



**GOOD ANSWER GUIDE  
BUSINESS MANAGEMENT AND  
ENTERPRISE  
ATAR EXAMINATION 2019**

**BUSINESS EDUCATORS OF WESTERN  
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## INTRODUCTION

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## SECTION 1: SHORT ANSWER QUESTIONS

### QUESTION 1

(a) Describe **two** benefits of innovation for a business.

(4 marks)

| Question 1 (a): Response 1  |   |
|---|---|
| Top 25 Answer   | Annotations   |
| <p>One: Financial gain. Innovation can create a new source of income through disruptive innovation in a new product or service. Incremental innovation can prolong a products life cycle by adding improvements and increasing the quality of product/service. This means an extended income for the product. If innovation improves production in reducing costs, this means the business also saves money financially.</p> <p>Two: Expansion into Global market presence. Innovation can gain attention to a business through creating desirable products/services. This draws brand awareness from all around the world. The growing of Globalization and e-commerce allows a business to have global reach. Innovation allows businesses to reach a wider customer base / market size globally.</p> | <p>Describes how innovation can result in financial gain for a business by creating a new source of income through new products or services, or how the life cycle of a product can be extended by making improvements.</p> <p>Describes how innovation can result in the expansion into a global market presence for a business. The creation of products desired by a global market and the use of e-commerce allows a business to have a global reach.</p> |



## QUESTION 1 (continued)

- (b) Outline the rationale for and identify **two** benefits of each of the following global strategic alliances.
- (i) Acquisition (3 marks)
- (ii) Franchising (3 marks)

| Question 1 (b) (i), (ii): Response 1  |   |
|---|---|
| Top 25 Answer   | Annotations   |
| <p>(i) Acquisition (3 marks)</p> <p>Rationale: <u>An acquisition is when one company buys a business that has already been operating. It provides a quicker start in exploiting an international market, creating a bigger more competitive business.</u></p> <p>Benefit one: <u>A benefit of this global strategic alliance is that it reduces the number of competitors that the business will have to face in the market.</u></p> <p>Benefit two: <u>Another benefit is that an acquisition combines the skills, knowledge and talents of two companies, leading to an overall more innovative and competitive business.</u></p> | <p>Outlines the rationale for acquisition as a global strategic alliance because it allows for a quicker start to exploiting international markets.</p> <p>Identifies that benefits of acquisition include a reduction in competitors in the market and the acquisition of the additional skills, knowledge and talents in the business being acquired.</p>   |
| <p>(ii) Franchising (3 marks)</p> <p>Rationale: <u>Franchising is a continuing relationship where the franchisor gives a licensed privilege to do business, plus assistance in training, management and merchandising in exchange for fees from the franchisee.</u></p> <p>Benefit one: <u>A benefit for the franchisor is that it increases brand awareness and recognition as the business will operate in multiple locations.</u></p> <p>Benefit two: <u>A benefit for the franchisee is that it is a low risk strategy as the business is already established and successful in operating.</u></p>                              | <p>Outlines the rationale for franchising as a global strategic alliance for both the franchisor (earning fees from the franchisee) and the franchisee (receiving assistance in training, management and merchandising).</p> <p>Identifies the benefits of franchising for both the franchisor, through increased recognition in new markets, and the franchisee, through low risk access to a successful business operation.</p> |



## QUESTION 2

- (a) Identify and explain an economic factor that can impact business operations in the global market. (4 marks)

| Question 2 (a): Response 1   |  |
|--|--|
| Top 25 Answer  | Annotations  |
| <p>Discretionary spending is an economic factor which could impact business operations in the global market. This factor exists if there is a large amount of stable employment in economies providing <sup>consumers</sup> consumers with discretionary income. Markets with consumers who have discretionary income (money left over after necessities have been paid for) will mean that there are more consumers with the power to spend and generate demand for the businesses goods or services. High discretionary income results in high discretionary spending and economic activity which will create an economic environment that supports business operations.</p> | <p>Identifies discretionary spending as an economic factor that can impact business operations in the global market.</p> <p>Explains what is meant by discretionary spending. Links high discretionary income with high discretionary spending, explaining that this promotes an economic environment that supports business operations.</p> |



## QUESTION 2 (continued)

- (b) Explain the impact that technology, specifically e-commerce, has on a business operating in a global environment. (3 marks)

| Question 2 (b): Response 1   |   |
|--|---|
| Top 25 Answer  | Annotations   |
| <p>E-commerce provides 24/7 trading for businesses and also gives access to numerous more markets. Consequently with the 24/7 trading, the business has the opportunity to sell more, thus increasing their profits. Also as they can sell to more markets and thus more people, this also increases their profits. Similarly, with the introduction of payment services such as Paypal or Visa, it increases the efficiency of transactions world wide. As a definition, e-commerce is the trading of goods and services or the transmitting of funds and data over an electronic network, namely the internet.</p> | <p>Explains that e-commerce allows businesses to trade 24/7 in numerous markets, optimising sales and profits.</p> <p>Explains that efficient payment from customers is facilitated by e-commerce payment services.</p> |



## QUESTION 2 (continued)

- (c) Explain what a business might need to consider in relation to patent registrations when expanding into a global market. (3 marks)

| Question 2 (c): Response 1  |   |
|---|---|
| Top 25 Answer   | Annotations   |
| <p>There are no international patents thus when expanding into foreign markets, other people can copy or use the invention or innovation without permission. Thus a business needs to patent their invention or innovation in the countries they wish to operate in. This can be done easily through the World Intellectual Property Organisation which grants access to the 151 countries in the Patent Cooperation Treaty. Here the business can efficiently review all requirements for registration for a patent and submit the registration efficiently, receiving protection in such countries.</p> | <p>Defines intellectual property and explains why patent registration is necessary to protect it in the global market.</p> <p>Explains the necessity for a business to patent its intellectual property in each country in which they wish to operate, or through the World Intellectual Property Organisation that administers the Patent Cooperation Treaty providing patent protection in 148 countries.</p> |



### QUESTION 3

(a) Explain the purpose of production management systems.

