



Coimisiún na Scrúduithe Stáit
State Examinations Commission

Leaving Certificate 2013

Marking Scheme

Business

Higher Level

Note to teachers and students on the use of published marking schemes

Marking schemes published by the State Examinations Commission are not intended to be standalone documents. They are an essential resource for examiners who receive training in the correct interpretation and application of the scheme. This training involves, among other things, marking samples of student work and discussing the marks awarded, so as to clarify the correct application of the scheme. The work of examiners is subsequently monitored by Advising Examiners to ensure consistent and accurate application of the marking scheme. This process is overseen by the Chief Examiner, usually assisted by a Chief Advising Examiner. The Chief Examiner is the final authority regarding whether or not the marking scheme has been correctly applied to any piece of candidate work.

Marking schemes are working documents. While a draft marking scheme is prepared in advance of the examination, the scheme is not finalised until examiners have applied it to candidates' work and the feedback from all examiners has been collated and considered in light of the full range of responses of candidates, the overall level of difficulty of the examination and the need to maintain consistency in standards from year to year. This published document contains the finalised scheme, as it was applied to all candidates' work.

In the case of marking schemes that include model solutions or answers, it should be noted that these are not intended to be exhaustive. Variations and alternatives may also be acceptable. Examiners must consider all answers on their merits, and will have consulted with their Advising Examiners when in doubt.

Future Marking Schemes

Assumptions about future marking schemes on the basis of past schemes should be avoided. While the underlying assessment principles remain the same, the details of the marking of a particular type of question may change in the context of the contribution of that question to the overall examination in a given year. The Chief Examiner in any given year has the responsibility to determine how best to ensure the fair and accurate assessment of candidates' work and to ensure consistency in the standard of the assessment from year to year. Accordingly, aspects of the structure, detail and application of the marking scheme for a particular examination are subject to change from one year to the next without notice.



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State Examinations Commission

LEAVING CERTIFICATE 2013

MARKING SCHEME

BUSINESS, 2013

HIGHER LEVEL

Marking Scheme and Support Notes for use with the Marking Scheme.

In considering the marking scheme and the support notes the following points should be noted:

- The support notes presented are not exhaustive.
- They are **not** model or suggested answers.
- The support notes in many cases may contain key phrases which must appear in the candidate's answer in order to merit the assigned marks.
- Further relevant points of information presented by candidates are marked and rewarded on their merits.
- The detail required in any answer is determined by the context and the manner in which the question is asked and by the number of marks assigned to the answer in the examination paper. Requirements may therefore vary from year to year.

LEAVING CERTIFICATE BUSINESS HIGHER LEVEL 2013

MARKING SCHEME

SECTION 1(80 Marks)

This is a compulsory section.

Answer 8 questions. Each question carries 10 marks.

Question	Scheme	Marks
1.	6 marks + 4 marks	10
2.	(a) 4 marks (b) 2 @ 3 marks (2+1)	10
3.	(a) Current Ratio is CA : CL 1m Current Assets 12000 1m + 15000 1m + 8000 1m = €35000 Current Liabilities 20000 1m + 50000 1m = €70000 Current Ratio €35000 : €70000 0.5:1 1m (b) 3marks (2+1)	10
4.	(3+3+2+1+1)	10
5.	6 marks + 4 marks	10
6.	Fixed Costs 5 marks (3+2(1+1)) Variable Costs 5 marks (3+2(1+1))	10
7.	6 marks + 4 marks	10
8.	(3+3+2+1+1)	10
9.	(4+4+2)	10
10.	5 marks (3+2) + 5 marks (3 + 2)	10
Section 1	Available Marks	80

SECTION 2

(80 Marks)

Applied Business Question (Units 5, 6, 7)

This is a compulsory question.

Galaxy Games Ltd

(A)	The stages involved in the product development process	5 stages @ 6 marks (2+2+2)	30 marks
(B)	Social responsibilities of Galaxy Games Ltd to its stakeholders.	4 Stakeholders@ 5 marks (1 +3 +1)	20 marks
(C)	The global marketing mix Evaluation	2 elements @ 7marks (2 +3 (2+1) + 2) and 2 elements @ 6marks (1 +3 (2+1) + 2) and 4(2+2)	30 marks
S.2	Available Marks		80 marks

Section 3

(240 marks)

Part 1

People in Business

Question 1

(A)	(i) Explanation of 'data protection'. (ii) The functions of the 'data protection commissioner'	6 marks (4+2) 2 functions @ 7marks (4+3)	20
(B)	Evaluation of any two (i) Small Claims Court (ii) Labour Relations Commission (iii) Employment Appeals Tribunal.	10 marks ((4@2)+2 evaluation) 10 marks ((4+4)+2 evaluation) 10 marks ((4+4)+2 evaluation)	20
(C)	Explanations/ illustrations of: - Agreement (8m) - Legality of form (6m) - Consideration (6m)	8 marks (3+3+2) 6 marks (3+3) 6 marks (3+3)	20
	Available Marks		60

Domestic Environment

Question 2

(A)	Discuss the opportunities and challenges of Partnership as a form of business ownership.	4 @ 5 marks 2 opportunities @ 5 marks (2+3) 2 challenges @ 5 marks (2+3)	20
(B)	The role of the Irish Government in encouraging and in regulating business in Ireland. (At least 1 of each required)	4 @ 5 marks (2+3)	20
(C)	Current trends affecting businesses operating in the <u>services</u> sector of the Irish economy.	4 @5 marks (2+3)	20
	Available Marks		60

Domestic / International Environment

Question 3

(A)	<p>(i) Explain the terms "Balance of Trade" and "Balance of Payments".</p> <p>(ii) Calculate the Balance of Payments figures for both years.</p> <p>(iii) Illustrate what is meant by the term "invisible exports".</p>	<p>2 explanations @ 5 marks (3+2)</p> <p>6 figures @ 1 mark each</p> <p>4 marks (2 + 2)</p>	20
(B)	<p>Opportunities and Challenges for large indigenous companies exporting to Non- EU countries.</p>	<p>4 @ 5 marks</p> <p>2 opportunities @ 5 marks (2+3)</p> <p>2 challenges @ 5 marks (2+3)</p>	20
(C)	<p>Discuss the benefits for the Irish economy of on-going membership of the EU.</p>	<p>4 @ 5 marks (2+3)</p>	20
	Available Marks		60

SECTION 3
Part 2
Enterprise

Enterprise/ Managing

Question 4

(A)	<p>(i) Explain the term 'intrapreneurship'.</p> <p>(ii) Outline methods of promoting intrapreneurship in EducaPrint Ltd.</p>	<p>(i) 6 marks (4+2)</p> <p>(ii) 2 @ 7 marks each (4+2+1)</p>	20
(B)	Outline the benefits and challenges for EducaPrint Ltd of a matrix organisation structure for the development of the eBook products.	<p>4 @ 5 marks</p> <p>2 benefits @ 5 marks (2+3)</p> <p>2 challenges @ 5 marks (2+3)</p>	20
(C)	Discuss the importance of the management activity of 'planning' for EducaPrint Ltd.	<p>3 points</p> <p>7marks (4+3)+ 7marks (4+3)+ 6 marks (3+3)</p>	20
	Available Marks		60

