li> </ul>

### REAL WORLD EXAMPLE



Image: Grzegorz Czapski/  
Shutterstock.com

**Figure 3** Tesla was forced to undertake crisis public relations to respond to claims of racism within its workplace

#### Crisis public relations

Tesla is an American electric car and clean energy company founded by Elon Musk. Tesla is known for its emphasis on creating a sustainable and environmentally friendly future. In 2022, Tesla came under fire after California's Department of Fair Employment and Housing (DFEH) sued the company after several allegations were made regarding discriminatory behaviour towards workers. These workers are said to have experienced degrading slurs over many years in a 'racially segregated workplace'. In an effort to respond to the negative media coverage and tarnished reputation caused by these allegations, Tesla responded via crisis public relations and defended itself through a blog post. This response highlighted the initiatives Tesla already has in place within all its workplace environments to eliminate discrimination and racism, whilst also informing its publics of the lack of 'evidence supporting (the DFEH's) filing' against the company. However, this is not the first crisis situation that Tesla has experienced and it seems the company may need to reassess its practices and public relations strategies to regain its reputation among publics.

*Adapted from Time, 'Tesla Is Used to Controversy. But Its Latest Scandals Could Hurt Its Bottom Line', 2022*

## Maintaining a positive relationship with customers 2.2.10.3

A business's reputation is often influenced by customer perceptions. Therefore, it is crucial for businesses to maintain positive relationships with their customers and continually develop and strengthen these connections. By doing so, businesses can influence customer purchasing decisions, encouraging them to buy new products, and establish a loyal customer base that provides a reliable source of revenue and financial stability. Furthermore, customers can act as a source of publicity for a business as they often share their experiences with others, such as friends and family, potentially influencing the purchasing decisions of these prospective customers. Therefore, ensuring customers have a positive experience and a high level of engagement with the business is extremely important as it can lead to increased positive publicity and market share, whilst also expanding the business's customer base.

Businesses can maintain this positive relationship with customers through the planned public relations strategies already mentioned in this lesson. Moreover, businesses need to ensure they respond to situations that may negatively affect the maintenance of positive customer relations via crisis public relations.

### REAL WORLD EXAMPLE

#### Maintaining a positive relationship with customers

Costco Wholesale Corporation is a multinational wholesale retailer that sells products in bulk to customers who purchase a membership with the company, whilst it also operates a number of petrol stations. In 2022, as a result of the Russia-Ukraine crisis, the price of oil and gas increased dramatically across the globe, effectively causing many petrol companies to onset these increased prices to customers. However, on 9 May 2022 it was reported that, in a bid to help its customers continue to fuel their vehicles at an affordable price, Costco maintained its cheap petrol and gas prices and continued to offer even lower prices to its members. Therefore, increasing customer satisfaction and likely attracting and maintaining a larger customer base. By continually supporting customer needs, Costco has maintained a positive relationship with its customers, fostered brand loyalty, and ultimately enhanced its reputation and financial performance.

*Adapted from Fox Business, 'Consumers line up for cheap gas at Costco', 2022*



Image: Andriy Blokhin/Shutterstock.com

**Figure 5** Despite global increases in petrol and gas prices, Costco maintained its low prices to meet customer needs and ultimately enhance its positive relationship with them

### LESSON LINK

A customer base was introduced in **5A Marketing, a customer base and business objectives**.



**Figure 4** Businesses need to consider the expectations and needs of customers to maintain a positive relationship

## Implications of not maintaining a positive relationship with customers 2.2.10.4

Failing to maintain a positive relationship with customers can be detrimental to a business and threaten its long-term survival. Not only can a business endure a loss of customers but, depending on the intensity of the crisis, its reputation may be irreparably damaged, making it even more difficult for the business to recover or attract customers. Furthermore, negative public relations via unpaid media may prevent potential customers from purchasing from the business as they hear of customer frustrations, dissatisfaction, and overall negative experiences of the business's operations. Consequently, the business will likely experience a decrease in profits and an increase in staff turnover, meaning more employees are leaving the business. Therefore, when a business does not maintain a positive relationship with its customers, it can experience a number of negative consequences.

REAL WORLD EXAMPLE



Image: lentamart/Shutterstock.com

**Figure 6** L'Occitane's initial refusal to cease its operations in Russia negatively impacted its relationship with customers, in turn, decreasing performance

**Implications of not maintaining a positive relationship with customers**

L'Occitane en Provence is a public company founded in France that produces a number of luxury skincare products. Following the extreme actions of the Russian government in 2022, a number of businesses closed all of their Russian-based stores in an act of protest against the unjustified actions of the country's ruler. On 15 April 2022, L'Occitane announced that it would neither close its physical stores in Russia, nor cease its online sales to the country. Consequently, the skincare company received copious amounts of backlash via news outlets and social media, with many criticising the company for going against its projected 'ethical values'. Two days after its initial refusal to terminate operations in Russia, L'Occitane issued a second statement announcing that its board had approved the shutdown of Russian operations. However, L'Occitane's sales had already decreased internationally prior to the shutdown being announced, and a number of customers expressed they would boycott the skincare brand. Therefore, this highlights that when customers negatively perceive a business's decisions, like those of L'Occitane, positive relationships with customers are tarnished and business performance can decline.

*Adapted from Independent, 'L'Occitane closes all shops in Russia in a U-turn after customers threatened to boycott', 2022*

**Table 3** The impact of positive and negative relationships with customers

Importance of maintaining a positive relationship with customers	Implications of a business not maintaining a positive relationship with customers
<ul style="list-style-type: none"> <li>• A business's reputation is significantly influenced by customer perception and can impact overall performance.</li> <li>• A customer's perception of a business can influence their purchasing decisions and loyalty to the business.</li> <li>• A customer's experience with a business may be shared with others and therefore influence the decisions of potential customers.</li> </ul>	<ul style="list-style-type: none"> <li>• A business may experience a loss of customers.</li> <li>• Irreparable reputational damage may occur, making it difficult to regain customers.</li> <li>• Negative word-of-mouth can be spread about the business as customers express their frustration, which can prevent potential customers from purchasing from the business.</li> <li>• Profits can decline.</li> <li>• Employees are more likely to leave the business.</li> </ul>

**ACTIVITY**

**Public relations strategies**

Kendricks is a luxury shoe brand that was started in Italy and has operated there for over ten years. Kendricks recently expanded its operations and opened its first store in Australia. Anna, the owner of Kendricks, is hoping to develop and maintain a strong, loyal customer base in Australia by increasing the publicity of the shoe store. She is aware that there are a number of Australian shoe stores that offer similar products to her own, but Anna believes that the authentic Italian materials and craftsmanship of Kendricks' shoes can provide a competitive advantage.

With reference to the case study, answer the following questions:

1. What planned public relations strategies could Anna use to attract customers to Kendricks?
2. Is maintaining a positive relationship with customers important at Kendricks? Why or why not?
3. If Kendricks received negative publicity in unpaid media for 'taking money from Australian-owned brands', how might Anna respond to this situation? How might this impact Kendricks' ability to maintain a positive relationship with its customers?

**Table 4** Advantages and disadvantages of public relations strategies

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>• Can reach a large audience, particularly if the media spreads intended messages.</li> <li>• May be viewed as more trustworthy as business information is spread through unpaid media. For example, product reviews made by a third party are usually viewed as more objective.</li> <li>• Engaging in activities that benefit the community may improve the business's reputation.</li> </ul>	<ul style="list-style-type: none"> <li>• Business information or news may not be picked up by the media, reducing exposure to the public.</li> <li>• The business will likely have no control over how individuals receive the message.</li> <li>• A business may not implement the appropriate PR strategies to effectively communicate the intended message or showcase new products.</li> <li>• May not be able to effectively measure how many people have viewed a media release or other strategy once information is spread through the media.</li> <li>• May worsen a business's image and reputation if a response to a negative event by the business is not appropriate and further confuses customers.</li> </ul>
<b>Employee</b>	<ul style="list-style-type: none"> <li>• Employees are likely to be more satisfied if a business focuses on positive activities that benefit the community.</li> </ul>	<ul style="list-style-type: none"> <li>• If a business uses an incorrect PR strategy, employees may lose trust in the business and become less productive.</li> </ul>
<b>Time</b>	<ul style="list-style-type: none"> <li>• Businesses may be able to spread information quickly to media reporters due to increased use of the internet and social media.</li> </ul>	<ul style="list-style-type: none"> <li>• May be time-consuming to implement some PR strategies, such as media releases, as a business needs to spend time creating written documents for news reporting organisations.</li> <li>• Building positive public relations may require a long-term commitment.</li> </ul>
<b>Money</b>	<ul style="list-style-type: none"> <li>• Can engage a larger range of people at once and lead to an increase in sales.</li> <li>• Improvements in a business's reputation may attract more customers, therefore increasing sales and market share.</li> </ul>	<ul style="list-style-type: none"> <li>• May need to purchase additional resources, such as large amounts of printing paper, to create brochures when implementing PR strategies.</li> <li>• Businesses may need to hire PR specialists to manage their public image.</li> </ul>

### Theory summary

Public relations strategies are implemented to achieve the public relations goals established by a business. Positive public relations can help a business develop a favourable image or reduce an unfavourable one. Maintaining positive relationships with customers and publics is crucial to business success and therefore, businesses should work continuously to ensure this occurs. Failing to do so can result in a business facing significant negative consequences. To minimise negative consequences, a business should establish plans and strategies to manage its reputation and public perception.

Depending on the situation, a business may be required to implement:

- planned public relations, which involves influencing public perception to build a strong relationship with customers and the public.
- crisis public relations, which involves responding to an emergency situation to shift public perception.

# 5M Questions

## Theory review

### Question 1

Public relations strategies can be introduced to help achieve a business's objectives.

- A. True
- B. False

### Question 2

Fill in the blanks with the following terms:

- planned
- crisis

Emergency situations require businesses to enact \_\_\_\_\_ public relations, while businesses can implement \_\_\_\_\_ public relations whenever they desire.

### Question 3

A business will not lose customers if it fails to maintain a positive relationship with them.

- A. True
- B. False

### Question 4

A crisis communication plan involves:

- A. considering the publics affected by the business crisis.
- B. who will earn the highest pay from the crisis communication team.

### Question 5

Fill in the blank with **one** of the following terms:

- before
- after

Businesses should develop a crisis communication plan \_\_\_\_\_ an emergency situation.

### Question 6

The perception of customers and the general public can determine the success of a business.

- A. True
- B. False

## Preparing for exams

### Case study skills

### Question 7

Flynn owns Rider, a small bicycle business, renowned for its restored vintage European bikes. Flynn is wanting to further establish Rider in the bicycle market and is planning on implementing a public relations campaign to assist this growth and attract new customers.

Identify which of the following is a planned PR strategy that Flynn could implement at Rider.

- A. Rider could use social media to inform potential customers of the restored vintage and European bikes it offers and generate greater public awareness.
- B. Flynn could develop a crisis management plan and communicate this to publics so they are aware of Rider's values.

**Question 8**

Jen & Berries is an organic ice cream company located in Carlton that produces unique, fruit-infused ice cream flavours and sorbets. One of the main objectives at Jen & Berries is to make a profit and increase market share. Therefore, to build a positive public perception, management at Jen & Berries plans to sponsor a local school fundraiser. Managers hope that this public relations strategy will allow Jen & Berries to be viewed as an ethical, high quality, and flavourful ice cream producer that stands out from competitors.

Identify which of the following statements are **advantages** or **disadvantages** of implementing planned public relations at Jen & Berries.

	Advantage	Disadvantage
I. Jen & Berries may need to invest some money into sponsoring the local school fundraiser.	<input type="checkbox"/>	<input type="checkbox"/>
II. Jen & Berries can save on costs related to communicating a message to a large audience.	<input type="checkbox"/>	<input type="checkbox"/>
III. Jen & Berries' employees are likely to feel more invested and supportive of the business and its goals.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Jen & Berries may be viewed as a high quality, ethical, and flavourful ice cream store if the correct message is spread through media.	<input type="checkbox"/>	<input type="checkbox"/>
V. Jen & Berries' sponsorship of the local school fundraiser may not be picked up by the media.	<input type="checkbox"/>	<input type="checkbox"/>

**Use the following information to answer Questions 9 and 10.**

Winston is the owner of a mattress and bedding business called Whispers which prides itself on the use of recycled materials for all its products. However, following the release of a media article that revealed Winston had been underpaying staff, Whispers faced major backlash from its publics. There was social media uproar and the business's reviews were reduced to one star. Winston made the decision to respond to the article and adopt an appropriate public relations strategy in an effort to restore Whispers' reputation.

**Question 9**

Identify which of the following options is a suitable public relations strategy for Winston to utilise at Whispers.

- A. Planned public relations, as Whispers is being proactive to a negative event.
- B. Crisis public relations, as Whispers is being reactive to a negative event.

**Question 10**

Identify which of the following statements are advantages of establishing a public relations strategy for Whispers. **(Select all that apply)**

- I. Whispers may be able to communicate with a larger audience at once and start increasing sales.
- II. Winston can communicate to a large audience and generate a positive perception of Whispers if the media communicates the intended message.
- III. Whispers is likely to have less control over how the public interprets information communicated through the media.
- IV. Winston may be able to spread information quickly about Whispers to various publics due to increases in internet use.

## Exam-style

### Question 11 (1 MARK)

Define the term 'crisis public relations'.

---

### Question 12 (2 MARKS)

Outline the implications of a business not maintaining a positive relationship with its customer base.

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### Question 13 (3 MARKS)

Analyse the relationship between public relations strategies and maintaining positive customer base relationships.

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### Question 14 (4 MARKS)

Flynn owns Rider, a small bicycle business, renowned for its restored vintage European bikes. Flynn is wanting to further establish Rider in the bicycle market and is planning on implementing a public relations campaign to assist this growth and attract new customers.

Explain one public relations strategy Flynn could implement at Rider and the importance of this strategy in maintaining positive relationships with customers

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### Question 15 (4 MARKS)

Jen & Berries is an organic ice cream company located in Carlton that produces unique, fruit-infused ice cream flavours and sorbets. One of the main objectives at Jen & Berries is to make a profit and increase market share. Therefore, to build a positive public perception, management at Jen & Berries plans to sponsor a local school fundraiser. Managers hope that this public relations strategy will allow Jen & Berries to be viewed as an ethical, high quality, and flavourful ice cream producer that stands out from competitors.

Discuss the effectiveness of implementing planned public relations as a public relations strategy at Jen & Berries.

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### Question 16 (4 MARKS)

Winston is the owner of a mattress and bedding business called Whispers which prides itself on the use of recycled materials for all its products. However, following the release of a media article that revealed Winston had been underpaying staff, Whispers faced major backlash from its publics. There was social media uproar and the business's reviews were reduced to one star. Winston made the decision to respond to the article and adopt an appropriate public relations strategy in an effort to restore Whispers' reputation.

Propose and justify one public relations strategy that Winston could implement at Whispers.

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## Testing previous knowledge

### Question 17 (6 MARKS)

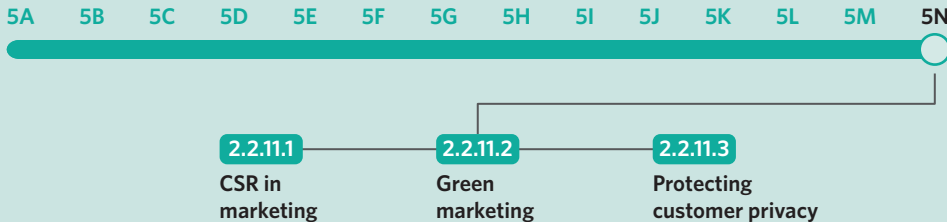
McBean is a technology company owned by Tracey that offers a number of services to businesses, including setting up online databases and security systems, as well as developing new software. Since its opening in 2001, McBean has been performing well against competitors who offer similar technology services in the industry. Recently, Tracey developed a unique technological innovation that she believes will revolutionise the way businesses operate and is hoping that this will assist McBean in achieving its objective of increasing market share and the business's competitiveness.

Distinguish between planned and crisis public relations. Propose and justify which public relations strategy will enable Tracey to best meet McBean's business objectives.

# 5N CSR considerations in marketing

## STUDY DESIGN DOT POINT

- corporate social responsibility management considerations regarding establishment of a customer base, such as green marketing and the protection of customer privacy



Many products are labelled with '0% fat', 'No animal testing', or '100% organic', but how do you know if these labels are actually true? With increases in online shopping, businesses can seemingly access your personal information, so how do they ensure that these sensitive details are protected?

## Lesson introduction

Businesses should always consider how they can market their products in an ethical and socially responsible manner, whilst also protecting customer privacy. A business that aims to positively impact the environment and society by engaging in green marketing and appropriate privacy practices is likely to attract and establish a strong customer base. On the other hand, failure to establish honest and ethical marketing can tarnish the public's perception of a business and can be detrimental to the establishment of a loyal customer base.



## LESSON LINK

Customer base was introduced in **5A Marketing, a customer base and business objectives**.

Corporate social responsibility was introduced in **3H Corporate social responsibility (CSR)**.

## CSR in marketing 2.2.11.1

**Corporate social responsibility (CSR)** is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic, and environmental impacts when making business decisions. Customers expect businesses to be honest, transparent, and well-intentioned when marketing goods or services. With increased access to technology, businesses are more equipped to rapidly create and release their marketing campaigns to the public. Consequently, there is increased criticism and questioning about the ways in which businesses market their products.

When marketing a product, businesses can be socially responsible by being honest about the benefits of the product and its ability to fulfil customer needs. By doing so, a business can gain a positive reputation, competitive advantage, and improve customer relationships as it considers CSR in its marketing. However, businesses that do not conduct their marketing in an ethical manner may negatively impact their customers, the wider society, and the environment.

## KEY DEFINITIONS

**Corporate social responsibility (CSR)** is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic, and environmental impacts when making business decisions.



**ADDITIONAL TERMS**

**Materialism** is the belief that it is necessary to own material objects in order to be happy.

**Table 1** CSR considerations in marketing

CSR consideration	Description	Example
<b>Materialism</b>	A business may use marketing strategies that persuade consumers into unnecessarily believing they should purchase a product. These strategies aim to create artificial needs amongst customers, resulting in materialism.	A well-known smartphone company may persuade consumers to buy a new mobile phone to be perceived as trendy despite their old phone still working.
<b>Inappropriate or inauthentic advertisements</b>	A business may utilise historical or sensitive events or issues to generate customer interest.	An ice cream business may use information and symbols from a previous war in their advertisements, which acts to reduce the importance of the issue.
<b>Marketing of junk food</b>	Businesses that produce junk food often lead consumers to believe that their products are healthy by advertising that they are appropriate to consume every day. This marketing is particularly dangerous for children as they are more vulnerable and can be easily influenced at a young age.	A business that sells snack bars may advertise itself as nutritious while having high sugar content.
<b>Level of truth in advertisements</b>	A business may purposely advertise its product inaccurately to persuade customers to purchase it.	A business that sells energy drinks may advertise the drinks as the healthiest in the market whilst still being filled with high amounts of caffeine and sugar.
<b>Stereotypical gender roles</b>	A business may advertise its products in a way that reinforces traditional gender roles in society.	A business may sell a cleaning product and advertise it in a way that encourages the outdated gender stereotype that only females can clean the house.
<b>Sexualized messages</b>	A business may use sexual themes in its marketing to persuade customers to purchase a product. Sexualized marketing can create an unrealistic image that appears to be attractive and desirable to customers.	A business selling a perfume may use sexualized images in its marketing campaign to draw attention to its fragrance.

**REAL WORLD EXAMPLE**

Image: Sundry Photography/Shutterstock.com

**Figure 1** Walmart's insensitive marketing of a Juneteenth ice cream flavour resulted in criticism and concern from many customers

**CSR in marketing**

Walmart Inc. is a multinational retail corporation that has supermarkets and department stores in a number of countries across the globe. In 2022, Walmart created an ice cream flavour marketed as a 'Celebration Edition Juneteenth' to recognise the Juneteenth federal holiday in the United States that commemorates the formal end of slavery. However, the corporation was heavily criticised for its insensitive marketing of this ice cream which racially offended many customers, with Walmart eventually pulling the product from its shelves in response to this backlash. Therefore, Walmart's use of inappropriate advertising negatively impacted the retail corporation's reputation and perception amongst customers.

*Adapted from Axios, 'Walmart pulls Juneteenth ice cream from stores after backlash', 2022*

## Green marketing 2.2.11.2

**Green marketing** is an advertising strategy that involves highlighting the environmental benefits of a good or service. Businesses often use green marketing to emphasise their commitment to CSR and the environment. Subsequently, this attracts many customers, generates positive publicity for the business, and often leads to the establishment of a loyal customer base. Green marketing can also influence customers to become more aware of their impact on the environment, encouraging sustainable practices in society whilst also increasing the likelihood of customers repeatedly purchasing from the business. For example, a cafe may provide discounts to those who utilise reusable coffee cups, therefore encouraging customers to minimise their environmental impact. This may lead to customers feeling more satisfied with their coffee purchase, repeatedly attracting them to the cafe and establishing a customer base. When a business engages in green marketing, it must genuinely provide an eco-friendly product and utilise sustainable processes. Businesses that falsely advertise products or processes as environmentally friendly to persuade customers to purchase a good or service are **greenwashing** and could face legal and reputational consequences as a result of their unethical behaviour.

Examples of activities that enable businesses to engage in green marketing include:

- sourcing inputs locally to reduce carbon emissions during transportation
- producing recyclable goods
- using recyclable or renewable materials during production
- removing the use of harmful chemical ingredients in goods
- reducing water and energy usage across operations
- reducing or utilising sustainable product packaging.



**Figure 2** Businesses can use green marketing to promote their products as environmentally sustainable in order to establish a strong customer base

### REAL WORLD EXAMPLE

#### Green marketing

IKEA is a well-known, international furniture company that sells ready-to-assemble and flat-pack products for customers. The company is considered a circular business, meaning it aims to use materials from pre-existing sources to produce all its products. As a result, IKEA has engaged in green marketing for many years. In 2022, IKEA announced that it wants the entire company to become circular by 2030. This would involve IKEA only using renewable or recycled materials, whilst eliminating single-use plastic and virgin wood. Furthermore, IKEA is committed to sustainable and ethical production, signing pledges that guarantee the company will not engage in forced labour. IKEA also announced in 2022 that it plans to be completely carbon-neutral by 2030. These commitments provide opportunities for IKEA to continue to engage in green marketing in the future.

*Adapted from One Green Planet, 'How Sustainable is IKEA?', 2022*

### KEY DEFINITIONS

**Green marketing** is an advertising strategy that involves highlighting the environmental benefits of a good or service.

### ADDITIONAL TERMS

#### Greenwashing

is falsely advertising products or processes as environmentally friendly to persuade customers to purchase a good or service.



Image: Steve Skjold/Shutterstock.com

**Figure 3** IKEA utilises green marketing to promote its sustainable products and production methods

**Table 2** Advantages and disadvantages of green marketing

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>Engaging in green marketing will allow businesses to gain access to new markets and a larger audience as eco-friendly consumers are likely to be interested in a business's offerings.</li> <li>An increase in customers may allow a business to compete with other businesses and gain a competitive advantage.</li> <li>Greater customer loyalty can be generated as the business is committed to promoting the wellbeing of the environment.</li> </ul>	<ul style="list-style-type: none"> <li>It may be considered greenwashing if the product is incorrectly advertised as being sustainable or eco-friendly by the business.</li> </ul>
<b>Employee</b>	<ul style="list-style-type: none"> <li>Employees are more likely to be satisfied with their job and committed to achieving business objectives when working for socially responsible businesses.</li> </ul>	–
<b>Time</b>	–	<ul style="list-style-type: none"> <li>It may be time-consuming to develop a marketing mix to effectively portray a business's environmental initiatives.</li> </ul>
<b>Money</b>	<ul style="list-style-type: none"> <li>The business can increase its sales and profit as new and current customers are likely to pay more money for sustainable products.</li> </ul>	<ul style="list-style-type: none"> <li>Changes to a business's marketing tactics can be costly when first implemented.</li> <li>It can be costly for a business to get certifications, such as <b>green certification</b>.</li> </ul>

**ADDITIONAL TERMS**

**Green certification** is a certificate that proves a business's processes or products are environmentally friendly.

**KEY DEFINITIONS**

**Customer privacy** is the administration and protection of sensitive, personal information that customers provide during their interactions and transactions with a business.

## Protecting customer privacy 2.2.11.3

**Customer privacy** is the administration and protection of sensitive, personal information that customers provide during their interactions and transactions with a business. Protecting customer privacy is crucial for all businesses as it allows customers to develop a trusting and honest relationship with the business, enhancing the establishment of a loyal customer base. Moreover, avoiding data breaches and securing customer information improves brand image and can strengthen customer perceptions of the business's values and motives. However, protecting customer privacy is actually a legal obligation that all businesses must comply with. A business that fails to protect customer information and disclose its privacy policy may be breaching legislation and could potentially face fines and business closure. Therefore, it is vital, both ethically and financially, to ensure customer information is protected and appropriately handled within a business to improve the overall establishment of a strong customer base.

A business can ensure customer privacy is protected by:

- creating policies that protect customer data
- investing in security management systems
- establishing secure networks within the workplace
- educating employees on data protection
- monitoring how data is collected and stored.

## REAL WORLD EXAMPLE

## Protecting customer privacy

Bunnings Warehouse is a household hardware chain that sells products, such as paint, gardening materials, and hardware tools to customers in stores across Australia and New Zealand. In 2022, Bunnings was criticised for using facial recognition technology in its stores whilst minimally informing customers of this monitoring. As the limited signage that was provided to inform customers of the monitoring could be easily missed, customers were largely unaware of the use of this technology. Therefore, Bunnings was in breach of the Privacy Act 1988. Consequently, many customers have expressed their concerns about shopping at Bunnings in the future, stating that the use of facial recognition technology is 'creepy and invasive' as they feel it's a breach of their personal privacy. Thus, Bunnings' lack of transparency in informing customers of the use of facial recognition technology has negatively impacted its reputation and ability to strengthen its customer base.

*Adapted from CHOICE, 'Kmart, Bunnings and The Good Guys using facial recognition technology in stores', 2022*



Image: Daria Nipot/Shutterstock.com

**Figure 4** Bunnings customers remained largely unaware of the use of facial recognition technology which is considered a breach of privacy

**Table 3** Advantages and disadvantages of protecting customer privacy

	Advantages	Disadvantages
Business	<ul style="list-style-type: none"> <li>The business's public perception will likely improve as the business is committed to protecting customer data and preventing data breaches.</li> <li>If the business has greater customer protection policies compared to competitors, this may lead to an increase in customers.</li> <li>The business can establish a loyal customer base as customers believe their information is secure and safe with the business.</li> </ul>	<ul style="list-style-type: none"> <li>Businesses are unable to predict data breaches, meaning they could happen despite the attempts to protect customer information.</li> </ul>
Employee	<ul style="list-style-type: none"> <li>Employees may be more satisfied in their jobs knowing that customer protection is at the forefront of the business.</li> </ul>	<ul style="list-style-type: none"> <li>Employees may feel overwhelmed by new security processes and software that are introduced to protect customer privacy.</li> <li>Employees may have to be trained and educated on customer privacy, removing them from their current work.</li> </ul>
Time	<ul style="list-style-type: none"> <li>It may be more efficient for businesses to authenticate customers, including through security apps.</li> </ul>	<ul style="list-style-type: none"> <li>It may be time-consuming to implement data protection into a business.</li> <li>It can take time to research and develop data protection procedures.</li> </ul>
Money	<ul style="list-style-type: none"> <li>As new and current customers trust that the business will protect their personal information, sales and profit may increase.</li> </ul>	<ul style="list-style-type: none"> <li>Data securitisation can be extremely expensive.</li> <li>Employee training and education surrounding customer privacy may increase business expenses.</li> </ul>

## WANT TO KNOW MORE?

In Australia, the Privacy Act 1988 is legislation that ensures consumer rights are upheld and businesses take responsibility for protecting and handling the personal information of their customers. Therefore, it is a legal obligation for all businesses to comply with this act when protecting customer privacy.

*Adapted from Australian Government: Attorney-General's Department, 'Privacy', n.d.*

**ACTIVITY****CSR considerations in marketing**

Chamber & Lane is a Parisian-style bakery in the Sydney CBD. The manager, Emma, has been promoting Chamber & Lane's pastries as containing authentic French ingredients, despite ingredients actually being purchased from a local Sydney farmers market. The bakery utilises biodegradable packaging and provides discounted drinks to customers who bring reusable coffee cups. Emma has been made aware of recent security and data breaches at other local stores and has decided to invest in technology that protects customers' credit card information from being stolen when purchasing.

With reference to the case study, answer the following questions in your workbook and then discuss as a class:

1. What CSR consideration is present at Chamber & Lane? How can Emma assist the bakery in overcoming this consideration?
2. How can Chamber & Lane use green marketing to establish a strong customer base?
3. How could Chamber & Lane promote the use of locally farmed ingredients?
4. What are the benefits of Emma ensuring that customer information is secure at Chamber & Lane? Will this assist the bakery to establish a strong customer base? Why or why not?

**Theory summary**

When marketing a good or service, businesses need to consider whether they are being socially responsible. It is important for a business to be honest in its advertising efforts to maintain customer trust and loyalty, allowing it to establish and maintain a strong customer base. A business should utilise green marketing if it creates eco-friendly products or processes to inform customers of its sustainable practices. Protecting customer privacy is also vital for a business as it allows trustworthy relationships to be established between the business and its customers, ultimately enhancing customer loyalty.

## 5N Questions

**Theory review****Question 1**

Corporate social responsibility is the ethical conduct of a business that can be achieved by simply complying with legal obligations.

- A. True
- B. False

**Question 2**

When a business advertises its product inaccurately and with dishonesty to entice customer purchasing, this is associated with the CSR consideration of:

- A. level of truth in advertising.
- B. inappropriate and inauthentic advertisements.

**Question 3**

Fill in the blanks with the following terms:

- green marketing
- greenwashing

Businesses that falsely inform customers that their products are eco-friendly to persuade them to purchase them are engaging in \_\_\_\_\_. However, if a business honestly markets its environmentally friendly products to customers and utilises sustainable processes, this is considered \_\_\_\_\_.

**Question 4**

A business must protect customer privacy in order to:  
**(Select all that apply)**

- I. develop a trustworthy relationship with its customers.
- II. comply with legal obligations and prevent data breaches.
- III. sell customer information in an ethical manner.

**Question 5**

Both green marketing and protecting customer privacy can allow a business to establish a strong and loyal customer base.

- A. True
- B. False

**Question 6**

Businesses that consider CSR in marketing and strive to improve customer relationships are:

- A. negatively impacting society as they are only trying to convince customers to purchase their products at any cost.
- B. more likely to gain a positive reputation and competitive advantage in the industry.

## Preparing for exams

### Case study skills

#### Question 7

Roger owns Feeder, a business that produces snack bars and cereal. Roger advertises all of Feeder's products to be 100% organic and sustainably produced as they contain one organic ingredient and are Australian-made. A number of Feeder's snack bars and cereals have a high amount of sugar and saturated fat but are advertised as healthy foods for children.

Identify which of the following statements are **true** or **false** about CSR considerations at Feeder.

	True	False
I. As Roger is advertising Feeder's snack bars and cereals as healthy, despite containing high amounts of saturated fats and sugar, the business is engaging in the marketing of junk food.	<input type="checkbox"/>	<input type="checkbox"/>
II. The claims that Feeder's products are 100% organic even though the snack bars and cereals only contain one organic ingredient is an example of inappropriate and inauthentic advertising.	<input type="checkbox"/>	<input type="checkbox"/>
III. Feeder is engaging with the CSR consideration of materialism as it encourages children to believe they need the snack bars and cereal in their life.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Purposely misinforming customers about the number of organic ingredients in the snack bars and cereals is an example of the CSR consideration of the level of truth in advertisements as Feeder is inaccurately representing its product.	<input type="checkbox"/>	<input type="checkbox"/>

#### Question 8

Dachshund is an Australian brand renowned for its comfortable and luxuriously designed shoes. The owner, Kim, has recently invested in leathers and other shoe materials that have been sustainably produced with minimal environmental damage. She is also planning to ensure all her stores are solar-powered and that her delivery methods are carbon-offset to minimise Dachshund's environmental pollution.

Identify which of the following are **advantages** or **disadvantages** of Dachshund engaging in green marketing.

	Advantage	Disadvantage
I. If Kim chooses to apply for green certification for Dachshund's luxury shoes, this will increase costs at the business as green certification is expensive.	<input type="checkbox"/>	<input type="checkbox"/>
II. By using sustainable materials in shoe production, employees may be more motivated and satisfied with their work at Dachshund.	<input type="checkbox"/>	<input type="checkbox"/>
III. It may be time-consuming for Kim to establish a marketing campaign that showcases Dachshund's solar-powered stores and sustainable shoe materials.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Dachshund's use of renewable energy and carbon-offset delivery may allow the business to attract and maintain a strong and loyal customer base.	<input type="checkbox"/>	<input type="checkbox"/>

### Exam-style

#### Question 9 (1 MARK)

Define the term 'green marketing'.

#### Question 10 (2 MARKS)

Outline two corporate social responsibility considerations that may arise when marketing a business's products.

**Question 11** (3 MARKS)

Explain how a business can establish a loyal customer base by protecting customer privacy.

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**Question 12** (4 MARKS)

Roger owns Feeder, a business that produces snack bars and cereal. Roger advertises all of Feeder's products to be 100% organic and sustainably produced as they contain one organic ingredient and are Australian-made. A number of Feeder's snack bars and cereals have a high amount of sugar and saturated fat but are advertised as healthy foods for children.

Describe the two corporate social responsibility considerations present at Feeder.

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**Question 13** (5 MARKS)

Dachshund is an Australian brand renowned for its comfortable and luxuriously designed shoes. The owner, Kim, has recently invested in leathers and other shoe materials that have been sustainably produced with minimal environmental damage. She is also planning to ensure all her stores are solar-powered and that her delivery methods are carbon-offset to minimise Dachshund's environmental pollution.

Evaluate the effectiveness of Dachshund engaging in green marketing.

**Testing previous knowledge****Question 14** (3 MARKS)

Explain how protecting customer privacy can assist in maintaining positive customer base relationships.

# Unit 2 AOS 2 review

## Marketing a business

### AOS summary

This chapter introduced the second area of study (AOS) of Unit 2 of the VCE Business Management course. In this chapter, you learnt about how a business should consider factors in the internal, operating, and macro environments in order to effectively market its products and establish a customer base. You also learnt about the ways a business can conduct research to establish a target market, the different elements of the marketing mix, and how a product transitions through its life cycle. Finally, you learnt about how a business utilises different strategies to engage and connect with customers and develop a positive reputation when marketing.

Lesson **5A Marketing, a customer base and business objectives** covered marketing and establishing a customer base. You also learnt about how a business can develop a customer profile to identify its customer base, as well as the importance of establishing a customer base to achieve business objectives.

Lesson **5B Marketing and the internal environment** covered the factors in the internal business environment that affect the establishment of a customer base and the creation of a brand identity. These internal environment factors are:

- owners and managers
- employees
- corporate culture.

Lesson **5C Marketing and the external environment: Part 1** covered the factors in the external operating business environment that affect the establishment of a customer base and the creation of a brand identity. These operating environment factors are:

- customers
- suppliers
- competitors.

Lesson **5D Marketing and the external environment: Part 2** covered the factors in the external macro business environment that affect the establishment of a customer base and the creation of a brand identity. These macro environment factors are:

- economic factors
- technological factors
- legal factors
- social factors.

Lesson **5E Market research practices** covered the steps involved in the process of market research, the different types of data a business can use, and the various data collection techniques. You also learnt about how data is analysed and interpreted, and the importance of this process in a business.

Lesson **5F Target market attributes** covered the process of selecting a target market and how a business can utilise target market attributes to do so. The target market attributes are:

- market dimensions
- market segments
- consumer behaviour
- consumer trends.

Lesson **5G The 7Ps model of marketing: Part 1** covered the 7Ps marketing mix model that a business can use to determine its strategy for satisfying the needs of customers in its given market. The four Ps included in this lesson are:

- product
- price
- place
- promotion.



Lesson **5H The 7Ps model of marketing: Part 2** continued to cover the 7Ps marketing mix model that a business can use to determine its strategy for satisfying the needs of customers in its given market. The three Ps included in this lesson are:

- people
- physical evidence
- process.

Lesson **5I The product life cycle** covered the stages that a product will transition through from its introduction into the market until it is discontinued or replaced. You also learnt about extension strategies that may be implemented to increase a product's lifetime. The four stages of the product life cycle are:

- introduction
- growth
- maturity
- decline.

Lesson **5J Customer relations strategies** covered how a business can improve a customer's experience and encourage repeat purchasing. The two customer relations strategies are:

- providing quality customer service
- establishing customer loyalty programs.

Lesson **5K Technology and marketing** covered the different ways a business can use technological developments to market its products. The six technological developments in marketing are:

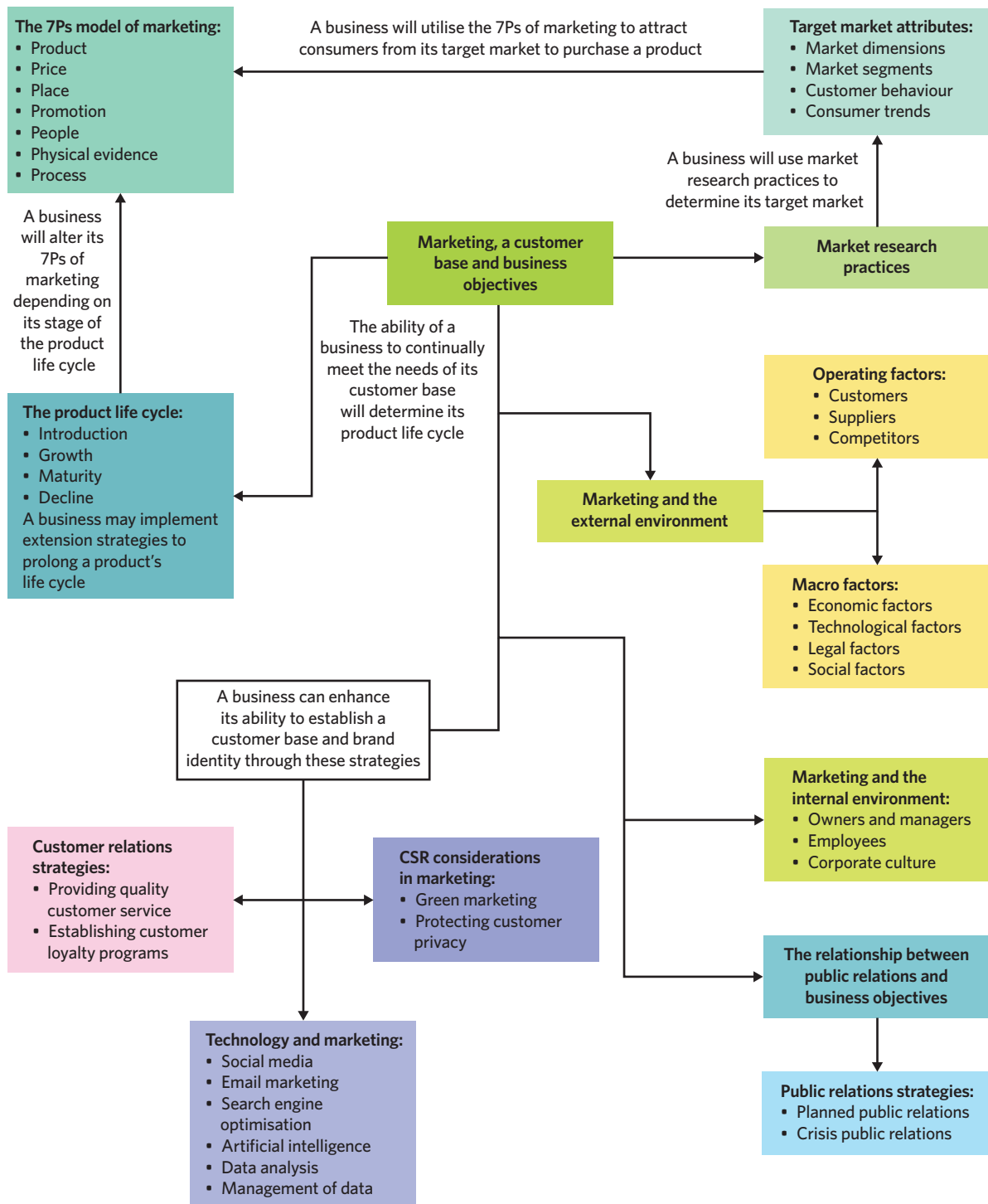
- social media
- email marketing
- search engine optimisation
- artificial intelligence
- data analysis
- management of data.

Lesson **5L The relationship between public relations and business objectives** covered public relations and its ability to increase business exposure. You also learnt about the importance of public relations to achieve business objectives.

Lesson **5M Public relations strategies** covered planned public relations as a proactive response and crisis public relations as a reactive response to a situation. You also learnt about the use of public relations to maintain a positive relationship with customers and the implications of not maintaining these relationships.

Lesson **5N CSR considerations in marketing** covered how a business can be socially responsible through its marketing practices in order to establish a customer base. The two corporate social responsibility considerations regarding the establishment of a customer base are:

- green marketing
- protection of customer privacy.



## AOS review activities

### Review activity 1: Technology and marketing summary table

You have learnt about the different technological developments in marketing that can assist a business in attracting and retaining its customer base. It is important to remember the different technological developments that a business can use in marketing to promote and position its product, as well as the advantages and disadvantages of each.

Copy out the table into your notes. Fill in the table by identifying whether the following statements are advantages or disadvantages for a business and which technological development they are associated with. The first row has been completed for you as an example.

Statement	Advantage	Disadvantage	Technological development
Websites that rank high on online platforms' results pages are often considered to be trustworthy and of high quality.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Search engine optimisation
Some social media platforms, such as Instagram and Facebook, have a marketplace where customers can purchase goods and services, increasing the platform's sales and profits.	<input type="checkbox"/>	<input type="checkbox"/>	
The business may have misinterpreted the data collected which may lead to inaccurate marketing decisions.	<input type="checkbox"/>	<input type="checkbox"/>	
The use of chatbots reduces business costs in the form of decreased employee wage expenses, increasing profits.	<input type="checkbox"/>	<input type="checkbox"/>	
The software and hardware used to collect and organise data can be expensive.	<input type="checkbox"/>	<input type="checkbox"/>	
Messages containing promotions for particular products can direct customers to a business's website, increasing website traffic.	<input type="checkbox"/>	<input type="checkbox"/>	
A business may receive negative comments on its posts which may damage its reputation.	<input type="checkbox"/>	<input type="checkbox"/>	
Customers may become frustrated by receiving constant messages from a business and may choose to unsubscribe from messaging lists.	<input type="checkbox"/>	<input type="checkbox"/>	
It can be time-consuming to interpret the data that has been collected.	<input type="checkbox"/>	<input type="checkbox"/>	
An automated marketing process allows for faster business decisions related to marketing to be made.	<input type="checkbox"/>	<input type="checkbox"/>	

### Review activity 2: Analysing a real-life public relations campaign

In this chapter, you have learnt about the importance of public relations and how implementing public relations campaigns and strategies can assist a business in establishing and maintaining positive customer relationships. It is useful to be able to recognise and apply your understanding of public relations to real-life examples.

Search up 'SPC and Vegemite Release the Ultimate Aussie Mashup in New Campaign via Thinkerbell' on the internet and click on the link that takes you to the article on Campaign Brief's website (Campaign Brief, 2022). Listen to the song contained in the article and answer the following questions.

1. How have SPC and Vegemite conducted their public relations campaign?
2. What type of public relations strategy (planned or crisis) have SPC and Vegemite undertaken and why?
3. Do you think this public relations campaign will attract customers to buy SPC and Vegemite's hybrid products? Why or why not?
4. How could this public relations campaign enable SPC and Vegemite to maintain a positive relationship with customers?
5. What are some advantages and disadvantages of SPC and Vegemite's public relations strategy and campaign?

### Review activity 3: Design a customer loyalty card

During this area of study, you were introduced to customer relations strategies that a business can use to increase its level of customer engagement. It is important to understand how these strategies can lead to improved customer satisfaction and increase the likelihood of repeat purchasing.

Imagine you are the owner of a new business and you are wanting to enhance its relationship with customers. Your task is to design and develop your own loyalty card for the business. This may include the look and feel of the card and the benefits that it will provide to the holder. You can choose any type of business you like for this activity. When designing your loyalty card, consider the type of good or service you are offering, and how it is consumed. Throughout the design process, use the following questions as prompts:

- What will your card look and feel like? Consider your choice of colours, personalisation, and size.
- How will the loyalty card work? Will it be a points or a 'free gift every 5 purchases' type of system?
- What benefits will your loyalty card provide to customers?
- What other features might your card include? For example, will your card have an online version for customers to store on their phones or will it only be physical?

You may like to complete this activity in small groups and then draw and share your designs with the class.

## Unit 2 AOS 2 review questions

### Contemporary case study

#### Useful tip

In the end-of-year VCAA examination for Units 3 and 4, it is likely that there will be a question asking you to refer to a contemporary business case study. This section of the AOS review is designed to build your skills in answering contemporary case study questions in year 11, so you are even more prepared for the exam at the end of Units 3 and 4. Refer to the section at the beginning of this textbook titled 'What is a contemporary business case study?' for more information. For the following questions, you can refer to IKEA or any other business you feel confident writing about as a contemporary business example.

#### IKEA

IKEA is a retail furniture company that is well-known for products that customers can easily assemble at home. The worldwide success of IKEA can be partly attributed to its ability to market its products and business in an engaging and exciting manner that attracts and retains customers, therefore establishing a customer base and strong brand identity.

When trying to gain insight into its customers, IKEA cleverly utilises market research practices. It collects primary customer data through engaging and fun customer surveys and questionnaires, as well as simple conversations, where customers are genuinely, yet casually, asked about their needs. This not only allows IKEA to gain valuable data about changing consumer behaviours and trends, but also develops the company's connection to consumers and increases its ability to develop a positive brand identity. Furthermore, this creates a unique customer experience and encourages customers to continually engage with the furniture company.

As a furniture company, IKEA understands how changing social factors affect consumer purchasing. IKEA has always been an environmentally sustainable company. In response to increasing public concern for sustainability, IKEA has further committed itself to protecting the environment. Most of the company's products are produced using recycled or renewable materials that have been sustainably sourced. By responding to the needs of society, IKEA has increased its ability to establish a customer base and a positive brand identity.

In terms of the 7Ps of marketing, IKEA primarily focuses on its product, price, and physical evidence.

Continues ►



Image: Fishman64/Shutterstock.com

**Figure 1** IKEA provides customers with a unique in-store experience that encourages repeat purchasing

## IKEA - Continued

### Product

IKEA is renowned for providing customers with modern, minimalistic, functional furniture designs that pay tribute to the Nordic origins of the business. Customers are particularly drawn to the sleek, homely aesthetic of IKEA furniture and their practicality as they can easily be implemented and utilised in the home. Furthermore, the company offers its furniture items as 'flat-packs' meaning they are packaged in single flat boxes that can be easily placed in a customer's car boot. This increases the ease at which customers can transport IKEA products, encouraging consumer purchasing.

### Price

Through the use of flat-pack packaging and large warehouse-sized stores on the outskirts of major cities, IKEA is able to keep its operating costs low whilst maintaining quality. This provides IKEA with a competitive advantage.

### Physical evidence

IKEA provides a unique in-store experience. The maze-like environment of IKEA stores takes customers on a single-pathway journey through well-crafted and realistically designed product displays, allowing the visualisation of furniture and household items in the home. Moreover, once customers have passed the checkout, IKEA provides several food options, including its famous meatballs, further enticing consumers to enjoy their experience.

The furniture company has a customer loyalty card called 'IKEA Family'. Through this card, customers are provided with regular discounts, promotions, and offers at IKEA stores and online.

Finally, in 2022, IKEA digitalised its previously printed catalogue, further emphasising its commitment to environmental sustainability, whilst also taking advantage of recent advancements in marketing technology. The furniture company launched a Pinterest page that allows customers to view the catalogue online, whilst personalising recommendations for customers based on their interests. Therefore, IKEA has enhanced its ability to understand and market its newest products to consumers.

*Adapted from Moosend, '24 Best Marketing Campaigns Of 2022 To Fuel Your Inspiration', n.d., Medium, 'IKEA Powerful Marketing Strategy', 2022, 'IKEA, 'Welcome to IKEA Family', n.d., and Squeeze Growth, 'IKEA's 7 Core Marketing Strategies & Tactics', 2022*

**Answer questions 1–4 with reference to the IKEA case study shown, or any other contemporary business case study you have studied.**

#### Question 1 (2 MARKS)

Describe how social factors may influence a business's marketing strategy. In your response, refer to a contemporary business case study.

#### Question 2 (3 MARKS)

With reference to a contemporary business case study, outline the market research process.

#### Question 3 (4 MARKS)

Using a contemporary business case study, explain two elements of the marketing mix.

#### Question 4 (4 MARKS)

With reference to a contemporary business case study, discuss the use of social media marketing.

## Exam-style

**These questions are typical of Section A in the VCE Business Management exam.**

#### Question 5 (5 MARKS)

Jackson's is a music and record player business that has recently established its own social media page with the hope of attracting more customers. To increase Jackson's customer engagement, the owner, Michael, has conducted surveys and interactive music sessions with members of the public and is now using data collected from these events to inform its next business strategies.

- a. Define the people element of the marketing mix. (1 MARK)
- b. Describe one advantage and one disadvantage of using social media at Jackson's. (2 MARKS)
- c. Outline how Jackson's can protect customer privacy when collecting information through social media. (2 MARKS)

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**Question 6** (7 MARKS)

Established in 2019, Noghurt is a dairy-free business that specialises in the production of yoghurt. Last month, Noghurt launched its most recent public relations campaign, which involved providing consumers with free samples in supermarkets and offering educational factory tours to schools. This was all in an effort to increase Noghurt's market share and become the leading business in the dairy-free industry. Noghurt is now considering using data analytics to improve the outcomes of its public relations campaign and further its connection with customers.

- a. Explain the relationship between public relations and business objectives at Noghurt. (3 MARKS)
- b. Discuss the use of data analytics at Noghurt. (4 MARKS)

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**Question 7** (8 MARKS)

Daisy has recently started her own business, called Looks Like a Doughnut, which serves a wide variety of bagels in Melbourne's CBD. A slow start in sales has led Daisy to consider introducing strategies to attract and retain more customers.

- a. Define the term 'customer base'. (1 MARK)
- b. Explain how economic factors may affect a business's customer base. (2 MARKS)
- c. Outline one customer relations strategy Daisy can implement to optimise customer value. (2 MARKS)
- d. Explain how Daisy could use market segmentation when identifying Looks Like a Doughnut's target market. (3 MARKS)

---

**Question 8** (15 MARKS)

Say Cheese is a camera manufacturer and retailer that has a number of factories and stores across Australia. Recently, Say Cheese finished designing its latest camera, the Snapshot1000, using highly specialised technology. The Snapshot1000 is expected to be the best camera in the market and will be released next month. Say Cheese plans to use the price skimming strategy to price the Snapshot1000 upon release.

- a. Describe the strategy of price skimming. (2 MARKS)
- b. Outline one method a business could use to collect primary data for market research. (2 MARKS)
- c. With reference to Say Cheese, describe the impact of search engine optimisation in marketing. (2 MARKS)
- d. Describe two marketing considerations related to the product element of the marketing mix that Say Cheese could address with the release of the Snapshot1000. (4 MARKS)
- e. Evaluate the suitability of the price skimming strategy at Say Cheese. (5 MARKS)



# UNIT 2 AOS 3

## Staffing a business

Staff, as one of the greatest assets of a business, are an important consideration during the establishment phase. The quantity and quality of staff have a direct link to business productivity and the achievement of business objectives. In this area of study, students consider staffing requirements that will meet the needs of a business and contribute to productivity and achievement of business objectives. They research the processes undertaken by the business in relation to the recruitment, selection and induction of staff. Students consider the opportunities that the skills and capabilities of staff can offer a business, the legal obligations that must be addressed in relation to staff, and the relationship between employers and employees within a business.

### Outcome 3

On completion of this unit, the student should be able to discuss the importance of staff to a business, discuss the staffing needs for a business, and evaluate staff-management strategies from both an employer and staff perspective.

*Reproduced from VCAA VCE Business Management Study Design 2023-2027*





# 6

## CHAPTER 6

### Staffing a business

#### LESSONS

- 6A** Staff performance and business objectives
  - 6B** Staffing needs
  - 6C** Technological developments and staffing needs
  - 6D** Job analysis
  - 6E** Internal recruitment methods
  - 6F** External recruitment methods
  - 6G** Selection methods
  - 6H** National employment standards
  - 6I** Employer expectations
  - 6J** Employee expectations
  - 6K** Legal obligations for staffing
  - 6L** Employee induction
  - 6M** CSR considerations for staffing
- Unit 2 AOS 3 review
- Unit 2 review

#### KEY KNOWLEDGE

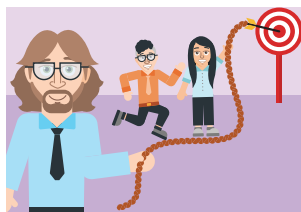
- the relationship between the performance of staff and achieving business objectives
- identification of the staffing needs of the business such as the knowledge, skills and ideas staff can contribute to the business
- the effects that developments in technology may have on staffing needs
- job analysis and its relationship to job design, job descriptions and job specifications
- recruitment methods and the advantages and disadvantages of each method:
  - internal such as intranet and word of mouth
  - external such as websites, online recruitment agencies and social media
- selection methods such as interview, psychological testing, work testing, online selection, and the advantages and disadvantages of each
- overview of the National Employment Standards
- employer expectations such as contracts of employment, loyalty and terms of notice
- employee expectations such as conditions of employment, remuneration, job security and work-life balance
- overview of legal obligations for staffing such as occupational health and safety (OH&S) regulations and equal employment opportunity (EEO) legislation
- the purpose and common methods of employee induction
- corporate social responsibility management considerations regarding establishment of staffing for a business and overseas recruitment



# 6A Staff performance and business objectives

'Clients do not come first. Employees come first. If you take care of your employees, they will take care of the clients.' – Richard Branson, CEO and founder of the Virgin Group.

Staff are a central component of most businesses. However, some businesses place more importance on the performance of their staff than others. How much of an impact does the performance of staff really have on a business achieving its goals?



## KEY DEFINITIONS

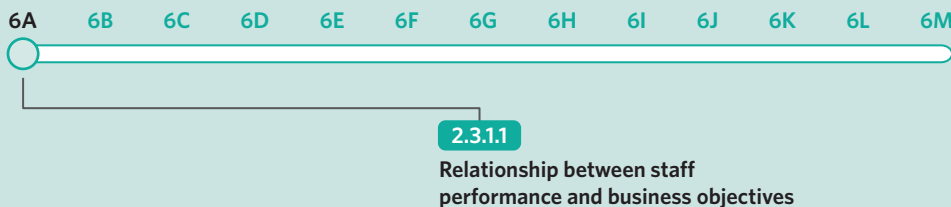
**Staff** are the people who work for businesses in exchange for payment.

## ADDITIONAL TERMS

**Human resource managers** are individuals who coordinate the relationship between employees and management within a business.

## STUDY DESIGN DOT POINT

- the relationship between the performance of staff and achieving business objectives



## Lesson introduction

**Staff** are the people who work for businesses in exchange for payment. Staff are a crucial component of most businesses as they are responsible for completing the day-to-day activities of a business. Without them, a business may not be able to complete its core operations, such as producing goods or serving customers. While the cost of wages can account for a significant portion of a business's expenses, the value of high-performing staff often outweighs these costs. When establishing a business, an owner should consider how staff will influence the business's operations and the achievement of business objectives.

## Relationship between staff performance and business objectives 2.3.1.1






The capabilities and behaviour of staff can have a significant influence on a business's productivity and achievement of business objectives. **Human resource managers** are responsible for effectively managing employees to ensure they feel valued, encouraged, and motivated to perform to the best of their ability.

**Table 1** The effect of management strategies on employee performance

Effective management strategy	Example of implementing this strategy	Effect on employee performance
Clearly communicating goals	Conducting a meeting with staff to outline the business's specific goals, and providing open two-way communication between managers and employees.	Employees have a clear understanding of business goals and how to contribute to achieving them.
Motivating employees	Training employees so they feel valued by the business and have the appropriate skills to complete their role.	Employees experience increased job satisfaction and productivity, as they understand how to complete their roles.
Supporting employees	Being an understanding manager that provides feedback and encourages employees to share their concerns in order to resolve any issues.	Employees experience increased job satisfaction and strengthen their relationship with managers, leading to loyalty towards the business.

Underperforming staff may complete work tasks incorrectly or poorly which may result in businesses providing customers with low-quality goods or services. Alternatively, high-performing staff are more likely to complete tasks to a high standard and provide a positive customer experience. High-quality goods and services can positively contribute to a business's goals, such as developing a positive reputation as a result of customer satisfaction, which increases sales and profits.

**Table 2** The relationship between staff performance and business objectives

Business objective	Description	Relationship with staff performance	
 <p>To make a profit</p>	To make a profit, a business needs to earn more revenue than its accumulated expenses.	High-performing staff may complete business activities efficiently and produce high-quality goods and services. In turn, sales may increase, leading to higher profits.	Underperforming staff may complete business activities incorrectly or poorly, increasing the cost of wages, as more employees may be needed to produce goods and services.
 <p>To increase market share</p>	To increase market share, a business needs to increase the total sales it makes within its industry.	High-performing staff may produce high-quality goods and services which may increase sales.	Underperforming staff may produce low-quality goods and services which may reduce business sales.
 <p>To meet shareholder expectations</p>	Shareholders expect a return on the investment they make in a business. To meet shareholder expectations, businesses should generate consistent profit to return some to their shareholders.	High-performing staff may complete business activities efficiently, which can increase profit, as well as the business's returns that are distributed to shareholders.	Underperforming staff may complete business activities incorrectly or poorly, which can decrease profit and limit the returns distributed to shareholders.
 <p>To fulfil a market need</p>	Businesses can fulfil a market need by offering goods and services that meet customer needs.	High-performing staff may provide innovative ideas and insights to produce high-quality goods and services that meet customer needs.	Underperforming staff may produce low-quality goods and services that do not meet customer needs.
 <p>To fulfil a social need</p>	Businesses can fulfil a social need by using their operations to benefit the community and the environment.	High-performing staff may provide innovative ideas and produce high-quality goods and services that positively impact the community and environment.	Underperforming staff may result in a business focusing on improving employee performance, rather than using its resources to benefit the community and environment.

### THEORY IN ACTION

#### Relationship between staff performance and business objectives

In order for Veteran Fitness to achieve its goals, Elanor has to ensure that her staff are performing their duties at the gym to a high standard. One method used by Elanor to improve her staff's performance is providing mandatory training sessions for all new fitness instructors. This ensures that the fitness session delivered to customers is of the highest possible quality. Elanor also communicates with her employees regularly to keep them aware of any upcoming changes, such as the implementation of new gym equipment and new fitness boot camp classes. By ensuring high performance from its employees, Veteran Fitness has built a positive reputation that attracts more customers. As a result, Elanor is better equipped to fulfil the social need of training more ex-veterans to become fitness instructors.



**Figure 1** The performance of Elanor's employees will impact the achievement of business objectives

**ACTIVITY****Relationship between staff performance and business objectives**

Decide if the following management strategies would likely have a positive or a negative impact on employee performance, or whether they may have both a positive and a negative influence:

- Reprimanding staff if they do not achieve a certain amount of sales per week.
- Encouraging staff to share any ideas they have for the business, even if they were not well-thought-out.
- Setting an example to employees of sacrificing quantity for quality, in order to ensure that every product or service produced was absolutely perfect with no defects.
- Having an 'open door policy' to allow staff to speak freely with their manager about their concerns.

Discuss the following questions with your classmates:

1. What does the term 'high-performing staff' mean to you? What kind of attributes does a high-performing employee have that help them contribute to the achievement of business objectives?
2. How could the type of objectives a business has set impact the management strategy that may be used to improve staff performance?

**Theory summary**

Staff are responsible for completing the day-to-day business activities that contribute to the achievement of business objectives. If a business has high-performing staff, it will likely achieve its objectives. As a result, it is important for an owner to establish a positive relationship with staff members to encourage them to work to their full potential.

## 6A Questions

**Theory review****Question 1**

The success of a business is heavily influenced by the quality of staff performance.

- A. True
- B. False

**Question 2**

If employees of a business are performing poorly, the business is likely to:

- A. attract more customers and increase market share.
- B. produce low-quality products or services and profits may decrease.

**Question 3**

Fill in the blank with **one** of the following terms:

- High-performing staff
- Underperforming staff

\_\_\_\_\_ may perform tasks inefficiently which could reduce the profit a business can distribute to its shareholders.

**Question 4**

High-performing staff will likely produce high-quality goods and services, which can:

- A. increase sales and market share.
- B. decrease sales and market share.

**Question 5**

High-performing staff are more likely to provide businesses with innovative ideas that can meet customer needs.

- A. True
- B. False

**Question 6**

Fill in the blank with **one** of the following terms:

- increase
- decrease

Underperforming staff are likely to \_\_\_\_\_ the ability of a business to fulfil a social need.

**Question 7**

Human resource managers are responsible for ensuring that staff perform well.

- A. True
- B. False

**Question 8**

Fill in the blank with **one** of the following terms:

- significant influence
- little impact

The performance of staff has \_\_\_\_\_ on the achievement of business objectives.

## Preparing for exams

### Case study skills

#### Question 9

Oliver has recently started Perdis Dance, a dance studio that aims to improve the health and wellbeing of the community. Oliver is now considering hiring employees to run classes but is worried about being able to meet his business objectives of fulfilling a social need and making a profit.

Identify which of the following statements are correct about the relationship between staff performance and the achievement of business objectives at Perdis Dance. **(Select all that apply)**

- I. If the staff at Perdis Dance are performing at a high standard, they are likely to run a better dance class that will attract more customers and fulfil a social need.
- II. If Perdis Dance's staff are performing poorly, they are likely to only have a few clients, reducing operating costs and achieving the objective to make a profit.
- III. Perdis Dance should ensure that its staff are performing to a high standard to ensure that it produces a high-quality dance class, which will attract more customers and increase profit.

### Exam-style

#### Question 10 (1 MARK)

Define the term 'staff'.

---

#### Question 11 (2 MARKS)

Outline the relationship between staff performance and the achievement of business objectives.

---

#### Question 12 (3 MARKS)

Explain the effect of poor staff performance on the achievement of business objectives.

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#### Question 13 (3 MARKS)

Oliver has recently started Perdis Dance, a dance studio that aims to improve the health and wellbeing of the community. Oliver is now considering hiring employees to run classes but is worried about being able to meet his business objectives of fulfilling a social need and making a profit.

Explain the relationship between staff performance and the achievement of Perdis Dance's business objectives.

### Testing previous knowledge

#### Question 14 (3 MARKS)

Wilmont Productions is a film and television production studio located in Sydney. The manager, Abdul, is aiming to increase profit by attracting more directors and actors to use his studio. The studio provides its clients with film and television production equipment, custom set designs, and producer services. Recently, Abdul has noticed an increase in the amount of defective film and camera equipment as a result of employees being careless when handling the equipment.

Explain the effect of staff performance on establishing a customer base.

# 6B Staffing needs

'Hire character. Train skill.'  
- Peter Schutz, Porsche

Staff are a core component of all businesses. However, many businesses have different requirements regarding their employees. What is more important for employees to have, a developed skill set, experience, or the ability to come up with new ideas for the business?



## KEY DEFINITIONS

**Staffing needs** are the requirements a business has for employees.

## ADDITIONAL TERMS

**Labour intensive** is when a business uses a high degree of employee involvement during its production process.

**Capital intensive** is when a business uses a high degree of machinery and equipment during its production process.

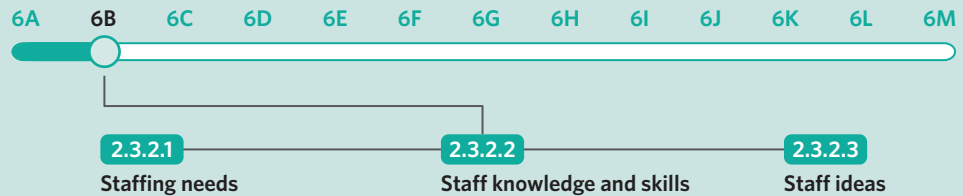
**Human resource planning** is the process of identifying current and future employee needs.

**Knowledge** is the theoretical or practical understanding of a specific subject.

**Skill** is the ability to complete a specific task to a certain level of quality.

## STUDY DESIGN DOT POINT

- identification of the staffing needs of the business such as the knowledge, skills and ideas staff can contribute to the business



## Lesson introduction

For any business to produce goods and services, employees are required to complete business activities. Although all businesses require staff, their needs for these staff will be unique depending on their business structure and production process. Employees may be more or less useful to each different business depending on these requirements. For example, some businesses may require staff to have certain formal qualifications, technical skills, or industry experience. A business must identify the skills, knowledge, and ideas that they expect workers to contribute.

## Staffing needs 2.3.2.1

**Staffing needs** are the requirements a business has for employees. For a business to identify its staffing needs, human resource managers must consider the business's direction, as well as the goods and services that the business produces. Businesses that are **labour intensive** may require more employees than **capital intensive** businesses. Managers are also responsible for conducting **human resource planning** to determine the number and types of staff that are required to meet business objectives. Unfilled positions may arise due to resignations and promotions, as well as the growth or downsizing of the business.

## Staff knowledge and skills 2.3.2.2

Businesses may choose to recruit new staff when there is a requirement for certain **knowledge** and **skills** within the business's workforce. A business may face a gap in its workforce if it is expanding, or if new types of goods or services are being produced. When recruiting staff, human resource managers should consider the relevant knowledge and skills employees require for the job description. Depending on the requirements of the job, employees may require a certain standard of knowledge and skills. An employee's expertise may be in the form of past experience, education, or qualifications related to their job. Employees who possess the appropriate knowledge and skills can perform tasks to the desired standard, and enable a business to achieve its objectives.

**Table 1** The need for knowledge and skills in jobs

Source of skill or knowledge	Job examples	Explanation
<b>Experience</b>	<ul style="list-style-type: none"> <li>Actor/Actress</li> <li>Sales executive</li> <li>Restaurant manager</li> <li>Seminar presenter</li> </ul>	Some jobs require employees to have completed work in a related field for a number of years. Employees who have experience in the same job field are better at applying their relevant knowledge and skills to produce high-quality work.

Continues ►

Table 1 Continued

Source of skill or knowledge	Job examples	Explanation
Education	<ul style="list-style-type: none"> <li>Engineer</li> <li>Scientist</li> <li>Accountant</li> <li>Journalist</li> </ul>	Some jobs require specialised education, such as a diploma or bachelor's degree.
Qualifications	<ul style="list-style-type: none"> <li>Electrician</li> <li>Lawyer</li> <li>Doctor</li> <li>Nutritionist</li> </ul>	Some jobs require legally recognised licenses and certificates. It may also be necessary to have experience or specific education before receiving a qualification.

**REAL WORLD EXAMPLE**

**Staff knowledge and skills**

Woolworths is one of Australia's largest supermarket chains. In order to operate on such a large scale, Woolworths employs over 205,000 staff members. There is a large variety of roles that make up Woolworths' workforce, including retail assistant, operations manager, and financial analyst. For each role, the skills and level of knowledge required differs. For example, Woolworths often employs young adults who are looking for their first job. On the other hand, operations managers are required to have extensive retail industry experience. To fill the role of a financial analyst, an individual must have a bachelor's or master's degree in accounting.

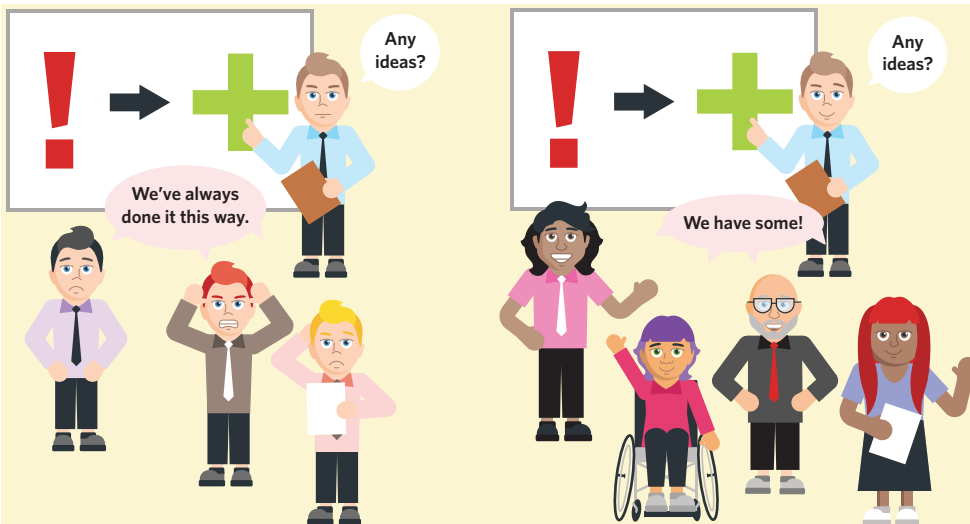
*Adapted from the Woolworths Group, 'Careers', 2022*



Image: Daria Nipot/Shutterstock.com

**Figure 1** Woolworths recruits employees to fill job roles based on their knowledge and skills

**Staff ideas 2.3.2.3**



**Figure 2** A diverse workplace encourages a greater variety of ideas to be shared within the business

In many businesses, employees are often able to contribute new ideas and strategies. Newly hired employees are able to provide a unique perspective on current business processes, policies, and procedures. Recruiting new staff, who may have fresh ideas, can therefore encourage existing employees to constantly adapt their behaviour and ways of thinking. In addition to identifying necessary knowledge and skills, human resource managers should focus on employing individuals from a wide variety of backgrounds. A **diverse** workforce includes individuals of different genders, ethnicities, and ages that have unique personal and professional experiences. Having a diverse workforce can promote creativity and innovation as staff with different perspectives can contribute new ideas to the workplace.

**ADDITIONAL TERMS**

**Diverse** means to show a large amount of variety.

**LESSON LINK**

Business policies and procedures were introduced in **4E Policies and procedures**.

## REAL WORLD EXAMPLE

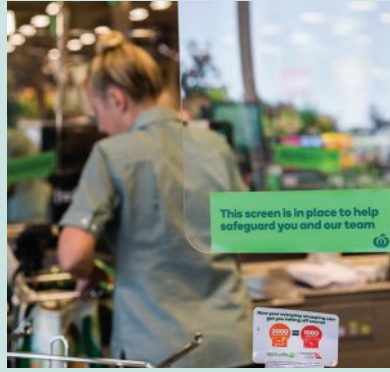


Image: GillianVann/Shutterstock.com

**Figure 3** Woolworths has a focus on employing a diverse range of individuals to encourage unique ideas

## Staff ideas

One of Woolworths' core values is improving diversity within its workforce. Brad Banducci, Woolworths' CEO, has stated that 'diversity in all its forms is the key to success in any workplace'. In particular, Woolworths has a focus on improving gender diversity at the executive and senior manager levels. These senior employees are responsible for contributing ideas and making high-level business decisions. Additionally, Woolworths also employs staff of a wide range of ages. Age diversity maximises the variety of ideas that employees can contribute to Woolworths' operations. The company's commitment to diversity led them to be named first in Australia on the 2020 Refinitiv Diversity & Inclusion Index.

*Adapted from Woolworths, 'Annual report', 2021*

## ACTIVITY

## Staffing needs

Imagine you are a business owner of a Japanese teppanyaki restaurant, based in Melbourne, that specialises in high-quality Japanese food which is cooked in front of the customer. Answer the following series of 'would you rather' questions:

- Would you rather have employees that can speak Japanese, or that know how to cook Japanese food?
- Would you rather hire employees that have two prestigious university degrees, or employees that have many years of restaurant experience?
- Would you rather your employees bring new ideas on how to improve the food to you daily, or employees that are only guided by your direction?

Discuss the following questions with your classmates:

1. Do you think that staffing needs are only reliant on the business's product type and structure, or do you think that the preferences of the manager can influence staffing needs?
2. Do you think that the restaurant from the scenario above is capital intensive or labour intensive? What impact would this have on staffing needs?
3. What are some examples of businesses that would require their employees to be able to contribute ideas?
4. If you have ever worked as an employee, can you identify the knowledge and skills you needed, and any ideas you contributed to the business?

## Theory summary

Staffing needs within a business may change if a business is expanding or offering a new good or service. Human resource managers should aim to hire individuals that have the appropriate knowledge and skills for their role. In addition, businesses should also develop a diverse workforce that is encouraged to contribute a wide variety of ideas to the business.

# 6B Questions

## Theory review

### Question 1

A business will always be looking to hire new employees.

- A. True
  - B. False
- 

### Question 2

Human resource managers should hire staff who have the appropriate knowledge and skills for their role.

- A. True
  - B. False
- 

### Question 3

A business should have a diverse workforce because:

- A. it encourages a wide variety of ideas.
  - B. it improves knowledge and skills.
- 

### Question 4

Fill in the blanks with the following terms:

- ideas
- knowledge and skills

Employees must have the right \_\_\_\_\_ to perform their roles and they should be encouraged to contribute valuable \_\_\_\_\_ to improve business processes.

---

### Question 5

A human resource manager can ensure that they hire employees with the right knowledge and skills by:

- A. hiring employees with relevant work experience.
  - B. hiring employees who have a university degree or higher education in any field.
- 

### Question 6

Hiring the right employees can improve the quality of business processes as well as the goods and services produced.

- A. True
  - B. False
- 

## Preparing for exams

### Case study skills

### Question 7

Roco is the human resource manager at Vitrus, an Australian business that produces electric car batteries.

Due to the rise in the popularity of electric cars, the demand for batteries has increased. Roco is now considering employing 20 new engineers to keep up with the increase in workload, to maximise sales.

Identify which of the following statements are correct about staffing needs at Vitrus. **(Select all that apply)**

- I. Vitrus requires employees who are able to sell electric car batteries.
- II. Roco should aim to employ individuals that have an engineering degree.
- III. Roco should seek to employ individuals that have legal engineering licenses and certificates.
- IV. Roco should recruit employees that have any university degree, as these individuals will be more qualified to work at Vitrus.



**Question 8**

Sunco is a software consulting company based in Melbourne. Georgina, the owner, has developed a new service that provides consulting to mobile software providers. Currently, there is only a small number of staff members that have experience in mobile software consulting. Sunco is also struggling to sell this new service to clients, as their sales team is not adequately trained.

Identify which of the following statements are **true** or **false** about staffing needs at Sunco.

	True	False
I. Sunco should hire employees with previous experience to provide mobile software consulting.	<input type="checkbox"/>	<input type="checkbox"/>
II. Georgia should only seek to employ new staff that have experience in software development and technological engineering.	<input type="checkbox"/>	<input type="checkbox"/>
III. New employees may be able to provide innovative promotion ideas to Sunco and increase sales.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Georgia should endeavour to employ new workers that are all very similar and like-minded, to maintain a cohesive work environment.	<input type="checkbox"/>	<input type="checkbox"/>

**Exam-style****Question 9** (1 MARK)

Define the term 'staffing needs'.

---

**Question 10** (2 MARKS)

Describe how staff can contribute ideas to a business.

---

**Question 11** (2 MARKS)

Describe how staff can contribute knowledge and skills to a business.

---

**Question 12** (3 MARKS)

Roco is the human resource manager at Vitrus, an Australian business that produces electric car batteries. Due to the rise in the popularity of electric cars, the demand for batteries has increased. Roco is now considering employing 20 new engineers to keep up with the increase in workload, to maximise sales.

Identify and explain one staffing need Roco should consider when employing new engineers.

---

**Question 13** (4 MARKS)

Sunco is a software consulting company based in Melbourne. Georgina, the owner, has developed a new service that provides consulting to mobile software providers. Currently, there is only a small number of staff members that have experience in mobile software consulting. Sunco is also struggling to sell this new service to clients, as their sales team is not adequately trained.

Explain two staffing needs Georgina should consider.

**Testing previous knowledge****Question 14** (3 MARKS)

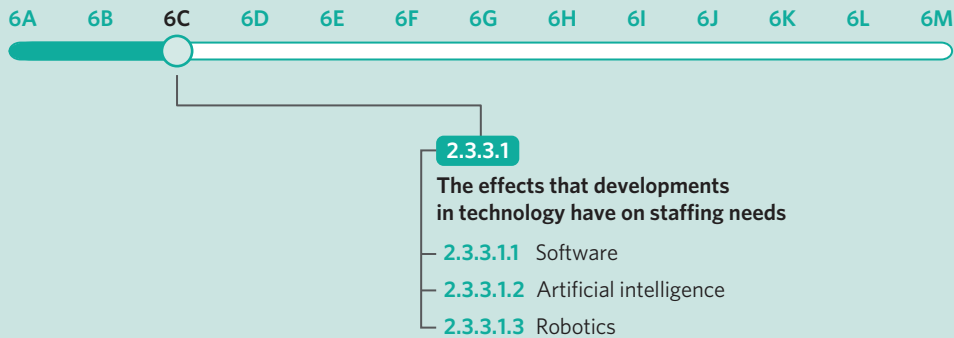
Elon's Gadgets is a gaming technology shop that specialises in selling unique products, such as virtual reality headsets and advanced gaming consoles. The business has a physical store located in Brunswick in which customers can come and get advice on how to use the technology products sold, and is currently looking to hire more staff.

Identify the type of business model used by Elon's Gadgets and describe one staffing need that the owner should consider.

# 6C Technological developments and staffing needs

## STUDY DESIGN DOT POINT

- the effects that developments in technology may have on staffing needs



During your final years of school, you may consider the industry that you want to work in, as well as your future career. Twenty years ago, many of the jobs that exist today were unheard of and students would have never predicted to be working in such careers. Rapid advancements in technology require individuals to be ready to enter careers that do not currently exist.



## Lesson introduction

**Developments in technology** are the inventions and innovations of tools that solve problems and enhance processes. Technology is constantly improving and evolving. The wide integration of technology into various aspects of society has changed the way businesses operate and transformed jobs in all industries.

## The effects that developments in technology have on staffing needs 2.3.3.1

Developments in technology, such as software, artificial intelligence, and robotics, have affected business staffing needs in all industries. Technological developments have both positive and negative impacts on staff. Technology can allow for greater flexibility in working conditions and roles within the workplace, which may be appealing to staff. However, technology can reduce the number of employees in the workplace as technology can work more efficiently and effectively than human labour. Some traditional jobs have been replaced by computers and machinery, while new jobs have been created to develop, operate, and oversee technology. Utilising technology can transform business processes and can significantly change a business's staffing needs.

### Software 2.3.3.1.1

**Software** is the programs used on computers and other electronic devices. Software is used by businesses to complete specific tasks or enhance business processes. Computers and other electronic devices can enable employees to complete their work faster and with fewer errors than if it were completed manually. With developments in technology, employees are now able to use software to communicate from various locations at any time. Consequently, employees are more productive and businesses may require fewer staff members to complete business activities. However, businesses often need to train staff on how to use software, which can be difficult and time-consuming if employees have never encountered this technology before. Additionally, staff may be required to take on a broader range of roles and responsibilities if technology replaces their traditional role.

### KEY DEFINITIONS




**Developments in technology** are the inventions and innovations of tools that solve problems and enhance processes.

**Software** is the programs used on computers and other electronic devices.

### LESSON LINK

Staffing needs were introduced in **6B Staffing needs**.

**Table 1** Examples of software and its effect on staffing needs

Software	Explanation	Effect on staffing needs
<b>Communication software</b> 	Communication software is used to exchange information and messages via the internet. It includes online services, such as email, instant messaging, and video calling.	Businesses may need to hire fewer staff members, as employees are able to connect and share information instantly from any location. Therefore, tasks can be quickly completed when necessary. Businesses may also be more likely to offer flexible working arrangements, such as working remotely, as staff are still able to efficiently communicate.
<b>Mobile and computer applications</b> 	Mobile and computer applications are constantly developing. Some widely used applications include word processors, such as Microsoft Word, and spreadsheet software, such as Microsoft Excel.	Businesses may require fewer staff members as tasks can be automated and completed significantly faster than human labour.
<b>Accounting software</b> 	Accounting software assists businesses with their bookkeeping and recording and reporting of financial transactions. Examples of software include Xero and MYOB.	Businesses may be required to hire less staff with specialised accounting knowledge, because the software is able to complete the tasks more efficiently and with fewer errors.

**REAL WORLD EXAMPLE**

Image: DANIEL CONSTANTE/  
Shutterstock.com

**Figure 1** Communication software, such as Zoom, has affected the flexibility of staff in workplaces

**Software**

Zoom is a video platform that assists businesses with their communication needs, including online meetings, phone calls, chat functions, and webinars. Developments in real-time communication software, such as Zoom, are affecting the staffing needs of businesses, as employees need to be skilled in using such communication software in order to efficiently transfer information with their team and complete required tasks. Additionally, communication software has increased the prevalence and desirability of working remotely among staff. Consequently, there may be fewer employees present in an office environment. Furthermore, Zoom has developed 'Kiosk Mode', where office visitors can tap to be instantly connected with the office's front desk staff through its communication software. Zoom also has a Mobile App that allows staff to stay connected and join meetings from any location. Therefore, developments in communication software affect the skills that staff are required to possess, as well as the flexibility of where they work.

*Adapted from Zoom, 'Remote, On-Site, or Hybrid Work – A Guide and Insights For Your Team', 2022*




**Artificial intelligence 2.3.3.1.2**

**Artificial intelligence (AI)** is software that is able to mimic the behaviour of humans. AI is a powerful tool that allows machines to perform functions that would otherwise require human input. These functions can enable computerised machines to learn from past experience, problem solve, process and understand language, and reason with logic. AI is able to perform these functions by analysing different patterns, collecting and interpreting data, and utilising facial and speech recognition systems. All these abilities are inherent to humans, however, as computer systems are able to work in the same way, a business's staffing needs may be impacted by AI. Business activities that were previously performed by employees may be completed by AI, resulting in some staff members being required to complete other roles, such as the coding and maintenance of the systems.

**KEY DEFINITIONS**

**Artificial intelligence (AI)** is software that is able to mimic the behaviour of humans

**Table 2** Examples of artificial intelligence and its effect on staffing needs

AI system	Explanation	Effect on staffing needs
<b>Chatbots</b> 	Chatbots use artificial intelligence systems to engage in natural conversations with humans. They are often used to assist online customers 24/7.	Chatbots can act as virtual assistants and may reduce staffing requirements in roles, such as taking food orders, answering frequently asked questions, and guiding customers through online payment processes.
<b>Facial recognition technology</b> 	Facial recognition technology could be used in workplaces to confirm the identity of individuals.	Facial recognition technology reduces the need for security staff members. For example, at the airport, there are fewer security members checking passports and this is instead done by artificial intelligence technology.
<b>Recruitment processes</b> 	Online tests and simulations have been created to test individuals throughout their recruitment process to provide a more standardised recruitment process.	Having more automated recruitment processes makes it easier for human resources staff to select the most suitable employees. Artificial intelligence can scan resumes for specific qualifications and roles, and can therefore save staff time in the recruitment process. As a result, staff may need to perform different roles throughout the recruitment process.

**REAL WORLD EXAMPLE****Artificial intelligence**

Amazon is an American multinational technology company that focuses on e-commerce, digital streaming, online advertising, and artificial intelligence (AI). Amazon fulfilment centres use AI to automate the flow of inventory and determine the location of storage items. These developments in AI technology enable staff at Amazon fulfilment centres to skip manual item scanning. The use of AI allows Amazon to store items that have arrived from manufacturers anywhere on the warehouse's shelves, and then record the location on a computer. Staff can take an item out of a box, use a barcode scanner to scan it, place it on the shelf, and then scan the shelf itself. This scanning process enables items to be associated with their location, therefore making it easier for staff to track the position and movement of the numerous items in the fulfilment centres. Ultimately, AI technology can reduce staffing needs in the Amazon fulfilment centre, however, employees would need to learn how to operate and troubleshoot the technology.

*Adapted from Zentail, 'Amazon's Flywheel Approach: How The Tech Giant Uses AI', 2022 and Amazon, 'Amazon Robotics Uses Amazon SageMaker and AWS Inferentia to Enable ML Inferencing at Scale', 2022*



Image: Mike Mareen/Shutterstock.com

**Figure 2** Amazon utilises artificial intelligence to scan products in its fulfilment centre so human labour no longer needs to do so



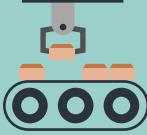
**Robotics 2.3.3.1.3**

**Robotics** are programmable machines that are capable of performing specified tasks. These specialised devices can be organised within a business's operations system to efficiently complete specific tasks with high levels of precision and accuracy. Robotics can reduce the need for human labour within a business and often coordinate dangerous, repetitive, or complex tasks. Therefore, employees can benefit from the use of robotics as their risk of injury at work is likely to decrease. Moreover, robotics can have a significantly positive impact on business operations as they are able to complete tasks with greater precision, efficiency, and stamina than manual human labour. However, when a business uses robotics, it may require employees to understand how to oversee this technology and troubleshoot if an issue arises.

**KEY DEFINITIONS**

**Robotics** are programmable machines that are capable of performing specified tasks.

**Table 3** Examples of robotics and its effect on staffing needs

Robotic technology	Explanation	Effect on staffing needs
 <p><b>Drones</b></p>	Drones are a type of flying robot that can be remote-controlled or automated. Drones can be used to inspect large areas and pick up or drop off items.	Businesses may require less staff to complete business activities, such as picking and packing products. However, businesses may require staff with specialised knowledge to operate drones.
 <p><b>Self-service checkout</b></p>	Self-service checkouts allow customers to scan and purchase goods with minimal staff assistance.	Businesses may require less staff to process customer purchases if they use self-service checkouts. However, employees with specialised knowledge to fix, oversee, or assist customers with this machinery are likely to be needed.
 <p><b>Automated production lines</b></p>	Automated production lines often involve the use of robotics, where autonomous robots are programmed to perform various tasks along a production line.	Businesses may no longer require staff to manually manufacture products. However, businesses may need staff with specialised knowledge to operate automated production lines.

**REAL WORLD EXAMPLE**

Image: NYC Russ/Shutterstock.com

**Figure 3** Uber Eats is trialling robotic technology which could affect the staffing of human couriers

**Robotics**

Uber Eats is an online food ordering and delivery platform. Food is delivered by a human courier using cars, scooters, bikes, or on foot. However, in California, USA in May 2022, Uber Eats launched robots and self-driving cars to deliver food to customers. Customers received instructions via the Uber Eats app for how to retrieve their food from inside the robot or back seat of the car. Technological developments, such as robotics, can affect staffing needs as these robots could reduce the need for human couriers in the future. Instead, staff may be required to supervise robotic deliveries and fix and maintain this machinery.

*Adapted from CNN Business, 'Uber to test delivering food with robots', 2022*

**ACTIVITY****Technological developments and staffing needs**

Discuss the following questions about staffing needs in schools with your classmates:

1. How do you think the staffing needs of schools will change with future technological developments?
2. Do you think the role of teachers will change? What about the roles of other staff members, such as administration and cleaners?
3. Is there any software that you think school staff members could benefit from?
4. Do you think teachers could ever be replaced by robots?

**Theory summary**

Developments in technology can alter the staffing needs of a business and may result in some businesses requiring fewer employees to complete their activities. However, when businesses adopt new technology, they may require staff with specialised skills and knowledge to oversee or operate it. Technological developments that may impact a business's staffing needs are:

- software, which is the programs used by electronic devices.
- artificial intelligence, which is the systems that automate tasks that would typically require human intelligence.
- robotics, which is machinery that is capable of performing specific tasks.

# 6C Questions

## Theory review

### Question 1

Developments in technology will always cause businesses to require fewer staff.

- A. True
- B. False

### Question 2

Developments in technology can affect staffing needs because: **(Select all that apply)**

- I. businesses may require less staff.
- II. businesses may require no staff.
- III. businesses may require staff with new skills and knowledge.

### Question 3

Utilising software enables staff at a business to:

- A. complete tasks manually.
- B. complete tasks at a faster rate.

### Question 4

Developments in communication technology can increase a business's flexibility, enabling staff to work remotely.

- A. True
- B. False

### Question 5

Artificial intelligence does not affect the role of staff members who primarily interact with customers.

- A. True
- B. False

### Question 6

Developments in technology can broaden the roles and responsibilities of staff.

- A. True
- B. False

### Question 7

Fill in the blanks with the following terms:

- software
- robotics

The programs used on computers and other electronic devices are called \_\_\_\_\_, whereas the programmable machines that are capable of performing specified tasks are called \_\_\_\_\_.

### Question 8

Businesses may need to train employees to use and maintain robotic technology.

- A. True
- B. False

## Preparing for exams

### Case study skills

### Question 9

Atlas is a Melbourne-based vehicle manufacturer. Currently, Atlas utilises basic manufacturing technology to produce its vehicles. Recently, the business has purchased a new type of robotic machinery that is able to automate the entire vehicle production process.

Identify which of the following statements are correct about technological developments at Atlas.

**(Select all that apply)**

- I. Atlas may require staff with knowledge of how to operate the new robotic machines.
- II. Atlas will not require any staff with knowledge or skills to operate the robotics after adopting the new machinery.
- III. Atlas may require fewer staff members in the vehicle production process after adopting the new technology.

**Question 10**

Saraha is a large supermarket chain with stores across Australia. In one Melbourne store, Saraha is trialling a new type of software that detects the products a customer carries out of the store. An app on the customer's phone is then able to process the payment automatically.

Identify which of the following statements are correct about developments in technology at Saraha.

**(Select all that apply)**

- I. Customers using Saraha's new technology will still have to go through a traditional checkout process.
- II. Saraha's new technology may require staff to be trained to fix any software problems associated with the app.
- III. Saraha's new technology can reduce the need for checkout staff.

**Exam-style****Question 11** (1 MARK)

Define the term 'software'.

---

**Question 12** (2 MARKS)

Describe how artificial intelligence can affect a business's staffing needs.

---

**Question 13** (2 MARKS)

Describe how software can affect a business's staffing needs.

---

**Question 14** (3 MARKS)

Atlas is a Melbourne-based vehicle manufacturer. Currently, Atlas utilises basic manufacturing technology to produce its vehicles. Recently, the business has purchased a new type of robotic machinery that is able to automate the entire vehicle production process.

Explain the effect of developments in technology on staffing needs at Atlas.

---

**Question 15** (3 MARKS)

Saraha is a large supermarket chain with stores across Australia. In one Melbourne store, Saraha is trialling a new type of software that detects the products a customer carries out of the store. An app on the customer's phone is then able to process the payment automatically.

Explain the effect of developments in technology on staffing needs at Saraha.

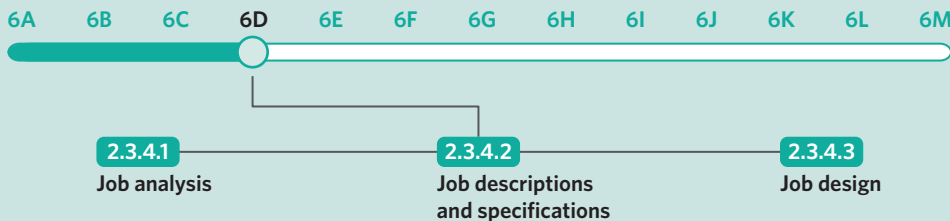
**Testing previous knowledge****Question 16** (2 MARKS)

Outline two ways that developments in technology affect the knowledge and skills of staff.

# 6D Job analysis

## STUDY DESIGN DOT POINT

- job analysis and its relationship to job design, job descriptions and job specifications



Much like how dating show contestants tell producers what they are looking for in a romantic partner, a manager should identify what they are looking for in a potential employee before hiring someone new. Each job is vastly different and both a manager and a prospective employee should be aware of what the role involves before getting into a professional relationship.



## Lesson introduction

After identifying staffing needs, a business may need to hire additional employees. Before hiring new employees, a business should determine what positions need to be filled, and the activities included in the role. Conducting job analysis and job design, as well as developing job descriptions and specifications, can help a business ensure it hires the right employees.

## Job analysis 2.3.4.1

**Job analysis** is the process of identifying the essential duties, tasks, and responsibilities of a specific role. In order to hire the applicant who is most suitable for the given position, a business must identify the specific requirements of the role, such as the responsibilities and key tasks that must be completed. Human resource managers use the information gathered in job analysis to select and hire the most appropriate person for the job who has the required knowledge and set of skills to complete the role within the business. Job analysis is the process that a manager should focus on first, as it is used to create job descriptions and specifications, as well as job design.

### KEY DEFINITIONS

**Job analysis** is the process of identifying the essential duties, tasks, and responsibilities of a specific role.

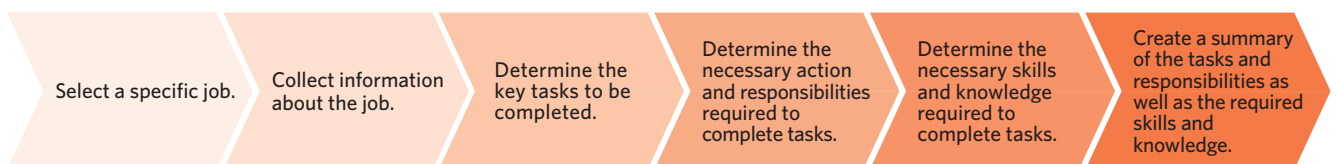


Figure 1 The process of completing a job analysis

## REAL WORLD EXAMPLE

### Job analysis

Atlassian is a Sydney-based software company that specialises in creating applications that aid project management and team collaboration. Each year between November and February, Atlassian hires interns for several different roles. Before advertising these roles, a job analysis must be conducted to determine the duties, tasks, and responsibilities that the interns will complete. For example, some duties related to the position of product design intern include contributing to the design of application programs and using design software. By completing a job analysis, Atlassian ensures it hires interns who have the required set of skills and knowledge to perform a particular role.

*Adapted from Atlassian, 'Careers', 2022*



Image: Michael Vi/Shutterstock.com

Figure 2 Atlassian conducts a job analysis for specific roles

### LESSON LINK

The human resource manager was introduced in **6A Staff performance and business objectives**.



## Job description and specifications 2.3.4.2

### KEY DEFINITIONS

A **job description** is a summary of the duties, tasks, and responsibilities of a specific role.

**Job specifications** are the necessary skills, knowledge, and qualifications for a specific role.

### LESSON LINK

Employee knowledge and skills were introduced in **6B Staffing needs**.

The final step of a job analysis is to use the collected information to develop a **job description**, which is a summary of the duties, tasks, and responsibilities of a specific role. Additionally, a business must also outline **job specifications**, which are the necessary skills, knowledge and qualifications for a specific role. Written job descriptions and specifications are often included in job advertisements to attract potential candidates that match the role. Job descriptions and specifications also inform potential employees of the tasks, skills, and knowledge required to perform a job. This ensures that a candidate has all the necessary attributes before applying for the job.