(3 marks)

| Question 3 (a): Response 1  |   |
|---|---|
| Top 25 Answer   | Annotations   |
| <p>A production process involves inputs (raw materials) being processed (skills and technology) into outputs (final product)</p> <p>The purpose of a production management system is to monitor production process to ensure inputs are organised, process are running effectively and efficiently and that outputs are up to quality standards. It assists in making production and material schedules, monitors customer inventory and production data to ensure targets are being met. Overall its purpose is to produce consistent high quality products, low cost and affordable price and making sure business gets the most out of their production capacity. It enables a business to achieve goals, increase public image, support other functions and be competitive.</p> | <p>Explains production management systems. Details the sequences, processes and monitoring of production to ensure the achievement of targets.</p> <p>Explains the purpose as being to produce consistent, high quality products at an affordable cost, where the businesses maximises its production capacity. Links this to assisting a business to achieve its goals, increase its public image and to be competitive.</p> |



### QUESTION 3 (continued)

(b) Outline the features of product development.

(2 marks)

| Question 3 (b): Response 1  |   |
|---|---|
| Top 25 Answer   | Annotations   |
| <p>Product development begins with a product idea. This idea is then evaluated in order to ensure it is reasonable and feasible to create. The concept is then evaluated for how the product will work/be used. Then prototype testing is done to create how the product will appear and functions. This then goes out to market testing where feedback and improvements are collected, and then when the product is finalised it is launched to the larger market.</p> | <p>Outlines the features of product development by illustrating the chronological development stages of a product and what is done at each stage.</p> |



## QUESTION 4

- (a) Consider how consumer purchasing and spending patterns drive global business development. (4 marks)

| Question 4 (a): Response 1   |  |
|--|--|
| Top 25 Answer  | Annotations  |
| <p>Consumer purchasing and spending patterns have opened up potential pathways for businesses in niche or innovative markets or even mass manufacturing markets, to expand <sup>globally</sup> with a low risk. In Australia alone, 78% of consumers are regular online shoppers, indicating a pattern in online shopping. As a result, businesses can expand their distribution and virtual presence to a global scale through establishing e-commerce and online distribution platforms. As physical presence isn't required, costs are saved, and risks are minimised as a result. The increase in technological availability globally makes it easy for businesses to cater to niche markets at a global scale, hence driving global business development.</p> | <p>Considers how consumer purchasing and spending patterns have allowed markets to open up with less risk. Details how new markets, niche markets and even manufacturing can benefit from the consumer patterns of purchasing online and using e-commerce to pay for their purchases.</p> <p>Explains how, due to these consumer patterns, a business can maintain a global online presence while not having the expense of maintaining a physical shop front. Links this to more growth and less risk for businesses.</p> |



## QUESTION 4 (continued)

- (b) (i) Explain the features of quality assurance. (3 marks)  
(ii) Explain the features of quality improvement. (3 marks)

| Question 4 (b): (i), (ii) Response 1  |  |
|---|--|
| Top 25 Answer   | Annotations  |
| <p>(i)</p> <p>Quality assurance refers to the planned and systematic policies and procedures implemented into the process of the production system to ensure that outputs meet requirements for quality. A feature is that it focuses on the process of production to generate quality. Also, it follows a "right first time" approach, seeking to ensure or limit the production of defects such that they don't have to be re-made, but corrected in the first place.</p> <p>(ii)</p> <p>Quality improvement is the continuous improvement of quality that products and services go, ensuring they are up-to-standard and of their best quality. Quality improvement <del>also</del> <sup>monitors</sup> the <del>manager</del> materials, processes and operations, continuously improving them to ensure the best quality product <sup>or service</sup> is provide to the consumer. Improving the quality of a product or service pro- long its product lifecycle, maintains a competitive edge as well as staying relevant within the market."</p> | <p>Explains the features of quality improvement as being a continuous monitoring of materials, process and operations for the best quality product. Links this to prolonging the product lifecycle and maintaining a competitive edge and market relevance.</p> <p>Explains the features of quality assurance as being the planned and systematic policies and procedures implemented into the production system to ensure that outputs meet requirements. Identifies the focus to be the generation of quality, getting it right the first time and limiting defects.</p> |



## QUESTION 5

(a) Outline **two** reasons for resistance to change.

(4 marks)

| Question 5 (a): Response 1  |   |
|---|---|
| Top 25 Answer   | Annotations   |
| <p>One: Staff attitudes could be a major reason, and can stem from poor communication about the change, or misunderstanding or the staff being afraid of how this change may affect them, such as Sersee Designs employees fearing they might lose jobs.</p> <p>Two: Managerial inertia is a reason for resistance to change. This is when managers do not wish to change because they are set in a routine that works, so they don't see the need to change the business structures, making them apathetic or hostile to the change.</p> | <p>Outlines staff attitudes and managerial inertia as reasons for resistance to change. Points out that staff being afraid of how the change will affect them and their job security could be the result of poor communication.</p> |



## QUESTION 5 (continued)

- (b) Explain how Kotter's 8 Steps change management model could be used to prepare the employees for change at Sersee Designs. (3 marks)

| Question 5 (b): Response 1   |   |
|--|---|
| Top 25 Answer  | Annotations   |
| <p>Kotter's 8 steps change management model can be used to prepare the employees for change at Sersee Designs as it will change their attitudes. The steps include: Creating urgency, forming a powerful coalition, creating a vision, communicating the vision, removing obstacles, creating short-term wins, building on the change and anchoring it. These steps will encourage the employees to embrace the change, and to work towards it positively, and it will clear any miscommunications or fears of the change.</p> | <p>Explains how Kotter's 8 Steps change management model could be used to prepare the employees for change. Lists Kotter's 8 Steps (not required to answer the question) and explains that encouraging employees to embrace the change and to work towards it positively will have the effect of clearing miscommunications and fear of the change.</p> |



## QUESTION 5 (continued)

- (c) Describe Steps 2 and 3 of Kotter's 8 Steps change management model to the Sersee Designs' leadership team. (3 marks)

| Question 5 (c): Response 1  |   |
|---|---|
| Top 25 Answer   | Annotations   |
| <p>Step 2: Step 2 is to create a powerful coalition. This step means that the leadership team should work together with strong figures who support the proposed change from each department and ' work together to inspire and convince other employees at Sersee Designs to embrace and support the proposed change.</p> <p>Step 3: Step 3 is to create a vision. What vision is this change working towards? For example, "To make Sersee Designs the top interior designer in the world". This vision will inspire employees of the company to work towards the change and to do the best for the company. Having a vision justifies the changes to employees.</p> | <p>Correctly identifies Steps 2 and 3 of Kotter's 8 Steps change management model and describes each accurately.</p> <p>Describes how Sersee Designs can create a powerful coalition to provide leadership and how the creation of a vision assists employees to be involved with the change.</p> |



## QUESTION 5 (continued)

(d) Select **one** leadership trait and justify its need in a cross-cultural setting.