Managing

Question 5

(A)	Calculate Audrey Stapleton's net monthly take-home pay.	<p>14 figures @ 1 mark</p> <p>3 figures/actions @ 2 marks</p>	20
(B)	Financial and non-financial rewards for employees in a business.	<p>2 financial @ 5 marks (2+3)</p> <p>2 non-financial @ 5 marks (2+3)</p>	20
(C)	<p>(i) Two reasons why a household should prepare a cash flow forecast.</p> <p>(ii) Illustrate how a household can overcome cash flow problems.</p>	<p>(i) Two reasons @ 5 marks(2+3)</p> <p>(ii) 2 points @ 5 marks (2+3)</p>	20
	Available Marks		60

Managing/Business in Action

Question 6

(A)	Outline the internal and external sources of new product ideas for technology companies like Google.	2 internal sources@ 5 marks (2+3) 2 external sources@ 5 marks (2+3)	20
(B)	Evaluate two methods of business expansion.	2 methods @ 10 marks (2+3+3+2)	20
(C)	Discuss the short- term and long- term implications of business expansion using the following headings: <i>Organisation Structure;</i> <i>Product mix;</i> <i>Profitability;</i> <i>Employment</i>	4 @ 5 marks (4+1)	20
	Available Marks		60

Business in Action

Question 7

(A)	Outline the market research techniques available to ‘All-Weather Wellies Ltd’ for developing its product range.	2 techniques @ 10 marks (2+3+3 +2)	20
(B)	(i) ‘Market segmentation’ with reference to ‘All-Weather Wellies Ltd’. (ii) Why engage in market segmentation?	(i) 6 marks (3+2+1) (ii) 2 reasons @ 7 marks (4+3)	20
(C)	Outline the factors a marketing manager might consider in determining the selling price of products at ‘All-Weather Wellies Ltd’.	4 @ 5 marks (2+3)	20
	Available marks		60

SECTION 1
(80 Marks)
SHORT ANSWER QUESTIONS
(Support Notes)

1. Outline two characteristics of a private limited company:

- The shareholders have **limited liability**, which means that they are only responsible for the debts of the company, up to their original investment in it, if it goes bankrupt
- A private limited company is incorporated which means it has a **separate legal existence** from its owners and can sue and be sued in its own right.
- Following the enactment of the Investment Funds and Miscellaneous Provisions Acts 2006, private companies are now entitled to have **from 1 to 99 shareholders**.
- Private limited companies have **continuity of existence** which means that the company does not end in the event of changes such as the death of a shareholder/ director.
- **Shareholders have one vote per share** at the AGM.

2. (a) What do the letters NCA stand for?

Write the answer in the space provided.

NCA	National Consumer Agency
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(b) Outline two functions of the NCA.

- To **provide** information to consumers on their rights in relation to the purchase of goods and services – leaflets, website, telephone line.
- To **enforce** the relevant consumer law and **encourage compliance**, e.g. on-the-spot penalties and prohibition orders.
- To **investigate suspected offences** under any of the relevant laws, e.g. the NCA has the power to enter premises to gather evidence, with the support of the Gardaí if necessary.
- To **prohibit false pricing**, e.g. goods advertised as being reduced in a sale must have been on sale at the higher price for twenty eight consecutive days sometime in the last three months.
- To **refer cases to the Director of Public Prosecutions** where appropriate.

3. (a) Using the figures below calculate the Current Ratio for ‘Sentry Ltd’.

(Show your workings)

Debtors	€12,000
Bank Overdraft	€20,000
Cash	€15,000
Creditors	€50,000
Closing Stock	€ 8,000

Workings

Current Ratio is CA: CL

CA 12000 + 15000 + 8000 = €35000

CL 20000 + 50000 = €70000

Current Ratio = €35,000: €70,000

Answer: 0.5:1

(b) Comment on the liquidity position of Sentry Ltd:

- Sentry Ltd has not managed to attain the recommended current ratio of 2:1.
- Sentry Ltd is not liquid and is overtrading i.e. it cannot pay its debts as they arise.
- Sentry Ltd will have difficulty in raising cash quickly and paying its bills as they fall due.
- Maintaining a healthy working capital is essential to a businesses' cash flow. However, this was not the case for Sentry Ltd with only €0.50 available to pay for every €1 of liabilities.

4. Write *True* or *False* after each of these statements.

	Sentence	True or False
1.	Batch Production is used when making a single, one off, unique product.	False
2.	In a Hire Purchase agreement legal ownership of the good transfers to the buyer when the first instalment is made.	False
3.	A Cash Flow deficit can be addressed by negotiating a shorter period of credit with debtors.	True
4.	A sole trader is an ownership structure that benefits from limited liability.	False
5.	When a company's equity capital is greater than its debt capital it has low gearing.	True

5. Outline two implications for management in developing its own website:

- **Communication:** The website provides opportunities for **instant communication**, both internally and externally. The Website can be used by management to communicate with customers, suppliers and staff.
- **E-business.** Customers can buy on-line (i.e. online payments) and credit card payments can be taken.
- **Enhanced reputation** of the business creating a positive image with consumers. Sales should increase with ordering possible 24/7, gaining an advantage over the competition.
- **Growth in potential customers** who can be reached at minimal cost. It allows for **global advertising** as a website can reach a worldwide market.
- **Online support service** can be provided to customers i.e. responding to various concerns or queries.
- **Staff training in web design/web maintenance** and operation.
- **Capital investment** will be required to set up the web site. You have to buy your own domain name.

6. In Break-Even analysis a distinction is made between ‘Fixed Costs’ and ‘Variable Costs’. Explain these terms, and give one example in each case.

Fixed costs remain the same irrespective of the level of output;

Examples: rent, loan repayments, insurance.

Variable costs fluctuate/change directly with the level of output;

Examples: direct wages, raw materials, energy costs.

7. Explain the term ‘Constructive Dismissal’.

- Constructive dismissal arises where **you the employee terminate your contract of employment**, with or without prior notice, **due to the conduct of your employer**.
- Even though the employee has not actually been dismissed he can claim unfair dismissal against his employer, under the terms of the Unfair Dismissals Act of 2007.
- In a constructive dismissal situation it is up to the **employee** to prove that the resignation was justified.
- Your employer's conduct, however, must be such that it would have been reasonable for you to terminate your contract without giving notice.

8.

1	2	3	4	5
E	F	D	A	B

9. Distinguish between a ‘Directive’ and a ‘Regulation’ as legislative instruments within the EU.

EU Directive:

- This is a legal instrument used to implement and enforce an EU law in member states. It obliges member states to change their national laws to allow for EU rules, within a certain time limit.
- It is binding only as to the results to be achieved; leaving member states to choose, within prescribed limits, the means by which the rules and targets are to be attained.
- They are used to bring different national laws into line with each other and are common in matters affecting the operation of the Single Market (e.g. product safety standards, WEEE (Waste, electrical, and electronic equipment Directive), Health and Safety at work Directive.)

EU Regulation:

- This is a legislative act of the EU which becomes enforceable immediately as law in its entirety in all member states simultaneously.
- They take precedence over national laws.
- They are self-executing and do not require any implementing measures.
- EU institutions can enforce a regulation throughout the EU.

10. Outline two possible implications for a business if a manager adopts McGregors Theory X approach to managing:

Possible Implications:

- **Demotivated workforce** as a result of the autocratic approach, lack of consultation and empowerment. Lack of trust; no delegation; low morale.
- **High labour turnover** and re -training costs for the company.
- **Industrial relations problems**, impacting on productivity/output.
- **Poor time management** because the Theory X manager will not delegate tasks, resulting in possible overwork and stress for the manager.
- **Low quality of work/output; low quality of goods/services**; lack of incentives provided to be entrepreneurial, to do things differently, and to take an interest in the work.