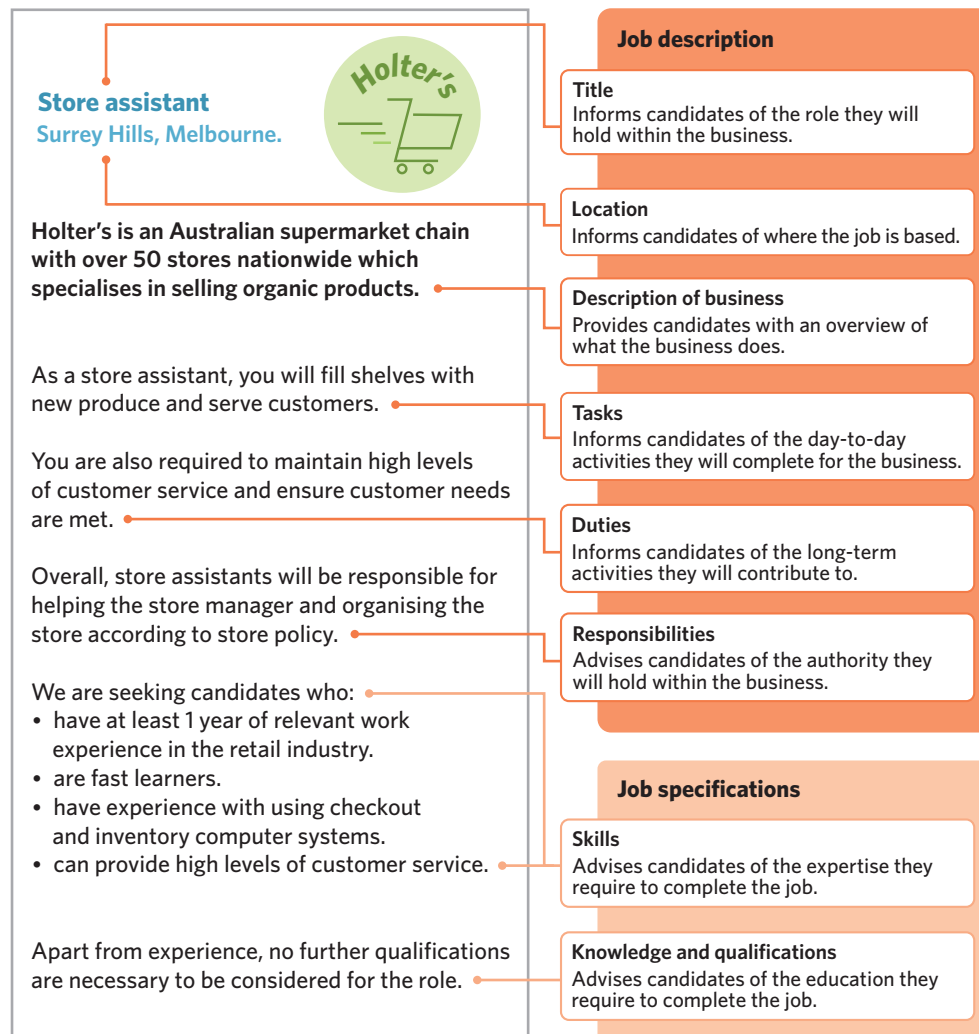


Figure 3 Job advertisements include a job description and job specifications

### REAL WORLD EXAMPLE



Image: flowgraph/Shutterstock.com

Figure 4 Atlassian uses job descriptions and specifications to hire new employees

### Job descriptions and specifications

Atlassian includes a job description and job specification in its advertisement for a product design intern role. Atlassian's job description includes the job title, the location of the job, and an overview of the role and workplace. Specifications for the role require candidates to currently be enrolled in university and have a passion for product design. Furthermore, their summer internship program outlines to candidates that they will be required to commit to working 38 hours a week. By including a job description and job specifications, Atlassian ensures it only attracts interns who are interested in the job design role, have the necessary attributes for the job, and are able to commit to working 38 hours a week.

Adapted from Atlassian, 'Summer Internship Program 2021/2022', 2022

## Job design 2.3.4.3

After conducting a job analysis, human resource managers gain a better understanding of the requirements of a specific role. **Job design** can then be conducted, which is the process of organising several duties, tasks, and responsibilities into one specific role. Effective job design can provide employees with a variety of tasks and enough challenge to prevent the role from being too repetitive or boring. Moreover, effective job design provides employees with tasks and responsibilities that match their skills and knowledge. Designing a job to include several related tasks can improve employee experience and upskill the workforce.

### KEY DEFINITIONS

**Job design** is the process of organising several duties, tasks, and responsibilities into one specific role.

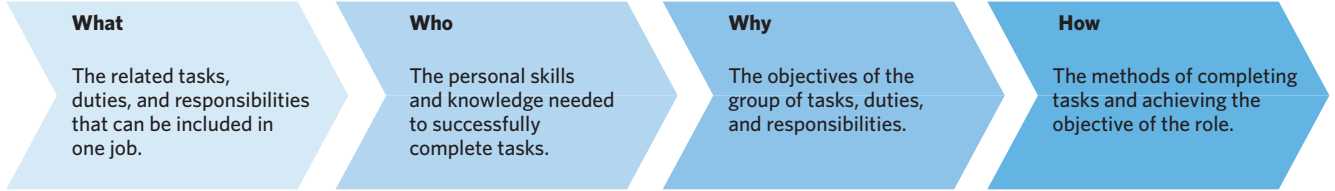


Figure 5 The factors that need to be considered when designing a job

### ACTIVITY

#### Job analysis

In this activity you will be required to conduct an analysis of one of the following jobs:

- A chef at any restaurant
- A journalist for a fashion magazine
- A Formula One driver
- A bartender
- A heart surgeon

For your analysis, create a 100-word summary of the job description and specifications. Think about the qualifications that a candidate would require for the role, the everyday tasks and duties that would be required, the time commitment per week, and the skills and expertise needed.

Discuss the following questions with your classmates:

1. What do you think the difference is between a job description and job specifications?
2. Based on your job analysis, do you think that you would be qualified for the role? Why or why not?
3. If you were applying for a new role, what sections of the job description and specifications would be the most important to you? (For example, would it be the hours per week that you would be required to work, or the duties you would be required to fulfil?)
4. Find a partner and, based on their qualifications and skills, decide what job they would be most suited to fulfil.

### Theory summary

Before hiring new employees, human resource managers must understand and develop the jobs that need to be filled. Several processes must be undertaken to ensure that businesses attract suitable candidates.

- Job analysis is investigating and determining the tasks, duties, and responsibilities of a specific job.
- Job descriptions and specifications are summaries of what a job involves and the skills and knowledge required from employees.
- Job design is organising the tasks, duties, and responsibilities of a job to ensure the components are all related.

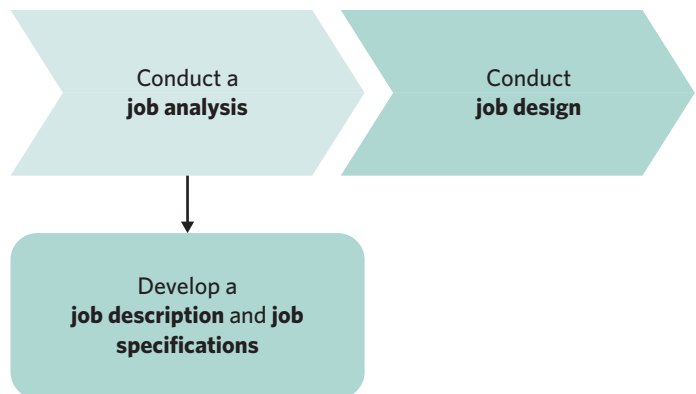


Figure 6 The relationship between job analysis and job design

# 6D Questions

## Theory review

### Question 1

A job analysis should be conducted after hiring an employee.

- A. True
- B. False

### Question 2

A job analysis is used to determine:

- A. the tasks, duties, and responsibilities of a job.
- B. the best candidate for a job.

### Question 3

A job analysis is used by a human resource manager to develop a job description and job specifications.

- A. True
- B. False

### Question 4

Job descriptions and specifications are used for the purpose of:

**(Select all that apply)**

- I. informing potential employees about the job.
- II. attracting appropriate candidates for the job.
- III. informing employers about the candidate.

### Question 5

Fill in the blank with **one** of the following terms:

- skills, knowledge, and qualifications
- position and title

Job specifications usually outline the \_\_\_\_\_ involved in the role.

### Question 6

Fill in the blanks using the following terms:

- job analysis
- job design

The purpose of \_\_\_\_\_ is identifying the tasks, duties, and responsibilities of a job, while \_\_\_\_\_ involves organising tasks, duties, and responsibilities into one job.

### Question 7

Good job design can challenge employees and develop their work experience.

- A. True
- B. False

### Question 8

Completing a job analysis and job design can improve a business's workforce.

- A. True
- B. False

## Preparing for exams

### Case study skills

### Question 9

José is the owner of a small automotive repair shop called Mini Mechanics. José is considering hiring a new employee as he needs help with administrative tasks, such as billing clients and keeping track of appointments.

Identify which of the following statements are correct about the relationship between job analysis and job design at Mini Mechanics. **(Select all that apply)**

- I. José should conduct a job analysis first to investigate the requirements of the roles that he needs to fill before he can conduct job design.
- II. Job design will allow him to divide the responsibilities identified in his job analysis into specific roles.
- III. José should conduct job design first to investigate the requirements of the roles that he needs to fill before he can conduct a job analysis.
- IV. The administrative tasks that he needs to be completed can be fulfilled by a single employee, and therefore José does not need to conduct a job analysis.

**Question 10**

Katherine is the owner of Vanka, a small graphic design company in Melbourne. Vanka has experienced an increase in demand and Katherine is now considering hiring an assistant to manage new client queries.

Identify which of the following statements are correct about job analysis and job design at Vanka.

**(Select all that apply)**

- I. Katherine can use job analysis by monitoring the performance of her new employee and deciding if they are able to appropriately manage new client queries.
- II. Katherine can conduct a job analysis to understand the types of tasks and responsibilities required for the assistant position.
- III. Katherine can use job design to organise the responsibilities and tasks of the role to ensure that the new assistant fulfils the objective of managing client queries.
- IV. Katherine can use job design to clearly identify the types of tasks that the new assistant will need to perform.

**Exam-style****Question 11** (1 MARK)

Define the term 'job analysis'.

---

**Question 12** (1 MARK)

Define the term 'job design'.

---

**Question 13** (2 MARKS)

Describe the purpose of developing job specifications.

---

**Question 14** (3 MARKS)

Explain the relationship between job analysis and job descriptions.

---

**Question 15** (3 MARKS)

José is the owner of a small automotive repair shop called Mini Mechanics. José is considering hiring a new employee as he needs help with administrative tasks, such as billing clients and keeping track of appointments.

Explain the relationship between job analysis and job design at Mini Mechanics.

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**Question 16** (4 MARKS)

Katherine is the owner of Vanka, a small graphic design company in Melbourne. Vanka has experienced an increase in demand and Katherine is now considering hiring an assistant to manage new client queries.

Explain how Katherine could conduct a job analysis and job design.

**Testing previous knowledge****Question 17** (2 MARKS)

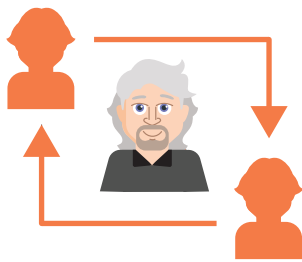
Describe one way that a job analysis can improve staff performance.

# 6E Internal recruitment methods

*'I like to take chances on people, and wherever possible, promote from within. It sends a great message to everyone in the company'*

– Richard Branson, Founder of Virgin Group.

Richard Branson built his business empire using a policy of promoting his existing employees before employing new people. What do you think is his main motivation for doing so? Do you agree that this approach sends a good message to his employees?



## KEY DEFINITIONS

**Internal recruitment** is the process of filling job vacancies with existing staff at the business.

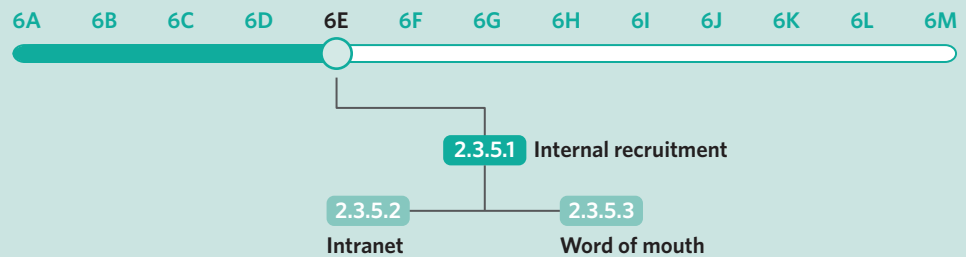
## ADDITIONAL TERMS

**Recruitment** is the process of attracting and selecting qualified candidates for a vacant job position.

**Job vacancies** are newly-created or pre-existing roles at a business that are unoccupied by an employee.

## STUDY DESIGN DOT POINT

- recruitment methods and the advantages and disadvantages of each method:
  - internal such as intranet and word of mouth
  - external such as websites, online recruitment agencies and social media



## Lesson introduction

Most businesses must fill vacant job positions when employees leave the business or during times of expansion. When filling vacant positions, businesses can transfer existing employees, or hire completely new candidates. Human resource managers must identify and apply an appropriate **recruitment** method to select the best candidate possible. Human resource managers will often look for suitable candidates within the business before looking externally.



**Figure 1** Human resource managers assess various candidates in order to select the best one for a role

## Internal recruitment 2.3.5.1

**Internal recruitment** is the process of filling **job vacancies** with existing staff at the business. This form of recruitment provides an opportunity for a current employee to take on a new role and different responsibilities within the business. Internal recruitment often involves an employee being promoted to a higher position within the business, but in a similar area of work. A business may also transfer employees to take on new roles in completely different departments. The original role of the internally-recruited employee typically needs to be filled after the transition, and a business may choose to hire and train new candidates for the previous position. Human resource managers can use a variety of methods to internally recruit.

## REAL WORLD EXAMPLE

## Internal recruitment

Qantas Airways Limited is the largest airline in Australia by fleet size, offering both domestic and international flight services. During the COVID-19 pandemic, the airline industry faced great uncertainties due to the rapid decrease in demand for both domestic and international travel. Due to the reduced amount of work available for employees such as pilots and cabin crew members, many of these employees were either made redundant, or internally recruited to fulfil a different role within Qantas. In August 2022, Qantas announced it had requested at least 100 senior executives to work as baggage handlers for three months in an attempt to mitigate the staff shortages caused by COVID-19. The tasks these employees were asked to complete included loading and unloading bags, and driving vehicles to move luggage around airports. The airline describes the transition of head office staff to fulfil ground staff roles as a 'temporary' fix to the labour shortages. By engaging in internal recruitment for these ground staff roles, Qantas will likely be able to respond to the shortage of baggage handlers at a quicker rate than if they were to hire new employees for the role.

*Adapted from BBC News, 'Qantas asks executives to work as baggage handlers for three months', 2022*



Image: ymgerman/Shutterstock.com

**Figure 2** Qantas used internal recruitment to fill the vacant roles of baggage handlers caused by COVID-19

## Intranet 2.3.5.2

An **intranet** is a private computer network used to share information within a business. A business's intranet gives employees online access to the business's updates and news. A human resource manager may use a business's intranet to advertise job vacancies. Intranet advertisements are usually used to inform employees of opportunities to transfer to a different department or role within the business. Intranet advertisements often include a job description and job specifications that indicate the skills and knowledge required of an employee to fulfil the tasks of the job. Qualified employees can usually submit an application for a job vacancy through the intranet, enabling a business to find the most suitable candidate for the role.



**Figure 3** An intranet can be used to quickly inform all current employees of vacant job positions within the business

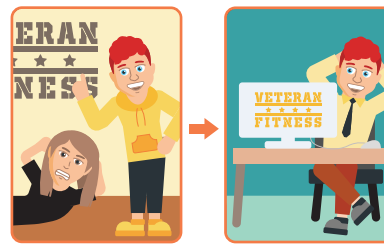
## KEY DEFINITIONS

An **intranet** is a private computer network used to share information within a business.

## THEORY IN ACTION

## Intranet

As Veteran Fitness has grown significantly since its opening, Elanor requires assistance with administrative tasks, such as processing new gym memberships. Using the business's intranet, Elanor advertised the vacant administrative role to all of her current personal trainers. As a result, she has filled the vacant position with an existing staff member who was interested in transitioning into a new administrative role.



**Figure 4** Veteran Fitness used its intranet to internally fill an administrative position

## Word of mouth 2.3.5.3

**Word of mouth** is the verbal communication of information between individuals. This method of recruitment can involve employees and managers verbally sharing information about vacant job positions within the business. A human resource manager may fill vacant roles with an existing employee who was directly recommended to them by another member of the business. Word of mouth is often used by managers who want to promote junior employees. Managers can directly communicate with the most appropriate employee for the role instead of receiving multiple applications. Word of mouth can also be used to recruit employees into different departments and roles.

## KEY DEFINITIONS

**Word of mouth** is the verbal communication of information between individuals.

## REAL WORLD EXAMPLE



Image: Pavel Kapysh/Shutterstock.com

**Figure 5** Atlassian uses word of mouth to fill vacant management positions

### Word of mouth

Atlassian is a Sydney-based software company that develops products for software developers, project managers, and other software development teams. The business prioritises internal recruitment, enabling its employees to develop new skills by providing them with the opportunity to work in different positions in the company. Atlassian features Tiffany Chang as an example of an employee who had been internally recruited. In 2018, she joined Atlassian as an Associate Product Manager (APM) intern in Mountain View. After graduating, she continued working at the company as an APM graduate. Since then, she has become a product manager at the company, focusing on content creation. Through word of mouth recommendations between staff members at Atlassian, Tiffany has been able to progress her career and be promoted to the role of product manager, as reported by the company.

*Adapted from Atlassian, 'Careers', 2022*

## ACTIVITY

### Internal recruitment methods

Search up 'Success story: Atlassian's Internal Mobility' on YouTube and watch the entire video (LinkedIn Talent Solutions, 2022). Discuss the following questions with your classmates:

1. What does Global Head of Talent Acquisition, Andy Mountney, mean by a 'lateral career move' when compared to a 'linear' one?
2. Describe Helen Xue's career pathway through Atlassian. What kind of internal recruitment did she experience while at Atlassian?
3. What are the three reasons Atlassian adopts an internal mobility strategy, according to Andy Mountney?
4. Do you agree that internal recruitment would enable these three characteristics, as described by Mountney, to be developed?
5. What are the benefits of using internal recruitment processes for the business?
6. For Atlassian employees, what do you think are some benefits of working at a place that uses internal recruitment processes?

## Theory summary

Internal recruitment occurs when a business fills a vacant position using an existing employee of the business. Internal recruitment methods may make use of:

- a business's intranet, which is a private network all employees can access that can communicate job vacancies.
- word of mouth recommendations, which involve verbally communicating vacancies to employees.

Before using internal recruitment methods, businesses should consider whether it allows them to select the most suitable candidate for the role that is being fulfilled.

**Table 1** Advantages and disadvantages of internal recruitment

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>• The business is already familiar with the employee and their skills.</li> <li>• The business knows that the employee fits its culture.</li> </ul>	<ul style="list-style-type: none"> <li>• There are a limited number of candidates to select from.</li> <li>• Existing employees may not have the required skills or knowledge for the vacant role.</li> <li>• A business may not gain new ideas or perspectives from existing employees.</li> </ul>
<b>Employee</b>	<ul style="list-style-type: none"> <li>• If employees are promoted, they are provided with an opportunity to advance their careers.</li> <li>• Employees can learn different skills and gain experience in different roles.</li> <li>• The employee is already familiar with the business's culture.</li> <li>• Employees may become more motivated as they are offered the opportunity to advance their careers.</li> </ul>	<ul style="list-style-type: none"> <li>• Employees who fail to receive internal promotions may become demotivated and resentful of their fellow employees.</li> </ul>

Continues ►

## Theory summary - continued

Table 1 Continued

	Advantages	Disadvantages
<b>Time</b>	<ul style="list-style-type: none"> <li>The business can save time by reviewing only a limited number of applicants. Therefore, the vacancy can be filled faster.</li> <li>Employees may require less training time as they are already familiar with some business processes.</li> </ul>	<ul style="list-style-type: none"> <li>When an employee is selected, a business may have to spend time to fill the role they vacated in the business.</li> </ul>
<b>Money</b>	<ul style="list-style-type: none"> <li>There are minimal costs associated with internal recruitment as the business does not have to pay to advertise the job opportunity to the public.</li> </ul>	–

## 6E Questions

### Theory review

#### Question 1

Job recruitment always involves a business employing completely new people to fill job vacancies.

- A. True  
B. False

#### Question 2

Fill in the blank with **one** of the following terms:

- new
- existing

Internal recruitment involves filling a vacant position with a/an \_\_\_\_\_ employee.

#### Question 3

A business's intranet can be used to fill job vacancies and can be accessed by:

- A. members of the public.  
B. only employees of the business through a private computer network.

#### Question 4

Fill in the blanks with the following terms:

- word of mouth
- intranet

When an employee directly recommends another employee for a vacant role, \_\_\_\_\_ is the method of internal recruitment being used. In contrast, \_\_\_\_\_ can be used to advertise a vacancy to all employees within the business via a website.

#### Question 5

Word of mouth recruitment may involve a manager:

**(Select all that apply)**

- communicating directly to an employee they want to promote them to a specific role, rather than receiving multiple applications from different employees.
- listening to the recommendations of fellow employees at the business, and filling a vacancy within the business in consideration of these recommendations.
- telling their friends from outside the business about the benefits of working at the business, and convincing them to apply for the vacant position.

#### Question 6

Internal recruitment allows employees to gain additional skills and knowledge by providing the opportunity to work in different roles.

- A. True  
B. False

#### Question 7

At least one existing employee will always have the correct skills and knowledge to fill a vacant role.

- A. True  
B. False



## Preparing for exams

### Case study skills

#### Question 8

Alina is the owner of FreeFoods, a business that produces packaged gluten-free snacks. The factory manager, Javier, is due to take long-term parental leave in the near future. As a result, Alina wants Javier to recommend an existing employee to fill his position as factory manager when it becomes vacant.

Identify which of the following are **advantages** or **disadvantages** of using internal recruitment at FreeFoods.

	Advantage	Disadvantage
I. Alina may have a limited pool of candidates to select from to fill the factory manager position.	<input type="checkbox"/>	<input type="checkbox"/>
II. Javier can recommend a good candidate as he is familiar with their work ethic.	<input type="checkbox"/>	<input type="checkbox"/>
III. Alina can quickly fill the factory manager role as she does not have to engage in the time-consuming processes of conducting interviews and reviewing applications.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Employees that are not recommended by Javier may lose motivation and therefore become resentful.	<input type="checkbox"/>	<input type="checkbox"/>

### Exam-style

#### Question 9 (1 MARK)

Define the term 'internal recruitment'.

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#### Question 10 (2 MARKS)

Outline the use of an intranet as an internal recruitment method.

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#### Question 11 (2 MARKS)

Outline word of mouth as an internal recruitment method.

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#### Question 12 (2 MARKS)

Describe two disadvantages of internal recruitment.

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#### Question 13 (5 MARKS)

Alina is the owner of FreeFoods, a business that produces packaged gluten-free snacks. The factory manager, Javier, is due to take long-term parental leave in the near future. As a result, Alina wants Javier to recommend an existing employee to fill his position as factory manager when it becomes vacant.

Evaluate the use of internal recruitment at FreeFoods.

### Testing previous knowledge

#### Question 14 (3 MARKS)

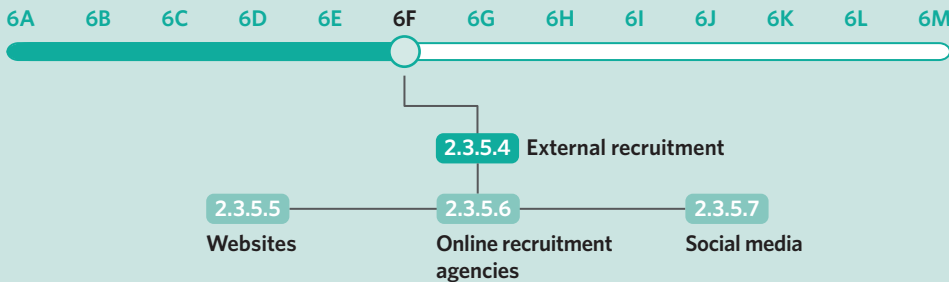
A business is planning to recruit internally with a focus on the staffing need of staff knowledge and skills.

Explain how a business may need to consider knowledge and skills when recruiting internally, and how this can contribute to the knowledge and skills of the business overall.

# 6F External recruitment methods

## STUDY DESIGN DOT POINT

- recruitment methods and the advantages and disadvantages of each method:
  - internal such as intranet and word of mouth
  - external such as websites, online recruitment agencies and social media



As a student, you might be looking for after school or weekend employment. How can you find a job that fits your needs? Applying for a job can be as simple as doing an online search and emailing your information to a business with a job advertisement.



## Lesson introduction

Businesses can fill vacant job positions with existing employees or completely new candidates. Whether a business chooses to fill vacant positions using internal or external recruitment can depend on its goals, resources, and business culture. Human resource managers should assess job vacancies and the state of the business as a whole before deciding which method will be used to recruit employees.

### LESSON LINK

Internal recruitment was introduced in **6E Internal recruitment methods**.

## External recruitment 2.3.5.4

**External recruitment** is the process of filling job vacancies with individuals outside of a business. This is the most common method that businesses use to fill vacant job positions. Job positions often become vacant when a business grows and creates new roles that need to be filled, or when existing employees leave the business. When a job position is vacant, a business usually needs to recruit new employees to ensure it has an adequate number of workers. To select the best candidate for a vacant job position, businesses should advertise the role to a wide audience. Human resource managers can use a variety of methods to reach a large pool of external candidates.

### KEY DEFINITIONS

#### External recruitment

is the process of filling job vacancies with individuals outside of a business.

**Websites** are a collection of web pages and content, published on at least one web server, that is identifiable by a common domain name.

## Websites 2.3.5.5

**Websites** are a collection of web pages and content, published on at least one web server, that is identifiable by a common domain name. Businesses can use their own website or an **online employment marketplace** to advertise vacant job positions. Advertising job vacancies on a website can allow a business to provide detailed information about vacant roles, the general culture of the business, and job specifications. The public can access these websites at any time and from any location, thus enabling the business to attract a large number of candidates. Using a website typically allows candidates to apply for the role online, increasing the ease of the application process for both candidates and employers. When seeking to advertise a job position using an online employment marketplace, a business may have to pay a fee to use its services.

### ADDITIONAL TERMS

An **online employment marketplace** is a website or application that connects individuals seeking a job with businesses that have job vacancies.



Figure 1 Businesses can advertise job vacancies to the public by using websites

## REAL WORLD EXAMPLE

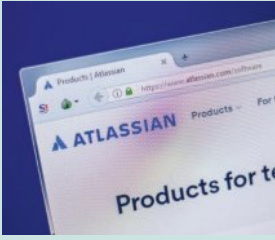


Image: Sharaf Maksumov/Shutterstock.com

**Figure 2** Atlassian advertises job vacancies through its own website

## Websites

Atlassian is an Australian software company based in Sydney that specialises in creating applications and software development. Atlassian uses its own website to advertise job vacancies in its office locations across the world, including Japan, India, the United States, and Australia. On the Atlassian website, there is a 'browse all jobs' section that outlines detailed descriptions of currently vacant roles at the business, as well as job specifications for potential candidates. When browsing available positions, Atlassian's website has functions that allow potential employees to filter the job openings based on their area of interest and location of residence. Through its website, candidates can submit their job applications and Atlassian can also conduct its virtual hiring and interviewing processes. By using its website to externally recruit new employees, Atlassian has been able to attract ambitious and hard-working individuals from across the world, enabling the business to achieve its objectives.

*Adapted from Atlassian, 'Careers', 2022*

## KEY DEFINITIONS

An **online recruitment agency** is a business that works on behalf of an employer to find suitable job candidates.

## Online recruitment agencies 2.3.5.6

An **online recruitment agency** is a business that works on behalf of an employer to find suitable job candidates. By using online recruitment agencies, businesses can advertise vacant job positions to the public. Individuals can either apply for jobs through the online recruitment agency or the agency may contact individuals it believes would fit the role. Online recruitment agencies often assess and shortlist a large number of candidates before informing the business of the most suitable applicants. A business can then assess the applicants suggested by the agency, and make a hiring decision based on its views of how well potential employees meet its criteria.

## REAL WORLD EXAMPLE



Image: Rawpixel.com/Shutterstock.com

**Figure 3** On Line Recruitment helps businesses find the best candidates to fulfil vacant job positions

## Online recruitment agencies

On Line Recruitment is an online recruitment agency based in New South Wales that specialises in sourcing employees for permanent placements and temporary positions. Employers can pay to use the services of the agency. These services include labour hire, when a business requires skilled workers for short or long-term projects, temporary hire, when a team member is required to cover leave or sickness-related business fluctuations, and sourcing of permanent team members that possess the necessary skills required by the business. By utilising a recruitment agency, businesses can streamline the hiring process as top candidates are selected for them. On Line Recruitment has worked with a variety of businesses and candidates in different industries, including hospitality, retail, transport, and healthcare. In doing so, On Line Recruitment has established a candidate database comprised of over 7000 highly-skilled candidates.

*Adapted from On Line Recruitment, 'Connecting', 2022*

## KEY DEFINITIONS

**Social media** is the online platforms that can be used to connect with others and share content.

## Social media 2.3.5.7

**Social media** is the online platforms that can be used to connect with others and share content. Recruitment through social media has become an increasingly popular method of filling vacant job positions. Social media has enabled businesses to create their own profiles and advertise vacant job positions. Businesses can provide candidates with information about the business, as well as job descriptions and specifications. Job advertisements on social media often instruct individuals to apply through the business's website or to contact the business using phone or email.



Source: Artseen/Shutterstock.com

**Figure 4** Social media platforms can be used by a business to advertise vacant job positions

## EXTENDED REAL WORLD EXAMPLE

### Social media

LinkedIn is a social network that specialises in assisting individuals to grow their careers by enabling professionals to connect, share, and learn. It allows individuals in the workforce to network with each other virtually via private messages. When establishing a LinkedIn account, an individual will create an organised profile resembling a resume that presents highlights of their professional experiences, previous jobs, and achievements. Once this profile is established, it can be used when applying for jobs through the site. LinkedIn regularly posts new job listings that are made by employers in a variety of industries, recommending specific jobs to each individual with a profile. These recommendations are tailored to the individual based on the information they have provided, including their location, degrees or certifications, and job preferences.

The social media site aims to be utilised by both job seekers and businesses, with premium plans available for employers. LinkedIn Premium Hiring is a service that assists businesses looking to recruit and hire employees, costing these businesses a monthly fee of \$119.99 for access to its specialised services.

LinkedIn can be harnessed as a powerful tool for external recruitment. By creating an advertisement for a job vacancy, the business can reach a network of over 770 million professionals in minutes, exposing the job position to a wide range of candidates. In turn, businesses can ensure they have the opportunity to hire the most qualified candidates for their available positions. As each employee will have created a profile demonstrating their skills, knowledge, and experience, businesses can easily find the profiles of people that best meet their needs and align with the business's culture.

Many businesses have endorsed the use of LinkedIn to recruit employees. The Executive Director of FilmGate, Diliانا Alexander, reports 'LinkedIn ... is the most effective way to find the right people, fast.' By using LinkedIn, businesses can increase both the speed of their hiring processes and the quality of the candidates they review.

*Adapted from LinkedIn, 'Talent Solutions', 2022 and Lifewire, 'What Is LinkedIn and Why Should You Be on It?' 2020*



Image: kovop58/Shutterstock.com

**Figure 5** LinkedIn enables employers to select the best candidates for job vacancies

### Questions

1. What are some of the benefits of using a professional social media site, such as LinkedIn, for job seekers?
2. Are the benefits gained by employers from using this form of social media different? If so, in what ways are the advantages different?
3. Considering the price of a monthly membership to LinkedIn's premium services, such as LinkedIn Premium Hiring, do you think this expense is worthwhile for all businesses? Why, or why not?
4. LinkedIn recommends creating an account as soon as an individual takes their first steps towards their professional life. If you have a part-time job, would you consider using LinkedIn to discover greater employment opportunities?

### ACTIVITY

#### Social media

Search 'Hiring with Social: A Success Story' on the internet and read the entire article by Recruiter.com. Discuss the following questions in small groups:

1. How did the use of Instagram as an external recruitment method benefit ePrize?
2. According to the article, what are some of the reasons it is ideal for a business, such as ePrize, to use social media?
3. How does the use of social media contribute positively to the culture at ePrize?
4. In what ways did ePrize's use of social media promote greater employee engagement?
5. After reading the article, would you consider seeking employment by reaching out to a company through Instagram?

## Theory summary

External recruitment occurs when a business fills a vacant job position with a new employee that is not currently working at the business. Before recruiting employees, businesses should consider whether internal or external recruitment is most suitable for the vacant job.

A business may use the following external recruitment methods:

- Websites, such as the business's own website or employment marketplace websites.
- Online recruitment agencies, which are businesses that find job candidates for other businesses.
- Social media, which involves the online platforms that can be used to advertise job vacancies.

Before using external recruitment, a business should consider whether it is the most appropriate method to select the most suitable candidate for the vacant role.

**Table 1** Advantages and disadvantages of external recruitment

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>• A business can advertise to a large number of candidates.</li> <li>• External candidates are more likely to have the required skills and knowledge for the vacant role.</li> <li>• External candidates can offer new ideas and improvements to the business.</li> </ul>	<ul style="list-style-type: none"> <li>• The candidate may not align with the business's culture.</li> <li>• The candidate may not have the required skills and knowledge to perform the role.</li> </ul>
<b>Employee</b>	–	<ul style="list-style-type: none"> <li>• Existing employees may be resentful if the vacant role goes to a new employee.</li> <li>• Career advancement of existing employees may be limited by new employees entering the workplace.</li> </ul>
<b>Time</b>	<ul style="list-style-type: none"> <li>• Businesses do not have to create advertisements if they use an online recruitment agency, saving time.</li> <li>• As online recruitment agencies filter through applications, businesses save time by only reviewing applications of suitable candidates.</li> </ul>	<ul style="list-style-type: none"> <li>• Businesses may need to assess a large number of applications to determine a suitable candidate which will be time-consuming.</li> <li>• Businesses may need to spend additional time training the new employee.</li> </ul>
<b>Money</b>	<ul style="list-style-type: none"> <li>• Social media applications, such as Instagram or Facebook, are often free to download, enabling a business to promote job vacancies without incurring any expenses.</li> </ul>	<ul style="list-style-type: none"> <li>• Businesses may have to pay to advertise through social media or websites, increasing expenses and lowering profit.</li> <li>• Businesses have to pay online recruitment agencies to use their services, increasing expenses and lowering profit..</li> </ul>

## 6F Questions

### Theory review

#### Question 1

A business must use external recruitment to fill vacant job positions.

- A. True  
B. False

#### Question 2

Fill in the blank with **one** of the following terms:

- growing
- shrinking

External recruitment is most appropriate when a business is \_\_\_\_\_.

#### Question 3

A business must create its own website to advertise vacant job positions.

- A. True  
B. False

#### Question 4

An online employment marketplace is a website or application that can be used to:

- A. connect individuals seeking a job with businesses that have job vacancies.  
B. allow businesses to promote vacant job positions to employees already working at the business.

**Question 5**

Businesses can always advertise on employment marketplace websites for free.

- A. True  
B. False

**Question 6**

Online recruitment agencies are: **(Select all that apply)**

- I. external businesses, separate from the business making use of the agency.
- II. service providers that a business can pay to use for recruitment.
- III. teams within the business that are concerned with the hiring practices of the business.
- IV. businesses that can allow individuals to apply for jobs or enable a business to contact individuals directly if it believes the person is suitable for a vacant role in the business.

**Question 7**

Fill in the blanks with **one** of the following terms:

- one applicant
- multiple applicants

Online recruitment agencies will assess and shortlist \_\_\_\_\_ on behalf of a business.

**Question 8**

Social media can allow a business to advertise vacant job positions to a wide audience, providing multiple candidates with information about the business, such as the culture, job specifications, and contact details of the business.

- A. True  
B. False

**Question 9**

Businesses should consider their goals, resources, and business culture before using external recruitment methods.

- A. True  
B. False

## Preparing for exams

### Case study skills

**Question 10**

Christian has started his own DJ business, Chrissie's Crossfaders, playing sets at clubs and bars across Melbourne. The clubs often promote Christian's social media, allowing him to grow a following on these sites. As his popularity has risen, Chrissie's Crossfaders has been booked for multiple DJ sets every Friday and Saturday at different locations in Melbourne. He is considering hiring two DJs who he will train to perform his DJ sets in order to meet the growing customer demand.

Identify which of the following statements are **true** or **false** about the use of external recruitment at Chrissie's Crossfaders.

	True	False
I. By using social media to advertise the vacant DJ positions at Chrissie's Crossfaders, Christian can promote these positions to a large number of candidates.	<input type="checkbox"/>	<input type="checkbox"/>
II. Christian can establish a website for his business to promote the two DJ positions and ensure individuals with unique knowledge and skills in the DJ industry apply.	<input type="checkbox"/>	<input type="checkbox"/>
III. Christian can use online recruitment agencies to help him book more sets in clubs and bars across Melbourne.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Christian can advertise the vacancies on social media as he already has a large following which can save him money as social media is often free to download.	<input type="checkbox"/>	<input type="checkbox"/>

**Question 11**

Fatima's Brewery is a small coffee roastery with five employees. Some customers have expressed interest in attending coffee-tasting events. To expand her business and have the capacity to offer coffee-tasting events, Fatima's Brewery requires a fourth staff member to take on the role of an event manager.

Identify which of the following are **advantages** and **disadvantages** of using external recruitment at Fatima's Brewery.

	Advantage	Disadvantage
I. By using external recruitment, Fatima's Brewery can recruit a candidate who has the correct knowledge and skills to conduct the coffee tasting events.	<input type="checkbox"/>	<input type="checkbox"/>
II. A new employee hired by external recruitment may not align with the culture of Fatima's Brewery.	<input type="checkbox"/>	<input type="checkbox"/>
III. Existing employees at Fatima's Brewery may resent a new employee hired by external recruitment if they were interested in being promoted to fulfil the events manager role.	<input type="checkbox"/>	<input type="checkbox"/>
IV. If a new employee is hired at Fatima's Brewery, they may be able to introduce new and innovative ideas to the business and potentially improve the quality of the coffee tasting service.	<input type="checkbox"/>	<input type="checkbox"/>

**Exam-style****Question 12** (1 MARK)

Define the term 'external recruitment'.

**Question 13** (2 MARKS)

Outline the use of social media as an external recruitment method.

**Question 14** (2 MARKS)

Describe two ways that websites can be used to externally recruit employees.

**Question 15** (3 MARKS)

Christian has started his own DJ business, Chrissie's Crossfaders, playing sets at clubs and bars across Melbourne. The clubs often promote Christian's social media, allowing him to grow a following on these sites. As his popularity has risen, Chrissie's Crossfaders has been booked for multiple DJ sets every Friday and Saturday at different locations in Melbourne. He is considering hiring two DJs who he will train to perform his DJ sets in order to meet the growing customer demand.

Propose and justify one external recruitment method Chrissie's Crossfaders could use.

**Question 16** (5 MARKS)

Fatima's Brewery is a small coffee roastery with five employees. Some customers have expressed interest in attending coffee-tasting events. To expand her business and have the capacity to offer coffee-tasting events, Fatima's Brewery requires a fourth staff member to take on the role of an event manager.

Evaluate the use of external recruitment at Fatima's Brewery.

**Testing previous knowledge****Question 17** (6 MARKS)

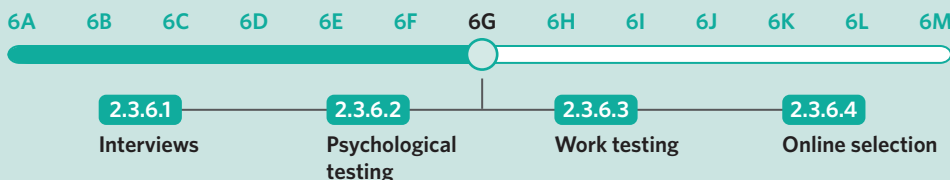
Zoomer is a car detailing business with multiple stores across Victoria. As the business is growing, Ahmet, the owner, requires an additional employee at its Ringwood location. Ahmet is considering recruiting a completely new employee or internally recruiting an existing employee from the Zoomer location in Northcote.

Propose and justify one internal and one external recruitment method that Zoomer could adopt.

# 6G Selection methods

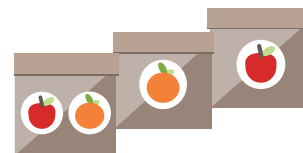
## STUDY DESIGN DOT POINT

- selection methods such as interview, psychological testing, work testing, online selection, and the advantages and disadvantages of each



Can you answer this Microsoft interview question?

There are three boxes, one contains apples, one contains oranges, and one contains both apples and oranges. All three boxes have been incorrectly labelled and you need to fix it. You are not allowed to peek inside any of the boxes but can ask for a sample from any box. What is the minimum number of samples required for you to label all of the boxes correctly?



## Lesson introduction

When a business owner is planning to staff their business, **employee selection** is a crucial process that ensures suitable individuals are chosen for the job. Utilising the most effective selection methods for the job can allow a business to hire qualified and experienced employees who contribute to achieving objectives and improving the business's overall performance. During the selection process, a business owner may use a variety of selection methods, depending on the job they are hiring for.

## Interviews 2.3.6.1

An **interview** is a meeting that occurs between an employer and a job candidate to determine whether they have the necessary knowledge, skills, and ideas to fulfil the position. This is the most common selection method that is used by businesses and provides both employers and job candidates with the opportunity to ask questions, learn more about each other, and determine whether a working relationship can be established. Interviews can be conducted in a group setting with other job candidates, over the telephone, or one-on-one with an **interview panel**. Candidates may attend an interview face-to-face or through an online video conferencing platform.



**Figure 1** Job interviews are an opportunity to determine if both parties would benefit from hiring the candidate

**Table 1** Advantages and disadvantages of interviews

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>• Interviewers are provided with insight into a candidate's personality, attitude, motivation, and ability to form professional relationships.</li> <li>• An employer can ask detailed questions that inform the selection decision.</li> <li>• A business owner has the opportunity to assess a candidate's ability to think under pressure.</li> </ul>	<ul style="list-style-type: none"> <li>• Interviewers may be biased and influenced by their own personal preferences and opinions.</li> <li>• Candidates may be dishonest in an interview in order to present themselves as more suitable for the role.</li> </ul>

Continues ►

## KEY DEFINITIONS

An **interview** is a meeting that occurs between an employer and a job candidate to determine whether they have the necessary knowledge, skills, and ideas to fulfil the position.

## ADDITIONAL TERMS

**Employee selection** is the process of choosing the most suitable candidate for a job based on whether they meet the requirements and specifications.

An **interview panel** is a group of two or more interviewers.



Table 1 Continued

	Advantages	Disadvantages
<b>Employee</b>	<ul style="list-style-type: none"> <li>Applicants have the opportunity to learn more about the business.</li> <li>Candidates can assess whether their career goals align with the job position.</li> </ul>	<ul style="list-style-type: none"> <li>Some candidates may not perform well in an interview setting.</li> </ul>
<b>Time</b>	–	<ul style="list-style-type: none"> <li>Preparing for, conducting, and evaluating the responses of a candidate in an interview can take a significant amount of time.</li> <li>A business will often require more than one interview with a candidate, which can be time-consuming for both parties.</li> </ul>
<b>Money</b>	–	<ul style="list-style-type: none"> <li>It can be costly for a business to interview employees, as it may have to pay staff to prepare and conduct the interviews.</li> </ul>

## Psychological testing 2.3.6.2

### KEY DEFINITIONS

**Psychological testing** is a scientific method of examining a job applicant's behavioural style and reasoning skills.

### ADDITIONAL TERMS

**Aptitude tests** are assessments that measure a person's level of competency.

**Personality tests** are assessments that involve a series of questions or tasks that describe an individual's characteristic traits and behavioural style.

**Psychological testing** is a scientific method of examining a job applicant's behavioural style and reasoning skills. It includes a number of different types of tests, with the most common categories being **aptitude** and **personality tests**. Employers use the information collected in psychological testing to identify characteristics of a candidate that are difficult to determine from a face-to-face interview, such as their style of working and ability to solve problems.

Psychological tests are usually completed online using specialised systems and under strict timing conditions. Activities generally include questionnaires or puzzles that assess certain skills, such as planning, memory, and problem-solving.



**Figure 2** Psychological tests are used to measure a person's suitability for a position based on their reasoning skills and personality traits

**Table 2** Advantages and disadvantages of psychological testing

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>Business owners are provided with insight into a candidate's personality and working style, which can be used to assess whether they are suitable for the job.</li> <li>Biases and the personal preferences of the employer are eliminated, which can ensure consistency across each candidate.</li> </ul>	<ul style="list-style-type: none"> <li>Candidates may not provide honest responses in order to present themselves as more suitable for the role.</li> </ul>
<b>Employee</b>	<ul style="list-style-type: none"> <li>Candidates with poor interview skills may be able to prove themselves through psychological testing instead.</li> <li>Tests are standardised, meaning every candidate is given an equal opportunity.</li> <li>Candidates are usually able to prepare by completing practice tests beforehand.</li> </ul>	<ul style="list-style-type: none"> <li>Some candidates may not perform well under test conditions, and their results may not reflect their true capabilities.</li> <li>A candidate may be interrupted by technological issues.</li> <li>A suitable technological device is required to be able to complete the test.</li> </ul>

Continues ►

Table 2 Continued

	Advantages	Disadvantages
<b>Time</b>	<ul style="list-style-type: none"> <li>• Tests can be administered quickly.</li> <li>• Employers are usually able to access the results instantly.</li> <li>• A business can quickly filter through the results of large volumes of applicants.</li> </ul>	<ul style="list-style-type: none"> <li>• Other selection methods are often used following testing to determine the most suitable applicant, increasing the time taken to hire for the job.</li> </ul>
<b>Money</b>	–	<ul style="list-style-type: none"> <li>• A business may incur extra costs to access psychological testing programs and interpret candidate results.</li> <li>• Following this testing, other selection methods are often used to further determine the suitability of the candidate, which can increase costs.</li> </ul>

**ACTIVITY**

**Psychological testing**

Search up '16Personalities' online to find the 16Personalities test website. Locate the 'Take the test' link on the website and complete the free personality test. Individually answer the following questions and then discuss your responses with the class:

1. What personality type were you classified as?
2. What traits are associated with this personality type?
3. What are some of the strengths and weaknesses associated with this personality type?
4. How might an employer use this information during the employee selection process?
5. Explore some of the other personality types on the website. Do you think different personalities may be more or less suitable for different types of jobs? Why or why not?

## Work testing 2.3.6.3

**Work testing** is the process of administering practical or written assessments to determine the suitability of a job candidate for a position. These tests are generally job-specific, and candidates may be required to complete tasks they would perform during a typical day on the job. Conducting work testing can allow a business to instantly assess the practical knowledge and skills of job candidates and determine how well each applicant would perform in a work setting. An employer can also use work testing to evaluate a candidate's work ethic, willingness to learn, and how well they fit in with the business's corporate culture. Examples of work testing could include making a coffee or pitching a product to a sales panel.



**Figure 3** Businesses use work testing to determine how well candidates perform in work situations

**KEY DEFINITIONS**

**Work testing** is the process of administering practical or written assessments to determine the suitability of a job candidate for a position.

**Table 3** Advantages and disadvantages of work testing

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>Existing employees in the business are provided with the opportunity to work alongside the candidate.</li> <li>Employers have the opportunity to assess a candidate's ability to think under pressure.</li> <li>Employers can evaluate a candidate's work ethic and ability to adapt to a new working environment.</li> </ul>	<ul style="list-style-type: none"> <li>It may not be suitable for positions where tasks take days or weeks to complete.</li> </ul>
<b>Employee</b>	<ul style="list-style-type: none"> <li>Candidates are provided with the opportunity to demonstrate their knowledge, skills, and abilities on the job.</li> <li>Applicants can gain a better understanding of the job requirements and position.</li> </ul>	<ul style="list-style-type: none"> <li>Some candidates may be nervous and unable to demonstrate their full capabilities.</li> </ul>
<b>Time</b>	<ul style="list-style-type: none"> <li>Multiple candidates can be assessed at once if conducted in a group environment.</li> </ul>	<ul style="list-style-type: none"> <li>This type of testing is a time-consuming process for both employers and candidates.</li> </ul>
<b>Money</b>	–	<ul style="list-style-type: none"> <li>This process is costly for businesses, as they must pay staff to conduct the work testing.</li> </ul>

## Online selection 2.3.6.4

### KEY DEFINITIONS

#### Online selection

is the process of choosing an employee based on online forms completed by a job applicant.

**Online selection** is the process of choosing an employee based on online forms completed by a job applicant. It is becoming increasingly common for businesses to use online forms as part of their selection process, as they are quick and easy to administer and conveniently provide information to a business about the applicant. Online selection can also allow a business to reach a wider range of potential candidates, as it is administered through the internet, increasing the likelihood of finding a suitable individual for the job. When using the online selection method, job applicants are generally required to provide information about their background, education, and work experience.



**Figure 4** Online selection is becoming more common due to its convenience and potential to attract a wider selection of candidates

**Table 4** Advantages and disadvantages of online selection

	Advantages	Disadvantages
<b>Business</b>	<ul style="list-style-type: none"> <li>The business can conveniently review candidate responses in its own time.</li> <li>Employers can easily compare the skills and experience of candidates.</li> <li>A business can reach a wider range of candidates, increasing its chances of finding the most suitable person for the position.</li> </ul>	<ul style="list-style-type: none"> <li>The process may be interrupted by technological issues.</li> <li>Candidates may not provide honest responses.</li> <li>It is possible for data breaches to occur, which can negatively affect the business's reputation as candidate information is disclosed.</li> </ul>
<b>Employee</b>	<ul style="list-style-type: none"> <li>Candidates can conveniently complete their online application when it suits them.</li> </ul>	<ul style="list-style-type: none"> <li>Candidates can only complete the forms if they have access to the internet.</li> <li>It may be difficult for candidates to demonstrate their personal attributes through an online form.</li> </ul>

Continues ►

Table 4 Continued

	Advantages	Disadvantages
<b>Time</b>	<ul style="list-style-type: none"> <li>• Candidates can submit the application forms instantly.</li> <li>• Online forms are easy to store, sort, and screen for keywords, saving employers time when deciding which candidate to hire.</li> </ul>	<ul style="list-style-type: none"> <li>• The accessibility of online applications can result in businesses receiving a large volume of responses from unsuitable candidates, which may be time-consuming to review.</li> <li>• It can be time-consuming for a business to develop an online form for this selection method.</li> <li>• Other selection methods are often used following online selection to determine the most suitable applicant, increasing the time taken to hire for the job.</li> </ul>
<b>Money</b>	<ul style="list-style-type: none"> <li>• Online selection can be more cost-effective than other available selection methods, such as interviews.</li> </ul>	<ul style="list-style-type: none"> <li>• A business may need to invest in other selection methods to refine its list of candidates, increasing its expenses.</li> </ul>

### EXTENDED REAL WORLD EXAMPLE

#### Selection methods

Ernst and Young Global Limited (EY) is a professional services partnership that is considered one of the world's 'Big Four' accounting firms. Each year, EY is inundated with job applications for available positions, therefore the business must have a stringent and comprehensive selection process in order to hire the best candidates.

When hiring new employees, EY begins the selection process by advertising current available roles on its job search page. Candidates can then apply for the position through the EY online applicant system, whereby they will create a profile account that can be saved on the EY system to easily apply for other jobs if they are initially unsuccessful.

After submitting an application, there may be other steps that EY implements to further sift through candidates and determine which ones are most suitable to progress through to the interview stage. Some of the selection methods that EY use include:

- Online aptitude tests - this involves applicants completing numerical and verbal reasoning tests, situational judgement tests, and/or personality tests. The purpose of these tests is for EY to eliminate candidates that do not align with the partnership's values or have the knowledge, skills, and characteristics for the job position.
- Job simulation - this involves applicants having to answer questions that demonstrate their working style, and showcase their strengths through an online simulation platform.
- Assessment day - this involves group activities, analysing case studies, and making business decisions, allowing EY recruiters to assess applicant capabilities, such as teamwork, decision-making, and logical reasoning.

Following these various assessments, EY recruiters and managers will then review all the information that has been gathered about applicants to determine which candidate meets the available position's requirements. Candidates who performed well and rank highly following the initial selection process will be invited to participate in an interview.

EY's interview process allows recruiters and managers to learn more about the applicant as an individual, and determine what they can contribute to the business. Candidates are often asked a range of questions, whether that be about their personal life, leadership experiences, or previous work. Individuals who present well and fit all aspects of the role may be eligible to then receive a written job offer from EY for the available position.

*Adapted from EY, 'How we hire', 2022 and Graduates First, 'EY Candidate Assessment Tests 2022. The Ultimate Guide', 2022*



Image: JPstock/Shutterstock.com

**Figure 5** Ernst and Young uses a variety of selection methods to ensure it hires the best candidates for its available job positions

#### Questions

1. What selection methods does EY use when hiring for new job positions?
2. Why do you think EY uses more than one selection method during the hiring process?
3. Would you consider EY an employer of choice in the financial and accounting industry? Why or why not?

## Theory summary

When preparing to undertake the staffing process, a business must consider which selection methods are most suitable for its available job positions. There are many different selection methods that a business can use:

- Interviews are meetings held between employers and job candidates to determine whether they are suitable for the available position.
- Psychological testing is the use of tests to measure a job applicant's behavioural style and reasoning skills.
- Work testing requires job candidates to complete tasks that they may perform on a typical day at the business.
- Online selection involves the job applicant completing an online form that is reviewed by the employer.

# 6G Questions

## Theory review

### Question 1

A business may use multiple selection methods as part of its selection process.

- A. True
- B. False

### Question 2

Conducting an interview is essential for all businesses during the selection process.

- A. True
- B. False

### Question 3

A job interview is the only way an employer can determine a candidate's personality.

- A. True
- B. False

### Question 4

Identify which of the following are advantages of psychological testing. **(Select all that apply)**

- I. Every job candidate is issued with the same test, therefore ensuring the business is consistent across applicants.
- II. Candidates may not provide honest responses.
- III. Employers are provided with insight into a candidate's working style and ability to solve problems.

### Question 5

Work testing requires:

- A. a business to examine an applicant's behavioural style and reasoning skills through personality and aptitude tests.
- B. candidates to complete a task they would perform in a typical day on the job.

### Question 6

Work testing is the most accurate selection method to determine whether a candidate has the skills required to perform the job.

- A. True
- B. False

### Question 7

Online selection may not always be effective for a business because: **(Select all that apply)**

- I. it can be cost-effective.
- II. online forms can easily be accessed, resulting in businesses receiving a large number of unsuitable candidates.
- III. it has the potential to be interrupted by technological issues.

### Question 8

A benefit of using interviews as a selection method is that:

- A. candidates always respond honestly.
- B. it provides an opportunity to determine whether a candidate can think under pressure.

### Question 9

An effective selection process can ensure a business hires the most suitable candidate.

- A. True
- B. False

## Preparing for exams

### Case study skills

Use the following information to answer Questions 10 and 11.

Mila and Ashton are the owners of and main skate rink instructors at Seventies, a small disco-themed 70s skate rink based in Werribee. Ashton recently injured his back and is unable to work at the skate rink for the next six months. Therefore, Seventies is looking to hire a new skate rink instructor to replace him as soon as possible.

#### Question 10

Identify which of the following is a correct statement about selection methods at Seventies.

- A. Conducting online selection will allow Mila and Ashton to assess each candidate's skating skills and ability to complete day-to-day tasks, such as hosting skating parties.
- B. As working in Seventies is a highly practical job, conducting work testing may be most suitable for Mila and Ashton to determine the suitability of candidates.
- C. Interviewing candidates will allow Mila and Ashton to immediately hire a new candidate, as it is the least time-consuming selection method.

#### Question 11

Identify which of the following statements are **true** or **false** about selection methods at Seventies.

	True	False
I. Work testing would allow Mila and Ashton to assess the skating skills and abilities of candidates to ensure they are competent and capable instructors.	<input type="checkbox"/>	<input type="checkbox"/>
II. Psychological testing enables Seventies employees to work alongside candidates to determine whether they fit in with the business's culture.	<input type="checkbox"/>	<input type="checkbox"/>
III. Mila and Ashton interviewing candidates would allow them to determine how they think under pressure.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Seventies can use online selection to allow candidates to gain a greater understanding of the job requirements as an instructor through physical work.	<input type="checkbox"/>	<input type="checkbox"/>

#### Question 12

Scotty & James is a snowboarding store at the bottom of Mount Buller. Currently, the business is looking to employ a new sales assistant with the skills and knowledge to sell snowboards and other snow equipment. After posting a job advertisement on social media, managers at Scotty & James have identified two potential candidates that match the job specifications. However, as the snowboard store is busy throughout the day the managers do not have time to interview the candidates.

Identify which of the following are **advantages** or **disadvantages** of psychological testing.

	Advantage	Disadvantage
I. Psychological testing does not allow managers at Scotty & James to assess the practical skills of candidates or evaluate their ability to interact with customers.	<input type="checkbox"/>	<input type="checkbox"/>
II. The standardised and unbiased nature of psychological testing can allow managers at Scotty & James to objectively determine the suitability of each candidate.	<input type="checkbox"/>	<input type="checkbox"/>
III. Scotty & James' managers are provided with insight into a candidate's personality and working style, allowing them to determine how they would fit into the snowboarding store's culture.	<input type="checkbox"/>	<input type="checkbox"/>
IV. Scotty & James may incur increased costs associated with administering the psychological test and analysing candidates' results.	<input type="checkbox"/>	<input type="checkbox"/>

## Exam-style

**Question 13** (1 MARK)

Define the term 'online selection'.

---

**Question 14** (2 MARKS)

Explain how a business could use interviews as a selection method.

---

**Question 15** (3 MARKS)

Distinguish between work testing and psychological testing as selection methods.

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**Question 16** (4 MARKS)

Discuss the use of online selection as a selection method.

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**Question 17** (4 MARKS)

Mila and Ashton are the owners of and main skate rink instructors at Seventies, a small disco-themed 70s skate rink based in Werribee. Ashton recently injured his back and is unable to work at the skate rink for the next six months. Therefore, Seventies is looking to hire a new skate rink instructor to replace him as soon as possible.

Propose and justify a suitable selection method that Mila and Ashton could use to fill the position.

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**Question 18** (5 MARKS)

Scotty & James is a snowboarding store at the bottom of Mount Buller. Currently, the business is looking to employ a new sales assistant with the skills and knowledge to sell snowboards and other snow equipment. After posting a job advertisement on social media, managers at Scotty & James have identified two potential candidates that match the job specifications. However, as the snowboard store is busy throughout the day the managers do not have time to interview the candidates.

Evaluate the use of psychological testing as a selection method at Scotty & James.

## Testing previous knowledge

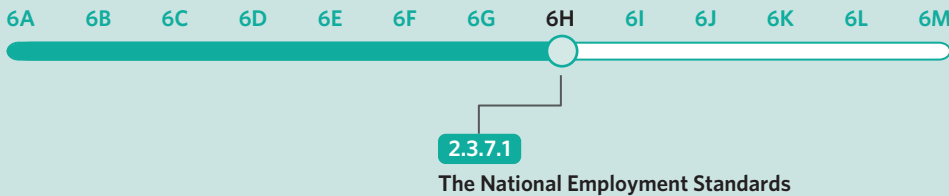
**Question 19** (4 MARKS)

Outline one internal recruitment method and one selection method that a business could use when hiring staff.

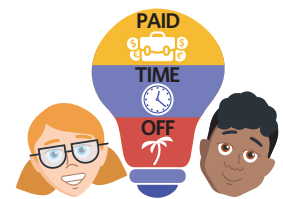
# 6H National Employment Standards

## STUDY DESIGN DOT POINT

- overview of the National Employment Standards



To ensure that working full-time or part-time is sustainable, workers must be allowed to take time off for various reasons, such as for holidays, raising a family, or caring for loved ones. Considering this, the Australian government has created legislation mandating all Australian employers to guarantee their employees certain entitlements.



## Lesson introduction

**National Employment Standards (NES)** are the minimum entitlements an employer owes its employees, which are set out in the Fair Work Act 2009. Through the introduction of this Act, the Federal Government ensures all Australian employees' rights are regulated.

## The National Employment Standards 2.3.7.1

The Fair Work Act 2009 outlines the 11 National Employment Standards, which came into effect on January 1st 2010. The **Fair Work Commission (FWC)** is the body that ensures businesses comply with National Employment Standards. The FWC creates **awards** and approves **agreements** in order to mandate that all employment contracts provide employees with all NES entitlements. These entitlements ensure employees across Australia cannot be subject to exploitation from their employers, creating a safety net for employees across Australia. The entitlements apply to all part-time and full-time workers in Australia regardless of income, occupation, and the industry the employee is within. **Casual workers**, who may have less certainty about ongoing work than permanent employees, also receive certain NES entitlements, but not all of them.

It is important for businesses to ensure they comply with each NES entitlement, as failure to do so can result in financial penalties and damages to the business's reputation. The **Fair Work Ombudsman (FWO)** investigates allegations of non-compliance with the Fair Work Act 2009, assisting employees and employers by providing guidance and various dispute resolution tools to help them resolve issues that may occur due to an alleged breach of the NES. If it is discovered that an employer has breached the NES, the FWO provides a compliance notice to the business, warning them to alter its business practices. If the compliance notice is ignored, fines may be imposed.

**Table 1** The 11 National Employment Standards

Employment standard	Description
Maximum weekly hours	<ul style="list-style-type: none"> <li>38 hours per week. An employee can be requested to work additional overtime hours, but has the right to refuse unreasonable additional hours.</li> <li>An employee who is not on a full-time contract cannot be requested or required to work more than 38 hours, or do additional hours to the employee's ordinary weekly work hours, whichever of the two is lesser.</li> </ul>

Continues ►

## KEY DEFINITIONS

**National Employment Standards (NES)** are the minimum entitlements an employer owes its employees, which are set out in the Fair Work Act 2009.

## ADDITIONAL TERMS

The **Fair Work Commission (FWC)** is Australia's independent workplace relations tribunal that has a range of responsibilities outlined by the Fair Work Act 2009.

**Awards** are legal documents that outline the minimum wages and conditions of work for employees across an entire industry.

**Agreements** are legal documents that outline the wages and conditions of employees and are applicable to a particular business or group of businesses.



**ADDITIONAL TERMS**

**Casual workers** are employees who accept a job offer, knowing that there is no firm advance commitment to ongoing work with an agreed pattern of work.

The **Fair Work**

**Ombudsman (FWO)** is an independent, statutory, government agency that provides advice and investigates disputes within Australia's national workplace relations system.

A **shiftworker** is an employee who works a shift starting at or after 6.00 pm on one day and before 5.00 am on the following day.

Table 1 Continued

Employment standard	Description
<b>Request for flexible working arrangements</b>	<ul style="list-style-type: none"> <li>An employee may request a change in their working arrangements for circumstances including if the employee is a parent, provides care or support to a member of their family or household, has a disability, is 55 years or older, or is experiencing family or domestic violence.</li> <li>A full-time or part-time employee has to have completed 12 months of continuous service with the employer before making requests for flexible work arrangements.</li> <li>Flexible work arrangements can include starting or finishing work earlier or later, working from home, working agreed hours over fewer days, changing hours of work, or altering break and meeting times.</li> </ul>
<b>Offers and requests for casual conversion</b>	<ul style="list-style-type: none"> <li>An employer must offer a casual employee to convert to full-time or part-time work if the employee has been working at the business for at least 12 months, or has been working a regular pattern of hours that would allow them to work full-time or part-time for the past six months.</li> <li>The offer must be made within three weeks of the 12 month period and must be in writing.</li> <li>An employee can also request to transition from casual employment, however, if the employer has reasonable grounds, this request can be refused.</li> </ul>
<b>Parental leave and related entitlements</b>	<ul style="list-style-type: none"> <li>If a full-time or part-time employee has worked continuously for the business for over 12 months they may be entitled to parental leave.</li> <li>This leave can be taken for birth-related leave, in which an employee is raising their baby, or adoption-related leave, in which the employee has adopted a child under the age of 16.</li> <li>The entitlement is for a single, continuous period of 12 months of unpaid leave.</li> <li>Parents may also take up to 30 days of leave during the 24 month period after the date of birth or adoption.</li> <li>Pregnant employees may be required to take unpaid parental leave six weeks before the birth unless they can provide a medical certificate confirming that they are fit to work.</li> </ul>
<b>Annual leave</b>	<ul style="list-style-type: none"> <li>For each year of service with an employer, an employee is entitled to four weeks of paid annual leave, or five weeks of paid annual leave in certain circumstances, such as if the employee is defined as a <b>shiftworker</b>.</li> </ul>
<b>Personal or carer's leave, compassionate leave, and unpaid family and domestic violence leave</b>	<ul style="list-style-type: none"> <li>For each year of service with an employer, an employee is entitled to ten days of paid personal/carer's leave.</li> <li>Employees may take personal/carer's leave if they have personal illness or injury, or if they must provide care and support to a member of their immediate family or household.</li> <li>An employee is entitled to two days of unpaid carer's leave if a family member or member of their household requires support.</li> <li>An employee is entitled to two days of paid, compassionate leave if a family member or member of their household dies, or contracts an illness or injury that poses a serious threat to their life.</li> <li>An employee is entitled to five days of unpaid family and domestic violence leave in a 12 months period.</li> </ul>
<b>Community service leave</b>	<ul style="list-style-type: none"> <li>Employees, including casual employees, can take leave for engaging in an eligible community service activity, which includes jury service and voluntary emergency management activities such as dealing with a natural disaster.</li> <li>An employee must provide notice and evidence of this community service activity.</li> <li>An employer is only required to provide paid leave for the first ten days of jury service, even if the jury process goes for longer than this time.</li> </ul>

Continues ►

Table 1 Continued

Employment standard	Description
Long service leave	<ul style="list-style-type: none"> <li>An employee that has been working at the business for an applicable period of time will be entitled to an extended period of leave in accordance with their relevant award or agreement.</li> </ul>
Public holidays	<ul style="list-style-type: none"> <li>A full-time or part-time employee is entitled to be absent for employment on a public holiday and still receive the <b>base rate of pay</b>.</li> <li>An employee, including casual employees, may be able to request to work on a public holiday as a higher rate of pay may be applicable.</li> </ul>
Notice of termination and redundancy pay	<ul style="list-style-type: none"> <li>An employer must provide their employee with written notice of the day of <b>termination</b>. The period of time an employer must notify their employee before terminating their employment ranges between one and four weeks, depending on how long the employee has been employed at the business.</li> <li>An employee may be entitled to a period of <b>redundancy</b> pay if the employee's job at the business no longer exists, or the employer becomes bankrupt.</li> <li>The length of time an employer must pay the redundant employee may be between four and 12 weeks depending on how long the employee served at the business.</li> </ul>
Fair Work Information Statement	<ul style="list-style-type: none"> <li>An employer must give each employee the Fair Work Information Statement before the employee starts employment.</li> <li>Casual employees must be given a Casual Employment Information Statement.</li> </ul>

**ADDITIONAL TERMS**

**Base rate of pay** is the amount of money payable to an employee for their ordinary hours of work, not including any bonuses, overtime, or penalty rates.

**Termination** is the process whereby a business ends its employment contract with an employee.

**Redundancy** involves an employee no longer working for a business because there is insufficient work or their job no longer exists.

Casual employees only receive certain NES entitlements. These NES entitlements still have their own conditions for casual employees, for example, casual employees won't be entitled to certain leave until they have served continuously at the business for 12 months. The NES entitlements applicable to casual workers include:

- the provision of the Fair Work Information Statement.
- unpaid carer's leave, compassionate leave, family and domestic violence leave, and community service leave.
- the legal right to request permanent employment.
- unpaid parental leave if a casual employee has been employed at the workplace on a regular and systematic basis for a period of 12 months, or is reasonably expected to continue having regular employment at the workplace.
- flexible work arrangements if the above conditions also apply.

**EXTENDED REAL WORLD EXAMPLE****National Employment Standards**

The Fair Work Ombudsman (FWO) is an independent government organisation regulating Australia's workplace relations system. The aim of the Ombudsman is to provide education, assistance, and advice to workplace participants. It also promotes and monitors compliance with workplace laws, investigates breaches of the Fair Work Act, and takes appropriate enforcement action when required. The Ombudsman investigates a small number of requests, only launching an investigation if the claims are 'very serious' and the people affected are vulnerable.

The process of launching an investigation begins with the collection of evidence, which may include employment contracts, wage records, and witness testimonies on the events that transpired. To gain all the relevant evidence required, the FWO may provide a notice to a business that requires the employer, or related individuals, to provide certain information or documents, and attend interviews if required.

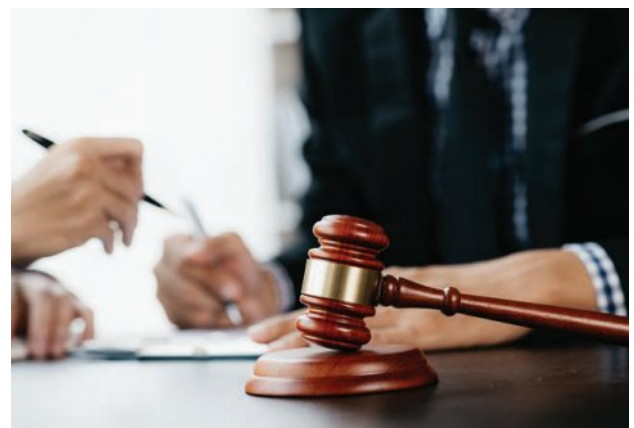


image: Pickadook/Shutterstock.com

**Figure 1** The Fair Work Ombudsman investigates and penalises businesses in breach of the 11 NES

Continues ►

## EXTENDED REAL WORLD EXAMPLE

### National Employment Standards – continued

If adequate information or records are not provided to the FWO after a notice is given, the business involved may face legal penalties. The FWO will then examine the evidence and make a decision about whether a breach in workplace laws has occurred in order to evaluate which steps to take next. If it is determined a breach has occurred, the FWO may issue a contravention letter informing the business how to rectify its issues, a compliance notice, an infringement notice, a letter of caution, or litigation proceedings if required. Once the FWO has completed a compliance activity, such as taking an employer to court for failing to adhere to the NES, it will report the outcome to help increase awareness of workplace issues.

One reported outcome was the case of Fair Work Ombudsman v CNL Group Pty Ltd. In February 2020, the Fair Work Ombudsman commenced proceedings against CNL Group Pty Ltd, the operator of Gyoza Gyoza in Adelaide during the relevant times in which breaches of the NES occurred. The company was in breach of the Fair Work Act for failing to pay two waitress employees their adequate pay in accordance with the relevant industry award in 2018. In addition, the restaurant owners were in breach of the NES, and more specifically, section 44 of the Fair Work Act due to their failure to provide these two employees with copies of the Fair Work Information Statement. As a result of the breaches of the Act, the operators of the Japanese restaurant incurred \$78,220.80 in penalties in court. In his ruling, Judge Brown declared 'the community will not tolerate the exploitation of employees'.

*Adapted from Fair Work Ombudsman, 'Our role and purpose', 2022, Fair Work Ombudsman, 'Workplace investigations', 2022, and Fair Work Ombudsman, 'Adelaide restaurant obstructed inspector', 2021*

### Questions

1. Why do you think it is important for an employer to provide their employee with the Fair Work Information Statement? Research the contents of the Statement if required.
2. Do you believe any of the standards should be amended? For example, should the number of days of paid compassionate leave that employees are entitled to be increased?
3. After conducting your own research, what are the differences between the roles of the Fair Work Commission and the Fair Work Ombudsman?

## ACTIVITY

### The National Employment Standards

Search 'Workplace laws are holding employees back on flexible work' on the internet and read the article from The Sydney Morning Herald, 2022. Discuss the following questions with your peers:

1. Currently, an employee can only request flexible work arrangements if they are a parent of a school-aged or younger child, are a carer (defined under the Carer Recognition Act 2010), have a disability, are 55 years or older, are experiencing domestic violence, or are providing care to members of their household or immediate family who require support because that member is experiencing domestic violence. Do you believe the criteria for people who can request flexible work arrangements should be expanded to include other groups of people?
2. The article suggests that employers can easily reject their employees' requests for flexible work as the 'grounds [for doing so] are very broad including cost, capacity, practicality.' Should the grounds for an employer to reject a request for flexible work be narrowed further in the Fair Work Act 2009?
3. What are some advantages for a business of introducing a remote working policy?
4. What are some disadvantages for a business of introducing a remote working policy?
5. Why do you think many employees are increasingly wanting to work from home?
6. If you had a job that you could do entirely remotely, do you think you would still want to come to work to complete your duties, or would you rather work solely from home?

A description of three different people has been provided. Identify which of the following employees; Max, Narelle, or Tom, would have the legal right to request flexible work and determine for what reasons they are eligible to request flexible work arrangements. You may need to look at the Carer Recognition Act 2010 to determine what constitutes an employee as a 'carer'.

**Narelle:** Narelle is a 60-year-old woman working as a full-time physio at StrechIt. She still lives with her two sons, Max and Tom, who are 19 and 21 respectively. She makes dinner for her and her sons each night, cleans the house, and drives them to their jobs when she is available.

**Max:** Max is a full-time university student that also works at a supermarket three to four days a week, and has been working at the supermarket for four months. He has no specific hours that he is given every week at the supermarket and has no guarantee that he will get any work each week. Max was recently diagnosed with autism but has no physical disabilities.

**Tom:** Tom works part-time as a waiter at CD dumplings. He provides support and assistance every afternoon to his Grandma who is suffering from dementia. He buys her groceries, cleans her house, and helps her go for walks around a local park.

### Theory summary

The Fair Work Act 2009 sets out the 11 National Employment Standards (NES) all full-time and part-time employees are entitled to. While casual employees are not entitled to all 11 NES, they are entitled to a few. If an employer fails to provide their employees with these entitlements, they may face investigations and penalties from the Fair Work Commission or Fair Work Ombudsman. Therefore, employers must stay up to date with any changes to these standards in order to continuously meet legal requirements.

## 6H Questions

### Theory review

#### Question 1

The 11 National Employment Standards outline conditions of work that employers may choose to provide their workers with if they want to improve the reputation of the business.

- A. True
- B. False

#### Question 2

To avoid violating the Fair Work Act, employers must provide all of the 11 National Employment Standards to their:

**(Select all that apply)**

- I. part-time workers.
- II. full-time workers.
- III. casual workers.

#### Question 3

The Fair Work Ombudsman is a government agency that:

- A. provides advice regarding Australia's national workplace relations system and investigates suspected breaches of the Fair Work Act.
- B. creates the Fair Work Act and makes amendments to the Act when required.

#### Question 4

The 11 National Employment Standards include entitlements relating to: **(Select all that apply)**

- I. maximum weekly hours.
- II. minimum wages in each industry.
- III. parental leave.
- IV. retirement severance pay.

#### Question 5

Fill in the blanks with the following terms:

- parental leave
- community service leave

If an employee takes ten days off of work in order to complete jury service, they will still be paid under the \_\_\_\_\_ entitlement, whereas, the \_\_\_\_\_ entitlement allows employees to take 12 months of unpaid leave if they or their partner have recently given birth to, or adopted, a child.

#### Question 6

If an employer needs to terminate an employee due to unsatisfactory work, they need to provide notice to the employee in advance.

- A. True
- B. False

#### Question 7

The National Employment Standards only need to be provided to employees working under the relevant industry award, as employees under an agreement have a different set of guidelines regulating their employment.

- A. True
- B. False

## Preparing for exams

### Case study skills

#### Question 8

Play Pen is a child-care centre in Ashburton that is owned and operated by Aayan. Play Pen provides care and meals to over 100 kids daily and Aayan has 25 full-time employees who all work exactly 38 hours every week. The rent is becoming increasingly difficult for Aayan to pay, so he has decided to downsize to a centre that will only be able to house 20 children at once. As a result, Aayan has to terminate 15 of his employees. He has provided each of these employees with four weeks of notice of their termination and will be paying each of his employees' redundancy pay based on how long they have worked at Play Pen.

Identify which of the following statements are **true** or **false** about Play Pen.

	True	False
I. The business is complying with the NES entitlement of maximum weekly hours as full-time employees only work exactly 38 hours per week.	<input type="checkbox"/>	<input type="checkbox"/>
II. There is no need to pay employees at Play Pen any redundancy pay when they are terminated from the business as it is not Aayan's fault he has to terminate these employees.	<input type="checkbox"/>	<input type="checkbox"/>
III. In order to comply with the NES, Aayan must ensure that his staff wear a helmet around the children to ensure that the work environment is safe.	<input type="checkbox"/>	<input type="checkbox"/>
IV. By providing employees with notice of their termination before they are made redundant, Aayan is complying with the NES entitlement relating to notice of termination.	<input type="checkbox"/>	<input type="checkbox"/>

#### Question 9

Finer Diner is an exclusive French restaurant located in Melbourne's CBD, owned by Aurelie. In order to provide high-quality meals to customers, Aurelie employs staff with high levels of industry experience. Therefore, many of Finer Diner's employees are now having, or already have, children that they must look after. In addition, several of Finer Diner's senior chefs have been employed at the restaurant for over 30 years, and have accumulated leave as a result.

Identify which of the following are NES entitlements Finer Diner must comply with. **(Select all that apply)**

- I. Finer Diner may need to provide the senior chefs with long service leave which they will have accumulated from working at the restaurant for over 30 years.
- II. Finer Diner must provide all chefs with paid parental leave for the 12 month period after they, or their partner have given birth to a child or have adopted a child under the age of 16.
- III. Finer Diner may need to provide the older staff, above the age of 55, with flexible working arrangements, such as the option to start and finish work earlier, if it cannot refuse this request on reasonable grounds.
- IV. Finer Diner must ensure its restaurant is closed on all public holidays as no full-time or part-time employees are able to work on public holidays.

### Exam-style

#### Question 10 (1 MARK)

Define the term 'National Employment Standards'.

#### Question 11 (2 MARKS)

Describe the role of the Fair Work Commission in establishing the National Employment Standards.

#### Question 12 (4 MARKS)

Outline two of the employee entitlements received by casual employees.

**Question 13** (4 MARKS)

Play Pen is a child-care centre in Ashburton that is owned and operated by Aayan. Play Pen provides care and meals to over 100 kids daily and Aayan has 25 full-time employees who all work exactly 38 hours every week. The rent is becoming increasingly difficult for Aayan to pay, so he has decided to downsize to a centre that will only be able to house 20 children at once. As a result, Aayan has to terminate 15 of his employees. He has provided each of these employees with four weeks of notice of their termination and will be paying each of his employees' redundancy pay based on how long they have worked at Play Pen.

Describe two National Employment Standards being maintained by Play Pen.

---

**Question 14** (4 MARKS)

Finer Diner is an exclusive French restaurant located in Melbourne's CBD, owned by Aurelie. In order to provide high-quality meals to customers, Aurelie employs staff with high levels of industry experience. Therefore, many of Finer Diner's employees are now having, or already have, children that they must look after. In addition, several of Finer Diner's senior chefs have been employed at the restaurant for over 30 years, and have accumulated leave as a result.

Outline the importance of complying with two National Employment Standards at Finer Diner.

**Testing previous knowledge****Question 15** (3 MARKS)

Outline one policy a business could implement to comply with the National Employment Standard entitlement of flexible working conditions. Describe why a business needs to comply with this entitlement.

# 6 Employer expectations

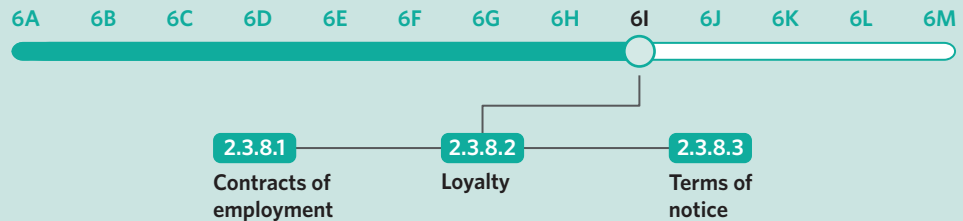
Within any business, there may be times when employee loyalty declines. Why do you think this occurs? What are the effects of disloyal employees on the achievement of business objectives? Are employers setting their expectations of employees too high?

Wait, you're quitting!? Could you not have waited until I found a replacement?



## STUDY DESIGN DOT POINT

- employer expectations such as contracts of employment, loyalty and terms of notice



## Lesson introduction

When recruiting new employees, employers typically expect that the staff hired will abide by the terms of their contract and remain loyal to the business. It is important for employers to set expectations when a new employee starts in a position so that they understand exactly what is required of them. The ability to clearly communicate expectations can increase an employee's productivity and the achievement of business objectives.

## Contracts of employment 2.3.8.1

An **employment contract** is a legal document that outlines the wages and work conditions of an employee within a business. Most employers require a new employee to enter into an employment contract before commencing a new position, although, a small number of employers do not require their new employees to sign a contract. An employment contract typically includes details such as the job title, hours of work, and the rate of pay. The two most common methods used by employers to establish the wages and conditions of employees are **awards** and **agreements**. An award is a legal document that outlines the minimum wages and conditions of work for employees across an entire industry. An agreement is a legal document that outlines the wages and conditions of employees and is applicable to a particular business or group of businesses. Awards are created and set by the **Fair Work Commission**. Businesses can use awards to form the minimum wages and working conditions included in the terms of an employment contract.

Businesses can also use an agreement to determine the wages and conditions of work for their employees. Unlike awards, agreements provide both employers and employees with the opportunity to negotiate wages and conditions. The Fair Work Commission is responsible for reviewing and approving the agreement. For the agreement to be approved, it must exceed the minimum wages and conditions outlined in the relevant award.

All employees are covered by the National Employment Standards, regardless of whether they enter into an award or agreement as their employment contract. A business cannot provide wages and conditions that are below the National Employment Standards, otherwise, it may face legal consequences. By clearly establishing contracts of employment, the business can ensure that both employers and employees are satisfied and protected.

## KEY DEFINITIONS

An **employment contract** is a legal document that outlines the wages and work conditions of an employee within a business.

## ADDITIONAL TERMS

An **award** is a legal document that outlines the minimum wages and conditions of work for employees across an entire industry.

An **agreement** is a legal document that outlines the wages and conditions of employees and is applicable to a particular business or group of businesses.

The **Fair Work Commission** is Australia's independent workplace relations tribunal that has a range of responsibilities outlined by the Fair Work Act.

**WANT TO KNOW MORE?**

The 11 National Employment Standards set out by the Fair Work Commission include provisions for the following:

1. Maximum weekly hours
2. Requests for flexible working arrangements
3. Offers and requests to convert from casual to permanent employment
4. Parental leave and related entitlements
5. Annual leave
6. Personal leave, carer's leave, compassionate leave, and unpaid family and domestic violence leave
7. Community service leave
8. Long service leave
9. Public holidays
10. Notice of termination and redundancy pay
11. Fair Work Information Statement and Casual Employment Information Statement.

*Adapted from Fair Work Ombudsman, 'National Employment Standards', 2022*

**LESSON LINK**

National Employment Standards were introduced in **6H National employment standards**.



**Figure 1** Employers generally expect new employees to enter into an employment contract

**REAL WORLD EXAMPLE****Contracts of employment**

Subway is a fast food franchise that sells sandwiches and salads. Many Subway franchise owners across Australia have failed to pay their employees the minimum wages and entitlements detailed in the Fast Food Industry Award. One teenager working at Subway protested these conditions with the Fair Work Commission in Australia, arguing that her wages were based on an outdated award from 2015 and that she was being underpaid.

*Adapted from ABC News, 'This teenager says Subway ripped her off, and she's taking her fight to the Fair Work Commission', 2022*



Image: Prachana Thong-on/Shutterstock.com

**Figure 2** Subway provided employees with wages and conditions of work that were below the relevant award

**Loyalty 2.3.8.2**

Employers expect employees to show **loyalty**, which is when an employee is committed to supporting the business achieve its objectives. Employees are more likely to be loyal to a business if the employer treats its staff ethically and acts in their best interests. When employees trust and respect their employer, they are generally more productive and motivated to achieve business objectives. Employers expect their employees to uphold the business's reputation. An employer may include terms in an employee's employment contract that prohibits them from making negative comments that harm the reputation of the business.

**KEY DEFINITIONS**

**Loyalty** is when an employee is committed to supporting the business achieve its objectives.

**THEORY IN ACTION****Loyalty**

Vanessa has recently discovered that one of her employees has been spreading false information about DevTech online, which is negatively affecting the business's reputation. As a result, she is considering terminating the employment of the staff member responsible for the negative comments. This employee's actions are a violation of the contract that Vanessa had each employee sign upon joining the business and is an act of disloyalty towards DevTech. The employment contract states that Vanessa is permitted to terminate the employment of any employee if they fail to act in a professional manner, including making harmful comments about the business or its employees.



**Figure 3** Vanessa expects employees to demonstrate loyalty towards DevTech Pty Ltd



## KEY DEFINITIONS

**Terms of notice** are written communications that an employee must provide to a business within a certain amount of time before leaving their position.

## Terms of notice 2.3.8.3

**Terms of notice** are written communications that an employee must provide to a business within a certain amount of time before leaving their position. Employment contracts typically outline employees' terms of notice, which can differ depending on the relevant award or agreement. Employees are expected to provide a business with adequate notice if they intend to leave the business. This notice will allow the business to make necessary adjustments and hire a replacement employee if needed. Once the employee provides notice to the employer, they will generally continue completing their work tasks until the end of the notice period.

## THEORY IN ACTION

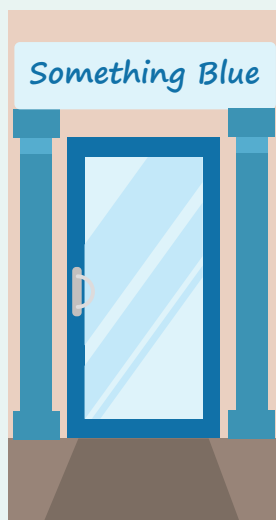
## Terms of notice



**Figure 4** Epicure requires all employees to provide two weeks' notice if they intend to leave the business

Stanley requires all employees at Epicure to provide him with two weeks notice if they intend to leave the grocery business. By doing so, Stanley is provided with a sufficient amount of time to recruit new employees to replace leaving staff, whilst also allowing Epicure to operate as normal. This two-week window of notice is standard for most businesses.

## ACTIVITY



**Figure 5** Alessia has employer expectations for her employees at Something Blue

## Employer expectations

Alessia is the owner of Something Blue, a bridal dress boutique located in Sydney. Since its opening five years ago, Alessia has hired six staff members. Upon commencing their employment, each employee signed a comprehensive contract that outlined their expectations at Something Blue. As she wants her employees to be satisfied, Alessia's employees are paid under an enterprise agreement, which provides them with better wages and conditions compared to employees paid under an award in the same industry. Although Alessia is committed to ensuring that all of her employees are satisfied at Something Blue, recently one of her senior employees, Sam, was encouraging customers to visit other bridal boutiques. Sam does not seem to be satisfied at work and believes that Alessia's dresses are too expensive, consequently causing him to publicly project negative comments about the business. Alessia thinks that Sam is likely to resign from Something Blue in the near future. If he does not, she may consider terminating his employment contract.

Discuss the following questions in relation to employer expectations at Something Blue:

1. What details may be included in the employment contract that was signed by Something Blue employees?
2. What industry award would the employees of Something Blue be under? Research the award on the Fair Work Australia website.
3. How is Sam failing to show loyalty towards Something Blue?
4. How might terms of notice apply at Something Blue?

## Theory summary

Employers hold various expectations of their employees, and failure to meet these expectations may result in the termination of an employee's employment contract. By ensuring these expectations are upheld, the business is more likely to achieve its objectives.

- An employment contract is a legal document that outlines the wages and working conditions of an employee within a business.
- Loyalty is when employees are committed to supporting the business achieve its objectives.
- Terms of notice are the length of time an employee must provide the business with before they leave their position, therefore allowing the business to make any necessary adjustments.

# 61 Questions

## Theory review

### Question 1

Fill in the blank with **one** of the following terms:

- increase productivity
- decrease performance

Setting clear expectations when a new employee commences at a business can \_\_\_\_\_.

### Question 2

All new employees must enter into an employment contract.

- A. True
- B. False

### Question 3

Only employees who enter into an employment contract are covered by the National Employment Standards.

- A. True
- B. False

### Question 4

The Fair Work Commission is an independent Australian body that deals with matters relating to workplace relations, such as reviewing and approving agreements.

- A. True
- B. False

### Question 5

Fill in the blanks with the following terms:

- award
- agreement

An \_\_\_\_\_ is a legal document outlining wages and conditions of employment and is applicable to a particular business or group of businesses. However, an \_\_\_\_\_ is a legal document outlining minimum wages and conditions of work and is applicable across an entire industry.

### Question 6

Fill in the blank with **one** of the following terms:

- more
- less

Employees are \_\_\_\_\_ likely to show loyalty to the business if the employer acts in their best interests.

### Question 7

It is important for an employee to provide adequate notice if they intend on leaving a business because:

- A. it will allow the business to hire a replacement employee if needed.
- B. it gives the employee enough time to find a new job.

### Question 8

Establishing very clear expectations when a new employee starts working at the business can improve its ability to achieve business objectives.

- A. True
- B. False

## Preparing for exams

### Case study skills

### Question 9

Derrimut Auto Care is a small business that services cars. Recently, customers have been complaining about the poor level of service that has been provided by employees at Derrimut Auto Care, as well as the long turnaround times. Josh, the owner, is also having issues with unexplained employee absences, which is negatively affecting business performance.

Identify which of the following are correct statements about improving loyalty at Derrimut Auto Care.

**(Select all that apply)**

- I. Improving employee loyalty may result in improvements in automotive services that are provided to customers, as staff have more respect for the business.
- II. Employees may feel less satisfied and micromanaged if employee loyalty is improved, which may increase the current levels of absenteeism.
- III. Employees at Derrimut Auto Care may meet the objective of improving turnaround times if their loyalty is improved, as they are likely to be more productive if they are satisfied at work.
- IV. If employee loyalty is improved at Derrimut Auto Care, its staff attendance issues may improve, as employees may feel more motivated to come to work.

## Exam-style

**Question 10** (1 MARK)

Define the term 'employment contract'.

---

**Question 11** (2 MARKS)

Outline one type of employment contract for establishing employee wages and conditions.

---

**Question 12** (2 MARKS)

Describe the importance of an employee providing adequate terms of notice to an employer when leaving a business.

---

**Question 13** (2 MARKS)

Explain how loyalty can improve a business's ability to achieve its objectives.

---

**Question 14** (4 MARKS)

Derrimut Auto Care is a small business that services cars. Recently, customers have been complaining about the poor level of service that has been provided by employees at Derrimut Auto Care, as well as the long turnaround times. Josh, the owner, is also having issues with unexplained employee absences, which is negatively affecting business performance.

Justify how improving loyalty could help increase Derrimut Auto Care's ability to meet business objectives.

## Testing previous knowledge

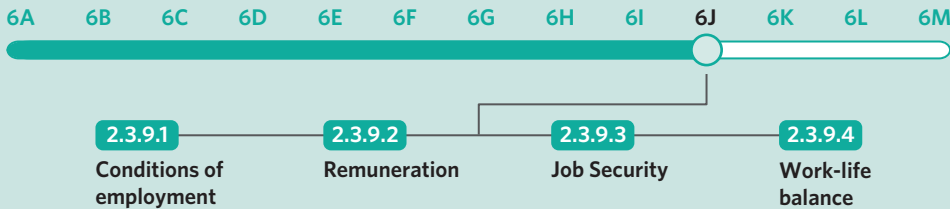
**Question 15** (3 MARKS)

Explain how business associations can assist a business owner to create an employment contract during business planning.

# 6J Employee expectations

## STUDY DESIGN DOT POINT

- employee expectations such as conditions of employment, remuneration, job security and work-life balance



Imagine you have recently applied for a new job, and you are scheduled to start work tomorrow. What sort of expectations would you have for your employer? Are you more interested in the hours you will work, your wage, how stable your job is, or if you get to balance your lifestyle with your work?



## Lesson introduction

Just as employers have expectations for their staff, employees also have certain expectations for their employers. Employees expect to be paid fairly and provided with adequate working conditions. They also value feeling secure in their job and maintaining a healthy work-life balance. It is important for an employer to develop an understanding of what employees expect from the business. By doing so, they can create an environment that exceeds employees' expectations, which can improve job satisfaction, increase productivity, and enhance the business's overall ability to achieve its objectives.

## Conditions of employment 2.3.9.1

**Conditions of employment** are what an employer has agreed to offer the employee in return for the work they complete. These conditions are typically detailed in an employment contract and can vary depending on the relevant award or enterprise agreement. Employers must comply with the minimum conditions of employment stated in the National Employment Standards which include basic conditions such as hours of work, public holiday pay, annual leave, and sick leave. It is also becoming increasingly common for employers to provide more than the minimum conditions of employment to satisfy the needs of their employees.

## KEY DEFINITIONS

**Conditions of employment** are what an employer has agreed to offer the employee in return for the work they complete.

## REAL WORLD EXAMPLE

### Conditions of employment

Netflix is an online streaming service that allows subscribers to stream a range of TV shows, documentaries, and movies. The conditions of Netflix's employees are decided through an agreement, meaning that Netflix offers more than the minimum working conditions to satisfy the needs of its employees. The conditions of employment at Netflix include free lunches, unlimited annual leave days, generous mobile phone discounts, and a free Netflix subscription.

*Adapted from Netflix, 'Netflix Culture - Seeking Excellence', 2022*



Image: Elliott Cowand Jr/Shutterstock.com

**Figure 1** Netflix provides its employees with conditions that improve upon the minimum standard

## LESSON LINK

Awards, Agreements, and the National Employment Standards were introduced in **6H National Employment Standards**.



**Figure 2** Employees have a right to be provided with basic working conditions

## KEY DEFINITIONS

**Remuneration** is the money an employee receives from an employer in exchange for the work they complete.

**Job security** is the likelihood of an employee keeping their job.

## ADDITIONAL TERMS

A **salary** is an annual fixed payment made by an employer to an employee, typically paid in equal instalments on a fortnightly or monthly basis.

A **remuneration package** is the total sum of an employee's salary and other financial benefits.

A **bonus** is a one-off payment made for meeting a set objective and is provided in addition to an employee's regular salary.

A **commission** is a payment provided to an employee for selling a good or service, and is usually paid as a percentage of the price of the good or service being sold.

## LESSON LINK

Wages were introduced in **3B Legal and government regulations**.

## Remuneration 2.3.9.2

**Remuneration** is the money an employee receives from an employer in exchange for the work they complete. The amount of remuneration an employee receives is usually determined by an award or enterprise agreement. The most common type of remuneration paid to employees is in the form of a wage or **salary**. Employers may also provide employees with a **remuneration package** that generally includes additional financial benefits, such as **bonuses** and **commissions**. Offering attractive remuneration packages can make employees feel valued and motivated, which can increase job satisfaction and improve employees' ability to meet business objectives.

## REAL WORLD EXAMPLE

## Remuneration

Uber has recognised the expectation for employees to receive adequate compensation for their work and the appeal of a business that offers bonuses. In order to attract more people to sign up to become drivers, Uber offered a sign-up bonus to employees that meet certain standards. In January 2022, Uber implemented the offer, which guaranteed new drivers would be paid a bonus ranging between \$500 to \$1000, provided that the driver completed 50-200 trips within their first month. This bonus is in addition to the commission that Uber drivers are paid per trip.

