

BUSINESS MANAGEMENT UNIT 1

Business Management Unit 1 exam 2019 and suggested answers

DION COHEN | YESODEI HATORAH COLLEGE

The following exam covers the three areas of study in VCE Business Management Unit 1.

The exam consists of three sections (A, B and C) that correspond to the three areas of study in Unit 1 (1, 2 and 3). Each section has a case study with structured questions.

The exam is presented in the form of a question and answer book. All questions are compulsory and the total marks available are 75.

The number of lines provided after each question and the number of marks allocated to each question indicate the appropriate length of a response.

Additional space is provided at the end of the question and answer book.

The exam and suggested answers are based on the author's interpretation of the *VCE Business Management Study Design* (2017-2021) and have no official status.

Teachers are advised to preview and evaluate all *Compak* assessment material before distributing it to students.

Name: _____ Teacher: _____

BUSINESS MANAGEMENT UNIT 1

Written examination 2019

Reading time: 15 minutes

Writing time: 2 hours

QUESTION AND ANSWER BOOK

Structure of book

<i>Number of questions</i>	<i>Number of questions to be answered</i>	<i>Number of marks</i>
Section A—6	6	25
Section B—8	8	25
Section C—5	5	25
		Total 75

- 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 white-out liquid/tape.
- No calculator is allowed in this examination.

Materials supplied

- Question and answer book.
- Additional space is available at the end of the book if you need extra paper to complete an answer. Clearly label all answers with the appropriate section and question number.

Instructions

- Write your name and your teacher's name in the spaces 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.

SECTION A: 'THE BUSINESS IDEA'

Instructions

Read the following case study and answer **all** questions in the spaces provided.

PURE PONICS

Pure Ponics Pty Ltd is a Geelong-based innovative urban farming business established in 2016 by entrepreneurs Steve Gleeson and Paul Hopper. Pure Ponics produces fresh, safe and sustainable food without the use of chemicals usually associated with food production, and uses around 90% less water than conventional growing methods. Pure Ponics uses the agricultural technique of aquaponics, whereby plants and fish are grown together within a carefully managed and balanced ecosystem. The fish are fed organic food while microbes convert their waste into nutrients for the plants. Both fish and vegetables are produced for consumption in the Geelong area.

Steve and Paul both had prior business experience and a passion for agriculture, in particular food production, and set out to try and solve some of the problems associated with growing food. They wanted to improve the future of growing and supplying premium, clean, secure, tasty, fresh food in a sustainable way with the least waste and impact on the environment. With an expanding population, traditional farmland is being lost to urban sprawl and development, and the food supply is moving further away from consumers. As a result, produce needs to be stored for longer, which requires the use of chemicals. These problems can be resolved through aquaponics, which enables food to be produced indoors all year round.

Steve and Paul became aware of aquaponics while working on large-scale projects. They conducted research into who else was already operating aquaponics businesses and what was required to set up a business that uses aquaponics. The next phase was to cost it and see what was needed for the business to become economically viable. They initially funded the business themselves and others have since invested in the business, bringing along their own expertise.

The goal of Pure Ponics is to create the highest yielding food production system to bring food back to where people live, while minimising waste and leaving the smallest ecological footprint possible. The business has collaborated with Deakin University through a five-year research agreement, with the aim of ensuring that the Pure Ponics system is the most productive and efficient in the world.

References

Pure Ponics and the green future of agriculture, YouTube, 23 September 2018, https://youtu.be/ODer_CXw_pM

42 top Melbourne startups to watch (updated in 2018), <https://www.themartec.com/insidelook/40-top-startups-melbourne>

Pure Ponics, <https://www.pureponics.com.au/>

QUESTIONS

Question 1 (2 marks)

Outline **one** possible personal motivation behind Steve and Paul's desire to establish Pure Ponics.

Question 2 (3 marks)

Identify and describe **one** source of business opportunity that could have enabled Steve and Paul to establish Pure Ponics.

Question 3 (6 marks)

Identify **two** characteristics of business entrepreneurs and explain how each characteristic would contribute to the success of Pure Ponics.

Question 4 (4 marks)

a. Define the term 'business concept development'.

2 marks

- b. Explain why business concept development would have been an important part of the process of developing Pure Ponics' food production system. 2 marks

Question 5 (4 marks)

Analyse **one** way that Pure Ponics contributes to the Australian economy OR the social wellbeing of the nation.

Question 6 (6 marks)

Fostering a culture of business innovation and entrepreneurship is vital to the establishment of new businesses.

Describe **two** methods that could be used by Pure Ponics to foster a culture of business innovation or entrepreneurship.

[illegible]

SECTION B: 'EXTERNAL ENVIRONMENT'

Instructions

Read the following case study and answer **all** questions in the spaces provided.

WOOLWORTHS

Woolworths Group Limited is a major Australian company with extensive retail interests throughout Australia and New Zealand. It is the second largest company in Australia by revenue. Woolworths Group Limited manages some of Australia's most recognised and trusted brands, such as Woolworths supermarket, Big W and Dan Murphy's liquor stores.