SECTION 2

(80 marks)

This is a compulsory question based on Units 5, 6 and 7

APPLIED BUSINESS QUESTION

GALAXY GAMES LTD

(Support Notes)

(A) Outline the stages involved in the product development process of 'Knights' Domain' for Galaxy Games Ltd.

(30 marks)

Idea Generation:

- Initial ideas for the new product are thought up systematically. They can be internal or external.
- Ideas may be generated by brain-storming sessions, market research, staff suggestions, customer suggestions/feedback on existing products or services, competitors, R&D etc.

"Their design team recently identified some ideas for new games in action-adventure, music, and e-learning."

Product Screening:

- All ideas are vetted and the impractical and unworkable ideas are dropped, leaving the most viable ones for further examination and development.
- Careful screening helps businesses avoid huge expenses in developing ideas that are subsequently not marketable and ensures that good opportunities are not lost.

"After reviewing the various ideas put forward, 'Knights' Domain' a new action-adventure game that involved building a fantasy kingdom, was chosen."

Concept Development:

- This involves turning the idea into an actual product or service that will appeal to/meet the needs of customers.
- A unique selling point (USP) is identified which will differentiate it from other products on the market.

"The design team decided to use Irish music and cutting-edge graphics to set the game apart."

Feasibility Study:

- This is carried out to assess if a product has potential. It looks at whether it can be produced technically (production feasibility) and if it will be profitable (financial feasibility).
- It seeks answers to questions such as, what demand will there be for the product; what will it cost to produce and can the business afford it?

"Jane completed a business report, including a detailed break-even analysis, to determine the potential of 'Knights' Domain'."

Prototype Development:

- This stage involves developing a sample or model of a product. It is produced to see what materials are required to make it and if it appeals to customers.
- It can be used to test the product to see if it conforms to certain standards and to determine what adjustments/ improvements can be made before deciding to go into full production.

“Following on from this report, the design team introduced more challenging levels to the game and added more 3D graphics.”

Test Marketing/ Product Testing:

- It involves doing a small-scale trial to identify possible faults and to assess customer reaction.
- The product is tested on a sample of potential consumers before going into full production to determine customer satisfaction with the product.

“The game was introduced to a group of transition year students from a local secondary school, who commented positively on the different levels and on its distinctive graphics.”

Production and Launch/Commercialisation:

- The product is put into full-scale production and introduced to the market.
- The business will select a suitable marketing strategy to persuade consumers to buy the product.

“The product ‘Knights’ Domain’ was launched in various games stores with an advertising campaign accompanying the launch.”

(B) Discuss the social responsibilities of Galaxy Games Ltd to its stakeholders. (20 marks)

Social Responsibilities to Shareholders/Investors

- To act in accordance with its Memorandum and Articles of Association
- Provide a fair return on the investment by shareholders
- Avoid excessive payments to senior management
- To present a true and fair view of the financial performance and standing of the business and maintain a proper set of accounts.

“A major European venture capital firm has invested €1.5million in the company to date.”

Social Responsibility to Customers

- Fair and honest advertising of its product
- Abide by health and safety regulations; products must be safe.
- Goods must be of merchantable quality, match their description, fit for purpose etc.
- Uphold the right of the customer to complain and to investigate such complaints
- Good after-sales service
- Charge a fair price.

“Funding was invested in supporting the development of a highly skilled customer service department.”

Social Responsibility to Employees

- Adhere to Employment Law, Health and Safety Regulations etc.
- Pay a fair wage to all employees
- Provide a safe working environment
- Treat employees with dignity and respect/no discrimination
- Provide equal opportunities for promotion, pay etc. to all employees.

“Galaxy Games Ltd attracts and retains high quality, creative employees.”

Social Responsibility to General Public/Community

- To be environmentally conscious; to implement environmentally friendly business practices
- Co-operate with government offices e.g. EPA
- Openness and transparency
- Recyclable packaging, clean manufacturing, sustainable development.

" When choosing a suitable business premises, David and Jane prioritised energy efficiency."

Social Responsibility to Suppliers

- Follow tendering procedures where applicable; treat all suppliers fairly
- Pay amounts agreed within timeframe agreed.

“Galaxy Games Ltd maintains good relationships with its suppliers, many of whom have continued a business relationship with the company since its establishment.”

(C) Evaluate the global marketing mix of BizzBuzz.

(30 marks)

Global Product

- This is the element of the marketing mix that companies try not to change.
- Global businesses aim to sell an undifferentiated product in all markets. They aim to develop a unique selling point for their products and a global brand name.
- However, the product may need to be adjusted to reflect technical, legal and language requirements e.g. a left hand drive car; packaging may need to be changed to cater for the needs of the local market.

“All games are available in ten different languages.”

Global Price

Global firms attempt to achieve a uniform price in each market; however, this objective is often affected by the following factors:

- The cost of living in different countries.
- The cost of production, distribution, marketing, transportation in different countries.
- Different tariffs, customs duties and VAT rates.
- Local price levels and prices charged by competitors in the market.

“Prices per game are set taking account of competitor prices and various economies of scale.”

Global Place

Global channels of distribution for physical goods tend to be longer involving more intermediaries such as exporters and agents. However, the nature of the Bizzbuzz product portfolio together with rapid technological developments means that a direct channel of distribution is appropriate. Examples of the various channels available include:

- Selling directly to customers
- Use of agents – independent person who will act on behalf of the firm generally receiving a commission on sales
- Forming a strategic alliance with a foreign company to produce and/or market products. Partners work together for mutual benefit.

“Recent developments in technology enable BizzBuzz to distribute its games worldwide through download from the internet to laptops, smartphones and tablets.”

Global Promotion

- Differences in legislation, language and culture need to be recognised in the choice of promotion
- Internet advertising on social media sites, TV and radio advertising of the BizzBuzz website and international trade fairs would be suitable methods of promoting the Bizzbuzz brand, logo and slogan globally.

“BizzBuzz is a globally recognised brand name and uses the slogan ‘A new game every day’ on its website.”

Evaluation: Own judgement required

Evaluation of any 2 of the 4 Ps separately **or** one evaluation of the overall global marketing mix.

NOTE

1. In relation to the links given, they **must** be a direct relevant quote/statement or a phrase from the ABQ indicating that candidates clearly understand the point(s) of theory presented.
2. No marks for links given if business theory/relevant heading is not presented by the candidate.
3. No marks given for business theory unless theory is relevant to the ABQ.

SECTION 3

(240 marks)

Answer **Four** questions from **Section 3** as follows:

One question from **Part 1**, **Two** questions from **Part 2** and **One** other question from either **Part 1** or **Part 2**. All questions carry equal marks.

(Support Notes)

Part 1

Question 1

(A) (i) Explain the term "data protection" under the terms of the Data Protection Acts 1988 and 2003.

- Data protection is the means by which the **privacy rights** of individuals are **safeguarded** in relation to the processing of their personal data.
- The essence of data protection is that everybody should be able to control how information about them is used.
- It ensures that personal data which is processed is accurate and it enforces a **set of standards** for the processing of such information.
- It includes both **automated data and manual data**.
- The information held must be accurate, up-to-date, appropriate security measures must be in place to safeguard it and it should only be held as long as is necessary.
- The rights of individuals cannot be subjected to automated decision making; there must be human input in the making of important decisions relating to an individual.

