

Unit 1: Exam-style Questions

1. Define the term *private limited company* (line 5). [2 marks]
2. State **two** features of a public limited company (line 5). [2 marks]
3. Define the term *expansion* (line 6). [2 marks]
4. Explain **two** reasons for *BON* choosing to convert from a private limited company to a public limited company (line 5). [4 marks]
5. Suggest **two** reasons why *BON* might want to expand (line 6). [4 marks]
6. In the context of *BON*, distinguish between corporate social responsibility (CSR) and sustainability. [4 marks]
7. Describe **two** types of economies of scale that *BON* could benefit from. [4 marks]
8. Explain **one** advantage and **one** disadvantage for *BON* pursuing an internal growth strategy. [4 marks]
9. Explain **one** advantage and **one** disadvantage of *BON* using inorganic growth. [4 marks]
10. Explain the interests of any **two** different stakeholders of *BON*. [4 marks]
11. Analyse **two** potential stakeholder conflicts for *BON*. [6 marks]
12. Discuss the importance of ethical objectives and corporate social responsibility (CSR) for *BON*. [10 marks]

Answers

1. Define the term *private limited company* (line 5). [2 marks]

A private limited company is a type of business structure owned by shareholders but who need the approval of other shareholders before selling or transferring their shares in the organization. The owners are protected by limited liability to the amount they have invested in the company.

Award [1 mark] for a definition that shows some understanding of private limited company.

Award [2 marks] for a definition that shows good understanding of private limited company, similar to the example above.

2. State **two** features of a public limited company (line 5). [2 marks]

A public limited company (PLC) can issue shares to the general public on a public stock exchange.

Investors (shareholders) can freely buy and sell shares in a PLC.

Typically, the board of directors in a PLC is responsible for overseeing management and representing the interests of its shareholders.

A PLC is subject to more stringent legal requirements and disclosure obligations (such as its financial accounts) compared to private limited companies, partnerships, and sole traders.

Mark as a 1 + 1

Award [1 mark] for each relevant feature.

3. Define the term *expansion* (line 6). [2 marks]

Expansion refers to the strategic growth of an organization, typically through methods that enable the business to increase in its sales revenue, customer base, profits, or market presence. Expansion can occur organically (internal growth) or inorganically (external growth, involving third parties).

Award [1 mark] for a definition that shows some understanding of expansion .

Award [2 marks] for a definition that shows good understanding of expansion, similar to the example above.

4. Explain **two** reasons for *BON* choosing to convert from a private limited company to a public limited company (line 5). [4 marks]

Possible reasons why *BON* might choose to convert from a private limited company to a public limited company include an explanation of any two of the following points:

Easier to access a broader range of sources of finance - By becoming a public limited company (PLC), *BON* gains access to a broader pool of finance by issuing shares to the general public through a stock exchange in Europe. Additionally, having the status of being a PLC can make it easier for *BON* to attract institutional investors and secure larger amounts of funding from commercial banks.

Facilitates expansion and growth - Converting from a privately held company to a PLC can facilitate *BON*'s expansion efforts by providing the necessary financial resources and liquidity to support its growth objectives, e.g., investing in necessary capital or pursuing strategic initiatives such as launching new music festivals or even acquiring competitors.

Increased brand visibility and credibility - The benefits are associated with being a large publicly held company. Such status can help *BON* to attract strategic partners, sponsors, and talent to support its music concerts and music festivals. This is because PLCs tend to enjoy greater brand recognition and perceived stability amongst customers, suppliers, investors, financiers, and other stakeholders (such as the farmers who rent their land to *BON* to hold its music festivals).

Accept any other relevant reason that is explained in the context of the case study.

Mark as a 2 + 2

*Award [1 mark] for each appropriate reason, and a further [1 mark] for a clear application, written in the context of *BON*, up to the overall maximum of [4 marks].*

5. Suggest **two** reasons why *BON* might want to expand (line 6). [4 marks]

Possible reasons why *BON* might want to expand include any two of the following points:

To gain higher market share - Expansion can allow *BON* to meet the growing demand for music festivals globally, especially in the post COVID-19 era. With the increasing popularity of music festivals across Europe and the growing appeal to different regions and demographics, expanding its operations can enable *BON* to capture a larger share of the market share.