The Victorian Labor Government has a policy to reduce all types of plastic pollution. This year it will develop a plastic pollution action plan to reduce the impact of plastic on the environment, particularly single-use plastic items.

In October 2017, the government announced a plan to introduce legislation to ban single-use, lightweight plastic shopping bags, particularly those commonly used by supermarkets, from 2019 following a three-month public consultation process with consumers and industry. This will bring Victoria in line with other states that have similar legislation.

In June–July 2018 Australia's largest supermarket chains, Coles and Woolworths, decided to voluntarily remove single-use plastic bags from their stores Australia-wide and began to charge 15 cents each for heavier reusable bags. Previously, Woolworths had provided more than 3.2 billion single-use plastic bags to shoppers each year. It has been estimated that Woolworths and Coles gave away a combined 5.7 billion single-use shopping bags per year at an annual cost of \$171 million. Under the new scheme, it is predicted that the heavier plastic bags will cost \$106 million per year.

Customers had to adjust to the change. A survey of 2200 shoppers by research firm Canstar Blue found 71% agreed with the decision to ban the bags, 21% disagreed and 8% were undecided. Environmental groups welcomed the ban. Coles, a major competitor, has also introduced a ban on single-use plastic bags.

In 2008 Woolworths introduced self-checkout technology to reduce the operating costs associated with staffed checkouts and increase the turnover rate of customers. In 2018 Woolworths announced a trial of 'scan-and-go' technology that would allow customers to scan the barcodes of products as they place the item into their baskets using a mobile phone app called 'Scan&Go'. Using this app, shoppers will be able to scan the barcodes of items as they pick them up, and weigh produce using a separate piece of equipment that creates a separate barcode. Customers will leave the store after shopping without having to proceed through a checkout as the app is linked to the shopper's debit or credit card. If successful, check-outs could be replaced all together.

References

Woolworths Group, <https://www.woolworthsgroup.com.au/>

Woolworths to trial 'scan and go' technology that could do away with the checkout, news.com.au, 6 September 2018, <https://www.news.com.au/finance/business/retail/woolworths-to-trial-scan-and-go-technology-that-could-do-away-with-the-checkout/news-story/81a41a356f5402c4501a934e2df96dce>

'No more plastic bags from Woolworths', *Waste Management Review*, 5 April 2018, <http://wastemanagementreview.com.au/no-plastic-bags-woolworths/>

QUESTIONS

Question 1 (2 marks)

Identify **two** factors from the macro environment that have affected Woolworths’ operations.

Question 2 (3 marks)

Describe **one** corporate social responsibility issue facing the supermarket industry and outline a strategy that a company such as Woolworths could implement to manage the issue.

Question 3 (6 marks)

Technological issues such as developments in technology affect most businesses. Woolworths has started trialling checkout-free 'scan and go' smartphone shopping.

Discuss the effect that the introduction of this new technology could have on Woolworths' customers and competitors.

[illegible]

Question 4 (3 marks)

With reference to supermarket chains such as Woolworths, explain how a special-interest group could affect business planning.

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Question 5 (3 marks)

Using an example, explain the impact of changing social values, attitudes and shopping behaviour on business planning at a retail company such as Woolworths.

[illegible]

Question 6 (3 marks)

Identify and describe **one** legal or government regulation that Woolworths would have to comply with when conducting its operations.

Question 7 (3 marks)

Using an example, explain how competitors' behaviour could influence business planning at Woolworths.

Question 8 (2 marks)

Outline **one** economic condition that could affect business planning at Woolworths.

SECTION C: 'INTERNAL ENVIRONMENT'**Instructions**

Read the following case study and answer **all** questions in the spaces provided.

NURAPHONE

Nura Operations Pty Ltd is a company based in Melbourne that was founded in April 2015 by Kyle Slater, Luke Campbell and Dragan Petrovik. The owners combined their expertise in engineering, acoustics, biology and hearing science to create the nuraphone. Nuraphone is a high-tech headphone that analyses the user's hearing through a mobile phone app in order to create a listening experience suited to the listeners' unique hearing profile. Chief Technical Officer, Luke Campbell, a doctor and hearing expert, created a prototype and took the idea to <http://kickstarter.com>—an online platform for funding creative projects—to raise funds through crowdfunding. They raised US\$1.8 million, making it the most-funded Australian campaign ever. It also raised start-up capital of \$6 million, bringing its total funding to nearly \$8 million. The nuraphone can be purchased through the company's website for \$499.

References

42 Melbourne startups to watch, Inside Look, 12 July 2018, <https://www.themartec.com/insidelook/40-top-startups-melbourne>

Nuraphone, <https://www.nuraphone.com/>

'Nuraphone review: brilliant headphones tune to your ears', *The Sydney Morning Herald*, 20 July 2018, <https://www.smh.com.au/technology/nuraphone-review-brilliant-headphones-tune-to-your-ears-20180720-p4zski.html>

Question 1 (5 marks)

a. Identify the legal structure of Nura Operations.