*Adapted from Ride Share Guy, 'Uber Driver Sign Up Bonus - Claim The Biggest Bonus Here', 2022*



**Figure 3** Remuneration can be paid to employees in many different forms



Image: Lutsenko\_Oleksandr/Shutterstock.com

**Figure 4** Uber offers new employees additional remuneration as an incentive for signing up to become a driver

## Job security 2.3.9.3

**Job security** is the likelihood of an employee keeping their job. Job security is increasingly becoming an issue for many employees due to difficult economic conditions. Having a secure job is important, as a lack of security can mean employees are worrying about the future of their job which can make it difficult for them to perform at their best. When employees feel secure in their job, they will feel valued by the business and more motivated to achieve business objectives. If an employee feels that they may lose their job, the lack of security can have a negative impact on productivity and the business's ability to achieve its goals.

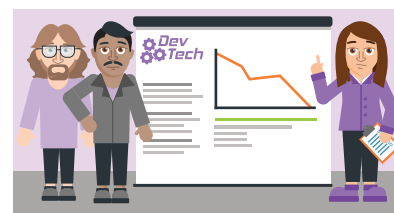


**Figure 5** All employees expect to feel secure in their job

## THEORY IN ACTION

## Job security

Vanessa keeps track of the number of services provided each month at DevTech, in order to better understand the performance of the business throughout the year. After reviewing recent data, Vanessa noticed that the number of services provided in the month prior was much lower than in previous months. She attributed the poor performance of the business to lower levels of employee motivation. Although Vanessa was disappointed with the efforts of her employees, she communicated clearly to her staff that their performance would not result in any employee being terminated or demoted, but she was going to implement training to improve performance. By acknowledging the expectation of employees to feel secure in their jobs, Vanessa is able to best manage employees and avoid further decreasing motivation and morale.



**Figure 6** DevTech ensures its employees have job security so it is meeting their expectations

## Work-life balance 2.3.9.4

**Work-life balance** is the division of a person's time between the demands of their job and their personal life. Employees are placing more value on having a healthy work-life balance to allow time for both their job and other life commitments. Many employers have begun offering flexible working arrangements to help employees achieve a better work-life balance. Greater flexibility may result in increased employee productivity, improved motivation, and reduced stress levels, which can improve a business's ability to achieve its objectives. Prioritising work-life balance can also help a business retain valued employees who require flexible hours of work, such as parents and carers.

### REAL WORLD EXAMPLE

#### Work-life balance

Panasonic is a Japanese electronics brand founded in 1955, which sells a range of consumer electronics and products internationally. The business has implemented a four-day workweek for its employees, making it one of only 8% of Japanese companies which offer over two days a week off from work. The business follows the philosophy that its employees will experience increased productivity and wellbeing at work through a three-day weekend, as this will allow them time to relax, spend time with family, engage in hobbies, or work another job if needed.

*Adapted from Forbes, 'Two Major Companies Announced Four-Day Workweeks-This May Be The Tipping Point For Businesses To Join The Growing Movement', 2022*



Image: Konektus Photo/Shutterstock.com

**Figure 7** Panasonic is committed to ensuring that its employees maintain a work-life balance

### KEY DEFINITIONS

**Work-life balance** is the division of a person's time between the demands of their job and their personal life.

### LESSON LINK

Flexible working arrangements were introduced in **6H National Employment Standards**.



**Figure 8** Employees expect to have a healthy work-life balance

### ACTIVITY

#### Employee expectations

Jolene is the manager of a new social media marketing business. She has recently hired six new employees, and has been brainstorming ways that she can satisfy their expectations. Read the following expectations that Jolene's employees have shared with her, and come up with examples of ways in which Jolene could satisfy them.

- One employee mentioned that she wants to feel like she has a secure place at the business, provided she performs at an adequate level.
- All of her new employees shared that they felt that they could perform better at work when they had more of a work-life balance.
- All the new employees shared that they want to be compensated for any extraordinary work that they complete, such as signing a large company as a new client.
- A couple of her new staff members compared the conditions of employment at the business to their old employers and stated that they wanted better conditions.

Discuss the following questions with your classmates:

1. Out of the four key employee expectations explored in this chapter, which expectation is most important to you? Which is the least important in your opinion?
2. What are some reasons why managers should attempt to satisfy employee expectations?

### Theory summary

Employees hold certain expectations of their employers. Employers should uphold and exceed these expectations in order to behave in a legally responsible manner, as well as to maintain employee loyalty and wellbeing.

- Conditions of employment are what an employer has agreed to offer the employee in return for the work they complete.
- Remuneration is the money an employee receives from an employer in exchange for the work they complete.
- Job security is the likelihood of an employee keeping their job.
- Work-life balance is the division of a person's time between the demands of their job and their personal life.

# 6J Questions

## Theory review

### Question 1

By exceeding employee expectations, a business may improve its ability to achieve its objectives.

- A. True
- B. False

### Question 2

Fill in the blank with **one** of the following terms:

- minimum
- maximum

The \_\_\_\_\_ conditions of employment are detailed in the National Employment Standards.

### Question 3

Providing remuneration and job security can result in employees:

- A. feeling more valued by the business, therefore increasing loyalty.
- B. being more likely to want to find a new job and seek better conditions.

### Question 4

Fill in the blank with **one** of the following terms:

- positive
- negative

If an employee feels secure in their job, this may have a \_\_\_\_\_ effect on their productivity and ability to achieve business goals.

### Question 5

Employees may feel more productive and motivated to perform their roles to a high standard if their employer offers flexible working arrangements.

- A. True
- B. False

### Question 6

It is not important for an employer to gain an understanding of what employees expect from the business, as long as they are being paid adequate wages.

- A. True
- B. False

## Preparing for exams

### Case study skills

#### Question 7

Frame It is a polaroid store that offers printing and framing services for customised posters. Due to recent low performance at the business, several employees were made redundant. The employees remaining at Frame It feel threatened that their job will also be cut in the coming months. The manager, Lu, is now concerned about staff not working productively, or missing shifts entirely.

Identify which of the following statements is correct about the impact of a lack of job security at Frame It.

- A. A lack of job security may decrease employee productivity at Frame It and therefore, may further contribute to business objectives not being achieved.
- B. Employees will be motivated by a lack of job security as they will work harder to keep their position in the workplace and feel an increased sense of loyalty.

**Question 8**

Hannah owns Fruity Juice Bar and has four employees. All of her employees work full-time hours and have children. Recently, Hannah has noticed that staff are making mistakes and not working as productively as they used to. Fruity Juice Bar has also just recorded a significant decrease in profit for the last month.

Identify which of the following statements are correct about how improving work-life balance could help Fruity Juice Bar's ability to meet business objectives. **(Select all that apply)**

- I. Reduced stress levels from a work-life balance may lead to Hannah's employees making fewer mistakes, decreasing expenses from waste and therefore, increasing profit.
- II. Employees may become more productive as a result of Hannah implementing a work-life balance, leading to a decrease in the number of sales made.
- III. Employees may be grateful for the opportunity to spend more time with their families, leading to improved productivity at work.
- IV. Hannah's employees may feel that they are more distracted at Fruity Juice Bar by having a work-life balance, leading to a decline in their performance in the workplace.

**Exam-style****Question 9** (1 MARK)

Define the term 'remuneration'.

---

**Question 10** (2 MARKS)

Identify two conditions of employment that should be included in an employment contract.

---

**Question 11** (2 MARKS)

Explain the importance of a business helping its employees achieve a work-life balance.

---

**Question 12** (3 MARKS)

Frame It is a polaroid store that offers printing and framing services for customised posters. Due to recent low performance at the business, several employees were made redundant. The employees remaining at Frame It feel threatened that their job will also be cut in the coming months. The manager, Lu, is now concerned about staff not working productively, or missing shifts entirely.

Explain the impact of a lack of job security on the achievement of business objectives at Frame It.

---

**Question 13** (3 MARKS)

Hannah owns Fruity Juice Bar and has four employees. All of her employees work full-time hours and have children. Recently, Hannah has noticed that staff are making mistakes and not working as productively as they used to. Fruity Juice Bar has also just recorded a significant decrease in profit for the last month.

Explain how improving work-life balance could help increase Fruity Juice Bar's ability to meet business objectives.

**Testing previous knowledge****Question 14** (3 MARKS)

Explain the importance of complying with National Employment Standards in order to satisfy employees' expectations.



# 6K Legal obligations for staffing

In 1966, women made up around 30% of Australia's workforce. Now, almost half of the workforce is female. Australia is moving to ensure equal employment opportunities for everyone, regardless of gender, race, ethnicity, or age. In addition, legislation to guarantee safe working conditions has been made over recent decades, aiming to prevent injuries in the workplace.



## KEY DEFINITIONS

**Occupational health and safety** is the management of risks to ensure the protection of the health and safety of everyone in the workplace, including customers, employees, and suppliers.

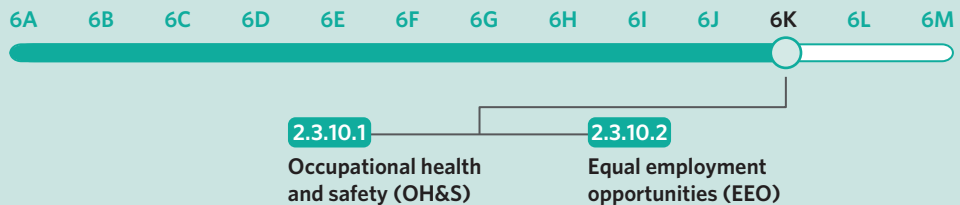
## ADDITIONAL TERMS

**Occupational Health and Safety Act 2004 (OH&S Act)** is legislation that outlines workplace expectations specifically to do with safety and health conditions.

**Occupational Health and Safety Regulations 2017 (OH&S Regulations)** are the specific duties and obligations relating to how employers can ensure the health and safety of their employees.

## STUDY DESIGN DOT POINT

- overview of legal obligations for staffing such as occupational health and safety (OH&S) regulations and equal employment opportunity (EEO) legislation



## Lesson introduction

All employers have legal obligations to their employees and other individuals that enter their workplace, such as suppliers and customers. Employers are obligated to provide a safe working environment for their employees. Employers also have a legal obligation to ensure the fair and equal treatment of all employees in the workplace, regardless of their personal characteristics.

## Occupational health and safety (OH&S) 2.3.10.1

**Occupational health and safety** is the management of risks to ensure the protection of the health and safety of everyone in the workplace, including customers, employees, and suppliers. Legally, employers must provide a safe working environment for their employees. The **Occupational Health and Safety Act (OH&S Act)** provides a broad framework for improving occupational health and safety standards in the workplace. The **Occupational Health and Safety Regulations 2017 (OH&S Regulations)** sets out more specific requirements that build on the OH&S Act. These regulations include detailed information for employers about how they can fulfil their duties and obligations.

WorkSafe Victoria is the main body responsible for monitoring and enforcing workplace compliance with the OH&S Act 2004 and the OH&S Regulations 2017. WorkSafe Victoria has the legal authority to inspect workplaces to ensure that they are complying with OH&S laws. There are significant penalties for businesses that fail to meet their legal obligations under OH&S laws and regulations.



**Figure 1** Legal obligations of employers as set out by Occupational Health and Safety Regulations

## LESSON LINK

Occupational Health and Safety legislation was introduced in **4E Policies and procedures**. WorkSafe Victoria was introduced in **4B Legal requirements for establishing a business**.

## REAL WORLD EXAMPLE

**Occupational health and safety**

WorkSafe Victoria is a health and safety regulator that aims to reduce workplace injuries or harm for businesses across the state. In July 2022, WorkSafe Victoria charged a Victorian aged-care provider with occupational health and safety offences following a two-year investigation into the Epping Gardens home. During the COVID-19 pandemic, 89 residents and 65 staff at the home contracted the virus. Consequently, 34 residents passed away due to COVID-19 health complications. WorkSafe declared that the aged-care provider was in breach of the Occupational Health and Safety Act for not providing adequate training surrounding the use of personal protective equipment (PPE) for staff. By not complying with relevant safety legislation, the aged-care home risks incurring significant fines when facing the Magistrates court.

*Adapted from The Guardian, 'Melbourne aged-care provider charged by workplace safety watchdog after Covid outbreak', 2022*



Image: David Herraes Calzada/Shutterstock.com

**Figure 2** WorkSafe Victoria investigated a Melbourne aged-care provider for breaches of the Occupational Health and Safety Act

**Equal employment opportunities (EEO) 2.3.10.2**

**Equal employment opportunity (EEO)** is the fair treatment and participation of all individuals in the workplace. Under the **Equal Opportunity Act 2010 (Vic)**, it is illegal for employers to discriminate on the basis of personal characteristics such as age, physical features, race, and gender. Employers also have a duty to take reasonable steps to eliminate discrimination, sexual harassment, and bullying in the workplace. EEO laws must be complied with by all businesses at every stage of the staffing process, including the recruitment and selection of staff. If an employer fails to comply with EEO laws, they may face significant penalties. The **Victorian Equal Opportunity and Human Rights Commission** is an independent body that administers the Equal Opportunity Act 2010. It also assists employers in understanding their legal obligations under the Act by offering education, training, and support services. Additionally, the agency helps people resolve complaints of discrimination encountered in the workplace through a free **dispute resolution** service. As society is increasingly demanding that businesses promote diversity in their workforce, creating a diverse workplace is not only important for a business to maintain compliance with the law, but it can also enhance a business's reputation.



**Figure 3** All businesses must comply with equal employment opportunity laws

## REAL WORLD EXAMPLE

**Equal employment opportunities**

Coles Supermarkets is a retail chain operating in Australia. On its website, Coles confirms it is committed to hiring and supporting team members regardless of their age, disability, race, gender identity, sexual orientation, religion, ethnicity, cultural background, and more. Coles has launched its 'Better Together' strategy that aims to encourage greater diversity and inclusion in its workplace. The program focuses on promoting greater belonging, gender equity, indigenous engagement, accessibility, and LGBTIQ+ inclusion. The business is now striving for a goal of 40% representation of women in leadership positions by 2023. Not only does Coles continue to comply with all relevant EEO laws in Australia by staffing its business with diverse team members and ensuring these members all have access to equal opportunities, but the business also strives to go beyond the scope of the law in order to contribute to creating a more accepting society as a whole.

*Adapted from Coles Group, 'Diversity and inclusion', 2022*



Image: ChameleonsEye/Shutterstock.com

**Figure 4** Coles' 'Better Together' strategy upholds equal employment opportunity legislation

## KEY DEFINITIONS

**Equal employment opportunity (EEO)**

is the fair treatment and participation of all individuals in the workplace.

## ADDITIONAL TERMS

**Equal Opportunity Act 2010 (Vic)** is Victorian legislation that aims to protect individuals within the workplace by promoting the elimination of issues such as harassment and discrimination.

**Victorian Equal Opportunity and Human Rights Commission**

is an independent body that assists people with complaints regarding discrimination and harassment in the workplace.

**Dispute resolution**

is the process of settling disagreements between individuals in the workplace.

**ACTIVITY****Equal employment opportunities**

Search up 'Apple - Inclusion & Diversity - Open' on YouTube and watch the entire video (Apple, 2017). Discuss the following questions in small groups:

1. At Apple, what are some benefits of having a diverse team?
2. Apple suggests it embraces 'faiths, disabilities, races, ages, ideologies, personalities, and differences'. Why is the inclusion of these different types of features necessary for Apple when staffing its business?
3. Is 'equal pay for equal work' an example of Apple complying with, or going beyond, its legal obligations in Victoria? You may need to research the Equal Opportunities Act 2010 (Vic) to determine whether it is a law for employers to provide equal pay.
4. As of 2022, over 65% of employees at Apple are males. Do you think Apple should introduce quotas regulating the proportion of female and male employees it can hire to encourage greater diversity?

**Theory summary**

When a business is in the process of staffing, it must be aware of, and comply with all relevant Australian legislation. Obligations employers must consider and adhere to when staffing a business include:

- Occupational health and safety regulations, which are in place to protect the health and safety of members of the workplace, such as employees and suppliers.
- Equal employment opportunity legislation, which requires businesses to ensure fair treatment and equal chances of participation for all individuals in the workplace.

## 6K Questions

**Theory review****Question 1**

A business should aim to provide safe and fair working conditions for its employees to improve its reputation among customers, however, this isn't a necessity.

- A. True
- B. False

**Question 2**

WorkSafe Victoria is the main body responsible for ensuring employers are complying with OH&S regulations and laws in Victoria.

- A. True
- B. False

**Question 3**

Fill in the blanks with the following terms:

- employers
- employees

It is the responsibility of \_\_\_\_\_ to ensure they adequately train their \_\_\_\_\_ in order to protect the health and safety of everyone in the workplace.

**Question 4**

Ensuring asbestos, a mineral that can cause adverse effects on the body if exposed to it, is removed from a worksite would be an example of a business's obligations under:

- A. occupational health and safety legislation.
- B. equal employment opportunities regulations.

**Question 5**

By law, employees are entitled to equal employment opportunities.

- A. True
- B. False

**Question 6**

Under the Equal Opportunity Act 2010, it is illegal for employers to discriminate against individuals on the basis of:

**(Select all that apply)**

- I. age.
- II. gender.
- III. physical features.
- IV. all of the above.

**Question 7**

A business may face significant penalties if they do not comply with various safety and equal opportunity legal obligations.

- A. True
- B. False

## Preparing for exams

### Case study skills

#### Question 8

Acacia recently established Shiver Me Timber, a small business that manufactures timber doors. Shiver Me Timber has hired three new forklift operators to assist Acacia in the warehouse. The forklift operators will be required to load trucks, repeatedly lift heavy objects, and operate complex machinery.

Identify which of the following statements are correct about occupational health and safety (OH&S) considerations Acacia should address at Shiver Me Timber. **(Select all that apply)**

- I. Acacia must ensure employees hold licenses for specific activities, such as operating a forklift or other complex machinery.
- II. Acacia should ensure the three new forklift operators are not subject to verbal discrimination by other members of Shiver Me Timbers.
- III. Acacia should ensure she introduces and maintains procedures that outline to employees how to safely lift heavy objects repeatedly, such as the timber doors.
- IV. Acacia must mandate every staff member to be covered by a gown, mask, and gloves when in the workplace to prevent the spread of colds among staff.

#### Question 9

Arfan owns Armadale Hair and Beauty. The salon started three years ago with ten staff, however, during COVID-19, it had to downsize to three staff as hairdressers were closed in Victoria for several months. As a result of earning significantly lower revenue during the pandemic, Armadale Hair and Beauty is seeking to rebuild the business and begin making a profit again. Arfan is now looking to hire four new employees. Currently, Arfan's three employees are his sons.

Identify which of the following statements are **true** or **false** about the importance of Arfan complying with equal employment opportunity (EEO) regulations.

	True	False
I. By complying with EEO regulations, Arfan can avoid incurring financial penalties that arise when a business breaches the law.	<input type="checkbox"/>	<input type="checkbox"/>
II. Arfan should comply with EEO regulations as this may allow him to cut corners by paying women less, allowing him to make a profit again.	<input type="checkbox"/>	<input type="checkbox"/>
III. By complying with EEO regulations, Arfan can ensure his employees do not spread germs as easily.	<input type="checkbox"/>	<input type="checkbox"/>
IV. By adhering to all EEO regulations, customers may perceive Armadale Hair and Beauty as a more diverse workplace, enhancing the reputation of the business.	<input type="checkbox"/>	<input type="checkbox"/>

### Exam-style

#### Question 10 (1 MARK)

Define the term 'equal employment opportunity'.

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#### Question 11 (1 MARK)

Define the term 'occupational health and safety'.

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#### Question 12 (2 MARKS)

Outline the role of the Victorian Equal Opportunity and Human Rights Commission.

**Question 13** (4 MARKS)

Acacia recently established Shiver Me Timber, a small business that manufactures timber doors. Shiver Me Timber has hired three new forklift operators to assist Acacia in the warehouse. The forklift operators will be required to load trucks, repeatedly lift heavy objects, and operate complex machinery.

Explain two occupational health and safety (OH&S) considerations that Acacia would need to address at Shiver Me Timber.

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**Question 14** (4 MARKS)

Arfan owns Armadale Hair and Beauty. The salon started three years ago with ten staff, however, during COVID-19, it had to downsize to three staff as hairdressers were closed in Victoria for several months. As a result of earning significantly lower revenue during the pandemic, Armadale Hair and Beauty is seeking to rebuild the business and begin making a profit again. Arfan is now looking to hire four new employees. Currently, Arfan's three employees are his sons.

Explain two reasons why it is important for Armadale Hair and Beauty to comply with equal employment opportunity (EEO) regulations.

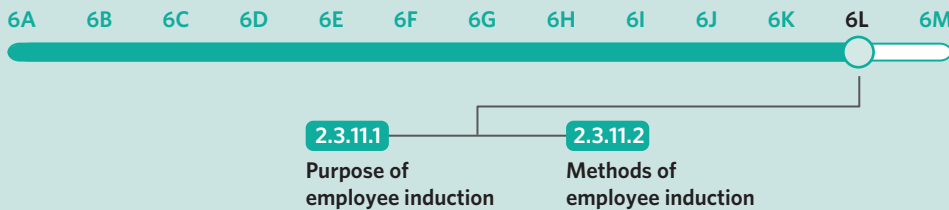
**Testing previous knowledge****Question 15** (3 MARKS)

Explain how a business could establish policies to comply with equal employment opportunity (EEO) legal requirements.

# 6L Employee induction

## STUDY DESIGN DOT POINT

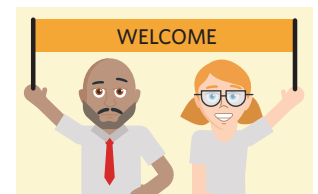
- the purpose and common methods of employee induction



Starting a new job can be stressful, so it is important that a business makes its new employees feel welcome and engaged as soon as they start the job. A manager is tasked with the responsibility of properly introducing new employees to the business so that they feel prepared to tackle their new job.

## Lesson introduction

Employees are often considered to be the greatest assets of a business, therefore it is crucial for employers to ensure there are effective procedures in place to introduce new employees to the business. Employers can use a variety of methods to convey to employees what their role will entail and to help them learn the procedures and what is expected of them in the workplace.



## Purpose of employee induction 2.3.11.1

**Employee induction** is the process of introducing a new employee to the business. An employee induction can involve taking new employees on a tour of the workplace, familiarising them with business policies and procedures, and introducing them to other staff members. The induction process may be conducted over several days, weeks, or even months. The purpose of an induction is to support new employees and provide them with essential business information relevant to their new roles, such as informing them of relevant policies and procedures. Having an effective induction process can ensure new employees are immediately productive and can begin contributing to the achievement of business objectives.

During the induction process, new employees have the opportunity to ask questions, build relationships with other employees, and develop an understanding of the business's culture. Effective inductions are well organised and give new employees a good first impression of the business. Employees who have a positive induction experience are more likely to remain at the business than those who have a poor induction experience.

### KEY DEFINITIONS

**Employee induction** is the process of introducing a new employee to the business.

### LESSON LINK

Policies and procedures were introduced in **4E Policies and procedures**.

## THEORY IN ACTION

### Purpose of employee induction

Elanor recently hired two retired servicemen to join Veteran Fitness. To help new staff members transition into the new position, Elanor offers an extensive employee induction program. The program involves providing new employees with a tour of the gym facilities and explains Veteran Fitness's health and safety policies and procedures. New employees also receive comprehensive training on how to use the gym equipment safely and effectively with customers. By ensuring the induction process is effective and organised, new employees can be immediately productive and begin contributing to Veteran Fitness's objectives.



Figure 1 The employee induction process at Veteran Fitness

**ADDITIONAL TERMS**

**Job shadowing** is following and observing an experienced employee for a period of time to understand how they perform their role.

## Methods of employee induction 2.3.11.2

The employee induction process may differ depending on the type of business, the job position, and the new employee's level of experience. For example, a new employee that has previous experience in a similar position may require a different induction method than someone who has no experience. Businesses may adopt multiple different methods as part of their induction process.

**Table 1** Methods of employee induction

Method	Description	Application in business
<b>E-learning</b>  <small>Image: Foxy burrow/Shutterstock.com</small>	E-learning is information delivered electronically via a computer or other digital device.	New employees can complete online modules, such as interactive instructional videos. New employees may watch videos and answer questions about a business's policies and procedures, such as Occupational Health and Safety rules. E-learning is a flexible induction method, as it can be completed by new employees from anywhere at any time.
<b>On-the-job training</b>  <small>Image: goodluz/Shutterstock.com</small>	On-the-job training is a hands-on method where employees develop their knowledge and skills within the workplace.	New staff members can be coached by an existing employee on how to perform a specific task, or they can undertake <b>job shadowing</b> by observing an experienced employee working in the same position. On-the-job training allows employees to quickly become familiar with what is required to perform their role.
<b>Mentoring</b>  <small>Image: fizkes/Shutterstock.com</small>	Mentoring involves a senior employee assisting a new employee in developing the knowledge and skills needed for their role.	In a business setting, mentoring involves having a senior employee act as a mentor who continually supports new employees and provides advice on how to perform tasks. Mentoring can help ease stress for new employees, as they can turn to their mentor for guidance.
<b>Induction pack</b>  <small>Image: Jacob Lund/Shutterstock.com</small>	An induction pack is a physical or electronic folder containing information for new employees.	An induction pack typically includes documents outlining policies and procedures, employer expectations, and any necessary paperwork required to be completed by the new employee, such as bank account details and superannuation forms.
<b>Organising meetings with key staff members</b>  <small>Image: Pressmaster/Shutterstock.com</small>	Meetings with key staff members involve the new employee and other staff members in the business coming together during the induction process.	Meetings may be organised for the new employee with key staff members, such as senior managers and human resource managers, to introduce themselves to each other and address any concerns a new employee may have.

## REAL WORLD EXAMPLE

**Methods of employee inductions**

Kookai is an Australian-owned women's fashion brand with 39 retail stores across the country. The brand has a comprehensive employee onboarding process that ensures all new staff members feel welcome at the business and equips them with the necessary skills to complete their roles. Employees are given an induction pack containing training information to be completed over the first three months of their employment. All new staff members are required to attend a full-day induction, as well as partake in on-the-job training. This involves three levels of training, including customer service and product knowledge, self-management and leadership, and business management.

*Adapted from Kookai, 'Training & Development', 2022*



Image: sylv1rob1/Shutterstock

**Figure 2** Various methods of employee induction are used at Kookai

**ACTIVITY****Employee induction**

Read the following scenarios describing how the manager of a business, Jiang, introduced his new employees to the workplace. Based on how you would prefer to be treated as a new employee, rate his method of employee induction on a scale of 1-5.

Jiang sent his new employees a lengthy email the morning they were scheduled to start work at the business, detailing the rules, dress code, and procedures of the workplace.	
On his new employees' first day, Jiang gathered all his existing employees together to introduce themselves to the new staff members and share an icebreaker fact about themselves with the group.	
Jiang waited until his new employees made mistakes at the business before teaching them how to perform certain tasks.	
Jiang instructed some of his more experienced staff members to train the new employees on how to complete their work tasks.	
As Jiang purposefully hired people that reported being fast learners and independent, he let the new employees figure out how to complete their job on their own.	

Discuss the following questions with your classmates:

1. If you have previously had a job, can you remember what the employee induction process was like for you? Was there anything in particular that you did or did not like?
2. How impactful do you think the employee induction process is on long-term employee performance?

**Theory summary**

Employee induction is the process of introducing new employees to the workplace, as well as familiarising these new employees with other staff members and the business's policies and procedures. The purpose of employee induction is to support new staff members and provide essential information relevant to their roles. This can help new employees to be productive as soon as possible and contribute to the achievement of business objectives. A business may use a number of employee induction methods, including e-learning, on-the-job training, mentoring, induction packs, and organising meetings with key staff members at the business.



# 6L Questions

## Theory review

### Question 1

Employee induction is an important part of operating a business.

- A. True
- B. False

### Question 2

Fill in the blank with **one** of the following terms:

- positive
- negative

Employees who have a \_\_\_\_\_ induction experience are more likely to want to remain at the business.

### Question 3

The purpose of an induction is to support new employees' transition into the position and provide them with important information they will need to complete their job.

- A. True
- B. False

### Question 4

Establishing an effective induction process can ensure employees are productive as soon as possible and able to contribute to the achievement of business objectives.

- A. True
- B. False

### Question 5

The employee induction method chosen by a business may differ depending on: **(Select all that apply)**

- I. the job position.
- II. the induction pack.
- III. a new employee's level of experience.
- IV. the type of business.

### Question 6

The employee induction process will typically include:

- A. a tour of the workplace.
- B. meeting other staff members in the business.
- C. familiarisation with occupational health and safety rules.
- D. all of the above.

### Question 7

It is more effective for a business to use one employee induction method, rather than multiple.

- A. True
- B. False

## Preparing for exams

### Case study skills

#### Question 8

Clara is the manager of HappyMind, a counselling business that offers both in-person and online counselling services. Clara has recently hired two new employees and has decided to give the responsibility of introducing the employees to Jeff, one of her senior employees.

Identify which of the following is a correct statement about the use of mentoring for employee induction at HappyMind.

- A. A senior employee at HappyMind could continually support the new employees and provide advice on counselling at the business.
- B. Clara could employ a support service external to the business to provide a seminar that mentors the new employees on how to perform their work tasks.

**Question 9**

Rushil owns Earth Crystals, a large family-owned business that imports crystals and gemstones. Due to increased customer demand, Rushil has recently hired two new assistants to help pack orders in the warehouse. There are many rules that new employees must be aware of, particularly related to Occupational Health and Safety.

Identify which of the following statements are correct about the methods of employee induction for Earth Crystals' new employees. **(Select all that apply)**

- I. Rushil could create an induction pack for new employees that contains business policies and procedures, helping save time.
- II. Rushil could use the induction method of on-the-job training by allowing employees to attend an external seminar and learn skills from an industry professional.
- III. Rushil could use e-learning where employees read through the relevant health and safety rules online, before coming into the workplace.
- IV. Rushil could use on-the-job training to allow new employees to quickly become familiar with the packaging process at the business and become productive as soon as possible.

**Exam-style****Question 10** (1 MARK)

Define the term 'employee induction'.

---

**Question 11** (2 MARKS)

Outline the purpose of having an effective employee induction process.

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**Question 12** (2 MARKS)

Outline e-learning as a method of employee induction.

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**Question 13** (2 MARKS)

Clara is the manager of HappyMind, a counselling business that offers both in-person and online counselling services. Clara has recently hired two new employees and has decided to give the responsibility of introducing the employees to Jeff, one of her senior employees.

Describe how mentoring can be implemented as a method of employee induction at HappyMind.

---

**Question 14** (4 MARKS)

Rushil owns Earth Crystals, a large family-owned business that imports crystals and gemstones. Due to increased customer demand, Rushil has recently hired two new assistants to help pack orders in the warehouse. There are many rules that new employees must be aware of, particularly related to Occupational Health and Safety.

Propose two methods of employee induction that Rushil could use at Earth Crystals.

**Testing previous knowledge****Question 15** (3 MARKS)

Explain one employee expectation that may be relevant to the process of employee induction.

# 6M CSR considerations for staffing

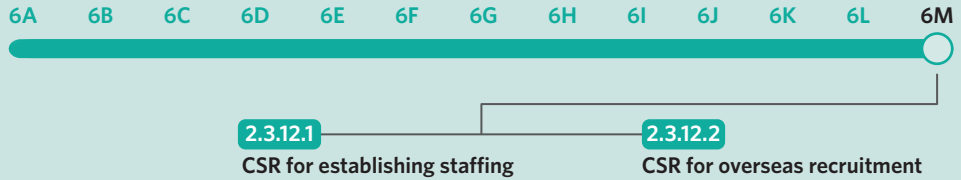
*'The secret of my success is that we have gone to exceptional lengths to hire the best people in the world.'*  
– Steve Jobs, Founder of Apple Inc.

All businesses should aim to employ the highest quality staff to achieve their objectives. However, for businesses to demonstrate a commitment to social responsibility, they must consider factors beyond the qualifications of an applicant.



## STUDY DESIGN DOT POINT

- corporate social responsibility management considerations regarding establishment of staffing for a business and overseas recruitment



## Lesson introduction

**Corporate social responsibility (CSR)** is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic, and environmental impacts when making business decisions. CSR considerations for staffing require a business to conduct all of its staffing procedures in an ethical manner. A business should address CSR considerations during recruiting and selection processes, throughout an individual's employment, and when conducting termination procedures. For a business to demonstrate CSR, it should develop a diverse, unbiased, and supportive work environment. If a business is unable to find suitable employees within Australia, it may recruit staff from overseas. When conducting overseas recruitment, a business should also act in a socially responsible manner by considering the issues that may arise when hiring on a global scale.

## KEY DEFINITIONS

**Corporate social responsibility (CSR)** is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic, and environmental impacts when making business decisions.

## ADDITIONAL TERMS

**Nepotism** occurs when an employer, or person in power, positions one candidate over another due to familial relations or friendships, including providing them with a job.

## CSR for establishing staffing 2.3.12.1

Businesses can demonstrate CSR when recruiting and selecting staff for vacant job positions. During the recruitment process, businesses should ensure that their selection criteria and processes are not biased towards a particular type of candidate, and instead solely focus on the merit of the applicant. Businesses should go above the legal requirements within the Equal Opportunity Act 2010 (Vic) and should actively avoid **nepotism** and bias, such as selecting candidates based on gender, ethnicity, age, or sexual orientation. Not only should businesses avoid discrimination, but they should ensure all job applicants receive a fair and consistent selection process. An unbiased recruitment process allows businesses to develop a diverse workforce. Demonstrating CSR, by employing a diverse workforce, also ensures that a business can utilise a diverse range of employee ideas and perspectives.

## LESSON LINK

Corporate social responsibility was introduced in **2J CSR for business planning** and **5N CSR considerations in marketing**.

The Equal Opportunity Act 2010 (Vic) was introduced in **4E Policies and procedures**.

Recruitment was introduced in **6E Internal recruitment methods** and **6F External recruitment methods**.

Employee selection was introduced in **6G Selection methods**.



**Figure 1** Businesses can demonstrate CSR by having a diverse workforce

**Table 1** Diversity considerations when recruiting and selecting staff

Consideration	Explanation	Applying CSR
<b>Establishing a gender-balanced workplace</b>	Businesses may prefer one gender over others when selecting and employing candidates, due to inherent biases.	<ul style="list-style-type: none"> <li>• Businesses can demonstrate CSR by ensuring that they recruit a gender-balanced workforce.</li> <li>• Businesses can ensure both junior and senior management teams are gender-balanced by introducing <b>gender quotas</b> across the business.</li> </ul>
<b>Hiring a diverse range of ethnicities</b>	Businesses may avoid employing individuals of certain ethnicities due to bigotry.	<ul style="list-style-type: none"> <li>• Businesses can demonstrate CSR by recruiting staff from a variety of ethnic backgrounds.</li> <li>• Businesses can ensure that different ethnicities are sufficiently represented across all levels of staff.</li> </ul>
<b>Preventing nepotism</b>	Businesses may prefer employing friends or family of existing employees.	<ul style="list-style-type: none"> <li>• Businesses can demonstrate CSR by recruiting staff according to their suitability for the job position, rather than their connections within the industry.</li> <li>• Businesses should avoid preferencing candidates based on their relationship with existing staff members.</li> </ul>
<b>Hiring staff in different age brackets</b>	Businesses may avoid employing individuals of particular ages, due to bias.	<ul style="list-style-type: none"> <li>• Businesses can demonstrate CSR by recruiting staff from a wide range of age groups.</li> <li>• Businesses should avoid preferencing particular age groups over others. In particular, businesses can recruit underrepresented age groups, such as seniors and young adults.</li> </ul>
<b>Hiring individuals with a disability</b>	Businesses may avoid employing disabled individuals, due to bias.	<ul style="list-style-type: none"> <li>• Businesses can demonstrate CSR by considering disabled applicants and not preferencing able-bodied candidates.</li> <li>• Businesses should ensure that their premises have disability access, such as ramps and lifts, to ensure that individuals with a disability can enter facilities to complete interviews.</li> </ul>
<b>Hiring members of disadvantaged groups</b>	Businesses may avoid employing disadvantaged individuals, due to bias.	<ul style="list-style-type: none"> <li>• Businesses can demonstrate CSR by recruiting staff from disadvantaged backgrounds, such as refugees and homeless individuals.</li> <li>• Businesses should ensure that their recruitment process is not biased against employing candidates who come from a disadvantaged background.</li> </ul>
<b>Providing feedback to potential candidates</b>	Businesses may reject candidates applying for a vacant position without any explanation as to why they did so.	<ul style="list-style-type: none"> <li>• Businesses can demonstrate CSR by providing all candidates who applied for the business position with honest and valuable feedback about their application or interviews for the business.</li> <li>• By providing individuals with feedback on their strengths and weaknesses during the application process, a business can help these candidates improve their resume or interview skills, thus increasing their chances of successfully being recruited for different jobs.</li> </ul>

**ADDITIONAL TERMS**

A **gender quota** is a tool that a business can use to mandate that a certain number, or proportion, of a business's employees, consist of each gender.

Once an employee is hired by a business, the business should continue to demonstrate CSR by supporting its staff and providing benefits that exceed the minimum legal requirements. Providing employees with benefits, such as flexible working hours and additional remuneration, can ensure that the workforce feels supported. Employees who feel supported are likely to have higher job satisfaction and productivity, as they feel valued and are provided with optimal conditions to complete their work.

**Table 2** CSR considerations related to employment expectations

Consideration	Explanation	Applying CSR
<b>Providing generous remuneration</b>	Businesses may provide more than the minimum legal remuneration to their employees.	<ul style="list-style-type: none"> <li>Businesses can demonstrate CSR by providing employees with wages and benefits that exceed the legal minimum requirements.</li> <li>Businesses can provide bonuses to employees in addition to their usual salary.</li> </ul>
<b>Facilitating workplace flexibility</b>	Businesses may not require employees to work strict hours per day or excessive hours per week.	<ul style="list-style-type: none"> <li>Businesses can demonstrate CSR by allowing employees to work flexibly, improving their work-life balance.</li> <li>Businesses may allow their employees to work from home or work hours that suit their schedule and lifestyle, such as starting work at a later time or finishing earlier.</li> </ul>
<b>Providing assistance to new parents</b>	Businesses may provide more than the minimum legal leave requirements to their employees.	<ul style="list-style-type: none"> <li>Businesses can demonstrate CSR by providing all employees with maternity and paternity leave that exceeds the minimum legal requirements set out in the National Employment Standards.</li> <li>Businesses can ensure that, if they provide extended leave, both paternity and maternity leave are paid.</li> <li>Businesses can ensure employees are provided with a suitable amount of time and resources to adjust as new parents, such as adding private spaces in the office for mothers to breastfeed.</li> </ul>
<b>Providing staff with healthcare</b>	Businesses may support their employees' health and wellbeing, both inside and outside the workplace.	<ul style="list-style-type: none"> <li>Businesses can demonstrate CSR by providing employees with medical and general healthcare support.</li> <li>Businesses may provide employees with free health insurance and gym memberships.</li> </ul>
<b>Encouraging staff to participate in volunteer work</b>	Businesses may establish policies to promote participation in volunteer work.	<ul style="list-style-type: none"> <li>Businesses can demonstrate CSR by ensuring staff in the business act in a way that is socially responsible, giving back to the community that the business operates within.</li> <li>Businesses can create policies that outline the expected service work completed by employees, and encourage employees to partake by allowing them paid days off of work to participate in volunteer activities.</li> <li>Businesses can encourage employees to support causes they believe in to increase their employees' community engagement.</li> </ul>

**LESSON LINK**

Employee expectations were introduced in **6J Employee expectations**. National Employment Standards were introduced in **6H National Employment Standards**. Policies were introduced **4E Policies and Procedures**.

**WANT TO KNOW MORE?**

'Employer of choice' is the term used to describe a business that attracts and retains highly skilled employees through establishing policies and practices that enable employees to be effectively recruited and sustained by the business. The Australian Business Awards annually present the Employer of Choice Award, recognising businesses across Australia. ALDI Australia, Bank Australia, Melbourne Racing Club, and several more businesses were all recognised as Employers of Choice in 2022. To win the Employer of Choice Award, a business must demonstrate achievements across six key areas:

- organisational culture and leadership
- employee education
- training and development
- employee health, safety, and satisfaction
- performance management
- recognition and remuneration.

Employers of Choice are businesses that demonstrate corporate social responsibility when staffing the business, meeting or exceeding employee expectations during both recruitment and when the employee is working at the business. By demonstrating a commitment to social responsibility, businesses can increase employee engagement and improve overall productivity as employees are more inspired to work for a business that helps them grow and develop, whilst also prioritising safety and compensating them generously for their work.

## REAL WORLD EXAMPLE

## CSR for establishing staffing

Atlassian is an Australian technology business that produces management software for businesses. As Atlassian operates globally, it aims to have a diverse workforce across all of its global offices. Atlassian also focuses on ensuring balance and belonging within the workplace through its commitment to balancing its teams with diverse people and creating a comfortable workplace environment.

In addition to ensuring its workforce is diverse, Atlassian also strives to support its employees at work. One benefit that Atlassian provides to its employees is flexible working hours. Atlassian does not require employees to work a traditional '9 to 5' job. Instead, employees can work remotely during their own, preferred hours. This CSR initiative has been adopted by Atlassian with the aim to attract the best candidates to the business who may be drawn to Atlassian due to its flexible conditions.

*Adapted from Atlassian, 'Building a sense of belonging', 2022 and Atlassian, 'Employee engagement', 2022*



Image: Michael Vi/Shutterstock.com

**Figure 2** Atlassian aims to build a diverse workforce and go beyond its legal requirements to support its employees

## ACTIVITY

## CSR for establishing staffing

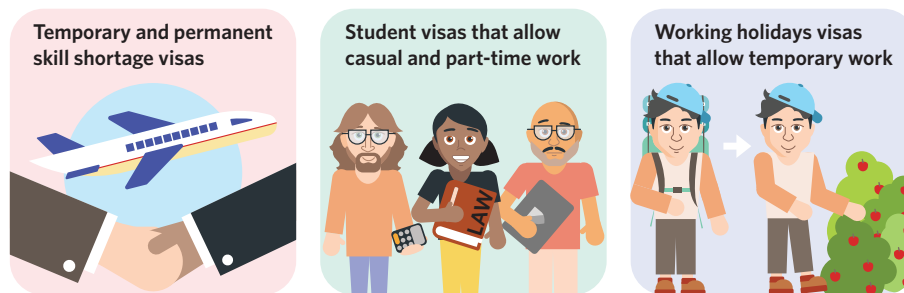
Search 'Recruiting For Diversity: Four Steps to Success' on the internet and read the article by Forbes, 2021.

Answer the following questions in small groups:

1. The article suggests there are 'compelling business reasons', beyond being perceived as socially responsible, to have a diverse and inclusive team. What are some of these reasons?
2. If a business is trying to rebrand as a diverse workplace, is one recruitment method preferable to another? If so, which method, internal or external recruitment?
3. Why do you think a more diverse team would improve 'performance across every metric'?
4. Do you think it's enough for a business to consider improving diversity when hiring, or should all businesses have diversity quotas?

## CSR for overseas recruitment 2.3.12.2

**Overseas recruitment** is the process of filling job vacancies with individuals who are not currently located in Australia. Many businesses use overseas recruitment to fill vacant job positions when local candidates do not have the right skills, knowledge, or experience for the role. Businesses can recruit internationally by advertising job vacancies on the internet or through international online recruitment agencies. Businesses can also conduct the entire recruitment process over the internet, including interviews. After selecting the most appropriate candidate, overseas employees that are not Australian citizens or permanent residents must obtain a **visa** in order to work in Australia.



**Figure 3** Types of visas that allow international employees to work in Australia

When recruiting employees from overseas, employers should address the same CSR considerations for selection and recruitment, such as making a conscious effort to remove subconscious biases against overseas candidates on the basis of ethnicity, age, and gender. In addition to these considerations, employers should also assist the employees recruited from overseas throughout their transition to working in Australia. Employers can do this by assisting employees with researching and abiding by the many legal requirements international travellers must comply with if they want to work in Australia. Employers may also demonstrate social responsibility by making efforts to ensure foreign employees feel welcomed in the workplace.

## KEY DEFINITIONS

**Overseas recruitment**

is the process of filling job vacancies with individuals who are not currently located in Australia.

**ADDITIONAL TERMS**

A **visa** is an official endorsement that details whether an individual is allowed to enter, stay, and work in a specific country.




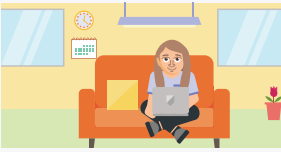

**Employer sponsorship**

is a business supporting an individual's application for a visa by taking responsibility for the individual's stay.

## LESSON LINK

Online recruitment agencies were introduced in **6F External recruitment methods**.

**Table 3** CSR considerations for overseas recruitment

CSR consideration	Explanation	Impact on staffing a business
Host a welcoming event 	Businesses may host events to welcome overseas employees to both the business and the country.	<ul style="list-style-type: none"> <li>To generate a welcoming culture and ensure overseas staff feel comfortable in their new environment, businesses should provide employees with the chance to meet other staff at the business.</li> <li>A business may assign new staff members from overseas a 'buddy' to help them assimilate into the work environment and the new country they are within.</li> </ul>
Provide employer sponsorship 	To ensure recruited employees meet their visa requirements, businesses may need to partake in the visa application process and assist these employees with their transition.	<ul style="list-style-type: none"> <li>Businesses may need to financially assist overseas employees with travel and living costs.</li> <li>Businesses may need to provide employment evidence to the government for an overseas employee to receive a visa.</li> </ul>
Provide diversity and inclusion training to all employees 	To help overseas employees from different cultures or ethnicities feel more welcomed within the new work environment, businesses can provide mandatory diversity and inclusion training for all employees to attend.	<ul style="list-style-type: none"> <li>Businesses may need to assist employees in removing unconscious biases, microaggressions, and improving their cross-cultural communications.</li> <li>Businesses can help employees better understand different business etiquettes and customs in different cultures to improve the way employees interact with customers, and each other.</li> </ul>
Provide employees with location flexibility 	Staff recruited from overseas may want to take more frequent holidays than employees that are born in the country the business is within as the family and friends of employees from overseas are likely to still be living in the employee's country of origin.	<ul style="list-style-type: none"> <li>Businesses can provide employees with greater location flexibility, allowing them to work online as they travel.</li> <li>By providing location flexibility, employees will not have to constantly take annual leave in order to travel to see their family and friends from overseas as they can continue to work during travel.</li> </ul>
Assist with spouse and family support 	Staff relocating from overseas to work at a business may bring their spouse and children with them to the new country which can be a daunting experience for the entire family.	<ul style="list-style-type: none"> <li>Businesses can make recommendations about schools or community groups that members of the employee's family could join.</li> <li>Businesses can provide a welcome pack to overseas employees upon arrival containing information about local facilities, services, and the business itself to help the employee and their families adjust to the new environment.</li> </ul>

**REAL WORLD EXAMPLE**

Image: Who is Danny/Shutterstock.com

**Figure 4** WorkinAus recruits individuals from international countries to work in Australia and provides these individuals with information about their potential employment

**CSR for overseas recruitment**

WorkinAus is an international, online recruitment agency that brings together international job seekers, employers, and recruiters through its online platform. As of 2022, the start-up targeted job seekers across the United Kingdom and Ireland, advertising vacant positions for these individuals to fill across Australia, due to the labour shortage in the aftermath of the COVID-19 pandemic. The company also has plans to expand and advertise jobs in other countries by December 2022. WorkinAus aims to create a streamlined process for international job seekers to follow that prepares them to begin work in Australia. WorkinAus' website outlines the different visa options available to those who plan to work in Australia, considering factors such as the skill of the individual, whether the job seeker wants to travel and work, and if the job seeker intends to study whilst in Australia. Additionally, the agency provides advice on travel and health insurance, finding accommodation in Australia, obtaining a tax file number, and organising superannuation. By providing this detailed information when facilitating overseas recruitment, WorkinAus upholds corporate social responsibility, as it aims to ensure an easy transition for job seekers overseas as they move to work in Australia.

*Adapted from The Mirage, 'Recruitment tech start-up targets overseas workers to solve Australia's labour crisis', 2022 and WorkinAus, 'Working Abroad', n.d.*

### Theory summary

During the recruitment and selection process, businesses should demonstrate corporate social responsibility (CSR) by ensuring they consciously remove preconceived biases that they may hold about certain candidates. After selecting and employing a candidate, businesses can display CSR by providing benefits that exceed the minimum legal requirements, which ensures employees are well-supported and equipped to complete their job at a high standard.

A business may also choose to make use of overseas recruitment to hire the most suitable candidate for an available position. When conducting overseas recruitment, businesses should act in a socially responsible manner by, for example, hosting welcome gatherings, acting as a sponsor, or researching legal working rights in order to comply with working laws.

## 6M Questions

### Theory review

#### Question 1

It is compulsory to implement corporate social responsibility initiatives when staffing a business.

- A. True
- B. False

#### Question 2

Fill in the blank with **one** of the following terms:

- biased
- unbiased

Businesses should aim to be \_\_\_\_\_ when selecting and recruiting employees.

#### Question 3

A business can practice corporate social responsibility by recruiting a diverse workforce.

- A. True
- B. False

#### Question 4

When a business is recruiting staff from overseas, it:

- A. can demonstrate bias with regards to the candidate's age, ethnicity, and gender as the applicant is of different nationality.
- B. should ensure it demonstrates no bias with regard to the candidates' age, ethnicity, and gender to ensure the workplace is diverse.

#### Question 5

Fill in the blanks with the following terms:

- sponsor
- visa

When conducting overseas recruitment, businesses can demonstrate CSR by helping applicants research the \_\_\_\_\_ they need to obtain, or by acting as a \_\_\_\_\_ for candidates by providing them with the financial and legal support that enables them to obtain permission to work in Australia.

#### Question 6

Providing employees with the minimum legal remuneration is a corporate social responsibility initiative.

- A. True
- B. False

#### Question 7

Implementing corporate social responsibility initiatives when staffing a business with local or overseas candidates, can improve employee satisfaction and productivity.

- A. True
- B. False

### Preparing for exams

#### Case study skills

#### Question 8

Lady Justice is a Victorian-based law firm that provides free legal advice and support to refugees in Australia. Lady Justice wants to demonstrate corporate social responsibility towards its lawyers and administrative staff.

Identify which of the following statements are **true** or **false** about Lady Justice.

- |   | True                     | False                    |
|---|--------------------------|--------------------------|
| I. Lady Justice can demonstrate CSR towards its lawyers and administrative staff by providing them with the minimum legal wage. | <input type="checkbox"/> | <input type="checkbox"/> |



- |  |                          |                          |
|--|--------------------------|--------------------------|
| II. Lady Justice can demonstrate CSR towards its workforce by ensuring it employs a diverse range of lawyers and administrative staff.                       | <input type="checkbox"/> | <input type="checkbox"/> |
| III. Lady Justice can demonstrate CSR towards its employees by winning as many cases as possible.  | <input type="checkbox"/> | <input type="checkbox"/> |
| IV. Lady Justice can demonstrate CSR towards its employees by providing its lawyers and administrative staff with free healthcare, such as health insurance. | <input type="checkbox"/> | <input type="checkbox"/> |

**Question 9**

Aeva owns Vermont Sparkies, a business that provides electrical services to large construction companies. Vermont Sparkies has recently signed a contract to work on a large apartment complex that is due to be built in one year. Aeva requires three additional electrical engineers and has decided to undertake overseas recruitment when hiring for these positions, due to the shortage of engineers in Australia.

Identify which of the following statements are **true** or **false** about Vermont Sparkies.

- |   | True                     | False                    |
|---|--------------------------|--------------------------|
| I. Aeva could demonstrate CSR by helping overseas candidates research the skilled worker visa that is required for them to be employed in Australia.                      | <input type="checkbox"/> | <input type="checkbox"/> |
| II. Aeva could demonstrate CSR considerations by allowing overseas electrical engineers to work for as long as they want in Australia, regardless of their visa's expiry. | <input type="checkbox"/> | <input type="checkbox"/> |
| III. Aeva could demonstrate CSR considerations by hosting a welcome party for the three electrical engineers that are recruited internationally.                          | <input type="checkbox"/> | <input type="checkbox"/> |
| IV. Aeva could demonstrate CSR considerations by ensuring she can support and sponsor all electrical engineers recruited from overseas.                                   | <input type="checkbox"/> | <input type="checkbox"/> |

**Exam-style****Question 10** (2 MARKS)

Describe one corporate social responsibility consideration when establishing the staffing of a business.

**Question 11** (2 MARKS)

Outline two ways a business can uphold corporate social responsibility when conducting overseas recruitment.

**Question 12** (4 MARKS)

Explain two ways a business can uphold corporate social responsibility when staffing the business.

**Question 13** (3 MARKS)

Lady Justice is a Victorian-based law firm that provides free legal advice and support to refugees in Australia. Lady Justice wants to demonstrate corporate social responsibility towards its lawyers and administrative staff.

Explain one corporate social responsibility consideration relevant to Lady Justice's staff.

**Question 14** (4 MARKS)

Aeva owns Vermont Sparkies, a business that provides electrical services to large construction companies. Vermont Sparkies has recently signed a contract to work on a large apartment complex that is due to be built in one year. Aeva requires three additional electrical engineers and has decided to undertake overseas recruitment when hiring for these positions, due to the shortage of engineers in Australia.

Describe two ways Vermont Sparkies can demonstrate corporate social responsibility when conducting overseas recruitment.

**Testing previous knowledge****Question 15** (3 MARKS)

Define equal employment opportunity. Outline how a Victorian business can address corporate social responsibility considerations in relation to equal employment opportunities when staffing the business.

# Unit 2 AOS 3 review

## Staffing a business

### AOS summary

This chapter introduced the third area of study (AOS) in Unit 2 of the VCE Business Management course. In this chapter, you learnt about the importance of considering staff when establishing a business, and their contribution to the achievement of business objectives. You also learnt about the need for businesses to consider staffing requirements prior to hiring employees, and you explored the processes of recruiting and selecting appropriate employees whilst considering corporate social responsibility. Finally, you learnt about the requirement for businesses to uphold their legal obligations in relation to staffing, and the importance of properly introducing new employees to the business.

Lesson **6A Staff performance and business objectives** detailed the relationship between the performance of staff and the achievement of business objectives. In this lesson, you learnt that high-performing staff tend to have a positive impact on achieving business objectives. In contrast, low-performing staff often have a negative impact on the achievement of business objectives.

Lesson **6B Staffing needs** covered the importance of a business identifying the attributes it wants its employees to possess, including skills, knowledge, and personality traits, prior to hiring staff.

Lesson **6C Technological developments and staffing needs** covered the impact that developments in technology have on the staffing needs of a business. You learnt that technology may cause a business to minimise its staffing requirements or alter the knowledge and skills it needs its employees to possess in order to operate this technology. The technological developments are:

- software
- artificial intelligence
- robotics.

Lesson **6D Job analysis** covered the importance of a business determining the responsibilities and requirements of an available job position and the skills and qualifications that applicants must possess, prior to hiring employees. The three processes a business should undertake before hiring an employee are:

- job analysis
- job descriptions and specifications
- job design.

Lesson **6E Internal recruitment methods** covered the methods by which a business can fill a job vacancy with its existing staff, and the advantages and disadvantages of doing so. The two internal recruitment methods are:

- intranet
- word-of-mouth.

Lesson **6F External recruitment methods** covered the methods by which a business can fill a job vacancy with individuals from outside of the business, and the advantages and disadvantages of doing so. The three external recruitment methods are:

- websites
- online recruitment agencies
- social media.

Lesson **6G Selection methods** covered the methods a business can utilise to ensure it chooses the most suitable candidate to fill a job position. The four selection methods are:

- interviews
- psychological testing
- work testing
- online selection.

Lesson **6H National Employment Standards** covered the 11 National Employment Standards (NES) that an employer owes to its employees and the importance of complying with these standards to avoid facing legal consequences.

Lesson 6I **Employer expectations** covered the expectations that employers typically have of their employees. The three employer expectations are:

- contracts of employment
- loyalty
- terms of notice.

Lesson 6J **Employee expectations** covered the expectations that employees usually have of their employer. The four employee expectations are:

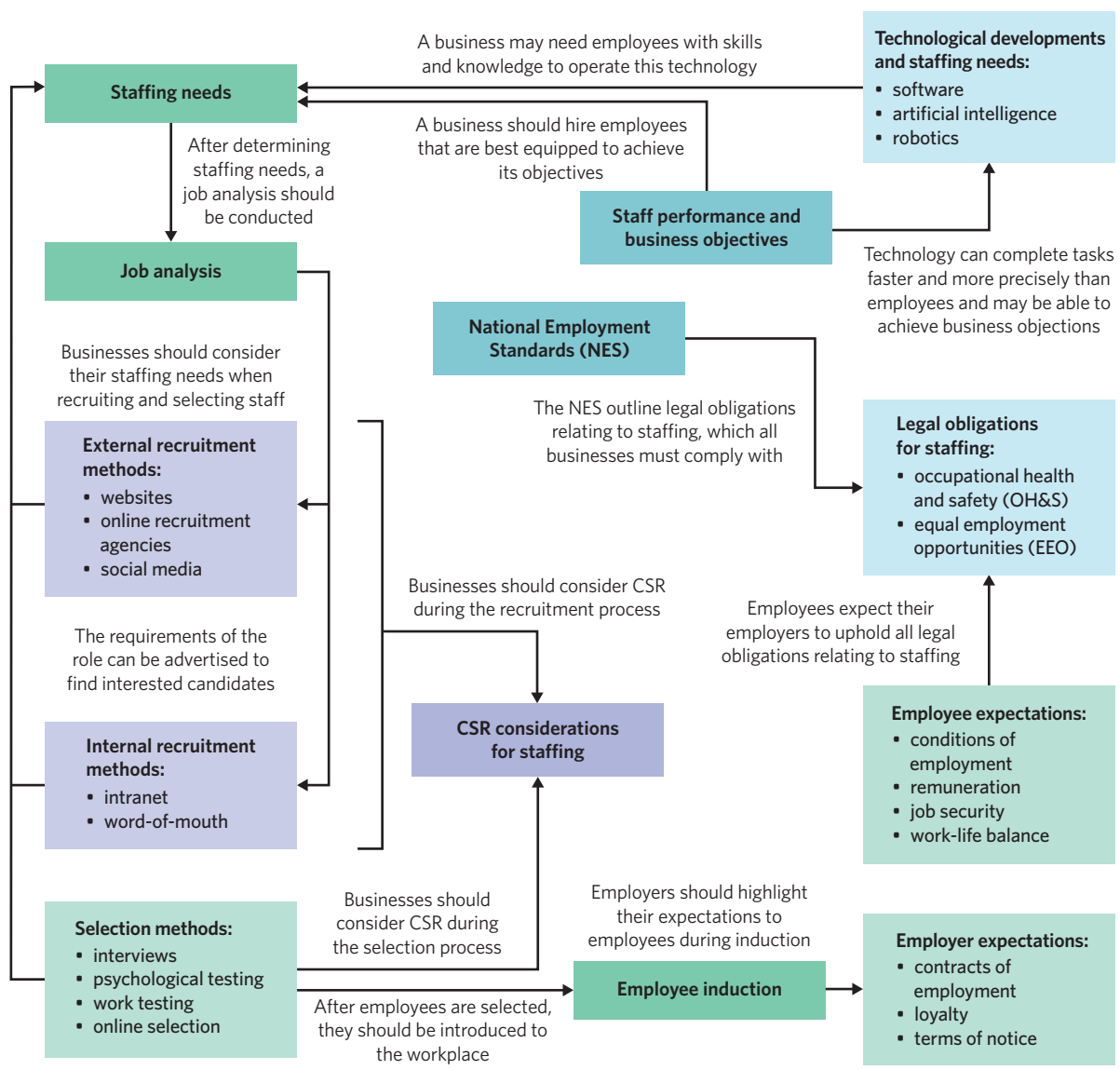
- conditions of employment
- remuneration
- job security
- work-life balance.

Lesson 6K **Legal obligations for staffing** detailed the legal requirements that employers must abide by relating to their staff. This lesson covered laws relating to:

- occupational health and safety (OH&S)
- equal employment opportunities (EEO).

Lesson 6L **Employee induction** covered the purpose of introducing new employees into the workplace, and the importance of familiarising them with their new role to develop an understanding of the business. You also learnt about the methods by which a business can conduct employee induction.

Lesson 6M **CSR considerations for staffing** covered the corporate social responsibility (CSR) considerations that a business should address when selecting, recruiting, and employing staff both domestically and from overseas.



## AOS review activities

### Review activity 1: Internal and external recruitment methods

In this chapter, you learnt about the two types of recruitment and their associated methods that businesses can use to attract and select qualified candidates for a vacant job position, as well as the advantages and disadvantages of each method. You learnt that internal recruitment is when a business chooses to fill job vacancies with existing staff, whilst external recruitment is when a business hires individuals from outside of the business.

Copy out the table into your notes. Fill in the table by identifying whether the following statements are advantages or disadvantages for a business and which recruitment method the statements are associated with. The first row has been completed for you as an example.

Statement	Advantage	Disadvantage	Recruitment method
The business is already familiar with the employee and their skills.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Internal recruitment
Existing employees may be resentful if the vacant job position is awarded to a new employee.	<input type="checkbox"/>	<input type="checkbox"/>	
When an employee is selected, a business may have to spend time filling the role they vacated in the business.	<input type="checkbox"/>	<input type="checkbox"/>	
The business does not have to pay to publicly advertise the job opportunity, meaning there are minimal costs associated with recruiting employees.	<input type="checkbox"/>	<input type="checkbox"/>	
External candidates are more likely to have the required skills and knowledge for the vacant role.	<input type="checkbox"/>	<input type="checkbox"/>	
Businesses may have to pay to publicly advertise through social media or websites, increasing expenses and lowering profits.	<input type="checkbox"/>	<input type="checkbox"/>	
A business may not gain new ideas or perspectives from existing employees.	<input type="checkbox"/>	<input type="checkbox"/>	

### Review activity 2: Fill in the blanks

Fill in the blanks with the following terms:

- occupational health and safety laws
- work-life balance
- job analysis
- selection methods
- online employment marketplace
- corporate social responsibility considerations
- staffing needs
- National Employment Standards
- online recruitment agency
- equal employment opportunity laws
- knowledge and skills
- loyalty

Zara is a personal trainer at Hero, a gym located in Melbourne's CBD. Whilst she loves working as a personal trainer, Zara is planning to quit her job and establish her own gym. She wants to have a cafe in the gym that sells post-workout smoothies and acai bowls. Therefore, when staffing her new business, Zara will need to hire personal trainers, waitstaff, and chefs to operate the gym and cafe. Prior to establishing her gym, Zara will need to identify the \_\_\_\_\_ of the business, such as the \_\_\_\_\_ that are required to operate the gym and cafe. In order to identify the duties, tasks, and responsibilities of personal trainers, waitstaff, and chefs that Zara will employ, she should conduct \_\_\_\_\_. Once the roles and responsibilities of employees are determined, she should begin recruiting employees. Zara could advertise the job vacancies through her own website, or through a/an \_\_\_\_\_. Alternatively, she may decide to seek the advice of a/an \_\_\_\_\_ to find suitable job candidates. Then, Zara must determine appropriate \_\_\_\_\_, to choose the most suitable candidates, such as through interviews, psychological testing, work testing, or online selection. Before hiring, Zara may address \_\_\_\_\_ by implementing gender quotas to ensure a gender-balanced workforce.

Once Zara selects and hires employees, she must ensure she meets all legal requirements, including upholding the 11 \_\_\_\_\_, maintaining a safe workplace by upholding \_\_\_\_\_, and ensuring the gym is free from discrimination by complying with \_\_\_\_\_. In addition, Zara should clearly communicate her employee expectations to all staff members to ensure they are aware of what is required of them, including showing \_\_\_\_\_ to the business. Similarly, employees should clearly communicate their employer expectations to Zara, such as their desire to maintain a healthy \_\_\_\_\_, to minimise any future issues.

### Review activity 3: Induction methods

Search up 'Why Google's onboarding process works 25% better than everyone else's' on the internet and click on the article by Process Street (Mullholand, 2022). Read the article and answer the following questions:

1. What are some induction methods used by Google?
2. Which methods do you think are most important when inducting Google's employees?
3. Are there any induction methods used by Google that you think are ineffective? If so, which methods?
4. The article mentions an onboarding checklist. Describe how this operates. Do you think this is overwhelming for new employees? Why or why not?
5. How important do you think employee induction is to reduce stress when new staff members begin working at a business?

## Unit 2 AOS 3 review questions

### Contemporary case study

#### Useful tip

In the end-of-year VCAA examination for Units 3 and 4, it is likely that there will be a question asking you to refer to a contemporary business case study. This section of the AOS review is designed to build your skills in answering contemporary case study questions in Year 11, so you are even more prepared for the exam at the end of Units 3 and 4. Refer to the section at the beginning of this textbook titled 'What is a contemporary business case study?' for more information. For the following questions, you can refer to Apple Inc. or any other business you feel confident writing about as a contemporary business example.

#### Apple Inc.

Apple Inc. is a multinational technology company based in California that designs, develops, and sells consumer electronics. In order to hire employees who are passionate about Apple's brand and its customers, the selection and recruitment process at Apple is extensive. As a result, Apple is renowned for its highly-qualified employees.

Before announcing a job vacancy, Apple conducts a job analysis to identify the essential duties, tasks, and responsibilities of the specific role it wants to fill. Following this, Apple writes a clear job description and outlines the job specifications in order to attract the most qualified and suitable candidates to fill the position. Throughout this process, Apple considers its staffing needs, such as the skills and knowledge required by the employee who fills the position, as well as possible ideas and traits the employee could contribute to the business. As Apple is a leader in innovation, it focuses on hiring individuals that are creative, curious, and able to collaborate with colleagues.

After a job description is written, Apple begins the recruitment process. Apple uses both internal and external recruitment to enhance its workforce. A common method Apple uses to fill job vacancies with existing staff is 'Appleposting', which involves notifying existing employees of a newly available position. Apple also utilises external recruitment to attract potential candidates from outside the business, including advertising job vacancies on its website and social media platforms.

Continues ►

### Apple Inc. – continued

Furthermore, in order to select the most suitable candidate for a job, Apple conducts a three-stage interview process. Firstly, an interview is conducted over the phone to understand the applicant's prior experience and reasons for wanting to work at Apple. If this is successful, the applicant must participate in a video call with the hiring manager to assess their knowledge and expertise. Then, depending on the position that is being applied for, the applicant may have to complete an assessment, either at home or at an Apple Assessment Centre. Finally, if the applicant is successful in the assessment, a one-on-one, in-person interview is conducted to determine if the applicant is the right fit for the position.

By promoting an inclusive and diverse workforce, and making the effort to overcome systematic bias, Apple demonstrates its commitment to corporate social responsibility (CSR). Apple strives for a diverse workforce by providing employment opportunities to females and individuals from underrepresented communities. As of December 2021, approximately 50% of Apple's workforce in the United States was made up of individuals from underrepresented communities.

Overall, Apple carefully considers its staffing requirements to ensure it hires the most suitable candidates. The company's extensive recruitment and selection process, which focuses on maintaining a diverse workforce, allows Apple to foster a collaborative, knowledgeable, and highly-skilled workforce, and maintain its positive reputation.



Image: Akhenaton Images/Shutterstock.com

**Figure 1** Apple Inc.'s focus on its staff enables the company to provide high-quality customer service globally

*Adapted from Apple, 'Careers at Apple', 2022, Apple, 'Inclusion & Diversity', 2022, and carrus.io, 'How to Ace the Apple Interview Process [Updated 2022]', 2022*

**Answer questions 1–5 with reference to the Apple Inc. case study shown, or any other contemporary business case study you have studied.**

**Question 1** (2 MARKS)

With reference to a contemporary business case study, describe the purpose of developing a job description.

**Question 2** (3 MARKS)

Explain the relationship between staff performance and the achievement of business objectives. In your response, refer to a contemporary business case study.

**Question 3** (3 MARKS)

Using a contemporary business case study, explain one corporate social responsibility consideration a business can address when staffing.

**Question 4** (4 MARKS)

With reference to a contemporary business case study, explain the use of two suitable selection methods when hiring staff.

**Question 5** (5 MARKS)

Using a contemporary business case study, evaluate the use of external recruitment.

## Exam-style

These questions are typical of Section A in the VCE Business Management exam.

### Question 6 (13 MARKS)

Vikram is the owner of a popular rooftop bar and restaurant called Starscape, which is known for its high-quality food and extensive beverage list. As existing staff cannot keep up with current demand, Vikram has decided to hire three new bartenders and two new chefs. However, the new staff must be highly qualified to ensure the quality of food and drinks at Starscape is maintained.

- Outline the relationship between staff performance and the achievement of Starscape's business objectives. (2 MARKS)
- Identify and explain one staffing need Vikram should consider when employing new bartenders and chefs. (3 MARKS)
- Explain how Vikram could conduct a job analysis and job design. (4 MARKS)
- Explain two methods of employee induction that Vikram could use at Starscape after hiring new staff members. (4 MARKS)

### Question 7 (9 MARKS)

Yuchen is the human resource manager at Staris, an Australian gaming development business. To develop a new mobile game, Yuchen will need to hire a new project manager and two junior software engineers. Currently, most employees have been recruited as friends or family of existing employees. Yuchen is planning to use the services of an online recruitment agency to find suitable candidates, but will select the final staff members herself.

- Define the term 'online recruitment agency'. (1 MARK)
- Define the term 'equal employment opportunity'. (1 MARK)
- Explain one corporate social responsibility consideration when recruiting staff at Staris. (3 MARKS)
- Propose and justify one suitable selection method for Yuchen. (4 MARKS)

### Question 8 (13 MARKS)

Julius Protection provides security services to public figures, such as celebrities and politicians in Australia. Julius, the owner, requires a full-time assistant to help schedule and book services for clients. As the scheduling and booking system is fully automated, the assistant will need to have the skills required to operate this technology. Additionally, it is important that the assistant is discrete and trustworthy, as clients often want to avoid being identified and followed by paparazzi.

- Describe how loyalty can improve Julius Protection's ability to achieve its objectives. (2 MARKS)
- Describe the effect that developments in technology may have on Julius Protection's staffing needs. (2 MARKS)
- Outline the importance of complying with two National Employment Standards at Julius Protection. (4 MARKS)
- Evaluate one recruitment method that Julius Protection could adopt. (5 MARKS)

# Unit 2 review

## Section A (40 marks)

### Question 1 (11 MARKS)

Moochy is a small business that sells handmade pet clothes and collars online. Due to the increasing popularity of her products, the owner, Mona, has decided to open her first store in Footscray and hire two employees. Mona is aware that there are additional legal requirements associated with employing staff and establishing a physical store. Currently, Mona is also worried about managing Moochy's cash register, as she will not be able to complete every transaction herself.

- a. Outline one advantage and one disadvantage of a business using social media in its marketing process. (2 MARKS)
- b. Describe the importance of establishing record-keeping strategies at Moochy. (2 MARKS)
- c. Propose and justify one external recruitment method Moochy could use. (3 MARKS)
- d. Identify and explain two legal obligations for staffing that Moochy would need to comply with. (4 MARKS)

### Question 2 (3 MARKS)

Outline and explain one customer relations strategy that a business could use to optimise customer value. In your response, refer to a contemporary business case study.

### Question 3 (9 MARKS)

Hi Voltage is an electrical business located in Sunshine. Over the past few months, Hi Voltage has experienced an increase in customer demand. As a result, the owner, John, is looking to hire two new qualified electricians to join the business. As John is busy throughout the day and is required to travel to different customer locations, he does not have time to train new electricians. Therefore, he believes it is important that the candidates are experienced electricians.

- a. Outline two implications associated with a business failing to maintain a positive relationship with its customer base. (2 MARKS)
- b. Explain how Hi Voltage could develop job specifications. (3 MARKS)
- c. Propose and justify a suitable selection method that Hi Voltage could use to fill the position. (4 MARKS)

### Question 4 (7 MARKS)

Reno is a new Australian-based hardware store that sells hardware and building supplies, such as power tools and paint. Regular customers at Reno include tradesmen, builders, and home-renovators. Jacques, the owner, aims to ensure that customers have the best experience by ensuring employees have extensive product knowledge, allowing them to provide customers with the hardware supplies they need. Currently, Jacques wants to improve Reno's number of sales and is considering investing in online advertisements.

- a. Define the term 'target market'. (1 MARK)
- b. Propose and justify one promotional strategy Reno may implement to remind its target market about its products. (3 MARKS)
- c. Explain how one factor within the internal environment can help Reno establish a strong customer base and brand identity. (3 MARKS)

### Question 5 (5 MARKS)

Powerful-Press is an Australian business that publishes print magazines each fortnight that focus on international business, politics, technology, and culture. Customers can subscribe to have the fortnightly Powerful-Press issue delivered to their doorstep. The business employs over 50 full-time journalists and 10 casual, delivery workers.

- a. Define National Employment Standards. (1 MARK)
- b. Describe two National Employment Standards that Powerful-Press must comply with. (4 MARKS)
- c. Explain how Powerful-Press can establish a loyal customer base by protecting customer privacy. (3 MARKS)
- d. Describe one extension strategy Powerful-Press could use to lengthen a product's life cycle. (2 MARKS)



## Section B (20 marks)

**Case Study**

ARK is an Australian electric vehicle manufacturer and retailer. The founder, Mila, established the company in 2015 with the vision to promote sustainable transportation across the globe. Currently, the business sells electric cars in Australia and the United States, however, Mila has the vision to expand the business into more international markets. Currently ARK employs over 100 highly qualified engineers.

In 2016, ARK released its first electric car, the Model-A12. The Model-A12 revolutionised the electric car market, with its sleek design and high-power lithium battery. In 2019, the business experienced an increase in sales, with the Model-A12 becoming more popular in both Australia and the United States. In response to the increasing popularity of electric cars, competing vehicle manufacturers started to develop their own electric models.

Following the success of the Model-A12, in 2020, Mila decided ARK should develop an electric motorbike, called the E-BIKE. Mila believes that developing an electric motorbike will allow the business to break into the European market.

During the development of the E-BIKE, Mila began searching for new battery suppliers. Upon conducting research, Mila found that she could source cheap, high-power, lithium batteries from China. However, reports have revealed that this supplier is not providing its employees with fair working conditions. To produce the E-BIKE, ARK requires an additional 20 employees to develop prototypes using software and machinery.

The E-BIKE is set to be unveiled at the start of 2023. Mila plans to hold an event where she will release details about the product to an audience, with the event also being live streamed online.

**Question 1** (1 MARK)

Define the term 'corporate social responsibility'.

---

**Question 2** (2 MARKS)

Outline one advantage and one disadvantage of choosing socially responsible suppliers.

---

**Question 3** (2 MARKS)

Describe the effect of technological developments on the staffing needs of ARK.

---

**Question 4** (3 MARKS)

Explain how data analytics can impact marketing practices for businesses.

---

**Question 5** (4 MARKS)

Discuss ARK's decision to generate contacts with overseas suppliers.

---

**Question 6** (4 MARKS)

Explain two factors ARK should consider when choosing suppliers.

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**Question 7** (4 MARKS)

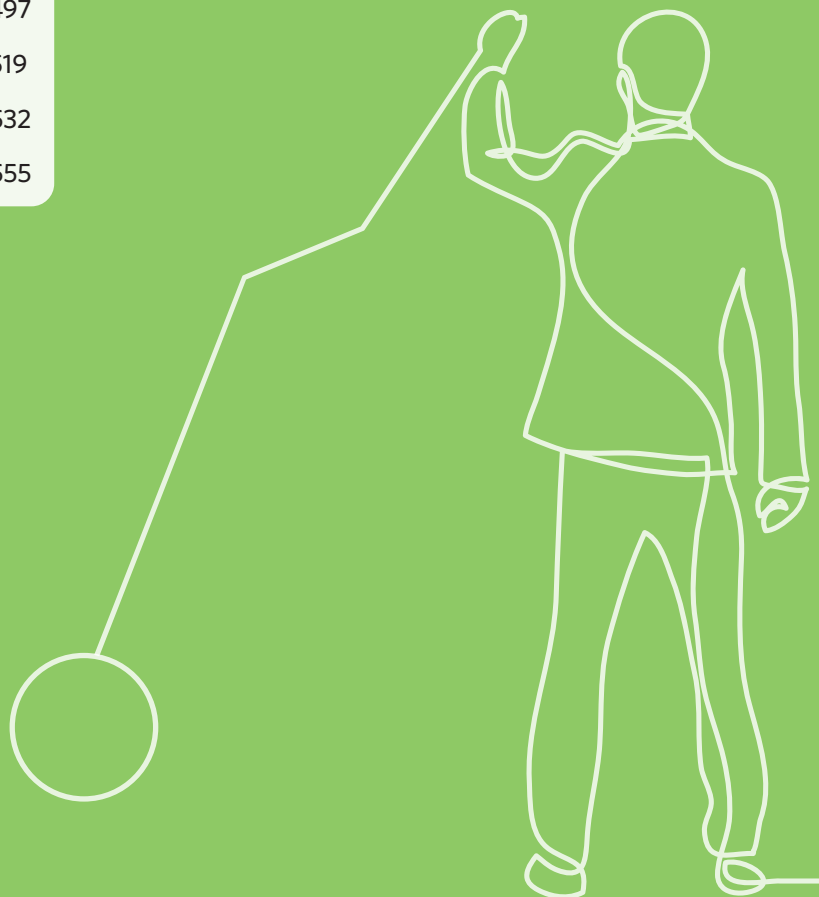
Identify and describe the stage of the product life cycle the Model-A12 is currently in. Outline two elements of the marketing mix that ARK may consider during this stage.

# ANSWERS

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# 1A Entrepreneurship

## Theory review

- I; III. *Entrepreneurship involves establishing a business to satisfy a need in the market. As the process of establishing and running a business is challenging, an entrepreneur should have or develop a particular set of skills to maximise the chances of the business being successful.*
- A. True. *As operating a business involves a variety of tasks, an entrepreneur must have a broad skillset to deal with different situations. For example, leadership skills are essential in encouraging and inspiring employees to contribute to fulfilling the business's vision.*
- decision-making. *When operating their business, entrepreneurs will be faced with a lot of decisions, meaning they need to be able to select the right choice which will have the best possible outcome for the business.*
- A. *To ensure employees understand their role within the business, the entrepreneur must ensure this is communicated to them.*
- networking. *The process of networking is a key concept of entrepreneurship as it involves establishing relationships with individuals whose expertise may be of assistance to the business in the future.*
- A. True. *Innovation can allow a business to distinguish itself from its competitors or to develop new practices that improve the business's operations.*
- leadership; risk-taking. *Through effective leadership, an entrepreneur can motivate employees and provide a clear picture of what the business is hoping to achieve in the future. While risk-taking skills refer to an individual's ability to take calculated risks to gain access to more opportunities.*
- B. False. *As there is always a possibility that a business may fail, there are a variety of risks involved in starting a business. For example, an entrepreneur may have to invest their time, money, and career into the business despite the chance of failure.*

## Preparing for exams

### Case study skills

9. II, III, V and VI are true. I and IV are false.

### Exam-style

10. [An entrepreneur is an individual who starts up a business and takes on the associated risks in order to satisfy a need in the market.<sup>1</sup>]
- I have defined entrepreneur.<sup>1</sup>
- 
11. [Entrepreneurship is the process of establishing a business to satisfy a need in the market whilst taking on the associated risks.<sup>1</sup>]
- I have defined entrepreneurship.<sup>1</sup>
- 
12. [An entrepreneur who has good networking skills is able to develop business contacts that can provide assistance in the future.<sup>1</sup>]  
[Establishing connections and developing a strong network can allow for individuals outside of the business to offer their support and expertise in particular areas, benefiting the business.<sup>2</sup>]

I have described the entrepreneurial skill of networking.<sup>1</sup>

I have outlined the importance of an entrepreneur having networking skills.<sup>2</sup>

13. [Entrepreneurship is the process of establishing a business to satisfy a need in the market whilst taking on the associated risks.<sup>1</sup>][As the process of creating and running a business is challenging, time consuming, and expensive, Samantha must have a variety of skills before starting her clothing business. For example, Samantha must be willing to take risks related to her money, time, and career to run the clothing business despite the possibility of failure, as this can reveal more opportunities that can help her clothing business grow and become competitive.<sup>2</sup>][Additionally, Samantha should also have good decision-making skills as she will need to be able to select a suitable course of action for the clothing business from a range of plausible options.<sup>3</sup>]

I have defined entrepreneurship.<sup>1</sup>

I have provided an example relevant to the case study and linked it to a characteristic of entrepreneurship.<sup>2</sup>

I have provided another example relevant to the case study and linked it to a characteristic of entrepreneurship.<sup>3</sup>

I have referred to the business directly by using 'Samantha'.

I have used connecting words, such as 'Additionally'.

### Other acceptable answers include:

- Leadership skills
- Innovation skills
- Communication skills
- Networking skills

14. [One entrepreneurial skill that is important when starting a business is risk-taking skills, which means that an individual is prepared and willing to risk their money, time, and career to run their business despite the possibility of failure.<sup>1</sup>][This is important as taking calculated risks can reveal more opportunities that can help a business grow and become competitive.<sup>2</sup>][Another entrepreneurial skill is innovation, which refers to the ability to create new ideas and processes, as well as find new approaches to problems that may arise.<sup>3</sup>][This is important when starting a business because innovation can allow a business to distinguish itself from competitors or to develop new practices that improve the business's operations.<sup>4</sup>]

I have described one entrepreneurial skill.<sup>1</sup>

I have outlined the importance of an entrepreneur having my chosen skill.<sup>2</sup>

I have described another entrepreneurial skill.<sup>3</sup>

I have outlined the importance of an entrepreneur having my chosen skill.<sup>4</sup>

I have signposted my response by using 'One entrepreneurial skill' and 'Another entrepreneurial skill'.

# 1B Personal motivation for starting a business

## Theory review

- B. False. *Each business owner is unique and there are a number of different reasons why individuals may be motivated to start a business, including for personal independence or to fulfil a social need.*
- A. True. *When an individual establishes their own business to achieve personal independence, they take on full responsibility for making business decisions.*
- financial independence; personal independence. *Financial independence is the ability to fund a desired lifestyle without relying on income from another individual, whereas personal independence is being in control of your own decisions and actions.*
- A. *Fulfilling a social need focuses on supporting social issues through the operations of the business.*
- to make a profit. *An individual may be motivated to start a business as they believe that it has the potential to make a large profit and increase their personal wealth. Even though the business may initially struggle as a start-up, if the business owner persists, they can fulfil their motivation of making a profit.*
- B. *Meeting a currently unmet or undersupplied demand is considered fulfilling a gap in the market, therefore fulfilling a market need.*
- A. True. *It is important that there is a strong reason behind an individual's decision to start a business, as this helps create its purpose and provides the owner with a drive to work harder during the business's development.*

## Preparing for exams

### Case study skills

- C
- I and III are true. II and IV are false.

### Exam-style

- [Financial independence is the ability to fund a desired lifestyle without relying on income from another individual.<sup>1</sup>]  
  I have defined the term financial independence.<sup>1</sup>
- [Personal independence involves a person being in control of their own decisions and actions.<sup>1</sup>][For example, an individual may be motivated to start their own business so they can have a flexible work schedule that suits their lifestyle needs.<sup>2</sup>]  
  I have defined personal independence as a motivation behind starting a business.<sup>1</sup>  
  I have provided an example of how personal independence can be the motivation behind starting a business.<sup>2</sup>
- [Fulfilling a market need can act as personal motivation for starting a business as it is when a business fills a gap in the market by addressing customer needs that are currently unmet or underrepresented by competitors in the same industry<sup>1</sup>]

[For example, an individual may be motivated to open a cafe serving vegan food in a suburb that currently has no vegan food stores, fulfilling the market need for vegan food.<sup>2</sup>]

I have described fulfilling a market need as a motivation behind starting a business.<sup>1</sup>

I have provided an example of how fulfilling a market need can be the motivation behind starting a business.<sup>2</sup>

- [Fulfilling a social need involves improving the social wellbeing of the local or wider community by addressing a relevant social issue. This can act as the motivation behind starting a business as an individual may want to address a common problem affecting society or improve the community through their business.<sup>1</sup>]

[An example of fulfilling a social need may involve setting up a cafe that trains the homeless to become baristas to help support members of the community and employ those who are homeless.<sup>2</sup>]

I have described fulfilling a social need as a motivation behind starting a business.<sup>1</sup>

I have provided an example of how fulfilling a social need can be the motivation behind starting a business.<sup>2</sup>

- [The personal motivation behind James' decision to start a clothing business is the desire to fulfil a social need, which is improving society and the environment through business activities.<sup>1</sup>][In this instance, James is starting a clothing business to help address the environmental issue of deforestation, in an attempt to improve the environmental welfare of the community.<sup>2</sup>]

I have identified and described the desire to fulfil a social need as James' motivation to start a business.<sup>1</sup>

I have provided an example relevant to the case study and linked it to James' motivation to start a business.<sup>2</sup>

I have referred to the business directly by using 'James'.

- [One personal motivation behind Nadine's decision to start her media business is personal independence, which involves a person being in control of their own decisions and actions.<sup>1</sup>][Nadine's recent work experience has resulted in her desire to be her own boss and gain personal independence.<sup>2</sup>][Another personal motivation behind Nadine's decision is to make a profit, which involves a business generating more revenue than expenses it incurred.<sup>3</sup>][Nadine feels she can earn significantly more than other workers her age by starting her own business, hence she is motivated by the ability to make a profit.<sup>4</sup>]

I have identified and defined personal independence as a personal motivation behind starting a business.<sup>1</sup>

I have provided an example relevant to the case study and linked it to personal independence as motivation behind starting a business.<sup>2</sup>

I have identified and defined making a profit as another personal motivation behind starting a business.<sup>3</sup>

I have provided an example relevant to the case study and linked it to making a profit as motivation behind starting a business.<sup>4</sup>

I have signposted my response by using 'One personal motivation' and 'Another motivation'.

I have referred to the business directly by using 'Nadine'.

I have used connecting words, such as 'hence'.

**Note:** Personal independence and to make a profit are the only two acceptable answers.

### Testing previous knowledge

16. [One reason why an individual may have the desire to be an entrepreneur is for personal independence, which involves a person being in control of their own decisions and actions, as many individuals wish to have full control over their role, and be their own boss.<sup>1</sup>] [Another reason is for financial independence, which is the ability to fund a desired lifestyle without relying on income from another individual, as this means the individual does not have to rely on an employer for their income.<sup>2</sup>]

I have outlined one reason why an individual may have the desire to become an entrepreneur.<sup>1</sup>

I have outlined another reason why an individual may have the desire to become an entrepreneur.<sup>2</sup>

**Other acceptable answers include:**

- To make a profit
- To fulfil a market need
- To fulfil a social need

## 1C Characteristics of successful managers and entrepreneurs

### Theory review

1. A. True. *In order to start up or operate a business successfully, entrepreneurs and managers must both possess a set of certain traits to deal with the challenges that come with running a business.*
2. ethical. *By acting in accordance with moral values, a manager can ensure that all members of their business are treated well, improving the culture at the business which can contribute to success. Customers are also likely to be more inclined to support a business that demonstrates ethical behaviour, increasing sales which can lead to business success.*
3. I; II; IV. *A manager with strong communication skills is able to effectively transfer information to employees, or other relevant members of the business, and listen to feedback. This can provide employees with a clear direction to follow whilst also helping managers to make changes when required, based on employee feedback.*
4. B. *Flexibility involves being able to adapt to a situation with ease. Therefore, a flexible manager is able to address changes effectively, allowing the business to continue to succeed by implementing new strategies that respond to changes.*
5. A. True. *Unethical behaviour may be effective in the short term at a business as it could allow for costs to be reduced or time to be saved. However, if customers recognise the immorality of the business, they may stop showing support to it. Employees may also resent the business if it operates unethically, reducing business success as employees will subsequently not work as hard.*

6. A. True. *Both managers and entrepreneurs must understand the environment they operate within and how to perform necessary business tasks in order to develop strong strategies when starting a business or dealing with business change.*
7. A. *An entrepreneur is likely to face many challenges when establishing their business, therefore they require determination to persevere when issues arise. An entrepreneur must also be resourceful to minimise costs and improve profitability when establishing their business. In order for the business to grow and new opportunities to be gained, an entrepreneur must also be willing to take calculated risks.*
8. A. *An entrepreneur that is able to build connections in the industry through being sociable and helpful is likely to receive assistance from these connections which can benefit them when developing and growing the business, contributing to business success.*
9. A. True. *Both successful entrepreneurs and managers must possess determination as running a business that generates a profit can be very difficult. Without determination, an individual is likely to give up when obstacles arise, leading to business failure.*

### Preparing for exams

#### Case study skills

10. I and IV are true.                      11. I; III; IV  
II and III are false.

### Exam-style

12. [An entrepreneur is an individual who starts up a business and takes on the risks associated in order to satisfy a need in the market.<sup>1</sup>]

I have defined entrepreneur.<sup>1</sup>

13. [A manager is an individual who has the responsibility of overseeing and handling employees whilst also running the day-to-day business tasks to achieve objectives.<sup>1</sup>]

I have defined manager.<sup>1</sup>

14. [Resourcefulness is the ability to overcome problems by using what is currently available.<sup>1</sup>] [In order to be a successful entrepreneur, an individual must demonstrate resourcefulness when establishing their business as this can help to minimise costs, allowing them to maximise profit during the business's development.<sup>2</sup>]

I have described resourcefulness as a characteristic of successful entrepreneurs.<sup>1</sup>

I have outlined how resourcefulness can contribute to business success.<sup>2</sup>

15. [One characteristic of a successful manager is strong communication skills, which involves being able to clearly transfer information to employees and other relevant members of the business, and listen to feedback.<sup>1</sup>] [Strong communication can ensure all employees have clear direction when completing their work, and that they feel their opinions are valued by the business, encouraging them to work hard which contributes to business success.<sup>2</sup>] [Another characteristic of a successful manager is being ethical, which involves possessing strong moral values and acting in accordance with these.<sup>3</sup>] [A manager that is ethical can attract more customers to the business, therefore increasing sales, as customers are likely to be more inclined to support a business that engages in morally-conscious behaviour.<sup>4</sup>]

✓ ✗ I have identified and described one characteristic of a successful manager.<sup>1</sup>

✓ ✗ I have outlined how my chosen characteristic can contribute to business success.<sup>2</sup>

✓ ✗ I have identified and described another characteristic of a successful manager.<sup>3</sup>

✓ ✗ I have outlined how my chosen characteristic can contribute to business success.<sup>4</sup>

✓ ✗ I have signposted my response by using 'One characteristic' and 'Another characteristic'.

**Other acceptable answers include:**

- Flexible
- Knowledge
- Determined

16. [One characteristic of successful entrepreneurs is their willingness to take calculated risks, which involves being able to consider and choose when to make certain decisions, even if these decisions could result in negative outcomes for the business.<sup>1</sup>] [If Luke believes his beverage idea is unique, he must be willing to take certain risks, such as using his own savings, to turn his idea into a business. By taking a calculated risk, Luke can gain new opportunities to develop and grow his business in order to achieve business success.<sup>2</sup>] [Furthermore, another characteristic of a successful entrepreneur is being innovative, which involves being able to develop new ideas and processes, and find new approaches to problems that may arise.<sup>3</sup>] [Luke has expressed his concern over the number of other beverage businesses. In order for his product to gain sales and contribute to business success, Luke must create and sell an innovative beverage that is distinguishable from competitors.<sup>4</sup>]

✓ ✗ I have identified and described one characteristic of a successful entrepreneur.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to how my chosen characteristic can contribute to business success.<sup>2</sup>

✓ ✗ I have identified and described another characteristic of a successful entrepreneur.<sup>3</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to how my chosen characteristic can contribute to business success.<sup>4</sup>

✓ ✗ I have signposted my response by using 'One characteristic' and 'Another characteristic'.

✓ ✗ I have referred to the business directly by using 'Luke'.

✓ ✗ I have used connecting words, such as 'Furthermore'.

**Other acceptable answers include:**

- Resourceful
- Knowledge
- Determined
- Strong networking ability

17. [One characteristic Hamish must possess as he becomes manager of A.S. Motors is being flexible, which involves being able to adapt to a situation with ease.<sup>1</sup>] [Currently, A.S. Motors only sells petrol cars. However, the views of society are shifting to become more environmentally friendly, therefore, customer demand for petrol cars is reducing as customers now desire more sustainable options.

Considering this, Hamish must be flexible and change the business's strategy to selling fewer petrol cars and more electric vehicles.<sup>2</sup>] [Moreover, Hamish was only recently appointed as the manager, therefore he must quickly adapt to the new role and the responsibilities that come with it, requiring flexibility to do so.<sup>3</sup>] [Another characteristic Hamish must possess in order to be a successful manager is determination, which involves being hardworking and focused on achieving specific goals.<sup>4</sup>] [If Hamish makes the decision to change the direction of A.S. Motors to sell more sustainable cars, as opposed to only producing petrol cars, he will have to put in large amounts of work to develop the plans for this business change in order for it to be successful.<sup>5</sup>] [Furthermore, if business performance continues to be poor after Hamish has been appointed as the new manager and introduces changes, he will have to possess determination in order to persevere despite these challenges as, if he gives up, the business is likely to fail.<sup>6</sup>]

✓ ✗ I have identified and described one characteristic of a successful manager.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to how my chosen characteristic can contribute to business success.<sup>2</sup>

✓ ✗ I have provided another example relevant to the case study and linked it to how my chosen characteristic can contribute to business success.<sup>3</sup>

✓ ✗ I have identified and described another characteristic of a successful manager.<sup>4</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to how my chosen characteristic can contribute to business success.<sup>5</sup>

✓ ✗ I have provided another example relevant to the case study and linked it to how my chosen characteristic can contribute to business success.<sup>6</sup>

✓ ✗ I have signposted my response by using 'One characteristic' and 'Another characteristic'.

✓ ✗ I have referred to the business directly by using 'Hamish' and 'A.S. Motors'.

✓ ✗ I have used connecting words, such as 'Moreover' and 'Furthermore'.

**Other acceptable answers include:**

- Communication skills
- Knowledge
- Ethical

**Testing previous knowledge**

18. [Entrepreneurship is the process of establishing a business to satisfy a need in the market whilst taking on the associated risks.<sup>1</sup>] [Entrepreneurship requires an individual to invest their money, skills, and time to launch and run a business in the pursuit of profit.<sup>2</sup>] [Therefore, one characteristic of a successful entrepreneur is their willingness to take calculated risks as investing one's own money into starting a business is a decision that could have negative outcomes. However, this investment must be made in order for the business to have any chance at success.<sup>3</sup>]

- I have defined entrepreneurship.<sup>1</sup>

---

- I have provided one characteristic of entrepreneurship.<sup>2</sup>

---

- I have outlined one characteristic of a successful entrepreneur.<sup>3</sup>

---

- I have signposted my response by using 'one characteristic'.