To diversifying revenue streams - By expanding its portfolio of music festivals, catering for different music genres, *BON* can diversify its revenue streams and reduce its dependence on any single event or geographic region. Growth can therefore help to mitigate the risks associated with seasonality, changes in consumer preferences, or unforeseen events that may impact attendance or profitability of individual music festivals.

Enhancing brand recognition and brand value- Expansion can contribute to enhancing *BON*'s brand recognition and brand value in the music festival industry. By growing and evolving, such as organizing successful events in new locations or introducing innovative music festival concepts, *BON* can strengthen its position as a leading service provider of music festivals in the industry and attract a broader audience of attendees, sponsors, and music artists. Stronger brand reputation can lead to increased customer loyalty, higher ticket sales, and greater sponsorship opportunities.

Economies of scale - Expansion can enable *BON* to achieve some economies of scale by spreading its fixed costs over a larger number of music events or attendees at its music festivals. With increased scale of operations, *BON* may be able to negotiate better deals with suppliers, vendors, and service providers (such as renegotiating rents with the five farmers), resulting in lower costs per festival and improved profit margins for the company. In addition, expanding its operations may allow *BON* to invest in more efficient processes, technologies, and infrastructure, further enhancing its market share and profitability in the industry.

Mark as 2 + 2

Award [1 mark] for each appropriate reason, and a further [1 mark] for a clear application, written in the context of BON, up to the overall maximum of [4 marks].

6. In the context of *BON*, distinguish between corporate social responsibility (CSR) and sustainability. [4 marks]

Corporate social responsibility (CSR) refers to the voluntary actions taken by an organization to address and manage its social and environmental impacts beyond legal requirements. In the case of *BON*, CSR initiatives could include community outreach programmes (such as working with young talent in the music industry), charitable donations to local causes (where its five music festivals are held), and initiatives to support the well-being of its employees, suppliers, and other stakeholders (such as musicians and other freelancers).

In comparison, sustainability refers to the broader concept of meeting the needs of the present generation without compromising the ability of future generations to meet their own needs. This encompasses the three pillars of sustainability: environmental (planet), social (people), and economic (profit) dimensions. In the context of *BON*, sustainability initiatives could involve reducing its environmental impact of the five music festivals, promoting more eco-friendly practices (such as reducing and recycling waste from the music events), using renewable energy sources such as solar power, or working with suppliers to source sustainable materials such as bamboo plates and cutlery. This improves the long-term viability of *BON*'s operations.

Award [1 - 2 marks] for a response that shows some understanding of the demands of the question, although the distinction is not made clear. Application is poor or missing.

Award [3 - 4 marks] for a response that shows good understanding of the demands of the question, with a clear distinction made. There is appropriate application to the case study.

7. Describe **two** types of economies of scale that *BON* could benefit from. [4 marks]

Possible answers include a description of any two of the following points:

Technical economies - *BON* could benefit from technical economies by investing in specialized equipment, infrastructure, and technology that becomes more cost-effective as the company operates on a larger scale. For example, *BON* may invest in state-of-the-art sound and lighting systems, stage setups, security systems, and waste management solutions that can be use for multiple festivals each year. This reduces *BON*'s per-unit cost of production.

Marketing economies - *BON* can achieve marketing economies by spreading its promotional and advertising expenses over multiple music concerts and festivals. As

BON's brand becomes more established and recognized across Europe, it can benefit from lower marketing costs per music festival due to increased brand recognition, word-of-mouth referrals, and repeat attendance. Additionally, BON can leverage marketing economies of scale by developing standardized promotional materials, digital assets, and advertising campaigns that can be reused across multiple music events. By targeting a broader audience base and sharing marketing resources and strategies across its five music festivals, BON can maximize its marketing impact while minimizing costs per attendee.

Managerial economies - BON could realize managerial economies by spreading its fixed management costs over a larger number of music festivals. As the number of festivals increases, BON can optimize its management structure, streamline decision-making processes, and allocate resources more efficiently. For example, this could involve BON centralizing its business functions such as finance, marketing, human resources, and operations management, reducing duplication of efforts and minimizing overhead expenses.