1 mark

b. Explain **one** advantage and **one** disadvantage of using the legal business structure you identified in your answer to **part a**. 4 marks

4 marks

[illegible]

Question 2 (6 marks)

a. Compare **two** business models that Nura Operations could adopt.

4 marks

[illegible]

b. Which business model would suit Nura Operations the most? Justify your view. 2 marks

Question 3 (2 marks)

Nuraphone was largely 'crowdfunded', which is a process of funding a new business or new project by raising small amounts of money from a large number of people.

Identify **two** other sources of finance that could have been used to finance Nuraphone.

Question 4 (6 marks)

Identify **two** business support services that Nura Operations could have used when establishing the business and explain how it might have used these services.

[illegible]

Question 5 (6 marks)

- a. Use a planning tool to analyse Nura Operations' internal strengths and weaknesses, and external opportunities and threats. Identify **one** of each of these elements in your chosen planning tool. 4 marks

- b. Explain how the planning tool you identified in your answer to **part a.** could assist Nura Operations in its business planning. 2 marks

Extra space for responses

Clearly number all responses in this space.

[illegible]

[illegible]

Suggested answers

Note: The answers below are suggestions only. For some questions, more than one answer is possible. Alternative answers are provided for some questions.

SECTION A: 'THE BUSINESS IDEA'

PURE PONICS

Pure Ponics Pty Ltd is a Geelong-based innovative urban farming business established in 2016 by entrepreneurs Steve Gleeson and Paul Hopper. Pure Ponics produces fresh, safe and sustainable food without the use of chemicals usually associated with food production, and uses around 90% less water than conventional growing methods. Pure Ponics uses the agricultural technique of aquaponics, whereby plants and fish are grown together within a carefully managed and balanced ecosystem. The fish are fed organic food while microbes convert their waste into nutrients for the plants. Both fish and vegetables are produced for consumption in the Geelong area.

Steve and Paul both had prior business experience and a passion for agriculture, in particular food production, and set out to try and solve some of the problems associated with growing food. They wanted to improve the future of growing and supplying premium, clean, secure, tasty, fresh food in a sustainable way with the least waste and impact on the environment. With an expanding population, traditional farmland is being lost to urban sprawl and development, and the food supply is moving further away from consumers. As a result, produce needs to be stored for longer, which requires the use of chemicals. These problems can be resolved through aquaponics, which enables food to be produced indoors all year round.

Steve and Paul became aware of aquaponics while working on large-scale projects. They conducted research into who else was already operating aquaponics businesses and what was required to set up a business that uses aquaponics. The next phase was to cost it and see what was needed for the business to become economically viable. They initially funded the business themselves and others have since invested in the business, bringing along their own expertise.

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Pure Ponics, <https://www.pureponics.com.au/>

Question 1 (2 marks)

Outline **one** possible personal motivation behind Steve and Paul's desire to establish Pure Ponics.

Note: This is one of a number of possible answers to this question.

Self-fulfilment was a personal motivation for the owners of Pure Ponics. Steve and Paul both have a passion for agriculture, particularly sustainable food production. They had a strong desire to try and solve some of the problems associated with growing food and wanted to produce clean, fresh food in a sustainable way with least waste and impact on the environment.

Alternative answer:

One personal motivation behind Steve and Paul's desire to establish Pure Ponics was *fulfilling a market need*. Victoria's farmland is being lost to urban sprawl and development and, as a result, its food supply is moving further away from the population and has to be stored for longer, which requires the use of chemicals. However, Victoria's expanding population requires a secure and sustainable supply of fresh food. The owners of Pure Ponics identified a market need for premium, clean, fresh food grown in a sustainable way and close to the target market, and identified a way of meeting this need with the use of aquaponics.

Other motivations: desire for independence both financially and personally; to make a profit; to fulfil a social need.

Marking guide:

1 mark for stating the personal motivation

1 mark for linking the personal motivation to Pure Ponics

Question 2 (3 marks)

Identify and describe **one** source of business opportunity that could have enabled Steve and Paul to establish Pure Ponics.

Note: This is one of a number of possible answers to this question.

One source of business opportunity for the owners of Pure Ponics was *innovation*. Innovation refers to changing a product (good or service) or process into a more effective one based on a new idea, or creating a new and original product or process to create added value for a business and its customers. Steve and Paul researched the innovation of aquaponics (which combines aquaculture and hydroponics whereby fish are fed organic food while microbes convert their waste into nutrients for the plants) to establish a food production business to solve some of the problems associated with growing food in Victoria for an expanding population.

Other sources of business opportunity:

- entrepreneurship
- recognising and taking advantage of market opportunities
- changing customer needs
- research and development
- technological developments

Marking guide:

1 mark for identifying the source of business opportunity

1 mark for describing the source

1 mark for linking the source to the case study

Question 3 (6 marks)

Identify two characteristics of business entrepreneurs and explain how each characteristic would contribute to the success of Pure Ponics.

Note: This is one of a number of possible answers to this question.

Entrepreneurship is the ability and willingness to start, operate and assume the risk of a business venture in the hope of making a profit. Steve Gleeson and Paul Hopper each have the characteristics of an entrepreneur as they had the vision to research aquaponics and establish a food production business based on this innovation, and to take on the financial risks of establishing the business.