(ii) Discuss the functions of the 'data protection commissioner' under the terms of this act.

- The data protection commissioner has **enforcement powers** including the serving of legal notices compelling data controllers to provide information needed and to correct personal data.
- The data protection commissioner **may investigate complaints** made by the general public and can authorise officers to enter premises and to inspect the type of personal information kept, how it is processed and the security measures in place.
- The data protection commissioner **publishes an annual report** which names in certain cases those data controllers that were the subject of investigation or action by his Office.
- The data protection commissioner maintains a **register of data controllers** giving general details about the data handling practices of many important data controllers, such as Government Departments and financial institutions.

- **Special Duties set out by the Minister:** The data protection commissioner shall also perform any functions in relation to data protection that the Minister may confer on him or her by regulations for the purpose of enabling the Government to give effect to any international obligations of the State.
- **Information Notices:** The Data Protection Commissioner may require any person to provide him with whatever information the Commissioner needs to carry out his functions, such as to pursue an investigation.
- **Prohibition Notice:** Under section 11 of the Data Protection Acts, 1988 and 2003, the Data Protection Commissioner may prohibit the transfer of personal data from the State to a place outside the State.
- **Appoint an Authorised Officer:** Under section 24 of the Data Protection Acts, 1988 and 2003 the Data Protection Commissioner may appoint an "authorised officer" to enter and examine the premises of a data controller or data processor, to enable the Commissioner to carry out his functions, such as to pursue an investigation.

(B) Evaluate any two of the following legislative approaches to solving conflict:

(i) Small Claims Court

The small claims court deals with consumer claims and business claims relating to goods or services purchased for private use, up to a maximum value of €2,000.

It is possible to pursue small claims through this service against product and service providers in any EU state, except Denmark.

How does the small claims court operate?

- Both sides in the dispute get to make their case and are encouraged to reach an agreed settlement. No solicitors are required.
- Decisions made by the registrar of the court are not legally binding but are usually accepted.
- Appeals can be made through the District Court and heard before a judge.

Evaluation: Own judgement required

(ii) Labour Relations Commission

The Labour Relations Commission (LRC) is responsible for **promoting good industrial relations practices and procedures** through the provision of a range of services to employers, trade unions and employees.

How does the Labour Relations Commission operate?

- Conciliation Service/Workplace Mediation Service – voluntary process/ independent third party mediates/outcomes reached by consensus/not legally binding.
- Rights Commissioner Service – single/small group of employees/issues connected to minimum wages, safety at work.
- Industrial Relations Advisory Service – grievance procedures/codes of best practice.
- Appointment of Equality Officers and the provision of staff and facilities for them to investigate issues in relation to discrimination.
- Reviewing and monitoring developments in the area of industrial relations.

Evaluation: Own judgement required

(iii) Employment Appeals Tribunal.

The Employment Appeals Tribunal is an independent body set up to provide a fair, inexpensive and informal means **for individuals** to seek remedies for alleged infringements of their statutory rights in relation to employment, equality and industrial relations rights.

How does the Employment Appeals Tribunal operate?

- The written determinations (decisions) of the Employment Appeals Tribunal are final and conclusive; they are subject only to the appropriate avenue of legal appeal.
- Where an employee is successful with a case taken under the Unfair Dismissals Act s/he may be reinstated, redeployed to a different job in the firm or in different branch of the firm, or receive financial compensation for income lost up to a maximum of 2 years' pay.

Evaluation: Own judgement required

Note: The Future

It is planned that in 2013 a Workplace Relations Commission will bring together the existing services of the Labour Relations Commission, Rights Commissioner Service, Equality Tribunal, the National Employment Rights Authority and the first instance functions of the Employment Appeals Tribunal. The Labour Court will be the single appeal body for all workplace relations appeals, including those currently heard by the Employment Appeals Tribunal.

(C) Illustrate your understanding of the following terms, in relation to a valid contract: agreement; legality of form; and consideration.

Agreement:

For agreement to exist there must be a clear, complete and unconditional offer and acceptance of that offer.

Offer: A promise to be bound provided the terms of the offer are accepted. The offer can be made orally, in writing, or by conduct and is a clear indication of the offeror's willingness to enter into an agreement under specified terms.

E.g. The price of the second-hand car was €9,000; Joe (**the buyer**) **offered** €9,000 for the car.

Acceptance: The party answering the offer agrees to the terms of the offer orally, in writing, or by conduct.

Offer must be accepted and taken up by other party as it stands, without any conditions.

E.g. Michael (**the seller**) **accepts** Joe's offer of €9,000.

Legality of form:

Certain contracts, to be considered legal, must be drawn up in a particular manner. Some contracts must be in writing if they are to be legally valid.

These include:

- Insurance policies
- Hire Purchase agreements
- The sale of property or land
- Share transactions
- Consumer credit and bank loans.

Consideration:

Each party in a contract must give something of value to the other party. Something of value must be exchanged.

So long as consideration exists, a court of law will not question its adequacy, provided it is of some value.

E.g. Joe pays Michael €9,000 and receives a car.

Consideration is usually some monetary payment but it could also be something valuable exchanged as part of the contract.

Question 2

(A) Discuss the opportunities and challenges of *Partnership* as a form of business ownership.

Opportunities

- Partnerships have access to greater amounts of **capital** as up to twenty partners can bring financial resources to the business.
- Partnerships have access to **different skill sets** as new partners may bring new skill sets and expertise to the business e.g. IT or marketing skills.
- Partnership can lead to **more effective decision making** as the decision making process is shared eliciting different points of view and opinions from a range of talented people.
- Ability to achieve **economies of scale**.
- Financial information can remain **confidential**.

Challenges

- Partners in the main have **unlimited liability**. This means that they are responsible for the debts of the business if it goes bankrupt and may have to forfeit their personal assets in order to pay business debts
- The partners are **jointly and severally liable** for the debts of the business which means that they have a collective responsibility for each other's debts and their personal assets can be used to clear the debts of their partners.
- Shared decision making could lead to differences of opinion, disagreements, arguments between the partners, and lost opportunities. This could at best lead to **delayed decision making** or at worse lead to the dissolution of the partnership.
- The profits of the business have to be **shared** according to the ratio set out in the deed of partnership.
- Not a separate legal entity therefore **partners and not the business can be sued in law**.
- If one partner dies or resigns the partnership must be **dissolved**.

(B) Outline the role of the Irish Government in encouraging and in regulating business in Ireland.

Irish Government role in **encouraging business**:

- Through **decreases in taxation** business activity is encouraged. A reduction in PAYE rates would increase spending power and stimulate demand for goods and services. A reduction in Corporation Tax may improve company profits, and the ability to fund future growth of the business. A reduction in VAT reduces cost of goods and services, stimulates demand and makes the Irish economy more competitive.
- Through **increases in State expenditure** business activity is encouraged. The government could increase capital expenditure on infrastructure, schools, hospitals etc. This will create jobs and consumer demand.