(4 marks)

| Question 5 (d): Response 1  |  |
|---|--|
| Top 25 Answer   | Annotations  |
| <p>One important leadership trait is that of a skilled communicator. In a cross-cultural setting, there will be many different people from all sorts of cultural backgrounds, and they may all have different communication styles (may be culturally inappropriate to communicate casually in a business setting). A leader who is a skilled communicator will be able to effectively communicate with employees, partners and suppliers in an appropriate and respectful way, creating a workplace where communication is effective about goals, changes and visions, and all employees understand their purpose and responsibility, without anyone being left out or disrespected by poor communication.</p> | <p>Selects the leadership trait of being a skilled communicator as needed in a cross-cultural setting.</p> <p>Explains the diversity of people with whom a leader will need to interact and how skilled communication with each group will promote understanding, inclusivity and respect.</p> |



## QUESTION 6

(a) Comment on the return on equity ratio from 2018 to 2019.

(2 marks)

| Question 6(a): Response 1   |   |
|---|---|
| Top 25 Answer   | Annotations   |
| <p>The return on equity ratio conveys the amount of profit produced for each dollar invested by the owner/shareholders. As the return on equity ratio decreases by 1%, it is likely their (Throwgames Ltd) profitability is decreasing or shareholders are receiving less. As a result, shareholders may sell their shares to avoid further losses.</p> <p>1. Outline the purpose of the expense ratio and describe one possible reason for the</p> | <p>Makes informed comments on the return on equity ratio from 2018 to 2019, indicating what the ratio measures and identifying that the return on investors' funds has decreased. Notes that some investors could sell their Throwgames Ltd shares as a result.</p> |



## QUESTION 6 (continued)

- (b) Outline the purpose of the expense ratio and describe **one** possible reason for the change in this ratio from 2018 to 2019. (4 marks)

| Question 6 (b): Response 1  |  |
|---|--|
| Top 25 Answer   | Annotations  |
| <p>The expense ratio conveys the profitability of a business at a given time through displaying 'how many dollars of operating expenses are used for each dollar' of sales received. An increasing expense ratio negatively affects a business's profitability as they are incurring more expenses for each dollar of sales made. As Thrown Games Ltd's expense ratio has increased by 2% (from 3% in 2018 to 5% in 2019), they could be spending more money on their operating expenses. This indicates a decrease in profitability for the business in 2019 as opposed to 2018.</p> | <p>Outlines the purpose of the expense ratio, indicating what the ratio measures and what the movement means.</p> <p>Describes how the increase in the ratio of 2% indicates that operating expenses have increased, resulting in a decrease in the profitability of Thrown Games Ltd.</p> |



## QUESTION 6 (continued)

- (c) Distinguish between the gross profit ratio and the profit ratio and explain how one can increase while the other decreases. (4 marks)

| Question 6 (c): Response 1  |   |
|---|---|
| Top 25 Answer   | Annotations   |
| <p>A gross profit ratio indicates the amount of gross profit made from each dollar of sales produced. A profit ratio however indicates the amount of profit (in dollars) <sup>made</sup> for each dollar in sales produced. The gross profit <sup>ratio</sup> is calculated by dividing <sup>gross</sup> profit by net sales, and the profit ratio is calculated by dividing profit by net sales. Gross profit consists of sales subtract costs of goods sold whereas profit consists of sales subtract costs of goods sold and business operating expenses. As a result, the gross profit ratio can increase, even if the <del>business</del> operating costs such as marketing, promotions, and rent increase, as gross profit doesn't contain these expenses. This does however mean the profit ratio will decrease.</p> <p>Phraungames Ltd. provides an example of this such that their gross profit ratio increases by 2.5% but their profit ratio decreases by 2%. This indicates a high likelihood of increased operating expenses that do not regard the costs of goods sold, and an increase in sales.</p> | <p>Distinguishes between the gross profit ratio and the profit ratio, clearly indicating the difference in the way each is calculated.</p> <p>Although a full explanation of why the <b>ratio</b> of one can increase while the <b>ratio</b> of the other does not, clearly illustrates how the gross profit can increase while net profit decreases due to the increase of expenses.</p> |



## SECTION 2: EXTENDED ANSWERS

### QUESTION 7

- (a) Explain the role and benefits of innovation in improving products in relation to Jettaya's business. (4 marks)

| Question 7(a): Response 1  |   |
|--|---|
| Top 25 Answer  | Annotations   |
| <p>① The role of innovation in improving products such as Jettaya's clothing line or services like her healthy eating <sup>plan or</sup> <del>program</del> fitness program is about creating something new and fresh or <del>idea</del> making improvements to already existing <sup>ideas</sup> <del>ideas</del>. The process can be rapid or gradual and its purpose is to continuously be making improvements to products and services offered in the health and fitness industry. It can enable Jettaya's business to gain a competitive advantage enabling her to succeed within the industry and market across the globe. The innovation is necessary to respond to opportunities and threats that arise in the business environment. For example in Jettaya's case the growth use of technology. The purpose of innovation can be applied to products and services. <del>For</del> For Jettaya's business introducing a new and improved service such as online healthy eating classes or blogs it enables her to introduce a new service that attracts customers and obtains a competitive advantage. Similarly with product innovation for Jettaya's business she can improve and change the features/ materials, performance and quality of fitness clothing line to <sup>satisfy/</sup> <del>respon</del> to existing demands of consumers in a new/better way or to anticipate market trends. The benefits of innovation in improving products for Jettaya's business involves increased income and financial gain, increased captured market share as well as expansion of global market presence as she produces <del>her</del> <sup>her innovative</sup> <del>products</del> product and sells them to consumers globally. Being an innovative brand is beneficial for the global success of her business.</p> | <p>Provides a detailed explanation of the role of innovation and the benefits of improving products. Makes strong links to Jettaya's business.</p> <p>Explains that continuously making improvements to products and services gives a competitive edge</p> <p>Describes using technology to provide online services such as healthy eating classes and blogs.</p> <p>Describes product innovation through Jettaya's clothing range.</p> <p>Links innovation to financial gain, increased market share and expansion of global presence.</p> |