A business entrepreneur is a person who is willing to seize opportunities to start and operate a business and is prepared to take financial and other risks in the hope of making a profit. The owners of Pure Ponics have taken on the risks of investing a lot of time and money into the business, including conducting extensive research and investing their own money in the business.

Another characteristic of entrepreneurs is initiative. This characteristic enables a business entrepreneur to be proactive and take the initial steps to start a business without the prompting of others. The owners of Pure Ponics have demonstrated initiative by taking the required steps to establish the business, including researching the business idea, costing the business, assessing its economic viability and seeking start-up funding. Without initiative, a business cannot be established and therefore be successful.

Other characteristics:

- self-motivated and self-directed
- innovative thinker
- creative
- able to solve problems
- hardworking and self-disciplined

Marking guide:

1 mark for identifying each characteristic of a business entrepreneur (**x two = 2 marks**)

1 mark for explaining how each characteristic contributes to business success (**x two = 2 marks**)

1 mark for applying each characteristic to Pure Ponics (**x two = 2 marks**)

Question 4 (4 marks)

a. Define the term ‘business concept development’.

2 marks

Business concept development refers to a multi-stage process whereby the idea for the business takes shape through preparing a detailed description of the product, including the technical aspects, conducting market research to determine if there is a market for the product idea and to identify the target audience, and preparing a feasibility study.

Marking guide:

2 marks for defining the term by identifying two features of business concept development

b. Explain why business concept development would have been an important part of the process of developing Pure Ponics' food production system. 2 marks

Pure Ponics would have developed a detailed written description of the aquaponics-based food production idea based on a genuine market need, researched possible aquaponics locations, determined if there were interested buyers of the products and if there were competitors, and evaluated whether the idea was feasible. Putting the Pure Ponics concept into a concrete form enabled the concept to be tested objectively, including identifying any features that were unlikely to be successful. The use of business concept development would have reduced the risk of the concept failing.

Marking guide:

1 mark for outlining why business concept development is important

1 mark for linking its importance to Pure Ponics

Question 5 (4 marks)

Analyse one way that Pure Ponics contributes to the Australian economy OR the social wellbeing of the nation.

Note: This is one of a number of possible answers to this question.

Contribution to the economy (increasing Australia's innovative capacity):

Pure Ponics' development and implementation of the agricultural technique of aquaponics, whereby plants and fish are grown together, has contributed to Australia's *innovative capacity*, which refers to the ability to produce and commercialise a flow of innovative technology over the long-term. Innovative capacity is the key to solving pressing social challenges such as improving the quality of the physical environment and feeding a growing population that is losing farmland to urban sprawl. Innovative capacity also enables economic growth, which in turn leads to higher standards of living. Pure Ponics' contribution to improving Australia's innovative capacity and ongoing collaboration with Deakin University will lead to further innovations within the Pure Ponics business and which other businesses can benefit from in the future.

Other contributions:

- creates employment
- increased economic activity and hence economic growth
- generates export earnings
- investment in research and development
- generates taxation revenue for the government to pay for public services and infrastructure that support the economy

Contribution to the social wellbeing of the nation:

Pure Ponics is having a significant positive impact on the nation's social wellbeing, beyond financial wealth, including benefits to employees, consumers, suppliers and investors, and society generally. Social wellbeing refers to the quality of people's lives, including their health, employment and happiness. Employees have ongoing work, suppliers have ongoing contracts, investors are or will receive a return on their investment, and consumers are benefiting from a better range of fresh, high-quality and nutritious food that is grown close to where they live. Society benefits from a method of food production that is safe and sustainable, and minimises waste, and from an innovative system that is helping to solve the challenges associated with the loss of agricultural land, the need to feed a growing population, and to overcome the loss of locally grown, fresh food.

Marking guide (global):

1 mark for stating the contributing factor to the Australian economy or to social wellbeing

1–3 marks for analysing the positive contribution

Question 6 (6 marks)

Fostering a culture of business innovation and entrepreneurship is vital to the establishment of new businesses.

Describe two methods that could be used by Pure Ponics to foster a culture of business innovation or entrepreneurship.

Note: *This is one of a number of possible answers to this question.*

Business *mentorships* are one way Pure Ponics could foster a culture of business innovation and entrepreneurship. The Victorian Government provides mentoring services through Business Victoria. Mentors are experienced, highly skilled business people who guide new business owners in starting a new business, including setting objectives and the directions for the business, writing business plans, developing effective marketing strategies, and identifying new opportunities. The Victorian Government provides free 45-minute mentoring sessions and longer paid single or ongoing sessions with mentors who have specific skills and industry backgrounds matched to the requirements of the person seeking assistance. The Pure Ponics owners could seek advice through mentoring to develop their business, which could lead to further innovation and expansion.