**Other acceptable answers include:**

- Strong networking ability
- Determined
- Innovative
- Resourceful
- Knowledge

## 1D Sources of business opportunity

### Theory review

1. B. False. *Failing to take advantage of business opportunities will eventually cause a business's sales and profit to decrease, as customers prefer to buy new and improved products from competitors.*
2. A. True. *If a business can fill a gap in the market and meet customer demand before competitors, it will attract customers before competitors are able to.*
3. targeting gaps in the market. *If a business always sells the same product, they are unable to gain new customers whose needs require a different product that has not yet been offered.*
4. innovation; research and development. *Innovation involves creating and implementing new ideas or significantly improving upon an existing good, service, or way of doing something. On the other hand, research and development involves a business directing its focus toward improving its products by enhancing its understanding of the product, customer needs surrounding the product, and any potential improvements in the production process.*
5. B. False. *Businesses should constantly invest in researching and developing new or improved products to stay ahead of competitors and maintain success.*
6. A. *Using an automated production line is an example of one way in which a business can harness technological developments to improve the speed of production and lower production costs, as fewer employees are required.*
7. global markets. *Businesses can use global markets to sell their products outside of Australia, allowing them to access more customers which can increase sales.*
8. A. True. *If a business in another country is offering a good or service which is not available domestically, a business owner could introduce said good or service to Australia to ensure customers in Australia can access this product.*
9. B. False. *Businesses can take advantage of multiple sources of business opportunity to maximise their success.*

### Preparing for exams

#### Case study skills

10. A
11. I; II; III; V
12. I, III and IV are true. II is false.
13. I; II

#### Exam-style

14. [Research and development involves directing resources, such as money, towards discovering, creating, and introducing new products and processes.<sup>1</sup>]

I have defined the term research and development.<sup>1</sup>

15. [A market opportunity is a need or want that is not currently being met by any business.<sup>1</sup>]

I have defined the term market opportunity.<sup>1</sup>

16. [One source of business opportunity is innovation, which involves creating and implementing new ideas or significantly improving upon an existing good, service, or way of doing something.<sup>1</sup>]  
[Creating or improving products is a source of business opportunity as it attracts customers that are looking to solve certain problems that they have which other, current products, are not fulfilling.<sup>2</sup>]

I have identified and defined one source of business opportunity.<sup>1</sup>

I have provided one example and described how it acts as a source of business opportunity.<sup>2</sup>

**Other acceptable answers include:**

- Market opportunities
  - Changing customer needs
  - Research and development
  - Technological development
  - Global markets
17. [Technological developments are the invention and innovation of tools that solve problems and enhance processes.<sup>1</sup>][Technological developments act as a source of business opportunity as they improve how businesses create, deliver, and update goods and services. For example, a business could introduce robotics to manufacture its products in order to reduce the number of labour resources required at the business, reducing its costs.<sup>2</sup>]

I have defined technological developments.<sup>1</sup>

I have provided one example of how technological developments can act as a source of business opportunity.<sup>2</sup>

18. [One source of business opportunity Priya could make use of is changing customer demands, which are the transitions in the desires of customers.<sup>1</sup>][In Victoria, customer demands are changing as society continues to place greater value on preserving the environment, minimising their meat consumption to do so. Finite could therefore cater to these changing demands by adding more vegetarian dishes to its menu.<sup>2</sup>][By providing more vegetarian options, Finite can better satisfy current customers, who may only be able to order one dish on the menu currently, and can also attract new customers who will be drawn to the business due to its variety of vegetarian dishes.<sup>3</sup>]

I have identified and defined a source of business opportunity.<sup>1</sup>

I have provided an example relevant to the case study.<sup>2</sup>

I have linked the example of my chosen source of business opportunity.<sup>3</sup>

I have referred to the business directly by using 'Priya' and 'Finite'.

**Other acceptable answers include:**

- Market opportunities
- Research and development
- Global markets
- Innovation
- Technological development

19. [One source of business opportunity Holt could make use of is market opportunities which are needs and wants that are not currently being met by any business.<sup>1</sup>][There is currently a gap in the luxury car market due to a lack of luxury four-wheel drives despite the large number of customers wanting such a vehicle, with 28% of prospective buyers looking to purchase a luxury four-wheel drive. Therefore, Holt can adapt its business, changing to produce more four-wheel drives instead of trendy sedans in order to fill this gap in the market.<sup>2</sup>][By servicing a gap in the market, Holt can increase its sales by attracting new customers away from competitors.<sup>3</sup>]

I have identified and defined market opportunities as a source of business opportunity.<sup>1</sup>

I have provided an example relevant to the case study about market opportunities.<sup>2</sup>

I have linked the example of market opportunities to how this acts as a source of business opportunity.<sup>3</sup>

I have signposted my response by using 'One source of business opportunity'.

I have referred to the business directly by using 'Holt'.

20. [One source of business opportunity is selling to the global market which is the area in which businesses trade goods and services, comprised of both businesses and customers from countries all across the world.<sup>1</sup>][Emilia has found that there are no businesses in Australia offering a fashion service similar to New York Fashion. Therefore, Emilia could introduce this service to the domestic market as customers are likely to purchase the service since there are no other businesses offering the same product in Australia.<sup>2</sup>]

[Additionally, another source of business opportunity comes from technological developments which are the invention and innovation of tools that solve problems and enhance processes.<sup>3</sup>][Considering new software is available which tracks online shopping data, New York Fashion should harness this technology to improve customer's experience with the business. By receiving more personalised fashion boxes, customers are likely to be more satisfied by the business.<sup>4</sup>]

I have identified and defined global markets as a source of business opportunity.<sup>1</sup>

I have provided an example relevant to the case study and linked it to global markets as a source of business opportunity.<sup>2</sup>

I have identified and defined technological developments as a source of business opportunity.<sup>3</sup>

I have provided an example relevant to the case study and linked it to technological developments as a source of business opportunity.<sup>4</sup>

I have signposted my response by using 'One source of business opportunity' and 'Another source of business opportunity'.

I have referred to the business directly by using 'Emilia' and 'New York Fashion'.

I have used connecting words, such as 'Therefore' and 'Additionally'.

**Testing previous knowledge**

21. [One characteristic of successful entrepreneurs is that they are innovative, which involves being able to develop new ideas and processes, and find new approaches to problems that may arise.<sup>1</sup>][When an entrepreneur is innovative, they are able to think of ideas for products that are entirely unique to any competitor's products, or improve upon these products. This makes the entrepreneur's products stand out from competitors during the establishment of their business.<sup>2</sup>][These skills are also important for business success as innovation, which involves creating and implementing new ideas or significantly improving upon an existing good, service, or way of doing something, acts as a source of business opportunity.<sup>3</sup>][Creating or improving products is a source of business opportunity as it attracts customers that are looking to solve certain problems.<sup>4</sup>]

I have identified and described being innovative as a characteristic of successful entrepreneurs.<sup>1</sup>

I have outlined one key characteristic of being innovative as a characteristic of successful entrepreneurs.<sup>2</sup>

I have defined innovation as a source of business opportunity.<sup>3</sup>

I have provided one example of how innovation can be used as a source of business opportunity.<sup>4</sup>

I have signposted my response by using 'One characteristic of successful entrepreneurs'.



# 1E Goal setting

## Theory review

- B. Business goals will state the aspirations that a business wants to reach or accomplish over a set period of time.
- B. False. Achieving financial goals can help ensure a business is financially stable. However, social goals can also be beneficial to the financial performance of a business as a commitment to supporting the environment and the community can benefit a business's reputation, which can lead to improvements in sales, profit, and overall business performance.
- B. Creating goals that are specific, measurable, attainable, relevant, and time-bound can provide a business and its employees with a clear purpose and direction.
- measurable; specific. Business goals should be measurable and quantifiable so that the business can track progress and identify when goals have been achieved. Goals should also be specific so that employees understand exactly what they need to achieve.
- A. True. A manager's decision to set business goals can impact the strategies implemented to achieve them. Therefore, the overall operations and success of the business can depend on their decision-making skills.
- A. True. Goal setting is important for a business as it provides managers and employees with a clear understanding of what the business is aiming to achieve.

## Preparing for exams

### Case study skills

- A
- I; III
- I, III and IV are true. II and V are false.

### Exam-style

- [Business goals are what a business wants to achieve within a specific time frame.<sup>1</sup>]  
  I have defined the term business goals.<sup>1</sup>
- [Decision-making is the skill of selecting a suitable course of action from a range of plausible options.<sup>1</sup>]  
  I have defined the term decision-making.<sup>1</sup>
- [Business goals are what a business wants to achieve within a specific time frame.<sup>1</sup>][It is important to set business goals as this provides managers and employees with a clear direction and purpose, helping them to develop strategies to achieve goals and measure business performance.<sup>2</sup>]  
  I have defined business goals.<sup>1</sup>  
  I have outlined the importance of goal setting for a business.<sup>2</sup>

- [Business goals are what a business wants to achieve within a specific time frame.<sup>1</sup>][As Mr Beans has not been performing well financially, Ashley could develop a financial goal for the business, such as increasing the profit margin on its sale of coffees.<sup>2</sup>][It is important to set financial goals, as they will help Mr Beans develop strategies to improve its poor performance, such as sourcing coffee beans from a different supplier to lower operational costs. If financial goals are met, Mr Beans' profits are likely to increase, thus improving financial performance and overall business success.<sup>3</sup>]

- I have identified and defined business goals.<sup>1</sup>
- I have provided an example relevant to the case study.<sup>2</sup>
- I have linked my example to the importance of goal setting.<sup>3</sup>
- I have referred to the business directly by using 'Mr Beans' and 'Ashley'.

- [Decision-making is the skill of selecting a suitable course of action from a range of plausible options.<sup>1</sup>][Joe should use decision-making at Fun House by considering potential growth opportunities for the business, such as renting a new office or hiring new staff, and evaluating the advantages and disadvantages of both options.<sup>2</sup>][Decision-making is important for Joe as the choices he makes will determine the potential success or failure of Fun House, and therefore, it is essential to consider various factors such as the business environment before determining the most appropriate choice.<sup>3</sup>]

- I have identified and defined decision-making.<sup>1</sup>
- I have provided an example relevant to the case study.<sup>2</sup>
- I have linked my example to the importance of decision-making.<sup>3</sup>
- I have referred to the business directly by using 'Joe' and 'Fun House'.

- [The first principle in the SMART goal setting criteria is that business goals must be specific. Dez's goals need to be clear and concise, ensuring that there is no confusion regarding Vintage Design's aspirations.<sup>1</sup>][The second principle is that goals must be measurable. Goals that are measurable can be continuously evaluated by using quantifiable data, such as Dez measuring the number of art pieces sold per week.<sup>2</sup>][Thirdly, goals need to be attainable. Attainable goals are those that are challenging, but still achievable, so that employees of Vintage Designs are still motivated to achieve them.<sup>3</sup>][Furthermore, goals also need to be relevant and should be beneficial to the business's overall objectives. For example, a goal to increase the number of art pieces sold at Vintage Designs can lead to an increase in business profits, therefore aligning with the overall vision of the business.<sup>4</sup>][Lastly, goals need to be time-bound. A time-bound goal is necessary to ensure the accountability of employees, allowing goals to be achieved within the specified time frame.<sup>5</sup>]

- I have identified and described the first principle of the SMART criteria and linked it to the case study.<sup>1</sup>
- I have identified and described the second principle of the SMART criteria and linked it to the case study.<sup>2</sup>
- I have identified and described the third principle of the SMART criteria and linked it to the case study.<sup>3</sup>

- I have identified and described the fourth principle of the SMART criteria and linked it to the case study.<sup>4</sup>

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- I have identified and described the fifth principle of the SMART criteria and linked it to the case study.<sup>5</sup>

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- I have signposted my response by using 'The first principle' and 'The second principle'.

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- I have referred to the business directly by using 'Dez' and 'Vintage Designs'.

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- I have used connecting words, such as 'Thirdly' and 'Lastly'.

### Testing previous knowledge

16. [Business goals are what a business wants to achieve within a specific time frame.<sup>1</sup>] [One characteristic of a successful manager that could be used when establishing goals is being knowledgeable. This involves a manager understanding the environment in which their business operates, and how to perform the relevant business tasks.<sup>2</sup>] [One way that being knowledgeable can help a manager effectively establish business goals is by ensuring they have a comprehensive understanding of the abilities and limitations of employees and the business. This will allow the manager to implement goals that are attainable.<sup>3</sup>] [Furthermore, a second way that being knowledgeable will help a manager to effectively establish business goals is if the manager has a large amount of knowledge concerning the business environment, and can identify opportunities for growth. This will allow the manager to create goals that can direct the business towards achieving future success.<sup>4</sup>]

- I have defined business goals.<sup>1</sup>

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- I have identified and defined one characteristic of a successful manager.<sup>2</sup>

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- I have provided an example of how my chosen characteristic links to effectively establishing business goals.<sup>3</sup>

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- I have provided another example of how my chosen characteristic links to effectively establishing business goals.<sup>4</sup>

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- I have signposted my response by using 'One way' and 'a second way'.

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- I have used connecting words, such as 'Furthermore'.

## 1F Business concept development

### Theory review

1. A. True. *Once a potential business owner has recognised a business opportunity in the market, they should develop a business concept that outlines what industry the business wants to operate in, what it sells, and how it will stand out against competitors.*
2. A. *In order to increase the likelihood that a business will be successful, a business concept should target a gap in the market and satisfy customer needs that have not been met.*

3. B. *Creating a legal barrier to protect intellectual property can ensure that a business's competitive advantage cannot be easily replicated.*
4. A. True. *If a significant gap in the market exists, there is a large opportunity for a potential business owner to benefit from entering this industry. This opportunity means that any original ideas should be protected so that other businesses cannot copy them.*
5. A. True. *Registering a domain name ensures that the desired website address will be available for the business to use when it is ready to launch an online platform.*
6. I; III. *Identifying a business opportunity can allow business owners to determine how customer needs are not being met or how an available product could be improved. By identifying a business opportunity, a business can develop a unique product that may allow it to gain a competitive advantage.*
7. *innovation. Businesses can use the business opportunity of innovation to develop and sell products that are more advanced and useful, therefore allowing them to gain a competitive advantage.*
8. *business opportunity; business concept; protect the business concept. Initial business ideas and concepts are often developed after identifying a business opportunity in the market. The business owner should then implement legal barriers to protect their business idea.*

### Preparing for exams

#### Case study skills

9. I; IV      10. C

#### Exam-style

11. [A business concept is a brief outline of the idea for a business, its main selling activities, and the features that will provide it with a competitive advantage.<sup>1</sup>]

I have defined business concept.<sup>1</sup>

12. [Intellectual property is an original creation of the mind that can be legally owned.<sup>1</sup>]

I have defined intellectual property.<sup>1</sup>

13. [A business concept is a brief outline of the idea for a business, its main selling activities, and the features that will provide it with a competitive advantage.<sup>1</sup>] [One of the first steps of developing a business concept involves an individual creating a product with distinctive features as this can provide the business with a competitive advantage.<sup>2</sup>]

I have defined business concept.<sup>1</sup>

I have provided an example of how a business concept is developed.<sup>2</sup>

14. [Intellectual property (IP) is an original creation of the mind that can be legally owned.<sup>1</sup>] [Luke's IP is his original surfboard tail design that helps surfers generate more speed, as no other business sells a surfboard with this unique feature.<sup>2</sup>] [Considering Luke believes his business idea is likely to be successful, one way he could protect this business concept is by obtaining a patent for his specific surfboard design. This patent would help Luke ensure that he maintains a competitive advantage in the surfboard industry, as competitors will be prevented from copying his design.<sup>3</sup>]

- I have defined intellectual property.<sup>1</sup>

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- I have provided an example relevant to the case study and linked it to intellectual property.<sup>2</sup>

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- I have provided an example relevant to the case study and linked it to protecting a business concept.<sup>3</sup>

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- I have signposted my response by using 'one way'.

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- I have referred to the business directly by using 'Luke'.

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**Note:** A patent is the only acceptable answer.

15. [A business concept is a brief outline of the idea for a business, its main selling activities, and the features that will provide it with a competitive advantage.<sup>1</sup>] [One business opportunity that Henry has been able to identify in his local area is a gap in the market for a menswear store.<sup>2</sup>] [Therefore, to respond to this opportunity, Henry has developed the business concept of establishing his own menswear clothing store. By capitalising on this business opportunity, Henry may be able to gain a competitive advantage as he will be the first to fill this gap in the market.<sup>3</sup>]

- I have defined business concept.<sup>1</sup>

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- I have provided an example relevant to the case study and linked to a business opportunity.<sup>2</sup>

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- I have provided an example relevant to the case study and linked it to the relationship between a business opportunity and business concept development.<sup>3</sup>

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- I have signposted my response by using 'One business opportunity'.

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- I have referred to the business directly by using 'Henry'.

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- I have used connecting words, such as 'Therefore'.

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### Testing previous knowledge

16. [Research and development involves directing resources, such as money, towards discovering, creating, and introducing new products and processes.<sup>1</sup>] [Conducting appropriate research and development can act as a source of business opportunity as it can help a business create goods or services that better satisfy customer needs, potentially helping to increase sales and thereby increase profit.<sup>2</sup>]
- I have defined research and development.<sup>1</sup>

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  - I have outlined one way that research and development can act as a source of business opportunity.<sup>2</sup>

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## 1G Market research and initial feasibility studies

### Theory review

1. A. True. *Conducting market research can allow an individual to assess whether it is worthwhile to pursue a business concept as it determines whether a market is profitable and has sufficient consumer demand. An initial feasibility study can also determine if the business concept is viable in terms of both selling the desired good or service and running the business.*

2. B. False. *Determining that there is market demand can indicate a business concept has potential, however, an initial feasibility study is required to determine if the concept is viable.*
3. B. *A feasibility study assesses if a business concept is viable and capable of success in an industry. On the other hand, market research analyses the market potential for a business concept.*
4. A. *Technical feasibility evaluates the current abilities of the potential business owner and analyses the likelihood of them effectively contributing towards the business's achievement of its objectives.*
5. A. True. *Commercial feasibility will help determine if an individual can afford to establish the business. This considers the costs of hiring the required employees and purchasing the necessary equipment to run business operations.*
6. A. True. *Once market research and an initial feasibility study have been completed, an individual can gain an in-depth understanding of the market potential and viability of the business concept.*

### Preparing for exams

#### Case study skills

7. I, II and IV are true. III and V are false.

#### Exam-style

8. [An initial feasibility study is a researched evaluation of how viable a business concept is.<sup>1</sup>]
- I have defined the term initial feasibility study.<sup>1</sup>

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9. [Market research is the process of investigating and analysing the activities and behaviours of customers and competitors in a specific industry.<sup>1</sup>] [The purpose of undertaking market research is to help a potential business owner gain an in-depth understanding of a market, which can then be used to assess the likelihood of a business concept being successful.<sup>2</sup>]
- I have defined market research.<sup>1</sup>

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  - I have outlined the purpose of market research.<sup>2</sup>

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10. [It is important to determine the legal feasibility of a business concept so that the potential business owner understands the laws and regulations that must be followed to establish a legally compliant business.<sup>1</sup>] [Additionally, understanding technical feasibility can help determine if the potential business owner has an appropriate level of knowledge and adequate skills to turn the business concept into a successful business.<sup>2</sup>]
- I have outlined the importance of determining the legal feasibility of a business concept.<sup>1</sup>

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  - I have outlined the importance of determining the technical feasibility of a business concept.<sup>2</sup>

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  - I have used connecting words, such as 'Additionally'.

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11. [Qualitative data is non-numerical data, such as opinions or written survey responses.<sup>1</sup>][On the other hand, quantitative data is numerical data, such as figures and statistics.<sup>2</sup>][A key difference between qualitative and quantitative data is that qualitative data provides descriptive and subjective information to a potential business owner during market research, as it is usually based on a person's own perspective. Conversely, quantitative data is more objective and factual as it is rarely influenced by individual opinions.<sup>3</sup>]

I have defined qualitative data.<sup>1</sup>

I have defined quantitative data.<sup>2</sup>

I have outlined one difference between qualitative and quantitative data.<sup>3</sup>

I have signposted my response by using 'A key difference'.

I have used comparison words, such as 'On the other hand' and 'Conversely', when distinguishing.

12. [Market research is the process of investigating and analysing the activities and behaviours of customers and competitors in a specific industry.<sup>1</sup>][On the other hand, an initial feasibility study is a researched evaluation of how viable a business concept is.<sup>2</sup>][One key difference between market research and initial feasibility studies is that market research involves gathering qualitative and quantitative data, whereas an initial feasibility study involves the potential business owner considering the market, operational, commercial, technical, or legal feasibility of starting their business.<sup>3</sup>]

I have defined market research.<sup>1</sup>

I have defined an initial feasibility study.<sup>2</sup>

I have provided one key difference between market research and an initial feasibility study.<sup>3</sup>

I have signposted my response by using 'One key difference'.

I have used comparison words, such as 'On the other hand' and 'whereas', when distinguishing.

13. [One area that Jess can consider is operational feasibility, which involves determining if she can gain access to the required resources to properly establish her physiotherapy business.<sup>1</sup>][If Jess cannot find an appropriate location for her business, she may determine that it is not possible to establish a specialised gym alongside the physiotherapy practice. Therefore, Jess may then have to alter her business idea, to ensure that it is feasible.<sup>2</sup>][Furthermore, another area that Jess could consider is commercial feasibility, which involves assessing whether the business concept is affordable and profitable.<sup>3</sup>][If Jess determines that the cost of hiring two physiotherapists is too expensive, she will know her idea is not commercially viable and therefore, she should not pursue her business concept.<sup>4</sup>]

I have identified and described one factor to consider when determining initial feasibility.<sup>1</sup>

I have provided an example relevant to the case study and linked it to my chosen factor.<sup>2</sup>

I have identified and described another factor to consider when determining initial feasibility.<sup>3</sup>

I have provided another example relevant to the case study and linked it to my chosen factor.<sup>4</sup>

I have signposted my response by using 'One area' and 'another area'.

I have referred to the business directly by using 'Jess'.

I have used connecting words, such as 'Furthermore'.

#### Other acceptable answers include:

- Market feasibility
- Technical feasibility
- Legal feasibility

### Testing previous knowledge

14. [Market research is the process of investigating and analysing the activities and behaviours of customers and competitors in a specific industry.<sup>1</sup>][After the development of a business concept, potential business owners should gather both qualitative and quantitative data. This is important, as it can allow the potential business owner to gain a detailed understanding of the market, answer any questions they may have, and assess the potential success of their business concept.<sup>2</sup>]

I have identified and defined market research.<sup>1</sup>

I have outlined the importance of market research following the development of a business concept.<sup>2</sup>

## 1H Businesses' contribution to the wellbeing of a nation

### Theory review

1. B. False. *Businesses contribute to both the economic and social wellbeing of a nation.*
2. I; III. *By paying taxes, businesses help the government finance the provision of public goods and services. Additionally, businesses need to employ human labour to produce goods and services, providing employment opportunities to these individuals.*
3. infrastructure. *Projects that involve the creation of facilities, structures, and services for society are classified as infrastructure projects.*
4. A. True. *By paying taxes, businesses can fund government projects which are aimed at benefiting the community, such as healthcare and education.*
5. research and development. *Research and development can result in the enhancement of existing products, procedures and equipment, or can involve the creation of something entirely new that benefits society.*
6. A. True. *International trade can allow businesses to sell to more customers through exporting. Businesses can also import cheaper materials, helping them reduce costs.*
7. A. True. *Economic growth directly improves material living standards through improving the GDP per capita of a nation. It also indirectly improves non-material living standards. For example, economic growth increases employment levels in society, improving employee fulfilment which indirectly improves non-material living standards.*

8. I; II; IV. Reducing homelessness, improving the wellbeing of the environment, and improving mental health all improve the non-material aspects of a nation.

## Preparing for exams

### Case study skills

9. A

### Exam-style

10. [Economic wellbeing is reflected by the level of income, consumption, and wealth people or households have to support their material living standards.<sup>1</sup>]
- I have defined the term economic wellbeing.<sup>1</sup>
- 
11. [Infrastructure is the essential facilities and structures that are required for an economy to operate.<sup>1</sup>]
- I have defined the term infrastructure.<sup>1</sup>
- 
12. [Economic growth is when the total value of goods and services produced by an economy increases over a period of time. Economic growth can be measured by Gross Domestic Product (GDP).<sup>1</sup>]  
[Businesses that increase their output and sell more goods and services help contribute to economic growth as the total value of production in the nation will increase.<sup>2</sup>]
- I have defined economic growth.<sup>1</sup>
- I have provided one example of how businesses contribute to economic growth.<sup>2</sup>
- 
13. [One way that businesses contribute to the social wellbeing of a nation is by helping to lower crime rates. Businesses can create employment opportunities in a nation, which can lower the number of people who will resort to crime as a source of income.<sup>1</sup>][Another way businesses can contribute to the social wellbeing of the nation is by having environmentally friendly policies and production methods, as this helps to improve the quality of the environment in their local area and create a more sustainable future.<sup>2</sup>]
- I have outlined one way that businesses contribute to the social wellbeing of a nation.<sup>1</sup>
- I have outlined another way that businesses contribute to the social wellbeing of a nation.<sup>2</sup>
- I have signposted my response by using 'One way' and 'Another way'.
- 
- Other acceptable answers include:**
- Improving the mental wellbeing of employees through programs
14. [Tax is a compulsory payment to the government, which is used to finance the provision of public goods and services.<sup>1</sup>][One way that businesses contribute to taxation revenue is by paying a business tax. The amount paid is a proportion of the business's earnings over the year.<sup>2</sup>][Another way that businesses contribute to taxation revenue is through the income paid to their employees. Employees will be taxed a proportion of their income and will pay income tax to the government.<sup>3</sup>]

- I have defined tax.<sup>1</sup>
- 
- I have provided an example and linked it to one way that businesses contribute to taxation revenue.<sup>2</sup>
- 
- I have provided another example and linked it to another way that businesses contribute to taxation revenue.<sup>3</sup>
- 
- I have signposted my response by using 'One way' and 'Another way'.

15. [International trade is the exchange of goods and services between different countries.<sup>1</sup>][One way Sally may contribute to the economic wellbeing of the nation is by engaging in international trade through exporting her products. By exporting hair accessories to Asia, Sally is helping improve the economic growth of Australia, as selling goods internationally will inject foreign money into the local economy.<sup>2</sup>]  
[Additionally, another way Sally can contribute to the economic wellbeing of the nation is by importing certain inputs for her business to Australia. If Sally decides to start importing some of the hair accessories from China, she may gain access to cheaper resources. Lower production costs may enable Sally to charge lower prices for the hair accessories, improving the affordability of products and therefore, promoting business growth through increased sales.<sup>3</sup>]
- I have defined international trade.<sup>1</sup>
- 
- I have provided an example relevant to the case study and linked it to how engaging in international trade contributes to the economic wellbeing of a nation.<sup>2</sup>
- 
- I have provided another example relevant to the case study and linked it to how engaging in international trade contributes to the economic wellbeing of a nation.<sup>3</sup>
- 
- I have signposted my response by using 'One way' and 'another way'.
- 
- I have referred to the business directly by using 'Sally'.
- 
- I have used connecting words, such as 'Additionally'.

### Testing previous knowledge

16. [The global market is the area in which businesses trade goods and services, comprised of both businesses and customers from countries all across the world.<sup>1</sup>][Businesses that operate in the global market can contribute to the economic wellbeing of a nation as, when a business engages in international trade through exporting goods and services to other countries, money is being injected into Australia's local economy from consumers and businesses in different countries.<sup>2</sup>]
- I have defined the global market.<sup>1</sup>
- 
- I have outlined how businesses that operate in a global market contribute to the economic wellbeing of a nation.<sup>2</sup>

# 11 Business innovation and entrepreneurship

## Theory review

- A. True. *The government helps support a culture of innovation and entrepreneurship by investing in research and development initiatives, providing funding for council grants, supporting school-based entrepreneurship programs, and enabling the development of regional start-up hubs.*
- A. *By providing funding for research and development, or incentivising businesses to engage in these processes by providing them with a tax offset, the government can increase the accessibility and affordability of research and development for businesses, encouraging them to do so, subsequently allowing for innovation to occur.*
- regional start-up hubs; government investment in research and development. *Regional start-up hubs encourage innovation as members of different start-ups all work in the same co-working space, allowing for collaboration between different entrepreneurs which can develop a culture of innovation. Similarly, government investment in research and development incentivises businesses to engage in practices that allow for innovative products or processes to be created.*
- I; II; IV. *Regional start-up hubs have a variety of features that limit the expenses of a business occupying the co-working space. This allows the business to channel its financial resources into other business activities that help the business become more innovative by allowing the development of collaboration among other skills.*
- School-based entrepreneurship programs. *The school environment is the first stage of life in which Australian citizens can be introduced to the business world. Thus, programs run in schools allow students to develop their ability to establish and operate a business in the future, developing a culture of entrepreneurship.*
- B. False. *A council grant is a one-off payment that will help fund the starting of a business but is unlikely to cover all costs associated with creating a start-up.*
- B. *Innovation and entrepreneurship are two of the key components driving Australia's economic growth. Thus, by developing a culture of innovation and entrepreneurship, economic growth can be achieved and sustained.*

## Preparing for exams

### Case study skills

- I and III are true. II and IV are false.
- I; II; IV

### Exam-style

- [A council grant is a one-off financial payment from a local council to a business, which does not need to be repaid, that aims to support business ideas and development.<sup>1</sup>]  
  I have defined the term council grant.<sup>1</sup>
- [School-based entrepreneurship programs are initiatives that can help introduce students to the business world, encouraging them to develop their business knowledge and skills essential to running a business, such as communication and problem-solving skills.<sup>1</sup>]

[By teaching the youth of Australia how to develop business ideas, and encouraging their creativity when developing these ideas, a culture of innovation and entrepreneurship can be encouraged within schools.<sup>2</sup>]

I have described school-based entrepreneurship programs.<sup>1</sup>

I have outlined how school-based entrepreneurship programs can help foster a culture of innovation and entrepreneurship.<sup>2</sup>

- [Government investment in research and development involves the government implementing initiatives to assist businesses in undertaking research and development, by increasing the affordability and accessibility for businesses to do so.<sup>1</sup>][Research and development is often an expensive and time-consuming process for businesses to undertake, discouraging many of them from doing so which hinders innovation. Therefore, by reducing the high costs associated with research and development, the government subsequently encourages more businesses to participate in such practices, strengthening Australia's culture of innovation and entrepreneurship.<sup>2</sup>]

I have described government investment in research and development.<sup>1</sup>

I have outlined how government investment in research and development can help foster a culture of innovation and entrepreneurship.<sup>2</sup>

I have used connecting words, such as 'Therefore'.

- [Start-up hubs are physical spaces that individuals and businesses can utilise in order to have office facilities to work in, or to obtain support regarding business matters.<sup>1</sup>][At Better Together, the office has an open floor plan, therefore allowing employees from the different start-ups within the hub to interact with one another. This can contribute to creating a culture of innovation as employees of different businesses are likely to have a diverse range of knowledge and skills, allowing ideas and practices to be shared with one another, boosting creativity and innovation.<sup>2</sup>][Another way Better Together fosters a culture of innovation and entrepreneurship is by providing businesses with a subsidy when using the start-up hub. There are significant costs associated with establishing a business, notably, high office rental expenses. Therefore, providing a subsidy to start-ups at the hub allows these businesses to reduce their expenses. This encourages a culture of entrepreneurship as individuals are likely to be more willing to start a business if the cost of doing so is reduced.<sup>3</sup>]

I have identified and defined start-up hubs.<sup>1</sup>

I have provided an example relevant to the case study and linked to one way a regional start-up hub fosters a culture of innovation and entrepreneurship.<sup>2</sup>

I have provided an example relevant to the case study and linked to another way a regional start-up hub fosters a culture of innovation and entrepreneurship.<sup>3</sup>

I have signposted my response by using 'Another way'.

I have referred to the business directly by using 'Better Together'.

I have used connecting words, such as 'Therefore'.

14. [One method of the government promoting a culture of innovation and entrepreneurship is through the provision of a council grant to businesses, which is a one-off financial payment from a local council to a business, which does not need to be repaid, that aims to support business ideas and development.<sup>1</sup>] [While COVID-19 resulted in several business owners having to shut down their businesses, many owners may have considered opening their businesses once lockdowns ended. Grants significantly increase the ease of these businesses reopening, as grants can help a business afford machinery and equipment, or cover the labour costs that may arise as businesses attempt reopening.<sup>2</sup>] [Furthermore, another method the government may use in its attempts to strengthen the culture of innovation and entrepreneurship within Australia is by funding regional start-up hubs, which are physical spaces that individuals and businesses can utilise in order to have office facilities to work in, or to obtain support regarding business matters.<sup>3</sup>] [These start-up hubs allow employees and owners across multiple businesses to all work in the same environment, encouraging them to share ideas and practices with each other. As a result, an innovative culture can be established as creativity can flourish in these collaborative environments.<sup>4</sup>]

- I have identified and described one method by which a culture of innovation and entrepreneurship may be fostered in Australia.<sup>1</sup>

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- I have provided an example relevant to the case study and linked it to one way in which my chosen method contributes to a culture of innovation and entrepreneurship.<sup>2</sup>

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- I have identified and described another method by which a culture of innovation and entrepreneurship may be fostered in Australia.<sup>3</sup>

---

- I have provided an example relevant to the case study and linked it to one way in which my chosen method contributes to a culture of innovation and entrepreneurship.<sup>4</sup>

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- I have signposted my response by using 'One method' and 'another method'.

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- I have referred to the case study directly by using 'Australia'.

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- I have used connecting words, such as 'Furthermore'.

**Other acceptable answers include:**

- School-based entrepreneurship programs
- Government investment in research and development

**Testing previous knowledge**

15. [Research and development involves directing resources, such as money, towards discovering, creating, and introducing new products and processes.<sup>1</sup>] [Conducting research and development can act as a source of business opportunity as new or improved products and processes can more accurately meet customer needs. By meeting customer needs, a business can increase its sales and gain a competitive advantage.<sup>2</sup>] [Government investment in research and development involves the government implementing initiatives to assist businesses in undertaking research and development by increasing the affordability and accessibility for businesses to do so.<sup>3</sup>] [Research and development is often an expensive and time-consuming process for businesses to undertake, discouraging many small to medium-sized businesses from doing so. However, by subsidising the high costs associated with research and development, the government can encourage more businesses to participate in such practices, strengthening Australia's culture of innovation and entrepreneurship.<sup>4</sup>]

- I have defined research and development as a source of business opportunity.<sup>1</sup>

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- I have outlined one characteristic of research and development as a source of business opportunity.<sup>2</sup>

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- I have described government investment in research and development.<sup>3</sup>

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- I have provided an example of how government research and development can foster a culture of innovation and entrepreneurship.<sup>4</sup>

## Unit 1 AOS 1 review

### Contemporary case study

1. [Bistro Morgan is an iconic Melbourne-based bakehouse that was founded by young entrepreneur, Morgan Hipworth, and is renowned for its uniquely flavoured doughnuts. One personal motivation behind starting a business that Hipworth possessed was a desire for personal independence, which involves a person being in control of their own decisions and actions.<sup>1</sup>] [When initially starting his business, Hipworth was selling his baked goods through cafes across Melbourne. Therefore, to establish greater ownership and control over his business concept, Hipworth opened his own bakehouse, Bistro Morgan, in Windsor, where he could gain personal independence from selling his sweet treats.<sup>2</sup>]

  - I have identified and described one personal motivation behind starting a business.<sup>1</sup>

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  - I have provided an example relevant to the contemporary case study and linked it to my chosen personal motivation for starting a business.<sup>2</sup>

---

  - I have referred to the business directly by using 'Bistro Morgan' and 'Morgan Hipworth'.

---

  - I have included a brief description of the contemporary case study.

**Other acceptable answers include:**

- Financial independence
- To make a profit
- To fulfil a market need

2. [Bistro Morgan is an iconic Melbourne-based bakehouse that was founded by young entrepreneur, Morgan Hipworth, and is renowned for its uniquely flavoured doughnuts. One characteristic of a successful entrepreneur, like Hipworth, is the willingness to take calculated risks. When Hipworth initially established his business, he was willing to invest his money, and sacrifice his limited time considering he was still in school, to create his baked goods, despite uncertainty about the business's success.<sup>1</sup>] [Furthermore, another characteristic of a successful entrepreneur is being innovative. The success of Bistro Morgan can be attributed to Hipworth's ability to create new and unique flavours of doughnuts and baked goods that fulfil a gap in the market and continue to attract new customers.<sup>2</sup>]

  - I have provided an example relevant to the contemporary case study and linked it to one characteristic of a successful entrepreneur.<sup>1</sup>

- I have provided an example relevant to the contemporary case study and linked it to another characteristic of a successful entrepreneur.<sup>2</sup>

---

- I have signposted my response by using 'One characteristic' and 'Another characteristic'.

---

- I have referred to the business directly by using 'Bistro Morgan' and 'Morgan Hipworth'.

---

- I have used connecting words, such as 'Furthermore'.

---

- I have included a brief description of the contemporary case study.

**Other acceptable answers include:**

- Strong networking ability
- Determined
- Resourceful
- Knowledgeable

3. [Bistro Morgan is an iconic Melbourne-based bakehouse that was founded by young entrepreneur, Morgan Hipworth, and is renowned for its uniquely flavoured doughnuts. One area that Hipworth could have considered is operational feasibility, which would have involved determining if he could gain access to the required resources to properly establish his bakehouse.<sup>1</sup>][For example, if Hipworth was unable to find the appropriate doughnut-making equipment or gain access to a store location, like the one in Windsor, he may have determined that it was not possible or feasible to establish Bistro Morgan.<sup>2</sup>][Furthermore, another area that Hipworth may have considered is commercial feasibility, which would have involved assessing whether the business concept is affordable and profitable.<sup>3</sup>][Initially, Hipworth began selling his sweet treats in local cafes before transitioning to opening his own store and fulfilling customer orders. Through working with these local cafes, Hipworth was able to recognise the popularity of his baked goods and started to make a profit, helping him determine that his business concept was commercially viable and should therefore be pursued.<sup>4</sup>]

- I have identified and described one factor to consider when determining initial feasibility.<sup>1</sup>

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- I have provided an example relevant to the contemporary case study and linked it to my chosen factor.<sup>2</sup>

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- I have identified and described another factor to consider when determining initial feasibility.<sup>3</sup>

---

- I have provided an example relevant to the contemporary case study and linked it to my chosen factor.<sup>4</sup>

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- I have signposted my response by using 'One area' and 'Another area'.

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- I have referred to the business directly in my response by using 'Bistro Morgan' and 'Morgan Hipworth'.

---

- I have used connecting words, such as 'Furthermore'.

---

- I have included a brief description of the contemporary case study.

**Other acceptable answers include:**

- Market feasibility
- Technical feasibility
- Legal feasibility

4. [Bistro Morgan is an iconic Melbourne-based bakehouse that was founded by young entrepreneur, Morgan Hipworth, and is renowned for its uniquely flavoured doughnuts. One source of business opportunity is innovation, which involves creating and implementing new ideas or significantly improving upon an existing good, service, or way of doing something.<sup>1</sup>][When establishing Bistro Morgan, Hipworth took advantage of innovation by creating unique flavours of doughnuts and baked goods which attracted customers to the business and filled a gap in the market for sweet treats.<sup>2</sup>][Additionally, another source of business opportunity is market opportunity, which is a need or want that is not currently being met by any business.<sup>3</sup>][The unique creations that Hipworth produced were unlike any other sweet treats in the market, which allowed Bistro Morgan to establish a competitive advantage as no other business was meeting this customer need.<sup>4</sup>]

- I have identified and defined innovation as a source of business opportunity.<sup>1</sup>

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- I have provided an example relevant to the contemporary case study and linked it to innovation as a source of business opportunity.<sup>2</sup>

---

- I have identified and defined market opportunity as a source of business opportunity.<sup>3</sup>

---

- I have provided an example relevant to the contemporary case study and linked it to market opportunity as a source of business opportunity.<sup>4</sup>

---

- I have signposted my response by using 'One source' and 'another source'.

---

- I have referred to the business directly by using 'Bistro Morgan' and 'Morgan Hipworth'.

---

- I have used connecting words, such as 'Additionally'.

---

- I have included a brief description of the contemporary case study.

**Exam-style**

5. a. [Entrepreneurship is the process of establishing a business to satisfy a need in the market whilst taking on the associated risks.<sup>1</sup>]
- I have defined the term entrepreneurship.<sup>1</sup>

---
- b. [One skill that Phoenix will need to be a successful entrepreneur is leadership skills, which involves creating a shared business vision that inspires, supports, and persuades employees at PhoReal.<sup>1</sup>][Through the use of leadership skills, Phoenix can ensure employees are provided with a clear picture of the business's objectives for the future and are encouraged to work towards achieving PhoReal's vision, contributing to her success as an entrepreneur.<sup>2</sup>]
- I have described one skill of a successful entrepreneur.<sup>1</sup>

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  - I have outlined the importance of my chosen entrepreneurial skill.<sup>2</sup>

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  - I have signposted my response by using 'One skill'.

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  - I have referred to the business directly by using 'Phoenix' and 'PhoReal'.



**Other acceptable answers include:**

- Risk-taking skills
- Decision-making skills
- Innovation skills
- Networking skills
- Communication skills

c. [Business goals are what a business wants to achieve within a specific time frame.<sup>1</sup>] [As PhoReal is a new start-up business, Phoenix could develop a financial goal for the business, such as achieving a profit of \$60,000 in the first three months of operating.<sup>2</sup>] [It is important to set financial goals, as they can help motivate PhoReal employees to work towards a target and allow Phoenix to track business progress. If financial goals are met and PhoReal's profits are at a stable level, the restaurant may be able to allocate funds to improve the business, increasing the likelihood of business success.<sup>3</sup>]

✓ ✗ I have identified and defined business goals.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study.<sup>2</sup>

✓ ✗ I have linked my example to the importance of goal setting.<sup>3</sup>

✓ ✗ I have referred to the business directly by using 'PhoReal' and 'Phoenix'.

d. [One personal motivation behind Phoenix's decision to start a business is to make a profit, which involves a business generating more revenue than expenses incurred.<sup>1</sup>] [At PhoReal, Phoenix may be motivated by her ability to make a profit from selling healthy Vietnamese street food to local workers and achieving financial success.<sup>2</sup>] [Furthermore, another personal motivation behind starting PhoReal is to fulfil a market need, which is when a business fills a gap in the market by addressing customer needs that are currently unmet or underrepresented by competitors in the same industry.<sup>3</sup>] [For example, Phoenix may be motivated to open PhoReal and serve Vietnamese street food in the local business area where there is currently no nearby healthy food options to fulfil a market need of healthy food for nearby office workers.<sup>4</sup>]

✓ ✗ I have identified and defined making a profit as a personal motivation behind starting a business.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to making a profit as motivation behind starting a business.<sup>2</sup>

✓ ✗ I have identified and defined fulfilling a market need as a personal motivation behind starting a business.<sup>3</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to fulfilling a market need as motivation behind starting a business.<sup>4</sup>

✓ ✗ I have signposted my response by using 'One personal motivation' and 'another personal motivation'.

✓ ✗ I have referred to the business directly by using 'Phoenix' and 'PhoReal'.

✓ ✗ I have used connecting words, such as 'Furthermore'.

6. a. [Market research is the process of investigating and analysing the activities and behaviours of customers and competitors in a specific industry.<sup>1</sup>]

✓ ✗ I have defined the term market research.<sup>1</sup>

b. [Regional start-up hubs are physical spaces that individuals and businesses can utilise in order to have office facilities to work in, or to obtain support regarding business matters.<sup>1</sup>] [By providing businesses with a more affordable collective working space through regional start-up hubs, business owners can affordably complete their business activities and network with other like-minded people, sharing ideas and practices which foster a supportive culture of innovation and entrepreneurship.<sup>2</sup>]

✓ ✗ I have described regional start-up hubs.<sup>1</sup>

✓ ✗ I have outlined how regional start-up hubs can help foster a culture of innovation and entrepreneurship.<sup>2</sup>

c. [One way Little Liars can contribute to Australia's economic wellbeing is by providing employment opportunities to individuals living in Australia. This would involve Ezra hiring employees to work at Little Liars and fulfil various roles within the watch and accessories business.<sup>1</sup>] [By doing so, Ezra is positively contributing to the economic wellbeing of Australia as high levels of employment can provide greater disposable incomes to individuals, encouraging them to purchase goods and services and support the economic growth of the nation.<sup>2</sup>] [Furthermore, another way Little Liars can contribute to economic wellbeing is through taxation revenue. At Little Liars, Ezra is legally obliged to pay taxes to the government for any profits the watch accessories business has earned.<sup>3</sup>] [By paying taxes, Little Liars is contributing to the tax revenue that the government generates. This taxation revenue is then used to provide essential services, such as healthcare and education, to Australia which contributes to the overall economic wellbeing of the nation.<sup>4</sup>]

✓ ✗ I have identified and defined one way a business can contribute to the economic wellbeing of a nation.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to how my chosen factor can contribute to the economic wellbeing of a nation.<sup>2</sup>

✓ ✗ I have identified and defined another way a business can contribute to the economic wellbeing of a nation.<sup>3</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to how my chosen factor can contribute to the economic wellbeing of a nation.<sup>4</sup>

✓ ✗ I have signposted my response by using 'One way' and 'Another way'.

✓ ✗ I have referred to the business directly by using 'Little Liars' and 'Ezra'.

✓ ✗ I have used connecting words, such as 'Furthermore'.

**Other acceptable answers include:**

- Infrastructure
- Economic growth
- International trade
- Research and development

d. [The first principle of the SMART goal setting criteria is that business goals must be specific. Ezra's goals need to be clear and concise, as this ensures that there is no confusion amongst Little Liars' employees about the business's plans for the future.<sup>1</sup>] [The second principle is that goals must be measurable.

Goals that are measurable can be continuously evaluated by using quantifiable data. For example, Ezra could measure the number of watch sales per week.<sup>2</sup> [Thirdly, goals need to be attainable. Attainable goals are those that are challenging, but still achievable, so that employees of Little Liars are motivated to achieve them.<sup>3</sup>] [Furthermore, goals also need to be relevant and should be beneficial to the business's overall objectives. For example, a goal to increase the number of watches sold at Little Liars can lead to an increase in business profits, therefore improving the business's performance in the future.<sup>4</sup>] [Lastly, goals need to be time-bound. A time-bound goal is necessary to ensure accountability of employees, allowing goals to be achieved within specified time frames at Little Liars.<sup>5</sup>]

✓ ✗ I have provided an example relevant to the case study and linked it to the first principle of the SMART criteria.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to the second principle of the SMART criteria.<sup>2</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to the third principle of the SMART criteria.<sup>3</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to the fourth principle of the SMART criteria.<sup>4</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to the fifth principle of the SMART criteria.<sup>5</sup>

✓ ✗ I have signposted my response by using 'The first principle' and 'The second principle'.

✓ ✗ I have referred to the business directly by using 'Ezra' and 'Little Liars'.

✓ ✗ I have used connecting words such as 'Thirdly' and 'Lastly'.

7. a. [One way that a culture of innovation and entrepreneurship can be fostered in a nation is through school-based entrepreneurship programs, which is where the school curriculum is tailored to teach students relevant skills and knowledge to start a business.<sup>1</sup>] [Through implementing these programs, students are likely to have greater confidence when using their knowledge and skills, allowing them to develop new ideas and possibly become entrepreneurs in the future.<sup>2</sup>] [Furthermore, another way that a culture of innovation and entrepreneurship is created is through government investment in research and development, in which funding and assistance is provided to improve the affordability of research and development for businesses.<sup>3</sup>] [Consequently, businesses are likely to be more willing to undertake research and development projects as it is more affordable, helping to promote a culture of innovation and entrepreneurship.<sup>4</sup>]

✓ ✗ I have identified and described a method that fosters a culture of innovation and entrepreneurship in a nation.<sup>1</sup>

✓ ✗ I have provided an example of how my chosen method fosters a culture of innovation and entrepreneurship in a nation.<sup>2</sup>

✓ ✗ I have identified and described another method that fosters a culture of innovation and entrepreneurship in a nation.<sup>3</sup>

✓ ✗ I have provided an example of how my chosen method fosters a culture of innovation and entrepreneurship in a nation.<sup>4</sup>

✓ ✗ I have signposted my response by using 'One way' and 'another way'.

✓ ✗ I have used connecting words, such as 'Furthermore' and 'Consequently'.

**Other acceptable answers include:**

- Council grants
- Regional start-up hubs

- b. [One way that Dairy Land contributes to the economic wellbeing of Australia is through providing taxation revenue. At Dairy Land, Sandra's milk products earn profits when sold to customers and local supermarkets, therefore she must annually pay a proportion of these earnings to the government which allows Australia to finance public goods and services.<sup>1</sup>] [Additionally, another way Dairy Land can contribute to economic wellbeing is if Sandra engages in international trade which is the exchange of goods and services between different countries. Sandra could export Dairy Land's milk products to countries overseas, therefore providing greater income to the Australian economy.<sup>2</sup>] [Moreover, one way that Dairy Land can contribute to the social wellbeing of a nation is by helping to lower crime rates by providing employment opportunities. By employing individuals at Dairy Land, this lowers the number of people who will resort to crime as a source of income, improving the overall social wellbeing within the community.<sup>3</sup>] [Finally, another way that Dairy Land can contribute to social wellbeing is by having environmentally friendly policies, products, and production methods. For example, Dairy Land may produce plant-based milk to improve the quality of the environment in the local area and create a more sustainable future.<sup>4</sup>]

✓ ✗ I have provided an example relevant to the case study and linked it to one way a business contributes to the economic wellbeing of a nation.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to another way a business contributes to the economic wellbeing of a nation.<sup>2</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to one way a business contributes to the social wellbeing of a nation.<sup>3</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to another way a business contributes to the social wellbeing of a nation.<sup>4</sup>

✓ ✗ I have signposted my response by using 'One way' and 'another way'.

✓ ✗ I have referred to the business directly by using 'Dairy Land' and 'Sandra'.

✓ ✗ I have used connecting words, such as 'Additionally' and 'Moreover'.

**Other acceptable answers include:**

- Infrastructure
- Economic growth
- International trade
- Research and development

## 2A The internal environment and the external environment

### Theory review

- A. True. *Business owners must understand and continuously assess the business environment in order to keep up-to-date with a changing society and achieve success.*
- B. *The business environment is broadly divided into the internal and external environments, with each environment able to be further divided.*
- A. True. *While the business environment is generally considered unpredictable and dynamic, the internal environment comprises factors that a business can control.*
- minimal control. *A business has the least control over factors in the external environment. There are some factors in the external environment it has partial control over (operating factors), and some aspects it has no control over (macro factors).*
- B. False. *A business needs to plan for both the internal and external environment because they both impact business decision-making and operations.*
- external; internal. *Technological advancements are outside the control of the business, therefore, they are a part of the external environment. These technological advancements can affect the internal resourcing requirements of the business as technology could replace human labour or change a business's policies and procedures.*
- B. False. *Whilst economic conditions are a part of the business's external environment, changing customer expectations are also within this external environment as the business has a lesser degree of control over how customers develop these expectations.*
- A. True. *Both the internal and external environments can influence and affect each other. Hence, a business should consider how the external environment could affect the internal environment during business planning and operations.*

### Preparing for exams

#### Case study skills

9. II; III

#### Exam-style

- [The internal environment involves factors within a business that a business has control over.<sup>1</sup>]  
  I have defined the term internal environment.<sup>1</sup>
- [The external environment involves the surrounding factors that can impact a business, which it has minimal control over.<sup>1</sup>]  
  I have defined the term external environment.<sup>1</sup>
- [The internal environment involves factors within a business that a business has control over.<sup>1</sup>][On the other hand, the external environment involves the surrounding factors that can impact a business, which it has minimal control over.<sup>2</sup>]

[One key difference between these environments is that the business has control over the internal environment factors, such as resources and location, whereas, the business has reduced or no control over external environment factors, such as economic and global considerations.<sup>3</sup>]

- I have defined the internal environment.<sup>1</sup>
- I have defined the external environment.<sup>2</sup>
- I have provided a key difference between the internal and external environment.<sup>3</sup>
- I have signposted my response by using 'One key difference'.
- I have used comparison words, such as 'On the other hand' and 'whereas', when distinguishing.

13. [The internal environment involves factors within a business that a business has control over.<sup>1</sup>][The external environment involves the surrounding factors that can impact a business, which it has minimal control over.<sup>2</sup>][The environment that the business operates in consists of both the internal and external environment and a business needs to consider both in order to remain competitive in the ever-changing business context. A business can change internal factors to align with, or respond to external factors which it cannot control.<sup>3</sup>]

- I have defined the internal environment.<sup>1</sup>
- I have defined the external environment.<sup>2</sup>
- I have provided a link between the internal environment and the external environment of a business.<sup>3</sup>

14. [Chocolat's internal environment consists of factors that Chi has control over, such as the chocolate products and employees that are both resources within the business.<sup>1</sup>][Chocolat's external environment consists of factors that Chi has no or less control over, such as the Belgium suppliers and customers.<sup>2</sup>][The environment that Chocolat operates in consists of both the internal and external environment and Chi needs to consider both in order to remain successful in the chocolate industry. Chi can change to higher quality suppliers and ensure that employees are trained in dealing with difficult customers, therefore as these changes are part of the internal business environment, they can lead to greater business success<sup>3</sup>]

- I have provided an example relevant to the case study and linked it to the internal environment.<sup>1</sup>
- I have provided an example relevant to the case study and linked it to the external environment.<sup>2</sup>
- I have provided an example relevant to the case study and linked it to the relationship between the internal and external environment.<sup>3</sup>
- I have referred to the business directly by using 'Chocolat' and 'Chi'.

## Testing previous knowledge

15. [Changing customer needs are the transitions in the desires of consumers.<sup>1</sup>] [Changing customer needs can act as a source of business opportunity as businesses that predict what customers will want in the near future can modify or create goods and services before competitors do. For example, the changing customer need of wanting more dietary options available for vegetarians and vegans.<sup>2</sup>] [Changing customer needs is a factor within the external operating environment because the business has a lesser degree of control over this but can plan for these changing customer needs to remain competitive in the market.<sup>3</sup>]

I have defined changing customer needs.<sup>1</sup>

I have provided an example of how changing customer needs can act as a source of business opportunity.<sup>2</sup>

I have outlined how changing customer needs is a part of the external operating environment.<sup>3</sup>

## 2B Types of businesses

### Theory review

1. B. False. *Only businesses that are incorporated, including private limited and public listed companies, are considered companies.*
2. B. False. *Companies are an incorporated business structure because the business owner and the business are considered separate legal entities.*
3. B. False. *Only public listed companies can sell their shares on the ASX to any member of the general public. Private limited companies can only sell their shares to individuals who have been approved by the board of directors.*
4. sole trader; company. *A sole trader is inexpensive to set up, whereas a company is expensive to set up due to additional fees, such as the incorporation fee.*
5. A. True. *Sole traders have a higher level of control as they have full ownership of their business, whereas the many shareholders of public listed companies have less individual control.*
6. A. True. *As a sole trader is an individual business owner, the skills and expertise are limited to the sole trader.*
7. B. False. *Although social enterprises need to make a profit in order to be viable, their main objective is to support social or environmental causes. Hence, social enterprises will devote the majority of their profits to fulfilling the social or environmental cause, rather than shareholders and owners.*
8. B. False. *Government business enterprises do need to make a profit as they are self-funded in their operations and governments may only be relied upon for the initial financial investment.*
9. B. False. *Government business enterprises are owned and operated by the government. Social enterprises will be owned by shareholders if they have private company structure, but this differs for every social enterprise.*
10. A. True. *A variety of factors, such as risk, resources, level of control, and cost should be considered so that an informed decision regarding the type of business can be made.*

## Preparing for exams

### Case study skills

11. A                      12. III; IV                      13. B

14. I and III are advantages. II and IV are disadvantages.

### Exam-style

15. [A government business enterprise is a business that is owned and operated by the government.<sup>1</sup>]

I have defined the term government business enterprise.<sup>1</sup>

16. [One feature of a sole trader is that the business owner has unlimited liability which means that they are held personally responsible for the business's debts.<sup>1</sup>] [Another feature of a sole trader is that it is owned and operated by one individual, so this one individual has full decision-making power and control over the business.<sup>2</sup>]

I have outlined one feature of a sole trader.<sup>1</sup>

I have outlined another feature of a sole trader.<sup>2</sup>

I have signposted my response by using 'One feature' and 'Another feature'.

17. [One factor that a business should consider before choosing to be a social enterprise is risk, as there can be a high level of risk in finding the right balance between fulfilling the social or environmental needs whilst making a profit.<sup>1</sup>] [Another factor that a business should consider is cost, as it is typically more difficult to obtain a bank loan since the social enterprise does not focus purely on financial objectives.<sup>2</sup>]

I have outlined one factor that a business should consider before choosing to be a social enterprise.<sup>1</sup>

I have outlined another factor that a business should consider before choosing to be a social enterprise.<sup>2</sup>

I have signposted my response by using 'One factor' and 'Another factor'.

18. [A factor that a business should consider before choosing a public listed company structure is the level of risk involved.<sup>1</sup>] [By choosing a public limited company structure, shareholders have a reduced risk as they have limited liability, meaning their level of risk is relative to their original investment in the company.<sup>2</sup>]

I have identified a factor that a business should consider before choosing a public listed company structure.<sup>1</sup>

I have explained the factor.<sup>2</sup>

I have signposted my response by using 'A factor'.

19. [Aadya, Alora, and Anisha should use a partnership structure for their business, which is an unincorporated business structure that can have two to 20 owners.<sup>1</sup>] [A partnership structure would be appropriate for both Aadya, Alora, and Anisha as they want to share business profits and dog walking responsibilities.<sup>2</sup>]

[Another benefit of a partnership structure is that it is inexpensive and easy to set up, which is particularly important for the three best friends as they are wanting to save money when starting the business.<sup>3</sup>]

- I have identified and defined an appropriate type of business.<sup>1</sup>

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- I have provided an example relevant to the case study and linked it to an advantage of my chosen type of business.<sup>2</sup>

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- I have provided an example relevant to the case study and linked it to another advantage of my chosen type of business.<sup>3</sup>

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- I have signposted my response by using 'Another benefit'.

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- I have referred to the business directly by using 'Aadya, Alora, and Anisha'.

**Note:** Partnership is the only acceptable response.

20. [Stylz Pty Ltd has adopted a private limited company structure, which is an incorporated business structure that has at least one director and up to 50 shareholders.<sup>1</sup>][One advantage of a private limited company is that the ten shareholders of Stylz Pty Ltd all have limited liability so are not held personally responsible if the business has debt.<sup>2</sup>][Another advantage is that there is greater access to expertise and ideas as more people are involved in Stylz Pty Ltd.<sup>3</sup>][However, a disadvantage is that Stylz Pty Ltd will need to complete complex reporting requirements, such as an annual report and record keeping, which can be time consuming.<sup>4</sup>][Another disadvantage is that Stylz Pty Ltd could face financial hardship since a private limited company structure is expensive to set up and maintain.<sup>5</sup>]

- I have identified and defined private limited company.<sup>1</sup>

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- I have provided an example relevant to the case study and linked it to an advantage of operating as a private limited company.<sup>2</sup>

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- I have provided an example relevant to the case study and linked it to another advantage of operating as a private limited company.<sup>3</sup>

---

- I have provided an example relevant to the case study and linked it to a disadvantage of operating as a private limited company.<sup>4</sup>

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- I have provided an example relevant to the case study and linked it to another disadvantage of operating as a private limited company.<sup>5</sup>

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- I have signposted my response by using 'One advantage' and 'Another advantage'.

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- I have referred to the business directly by using 'Stylz Pty Ltd' and 'Sabrina'.

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- I have used connecting words, such as 'However'.

**Note:** Private limited company is the only acceptable answer.

## Testing previous knowledge

21. [The internal environment consists of factors within a business that a business has control over.<sup>1</sup>]
- I have defined the term internal environment.<sup>1</sup>

## 2C Types of business models

### Theory review

- A. True. A business model can aid a business's plan for success as it outlines how the business needs to operate in order to generate revenue and make a profit.
- A. True. An online business model allows customers to purchase products anywhere, at any time, providing them with flexibility and convenience.
- bricks-and-mortar; online. An online business model has a low level of face-to-face customer interaction as there is no in-person customer experience unlike a bricks-and-mortar store.
- A. True. In order to remain competitive in the technologically-developed business world, most bricks-and-mortar businesses also have an online presence where they promote their products to a wider audience.
- B. A direct-to-consumer business model sells products directly to consumers without the use of intermediaries, such as a wholesaler or online market platforms.
- franchisee; franchisor. The franchisor sells the franchisee the rights to use the franchisor's business name and distribute its products, for an upfront fee, as well as monthly fees for promotional material, and a percentage of the revenue.
- importer; exporter. An importer brings overseas products back to its home country to sell, whereas an exporter sells to overseas buyers.
- B. False. Businesses can incorporate more than one business model in their operations. For example, a business could have a bricks-and-mortar model but also be a franchise.

### Preparing for exams

#### Case study skills

- II and IV are advantages. I and III are disadvantages.
- B
- I and II are advantages. III and IV are disadvantages.

#### Exam-style

12. [A franchise is a business model that grants another person the right to operate under its name, use its business systems, and sell its goods and services.<sup>1</sup>]
- I have defined the term franchise.<sup>1</sup>
- 
13. [An importer purchases goods and services from overseas and sells them in its home country.<sup>1</sup>]
- I have defined the term importer.<sup>1</sup>

14. [One advantage of an exporter business model is that exporting can grow local industries in the home country where products are produced.<sup>1</sup>][However, one disadvantage is that it may be difficult to understand and cater to the different cultures and overseas laws.<sup>2</sup>]

I have outlined an advantage of an exporter business model.<sup>1</sup>

I have outlined a disadvantage of an exporter business model.<sup>2</sup>

I have signposted my response by using 'One advantage' and 'one disadvantage'.

I have used connecting words, such as 'However'.

15. [One advantage of a direct-to-consumer business model is that the business owner has total control over the brand's presence and advertising since the business uses no intermediaries to sell its products.<sup>1</sup>][However, one disadvantage is that there could be difficulty in scaling up the business since intermediaries, such as retailers and wholesalers, are not being used.<sup>2</sup>]

I have outlined an advantage of a direct-to-consumer business model.<sup>1</sup>

I have outlined a disadvantage of a direct-to-consumer business model.<sup>2</sup>

I have signposted my response by using 'One advantage' and 'one disadvantage'.

I have used connecting words, such as 'However'.

16. [One advantage of an online business model is that it provides Shaver Supply's customers with greater convenience as they are able to purchase shaving and grooming products anytime and anywhere.<sup>1</sup>][Another advantage is that operating online is typically less expensive than having a physical store presence as Dominic can avoid the costs for renting a storefront.<sup>2</sup>][However, one disadvantage is that Shaver Supply's customers may be reluctant to buy the shaving and grooming products as they cannot touch and test them before they purchase, which could be quite important especially for those with sensitive skin.<sup>3</sup>][Another disadvantage of the online business model is that it may be costly and time consuming for Dominic to train employees to fulfil Shaver Supply's online orders.<sup>4</sup>][Overall, Dominic has chosen a suitable business model for Shaver Supply because although customers cannot try the products, an online business model provides convenience for the customers as they can purchase products at anytime and from anywhere.<sup>5</sup>]

I have provided an example relevant to the case study and linked it to an advantage of the online business model.<sup>1</sup>

I have provided an example relevant to the case study and linked it to another advantage of the online business model.<sup>2</sup>

I have provided an example relevant to the case study and linked it to a disadvantage of the online business model.<sup>3</sup>

I have provided an example relevant to the case study and linked it to another disadvantage of the online business model.<sup>4</sup>

I have provided an opinion on the online business model by summarising the advantages and the disadvantages.<sup>5</sup>

I have signposted my response by using 'One advantage' and 'Another advantage'.

I have referred to the business directly by using 'Shaver Supply' and 'Dominic'.

I have used connecting words, such as 'However' and 'Overall'.

17. [Yusuf's Butcher has a bricks-and-mortar business model because it has a physical store presence on a busy shopping strip.<sup>1</sup>][One advantage of Yusuf's Butcher having a bricks-and-mortar business model is that the gourmet meats can be displayed and promoted at the front of the store, which can attract customers to purchase the meats.<sup>2</sup>][Another advantage is that Yusuf is able to interact with the locals face-to-face, which promotes strong customer relationships.<sup>3</sup>][However, a disadvantage of a bricks-and-mortar business model is that customers may experience long queues and crowding in the butcher, which they may find inconvenient.<sup>4</sup>][Another disadvantage of a bricks-and-mortar business model is that Yusuf will need to pay rent for the location on this shopping strip, as well as the store features and facilities.<sup>5</sup>]

I have identified and defined the bricks-and-mortar business model.<sup>1</sup>

I have provided an example relevant to the case study and linked it to an advantage of the bricks-and-mortar business model.<sup>2</sup>

I have provided an example relevant to the case study and linked it to another advantage of the bricks-and-mortar business model.<sup>3</sup>

I have provided an example relevant to the case study and linked it to a disadvantage of the bricks-and-mortar business model.<sup>4</sup>

I have provided an example relevant to the case study and linked it to another disadvantage of the bricks-and-mortar business model.<sup>5</sup>

I have signposted my response by using 'One advantage' and 'Another disadvantage'.

I have referred to the business directly by using 'Yusuf's Butcher' and 'Yusuf'.

I have used connecting words, such as 'However'.

### Testing previous knowledge

18. [Goodness Greens Pty Ltd utilises a private limited company structure, which is an incorporated business structure that has at least one director and up to 50 shareholders.<sup>1</sup>][One advantage of Goodness Greens Pty Ltd's franchise business model is that there are established food and cleaning systems and processes in place, reducing the amount of time that is needed for franchisees, such as Ying, to establish the business.<sup>2</sup>][Another advantage is that sales are likely to be high across all stores as there is already customer awareness of the healthy food chain.<sup>3</sup>]

I have identified and defined a private limited company.<sup>1</sup>

I have provided an example relevant to the case study and linked it to an advantage of the franchise business model.<sup>2</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of the franchise business model.<sup>3</sup>

✓ ✗ I have signposted my response by using 'One advantage' and 'Another advantage'.

✓ ✗ I have referred to the business directly by using 'Goodness Greens Pty Ltd' and 'Ying'.

✓ ✗ I have provided a disadvantage of establishing a new business.<sup>1</sup>

✓ ✗ I have provided another disadvantage of establishing a new business.<sup>2</sup>

✓ ✗ I have signposted my response by using 'One disadvantage' and 'Another disadvantage'.

## 2D Purchasing vs establishing a business

### Theory review

1. A. True. *There are different reasons for choosing to start a business from scratch rather than buying an existing business, for example taking over a family business or a previous workplace.*
2. A. True. *Purchasing an established business comes with an existing customer base so it is less risky in terms of generating sales.*
3. B. False. *As purchasing an existing business involves buying a business that is already set up and operating, the purchase also includes the cost of existing stock and equipment.*
4. B. False. *Employees not wanting to cooperate with the change in ownership is a disadvantage as it can slow down the business's operations.*
5. A. True. *Goodwill exists with an established business as it has built up a reputation over time, however, when starting a business, there is no reputation yet so goodwill does not exist.*
6. I; III. *Before starting a new business, the owner needs to consider factors, such as the hiring and training of employees, and the location of the business, since the business is being set up entirely from scratch.*
7. A. True. *The ability to have control in decision-making is an advantage as the owner can decide on the processes and systems that they want.*
8. A. True. *Starting a new business is the best option as it may be difficult to purchase a different business and transform it, and an innovative concept is likely to perform well in the market.*
9. A. True. *Both methods of acquiring a business are viable options as there are various advantages that suit different needs, such as having an existing customer base or having full decision-making control.*

### Preparing for exams

#### Case study skills

10. III and IV are advantages. I and II are disadvantages.
11. I and III are advantages. II and IV are disadvantages.

#### Exam-style

12. [One disadvantage of establishing a new business is that equipment and facilities need to be paid for as these are not already set up.<sup>1</sup>] [Another disadvantage is that there may be difficulty in building a customer base as the business is new and people are not familiar with it.<sup>2</sup>]

13. [One advantage of purchasing an established business is that there is already stock ready to be used so a buyer can save time as they are under less time pressure to find and obtain resources to create stock.<sup>1</sup>] [Another advantage is that the seller and existing employees can advise and assist new owners on how to successfully operate the business.<sup>2</sup>]

✓ ✗ I have provided an advantage of purchasing an existing business.<sup>1</sup>

✓ ✗ I have provided another advantage of purchasing an existing business.<sup>2</sup>

✓ ✗ I have signposted my response by using 'One advantage' and 'Another advantage'.

14. [One advantage of purchasing Chopped is that it has a great reputation for selling fresh and healthy salads so there is an established and loyal customer base.<sup>1</sup>] [Another advantage is that stock, such as vegetables and containers, have already been obtained so time spent finding suppliers for those resources is saved.<sup>2</sup>] [However, one disadvantage is that the employees working to make and serve salads at Chopped could be uncooperative with Emily becoming the new owner.<sup>3</sup>] [Another disadvantage is that, since Chopped is a successful business, Emily would need to pay more money to purchase it than if she started a business from scratch, as there are goodwill costs when purchasing an existing business.<sup>4</sup>]

✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of purchasing an existing business.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of purchasing an existing business.<sup>2</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to a disadvantage of purchasing an existing business.<sup>3</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to another disadvantage of purchasing an existing business.<sup>4</sup>

✓ ✗ I have signposted my response by using 'One advantage' and 'Another disadvantage'.

✓ ✗ I have referred to the business directly by using 'Chopped' and 'Emily'.

✓ ✗ I have used connecting words, such as 'However'.

15. [One advantage of Vishal starting a new business is that no goodwill costs need to be paid, so he is able to save money.<sup>1</sup>] [Another advantage is that he can choose the location, store layout, and employees of his mattress and bed frame business as he will have full decision-making power.<sup>2</sup>] [However, a disadvantage is that, since Vishal's business is yet to start and there is no business reputation, he may experience greater difficulty in securing finance.<sup>3</sup>] [Another disadvantage is that Vishal will need to find and purchase supplies for his new business concept which may require a large investment in time and money.<sup>4</sup>] [Overall, it would be beneficial for Vishal to establish a new business as his new idea has the potential to succeed, despite the presence of some difficulties.<sup>5</sup>]

I have provided an example relevant to the case study and linked it to an advantage of establishing a new business.<sup>1</sup>

I have provided an example relevant to the case study and linked it to another advantage of establishing a new business.<sup>2</sup>

I have provided an example relevant to the case study and linked it to a disadvantage of establishing a new business.<sup>3</sup>

I have provided an example relevant to the case study and linked it to another disadvantage of establishing a new business.<sup>4</sup>

I have provided an opinion on establishing a new business by summarising the advantages and disadvantages.<sup>5</sup>

I have signposted my response by using 'One advantage' and 'Another disadvantage'.

I have referred to the business directly by using 'Vishal'.

I have used connecting words, such as 'However' and 'Overall'.

### Testing previous knowledge

16. [An online business is a business model where goods and services are traded via the internet.<sup>1</sup>] [One advantage of establishing a new online business is that the owner can provide something different that is currently not offered in the online marketplace.<sup>2</sup>] [However, one disadvantage is that it may require a lot of time to establish business processes, systems, and softwares.<sup>3</sup>]

I have defined online business.<sup>1</sup>

I have outlined one advantage of establishing a new online business.<sup>2</sup>

I have outlined one disadvantage of establishing a new online business.<sup>3</sup>

I have signposted my response by using 'One advantage' and 'one disadvantage'.

I have used connecting words, such as 'However'.

## 2E Business resource needs

### Theory review

- B. False. *Businesses have different resource needs depending on the nature of their work environment and operations.*
- A. True. *The cost of natural resources should be considered when planning because choosing natural resources that are cheaper may decrease costs for the business, therefore, this may help to increase profits.*
- natural; capital. *Water is an unprocessed material that a business needs to produce its products, however, machinery is a man-made good that is used in production.*
- A. True. *Purchasing capital resources can be initially expensive, but if the resources also require continuous maintenance, then this can be quite costly for businesses.*
- capital; labour. *Capital resources, such as technology and equipment, are used in the production of goods and services, whereas labour resources provide the skills and qualifications needed for production.*
- skills and knowledge. *A business must consider the skills and knowledge required to perform roles as it must ensure its employees are equipped with the appropriate skills and knowledge to complete tasks to an appropriate standard.*
- B. False. *The weighting of the importance of resources depends on what each business views as its main operation and what is needed in its work environment.*
- A. True. *Businesses need a variety of resources in order to produce the goods and services they sell and operate properly.*

### Preparing for exams

#### Case study skills

- I; II; IV
- II; III
- I; II; IV

#### Exam-style

12. [Natural resources are raw materials from the environment that are used in the production of goods and services.<sup>1</sup>] [One example of a natural resource is precious metals, such as gold.<sup>2</sup>]

I have defined natural resources.<sup>1</sup>

I have provided an example of a natural resource.<sup>2</sup>

I have signposted my response by using 'One example'.

13. [Capital resources are man-made goods used in the production of goods and services.<sup>1</sup>] [One example of a capital resource that a business may use is a forklift.<sup>2</sup>]

I have defined capital resources.<sup>1</sup>

I have provided an example of a capital resource.<sup>2</sup>

I have signposted my response by using 'One example'.



14. [One factor that Tasty Tuna should consider when planning its labour resources is the skills and knowledge of its employees.<sup>1</sup>] [Tasty Tuna's employees need to be qualified in fishing tuna and understand the safety precautions concerning the handling and processing of food, thus having the required skills and knowledge must be considered when hiring employees.<sup>2</sup>] [Moreover, another factor that Tasty Tuna should consider when planning its labour resources is the cost of their salary or wage.<sup>3</sup>] [Labour resources add extra costs to the business, so Tasty Tuna must ensure it is willing and able to afford to pay these employees.<sup>4</sup>]

- I have identified and described a factor that a business should consider when planning for labour resources.<sup>1</sup>
- 
- I have provided an example relevant to the case study and linked it to planning for labour resources.<sup>2</sup>
- 
- I have identified and described another factor that a business should consider when planning for labour resources.<sup>3</sup>
- 
- I have provided an example relevant to the case study and linked it to planning for labour resources.<sup>4</sup>
- 
- I have signposted my response by using 'One factor' and 'another factor'.
- 
- I have referred to the business directly by using 'Tasty Tuna'.
- 
- I have used connecting words, such as 'Moreover'.

15. [One resource that Tee Me would need to consider is natural resources, which are raw materials from the environment that are used in the production of goods and services.<sup>1</sup>] [One factor that Tanzila could consider is the environmental impact of sourcing its natural resources. Tee Me could try to source cotton that is organic and from sustainable sources to ensure it aligns with that environmental consideration.<sup>2</sup>] [Moreover, another resource that Tee Me would need to consider is capital resources, which are the man-made goods used in the production of goods and services.<sup>3</sup>] [A factor that Tanzila could consider is environmental sustainability. Tee Me would need sewing machines and equipment to make the customisable patterns, therefore it could choose capital resources that reduce the business's environmental impact by reducing waste generated in production.<sup>4</sup>]

- I have identified and described a resource that a business would require to operate.<sup>1</sup>
- 
- I have provided an example relevant to the case study and linked it to a factor that needs to be considered when planning for my chosen resource.<sup>2</sup>
- 
- I have identified and described another resource that a business would require to operate.<sup>3</sup>
- 
- I have provided an example relevant to the case study and linked it to a factor that needs to be considered when planning for my chosen resource.<sup>4</sup>
- 
- I have signposted my response by using 'One resource' and 'One factor'.
- 
- I have referred to the business directly by using 'Tee Me' and 'Tanzila'.
- 
- I have used connecting words, such as 'Moreover'.

**Other acceptable answers include:**

- Labour resources

### Testing previous knowledge

16. [Bricks-and-mortar is a business model that has a physical store presence.<sup>1</sup>] [One resource that Tai would need to consider when establishing her new business is the labour resources, which are the people who provide the business with their skills and qualifications to conduct business activities. This may include sales staff who work in the bricks-and-mortar store.<sup>2</sup>] [Another resource that Tai could consider are capital resources, which are man-made goods used in the production of goods and services, such as the EFTPOS machine and cash register that Tai would have inside her physical store.<sup>3</sup>]

- I have defined the term bricks-and-mortar.<sup>1</sup>
- 
- I have identified and described one resource that would need to be considered when establishing a bricks-and-mortar business.<sup>2</sup>
- 
- I have identified and described another resource that would need to be considered when establishing a bricks-and-mortar business.<sup>3</sup>
- 
- I have signposted my response by using 'One resource' and 'Another resource'.
- 
- I have referred to the business directly by using 'Tai'.

**Other acceptable answers include:**

- Natural resources

## 2F Business locations

### Theory review

1. A. True. *Each business has different operations and factors influencing its operations, so different businesses would need a location to suit and benefit their specific needs.*
2. B. False. *Businesses do not need to have a physical store location. For example, an online business may not have a physical store presence as it conducts all its operations via the internet.*
3. B. False. *A shopping centre has very high visibility and accessibility as they are generally busy and have high foot traffic.*
4. A. True. *Shopping centres and shopping strips both are expensive to rent due to the high visibility and exposure to customers, which can lead to increases in sales.*
5. A. True. *Shopping strips often attract the locals of the area so the business should understand the market before locating there.*
6. home business; shopping strip. *Home businesses have less visibility as they are located in residential streets, whereas, shopping strips are often located on main roads.*
7. A. True. *Home businesses allow the owner to work from home resulting in more time to spend with family and shorter travel times.*
8. online business; shopping strip. *The global market has access to online businesses so the customer base is very large and diverse, but for shopping strips, it is generally the locals who are customers.*

9. B. False. *Online businesses must still consider laws and regulations, for example, any shipping restrictions, payment gateways, and taxes.*
10. A. True. *The location of a business is important as it has the ability to connect customers with the business, therefore helping to increase sales.*

## Preparing for exams

### Case study skills

11. A
12. B
13. II and IV are advantages. I and III are disadvantages.

### Exam-style

14. [A factor that a business should consider before choosing a shopping strip location is the demographic of the local area, such as the age, income level, and gender.<sup>1</sup>] [This factor is important to consider as locals of the area often shop on the shopping strip so the business must ensure that the customers are interested in their products.<sup>2</sup>]

I have identified and described one factor that a business should consider when choosing to locate on a shopping strip.<sup>1</sup>

I have explained why my chosen factor needs to be considered.<sup>2</sup>

I have signposted my response by using 'A factor'.

15. [A factor that an online business should consider when choosing their location is the proximity to competitors, which are nearby businesses that offer similar goods and services.<sup>1</sup>] [Online businesses operate on the internet which means that they are easily accessible and have many other businesses as their competition.<sup>2</sup>]

I have identified and described one factor that a business should consider when choosing an online location.<sup>1</sup>

I have explained why my chosen factor needs to be considered.<sup>2</sup>

I have signposted my response by using 'A factor'.

16. [Cosy Cotton needs to consider the proximity of complementary businesses, which are nearby businesses that attract the same customer base by selling goods or services that support Cosy Cotton's products.<sup>1</sup>] [Cosy Cotton could consider being located near stores such as children's shoe shops and toy stores, since these are complementary businesses and could bring in more customers to their store.<sup>2</sup>] [Moreover, Cosy Cotton also needs to consider the proximity of competitors, which are businesses that sell similar goods and have the ability to take away potential customers.<sup>3</sup>] [Being close to businesses that also sell affordable children's clothing could cause people to choose the competitor over Cosy Cotton, therefore lowering its number of customers.<sup>4</sup>]

I have identified and described proximity of complementary businesses as a factor affecting the choice of location.<sup>1</sup>

I have provided an example relevant to the case study and linked it to why the proximity of complementary businesses needs to be considered.<sup>2</sup>

I have identified and described proximity of competitors as a factor affecting the choice of location.<sup>3</sup>

I have provided an example relevant to the case study and linked it to why the proximity of competitors needs to be considered.<sup>4</sup>

I have referred to the business directly by using 'Cosy Cotton'.

I have used connecting words, such as 'Moreover'.

17. [One advantage of Hailey having a home business is that there is no need to pay additional rent for a business location, hence lowering operating costs.<sup>1</sup>] [Another advantage of Hailey's Hair Salon being a home business is there is no need to travel to a different location, and this enables Hailey to save travel time and work more productively.<sup>2</sup>] [However, a disadvantage of having a home business is that it is located in a residential street, reducing visibility and making it hard for people to discover and locate the hairdresser.<sup>3</sup>] [Another disadvantage is that Hailey would need to free up space in her house to put hairdressing equipment and tools, therefore there will be less house space available for Hailey and her family.<sup>4</sup>]

I have provided an example relevant to the case study and linked it to an advantage of the business location of a home business.<sup>1</sup>

I have provided an example relevant to the case study and linked it to another advantage of the business location of a home business.<sup>2</sup>

I have provided an example relevant to the case study and linked it to a disadvantage of the business location of a home business.<sup>3</sup>

I have provided an example relevant to the case study and linked it to another disadvantage of the business location of a home business.<sup>4</sup>

I have signposted my response by using 'One advantage' and 'Another advantage'.

I have referred to the business directly by using 'Hailey' and 'Hailey's Hair Salon'.

I have used connecting words, such as 'However'.

### Testing previous knowledge

18. [Bricks-and-mortar is a business model that has a physical store presence.<sup>1</sup>] [A factor that a bricks-and-mortar business should consider before choosing to locate in a shopping centre is the proximity to complementary businesses, for example, a complementary business to a men's suit store could be a men's leather shoe store.<sup>2</sup>] [This factor is important to consider because there is a high likelihood of being close to complementary businesses within a shopping centre as there are a variety for stores, and if a business can locate themselves near a complementary business, this has the potential to increase their sales.<sup>3</sup>]

I have defined the term bricks-and-mortar business.<sup>1</sup>

I have identified and explained a factor that a bricks-and-mortar business should consider when choosing to locate in a shopping centre.<sup>2</sup>

I have provided a reason why my chosen factor needs to be considered.<sup>3</sup>

I have signposted my response by using 'A factor'.

## 2G Sources of finance

### Theory review

1. A. True. *Businesses should plan which of the various financing options best suits their needs. This decision is impacted by factors such as cost, business structure, level of control, and flexibility.*
2. B. False. *Businesses should choose the most appropriate method of financing for them. For example, a business that is looking for a short-term source of finance and does not mind high levels of interest would be suited to use an overdraft.*
3. public; private. *Public equity is where shares are sold on the ASX to obtain capital from shareholders, whereas, private equity can be obtained from selling shares to selected individuals or businesses.*
4. debt capital; equity capital. *Debt has to be repaid back with the addition of interest, however, equity capital does not involve borrowing money meaning repayments are not required.*
5. B. False. *Businesses have a low level of control when funded by a government grant as the grant must be used for the stated purpose.*
6. B. False. *Government grants do not need to be paid back as the government provides the grant with the purpose of that business contributing to the economy and/or community.*
7. A. True. *Government grants require the government to check that the business meets all the conditions of the grant, and overdrafts involve assessing the business's finances to ensure that it will be able to pay back the money.*
8. A. True. *Overdrafts should not be used in the long term as the interest rates are high and are often used to assist with short-term cash flow issues.*
9. A. True. *Money is primarily sourced through financial methods by the business in order to establish or develop it.*

### Preparing for exams

#### Case study skills

10. III; IV      11. I; II; IV

#### Exam-style

12. [Overdraft facilities are agreements between banks and businesses or individuals, that allow a bank account to be withdrawn below zero.<sup>1</sup>]  
  I have defined overdraft facilities as a source of finance.<sup>1</sup>
13. [Debt capital is money that has been lent to a business by an external source that must be paid back over time with interest.<sup>1</sup>]  
  I have defined debt capital as a source of finance.<sup>1</sup>
14. [One factor to consider for equity capital is flexibility. Private and public equity sources are more flexible than personal equity as more capital from others is involved.<sup>1</sup>]

[Another factor to consider is business structure. Sole traders and partnerships would gain equity from personal sources, whereas, private and public companies raise equity through selling shares to private investors or on the ASX, respectively.<sup>2</sup>]

I have provided one factor to consider when using equity capital as a source of finance.<sup>1</sup>

I have provided another factor to consider when using equity capital as a source of finance.<sup>2</sup>

I have signposted my response by using 'One factor' and 'Another factor'.

#### Other acceptable answers include:

- Level of control
  - Overall cost
15. [One factor to consider for debt capital is the overall cost. As debt capital requires payment of interest, businesses with minimal revenue may not choose this as an option.<sup>1</sup>][Another factor to consider is the flexibility of debt capital. Debt capital is highly flexible as loan terms can be suitable for short, medium, or long-term financing.<sup>2</sup>]

I have provided one factor to consider when using debt capital as a source of finance.<sup>1</sup>

I have provided another factor to consider when using debt capital as a source of finance.<sup>2</sup>

I have signposted my response by using 'One factor' and 'Another factor'.

#### Other acceptable answers include:

- Level of control
  - Business structure
16. [A grant is money provided by a government or another organisation for a particular reason.<sup>1</sup>][MediPill's business idea of developing a cure can provide benefits to many people and the business has also met all of the set conditions needed for obtaining a grant.<sup>2</sup>][Therefore, MediPill is eligible to receive a government grant to help fund its research as it is in the field of medicine and has met the set conditions.<sup>3</sup>]

I have identified and defined grants as a source of finance.<sup>1</sup>

I have provided an example relevant to the case study.<sup>2</sup>

I have linked my example to grants as a source of finance.<sup>3</sup>

I have referred to the business directly by using 'MediPill'.

I have used connecting words, such as 'Therefore'.

17. [One factor that should be considered when using equity capital is the level of control that the founder, Tara, will have over the business.<sup>1</sup>][The level of control that Tara will have is lower if the money is sourced from an investor, as the ownership of the company now needs to be shared with this investor and they may have input into the decision-making process.<sup>2</sup>][Moreover, another factor that should be considered is the business structure, for example, a company or sole trader.<sup>3</sup>][As TuteToMe is a private company, Tara would need to gain equity from private sources.<sup>4</sup>]

- I have identified and described one factor that should be considered when using equity capital.<sup>1</sup>

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- I have provided an example relevant to the case study and linked it to my chosen factor that should be considered when using equity capital.<sup>2</sup>

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- I have identified and described another factor that should be considered when using equity capital.<sup>3</sup>

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- I have provided an example relevant to the case study and linked it to my chosen factor that should be considered when using equity capital.<sup>4</sup>

---

- I have signposted my response by using 'One factor' and 'another factor'.

---

- I have referred to the business directly by using 'Tara' and 'TuteToMe'.

---

- I have used connecting words, such as 'Moreover'.

**Other acceptable answers include:**

- Flexibility
- Overall cost

### Testing previous knowledge

18. [Capital resources are man-made goods used in the production of goods and services.<sup>1</sup>] [A business can use grants as a source of finance for the cost of capital resources because it can assist businesses to pay for the high initial costs of equipment and machinery, especially if the equipment and machinery are able to meet the grant provider's purpose.<sup>2</sup>]

- I have defined capital resources.<sup>1</sup>

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- I have outlined how a business can use grants as a source of finance for the cost of capital resources.<sup>2</sup>

## 2H Business support services

### Theory review

1. A. True. *Business support services are able to provide business owners with specialised guidance and assistance with decisions when establishing and operating a business.*
2. A. True. *Legal business support services can inform and guide businesses on changes to the law which may be applicable to them, for example, employment law.*
3. financial. *An accountant is an example of a financial business support service as they provide advice on financial and taxation matters.*
4. technological; financial. *Technological support services help with selecting the most appropriate software as they are informed of the best technologies to maximise business success. In contrast, financial support services assist with determining taxation responsibilities as they are informed about the financial requirements for the business.*
5. A. True. *Community-based support services recommend ways that business owners can get involved with the local community to improve their business operations.*

6. A. True. *Both formal and informal networks allow groups of individuals or businesses to connect and collaborate.*
7. B. False. *Business associations are an example of a formal network as it involves an official connection between owners and groups of other businesses.*
8. A. True. *Both informal networks and business mentors help businesses brainstorm and establish business goals as they offer different experiences and advice.*
9. B. False. *Businesses can choose which type of support service they need most and which area of the business needs the most expert assistance.*

### Preparing for exams

#### Case study skills

10. II; III; IV
11. I; III
12. I; III; IV

#### Exam-style

13. [An informal network is an unofficial interconnected group. Some examples include family, friends, and social media.<sup>1</sup>]

- I have defined the term informal network.<sup>1</sup>

14. [One business support service is financial support services, which include bookkeepers and accountants.<sup>1</sup>] [Financial support services can assist a business with establishing, maintaining, and inspecting financial information.<sup>2</sup>]

- I have identified one business support service.<sup>1</sup>

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- I have outlined how my chosen business support service can assist a business.<sup>2</sup>

---

- I have signposted my response by using 'One business support service'.

**Other acceptable answers include:**

- Legal support services
  - Technological support services
  - Informal networks
  - Formal networks
  - Community-based support services
  - Business mentors
15. [Technological support services can assist a business with the development and installation of appropriate technological systems that will improve a business.<sup>1</sup>] [Additionally, technological support services help maintain websites and software, as well as online security.<sup>2</sup>]
- I have outlined one way technological support services assist a business.<sup>1</sup>

---

  - I have outlined another way technological support services assist a business.<sup>2</sup>

---

  - I have used connecting words, such as 'Additionally'.

16. [Business support services are the specialised people, facilities, or amenities that aim to help businesses successfully operate.<sup>1</sup>] [It is important for a business owner to use business support services as they can help with business planning for sustainable long-term success.<sup>2</sup>] [Business support services can also aid businesses in improving their operations and processes, leading to an increased chance of the achievement of their goals.<sup>3</sup>]

- I have defined business support services.<sup>1</sup>
- 
- I have explained one reason why business support services are important when planning a business.<sup>2</sup>
- 
- I have explained another reason why business support services are important when planning a business.<sup>3</sup>

17. [A business mentor is an experienced and knowledgeable business person who provides guidance and advice.<sup>1</sup>] [A business mentor could assist Lori by providing guidance on how to manage a business as Lori currently lacks management skills. Enhancing Lori's management skills can help her more effectively lead Coder to success in the technology education industry.<sup>2</sup>]

- I have identified and defined business mentors.<sup>1</sup>
- 
- I have provided an example relevant to the case study and linked it to how a business mentor can assist a business owner.<sup>2</sup>
- 
- I have referred to the business directly by using 'Lori' and 'Coder'.

18. [One business support service that Sven is seeking is legal support, such as from a solicitor, to ensure that Kitchenation is fulfilling all of its legal requirements.<sup>1</sup>] [Legal support services can assist Sven in drawing up legal documents, such as contracts and intellectual property arrangements, properly and lawfully.<sup>2</sup>] [Moreover, the other business support service that Sven is seeking is financial support, such as from an accountant, to ensure that Kitchenation's finances are in check.<sup>3</sup>] [Financial support services can assist Sven in planning, budgeting, and evaluating whether it is financially feasible to produce his innovative cookware technologies.<sup>4</sup>]

- I have identified and described one business support service.<sup>1</sup>
- 
- I have provided an example relevant to the case study and linked it to my chosen support service.<sup>2</sup>
- 
- I have identified and described another business support service.<sup>3</sup>
- 
- I have provided an example relevant to the case study and linked it to my chosen support service.<sup>4</sup>
- 
- I have signposted my response by using 'One business support service' and 'the other business support service'.
- 
- I have referred to the business directly by using 'Sven' and 'Kitchenation'.
- 
- I have used connecting words, such as 'Moreover'.

**Note:** Legal and financial support services are the only acceptable answers.

## Testing previous knowledge

19. [Overdraft facilities are agreements between banks and businesses or individuals, that allow a bank account to be withdrawn below zero.<sup>1</sup>] [Financial support services can assist a business that is wanting to use overdraft facilities as a source of finance because they are able to help the business set financial goals to determine whether using overdraft facilities is a feasible idea, especially since overdraft facilities have high interest rates.<sup>2</sup>] [Additionally, financial support services can assist a business with establishing, maintaining, and inspecting financial information, therefore are able to determine whether overdraft facilities are the most suitable option for the business or if there are other sources of finance more suitable.<sup>3</sup>]

- I have defined overdraft facilities.<sup>1</sup>
- 
- I have outlined one way financial support services can assist businesses wanting to use overdraft facilities as a source of finance.<sup>2</sup>
- 
- I have outlined another way financial support services can assist businesses wanting to use overdraft facilities as a source of finance.<sup>3</sup>
- 
- I have used connecting words, such as 'Additionally'.

## 21 Business planning

### Theory review

- A. True. *Effectively planning for the business's future increases the chance that it will achieve greater success in the future as it provides a business with clear direction.*
- B. False. *A business plan should be continuously adapted to align with the business's goals and objectives.*
- executive summary. *The executive summary is at the beginning of the business plan and provides an overview of what is to come.*
- marketing plan; financial plan. *The marketing plan includes market research analysis in order to determine who are the most ideal individuals to target when marketing. The financial plan includes an estimate of the sales revenue in order for the business to plan out its financial resources and whether they are able to meet objectives.*
- A. True. *A business plan helps a business obtain external financing as financial institutions will look at the business plan to determine whether the business is financially viable.*
- internal; external. *The analysis of the internal environment involves both strengths and weaknesses. On the other hand, the analysis of the external environment involves both opportunities and threats.*
- a strength. *Having a positive and collaborative work environment and culture can be identified as a strength in a SWOT analysis, as it relates to the business's internal environment that it has control over.*
- threat. *Declining economic conditions can be identified as a threat in a SWOT analysis, as it is a part of the business's external environment, which it has no control over.*
- A. True. *Developing new goods and services can be identified as an opportunity as the business can use them in its operations to establish a competitive advantage.*
- A. True. *Planning tools, such as a SWOT analysis, can recognise the next steps to achieve success whilst considering both the internal and external environment.*

## Preparing for exams

### Case study skills

11. I; II
12. I, IV, V and VI are true. II and III are false.

### Exam-style

13. [A business plan is a document that outlines a business's goals and objectives, as well as strategies to achieve them.<sup>1</sup>]

I have defined the term business plan.<sup>1</sup>

14. [A SWOT analysis is a planning analysis tool that helps a business identify its internal strengths and weaknesses, as well as any external opportunities and threats.<sup>1</sup>]

I have defined the term SWOT analysis.<sup>1</sup>

15. [The marketing plan feature of a business plan outlines what a business's marketing strategy will be when starting up.<sup>1</sup>][The marketing plan can also include who the business plans to sell to and competitors in the industry.<sup>2</sup>]

I have outlined one characteristic of the marketing plan feature of a business plan.<sup>1</sup>

I have outlined another characteristic of the marketing plan feature of a business plan.<sup>2</sup>

16. [One example of a strength is the business having a great reputation as it will attract more customers.<sup>1</sup>][Another example of a strength is having a positive and collaborative work environment, as employees will be more productive and satisfied at work.<sup>2</sup>]

I have outlined one example of a strength in a SWOT analysis.<sup>1</sup>

I have outlined another example of a strength in a SWOT analysis.<sup>2</sup>

I have signposted my response by using 'One example' and 'Another example'.

17. [One feature of a business plan is the executive summary, which provides a summary of the entire business plan.<sup>1</sup>][The executive summary outlines the philosophy of the business, the products being sold, as well as the strategies to achieve business objectives.<sup>2</sup>][Moreover, another feature of a business plan is the business owners section.<sup>3</sup>][The business owners section highlights the past work experience of the owner(s), the skills they possess, as well as the roles and responsibilities they will uphold at the business.<sup>4</sup>]

I have stated one feature of a business plan.<sup>1</sup>

I have provided one characteristic of my chosen feature.<sup>2</sup>

I have stated another feature of a business plan.<sup>3</sup>

I have provided one characteristic of my chosen feature.<sup>4</sup>

I have signposted my response by using 'One feature' and 'another feature'.