## QUESTION 7 (continued)

- (a) Explain the role and benefits of innovation in improving products in relation to Jettaya's business. (4 marks)

| Question 7(a): Response 2  |   |
|--|---|
| Top 25 Answer  | Annotations   |
| <p>(A) The role of innovation is to improve the efficiency and productivity of a business by innovating its products, processes and services. The benefits include:</p> <p>① Financial Gain - Jettaya will experience financial gain if she innovates her products before competitors giving her a competitive edge and <sup>more</sup> customers buying her product. Also when she moves her manufacturing to China it will reduce production costs <sup>of products</sup> increasing financial gain.</p> <p>② Expansion of Global Market Presence - By innovating Jettaya's clothing products will differ and stand out from her competitors. This will allow Jettaya's clothing and health and fitness equipment to be known by consumers as it is different from other competitor in the global market.</p> <p>③ Increase Market Share - By innovating Jettaya and her health and fitness materials will give her a competitive edge over consumers. This will cause consumers of rival companies to change to using her product, increasing her percentage of the market.</p> | <p>Provides comprehensive detail regarding innovation and relates to Jettaya's business.</p> <p>Identifies three benefits and links each to the case study. Provides details of how each will benefit Jettaya's business.</p> |



## QUESTION 7 (continued)

- (b) For innovation to be a success there are a number of factors to consider. Examine **two** of these factors in relation to Jettaya's chosen industry. (6 marks)

| Question 7(b): Response 1   |  |
|---|--|
| Top 25 Answer   | Annotations  |
| <p>Innovation may succeed or fail depending on the costs required to innovate, and the marketing strategy used to showcase innovation. Costs may make or break the success of innovation as payments in research/development and equipment are often required to kick-start innovation. Jettaya will need to consider the costs required to undergo innovation in all of their health/fitness products. She will also need to consider the costs required in setting up an e-commerce platform for digital distribution including website development costs. As she is <del>moving</del> shifting her manufacturing and supply to China, her costs will be reduced, resulting in a greater likelihood of her innovation's success. The marketing strategy utilised after innovation will also determine or influence its success. The marketing strategy must ensure promotional material is indicative of the innovative changes and unique features established, otherwise it may go unnoticed. Jettaya will need to ensure her marketing strategy for her health and fitness related products, convey their uniqueness and any innovative features to ensure it becomes recognised in the community. The marketing strategy should also align with the industry and should be easily understood by all countries/countries of distribution. Taking advantage of online promotion/advertisements, particularly in social media could boost Jettaya's success from innovation.</p> | <p>Selects cost and marketing strategy as the two factors to examine in relation to Jettaya's chosen industry.</p> <p>Provides a detailed elaboration of each factor, strongly linking them to Jettaya's situation and how they could have an impact on her success.</p> |



## QUESTION 7 (continued)

- (b) For innovation to be a success there are a number of factors to consider. Examine **two** of these factors in relations to Jettaya's chosen industry. (6 marks)

| Question 7(b): Response 2  |   |
|--|---|
| Top 25 Answer  | Annotations   |
| <p><u>Factors to consider</u></p> <p>When Jettaya is looking to innovate it is vital that she considers certain factors that can impact whether it is successful or not. She must consider timing, which involves considering when she should enter her product or service. Jettaya should enter the market at times of prosperity when economy activity is strong. This is because it is the time when customers are highly likely to have more discretionary income and are therefore more likely to try new products and services. It is important that Jettaya enters at the growth stage of the product lifecycle as it means that she would of already established her brand and it would have a reputation. In this case the brand would already have a strong reputation of being a <del>service</del> <sup>service</sup> that promotes a healthy lifestyle and way of living which is a positive reputation.</p> <p>Jettaya must also consider the marketing strategy that she uses when innovating to ensure success. It is important that she aligns marketing strategies with production strategies to ensure they work cooperatively. She will need to use appropriate distribution channels and consider exactly what information she wants to share. Jettaya may need to take different approaches when it comes to packaging clothing, for example using recyclable material, and to look at whether she is advertising to existing customers or creating a new market of customers.</p> | <p>Selects timing and market strategy as factors to examine in relation to Jettaya's chosen industry.</p> <p>Provides a detailed elaboration of each of the two factors.</p> <p>Makes pertinent points regarding timing and how this could have an impact on Jettaya's success.</p> |



## QUESTION 7 (continued)

- (c) Prepare a brief proposal for a social media campaign that uses technology and could help Jettaya grow her business in a global market. (3 marks)

| Question 7(c): Response 1   |  |
|---|--|
| Top 25 Answer   | Annotations  |
| <p>③ Social media is great for promotional activity. I suggest Jettaya uses a combination of blogging and Instagram applications. This enables Jettaya to combine content marketing with communication and promotional strategy - forming better relationships with consumers. The Instagram can have weekly posts of food she makes or ambassadors wearing her clothing line. She can use it to communicate with customers, exchange information and answer any questions rapidly. Having high quality, consistent content is key for social media (Instagram) to provide web presence that is a magnet for potential customers. In addition she could use blogging as this too combines content marketing with promotional and communication methods. Blogging is the fastest and most efficient way to gain visibility and knowledge about Jettaya's brand, her products and services. Both these two aspects as part of the social media campaign will enable her to have global reach of consumers and communicate with any consumers at any time any place.</p> | <p>Proposes a social media campaign using several platforms, justifying how their use could assist Jettaya in growing her business.</p> <p>Details how blogging could be used for marketing.</p> |



## QUESTION 7 (continued)

- (c) Prepare a brief proposal for a social media campaign that uses technology and could help Jettaya grow her business in a global market. (3 marks)

| Question 7(c): Response 2   |   |
|---|---|
| Top 25 Answer   | Annotations   |
| <p><u>Social Media Campaigns:</u></p> <p>social media is an effective marketing strategy as <del>consumers</del><sup>consumers</sup> use it to follow trends, find new products and compare businesses. It is free to make an account on Apps such as Instagram and Facebook. It can be accessed globally 24/7 increasing market reach.</p> <p>Jettaya can create an account and post about new products. As consumers start to follow she can build a brand reputation and customer loyalty. For example on Instagram she can write posts and create strong brand image. She can access global market easily online. She could use a website to sell her products from.</p> <p>Social media campaign could be the new line of products, creating interest and excitement. She can attract global consumers and build her business. An example is to create a count down of days until the release and sneak peeks of the new products.</p> | <p>Proposes a social media campaign that uses technology for Jettaya to grow her business in a global market.</p> <p>Suggests how Facebook and Instagram could be used to create interest and strong brand image in global markets.</p> |