The Australian Government has a scheme that encourages businesses to invest in *research and development*. Research and development is a critical first step in innovation and promotes technological developments. Pure Ponics could invest in a specific research and development project and receive a tax deduction for doing so. In recognition of the contribution of small businesses to Victoria's economy, the state government offers a range of specific types of grants for new businesses to help owners develop their business, thus promoting entrepreneurship and innovation. It also has an agency (the Victorian Innovation Centre) that advises innovators and entrepreneurs on how to turn new ideas into viable products and create businesses of the future.

Another method: school-based educational programs in entrepreneurship.

Marking guide:

2 marks for a description of each method (**x two = 4 marks**)

1 mark for stating how each method would foster innovation and entrepreneurship (**x two = 2 marks**)

SECTION B: 'EXTERNAL ENVIRONMENT'

WOOLWORTHS

Woolworths Group Limited is a major Australian company with extensive retail interests throughout Australia and New Zealand. It is the second largest company in Australia by revenue. Woolworths Group Limited manages some of Australia's most recognised and trusted brands, such as Woolworths supermarket, Big W and Dan Murphy's liquor stores.

The Victorian Labor Government has a policy to reduce all types of plastic pollution. This year it will develop a plastic pollution action plan to reduce the impact of plastic on the environment, particularly single-use plastic items.

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In June–July 2018 Australia's largest supermarket chains, Coles and Woolworths, decided to voluntarily remove single-use plastic bags from their stores Australia-wide and began to charge 15 cents each for heavier reusable bags. Previously, Woolworths had provided more than 3.2 billion single-use plastic bags to shoppers each year. It has been estimated that Woolworths and Coles gave away a combined 5.7 billion single-use shopping bags per year at an annual cost of \$171 million. Under the new scheme, it is predicted that the heavier plastic bags will cost \$106 million per year.

Customers had to adjust to the change. A survey of 2200 shoppers by research firm Canstar Blue found 71% agreed with the decision to ban the bags, 21% disagreed and 8% were undecided. Environmental groups welcomed the ban. Coles, a major competitor, has also introduced a ban on single-use plastic bags.

In 2008 Woolworths introduced self-checkout technology to reduce the operating costs associated with staffed checkouts and increase the turnover rate of customers. In 2018 Woolworths announced a trial of 'scan-and-go' technology that would allow customers to scan the barcodes of products as they place the item into their baskets using a mobile phone app called 'Scan&Go'. Using this app, shoppers will be able to scan the barcodes of items as they pick them up, and weigh produce using a separate piece of equipment that creates a separate barcode. Customers will leave the store after shopping without having to proceed through a checkout as the app is linked to the shopper's debit or credit card. If successful, check-outs could be replaced all together.

References

Woolworths Group, <https://www.woolworthsgroup.com.au/>

Woolworths to trial 'scan and go' technology that could do away with the checkout, news.com.au, 6 September 2018, <https://www.news.com.au/finance/business/retail/woolworths-to-trial-scan-and-go-technology-that-could-do-away-with-the-checkout/news-story/81a41a356f5402c4501a934e2df96dce>

'No more plastic bags from Woolworths', *Waste Management Review*, 5 April 2018, <http://wastemanagementreview.com.au/no-plastic-bags-woolworths/>

QUESTIONS

Question 1 (2 marks)

Identify two factors from the macro environment that have affected Woolworths' operations.

Macro factors are external factors that are outside the control of a business. The *Victorian Government's policy* to reduce plastic contaminants in the environment and hence protect the environment and reduce plastic pollution has influenced the government's move to ban single-use plastic bags and hence has affected Woolworths' operations.

Another factor from the macro environment that has affected Woolworths' operations is a planned *change in the law* that will ban the use of single-use plastic shopping bags from 2019.

Marking guide:

1 mark for identifying each relevant factor (**x two = 2 marks**)

Question 2 (3 marks)

Describe one corporate social responsibility issue facing the supermarket industry and outline a strategy that a company such as Woolworths could implement to manage the issue.

Note: This is one of a number of possible answers to this question.

One corporate social responsibility facing the supermarket industry is the impact of business operations on the environment. The impact of a supermarket's operations on the environment typically includes the management of the use of plastic shopping bags in light of the planned government ban on single-use shopping bags, the use of product packaging, waste management, consumption of resources including energy use, and sourcing environmentally sustainable products for sale.

A supermarket chain could establish environmentally friendly supermarkets that consumer less energy and establish a responsible and ethical sourcing policy that requires products to be sourced products from certified sustainable supply chains, such as ethically certified tea, coffee and cocoa products.

Alternative issue:

One corporate social responsibility issue facing the supermarket industry is animal welfare. Woolworths and other supermarket chains must ensure that the animal products they sell, such as poultry, eggs, beef and lamb, are sourced from responsible and ethical suppliers.

To manage the issue, Woolworths could establish an animal welfare policy covering all aspects of animal rearing, health, welfare, feed and production systems, and the transport of livestock, and to require each supplier to formally agree to comply with the policy in order to maintain its contract with the supermarket chain.

Other issues: food quality and safety; fair trading terms with suppliers.

Marking guide:

1 mark for describing a relevant corporate social responsibility issue

2 marks for outlining a strategy Woolworths could implement and how it could be used to manage the issue

Question 3 (6 marks)

Technological issues such as developments in technology affect most businesses. Woolworths has started trialling checkout-free 'scan and go' smartphone shopping.