Purchasing economies - BON can achieve purchasing economies by leveraging its increased purchasing power to negotiate favourable deals with suppliers and vendors. This could include obtaining bulk discounts on essential items such as stage equipment, sound and lighting systems, tents, camping supplies (including water supplies), food and beverage provisions, and the bamboo cutlery. By purchasing inputs in larger quantities, BON can lower its unit costs and achieve cost savings.

Mark as a 2 + 2

Award [1 mark] for each appropriate type of economies of scale, and a further [1 mark] for a clear application, written in the context of BON, up to the overall maximum of [4 marks].

8. Explain **one** advantage and **one** disadvantage for *BON* pursuing an internal growth strategy. [4 marks]

Pursuing an internal growth strategy offers several advantages for *BON*, such as:

Control and autonomy - Internal growth allows BON to maintain greater control and autonomy over its expansion and operations. By leveraging its existing resources and expertise, BON can dictate the pace and direction of its growth strategy without being reliant on external partners or third parties. This autonomy enables BON to make strategic decisions aligned with its own vision, values, and long-term objectives, ensuring that expansion efforts are consistent with the company's overall strategic direction.

Preservation of BON's corporate culture - Internal growth allows BON to preserve and reinforce its established corporate culture as it expands. By growing organically, BON can maintain continuity in its values, principles, and organizational culture, established since 2001, across its different locations and departments. This consistency also fosters a sense of identity, belonging, and cohesion for BON's permanent employees. Preserving a strong corporate culture can also enhance BON's reputation and help to attract top talent to support its growth initiatives.

Relative cheap method of growth - Internal growth leverages BON's existing resources, capabilities, and assets to drive growth. This helps with cost optimization of its growth plans as BON can utilize its established operational processes, supply chain networks, and brand reputation to support new growth initiatives. By building on its strengths and core competencies, BON can improve its profitability and sustainable growth over time.

Accept any other relevant advantage of internal growth explained in the context of BON.

Disadvantages for *BON* pursuing an internal growth strategy include:

Slower growth rate - Internal growth strategies often result in a slower growth rate compared to external growth strategies, such as mergers and acquisitions. Since internal growth relies on the gradual expansion of existing operations, it may take longer for BON

to penetrate new markets, gain market share, and significant revenue growth. This may limit *BON*'s ability to capitalize on emerging opportunities or respond quickly to changes in market conditions, especially in the post COVID-19 era, potentially allowing competitors to gain a competitive advantage.

Limited access to resources and expertise - Internal growth may also limit *BON*'s access to external resources and expertise in the industry that could improve the chances of success in its expansion efforts. This limitation could constrain *BON*'s ability to compete effectively in a dynamic and competitive industry, particularly if it lacks the resources or expertise to pursue growth opportunities independently, such as environmentally sustainable growth initiatives involving solar power and other renewable energy sources.

Innovation and creativity constraints - Internal growth strategies may limit *BON*'s ability to innovate and introduce positive changes to its business model. Without external perspectives, partnerships, or acquisitions, *BON* may struggle to access new ideas, digital technologies, or market insights that drive innovation and differentiation in the music events industry. This could result in a lack of creativity and innovation within the organization, hindering *BON*'s ability to stay ahead of competitors, meet evolving customer needs, and adapt to changing market trends.

Accept any other relevant disadvantage of internal growth explained in the context of BON.

Mark as a 2 + 2

Award [1 mark] for each advantage and disadvantage, plus a further [1 mark] for a clear application, written in the context of BON, up to the overall maximum of [4 marks].

9. Explain **one** advantage and **one** disadvantage of *BON* using inorganic growth. [4 marks]

Possible advantages include an explanation of any one of the following points:

Rapid expansion into new markets and geographic regions - *BON* can achieve rapid growth through mergers acquisitions (M&A) with existing festival organizers or event management companies. Hence, *BON* can quickly gain access to established networks, customer bases, venues, and infrastructure in target markets where it may not currently have a presence (including locations outside of Europe).

