

2024 Business Management Question and Answer Book

Written Trial Examination

- Reading time: 15 minutes
- Writing time: 2 hours

Approved materials

- Students are permitted to bring into the examination room: pens, pencils, highlighters, erasers, sharpeners and rulers.
- Students are **not** permitted to bring into the examination room: blank sheets of paper and/ or correction fluid/tape.
- No calculator is allowed in this examination.

Instructions

- Write your **name** in the space provided above on this page.
- All written responses must be in English.

Students are **not** permitted to bring mobile phones and/or any other unauthorised electronic devices into the examination room.

| Contents | pages |
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| Section A (4 questions, 40 marks) _____ | 3-11 |
| Section B (7 questions, 35 marks) _____ | 12-20 |
| Extra space for responses _____ | 21-22 |



Section B – Case study

Instructions

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

Case Study

The following is a speech made at a staff meeting by Coco Paitaridis, CEO and majority shareholder of Independent Food Stores Pty Ltd.

“Thank you all for your amazing contributions to updating our environmental policy and sourcing new eco-friendly suppliers for our stores. It has been an amazing group effort. I was so pleased that many of you know so many eco-friendly suppliers and brands, and know so much about how to reduce our impact on the environment. It was so tough to choose our new suppliers. We had all our employees suggest their preferences.

I’m pleased to announce that we will be changing our supplier of paper bags. The new paper bags will be sourced from the incredible German company, Releaf Bags. This company makes paper bags out of fallen leaves and are 100% recyclable. The new paper bags will cost a little more for our customers to purchase, but I think they will appreciate our efforts to have less of an impact on the environment.

Further, I have decided to change suppliers for our stoned fruits. Charlotte’s Fruits will be used exclusively for all our stoned fruit. They are a terrific local business who grow the best peaches, apricots and nectarines in the whole of Australia. Just amazing quality and ethically grown. All four stores will benefit from not only the high quality produce, but we can feel good about supporting a local business in these tough times, while upholding our core value of always choosing local when possible.

Finally, the last change we will be making for 2025 is installing solar panels that can generate electricity for all our stores. These solar panels will take time to install as they are coming from China. However, once they are up and running, we will have renewable energy. If only my grandfather, who started this business, could see this now. Just incredible.

On a sad note, we farewell Jan Smith, our Human Resource Manager who will be retiring after 40 years of working with us. Jan leaves a team that has remained together for 14 years. That is a testament to you, Jan. You have created a positive working environment where your team members value each other and the business. I look forward to working with Michael, our new Human Resource Manager. Michael will be implementing training for all staff to ensure our sustainability changes can be made as smoothly as possible.

Thank you all again for your wonderful input. I wish you all a productive week.”

Student Name: _____

2024 Business Management

Suggested Solutions

Written Trial Examination

| Section | Number of questions | Number of marks |
|---------|---------------------|-----------------|
| A | 4 | 40 |
| B | 7 | 35 |
| | | Total 75 |



Section A

Question 1 (11 marks)

| | June 2022 | June 2023 | June 2024 |
|-------------------------------|-----------|-----------|-----------|
| Percentage of market share | 8% | 6% | 22% |
| Number of workplace accidents | 7 | 4 | 3 |
| Number of website hits | 52 | 68 | 94 |
| Number of sales | 1,439 | 1,681 | 1,185 |

In January 2024, 'Karaoke Kings' opened its fifth location in the heart of Melbourne after buying the major rival business 'Singing Shenanigans' in December 2023.

- a. Define the term key performance indicator (KPI). Referring to percentage of market share and **two** other KPIs from the table above, analyse the performance of the business. 7 marks

Marking Guide

| Marks (cumulative) | Description |
|--------------------|---|
| 1 | Correct definition of KPI |
| 2 | Accurate description of Market Share, with appropriate link /application to case study i.e. why Karaoke Kings needs to look at this KPI |
| 2 | Define 2nd KPI and analyse the performance of the business (specific links to the case study) |
| 2 | Define 3rd KPI and analyse the performance of the business (specific links to the case study) |

Note for this question

- Market Share has increased due to the major rival business no longer in existence. Therefore Karaoke Kings are the leading Karaoke business in Melbourne. Whilst they have more of the market, sales have dropped, meaning less people are going to Karaoke. Whilst there has been an increase in website hits (less competition), these hits aren't translating into sales, as sales have dropped.
- The number of sales has continued to decrease unfavourably although buying the rival business.

Suggested Response

Key performance indicators (KPI's) are specific criteria used to measure the extent to which a business has achieved their objectives.

One KPI which could be used by Karaoke Kings (KK) to evaluate their performance is percentage of market share. This describes the percentage of sales KK has in the Melbourne karaoke market against its competitors. The data available shows that KK experienced an initial unfavourable decrease in market share in 2023 - likely due to the presence of their competitor Singing Shenanigans (SS). The data reveals a favourable increase the following year following their acquisition of SS. This indicates that KK's acquisition of the SS venue has been successful in

increasing their market share, as they now have less competition and control a higher proportion of the karaoke market in Melbourne.