Discuss the effect that the introduction of this new technology could have on Woolworths' customers and competitors.

The introduction of this new technology could have both positive and negative effects on customers, with some embracing it and others resisting it.

'Scan and go' technology will eliminate the queuing time for customers. Some customers would appreciate the convenience of 'scan-and-go' technology, particularly busy tech-savvy shoppers or those purchasing a few items only. It could also be popular with customers who want to purchase a large number of items but who do not like using self-checkouts. Hence the new technology might contribute to an increase in customer satisfaction. However, some customers, such as the elderly, will not want to use smartphone technology to shop and therefore would resist its use. These customers would continue to use staffed or self-serve checkouts.

Competitors would also be affected by the possible introduction of the new technology following the trial. Scan-and-go technology would improve productivity as its use could result in an increased turnover of customers without the need for additional staff. This would give Woolworths a competitive advantage and could lead to an increase in sales and hence market share for this supermarket chain. Woolworths' large competitors, such as Coles, would be pressured to follow Woolworths' lead by also trialling and possibly introducing the new technology. However, this would involve a large capital investment. In addition, smaller competitors might not be able to consider introducing the new technology into their operations due to the high costs, although over time the use of smartphone technology could become more cost-effective for supermarkets and other retailers of all sizes. Until that becomes a reality, small supermarkets could find it increasingly difficult to compete with the larger supermarket chains, particularly at a time when making shopping easier for customers is becoming increasingly important.

Marking guide (global):

1–3 marks for a discussion (positive and negative aspects) of the effect of self-checkouts and scan-and-go technology on customers

1–3 marks for a discussion (positive and negative aspects) of the effect of self-checkouts and scan-and-go technology on competitors

Question 4 (3 marks)

With reference to supermarket chains such as Woolworths, explain how a special-interest group could affect business planning.

Note: This is one of a number of possible answers to this question.

Environmental groups (such as Boomerang Alliance) that are committed to reducing plastic pollution have put pressure on supermarket chains to change their policies and practices. They have campaigned against the use of single-use shopping bags, resulting in changed behaviour among consumers and a legislated ban on their continued use from 2019. Supermarkets have had to introduce reusable plastic shopping bags that have to be purchased by customers. They will have had to change arrangements with plastic bag suppliers and re-cost the supply of reusable bags. Supermarket chains have also had to look for further ways to reduce plastic pollution and build this into their business planning.

Alternative answer:

Business associations also put pressure on the supermarket chains, which affects their business planning. Coles and Woolworths have succumbed to pressure from industry associations (such as the Australian Dairy Farmers Association) to increase the price of home-brand milk, which has been kept at a low level since 2011. Such associations have been campaigning against discounted milk, arguing that the low price is detrimental to farmers. Supermarket chains will need to change budgets to account for the price increase. Up until now, supermarket chains have used discounted milk to attract customers. They will need to use alternative strategies to attract customers, as all supermarket chains now offer discounted milk, and build this into their business planning,

Other special-interest groups: environmental lobby groups; unions.

Marking guide:

1 mark for outlining one type of special-interest group linked to the supermarket industry

2 marks for outlining the effect of the actions of the group on business planning in the supermarket industry

Question 5 (3 marks)

Using an example, explain the impact of changing social values, attitudes and shopping behaviour on business planning at a retail company such as Woolworths.

Note: *This is one of a number of possible answers to this question.*

Social values and attitudes are ideas and beliefs held by people in society as a whole. Prevailing social values and attitudes of consumers influence their shopping behaviour, that is, their decisions about what to buy. In view of this, retail companies such as Woolworths have to allow for this in their business planning. For example, many people who consume eggs are concerned about the welfare of the chickens that lay them and, as a result, supermarket chains such as Woolworths have committed to phasing out cage eggs from their stores, with some individual supermarkets no longer selling them. Social values and attitudes relating to animal welfare have changed over time and many shoppers prefer to pay more for free range-eggs rather than buy cheaper cage eggs. Woolworths has had to change its purchasing requirements by stocking more free-range egg brands and change its own store brand to free-range eggs.

Other examples: growth in convenience foods; growth in demand for low-cost home-brand items; the decision to increase the price of milk in response to difficulties faced by dairy farmers.

Marking guide:

1 mark for identifying how values and attitudes affect shopping behaviour

2 marks for providing an example of how values and attitudes and hence shopping behaviour impact on business planning at Woolworths

Question 6 (3 marks)

Identify and describe one legal or government regulation that Woolworths would have to comply with when conducting its operations.

Note: This is one of a number of possible answers to this question.

One legal regulation Woolworths would have to comply with is occupational health and safety legislation, which aims to keep workplaces safe. The *Occupational Health and Safety Act 2004* is the main workplace health and safety law in Victoria. This legislation requires that Woolworths provide a safe working environment for its employees, for example, in relation to repetitive work such as scanning items, working with electrical equipment in the deli or bakery, and working in cold areas of a supermarket. Occupational health and safety also covers a working environment that is free from harassment. Breaches of this legislation can result in on-the-spot fines, compliance audits and notices, and jail sentences for serious offences.