Access to complementary resources and capabilities - Inorganic growth enables *BON* to access complementary resources and capabilities (expertise) in the industry that enhance its competitive advantage and operational efficiency. Through M&As and/or strategic partnerships, *BON* can gain specialized skills, technologies, intellectual property, distribution channels, or talent pools (of musicians and freelancers, for example) that enhance its existing business model. For example, *BON* may acquire a company with expertise in stage design, ticketing platforms, or digital marketing in order to improve the overall attendee experience.

Economies of scale - Inorganic growth can create synergies and economies of scale for *BON* by consolidating operations, streamlining processes, and reducing costs across its expanded portfolio of music festivals and events. Through M&As, *BON* can benefit from cost savings and efficiency gains through the elimination of duplicate functions, consolidation of its administration, and increased bargaining power with suppliers, sponsors, and vendors. These costs savings and efficiency gains result in improved profitability for *BON*.

Possible disadvantages include an explanation of any one of the following points:

Potential cultural clashes - Inorganic growth through M&As can pose significant challenges if there are organizational culture gaps. Differences in organizational culture, management styles, corporate values, and business processes between *BON* and the acquired or merged company may create friction and resistance amongst employees, leading to conflict and cultural clashes. *BON* may encounter challenges in aligning its

strategic objectives and operational processes across the newly combined organization. This can, ultimately, hinder its financial performance.

Financial costs - Inorganic growth is relatively expensive so carries financial risks that can harm *BON*'s profitability and financial stability. M&As often require substantial upfront investment to finance the purchase price, transaction fees, and legal expenses. *BON* may need to rely on interest-bearing debt as a source of finance or issue equity (which dilutes the existing ownership rights of shareholders) to fund the M&A. If *BON* is unable to generate the expected financial returns from external growth, this is likely to negatively impact the company's financial performance and shareholder value.

Accept any other valid advantage or disadvantage that is explained in the context of the case study.

Mark as a 2 + 2

Award [1 mark] for each appropriate advantage or disadvantage, and a further [1 mark] for a clear application, written in the context of BON, up to the overall maximum of [4 marks].

10. Explain the interests of any **two** different stakeholders of *BON*. [4 marks]

Explanations could include any two of the following stakeholders of *BON*:

Shareholders - These are individuals or business entities that own shares or equity in *BON*, representing ownership interests in the company. Shareholders are primarily interested in maximizing the return on their investment (dividends) and ensuring the long-term financial success and growth of *BON* (for capital growth). Shareholders are interested in *BON*'s financial performance, including sales revenue growth from the company's music festivals, higher profit margins, and sustainable profitability.

Employees - The employees of *BON*, including the 60 permanent staff, temporary workers, freelancers, and contractors, have various interests related to their work, career development, and job satisfaction with the company. In particular, full-time employees seek competitive compensation (pay), benefits (perks), and opportunities (prospects) for advancement, recognition, and professional growth within the company. Employees may also have a vested interest in *BON*'s success and stability, as it directly impacts their job security, income, and livelihood, especially as the business only has revenues during the music festival season (May to August).

Customers - Customers of *BON*, including festival attendees, music enthusiasts, and corporate sponsors, have interests related to the quality, value, and experience of *BON*'s music festivals and music events. Customers seek entertainment, excitement, and memorable experiences that meet their expectations and offer value for money. They are also interested in convenient amenities, such as food and beverage options, restrooms (toilet), and accommodations (tents or similar). Customers also value affordability (ticket pricing) and good customer service. Increasingly, more customers may expect *BON* to prioritize environmental sustainability (line 10) and ethical practices in its operations and events management.

Local communities - Local communities surrounding *BON*'s music festival venues have interests related to the social, economic, and environmental impacts of the company's activities on their neighbourhoods and environments. Local residents seek positive contributions from organizations like *BON* that enhance their quality of life yet stimulate economic growth and foster community engagement. They are interested in minimizing noise pollution, traffic congestion, and disruptions caused by *BON*'s music events during the set-up, operations, and dismantling stages. Local businesses may benefit from increased tourism, foot traffic, and spending generated by *BON*'s music festivals. Additionally, local communities may value *BON*'s efforts to support local charities and environmental conservation projects as part of its corporate social responsibility (CSR) efforts to give back to the local communities it operates in.

Mark as 2 + 2.

Award [1 mark] for each appropriate stakeholder group that is explained, and a further [1 mark] for clear application that is written in the context of BON, up to the overall maximum of [4 marks].