- Through a **network of state agencies** that give business advice, training and guidance, mentoring services and grant aid to facilitate growth and expansion.
Examples include:
Fáilte Ireland (developing and promoting tourism)
Enterprise Ireland (grant aid to indigenous industry, e.g. R&D and marketing)
FÁS to be replaced by SOLAS (provides industrial training for workers)
IDA Ireland (provides grant aid to attract FDI)
County Enterprise Boards to encourage entrepreneurship.
- Through **government planning**. Forward planning reduces uncertainty for business. National wage agreements involving the social partners allow businesses to predict their future wage costs, as well as decreasing significantly the risk of industrial relations problems during the length of the agreement.

Government role in **regulating business**:

- The government regulates business in order to protect the **environment**. It established the EPA (Environmental Protection Agency) whose role it is to protect the environment through its licensing, enforcement and monitoring of business activities.
- The government regulates business in order to protect the **consumer**. The Sale of Goods and Supply of Services act 1980 gave rights to the consumer in relation to goods or services bought or hired. The Consumer Protection Act 2007 established the NCA which investigates and prosecutes unfair trading practices.
- The government regulates business in order to protect the **employees** in the workplace with legislation on unfair dismissal, equality and industrial relations. It established the Health and Safety Authority which works to create a national culture where all stakeholders commit to a safe and healthy workplace.
- The government regulates business in order to protect the **general public** against misuse of information in manual or electronic format through the Data Protection Act of 2003. Data protection is the means by which the privacy rights of individuals are safeguarded in relation to the processing of their personal data.

(C) Discuss current trends affecting businesses operating in the services sector of the Irish economy. Provide examples to support your answer.

- Taxes such as the household charge, property tax and cuts in government expenditure on social welfare have led to a fall in the disposable income of consumers. As consumers' spending power is reduced the demand for the goods and services that businesses sell in the retail services sector has fallen.
- Closures/examinerships/insolvencies of retailers.
- Recession hitting the small and medium enterprises e.g. suppliers to construction industry.
- Big multiples versus small retail outlets and the difficulty in competing.
- Growth in discount retailers e.g. Aldi, Lidl, TKMaxx.
- Deregulation in some industries e.g. taxi industry.
- The Gathering 2013 and its impact on services (Hotels, travel etc).
- Businesses in the services sector are facing a decrease in footfall because of the challenges facing town centres due to competition from large suburban shopping centres and the restrictive parking regimes in operation. Expensive parking tickets, fines and the threat of clamping are driving people out of town centres where many service sector businesses operate.
- VAT increases lead to more expensive goods and services for the consumer which in turn causes demand to fall, thereby affecting business. For example the volume of sales in department stores fell by 18.4%, and electrical goods fell by 12.0% as a consequence of the negative impact of the VAT rise to 23%.
- Increases in excises duties on tobacco products have led to an increase in tobacco smuggling. Excise duties on cigarettes continue to rise, increasing the incentive for customers to choose cut price illegal products sold on the black market. In 2010, Ireland's retailers lost €896 million in turnover to the Black market.
- The growth of the ICT sector has led to employment opportunities. At a recent Intel Forum on Education, the CEO of Fujitsu Ireland said that 75% of ICT employers in Ireland have job vacancies. There has been growing concern at the rising skills shortage in the ICT sector, a situation made worse by the low number of students opting for technology courses at third level.
- The growth of e-business, a method of buying and selling goods and services over the internet, is changing the dynamic of the services sector. Retailers moving to on-line operations include Tesco and Next.

Question 3

(A) (i) Explain the terms "Balance of Trade" and "Balance of Payments".

The Balance of Trade

- The difference between **visible exports and visible imports**.
- Visible exports are physical goods sent out of the country and money comes in e.g. Apple computers, Beef exported to UK, Lamb exported to France.
- Visible imports are physical goods coming in to the country and money goes out, e.g. Wine from France, leather shoes from Italy.

Balance of Trade

Visible Exports > Visible Imports = Surplus

Visible Exports < Visible Imports = Deficit

The Balance of Payments

- The difference between **Total Exports (Visible & Invisible) and Total Imports (Visible & Invisible)**.
- The total amount of money entering and leaving a country during the course of a year.
- It includes the Balance of Trade plus the Balance of Invisible trade.
- Invisible exports e.g. American tourists holidaying in Ireland.
Invisible imports e.g. Irish people holidaying in Spain.

Balance of Payments

Total Exports > Total Imports = Surplus

Total Exports < Total Imports = Deficit

(ii) Calculate the Balance of Payments figures for both years from the above data.

Balance of Payments = Balance of Trade plus the Balance of Invisible trade

Quarter 2 2012 BOP = 10,004 €m + (6,769) €m = 3,235 €m surplus

Quarter 2 2011 BOP = 9660 €m + (9192) €m = 468 €m surplus

(iii) Illustrate what is meant by the term "invisible exports" with reference to the Irish economy.

- The purchase of an Irish service by a foreigner.
- Invisible exports are **Irish services** sold abroad by Irish firms.
- Money coming into Ireland from Irish services sold abroad to foreign customers.

(B) Discuss the opportunities and challenges for large indigenous companies, such as Kerry Group plc, in exporting to non EU countries.

Opportunities

- *Changes in technology* have had a positive impact on Irish exporters making communications easier and instantaneous worldwide.
- The internet allows Irish exporters to market their goods internationally.
- Video conferencing allows meetings to be held at a fraction of the cost of a traditional meeting. E-mail allows for instant, cheap and reliable communication.
- *The opening of new emerging markets* China which is now the second biggest economy in the world overtaking Japan has created new opportunities for Irish exporters, especially in the food and drinks area.
- Africa's fast growing middle class and associated spending power has created a need for high end goods, presenting a significant opportunity for Ireland.
- *Business risks are reduced* because of reduced dependence on the Irish (domestic) market. Economies of scale are made possible in the context of larger markets which should increase the competitiveness of business.
- *Culture and Green image.* Ireland's ancient Celtic culture and unspoilt pollution free image provides a unique selling point for companies like Kerry Group plc when marketing food products abroad.

Challenges

- *The growth in Globalisation* and global companies with their quality produce at competitive prices are a challenge for Irish exporters. Irish exporting companies will have to become more efficient and invest in R&D in order to provide products with a unique selling point (USP) to survive the competitive threat from global companies.
- Kerry Group recently invested €100 million in a new R&D facility in Ireland to serve customers in EMEA (Europe, Middle East & Africa).
- *Currency/Exchange rate fluctuations.* As the Euro (€) strengthens for example against the US dollar (\$), Irish exports become more expensive leading to a decline in sales to these very important international markets.
- Goods traded between EU and non-EU countries are subject to certain *customs duties* which increases the selling price of exports making them less competitive. Trading outside the EU is often subject to restrictions and may require for example additional *export licenses*.
- *Language and cultural differences* may be an obstacle in exporting to non EU countries. It is important to gain knowledge of customs, culture and language in order to market products without causing offence. An adapted marketing mix may be needed for example a British DIY chain Kingfisher's launch in China encountered serious difficulties because the home improvement market in that country was not yet developed enough.
- *Distribution costs* will be higher as Ireland is geographically located on the peripheral of Europe which may lead to higher transport costs and less competitive prices.

(C) Discuss the benefits for the Irish economy of on-going membership of the EU.