Examples of other legal and government regulations: anti-discrimination laws; environment protection legislation; taxation laws; employment and workplace relations laws; privacy laws.

Marking guide:

1 mark for identifying a regulation

1 mark for describing the regulation

1 mark for linking it to Woolworths

Question 7 (3 marks)

Using an example, explain how competitors' behaviour could influence business planning at Woolworths.

Note: This is one of a number of possible answers to this question.

Businesses that provide the same goods or services, such as supermarkets, compete for the same customers. Woolworths' main competitors are Coles and Aldi. Woolworths wants to maintain a competitive advantage by outperforming its main competitors. When its competitors introduce a new competitive strategy, for example reducing prices, Woolworths might respond in a similar way or use a different tactic, such as an upgraded loyalty program, to ensure it maintains its customer base and does not lose customers. For example, Coles reduced its home-brand milk price to \$1 a litre in 2011 and Woolworths quickly followed as the two supermarkets waged a price war to win new customers. Woolworths has since raised the price of its milk to assist drought-stricken farmers and Coles has responded with its own price change.

Marking guide:

1 mark for explaining the nature of competitors' behaviour on business planning

1 mark for explaining the impact of competitors' behaviour on business planning

1 mark for the example

Question 8 (2 marks)

Outline **one** economic condition that could affect business planning at Woolworths.

Note: This is one of a number of possible answers to this question.

Consumer confidence levels refer to the level of optimism with which consumers perceive the state of the economy. When consumers are confident about job security and their personal financial position, they are more likely to increase their spending. When consumer confidence declines, consumers are likely to reduce their spending. Woolworths would take the level of consumer confidence at a point in time into consideration when planning to open new stores or expand existing outlets.

Other economic factors: interest rates; tax rates; business confidence levels.

Marking guide:

1 mark for outlining the meaning of one economic condition

1 mark for outlining how the condition would affect Woolworths

SECTION C: 'INTERNAL ENVIRONMENT'**NURAPHONE**

Nura Operations Pty Ltd is a company based in Melbourne that was founded in April 2015 by Kyle Slater, Luke Campbell and Dragan Petrovik. The owners combined their expertise in engineering, acoustics, biology and hearing science to create the nuraphone. Nuraphone is a high-tech headphone that analyses the user's hearing through a mobile phone app in order to create a listening experience suited to the listeners' unique hearing profile. Chief Technical Officer, Luke Campbell, a doctor and hearing expert, created a prototype and took the idea to <http://kickstarter.com>—an online platform for funding creative projects—to raise funds through crowdfunding. They raised US\$1.8 million, making it the most-funded Australian campaign ever. They also raised start-up capital of \$6 million, bringing its total funding to nearly \$8 million. The nuraphone can be purchased through the company's website for \$499.

References

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'Nuraphone review: brilliant headphones tune to your ears', *The Sydney Morning Herald*, 20 July 2018, <https://www.smh.com.au/technology/nuraphone-review-brilliant-headphones-tune-to-your-ears-20180720-p4zski.html>

Question 1 (5 marks)

a. Identify the legal structure of Nura Operations.

1 mark

The legal structure of Nura Operations is a private company, identified by the words 'Pty Ltd' (proprietary limited) at the end of its name.

Marking guide:

1 mark for identifying the correct legal structure

- b. Explain *one* advantage and *one* disadvantage of using the legal business structure you identified in your answer to part a.** **4 marks**

Note: This is one of a number of possible answers to this question.

One advantage of using the legal structure of a private company is that the liability of owners or shareholders is limited to the value of the shares they hold in the company or the value of their investment. Therefore, if a company experiences financial difficulty the owners' or shareholders' personal assets are not at risk.

One disadvantage of using the private company legal structure is that a private company is more regulated and hence subject to more legal requirements than a sole proprietorship or a partnership. Therefore, the administration costs of a private company will be higher than for other business structures.

Other advantages:

- A private company is a legal entity and its finances and debts are separate from the finances of its owner(s).
- The tax rate for companies is lower than the highest rate for individuals.
- The business structure provides continuity of management and ownership in the event of death or disability of one of the owners.

Other disadvantages:

- Companies are more regulated than other business structures.
- The rules for establishing a company are more costly and involved than for other business structures. Hence a private company is expensive and time-consuming to establish.
- There can be a separation of ownership and control, which means owners might not be making all of the decisions.

Marking guide:

2 marks for explaining one advantage

2 marks for explaining one disadvantage

Question 2 (6 marks)

- a. Compare *two* business models that Nura Operations could adopt.** **4 marks**

Nura Operations could use the business model of an online business, which is one where the business conducts its activities via the Internet. Nura Operations as the merchant would sell the product to customers via its website, which it is currently doing.

Alternatively, a bricks-and-mortar business model could be used by Nura Operations, which means the business has a physical presence such as a shop or showroom that involves face-to-face interaction with customers, and which will attract first-time customers due to foot traffic.