11. Analyse *two* potential stakeholder conflicts for *BON*. [6 marks]

Possible stakeholder conflicts could include an analysis of any two of the following points:

Local residents vs. *BON*'s music festival attendees - Conflict may arise between local residents living near the music festival venues and attendees at *BON*'s music events due to noise, traffic congestion, pollution, and other disruptions. While festival attendees seek entertainment and enjoyment, local residents may experience disturbances to their daily lives and overall wellbeing, such as increased noise levels, anti-social behaviour, and littering. Residents may voice concerns about the negative impacts of *BON*'s music festivals on their neighbourhoods, property values, and quality of life, leading to tensions and conflicts with *BON*.

Investors vs. environmental activists - Conflict may arise between investors seeking financial returns from *BON*'s music events and environmental activists advocating for environmental sustainability and conservation initiatives. While investors prioritize profitability and growth, environmental activists may be against *BON*'s music event activities due to concerns about environmental degradation, the destruction of ecosystems, and carbon emissions associated with large-scale music festivals. These environmental activists may criticize *BON*'s use of scarce resources, waste generation, and carbon footprint, calling for stricter environmental regulations and renewable energy initiatives (such as solar power and the use of environmentally friendly cutlery at *BON*'s festivals). This conflict may escalate if investors perceive environmental activism as a threat to *BON*'s profitability and competitiveness, leading to disagreements over corporate priorities.

Employees vs. management - Conflict may arise between *BON*'s employees and management over issues related to compensation (pay and remuneration), working conditions, and job security - especially for *BON*'s temporary workers. While employees seek fair and competitive wages, benefits (perks), and job security, *BON*'s management may prioritize cost control (especially as it is a seasonal business), operational efficiency, and profitability. In addition, temporary employees may feel marginalized or disempowered if management fails to address their concerns or provide opportunities for career advancement and professional development, although this is challenging for the management team due to the nature of the music festivals industry in which the company operates.

Accept any other potential stakeholder conflict that is analyzed in the context of BON.

Mark as 3 + 3

For each point, award [1 mark] for stating an appropriate potential stakeholder conflict and an additional [2 – 3 marks], depending on the depth and clarity of the analysis, up to the overall maximum of [6 marks].

12. Discuss the importance of ethical objectives and corporate social responsibility (CSR) for *BON*. [10 marks]

The importance of ethical objectives and corporate social responsibility (CSR) for *BON* can include a discussion of any combination of the following points:

Enhanced reputation and brand image - Demonstrating ethical business practices and CSR initiatives can differentiate *BON* in the music festivals industry which is often associated with environmental degradation and waste generation. This can then help *BON* to attract socially conscious customers and investors, and build long-term brand loyalty and trust.

Improved long-term financial performance - Integrating ethical considerations and sustainability principles into *BON*'s corporate strategy can help the company to identify new market opportunities, reduce costs (such as the use of renewable energy sources), drive innovation, and create shared value for society and *BON*'s shareholders. In the long run, this will improve *BON*'s competitiveness and profitability.

Improved stakeholder relations - CSR initiatives generate positive publicity, strengthen relationships with key stakeholders, and mitigate risks associated with negative environmental or social impacts of *BON*'s music festivals.

Improved employee morale and productivity - Engaging in CSR activities and sustainable practices help *BON* to foster a positive organizational culture, enhances employee morale (motivation), and labour productivity. This also helps *BON* and attracts and retains top talent, including music artists and freelancers.

Community engagement and support from local communities - For example, contributing to local community development projects, cultural initiatives, and education programmes can all help to strengthen *BON*'s relationship with local communities. This minimizes or mitigates potential stakeholder conflicts and supports *BON*'s strategic objectives.

Accept any other valid point that is discussed in the context of the case study.

However, there are also limitations of ethical objectives and corporate social responsibility (CSR) for *BON*. These could include:

Financial costs - Implementing ethical objectives and CSR initiatives may require significant upfront investments in infrastructure, technology, and talent (staffing), which can strain *BON*'s financial resources and profitability, especially in the short term. There is no guarantee that any of this investment will pay off in the long run. There may also be costs involved with compliance with relevant regulations and legal requirements governing ethical business practices and CSR initiatives.