## QUESTION 7 (continued)

- (d) Analyse **two** ethical practices in global business that Jettaya should be aware of an present ways in which she could adopt these practices for long-term business success. (8 marks)

| Question 7(d): Response 1  |  |
|--|--|
| Top 25 Answer  | Annotations  |
| <p>Environmental sustainability is an ethical practice that business should utilise to positively impact their reputation in a market, resulting in greater brand recognition, customer loyalty and positive perception in global communities for long-term business success. Jettaya should be aware of environmental sustainability in her business practices to promote long-term business success. Jettaya could utilise methods such as using renewable sources of energy, reducing her overall CO<sub>2</sub> emissions. Methods of achieving this include incorporating solar panels for energy sources in her clothing production process and/or wind turbines to reduce their emissions. As it is common for clothing brands to refrain from <sup>using</sup> sustainable energy sources, Jettaya will be able to stand out from her competitors, hence</p> | <p>Analyses environmental sustainability and corporate social responsibility as ethical practices in global business.</p> <p>Makes clear the relationship between the ethical practice and how Jettaya could apply it in her business.</p> <p>Predicts how her application of each practice would contribute to her success because she would stand out from her competition and her reputation would be enhanced.</p> |



## QUESTION 7 (continued)

- (d) Analyse **two** ethical practices in global business that Jettaya should be aware of an present ways in which she could adopt these practices for long-term business success.  
(8 marks)

| Question 7(d): Response 2  |   |
|--|---|
| Top 25 Answer  | Annotations   |
| <p>An ethical business practice that Jettaya should be aware of is Corporate Social Responsibility. It is the strategic commitment by businesses to ethical conduct and to find a balance between business success and improving the quality of life of society. Jettaya must be aware that in all business operations she must aim to minimize her negative human impact and improving society and protecting the environment is at the <del>front</del> fore-front of her mind. Jettaya will need to make all decisions, taking into account the effect they will have on society. For example she will need to ensure in the manufacturing of the products, renewable energy is being used, so pollution is not being expelled. Overall she will need to minimize negative human impact while she meets her goals and objectives.</p> <p>Another <del>global business</del> ethical practice is offshoring tax. Jettaya must be aware of. It is clear that she is manufacturing products in China, which <del>is</del> near she is offshoring. Offshoring is moving employees or business practices to foreign countries to avoid taxes and lower costs. In order to be completely ethical in this action she must collaborate with local unions to improve the working conditions in China. This will show people that she values human rights over making a profit. Jettaya could collect feedback from employees in China through production and also conduct regular audits in order to see if the working conditions are fair and ethical and if improvements need to be made.</p> | <p>Analyses corporate social responsibility and Jettaya's stance on offshoring as ethical practices she could adopt in her business.</p> <p>Details the effects of offshoring and the actions Jettaya could take.</p> |



## QUESTION 7 (continued)

- (e) Recommend whether Jettaya should focus on the Australian domestic health and fitness market or penetrate the overseas market as well. Justify your recommendation.

(4 marks)

| Question 7(e): Response 1  |  |
|--|--|
| Top 25 Answer  | Annotations  |
| <p>It is recommended that Jettaya attempts to penetrate the overseas health and fitness market alongside the Australian respective market. This is due to the fact that the health and fitness industry encompasses multi-millions of dollars in capital, and her products were stated to have innovated in terms of online distribution and unique product features. This alongside cheaper labour costs in China, and its associated free trade agreement will assist Jettaya in funding this innovation's research and development, and global expansion.</p> | <p>Provides a strong argument for Jettaya to attempt to penetrate the overseas market. Backs up the recommendation with relevant evidence.</p> |



## QUESTION 7 (continued)

- (e) Recommend whether Jettaya should focus on the Australian domestic health and fitness market or penetrate the overseas market as well. Justify your recommendation. (4 marks)

| Question 7(e): Response 2  |  |
|--|--|
| Top 25 Answer  | Annotations  |
| <p>(e) Jettaya should focus on the Australia domestic health and fitness market first. This is because she is new in the industry as she just recently created her business. There is not much of her brand awareness and market presence. Besides, there are many global brands in the overseas market which may be too risky for her startup business to enter the market. Therefore, Jettaya should consider how successful her business is in the domestic market first then only try to penetrate into the overseas market.</p> | <p>Recommends that Jettaya should focus on the Australian market and provides strong justification for the recommendation.</p> |



## QUESTION 8

- (a) State **three** features of the Australia New Zealand Closer Economic Relations Trade Agreement (ANZCERTA). (3 marks)

| Question 8 (a): Response 1   |  |
|--|--|
| Top 25 Answer  | Annotations  |
| <p>• 3 Features of the Australia New-Zealand Closer Economic Relations Trade Agreement (ANZCERTA)</p> <p>One feature of the ANZCERTA is the elimination of all tariffs and behind-the-border barriers on exports and/or imports from both the participating countries. This feature allows for the easy and efficient movement of goods and services, without the costs business would incur with tariffs. It also allows businesses to sell products and services at lower prices to their local consumers as there are less expensive. This feature is extremely beneficial to Ditterly Uggalicious as it makes it less costly to import wool from New Zealand to be manufactured in Australia.</p> <p>The second feature of the ANZCERTA is the standard recognition of qualifications and skills, which allows for freedom in the job market among Australia and New Zealand, and promotes the spread of skills and technology. This improves employment levels and opportunities, and breeds more innovation and ideas as skilled workers are recognised in both countries.</p> <p>The third feature is the standardisation of food health and safety regulations and laws. This feature enables the ease and efficiency of food products' import and export, as both countries have the same standards and laws, which eliminates barriers such lengthy inspections and product liability.</p> | <p>Makes clear statements about three features of the Australia New Zealand Closer Economic Relations Trade Agreement and explains how each benefits the parties to the agreement.</p> |