- The creation of the **Single Market** in 1993 eliminated trade barriers within the EU, allowing for the free movement of goods, services, labour and capital between member states.
- Farmers, under the Common Agricultural Policy (CAP), are paid appropriate prices for their produce. Between 1973 and 2008, Irish farmers received €44 billion from the (CAP).
- **Structural funds** of over €17 billion have been made available to Ireland from the European Regional Development Fund and the European Cohesion Fund helping improve roads and public transport infrastructure.
- As a member of the EU with open access to the EU market the Irish economy became a much more attractive prospect for **foreign direct investment (FDI)**, thereby creating **employment opportunities**. The value of (FDI) in Ireland stands at over €30 billion today.
- The introduction of the **single currency** brought additional incentives for foreign investors to locate in Ireland, along with **relative price stability**. The euro has made life easier for Irish businesses and travellers trading or visiting in the euro zone.
- The EU's **environmental directives** and promotion of the use of renewable sources of energy sees Ireland businesses as strategically positioned to benefit from wind and wave power instead of fossil fuels.
- Irish researchers have benefited significantly from funding available under EU framework programmes. The sixth Framework Programme for Research (FP6), which ran from 2002 to 2006, supported Irish research to the tune of approximately €200 million.
- **Administration costs for business have been reduced** and bureaucracy lessened as thousands of administrative forms previously required for trade have been eliminated.
- The **harmonisation of taxes** throughout the EU ensures that **competition is not distorted**, e.g. VAT rates and excise duties are approximated between member states.
- Economies of scale are made possible by the creation of a huge EU market of over 500 million people.

Question 4

(A) (i) Explain the term ‘intrapreneurship’.

- Intrapreneurship involves entrepreneurial activity **within the business** /employees come up with **new ideas/take personal responsibility** which may turn into profitable activities.
- Intrapreneurs are inventive, creative and innovative; they are constantly looking for ways of growing/expanding the business; and improving business processes/product without the financial risk.

(ii) Outline methods of promoting intrapreneurship in EducaPrint Ltd.

- **Empowerment**/employee participation encourages creativity as it allows employees greater freedom on how to do their job by placing real power, responsibility and authority in the hands of employees.
- Create a **culture** within the organisation where it’s **okay to make mistakes**.
- **Financial rewards for effort and creativity**. These rewards could involve a mixture of pay, incentives and benefits. For example a bonus or profit sharing scheme or share ownership scheme. John O’Leary could be given share options as a reward for his innovation.
- **Teamwork** encourages creativity among employees as it facilitates brain storming sessions as part of the product development process. The matrix structure used by EducaPrint Ltd could encourage further intrapreneurship.
- **Resource provider**. Make resources available to help employees to pursue their ideas (e.g. finance, time).
- **Training program** for employees and management, training them on the implementation of an intrapreneurial culture within a business.

(B) Outline the benefits and challenges for EducaPrint Ltd of a matrix organisational structure (team structure) for the development of the eBook products.

Benefits

- It is a team based structure with **expertise drawn from different departments** e.g. marketing, finance, information technology, production. This greater interaction across departments will lead to greater understanding of individual departments by team members.
- All team members have an **input into decision making and problem solving** which allows for greater output and productivity (synergy). New ideas will evolve and better decisions will be made.
- A matrix structure is generally set up in business to carry out **specific projects** such as product development within an R&D context. This would be congruent with the development of the eBook products by EducaPrint Ltd.
- Team members have the support of a **project leader** who is responsible for co-ordinating team effort and ensuring task completion e.g. ensuring the availability of highly specialised employees and equipment for the team.
- Employees should experience **greater job satisfaction** as all members’ efforts are taken into account. They are better motivated as participation in teams satisfies the social needs of employees (Maslow’s Theory on Motivation). Staff morale improves.

Challenges

- Each employee can have **two managers**, the project manager and the functional manager which could lead to confusion and conflict.
- Employee's communications skills and interpersonal skills will need to improve as they are working in a group and dealing with different personalities.
- Successful teams progress through the team development stages of forming, storming, norming and performing. During the storming stage conflict and personality clashes may occur which could lead to industrial relations problems.
- **Decision making may be slow** because getting the agreement of the team during consultation stage may take some time. This matrix organisational structure may not be appropriate in a crisis or emergency situation where tough decisions may have to be made quickly e.g. turning around a business, which is facing insolvency.

(C) Discuss the importance of the management activity of planning for EducaPrint Ltd.

- Planning is the setting out of **specific goals and objectives** for the business; it involves the putting in place of **strategies** that allow you to achieve the stated goals and objectives. Planning ensures that EducaPrint Ltd considers its future and how it will achieve continued success.
- Planning gives EducaPrint Ltd purpose and direction and **reduces risk** and uncertainty.
- **SWOT analysis** is an initial step in the planning process. The aim of EducaPrint Ltd is to play to its strengths and opportunities while seeking to minimise the impact of weaknesses and threats.
- **Mission Statement:** This is a visionary statement outlining who the business is, what the business does and where the business is going e.g. EducaPrint Ltd is a business publishing schoolbooks and eBooks in Ireland. The mission statement would give an insight to the stakeholders into the core values and culture of EducaPrint Ltd.
- **Strategic Planning:** This is long term planning covering a period of five years or more. It is usually drawn up by senior management and it outlines how the long-term goals of the firm are to be achieved e.g. EducaPrint Ltd may decide to expand its successful business model into the UK publishing market.
- **Tactical Planning:** This is short-term planning which breaks the strategic plan into shorter more manageable periods. It deals with the 'now' part of the plan. It is usually drawn up by middle management e.g. EducaPrint Ltd might attempt to target a new group of customers next year.
- **Contingency Planning:** This is back-up planning to cope with emergencies/ unforeseen events and unexpected circumstances. Contingency plans benefit EducaPrint Ltd by preventing disruptions to business and thereby preventing loss of profits and possible business collapse e.g. EducaPrint Ltd may have alternative suppliers of paper available for its traditional print books.

Question 5

(A) Calculate Audrey Stapleton's net **monthly** take-home pay.

Tax Computation for Audrey Stapleton

	€	€	€
Gross Salary			78,000
Add Benefit in kind			<u>2,000</u>
Gross Income			80,000 (2m)
<u>PAYE Tax payable calculation</u>			
€32,800 @ 20%		6,560 (1m)	
€47,200 @ 41% (1m)		<u>19,352 (1m)</u> OF	
Gross PAYE Tax		25,912 (1m) OF	
Less Tax credits			
Single Person	1,650 (1m)		
PAYE	1,650 (1m)		
Rent	<u>320 (1m)</u>		
	3,620	<u>(3,620)</u>	
(A) Net Tax Payable		22,292 (1m) OF	
<u>(B) Employee's PRSI</u>			
€80,000 @ 4%		3,200 (2m)	
<u>(C) Universal Social Charge (USC)</u>			
€10,036 @ 2%	200.72 (1m)		
€5,980 @ 4%	239.20 (1m)		
Balance of €63,984 @ 7% (1m)	<u>4,478.88 (1m)</u> OF	<u>4,918.80 (1m)</u> OF	
<u>Total Statutory Deductions</u>			
(A+B+C)			(30,410.80)
<u>Net Income (Take-home Pay) p.a.</u>			
(€78,000 - €30,410.80)			47,589.20
Net Income (Take-home Pay) p.m.	(47,589.20 ÷ 12) (2m)		<u>3,965.77 (1m)</u>
			<u>OF = Own Figure</u>

(B) Explain the different types of financial and non-financial rewards for employees in a business.