Another KPI which may be useful to evaluate KK's business performance is their number of sales, which describes the amount of karaoke services sold by KK in a given time. Though experiencing an initial favourable increase in sales from June 2022-23, KK then experienced a significant unfavourable decrease in number of sales by 2024. This information indicates that, although KK was able to significantly increase their market share through the acquisition of SS, they have not increased the actual number of customers purchasing their karaoke services. This shows KK that they may need to pursue other routes such as differentiation to increase the profitability of their business, rather than simply buying out competing venues.

Number of website hits refers to the number of times people visit a website in a specific period of time. KK's number of website hits has experienced a favourable increase from 2022-24, rising marginally from 52 to 68 by 2023 and then to 94 by 2024. This indicates that KK's acquisition of SS's store did generate more online interest from potential and actual consumers, most likely as they have expanded into a new area with a new range of potential consumers.

- b. Evaluate a management strategy that the CEO could use to seek new business opportunities to increase profit. 4 marks

Marking Guide

| Marks (cumulative) | Description |
|-----------------------|--|
| 1 | Outline of management strategy |
| 1 | Strengths of how chosen management strategy will increase profit with link to the case study |
| 1 | Weakness of how chosen management strategy will increase profit with link to the case study |
| 1 | Overall statement with relevant link/ application to the case study |

Suggested Response

Innovation is the process which involves altering and improving, or creating new products and procedures. For example, Karaoke Kings (KK) could implement innovation into their karaoke experiences by allowing customers to customise their own songs or having a new range of international songs.

One strength of this is to create a new product which may not be available through other karaoke businesses. Using innovation to create such a unique experience may allow KK to increase their sales by encouraging customers to visit their venues over those of competing karaoke businesses. An increase in sales could therefore help KK increase their revenue, which may lead to an increase in profit (revenue minus expenses).

One weakness of innovation is the cost of buying the new technology to allow customers to mix their own songs and the cost involved in buying the rights to use international songs in the venues. This may result in a decrease in profits.

Overall, KK should use innovation as although they have expanded their business by buying a competitive business, their sales have decreased unfavourably. With the new innovative products, this may attract new customers to the business and improve their profit results.

Question 2 (6 marks)

Referring to at least one contemporary business case study, explain the **two** key approaches to strategic management using Porter's Generic Strategies.

Marking Guide

| Marks (cumulative) | Description |
|--------------------|---|
| 2 | Explain Porter's Generic strategy of lower cost |
| 2 | Explain Porter's Generic strategy of differentiation |
| 2 | Business Example (at least 1 but can use more than 1) |

Suggested Response

The low-cost strategy describes the process in which a business sets out to **be the lowest cost producer in a particular industry** in order to provide a lower price than competitors. A business may implement the low-cost strategy through measures such as using technology to save on labour costs and increase production, reducing the size or variety of products on offer, or buying ingredients or stock in bulk. For example, Coles has recently introduced automated 'smart gates' at their self-checkouts, allowing paying customers to exit the store and deterring theft from the self-checkout area. By deterring theft, Coles are ensuring they can prevent unnecessary loss of revenue through excessive theft, allowing them to continue providing their customers with low prices on their supermarket goods.

The differentiation strategy is when a business makes its products or services more uniquely desirable to customers. This is through a point of difference from their competitors such as innovation, development, research, increased quality or offering a 'premium' product. This strategy is appropriate when the target market is not price sensitive, and can help to develop brand loyalty. For example, Qantas recently became the first Australian airline to offer a direct service from Sydney/Perth to Rome. This point of difference differentiates the airline from its other competitors in the Australian market, prompting consumers who would like to travel directly from Australia to Europe with no stopover to choose Qantas' air travel services over that of competitors.

Question 5 (5 marks)

Describe and justify **one** global consideration Coco Paitaridis would need to consider in making these environmental changes.

Marking Guide

| Marks (cumulative) | Description |
|--------------------|--|
| 2 | Describe one global consideration (global sourcing of inputs - solar panels coming from China) |
| 3 | Advantages of the global consideration with links to the case study |

Note for this question

Substantial depth of response and links to the case study are required to achieve full marks.

Suggested Response

Global sourcing of inputs describes the selection and use of suppliers to purchase inputs from an overseas location. Coco has considered sourcing inputs globally through solar panels, which are coming from China, and 'Releaf' bags coming from Germany.

One advantage of considering the global sourcing of inputs is that it may allow businesses such as Independent Food Stores to purchase their inputs at a lower price, due to the lower costs of labour and other inputs in foreign countries compared to within Australia. Coco could then redirect the money saved through sourcing her solar panels from China towards other measures aiding sustainability. This could be done by purchasing some type of biodegradable packaging for the fresh fruit her stores are selling.

Another advantage of global sourcing of inputs is that it allows Independent Food Stores to select from a wider range of inputs and goods than what may be available in Australia. Companies such as 'Releaf' may not currently exist in Australia, so by searching in the German market Coco has opened up the scope of inputs available to her business, ultimately helping her choose the most appropriate biodegradable shopping bags to better align Independent Food Stores with their new environmental policy.