## QUESTION 8 (continued)

- (a) State **three** features of the Australia New Zealand Closer Economic Relations Trade Agreement (ANZCERTA). (3 marks)

| Question 8 (a): Response 2   |   |
|--|---|
| Top 25 Answer  | Annotations   |
| <p>Free-Trade-Agreements (FTA) are an agreement between two or more countries or regions, which create a free-trade area which allows the commerce of goods or services to be conducted across common barriers without tariffs.</p> <p>The Australia-New-Zealand Closer Economic Relations Trade Agreement (ANZCERTA) is an agreement between Australia and New Zealand. The FTA ensures that food standards are standardized, government incentives are removed to ensure a level playing field, as well as all tariffs are removed on goods imports and exports. This increases the trade between Australia and New Zealand, making the trades between <sup>the</sup> countries easier and more attractive to importers and exporters.</p> | <p>Explains the Australia New Zealand Closer Economic Relations Trade Agreement, states its features and ultimately how it makes trade between the countries easier and more attractive for both importers and exporters.</p> |



## QUESTION 8 (continued)

- (b) Globalisation has impacted international cooperation and domestic markets. Analyse how these might impact Utterly Uggalicious' decision to move its operations to Asia. (6 marks)

| Question 8 (b): Response 1   |  |
|--|--|
| Top 25 Answer  | Annotations  |
| <p>Globalisation has impacted international cooperation as it creates influences communication and cooperation between specific international countries. FTA's have increased &amp; influenced the international cooperation existent due to globalisation as they increase the neutral communication between international countries. Utterly Uggalicious cooperates with New Zealand as they source their wool for their products from Australia and New Zealand.</p> <p>The decision to move the <del>most</del> production offshore to Asia will force international cooperation between Australia, New Zealand as well as Asia. If the two countries are on good terms with Asia, then this move may be a positive and viable move for the business.</p> <p>The domestic market will be impacted if Utter Uggalicious decides to move its operations overseas to Asia, as the employment for the operating and manufacturing of the Uggs will be removed from Australia, and given to workers in Asia. This removes employment in Australia, whilst also providing salaries to Asian workers, removing the capital from the Australian economy and putting it into the Asian economy.</p> | <p>Analyses how globalisation has impacted international cooperation and domestic markets. Explains the impact of each and applies to the case study, detailing the impact of each on Utterly Uggalicious moving its operations to Asia.</p> |



## QUESTION 8 (continued)

- (c) Advise Utterly Uggalicious on the role of ethics in global business decision-making in relation to the outsourcing of labour versus offshore labour. (6 marks)

| Question 8 (c): Response 1   |  |
|--|--|
| Top 25 Answer  | Annotations  |
| <p>It is essential business consider the ethics regarding their decisions, particularly in how labour throughout the business is handled. By ensuring labour is ethical and methods are favourable for employees, employee motivation will increase alongside their retention. Customer retention would also increase as a result of associating the business with ethical labour practices, <sup>therefore</sup> increasing sales. Utterly Uggalicious currently follows "ethical production policies" and manufactures all products within Australia. They have now considered shifting the production of their sheepskin coat products to Asia to ultimately reduce labour costs and increase the efficiency of production. Outsourcing is an option for them and involves contracting a worker overseas (in Asia for this case) to complete a non-core business function i.e. manufacturing of coats in this scenario. Although outsourcing is <del>not</del> inherently unethical, it would be difficult to maintain their "ethical production policies" due to potential language barriers and location differences in Asia. It would however be closer to maintaining their established Corporate Social Responsibility than using offshore labour. Offshore labour is a much less ethical decision which favours low and exploited production costs of other countries and low standards of work. Offshore labour may lead to sweatshops which would eliminate Utterly Uggalicious' CSR and would ruin their built positive reputation. It is essential the business considers and applies ethical <del>labour</del> labour standards such as those provided by the International Labour Organisation, and avoids the use of offshore labour, to maintain a positive reputation and CSR, which will ultimately increase customer retention and in turn, sales.</p> | <p>Provides significant detail regarding the role of ethics in global business decision-making in relation to the outsourcing of labour versus offshore labour. Gives advice about each and how the integrity and reputation of Utterly Uggalicious could be affected.</p> |



## QUESTION 8

- (d) Consider how **two** political factors could impact on the business' operations in Asia. (6 marks)

| Question 8 (d): Response 1   |   |
|--|---|
| Top 25 Answer  | Annotations   |
| <p>Political Factors that could impact business operations in Asia</p> <p>1. Stability of Foreign government and foreign government relationship with Australian governments are two political factors that could impact business operations in Asia. Stability of foreign governments refers to the propensity of the government to collapse usually due to conflict or rampant competition between political parties. A stable government in Asia with clear laws concerning operations, competition, trade and censorship <del>etc</del> would provide a <sup>political</sup> <del>an</del> environment that supports Utterly Uggalicious processing and manufacturing in Asia. An unstable government however, with corruption, unclear laws and lack of government funding to business would negatively impact any of Utterly Uggalicious' operations in Asia. Foreign government relationships with the Australian government refers to the strength of the bonds, alliances and communication between <del>the</del> governments. Australia has a number of Free trade agreements (FTAs), trade blocs, alliances and historical ties to Asia. This coincides with a positive and strong relationship between the two governments. As such the political environment would be supportive of Utterly Uggalicious moving its production offshore to Asia and allow for productive business operations in Asia.</p> | <p>Considers how two political factors could impact on Utterly Uggalicious' operations in Asia.</p> <p>Explains how the stability of foreign governments and the relationship of Australian with other governments in the Asian region could impact Utterly Uggalicious and gives pertinent examples.</p> |



## QUESTION 8 (continued)

(e) Justify to Utterly Uggalicious why it would be advisable to move its production to Asia.