Financial rewards:

Time Rate:

With time rate, payments of a fixed amount per hour for a fixed number of hours per week are made to employees.

If the employee works more than the fixed number of hours overtime is paid at different rates above the minimum e.g. time and a half or double time.

Piece Rate:

This relates the payment given to employees for each unit produced or job completed. The more units produced, the more the employee earns.

Bonus:

A bonus is a sum of money paid to employees for reaching a certain target, e.g. for producing units above an agreed limit.

Commission:

This is a type of financial reward where payment is made according to value of the amount sold, e.g. payments to a sales person (10%) in proportion to the level of sales achieved. It has the advantage of directly encouraging sales.

Profit-sharing schemes:

This is a scheme where some of the organisation's profits are paid to employees on an agreed basis. The scheme is administered and profits are paid to employees to motivate them to become more productive.

Employee Share Ownership Scheme:

Shares in the organisation may be given to employees instead of cash bonuses, maintaining employee interest in the job.

Share option schemes give employees an option to buy shares in a company at a specified price sometime in the future.

Non-financial Rewards

Benefit-in-kind:

This is also known as a perk or a fringe benefit. It takes the form of goods or a service given to employees rather than money. Benefits-in-kind are often used to raise the status of a position in a firm and to boost morale.

Examples include meal vouchers, company cars and health insurance.

(NOTE: Benefit-in-kind can be considered financial or non-financial depending on whether it is taxable or not).

Promotion:

Movement to a more responsible senior level in the organisation. While this will also carry a higher wage it is often the job title, bigger office or the availability of a personal assistant that is the real reward as per Maslow's self-esteem needs.

Job Satisfaction/Job enrichment/Job enlargement:

Employees are rewarded because the job satisfies their social needs (teamwork) and self-actualisation needs (opportunity to do further study). The nature of the work (vocation) and the opportunities it presents (travel) reward the employee e.g. a volunteer with a third world relief agency or charity.

Flexitime:

This allows employees the freedom to choose their own work hours within an agreed time frame e.g. workers may have to be in the workplace between 10am and 1pm only. This allows employees to work from home and organise for example their childcare arrangements more efficiently.

Job sharing:

This involves employees sharing a position e.g. two employees have a job split between them. This is a flexible approach to employment and recognises that employees may wish to prioritise leisure time over work time.

(C) (i) Outline two reasons why a household should prepare a cash flow forecast.

- It helps the household manage its cash flow and **live within its means**. It acts as a **control mechanism** that can be used to measure actual cash flow against planned cash flow encouraging households **to plan their finances sensibly** and live within their means. Means of controlling personal debt.
- It helps a household identify periods of time in the future when the household will have an excess of expenditure over income i.e. a deficit and the **take corrective action to deal with the cash shortfall**.
- It helps a household identify periods of time in the future when the household will have a surplus of income over expenditure. The household can then make **plans** to place these surplus funds on deposit with a financial institution.

(ii) Illustrate how a household can overcome cash flow problems.

- The household could decrease its cash outflows by **targeting (discretionary) expenditure** and reducing its spending on for example, entertainment and holidays.
- The household could attempt to increase its cash inflows by **increasing the income levels of family members**. This may involve a non-working family member returning to work. It might involve doing overtime to earn extra income or even getting a second job.
- The household could **arrange a bank overdraft facility** with its bank to finance problem months where the household is running a deficit. The overdraft facility provides extra flexibility for the household when it needs it most. However, care should be taken because the rate of interest charged on a bank overdraft is high.

- The household could **spread once- off annual expenditure** over a six month or twelve month period. House insurance, health insurance and motor insurance can be paid for on a monthly schedule. In addition utility services can be managed in the context of a budget plan which evens out the seasonal highs and lows of the electricity or gas account.
- **Delaying the payment of bills** (accrued expenses) is an option. By delaying the bill payment money is available for other uses such as reducing a deficit. However, this option is risky for a household because failure to pay can result in loss of service if not managed correctly.
- **Seeking advice** from Local Credit Union/MABS- a household could try to renegotiate loan terms e.g. write down of loan repayments.

Question 6

(A) Outline the internal and external sources of new product ideas for companies like Google.

Internal

- Brainstorming sessions. This involves people from different areas of the business coming together and creatively thinking up new ideas. Some of these ideas are rejected while some are giving further consideration. The diversity of the team assists in the creativity process.
- Sales personnel. Market research or feedback from sales representatives is a major source of product innovation and new product ideas.
- Ideas from employees through suggestion schemes or suggestion boxes. A good idea may be rewarded by a bonus. A good intrapreneurial culture exists within Google fostering innovation e.g. "Google's "20 Percent Time" strategy gives engineers time and space to work on their own projects.
- The R&D department may discover a new product/or improve an existing product through research and development, for example Google spent in the region of 13% of its revenue (\$3.7 billion in 2011) on research and development.

External

- Monitoring competitors and copying some of their product ideas, while being mindful of patent and copyright law e.g. Samsung and Apple.
- Import substitution where a product that is currently being imported is substituted by a home produced product of a similar quality or price.
- Use a Market Research company to identify gaps in the market and market trends. Companies can then exploit these gaps or niche markets.
- Customer Complaints/Feedback could result in changes in or further developments of existing products.
- Foreign travel or trade shows such as the Dublin Web Summit could inspire companies to make a new product for the domestic market.

**(B) ‘For a business to survive it needs to grow and expand’.
Evaluate two methods of business expansion.**

A merger:

- A **friendly or voluntary** amalgamation or joining together of two or more firms for their mutual benefit, trading under a common name.
- A **single new legal entity** is formed once it is approved by shareholders.
- E.g. Irish Permanent and Trustee Savings Bank merged to form Permanent TSB. Avonmore Co-op and Waterford Foods merged to form Glanbia plc.
- It is a defensive strategy as the merger may involve diversification into new product areas, which reduces the risk of the firm ‘having all its eggs in the on basket’.
- Costs will be lower because of economies of scale and the sharing of costs and resources.

Evaluation: Own judgement required

A takeover:

- This occurs when one company **purchases 51% or more** of the shares in another company in either a hostile or friendly manner.
- The acquiring company absorbs the other company, which loses its identity after the acquisition and becomes part of the acquiring company.
- The cost of the takeover can be very expensive.
- Eircom took over Meteor mobile phone company for €420 million. Google bought the popular online video site YouTube for \$1.65 billion. Google has acquired Motorola Mobility, a mobile device manufacturing company, for \$12.5 billion.

Evaluation: Own judgement required

A Strategic alliance:

- When two or more independent firms agree to co-operate and share resources and expertise with each other for the mutual benefit of all parties involved.
- The firms remain **completely independent legally** and each firm maintains its own separate trading identity.
- Google has worked with several corporations, in order to improve production and services. In January 2013, Google announced a partnership with Kia Motors and Hyundai. The partnership integrates Google Maps and Places into new car models to be released later in 2013.
- The firms benefit from the sharing of resources and talent that otherwise they wouldn’t have access to. Either party can end the arrangement easily if they choose to do so.

Evaluation: Own judgement required

A Franchise:

- This is a business arrangement whereby the franchisor (the existing business with the proven business model) grants a contractual licence/permission to the franchisee (person setting up the business) to use its name, logo and business idea in return for a fee or a percentage of profits or sales.
- The franchisor can expand his business without having to invest further capital or take additional risks as these are passed onto the franchisee in the contractual arrangement.
- Some franchises in Ireland include, The Zip Yard, Gloria Jean’s Coffees, McDonalds and GEMS.