I have used connecting words, such as 'Moreover'.

18. [One benefit of developing a business plan is that it can help analyse a business's viability.<sup>1</sup>][This will enable Fadhila to determine whether her specially-designed runners and activewear will be able to sell and be a success in the market.<sup>2</sup>][Moreover, another benefit of developing a business plan is that it can help a business obtain external financing.<sup>3</sup>][Fadhila should present that Speedy is financially secure and will be able to pay back loans, as potential investors and financial institutions that assess the plan may provide financial support if needed.<sup>4</sup>]

I have identified and described one benefit of developing a business plan.<sup>1</sup>

I have provided an example relevant to the case study and linked it to my chosen benefit of developing a business plan.<sup>2</sup>

I have identified and described another benefit of developing a business plan.<sup>3</sup>

I have provided an example relevant to the case study and linked it to my chosen benefit of developing a business plan.<sup>4</sup>

I have signposted my response by using 'One benefit' and 'another benefit'.

I have referred to the business directly by using 'Fadhila' and 'Speedy'.

I have used connecting words, such as 'Moreover'.

19. [One strength of Brooklyn Bakes is that the baked goods and cakes are of high quality.<sup>1</sup>][One weakness is that the work culture and environment at Brooklyn Bakes is negative, which could lead to unmotivated and unproductive employees.<sup>2</sup>][Moreover, one opportunity is that Brooklyn wants to adapt their products to the changing customer preferences, such as developing low sugar options for health-conscious consumers.<sup>3</sup>][One threat is that the competitors have better baking technologies than them so Brooklyn Bakes may find it difficult to compete.<sup>4</sup>]

I have provided an example relevant to the case study and linked it to one strength.<sup>1</sup>

I have provided an example relevant to the case study and linked it to one weakness.<sup>2</sup>

I have provided an example relevant to the case study and linked it to one opportunity.<sup>3</sup>

I have provided an example relevant to the case study and linked it to one threat.<sup>4</sup>

I have signposted my response by using 'One strength' and 'One weakness'.

I have referred to the business directly by using 'Brooklyn Bakes' and 'Brooklyn'.

I have used connecting words, such as 'Moreover'.

## Testing previous knowledge

20. [Business planning is the process of establishing a business's goals and developing strategies to achieve them.<sup>1</sup>] [It is important that a business considers its internal environment when planning because the business has full control over the factors within the internal environment. Therefore, the business can plan to operate as it desires with the appropriate type of business structure, business model, resources, location, finances, and support services.<sup>2</sup>]

I have defined the term business planning.<sup>1</sup>

I have outlined why it is important for a business to consider the internal environment when planning.<sup>2</sup>

## 2J CSR for business planning

### Theory review

- B. False. *It is not a legal requirement for a business to be socially responsible as CSR initiatives go beyond a business's minimum legal requirements.*
- positive. *A socially responsible business will build a positive business reputation as its contributions are benefiting the community and the environment.*
- B. False. *Although planning for CSR does not relate directly to financial objectives, it provides benefits such as cultivating a positive reputation, which could improve a business's competitiveness and therefore profit.*
- B. False. *Paying employees their required wage or salary should not be considered when planning a business's commitment to CSR, as it is a legal requirement. However, providing employees with flexible conditions of work, such as working from home, is considered socially responsible as it goes above and beyond the legal requirements of the business.*
- Having Fairtrade products. *Having Fairtrade products is an example of planning for CSR in terms of resources, as the business is sourcing from ethical suppliers.*
- A. True. *Stakeholders should be consulted when a business is planning for CSR in its operations, to ensure that the business is considering their needs.*

### Preparing for exams

#### Case study skills

7. I; III; IV

#### Exam-style

8. [Corporate social responsibility is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic, and environmental impacts when making business decisions.<sup>1</sup>]

I have defined corporate social responsibility.<sup>1</sup>

9. [Considering how the business will demonstrate a commitment to corporate social responsibility (CSR) is important during the planning process as businesses not only need to consider their financial objectives, but also need to express concern for the environment and society's overall wellbeing.<sup>1</sup>]

[Planning to implement CSR is also important as it can have a significant impact on business decision making and resource requirements, and having an organised plan can lead to successful business operations and a positive business reputation.<sup>2</sup>]

I have described a reason why corporate social responsibility planning for businesses is important.<sup>1</sup>

I have described another reason why corporate social responsibility planning for businesses is important.<sup>2</sup>

10. [One corporate social responsibility (CSR) consideration that can be addressed during business planning is the choice of suppliers.<sup>1</sup>] [A business can choose ethical suppliers during business planning, such as suppliers that provide employees with fair working conditions and wages, as well as promote environmentally-friendly practices.<sup>2</sup>] [Moreover, another CSR consideration would be the conditions of work for employees.<sup>3</sup>] [The working conditions of staff should be considered when planning for CSR as the business could choose to exceed the minimum legal requirements and provide extra benefits, such as the opportunity to work from home.<sup>4</sup>]

I have explained a corporate social responsibility consideration that could be implemented when planning for corporate social responsibility.<sup>1</sup>

I have provided an example of how the corporate social responsibility consideration can be addressed during business planning.<sup>2</sup>

I have explained another corporate social responsibility consideration that could be implemented when planning for corporate social responsibility.<sup>3</sup>

I have provided an example of how the corporate social responsibility consideration can be addressed during business planning.<sup>4</sup>

I have signposted my response by using 'One corporate social responsibility (CSR) consideration' and 'another CSR consideration'.

I have used connecting words, such as 'Moreover'.

11. [One corporate social responsibility (CSR) consideration that Karan could consider during Craft Chocolatiers' planning stage could be to choose socially responsible suppliers who source sustainable raw materials.<sup>1</sup>] [Craft Chocolatiers should choose socially responsible suppliers of cocoa beans that fairly treat their employees and are environmentally friendly, meaning Craft Chocolatiers display CSR by considering the impact of its chosen suppliers.<sup>2</sup>] [Moreover, another consideration that Karan could consider during the planning stage could be providing flexible conditions of work for employees, so employees can feel as though they are being treated fairly at work.<sup>3</sup>] [The employees that are making, packaging, and selling the chocolate could be provided with flexible conditions of work, such as adjustable hours, as these considerations are beyond the minimum legal requirements and promote the wellbeing of Craft Chocolatiers' employees.<sup>4</sup>]

- ✓ ✗ I have identified and described one corporate social responsibility consideration that could be considered during business planning.<sup>1</sup>

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- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen corporate social responsibility consideration.<sup>2</sup>

---

- ✓ ✗ I have identified and described another corporate social responsibility consideration that could be considered during business planning.<sup>3</sup>

---

- ✓ ✗ I have provided an example relevant to the case study and linked it to my chosen corporate social responsibility consideration.<sup>4</sup>

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- ✓ ✗ I have signposted my response by using 'One corporate social responsibility (CSR) consideration' and 'another consideration'.

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- ✓ ✗ I have referred to the business directly by using 'Karan' and 'Craft Chocolatiers'.

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- ✓ ✗ I have used connecting words, such as 'Moreover'.

- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to one way legal support services can assist a business.<sup>1</sup>

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- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to another way legal support services can assist a business.<sup>2</sup>

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- ✓ ✗ I have referred to the business directly by using 'Jim's Mowing'.

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- ✓ ✗ I have used connecting words, such as 'Furthermore'.

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- ✓ ✗ I have included a brief description of the contemporary case study.

### Testing previous knowledge

12. [Labour resources are the people who provide the business with their skills and qualifications to conduct business activities.<sup>1</sup>] [One corporate social responsibility (CSR) consideration that a business should consider when planning its labour resources is ensuring that it has enough finances to provide its employees with a wage that is well above the minimum legal wage.<sup>2</sup>] [Another CSR consideration is that the business should plan to provide flexible working hours and arrangements so that employees can prioritise their wellbeing.<sup>3</sup>]
- ✓ ✗ I have defined the term labour resources.<sup>1</sup>

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  - ✓ ✗ I have explained one corporate social responsibility consideration that a business should consider when planning its labour resources.<sup>2</sup>

---

  - ✓ ✗ I have explained another corporate social responsibility consideration that a business should consider when planning its labour resources.<sup>3</sup>

---

  - ✓ ✗ I have signposted my response by using 'One corporate social responsibility (CSR) consideration' and 'Another CSR consideration'.

2. [Jim's Mowing is an Australian private limited company that was founded in 1982 and is currently the world's largest garden maintenance franchise system. The internal environment of Jim's Mowing involves factors within the company that Jim's Mowing has control over.<sup>1</sup>] [The external environment of Jim's Mowing involves the surrounding factors that can impact the company, which it has minimal control over.<sup>2</sup>] [The environment that Jim's Mowing operates in consists of both the internal and external environment. Therefore, the company and its franchisees must consider factors within these environments to remain competitive. For example, Jim's Mowing can alter internal factors to align with or respond to uncontrollable external factors.<sup>3</sup>]

- ✓ ✗ I have identified and defined the internal environment.<sup>1</sup>

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- ✓ ✗ I have identified and defined the external environment.<sup>2</sup>

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- ✓ ✗ I have provided an example relevant to the contemporary case study and linked it to the relationship between the internal environment and the external environment of a business.<sup>3</sup>

---

- ✓ ✗ I have referred to the business directly by using 'Jim's Mowing'.

---

- ✓ ✗ I have included a brief description of the contemporary case study.

3. [Jim's Mowing is an Australian private limited company that was founded in 1982 and is currently the world's largest garden maintenance franchise system. One advantage of Jim's Mowing being a private limited company is that shareholders have limited liability, meaning their personal assets cannot be seized in order to pay the company's debts.<sup>1</sup>] [Additionally, another advantage of this type of business structure for Jim's Mowing is that there is a greater variety of knowledge, ideas, and expertise within the company who can contribute to the achievement of its objectives, improving the likelihood of success.<sup>2</sup>] [However, a disadvantage of a private limited company is that Jim's Mowing would have increased reporting requirements and government regulation, which may be time-consuming to complete and follow.<sup>3</sup>] [Furthermore, another disadvantage is that Jim's Mowing is likely to have higher ongoing operational and administration costs, compared to unincorporated businesses, potentially decreasing the company's profitability.<sup>4</sup>]

## Unit 1 AOS 2 review

### Contemporary case study

1. [Jim's Mowing is an Australian private limited company that was founded in 1982 and is currently the world's largest garden maintenance franchise system. At Jim's Mowing, legal support services could assist franchisees with understanding the business's legal requirements and ensuring it continually complies with the laws that regulate its operation.<sup>1</sup>] [Furthermore, legal support services can also assist Jim's Mowing franchisees with creating contracts for employees and providing legal representation for the business if required in court.<sup>2</sup>]



✓ ✗ I have provided an example relevant to the contemporary case study and linked it to an advantage of a private limited company as a type of business.<sup>1</sup>

✓ ✗ I have provided an example relevant to the contemporary case study and linked it to another advantage of a private limited company as a type of business.<sup>2</sup>

✓ ✗ I have provided an example relevant to the contemporary case study and linked it to a disadvantage of a private limited company as a type of business.<sup>3</sup>

✓ ✗ I have provided an example relevant to the contemporary case study and linked it to another disadvantage of a private limited company as a type of business.<sup>4</sup>

✓ ✗ I have signposted my response by using 'One advantage' and 'another advantage'.

✓ ✗ I have referred to the business directly by using 'Jim's Mowing'.

✓ ✗ I have used connecting words, such as 'Additionally' and 'However'.

✓ ✗ I have included a brief description of the contemporary case study.

4. [Jim's Mowing is an Australian private limited company that was founded in 1982 and is currently the world's largest garden maintenance franchise system. One resource that Jim's Mowing would need to consider is labour resources, which are the people who provide the business with their skills and qualifications to conduct business activities.<sup>1</sup>] [A factor associated with labour resources that Jim's Mowing could consider is the wellbeing of its employees. Jim's Mowing can improve employee wellbeing by providing flexible working hours to promote a work-life balance, and enable staff members to spend more time with their family and friends.<sup>2</sup>] [Moreover, another resource that Jim's Mowing would need to consider is capital resources, which are the man-made goods used in the production of goods and services.<sup>3</sup>] [One factor that Jim's Mowing franchisees can consider in relation to capital resources is the maintenance requirements of its gardening equipment and machinery. Franchisees would want to ensure that gardening equipment is of a high quality and appropriately maintained. This can ensure gardening and maintenance services are efficient as capital resources are reliable.<sup>4</sup>]

✓ ✗ I have identified and defined a resource that a business would require to operate.<sup>1</sup>

✓ ✗ I have provided an example relevant to the contemporary case study and linked it to a factor that needs to be considered when planning for my chosen resource.<sup>2</sup>

✓ ✗ I have identified and defined another resource that a business would require to operate.<sup>3</sup>

✓ ✗ I have provided an example relevant to the contemporary case study and linked it to a factor that needs to be considered when planning for my chosen resource.<sup>4</sup>

✓ ✗ I have signposted my response by using 'One resource' and 'A factor'.

✓ ✗ I have referred to the business directly by using 'Jim's Mowing'.

✓ ✗ I have used connecting words, such as 'Moreover'.

✓ ✗ I have included a brief description of the contemporary case study.

#### Other acceptable answers include:

- Natural resources

### Exam-style

5. a. [The external environment involves the surrounding factors that can impact a business, which it has minimal control over.<sup>1</sup>]

✓ ✗ I have defined the term external environment.<sup>1</sup>

b. [One factor to consider when using overdraft facilities is the overall costs, as overdraft facilities tend to have high-interest rates and thus, are relatively expensive to use as a source of finance.<sup>1</sup>] [Another factor to consider when using overdraft facilities is the flexibility that it provides. Overdraft facilities are often highly flexible, meaning a business is able to access them at any time after negotiating the amount and time period of use with the bank.<sup>2</sup>]

✓ ✗ I have outlined one factor to consider when using overdraft facilities as a source of finance.<sup>1</sup>

✓ ✗ I have outlined another factor to consider when using overdraft facilities as a source of finance.<sup>2</sup>

✓ ✗ I have signposted my response by using 'One factor' and 'Another factor'.

c. [Labour resources are the people who provide the business with their skills and qualifications to conduct business activities.<sup>1</sup>] [One factor that Dal should consider when planning Here's the Drill's labour resources is the cost of these employees in terms of wages and salaries, quantity, and timing.<sup>2</sup>] [At Here's the Drill, Dal must ensure he pays his three full-time employees at or above the minimum wage and that he has sufficient staff to execute the firm's design services.<sup>3</sup>]

✓ ✗ I have identified and defined labour resources.<sup>1</sup>

✓ ✗ I have identified and described a factor that a business should consider when planning for labour resources.<sup>2</sup>

✓ ✗ I provided an example relevant to the case and linked it to planning for labour resources.<sup>3</sup>

✓ ✗ I have signposted my response by using 'One factor'.

✓ ✗ I have referred to the business directly by using 'Dal' and 'Here's the Drill'.

d. [Here's the Drill is a sole trader as Dal solely owns the business. One similarity between a sole trader and a partnership is that they are both unincorporated, meaning Dal and Here's the Drill are viewed as the same legal entity.<sup>1</sup>] [Another similarity between these two types of business structure is that they both have unlimited liability, meaning business owners, such as Dal, are held personally responsible for the business's debts.<sup>2</sup>]

[However, a difference between a sole trader, such as Dal, and a partnership, is that a partnership has between two to 20 owners, whereas Dal is the single owner of Here's the Drill.<sup>3</sup>]  
 [Furthermore, another difference between these business structures is that as a sole trader, Dal is entitled to all of the business's profits after personal income tax has been paid. On the other hand, in a partnership, partners must share the profits and pay personal income tax on their portion of the profits.<sup>4</sup>]

✓ ✗ I have provided an example relevant to the case study and linked it to a similarity between a sole trader and partnership.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to another similarity between a sole trader and partnership.<sup>2</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to a difference between a sole trader and a partnership.<sup>3</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to another difference between a sole trader and a partnership.<sup>4</sup>

✓ ✗ I have signposted my response by using 'One similarity' and 'Another similarity'.

✓ ✗ I have referred to the business directly by using 'Here's the Drill' and 'Dal'.

✓ ✗ I have used connecting words, such as 'However' and 'Furthermore'.

✓ ✗ I have used comparison words, such as 'whereas' and 'On the other hand', when comparing.

6. a. [An online business is a business model where goods and services are traded via the internet.<sup>1</sup>]

✓ ✗ I have defined online business.<sup>1</sup>

b. [Formal networks are interconnected groups of people and official organisations that assist in offering professional support to business owners.<sup>1</sup>][A formal network could assist Mona and Lisa by providing them with opportunities to interact and communicate with like-minded individuals, enabling them to refine their plans for Vinci and gain insight into different business experiences.<sup>2</sup>]

✓ ✗ I have identified and defined formal networks.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to how formal networks can assist a business owner.<sup>2</sup>

✓ ✗ I have referred to the business directly by using 'Mona and Lisa' and 'Vinci'.

c. [One benefit of Mona and Lisa developing a business plan for Vinci is that it can allow them to gain a better understanding of the industry, market, competitors, and customers.<sup>1</sup>][This can enable Mona and Lisa to further refine the technology education services they provide to customers and allow them to teach customers the relevant knowledge and skills they are wanting to learn.<sup>2</sup>]

✓ ✗ I have stated one benefit of developing a business plan.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to my chosen benefit of developing a business plan.<sup>2</sup>

✓ ✗ I have signposted my response by using 'One benefit'.

✓ ✗ I have referred to the business directly by using 'Mona and Lisa' and 'Vinci'.

d. [One corporate social responsibility (CSR) consideration that Mona and Lisa could address during business planning is providing supportive conditions of work to its employees.<sup>1</sup>]  
 [At Vinci, Mona and Lisa can ensure that all teaching and admin staff are provided with flexible working arrangements, as well as wages and salaries that are above the minimum requirements, to ensure that levels of employee wellbeing are optimal.<sup>2</sup>]  
 [By providing supportive conditions of work to Vinci employees, teaching staff are more likely to remain motivated and willing to work for the technology education business as they are treated fairly. This can improve Vinci's employee retention rates and overall ability to achieve objectives.<sup>3</sup>][Moreover, Vinci can develop a positive reputation and corporate culture by addressing this CSR consideration, as it supports its employees and their wellbeing. This may allow Mona and Lisa's business to become an employer of choice, therefore attracting skilled and knowledgeable employees to the business who can deliver a high-quality service to customers, improving performance.<sup>4</sup>]

✓ ✗ I have identified and described one corporate social responsibility consideration that a business owner can address during business planning.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to my chosen corporate social responsibility consideration.<sup>2</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to one way a business can address my chosen corporate social responsibility consideration during business planning.<sup>3</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to another way a business can address my chosen corporate social responsibility consideration during business planning.<sup>4</sup>

✓ ✗ I have signposted my response by using 'One corporate social responsibility (CSR) consideration'.

✓ ✗ I have referred to the business directly by using 'Mona and Lisa' and 'Vinci'.

✓ ✗ I have used connecting words, such as 'Moreover'.

e. [A social enterprise is a type of business that aims to fulfil a community or environmental need by selling goods or services.<sup>1</sup>]  
 [One advantage of Vinci operating as a social enterprise is that the community benefits from the technology services, which can improve the reputation of Mona and Lisa's business amongst customers and consequently attract new customers.<sup>2</sup>]

[Furthermore, another advantage of a social enterprise is that Vinci employees are more likely to be satisfied with their job as they feel they are contributing to society in a purposeful and philanthropic way. Therefore, Mona and Lisa's employees may be more motivated to achieve Vinci's objectives.<sup>3</sup>] [However, one disadvantage of operating as a social enterprise is that it may be difficult for Vinci to balance its financial and social objectives and achieve both simultaneously.<sup>4</sup>] [Moreover, another disadvantage is that it may be more difficult for Mona and Lisa to obtain capital, such as bank loans, for Vinci as it is a business that does not solely focus on financial objectives and therefore, may not be a viable candidate to receive a loan.<sup>5</sup>] [Overall, despite potential difficulties to balance social and financial objectives, and the possibility of being unable to obtain a loan, a social enterprise is an appropriate type of business for Vinci, as it can allow the business to develop a positive reputation and have highly motivated employees.<sup>6</sup>]

- I have identified and defined social enterprise.<sup>1</sup>

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- I have provided an example relevant to the case study and linked it to an advantage of a social enterprise.<sup>2</sup>

---

- I have provided an example relevant to the case study and linked it to another advantage of a social enterprise.<sup>3</sup>

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- I have provided an example relevant to the case study and linked it to a disadvantage of a social enterprise.<sup>4</sup>

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- I have provided an example relevant to the case study and linked it to another disadvantage of a social enterprise.<sup>5</sup>

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- I have provided an opinion on a social enterprise as a type of business by summarising the advantages and the disadvantages.<sup>6</sup>

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- I have signposted my response by using 'One advantage' and 'another advantage'.

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- I have referred to the business directly by using 'Vinci' and 'Mona and Lisa'.

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- I have used connecting words, such as 'Furthermore' and 'However'.

7. a. [Equity capital is money contributed to a business by an investor in exchange for partial ownership.<sup>1</sup>]

- I have defined the term equity capital.<sup>1</sup>

b. [One advantage of establishing a new business is that the business owner has full decision-making control over setting up the business systems, store layout, and staff.<sup>1</sup>] [Furthermore, another advantage of establishing a new business is that a business owner can offer customers something unique and different that is not already offered in the market.<sup>2</sup>]

- I have provided an advantage of establishing a new business.<sup>1</sup>

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- I have provided another advantage of establishing a new business.<sup>2</sup>

---

- I have signposted my response by using 'One advantage' and 'another advantage'.

---

- I have used connecting words, such as 'Furthermore'.

c. [One advantage of shopping centres as a business location for No Sugarcoating when expanding overseas is that Coen can increase the exposure of the candy brand and improve the business's popularity, as shopping centres are often large and well-known establishments that attract many potential customers.<sup>1</sup>] [However, one disadvantage for No Sugarcoating is that rent is typically more expensive in shopping centres than in other business locations. Therefore, this may impact the viability of Coen's candy business.<sup>2</sup>]

- I have provided an example relevant to the case study and linked it to an advantage of shopping centres as a business location.<sup>1</sup>

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- I have provided an example relevant to the case study and linked it to a disadvantage of shopping centres as a business location.<sup>2</sup>

---

- I have signposted my response by using 'One advantage' and 'one disadvantage'.

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- I have referred to the business directly by using 'No Sugarcoating' and 'Coen'.

---

- I have used connecting words, such as 'However'.

d. [A SWOT analysis is a planning analysis tool that helps a business identify its internal strengths and weaknesses, as well as any external opportunities and threats.<sup>1</sup>] [One strength of No Sugarcoating is that it is well known and popular amongst customers, due to its uniquely colourful packaging and adventurous, interactive stores, therefore providing the candy business with a competitive advantage.<sup>2</sup>] [One weakness is that the finances of the business may be insufficient to expand No Sugarcoating overseas.<sup>3</sup>] [Moreover, one opportunity is that Coen wants to expand the business overseas to reach a wider range of consumers in the candy market.<sup>4</sup>] [One threat is that overseas competitors may have a more diverse range of candy products than No Sugarcoating, limiting the business's ability to compete.<sup>5</sup>]

- I have identified and defined SWOT analysis.<sup>1</sup>

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- I have provided an example relevant to the case study and linked it to one strength.<sup>2</sup>

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- I have provided an example relevant to the case study and linked it to one weakness.<sup>3</sup>

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- I have provided an example relevant to the case study and linked it to one opportunity.<sup>4</sup>

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- I have provided an example relevant to the case study and linked it to one threat.<sup>5</sup>

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- I have signposted my response by using 'One strength' and 'One weakness'.

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- I have referred to the business directly by using 'No Sugarcoating' and 'Coen'.

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- I have used connecting words, such as 'Moreover'.

# 3A The external environment

## Theory review

- B. False. A business has some control over factors in the external environment, as despite being unable to control macro factors, a business has some control over operating factors.
- A. Both macro and operating factors make up the external environment. Macro factors relate to social, legal, technological, global, and economic conditions that impact businesses. While operating factors relate to the external stakeholders impacting a business, such as customer needs and expectations, competitors' behaviour, suppliers and the supply chain, and special interest groups.
- II; III. Corporate social responsibility considerations and societal attitudes and behaviour are both examples of factors that the business has no control over, and therefore, are factors within the macro environment.
- A. True. Customers, special interest groups, competitors, and suppliers are all examples of individuals, groups, or organisations who have a vested interest in the business that it has little control over.
- B. It is important that a business monitors various operating factors, such as customer needs and expectations, as this will have a significant impact on the practices of a business, such as the types of goods and services sold by the business.
- A. True. As the external environment consists of many unpredictable factors that can have a direct impact on businesses, these factors should be taken into account when a business is establishing goals and developing strategies to achieve them.

## Preparing for exams

### Case study skills

7. I; III      8. A

### Exam-style

- [Business planning is the process of establishing a business's goals and developing strategies to achieve them.<sup>1</sup>]  
  I have defined the term business planning.<sup>1</sup>
- [The external environment involves the surrounding factors that can impact a business, which it has minimal control over.<sup>1</sup>]  
  I have defined the term external environment.<sup>1</sup>
- [One similarity between macro and operating factors is they are both factors that make up the external environment, which consists of surrounding factors that can impact a business.<sup>1</sup>][However, one difference is the business has some control over operating factors, whereas, the business has no control over macro factors.<sup>2</sup>]  
  I have outlined one similarity between macro and operating factors.<sup>1</sup>  
  I have outlined one difference between macro and operating factors.<sup>2</sup>  
  I have signposted my response by using 'One similarity' and 'one difference'.

I have used connecting words, such as 'However'.

I have used comparison words, such as 'whereas', when comparing.

- [The external environment involves the surrounding factors that can impact a business, which it has minimal control over.<sup>1</sup>][One factor within the external environment that Thiago must consider when planning his sporting equipment business is macro factors, which are social, legal, technological, global, and economic conditions that a business operates in and has no control over.<sup>2</sup>][As macro factors are constantly changing, Thiago must try and predict these changes and incorporate them during the planning of his sporting equipment business.<sup>3</sup>]

I have identified and defined the external environment.<sup>1</sup>

I have identified and defined one factor within the external environment.<sup>2</sup>

I have provided an example relevant to the case study and linked it to how my chosen factor impacts business planning.<sup>3</sup>

I have signposted my response by using 'One factor'.

I have referred to the business directly by using 'Thiago'.

### Other acceptable answers include:

- Operating factors

- [Operating factors are the primary external factors impacting a business that it has some control over.<sup>1</sup>][Before opening his café, Jovani should consider operating factors, such as the needs and expectations of potential customers in the St Kilda area, to determine the type of coffee, pastries, and sandwiches customers are likely to order.<sup>2</sup>][By considering these factors during business planning, Jovani will be able to meet customer needs by offering coffee, pastries, and sandwiches that customers are likely to order, therefore increasing satisfaction and sales.<sup>3</sup>]

I have identified and defined operating factors.<sup>1</sup>

I have provided an example relevant to the case study and linked it to operating factors.<sup>2</sup>

I have provided an example relevant to the case study and linked it to the importance of considering operating factors during business planning.<sup>3</sup>

I have referred to the business directly by using 'Jovani'.

## Testing previous knowledge

- [The internal environment involves factors within a business that a business has control over.<sup>1</sup>][Alternatively, the external environment involves the surrounding factors that can impact a business, which it has minimal control over.<sup>2</sup>][One key difference is that the business has control over the internal environment, such as its business location and resources, whereas, the business has reduced/no control over the external environment, such as its competitors' behaviour and economic conditions.<sup>3</sup>]

- I have defined the internal environment.<sup>1</sup>
- 
- I have defined the external environment.<sup>2</sup>
- 
- I have provided one key difference between the internal environment and the external environment.<sup>3</sup>
- 
- I have signposted my response by using 'One key difference'.
- 
- I have used comparison words, such as 'Alternatively' and 'whereas', when distinguishing.
- 

## 3B Legal and government regulations

### Theory review

- B. False. *Every business owner must keep up-to-date with, and follow, the laws and regulations that relate to their business's activities, otherwise, they may face legal consequences.*
- B. False. *As employees work for their employers, they must be aware of the legal obligations they owe to employers, such as complying with occupational health and safety (OH&S) procedures when fulfilling their work duties. Employers also have legal obligations that they owe to their employees, such as providing them with wages at or above the minimum standard and ensuring no discrimination in the workplace occurs.*
- II; III. *By ensuring the safety and welfare of all individuals within the workplace, there is a reduced risk that both employers and employees will endure any harm.*
- B. False. *Industry regulations are specific to businesses within a certain industry. For example, businesses that work with children under the age of 18 are required to ensure that their employees have a Working with Children Check. On the other hand, businesses within the construction industry may have to comply with different regulations, and are unlikely to need a Working With Children Check.*
- A. *To ensure it is complying with industry regulations, a business can check the ABLIS, a free government service that helps business owners determine what licences, permits, registrations, and approvals are required for them to operate in their specific industry.*
- Australian business number (ABN); Australian Taxation Office (ATO). *A business must have a tax file number, obtained by the ATO, and also must have an ABN in order to register for goods and services tax (GST). If a business does not comply with these taxation requirements, it may face penalties from the government.*
- A. *Depending on the specific geographic area where a business is located, it may have to comply with particular rules made by the local government. For example, some councils may have regulations regarding altering or renovating heritage-listed buildings.*
- environmental legislation. *Environmental legislation are laws that aim to preserve the environment. A business must comply with laws surrounding water and energy usage, recycling of materials, and disposal of waste, in order to preserve the environment and abide by its legal obligations.*
- A. True. *If a business does not follow laws and regulations, it will face consequences, such as receiving fines or potentially being banned from operating.*

### Preparing for exams

#### Case study skills

10. I; II
11. B
12. I, III and V are true. II and IV are false.

#### Exam-style

13. [Legal and government regulations are the laws and rules made by parliaments and governments, as well as decisions made by the courts.<sup>1</sup>]

I have defined legal and government regulations.<sup>1</sup>

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14. [Environmental legislation is the set of laws that aim to preserve the environment.<sup>1</sup>]

I have defined environmental legislation.<sup>1</sup>

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15. [One type of key legal and government regulation is taxation requirements, which are laws and rules related to tax that apply to all businesses.<sup>1</sup>][Another type is employment laws and regulations which are rules that govern the relationship between employers and employees.<sup>2</sup>]

I have outlined one key legal and government regulation.<sup>1</sup>

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I have outlined another key legal and government regulation.<sup>2</sup>

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I have signposted my response by using 'One type' and 'Another type'.

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#### Other acceptable answers include:

- Environmental legislation
- Industry regulations
- Council regulations

16. [Council regulations are local government rules made to govern businesses operating in a specific geographic area.<sup>1</sup>][One way a business can consider council regulations is by becoming familiar with the specific regulations set out by the local government, such as rules about business operating hours.<sup>2</sup>]

I have defined council regulations.<sup>1</sup>

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I have outlined one way businesses can consider council regulations.<sup>2</sup>

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I have signposted my response by using 'One way'.

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17. [Legal and government regulations are the laws and rules made by parliaments and governments, as well as decisions made by the courts.<sup>1</sup>][Chieko should utilise the expert she has hired to make sure Chieko's Computers is following relevant legislation, such as local regulations regarding proper waste disposal from manufacturing computers.<sup>2</sup>][Ensuring Chieko's Computers satisfies legal and government requirements will prevent the business from experiencing legal and social consequences, such as receiving fines.<sup>3</sup>]

- I have identified and defined legal and government regulations.<sup>1</sup>

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- I have provided an example relevant to the case study.<sup>2</sup>

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- I have linked my example to the importance of following legal and government regulations.<sup>3</sup>

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- I have referred to the business directly by using 'Chieko' and 'Chieko's Computers'.

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- I have defined taxation requirements.<sup>1</sup>

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- I have provided an example of why it is important that businesses consider taxation requirements.<sup>2</sup>

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- I have provided an example of how taxation revenue contributes to the wellbeing of the nation.<sup>3</sup>

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- I have signposted my response by using 'One way'.

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18. [One key regulation Samarth should consider is employment laws and regulations, which are rules that govern the relationship between employers and employees.<sup>1</sup>][As Samarth is going to hire chefs and wait staff, he must plan to provide his employees with the minimum wages and conditions set out in the relevant legislation.<sup>2</sup>][Furthermore, another key regulation Samarth must consider is council regulations, which are the local government's rules made to govern businesses operating in a specific geographic area.<sup>3</sup>][Samarth may need to consider issues such as how Samarth's Samosas plans on disposing of its waste, and ensure that these methods comply with the rules on waste set out by the council that Westfield Doncaster is within.<sup>4</sup>]

- I have identified and defined a legal and government regulation.<sup>1</sup>

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- I have provided an example relevant to the case study and linked it my chosen legal and government regulation.<sup>2</sup>

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- I have identified and defined another legal and government regulation.<sup>3</sup>

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- I have provided an example relevant to the case study and linked it to council regulations.<sup>4</sup>

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- I have signposted my response by using 'One key regulation' and 'another key regulation'.

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- I have referred to the business directly by using 'Samarth' and 'Samarth's Samosas'.

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- I have used connecting words, such as 'Furthermore'.

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**Other acceptable answers include:**

- Environmental legislation
- Industry regulations
- Taxation requirements

**Testing previous knowledge**

19. [Taxation requirements are laws and rules related to tax that apply to all businesses.<sup>1</sup>][It is compulsory for every business in Australia to pay tax based on the profits it receives. If a business fails to register with the Australian Taxation Office (ATO) and pay the correct tax, it may be liable for significant penalties from the government.<sup>2</sup>][One way that taxation revenue received by the government from a business contributes to the wellbeing of the nation is by allowing the government to provide public goods and services. For example, the courts and police services are government-funded. Thus, tax contributions assist in funding these necessary services which promote wellbeing.<sup>3</sup>]

## 3C Societal attitudes and behaviour

### Theory review

1. A. True. *As businesses are significantly affected by the way customers act, they should be aware of, and cater to the current values, beliefs, and trends of society in order to remain competitive.*
2. B. *Businesses must constantly research changing values and beliefs to develop products that suit these opinions, as customers are less likely to purchase from a business that does not represent their current values.*
3. A. True. *If a business continues to implement practices and make decisions that damage the environment, this demonstrates it has not taken into consideration society's values and beliefs towards the environment.*
4. B. *Through researching data, a business may be able to identify changing customer behaviours which may assist in predicting goods and services that may be popular in the future.*
5. A. True. *By understanding the purchasing patterns of people who the business's products are intended for, a business can ensure goods and services are produced to match their purchasing behaviours.*
6. societal attitudes; societal behaviour. *Societal attitudes are the internal views of individuals in society towards a particular subject or concept, while societal behaviour is related to the way people act or conduct themselves in different situations.*

### Preparing for exams

#### Case study skills

7. A
8. I and IV are true. II and III are false.

#### Exam-style

9. [Societal behaviour is the way people act and respond in various situations.<sup>1</sup>]  
  I have defined the term societal behaviour.<sup>1</sup>

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10. [Values and beliefs are the principles, standards, and assumptions upheld by individuals or a group of people, which influence how they make decisions.<sup>1</sup>]  
  I have defined the term values and beliefs.<sup>1</sup>

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11. [Values and beliefs are the principles, standards, and assumptions upheld by individuals or a group of people, which influence how they make decisions.<sup>1</sup>][Businesses should consider these factors during planning as they reflect their customers' attitudes and behaviours, meaning businesses can adapt their products and activities to align with their customer's preferences.<sup>2</sup>]

I have defined values and beliefs.<sup>1</sup>

I have outlined the importance of considering values and beliefs during business planning.<sup>2</sup>

12. [A trend is a general development in the way a group of people in society are behaving.<sup>1</sup>][Ash noticed that there was an increasing trend for healthy food options from the supermarket.<sup>2</sup>][By noticing this trend, Ash was able to plan to open a business that delivers healthy lunches and dinners to people's homes.<sup>3</sup>]

I have identified and defined trends.<sup>1</sup>

I have provided an example relevant to the case study and linked it to a societal trend.<sup>2</sup>

I have provided an example relevant to the case study and linked to how a business has considered societal trends during business planning.<sup>3</sup>

I have referred to the business directly by using 'Ash'.

13. [One value and belief that is relevant to Nude Nutrition is the importance society is placing on environmentally friendly and locally sourced food.<sup>1</sup>][Nadia has ensured that Nude Nutrition's products are sourced from ethical suppliers within Australia, therefore supporting local suppliers and aligning with societal values and beliefs.<sup>2</sup>][Furthermore, another value and belief that is relevant to Nude Nutrition is the desire employees have for flexibility and achieving a work-life balance.<sup>3</sup>][Nadia has enabled her employees to have flexible working hours, which can help them achieve a work-life balance, thus satisfying this value and belief.<sup>4</sup>]

I have identified and described a value and belief.<sup>1</sup>

I have provided an example relevant to the case study and linked it to my chosen value and belief.<sup>2</sup>

I have identified and described another value and belief.<sup>3</sup>

I have provided an example relevant to the case study and linked it to my chosen value and belief.<sup>4</sup>

I have signposted my response by using 'One value and belief' and 'another value and belief'.

I have referred to the business directly by using 'Nude Nutrition' and 'Nadia'.

I have used connecting words, such as 'Furthermore'.

### Testing previous knowledge

14. [A trend is a general development in the way a group of people in society are behaving.<sup>1</sup>][One trend a business may consider is the growing desire for more advanced technology, such as smartphones.<sup>2</sup>][When developing a business concept, the business owner may account for this trend by focusing on creating technological products that have innovative designs and features.<sup>3</sup>]

I have defined trends.<sup>1</sup>

I have provided an example of a trend.<sup>2</sup>

I have linked this example to business concept development.<sup>3</sup>

I have signposted my response by using 'One trend'.

## 3D Economic conditions

### Theory review

- B. False. *All existing and prospective businesses will be affected by changes in economic conditions.*
- A. True. *Businesses that plan to take out a loan should consider interest rates and ensure they are able to afford the current cost of the loan.*
- low. *Low interest rates reduce the cost of a loan for a business, as repayments are smaller and easier to manage.*
- A. True. *Low interest rates and tax rates can reduce costs for a business and potentially increase its profits.*
- B. *The government has direct control over the tax rates they levy on businesses. On the other hand, interest rates are influenced by the Reserve Bank of Australia (RBA), which is independent from the government.*
- A. True. *The government levies different tax rates on companies depending on their size.*
- consumer confidence is. *Consumer confidence measures how optimistic consumers are feeling about current and anticipated future economic conditions, and therefore indicates how much customers are willing to spend on goods and services.*
- A. True. *Businesses should consider both current and expected economic conditions to ensure that they can launch and continuously run their business successfully.*

### Preparing for exams

#### Case study skills

- II is true. I and III are false.
- II and III are true. I and IV are false.

#### Exam-style

11. [A tax rate is the percentage of income or spending that is required to be paid to the government by individuals or businesses.<sup>1</sup>]

I have defined the term tax rate.<sup>1</sup>

12. [Consumer confidence is a measure of consumers' feelings and expectations about current and future economic conditions.<sup>1</sup>]

I have defined the term consumer confidence.<sup>1</sup>

13. [A tax rate is the percentage of income or spending that is required to be paid to the government by individuals or businesses.<sup>1</sup>][As tax rates vary depending on the structure of a business, business owners should consider this when selecting a business structure.<sup>2</sup>]

I have defined tax rates.<sup>1</sup>

I have provided an example of how tax rates affect business planning.<sup>2</sup>

14. [Employment levels are measured as the percentage of the labour force who are working in paid employment.<sup>1</sup>][When employment levels are high, businesses may struggle to find employees willing and able to work, or may need to offer higher wages to attract employees.<sup>2</sup>]

I have defined employment levels.<sup>1</sup>

I have provided an example of how employment levels affect business planning.<sup>2</sup>

15. [An interest rate is the price paid for money that has been borrowed, expressed as a percentage.<sup>1</sup>][Kirra should consider interest rates when planning her art gallery as she requires a loan to set up and run the business, and will need to ensure that the business can meet the required repayments.<sup>2</sup>][If interest rates are high at the time that Kirra wants to open her business, she will have to consider the impact of high-interest expenses on estimated business profits, to determine if the gallery is worth opening.<sup>3</sup>]

I have identified and defined interest rates.<sup>1</sup>

I have provided an example relevant to the case study and linked it to how interest rates can impact business planning.<sup>2</sup>

I have provided another example relevant to the case study and linked it to how interest rates can impact business planning.<sup>3</sup>

I have referred to the business directly by using 'Kirra'.

16. [Consumer confidence is a measure of consumers' feelings and expectations about current and future economic conditions.<sup>1</sup>][If consumer confidence levels are currently low, Omar's plan to mass produce the coffee cup may result in excess stock unable to be sold, so they may plan to produce smaller quantities if launching the business in two months time.<sup>2</sup>][If Omar and Zuri believe consumer confidence levels will improve in six months, they may plan to delay the launch of their business to take advantage of higher anticipated consumer spending then.<sup>3</sup>]

I have identified and defined consumer confidence.<sup>1</sup>

I have provided an example relevant to the case study and linked it to how consumer confidence can impact business planning.<sup>2</sup>

I have provided another example relevant to the case study and linked it to how consumer confidence can impact business planning.<sup>3</sup>

I have referred to the business directly by using 'Omar and Zuri'.

### Testing previous knowledge

17. [Tax is a compulsory payment to the government, which is used to finance the provision of public goods and services.<sup>1</sup>][One way that businesses contribute to taxation revenue is through the wages paid to their employees, whereby employees pay a proportion of their income to the government as income tax.<sup>2</sup>]

I have defined tax.<sup>1</sup>

I have described one way that businesses contribute to taxation revenue.<sup>2</sup>

I have signposted my response by using 'One way'.

## 3E Technological considerations

### Theory review

- A. True. *As technology is used in most aspects of life, all businesses should consider recent technological developments that may impact them.*
- B. False. *Ensuring that the business uses the latest technology when producing its goods and services will likely increase customer satisfaction and sales, helping a business achieve its stated objectives and therefore increase its effectiveness.*
- increase. *When in the planning stage, businesses should consider establishing an online presence as online shopping allows customers to purchase products from the comfort of their own homes.*
- automated production lines; eftpos machines. *Automated production lines are machinery and equipment arranged in a sequence that replaces many repetitive and dangerous roles completed by employees. On the other hand, eftpos machines allow customers to electronically transfer funds from their bank account to pay for goods and services, instead of carrying cash.*
- B. False. *Even if a business has achieved previous success, it should always continue to research and adopt new technological developments in order to remain competitive.*
- B. *Businesses that are able to anticipate evolving customer demands for upgraded technology are likely to increase their chances of success.*
- A. True. *As customers are usually looking for goods and services that utilise the latest forms of technology, failure to adopt these advancements is likely to result in the business's products becoming outdated.*

### Preparing for exams

#### Case study skills

8. I; IV
9. I and IV are advantages. II and III are disadvantages.

#### Exam-style

10. [Technological developments are the invention and innovation of tools that solve problems and enhance processes.<sup>1</sup>]

I have defined the term technological developments.<sup>1</sup>



11. [One way that technological developments can impact business planning is by allowing owners to adopt new machinery to improve the speed and accuracy of their operations system.<sup>1</sup>][Another way that technological developments can impact business planning is by allowing business owners to establish an online presence to increase the number of customers reached.<sup>2</sup>]

✓ ✗ I have outlined one way that technological developments can impact business planning.<sup>1</sup>

✓ ✗ I have outlined another way that technological developments can impact business planning.<sup>2</sup>

✓ ✗ I have signposted my response by using 'One way' and 'Another way'.

12. [As technology is constantly changing and developing, business owners must consider how developments in technology could impact and improve their business.<sup>1</sup>][For example, car manufacturers could recognise and respond to the increasing demand for self-driving cars, as this will have a major impact on how they will operate and produce cars in the future.<sup>2</sup>]

✓ ✗ I have outlined why considering technology in the future is important for businesses.<sup>1</sup>

✓ ✗ I have provided an example of how considering future technological developments is important for businesses.<sup>2</sup>

13. [Technological developments are the invention and innovation of tools that solve problems and enhance processes.<sup>1</sup>][Responding to technological developments is important for a business as doing so can improve the speed and accuracy of its production process, for example, through the implementation of automated production lines to replace human labour.<sup>2</sup>][Additionally, responding to developments in technology is important when producing goods and services because this ensures products do not become outdated and unattractive to customers.<sup>3</sup>]

✓ ✗ I have identified and defined technological developments.<sup>1</sup>

✓ ✗ I have provided an example and linked it to the importance of a business responding to developments in technology.<sup>2</sup>

✓ ✗ I have provided another example and linked it to the importance of a business responding to developments in technology.<sup>3</sup>

✓ ✗ I have used connecting words, such as 'Additionally'.

14. [Technological developments are the invention and innovation of tools that solve problems and enhance processes.<sup>1</sup>][One way that Tom has considered technological developments in business planning is through his recent introduction of an eftpos machine, allowing his customers to electronically purchase tennis equipment and sportswear as opposed to having to pay using cash.<sup>2</sup>][After Tom conducted some planning to find a way to prevent the amount of theft occurring, he decided to implement an eftpos machine as a technological development that could solve this problem.<sup>3</sup>]

✓ ✗ I have identified and defined technological developments.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study.<sup>2</sup>

✓ ✗ I have linked my example to considering one technological development during business planning.<sup>3</sup>

✓ ✗ I have signposted my response by using 'One way'.

✓ ✗ I have referred to the business directly by using 'Tom'.

#### Other acceptable answers include:

- Establishing an online website

15. [One advantage of implementing technology is that it could enhance the accuracy of B&B's manufacturing process of clothes, which could increase its customer satisfaction and sales.<sup>1</sup>][Another advantage of implementing technology, such as a website, is that it could enable B&B to better communicate information, such as its return policies, with customers 24/7. This written communication could save time for B&B's customer service staff.<sup>2</sup>][However, one disadvantage of technology is that some technology may replace its employees, which could result in B&B developing a poor reputation in the community due to increased unemployment rates.<sup>3</sup>][Moreover, another disadvantage of technology is that it generally has high initial purchase and setup costs, which could compromise B&B's profitability.<sup>4</sup>][Ultimately, although technology can be flawed due to its cost and criticism from the public, as technology is becoming more important for businesses to meet customer needs, it is overall more beneficial for B&B to implement technology.<sup>5</sup>]

✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of implementing technology.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of implementing technology.<sup>2</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to a disadvantage of implementing technology.<sup>3</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to another disadvantage of implementing technology.<sup>4</sup>

✓ ✗ I have provided an opinion on the decision to implement technology by summarising the advantages and the disadvantages.<sup>5</sup>

✓ ✗ I have signposted my response by using 'One advantage' and 'Another advantage'.

✓ ✗ I have referred to the business directly by using 'B&B'.

✓ ✗ I have used connecting words, such as 'However' and 'Moreover'.

#### Testing previous knowledge

16. [Societal attitudes are the collective values, beliefs, and opinions held by a group of people.<sup>1</sup>][As society is becoming more reliant on technology, businesses must ensure they adopt the latest technological developments when producing their goods and services in order to remain competitive.<sup>2</sup>]

✓ ✗ I have defined societal attitudes.<sup>1</sup>

✓ ✗ I have outlined how increased reliance on advanced technology can impact business planning.<sup>2</sup>

# 3F Global considerations: Part 1

## Theory review

- A. True. *As globalisation has provided more opportunities for international trade than ever before, business owners may decide to sell their products overseas and must analyse a range of factors, such as overseas competitors, when doing so.*
- B. False. *It is important for a business to consider the actions, strengths, and weaknesses of both overseas and local competitors to remain competitive in its industry.*
- overseas competitors. *A business should take into consideration all possible competitors, irrespective of whether they are local or international businesses, as both may pose a threat to the business.*
- I; II. *As legal requirements vary in each country, businesses must ensure they are aware of the possible impacts that overseas laws and regulations may have on their current operating systems. Additionally, a business owner may consider hiring an agent to assist with communication barriers to ensure they have a strong understanding of the overseas market.*
- A. True. *Offshoring labour can allow businesses to produce goods and services in another country at a lower price, as the cost of hiring employees to complete services or processes can be cheaper depending on the minimum wage requirements in that country and the exchange rate.*
- online sales. *As online services allow customers to purchase goods and services from their own homes, businesses can reach global markets without having to open a store in a different country.*
- appreciation; depreciation. *Currency appreciation will be beneficial for a business that purchases materials from overseas countries, as its Australian dollars can buy more of a foreign currency. Alternatively, currency depreciation will make a business's goods and services cheaper for overseas buyers, making them more attractive in overseas markets.*
- B. False. *Expanding into overseas markets requires significantly more planning by a business owner than launching into a local market, as they will need to determine how to manage changing international conditions.*

## Preparing for exams

### Case study skills

- A
- III and IV are true. I and II are false.

### Exam-style

- [Offshoring of labour involves a business moving its services or processes to another country.<sup>1</sup>]  
  I have defined the term offshoring of labour.<sup>1</sup>
- [An exchange rate is the relative price at which the currency of one country can be exchanged for the currency of another country.<sup>1</sup>]  
  I have defined the term exchange rate.<sup>1</sup>

- [One way that businesses could consider overseas markets is by developing an understanding of the legal and government regulations, such as tax, in the overseas market that they wish to expand to.<sup>1</sup>]  
 [Another way that businesses could consider overseas markets is by researching current economic conditions, such as consumer confidence levels, in the overseas market they wish to expand into.<sup>2</sup>]  
  I have outlined one way that a business owner could consider overseas markets when planning a business.<sup>1</sup>

- 
- I have outlined another way that a business owner could consider overseas markets when planning a business.<sup>2</sup>
- 
- I have signposted my response by using 'One way' and 'Another way'.

- [Overseas competitors are businesses that are located in other countries that operate in the same industry and offer a similar good or service.<sup>1</sup>][A business should consider the operational processes, strengths, and weaknesses of overseas competitors during business planning. In doing so, a business can identify how it can differentiate itself from these competitors and develop and build a competitive advantage.<sup>2</sup>]

- 
- I have defined overseas competitors as a global consideration.<sup>1</sup>
- 
- I have provided one reason why considering overseas competitors is important during business planning.<sup>2</sup>

- [One consideration related to online sales is shipping costs. It will be necessary to research shipping costs and options to determine what shipping strategy the business will use.<sup>1</sup>][Another consideration is website development. Engaging a web developer can ensure that the business's website is easy for customers to navigate and understand.<sup>2</sup>]

- 
- I have outlined one consideration in relation to online sales.<sup>1</sup>
- 
- I have outlined another consideration in relation to online sales.<sup>2</sup>
- 
- I have signposted my response by using 'One consideration' and 'Another consideration'.

### Other acceptable answers include:

- Technical issues
- Privacy and security
- Legal regulations

- [An exchange rate is the relative price at which the currency of one country can be exchanged for the currency of another country.<sup>1</sup>]  
 [Bethany should consider exchange rates as she is planning on starting Scented Bees and selling her candles to overseas markets, which may have different currencies.<sup>2</sup>][For example, if the Australian currency appreciates, overseas buyers will pay a higher price in their own currency for the Australian goods, making Bethany's candles less attractive in overseas markets. Bethany will need to consider whether her products can still be competitive if exchange rates appreciate, and/or whether it will be possible to amend her prices in response to a sustained change in exchange rates.<sup>3</sup>]

- 
- I have identified and defined exchange rates as a global consideration.<sup>1</sup>

I have provided an example relevant to the case study and linked it to exchange rates as a global consideration.<sup>2</sup>

I have provided an example relevant to the case study and linked it to the effect of exchange rates on business planning.<sup>3</sup>

I have referred to the business directly by using 'Bethany' and 'Scented Bees'.

17. [Offshoring of labour involves a business moving its services or processes to another country.<sup>1</sup>][One consideration Zhen should have in relation to offshoring of labour is communication barriers. Zhen should ensure she understands the level of English proficiency of staff in the Philippines to minimise the risk of miscommunications between customers and offshore employees working for WebDev.<sup>2</sup>][Another consideration Zhen should have in relation to offshoring of labour is legal and government regulations. By ensuring she understands regulations such as tax rates in the Philippines Zhen can better determine whether the offshoring of labour will be more affordable than hiring locally.<sup>3</sup>][Finally, a third consideration Zhen should have in relation to offshoring of labour is time differences. By understanding time zone differences between Melbourne and the Philippines Zhen can establish whether these are likely to significantly disrupt daily communication between her and her assistants, and this could affect planning and decision making.<sup>4</sup>]

I have identified and defined offshoring of labour as a global consideration.<sup>1</sup>

I have provided an example relevant to the case study and linked it to one consideration associated with the offshoring of labour.<sup>2</sup>

I have provided an example relevant to the case study and linked it to a second consideration associated with the offshoring of labour.<sup>3</sup>

I have provided an example relevant to the case study and linked it to a third consideration associated with the offshoring of labour.<sup>4</sup>

I have signposted my response by using 'One consideration' and 'Another consideration'.

I have referred to the business directly by using 'Zhen' and 'WebDev'.

I have used connecting words, such as 'Finally'.

### Testing previous knowledge

18. [Legal and government regulations are the laws and rules made by parliaments and governments, as well as decisions made in the courts.<sup>1</sup>][As the laws and regulations vary in each country due to their different legal and government systems, businesses must ensure they are aware of and are compliant with the relevant laws and regulations in the country they are planning to expand to. This will ensure the business avoids the risk of sanctions such as fines or losing the right to operate within that country.<sup>2</sup>]

I have defined legal and government regulations.<sup>1</sup>

I have outlined the importance of a business considering the legal and government regulations in another country when planning to expand overseas.<sup>2</sup>

## 3G Global considerations: Part 2

### Theory review

1. A. True. *It is important for business owners to plan and research different global considerations that may affect their business, such as copyrights and patents, to ensure their business ideas are protected when establishing their business.*
2. B. False. *A business owner does not need to register for copyrights in Australia as it applies automatically when a business idea or creative work is created and documented.*
3. A. *Copyright infringement can result in a business facing significant fines and penalties. Therefore, it is important for business owners to ensure that their business ideas are unique and original to avoid copyright infringement.*
4. trademarks. *During business planning, a business should consider obtaining a trademark as this is an exclusive right granted over a unique aspect of the business.*
5. B. False. *A trademark registered in Australia only provides protection in Australian markets. A business will need to register its trademark in each of the different overseas markets it wishes to sell in.*
6. patent; trademark. *Patents are used to protect innovative devices, substances, methods, and processes, whereas trademarks are used to protect symbols, sounds, words, or numbers.*
7. A. True. *A business owner should ensure they are protecting their business's branding and products, such as registering trademarks or patents, in order to prevent competitors from copying the business's ideas.*

### Preparing for exams

#### Case study skills

8. II is true. I, III and IV are false.
9. II, III and IV are true. I is false.

#### Exam-style

10. [A trademark is an exclusive right granted over a unique aspect of a business, such as a symbol, word, sound, or number that is used to distinguish the business or its products.<sup>1</sup>]

I have defined the term trademark.<sup>1</sup>

11. [A patent is a licence that provides a business with exclusive rights to use innovative devices, substances, methods, and processes.<sup>1</sup>]

I have defined the term patent.<sup>1</sup>

12. [Copyright is free and automatic protection used on original ideas such as writing, art, sound, films, and photographs.<sup>1</sup>][A business should ensure that the expression of its ideas is unique and original. In doing so, a business can avoid any copyright infringement and legal action.<sup>2</sup>]

I have defined copyright as a global consideration.<sup>1</sup>

I have outlined one reason why considering copyrights is important.<sup>2</sup>

13. [A trademark is an exclusive right granted over a unique aspect of a business, such as a symbol, word, sound, or number, that is used to distinguish the business or its products.<sup>1</sup>] [Josef should consider registering trademarks for the business name 'Hot Chickenz' and the business logo of a red and green chicken.<sup>2</sup>] [By doing so, Josef can protect Hot Chickenz's trademarks from other businesses and have the sole right to use, licence, and sell products with this branding.<sup>3</sup>]

✓ ✗ I have identified and defined trademarks as a global consideration.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to trademarks.<sup>2</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to the effect of trademarks on business planning decisions.<sup>3</sup>

✓ ✗ I have referred to the business directly by using 'Josef' and 'Hot Chickenz'.

14. [A patent is a licence that provides a business with exclusive rights to use innovative devices, substances, methods, and processes.<sup>1</sup>] [One way that Emilia could use patenting is by ensuring that she registers her perfume patent for Emilia Rose in Australia and the overseas countries that she wishes to sell in.<sup>2</sup>] [By doing so, Emilia can exclude others from making, using, or selling her perfume.<sup>3</sup>]

✓ ✗ I have identified and defined patenting as a global consideration.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to patenting.<sup>2</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to the effect of patenting on business planning decisions.<sup>3</sup>

✓ ✗ I have signposted my response by using 'One way'.

✓ ✗ I have referred to the business directly by using 'Emilia' and 'Emilia Rose'.

### Testing previous knowledge

15. [One global consideration that Amara could address when planning her business is online sales, which involve buying and selling goods and services using the internet and are also referred to as e-commerce.<sup>1</sup>] [As Amara believes her signature scent for the bath products will be a success, online sales will allow her to sell her products in other countries and reach a large number of consumers.<sup>2</sup>] [Furthermore, another global consideration Amara could consider is obtaining a patent, which is a licence that provides a business with exclusive rights to receive exclusive rights to use innovative designs, substances, methods, and processes.<sup>3</sup>] [Amara should consider registering for a patent in Australia and the overseas countries she wishes to sell her signature scented bath bombs, salts, and oils in, as this will prevent competitors from replicating Relaxing Bath's scent.<sup>4</sup>]

✓ ✗ I have identified and defined one global consideration.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to how a business can address my chosen global consideration when planning.<sup>2</sup>

✓ ✗ I have identified and defined another global consideration.<sup>3</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to how a business can address my chosen global consideration when planning.<sup>4</sup>

✓ ✗ I have signposted my response by using 'One global consideration' and 'another global consideration'.

✓ ✗ I have referred to the business directly by using 'Amara' and 'Relaxing Bath's'.

✓ ✗ I have used connecting words, such as 'Furthermore'.

#### Other acceptable answers include:

- Overseas competitors
- Overseas markets
- Offshoring of labour
- Exchange rates
- Copyrights
- Trademarks

## 3H Corporate social responsibility (CSR)

### Theory review

1. B. False. *CSR is not only about a business reducing its negative social and environmental impacts, but also going above and beyond legal requirements to make a positive contribution to society.*
2. B. *Choosing local suppliers can reduce transport emissions and displays CSR for the environment as minimising pollution can protect the planet.*
3. I; II; IV. *Recycling materials to reduce waste, minimising harmful packaging, and donating profits to protect the environment are all practices that are beyond a business's legal obligations and aim to benefit the environment.*
4. A. *Selecting local suppliers to provide local job opportunities minimises unemployment rates within society, and is therefore, a social consideration.*
5. A. True. *By producing goods and services that aim to positively contribute to society, the business is planning to have a socially responsible production of goods and services.*
6. B. *Although CSR can boost the reputation of a business, implementing strategies to display CSR can be initially expensive and take time.*
7. B. False. *CSR involves the consideration of social, economic, and environmental factors.*

### Preparing for exams

#### Case study skills

8. II and III are true. I and IV are false.
9. B
10. I; II; IV

## Exam-style

11. [Corporate social responsibility (CSR) is the ethical conduct of a business beyond legal obligations and the consideration of social, economic, and environmental impacts when making business decisions.<sup>1</sup>]

I have defined the term corporate social responsibility.<sup>1</sup>

12. [One advantage of a business demonstrating corporate social responsibility (CSR) is that the business is likely to develop a positive reputation from being socially responsible, which can attract more customers.<sup>1</sup>][However, one disadvantage of CSR is that it can be time-consuming and expensive for a business to develop and implement strategies that are socially responsible.<sup>2</sup>]

I have provided one advantage of demonstrating corporate social responsibility for a business.<sup>1</sup>

I have provided one disadvantage of demonstrating corporate social responsibility for a business.<sup>2</sup>

I have signposted my response by using 'One advantage' and 'one disadvantage'.

I have used connecting words, such as 'However'.

13. [One corporate social responsibility (CSR) consideration that Calypso could address during business planning is the environment, which could involve taking responsibility for the business's impact on the environment, as well as promoting the wellbeing of the planet.<sup>1</sup>][For example, Calypso could source her resources, such as candle wax, from a local supplier to reduce transport emissions and minimise Calypso's Candles' impact on the environment.<sup>2</sup>][Furthermore, another CSR consideration that Calypso could address is her business's impact on society, which could involve aiming to positively contribute to the wellbeing of society.<sup>3</sup>][At Calypso's Candles, Calypso could plan to devote a portion of the business's profits to paying employees to spend a workday at a charity of their choice. Encouraging her employees to volunteer can help combat social issues, such as poverty.<sup>4</sup>]

I have identified and described one corporate social responsibility consideration that could be addressed during business planning.<sup>1</sup>

I have provided an example relevant to the case study and linked it to my chosen corporate social responsibility consideration.<sup>2</sup>

I have identified and described another corporate social responsibility consideration that could be addressed during business planning.<sup>3</sup>

I have provided an example relevant to the case study and linked it to my chosen corporate social responsibility consideration.<sup>4</sup>

I have signposted my response by using 'One corporate social responsibility (CSR) consideration' and 'another CSR consideration'.

I have referred to the business directly by using 'Calypso' and 'Calypso's Candles'.

I have used connecting words, such as 'Furthermore'.

14. [One corporate social responsibility (CSR) consideration that Gina could plan to address is displaying a concern for society. Gina could aim to have a positive impact on society by enabling employees at River to spend some of their paid work time volunteering at an organisation of their choice.<sup>1</sup>][One advantage of Gina paying its employees to volunteer during a workday is that the public may positively perceive River as a business that prioritised the wellbeing of society by encouraging charity work.<sup>2</sup>][Another advantage of Gina implementing paid volunteer work is that its employees are likely to be more motivated to produce and sell its kombucha, as it prioritises and encourages CSR practices that employees value.<sup>3</sup>][Finally, a third advantage is that many customers may be willing to pay more for products that are produced by an ethical business, therefore River may be able to charge a premium price for its kombucha.<sup>4</sup>]

I have identified and described a corporate social responsibility consideration that could be addressed.<sup>1</sup>

I have provided an example relevant to the case study and linked it to addressing my chosen corporate social responsibility consideration.<sup>2</sup>

I have provided a second example relevant to the case study and linked it to addressing my chosen corporate social responsibility consideration.<sup>3</sup>

I have provided a third example relevant to the case study and linked it to addressing my chosen corporate social responsibility consideration.<sup>4</sup>

I have signposted my response by using 'One corporate social responsibility (CSR) consideration' and 'One advantage'.

I have referred to the business directly by using 'Gina' and 'River'.

I have used connecting words, such as 'Finally'.

## Testing previous knowledge

15. [Corporate social responsibility (CSR) is the ethical conduct of a business beyond legal obligations and the consideration of social, economic, and environmental impacts when making business decisions.<sup>1</sup>][Business planning is the process of establishing a business's goals and developing strategies to achieve them.<sup>2</sup>][Since CSR is becoming increasingly important for businesses to demonstrate, business owners should consider how they could implement CSR practices during the planning stage of the business.<sup>3</sup>]

I have defined corporate social responsibility.<sup>1</sup>

I have defined business planning.<sup>2</sup>

I have outlined the relationship between corporate social responsibility and business planning.<sup>3</sup>

# 31 Customer needs and expectations

## Theory review

1. A. True. *A business owner should research potential customers to develop a greater understanding of their behaviour. In turn, this can allow a business to better satisfy customer needs and expectations.*
2. B. False. *A business owner should focus on meeting both customer needs and customer expectations to increase the business's chances of improving customer satisfaction and sales.*
3. essential; non-essential. *Customer needs are considered essential as they are requirements that must be fulfilled, whereas, customer expectations are non-essential, as they are desires of the customer.*
4. II; III. *By identifying and fulfilling customer needs, a business can increase customer satisfaction levels which, in turn, can increase levels of customer retention and business sales.*
5. B. False. *A business could consider exceeding customer expectations by improving customer convenience, such as by planning to offer next-day delivery. However, this is not a requirement and will be largely dependent on the type of business and the decisions made by the business owner.*
6. A. True. *As customers have become more informed about their buying decisions, a business owner could consider sourcing ethical materials to produce goods that exceed customer expectations.*
7. I; II. *By exceeding customer expectations, a business will likely experience higher levels of customer satisfaction and retention which can ultimately improve the business's reputation.*
8. B. False. *To remain competitive, a business must constantly be aware of changing customer requirements and preferences, otherwise, it may lose customers to other businesses in the market.*

## Preparing for exams

### Case study skills

9. II; III
10. I and III are true. II and IV are false.

### Exam-style

11. [Customer needs are the essential requirements that customers intend to fulfil with the purchase of a good or service from a business.<sup>1</sup>]  
  I have defined the term customer needs.<sup>1</sup>
12. [Customer expectations are the values or benefits that customers seek when purchasing a good or service from a business.<sup>1</sup>]  
  I have defined the term customer expectations.<sup>1</sup>
13. [One way that a business could consider customer needs is by offering convenient options, such as click-and-collect services, different payment options, and fast delivery to customers.<sup>1</sup>][Another way that a business could consider customer needs is by offering responsive customer service options, such as establishing a 'frequently asked questions' page and having a team dedicated to customer support.<sup>2</sup>]

I have outlined one way that a business could consider customer needs.<sup>1</sup>

I have outlined another way that a business could consider customer needs.<sup>2</sup>

I have signposted my response by using 'One way' and 'Another way'.

14. [Customer expectations are the values or benefits that customers seek when purchasing a good or service from a business.<sup>1</sup>][One reason why it's important for Trent to consider customer expectations is that it may allow him to enhance the business's reputation, as customers will be more satisfied when their expectations are exceeded. For example, Trent could offer free online returns and have an extensive 60-day return policy.<sup>2</sup>][Furthermore, by considering customer expectations, customers will be more likely to purchase from a business again in the future. For example, if Trent created his clothes from sustainable fabrics and reduced pollution into the environment, customers may value his commitment to operating ethically, and will be more likely to make repeat purchases, improving the business's customer retention.<sup>3</sup>]

I have identified and defined customer expectations.<sup>1</sup>

I have provided an example relevant to the case study and linked it to one reason why considering customer expectations is important.<sup>2</sup>

I have provided an example relevant to the case study and linked it to another reason why considering customer expectations is important.<sup>3</sup>

I have signposted my response by using 'One reason'.

I have referred to the business directly by using 'Trent'.

I have used connecting words, such as 'Furthermore'.

15. [Customer expectations are the values or benefits that customers seek when purchasing a good or service from a business.<sup>1</sup>][One way that Ava could consider customer expectations is by planning to offer convenient options, such as a click-and-collect service, for customers who shop online. This can result in greater convenience for Lipstix customers, saving them time and effort.<sup>2</sup>][Alternatively, customer needs are the essential requirements that customers intend to fulfil with the purchase of a good or service from a business.<sup>3</sup>][One way that Ava could consider customer needs is by ensuring that JCX uses high-quality materials when manufacturing Lipstix. This can ensure customer needs are met and the product is functional and able to be used by Lipstix customers.<sup>4</sup>]

I have identified and defined customer expectations.<sup>1</sup>

I have provided an example relevant to the case study and linked it to a customer expectation consideration.<sup>2</sup>

I have identified and defined customer needs.<sup>3</sup>

I have provided an example relevant to the case study and linked it to a customer need consideration.<sup>4</sup>

I have signposted my response by using 'One way'.

I have referred to the business directly by using 'Ava' and 'Lipstix'.

I have used connecting words, such as 'Alternatively'.

## Testing previous knowledge

16. [Corporate social responsibility (CSR) is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic, and environmental impacts when making business decisions.<sup>1</sup>] [When planning a business, the business owner can choose to uphold CSR considerations as they may align with customer expectations. Customer expectations are the values or benefits that customers seek when purchasing a good or service from a business.<sup>2</sup>] [Many customers value businesses that make ethical decisions. A business could use CSR considerations, such as reducing waste and pollution, to prevent environmental harm. This would uphold customer expectations for the business to be socially and environmentally responsible.<sup>3</sup>]

I have defined corporate social responsibility.<sup>1</sup>

I have defined customer expectations.<sup>2</sup>

I have provided an example of how upholding corporate social responsibility can satisfy customer expectations.<sup>3</sup>

## 3J Competitors' behaviour

### Theory review

- A. True. A business owner should consider competitors' behaviour, including their pricing strategies and product offerings, as this will impact business planning decisions.
- A. Conducting market research allows a business to gain a detailed understanding of the industry and make informed decisions about its product offering and business direction. Through market research, a business can ensure that it is aware of competitors' behaviour in order to stay relevant and competitive.
- B. The strengths and weaknesses of competitors can provide a business owner with detailed information to make decisions about their own business's products and pricing. A business owner will then be able to learn from their competitors' mistakes and replicate their strengths in order to make their product and service more appealing to customers.
- B. False. A business owner should consider the actions of both local and overseas competitors, including a detailed understanding of their strengths and weaknesses, in order to remain competitive in the worldwide market.
- B. False. A business should have a plan for dealing with both existing and emerging competitors in the market, as the possible emergence of new competitors with a unique product may decrease market share for existing businesses.
- II; III. A business should focus on developing its competitive advantage and consider ways to reduce costs where possible to remain competitive, including minimising its manufacturing and operating costs.
- A. True. A detailed understanding of competitors' behaviour will enable a business owner to identify competing businesses' weaknesses in the market and use these to its advantage when planning a business.

### Preparing for exams

#### Case study skills

8. I and IV are true. II and III are false.

## Exam-style

9. [Competitors are businesses that operate in the same or similar industry and offer a similar good or service.<sup>1</sup>]

I have defined the term competitors.<sup>1</sup>

10. [Competitors are businesses that operate in the same or similar industry and offer a similar good or service.<sup>1</sup>] [One way that a business can consider competitors' behaviour is through conducting market research and investigating a competitor's strengths and weaknesses.<sup>2</sup>]

I have defined competitors.<sup>1</sup>

I have provided an example and linked it to one way that businesses can consider competitors' behaviour.<sup>2</sup>

I have signposted my response by using 'One way'.

11. [Competitors are businesses that operate in the same or similar industry and offer a similar good or service.<sup>1</sup>] [One reason why considering competitors' behaviour is important when planning is so that the business owner can identify how they need to differentiate themselves in order to build a competitive advantage in the market.<sup>2</sup>] [Another reason why considering competitors' behaviour is important is so that a business owner can make informed decisions about the business's pricing strategies, product offerings, and business direction.<sup>3</sup>]

I have identified and defined competitors.<sup>1</sup>

I have provided an example and linked it to one reason why considering competitors' behaviour is important.<sup>2</sup>

I have provided an example and linked it to another reason why considering competitors' behaviour is important.<sup>3</sup>

I have signposted my response by using 'One reason' and 'Another reason'.

12. [One competitor behaviour that Lydia should consider is the potential emergence of any new competitors in the surrounding vacant stores in the shopping centre.<sup>1</sup>] [The threat of new competitors can make the clothing and accessories industry more competitive, which can ultimately decrease Misty Boutique's profit potential.<sup>2</sup>] [Additionally, another competitor behaviour that Lydia should consider is large department stores, such as Mayer, selling similar clothing and accessories for a lower price than Misty Boutique.<sup>3</sup>] [As Mayer offers significantly low prices on its clothing and accessories, this may make Misty Boutique's products less competitive in the market.<sup>4</sup>]

I have identified and described one competitor behaviour.<sup>1</sup>

I have provided an example relevant to the case study and linked it to my chosen competitor behaviour.<sup>2</sup>

I have identified and described another competitor behaviour.<sup>3</sup>

I have provided an example relevant to the case study and linked it to my chosen competitor behaviour.<sup>4</sup>

I have signposted my response by using 'One competitor behaviour' and 'another competitor behaviour'.

I have referred to the business directly by using 'Lydia' and 'Misty Boutique'.

I have used connecting words, such as 'Additionally'.

### Testing previous knowledge

13. [Market research is the process of investigating and analysing the activities and behaviours of customers and competitors in a specific industry.<sup>1</sup>][A business could use market research to analyse the behaviour of competitors, which are businesses that operate in the same or similar industry and offer a similar good or service. For example, one way that a business could use market research is to understand what type of goods or services offered by competitors are successful, and what features these products have that make them desirable to customers.<sup>2</sup>][Another way that a business could use market research is to gather quantitative and qualitative data about competitors' behaviour regarding advertising, in order to understand how competing businesses market their products.<sup>3</sup>]

I have identified and defined market research.<sup>1</sup>

I have provided an example of how market research could be used to consider competitors' behaviour.<sup>2</sup>

I have provided another example of how market research could be used to consider competitors' behaviour.<sup>3</sup>

I have signposted my response by using 'one way' and 'Another way'.

## 3K Suppliers and the supply chain

### Theory review

1. A. True. *A business should carefully consider the suppliers it will use, as a poor choice of supplier can have a negative impact on the business and its success.*
2. I; III. *If a business owner uses suppliers who are reliable, trustworthy, and supply high-quality inputs, this can improve the business's reputation as more customers are likely to purchase its products, ultimately increasing the business's sales.*
3. D. *A business's supply chain participants typically include suppliers, manufacturers, wholesalers, retailers, and customers.*
4. B. False. *A business may choose to use local suppliers, overseas suppliers, or a combination of both depending on its requirements. A business can achieve success by using either local or overseas suppliers.*
5. C. *If a business sources resources from local suppliers, this can reduce fuel emissions as resources do not travel as far. In turn, this can reduce the business's impact on the environment and improve its reputation.*
6. B. *A business may decide to source its resources from overseas suppliers as there may be materials or skills that are in short supply or that are not readily available in its local market.*
7. B. False. *Retrieving resources from overseas suppliers requires significantly more planning than using a local supplier. This is due to the fact that the business owner must address more considerations, such as tax implications, shipping costs, and exchange rates.*

8. B. False. *Retrieving resources by air can be an expensive method of transporting resources due to additional costs, such as fuel charges and import taxes.*

9. B. False. *As suppliers are a key operating factor affecting business planning, a business owner will have some degree of control over its interactions with suppliers.*

### Preparing for exams

#### Case study skills

10. I and III are true. II and IV are false.

11. III and IV are true. I and II are false.

#### Exam-style

12. [Suppliers are individuals or businesses that provide the resources required to produce goods and services.<sup>1</sup>]

I have defined the term suppliers.<sup>1</sup>

13. [One reason why choosing appropriate suppliers is important during business planning is because suppliers can have a direct impact on a business and its success. If a business uses suppliers who are trustworthy and reliable at providing the correct quantity and quality of inputs to the business, this can have a positive impact on the business's reputation and sales.<sup>1</sup>][Another reason why choosing appropriate suppliers is important is that the business should find suppliers which suits its needs and values, as a business which is environmentally and ethically conscious should choose a supplier with minimal environmental impact and ethical practices, such as by treating their employees well. This will ensure that the business's reputation is aligned with its values, and improve sales.<sup>2</sup>]

I have outlined one reason why choosing appropriate suppliers is important.<sup>1</sup>

I have outlined another reason why choosing appropriate suppliers is important.<sup>2</sup>

I have signposted my response by using 'One reason' and 'Another reason'.

14. [Supply chain is the network of individuals or businesses that are involved in producing and distributing a good or service to customers.<sup>1</sup>][One reason why having an efficient supply chain is important is that it allows a business to produce a sufficient number of products to meet customer demand, which can increase a business's sales.<sup>2</sup>]

I have defined supply chain.<sup>1</sup>

I have outlined one reason why having an efficient supply chain is important.<sup>2</sup>

I have signposted my response by using 'One reason'.

15. [Suppliers are individuals or businesses that provide the resources required to produce goods and services.<sup>1</sup>][One consideration Jhenè could address when sourcing inputs from overseas suppliers is the time it will take to receive her plain sweaters and tie-dye kits from the United States, as the delivery of resources could take a long time coming from overseas.<sup>2</sup>][By doing so, Tie-Dye Heaven can accurately determine whether sourcing from an overseas supplier would enable the business to meet customer demand in a timely manner.<sup>3</sup>]



- I have identified and defined suppliers.<sup>1</sup>

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- I have provided an example relevant to the case study and linked it to one consideration a business can address when sourcing inputs from overseas.<sup>2</sup>

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- I have provided an example relevant to the case study and linked it to how sourcing from overseas can affect business planning.<sup>3</sup>

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- I have signposted my response by using 'One consideration'.

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- I have referred to the business directly by using 'Jhenè' and 'Tie-Dye Heaven'.

**Other acceptable answers include:**

- Shipping costs
- Legal regulations
- Access to resources
- Social responsibility

16. [One way that Gaku could consider retrieving resources is by using air transportation, which is the movement of freight by plane.<sup>1</sup>] [As Gaku is retrieving playing cards that are lightweight and small in size, air transportation could be an efficient method of quickly transporting small sized freight over long distances.<sup>2</sup>] [Moreover, another way Gaku could consider retrieving resources is by using sea transportation, which is the movement of freight by boat.<sup>3</sup>] [As Gaku is on a limited budget as a student, sea transportation could be the most cost-effective option when retrieving resources from Hong Kong.<sup>4</sup>]

- I have identified and described one method of retrieving resources.<sup>1</sup>

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- I have provided an example relevant to the case study and linked it to my chosen resource retrieval method.<sup>2</sup>

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- I have identified and described another method of retrieving resources.<sup>3</sup>

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- I have provided an example relevant to the case study and linked it to my chosen resource retrieval method.<sup>4</sup>

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- I have signposted my response by using 'One way' and 'another way'.

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- I have referred to the business directly by using 'Gaku'.

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- I have used connecting words, such as 'Moreover'.

**Note:** Air transportation and sea transportation are the only acceptable answers.

**Testing previous knowledge**

17. [Supply chain is the network of individuals or businesses that are involved in producing and distributing a good or service to customers.<sup>1</sup>] [A business should effectively manage its supply chain in order to ensure that it is sourcing high-quality resources that will arrive in a timely manner.<sup>2</sup>] [This will ensure that customers receive a satisfying product that is of a high-quality. The business will also be able to source the correct quantity of products in the correct time frame, allowing it to meet its demands and ensure customer expectations are upheld.<sup>3</sup>]

- I have defined supply chain management.<sup>1</sup>

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- I have identified one reason why effective supply chain management is important.<sup>2</sup>

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- I have provided an example of the importance of supply chain management to satisfy customer expectations.<sup>3</sup>

## 3L Special interest groups

### Theory review

1. A. True. *Special interest groups are able to influence the actions of businesses, the government, and the general public by advocating for issues they believe in. The requirements of special interest groups should be considered during business planning in order to reduce the likelihood of conflict and poor publicity.*
2. C. *Unions exist to represent and speak on behalf of employees and their rights within a specific industry, and aim to support their interests.*
3. A. True. *Businesses should consider unions' requests from similar businesses to ensure they provide their own employees with industry-standard wages and conditions.*
4. business associations; unions. *Business associations often have advisors that specialise in starting a business, whereas unions have advisors that specialise in advocating for employee rights, ensuring that they have the best working conditions possible.*
5. Business associations. *Business associations exist to provide support and advice to owners of new and existing businesses in many different industries. For example, businesses that work with animals may have a specific association that is able to give relevant advice and support.*
6. A. True. *Both business associations and environmental lobby groups would have experience and knowledge of environmental legislation that businesses must follow.*
7. B. False. *Businesses should plan to implement environmentally-sustainable practices that are supported by environmental lobby groups to avoid damaging the environment, as a business that neglects its impact on the environment may build a negative reputation for itself.*
8. A. True. *Special interest groups have a wide scope of influence as they are able to contact and persuade the government, businesses, and the public through the media.*

### Preparing for exams

#### Case study skills

9. II; III      10. I; III

#### Exam-style

11. [Business associations are organisations that advise and support businesses in a particular industry.<sup>1</sup>]  
  I have defined the term business association.<sup>1</sup>

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12. [Environmental lobby groups are organisations that advocate for the protection of the environment and promote environmental issues to businesses, the government, and the public.<sup>1</sup>]  
  I have defined the term environmental lobby group.<sup>1</sup>

13. [One special interest group is business associations, which are organisations that advise and support businesses in a particular industry.<sup>1</sup>] [One way that business associations can affect business planning is by providing advice to new business owners on how to meet all legal requirements to successfully start their business. This allows businesses to plan how to operate according to the law and avoid legal consequences.<sup>2</sup>] [Another way business associations affect business planning is by providing industry-specific news and information that allows owners to better understand the current and changing operating environment. This allows businesses to accurately plan their operations.<sup>3</sup>]

I have identified and defined one special interest group.<sup>1</sup>

I have stated one way my chosen special interest group can affect business planning.<sup>2</sup>

I have stated another way my chosen special interest group can affect business planning.<sup>3</sup>

I have signposted my response by using 'One special interest group' and 'One way'.

**Other acceptable answers include:**

- Unions
- Environmental lobby groups

14. [Unions are organisations composed of individuals who represent and speak on behalf of employees in a particular industry to protect and improve their wages and working conditions.<sup>1</sup>] [One way in which unions may affect Hugo's business planning is that they can influence a business's operating environment if they request the government to change employment laws, such as increasing minimum wages and conditions in the hospitality industry, meaning that Hugo's new restaurant will need to satisfy these new laws.<sup>2</sup>] [Another way that unions may impact Hugo's business planning is that he will need to establish rules that ensure the fair and equal treatment of all employees at the restaurant, in order to comply with the guidelines established by unions for the treatment of employees.<sup>3</sup>]

I have identified and defined unions.<sup>1</sup>

I have provided an example relevant to the case study and linked it to one way unions can influence business planning.<sup>2</sup>

I have provided an example relevant to the case study and linked it to another way unions can influence business planning.<sup>3</sup>

I have signposted my response by using 'One way' and 'Another way'.

I have referred to the business directly by using 'Hugo'.

15. [Environmental lobby groups are organisations that advocate for the protection of the environment and promote environmental issues to businesses, the government, and the public.<sup>1</sup>] [As Experisus' planned location requires the destruction of forest land, native plants, and trees, Josie may face opposition from environmental lobby groups advocating the council to revoke the approval of the business location.<sup>2</sup>] [As a result of this action from environmental lobby groups, Experisus could be prohibited from using this location as the council could overturn its initial decision and retract its approval of the construction of the race track.<sup>3</sup>]

I have identified and defined environmental lobby groups.<sup>1</sup>

I have provided an example relevant to the case study.<sup>2</sup>

I have linked my example to the effect of environmental lobby groups on Experisus' operating environment.<sup>3</sup>

I have referred to the business directly by using 'Experisus' and 'Josie'.

I have used connecting words, such as 'As a result'.

### Testing previous knowledge

16. [Corporate social responsibility (CSR) is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic, and environmental impacts when making business decisions.<sup>1</sup>] [One special interest group that may influence a business to consider CSR is environmental lobby groups, which are organisations that advocate for the protection of the environment and promote environmental issues to businesses, the government, and the public.<sup>2</sup>] [An environmental lobby group could influence a business to be environmentally responsible, and impact decisions such as planning to power their business with sustainable energy sources and implementing a low waste policy to reduce their environmental impact.<sup>3</sup>]

I have defined corporate social responsibility.<sup>1</sup>

I have identified and defined one special interest group.<sup>2</sup>

I have provided an example of how my chosen special interest group could influence a business to consider corporate social responsibility during business planning.<sup>3</sup>

I have signposted my response by using 'One special interest group'.

**Other acceptable answers include:**

- Unions
- Business associations

## Unit 1 AOS 3 review

### Contemporary case study

1. [Glassons is a clothing brand that was established in the early 1900s and has since become one of Australia and New Zealand's largest fashion chains. Suppliers are individuals or businesses that provide the resources required to produce goods and services.<sup>1</sup>] [One reason why choosing appropriate suppliers is important is that a business such as Glassons, which emphasises socially responsible values, should choose suppliers which have ethical practices and aim to minimise their environmental impact.<sup>2</sup>] [Planning to choose suppliers whose business practices aligns with its own values of sustainability may have a direct impact on Glassons' reputation, therefore improving customer satisfaction and increasing sales.<sup>3</sup>]

I have identified and defined suppliers.<sup>1</sup>

I have provided an example relevant to the contemporary case study.<sup>2</sup>

- I have linked my example to how choosing appropriate suppliers can affect business planning.<sup>3</sup>

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- I have signposted my response by using 'One reason'.

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- I have referred to the business directly by using 'Glassons'.

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- I have included a brief description of the contemporary case study.

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2. [Glassons is a clothing brand that was established in the early 1900s and has since become one of Australia and New Zealand's largest fashion chains. One value and belief that Glassons could consider is the increased pressure that society is placing on businesses to source their materials sustainably and ethically.<sup>1</sup>] [Glassons has ensured that ethical materials for its garments are sourced, such as using 81% of recycled fabrics to produce its swimwear. Thereby, Glassons is catering to the societal value regarding customers wanting to buy sustainable products.<sup>2</sup>] [Furthermore, another value and belief that is relevant to Glassons is an emphasis on the wellbeing of employees, as customers are more likely to want to shop at a business which treats its employees well.<sup>3</sup>] [Glassons has demonstrated a commitment to the wellbeing of its employees by offering initiatives such as hardship support and discounted gym memberships to employees. The business is therefore aligning its business activities with the values of potential customers.<sup>4</sup>]

- I have identified and described a value and belief.<sup>1</sup>

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- I have provided an example relevant to the contemporary case study and linked it to my chosen value and belief.<sup>2</sup>

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- I have identified and described another value and belief.<sup>3</sup>

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- I have provided an example relevant to the contemporary case study and linked it to my chosen value and belief.<sup>4</sup>

---

- I have signposted my response by using 'One value and belief' and 'another value and belief'.

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- I have referred to the business directly by using 'Glassons'.

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- I have used connecting words, such as 'Furthermore'.

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- I have included a brief description of the contemporary case study.

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3. [Glassons is a clothing brand that was established in the early 1900s and has since become one of Australia and New Zealand's largest fashion chains. One consideration related to online sales is shipping costs to deliver the products to customers.<sup>1</sup>] [It will be necessary for Glassons to research shipping costs and options to determine which shipping strategy the business will use, such as offering both express and standard shipping for national and international customers.<sup>2</sup>] [Moreover, another consideration is website development, as a website that is difficult to use and poorly designed may lead to a reduced number of sales and increased customer complaints.<sup>3</sup>] [Planning to hire a team of web developers can ensure that Glassons' website is easy for customers to navigate and understand, increasing the likelihood that they will purchase an item of clothing from the business.<sup>4</sup>]

- I have identified and described a consideration related to online sales.<sup>1</sup>

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- I have provided an example relevant to the contemporary case study and linked it to my chosen consideration.<sup>2</sup>

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- I have identified and described another consideration related to online sales.<sup>3</sup>

---

- I have provided an example relevant to the contemporary case study and linked it to my chosen consideration.<sup>4</sup>

---

- I have signposted my response by using 'One consideration' and 'another consideration'.

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- I have referred to the business directly by using 'Glassons'.

---

- I have used connecting words, such as 'Moreover'.

---

- I have included a brief description of the contemporary case study.

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4. [Glassons is a clothing brand that was established in the early 1900s and has since become one of Australia and New Zealand's largest fashion chains. The external environment involves the surrounding factors that can impact a business, which it has minimal control over.<sup>1</sup>] [One factor within the external environment that Glassons must consider when planning for the clothing brand is macro factors, which are social, legal, technological, global, and economic conditions that a business operates in and has no control over.<sup>2</sup>] [Since macro factors are constantly changing, Glassons must try and predict these changes and incorporate them during the planning of the business.<sup>3</sup>] [Moreover, another factor within the external environment that Glassons must consider is operating factors, which are the primary external factors impacting a business that it has some control over.<sup>4</sup>] [As Glassons has some degree of control over operating factors, such as catering to customer expectations and competitors' behaviour, it should plan to adjust its business practices in order to remain competitive and achieve objectives.<sup>5</sup>]

- I have identified and defined the external environment.<sup>1</sup>

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- I have identified and defined one factor within the external environment.<sup>2</sup>

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- I have provided an example relevant to the contemporary case study and linked it to how my chosen factor impacts business planning.<sup>3</sup>

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- I have identified and defined another factor within the external environment.<sup>4</sup>

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- I have provided an example relevant to the contemporary case study and linked it to how my chosen factor impacts business planning.<sup>5</sup>

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- I have signposted my response by using 'One factor' and 'another factor'.

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- I have referred to the business directly by using 'Glassons'.

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- I have used connecting words, such as 'Moreover'.

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- I have included a brief description of the contemporary case study.

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### Exam-style

5. a. [The external environment involves the surrounding factors that can impact a business, which it has minimal control over.<sup>1</sup>]
- I have defined the term external environment.<sup>1</sup>

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b. [Values and beliefs are the principles, standards, and assumptions upheld by individuals or a group of people, which influence how they make decisions.<sup>1</sup>][Businesses should consider these factors during planning as they reflect their customers' attitudes and behaviours, meaning businesses can adapt their products and activities to align with their customer's preferences.<sup>2</sup>]

I have defined values and beliefs.<sup>1</sup>

I have outlined the importance of considering values and beliefs during business planning.<sup>2</sup>

c. [Competitors are businesses that operate in the same or similar industry and offer a similar good or service.<sup>1</sup>][One reason why considering competitors' behaviour is important for Mac and Pepper when planning is so that they can identify how they need to differentiate Nature's Mart in order to gain a competitive advantage in the market.<sup>2</sup>][Mac and Pepper will be able to analyse the behaviour of other health-oriented grocery stores in the Mornington area, such as what kinds of fruits they offer, and at what price. Mac and Pepper may be able to differentiate Nature's Mart by offering a wider variety of exotic fruits at a lower price, attracting more customers to their store and gaining a competitive advantage.<sup>3</sup>]

I have identified and defined competitors.<sup>1</sup>

I have provided an example relevant to the case study.<sup>2</sup>

I have linked my example to the reason why considering competitors' behaviour is important.<sup>3</sup>

I have signposted my response by using 'One reason'.

I have referred to the business directly by using 'Mac and Pepper' and 'Nature's Mart'.

d. [One corporate social responsibility (CSR) consideration that Mac and Pepper could address during business planning is environmental considerations, which could involve taking responsibility for the business's impact on the environment, as well as promoting the wellbeing of the planet.<sup>1</sup>][For example, Mac and Pepper could source their resources, such as vegetables and fruit, from a local supplier in order to reduce transport emissions and minimise Nature's Mart's impact on the environment.<sup>2</sup>][Furthermore, another CSR consideration that Mac and Pepper could address is the business's impact on society, which could involve aiming to positively contribute to the wellbeing of the community.<sup>3</sup>][At Nature's Mart, Mac and Pepper could commit to donating a proportion of the business's proceeds towards local charities or causes within the community. This would have a positive impact on the community in Mornington.<sup>4</sup>]

I have identified and described one corporate social responsibility consideration that could be addressed during business planning.<sup>1</sup>

I have provided an example relevant to the case study and linked it to my chosen corporate social responsibility consideration.<sup>2</sup>

I have identified and described another corporate social responsibility consideration that could be addressed during business planning.<sup>3</sup>

I have provided an example relevant to the case study and linked it to my chosen corporate social responsibility consideration.<sup>4</sup>

I have signposted my response by using 'One corporate social responsibility (CSR) consideration' and 'another CSR consideration'.

I have referred to the business directly by using 'Mac and Pepper' and 'Nature's Mart'.

I have used connecting words, such as 'Furthermore'.

6. a. [One way that a business could consider customer needs is by offering convenient options, such as online booking systems or different payment options.<sup>1</sup>][Another way that a business could consider customer needs is by offering responsive customer service options, such as establishing a frequently asked questions page, and having a team dedicated to customer support through a website or an app.<sup>2</sup>]

I have outlined one way that a business could consider customer needs.<sup>1</sup>

I have outlined another way that a business could consider customer needs.<sup>2</sup>

I have signposted my response by using 'One way' and 'Another way'.

b. [One advantage of implementing technology, such as an app, is that Lucy and Chloe could publish updated information about Diamond Surfaces, such as its availability for services and prices, so clients receive accurate information.<sup>1</sup>][Another advantage of implementing technology such as an app is that Lucy and Chloe can easily connect, listen, and respond to clients through the app, such as communicating with them to offer a discounted price for a second cleaning service, therefore encouraging customers to feel valued and increasing the business's ability to establish and satisfy its customer base.<sup>2</sup>]

I have provided an example relevant to the case study and linked it to an advantage of technology.<sup>1</sup>

I have provided an example relevant to the case study and linked it to another advantage of technology.<sup>2</sup>

I have signposted my response by using 'One advantage' and 'Another advantage'.

I have referred to the business directly by using 'Lucy and Chloe' and 'Diamond Surfaces'.

c. [One special interest group that may affect business planning for Diamond Surfaces is business associations, which are organisations that advise and support businesses in a particular industry.<sup>1</sup>][Business associations may affect business planning at Diamond Surfaces by providing advice to Lucy and Chloe on how to meet all legal requirements to successfully start their business.<sup>2</sup>][Business associations would guide Lucy and Chloe to plan how to operate according to the law and avoid legal consequences, such as ensuring they provide their employees with legal conditions and wages.<sup>3</sup>]

- I have identified and defined one special interest group.<sup>1</sup>
- I have provided an example relevant to the case study.<sup>2</sup>
- I have linked my example to how my chosen special interest group can affect business planning.<sup>3</sup>
- I have signposted my response by using 'One special interest group'.
- I have referred to the business directly by using 'Diamond Surfaces' and 'Lucy and Chloe'.

**Other acceptable answers include:**

- Unions
- Environmental lobby groups

- d. [One key regulation Lucy and Chloe should consider is employment laws and regulations, which are rules that govern the relationship between employers and employees.<sup>1</sup>] [As Lucy and Chloe are going to hire employees to clean their clients' houses, they must plan to provide their staff with the minimum wages and conditions set out in the relevant legislation.<sup>2</sup>] [Furthermore, another key regulation Lucy and Chloe must consider is council regulations, which are the local government's rules made to govern businesses operating in a specific geographic area.<sup>3</sup>] [Lucy and Chloe may need to consider issues such as how Diamond Surfaces plans on disposing of waste, and ensure that these methods comply with the rules on waste set out by the council that their business is based within.<sup>4</sup>]

- I have identified and defined one legal regulation.<sup>1</sup>
- I have provided an example relevant to the case study and linked it to my chosen legal regulation.<sup>2</sup>
- I have identified and defined one government regulation.<sup>3</sup>
- I have provided an example relevant to the case study and linked it to my chosen government regulation.<sup>4</sup>
- I have signposted my response by using 'One key regulation' and 'another key regulation'.
- I have referred to the business directly by using 'Lucy and Chloe' and 'Diamond Surfaces'.
- I have used connecting words, such as 'Furthermore'.

**Other acceptable answers include:**

- Environmental legislation
- Industry regulations
- Taxation requirements

7. a. [A supply chain is the network of individuals or businesses that are involved in producing and distributing a good or service to customers.<sup>1</sup>]

- I have defined the term supply chain.<sup>1</sup>

- b. [One way Rahim could consider retrieving resources is by using air transportation, which is the movement of freight by plane.<sup>1</sup>] [As Marvellous Magic retrieves its resources from overseas, including Brazil, Rahim needs to consider the prices involved with air transport, such as taxes and fuel surcharges, and whether the business can afford this expense.<sup>2</sup>]

- I have identified and described one way of retrieving resources.<sup>1</sup>
- I have provided an example relevant to the case study and linked it to a resource retrieval strategy.<sup>2</sup>
- I have signposted my response by using 'One way'.
- I have referred to the business directly by using 'Rahim' and 'Marvellous Magic'.