(4 marks)

| Question 8 (e): Response 2  |  |
|---|--|
| Top 25 Answer   | Annotations  |
| <p>e.) It is advisable for Uggalicious to move production to Asia. Due to the international cooperation there are free trade agreements in places such as AANZFTA which will make it easier for their transition. Similarly due to the saturation of the domestic market as a result of globalisation, the cheaper offshore labour and materials will make Uggalicious more competitive. Similarly, the <sup>opposite</sup> <del>opposite</del> statistics in ASEAN specifically <del>as</del> and the strong <del>economic</del> democratic ties with the Australian government will make the transition supported and <del>as</del> with relative aid. Whilst Uggalicious will have to be <sup>mindful</sup> <del>mindful</del> of its moral obligation and ethics both outsourcing in Asia, the move will decrease their costs and make them more competitive and profitable.</p> <p>Such as with the removal of tariffs</p> | <p>Provides strong justification for Utterly Uggalicious moving its production to Asia.</p> <p>Cites relevant evidence about how the move would make the business more competitive and profitable.</p> |



## QUESTION 9

- (a) Outline **two** cultural considerations that Aussie-Homestead Foods would need to consider while undertaking discussions with potential buyers, if it plans to enter the native foods export industry. (4 marks)

| Question 9 (a): Response 1   |  |
|--|--|
| Top 25 Answer  | Annotations  |
| <p><u>Cultural considerations</u></p> <p>The first consideration is religious beliefs when discussing with potential international buyers as this would affect their consumption habits, lifestyles, beliefs and behaviours. Aussie-Homestead Foods may have to be considerate of the products they are discussing, given some religions don't eat certain products and meats which could affect the native foods that they decide to export. It may also affect the timing of the discussions as Aussie-Homestead Foods must be considerate of prayer times overseas.</p> <p>The second consideration is holidays and celebrations which would also affect when the business interacts with the potential buyers. Aussie-Homestead Foods must research into and become aware of public holidays and celebrations so that they plan discussions around these dates to avoid offending or disrupting potential customers which could harm their future operations going forward. The company may even utilise holidays or celebrations to promote their native food exports to showing the understanding of the market.</p> | <p>Outlines the importance of understanding the religious beliefs of potential buyers which would impact on the consumption of Aussie-Homestead Foods' products. Also mentions the importance of scheduling meetings around religious practices.</p> <p>Considers the holidays and celebrations of potential buyers and the necessity of Aussie-Homestead Foods to avoid offence or disruption; rather an understanding of how their product could enhance celebrations.</p> |



## QUESTION 9 (continued)

- (b) Outline **two** cultural considerations that Aussie-Homestead Foods would need to consider while undertaking discussions with potential buyers, if it plans to enter the native foods export industry. (4 marks)

| Question 9 (a): Response 2   |  |
|--|--|
| Top 25 Answer  | Annotations  |
| <p>a) Two cultural considerations that Aussie-Homestead Foods would need to consider while undertaking discussions with potential buyers are religious beliefs and business etiquette if it plans to enter native foods export industry.</p> <p>Religious beliefs would need to be considered in a cross cultural setting as different countries have different dominant cultures which have different beliefs. Different beliefs could directly affect the native foods. Homestead Foods could export as different beliefs don't eat different foods, for example Hindus not eating beef.</p> <p>Business etiquette would affect cross cultural discussions with potential buyers as different cultural cultures have different ways of conducting business. For example if setting in discussion with Asian businesses, Aussie-Homestead Foods would have to consider the Asian etiquette of bowings instead of handshakes when greeting. By being aware of the different business etiquettes they can build closer relations.</p> | <p>Explains the need to understand the prominent religions of the countries of potential customers.</p> <p>Outlines the importance of understanding different communication protocols and the business etiquette of potential buyers, emphasising the need to demonstrate respect and provides an example.</p> |



## QUESTION 9 (continued)

- (b) Propose a mission statement and **one** key objective for Aussie-Homestead Foods' native foods division as part of its strategic plan to enter this export industry. (4 marks)

| Question 9 (b): Response 1  |   |
|---|---|
| Top 25 Answer   | Annotations   |
| <p>Mission statement and objectives</p> <p>A possible mission statement for the division could be the creation of fine <sup>food</sup> produced from native, unique ingredients which aims to please the palates of a global market'. This statement encapsulates the long</p> <p>term vision of the business according to its direction and priorities of targeting a global market. It could be used by Aussie-Homestead to entice global customers.</p> <p>An objective of this division could be to sell products to retailers and restaurants in the Asian market. This would be an appropriate objective as <del>it</del> there's huge interest in the Asian market for native products. So by making this an objective, Aussie-Homesteads Foods could improve its market share and profitability whilst also taking advantage of the close proximity, between Australia and asia which would mean transport costs are low.</p> | <p>Proposes a mission statement selecting clear, relevant language that encapsulates the goal, direction and desired end result of Aussie-Homestead Foods' native foods division.</p> <p>Proposes a broad key objective of the division to sell to retailers and restaurants.</p> |



## QUESTION 9 (continued)

- (b) Propose a mission statement and **one** key objective for Aussie-Homestead Foods' native foods division as part of its strategic plan to enter this export industry. (4 marks)

| Question 9 (b): Response 2  |   |
|---|---|
| Top 25 Answer   | Annotations   |
| <p>(b) A potential mission statement for Aussie-Homestead Foods could be "Our goal is to provide the freshest native food possible at an affordable price". One key objective for Aussie-Homestead Foods' native foods division could be to gain 5% market share in the Asian Fine Food market. This objective is what the business tries to achieve to enter this export industry.</p> | <p>Proposes a succinct mission statement and clearly explains its objective.</p> <p>Proposes a specific key objective as a clear target for the business.</p> |



## QUESTION 9 (continued)

- (c) Analyse the features of the bargaining power of suppliers and the threat of new entrants listed in Porter's Five Forces Model in Relation to Aussie-Homestead Foods exporting products to Asia. (8 marks)

| Question 9 (c): Response 1  |   |
|---|---|
| Top 25 Answer   | Annotations   |
| <p><u>Porters 5 forces</u></p> <p>The bargaining power of suppliers refers to the power suppliers have over a firm <del>to</del> like a customer of Aussie-Homestead Foods in determining the price and quality of supply. In the native foods industry, the company is a supplier of native foods, and they hold a large amount of control in setting the price and quantity supplied given the industry is "supply poor". So, if Aussie Homestead Foods enters this market, they may have a large amount of power. Although this could be affected by the presence of <sup>other</sup> suppliers like those of "finger limes" in Possum Creek. If those <del>some</del> exporters are able to provide native foods at low prices and in high quantities, <del>then</del> the Aussie-Homestead Foods may struggle to compete. <del>However, as a</del> and consumers like restaurants may be the bearer of power. However, given the market currently lacks suppliers, yet demand is extremely high, the company is likely to have a lot of power in the market given there's "plenty of room for growth". <del>As</del> Foreigners would then be forced to accept Aussie-Homesteads foods at higher more premium prices as they lack power in the market. The threat of new entrants which refers to the likelihood of new businesses entering the market may also affect Aussie-Homestead Foods competitiveness in the native industry. It is likely that new companies will enter the market and export to Asia, then the firm may have reduced power and control given the number of competitors would rise. It is an attractive market with "limitless growth" so it is likely to have a large threat of new firms entering the market. Aussie Homestead Foods should look to differentiate themselves or gain a comparative advantage so that the threat is reduced, and so they maintain a large powerful firm who <del>has</del> holds a large proportion of market share. Strengthening <del>into</del> the barrier to entry could help this.</p> | <p>Analyses the bargaining power of suppliers in relation to Aussie-Homestead Foods. Explains the concept proposed in Porter's Five Forces Model. Applies this to Aussie-Homestead Foods, explaining that demand for its product exceeds supply and the resultant expectation of greater power in setting prices. Quotes from the article to support answer.</p> <p>Explains the meaning of the threat of new entrants and analyses Aussie-Homestead Foods' position in the longer term. Predicts the result should an influx of competitors enter the market, uses quotes from the article regarding the growth potential of the native food industry and suggests that Aussie-Homestead Foods differentiates itself from potential competitors.</p> |