The main difference between the two types of business model is that one is solely Internet-based, while the other focuses on having a physical location, even though bricks-and-mortar businesses usually have a website, which may include a facility for online purchases.

Note: Other business models, such as social enterprise, franchise, exporter and importer do not relate to the case study as well as the online business and brick-and-mortar business models.

Marking guide:

2 marks for outlining the features of **each** business model, noting the distinguishing features

b. Which business model would suit Nura Operations the most? Justify your view.

2 marks

An online business would suit Nura Operations the most because it is a technology-oriented business with one main high-tech product that works with the use of an app, so its customers will be used to buying products online. In addition, using this business model would help to minimise business running costs.

Alternative answer:

A bricks-and-mortar business model would be the most suitable for Nura Operations, as the headphones are highly technical and a shopfront would give potential customers the opportunity to try them before committing to a purchase. A bricks-and-mortar business will also help to promote the product and establish the nuraphone brand because of the business's physical presence, particularly in a busy shopping centre.

Marking guide:

2 marks for the justification

Question 3 (2 marks)

Nuraphone was largely 'crowdfunded', which is a process of funding a new business or new project by raising small amounts of money from a large number of people.

Identify two other sources of finance that could have been used to finance Nuraphone.

Note: This is one of a number of possible answers to this question.

One source of finance that the owners of Nura Operations could have used is offering shares in the company to new investors in exchange for providing new capital, thereby increasing the number of shareholders from the current three to the maximum number allowed.

Another source of finance is a short-term business loan. These are funds provided by a financial institution, such as a bank or credit union, to finance a business but must be paid back with interest within an agreed period of time.

Other sources of finance: overdraft; private equity; equipment leasing; trade credit; government grant

Marking guide:

1 mark for outlining each source of finance (**x two = 2 marks**)

Question 4 (6 marks)

Identify two business support services that Nura Operations could have used when establishing the business and explain how it might have used these services.

Note: This is one of a number of possible answers to this question.

Two business support services that Nura Operations is likely to have used when establishing the business are an *accountant* and a *solicitor*.

An accountant would have provided advice on taxation obligations, the most suitable business structure to use, how to prepare business plans, budgets and financial forecasts, taxation types and liabilities, correct accounting procedures to comply with government regulations, and advice on the most suitable type of accounting software to use. An accountant would provide ongoing services including completing taxation returns for the business.

A solicitor would be used to advise the new owners about legal obligations relating to the chosen business structure (in their case a private company), establishing contracts with suppliers, entering into leases, and legal responsibilities in relation to employees. To establish the company, the solicitor would help them to choose a company name and register the business.

Other support services: technological, community-based, formal and informal networks; business mentors (for example, see <https://www.business.vic.gov.au/support-for-your-business/grants-and-assistance/small-business-mentoring-program>).

Marking guide:

1 mark for identifying each relevant business support service (**x two = 2 marks**)

2 marks for explaining how the business might have used each service (**x two = 4 marks**)

Question 5 (6 marks)

- a. Use a planning tool to analyse Nura Operations' internal strengths and weaknesses, and external opportunities and threats. Identify one of each of these elements in your chosen planning tool. 4 marks**

Note: This is one of a number of possible answers to this question. The answer provided is based on a SWOT analysis. Only one of each of the elements (strengths, weaknesses, opportunities and threats) is required to be identified.

Strengths Unique product Owns intellectual property associated with the nuraphone Low debt Strong management team with wide-ranging experience	Weaknesses The product is expensive It is a niche product that might not have mass appeal The business only has one product The business might need additional capital to develop the product and the business. Can only buy the neurophone through the company website
Opportunities Could be exported worldwide Technological know-how to develop new products Hire more talented people Potential market growth Possible promotional events that the business could participate in	Threats Potential competitors who could offer a similar product at a lower price High development costs Could lose talented workers Future developments in technology Changes in consumer behaviour or market trends

Other types of business planning tools: mind map, concept map, infographic.

Marking guide:

1 mark for identifying each element in a suitable planning tool (**x four = 4 marks**)

- b. Explain how the planning tool you identified in your answer to part a. could assist Nura Operations in its business planning. 2 marks**

Note: *This is one of a number of possible answers to this question.*

A SWOT analysis is a convenient way for a business to identify its strengths, weaknesses, opportunities and threats. Nura Operations will have some control over its strengths and weaknesses, such as the quality of its employees and how it raises capital, but opportunities and threats are external to any business, such as competitors and consumer trends. If Nura Operations understands its weaknesses by using a SWOT analysis, it will be in a better position to manage and minimise threats to the business, such as competition. Having done this, the business can develop strategies to manage actual or potential threats, such as by taking steps to distinguish itself from its competitors, and taking advantage of opportunities such as a growing market and untapped areas of the market. A SWOT analysis can be used to establish goals and strategies that help to develop the business.

Marking guide:

1 mark for stating that if Nura Operations understands its weaknesses (strengths), it will be in a position to take action to manage them (develop them)

1 mark for stating that Nura Operations can develop strategies to manage threats, develop opportunities and use the SWOT analysis to develop the business

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