- c. [An interest rate is the price paid for money that has been borrowed that is expressed as a percentage.<sup>1</sup>] [As Rahim is considering expanding Marvellous Magic overseas, he will need to take out a loan to successfully finance this process.<sup>2</sup>] [Rahim should plan to take out a loan when interest rates are favourable and not too high, as this loan will be less costly.<sup>3</sup>]

- I have identified and defined interest rates.<sup>1</sup>
- I have provided an example from the case study.<sup>2</sup>
- I have linked my example to the impact of interest rates on business planning.<sup>3</sup>
- I have referred to the business directly by using 'Rahim' and 'Marvellous Magic'.

- d. [One global issue that could impact Marvellous Magic is trademarks. A trademark is an exclusive right granted over a unique aspect of a business, such as a symbol, word, sound or number that is used to distinguish the business or its products.<sup>1</sup>] [As Marvellous Magic has a unique logo of a purple wizard, during business planning Rahim should register the logo as a trademark to prevent other businesses from mimicking it. This includes registering the logo as a trademark in any country he may begin operating in.<sup>2</sup>] [Moreover, another global issue that could impact Marvellous Magic is overseas markets, which is where a business sells its products in another country.<sup>3</sup>] [As Rahim is considering expanding globally, he will need to consider how to plan for issues such as whether the economic conditions are favourable in the countries he wishes to expand to.<sup>4</sup>]

- I have identified and described one global issue.<sup>1</sup>
- I have provided an example relevant to the case study and linked it to my chosen global issue.<sup>2</sup>
- I have identified and described another global issue.<sup>3</sup>
- I have provided an example relevant to the case study and linked it to my chosen global issue.<sup>4</sup>
- I have signposted my response by using 'One global issue' and 'another global issue'.
- I have referred to the business directly by using 'Marvellous Magic' and 'Rahim'.
- I have used connecting words, such as 'Moreover'.

**Other acceptable answers include:**

- Overseas competitors
- Offshoring of labour
- Exchange rates
- Online sales

# Unit 1 review

## Section A

1. a. [Employment levels are measured as the percentage of the labour force who are working in paid employment.<sup>1</sup>]

I have defined the term employment levels.<sup>1</sup>

- b. [Employment levels are measured as the percentage of the labour force who are working in paid employment.<sup>1</sup>][If employment levels are high when Shira launches her business, she may struggle to find employees willing and able to work, or may need to offer higher wages to attract employees.<sup>2</sup>][Alternatively, if employment levels are relatively low when Shira launches Shira's Tech Assistance, it may be easier for her to find employees, as there will be more individuals in the labour market who are willing and able to work.<sup>3</sup>]

I have identified and defined employment levels.<sup>1</sup>

I have provided an example relevant to the case study and linked it to how employment levels can impact business planning.<sup>2</sup>

I have provided another example relevant to the case study and linked it to how employment levels can impact business planning.<sup>3</sup>

I have referred to the business directly by using 'Shira' and 'Shira's Tech Assistance'.

I have used connecting words, such as 'Alternatively'.

- c. [Formal networks are interconnected groups of people and official organisations that assist in offering professional support to business owners.<sup>1</sup>][As Shira's Tech Assistance is still in the start-up phase, formal networks could help to refine the business's concept and connect Shira to other professionals within the technology industry.<sup>2</sup>][In addition, another source of business support is legal support services which assist businesses by ensuring they meet all their legal requirements.<sup>3</sup>][As Shira's Tech Assistance is planning to move to a larger office space, this transition may require the assistance of legal support services to draw up contracts, such as lease agreements, to ensure the expansion is conducted smoothly.<sup>4</sup>]

I have identified and described formal networks.<sup>1</sup>

I have provided an example relevant to the case study and linked it to formal networks as a source of business support.<sup>2</sup>

I have identified and described legal support services.<sup>3</sup>

I have provided an example relevant to the case study and linked it to legal support services as a source of business support.<sup>4</sup>

I have referred to the business directly by using 'Shira's Tech Assistance' and 'Shira'.

I have used connecting words, such as 'In addition'.

- d. [Customer expectations are the values or benefits that customers seek when purchasing a good or service from a business.<sup>1</sup>][Shira is planning on hiring more employees to increase the number of staff members available to provide customers with technical support. By doing so, Shira is aiming to exceed the customer expectation that businesses should have a strong availability of services.<sup>2</sup>][Moreover, it is likely that Shira's customers' expectations will change, for example, they may expect a quick one-hour turnaround for repairs on their technology. Therefore, Shira should plan to identify any changes in customer expectations and plan in advance to respond to them.<sup>3</sup>]

I have identified and defined customer expectations.<sup>1</sup>

I have provided an example relevant to the case study and linked it to the impact that customer expectations have on business planning.<sup>2</sup>

I have provided another example relevant to the case study and linked it to the impact that customer expectations have on business planning.<sup>3</sup>

I have referred to the business directly by using 'Shira' and 'Shira's Tech Assistance'.

I have used connecting words, such as 'Moreover'.

2. a. [An initial feasibility study is a researched evaluation of how viable a business concept is.<sup>1</sup>][The purpose of performing an initial feasibility study is to understand the risks associated with starting a business and assess the likelihood of establishing the business successfully.<sup>2</sup>]

I have defined the term initial feasibility study.<sup>1</sup>

I have stated the purpose of an initial feasibility study.<sup>2</sup>

- b. [One skill Nic will need to become a successful entrepreneur is to be innovative. This will involve Nic approaching problems, such as solving issues related to the expense of his delivery fees, creatively. This will allow his business to distinguish itself from any competitors who may enter the market.<sup>1</sup>][Additionally, another skill that Nic will require is to be resourceful, which involves using the resources that are available to him efficiently in order to minimise the costs of establishing his business. For example, Nic may use a bike to pick up groceries as this is more cost-efficient than using a car, as this requires fuel which is an expensive resource.<sup>2</sup>]

I have provided an example relevant to the case study and linked it to a skill of a successful entrepreneur.<sup>1</sup>

I have provided an example relevant to the case study and linked it to another skill of a successful entrepreneur.<sup>2</sup>

I have signposted my response by using 'One skill' and 'another skill'.

I have referred to the business directly by using 'Nic'.

I have used connecting words, such as 'Additionally'.

**Other acceptable answers include:**

- Willingness to take calculated risks
- Strong networking ability
- Determination
- Knowledge

c. [One area of feasibility that Nic will need to consider is technical feasibility. This involves examining how capable he is of starting his business with his current skills and experiences.<sup>1</sup>] [Although Nic is experienced in software development, his lack of marketing experience may make it difficult to promote his business and could negatively impact the feasibility of establishing his business successfully.<sup>2</sup>] [Moreover, another area of feasibility is market feasibility. This would involve Nic determining whether the market conditions indicate he has the potential to launch a successful business.<sup>3</sup>] [Given that Nic has identified a gap in the market, gaining an understanding of the market conditions will help him understand if there is currently an unmet demand for a grocery delivery business, and whether the business idea is feasible.<sup>4</sup>]

✓ ✗ I have identified and described one factor to consider when determining initial feasibility.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to my chosen factor.<sup>2</sup>

✓ ✗ I have identified and described another factor to consider when determining initial feasibility.<sup>3</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to my chosen factor.<sup>4</sup>

✓ ✗ I have signposted my response by using 'One area of feasibility' and 'another area of feasibility'.

✓ ✗ I have referred to the business directly by using 'Nic'.

✓ ✗ I have used connecting words, such as 'Moreover'.

**Other acceptable answers include:**

- Operational feasibility
- Commercial feasibility
- Legal feasibility

d. [One advantage of Nic establishing a new business is that he can provide a unique service that is currently not offered to customers, as he has identified that there is a gap in the grocery market.<sup>1</sup>] [Additionally, another advantage is that Nic can have full decision-making control over how he wants his grocery services app to be developed and designed.<sup>2</sup>] [However, one disadvantage is that he may find it difficult to build a customer base as he lacks the marketing experience needed to promote the business effectively.<sup>3</sup>] [Furthermore, another disadvantage of establishing a new business is that it may be time-consuming for Nic to develop a new app and establish all of the business processes and systems.<sup>4</sup>]

✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of establishing a new business.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of establishing a new business.<sup>2</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to a disadvantage of establishing a new business.<sup>3</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to another disadvantage of establishing a new business.<sup>4</sup>

✓ ✗ I have signposted my response by using 'One advantage' and 'another advantage'.

✓ ✗ I have referred to the business directly by using 'Nic'.

✓ ✗ I have used connecting words, such as 'Additionally' and 'However'.

3. a. [Equity capital is money contributed to a business by an investor in exchange for partial ownership.<sup>1</sup>]

✓ ✗ I have defined equity capital as a source of finance.<sup>1</sup>

b. [One factor that Sage may have considered before choosing to establish private limited company is financial resources, as Silky Pty Ltd can raise finances by selling shares privately to investors to finance its expansion.<sup>1</sup>] [Another factor is cost, as private limited companies are expensive businesses to establish and operate, particularly if Sage had limited finances to start her business.<sup>2</sup>] [One advantage of operating as a private limited company is that banks are more inclined to provide loans to incorporated, rather than unincorporated, businesses. This may allow Sage to acquire the assistance Silky Pty Ltd needs to expand and open more stores.<sup>3</sup>] [Furthermore, another advantage is that Silky Pty Ltd can receive a wide variety of skincare ideas and expertise since private limited companies typically have more individuals that contribute to decision making.<sup>4</sup>] [However, one disadvantage is that Silky Pty Ltd would have more complex reporting requirements, such as annual reports, which would need to be published for the company's shareholders.<sup>5</sup>] [Moreover, another disadvantage is that as the company structure is more complex, it would have been a difficult and time-consuming establishment process, particularly if Sage was short on time.<sup>6</sup>]

✓ ✗ I have provided an example relevant to the case study and linked it to a factor that a business should consider before choosing a private limited company structure.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to another factor that a business should consider before choosing a private limited company structure.<sup>2</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of operating as a private limited company.<sup>3</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of operating as a private limited company.<sup>4</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to a disadvantage of operating as a private limited company.<sup>5</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to another disadvantage of operating as a private limited company.<sup>6</sup>

✓ ✗ I have signposted my response by using 'One factor' and 'Another factor'.

✓ ✗ I have referred to the business directly by using 'Sage' and 'Silky Pty Ltd'.

✓ ✗ I have used connecting words, such as 'Furthermore' and 'However'.

**Other acceptable answers include:**

- Risk
- Level of control

- c. [One factor that should be considered when using equity capital as a source of finance is the level of control that the owner, Sage, will have in the business.<sup>1</sup>][The level of control is important to consider, particularly as Sage's level of control will be reduced if shares are sold to shareholders, as they will have partial ownership in the company and therefore have a say in the direction of Silky Pty Ltd.<sup>2</sup>][Moreover, another factor that should be considered when using equity capital is the business structure, for example, a company or sole trader.<sup>3</sup>][As Silky Pty Ltd is a private limited company, Sage would need to gain equity from private sources.<sup>4</sup>]

✓ ✗ I have identified and described one factor that should be considered when using equity capital.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to my chosen factor that should be considered when using equity capital.<sup>2</sup>

✓ ✗ I have identified and described another factor that should be considered when using equity capital.<sup>3</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to my chosen factor that should be considered when using equity capital.<sup>4</sup>

✓ ✗ I have signposted my response by using 'One factor' and 'another factor'.

✓ ✗ I have referred to the business directly by using 'Sage' and 'Silky Pty Ltd'.

✓ ✗ I have used connecting words, such as 'Moreover'.

**Other acceptable answers include:**

- Overall cost
- Flexibility

- d. [Corporate social responsibility (CSR) is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic, and environmental impacts when making business decisions.<sup>1</sup>][One advantage of a business demonstrating CSR is that the business can enhance its reputation and attract more customers by ensuring business operations are conducted in a socially-responsible manner.<sup>2</sup>][Moreover, another advantage of demonstrating a commitment to CSR is that the business can charge a premium price for its products, as customers may be willing to pay more for ethically-produced goods and services.<sup>3</sup>][On the other hand, one disadvantage is that CSR practices can be expensive for a business to initially implement. For example, paying premium prices for ethically-sourced supplies can increase business expenses.<sup>4</sup>][Furthermore, another disadvantage of demonstrating CSR is that a constant focus on implementing strategies to benefit society and the environment

may decrease a business's productivity levels and may slow down the completion of other business tasks.<sup>5</sup>][Overall, despite the fact that CSR practices may be expensive and shift focus away from central business activities, it is important for a business to demonstrate its commitment to CSR as society is becoming increasingly aware of business activities and expects ethical conduct from businesses.<sup>6</sup>]

✓ ✗ I have defined corporate social responsibility.<sup>1</sup>

✓ ✗ I have provided an advantage of corporate social responsibility.<sup>2</sup>

✓ ✗ I have provided another advantage of corporate social responsibility.<sup>3</sup>

✓ ✗ I have provided a disadvantage of corporate social responsibility.<sup>4</sup>

✓ ✗ I have provided another disadvantage of corporate social responsibility.<sup>5</sup>

✓ ✗ I have provided an opinion on socially-responsible business operations by summarising the advantages and disadvantages.<sup>6</sup>

✓ ✗ I have signposted my response by using 'One advantage' and 'another advantage'.

✓ ✗ I have used connecting words, such as 'Moreover' and 'Furthermore'.

## Section B

1. [As technology is constantly changing and developing, business owners must consider how developments in technology could impact and improve their business.<sup>1</sup>][For example, car manufacturers could recognise and respond to the increasing demand for self-driving cars, as this will have a major impact on how they will operate and produce cars in the future.<sup>2</sup>]

✓ ✗ I have outlined why considering technology in the future is important for businesses.<sup>1</sup>

✓ ✗ I have provided an example of how considering future technological developments is important for businesses.<sup>2</sup>

2. [One source of business opportunity is global markets, which is the area in which businesses trade goods and services, comprised of both businesses and customers from countries all across the world.<sup>1</sup>][Since Zali Swim Ltd is looking to expand into America and Europe, the use of global markets can act as a source of business opportunity, as Zali Swim Ltd can significantly increase its sales by selling its beachwear to more customers.<sup>2</sup>][Furthermore, another source of business opportunity for Zali Swim Ltd is technological developments, which are the invention and innovation of tools that solve problems and enhance processes.<sup>3</sup>][The recent acquisition of advanced machinery can act as a source of business opportunity by enhancing the speed and quality of the production process. Consequently, this will allow Zali Swim Ltd to lower its production costs and increase its profit margins.<sup>4</sup>]

✓ ✗ I have identified and defined a source of business opportunity.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to my chosen source of business opportunity.<sup>2</sup>



- I have identified and defined another source of business opportunity.<sup>3</sup>

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- I have provided an example relevant to the case study and linked it to my chosen source of business opportunity.<sup>4</sup>

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- I have signposted my response by using 'One source of business opportunity' and 'another source of business opportunity'.

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- I have referred to the business directly by using 'Zali Swim Ltd'.

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- I have used connecting words, such as 'Furthermore'.

**Other acceptable answers include:**

- Innovation
- Market opportunities
- Changing customer needs
- Research and development

3. [A trademark is an exclusive right granted over a unique aspect of a business, such as a symbol, word, sound, or number, that is used to distinguish the business or its products.<sup>1</sup>] [As Zali Swim Ltd has a recognisable logo on its products of a surfboard, it is important that Jade registers a trademark for this logo to prevent other businesses from using the same symbol.<sup>2</sup>] [Overseas markets are any markets that are outside of a business's own country of operation.<sup>3</sup>] [As Zali Swim Ltd has the goal of expanding into American and European markets, it is important for Jade to consider the implications of expanding overseas, such as any additional taxes the business may be subject to.<sup>4</sup>]

- I have identified and defined trademarks as a global consideration.<sup>1</sup>

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- I have provided an example relevant to the case study and linked it to the effect of trademarks on business planning decisions.<sup>2</sup>

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- I have identified and defined overseas markets as a global consideration.<sup>3</sup>

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- I have provided an example relevant to the case study and linked it to the effect of overseas markets on business planning decisions.<sup>4</sup>

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- I have referred to the business directly by using 'Zali Swim Ltd' and 'Jade'.

4. [One factor from the internal environment is resources, which are the items required by a business to produce its goods and services.<sup>1</sup>] [Zali Swim Ltd would require many resources to successfully operate when expanding overseas, including new materials for its beachwear, as well as employees for its new stores.<sup>2</sup>] [When planning this global expansion, Jade would need to plan for factors such as where Zali Swim Ltd's resources come from, how many resources are needed, and whether her company can afford the increase in employees and materials required.<sup>3</sup>] [On the other hand, one factor from the external environment is considerations related to corporate social responsibility (CSR), which is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic, and environmental impacts when making business decisions.<sup>4</sup>] [Jade could plan to change Zali Swim Ltd's packaging by using minimal, recyclable packaging for its beachwear.<sup>5</sup>]

[As there is an increasing pressure on businesses to display CSR, Jade should consider having environmentally-friendly packaging during her business planning to minimise the business's impact on the environment.<sup>6</sup>]

- I have identified and defined one factor from the internal environment.<sup>1</sup>

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- I have provided an example relevant to the case study.<sup>2</sup>

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- I have linked the example to how my chosen internal environment factor could impact business planning.<sup>3</sup>

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- I have identified and defined one factor from the external environment.<sup>4</sup>

---

- I have provided an example relevant to the case study.<sup>5</sup>

---

- I have linked the example to how my chosen external environment factor could impact business planning.<sup>6</sup>

---

- I have signposted my response by using 'One factor'.

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- I have referred to the business directly by using 'Zali Swim Ltd' and 'Jade'.

---

- I have used connecting words, such as 'On the other hand'.

**Note:** This question could have been answered with various factors from the internal and external environment of a business.

5. [One corporate social responsibility (CSR) consideration that Zali Swim Ltd could consider is reducing the environmental impact of the business's operations, which demonstrates concern for protecting and preserving the environment.<sup>1</sup>] [Zali Swim Ltd could implement waste management practices in its production of beachwear, such as recycling excess fabrics. By reducing production waste, Zali Swim Ltd can express its concern for its environmental impact.<sup>2</sup>] [One advantage of implementing waste management practices is that it could reduce the amount of negative publicity Zali Swim Ltd is currently receiving for its amount of waste from production.<sup>3</sup>] [Moreover, another advantage is that customers may be willing to pay more for ethically-produced beachwear, which could allow Zali Swim Ltd to achieve its target to become Australia's top swimwear manufacturer.<sup>4</sup>]

- I have identified and described one corporate social responsibility consideration.<sup>1</sup>

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- I have provided an example relevant to the case study and linked it to my chosen corporate social responsibility consideration.<sup>2</sup>

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- I have provided an example relevant to the case study and linked it to an advantage of my chosen corporate social responsibility consideration.<sup>3</sup>

---

- I have provided an example relevant to the case study and linked it to another advantage of my chosen corporate social responsibility consideration.<sup>4</sup>

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- I have signposted my response by using 'One corporate social responsibility (CSR) consideration' and 'One advantage'.

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- I have referred to the business directly by using 'Zali Swim Ltd'.

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- I have used connecting words, such as 'Moreover'.

## 4A External professionals

### Theory review

1. A. True. *As external professionals have expertise in particular areas, a business owner should consider hiring these individuals for their unique set of skills.*
2. B. *Financial advisers may be required to examine a business's expenses, and determine areas in which spending can be minimised.*
3. B. False. *Businesses may choose to hire legal advisers that provide general legal advice, or legal advisers that specialise in a particular area of law, such as contract law, patent law, or labour law.*
4. ICT specialists. *ICT specialists may be required to establish firewalls and install antivirus software within a business's technology systems to minimise the risk of data breaches.*
5. A. *By providing training to employees and establishing security policies, ICT specialists can help minimise the risk of security breaches to ensure all sensitive information is protected.*
6. A. True. *Marketing advisers can help a business determine whether it should advertise its products through television commercials, social media, email, or other methods to best reach its target market.*
7. A. True. *While external professionals may be able to assist business owners that are already knowledgeable in their area of expertise, business owners may decide they do not need this assistance.*

### Preparing for exams

#### Case study skills

8. II; III
9. I and III are true. II, IV and V are false.

#### Exam-style

10. [External professionals are highly-skilled individuals that businesses hire to provide expertise in a particular area of operation.<sup>1</sup>]

I have defined the term external professionals.<sup>1</sup>

11. [A legal adviser is a professional who provides expert advice to businesses regarding their legal responsibilities.<sup>1</sup>][Legal advisers may be responsible for ensuring that businesses comply with all relevant laws and regulations. This prevents a business from facing penalties, such as fines, suspensions, or forced closure, for not meeting its legal obligations.<sup>2</sup>]

I have defined a legal adviser.<sup>1</sup>

I have described the role of a legal adviser for businesses.<sup>2</sup>

12. [One role of a financial adviser is to analyse the feasibility of a business's financial goals and recommend other possible investment opportunities that may help the business grow.<sup>1</sup>][Another role of financial advisers is to analyse and assist in the management of current business expenses and identify areas in which spending can be minimised, allowing the business to increase its profit.<sup>2</sup>]

I have outlined one role of a financial adviser when assisting businesses.<sup>1</sup>

I have outlined another role of a financial adviser when assisting businesses.<sup>2</sup>

I have signposted my response by using 'One role' and 'Another role'.

I have used connecting words, such as 'Furthermore'.

13. [An accountant is a professional who manages, updates, analyses, and reports a business's financial information.<sup>1</sup>][While Ruby and Fahim currently record transactions on loose-leaf paper, an accountant can properly record Ouch That Hurts' financial information and create financial reports that determine the favourability of the medical clinic's financial position.<sup>2</sup>][Furthermore, an accountant is likely to be better equipped and have the knowledge and skills to ensure Ouch That Hurts is compliant with all relevant accounting and financial laws and regulations. This can allow Ruby and Fahim to avoid penalties, such as fines, as they may have been unable to remain compliant with these regulations without external assistance.<sup>3</sup>]

I have identified and defined an accountant.<sup>1</sup>

I have provided an example relevant to the case study and linked it to one role of an accountant.<sup>2</sup>

I have provided an example relevant to the case study and linked it to another role of an accountant.<sup>3</sup>

I have referred to the business directly by using 'Ruby and Fahim' and 'Ouch That Hurts'.

I have used connecting words, such as 'Furthermore'.

14. [One external professional that Emily and Nyla could hire is a marketing adviser, which is a professional who provides expert advice to businesses in relation to promoting and selling their products.<sup>1</sup>][At Hunters, a marketing adviser could provide advice related to the design of the business's website that can allow it to best showcase its traditional handmade pasta, such as providing ideas relating to the layout of the web page that allows customers to visually order pasta dishes online with images.<sup>2</sup>][Furthermore, another external professional that Emily and Nyla could hire is an Information and Communications Technology (ICT) specialist, which is a professional who develops and maintains the technological systems that are used by businesses to store and retrieve data.<sup>3</sup>][An ICT specialist can help establish and maintain Hunters' website to allow customers to purchase the Italian food online, whilst also creating a customer database to predict the orders of frequent customers.<sup>4</sup>]

I have identified and defined a marketing adviser.<sup>1</sup>

I have provided an example relevant to the case study and linked it to the role of a marketing adviser.<sup>2</sup>

I have identified and defined an ICT specialist.<sup>3</sup>

I have provided an example relevant to the case study and linked it to the role of an ICT specialist.<sup>4</sup>

I have signposted my response by using 'One external professional' and 'another external professional'

I have referred to the business directly by using 'Emily and Nyla' and 'Hunters'.

I have used connecting words, such as 'Furthermore'.

**Note:** Hiring a marketing adviser and an ICT specialist are the only acceptable answers.

## Testing previous knowledge

15. [A legal adviser is a professional who provides expert advice to businesses regarding their legal responsibilities.<sup>1</sup>] [As there are a large number of tax obligations that businesses must adhere to, such as registering for goods and services tax (GST), legal advisers can ensure businesses comply with all relevant tax laws and regulations. This can prevent a business from facing penalties, such as fines, suspensions, or forced closure for not meeting its legal obligations.<sup>2</sup>]

I have defined a legal adviser.<sup>1</sup>

I have described the role of a legal adviser in assisting a business in adhering to its taxation requirements.<sup>2</sup>

## 4B Legal requirements for establishing a business

### Theory review

- B. False. *Businesses that fail to comply with the law can face a number of legal consequences, including fines, suspensions, or even forced closure.*
- A. True. *An owner does not have to register a business name if they use their own name, unless they choose to add extra terms, such as '.co'.*
- website domain. *As a website domain is a website address that identifies a business's online site, all businesses that wish to sell their goods and services online, or advertise their products through a website, should register a website domain.*
- B. *The ACCC governs a business's operations, ensuring it remains compliant with the relevant laws and regulations, such as trade practices legislation.*
- A. True. *Trade practices legislation ensures businesses fulfil specific obligations, such as committing to guarantees and warranties, not colluding with competitors, and not falsely advertising goods or services.*
- Work safe insurance. *WorkSafe Victoria provides compulsory WorkCover insurance to all businesses that pay over \$7500 in wages per year to protect and assist employees who become injured or ill in the workplace.*
- A. True. *As all businesses are legally required to pay taxes, businesses should refer to government bodies and documents, or hire a registered tax agent for advice to ensure they meet their tax obligations as failure to do so can have serious consequences for a business.*
- A. True. *Before opening and running a business, owners should ensure they are aware of, and plan to comply with all relevant legal requirements.*

### Preparing for exams

#### Case study skills

9. II and IV are true. I and III are false.

#### Exam-style

10. [Trade practices legislation is the law that governs how a business interacts with customers and competitors.<sup>1</sup>]

I have defined the term trade practices legislation.<sup>1</sup>

11. [A website domain is a website address that identifies a business's online site.<sup>1</sup>] [A business owner can go to auDA's online site, search whether the business's preferred domain name is already registered, and follow the required steps to create a website domain.<sup>2</sup>]

I have defined a website domain.<sup>1</sup>

I have described how a business would register a website domain.<sup>2</sup>

12. [Tax compliance is the extent to which an individual or business meets tax obligations.<sup>1</sup>] [As all businesses are legally required to pay tax, it is important for a business to comply with taxation requirements to avoid facing legal consequences, such as penalties or store closure.<sup>2</sup>]

I have defined tax compliance.<sup>1</sup>

I have described the importance of complying with taxation requirements.<sup>2</sup>

13. [Trade practices legislation is the law that governs how a business interacts with customers and competitors.<sup>1</sup>] [One way a business could comply with trade practices legislation is by ensuring it commits to fulfilling any guarantees and warranties that it offers customers.<sup>2</sup>] [Another way a business could comply with trade practices legislation is by ensuring it does not falsely advertise the features and benefits of the goods or services it plans to sell to customers.<sup>3</sup>]

I have identified and defined trade practices legislation.<sup>1</sup>

I have provided an example of one way a business could comply with trade practices legislation.<sup>2</sup>

I have provided an example of another way a business could comply with trade practices legislation.<sup>3</sup>

I have signposted my response by using 'One way' and 'Another way'.

14. [One legal requirement Justina should consider when opening Justina's Hair Salon is trade practices legislation, which is the law that governs how a business interacts with customers and competitors.<sup>1</sup>] [As Justina plans to advertise and sell her own shampoo, she needs to follow relevant laws and ensure she remains transparent about the shampoo's benefits and features.<sup>2</sup>] [Additionally, another legal requirement Justina should consider when establishing her salon is work safe insurance, which is compulsory insurance that assists employers to meet their obligation of financially compensating and supporting employees who become injured or ill because of their work.<sup>3</sup>] [As Justina plans to hire a number of employees, she needs to implement practices that comply with Occupational Health and Safety legislation and therefore, should register for WorkCover insurance.<sup>4</sup>]

I have identified and defined one legal requirement.<sup>1</sup>

I have provided an example relevant to the case study and linked it to my chosen legal requirement.<sup>2</sup>

I have identified and defined another legal requirement.<sup>3</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to my chosen legal requirement.<sup>4</sup>

✓ ✗ I have signposted my response by using 'One legal requirement' and 'another legal requirement'.

✓ ✗ I have referred to the business directly by using 'Justina' and 'Justina's Hair Salon'.

✓ ✗ I have used connecting words, such as 'Additionally'.

#### Other acceptable answers include:

- Registering a website domain
- Business tax compliance

### Testing previous knowledge

15. [One personal motivation behind Gabi's decision to start her own catering business is personal independence, which involves a person being in control of their own decisions and actions.<sup>1</sup>] [As a result of no longer wanting to work for Greg, Gabi has decided to establish her own catering business, allowing her to have greater control over her work.<sup>2</sup>] [Furthermore, one legal requirement relevant to Gabi is that she must register a business name for the catering business, which is the title that a business operates under and what customers use to identify the business.<sup>3</sup>] [By registering a business name, Gabi will ensure she does not use a name that is already the title of another business, as all businesses must register a unique business name with the Australian Securities and Investments Commission (ASIC).<sup>4</sup>]

✓ ✗ I have identified and defined personal independence as a personal motivation for starting a business.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to personal independence as a personal motivation for starting a business.<sup>2</sup>

✓ ✗ I have identified and defined one legal requirement for establishing a business.<sup>3</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to my chosen legal requirement for establishing a business.<sup>4</sup>

✓ ✗ I have signposted my response by using 'One personal motivation' and 'one legal requirement'.

✓ ✗ I have referred to the business directly by using 'Gabi'.

✓ ✗ I have used connecting words, such as 'Furthermore'.

#### Other acceptable answers include:

- Registering a website domain
- Trade practices legislation
- Business tax compliance
- Work safe insurance

**Note:** Personal independence is the only acceptable personal motivation behind Gabi starting a business.

## 4C Financial considerations

### Theory review

1. A. True. *By implementing financial considerations, such as record-keeping strategies and financial control systems, a business can better manage its finances which may prevent financial losses or business failure from occurring.*
2. A. *Financial control systems are processes and procedures used to direct and monitor a business's finances. These systems can be used to review the accuracy of the financial records kept by the business.*
3. I; IV. *A business may utilise financial control systems through budgeting, which involves estimating a business's future financial transactions, and auditing, which involves assessing a business's financial information to verify that it is true and accurate.*
4. monitoring; documenting. *Record-keeping strategies involve a business, or an external body hired by the business, writing down each transaction processed by the business. These records are then monitored and reviewed by financial control systems to assess the business's financial position.*
5. I; II; IV. *Record-keeping strategies are important for a business to use as they ensure a business can accurately complete its tax, perform audits of financial information, and create business reports which truthfully reflect the financial position of the business.*
6. A. True. *After establishing a business bank account, the owners of the business no longer have to sort through the bank statements to determine which transactions were personal, and which were business related. A separate bank account is also important for a business to be able to accurately lodge tax returns.*
7. financial control systems. *Establishing financial control systems within the business, or hiring an external business to complete tasks such as budgeting and auditing, can ensure a business avoids financial mismanagement and periods of low cash flow.*
8. B. False. *When establishing a business, financial considerations should be implemented by the owners as these are crucial to have in place in order for the business to remain financially viable and in compliance with all taxation requirements.*

### Preparing for exams

#### Case study skills

9. I; II
10. I and III are true. II and IV are false.
11. I and IV are true. II and III are false.

#### Exam-style

12. [Financial control systems are processes and procedures used to direct and monitor a business's finances.<sup>1</sup>]

✓ ✗ I have defined the term financial control system.<sup>1</sup>

13. [One reason why keeping a business's financial records is important is that it enables a business to conduct valid audits when financial transactions are accurately recorded, as these transactions can then be assessed.<sup>1</sup>] [Another reason why using record-keeping strategies is important is that it enables a business to form accurate business reports announcing the financial position of the business.<sup>2</sup>]

✓ ✗ I have outlined one reason why establishing record-keeping strategies is important.<sup>1</sup>

✓ ✗ I have outlined another reason why establishing record-keeping strategies is important.<sup>2</sup>

✓ ✗ I have signposted my response by using 'One reason' and 'Another reason'.

14. [One reason that Killara and Lowanna should establish a bank account for Solino is that, by creating a business bank account, Killara and Lowanna can accurately keep track of Solino's finances over time.<sup>1</sup>] [Currently, Killara's personal bills are being mixed in with Solino's business expenses. Therefore, having a separate account will allow for business finances to be separated and for tax returns to be lodged more accurately.<sup>2</sup>]

✓ ✗ I have provided an example relevant to the case study and linked it to one reason why establishing a bank account is important.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to another reason why establishing a bank account is important.<sup>2</sup>

✓ ✗ I have signposted my response by using 'One reason'.

✓ ✗ I have referred to the business directly by using 'Killara and Lowanna' and 'Solino'.

15. [Financial control systems are processes and procedures used to direct and monitor a business's finances.<sup>1</sup>] [As Rafs has not made a profit in the last year, implementing auditing could enable the business to detect and prevent financial errors as the accuracy of processes used by the business are examined. Subsequently, this reduces the likelihood of large financial losses and inaccurate financial statements in the future.<sup>2</sup>] [In addition, to meet the objective of making a profit, financial control systems can enable Fanus to detect and prevent the misallocation of funds. Thus, large financial losses can be avoided.<sup>3</sup>]

✓ ✗ I have identified and defined financial control systems.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to one reason why establishing financial control systems is important.<sup>2</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to another reason why establishing financial control systems is important.<sup>3</sup>

✓ ✗ I have referred to the business directly by using 'Rafs' and 'Fanus'.

✓ ✗ I have used connecting words, such as 'In addition'.

16. [Record-keeping strategies are methods used to keep track of the financial transactions of a business over a period of time.<sup>1</sup>] [As Kiel wants to track the money coming in and out of the business, record-keeping strategies such as cash books will enable Kiel to monitor daily transactions either manually or electronically.<sup>2</sup>] [Additionally, as Ohana will have to lodge tax returns, record-keeping strategies will allow the business to accurately prove business expenses.<sup>3</sup>]

✓ ✗ I have identified and defined record-keeping strategies.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to one reason why establishing record-keeping strategies is important.<sup>2</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to another reason why establishing record-keeping strategies is important.<sup>3</sup>

✓ ✗ I have referred to the business directly by using 'Kiel' and 'Ohana'.

✓ ✗ I have used connecting words, such as 'Additionally'.

### Testing previous knowledge

17. [One financial consideration which a business could establish is a business bank account, which is an arrangement made with a bank where a business or individual can deposit and withdraw money, in order to ensure tax compliance.<sup>1</sup>] [Tax compliance is the extent to which an individual or business meets tax obligations. These obligations include lodging a tax return, paying income tax, pay as you go (PAYG) fees, and goods and services tax (GST).<sup>2</sup>] [One advantage of establishing a bank account is that a business can ensure it is taxed separately from the individuals running the business, and therefore meets the requirements of the ATO as the owners are considered to be separate entities from the business.<sup>3</sup>] [Another advantage of establishing a bank account is that it confirms a business's financial transactions, indicating all the money that is spent by the business, as well as all the money the business earns. This can allow a business to accurately lodge tax returns, maintaining its compliance with regulations, as the bank has information about the state of finances of the business.<sup>4</sup>]

✓ ✗ I have defined one financial consideration.<sup>1</sup>

✓ ✗ I have defined the term tax compliance.<sup>2</sup>

✓ ✗ I have provided one advantage of my chosen financial consideration in ensuring a business maintains tax compliance.<sup>3</sup>

✓ ✗ I have provided another advantage of my chosen financial consideration in ensuring a business maintains tax compliance.<sup>4</sup>

✓ ✗ I have signposted my response by using 'One advantage' and 'Another advantage'.

#### Other acceptable answers include:

- Financial control systems
- Record-keeping strategies

## 4D The importance of choosing appropriate suppliers

### Theory review

1. B. False. *An appropriate supplier offers the necessary inputs at the price and quality a business needs and is also reliable and located at a suitable distance from the business.*

2. I; II. *The business aims to have low production costs and should therefore try to negotiate a lower price for its inputs or look for other suppliers offering oil at a lower price.*
3. location; price. *It is important for a business to consider the location of its supplier as, if a supplier is far away, the transportation costs to move inputs from the country of the inputs to where the inputs are being processed may be costly. Price is also an important factor to consider as cheaper inputs can allow a business to reduce its operational costs.*
4. A. *By sourcing inputs from overseas, a business can reduce its costs as other countries may have different workplace standards concerning employee pay and working conditions, reducing the overall cost of gaining inputs from suppliers in these countries.*
5. B. False. *Businesses should aim to work with reliable suppliers in both the short and long term to reduce production delays.*
6. A. True. *When suppliers feel valued, they are more likely to deliver on time and ensure the business's order is delivered correctly.*
7. high-quality inputs; customer satisfaction; sales. *A business that invests in high-quality inputs is likely to produce high-quality outputs which improve customers' experience with the business and enhances the likelihood of them repurchasing the product, thus improving sales.*
8. B. False. *As the public is becoming more socially aware, any unethical activities associated with a business can negatively affect its sales and performance in the market.*
9. II; III; IV. *An ethical supplier is one that provides adequate wages and conditions for its employees, ensures environmental concern is being demonstrated as it conducts its activities of creating and delivering inputs, and creates high-quality materials. Thus, increasing the likelihood of a business producing high-quality outputs and, in turn, minimising wastage.*
10. A. True. *If a business fails to consider a number of factors when choosing its suppliers, it may pay more for inputs than required, receive low quality materials, incur production delays due to supplies being delivered late, and develop a poor reputation for supporting unethical suppliers. These factors can all cause a decline in business performance and competitiveness.*

## Preparing for exams

### Case study skills

11. I and III are true. II and IV are false.
12. I and IV are advantages. II and III are disadvantages.

### Exam-style

13. [Location is an important factor to consider as it determines how long it takes for inputs to arrive at a business, which could impact when production happens.<sup>1</sup>][Location can also affect a business's costs. If a supplier is far from the business, transportation costs are likely to increase. Thus, a business needs to consider if it can afford this expense.<sup>2</sup>]  
  I have stated one reason why location is an important factor to consider when choosing a supplier.<sup>1</sup>  


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  I have stated another reason why location is an important factor to consider when choosing a supplier.<sup>2</sup>  


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14. [Quality is an important factor to consider as the quality of inputs affects the quality of the final good or service provided to customers.<sup>1</sup>][Quality can also affect a business's wastage levels. If a business sources inputs that are low quality, the outputs produced are also likely to be low quality. Thus, customers are more likely to return goods which can increase wastage.<sup>2</sup>]  
  I have stated one reason why quality is an important factor to consider when choosing a supplier.<sup>1</sup>  


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  I have stated another reason why quality is an important factor to consider when choosing a supplier.<sup>2</sup>  


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15. [One factor that a business should consider when choosing suppliers is reliability. Suppliers that are reliable are likely to deliver inputs on time and allow production to run smoothly.<sup>1</sup>][Another factor that a business should consider when choosing suppliers is price. The price of inputs can determine which supplier a business ultimately chooses as lower-priced inputs can help a business to maintain low operational costs.<sup>2</sup>]  
  I have outlined one factor that should be considered by a business when choosing suppliers.<sup>1</sup>  


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  I have outlined another factor that should be considered by a business when choosing suppliers.<sup>2</sup>  


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  I have signposted my response by using 'One factor' and 'Another factor'.  


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#### Other acceptable answers include

- Quality
- Location
- Socially responsible suppliers

16. [Price affects the overall cost of a product or service provided by a business. Lower-priced inputs enable a business to maintain low operational costs, therefore allowing it to sell its products at a cheaper price which can increase customer demand and enhance the number of sales of the business.<sup>1</sup>][As Aayush wants to maintain low operational costs at Fast Repairs, he should aim to find a supplier providing computer parts at the lowest cost.<sup>2</sup>]  
  I have identified and described price as an important factor to consider when choosing suppliers.<sup>1</sup>  


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  I have provided an example relevant to the case study and linked it to how price may affect supplier choice.<sup>2</sup>  


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  I have referred to the business directly by using 'Aayush' and 'Fast Repairs'.  


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17. [One advantage of Amari sourcing raw cacao beans from a socially responsible supplier is that employees with an environmental conscience will be more motivated by their work at Melt and will have a greater desire to assist Melt in achieving its objectives, as they feel they are making a positive impact by working for a business with strong environmental morals.<sup>1</sup>][As recent protests have shown, the public are generally against unethical businesses, therefore, another advantage of sourcing from socially responsible suppliers is that Melt can improve its public perception and reputation. In turn, by having a better reputation, Melt may be able to increase its sales.<sup>2</sup>]

[As Amari wants to source cheap cacao beans, one disadvantage of sourcing from an ethical supplier is that it is likely to have high costs as ethical suppliers usually provide their workers with higher pay and better working conditions than other suppliers.<sup>3</sup>] [Moreover, as Amari plans to choose an overseas supplier of cacao beans, another disadvantage is that it may be time consuming to determine whether the overseas suppliers meet Melt's corporate social responsibility standards.<sup>4</sup>]

- I have provided an example relevant to the case study and linked it to an advantage of choosing socially responsible suppliers.<sup>1</sup>

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- I have provided an example relevant to the case study and linked it to another advantage of choosing socially responsible suppliers.<sup>2</sup>

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- I have provided an example relevant to the case study and linked it to a disadvantage of choosing socially responsible suppliers.<sup>3</sup>

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- I have provided an example relevant to the case study and linked it to another disadvantage of choosing socially responsible suppliers.<sup>4</sup>

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- I have signposted my response by using 'One advantage' and 'another advantage'.

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- I have referred to the business directly by using 'Amari' and 'Melt'.

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- I have used connecting words, such as 'therefore' and 'Moreover'.

### Testing previous knowledge

18. [Customer expectations are the values or benefits that customers seek when purchasing a good or service from a business.<sup>1</sup>] [One expectation of customers is that businesses operate in a way that impacts the environment positively. Considering this, to gain a better reputation among customers and thus increase its sales, a business may choose to source its inputs from a supplier that recycles materials, reducing its level of wastage, and benefiting the environment.<sup>2</sup>] [Another expectation customers have is that a business contributes positively to the local economy. Therefore, when considering the location of the supplier the business will source its inputs from, a business could choose local suppliers to contribute to employment opportunities in the local area.<sup>3</sup>]

- I have defined customer expectations.<sup>1</sup>

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- I have provided one reason why considering customer expectations is important when choosing an appropriate supplier.<sup>2</sup>

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- I have provided another reason why considering customer expectations is important when choosing an appropriate supplier.<sup>3</sup>

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- I have signposted my response by using 'One expectation' and 'Another expectation'.

## 4E Policies and procedures

### Theory review

- A. True. *Businesses must ensure they comply with relevant legislation. Policies and procedures help a business communicate legal requirements to its employees and ensure they follow these.*
- B. False. *Although a policy is often created by a business to meet legal workplace requirements, procedures must also meet legal requirements.*
- I; III; IV. *The policies of a business state the expected behaviour and performance that employees should maintain in the workplace. Procedures provide employees with a clear step-by-step process that they must follow during certain situations in the workplace.*
- policies; procedures. *Policies are written statements by employers that intend to guide an employee's general behaviour in the workplace. On the other hand, procedures provide employees with directions on how to deal with certain events.*
- A. *The introduction of policies and procedures can be advantageous for a business as it enables the business to ensure it is in compliance with legal requirements, avoiding legal consequences which can cause the business to incur financial loss or develop a negative reputation.*
- policy. *Changing a business's policy requires a business to alter its expectations for employee behaviour and performance. A business may change its policies if it assesses that employees are not following them, or if legislation changes.*
- B. False. *Businesses in different industries may have to comply with different legislation, impacting the types and numbers of policies and procedures they must develop. For example, employees in the construction industry will likely have to comply with different safety regulations compared to teachers, as the safety risks they face at work are greater.*

### Preparing for exams

#### Case study skills

- A
- I; III
- I and III are advantages. II and IV are disadvantages.

#### Exam-style

- [Policies are written statements that outline the expected performance and behaviour of employees.<sup>1</sup>]
  - I have defined the term policies.<sup>1</sup>
- [Procedures are a series of actions that employees must follow in order to abide by the business's policies.<sup>1</sup>] [The aim of procedures is to ensure employees are able to handle issues that arise in the workplace appropriately.<sup>2</sup>]
  - I have defined procedures.<sup>1</sup>
  - I have outlined the purpose of procedures.<sup>2</sup>

13. [Procedures are a series of actions that employees must follow in order to abide by the business's policies.<sup>1</sup>][A business manager could review current policies and refer to legislation to create a process that aligns with legal requirements and that employees can follow when workplace situations arise.<sup>2</sup>][In addition, a manager could assess current policies and identify which processes are necessary to encourage employees to continuously perform as expected and achieve business goals.<sup>3</sup>]

I have defined procedures.<sup>1</sup>

I have stated one way a business could establish procedures to comply with legislation.<sup>2</sup>

I have stated one way a business could establish procedures to set business routines.<sup>3</sup>

I have used connecting words, such as 'In addition'.

14. [Policies are written statements that outline the expected performance and behaviour of employees.<sup>1</sup>][Akilah knows that she needs to communicate performance expectations to new employees. Akilah could establish policies that communicate to employees their expected workplace behaviour to encourage high levels of performance.<sup>2</sup>][Additionally, Precision is obligated to follow Victorian legislation. Introducing policies that comply with requirements of the law, such as the Victorian Equal Opportunity Act, allows Precision to ensure employees follow legislation. Therefore, the likelihood of Precision facing legal consequences is reduced.<sup>3</sup>]

I have identified and defined policies.<sup>1</sup>

I have provided an example relevant to the case study and linked it to establishing policies to set business routines.<sup>2</sup>

I have provided an example relevant to the case study and linked it to establishing policies to comply with legal requirements.<sup>3</sup>

I have referred to the business directly by using 'Akilah' and 'Precision'.

I have used connecting words, such as 'Additionally'

15. [One advantage of Nadja introducing policies and procedures at Nadja's Pizzeria is that Nadja would not need to repeat expected behaviour and performance to employees constantly, saving her time as orally explaining the business's expectations of its employees can be time-consuming.<sup>1</sup>][Another advantage of policies and procedures is that Nadja can ensure the business and its employees are all complying with legislation, preventing the business from facing legal consequences which can have financial repercussions or can cause the business's reputation to decline.<sup>2</sup>][However, the establishment of policies and procedures at Nadja's Pizzeria may cause the expenses of the business to increase as Nadja may have to hire another staff member to oversee policy development and implementation.<sup>3</sup>][Additionally, as Nadja is currently unfamiliar with legislation relevant to Victorian businesses, another disadvantage of introducing policies and procedures at the business is that Nadja may find it quite time-consuming to research and implement relevant legislation.<sup>4</sup>][Ultimately, Nadja should implement policies and procedures at Nadja's Pizzeria as, although it may be costly and time-consuming to do so, compliance with legislation is important for a business to remain successful and continue operations.<sup>5</sup>]

I have provided an example relevant to the case study and linked it to an advantage of establishing policies and procedures.<sup>1</sup>

I have provided an example relevant to the case study and linked it to another advantage of establishing policies and procedures.<sup>2</sup>

I have provided an example relevant to the case study and linked it to a disadvantage of establishing policies and procedures.<sup>3</sup>

I have provided an example relevant to the case study and linked it to another disadvantage of establishing policies and procedures.<sup>4</sup>

I have provided an opinion on establishing policies and procedures by summarising the advantages and the disadvantages.<sup>5</sup>

I have signposted my response by using 'One advantage' and 'another advantage'.

I have referred to the business directly by using 'Nadja' and 'Nadja's Pizzeria'.

I have used connecting words, such as 'Additionally' and 'Ultimately'.

### Testing previous knowledge

16. [Employment laws and regulations are rules that govern the relationship between employers and employees.<sup>1</sup>][A business may consider these laws when creating policies. Employment laws prevent a business from discriminating against an employee on the basis of their age, gender, sexual orientation, race, and more. Therefore, a business should implement anti-discrimination policies that align with this legislation.<sup>2</sup>][Another way a business can consider employment laws is through the establishment of procedures. Employment laws protect employees from unfair dismissal. Therefore, a business can establish a procedure based on this employment legislation that outlines a method of dealing with grievances that may amount from an employee believing they were unfairly dismissed.<sup>3</sup>]

I have defined employment laws and regulations.<sup>1</sup>

I have provided one way a business can consider employment laws and regulations when establishing policies and procedures.<sup>2</sup>

I have provided another way a business can consider employment laws and regulations when establishing policies and procedures.<sup>3</sup>

I have signposted my response by using 'Another way'.



# 4F Technological and global issues

## Theory review

1. B. False. *Although businesses do not have complete control over changes in the external environment, they should still consider how technological and global issues may impact their operations.*
2. I; III. *Customer databases allow businesses to collect and track customer data, which can be used to predict customer behaviour and satisfy customer needs.*
3. customer databases; overseas suppliers. *When creating customer databases, businesses must implement policies that align with privacy laws, such as the Privacy and Data Protection Act. When selecting an overseas supplier, businesses should select environmentally and socially responsible suppliers to develop a good reputation.*
4. A. True. *Businesses should determine whether there are any restrictions on free trade between their home country and the country they intend to source their materials from, as this can significantly impact a business and its operations.*
5. overseas retailers. *A business can enter into an agreement with an overseas retailer to sell its goods and services directly to customers overseas.*
6. A. True. *Establishing a customer database, sourcing from overseas suppliers, or establishing contact with overseas retailers are all considerations that will likely enhance a business's ability to satisfy the needs of its customers.*

## Preparing for exams

### Case study skills

7. I and III are advantages. II, IV and V are disadvantages.

### Exam-style

8. [Overseas retailers are individuals or businesses that sell goods and services directly to customers overseas.<sup>1</sup>]  
  I have defined the term overseas retailers.<sup>1</sup>
9. [A customer database is a collection of information about existing and potential customers.<sup>1</sup>] [It is important for a business to abide by privacy laws and implement processes that secure sensitive customer data and protect it from being hacked or leaked. This can allow a business to avoid legal penalties and damage to its reputation.<sup>2</sup>]  
  I have defined customer databases.<sup>1</sup>  
  I have outlined the importance of a business protecting customer databases.<sup>2</sup>
10. [One disadvantage of generating contacts with overseas retailers is that the business may develop a bad reputation if retailers overseas are operating unethically, which may affect the perception customers have of the business.<sup>1</sup>] [Another disadvantage of generating contacts with overseas retailers is that it may be costly for a business to alter its goods or services, such as increasing product quality, to satisfy retailer expectations.<sup>2</sup>]

I have provided one disadvantage of generating contacts with overseas retailers.<sup>1</sup>

I have provided another disadvantage of generating contacts with overseas retailers.<sup>2</sup>

I have signposted my response by using 'One disadvantage' and 'Another disadvantage'.

11. [Overseas suppliers are individuals or businesses that sell raw materials or resources in a country overseas.<sup>1</sup>] [One way generating contacts with overseas suppliers can impact business decisions is that government restrictions can limit the number of resources a business can import. Therefore, a business may choose to purchase supplies from a country that is already in a free trade agreement with its respective country to ensure it can reliably and easily acquire its resources for production.<sup>2</sup>] [Additionally, another way generating contacts with overseas suppliers can affect business decisions is that a supplier's corporate social responsibility (CSR) can directly affect the reputation of a business. Consequently, a business owner may choose to purchase resources from suppliers that operate ethically and align with the business's own CSR objectives.<sup>3</sup>]

I have defined overseas suppliers.<sup>1</sup>

I have provided an example of one way generating contacts with overseas suppliers can affect business decisions.<sup>2</sup>

I have provided an example of another way generating contacts with overseas suppliers can affect business decisions.<sup>3</sup>

I have signposted my response by using 'One way' and 'another way'.

I have used connecting words, such as 'Additionally'.

12. [One advantage of generating customer databases is that a business can better understand and satisfy the needs of potential and existing customers, increasing sales.<sup>1</sup>] [Another advantage is that a business can quickly identify a customer's information and efficiently deliver products, as their data is readily available.<sup>2</sup>] [However, one disadvantage of generating customer databases is that there is a potential risk of customer privacy being breached, especially if a business is not complying with privacy laws, which can damage the business's reputation.<sup>3</sup>] [Moreover, another disadvantage is that it can be time-consuming to continuously track and update a customer database over time, especially when this process is completed within the business.<sup>4</sup>]

I have provided one advantage of generating customer databases.<sup>1</sup>

I have provided another advantage of generating customer databases.<sup>2</sup>

I have provided one disadvantage of generating customer databases.<sup>3</sup>

I have provided another disadvantage of generating customer databases.<sup>4</sup>

I have signposted my response by using 'One advantage' and 'Another advantage'.

I have used connecting words, such as 'However' and 'Moreover'.

13. [One advantage of Nairobi deciding to source materials, such as cacao beans, from overseas suppliers is that Pino can gain access to a wider range of resources that may not be available locally, thus satisfying customer needs.<sup>1</sup>][Another advantage is that if Nairobi chooses to purchase cacao beans overseas, she may be able to obtain cheaper resources and improve business competitiveness.<sup>2</sup>][However, a disadvantage of generating contacts with overseas suppliers is that communication may become difficult for Nairobi to manage as keeping up with time differences between countries overseas can be time consuming.<sup>3</sup>][Furthermore, another disadvantage is that as the delivery of cacao beans occurs internationally, it is more likely that they will be damaged during delivery.<sup>4</sup>][Overall, although Nairobi may face issues such as communication barriers and delivery issues, generating contacts with overseas suppliers can reduce business costs and improve its reputation, ultimately improving Pino's performance.<sup>5</sup>]

- I have provided an example relevant to the case study and linked it to an advantage of generating contacts with overseas suppliers.<sup>1</sup>
- I have provided an example relevant to the case study and linked it to another advantage of generating contacts with overseas suppliers.<sup>2</sup>
- I have provided an example relevant to the case study and linked it to a disadvantage of generating contacts with overseas suppliers.<sup>3</sup>
- I have provided an example relevant to the case study and linked it to another disadvantage of generating contacts with overseas suppliers.<sup>4</sup>
- I have provided an opinion on generating contacts with overseas suppliers by summarising the advantages and the disadvantages.<sup>5</sup>
- I have signposted my response by using 'One advantage' and 'Another advantage'.
- I have referred to the business directly by using 'Nairobi' and 'Pino'.
- I have used connecting words, such as 'However' and 'Furthermore'.

### Testing previous knowledge

14. [Overseas suppliers are individuals or businesses that sell raw materials or resources in a country overseas.<sup>1</sup>][One factor that Tabitha should consider before generating contacts with overseas suppliers is corporate social responsibility, which is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic, and environmental impacts when making business decisions.<sup>2</sup>][For example, Tabitha should consider selecting an overseas supplier who sources its dairy products ethically and promotes environmental sustainability.<sup>3</sup>]

- I have identified and defined overseas suppliers.<sup>1</sup>
- I have identified and described one factor to consider before generating contacts with overseas suppliers.<sup>2</sup>
- I have provided an example relevant to the case study and linked it to my chosen factor.<sup>3</sup>

- I have signposted my response by using 'One factor'.
- I have referred to the business directly by using 'Tabitha' and 'Larry's Dairy'.

## Unit 2 AOS 1 review

### Contemporary case study

1. [Cotton On is an Australian, global retailer that owns and operates a number of clothing and stationery brands. An ICT specialist is a professional who develops and maintains the technological systems that are used by businesses to store and retrieve data.<sup>1</sup>][One role of an ICT specialist is to set up and maintain a website and other databases for a business. Cotton On's website has several features, such as a feature allowing customers to make online purchases. Thus, it is important for the website to continuously be developed and updated, an activity that an ICT specialist can assist in.<sup>2</sup>][Furthermore, another role of an ICT specialist at Cotton On would be to ensure legal compliance related to data management. Considering Cotton On collects customer data through its website, an ICT specialist could assist in ensuring the business's data is properly stored, installing antivirus software to prevent data breaches.<sup>3</sup>]
- I have identified and defined an ICT specialist.<sup>1</sup>
- I have provided an example relevant to the contemporary case study and linked it to one role of an ICT specialist.<sup>2</sup>
- I have provided an example relevant to the contemporary case study and linked it to another role of an ICT specialist.<sup>3</sup>
- I have signposted my response by using 'One role' and 'another role'.
- I have referred to the business directly by using 'Cotton On'.
- I have used connecting words, such as 'Furthermore'.
- I have included a brief description of the contemporary case study.
2. [Cotton On is an Australian, global retailer that owns and operates a number of clothing and stationery brands. Policies are written statements that outline the expected performance and behaviour of employees.<sup>1</sup>][One policy Cotton On currently has in place is its privacy policy. By emphasising the importance of preserving customer privacy through this policy, employees at Cotton On are encouraged to behave in a way that prevents customer privacy from being breached. The policy also ensures Cotton On is aware of the actions it must take in the case that private information is accidentally leaked, thus allowing business routines to be established.<sup>2</sup>][Additionally, Cotton On's Privacy Policy allows the business to comply with legal requirements. The business does not store financial information, such as credit card numbers, and thus maintains compliance with relevant privacy legislation, such as the Privacy and Data Protection Act 2014 (Vic).<sup>3</sup>]

- I have identified and defined policies.<sup>1</sup>

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- I have provided an example relevant to the contemporary case study and linked it to establishing policies to set business routines.<sup>2</sup>

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- I have provided an example relevant to the contemporary case study and linked it to establishing policies to comply with legal requirements.<sup>3</sup>

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- I have signposted my response by using 'One policy'.

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- I have referred to the business directly by using 'Cotton On'.

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- I have used connecting words, such as 'Additionally'.

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- I have included a brief description of the contemporary case study.

3. [Cotton On is an Australian, global retailer that owns and operates a number of clothing and stationery brands. One advantage of Cotton On generating contacts with overseas suppliers is that it has allowed the business to make use of cheaper overseas resources.<sup>1</sup>] [Cotton On sources 87% of its orders from China, a country that has lower labour costs compared to Australia. Therefore, by sourcing supplies from China, Cotton On can maintain its high profit margins, making a revenue before tax of \$1.2 billion in 2020.<sup>2</sup>] [Furthermore, another advantage of generating contacts with overseas suppliers is that it can enhance Cotton On's reputation to source from overseas suppliers that provide ethically-sourced inputs.<sup>3</sup>] [Cotton On's Africa Cotton program involves the business sourcing cotton from Kenya, with a focus on environmentally-sustainable cotton harvesting and providing positive job opportunities for communities in Africa. By sourcing in this ethical manner, Cotton On can enhance its reputation as customers are likely to perceive the business as being caring and environmentally considerate.<sup>4</sup>]

- I have provided an advantage of generating contacts with overseas suppliers.<sup>1</sup>

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- I have linked the advantage to an example from a contemporary case study.<sup>2</sup>

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- I have provided another advantage of generating contacts with overseas suppliers.<sup>3</sup>

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- I have linked the advantage to an example from a contemporary case study.<sup>4</sup>

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- I have signposted my response by using 'One advantage' and 'another advantage'.

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- I have referred to the business directly by using 'Cotton On'.

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- I have used connecting words, such as 'Furthermore'.

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- I have included a brief description of the contemporary case study.

4. [Cotton On is an Australian, global retailer that owns and operates a number of clothing and stationery brands. In 2014, Cotton On launched its Africa Cotton Program, which involves the business responsibly sourcing cotton from Kwale, Kenya. One advantage of Cotton On sourcing from a socially responsible supplier is that doing so can improve the business's reputation as it can be perceived by customers as being a generous business that wants to help the community and the environment.<sup>1</sup>]

[Another advantage of sourcing from a socially responsible supplier is that employees at Cotton On may be more motivated to work for a business that is socially responsible, improving the ability of Cotton On to achieve its objectives and continue to make a large profit.<sup>2</sup>] [However, one disadvantage for Cotton On sourcing its materials from this ethical supplier in Kenya is that there may be increased transportation costs. Kenya is a significant distance from Australia, thus the transportation costs required to transport the cotton to where it is being manufactured into clothing may be significant.<sup>3</sup>] [Furthermore, in order for Kenyan farmers to be able to effectively farm year-round, Cotton On has provided the farmers with education on water conservation, soil management, and pest control. This may be a time-consuming process, reducing the amount of time that management can dedicate to other work tasks and thus increasing expenses.<sup>4</sup>] [Overall, although the costs of Cotton On may increase as a result of the Africa Cotton program, the improved reputation and increased motivation of staff that may result from sourcing from a socially responsible supplier will likely increase sales of the business, thus making this choice of supplier effective.<sup>5</sup>]

- I have provided an example relevant to the contemporary case study and linked it to an advantage of choosing socially responsible suppliers.<sup>1</sup>

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- I have provided an example relevant to the contemporary case study and linked it to another advantage of choosing socially responsible suppliers.<sup>2</sup>

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- I have provided an example relevant to the contemporary case study and linked it to a disadvantage of choosing socially responsible suppliers.<sup>3</sup>

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- I have provided an example relevant to the contemporary case study and linked it to another disadvantage of choosing socially responsible suppliers.<sup>4</sup>

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- I have provided an opinion on sourcing from a socially responsible supplier by summarising the advantages and the disadvantages.<sup>5</sup>

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- I have signposted my response by using 'One advantage' and 'Another advantage'.

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- I have referred to the business directly by using 'Cotton On'.

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- I have used connecting words, such as 'However'.

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- I have included a brief description of the contemporary case study.

### Exam-style

5. a. [Policies are written statements that outline the expected performance and behaviour of employees.<sup>1</sup>]
- I have defined the term policies.<sup>1</sup>
- b. [One reason why establishing financial control systems is important is that it enables businesses to avoid fraud. For example, auditing assesses the effectiveness of processes that are in place to detect error and fraud.<sup>1</sup>] [Additionally, a business will be able to avoid financial mismanagement. The process of auditing a business's practices can help identify whether a business is properly allocating its finances to the right areas of the business.<sup>2</sup>]

I have outlined one reason why establishing financial control systems is important for a business.<sup>1</sup>

I have outlined another reason why establishing financial control systems is important for a business.<sup>2</sup>

I have signposted my response by using 'One reason'.

I have used connecting words, such as 'Additionally'.

- c. [Procedures are a series of actions that employees must follow in order to abide by the business's policies.<sup>1</sup>] [One advantage of procedures, such as procedures surrounding wearing personal protective equipment, such as safety glasses and gloves, is that QuickFix can ensure it is abiding with health and safety laws. In turn, QuickFix will operate legally and likely avoid legal consequences.<sup>2</sup>] [Another advantage of implementing procedures, such as processes to deal with workplace bullying, is that QuickFix employees will be aware of, and follow, laws such as equal opportunity laws. If Manny's employees follow procedures correctly, it will allow a more welcoming sense of community to be generated at QuickFix, therefore enhancing employee motivation which can subsequently improve productivity.<sup>3</sup>]

I have identified and defined procedures.<sup>1</sup>

I have provided an example relevant to the case study and linked it to an advantage of establishing procedures.<sup>2</sup>

I have provided an example relevant to the case study and linked it to another advantage of establishing procedures.<sup>3</sup>

I have signposted my response by using 'One advantage' and 'Another advantage'.

I have referred to the business directly by using 'QuickFix' and 'Manny'.

- d. [One legal requirement that Manny should consider is registering a business name, which is the title that a business operates under and what customers use to identify the business.<sup>1</sup>] [As Manny plans to name his construction business QuickFix, he will need to visit the ASIC's online website, identify whether QuickFix has already been used as a business name, and if not, complete all registration steps to be able to operate under QuickFix.<sup>2</sup>]

I have identified and described one legal requirement that should be considered.<sup>1</sup>

I have provided an example relevant to the case study and linked it to my chosen legal requirement.<sup>2</sup>

I have referred to the business directly by using 'Manny' and 'QuickFix'.

**Other acceptable answers include:**

- Business tax compliance
- Trade practices legislation
- Work safe insurance
- Registering a website domain

6. a. [A customer database is a collection of information about existing and potential customers.<sup>1</sup>]

I have defined the term customer database.<sup>1</sup>

- b. [Trade practices legislation is the law that governs how a business interacts with customers and competitors.<sup>1</sup>] [Trade practices legislation outlines how businesses operate. It is important that businesses abide by this legislation because if they do not comply with trade practices legislation, they may be fined or forced to close.<sup>2</sup>]

I have defined trade practices legislation.<sup>1</sup>

I have outlined one reason why complying with trade practices legislation is important.<sup>2</sup>

- c. [Record-keeping strategies are methods used to keep track of the financial transactions of a business over a period of time.<sup>1</sup>] [MIXT plans to sell restored vintage clothing to customers all over the world through an online website. However, the owners, Rita and Marsai, are unsure of how to document the sales made online.<sup>2</sup>] [By implementing record-keeping strategies, such as electronic cash books, MIXT can accurately keep track of financial transactions made online and subsequently monitor its financial performance, allowing them to allocate funds differently within their business if required to boost overall profits.<sup>3</sup>]

I have identified and defined record-keeping strategies.<sup>1</sup>

I have provided an example relevant to the case study.<sup>2</sup>

I have linked my example to the importance of establishing record-keeping strategies.<sup>3</sup>

I have referred to the business directly by using 'MIXT' and 'Rita and Marsai'.

- d. [One advantage of establishing a customer database is that MIXT can use customer information to effectively satisfy its customers' needs, such as the types of clothes they are interested in.<sup>1</sup>] [Another advantage is that with vintage clothing becoming more popular, MIXT can use customer databases to identify potential customers and implement strategies, such as special discounts, to attract more sales.<sup>2</sup>] [However, one disadvantage of establishing customer databases is that if MIXT fails to ensure that private customer information is secure, sensitive customer information may be hacked or leaked and its customers may lose trust in the business.<sup>3</sup>] [Another disadvantage is that MIXT, as a new online business, may face high costs to install the software needed to manage and access customer data.<sup>4</sup>] [Overall, despite the possibility of high costs and data breaches associated with customer databases, Rita and Marsai should consider establishing a customer database to identify potential customers and attract more sales.<sup>5</sup>]

I have provided an example relevant to the case study and linked it to an advantage of establishing a customer database.<sup>1</sup>

I have provided an example relevant to the case study and linked it to another advantage of establishing a customer database.<sup>2</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to a disadvantage of establishing a customer database.<sup>3</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to another disadvantage of establishing a customer database.<sup>4</sup>

✓ ✗ I have provided an opinion on the suitability of establishing a customer database at MIXT by summarising the advantages and disadvantages.<sup>5</sup>

✓ ✗ I have signposted my response by using 'One advantage' and 'Another advantage'.

✓ ✗ I have referred to the business directly by using 'MIXT' and 'Rita and Marsai'.

✓ ✗ I have used connecting words, such as 'However'.

7. a. [One disadvantage of generating contacts with overseas retailers is that a business may suffer a bad reputation if the retailer's activities are considered unethical.<sup>1</sup>] [Another disadvantage is that it may be costly for a business to meet the needs of retailers that have specific product standards such as how products are labelled.<sup>2</sup>]

✓ ✗ I have provided one disadvantage of generating contacts with overseas retailers.<sup>1</sup>

✓ ✗ I have provided another disadvantage of generating contacts with overseas retailers.<sup>2</sup>

✓ ✗ I have signposted my response by using 'One disadvantage' and 'Another disadvantage'.

- b. [A legal adviser is a professional who provides expert advice to businesses regarding their legal responsibilities.<sup>1</sup>] [One role of a legal adviser is to ensure a business's compliance with all relevant laws and regulations in order to prevent the business from facing penalties, such as fines, suspensions, or forced closure.<sup>2</sup>] [At Nourish, Aaliyah is looking to sell her hair care in the USA. Considering the laws in the USA may be different to those in Australia, for example, regarding minimum wages, marketing laws, and privacy, a legal adviser will be able to help by analysing the relevant legislation and ensuring the business's policies and procedures meet these obligations.<sup>3</sup>]

✓ ✗ I have identified and defined a legal adviser.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study.<sup>2</sup>

✓ ✗ I have linked my example to the role of a legal adviser.<sup>3</sup>

✓ ✗ I have signposted my response by using 'One role'.

✓ ✗ I have referred to the business directly by using 'Nourish' and 'Aaliyah'.

- c. [One consideration Nourish should make when choosing suppliers is quality, which is the standard of inputs to be used for production.<sup>1</sup>] [Aaliyah plans to use shea butter and almond oil to produce the plant-based hair products to sell to Nourish customers.<sup>2</sup>] [Choosing a supplier which offers high-quality inputs would enable Nourish to produce high-quality hair products and compete with other businesses in the market.<sup>3</sup>]

✓ ✗ I have identified and described one factor that should be considered by a business when choosing suppliers.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study.<sup>2</sup>

✓ ✗ I have linked my example to choosing appropriate suppliers.<sup>3</sup>

✓ ✗ I have referred to the business directly by using 'Nourish' and 'Aaliyah'.

**Other acceptable answers include:**

- Price
- Reliability
- Social responsibility
- Location

- d. [One advantage of Nourish generating contacts with overseas suppliers to source inputs, such as shea butter, is that these supplies may be cheaper overseas as certain countries have lower minimum wages, therefore factory owners can make materials at a cheaper cost as they do not have to pay high labour expenses.<sup>1</sup>] [Another advantage is that, as Nourish sources ingredients such as almond oil overseas, it may gain access to a larger variety and quantity of raw materials that are required to make hair care products compared to local suppliers.<sup>2</sup>] [However, one disadvantage is that it may be time-consuming and challenging for Nourish to maintain communication with overseas suppliers due to time differences with the suppliers' country.<sup>3</sup>] [Another disadvantage is that ingredients, such as shea butter, may be damaged during delivery from the overseas suppliers' country due to the possibility of the product having to travel long distances from the overseas country to the country where manufacturing occurs. This can cause inputs to be wasted and cause delays in production as the business waits for undamaged inputs.<sup>4</sup>]

✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of generating contacts with overseas suppliers.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of generating contacts with overseas suppliers.<sup>2</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to a disadvantage of generating contacts with overseas suppliers.<sup>3</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to another disadvantage of generating contacts with overseas suppliers.<sup>4</sup>

✓ ✗ I have signposted my response by using 'One advantage' and 'Another advantage'.

✓ ✗ I have referred to the business directly by using 'Nourish'.

✓ ✗ I have used connecting words, such as 'However'.

e. [Financial control systems are processes and procedures used to direct and monitor a business's finances.<sup>1</sup>] [One reason that these are important for a business is that it allows the business to manage its cash flow through processes such as budgeting and auditing. Considering Nourish has limited finances, it is important to complete budgeting to estimate future costs Nourish may incur preventing large financial losses from occurring.<sup>2</sup>] [A bank account is an arrangement made with a bank where a business or individual can deposit and withdraw money.<sup>3</sup>] [Aaliyah has decided to adopt the structure of a private limited company for her business thus making her a separate legal entity to her business. As a result, Aaliyah should establish a bank account to comply with Australian Tax Office (ATO) regulations which require incorporated businesses and their owners to be taxed separately.<sup>4</sup>]

I have identified and defined financial control systems.<sup>1</sup>

I have provided an example relevant to the case study and linked it to why it is important to establish financial control systems.<sup>2</sup>

I have identified and defined a bank account.<sup>3</sup>

I have provided an example relevant to the case study and linked it to why it is important to establish a bank account.<sup>4</sup>

I have signposted my response by using 'One reason'.

I have referred to the business directly by using 'Nourish' and 'Aaliyah'.

## 5A Marketing, a customer base and business objectives

### Theory review

- A. True. *By identifying and meeting the needs of its customer base, a business can increase customer satisfaction, which can lead to the achievement of business objectives.*
- B. False. *Marketing is more than the advertisement of products. Marketing involves multiple processes that help a business develop, promote, distribute, and price a product appropriately.*
- B. *Successful marketing usually targets a business's customer base, as the people within that base are likely to be most receptive to the marketing strategies.*
- customer base. *A customer base is a group of consumers who repeatedly purchase a business's products.*
- A. True. *A business can identify its customer base by creating a customer profile, which is a specific description of the type of person a business is selling to, including their demographic, psychographic, and geographic characteristics.*
- I; II. *After identifying its customer base, a business should aim to ensure that the product suits the needs of those within the customer base. In addition, a business should also focus its marketing strategies directly on those within the customer base.*
- A. True. *A business that achieves successful marketing targeted towards its customer base is more likely to achieve its various business objectives.*

### Preparing for exams

#### Case study skills

8. I, III, and IV are true. II is false.

#### Exam-style

- [Marketing is the process of implementing strategies to price, promote, and distribute products to current and potential customers.<sup>1</sup>]  
  I have defined the term marketing.<sup>1</sup>
- [A customer base is a group of consumers who continuously purchase goods and services from a business.<sup>1</sup>]  
  I have defined the term customer base.<sup>1</sup>
- [One way a business can identify its customer base is through making a customer profile.<sup>1</sup>][Making a customer profile involves establishing a specific description of the type of person the business is going to sell its product to by outlining the typical customer's characteristics, such as age, gender, and personality.<sup>2</sup>]

I have identified one way a business can identify its customer base.<sup>1</sup>

I have described my chosen method of identifying a customer base.<sup>2</sup>

I have signposted my response by using 'One way'.

#### Other acceptable answers include:

- Market research

12. [Marketing is the process of implementing strategies to price, promote, and distribute products to current and potential customers.<sup>1</sup>][To market effectively, a business must identify its customer base and focus its marketing efforts on specifically targeting this customer base.<sup>2</sup>]  
 [Marketing strategies that target a business's customer base can lead to an increased amount of repeat customers, leading to increased sales and the achievement of business objectives, such as increasing profit.<sup>3</sup>]

I have defined marketing.<sup>1</sup>

I have explained the relationship between marketing and establishing a customer base.<sup>2</sup>

I have explained the relationship between establishing a customer base and the achievement of business objectives.<sup>3</sup>

I have signposted my response by using 'Marketing is'.

### Testing previous knowledge

13. [Marketing is the process of implementing strategies to price, promote, and distribute products to current and potential customers.<sup>1</sup>]  
 [To market the new cereal effectively, Megan should identify MK Cereals' customer base, which is likely groups of health-conscious individuals who will purchase the cereal regularly. Therefore, Megan should focus marketing efforts on those health-conscious customers.<sup>2</sup>]  
 [Marketing strategies focused on targeting health-conscious cereal customers can lead to an increased amount of repeat customers, consequently increasing MK Cereals' sales and supporting the achievement of business objectives, such as making a profit.<sup>3</sup>]

I have identified and defined marketing.<sup>1</sup>

I have provided an example relevant to the case study and linked it to the relationship between marketing and establishing a customer base.<sup>2</sup>

I have provided an example relevant to the case study and linked it to the relationship between establishing a customer base and the achievement of business objectives.<sup>3</sup>

I have signposted my response by using 'Marketing is'.

I have referred to the business directly by using 'Megan' and 'MK Cereals'.

## 5B Marketing and the internal environment

### Theory review

- B. False. *Businesses have control over factors within the internal environment.*
- owners and managers. *Owners and managers are responsible for developing customer profiles in order to identify and establish the business's customer base.*
- A. True. *By delivering high-quality customer service, a business can improve customer satisfaction, enhance its reputation, and help establish a strong brand identity.*

4. A. True. *The values and beliefs of employees can shape how a business operates on a day-to-day basis and is an essential factor that affects the way employees interact with customers.*
5. A. True. *Marketing campaigns can be used by businesses to inform customers of their goods and services to new customers, as well as encourage future sales by existing customers. This can help a business establish a strong customer base and improve its brand identity.*

## Preparing for exams

### Case study skills

6. II and III are true. I is false.

### Exam-style

7. [Corporate culture is the shared values and beliefs of a business and its employees.<sup>1</sup>]

I have defined corporate culture.<sup>1</sup>

8. [Owners and managers can help establish a business's customer base by creating an appropriate customer profile.<sup>1</sup>][Owners and managers can target marketing strategies to those that fit the determined customer profile, allowing the business to capture sales and establish a strong customer base.<sup>2</sup>]

I have stated how owners and managers can help a business establish a customer base.<sup>1</sup>

I have provided an example of how owners and managers can help a business establish a customer base.<sup>2</sup>

9. [Corporate culture is the shared values and beliefs of a business and its employees.<sup>1</sup>][A business should develop a corporate culture that considers customer needs. By developing a corporate culture that is customer-focused, a business can improve customer perceptions of the business and its brand identity.<sup>2</sup>]

I have defined corporate culture.<sup>1</sup>

I have provided an example of how a business's corporate culture can affect its brand identity.<sup>2</sup>

10. [One factor within the internal environment that may affect a business's customer base and brand identity is employees.<sup>1</sup>][Employees directly interact with customers and their service affects how customers perceive the business. Customers who receive excellent service are likely to repeatedly purchase from the business, allowing it to establish a strong customer base.<sup>2</sup>][Moreover, if customers receive excellent service, they are more likely to have a positive perception of the business, improving its brand identity.<sup>3</sup>]

I have identified one factor from the internal environment that can affect a business's customer base and brand identity.<sup>1</sup>

I have provided an example of how my chosen factor can affect a business's customer base.<sup>2</sup>

I have provided an example of how my chosen factor can affect a business's brand identity.<sup>3</sup>

I have signposted my response by using 'One factor'.

I have used connecting words, such as 'Moreover'.

#### Other acceptable answers include:

- Owners and managers

11. [One factor from the internal environment that may affect JJ's Juice's customer base and brand identity is its employees.<sup>1</sup>][James should ensure that all seven employees are trained to deliver excellent customer service. This ensures that customers receive excellent service which may result in repeat purchases, allowing JJ's Juice to establish a strong customer base.<sup>2</sup>][Additionally, by providing exceptional customer service, JJ's Juice can improve customers' perception of the business and its brand identity.<sup>3</sup>]

I have identified one factor from the internal environment that may affect JJ's Juice's customer base and brand identity.<sup>1</sup>

I have provided an example relevant to the case study and linked it to how my chosen factor can help establish a strong customer base.<sup>2</sup>

I have provided an example relevant to the case study and linked it to how my chosen factor can help establish a strong brand identity.<sup>3</sup>

I have signposted my response by using 'One factor'.

I have referred to the business directly by using 'JJ's Juice' and 'James'.

I have used connecting words, such as 'Additionally'.

#### Other acceptable answers include:

- Owners and managers
- Corporate culture

### Testing previous knowledge

12. [One factor within the internal environment that may affect a business's customer base and brand identity is employees.<sup>1</sup>][Employees directly interact with customers and their service affects how customers perceive the business. Customers who receive excellent service are likely to repeatedly purchase from the business, allowing it to establish a strong customer base.<sup>2</sup>][As a result of these loyal customers, the business is likely to experience increased sales, subsequently contributing to the achievement of business objectives, such as increasing market share.<sup>3</sup>]

I have identified and defined one factor within the internal environment.<sup>1</sup>

I have provided an example of how my chosen factor can help a business establish a customer base.<sup>2</sup>

I have stated the relationship between establishing a customer base and the achievement of business objectives.<sup>3</sup>

I have signposted my response by using 'One factor'.

#### Other acceptable answers include:

- Owners and managers
- Corporate culture



# 5C Marketing and the external environment: Part 1

## Theory review

- B. False. *Operating factors are factors within the external environment that a business has some control over. Constantly assessing operating factors and adapting marketing strategies accordingly can influence the success of its marketing efforts.*
- A. True. *Ensuring that customers are provided with a great experience can improve existing and potential customers' perceptions of a business. Additionally, providing a great customer experience can also help a business establish a strong customer base.*
- A. True. *If a business is aware of its competitors' marketing strategies, it can successfully differentiate its own marketing so it can be delivered more effectively to a similar target market.*
- suppliers. *Some businesses, such as retail stores, will be provided with marketing material from their suppliers. This marketing material can allow customers to easily identify products being sold through recognisable elements, such as logos.*
- A. A marketing strategy that is customer-focused involves designing products that prioritise the needs and preferences of customers, as well as communicating how the product fulfils customer needs.
- some control. *Operating factors are factors within a business's external environment that the business has some control over. Operating factors include customers, suppliers, and competitors.*

## Preparing for exams

### Case study skills

7. I, II and III are true. IV is false.

### Exam-style

- [Operating factors are the primary external factors impacting a business which it has some control over.<sup>1</sup>]  
  I have defined the term operating factors.<sup>1</sup>
- [Suppliers may influence a business's marketing strategies for a specific product they supply to the business.<sup>1</sup>] [For example, a supplier who provides businesses with products for resale may also provide a business with branding to use within the business to promote the product being sold.<sup>2</sup>]  
  I have outlined one way that suppliers may influence a business's marketing strategies.<sup>1</sup>  
  I have provided an example of how suppliers may influence a business's marketing strategies.<sup>2</sup>
- [By constantly being aware of competitors' marketing strategies, a business can implement a more effective marketing strategy that successfully appeals to the same target market.<sup>1</sup>] [If a business is able to implement a marketing strategy that provides more customer value than its competitors, it will be more effective and assist in improving customer perceptions of the business, thus allowing the business to create a strong brand identity.<sup>2</sup>]

I have described how competitors can assist a business to create a strong brand identity.<sup>1</sup>

I have provided an example of how competitors assist a business to create a strong brand identity.<sup>2</sup>

11. [One factor a business could consider from the operating environment is customers.<sup>1</sup>] [A business should take into account customer needs and preferences when designing marketing strategies. A customer-focused marketing strategy can increase sales and expand a business's customer base.<sup>2</sup>] [Additionally, a customer-focused marketing strategy is likely to improve current and potential customers' perception of the business as their needs are being met, therefore improving brand identity.<sup>3</sup>]

I have identified one factor from the operating environment that may affect a business's customer base and brand identity.<sup>1</sup>

I have provided an example of how my chosen factor may affect a business's customer base.<sup>2</sup>

I have provided an example of how my chosen factor may affect a business's brand identity.<sup>3</sup>

I have signposted my response by using 'One factor'.

I have used connecting words, such as 'Additionally'.

### Other acceptable answers include:

- Suppliers

12. [One factor from the operating environment that may affect Baby Beans' customer base and brand identity is competitors. Tallon should be aware of competitor's marketing strategies, such as the current loyalty cards being offered by other cafes, so he can then introduce a marketing strategy that creates more customer value.<sup>1</sup>] [For example, Tallon could implement his own loyalty system at Baby Beans that provides customers with a free coffee for every six that they purchased. This may allow Tallon to attract customers from competitors and thus, help expand Baby Beans' customer base.<sup>2</sup>] [Furthermore, by implementing a marketing strategy that generates more customer value than competitors, Tallon can improve perceptions of the cafe and therefore, strengthen the brand identity of Baby Beans.<sup>3</sup>]

I have identified and described one factor from the operating environment.<sup>1</sup>

I have provided an example relevant to the case study and linked it to how considering my chosen operating factor can improve a business's customer base.<sup>2</sup>

I have provided an example relevant to the case study and linked it to how considering my chosen operating factor can improve a business's brand identity.<sup>3</sup>

I have signposted my response by using 'One factor'.

I have referred to the business directly by using 'Baby Beans' and 'Tallon'.

I have used connecting words, such as 'Furthermore'.

### Other acceptable answers include:

- Customers

## Testing previous knowledge

13. [One factor within the internal environment is corporate culture, which is the shared values, beliefs and behaviours upheld by managers and employees within a business.<sup>1</sup>] [A business should strive to develop a culture that considers customer needs. By developing a culture that is customer-focused, a business can market itself more effectively and appeal to potential customers, assisting it to establish a strong customer base.<sup>2</sup>] [Moreover, a customer-focused corporate culture emphasises that customers are considered a core component of the business, which can help create a positive perception of the business and thus assist in establishing a strong brand identity.<sup>3</sup>]

I have identified and described one factor from the internal environment that can affect a business's customer base and brand identity.<sup>1</sup>

I have stated how my chosen factor can affect a business's customer base.<sup>2</sup>

I have stated how my chosen factor can affect a business's brand identity.<sup>3</sup>

I have signposted my response by using 'One factor'.

I have used connecting words, such as 'Moreover'.

### Other acceptable answers include:

- Owners and managers
- Employees

## 5D Marketing and the external environment: Part 2

### Theory review

1. B. False. *Although a business may already have a successful marketing strategy, conditions in the macro environment are uncontrollable and constantly changing. Therefore, a business must be constantly aware of, and consider these factors in its marketing strategy to ensure it continues to attract customers and remain competitive.*
2. decline; fewer. *During periods of economic decline, disposable income is low and consumer confidence has decreased. Therefore, consumers are less likely to spend their money, meaning businesses should minimise their marketing strategies and instead, emphasise their low prices.*
3. A. *When a business considers and analyses economic conditions and remains up-to-date with upgrades and changes in technology, it is more likely to develop a marketing strategy that is responsive to the needs of customers. As a result, it is likely to improve its brand identity and customer base.*
4. technological factors; social factors. *Considering technological factors involves a business adapting to changes in technology and utilising technological advancements in its activities. Consequently, this can lead to improved efficiency and minimised wastage, which can allow a business to consider social factors, including its environmental sustainability.*
5. A. True. *Legal factors include legal regulations which are the laws and rules made by the government and courts. All businesses must comply with legal regulations in their activities to avoid negative consequences, such as fines and store closures, which can tarnish their reputation.*

6. A. True. *Considering factors in the macro environment enables a business to better understand consumer needs and how it can respond to these desires. With this knowledge, a business can develop a marketing strategy that considers consumer wants and better responds to such needs, consequently attracting more customers to the business.*

### Preparing for exams

#### Case study skills

7. A
8. I and IV are true. II and III are false.

#### Exam-style

9. [Macro factors are social, legal, technological, and economic conditions that a business operates in and has no control over.<sup>1</sup>]

I have defined the term macro factors.<sup>1</sup>

10. [Economic factors may influence a business's marketing strategy depending on whether a country is experiencing economic growth or decline.<sup>1</sup>] [For example, during periods of strong economic growth, consumers have high levels of disposable income. Therefore, a business is likely to implement and invest in more marketing strategies to entice consumers to purchase its products and expand its customer base.<sup>2</sup>]

I have outlined one way economic factors may influence a business's marketing strategy.<sup>1</sup>

I have provided an example of how economic factors may influence a business's marketing strategy.<sup>2</sup>

11. [Technological factors, such as the increased usage of the internet and social media, can help a business increase its communication and response time to customers.<sup>1</sup>] [For example, increased usage of the internet means that more people are shopping online. Therefore, a new business could sell its products online to generate a strong customer base.<sup>2</sup>]

I have described how technological factors may affect a business establishing a customer base.<sup>1</sup>

I have provided an example of how technological factors may affect a business establishing a customer base.<sup>2</sup>

12. [One factor from the macro environment that may affect a business's customer base and brand identity is legal factors.<sup>1</sup>] [A business must consider legal factors across all its activities to ensure that it is compliant with enforced legislation. By adhering to legal requirements, a business can avoid negative consequences, such as fines and closures, that could tarnish its brand identity.<sup>2</sup>] [Additionally, a business that markets itself in an ethical manner and complies with legal obligations is more likely to establish a loyal customer base.<sup>3</sup>]

I have identified one factor in the macro environment that may affect a business's customer base and brand identity.<sup>1</sup>

I have provided an example of how my chosen factor may affect a business's brand identity.<sup>2</sup>

I have provided an example of how my chosen factor may affect a business's customer base.<sup>3</sup>

I have signposted my response by using 'One factor'.

I have used connecting words, such as 'Additionally'.

**Other acceptable answers include:**

- Economic factors
- Technological factors
- Social factors

13. [Considering social factors involves being aware of, and understanding societal trends, behaviours, and beliefs.<sup>1</sup>] [By considering the growing demand for vegan options at Come In, Pat can increase the restaurant's range and advertising of vegan food and expand its customer base to include those who want vegan menu items.<sup>2</sup>] [Moreover, by increasing its range of vegan food and advertising a new vegan menu, potential customers of Come In are more likely to have a positive perception of the restaurant as they observe its commitment to changing interests in society. Therefore, as Pat is adapting Come In's menu to account for vegan lifestyles, the brand identity of the restaurant can improve.<sup>3</sup>]

I have identified and described social factors.<sup>1</sup>

I have provided an example relevant to the case study and linked it to how considering social factors can improve a business's customer base.<sup>2</sup>

I have provided an example relevant to the case study and linked it to how considering social factors can improve a business's brand identity.<sup>3</sup>

I have referred to the business directly by using 'Come In' and 'Pat'.

I have used connecting words, such as 'Moreover'.

**Testing previous knowledge**

14. [One factor in the macro environment that could help Queens successfully market its products and achieve its business objectives is technological factors.<sup>1</sup>] [By considering technological factors, Queens can ensure its paint-mixing processes are as efficient as possible to quickly deliver paint to its customers. This can allow Queens to enhance its marketing strategies and promote the new paint-mixing technology to its customer base.<sup>2</sup>] [Furthermore, Elizabeth's investment in technology will allow paint-mixing to be completed more quickly, minimising wasted time. In turn, Queens can decrease its costs, better satisfy customers and increase its profits, thus achieving its objectives.<sup>3</sup>]

I have identified one factor in the macro environment that can allow a business to successfully market its products to its customer base and achieve its business objectives.<sup>1</sup>

I have provided an example relevant to the case study and linked it to how considering my chosen factor can help a business successfully market its products to its customer base.<sup>2</sup>

I have provided an example relevant to the case study and linked it to how considering my chosen factor can help a business achieve its business objectives.<sup>3</sup>

I have signposted my response by using 'One factor'.

I have referred to the business directly by using 'Queens' and 'Elizabeth'.

I have used connecting words, such as 'Furthermore'.

## 5E Market research practices

### Theory review

1. B. False. *Market research is an important process that helps businesses determine any market trends and changes in customer attitudes. Without market research, businesses may fail when implementing new products or changes.*
2. A. True. *Market research is a systematic process that involves defining the problem at hand, collecting required data, and analysing and interpreting results to make effective decisions.*
3. secondary; primary. *Secondary data already exists and has been collected for another purpose but can be referred to by a business. While primary data is collected through research that is directly conducted for the business's own purpose.*
4. A. True. *As secondary data has already been collected, a business will save time and money. This secondary data can specify what information to collect if choosing to do additional primary research.*
5. A. True. *Focus groups provide qualitative data on consumer beliefs and opinions. Internet searches can provide both quantitative and qualitative data related to the market, industry, and competitors.*
6. A. True. *Data that is collected should then be analysed and interpreted to identify market trends, consumer behaviours and attitudes, and the potential changes the business could implement.*
7. A. True. *Data analysis and interpretation enable businesses to make effective decisions as they are more informed about the market needs and wants. The market could be uninterested in a product that the business is currently selling, hence the business could then decide to discontinue the product.*

### Preparing for exams

#### Case study skills

8. I, III, and IV are true. II is false.
9. A
10. I; III

#### Exam-style

11. [One reason data analysis and interpretation is important is that it enables businesses to transform their collected data into relevant information to make effective decisions and be used to solve a business problem.<sup>1</sup>]

I have outlined one reason why data analysis and interpretation is important.<sup>1</sup>

I have signposted my response by using 'One reason'.

12. [The first step of market research is defining the problem. A business needs to clearly identify the purpose of its research. For example, determining whether there will be demand for a new product.<sup>1</sup>] [The second step is data collection. A business will need to determine the type of data it needs to collect and the required data collection techniques, which may be affected by the resources it has available.<sup>2</sup>] [The final step is analysing and interpreting the data. After the data is collected, a business will need to transform the data and examine the reasons for any trends or changes to make effective decisions.<sup>3</sup>]

- I have described the first step of market research.<sup>1</sup>
- 
- I have described the second step of market research.<sup>2</sup>
- 
- I have described the third step of market research.<sup>3</sup>
- 
- I have signposted my response by using 'The first step' and 'The second step'.

13. [One secondary data collection method a business could utilise is government agencies. Government agencies are organisations which are responsible for a specific area of control.<sup>1</sup>] [For example, a business may choose to refer to documents published by the Australian Bureau of Statistics to determine trends in technology use by Australians.<sup>2</sup>] [With this information, this business can evaluate potential opportunities that enable it to take advantage of current trends and improve its customer base.<sup>3</sup>]

- I have identified and described one secondary data collection method.<sup>1</sup>
- 
- I have provided an example of my chosen secondary data collection method.<sup>2</sup>
- 
- I have linked my example to market research.<sup>3</sup>
- 
- I have signposted my response by using 'One secondary data collection method'.

**Other acceptable answers include:**

- Company records
- Internet search

14. [The first step of market research is defining the problem. Y Square is planning to launch a new console titled YS500, however, it does not know whether there will be demand for this console.<sup>1</sup>] [The second step is collecting the required data. Y Square has decided to develop a focus group of seven people to gather customer opinions on the YS500.<sup>2</sup>] [The last step is analysing and interpreting the data. Once data from the focus group has been collected, Y Square should transform the data into tables and examine the reasoning for customer opinions. Y Square can then decide whether to sell the YS500 console.<sup>3</sup>]

- I have provided an example relevant to the case study and linked it to the first step of market research.<sup>1</sup>
- 
- I have provided an example relevant to the case study and linked it to the second step of market research.<sup>2</sup>
- 
- I have provided an example relevant to the case study and linked it to the third step of market research.<sup>3</sup>
- 
- I have signposted my response by using 'The first step' and 'The second step'.
- 
- I have referred to the business directly by using 'Y Square'.

15. [One data collection method that Lomell could use is a survey. A survey is a research method that involves asking questions to collect data from a group of people.<sup>1</sup>] [As Lomell's sales continue to drop by \$15,000 monthly, a survey would enable Rahma to understand what customers dislike and gain their opinions on potential changes to the store layout.<sup>2</sup>] [By implementing a survey either online or through the mail, Rahma will be able to gather the required data to evaluate and decide what change would be most effective to increase sales.<sup>3</sup>] [Another data collection method that Lomell could use is an internet search. An internet search enables businesses to discover information online that is related to their specific industry, market, and competitors.<sup>4</sup>] [Through an internet search, Lomell can determine the current performance and activities of competitors in the market and identify the type of change it should undertake.<sup>5</sup>] [In turn, Lomell can gather information from a wide range of external sources and be able to identify any opportunities in the market which will enable Lomell to gain market share from its competitors.<sup>6</sup>]

- I have identified and described one method that Lomell could introduce to collect data.<sup>1</sup>
- 
- I have provided an example relevant to the case study.<sup>2</sup>
- 
- I have linked my example to effective market research.<sup>3</sup>
- 
- I have identified and described another method that Lomell could introduce to collect data.<sup>4</sup>
- 
- I have provided an example relevant to the case study.<sup>5</sup>
- 
- I have linked my example to effective market research.<sup>6</sup>
- 
- I have signposted my response by using 'One data collection method' and 'Another data collection method'.
- 
- I have referred to the business directly by using 'Lomell' and 'Rahma'.
- 
- I have used connecting words, such as 'In turn'.