- It is a cost effective form of expansion for the franchisor. It can be risky for a franchisor as if standards are not maintained by the franchisee the image of the franchisor could be affected.

Evaluation: Own judgement required

- (C) Discuss the short term and long term implications of business expansion using the following headings:**
Organisation Structure; Product mix; Profitability; Employment

Organisation structure:

Short-term Implication

- As the business expands a new structure may be required as more activities may need to be organised. The business needs a formal organisation structure such as a functional structure which clearly identifies the chain of command and span of control within the business.

Long-term Implication

- This functional organisation structure may be replaced by a geographic structure to facilitate expansion into new geographic regions or a product structure to facilitate the increased range of products.
- As businesses grow they rely more on specialist support functions and personnel. An IT Department and/or a HR Department may be introduced to assist line managers and thereby increase efficiency.

Product mix:

Short-term Implication

- As the business begins to expand the product mix and portfolio of products available for sale will increase to suit the wider range of market segments targeted by the business.
- Any products acquired during growth that do not fit the company's business model may be sold off.
- Wider product range makes the management of the marketing mix more difficult.

Long-term Implication

- Mergers and acquisitions will allow the business to satisfy the various niche markets. This will result in further investment in R&D and product development in order to satisfy the wide range of market segments the business is selling into.
- Different marketing mixes may have to be put in place for the wider range of products.

Profitability:

Short-term Implication

- Short-term restructuring costs. Initially profits may fall as a result of the increased expenditure on assets such as machinery, buildings, IT and R&D, premises etc.
- Diseconomies of scale due to lack of proper management and duplication of work.

Long-term Implication

- As the business consolidates its position during business growth and maturity, sales and revenues should increase leading to greater profitability.
- The business may develop economies of scale such as bulk buying, increased market power, automation and elimination of duplication leading to efficiencies and greater profitability.
- Greater profits will allow for higher dividends to shareholder encouraging further investment and the building up of reserves.
- Profits could also fall in the long term due to diseconomies of scale (poor management, lower employee motivation resulting from very big business). Disconnection between management and employees.

Employment:

Short-term Implication

- Initial expansion may result in rationalisation as the business attempts to remove wasteful duplication of roles. This can lead to compulsory redundancies. The uncertainty/fear about the future can demotivate staff and management and cause industrial relations problems (different pay and reward systems).
- Work relationships could be stressful, due to uncertainty.
- More training required for staff.

Long-term Implication

- As the business consolidates its position during business growth and maturity its HR department may be able to engage in a recruitment drive for new employees as part of its manpower planning.
- The business may be able to motivate workers through higher wages and better working conditions.
- Staff training and development opportunities could open up promotion possibilities for staff improving staff morale and industrial relations.
- Bigger businesses could attract highly qualified personnel.
- Employees may become alienated and demotivated in a very large business, leading to inefficiencies.

Question 7

(A) Outline the market research techniques available to ‘All -Weather Wellies Ltd’ for developing its product range.

Desk Research

- Desk research involves accessing information that has already been gathered
- It is secondary research and can be both internal and external.
- Desk research is relatively cheap which keeps business costs down, thereby ensuring a competitive business.
- Different types of desk research include the internet, internal sales reports, trade reports, Central Statistics Office publications, newspapers etc.
- Desk research can provide information on competitors and consumer spending patterns.
- The daily sales records of ‘All- Weather Wellies Ltd’ would indicate if consumer spending patterns have changed and if they are ready for different accessories in the range.
- The CSO would provide information on the population details of towns (i.e. age, sex, family structure etc.) and its household budget survey would give information on households spending patterns on different types of goods.

Field research

- Field research involves going into the marketplace to gather first-hand or new business information. It is primary research which is carried out by making direct contact with customers or potential customers.
- Field research tends to be expensive and time consuming but it does provide specific information on the behaviour of the target market.
- Field research methods or techniques include: surveys, observation, questionnaires, and customer panels. Surveys involving personal interviews and questionnaires with a sample of the population can be very effective tools in accessing and collecting detailed information about consumer’s tastes, behaviours, and attitudes in the market place. Surveys could be carried out on site at concerts by field researchers employed by ‘All- Weather Wellies Ltd’.
- Observation involving viewing consumers in action e.g. the number of customers selecting a particular product during a particular period in the store. Field research in ‘All Weather-Wellies Ltd’ ascertains attitudes and opinions of its customers and they can make specific changes to their products and product portfolio based on the feedback received.
- Field research allows the company to satisfy its customer needs more effectively, encouraging customer loyalty and increasing the profits of the business.

(B) (i) Explain the term ‘market segmentation’ with reference to ‘All Weather-Wellies Ltd’.

- Market segmentation involves dividing up the market into **clearly identifiable sections**, which have **common characteristics**. It allows a firm to identify who their **target market** is.
- ‘All -Weather Wellies Ltd’ may segment the overall market for wellington boots either by demographic or physiological methods.
- This market may be further segmented e.g. males and females, sporty and non-sporty, leisure and competitive, rural and urban types to help develop and support an effective marketing strategy.

(ii) Discuss the reasons why the ‘All Weather-Wellies Ltd’ marketing department might engage in market segmentation.

- To focus its marketing strategy on the customers who are most likely to buy the wellington boots.
- To achieve cost effective use of resources by avoiding markets which will not be profitable
- May give ‘All-Weather Wellies Ltd’ a competitive advantage in the wellington boots market
- ‘All- Weather Wellies Ltd’ will have the opportunity to build loyal relationships with its customers from a young age and increase its potential for development of future products e.g. accessories such as umbrellas, scarves and hats.
- Market segmentation provides information to help All-Weather Wellies Ltd’ decide on the most appropriate marketing strategy and promotion mix to use for marketing the wellington boots e.g. Radio, T.V, competitions, sponsorship, social media etc.
- Advertising is better targeted: The selection of a certain segment will allow All-Weather Wellies Ltd to better target advertising. This will increase the impact of advertising and lead to higher sales.
- Price can be accurately used to set the right image for the product if matched or targeted at the consumer’s income.

(C) Outline the factors a marketing manager might consider in determining the selling price of products at ‘All- Weather Wellies Ltd’.

The factors include:

- **Costs:** The price should cover the firm’s costs (production, marketing, distribution etc.) and include a profit margin. Break-even analysis will help here (Cost plus pricing strategy).
- **Competitors Prices:** Competition is very intense in the clothing/footwear industry and this will influence the price to be charged. The pricing plateau for the product is a strong consideration, however, Weather-Wellies Ltd’ could opt for a low pricing strategy such as ‘penetration pricing’ in order to capture market share from competitors.
- **Type of Product/Image:** As the business is selling branded boots the price may be set at a high rate to reflect consumer’s perception of a superior product (Premium Pricing strategy).
- **Stage of Product Life Cycle:** As the products are new and at the introductory stage a high price may be charged to help recover R&D costs (Price skimming strategy).

- **Consumers:** The type of buyers will determine the price which can be charged. The business may discriminate between the festival-goers and the great outdoors in the price setting process (price discrimination strategy). The target market may be a determining factor.
- **Demand:** New products launched by All- Weather Wellies Ltd' may be very popular so demand may increase. This increased demand may result in higher prices being charged at the introductory stage.

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