## QUESTION 9 (continued)

- (d) Justify whether you would standardise or adapt elements of the marketing mix of Aussie-Homestead Foods, if it decides to enter an international market. (5 marks)

| Question 9 (d): Response 1  |   |
|---|---|
| Top 25 Answer   | Annotations   |
| <p><u>Standardisation of the marketing Mix</u><br/>I recommend Aussie-Homestead Foods standardises there marketing mix when entering the asian market. This is because they could create consistency through markets as the same campaign as business image is promoted globally. This would allow the company to benefit off of its success domestically in Australia. It would also allow them to test native food products, there features and marketing strategies before they expand globally. This could increase there success and reduce the risks associated with expanding as the techniques <sup>and ingredients</sup> have been tried before. By standardising product names, customers would be able to recognise the foods globally which would improve brand recognition and awareness. Furthermore by standardising there positioning in a market, the company could create certainty for buyers and eliminate the risk of reducing customer satisfaction or sales revenue by charging the wrong price or reducing quality. A premium price would be appropriate given there offerings are more unique and luxurious.</p> | <p>Advises standardisation of the marketing mix and justifies by giving examples.</p> <p>Makes a strong point of consistency and global image being beneficial to Aussie-Homestead Foods.</p> |



## QUESTION 9

- (d) Justify whether you would standardise or adapt elements of the marketing mix of Aussie-Homestead Foods, if it decides to enter an international market. (5 marks)

| Question 9 (d): Response 2   |   |
|--|---|
| Top 25 Answer  | Annotations   |
| <p>d) Justify whether you would standardise or adapt elements of the marketing mix of Aussie Homestead Foods, if it decides to enter an international market.</p> <p>I would adapt elements of the marketing mix to suit local sensibilities and needs to increase my customer base/market share. If the business suit needs then people will buy your product</p> <p>Product name as well as the corporate slogan I would make sure to change them into the local language and see if once translated if they meant any damaging words. If it did I would change the product name and corporate slogan as needed. I would adapt the product features like the colour of the packaging to mean good things in that culture/country. I would adapt to make sure the features are suitable for shipping as well as the climate, so the food doesn't perish. I would adapt to make sure my labelling met laws/regulations in each country, for example if it contained allergen ingredients, etc.</p> <p>Finally I would adapt my positioning depending on the cultures/countries values as well as price positioning depending on the countries financial position. I could position the product through skim, penetrative</p> <p>and psychological pricing. I would adapt the marketing mix of Aussie-Homestead foods if they decided to enter an international market.</p> | <p>Gives both sides of the argument by citing the advantages of standardising, but ultimately how adapting would be more suitable for Aussie Homesteads Foods in an Asian market.</p> |



## QUESTION 9

- (d) Justify whether you would standardise or adapt elements of the marketing mix of Aussie-Homestead Foods, if it decides to enter an international market. (5 marks)

| Question 9 (d): Response 3   |   |
|--|---|
| Top 25 Answer  | Annotations   |
| <p>Standardising elements of the marketing mix for businesses can be cheaper by achieving economies of scale. By using the same corporate slogan, name, positioning and product features, the Aussie-Homestead Foods can save costs by having a centralised marketing team instead of having new strategies and advertisement teams in different countries. Standardising a slogan or name can also create brand awareness as consistently seeing the same brand everywhere draws more attention and familiarity to it. However because Asia has such different cultures, <del>and</del> attitudes and lifestyles to people in Australia. <del>The</del> adapting <sup>some</sup> elements of the marketing mix would be more appropriate and potentially more successful. Adapting its Cooperate slogan would draw more attention and better recognised in different countries and show an appreciation and respect for different cultures. Product features can also be adapted to better suit each culture. Some colours have more significance such as red in China is seen as lucky. This can be used to Aussie-Homestead Foods advantage and advertise to the desires of foreign customers. The Name - should be standardised as the Australian nature is a competitive advantage as it appears to be unique and by being Australian can attract customers interested in Australian products. Positioning can be adapted as the products are highly desired in Asia compared to European companies. They can therefore take advantage and brand their products at higher values in Asia.</p> | <p>Provides an argument to adapt elements of the marketing mix for entry into an international market. Justifies why adapting the elements would benefit Aussie-Homestead Foods by providing relevant examples.</p> |



## QUESTION 9 (continued)

- (e) Recommend an Australian Government incentive to help businesses trade in the global marketplace. Justify your recommendation. (4 marks)

| Question 9 (e): Response 1  |  |
|---|--|
| Top 25 Answer   | Annotations  |
| <p>(e) One of the incentives is the Export Market Development Grant (EMDG). The EMDG provides a cash rebate on overseas marketing expenditure for Australia businesses. Businesses can gain up to 50% of reimbursement to \$150,000 on overseas marketing expenditure. The applicant must be an Australian and also have an annual income of not more than A\$50 million. The business must also spend at least \$15,000 in overseas marketing expenditure.</p> <p>Aussie-Homestead Foods should apply for this government incentive because the discussion with potential buyers in other countries may require them to travel to other countries and also conduct market research. These activities are considered overseas marketing expenditure therefore it is claimable by Aussie-Homestead Foods if they fulfil the requirements. As Aussie-Homestead Foods is also new in the native food exports, they have to market their product overseas too. This incentive can help to lower their financial burden.</p> | <p>Recommends the Export Market Development Grant as an incentive. Describes what is provided by the grant and details how Aussie-Homestead foods could benefit from it.</p> |