**Other acceptable answers include:**

- Observation
- Experimentation
- Focus groups
- Company records
- Government agencies

**Testing previous knowledge**

16. [Social factors may influence a business's marketing strategies and utilise trends to engage socially aware customers and establish a customer base.<sup>1</sup>] [For example, increased societal concerns about the environment may prompt businesses to emphasise their commitment to the planet through their marketing and encourage the development of more eco-friendly product ranges.<sup>2</sup>] [One primary data collection method a business could implement to gain information on its customer base is a focus group. A focus group is a small group of people who are brought together to discuss their opinions on topics, such as societal trends, beliefs, and concerns, and how the business could cater to these.<sup>3</sup>]

- I have stated how social factors may affect a business establishing a customer base.<sup>1</sup>
- 
- I have provided an example of how social factors may affect a business establishing a customer base.<sup>2</sup>



## Testing previous knowledge

15. [Consumer behaviour is the actions of those who purchase goods and services for consumption.<sup>1</sup>] [Conversely, consumer trends are developed patterns in consumer behaviours, attitudes, and values.<sup>2</sup>] [One way that identifying consumer behaviours and trends may assist Bel in achieving Tinkers' business objectives is that it will allow the homewares store to better understand the purchasing behaviour of consumers.<sup>3</sup>] [This may allow Bel to create a marketing strategy that better targets consumers, leading to increased consumer interest and satisfaction, hence assisting the achievement of Tinkers' business objective to increase market share by 3%.<sup>4</sup>]

- I have identified and defined consumer behaviour.<sup>1</sup>
- 
- I have identified and defined consumer trends.<sup>2</sup>
- 
- I have provided an example relevant to the case study and linked it to identifying consumer behaviour and trends.<sup>3</sup>
- 
- I have provided an example relevant to the case study and linked it to how identifying consumer behaviour and trends can assist a business in achieving its objectives.<sup>4</sup>
- 
- I have signposted my response by using 'One way'.
- 
- I have referred to the business directly by using 'Bel' and 'Tinkers'.

## 5G The 7Ps model of marketing: Part 1

### Theory review

- A. True. *The marketing mix provides a framework for businesses to select appropriate marketing strategies to satisfy the needs of their target customers, contributing to the achievement of business objectives.*
- tangible; intangible. *Tangible products are physical goods that can be touched and stored as inventory, such as shoes. On the other hand, intangible products are typically non-physical services that cannot be touched or stored, such as a haircut.*
- without. *A service business will use a producer-to-customer distribution channel to provide services. As services cannot be stored, intermediaries are not used to provide services to customers.*
- A. True. *A producer-to-customer distribution channel involves a product being sold from the manufacturer directly to the customer.*
- B. False. *The product element of the marketing mix relates to the good or service being sold by the business to satisfy the needs or wants of customers.*
- Personal selling. *Personal selling is a type of promotional strategy in which sales representatives of a business meet with customers to sell the business's product directly to the individual.*
- B. False. *Price skimming is an example of a strategy under the 'price' element of the marketing mix which involves a business setting a high initial price when the product enters the market, and then lowering this price over time.*
- competition-based pricing; penetration pricing. *Competition-based pricing involves setting prices at a similar cost to competing products, whereas penetration pricing involves setting initial prices lower than competitors.*

- B. False. *Cost-plus pricing involves a business taking the unit cost of its product and adding a percentage markup to determine the sale price.*
- B. False. *An effective marketing mix is needed to deliver products that satisfy customer needs and enhance customer value in both the short and long term.*

### Preparing for exams

#### Case study skills

11. A                      12. B                      13. I; IV                      14. A
15. I and II are true. III is false.

#### Exam-style

16. [The promotion element of the marketing mix is the marketing communications used by a business to inform, promote, and remind its target market about its product.<sup>1</sup>]

- I have defined the promotion element of the marketing mix.<sup>1</sup>

17. [One pricing strategy that a business could use is the cost-plus pricing strategy. The cost-plus pricing strategy involves determining the selling price for a product by taking the unit costs and adding a percentage markup.<sup>1</sup>] [Another pricing strategy that can be used is the competition-based pricing strategy. The competition-based pricing strategy involves a business setting a selling price for the product that is similar to that of competing products.<sup>2</sup>]

- I have identified and described one pricing strategy a business can use to price its product.<sup>1</sup>

- I have identified and described another pricing strategy a business can use to price its product.<sup>2</sup>

- I have signposted my response by using 'One pricing strategy' and 'Another pricing strategy'.

#### Other acceptable answers include:

- Penetration pricing
- Price skimming

18. [One promotional strategy a business can use in its promotional mix is advertising, which involves creating a message to publicly promote a business's products. Advertising can be conducted through platforms such as television or social media.<sup>1</sup>] [Another promotional strategy a business can use is sales promotion. Sales promotion involves a business providing customers with short-term incentives, such as price reductions, to promote a trial or use of a product.<sup>2</sup>]

- I have identified and outlined one promotional strategy that a business can use in its promotional mix.<sup>1</sup>

- I have identified and outlined another promotional strategy that a business can use in its promotional mix.<sup>2</sup>

- I have signposted my response by using 'One promotional strategy' and 'Another promotional strategy'.

#### Other acceptable answers include:

- Direct marketing
- Personal selling
- Public relations

19. [One advantage of conducting sales promotion to promote a product is that a business can effectively increase sales in the short term through techniques such as price reductions or free samples.<sup>1</sup>] [On the other hand, one disadvantage of conducting sales promotion is that competitors may copy the sales promotion technique used, making the promotion less effective.<sup>2</sup>]

- I have outlined one advantage of using a sales promotion as a promotional strategy.<sup>1</sup>

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- I have outlined one disadvantage of using a sales promotion as a promotional strategy.<sup>2</sup>

---

- I have signposted my response by using 'One advantage' and 'one disadvantage'.

---

- I have used connecting words, such as 'On the other hand'.

20. [Demazy Designers uses the producer-to-retailer-to-customer distribution channel, which involves a producer selling its product to a retailer who then sells the product to customers in retail stores.<sup>1</sup>] [Demazy Designers produces handbags in Melbourne and sells them to retail stores across Australia, where customers can then purchase the handbags.<sup>2</sup>]

- I have identified and described the producer-to-retailer-to-customer distribution channel.<sup>1</sup>

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- I have provided an example relevant to the case study and linked it to the producer-to-retailer-to-customer distribution channel.<sup>2</sup>

---

- I have referred to the business directly by using 'Demazy Designers'.

21. [One way Jason could make use of a competition-based pricing strategy is when he is determining how to price his monthly gym membership. This pricing strategy involves a business setting its price similar to its competitor's price.<sup>1</sup>] [Making use of this strategy would require Jason to determine the price of the monthly membership being offered by the competing gym, and setting the cost of Fit and Fierce's gym membership at a price just above, just below, or equal to this price.<sup>2</sup>] [This can allow Jason's gym to have more competitive prices in the market which is likely to generate sales, counteracting Fit and Fierce's issue of declining customers.<sup>3</sup>]

- I have identified and defined competition-based pricing.<sup>1</sup>

---

- I have provided an example relevant to the case study and linked it to competition-based pricing.<sup>2</sup>

---

- I have provided an example relevant to the case study and linked it to how competitive-based pricing can overcome declining sales.<sup>3</sup>

---

- I have signposted my response by using 'One way'.

---

- I have referred to the business directly by using 'Jason' and 'Fit and Fierce'.

22. [One promotional strategy Emma could use is advertising, which involves creating a message to publicly promote a business's products.<sup>1</sup>] [Emma could advertise her oatmeal product through mediums such as televisions or social media, to inform, promote, and remind customers of her brand and the features of her healthy organic oatmeal.<sup>2</sup>]

[Moreover, another promotional strategy that Emma could use is a sales promotion, which involves providing short-term incentives to promote a trial or use of its product.<sup>3</sup>] [Emma could implement a sales promotion that gives out free samples of Otis' Oatmeal in stores that sell the product, to incentivise potential customers to purchase the oatmeal.<sup>4</sup>]

- I have identified and described a promotional strategy.<sup>1</sup>

---

- I have provided an example relevant to the case study and linked it to my chosen promotional strategy.<sup>2</sup>

---

- I have identified and described another promotional strategy.<sup>3</sup>

---

- I have provided an example relevant to the case study and linked it to my chosen promotional strategy.<sup>4</sup>

---

- I have signposted my response by using 'One promotional strategy' and 'another promotional strategy'.

---

- I have referred to the business directly by using 'Emma' and 'Otis' Oatmeal'.

---

- I have used connecting words, such as 'Moreover'.

**Other acceptable answers include:**

- Direct marketing
- Personal selling

**Note:** Public relations is not an acceptable answer.

**Testing previous knowledge**

23. [A target market is a specific group of consumers that a business aims its marketing efforts towards.<sup>1</sup>] [One promotional strategy a business could use to remind its target market about its product is direct marketing. Direct marketing involves an employee selling the business's products straight to the public.<sup>2</sup>] [A business can identify the suburbs or towns where the majority of its customers are from and pursue direct marketing in these locations in order to remind its target market about the business's product.<sup>3</sup>]

- I have defined target market.<sup>1</sup>

---

- I have identified and defined one promotional strategy.<sup>2</sup>

---

- I have provided one example of how my chosen promotional strategy can remind a target market about the business's product.<sup>3</sup>

---

- I have signposted my response by using 'One promotional strategy'.

**Other acceptable answers include:**

- Sales promotion
- Advertising
- Personal selling
- Public relations

## 5H The 7Ps model of marketing: Part 2

### Theory review

1. A. True. *By continuously assessing its marketing mix, a business can better understand its customers and their demands in order to generate a loyal customer base.*
2. A. True. *Customers are an example of the 'people' element of the marketing mix and can allow a business to achieve a positive reputation through word-of-mouth recommendations.*
3. better. *Providing customers with multiple payment options enhances the purchasing experience as customers can pay in a way that is most convenient for them.*
4. I; III; IV. *By having knowledgeable, passionate, well-trained employees that provide high levels of customer service, a business can improve its reputation with customers.*
5. A. *Customer reviews are a form of physical evidence that provide information about the quality of a business's product. Customer reviews can influence the purchasing decisions of potential customers.*
6. process; physical evidence. *The process element of the marketing mix relates to the procedures set in place from when customers discover the business's product to when it is delivered to them. On the other hand, the physical evidence element relates to the visible components that make up the business, such as the business's reviews or in-store ambience.*
7. I; II; IV. *In order for a business to improve the 'process' element of its marketing mix, the business can provide more information to customers, ensure efficient service, offer multiple purchasing options, and train staff to be more knowledgeable about the business's products so that they can help customers when required.*
8. B. False. *In order to effectively and appropriately market its products, a business must consider all 7 Ps of the marketing mix, not just promotion.*

### Preparing for exams

#### Case study skills

9. I, II and IV are true. III is false.
10. A

#### Exam-style

11. [The physical evidence element of the marketing mix is the environment in which the business and customers interact.<sup>1</sup>] [An example of the physical evidence element is the ambience of the store where the service is performed.<sup>2</sup>]
  - I have defined the physical evidence element of the marketing mix.<sup>1</sup>
  - I have provided an example of the physical element of the marketing mix.<sup>2</sup>
12. [One way a business can ensure that customers have a positive experience at the business is by offering multiple payment options during the process of customers purchasing the business's product. Multiple payment options allow customers to pay how they wish, whether that be by cash, card, or through 'buy now pay later' platforms.<sup>1</sup>]

[Another way a business can enhance a customer's purchasing experience is by ensuring that the process element of its marketing mix is seamless and efficient. This can be achieved by training employees to be skilled at customer service and knowledgeable about the products offered by the business.<sup>2</sup>]

- I have outlined one way a business can ensure customers have a positive purchasing experience.<sup>1</sup>
- I have outlined another way a business can ensure customers have a positive purchasing experience.<sup>2</sup>
- I have signposted my response by using 'One way' and 'Another way'.

#### Other acceptable answers include:

- Information
- Efficient service

13. [One group of people that can positively influence a business's reputation is employees.<sup>1</sup>] [By ensuring that employees are properly trained in providing high levels of customer service, a business can improve customer satisfaction and the business's overall reputation.<sup>2</sup>] [Furthermore, another group of people that can positively influence a business's reputation is customers.<sup>3</sup>] [Customers who are satisfied with the business may advocate for the business to family and friends. These word-of-mouth recommendations can then enhance the business's reputation.<sup>4</sup>]

- I have identified one group of people that can positively influence a business's reputation.<sup>1</sup>
- I have provided an example of how my chosen group of people can positively influence a business's reputation.<sup>2</sup>
- I have identified another group of people that can positively influence a business's reputation.<sup>3</sup>
- I have provided an example of how my chosen group of people can positively influence a business's reputation.<sup>4</sup>
- I have signposted my response by using 'One group of people' and 'another group of people'.
- I have used connecting words, such as 'Furthermore'.

#### Other acceptable answers include:

- Owners

14. [The physical evidence element of the marketing mix is the environment in which the business and customers interact.<sup>1</sup>] [Allowing customers to leave feedback about Curls and Cuts via the online platform that Jeff set up can provide physical evidence of the quality of the haircuts at the business.<sup>2</sup>] [This feedback can allow potential customers to view the photos of posted haircuts and read the comments praising Curls and Cuts' service, leading them to develop a positive perception of the business.<sup>3</sup>]

- I have identified and defined the physical evidence element of the marketing mix.<sup>1</sup>
- I have provided an example relevant to the case study.<sup>2</sup>
- I have linked my example to the physical evidence element of the marketing mix.<sup>3</sup>
- I have referred to the business directly by using 'Curls and Cuts' and 'Jeff'.



15. [One way that Hailey can improve the customer purchasing experience at Fitzroy Fashion is by offering multiple methods of payment. This would allow customers to pay for their products how they wish and increase their overall satisfaction.<sup>1</sup>][Since some customers at Fitzroy Fashion have recently expressed their dissatisfaction with the limited card payment options, Hailey could implement an EFTPOS machine to allow customers to pay by card.<sup>2</sup>][By doing so, Fitzroy Fashion can create a more seamless purchasing experience for its customers, as they no longer need to get cash out to purchase their products.<sup>3</sup>]

- I have identified and described one way to enhance the customer purchasing experience.<sup>1</sup>
- 
- I have provided an example relevant to the case study.<sup>2</sup>
- 
- I have linked my example to enhancing the customer purchasing experience.<sup>3</sup>
- 
- I have signposted my response by using 'One way'.
- 
- I have referred to the business directly by using 'Hailey' and 'Fitzroy Fashion'.

**Other acceptable answers include:**

- Information
- Efficient service
- Knowledgeable staff

### Testing previous knowledge

16. [Place is an element of the marketing mix that relates to how a business distributes its products to customers.<sup>1</sup>][On the other hand, physical evidence is the environment in which the business and customer interact.<sup>2</sup>][A key difference between place and physical evidence is that place is focused on how a customer receives a product through distribution channels. Conversely, physical evidence has a focus on the way a customer engages with a business before, during, and after making a purchase.<sup>3</sup>]

- I have defined the place element of the marketing mix.<sup>1</sup>
- 
- I have defined the physical evidence element of the marketing mix.<sup>2</sup>
- 
- I have provided a key difference between the place and physical evidence elements of the marketing mix.<sup>3</sup>
- 
- I have signposted my response by using 'A key difference'.
- 
- I have used comparison words, such as 'On the other hand' and 'Conversely', when distinguishing.

## 51 The product life cycle

### Theory review

- introduction; growth; maturity; decline; extension. *The first stage of the product life cycle is the introduction stage, this is followed by the growth stage, then the maturity stage, and finally the decline stage. A business can attempt to lengthen the product life cycle by using extension strategies.*
- A. True. *The first stage of the product life cycle is the introduction stage. During this stage, the product is new to the market, meaning that sales and market share tend to be low.*

- B. *During the introduction stage of the product life cycle, promotion is targeted toward early adopters. However, once the product progresses to the growth stage, this promotion is extended to a wider audience.*
- B. False. *During the maturity stage of the product life cycle, the business experiences a peak in sales growth, before this number begins to plateau. The period of fastest sales growth of a product occurs during the growth stage of the product life cycle.*
- decline; extension. *When a business recognises that its product may be close to, or currently entering the decline stage, it may implement extension strategies, such as exporting or creating a new, innovative version of the product, to extend its lifetime.*
- A. True. *Businesses that keep track of their products' life cycles can better understand how to make adjustments to their marketing mix in order to get the most sales for their product.*

### Preparing for exams

#### Case study skills

- I and III are true. II and IV are false.
- I; IV

#### Exam-style

9. [The product life cycle is a series of stages that a product will pass through from the moment it is introduced to the market until the product becomes obsolete or replaced.<sup>1</sup>][The four stages of the product life cycle are introduction, growth, maturity, and decline.<sup>2</sup>]

- I have defined the product life cycle.<sup>1</sup>
- 
- I have stated the four stages of the product life cycle.<sup>2</sup>

10. [One extension strategy is exporting, which involves a business sending goods or services to another country for sale.<sup>1</sup>][By selling products in a new country, a business can extend its product life cycle as it accesses new customers and potentially faces lower levels of competition.<sup>2</sup>]

- I have identified and described one extension strategy.<sup>1</sup>
- 
- I have outlined how my chosen extension strategy can lengthen a product's life cycle.<sup>2</sup>
- 
- I have signposted my response by using 'One extension strategy'.

11. [The maturity stage is the third stage of the product life cycle and involves a business reaching peak growth in product sales before they begin to plateau.<sup>1</sup>][During the maturity stage of the product life cycle, the people element of the marketing mix is modified so that employees within the business are trained to inform customers of unique features that distinguish the product from the competition.<sup>2</sup>][Moreover, the physical evidence element of the marketing mix will be adapted during the maturity stage so that evidence of unique product attributes is displayed.<sup>3</sup>]

- I have identified and described the maturity stage of the product life cycle.<sup>1</sup>
- 
- I have provided an example of how the people element of the marketing mix would be modified during the maturity stage.<sup>2</sup>

✓ ✗ I have provided an example of how the physical evidence element of the marketing mix would be modified during the maturity stage.<sup>3</sup>

✓ ✗ I have used connecting words, such as 'Moreover'.

12. [The second stage of the product life cycle is the growth stage. During this stage, a business will experience the fastest sales growth for its product and start to attract attention from its competitors.<sup>1</sup>] [As McFly's electric skateboards are in the growth stage, Marty should modify the product element of the marketing mix by improving the quality, design, and features of the skateboards.<sup>2</sup>] [Furthermore, as McFly's electric skateboards are gaining popularity amongst customers, Marty should also modify the place element of the marketing mix by increasing distribution efforts.<sup>3</sup>]

✓ ✗ I have identified and described the growth stage of the product life cycle.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to how the product element of the marketing mix would be modified during the growth stage.<sup>2</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to how the place element of the marketing mix would be modified during the growth stage.<sup>3</sup>

✓ ✗ I have signposted my response by using 'The second stage of the product life cycle'.

✓ ✗ I have referred to the business directly by using 'McFly's' and 'Marty'.

✓ ✗ I have used connecting words, such as 'Furthermore'.

13. [When Patterson introduces the new banjo model to the market, the product will be in the introduction stage of the product life cycle.<sup>1</sup>] [During the introduction stage of the product life cycle, a business will attempt to increase awareness of its new product in order to increase sales and market share.<sup>2</sup>] [As the banjo model is a new product in the banjo market, Patterson could adopt strategies relating to the price element of the marketing mix. Patterson could use penetration pricing during this stage to price the new banjo model and gain market share.<sup>3</sup>] [Moreover, as customers will be initially unaware of the new banjo model, the promotion element might be established so that the promotion of the banjo is focused on early adopters in an effort to educate them on the benefits of the new banjo.<sup>4</sup>]

✓ ✗ I have identified the introduction stage of the product life cycle.<sup>1</sup>

✓ ✗ I have described the introduction stage of the product life cycle.<sup>2</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to the establishment of one element of the marketing mix during the introduction stage.<sup>3</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to the establishment of another element of the marketing mix during the introduction stage.<sup>4</sup>

✓ ✗ I have referred to the business directly by using 'Patterson'.

✓ ✗ I have used connecting words, such as 'Moreover'.

## Testing previous knowledge

14. [One element of the marketing mix is promotion, which refers to the marketing communications used by a business to inform, promote, and remind its target market about its product.<sup>1</sup>] [Another element of the marketing mix is process, which relates to the procedures set in place throughout an entire customer purchase.<sup>2</sup>] [During the growth stage at Roberto's, Nora would ensure that the wine is promoted to a wider audience of consumers. Conversely, in the maturity stage, promotion focuses on the brand image of Roberto's and distinguishing its wine from competitors.<sup>3</sup>] [Furthermore, process during the growth stage at Roberto's would involve Nora increasing the business's offering of after-sales services for their wines. On the other hand, during the maturity stage, these processes relating to wine sales and customer service would have already been well established at Roberto's and therefore remain the same.<sup>4</sup>]

✓ ✗ I have identified and defined promotion as an element of the marketing mix.<sup>1</sup>

✓ ✗ I have identified and defined process as an element of the marketing mix.<sup>2</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to the difference in promotion during the growth and maturity stages.<sup>3</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to the difference in process during the growth and maturity stages.<sup>4</sup>

✓ ✗ I have signposted my response by using 'One element' and 'Another element'.

✓ ✗ I have referred to the business directly by using 'Roberto's' and 'Nora'.

✓ ✗ I have used connecting words, such as 'Furthermore'.

✓ ✗ I have used comparison words, such as 'Conversely' and 'On the other hand', when distinguishing.

## 5J Customer relations strategies

### Theory review

1. A. True. *Businesses that develop, manage, and maintain customer relationships are more likely to increase sales and profits than businesses that do not.*
2. A. True. *Quality customer service is not inherent, meaning that businesses must plan and have processes in place to ensure excellent customer service is provided by employees.*
3. above. *Businesses go above and beyond industry expectations to effectively build and maintain customer relationships better than competing businesses.*
4. store and website layout. *Businesses can encourage customers to make repeat purchases by transforming their store layout and making their store or online website easy to navigate.*
5. A. True. *Customer relations strategies aim to create, develop, and maintain positive customer relationships over time.*

6. A. True. *Customer loyalty programs are known for providing exclusive offers and discounts to customers after earning a certain number of points from transactions with a business.*
7. B. False. *While customer service in-store is well recognised, businesses that operate online must also focus on customer relations. Otherwise, they may risk losing customers.*

## Preparing for exams

### Case study skills

8. I; III
9. I and IV are true. II and III are false.
10. A
11. I; II; III

### Exam-style

12. [Quality customer service is a business consistently going above and beyond expected performance to ensure customers are satisfied with their experience.<sup>1</sup>]

I have defined the term quality customer service.<sup>1</sup>

13. [Customer loyalty programs are marketing initiatives that enable customers to gain benefits for frequently purchasing from a business.<sup>1</sup>][One feature of customer loyalty programs is usability. Customers should be able to easily access rewards and offers they have gained both online and in-store.<sup>2</sup>]

I have defined customer loyalty programs.<sup>1</sup>

I have outlined one feature of customer loyalty programs.<sup>2</sup>

I have signposted my response by using 'One feature'.

14. [Customer loyalty programs are marketing initiatives that enable customers to gain benefits for frequently purchasing from a business.<sup>1</sup>][Sade is considering introducing a loyalty card to reward loyal customers with a free coffee after purchasing eight coffees in a row.<sup>2</sup>][By introducing a loyalty card and rewarding repeat customers, Mizono can encourage customers to continue purchasing from the business rather than larger well-known coffee shops.<sup>3</sup>]

I have identified and defined customer loyalty programs.<sup>1</sup>

I have provided an example relevant to the case study.<sup>2</sup>

I have linked my example to the use of customer loyalty programs.<sup>3</sup>

I have referred to the business directly by using 'Sade' and 'Mizono'.

15. [One feature of quality customer service is the physical store and website layout. A business that aims to provide quality customer service should organise its store and website so that it is easy to navigate.<sup>1</sup>][Summers' store layout has led to the business's signature marshmallow fluff scented candle selling out four times in three months. By being placed in the storefront, customers have been able to easily find and purchase Summers' signature candles.<sup>2</sup>]

[Moreover, another feature is employee knowledge. A business that aims to provide quality customer service should ensure employees have the required information to help customers.<sup>3</sup>][Summers' four regular staff are highly knowledgeable of how Summers' candles are made. In turn, employees are able to make valid recommendations to customers and encourage repeat purchases.<sup>4</sup>]

I have identified and described one feature of quality customer service.<sup>1</sup>

I have provided an example relevant to the case study and linked it to my chosen feature of quality customer service.<sup>2</sup>

I have identified and described another feature of quality customer service.<sup>3</sup>

I have provided an example relevant to the case study and linked it to my chosen feature of quality customer service.<sup>4</sup>

I have signposted my response by using 'One feature' and 'another feature'.

I have referred to the business directly by using 'Summers'.

I have used connecting words, such as 'Moreover'.

16. [One customer relations strategy Mina could implement is a customer loyalty program. Customer loyalty programs are marketing initiatives that enable customers to gain benefits for frequently purchasing from a business.<sup>1</sup>][One feature of customer loyalty programs is the rewards offered to customers. Customers may gain offers including discounts or perks for frequently purchasing from a business.<sup>2</sup>][By introducing a loyalty program, Mina can offer customers rewards such as a 10% discount on their fourth service in a row.<sup>3</sup>][In turn, Blingz can develop a strong customer base as customers will feel rewarded and incentivised to return regularly, allowing Mina to increase sales by 40% in the next six months.<sup>4</sup>]

I have identified and defined one customer relations strategy.<sup>1</sup>

I have provided one feature of my chosen customer relations strategy.<sup>2</sup>

I have provided an example relevant to the case study.<sup>3</sup>

I have linked my example to my chosen customer relations strategy to optimise customer value.<sup>4</sup>

I have signposted my response by using 'One customer relations strategy' and 'One feature'.

I have referred to the business directly by using 'Mina' and 'Blingz'.

I have used connecting words, such as 'In turn'.

#### Other acceptable answers include:

- Quality customer service

## Testing previous knowledge

17. [One advantage of establishing a customer database through the use of customer loyalty programs is that businesses can identify the common purchases of customers and maintain customer relationships by meeting the needs of existing customers and continue marketing to them.<sup>1</sup>][Another advantage is that businesses can quickly identify and cater to the needs of existing customers as they have already recorded their shopping information.<sup>2</sup>]

I have provided one advantage of using customer loyalty programs to establish a customer database.<sup>1</sup>

I have provided another advantage of using customer loyalty programs to establish a customer database.<sup>2</sup>

I have signposted my response by using 'One advantage' and 'Another advantage'.

I have defined social media.<sup>1</sup>

I have provided an example of how social media can have an impact on marketing.<sup>2</sup>

11. [Data analytics is the process of examining information that has been collected by businesses in order to draw conclusions and make effective decisions.<sup>1</sup>][By analysing data that has been collected by the business, such as customers' past purchases or search histories, a business can better understand customer behaviour. Based on this information, the business can implement appropriate marketing strategies, such as sending personalised and targeted advertisements to its customers to increase sales.<sup>2</sup>]

I have defined data analytics.<sup>1</sup>

I have provided an example of how data analytics can have an impact on marketing.<sup>2</sup>

12. [Artificial intelligence is software that is able to mimic the behaviour of humans and has changed the way businesses advertise their products to customers.<sup>1</sup>][The use of artificial intelligence enables businesses to enhance the efficiency and success of marketing campaigns. For example, artificial intelligence can be used to make automated advertising decisions that are designed to target particular customers based on information that has been collected.<sup>2</sup>][Another impact of artificial intelligence is that businesses can use this technology to provide automated product recommendations to customers based on their past purchases and search histories.<sup>3</sup>]

I have defined artificial intelligence.<sup>1</sup>

I have provided an example of how artificial intelligence can impact marketing practices for businesses.<sup>2</sup>

I have provided another example of how artificial intelligence can impact marketing practices for businesses.<sup>3</sup>

I have signposted my response by using 'Another impact'.

13. [One advantage of search engine optimisation in marketing is websites that rank high on search engine result pages are often considered to be trustworthy and high-quality, increasing a business's sales and profits.<sup>1</sup>][Another advantage is search engine optimisation is free as it uses organic search results meaning the business does not have to pay for advertising.<sup>2</sup>][However, one disadvantage is businesses that partake in search engine optimisation have to compete with the rest of the internet.<sup>3</sup>][Another disadvantage is it takes time for search engine optimisation to be effective as optimal search engine results are not instantaneous.<sup>4</sup>]

I have provided an advantage of search engine optimisation in marketing.<sup>1</sup>

I have provided another advantage of search engine optimisation in marketing.<sup>2</sup>

I have provided a disadvantage of search engine optimisation in marketing.<sup>3</sup>

I have provided another disadvantage of search engine optimisation in marketing.<sup>4</sup>

## 5K Technology and marketing

### Theory review

- A. True. *Businesses can collect information about customers based on their past purchases and search histories and use this data to advertise goods and services that align with their tastes.*
- Data analytics. *Data analytics allows the business to make sense of the data that has been collected to make effective marketing decisions.*
- A. True. *Businesses should ensure they do not send too many emails to customers as customers may unsubscribe from receiving future emails.*
- search engine optimisation. *Businesses can become more visible when customers search for goods or services related to the business on search engines, such as Google, by focusing on search engine optimisation.*
- B. False. *The rise in popularity of social media platforms across all age groups means that businesses can advertise their goods and services to a wide variety of potential and existing customers.*
- B. *A business that effectively manages its data ensures information that is collected is secure and protected from potential breaches.*
- A. True. *By tracking the types of goods and services customers purchase, artificial intelligence can send personalised advertisements to customers to encourage sales.*

### Preparing for exams

#### Case study skills

- I; II
- I and IV are advantages. II and III are disadvantages.

#### Exam-style

10. [Social media is the online platforms that can be used to connect with others and share content, which has changed the way businesses advertise their products to customers.<sup>1</sup>][Due to the increase in popularity of social media, many businesses advertise their products through platforms, such as Facebook and Instagram, enabling them to reach a wider audience and increase brand awareness.<sup>2</sup>]

I have signposted my response by using 'One advantage' and 'Another advantage'.

I have used connecting words, such as 'However'.

14. [Management of data is the practice of collecting, organising, using, and storing data securely so businesses can use this information to make effective decisions.<sup>1</sup>] [Effective data management ensures that information collected by businesses is secure, backed up, and unable to be accessed by unauthorised individuals. As Bethany's Boots has no systems in place to store and protect all the data that is collected, implementing effective data management will reduce the likelihood of a potential data breach occurring.<sup>2</sup>] [Another reason why effective management of data is important is that it ensures that data collected in relation to customer preferences is secure, allowing Bethany to continue to provide customers with a personalised shopping experience.<sup>3</sup>]

I have identified and defined management of data.<sup>1</sup>

I have provided an example relevant to the case study and linked it to the effective management of data.<sup>2</sup>

I have provided another example relevant to the case study and linked it to the effective management of data.<sup>3</sup>

I have signposted my response by using 'Another reason'.

I have referred to the business directly by using 'Bethany's Boots' and 'Bethany'.

15. [One advantage of email marketing at Comfy Couches is that emails can be personalised to suit the individual needs of customers by advertising couch designs that best reflect customer tastes.<sup>1</sup>] [Another advantage is emails containing promotions for particular couches can direct customers to Comfy Couches' website, increasing website traffic and couch sales.<sup>2</sup>] [However, one disadvantage of email marketing is Comfy Couches' customers are becoming frustrated by receiving constant emails from the business and are choosing to unsubscribe from receiving further emails from them which may decrease future sales and profits.<sup>3</sup>] [Another disadvantage is that constantly sending emails to notify customers of new couches that are released may be time-consuming for Comfy Couches as a result of having to create new email campaign designs.<sup>4</sup>]

I have provided an example relevant to the case study and linked it to an advantage of email marketing.<sup>1</sup>

I have provided an example relevant to the case study and linked it to another advantage of email marketing.<sup>2</sup>

I have provided an example relevant to the case study and linked it to a disadvantage of email marketing.<sup>3</sup>

I have provided an example relevant to the case study and linked it to another disadvantage of email marketing.<sup>4</sup>

I have signposted my response by using 'One advantage' and 'Another advantage'.

I have referred to the business directly by using 'Comfy Couches'.

I have used connecting words, such as 'However'.

## Testing previous knowledge

16. [Email marketing is the process of sending personalised electronic messages to existing customers to promote a business's goods and services.<sup>1</sup>] [For example, businesses can send promotional emails that provide special or exclusive offers to select customers to encourage future sales. This will help the business establish a customer base by encouraging customers to continuously purchase goods and services from them due to these offers.<sup>2</sup>] [Additionally, businesses can send informational emails to customers which provide details such as improvements or changes made to products within the business. This will encourage customers to purchase these improved products and establish a customer base in the process.<sup>3</sup>]

I have defined email marketing.<sup>1</sup>

I have provided an example of how email marketing can be used to establish a customer base.<sup>2</sup>

I have provided another example of how email marketing can be used to establish a customer base.<sup>3</sup>

I have used connecting words, such as 'Additionally'.

## 5L The relationship between public relations and business objectives

### Theory review

- B. False. *Public relations is useful for developing a good business reputation over time, not just when aiming to reduce unfavourable public perception.*
- internal publics; external publics. *Business activities directly impact individuals and groups who work with a business each day. Business activities do not directly impact individuals and groups who don't interact closely with the business.*
- A. True. *The public and media's perception of a business's messages is something a business cannot entirely predict or control.*
- B. *Public relations involves a business communicating an intended message to the public with the aim of attracting free publicity.*
- B. False. *Public relations aims to improve a business's image and public perception. In turn, a business is able to achieve many objectives, such as improving sales and increasing market share.*
- business objectives; public relations goals. *Public relations does not directly achieve business objectives. A business needs to align its public relations goals with business objectives in order to effectively achieve business objectives.*

### Preparing for exams

#### Case study skills

- II and III are true. I and IV are false.
- B
- A

## Exam-style

10. [Public relations (PR) is communicating an intended message to the public to create and sustain a positive business reputation.<sup>1</sup>] [A business will utilise PR to share specific information with its publics and develop and maintain relationships, to ultimately gain positive publicity.<sup>2</sup>]

I have defined the term public relations.<sup>1</sup>

I have provided one characteristic of public relations.<sup>2</sup>

11. [Effective public relations can help a business generate positive public perception. When the public perceives a business well, it is more likely to attract customer attention and sales.<sup>1</sup>] [Additionally, effective public relations can help a business develop a well established place in the market and across the public, hence improving its public recognition, increasing competitiveness, and enhancing overall performance.<sup>2</sup>]

I have described one reason why effective public relations is important.<sup>1</sup>

I have described another reason why effective public relations is important.<sup>2</sup>

I have used connecting words, such as 'Additionally'.

12. [Public relations (PR) is communicating an intended message to the public to create and sustain a positive business reputation.<sup>1</sup>] [Effective public relations can improve a business's reputation and image amongst the public. For example, a car manufacturer may be perceived positively when associated with reliability and safety through unpaid media, such as customer reviews.<sup>2</sup>] [In turn, customers will be more likely to purchase the goods or services sold by a business, leading to an increase in sales and contributing to the objective of increasing market share.<sup>3</sup>]

I have defined public relations.<sup>1</sup>

I have provided an example of public relations.<sup>2</sup>

I have linked this example to achieving business objectives.<sup>3</sup>

I have used connecting words, such as 'In turn'.

13. [Public relations (PR) is communicating an intended message to the public to create and sustain a positive business reputation.<sup>1</sup>] [As Toni has been struggling to gain customer interest at Stark, implementing a PR campaign can help generate public awareness across the market about the unique, high quality, and ethical production of cookware at Stark.<sup>2</sup>] [Therefore, this campaign will enable Stark to attract new customers and increase the sale of cookware products, in turn, enabling the achievement of the objective of making a profit.<sup>3</sup>]

I have identified and defined public relations.<sup>1</sup>

I have provided an example of public relations relevant to the case study.<sup>2</sup>

I have linked this example to achieving business objectives.<sup>3</sup>

I have referred to the business directly by using 'Toni' and 'Stark'.

I have used connecting words, such as 'Therefore'.

14. [Public relations (PR) is communicating an intended message to the public to create and sustain a positive business reputation.<sup>1</sup>] [One business objective at Alignment is to fulfil a social need, which Agnes aims to achieve by providing people with mental health care and wellbeing facilities.<sup>2</sup>] [A PR campaign can help Agnes generate greater awareness about Alignment amongst publics, enabling her to attract more young people to her healthcare business and hence achieve her goal of fulfilling a social need.<sup>3</sup>] [Moreover, another objective that Agnes aims to fulfil at Alignment is making a profit through her cafe and wellbeing store, which she reinvests into the business.<sup>4</sup>] [An example of a PR campaign that Agnes could implement could be sponsoring a youth event, as this helps to attract more customers to Alignment. This may increase sales at her cafe and wellbeing store as there is a greater level of customer engagement across the healthcare business. Hence, this may enable Agnes to achieve the objective of making a profit and lead to further improvements in Alignment's facilities.<sup>5</sup>]

I have identified and defined public relations.<sup>1</sup>

I have provided an example of public relations relevant to the case study.<sup>2</sup>

I have linked this example to achieving a business objective.<sup>3</sup>

I have provided another example of public relations relevant to the case study.<sup>4</sup>

I have linked this example to achieving a second business objective.<sup>5</sup>

I have signposted my response by using 'One business objective' and 'another objective'.

I have referred to the business directly by using 'Alignment' and 'Agnes'.

I have used connecting words, such as 'Moreover'.

## Testing previous knowledge

15. [A customer base is a group of consumers who continuously purchase goods and services from a business.<sup>1</sup>] [Public relations (PR) is communicating an intended message to the public to create and sustain a positive business reputation.<sup>2</sup>] [At Lila & Coco, an effective PR campaign can assist in developing a positive public perception of the fashion label, as well as generating interest from publics, and better marketing its sustainable and timeless clothing line.<sup>3</sup>] [Therefore, Lila & Coco may be able to attract more customers to purchase from its stores as a result of the PR campaign, in turn, increasing sales, market share, and broadening its customer base.<sup>4</sup>]

I have identified and defined customer base.<sup>1</sup>

I have identified and defined public relations.<sup>2</sup>

I have provided an example of public relations relevant to the case study.<sup>3</sup>

I have linked this example to broadening the business's customer base.<sup>4</sup>

I have referred to the business directly by using 'Lila & Coco'.

I have used connecting words, such as 'Therefore'.

# 5M Public relations strategies

## Theory review

1. A. True. *A business can implement specific public relations strategies to influence public perception and help a business achieve objectives, such as making a profit.*
2. crisis; planned. *During an emergency, a business needs to respond quickly and enact its crisis communication plan, while, on a general basis, planned public relations can be used to influence public perception at any time.*
3. B. False. *By failing to have strategies or plans in place to maintain a good and transparent relationship with customers, a business may lose its customers for good.*
4. A. *A business should consider how it will communicate and maintain relationships with its publics who are impacted by the crisis because if not, the crisis plan may fail to fulfil its purpose.*
5. before. *Having a crisis communication plan in place before an emergency event enables a business to be prepared for a crisis.*
6. A. True. *The general public and customers interpret the information of businesses communicated through the media or any other channel. If a negative image is perceived, customers and the public may not engage with a business and negatively affect its future success.*

## Preparing for exams

### Case study skills

7. A
8. II, III and IV are advantages. I and V are disadvantages.
9. B
10. I; II; IV

### Exam-style

11. [Crisis public relations is a business reactively communicating to various publics in response to an issue that can negatively affect its reputation.<sup>1</sup>]

I have defined the term crisis public relations.<sup>1</sup>

12. [One implication of a business not maintaining positive relationships with its customer base is that it may cause irreparable damage to its business reputation and result in the business losing its customers.<sup>1</sup>] [Furthermore, another implication is that this may generate negative publicity in unpaid media and therefore, prevent potential customers from purchasing from the business. This could ultimately result in a decrease in sales, market share, and employee retention at the business.<sup>2</sup>]

I have outlined one implication of a business not maintaining a positive relationship with its customer base.<sup>1</sup>

I have outlined another implication of a business not maintaining a positive relationship with its customer base.<sup>2</sup>

I have signposted my response by using 'One implication' and 'another implication'.

I have used connecting words, such as 'Furthermore'.

13. [Public relations strategies are actions used to communicate a particular message to the public and influence their perception.<sup>1</sup>] [A customer base is a group of consumers who continuously purchase goods and services from a business.<sup>2</sup>] [Businesses with effective public relations strategies in place can ensure that customers are reminded of the business's commitment to meet customer expectations. In turn, customers are likely to purchase from the business and maintain a positive perception.<sup>3</sup>]

I have defined public relations strategies.<sup>1</sup>

I have defined customer base.<sup>2</sup>

I have stated the relationship between public relations strategies and maintaining customer base relationships.<sup>3</sup>

14. [One public relations strategy Flynn could implement is planned public relations, which is a business proactively communicating intended messages to various publics.<sup>1</sup>] [For example, Rider could use online social media platforms, such as Instagram to generate public awareness on the internet for the bicycle business.<sup>2</sup>] [By using social media, Rider can showcase its restored vintage and European bicycles to a large audience and attract new sales and expand its customer base.<sup>3</sup>] [This strategy can allow Flynn to maintain positive relationships with his customer base at Rider as they can use social media to view the bicycles that are in store, as well as the various repair options that are available. Hence, this enables Rider to satisfy customers and strengthen its relationship with them.<sup>4</sup>]

I have identified and described one public relations strategy.<sup>1</sup>

I have provided an example relevant to the case study.<sup>2</sup>

I have linked my example to the chosen public relations strategy.<sup>3</sup>

I have described the importance of my chosen public relations strategy in maintaining positive relationships with customers.<sup>4</sup>

I have signposted my response by using 'One public relations strategy'.

I have referred to the business directly by using 'Flynn' and 'Rider'.

15. [One advantage of implementing planned public relations, a proactive public relations strategy, is that if the media shares Jen & Berries' sponsorship of the local school fundraiser, Jen & Berries is able to establish its image of being an ethical and high quality ice cream company.<sup>1</sup>] [Another advantage is that employees at Jen & Berries are likely to feel a sense of pride in working for the business as Jen & Berries sponsors a local school fundraiser and in turn, supports the community.<sup>2</sup>] [However, a disadvantage of implementing planned public relations is that when sponsoring the local school fundraiser, Jen & Berries may need to invest some money to give to the organisers of the event, thus increasing the ice cream company's expenses.<sup>3</sup>] [Another disadvantage is that although Jen & Berries is planning to sponsor the school fundraiser, the media may not pick this up and showcase it to the wider public. This limits Jen & Berries' ability to build a positive public perception.<sup>4</sup>]

- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of planned public relations.<sup>1</sup>

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- ✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of planned public relations.<sup>2</sup>

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- ✓ ✗ I have provided an example relevant to the case study and linked it to a disadvantage of planned public relations.<sup>3</sup>

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- ✓ ✗ I have provided an example relevant to the case study and linked it to another disadvantage of planned public relations.<sup>4</sup>

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- ✓ ✗ I have signposted my response by using 'One advantage' and 'Another advantage'.

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- ✓ ✗ I have referred to the business directly by using 'Jen & Berries'.

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- ✓ ✗ I have used connecting words, such as 'However'.

16. [One public relations strategy that Winston could implement is crisis public relations, which is a business reactively communicating to various publics in response to an issue that can negatively affect its reputation.<sup>1</sup>] [One advantage of implementing crisis public relations is that Whispers can communicate its response to the negative article on its underpayment of employees to a large audience through the media, and potentially influence previously angry customers to view the business positively.<sup>2</sup>] [Another advantage is that with social media being a main source of anger, Winston could have his response received quickly by the public about Whispers as the internet and social media is frequently used by customers.<sup>3</sup>] [Moreover, a final advantage is that if successful in shifting public perception, Whispers could slowly begin to increase sales and rebuild strong relationships with its customer base.<sup>4</sup>]

- ✓ ✗ I have identified and defined a public relations strategy.<sup>1</sup>

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- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of my chosen public relations strategy.<sup>2</sup>

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- ✓ ✗ I have provided an example relevant to the case study and linked it to a second advantage of my chosen public relations strategy.<sup>3</sup>

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- ✓ ✗ I have provided an example relevant to the case study and linked it to a third advantage of my chosen public relations strategy.<sup>4</sup>

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- ✓ ✗ I have signposted my response by using 'One public relations strategy' and 'One advantage'.

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- ✓ ✗ I have referred to the business directly by using 'Whispers' and 'Winston'.

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- ✓ ✗ I have used connecting words, such as 'Moreover'.

**Note:** Crisis public relations is the only acceptable response.

### Testing previous knowledge

17. [Planned public relations is a business proactively communicating intended messages to various publics.<sup>1</sup>] [On the other hand, crisis public relations is a business reactively communicating to various publics in response to an issue that can negatively affect its reputation.<sup>2</sup>]

[One key difference between planned and crisis public relations is that planned public relations is proactive whereas crisis public relations is reactive.<sup>3</sup>] [At McBean, Tracey should implement planned public relations as this will allow her to publicise the unique and revolutionary new technology she has developed to the business's publics and increase McBean's competitiveness and marketshare.<sup>4</sup>] [Another advantage of planned public relations at McBean is that through publications, for example, Tracey may be able to quickly engage a large range of people with her technology business, leading to an increase in sales and market share, hence achieving McBean's objectives.<sup>5</sup>] [Furthermore, a third advantage of this PR strategy is that initially promoting McBean through planned PR strategies may attract unpaid media attention that is often more trusted by customers as it's from a more objective source. Therefore, this may enhance the reputation of Tracey's technology innovations and enhance the achievement of increasing competitiveness at McBean.<sup>6</sup>]

- ✓ ✗ I have identified and defined planned public relations.<sup>1</sup>

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- ✓ ✗ I have identified and defined crisis public relations.<sup>2</sup>

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- ✓ ✗ I have provided one key difference between planned public relations and crisis public relations.<sup>3</sup>

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- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of my chosen public relations strategy.<sup>4</sup>

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- ✓ ✗ I have provided an example relevant to the case study and linked it to a second advantage of my chosen public relations strategy.<sup>5</sup>

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- ✓ ✗ I have provided an example relevant to the case study and linked it to a third advantage of my chosen public relations strategy.<sup>6</sup>

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- ✓ ✗ I have signposted my response by using 'One key difference' and 'Another advantage'.

---

- ✓ ✗ I have referred to the business directly by using 'McBean' and 'Tracey'.

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- ✓ ✗ I have used connecting words, such as 'Furthermore'.

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- ✓ ✗ I have used comparison words, such as 'On the other hand' and 'whereas', when distinguishing.

## 5N CSR considerations in marketing

### Theory review

1. B. False. *Corporate social responsibility is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic and environmental impacts when making business decisions. To be considered socially responsible, a business must display ethical conduct in ways that go above and beyond legislation to demonstrate that is committed to positively impacting society and the environment through its activities.*
2. A. *Level of truth advertising involves a business purposely advertising its product inaccurately to persuade customers to purchase it. This is a CSR consideration that a business must acknowledge and resolve because customers are being falsely informed and misled about a product that they are purchasing.*



3. greenwashing; green marketing. *Greenwashing occurs when a business misinforms customers about environmentally friendly products or processes to unethically encourage them to purchase the good or service. On the other hand, green marketing is when a sustainable business engages honestly with customers and transparently informs them of the eco-friendly product and processes being used in the business.*
4. I; II. *When an Australian business protects customer privacy, it not only complies with legal obligations set out in the Privacy Act 1988 but also prevents customer data breaches. This allows customers to feel they can trust the business and that it values their security and safety as it is securing their personal information.*
5. A. True. *Green marketing emphasises a business's commitment to CSR which can generate positive public perceptions and encourage the establishment of a loyal customer base. Furthermore, protecting customer privacy promotes a positive brand image and can strengthen customer perception of the business's values, allowing the business to form a strong customer base.*
6. B. *Businesses should always strive to be socially responsible in all marketing practices and aspects of their business, whilst seeking to constantly grow and improve in these areas. By doing so, a business can enhance its reputation and consequently gain a competitive advantage in its industry.*

## Preparing for exams

### Case study skills

7. I and IV are true. II and III are false.
8. II and IV are advantages. I and III are disadvantages.

### Exam-style

9. [Green marketing is an advertising strategy that involves highlighting the environmental benefits of a good or service.<sup>1</sup>]

I have defined green marketing.<sup>1</sup>

10. [One CSR consideration is materialism, which arises when a business enforces the belief in customers that purchasing its product is necessary for the customer to be happy. This is considered unethical as the business is manipulating its customers to think they need a product to be happy when they actually do not.<sup>1</sup>][Another CSR consideration is stereotypical gender roles, which arises when a business uses traditional views of gender roles to influence a purchase. Marketing in such a way is an issue that businesses must consider as it reinforces limiting and outdated views of male or female gender roles.<sup>2</sup>]

I have outlined one CSR consideration that may arise through a business's marketing activities.<sup>1</sup>

I have outlined another CSR consideration that may arise through a business's marketing activities.<sup>2</sup>

I have signposted my response by using 'One CSR consideration' and 'Another CSR consideration'.

11. [Customer privacy is the administration and protection of sensitive, personal information that customers provide during their interactions and transactions with a business.<sup>1</sup>][A business can protect customer privacy by investing in security management systems that ensure any data collected from customers is secured and handled appropriately.<sup>2</sup>]

[By implementing security management systems, a business can prevent the chances of a data breach and consequently build trusting relationships with customers, allowing for the establishment of a loyal customer base.<sup>3</sup>]

I have identified and defined customer privacy.<sup>1</sup>

I have provided an example of one way a business can protect customer privacy.<sup>2</sup>

I have linked the example to establishing a loyal customer base.<sup>3</sup>

12. [One CSR consideration present at Feeder is the marketing of junk food, which involves advertising junk food as beneficial to younger individuals.<sup>1</sup>][By advertising one of its snack bars as nutritious for children while having high amounts of sugar and saturated fat, Feeder is promoting the consumption of unhealthy foods and contributing to the high levels of obesity amongst children.<sup>2</sup>][Another CSR consideration is the level of truth in advertisements which involves a business manipulating information to be portrayed in a dishonest way.<sup>3</sup>][Roger is promoting all of Feeder's snack bars as 100% organic, even though they only contain one organic ingredient. By doing so, Feeder is misrepresenting the contents of its snack bars to encourage customers to purchase its goods which is an unethical practice.<sup>4</sup>]

I have identified and described one CSR consideration.<sup>1</sup>

I have provided an example relevant to the case study and linked it to CSR in marketing.<sup>2</sup>

I have identified and described another CSR consideration.<sup>3</sup>

I have provided another example relevant to the case study and linked it to CSR in marketing.<sup>4</sup>

I have signposted my response by using 'One CSR consideration' and 'Another CSR consideration'.

I have referred to the business directly by using 'Feeder' and 'Roger'.

**Note:** Other CSR considerations are not acceptable answers.

13. [One advantage of green marketing for Dachshund is through selling luxury shoes that are made using sustainably produced materials, employees are more likely to be satisfied in their job and committed to achieving business objectives. This may allow Dachshund to deliver a higher level of customer service and better satisfy its customers, improving overall performance.<sup>1</sup>][Another advantage of green marketing is that Kim can establish a strong and loyal customer base through the use of solar-powered energy and carbon-offset delivery methods. Customers are often more willing to support a business that invests in reducing its impact on the environment.<sup>2</sup>][However, one disadvantage of green marketing is that it may be time-consuming for Dachshund to establish a marketing campaign that effectively highlights its ethically sourced materials and use of renewable energy.<sup>3</sup>][Another disadvantage is that if Kim decides to get green certification to place on the luxury shoes, Dachshund may face increased costs as this certification is expensive.<sup>4</sup>][Overall, despite the potential to be time-consuming and increase costs, engaging in green marketing will provide Dachshund with the opportunity to develop a loyal customer base and improve employee satisfaction.<sup>5</sup>]

I have provided an example relevant to the case study and linked it to an advantage of green marketing.<sup>1</sup>

- I have provided an example relevant to the case study and linked it to another advantage of green marketing.<sup>2</sup>

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- I have provided an example relevant to the case study and linked it to a disadvantage of green marketing.<sup>3</sup>

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- I have provided an example relevant to the case study and linked it to another disadvantage of green marketing.<sup>4</sup>

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- I have provided an opinion by summarising the advantages and the disadvantages.<sup>5</sup>

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- I have signposted my response by using 'One advantage' and 'Another advantage'.

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- I have referred to the business directly by using 'Dachshund' and 'Kim'.

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- I have used connecting words, such as 'However' and 'Overall'.

### Testing previous knowledge

14. [Customer privacy is the administration and protection of sensitive, personal information that customers provide during their interactions and transactions with a business.<sup>1</sup>] [A customer base is a group of consumers who continuously purchase goods and services from a business.<sup>2</sup>] [One way that protecting customer privacy can assist in maintaining a positive customer base relationship is that, by securing customer information and avoiding data breaches, a business can improve its brand image and strengthen its reputation as an ethical business. This may lead to customers developing a more positive perception of the business and its values, allowing strong customer base relationships to be maintained in the business.<sup>3</sup>]
- I have defined customer privacy.<sup>1</sup>

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  - I have defined customer base.<sup>2</sup>

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  - I have provided one example of how protecting customer privacy can assist in maintaining positive customer base relationships.<sup>3</sup>

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  - I have signposted my response by using 'One way'.

## Unit 2 AOS 2 review

### Contemporary case study

1. [IKEA is a furniture retail company that is renowned for producing sustainable products that customers can easily assemble at home. Social factors may influence IKEA's marketing strategy as changes in consumer trends, behaviours, and beliefs may alter the way in which it promotes its products to attract customers.<sup>1</sup>] [For example, as an environmentally sustainable brand, IKEA may promote its use of recyclable and responsibly sourced materials to attract and retain customers, responding to the social factor of preserving the environment.<sup>2</sup>]
- I have provided an example relevant to the contemporary case study and linked it to social factors.<sup>1</sup>

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  - I have provided an example relevant to the contemporary case study and linked it to how social factors may influence a business's marketing strategy.<sup>2</sup>

- I have referred to the business directly by using 'IKEA'.

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- I have included a brief description of the contemporary case study.

2. [IKEA is a furniture retail company that is renowned for producing products that customers can easily assemble at home. During its market research, IKEA utilises engaging customer surveys and questionnaires to understand customer needs. The first step in the market research process at IKEA would involve defining the problem. For example, IKEA would need to clearly identify whether there will be demand for a new furniture product.<sup>1</sup>] [The second step that IKEA would complete is data collection. The furniture company would need to determine the type of data it wants to collect and the required data collection techniques. IKEA currently collects primary data through customer interactions and surveys.<sup>2</sup>] [The final step is analysing and interpreting the data. After IKEA collects its data, it would need to transform the data and examine the reasons for any trends in furniture purchasing, or changes in consumer needs, to make effective business decisions.<sup>3</sup>]

- I have provided an example relevant to the contemporary case study and linked it to the first step of market research.<sup>1</sup>

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- I have provided an example relevant to the contemporary case study and linked it to the second step of market research.<sup>2</sup>

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- I have provided an example relevant to the contemporary case study and linked it to the third step of market research.<sup>3</sup>

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- I have signposted my response by using 'The first step' and 'The second step'.

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- I have referred to the business directly by using 'IKEA'.

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- I have included a brief description of the contemporary case study.

3. [IKEA is a furniture retail company that is renowned for providing customers with modern, minimalistic, functional furniture designs that pay tribute to the Nordic origins of the business. One element of the marketing mix is product, which is a good or service that is offered to consumers to satisfy a need or want.<sup>1</sup>] [IKEA's main products are furniture items that are of a sleek, homely aesthetic, are of high quality, and made to be easily utilised in the home.<sup>2</sup>] [Another element of the marketing mix is physical evidence which is the environment in which the business and customer interact.<sup>3</sup>] [At IKEA, customers are provided with a unique in-store experience where they journey through a maze-like store, viewing well-designed product displays, and providing them with inspiration for their homes. Moreover, customers are also offered a range of food options after purchasing their items from IKEA, encouraging them to further engage with the business.<sup>4</sup>]

- I have identified and defined one element of the marketing mix.<sup>1</sup>

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- I have provided an example relevant to the contemporary case study and linked it to my chosen element of the marketing mix.<sup>2</sup>

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- I have identified and defined another element of the marketing mix.<sup>3</sup>

✓ ✗ I have provided an example relevant to the contemporary case study and linked it to my chosen element of the marketing mix.<sup>4</sup>

✓ ✗ I have signposted my response by using 'One element' and 'Another element'.

✓ ✗ I have referred to the business directly by using 'IKEA'.

✓ ✗ I have used connecting words, such as 'Moreover'.

✓ ✗ I have included a brief description of the contemporary case study.

**Other acceptable answers include:**

- Price
- Place
- Promotion
- People
- Process

4. [IKEA is a furniture retail company that is renowned for providing customers with modern, minimalistic, functional furniture designs that pay tribute to the Nordic origins of the business. In 2022, IKEA launched its own Pinterest page where it digitalised its famous catalogue to further minimise its environmental impact and better understand its customers. An advantage of using the social media page is that IKEA's brand and products can be increasingly promoted when customers follow, like, and share its content on Pinterest.<sup>1</sup>][Furthermore, another advantage of utilising Pinterest at IKEA is that it can allow the furniture company to better understand its customers' wants and needs by identifying the products that they interact with most. This may allow IKEA to increase its customer engagement as it can recommend products catered to the personal interests of its customers, enhancing its ability to establish a customer base and brand identity.<sup>2</sup>][However, a disadvantage of social media is that it may be difficult for IKEA to reach some age groups as often elderly individuals do not engage with platforms such as Pinterest. This limits IKEA's ability to inform all of its customers of new products that are featured in its catalogue.<sup>3</sup>][Additionally, another disadvantage of social media is that it may have cost IKEA large sums of money to digitalise its catalogue through Pinterest, therefore increasing its expenses.<sup>4</sup>]

✓ ✗ I have provided an example relevant to the contemporary case study and linked it to an advantage of the use of social media.<sup>1</sup>

✓ ✗ I have provided an example relevant to the contemporary case study and linked it to another advantage of the use of social media.<sup>2</sup>

✓ ✗ I have provided an example relevant to the contemporary case study and linked it to a disadvantage of the use of social media.<sup>3</sup>

✓ ✗ I have provided an example relevant to the contemporary case study and linked it to another disadvantage of the use of social media.<sup>4</sup>

✓ ✗ I have signposted my response by using 'An advantage' and 'another advantage'.

✓ ✗ I have referred to the business directly by using 'IKEA'.

✓ ✗ I have used connecting words, such as 'Furthermore' and 'However'.

✓ ✗ I have included a brief description of the contemporary case study.

**Exam-style**

5. a. [The people element of the marketing mix are the individuals that influence a customer's perception of a business and its products.<sup>1</sup>]

✓ ✗ I have defined the people element of the marketing mix.<sup>1</sup>

b. [One advantage of using social media at Jackson's is that Michael can easily connect, listen, and respond to customers through the business's page, allowing Jackson's to better understand and meet customer needs.<sup>1</sup>][However, one disadvantage of social media is that there is a large risk of security breaches, due to the growing number of hackers, which could negatively impact Jackson's reputation as a music company.<sup>2</sup>]

✓ ✗ I have provided an example relevant to the case study and linked it to one advantage of using social media.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to one disadvantage of using social media.<sup>2</sup>

✓ ✗ I have signposted my response by using 'One advantage' and 'one disadvantage'.

✓ ✗ I have referred to the business directly by using 'Jackson's' and 'Michael'.

✓ ✗ I have used connecting words, such as 'However'.

c. [Customer privacy is the administration and protection of sensitive, personal information that customers provide during their interactions and transactions with a business.<sup>1</sup>][One way Jackson's can protect customer privacy when collecting information through social media is by investing in security management systems that ensure stored data is secure and that practices are in place that prevent data breaches.<sup>2</sup>]

✓ ✗ I have identified and defined customer privacy.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to how a business can protect customer privacy when collecting information through social media.<sup>2</sup>

✓ ✗ I have signposted my response by using 'One way'.

✓ ✗ I have referred to the business directly by using 'Jackson's'.

6. a. [Public relations (PR) is communicating an intended message to the public to create and sustain a positive business reputation.<sup>1</sup>][Effective public relations can improve Noghurt's reputation and image amongst the public as a dairy-free business. For example, Noghurt may be perceived positively when associated with educating children on healthy, flavourful dairy-free food.<sup>2</sup>][In turn, customers, such as school canteens, may be more likely to purchase the dairy-free products sold by Noghurt, leading to an increase in sales and contributing to the objective of increasing market share to become the leading dairy-free business.<sup>3</sup>]

✓ ✗ I have identified and defined public relations.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to the relationship between public relations and business objectives.<sup>2</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to achieving the business objective of increased market share.<sup>3</sup>

✓ ✗ I have referred to the business directly by using 'Noghurt'.

✓ ✗ I have used connecting words, such as 'In turn'.

b. [One advantage of data analytics at Noghurt is that it can allow Noghurt to send personalised messages to customers to ensure their individual needs are met. For example, Noghurt can use information on the flavours that individual customers purchase and prefer, to notify them of sales and when their favourite flavours are restocked, enhancing the overall customer experience at Noghurt.<sup>1</sup>][Another advantage of data analytics is that it increases the likelihood of customers purchasing products that they have been recommended based on their past purchases at Noghurt, thus increasing sales and customer connection.<sup>2</sup>][However, a disadvantage of data analytics at Noghurt is that it can be time-consuming to analyse the data that has been collected on the dairy-free preferences of customers.<sup>3</sup>][Furthermore, another disadvantage is that it is possible for Noghurt to misinterpret customer data, resulting in inaccurate marketing decisions that may prevent customers from increasing their interaction with the dairy-free business.<sup>4</sup>]

✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of data analytics.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of data analytics.<sup>2</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to a disadvantage of data analytics.<sup>3</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to another disadvantage of data analytics.<sup>4</sup>

✓ ✗ I have signposted my response by using 'One advantage' and 'Another advantage'.

✓ ✗ I have referred to the business directly by using 'Noghurt'.

✓ ✗ I have used connecting words, such as 'However' and 'Furthermore'.

7. a. [A customer base is a group of consumers who continuously purchase goods and services from a business.<sup>1</sup>]

✓ ✗ I have defined the term customer base.<sup>1</sup>

b. [When an economy is experiencing positive economic conditions, this may assist a business to expand its customer base, as consumers have higher disposable income and greater confidence when such conditions are strong.<sup>1</sup>][Therefore, in periods of strong economic growth, businesses may choose to implement marketing strategies to take advantage of the high levels of disposable income and increased willingness of customers to make purchases.<sup>2</sup>]

✓ ✗ I have provided an example of how economic factors may affect customer purchasing.<sup>1</sup>

✓ ✗ I have provided an example of how economic factors may affect a business's customer base.<sup>2</sup>

✓ ✗ I have used connecting words, such as 'Therefore'.

c. [One customer relations strategy Daisy could implement at Looks Like a Doughnut is a customer loyalty program. Customer loyalty programs are marketing initiatives that enable customers to gain benefits for frequently purchasing from a business.<sup>1</sup>][At Looks Like a Doughnut, Daisy could offer rewards for customers, such as a free bagel for every 8 bagels purchased. In turn, Looks Like a Doughnut can develop a strong customer base as customers will feel rewarded and incentivised to return regularly to the bagel business, optimising customer value.<sup>2</sup>]

✓ ✗ I have identified and defined one customer relations strategy.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to how my chosen customer relations strategy can optimise customer value.<sup>2</sup>

✓ ✗ I have signposted my response by using 'One customer relations strategy'.

✓ ✗ I have referred to the business directly by using 'Daisy' and 'Looks Like a Doughnut'.

✓ ✗ I have used connecting words, such as 'In turn'.

**Other acceptable answers include:**

- Providing quality customer service

d. [Market segmentation is the process of dividing a market into different groups of consumers that share similar characteristics.<sup>1</sup>][To undertake market segmentation, Daisy can divide the bagel market into different groups that share similar characteristics, such as gender and age.<sup>2</sup>][Once Daisy has segmented the market, she may find that the most appropriate segment to market to is young people aged 12 to 25 who enjoy affordable and unique lunches. This segment will then serve as Daisy's target market, as these people are likely to be the most responsive to marketing strategies and can enable Looks Like a Doughnut to be highly profitable.<sup>3</sup>]

✓ ✗ I have identified and defined market segmentation.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to conducting market segmentation.<sup>2</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to how market segmentation can help a business identify its target market.<sup>3</sup>

✓ ✗ I have referred to the business directly by using 'Daisy' and 'Looks Like a Doughnut'.

8. a. [Price skimming is when a business sets a high initial price when the product enters the market and then lowers the price over time.<sup>1</sup>][This pricing strategy is generally used for products with high research and development (R&D) costs so that the business can recover the R&D costs incurred during the product's development.<sup>2</sup>]

✓ ✗ I have described price skimming as a pricing strategy.<sup>1</sup>

✓ ✗ I have provided one characteristic of price skimming as a pricing strategy.<sup>2</sup>

- b. [One primary data collection method a business could implement is a survey. A survey is a research method that involves a set of questions and is used to collect data from people.<sup>1</sup>] [For example, a business could establish a survey made up of a set of questions related to a potential new product to determine whether customers will purchase it. Using this insight will allow a business to evaluate whether there is enough customer interest to produce and sell the new product.<sup>2</sup>]

✓ ✗ I have identified and described one primary data collection method.<sup>1</sup>

✓ ✗ I have outlined my chosen primary data collection method and linked it to market research.<sup>2</sup>

✓ ✗ I have signposted my response by using 'One primary data collection method'.

**Other acceptable answers include:**

- Observation
- Experimentation
- Focus group

- c. [Search engine optimisation is a process used by businesses to ensure their websites rank higher in search results when potential customers search for goods or services related to the business online.<sup>1</sup>] [At Say Cheese, search engine optimisation can be used to improve the positioning and marketing of the business's website on search results pages to ensure the Snapshot1000 is visible and receives optimal customer traffic.<sup>2</sup>]

✓ ✗ I have identified and defined search engine optimisation.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to the impact of search engine optimisation in marketing.<sup>2</sup>

✓ ✗ I have referred to the business directly by using 'Say Cheese'.

- d. [One consideration related to the product element of the marketing mix that Say Cheese should address is branding, which involves a business creating a name, design, or logo that is recognisable and memorable, allowing consumers to easily identify it.<sup>1</sup>] [Say Cheese should aim to create a distinctive brand name and logo which can help the Snapshot1000 stand out from competitors.<sup>2</sup>] [Moreover, another consideration related to the product is quality, which is the degree to which a product fulfils its purpose without any defects or inefficiencies.<sup>3</sup>] [Say Cheese should aim to ensure that the Snapshot1000 meets the desired quality expectations of its customers and satisfies their needs.<sup>4</sup>]

✓ ✗ I have identified and described one consideration relating to the product element of the marketing mix.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to my chosen consideration relating to the product element of the marketing mix.<sup>2</sup>

✓ ✗ I have identified and described another consideration relating to the product element of the marketing mix.<sup>3</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to my chosen consideration relating to the product element of the marketing mix.<sup>4</sup>

✓ ✗ I have signposted my response by using 'One consideration' and 'Another consideration'.

✓ ✗ I have referred to the business directly by using 'Say Cheese'.

✓ ✗ I have used connecting words, such as 'Moreover'.

**Other acceptable answers include:**

- Design
- Positioning
- Packaging

- e. [One advantage of using the price skimming strategy at Say Cheese is that it can allow the business to quickly recover the high development costs of the Snapshot1000 as the technology within this camera is likely to be very expensive.<sup>1</sup>] [Additionally, another advantage of price skimming is it can provide Say Cheese with a higher profit margin compared to other pricing strategies, enhancing the business's ability to make a profit from the Snapshot1000.<sup>2</sup>] [However, a disadvantage of this pricing strategy at Say Cheese is that it is likely to deter price-conscious customers from purchasing the Snapshot1000, limiting the number of consumers that the camera business can successfully market towards.<sup>3</sup>] [Furthermore, another disadvantage is that there is an increased need for Say Cheese to compete on other variables, such as the quality and features of the Snapshot1000, in order to entice customers to purchase a premium priced camera.<sup>4</sup>] [Overall, despite the need to compete on other variables and the potential to deter some customers, price skimming is the most appropriate pricing strategy for Say Cheese's Snapshot1000 as it will allow the business to quickly recover its development costs and achieve higher profit margins.<sup>5</sup>]

✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of price skimming as a pricing strategy.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of price skimming as a pricing strategy.<sup>2</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to a disadvantage of price skimming as a pricing strategy.<sup>3</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to another disadvantage of price skimming as a pricing strategy.<sup>4</sup>

✓ ✗ I have provided an opinion on the suitability of the price skimming strategy by summarising the advantages and the disadvantages.<sup>5</sup>

✓ ✗ I have signposted my response by using 'One advantage' and 'another advantage'.

✓ ✗ I have referred to the business directly by using 'Say Cheese'.

✓ ✗ I have used connecting words, such as 'Additionally' and 'However'.

# 6A Staff performance and business objectives

## Theory review

- A. True. *Businesses rely on employees to complete everyday business activities, such as producing goods or serving customers, which has a significant impact on the achievement of a business's objectives and success.*
- B. *The poor performance of staff can increase labour costs and expenses, leading to fewer customers wanting to purchase a low-quality product, therefore sales may decrease.*
- Underperforming staff. *Staff who perform poorly may spend more time producing goods and services, increasing the expense of wages and consequently decreasing profit.*
- A. *High-performing staff can produce goods and services that exceed customer expectations related to quality, which could increase product popularity, sales, and market share.*
- A. True. *High-performing staff may be more aware of new customer needs and provide the business with strategies to meet these needs.*
- decrease. *Underperforming staff may result in a business focusing on improving employee performance rather than using its resources to benefit the community and environment.*
- A. True. *Human resource managers are expected to oversee staff and ensure that they are completing business activities correctly.*
- significant influence. *As staff are responsible for conducting a business's day-to-day activities, their performance can lead to its success or failure.*

## Preparing for exams

### Case study skills

9. I; III

### Exam-style

10. [Staff are the people who work for businesses in exchange for payment.<sup>1</sup>]

I have defined the term staff.<sup>1</sup>

11. [Staff are the people who work for businesses in exchange for payment.<sup>1</sup>][As staff are responsible for completing day-to-day business activities, their level of performance can influence the quality of outputs and therefore affect the achievement of business objectives.<sup>2</sup>]

I have defined staff.<sup>1</sup>

I have outlined the relationship between staff performance and the achievement of business objectives.<sup>2</sup>

12. [Staff are the people who work for businesses in exchange for payment.<sup>1</sup>][Poor staff performance may lead to business processes being completed incorrectly or inefficiently, which may decrease the quality of goods and services produced.<sup>2</sup>][As a result of low-quality goods and services, customers may be less likely to purchase from the business, reducing sales and profits and therefore, negatively affecting the achievement of business objectives.<sup>3</sup>]

I have defined staff.<sup>1</sup>

I have provided an example of poor staff performance.<sup>2</sup>

I have linked my example to its effect on the achievement of business objectives.<sup>3</sup>

13. [Staff are the people who work for businesses in exchange for payment.<sup>1</sup>][If Oliver's staff are high performing, they may run higher-quality dance classes that attract customers, increasing sales and therefore, achieving the business objective of making a profit.<sup>2</sup>][Additionally, if Oliver increases his sales, this will allow Perdis Dance to improve the health and wellbeing of more individuals in the community, achieving its business objective of fulfilling a social need.<sup>3</sup>]

I have identified and defined staff.<sup>1</sup>

I have provided an example relevant to the case study and linked it to the relationship between staff performance and the achievement of business objectives.<sup>2</sup>

I have provided another example relevant to the case study and linked it to the relationship between staff performance and the achievement of business objectives.<sup>3</sup>

I have referred to the business directly by using 'Oliver' and 'Perdis Dance'.

I have used connecting words, such as 'Additionally'.

## Testing previous knowledge

14. [A customer base is a group of consumers who continuously purchase goods and services from a business.<sup>1</sup>][The performance of staff has a direct impact on the establishment of a customer base as employees directly interact with customers, meaning that customers are less likely to continuously purchase from a business that has underperforming staff.<sup>2</sup>][If employees at Wilmont Productions continue to be careless and damage the film and camera equipment, customers are less likely to use Abdul's film and television production studio in the future, negatively impacting the establishment of a customer base.<sup>3</sup>]

I have identified and defined a customer base.<sup>1</sup>

I have provided an example relevant to the case study and linked it to staff performance.<sup>2</sup>

I have provided an example relevant to the case study and linked it to the effect of establishing a customer base.<sup>3</sup>

I have referred to the business directly by using 'Wilmont Productions' and 'Abdul'.

# 6B Staffing needs

## Theory review

1. B. False. *New staff are only needed if there are unfilled positions within the business. A business will not incur the unnecessary expense of hiring more staff if there are no available roles to be filled.*

2. A. True. *For goods and services to be produced to a high standard, staff should have the appropriate abilities and qualifications required for their job. If an employee does not have the correct knowledge and skills required for the role, they may fail to complete tasks adequately or require extensive training.*
3. A. *Having a diverse workforce can encourage innovation and creativity in a business, as people have different perspectives and experiences. Therefore, they will be able to contribute a greater variety of ideas to the workplace.*
4. *knowledge and skills; ideas. Employees need to have the appropriate experience, education, and qualifications to perform tasks they are responsible for. However, improving how the business operates relies on employees contributing their ideas.*
5. A. *Employees with work experience that directly relates to their role are more likely to be skilled than employees with a degree or education that is not related to their work. For example, a person that did not attend university but has worked as a hairdresser would be a better candidate to be hired by a hair salon, compared to a university graduate with a degree in science.*
6. A. True. *The right employees for a business have the knowledge and skills to produce goods and services, as well as creative ideas to improve business processes.*

## Preparing for exams

### Case study skills

7. II; III
8. I and III are true. I and IV are false.

### Exam-style

9. [Staffing needs are the requirements a business has for its employees.<sup>1</sup>]
  - I have defined the term staffing needs.<sup>1</sup>
10. [Employees are able to provide businesses with different perspectives and ideas regarding current business processes.<sup>1</sup>] [Employees can contribute new ideas to a business by developing improved procedures or strategies.<sup>2</sup>]
  - I have described staff ideas as a staffing need.<sup>1</sup>
  - I have provided an example of how staff can contribute ideas to a business.<sup>2</sup>
11. [Businesses with gaps in the workforce require employees with specific abilities and knowledge to fill a job role.<sup>1</sup>] [Employing individuals with knowledge and skills that match their role will improve the quality of work produced.<sup>2</sup>]
  - I have described staff knowledge and skills as a staffing need.<sup>1</sup>
  - I have provided an example of how staff can contribute knowledge and skills to a business.<sup>2</sup>
12. [One staffing need is staff knowledge, which is the understanding staff have about their work.<sup>1</sup>] [As Vitrus produces electric car batteries, they require qualified engineers to design and check the batteries.<sup>2</sup>]

[Therefore, Roco requires employees to have engineering knowledge specific to electric batteries, which could be achieved through an engineering degree.<sup>3</sup>]

- I have identified and described staff knowledge as a staffing need.<sup>1</sup>
- I have provided an example relevant to the case study.<sup>2</sup>
- I have linked my example to staff knowledge as a staffing need.<sup>3</sup>
- I have signposted my response by using 'One staffing need'.
- I have referred to the business directly by using 'Vitrus' and 'Roco'.
- I have used connecting words, such as 'Therefore'.

#### Other acceptable answers include:

- Staff ideas
- Staff skills

13. [One staffing need is staff skills, which is the ability of staff to fulfil their role.<sup>1</sup>] [As Sunco does not have many employees with expertise in mobile software consulting, the business requires employees with previous experience to provide mobile software consulting.<sup>2</sup>] [Another staffing need is staff ideas, which are strategies that employees provide to the business.<sup>3</sup>] [Georgina may be struggling to sell mobile software consulting as current employees don't have promotion strategy ideas. Therefore, new employees may be able to provide innovative promotion ideas to Sunco.<sup>4</sup>]

- I have identified and described staff skills as a staffing need.<sup>1</sup>
- I have provided an example relevant to the case study and linked it to staff skills.<sup>2</sup>
- I have identified and described staff ideas as a staffing need.<sup>3</sup>
- I have provided an example relevant to the case study and linked it to staff ideas.<sup>4</sup>
- I have signposted my response by using 'One staffing need' and 'Another staffing need'.
- I have referred to the business directly by using 'Sunco' and 'Georgina'.

#### Other acceptable answers include:

- Staff knowledge

### Testing previous knowledge

14. [Elon's Gadgets is a bricks-and-mortar business, which is a business model that has a physical store presence.<sup>1</sup>] [One staffing need that the owner of Elon's Gadgets should consider is the requirement of employees to have suitable knowledge, such as from working in a similar shop or having used the gaming devices, in order to produce a high-quality experience for customers.<sup>2</sup>] [For example, Elon's Gadgets should seek to hire staff which have sales experience in order to sell the products to customers and have sufficient knowledge regarding the gaming products which are sold in the store.<sup>3</sup>]

I have identified and defined the bricks-and-mortar business model.<sup>1</sup>

I have identified and described one staffing need.<sup>2</sup>

I have provided an example relevant to the case study and linked it to my chosen staffing need.<sup>3</sup>

I have referred to the business directly by using 'Elon's Gadgets'.

I have signposted my response by using 'One staffing need'.

**Other acceptable answers include:**

- Staff ideas
- Staff skills

## 6C Technological developments and staffing needs

### Theory review

1. B. False. *Developments in technology can increase staffing needs, as specialised employees may be required to oversee, operate, or fix software, artificial intelligence systems, and robotics.*
2. I; III. *Technology can complete tasks automatically and with greater efficiency, therefore reducing the need for staff who complete tasks manually. However, new technology may require the business to hire staff with specific skills and knowledge to operate and oversee its use.*
3. B. *Software, such as computer applications, can help staff complete their work more efficiently.*
4. A. True. *Technological developments, such as real-time communication software, have enabled staff to complete tasks from various locations at any time.*
5. B. False. *Artificial intelligence can affect roles that involve communicating with customers. For example, chatbots can impact the role of customer service employees as they have the power to mimic human behaviours.*
6. A. True. *Technological developments can broaden the roles of staff as employees may be required to complete tasks that are not usually associated with their traditional responsibilities.*
7. software; robotics. *Both software and robotics are examples of technology. However, software includes the programs used by electronic devices to complete tasks more efficiently, whereas robotics are programmable machines that can perform specific tasks.*
8. A. True. *Developments in technology often alter the knowledge and skills that are required by employees, hence businesses may need to train employees to use and fix robotic machinery.*

### Preparing for exams

#### Case study skills

9. I; III      10. II; III

#### Exam-style

11. [Software is the programs used on computers and other electronic devices.<sup>1</sup>]

I have defined the term software.<sup>1</sup>

12. [Artificial intelligence (AI) involves using computerised systems to simulate human intelligence and mimic human behaviour.<sup>1</sup>][One way AI can affect a business's staffing needs, is that it may decrease the number of employees it requires, as AI can perform the same problem-solving and pattern recognition functions that staff would typically perform.<sup>2</sup>]

I have defined artificial intelligence.<sup>1</sup>

I have provided an example of one way artificial intelligence can affect a business's staffing needs.<sup>2</sup>

I have signposted my response by using 'One way'.

13. [Software is the programs used on computers and other electronic devices.<sup>1</sup>][One way that software can affect a business's staffing needs is that it can reduce the number of employees it requires, as software is able to complete tasks significantly faster than human labour and can be used to automate specific processes.<sup>2</sup>]

I have defined software.<sup>1</sup>

I have provided an example of one way software can affect a business's staffing needs.<sup>2</sup>

I have signposted my response by using 'One way'.

14. [Robotics are programmable machines that are capable of performing specified tasks.<sup>1</sup>][Atlas has recently implemented robotics so that cars can be produced with little input from employees.<sup>2</sup>][This development would significantly decrease the number of production staff Atlas needs. However, Atlas may require new staff with engineering knowledge and expertise to operate and oversee this machinery, or train existing staff in these new processes.<sup>3</sup>]

I have identified and defined robotics as a development in technology.<sup>1</sup>

I have provided an example relevant to the case study.<sup>2</sup>

I have linked the example to the effect of robotics on staffing needs.<sup>3</sup>

I have referred to the business directly by using 'Atlas'.

15. [Software is the programs used on computers and other electronic devices.<sup>1</sup>][Saraha has adopted new software that allows customers to pay without checking out each product.<sup>2</sup>][If all stores began to use this system, Saraha would no longer require checkout staff and the amount of staff needed in her stores would decrease significantly.<sup>3</sup>]

I have identified and defined software as a development in technology.<sup>1</sup>

I have provided an example relevant to the case study.<sup>2</sup>

I have linked the example to the effect of robotics on staffing needs.<sup>3</sup>

I have referred to the business directly by using 'Saraha'.



## Testing previous knowledge

16. [One way developments in technology affect the staffing of knowledge and skills is that businesses may prefer to hire individuals who are experts in coding and software, so they can help manage and maintain the business's technology.<sup>1</sup>] [Another way technology can impact staffing of knowledge and skills is that employees may be required to have a broader range of abilities, as technology can impact the roles they perform at work.<sup>2</sup>]

I have outlined one way developments in technology may affect the knowledge and skills of staff.<sup>1</sup>

I have outlined another way developments in technology may affect the knowledge and skills of staff.<sup>2</sup>

I have signposted my response by using 'One way' and 'Another way'.

## 6D Job analysis

### Theory review

- B. False. *A job analysis should be conducted before hiring an employee to identify the relevant duties, responsibilities, and tasks for the role, ensuring the business hires the correct person for the job.*
- A. *A job analysis involves a manager identifying the details of what a role involves, including what duties and tasks a potential candidate will need to perform.*
- A. True. *A human resource manager should complete a job analysis to gain an understanding of the specific role, and then create a summary of the job and what it entails.*
- I; II. *Job descriptions and specifications provide potential candidates with information on what a job will involve and can also help businesses attract candidates that have the right skills, qualifications, and knowledge for the position.*
- skills, knowledge, and qualifications. *Job specifications describe the experience and education that a candidate needs to meet the requirements of a specific job.*
- job analysis; job design. *Job analysis involves investigating the requirements of a job while job design involves constructing a specific job by deciding the tasks and responsibilities that it includes.*
- A. True. *When executed well, job design can provide employees with a variety of tasks that are difficult, which encourages them to gain expertise in different areas or strengthen their existing skill set.*
- A. True. *Job analysis and job design allow human resource managers to understand and organise the requirements of a job and hire the most suitable candidate, to ensure that all employees are maximising the potential of their role.*

### Preparing for exams

#### Case study skills

9. I; II  
10. II; III

## Exam-style

11. [Job analysis is the process of identifying the essential duties, tasks, and responsibilities of a specific role.<sup>1</sup>]

I have defined the term job analysis.<sup>1</sup>

12. [Job design is the process of organising several duties, tasks, and responsibilities into one specific role.<sup>1</sup>]

I have defined the term job design.<sup>1</sup>

13. [Job specifications are the necessary skills, knowledge, and qualifications for a specific role.<sup>1</sup>] [One reason for developing job specifications is to inform potential candidates of the required qualifications and experience needed to complete tasks. This will ensure the business hires the most appropriate employee to complete the job.<sup>2</sup>]

I have defined job specifications.<sup>1</sup>

I have described one reason for developing job specifications.<sup>2</sup>

I have signposted my response by using 'One reason'.

14. [Job analysis is the process of identifying the essential duties, tasks, and responsibilities of a specific role.<sup>1</sup>] [A job description is a summary of the duties, tasks, and responsibilities of a specific role.<sup>2</sup>] [Human resource managers must conduct a job analysis to understand the requirements of a job, and then create a job description to inform potential candidates about the job.<sup>3</sup>]

I have defined job analysis.<sup>1</sup>

I have defined job description.<sup>2</sup>

I have explained the relationship between job analysis and a job description.<sup>3</sup>

15. [Job analysis is the process of identifying the essential duties, tasks, and responsibilities of a specific role.<sup>1</sup>] [Job design is the process of organising the various duties, tasks, and responsibilities into one specific role.<sup>2</sup>] [José should first conduct a job analysis to investigate the requirements of the roles that he needs to be filled, such as completing administrative tasks, before he can conduct job design by adjusting the job roles to ensure that all duties, tasks and responsibilities are related to each other. Through job design, he can create various different roles at Mini Mechanics to be filled by prospective candidates.<sup>3</sup>]

I have identified and defined job analysis.<sup>1</sup>

I have identified and defined job design.<sup>2</sup>

I have provided an example relevant to the case study and linked it to the relationship between job analysis and job design.<sup>3</sup>

I have referred to the business directly by using 'José' and 'Mini Mechanics'.

16. [Job analysis is the process of identifying the essential duties, tasks, and responsibilities of a specific role.<sup>1</sup>][As Katherine is looking to fill a completely new assistant position, conducting a job analysis will help her understand the types of tasks and responsibilities required for the assistant position which involves managing customer queries.<sup>2</sup>][Furthermore, job design is the process of organising several duties, tasks, and responsibilities into one specific role.<sup>3</sup>][As Katherine wants her assistant to manage new client queries, she can use job design to organise the responsibilities and tasks of the role to ensure that her objective of organising client queries is achieved.<sup>4</sup>]

- I have identified and defined job analysis.<sup>1</sup>
- 
- I have provided an example relevant to the case study and linked it to conducting job analysis.<sup>2</sup>
- 
- I have identified and defined job design.<sup>3</sup>
- 
- I have provided an example relevant to the case study and linked it to conducting job design.<sup>4</sup>
- 
- I have referred to the business directly by using 'Katherine'.
- 
- I have used connecting words, such as 'Furthermore'.
- 

### Testing previous knowledge

17. [Job analysis is the process of identifying the essential duties, tasks and responsibilities of a specific role.<sup>1</sup>][A job analysis can ensure that a human resource manager hires staff with the correct qualifications and skills to perform their role, which in turn will lead to good quality staff performance as they are capable of fulfilling their tasks to a high standard, and understand what their role entails.<sup>2</sup>]

- I have defined job analysis.<sup>1</sup>
- 
- I have described one way that a job analysis can improve staff performance.<sup>2</sup>
- 

## 6E Internal recruitment methods

### Theory review

- B. False. *Recruitment involves attracting and selecting candidates for a job vacancy. These candidates may be existing employees already working at the business, or new people from outside of the business.*
- existing. *When engaging in internal recruitment methods, a business selects an individual already employed at the business to fulfil a vacant job position.*
- B. *An intranet is a private network that can be used to advertise vacant job positions at the business. It is only accessible to employees of a business, not the public.*
- word of mouth; intranet. *Word of mouth is typically used to directly inform or recommend specific employees for a job vacancy, while a business's intranet is used to inform all employees about a vacancy.*
- I; II. *Word of mouth is typically used by managers to directly inform a specific employee of a promotion, and to make or listen to recommendations about specific employees.*

- A. True. *Employees who are recruited to different positions will be able to learn different skills and gain knowledge as they will fulfil different roles from their original position.*
- B. False. *If the vacant position is a specialised role that the business previously did not have, such as an I.T. manager, it is unlikely that current employees will have the right knowledge or skills to fill the position.*

### Preparing for exams

#### Case study skills

8. II and III are advantages. I and IV are disadvantages.

#### Exam-style

9. [Internal recruitment is the process of filling job vacancies with existing staff at the business.<sup>1</sup>]
- I have defined the term internal recruitment.<sup>1</sup>
- 
10. [An intranet is a private computer network used to share information within a business.<sup>1</sup>][A business's intranet can be used to advertise a vacant position to all existing employees within a business.<sup>2</sup>]
- I have defined intranet.<sup>1</sup>
- 
- I have outlined one way an intranet can be used as an internal recruitment method.<sup>2</sup>
- 
11. [Word of mouth is the verbal passing of information between individuals.<sup>1</sup>][Word of mouth can be used by a manager when verbally communicating to an employee that they are being promoted on the basis of recommendations made about the employee from other staff members.<sup>2</sup>]
- I have defined word of mouth.<sup>1</sup>
- 
- I have outlined one way word of mouth can be used as an internal recruitment method.<sup>2</sup>
- 
12. [One disadvantage of internal recruitment is that the original role of an employee that takes a vacant role may need to be replaced. It may be time consuming for a business to find a replacement, resulting in the duties previously completed by the employee being unfulfilled for a certain period of time.<sup>1</sup>][Another disadvantage of internal recruitment is that existing employees may not have the correct skills and knowledge for a role, especially if the position is new to the business.<sup>2</sup>]
- I have provided one disadvantage of internal recruitment.<sup>1</sup>
- 
- I have provided another disadvantage of internal recruitment.<sup>2</sup>
- 
- I have signposted my response by using 'One disadvantage' and 'Another disadvantage'.
- 
13. [One advantage of using internal recruitment to fill FreeFoods' factory manager position is that Alina does not need to spend time interviewing new people and receiving a number of applications since she is selecting an employee that is already employed at the business. Considering Javier is leaving soon for parental leave, Alina must fill the factory manager position quickly, which internal recruitment will allow.<sup>1</sup>]

[Another advantage of internal recruitment is that Javier is familiar with all candidates, ensuring the best candidate is recommended to be promoted to the factory manager position.<sup>2</sup>] [However, one disadvantage of internal recruitment is that Alina is restricted to existing factory staff, reducing the pool of candidates that she is able to select from.<sup>3</sup>] [Another disadvantage is that employees who are not recommended by Javier may become resentful and lose motivation, contributing to poor employee performance.<sup>4</sup>] [Overall, although there may be a limited number of candidates to select from, Alina can promote the most suitable existing employee by using Javier's word of mouth recommendation.<sup>5</sup>]

I have provided an example relevant to the case study and linked it to an advantage of internal recruitment.<sup>1</sup>

I have provided an example relevant to the case study and linked it to another advantage of internal recruitment.<sup>2</sup>

I have provided an example relevant to the case study and linked it to a disadvantage of internal recruitment.<sup>3</sup>

I have provided an example relevant to the case study and linked it to another disadvantage of internal recruitment.<sup>4</sup>

I have provided an opinion on internal recruitment by summarising the advantages and disadvantages.<sup>5</sup>

I have signposted my response by using 'One advantage' and 'Another advantage'.

I have referred to the business directly by using 'FreeFoods' and 'Javier'.

I have used connecting words, such as 'However' and 'Overall'.

### Testing previous knowledge

14. [Businesses with gaps in the workforce require employees with specific abilities and knowledge to fill a job role.<sup>1</sup>] [This staffing need should be considered when engaging in internal recruitment, which is the process of filling job vacancies with existing staff at the business.<sup>2</sup>] [By ensuring that when individuals from within the business are moved to a new role, they have the knowledge and skills that match their role, the quality of work produced at the business can improve.<sup>3</sup>]

I have described staff knowledge and skills as a staffing need.<sup>1</sup>

I have defined internal recruitment.<sup>2</sup>

I have provided an example of how staff can contribute knowledge and skills to a business.<sup>3</sup>

## 6F External recruitment methods

### Theory review

- B. False. A business is able to fill vacant positions by using either external or internal recruitment.
- growing. Expanding businesses are more likely to use external recruitment as the business requires more employees as a whole.

- B. False. A business can use either its own website or third-party employment websites to advertise job vacancies.
- A. An online employment marketplace is a website or application that is not made by the business, but used by them to connect individuals seeking a job with businesses that have job vacancies.
- B. False. Employment marketplace websites may charge businesses to post advertisements on their website.
- I; II; IV. An online recruitment agency is a business, that is a completely separate entity from the business making use of its services, that works on behalf of an employer to find suitable job candidates. A business can pay these agencies to find potential employees through their databases.
- multiple applicants. Online recruitment agencies will typically narrow down a large number of candidates and provide a business with information about several suitable applicants.
- A. True. Social media can be used by a business to advertise vacant job positions to its followers and connect with potential candidates that may be able to fill these vacancies.
- A. True. Businesses should consider the type of job that is vacant and whether the business requires additional employees before selecting an external recruitment method to fill a job position.

### Preparing for exams

#### Case study skills

- I, II and IV are true. III is false.
- I and IV are advantages. II and III are disadvantages.

#### Exam-style

12. [External recruitment is the process of filling job vacancies with individuals outside of a business.<sup>1</sup>]

I have defined the term external recruitment.<sup>1</sup>

13. [Social media is the online platforms that can be used to connect with others and share content.<sup>1</sup>] [One way a business can use social media to recruit employees is by creating a profile on an application, such as Instagram, and advertising vacant job positions on its profile.<sup>2</sup>]

I have defined social media.<sup>1</sup>

I have outlined one way social media can be used as an external recruitment method.<sup>2</sup>

I have signposted my response by using 'One way'.

14. [One way that websites can be used to externally recruit employees is by establishing a business website to advertise vacant job positions and provide candidates with information about vacant roles, the general culture of the business, and job specifications.<sup>1</sup>] [Another way a business can use websites is by paying to use online employment marketplace services which connect individuals seeking a job with businesses that have job vacancies.<sup>2</sup>]

I have outlined one way websites can be used as an external recruitment method.<sup>1</sup>

I have outlined another way websites can be used as an external recruitment method.<sup>2</sup>

✓ ✗ I have signposted my response by using 'One way' and 'Another way'.

15. [Christian could use social media, which is the online platforms that can be used to connect with others and share content, in order to recruit two new DJs for Chrissie's Crossfaders.<sup>1</sup>] [Christian has already established a following on social media as clubs have been promoting his profiles. Therefore, one advantage of using social media is that Christian is likely to already have many DJs following his profiles. This allows him to advertise to a large number of suitable candidates, while simultaneously, increasing the likelihood of high-quality, potential candidates applying for the job vacancy.<sup>2</sup>] [Another advantage of Christian using social media is that it will enable him to advertise the two positions available at Chrissie's Crossfaders for no expense, as social media applications, such as Instagram, are often free to download and share information.<sup>3</sup>]

✓ ✗ I have identified and defined one external recruitment method.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of my chosen external recruitment method.<sup>2</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of my chosen external recruitment method.<sup>3</sup>

✓ ✗ I have signposted my response by using 'one advantage' and 'Another advantage'.

✓ ✗ I have referred to the business directly by using 'Christian' and 'Chrissie's Crossfaders'.

✓ ✗ I have used connecting words, such as 'Therefore'.

**Other acceptable answers include:**

- Websites
- Online recruitment agencies

16. [One advantage of external recruitment is that it may allow Fatima's Brewery to recruit a candidate who has the required knowledge and skills for conducting coffee tasting events.<sup>1</sup>] [Another advantage of external recruitment is that a new employee may provide innovative ideas about how to operate the coffee tasting events at Fatima's Brewery. This may allow Fatima's Brewery to improve the quality of its services.<sup>2</sup>] [However, one disadvantage of external recruitment is that Fatima's Brewery cannot be sure that new employees will align with the culture of the business or have an interest in coffee making.<sup>3</sup>] [Another disadvantage of external recruitment is that the current three employees at Fatima's Brewery may resent the introduction of a new employee if they were interested in fulfilling the events manager role themselves.<sup>4</sup>] [Overall, although externally recruited employees may not align with the business's culture, external recruitment can allow Fatima's Brewery to employ a candidate with the required knowledge and skills to fill the events manager role.<sup>5</sup>]

✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of external recruitment.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of external recruitment.<sup>2</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to a disadvantage of external recruitment.<sup>3</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to another disadvantage of external recruitment.<sup>4</sup>

✓ ✗ I have provided an opinion on internal recruitment by summarising the advantages and the disadvantages.<sup>5</sup>

✓ ✗ I have signposted my response by using 'One advantage' and 'Another advantage'.

✓ ✗ I have referred to the business directly by using 'Fatima's Brewery'.

✓ ✗ I have used connecting words, such as 'However' and 'Overall'.

**Testing previous knowledge**

17. [One internal method of recruitment that Zoomer could use to fill the vacant job position in Ringwood is word of mouth which is the verbal communication of information between individuals.<sup>1</sup>] [One advantage of using word of mouth recommendations to fill this position is that the employee who relocates to the Ringwood location of Zoomer is already familiar with the culture of the business. Therefore, they may not require extensive training for the new role, saving Zoomer both time and money.<sup>2</sup>] [Moreover, another advantage of Ahmet using word of mouth to fill the position at Ringwood Zoomer is that the business does not have to advertise the job vacancy publicly and, instead, relies on the opinions present within the business regarding suitable employees, to fill the position. This can further reduce business expenses as no advertisement costs are incurred.<sup>3</sup>] [One external recruitment method Ahmet could use to hire a new employee for the position at Ringwood Zoomer is using websites which are a collection of web pages and content, published on at least one web server, that is identifiable by a common domain name.<sup>4</sup>] [By creating its own website, Zoomer can allow individuals external to the business to read the details of the job vacancy and apply to Zoomer online. As a result, new employees can be hired by Zoomer and contribute innovative ideas, which can improve the quality of its car detailing services.<sup>5</sup>] [Another advantage of using a website to recruit an employee at Zoomer is that it can ensure Ahmet only has one job position to fill, as opposed to two positions, which would be the case if internal recruitment methods were utilised as no new employees would be hired by the business.<sup>6</sup>]

✓ ✗ I have identified and defined one internal recruitment method.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of my chosen internal recruitment method.<sup>2</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of my chosen recruitment method.<sup>3</sup>

✓ ✗ I have identified and defined one external recruitment method.<sup>4</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of my chosen external recruitment method.<sup>5</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of my chosen recruitment method.<sup>6</sup>

✓ ✗ I have signposted my response by using 'One advantage' and 'another advantage'.

✓ ✗ I have referred to the business directly by using 'Zoomer' and 'Ahmet'.

✓ ✗ I have used connecting words, such as 'Therefore' and 'Moreover'.

**Other acceptable answers include:**

- Intranet
- Online recruitment agencies
- Social media

## 6G Selection methods

### Theory review

1. A. True. *A business can use as many selection methods as it needs when undertaking staffing. It is becoming more common for businesses to use more than one method as part of the selection process.*
2. B. False. *Not all businesses will conduct interviews as part of their selection process. This often depends on the business and type of job available. Therefore, depending on the situation, other selection methods may be more effective.*
3. B. False. *Although interviews can be used to determine an applicant's personality traits, psychological testing can also provide an employer with this information, as it involves examining a candidate's behavioural style and reasoning skills.*
4. I; III. *Psychological testing can provide a business with insight into a candidate's problem-solving abilities and working style. As each candidate completes the same test, this can ensure consistency and fairness in the selection process.*
5. B. *Work testing is the process of administering practical or written assessments to determine the suitability of a job candidate for a position. For example, a candidate that is applying for a barista role could be required to make a coffee.*
6. B. False. *Although a work test examines a person's ability to perform on the job and under pressure, candidates may feel nervous during this process. As a result, they may not demonstrate their full capabilities.*
7. II; III. *The accessibility of online forms can result in a business receiving a large volume of unsuitable candidates that it must spend time eliminating from the pool of total applicants. Furthermore, online selection can be disrupted by technological issues, such as a loss of internet or a website crash.*
8. B. *Interviews provide the business with an opportunity to determine whether a candidate can respond well under pressure and handle stressful situations. This may allow an employer to determine whether applicants are honest and genuine about themselves and their experiences.*
9. A. True. *An effective selection process can ensure a business hires the most suitable candidate for a job as they have the knowledge, skills, and ideas necessary to be successful in the position.*

### Preparing for exams

#### Case study skills

10. B

11. I and III are true. II and IV are false.

12. II and III are advantages. I and IV are disadvantages.

#### Exam-style

13. [Online selection is the process of choosing an employee based on online forms that are completed by a job applicant.<sup>1</sup>]

✓ ✗ I have defined the term online selection.<sup>1</sup>

14. [An interview is a meeting that occurs between an employer and a job candidate to determine whether they have the necessary knowledge, skills, and ideas to fulfil the position.<sup>1</sup>][For example, an employer could ask a job candidate to travel to the business's headquarters to have a meeting where the applicant is asked questions about their experiences and why they would be suitable for the job position. Likewise, the candidate can ask the employer questions to gauge an understanding of whether they would enjoy the job position.<sup>2</sup>]

✓ ✗ I have defined interviews as a selection method.<sup>1</sup>

✓ ✗ I have provided an example of how interviews can be used as a selection method by a business.<sup>2</sup>

15. [Work testing is the process of administering practical or written assessments to determine the suitability of a job candidate for a position.<sup>1</sup>][On the other hand, psychological testing is a scientific method of examining a job applicant's behavioural style and reasoning skills.<sup>2</sup>][A key difference between these two selection methods is that psychological testing is generally conducted online using specialist systems, whereas work testing occurs in-person and requires candidates to perform job specific tasks.<sup>3</sup>]

✓ ✗ I have defined work testing as a selection method.<sup>1</sup>

✓ ✗ I have defined psychological testing as a selection method.<sup>2</sup>

✓ ✗ I have provided a key difference between work testing and psychological testing.<sup>3</sup>

✓ ✗ I have signposted my response by using 'A key difference'.

✓ ✗ I have used comparison words, such as 'On the other hand' and 'whereas', when distinguishing.

16. [One advantage of online selection is that the business can quickly and conveniently review and compare candidate responses in its own time to select the most suitable applicant.<sup>1</sup>][Another advantage of this selection method is that online forms are easy to store, sort, and screen for keywords, allowing an employer to save time during the hiring process.<sup>2</sup>][However, a disadvantage of online selection is that it may be difficult for candidates to demonstrate their personal attributes through an online form, potentially limiting the information that a business gains about an applicant.<sup>3</sup>][Furthermore, another disadvantage of this selection method is that a business may need to invest in other selection methods following online selection in order to refine its list of candidates, which can increase expenses.<sup>4</sup>]

- ✓ ✗ I have provided an advantage of online selection as a selection method.<sup>1</sup>

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- ✓ ✗ I have provided another advantage of online selection as a selection method.<sup>2</sup>

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- ✓ ✗ I have provided a disadvantage of online selection as a selection method.<sup>3</sup>

---

- ✓ ✗ I have provided another disadvantage of online selection as a selection method.<sup>4</sup>

---

- ✓ ✗ I have signposted my response by using 'One advantage' and 'Another advantage'.

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- ✓ ✗ I have used connecting words, such as 'However' and 'Furthermore'.

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17. [One selection method that Mila and Ashton can utilise to fill the position at Seventies is work testing, which is the process of administering practical or written assessments to determine the suitability of a job candidate for a position.<sup>1</sup>] [One advantage of utilising work testing at Seventies is that Mila and Ashton can assess the skating skills and abilities of candidates to ensure they are competent and capable of instructing and teaching customers how to skate.<sup>2</sup>] [Moreover, another advantage of work testing for Seventies is that candidates can work alongside current employees, allowing Mila and Ashton to assess how the applicant fits in with the business's culture and gain a better understanding of their suitability for the job.<sup>3</sup>] [A third advantage of utilising this selection method to fill the job position at Seventies is that Mila and Ashton can simultaneously determine how well candidates think under pressure and adapt to the different abilities of skate rink customers if work testing is conducted in a group setting. This may allow Seventies to hire a new, suitable candidate as quickly as possible.<sup>4</sup>]

- ✓ ✗ I have identified and defined a selection method.<sup>1</sup>

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- ✓ ✗ I have provided an example relevant to the case study and linked it to one advantage of utilising my chosen selection method.<sup>2</sup>

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- ✓ ✗ I have provided an example relevant to the case study and linked it to a second advantage of utilising my chosen selection method.<sup>3</sup>

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- ✓ ✗ I have provided an example relevant to the case study and linked it to a third advantage of utilising my chosen selection method.<sup>4</sup>

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- ✓ ✗ I have signposted my response by using 'One selection method' and 'One advantage'.

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- ✓ ✗ I have referred to the business directly by using 'Mila and Ashton' and 'Seventies'.

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- ✓ ✗ I have used connecting words, such as 'Moreover'.

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**Other acceptable answers include:**

- Interviews
- Psychological testing
- Online selection

18. [One advantage of using psychological testing at Scotty & James is that the managers are provided with insight into a candidate's personality and working style, allowing them to determine whether they would fit into the current culture and workplace environment of the snowboard store.<sup>1</sup>] [Another advantage of psychological testing is that tests are standardised and personal biases are eliminated, meaning all candidates are provided with an equal opportunity and are objectively assessed on their suitability to work as a sales assistant at Scotty & James.<sup>2</sup>] [On the other hand, a disadvantage of psychological testing is that managers at Scotty & James cannot practically assess the knowledge and skills of candidates in the snowboard store or determine their ability to interact with customers.<sup>3</sup>] [Additionally, another disadvantage of this selection method is that there may be a cost associated with administering the test and interpreting the results, potentially increasing Scotty & James' expenses.<sup>4</sup>] [Overall, despite being unable to assess their practical skills and the potential for increased costs, psychological testing is a suitable selection method for Scotty & James as they can gain an insight into the personality of candidates in an objective and fair manner, enabling them to select a suitable sales assistant.<sup>5</sup>]

- ✓ ✗ I have provided an example relevant to the case study and linked it to an advantage of psychological testing as a selection method.<sup>1</sup>

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- ✓ ✗ I have provided an example relevant to the case study and linked it to another advantage of psychological testing as a selection method.<sup>2</sup>

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- ✓ ✗ I have provided an example relevant to the case study and linked it to a disadvantage of psychological testing as a selection method.<sup>3</sup>

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- ✓ ✗ I have provided an example relevant to the case study and linked it to another disadvantage of psychological testing as a selection method.<sup>4</sup>

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- ✓ ✗ I have provided an opinion on psychological testing as a selection method by summarising the advantages and the disadvantages.<sup>5</sup>

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- ✓ ✗ I have signposted my response by using 'One advantage' and 'Another advantage'.

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- ✓ ✗ I have referred to the business directly by using 'Scotty & James'.

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- ✓ ✗ I have used connecting words, such as 'On the other hand' and 'Additionally'.

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**Testing previous knowledge**

19. [One recruitment method that a business could use is word of mouth, which is the verbal passing of information between individuals.<sup>1</sup>] [A manager can use word of mouth by verbally communicating with an employee and informing them that they are being considered for a promotion on the basis of recommendations made about them from other staff members.<sup>2</sup>] [Moreover, one selection method that a business can use is interviews, which are meetings that occur between an employer and a job candidate to determine whether they have the necessary knowledge, skills, and ideas to fulfil the position.<sup>3</sup>] [A business can utilise interviews to ask a candidate questions, learn more about the applicant, and determine whether they are a suitable fit for the business.<sup>4</sup>]

- I have identified and defined word of mouth.<sup>1</sup>

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- I have outlined one way word of mouth can be used as an internal recruitment method.<sup>2</sup>

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- I have identified and defined interviews as a selection method.<sup>3</sup>

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- I have outlined one way interviews can be used as a selection method.<sup>4</sup>

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- I have signposted my response by using 'One recruitment method' and 'one selection method'.

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- I have used connecting words, such as 'Moreover'.

**Other acceptable answers include:**

- Intranet
- Psychological testing
- Work testing

## 6H National Employment Standards

### Theory review

1. B. False. *The National Employment Standards are the minimum entitlements employers owe to employees. Each of the 11 entitlements must be provided by employers to their employees in order for the business to comply with the law and avoid penalties.*
2. I; II. *Part-time and full-time workers are entitled to the 11 NES, as long as they have been working at the business for 12 months or more. However, casual workers are only entitled to certain entitlements, such as community service leave, but not other entitlements, such as annual leave.*
3. A. *The Fair Work Ombudsman is an independent, statutory, government agency that provides advice and investigates disputes within Australia's national workplace relations system.*
4. I; III. *Maximum weekly working hours and parental leave conditions are both set out in the National Employment Standards (NES).*
5. *community service leave; parental leave. Employees are entitled to receive ten days of paid community service leave if they must complete jury service. Employees are also entitled to 12 months of parental leave if they recently had a child, or adopted a child under the age of 16. However, this leave is unpaid.*
6. A. True. *An employer must provide their employee with written notice of the date of termination. The amount of notice an employer needs to provide to their employee differs based on how long the employee has worked at the business.*
7. B. False. *The National Employment Standards are the minimum entitlements applying to all part-time or full-time employees, regardless of whether their wages and working conditions are decided by an award or an agreement.*

### Preparing for exams

#### Case study skills

8. I and IV are true. II and III are false.
9. I; III

### Exam-style

10. [National Employment Standards are the minimum entitlements an employer owes its employees, which are set out by the Fair Work Act 2009.<sup>1</sup>]
  - I have defined the term National Employment Standards.<sup>1</sup>
11. [The Fair Work Commission (FWC) is Australia's independent workplace relations tribunal that has a range of responsibilities outlined by the Fair Work Act.<sup>1</sup>] [The Fair Work Commission is responsible for creating awards and approving agreements. When doing so, the FWC must ensure the contracts comply with the 11 National Employment Standards.<sup>2</sup>]
  - I have defined the Fair Work Commission.<sup>1</sup>
  - I have described one role of the Fair Work Commission.<sup>2</sup>
12. [One employee entitlement received by casual employees is the right to be offered casual conversion.<sup>1</sup>] [Once a casual employee has been working for a business for at least 12 months, or if they have been working a regular pattern of hours for at least six months, their employer must offer them the option of converting to full-time or part-time work, unless there are reasonable grounds not to offer this.<sup>2</sup>] [Furthermore, another entitlement is paid community service leave.<sup>3</sup>] [Casual employees are entitled to receive paid leave if they are engaging in an eligible community service activity, such as jury service. The employee may be paid up to ten days worth of pay if completing jury service, as long as evidence and notice of the service is provided.<sup>4</sup>]
  - I have identified one employee entitlement received by casual employees.<sup>1</sup>
  - I have outlined one characteristic of my chosen employee entitlement.<sup>2</sup>
  - I have identified another employee entitlement received by casual employees.<sup>3</sup>
  - I have outlined one characteristic of my chosen employee entitlement.<sup>4</sup>
  - I have signposted my response by using 'One employee entitlement' and 'another entitlement'.
  - I have used connecting words, such as 'Furthermore'.
13. [One National Employment Standard (NES) maintained by Play Pen is maximum working hours, which is the entitlement suggesting that full-time employees can only be requested to work a maximum of 38 hours unless additional hours are reasonable.<sup>1</sup>] [At Play Pen, full-time employees work 38 hours each week, thus their employment contract complies with this NES.<sup>2</sup>]
  - Provision of Fair Work Information Statement
  - Unpaid carer's leave
  - Unpaid compassionate leave
  - Unpaid family and domestic violence leave
  - Unpaid parental leave
  - Flexible work arrangements

[In addition, another NES being maintained by Play Pen is the entitlement that employees must be provided with a notice of termination and redundancy pay if being made redundant. Employers must, in written documentation, provide employees with one to four weeks of warning prior to their termination, depending on how long the employee has been working at the business for.<sup>3</sup>]

[Aayan has provided each of his employees with four weeks notice of their termination and is also providing them with the appropriate amount of redundancy pay, which may be between four and 12 weeks worth of pay depending on how long the employee has provided continuous service at Play Pen.<sup>4</sup>]

✓ ✗ I have identified and described one National Employment Standard maintained by Play Pen.<sup>1</sup>

✓ ✗ I have provided an example of my chosen National Employment Standard relevant to the case study and linked it to how the business is maintaining this standard.<sup>2</sup>

✓ ✗ I have identified and described another National Employment Standard maintained by Play Pen.<sup>3</sup>

✓ ✗ I have provided an example of my chosen National Employment Standard relevant to the case study and linked it to how the business is maintaining this standard.<sup>4</sup>

✓ ✗ I have signposted my response by using 'One National Employment Standard (NES)' and 'another NES'.

✓ ✗ I have referred to the business directly by using 'Play Pen' and 'Aayan'.

✓ ✗ I have used connecting words, such as 'In addition'.

14. [One National Employment Standard (NES) entitlement that Finer Diner must comply with is allowing its employees to take parental leave if required, which involves an unpaid period of 12 months of leave for new parents of either an adopted child under the age of 16, or a child that the employee, or their partner, has recently given birth to.<sup>1</sup>][Considering many of Aurelie's employees have children or are soon to be raising a child, it is important that she complies with parental leave standards, which also include requiring employees to begin parental leave at least six weeks before giving birth, unless they can provide medical evidence that they are still fit to work.<sup>2</sup>][Furthermore, another NES entitlement Finer Diner must comply with is providing employees with flexible working arrangements, which involves an employer providing more accommodating conditions for employees if they meet certain criteria.<sup>3</sup>][Many of the senior staff at Finer Diner are likely to be above the age of 55, considering they have been employed for over 30 years. Therefore, they may be eligible to request flexible working conditions such as starting and finishing their work in the kitchen earlier.<sup>4</sup>]

✓ ✗ I have identified and described one National Employment Standard.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to the importance of complying with my chosen National Employment Standard.<sup>2</sup>

✓ ✗ I have identified and described another National Employment Standard.<sup>3</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to the importance of complying with my chosen National Employment Standard.<sup>4</sup>

✓ ✗ I have signposted my response by using 'One National Employment Standard (NES)' and 'another NES'.

✓ ✗ I have referred to the business directly by using 'Finer Diner' and 'Aurelie'.

✓ ✗ I have used connecting words, such as 'Furthermore'.

#### Other acceptable answers include:

- Annual leave
- Personal/carer's leave
- Long service leave

### Testing previous knowledge

15. [Policies are written statements that outline the expected performance and behaviour of employees.][One policy a business could implement to comply with the National Employment Standard (NES) relating to flexible working conditions is a policy allowing certain employees to work a certain proportion of their hours from home. For example, a business may require employees to work in the workplace 60% of the time, and give them the choice of working from home for the other 40% of their allocated hours.<sup>2</sup>][It is important for a business to provide flexible conditions of work, such as working from home on certain days, to people in difficult circumstances that require flexibility. For example, this may apply to employees with a disability. If without reasonable grounds, a business fails to make the correct policies providing flexible conditions to these people fitting the Fair Work Act's criteria for being eligible for flexible work conditions, a business will not be in compliance with the NES and thus could face penalties, such as fines.<sup>3</sup>]

✓ ✗ I have defined policies.<sup>1</sup>

✓ ✗ I have outlined one policy a business could introduce to comply with the National Employment Standard entitlement of flexible working conditions.<sup>2</sup>

✓ ✗ I have described one reason why a business needs to comply with the National Employment Standard entitlement of flexible working conditions.<sup>3</sup>

✓ ✗ I have signposted my response by using 'One policy'.

## 6I Employer expectations

### Theory review

1. increase productivity. *The ability of an employer to communicate clear expectations to new employees when commencing their employment at a business can increase their productivity, as they understand exactly what is expected of them.*
2. B. False. *Not all employers require new employees to enter into an employment contract, however, most employers do and it is often a recommended business procedure to undertake for legal and organisational reasons.*
3. B. False. *Regardless of whether an employee enters into an employment contract or not, they are protected by the conditions of employment outlined in the National Employment Standards.*
4. A. True. *The Fair Work Commission is an independent body that primarily deals with workplace relations in Australia, as well as reviewing and approving agreements.*



5. agreement; award. *Agreements are contracts that are negotiated between employers and employees and apply only to a specific organisation or group within a business. However, awards are set by the Fair Work Commission and apply to all businesses in the relevant industry.*
6. more. *If an employer acts in the best interests of its employees, this may result in greater trust and respect within the business, resulting in higher levels of employee loyalty.*
7. A. *Employers expect an employee to provide a reasonable amount of notice if they intend to leave the business to ensure an employer is provided with a sufficient amount of time to hire a replacement employee if needed.*
8. A. True. *Setting clear expectations can increase the likelihood of an employee contributing to the achievement of business goals, as it can reduce confusion and ensure they have a clear understanding of how to perform their tasks.*

## Preparing for exams

### Case study skills

9. I; III; IV

### Exam-style

10. [An employment contract is a legal document that outlines the wages and work conditions of an employee within a business.<sup>1</sup>]

I have defined the term employment contract.<sup>1</sup>

11. [One method of establishing employee wages and conditions is through an agreement, which is a legal document that outlines the wages and conditions of employees and is applicable to a particular business or group of businesses.<sup>1</sup>][Agreements provide both employers and employees with the chance to negotiate wages and conditions of employment in a collaborative manner, with the intention of satisfying both parties.<sup>2</sup>]

I have identified and defined one employment contract for establishing employee wages and conditions.<sup>1</sup>

I have outlined one characteristic of my chosen employment contract.<sup>2</sup>

I have signposted my response by using 'One method'.

#### Other acceptable answers include:

- Awards

12. [Terms of notice are written communications that an employee must provide to a business within a certain amount of time before leaving their position.<sup>1</sup>][It is important for an employee to provide adequate notice when leaving a business to provide the employer with enough time to find a replacement employee if needed.<sup>2</sup>]

I have defined terms of notice.<sup>1</sup>

I have provided an example of one reason why providing adequate terms of notice is important when leaving a business.<sup>2</sup>

13. [Loyalty is when an employee is committed to supporting the business achieve its objectives.<sup>1</sup>][When employees are loyal to a business, they are typically more motivated to achieve business objectives as they have more trust and respect for their employer.<sup>2</sup>]

I have defined loyalty.<sup>1</sup>

I have provided an example of how loyalty can improve a business's ability to achieve its objectives.<sup>2</sup>

14. Loyalty is when an employee is committed to supporting the business achieve its objectives.<sup>1</sup>][One advantage of improving loyalty is that employees may be more willing to provide a high quality service to Derrimut Auto Care's customers, as they have greater respect for the business.<sup>2</sup>][Another advantage of improving loyalty is that employees at Derrimut Auto Care are more likely to meet the objective of improving turnaround times, as their productivity may increase.<sup>3</sup>][Finally, a third advantage of improving loyalty is that the issues with staff attendance are more likely to be resolved at Derrimut Auto Care, as employees may feel more motivated to come to work.<sup>4</sup>]

I have identified and defined loyalty.<sup>1</sup>

I have provided an example relevant to the case study and linked it to one advantage of improving loyalty.<sup>2</sup>

I have provided an example relevant to the case study and linked it to a second advantage of improving loyalty.<sup>3</sup>

I have an example relevant to the case study and linked it to a third advantage of improving loyalty.<sup>4</sup>

I have signposted my response by using 'One advantage' and 'Another advantage'.

I have referred to the business directly by using 'Derrimut Auto Care'.

I have used connecting words, such as 'Finally'.

### Testing previous knowledge

15. [Business associations are a special interest group, and are organisations that advise and support businesses in a particular industry.<sup>1</sup>][One way business associations can help a business owner create an employment contract during business planning is by providing them with advice on how to meet all the business's legal requirements, such as providing fair wages and working conditions.<sup>2</sup>][Another way business associations can help a business owner create an employment contract is by facilitating networking opportunities for business owners to discuss matters, as this can allow a new business owner to gain valuable management advice.<sup>3</sup>]

I have defined business associations.<sup>1</sup>

I have provided an example of one way a business association can assist a manager to create an employment contract.<sup>2</sup>

I have provided an example of another way a business association can assist a manager to create an employment contract.<sup>3</sup>

I have signposted my response by using 'One way' and 'Another way'.

## 6J Employee expectations

### Theory review

1. A. True. *Creating a working environment that exceeds employees' expectations may increase the business's ability to achieve its goals as employees may be more satisfied and productive at work.*
2. minimum. *The National Employment Standards include the minimum conditions of employment such as hours of work, public holiday pay, and leave entitlements. A business must establish conditions that either match or go beyond these standards.*
3. A. *Employees may feel more valued by a business if they are assured their job is secure and provided with remuneration that exceeds their expectations.*
4. positive. *When an employee feels certain that they will be able to keep their job for a long duration, they are likely to feel more valued by the business, improving their motivation which contributes to the achievement of business objectives.*
5. A. True. *Greater flexibility in working arrangements for employees may result in decreased stress levels, which can increase the levels of productivity and motivation among employees in the workplace.*
6. B. False. *It is important for employers to understand employee expectations as it can help employers create an environment that exceeds these standards. This, in turn, may increase the business's ability to achieve its objectives.*

### Preparing for exams

#### Case study skills

7. A                      8. I; III

#### Exam-style

9. [Remuneration is the money an employee receives from an employer in exchange for the work they complete.<sup>1</sup>]
- I have defined the term remuneration.<sup>1</sup>
- 
10. [One condition of employment that should be included in an employment contract is the hours that employees are required to work per week.<sup>1</sup>][Another condition of employment that should be considered in an employment contract is an employee's leave entitlements, such as sick leave and annual leave.<sup>2</sup>]
- I have identified a condition of employment that should be included in an employment contract.<sup>1</sup>
- 
- I have identified another condition of employment that should be included in an employment contract.<sup>2</sup>
- 
- I have signposted my response by using 'One condition' and 'Another condition'.
- 
11. [Work-life balance is the division of a person's time between the demands of their job and their personal life.<sup>1</sup>][One reason why it is important for a business to help its employees achieve a work-life balance is because it can reduce stress levels, as employees can dedicate more time to their personal lives. In turn, this may lead to increased productivity as employees feel more satisfied and motivated at work.<sup>2</sup>]

- I have defined work-life balance.<sup>1</sup>
- 
- I have provided one reason why achieving a work-life balance is important for a business.<sup>2</sup>
- 
- I have signposted my response by using 'One reason'.
- 
- I have used connecting words, such as 'In turn'.
- 

12. [Job security is the likelihood of an employee keeping their job.<sup>1</sup>][Employees at Frame It may not be providing high-quality and efficient services to customers as they feel threatened by the prospect that they may lose their job in the coming months.<sup>2</sup>][Accordingly, the lack of job security may decrease employee's productivity and therefore decrease their ability to contribute towards achieving business objectives.<sup>3</sup>]

- I have identified and defined job security.<sup>1</sup>
- 
- I have provided an example of job security relevant to the case study.<sup>2</sup>
- 
- I have linked the example to the impact of job insecurity on the achievement of business objectives.<sup>3</sup>
- 
- I have referred to the business directly by using 'Frame It'.
- 
- I have used connecting words, such as 'Accordingly'.
- 

13. [Work-life balance is the division of a person's time between the demands of their job and their personal life.<sup>1</sup>][Improving work-life balance at Fruity Juice Bar, such as by offering employees flexible hours of work, may decrease employee's stress levels and increase wellbeing if they are spending more time focusing on their family, friends and hobbies.<sup>2</sup>][Reduced stress levels may lead to employees making fewer mistakes at Fruity Juice Bar, therefore improving their ability to meet the business's objectives of producing a high-quality service and juice beverage.<sup>3</sup>]

- I have identified and defined work-life balance.<sup>1</sup>
- 
- I have provided an example of work-life balance relevant to the case study.<sup>2</sup>
- 
- I have linked the example to work-life balance increasing the ability to meet business objectives.<sup>3</sup>
- 
- I have referred to the business directly by using 'Fruity Juice Bar'.
- 

### Testing previous knowledge

14. [National Employment Standards (NES) are the minimum entitlements an employer owes its employees, which are set out by the Fair Work Act 2009.<sup>1</sup>][One NES that a business must comply with is allowing its employees to take parental leave if required, which involves an unpaid period of twelve months of leave for new parents of either an adopted child under the age of 16, or a child that the employee, or their partner, has recently given birth to.<sup>2</sup>][By upholding this NES, a business will be able to satisfy the employee expectation of a work-life balance, by ensuring that an employee is able to divide their time between the demands of their work life and personal life in raising a child.<sup>3</sup>]

- I have defined the term National Employment Standards.<sup>1</sup>

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- I have identified and described one National Employment Standard.<sup>2</sup>

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- I have outlined the importance of complying with my chosen National Employment Standard to satisfy employees' expectations.<sup>3</sup>

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- I have signposted my response by using 'One NES'.

## 6K Legal obligations for staffing

### Theory review

1. B. False. *It is mandated, by law, for Australian businesses to ensure their employees are provided with fair and safe working conditions. A business cannot choose to neglect certain legislation, as doing so will cause them to face legal consequences.*
2. A. True. *The main body responsible for monitoring and enforcing workplace compliance with OH&S regulations and laws is WorkSafe Victoria.*
3. employers; employees. *Employers are responsible for ensuring that all employees are trained to complete all business processes safely.*
4. A. *Ensuring their workplace does not have severe, negative impacts on an employee's physical health is a requirement of businesses under occupational health and safety legislation.*
5. A. True. *All Victorian employees are entitled to fair treatment and equal participation under the Equal Opportunity Act 2010 (Vic).*
6. IV. *It is illegal for employers to discriminate against people on the basis of personal characteristics such as age, gender, and physical features.*
7. A. True. *If a business does not meet its legal obligations, such as complying with OH&S laws and EEO laws, it may face significant penalties.*

### Preparing for exams

#### Case study skills

8. I; III
9. I and IV are true. II and III are false.

#### Exam-style

10. [Equal employment opportunity is the fair treatment and participation of all individuals in the workplace<sup>1</sup>]
  - I have defined the term equal employment opportunity.<sup>1</sup>

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11. [Occupational health and safety is the management of risks to ensure the protection of the health and safety of everyone in the workplace, including customers, employees, and suppliers.<sup>1</sup>]
  - I have defined the term occupational health and safety.<sup>1</sup>

12. [The Victorian Equal Opportunity and Human Rights Commission is responsible for administering the Equal Opportunity Act 2010.<sup>1</sup>] [In addition, they also help people resolve complaints of discrimination encountered in the workplace through a free dispute resolution service.<sup>2</sup>]
  - I have outlined one aspect of the role of the Victorian Equal Opportunity and Human Rights Commission.<sup>1</sup>

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- I have outlined another aspect of the role of the Victorian Equal Opportunity and Human Rights Commission.<sup>2</sup>

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- I have used connecting words, such as 'In addition'.

13. [One occupational health and safety (OH&S) consideration Acacia would need to address is ensuring that employees hold licences for specific activities.<sup>1</sup>] [Acacia should ensure that all three new employees have a valid licence to operate a forklift and any other complex machinery. This will reduce the risk of injury and accidents at Shiver Me Timber.<sup>2</sup>] [Additionally, another OH&S consideration that Acacia would need to address is ensuring she has procedures in place regarding how to safely lift heavy objects, such as the timber doors.<sup>3</sup>] [This will ensure compliance with OH&S laws and regulations and reduce the risk of injury at Shiver Me Timber.<sup>4</sup>]
  - I have identified and described an occupational health and safety (OH&S) consideration.<sup>1</sup>

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- I have provided an example relevant to the case study and linked it to my chosen OH&S consideration.<sup>2</sup>

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- I have identified and described another occupational health and safety (OH&S) consideration.<sup>3</sup>

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- I have provided an example relevant to the case study and linked it to my chosen OH&S consideration.<sup>4</sup>

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- I have signposted my response by using 'One occupational health and safety (OH&S)' and 'another OH&S consideration'.

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- I have referred to the business directly by using 'Acacia' and 'Shiver Me Timber'.

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- I have used connecting words, such as 'Additionally'.

14. [One reason why Arfan must ensure Armadale Hair and Beauty's compliance with EEO regulations is to ensure the business avoids incurring financial penalties which result from breaching the law.<sup>1</sup>] [During COVID-19, Armadale Hair and Beauty earned significantly lower revenue and should therefore ensure it adheres to all legal obligations to prevent earning even lower profit as a result of receiving fines.<sup>2</sup>] [Furthermore, another reason why it is important for Armadale Hair and Beauty to abide by EEO regulations is that, by doing so, the business can improve its reputation among customers.<sup>3</sup>] [During the hiring process, in order to comply with EEO regulations, Arfan will have to consider applications from different cultures, ethnicities, genders, sexual orientations, and more. This will likely allow the four new employees to increase the diversity at Armadale Hair and Beauty, resulting in customers perceiving the business as more inclusive.<sup>4</sup>]
  - I have identified and described one reason why it is important to comply with EEO regulations.<sup>1</sup>

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- I have provided an example relevant to the case study and linked it to my chosen reason.<sup>2</sup>

---

- I have identified and described another reason why it is important to comply with EEO regulations.<sup>3</sup>

---

- I have provided an example relevant to the case study and linked it to my chosen reason.<sup>4</sup>

- I have identified and described another reason why it is important to comply with EEO regulations.<sup>3</sup>

---

- I have provided an example relevant to the case study and linked it to my chosen reason.<sup>4</sup>

---

- I have signposted my response by using 'One reason' and 'another reason'.

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- I have referred to the business directly by using 'Arfan' and 'Armada Hair and Beauty'.

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- I have used connecting words, such as 'Furthermore'.

### Testing previous knowledge

15. [Policies are written statements that outline the expected performance and behaviour of employees.<sup>1</sup>] [One way a business could ensure it complies with equal employment opportunity (EEO) requirements is by introducing policies that remove discrimination. For example, a policy that prevents staff from making discriminatory comments in the workplace will ensure the business does not engage in acts that breach EEO requirements.<sup>2</sup>] [Additionally, another way of ensuring EEO requirements are upheld is by introducing policies that promote inclusion in the workplace. For example, a business could implement a policy that ensures employees are hired purely based on their level of skill, regardless of their race, ethnicity, gender, or any other features.<sup>3</sup>]

- I have defined policies.<sup>1</sup>

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- I have provided an example of how a business can establish policies to comply with EEO legal requirements.<sup>2</sup>

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- I have provided another example of how a business can establish policies to comply with EEO legal requirements.<sup>3</sup>

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- I have signposted my response by using 'One way' and 'another way'.

---

- I have used connecting words, such as 'Additionally'.

## 6L Employee induction

### Theory review

1. A. True. *Employee induction is an important component of staffing a business, therefore it is important that employers ensure all new employees feel welcomed and supported in the business.*
2. positive. *Employees who have a positive and enjoyable induction experience may feel more supported, welcomed, and are, therefore, more likely to remain at the business.*
3. A. True. *The purpose of employee induction is to help new employees settle into their new position with the business and provide them with essential information necessary to carry out their roles.*
4. A. True. *An effective induction process can ensure new employees learn relevant information regarding how to perform their roles, which can assist them in becoming productive members of the business and contributing to achieving objectives.*

5. I; III; IV. *The employee induction method used by a business may differ depending on the job position, the new employee's level of experience, and the type of business.*
6. D. *The employee induction process may involve taking new employees on a guided tour of the workplace, providing them with the opportunity to meet other employees within the business, and ensuring they are familiar with policies and procedures, such as OHS rules.*
7. B. False. *A business can use as many induction methods as it sees fit. Some employers may use just one method or a combination of different methods.*

### Preparing for exams

#### Case study skills

8. A                      9. I; III; IV

#### Exam-style

10. [Employee induction is the process of introducing a new employee to the business.<sup>1</sup>]

- I have defined the term employee induction.<sup>1</sup>

11. [Employee induction is the process of introducing a new employee to the business.<sup>1</sup>] [The purpose of having an effective induction process is so that new employees can be productive as soon as possible, which can increase the business's ability to achieve its objectives.<sup>2</sup>]

- I have defined the employee induction process.<sup>1</sup>

- I have outlined the purpose of having an effective employee induction process.<sup>2</sup>

12. [E-learning is a method of employee induction where training is delivered electronically, via a computer or other digital device.<sup>1</sup>] [E-learning could involve new employees completing a series of online interactive units that contain instructional videos and corresponding questions.<sup>2</sup>]

- I have described e-learning as a method of employee induction.<sup>1</sup>

- I have outlined one aspect of e-learning as a method of employee induction.<sup>2</sup>

13. [Mentoring is when a senior employee assists a new employee in developing the knowledge and skills required for the position.<sup>1</sup>] [Clara could implement mentoring as a method of employee induction by asking a senior employee, such as Jeff, to continually support the new employees and provide advice on how to complete tasks at HappyMind. Mentoring would help the two new employees by providing someone to turn to for advice and ease their stress levels.<sup>2</sup>]

- I have identified and described mentoring as a method of employee induction.<sup>1</sup>

- I have provided an example relevant to the case study and linked it to mentoring as a method of employee induction.<sup>2</sup>

- I have referred to the business directly by using 'Clara' and 'HappyMind'.

14. [An induction pack is a physical or electronic folder containing information for new employees.<sup>1</sup>] [As there are many rules that Earth Crystal's employees must follow in the warehouse, such as Occupational Health and Safety, one method that Rushil could use for employee induction is to create an induction pack for new employees that contains business policies and procedures, helping save time.<sup>2</sup>] [On-the-job training is a hands-on method where new employees develop their knowledge and skills within the workplace.<sup>3</sup>] [As Earth Crystals is experiencing high customer demand, another method Rushil could use is on-the-job training by internally training new employees on how to pack orders. This may allow new employees to quickly become familiar with the packaging processes and quickly become productive.<sup>4</sup>]

- I have identified and described an employee induction method.<sup>1</sup>
- 
- I have provided an example relevant to the case study and linked it to my chosen employee induction method.<sup>2</sup>
- 
- I have identified and described another employee induction method.<sup>3</sup>
- 
- I have provided an example relevant to the case study and linked it to my chosen employee induction method.<sup>4</sup>
- 
- I have signposted my response by using 'one method' and 'another method'.
- 
- I have referred to the business directly by using 'Earth Crystals' and 'Rushil'.

**Other acceptable answers include:**

- E-learning
- Mentoring

**Testing previous knowledge**

15. [Employee induction is the process of introducing a new employee to the business.<sup>1</sup>] [One employee expectation that may be relevant to the employee induction process is having a work-life balance. A work-life balance is the division of a person's time between the demands of their job and their personal life.<sup>2</sup>] [An employee may expect their new manager to demonstrate how they are willing to contribute to a work-life balance during the induction process by discussing flexible work arrangements through meetings or through an induction pack.<sup>3</sup>]

- I have defined employee induction.<sup>1</sup>
- 
- I have identified and defined one employee expectation.<sup>2</sup>
- 
- I have explained the relationship between my chosen employee expectation and the process of employee induction.<sup>3</sup>
- 
- I have signposted my response by using 'One employee expectation'.

**Other acceptable answers include:**

- Conditions of employment
- Remuneration
- Job security

## 6M CSR considerations for staffing

### Theory review

1. B. False. *Businesses do not need to implement CSR initiatives when staffing their business, however, they must meet minimum legal requirements.*
2. unbiased. *Businesses should aim to be unbiased when recruiting to ensure they employ a diverse workforce and avoid discrimination.*
3. A. True. *Businesses can engage in CSR by employing individuals across a wide range of ages, ethnicities, and backgrounds.*
4. B. *During overseas recruitment, the corporate social responsibilities for staffing a business with local staff still apply, in that, a business should not demonstrate any bias on the basis of a candidate's personal characteristics.*
5. visa; sponsor. *Businesses can pledge to sponsor an employee, which involves supporting the individual to come to and work in Australia through financial and non-financial commitments that help them receive a working visa.*
6. B. False. *Providing employees with the minimum remuneration required by law is not a CSR initiative as it does not go beyond the business's legal requirements.*
7. A. True. *Supporting employees and exceeding legal requirements can ensure employees have the resources to complete high-quality work, whether they were hired locally or recruited from overseas.*

### Preparing for exams

#### Case study skills

8. II and IV are true. I and III are false.
9. I, III and IV are true. II is false.

#### Exam-style

10. [One corporate social responsibility (CSR) consideration is preventing nepotism, which occurs when an employer, or person in power, positions one candidate over another due to familial relations or friendships, including providing them with a job.<sup>1</sup>] [To demonstrate CSR, businesses should ensure they recruit employees without preferencing particular groups of individuals, such as friends or relatives of existing employees.<sup>2</sup>]

- I have identified and described one corporate social responsibility consideration related to the staffing of a business.<sup>1</sup>
- 
- I have described one way that a business could address my chosen corporate social responsibility consideration.<sup>2</sup>
- 
- I have signposted my response by using 'One corporate social responsibility (CSR) consideration'.

11. [One way a business can uphold corporate social responsibility (CSR) when conducting overseas recruitment is by acting as a sponsor for employees by providing them with financial and legal assistance to help them receive a visa.<sup>1</sup>]

[Another way a business can demonstrate CSR is by allowing employees location flexibility, which may involve letting the employee choose to complete some of their work online instead of coming into the office. Many employees from countries overseas will likely want to travel frequently in order to see their family and friends in their country of origin. By allowing an employee to work online, the employee can travel more whilst still working.<sup>2</sup>]

✓ ✗ I have outlined one way a business can uphold corporate social responsibility when conducting overseas recruitment.<sup>1</sup>

✓ ✗ I have outlined another way a business can uphold corporate social responsibility when conducting overseas recruitment.<sup>2</sup>

✓ ✗ I have signposted my response by using 'One way' and 'Another way'.

12. [One corporate social responsibility consideration (CSR) a business can address when staffing is providing employees with workplace flexibility, which may involve allowing employees to start work at a later time or complete some of their working hours from home.<sup>1</sup>]  
[By providing flexible working hours, a business can go above and beyond its legal requirements and improve the work-life balance of its employees.<sup>2</sup>][Furthermore, another CSR consideration when staffing a business is providing employees with paid maternity leave for longer durations of time than what is mandated in the National Employment Standards.<sup>3</sup>][By providing an employee with paid leave as they raise a child, a business can demonstrate CSR, as it may improve the work-life balance of its staff members whilst going above the business's legal requirements.<sup>4</sup>]

✓ ✗ I have identified and described one corporate social responsibility consideration related to the staffing of a business.<sup>1</sup>

✓ ✗ I have provided an example of how my chosen consideration upholds corporate social responsibility.<sup>2</sup>

✓ ✗ I have identified and described another corporate social responsibility consideration related to the staffing of a business.<sup>3</sup>

✓ ✗ I have provided an example of how my chosen consideration upholds corporate social responsibility.<sup>4</sup>

✓ ✗ I have signposted my response by using 'One corporate social responsibility consideration (CSR)' and 'another CSR consideration'.

✓ ✗ I have used connecting words, such as 'Furthermore'.

13. [One corporate social responsibility (CSR) consideration relating to Lady Justice's staff is supporting employees by providing them with conditions that promote employee wellbeing.<sup>1</sup>][Lady Justice can demonstrate CSR towards its lawyers and support staff by providing benefits that are above the minimum legal requirements, such as healthcare benefits.<sup>2</sup>][Healthcare benefits, such as free health insurance and complimentary gym memberships, can ensure all employees at Lady Justice are able to meet their medical needs if they are unable to work for a period of time. This can allow employees to feel supported when ill, increasing job satisfaction.<sup>3</sup>]

✓ ✗ I have identified and described one corporate social responsibility consideration related to the staffing of a business.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study.<sup>2</sup>

✓ ✗ I have linked my example to my chosen corporate social responsibility consideration related to staffing.<sup>3</sup>

✓ ✗ I have signposted my response by using 'One corporate social responsibility (CSR) consideration'.

✓ ✗ I have referred to the business directly by using 'Lady Justice'.

14. [One way Vermont Sparkies can demonstrate corporate social responsibility considerations when conducting overseas recruitment is by acting as a sponsor for successful candidates, which would involve Aeva supporting candidates both financially and legally to assist them in obtaining a visa.<sup>1</sup>][By keeping documentation proving that an employee from overseas is working for her, Aeva can ensure her three electricians from overseas remain legally compliant and do not face any consequences. This can allow Aeva to protect and help her employees, therefore, going beyond her legal requirements as an employer and acting in a socially responsible manner.<sup>2</sup>][Moreover, another way Aeva could demonstrate CSR is by hosting a gathering when the three electricians arrive in Australia, welcoming them to Vermont Sparkies and the country.<sup>3</sup>][Considering the three, new employees are from a foreign country, hosting a welcome party can allow Aeva to ensure employees feel more comfortable in the new environment, thus, demonstrating CSR.<sup>4</sup>]

✓ ✗ I have identified and described a corporate social responsibility consideration related to conducting overseas recruitment.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to how my chosen consideration demonstrates corporate social responsibility.<sup>2</sup>

✓ ✗ I have identified and described another corporate social responsibility consideration related to conducting overseas recruitment.<sup>3</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to how my chosen consideration demonstrates corporate social responsibility.<sup>4</sup>

✓ ✗ I have signposted my response by using 'One way' and 'another way'.

✓ ✗ I have referred to the business directly by using 'Vermont Sparkies' and 'Aeva'.

✓ ✗ I have used connecting words, such as 'Moreover'.

### Testing previous knowledge

15. [Equal employment opportunity is the fair treatment and participation of all individuals in the workplace.<sup>1</sup>][One way that a business can demonstrate a commitment to corporate social responsibility (CSR) is by introducing gender quotas to ensure that a certain proportion of the business is made up of female employees, increasing opportunities for women to participate in the workforce.<sup>2</sup>]

[Furthermore, another way a business can address CSR considerations is by ensuring the facilities at the business are conducive to all employees by installing ramps for wheelchairs and providing disability access.<sup>3</sup>]

I have defined equal employment opportunity.<sup>1</sup>

I have outlined one way a business can address corporate social responsibility considerations related to the staffing of a business.<sup>2</sup>

I have outlined another way a business can address corporate social responsibility considerations related to the staffing of a business.<sup>3</sup>

I have signposted my response by using 'One way' and 'another way'.

I have used connecting words, such as 'Furthermore'.

## Unit 2 AOS 3 review

### Contemporary case study

1. [Apple Inc. is a multinational technology company that is renowned for its highly qualified and skilled employees. A job description is a summary of the duties, tasks, and responsibilities of a specific role.<sup>1</sup>] [Apple includes a written job description in its job advertisements to attract highly suitable candidates who have the qualifications for the role Apple is hiring for. This ensures Apple employs the most appropriate employees for its roles.<sup>2</sup>]

I have identified and defined a job description.<sup>1</sup>

I have provided an example relevant to the contemporary case study and linked it to the purpose of developing a job description.<sup>2</sup>

I have referred to the business directly by using 'Apple Inc.' and 'Apple'.

I have included a brief description of the contemporary case study.

2. [Apple Inc. is a multinational technology company that is renowned for its highly qualified and skilled employees. Staff are the people who work for businesses in exchange for payment.<sup>1</sup>] [As a result of its extensive recruitment and selection process, Apple ensures it hires highly qualified and skilled employees who have a high level of expertise with regard to technological products.<sup>2</sup>] [Consequently, Apple is able to develop and sell high-quality consumer products, increasing customer satisfaction and sales. Therefore, Apple is able to achieve its business objectives, such as making a profit.<sup>3</sup>]

I have identified and defined staff.<sup>1</sup>

I have provided an example relevant to the contemporary case study.<sup>2</sup>

I have linked the example to the relationship between staff performance and the achievement of business objectives.<sup>3</sup>

I have used connecting words, such as 'Consequently'.

I have referred to the business directly by using 'Apple Inc.' and 'Apple'.

I have included a brief description of the contemporary case study.

3. [Apple Inc. is a multinational technology company that is renowned for its highly qualified and skilled employees. One corporate social responsibility consideration (CSR) a business can address when staffing is developing a diverse, unbiased, and supportive work environment by removing subconscious biases or microaggressions from the recruitment process.<sup>1</sup>] [When recruiting and hiring employees, Apple focuses on ensuring it includes candidates that come from underrepresented communities and strives to increase its proportion of female employees.<sup>2</sup>] [As a result, Apple demonstrates its commitment to CSR, as it is able to employ a diverse workforce, allowing for a wide range of employee ideas and perspectives to be represented within the business.<sup>3</sup>]

I have identified and described one corporate social responsibility consideration a business can address when staffing.<sup>1</sup>

I have provided an example relevant to the contemporary case study.<sup>2</sup>

I have linked the example to how my chosen consideration upholds corporate social responsibility.<sup>3</sup>

I have signposted my response by using 'One corporate social responsibility (CSR) consideration'.

I have referred to the business directly by using 'Apple Inc.' and 'Apple'.

I have included a brief description of the contemporary case study.

4. [Apple Inc. is a multinational technology company that is renowned for its highly qualified and skilled employees. One selection method that is used at Apple is interviews, which are meetings that occur between an employer and a job candidate to determine whether they have the necessary knowledge, skills, and ideas to fulfil the position.<sup>1</sup>] [Apple conducts a three-stage interview process to select the most suitable job candidate. This process involves a phone call, video call, and a final, one-on-one interview to assess the candidate's prior experience and skillset.<sup>2</sup>] [Furthermore, another selection method used at Apple is work testing, which is the process of administering practical or written assessments to determine the suitability of a job candidate for a position.<sup>3</sup>] [At Apple, depending on the position that is being applied for, the applicant may have to complete an assessment, either at home or at an Apple Assessment Centre. This allows Apple to determine the practical knowledge and skills of the candidate, as well as how well they perform in a work setting.<sup>4</sup>]

I have identified and defined a selection method.<sup>1</sup>

I have provided an example relevant to the contemporary case study and linked it to the suitability of my chosen selection method.<sup>2</sup>

I have identified and defined another selection method.<sup>3</sup>

I have provided an example relevant to the contemporary case study and linked it to the suitability of my chosen selection method.<sup>4</sup>

✓ ✗ I have signposted my response by using 'One selection method' and 'another selection method'.

✓ ✗ I have referred to the business directly by using 'Apple Inc.' and 'Apple'.

✓ ✗ I have used connecting words, such as 'Furthermore'.

✓ ✗ I have used connecting words, such as 'As a result'.

✓ ✗ I have included a brief description of the contemporary case study.

**Other acceptable answers include:**

- Psychological testing
- Online selection

5. [Apple Inc. is a multinational technology company that is renowned for its highly qualified and skilled employees. One advantage of using external recruitment, which is filling job vacancies with individuals outside the business, is that it allows Apple to advertise job vacancies to a larger number of candidates, meaning it is more likely to reach a potential candidate who has the required skills and knowledge for the vacant role. Additionally, another advantage of using external recruitment at Apple is that external candidates can offer new ideas and improvements to Apple's consumer electronics.<sup>2</sup>] [However, one disadvantage of external recruitment is that the candidate's values and personality traits may not align with Apple's culture, which the company prides itself on being creative, curious, innovative, and collaborative.<sup>3</sup>] [Another disadvantage is that existing employees at Apple may be resentful if the vacant role goes to a new employee, as they may feel that they have been overlooked, potentially decreasing productivity.<sup>4</sup>] [Overall, despite the potential that new employees may not align with Apple's culture, or that existing employees could become resentful, external recruitment is likely to enable Apple to attract the most skilled individuals who can offer new ideas and improvements to Apple's products.<sup>5</sup>]

✓ ✗ I have provided an example relevant to the contemporary case study and linked it to an advantage of external recruitment.<sup>1</sup>

✓ ✗ I have provided an example relevant to the contemporary case study and linked it to another advantage of external recruitment.<sup>2</sup>

✓ ✗ I have provided an example relevant to the contemporary case study and linked it to a disadvantage of external recruitment.<sup>3</sup>

✓ ✗ I have provided an example relevant to the contemporary case study and linked it to another disadvantage of external recruitment.<sup>4</sup>

✓ ✗ I have provided an opinion on external recruitment by summarising the advantages and the disadvantages.<sup>5</sup>

✓ ✗ I have briefly identified and defined external recruitment in the first mark.

✓ ✗ I have signposted my response by using, 'One advantage' and 'Another advantage'.

✓ ✗ I have referred to the business directly by using 'Apple Inc' and 'Apple'.

✓ ✗ I have used connecting words, such as 'Additionally' and 'However'.

✓ ✗ I have included a brief description of the contemporary case study.

**Exam-style**

6. a. [Staff are the people who work for businesses in exchange for payment.<sup>1</sup>] [If Vikram's staff are high-performing, they may produce higher-quality food and drinks that attract customers. This can increase sales at Starscape and, therefore achieve the business objective of making a profit.<sup>2</sup>]

✓ ✗ I have identified and defined staff.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to the relationship between staff performance and the achievement of business objectives.<sup>2</sup>

✓ ✗ I have referred to the business directly by using 'Vikram's' and 'Starscape'.

b. [One staffing need Vikram should consider when employing new bartenders and chefs is staff skills, which is the ability of staff to fulfil their role.<sup>1</sup>] [As Starscape is known for its high-quality food and extensive beverage list, Vikram should hire bartenders and chefs who possess the skills to produce high-quality drinks and food items on Starscape's extensive food and beverage list.<sup>2</sup>] [Additionally, Vikram should ensure he hires bartenders and chefs who have strong customer service skills, as the high demand at Starscape will require employees to frequently interact with customers.<sup>3</sup>]

✓ ✗ I have identified and described staff knowledge as a staffing need.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to staff skills as a staffing need.<sup>2</sup>

✓ ✗ I have provided another example relevant to the case study and linked it to staff skills as a staffing need.<sup>3</sup>

✓ ✗ I have signposted my response by using 'One staffing need'.

✓ ✗ I have referred to the business directly by using 'Vikram' and 'Starscape'.

✓ ✗ I have used connecting words, such as 'Additionally'.

**Other acceptable answers include:**

- Staff knowledge
- Staff ideas

c. [Job analysis is the process of identifying the essential duties, tasks, and responsibilities of a specific role.<sup>1</sup>] [As Vikram is looking to fill three bartending and two chef positions, conducting a job analysis can allow him to understand the types of tasks and responsibilities required for each available position at Starscape.<sup>2</sup>] [Furthermore, job design is the process of organising several duties, tasks, and responsibilities into one specific role.<sup>3</sup>]



[As Vikram is hiring staff to keep up with current demand at Starscape, he may use job design to organise the responsibilities and tasks of each role. For example, Vikram may organise each hired bartender to focus on making a particular set of drinks and each chef to specialise in creating particular food items.<sup>4</sup>]

I have identified and defined job analysis.<sup>1</sup>

I have provided an example relevant to the case study and linked it to conducting job analysis.<sup>2</sup>

I have identified and defined job design.<sup>3</sup>

I have provided an example relevant to the case study and linked it to conducting job design.<sup>4</sup>

I have referred to the business directly by using 'Vikram' and 'Starscape'.

I have used connecting words, such as 'Furthermore'.

- d. [One method of employee induction that Vikram could use is mentoring, which involves a senior employee assisting a new employee in developing the knowledge and skills needed for their role.<sup>1</sup>][Vikram could implement mentoring by asking a more experienced bartender and chef to continually support the new employees and provide advice on how to make the food and drinks offered by Starscape. Mentoring would provide the five new employees with highly qualified colleagues to turn to for advice and ease their stress.<sup>2</sup>][Furthermore, another method of employee induction is on-the-job training, which is a hands-on method in which new employees develop their knowledge and skills within the workplace.<sup>3</sup>][As Starscape is experiencing high levels of customer demand, Vikram could train the new bartenders and chefs at a faster pace to make the food and drinks offered by Starscape. This may allow new employees to quickly become familiar with the cooking and bartending processes and increase their productivity as quickly as possible.<sup>4</sup>]

I have identified and described an employee induction method.<sup>1</sup>

I have provided an example relevant to the case study and linked it to my chosen employee induction method.<sup>2</sup>

I have identified and described another employee induction method.<sup>3</sup>

I have provided an example relevant to the case study and linked it to my chosen employee induction method.<sup>4</sup>

I have signposted my response by using 'One method' and 'another method'.

I have referred to the business directly by using 'Vikram' and 'Starscape'.

I have used connecting words, such as 'Furthermore'.

7. a. [An online recruitment agency is a business that works on behalf of an employer to find suitable job candidates.<sup>1</sup>]

I have defined the term online recruitment agency.<sup>1</sup>

- b. [Equal employment opportunity is the fair treatment and participation of all individuals in the workplace.<sup>1</sup>]

I have defined the term equal employment opportunity.<sup>1</sup>

- c. [One corporate social responsibility (CSR) consideration that Yuchen should address when recruiting staff at Staris is preventing nepotism, which occurs when an employer, or person in power, positions one candidate over another due to familial relations or friendships, including providing them with a job.<sup>1</sup>][As many of the employees at Staris were recruited due to being friends or family of existing staff, nepotism may be disadvantaging other candidates in the recruitment process.<sup>2</sup>][To demonstrate CSR, Staris should ensure that applicants are not advantaged if they know a friend or family member at Staris.<sup>3</sup>]

I have identified and described one corporate social responsibility consideration related to recruiting staff.<sup>1</sup>

I have provided an example relevant to the case study.<sup>2</sup>

I have linked the example to my chosen corporate social responsibility consideration.<sup>3</sup>

I have signposted my response by using 'One corporate social responsibility (CSR) consideration'.

I have referred to the business directly by using 'Yuchen' and 'Staris'.

- d. [One suitable selection method is an interview, which is a meeting that occurs between an employer and a job candidate to determine whether they have the necessary knowledge, skills, and ideas to fulfil the position.<sup>1</sup>][One advantage of using interviews is that it can allow Yuchen to determine whether applicants have the correct coding skills to develop gaming applications.<sup>2</sup>][Another advantage of interviews is that it can allow Yuchen to determine whether a candidate has enough experience to be given the responsibility of a project manager.<sup>3</sup>][Finally, a third advantage is that candidates are able to ask questions about Staris and the gaming project during the interview process.<sup>4</sup>]

I have identified and defined a suitable selection method.<sup>1</sup>

I have provided an example relevant to the case study and linked it to an advantage of my chosen selection method.<sup>2</sup>

I have provided an example relevant to the case study and linked it to a second advantage of my chosen selection method.<sup>3</sup>

I have provided an example relevant to the case study and linked it to a third advantage of my chosen selection method.<sup>4</sup>

I have signposted my response by using 'One suitable selection method' and 'One advantage'.

I have referred to the business directly by using 'Yuchen' and 'Staris'.

I have used connecting words, such as 'Finally'.

**Other acceptable answers include:**

- Psychological testing
- Online selection
- Work testing

8. a. [Loyalty is when an employee is committed to supporting the business achieve its objectives.<sup>1</sup>] [Julius Protection requires employees to protect the privacy and safety of celebrities and politicians. Therefore, loyal employees are more likely to provide a secure and high-quality service to Julius Protection clients.<sup>2</sup>]

I have identified and defined loyalty.<sup>1</sup>

I have provided an example relevant to the case study and linked it to how loyalty can improve a business's ability to achieve its objectives.<sup>2</sup>

I have referred to the business directly by using 'Julius Protection'.

- b. [Developments in technology at Julius Protection have resulted in a fully automated scheduling and booking system.<sup>1</sup>] [This has affected Julius' staffing needs, as Julius Protection must hire an assistant that has the skills and knowledge required to schedule and book services for clients and operate this technology.<sup>2</sup>]

I have provided an example relevant to the case study.<sup>1</sup>

I have linked the example to the effect that developments in technology have on Julius Protection's staffing needs.<sup>2</sup>

I have referred to the business directly by using 'Julius Protection' and 'Julius'.

- c. [One National Employment Standard (NES) that Julius Protection must comply with is maximum working hours, which is the entitlement suggesting that full-time employees can only be requested to work a maximum of 38 hours unless additional hours are reasonable.<sup>1</sup>] [At Julius Protection, Julius' full-time assistant must not be required to work more than 38 hours each week to ensure their employment contract complies with this NES.<sup>2</sup>] [Furthermore, another NES that Julius must comply with is allowing his full-time assistant to take annual leave, which accumulates from year to year.<sup>3</sup>] [To ensure Julius complies with this NES, for each year of service with Julius Protection, the full-time assistant is entitled to four weeks of paid annual leave, or five weeks of paid annual leave in certain circumstances, such as if the assistant is defined as a shift worker.<sup>4</sup>]

I have identified and described one National Employment Standard.<sup>1</sup>

I have provided an example relevant to the case study and linked it to the importance of complying with my chosen National Employment Standard.<sup>2</sup>

I have identified and described another National Employment Standard.<sup>3</sup>

I have provided an example relevant to the case study and linked it to the importance of complying with my chosen National Employment Standard.<sup>4</sup>

I have signposted my response by using 'One National Employment Standard (NES)' and 'another NES'.

I have referred to the business directly by using 'Julius Protection' and 'Julius'.

I have used connecting words, such as 'Furthermore'.

**Note:** Other National Employment Standards (NES) can be used in a response.

- d. [One recruitment method Julius Protection could use is internal recruitment, which is the process of filling job vacancies with existing staff at the business. One advantage of using internal recruitment is that existing employees at Julius Protection are already familiar with, and uphold the privacy and safety requirements of clients.<sup>1</sup>] [Another advantage of internal recruitment is that Julius may not have to assess a large number of candidates if an existing employee is transferred to the assistant role.<sup>2</sup>] [However, one disadvantage is that the existing employees at Julius Protection may not want to transfer from a security role to an assistant role.<sup>3</sup>] [Another disadvantage is that existing employees at Julius Protection may not have the right skills or knowledge to become an assistant, and may instead require additional training.<sup>4</sup>] [Overall, although internally recruited employees may require additional training, internal recruitment can allow Julius to quickly find an assistant that understands the security needs of Julius Protection and its clients.<sup>5</sup>]

I have provided an example relevant to the case study and linked it to an advantage of my chosen recruitment method.<sup>1</sup>

I have provided an example relevant to the case study and linked it to another advantage of my chosen recruitment method.<sup>2</sup>

I have provided an example relevant to the case study and linked it to a disadvantage of my chosen recruitment method.<sup>3</sup>

I have provided an example relevant to the case study and linked it to another disadvantage of my chosen recruitment method.<sup>4</sup>

I have provided an opinion on my chosen recruitment by summarising the advantages and the disadvantages.<sup>5</sup>

I have briefly identified and defined one recruitment method in the first mark.

I have signposted my response by using 'One recruitment method' and 'One advantage'.

I have referred to the business directly by using 'Julius Protection' and 'Julius'.

I have used connecting words, such as 'However' and 'Overall'.

## Unit 2 review

### Section A

1. a. [One advantage of using social media in the marketing process is that a business can increase its website traffic, as social media posts may direct potential customers to its website.<sup>1</sup>] [Conversely, one disadvantage of using social media is that it may be time-consuming for businesses to develop successful social media strategies that increase brand awareness.<sup>2</sup>]

- I have provided an advantage of social media marketing.<sup>1</sup>

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- I have provided a disadvantage of social media marketing.<sup>2</sup>

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- I have signposted my response by using 'One advantage' and 'one disadvantage'.

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- I have used connecting words, such as 'Conversely'.

b. [Record-keeping strategies are methods used to keep track of the financial transactions of a business over a period of time.<sup>1</sup>] [As Mona is worried about her ability to manage Moochy's cash register, record-keeping strategies can be implemented to keep a daily log of the business's incoming and outgoing cash, as well as the reasons behind these monetary changes.<sup>2</sup>]

- I have identified and defined record-keeping strategies.<sup>1</sup>

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- I have provided an example relevant to the case study and linked it to one reason why establishing record-keeping strategies is important.<sup>2</sup>

---

- I have referred to the business directly by using 'Mona' and 'Moochy's'.

c. [One external recruitment method that Mona could use is social media, which is the online platforms that can be used to connect with others and share content, in order to recruit Moochy's new employees.<sup>1</sup>] [One advantage of using social media as a recruitment method is that Mona can advertise the available positions without incurring advertising costs, as social media applications, such as Instagram, are often free to download and allow information to be shared with no associated costs.<sup>2</sup>] [Furthermore, another advantage is that using social media can allow Mona to advertise Moochy's positions to a large number of knowledgeable and experienced candidates.<sup>3</sup>]

- I have identified and defined one external recruitment method.<sup>1</sup>

---

- I have provided an example relevant to the case study and linked it to an advantage of my chosen external recruitment method.<sup>2</sup>

---

- I have provided an example relevant to the case study and linked it to another advantage of my chosen external recruitment method.<sup>3</sup>

---

- I have signposted my response by using 'One external recruitment method' and 'One advantage'.

---

- I have referred to the business directly by using 'Mona' and 'Moochy's'.

---

- I have used connecting words, such as 'Furthermore'.

**Other acceptable answers include:**

- Websites
- Online recruitment agencies

d. [One legal obligation for staffing that Moochy will be required to comply with is ensuring that it upholds requirements related to equal employment opportunity (EEO), which is the fair treatment and participation of all individuals in the workplace.<sup>1</sup>] [Mona could ensure Moochy is compliant with EEO by implementing anti-discrimination policies that require job candidates to be assessed and hired based on their skills and ability to perform the role, regardless of their race, ethnicity, gender, or any other features.<sup>2</sup>] [Furthermore, another legal obligation that Moochy must comply with is laws relating to occupational health and safety (OH&S), which is the management of risks to ensure the protection of the health and safety of everyone in the workplace, including customers, employees, and suppliers.<sup>3</sup>] [Mona could ensure that Moochy is compliant with OH&S requirements by establishing procedures that outline how to safely lift heavy pet stock shipments.<sup>4</sup>]

- I have identified and defined one legal obligation for staffing.<sup>1</sup>

---

- I have provided an example relevant to the case study and linked it to my chosen legal obligation.<sup>2</sup>

---

- I have identified and defined another legal obligation for staffing.<sup>3</sup>

---

- I have provided an example relevant to the case study and linked it to my chosen legal obligation.<sup>4</sup>

---

- I have signposted my response by using 'One legal obligation' and 'another legal obligation'.

---

- I have referred to the business directly by using 'Moochy' and 'Mona'.

---

- I have used connecting words, such as 'Furthermore'.

2. [MECCA is an Australian retailer that sells a variety of beauty products. One customer relations strategy that MECCA has implemented is a customer loyalty program, which involves marketing initiatives that enable customers to gain benefits for frequently purchasing from a business.<sup>1</sup>] [MECCA's Beauty Loop is a customer loyalty program that recognises and provides loyal customers with many benefits, depending on their purchasing status. MECCA's Beauty Loop consists of three tiers, with customers being able to progress through each of the levels by purchasing MECCA products.<sup>2</sup>] [Customers that are a part of MECCA's Beauty Loop are able to enjoy benefits, such as complimentary MECCA Natural Makeup Applications, exclusive insider access to new and limited edition products, and Beauty Loop Boxes. By implementing this customer loyalty program, MECCA has developed a strong customer base as customers receive more value from each of their purchases, thus incentivising them to return regularly.<sup>3</sup>]

- I have identified and defined one customer relations strategy.<sup>1</sup>

---

- I have provided an example relevant to the contemporary case study.<sup>2</sup>

---

- I have linked my example to how my chosen customer relations strategy can optimise customer value.<sup>3</sup>

---

- I have signposted my response by using 'One customer relations strategy'.

I have referred to the business directly by using 'MECCA'.

I have included a brief description of the contemporary case study.

3. a. [One implication of a business failing to maintain positive relationships with its customer base is that it may generate negative publicity in unpaid media and therefore, prevent potential customers from purchasing from the business. As a result, the business's sales, market share, and employee retention are likely to decrease.<sup>1</sup>][Furthermore, another implication is that if the business fails to maintain a positive relationship with its customer base, this may cause irreparable damage to its business reputation and thus, damage the business's customer retention, sales, and market share.<sup>2</sup>]

I have outlined one implication of a business not maintaining a positive relationship with its customer base.<sup>1</sup>

I have outlined another implication of a business not maintaining a positive relationship with its customer base.<sup>2</sup>

I have signposted my response by using 'One implication' and 'another implication'.

I have used connecting words, such as 'Furthermore'.

- b. [Job specifications are the necessary skills, knowledge, and qualifications for a specific role.<sup>1</sup>][Developing job specifications could involve John determining what electrical skills and knowledge candidates would need to perform the job. In addition, John may also assess whether applicants have acceptable electrician qualifications.<sup>2</sup>][Consequently, John can increase the likelihood of appropriately qualified candidates applying for the position at Hi Voltage.<sup>3</sup>]

I have identified and defined job specifications.<sup>1</sup>

I have provided an example relevant to the case study.<sup>2</sup>

I have linked my example to developing job specifications.<sup>3</sup>

I have referred to the business directly by using 'John' and 'Hi Voltage'.

I have used connecting words, such as 'Consequently'.

- c. [One selection method that John could use is an interview, which is a meeting that occurs between an employer and a job candidate to determine whether they have the necessary knowledge, skills, and ideas to fulfil the position.<sup>1</sup>][One advantage of using an interview is that John can ask detailed questions that inform the selection decision, such as whether an applicant has the relevant electrician qualifications.<sup>2</sup>][Additionally, another advantage is that John is able to gain valuable insight into a candidate's personality, attitude, motivation, and ability to perform electrical work through an interview.<sup>3</sup>][Furthermore, a third advantage of using interviews as a selection method is that candidates can assess whether their career goals align with the position at Hi Voltage.<sup>4</sup>]

I have identified and defined a selection method.<sup>1</sup>

I have provided an example relevant to the case study and linked it to an advantage of my chosen selection method.<sup>2</sup>

I have provided an example relevant to the case study and linked it to a second advantage of my chosen selection method.<sup>3</sup>

I have provided an example relevant to the case study and linked it to a third advantage of my chosen selection method.<sup>4</sup>

I have signposted my response by using 'One selection method' and 'One advantage'.

I have referred to the business directly by using 'John' and 'Hi Voltage'.

I have used connecting words, such as 'Additionally' and 'Furthermore'.

**Other acceptable answers include:**

- Psychological testing
- Work testing
- Online selection

4. a. [A target market is a specific group of consumers that a business aims its marketing efforts towards.<sup>1</sup>]

I have defined the term target market.

- b. [One promotional strategy that Reno could utilise is advertising, which is the process of creating a message to publicly promote a business's products.<sup>1</sup>][One advantage of using advertising as a promotional strategy is that Reno can promote its hardware products to reach a wider audience and attract new customers.<sup>2</sup>][Furthermore, another advantage is that Jacques can use online advertising to successfully promote Reno's hardware products to its target market that includes tradesmen, builders, and home-renovators.<sup>3</sup>]

I have identified and described a promotional strategy.<sup>1</sup>

I have provided an example relevant to the case study and linked it to an advantage of my chosen promotional strategy.<sup>2</sup>

I have provided an example relevant to the case study and linked it to another advantage of my chosen promotional strategy.<sup>3</sup>

I have signposted my response by using 'One promotional strategy' and 'One advantage'.

I have referred to the business directly by using 'Reno' and 'Jacques'.

I have used connecting words, such as 'Furthermore'.

**Other acceptable answers include:**

- Sales promotion
- Direct marketing
- Personal selling
- Public relations

c. [One factor within the internal environment that may affect Reno's customer base and brand identity is its employees. Employees directly interact with customers and their service affects how customers perceive the business.<sup>1</sup>] [Jacques should ensure that all of his employees are trained to deliver excellent customer service and are knowledgeable about the hardware and building supplies Reno stocks. This can ensure that customers receive excellent service that encourages repeat purchasing, allowing Reno to establish a strong customer base.<sup>2</sup>] [In addition, by ensuring employees provide outstanding customer service, Jacques can enhance customer perceptions of Reno, thus promoting a strong brand identity.<sup>3</sup>]

✓ ✗ I have identified one factor from the internal environment that may affect a business's customer base and brand identity.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to how my chosen factor can help establish a strong customer base.<sup>2</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to how my chosen factor can help establish a strong brand identity.<sup>3</sup>

✓ ✗ I have signposted my response by using 'One factor'.

✓ ✗ I have referred to the business directly by using 'Reno's' and 'Jacques'.

✓ ✗ I have used connecting words, such as 'In addition'.

**Other acceptable answers include:**

- Owners and managers
- Corporate culture

5. a. [The National Employment Standards are the minimum entitlements an employer owes its employees, which are set out in the Fair Work Act 2009.<sup>1</sup>]

✓ ✗ I have defined National Employment Standards.<sup>1</sup>

b. [One National Employment Standard (NES) that Powerful-Press must comply with is not exceeding maximum working hours, which is the entitlement suggesting that full-time employees can only be requested to work a maximum of 38 hours unless additional hours are reasonable.<sup>1</sup>] [Therefore, Powerful-Press' full-time journalists should only be required to work 38 hours each week to ensure the business's employee contracts are compliant with the NES.<sup>2</sup>] [Moreover, another NES entitlement that Powerful-Press must comply with is providing employees with flexible working arrangements, which involves an employer providing more accommodating conditions for employees if they meet certain criteria.<sup>3</sup>] [Powerful-Press must consider any journalists or other staff who are above the age of 55, are carers, have a disability, or are a parent, as they may be eligible to request flexible working conditions.<sup>4</sup>]

✓ ✗ I have identified and described one National Employment Standard.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to my chosen National Employment Standard.<sup>2</sup>

✓ ✗ I have identified and described another National Employment Standard.<sup>3</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to my chosen National Employment Standard.<sup>4</sup>

✓ ✗ I have signposted my response by using 'One National Employment Standard (NES)' and 'another NES'.

✓ ✗ I have referred to the business directly by using 'Powerful-Press'.

✓ ✗ I have used connecting words, such as 'Moreover'.

**Note:** Other National Employment Standards can be used in a response.

c. [Customer privacy is the administration and protection of sensitive, personal information that customers provide during their interactions and transactions with a business.<sup>1</sup>] [A customer base is a group of consumers who continuously purchase goods and services from a business.<sup>2</sup>] [One way that protecting customer privacy can assist Powerful-Press to maintain a positive relationship with its customer base is by securing sensitive customer information, such as home addresses. In doing so, Powerful-Press can improve its brand image and strengthen its reputation. This may lead to customers developing a more positive perception of the business, allowing Powerful-Press to maintain a strong customer base.<sup>3</sup>]

✓ ✗ I have identified and defined customer privacy.<sup>1</sup>

✓ ✗ I have identified and defined customer base.<sup>2</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to how protecting customer privacy can assist in maintaining a loyal customer base.<sup>3</sup>

✓ ✗ I have signposted my response by using 'One way'.

✓ ✗ I have referred to the business directly by using 'Powerful-Press'.

d. [One extension strategy that Powerful-Press could use is creating an improved, updated version of its magazines to prevent the product from lagging behind any competing alternatives.<sup>1</sup>] [Powerful-Press could create a new version of its magazine that can be provided digitally to subscribing customers. This update could assist Powerful-Press to extend the product life cycle of its magazines.<sup>2</sup>]

✓ ✗ I have identified and described an extension strategy.<sup>1</sup>

✓ ✗ I have provided an example relevant to the case study and linked it to my chosen extension strategy.<sup>2</sup>

✓ ✗ I have signposted my response by using 'One extension strategy'.

✓ ✗ I have referred to the business directly by using 'Powerful-Press'.

**Other acceptable answers include:**

- Exporting to new countries
- Changing promotion techniques

## Section B

1. [Corporate social responsibility (CSR) is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic, and environmental impacts when making business decisions.<sup>1</sup>]

I have defined the term corporate social responsibility.<sup>1</sup>

2. [One advantage of choosing socially responsible suppliers is that the business can improve its reputation as customers may be more inclined to purchase from a business that is working with socially responsible suppliers, therefore improving its competitiveness.<sup>1</sup>][On the other hand, one disadvantage is that inputs sourced from ethical suppliers may be more expensive as these suppliers typically have higher wage costs compared to cheaper, unethical suppliers.<sup>2</sup>]

I have provided an advantage of choosing socially responsible suppliers.<sup>1</sup>

I have provided a disadvantage of choosing socially responsible suppliers.<sup>2</sup>

I have signposted my response by using 'One advantage' and 'one disadvantage'.

I have used connecting words, such as 'On the other hand'.

3. [One effect on ARK's staffing needs due to technological advancements is the increased need for employees with the right skills to operate the technology effectively.<sup>1</sup>][As ARK aims to live stream its launch of E-BIKE online, it may need to hire a new digital marketing employee to run and manage this event online.<sup>2</sup>]

I have identified and described one effect of technological developments on staffing needs.<sup>1</sup>

I have provided an example relevant to the case study and linked it to the effect of technological developments on staffing needs.<sup>2</sup>

I have signposted my response by using 'One effect'.

I have referred to the business directly by using 'ARK's'.

4. [Data analytics is the process of examining information that has been collected by businesses in order to draw conclusions and make effective decisions.<sup>1</sup>][By analysing data that has been collected by a business, including customers' past purchases or search histories, a business can better understand customer behaviour. This can help a business understand how consumers have responded to marketing strategies in the past.<sup>2</sup>][Moreover, a business can also use data analytics to implement appropriate marketing strategies, such as sending personalised and targeted advertisements to its customers to increase sales.<sup>3</sup>]

I have defined data analytics.<sup>1</sup>

I have provided an example of how data analytics can have an impact on marketing practices.<sup>2</sup>

I have provided another example of how data analytics can have an impact on marketing practices.<sup>3</sup>

I have used connecting words, such as 'Moreover'.

5. [One advantage of ARK generating contacts with overseas suppliers is that the business may be able to obtain cheaper resources, such as lithium batteries from China.<sup>1</sup>][Moreover, another advantage is that ARK may have a wider range of suppliers that it can choose to source inputs from.<sup>2</sup>][On the other hand, one disadvantage of sourcing from overseas suppliers is that ARK may risk its batteries being damaged during the transportation process from China to Australia.<sup>3</sup>][Furthermore, another disadvantage is that if ARK chooses to source inputs from overseas suppliers, cheaper inputs may be of a lower quality. This can lead to a decrease in the quality of vehicles produced by ARK and thus decrease customer satisfaction.<sup>4</sup>]

I have provided an example relevant to the case study and linked it to an advantage of generating contacts with overseas suppliers.<sup>1</sup>

I have provided an example relevant to the case study and linked it to another advantage of generating contacts with overseas suppliers.<sup>2</sup>

I have provided an example relevant to the case study and linked it to a disadvantage of generating contacts with overseas suppliers.<sup>3</sup>

I have provided an example relevant to the case study and linked it to another disadvantage of generating contacts with overseas suppliers.<sup>4</sup>

I have signposted my response by using 'One advantage' and 'another advantage'.

I have referred to the business directly by using 'ARK'.

I have used connecting words, such as 'Moreover' and 'Furthermore'.

6. [One factor that ARK should consider when choosing suppliers is reliability. Reliable suppliers are able to deliver inputs on time.<sup>1</sup>][ARK should ensure that its suppliers are reliable, meaning they are able to deliver the required inputs, such as lithium batteries, on time, as this enables production to occur smoothly and on time.<sup>2</sup>][Moreover, another factor ARK should consider is the price of the supplier's inputs. Lower priced inputs allow a business to maintain low operational costs, which can be passed down to customers through cheaper prices.<sup>3</sup>][ARK should ensure that the supplier it chooses provides affordable prices, as the price of inputs can significantly affect the business's operational costs and therefore, profit.<sup>4</sup>]

I have identified and described a factor to consider when choosing suppliers.<sup>1</sup>

I have provided an example relevant to the case study and linked it to my chosen factor.<sup>2</sup>

I have identified and described another factor to consider when choosing suppliers.<sup>3</sup>

I have provided an example relevant to the case study and linked it to my chosen factor.<sup>4</sup>

I have signposted my response by using 'One factor' and 'another factor'.

I have referred to the business directly by using 'ARK'.

I have used connecting words, such as 'Moreover'.

**Other acceptable answers include:**

- Quality
- Location
- Social responsibility

7. [The Model-A12 is in the growth stage of the product life cycle.<sup>1</sup>]  
[During the growth stage of the product life cycle a business will experience fast sales growth for its product and competitors will start to enter the market.<sup>2</sup>][As the Model-A12 is in the growth stage of the product life cycle, Mila should consider the product element of the marketing mix by improving the quality, design, and features of the cars, such as updating the car software.<sup>3</sup>][Additionally, as the Model-A12 is gaining popularity in both Australia and the United States, Mila should also modify the place element of the marketing mix by increasing distribution efforts. This could involve opening new retailers in both Australia and the United States.<sup>4</sup>]

I have identified the growth stage of the product life cycle.<sup>1</sup>

I have described the growth stage of the product life cycle.<sup>2</sup>

I have provided an example relevant to the case study and linked it to one element of the marketing mix during the growth stage.<sup>3</sup>

I have provided an example relevant to the case study and linked it to another element of the marketing mix during the growth stage.<sup>4</sup>

I have referred to the business directly by using 'Mila'.

I have used connecting words, such as 'Additionally'.

**Other acceptable answers include:**

- Promotion
- Price

**Note:** The growth stage is the only acceptable answer.

# GLOSSARY

## A

**Accountant** is a professional who manages, updates, analyses, and reports a business's financial information. p. 224

**Artificial intelligence** is software that is able to mimic the behaviour of humans. p. 344, 392

## B

**Bank account** is an arrangement made with a bank where a business or individual can deposit and withdraw money. p. 239

**Bricks-and-mortar business** is a business model that has a physical store presence. p. 84

**Business associations** are organisations that advise and support businesses in a particular industry. p. 209

**Business concept** is a brief outline of the business's idea, its main selling activities, and the features that will provide it with a competitive advantage. p. 33

**Business goals** are what a business wants to achieve within a specific time frame. p. 28

**Business location** is the physical or non-physical place that a business operates from. p. 103

**Business mentor** is an experienced and knowledgeable business person who provides guidance and advice. p. 122

**Business model** is a plan that identifies how the business will operate to make a profit. p. 82

**Business name** is the title that a business operates under and what customers use to identify the business. p. 233

**Business objectives** are the goals a business intends to achieve. p. 277

**Business plan** is a document that outlines a business's goals and objectives, as well as strategies to achieve them. p. 126

**Business planning** is the process of establishing a business's goals and developing strategies to achieve them. p. 126, 146

**Business support services** are the specialised people, facilities, or amenities that aim to help businesses successfully operate. p. 119

## C

**Capital resources** are man-made goods used in the production of goods and services. p. 98

**Changing customer needs** are the transitions in the desires of consumers. p. 21

**Competitors** are businesses that operate in the same or similar industry and offer a similar good or service. p. 198

**Consumer behaviour** is the actions of those who purchase goods and services for consumption. p. 303

**Consumer confidence** is a measure of consumers' feelings and expectations about current and future economic conditions. p. 166

**Consumer trends** are developed patterns in consumer behaviours, attitudes, and values. p. 304

**Copyright** is free and automatic protection used on original ideas such as writing, art, sound, films, and photographs. p. 182

**Corporate culture** is the shared values and beliefs of a business and its employees. p. 282

**Corporate social responsibility (CSR)** is the ethical conduct of a business beyond legal obligations, and the consideration of social, economic, and environmental impacts when making business decisions. p. 96, 133, 188, 248, 488

**Council grant** is a one-off financial payment from a local council to a business, which does not need to be repaid, that aims to support business ideas and development. p. 51

**Council regulations** are local government rules made to govern businesses operating in a specific geographic area. p. 153

**Crisis public relations** is a business reactively communicating to various publics in response to an issue that can negatively affect its reputation. p. 358

**Customer base** is a group of consumers who continuously purchase goods and services from a business. p. 276

**Customer database** is a collection of information about existing and potential customers. p. 260

**Customer expectations** are the values or benefits that customers seek when purchasing a good or service from a business. p. 194

**Customer loyalty programs** are marketing initiatives that enable customers to gain benefits for frequently purchasing from a business. p. 335

**Customer needs** are the essential requirements that customers intend to fulfil with the purchase of a good or service from a business. p. 194

**Customer privacy** is the administration and protection of sensitive, personal information that customers provide during their interactions and transactions with a business. p. 368

**Customer relations** is the way a business creates, builds, and maintains customer relationships. p. 333

## D

**Data analytics** is the process of examining information that has been collected by businesses in order to draw conclusions and make effective decisions. p. 345

**Debt capital** is money that has been lent to a business by an external source that must be paid back over time with interest. p. 114

**Decision-making** is the skill of selecting a suitable course of action from a range of plausible options. p. 30



**Direct-to-consumer business** is a business model where the business's products are sold directly to consumers with no intermediaries involved. p. 84

## E

**Economic conditions** are the conditions that exist in relation to the productive performance and financial stability of a nation or other geographical area. p. 163

**Economic growth** is when the total value of goods and services produced by an economy increases over a period of time. Economic growth can be measured by gross domestic product (GDP). p. 45

**Economic wellbeing** is reflected by the level of income, consumption, and wealth people or households have to support their material living standards. p. 44

**Email marketing** is the process of sending personalised electronic messages to existing customers to promote a business's goods and services. p. 342

**Employment contract** is a legal document that outlines the wages and work conditions of an employee within a business. p. 428

**Employment laws and regulations** are rules that govern the relationship between employers and employees. p. 151

**Employment level** is measured as the percentage of the labour force who are working in paid employment. p. 164

**Entrepreneur** is an individual who starts up a business and takes on the associated risks in order to satisfy a need in the market. p. 5, 15

**Entrepreneurship** is the process of establishing a business to satisfy a need in the market whilst taking on the associated risks. p. 4

**Environmental legislation** is the set of laws that aim to preserve the environment. p. 152

**Environmental lobby groups** are organisations that advocate for the protection of the environment and promote environmental issues to businesses, the government, and the public. p. 210

**Equity capital** is money contributed to a business by an investor in exchange for partial ownership. p. 112

**Exchange rate** is the relative price at which the currency of one country can be exchanged for the currency of another country. p. 178

**Exporter** produces goods and services in its home country and sells them to overseas buyers. p. 87

**External environment** involves the surrounding factors that can impact a business, which it has minimal control over. p. 64, 146

**External professionals** are highly-skilled individuals that businesses hire to provide expertise in a particular area of operation. p. 224

## F

**Financial adviser** is a professional who provides expert advice to individuals and businesses related to monetary matters, personal finances, and potential investments. p. 225

**Financial control systems** are processes and procedures used to direct and monitor a business's finances. p. 240

**Financial independence** is the ability to fund a desired lifestyle without relying on income from another individual. p. 9

**Formal networks** are interconnected groups of people and official organisations that assist in offering professional support to business owners. p. 121

**Franchise** is a business model that grants another person the right to operate under its name, use its business systems, and sell its goods and services. p. 85

**Fulfilling a market need** is when a business fills a gap in the market by addressing customer needs that are currently unmet or underrepresented by competitors in the same industry. p. 9

**Fulfilling a social need** is improving society and the environment through business activities. p. 10

## G

**Global market** is the area in which businesses trade goods and services, comprised of both businesses and customers from countries all across the world. p. 24

**Government business enterprise (GBE)** is a business that is owned and operated by the government. p. 77

**Grant** is money provided by a government or another organisation for a particular reason. p. 114

**Green marketing** is an advertising strategy that involves highlighting the environmental benefits of a good or service. p. 367

## I

**Importer** purchases goods and services from overseas and sells them in its home country. p. 87

**Information and Communications Technology (ICT) specialist** is a professional who develops and maintains the systems used by businesses to store and retrieve data. p. 226

**Industry regulations** are rules that are specific to businesses within a certain industry. p. 153

**Informal network** is an unofficial interconnected group. p. 122

**Infrastructure** is the essential facilities and structures that are required for an economy to operate. p. 45

**Initial feasibility study** is a researched evaluation of how viable a business concept is. p. 40

**Innovation** involves creating and implementing new ideas or significantly improving upon an existing good, service, or way of doing something. p. 19

**Intellectual property (IP)** is an original creation of the mind that can be legally owned. p. 34

**Interest rate** is the price paid for money that has been borrowed, expressed as a percentage. p. 163

**Internal environment** involves factors within a business that a business has control over. p. 64, 281

**Internal recruitment** is the process of filling job vacancies with existing staff at the business. p. 402

**International trade** is the exchange of goods and services between different countries. p. 46

**Interview** is a meeting that occurs between an employer and a job candidate to determine whether they have the necessary knowledge, skills, and ideas to fulfil the position. p. 413

**Intranet** is a private computer network used to share information within a business. p. 403

## J

**Job analysis** is the process of identifying the essential duties, tasks, and responsibilities of a specific role. p. 397

**Job description** is a summary of the duties, tasks, and responsibilities of a specific role. p. 398

**Job design** is the process of organising several duties, tasks, and responsibilities into one specific role. p. 399

**Job security** is the likelihood of an employee keeping their job. p. 434

**Job specifications** are the necessary skills, knowledge, and qualifications for a specific role. p. 398

## L

**Labour resources** are the people who provide the business with their skills and qualifications to conduct business activities. p. 97

**Legal adviser** is a professional who provides expert advice to businesses related to their legal responsibilities. p. 227

**Legal and government regulations** are the laws and rules made by parliaments and governments, as well as decisions made by the courts. p. 151

**Loyalty** is when an employee is committed to supporting the business achieve its objectives. p. 429

## M

**Macro factors** are social, legal, technological, and economic conditions that a business operates in and has no control over. p. 17, 64, 146

**Making a profit** involves a business generating more revenue than expenses it incurred. p. 9

**Management of data** is the practice of collecting, organising, using, and storing data securely so businesses can use this information to make effective decisions. p. 346

**Manager** is an individual who has the responsibility of overseeing and handling employees whilst also running the day-to-day business tasks to achieve objectives. p. 13

**Market dimensions** are an indication of the total number of potential customers who could purchase a product from a business in a particular market. p. 301

**Market opportunity** is a need or want that is not currently being met by any business. p. 20

**Market research** is the process of investigating and analysing the activities and behaviours of customers and competitors in a specific industry. p. 295

**Market segmentation** is the process of dividing a market into different groups of consumers that share similar characteristics. p. 302

**Marketing adviser** is a professional who provides expert advice to businesses in relation to promoting and selling their products. p. 228

**Marketing** is the process of implementing strategies to price, promote, and distribute products to current and potential customers. p. 276

## N

**National Employment Standards (NES)** are the minimum entitlements an employer owes its employees, which are set out in the Fair Work Act 2009. p. 421

**Natural resources** are raw materials from the environment that are used in the production of goods and services. p. 96

## O

**Occupational health and safety** is the management of risks to ensure the protection of the health and safety of everyone in the workplace, including customers, employees, and suppliers. p. 438

**Offshoring of labour** involves a business moving its services or processes to another country. p. 177

**Online business** is a business model where goods and services are traded via the internet. p. 82

**Online recruitment agency** is a business that works on behalf of an employer to find suitable job candidates. p.408

**Online sales** involve buying and selling goods and services using the internet and is also referred to as e-commerce. p. 178

**Online selection** is the process of choosing an employee based on online forms completed by a job applicant. p. 416

**Operating factors** are the primary external factors impacting a business that it has some control over. p. 64, 148, 285

**Overdraft facilities** are agreements between banks and businesses or individuals, that allow a bank account to be withdrawn below zero. p. 115

**Overseas competitors** are businesses that are located in other countries that operate in the same industry and offer a similar good or service. p. 175

**Overseas markets** are any markets that are outside of a business's own country of operation. p. 176

**Overseas recruitment** is the process of filling job vacancies with individuals who are not currently located in Australia. p. 451

**Overseas retailers** are individuals or businesses that sell goods and services directly to customers overseas. p. 264

**Overseas suppliers** are individuals or businesses that sell raw materials or resources in a country overseas. p. 262

## P

**Partnership** is a business structure that is owned by two to 20 owners. p. 71

**Patent** is a licence that provides a business with exclusive rights to use innovative devices, substances, methods, and processes. p. 184

**People** are the individuals that influence a customer's perception of a business and its products. p. 319

**Personal independence** involves a person being in control of their own decisions and actions. p. 8

**Physical evidence** is the environment in which the business and customer interact. p. 320

**Place** is an element of the marketing mix relating to how a business distributes its product to customers. p. 311

**Planned public relations** is a business proactively communicating intended messages to various publics. p. 356

**Policies** are written statements that outline the expected performance and behaviour of employees. p. 253

**Price** is the amount that a customer pays for a good or service. p. 309

**Private limited company** is an incorporated business structure that has at least one director and a maximum of 50 shareholders. p. 73

**Procedures** are a series of actions that employees must follow in order to abide by the business's policies. p. 254

**Process** is the procedure set in place throughout the entire customer purchasing experience at a business. p. 322

**Product life cycle** is a series of stages that a product will pass through from the moment it is introduced to the market until it becomes obsolete or replaced. p. 326

**Product** is a good or service that is offered to consumers to satisfy a need or want. p. 307

**Promotion** is the marketing communications used by a business to inform, promote, and remind its target market about its product. p. 313

**Psychological testing** is a scientific method of examining a job applicant's behavioural style and reasoning skills. p. 414

**Public listed company** is an incorporated business that has an unlimited number of shareholders and lists and sells its shares on the ASX. p. 74

**Public relations (PR)** is communicating an intended message to the public to create and sustain a positive business reputation. p. 350

## Q

**Quality customer service** is a business consistently going above and beyond expected performance to ensure customers are satisfied with their experience. p. 333

## R

**Record-keeping strategies** are methods used to keep track of the financial transactions of a business over a period of time. p. 242

**Remuneration** is the money an employee receives from an employer in exchange for the work they complete. p. 434

**Research and development** involves directing resources, such as money, towards discovering, creating, and introducing new products and processes. p. 22, 46

**Resources** are the items required by a business to produce its goods and services. p. 96

**Robotics** are programmable machines that are capable of performing specified tasks. p. 393

## S

**Search engine optimisation** is a process used by businesses to ensure their website ranks higher in search results when customers search for goods or services related to the business online. p. 343

**Social enterprise** is a type of business that aims to fulfil a community or environmental need by selling goods or services. p. 75

**Social media** is the online platforms that can be used to connect with others and share content. p. 340, 408

**Social wellbeing** is a measure of the quality of life individuals have, reflected by their non-material living standards. p. 46

**Societal attitudes** are the collective values, beliefs, and opinions held by a group of people. p. 158

**Societal behaviour** is the way people act and respond in various situations. p. 158

**Software** is the programs used on computers and other electronic devices. p. 391

**Sole trader** is a business structure that is owned and operated by one individual. p. 70

**Special interest groups** are organisations or a group of people that seek to influence laws, policies, or behaviours to benefit a specific cause. p. 208

**Staff** are the people who work for businesses in exchange for payment. p. 382

**Staffing needs** are the requirements a business has for employees. p. 386

**Start-up hubs** are physical spaces that individuals and businesses can utilise in order to have office facilities to work in, or to obtain support regarding business matters. p. 53

**Suppliers** are individuals or businesses that provide the resources required to produce goods and services. p. 202

**Supply chain** is the network of individuals or businesses that are involved in producing and distributing a good or service to customers. p. 202

**SWOT analysis** is a planning analysis tool that helps a business identify its internal strengths and weaknesses, as well as any external opportunities and threats. p. 128

## T

**Target market** is a specific group of consumers that a business aims its marketing efforts towards. p. 303

**Tax compliance** is the extent to which an individual or business meets tax obligations. p. 235

**Tax rate** is the percentage of income or spending that is required to be paid to the government by individuals or businesses. p. 165

**Tax** is a compulsory payment to the government, which is used to finance the provision of public goods and services. p. 45

**Taxation requirements** are laws and rules related to tax that apply to all businesses. p. 154

**Technological developments** are the invention and innovation of tools that solve problems and enhance processes. p. 23, 169, 340

**Terms of notice** are written communications that an employee must provide to a business within a certain amount of time before leaving their position. p. 430

**Trade practices legislation** is the law that governs how a business interacts with customers and competitors. p. 234

**Trademark** is an exclusive right granted over a unique aspect of a business, such as a symbol, word, sound, or number, that is used to distinguish the business or its products. p. 183

**Trend** is a general development in the way a group of people in society are behaving. p. 159

## U

**Unions** are organisations composed of individuals who represent and speak on behalf of employees in a particular industry to protect and improve their wages and working conditions. p. 208

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## V

**Values and beliefs** are the principles, standards, and assumptions upheld by individuals or a group of people, which influence how they make decisions. p. 158

## W

**Websites** are a collection of web pages and content, published on at least one web server, that is identifiable by a common domain name. p. 407

**Website domain** is a website address that identifies a business's online site. p. 234

**Word of mouth** is the verbal communication of information between individuals. p. 403

**Work safe insurance** is compulsory insurance that assists employers to meet their obligation of financially compensating and supporting employees who become injured or ill because of their work. p. 236

**Work testing** is the process of administering practical or written assessments to determine the suitability of a job candidate for a position. p. 415

**Work-life balance** is the division of a person's time between the demands of their job and their personal life. p. 435

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