Measuring and quantifying the impacts of ethical and CSR practices - *BON* may face challenges in measuring and quantifying the financial returns and long-term benefits of CSR initiatives, making it difficult to justify any investments to the company's shareholders and investors solely based on financial measures.

Competing stakeholder interests - *BON* may encounter complexities and conflicts in balancing competing stakeholder interests, such as shareholders who expect higher profits and dividend payments versus concern of the local community, such as environmental sustainability and enhanced waste management systems.

Greenwashing - There is a risk of accusations of greenwashing (as stated in the pre-release statement) if *BON*'s ethical and CSR initiatives are perceived as insincere, superficial, or inconsistent with its actual business practices before, during, and after its music festivals. For example, there are huge clean-up costs after each music festival due to the sheer volume of waste, so this could undermine trust and credibility amongst local communities and other stakeholder groups.

Accept any other valid point that is discussed in the context of the case study.

In conclusion, while ethical objectives and CSR are essential for *BON*'s sustainability and corporate reputation, they must be pursued strategically and balanced with financial considerations and competing stakeholder interests. By integrating ethical principles and CSR into its business plan and organizational culture, *BON* can create long-term value for its shareholders, differentiate itself in the music festivals industry, and contribute to a more environmentally sustainable future. However, *BON* must also address the challenges and trade-offs associated with ethical objectives and CSR, ensuring alignment with its mission and strategic objectives.

Accept any other conclusion that is sufficiently substantiated.

Note: The IB applies a "best fit" approach when awarding the mark bands below.

Mark allocations	Rubric requirements
1 – 2 marks	<ul style="list-style-type: none">• Award this mark band for a response that shows little understanding of the demands of the question.• There is minimal use of Business Management tools and theories, which are irrelevant or used inaccurately.• There is little, if any, reference to the stimulus material.
3 – 4 marks	<ul style="list-style-type: none">• Award this mark band for a response that shows some understanding of the demands of the question.• There is some use of Business Management tools and theories, but these are mostly lacking in accuracy and relevance.• There is superficial use of information from the stimulus material, often not going beyond the name of the organization.• Any arguments made are largely not substantiated.
5 – 6 marks	<ul style="list-style-type: none">• Award this mark band for a response that shows an understanding of the demands of the question, but these demands are only partially addressed.• There is some relevant and accurate use of Business Management tools and theories.• There is some relevant use of information from the stimulus material that goes beyond just the name of the organization but does not effectively support the argument.• Arguments are substantiated but are mostly one-sided.

7 – 8 marks

- Award this mark band for a response that mostly addresses the demands of the question.
- The response contains mostly relevant and accurate use of Business Management tools and theories.
- Information from the stimulus material is generally used to support the argument, although there is some lack of clarity or relevance in some places.
- Arguments are substantiated and the response has some balance.

9 – 10 marks

- Award this mark band for a response that shows clear focus on addressing the demands of the question throughout.
- There is relevant and accurate use of Business Management tools and theories.
- Relevant information from the stimulus material is integrated effectively to support the argument.
- Arguments are substantiated and balanced.
- There is an explanation of the limitations of the case study or stimulus material.



Unit 2: Exam-style Questions

1. Define the term *employees* (line 6). [2 marks]
2. Explain **two** advantages for *BON* of employing temporary workers (lines 6 – 7) for its music festivals. [4 marks]
3. Explain the interests of permanent employees (line 6) as internal stakeholders of *BON*. [2 marks]
4. Explain **two** advantages for *BON* of employing temporary workers and freelancers (lines 6 – 7) for its music festivals. [4 marks]

Answers

1. Define the term *employees* (line 6). [2 marks]

Employees are the individuals who are directly employed by an organization to perform various roles and responsibilities (such as organizing and managing music festivals). Employees include individuals working in permanent, full-time positions, as well as part-time or temporary roles.

Award [1 mark] for a definition that shows some understanding of employees.

Award [2 marks] for a definition that shows good understanding of employees, similar to the example above.

Note that application is not required for definitions.

2. Explain **two** advantages for *BON* of employing temporary workers (lines 6 – 7) for its music festivals. [4 marks]

Possible advantages could include an explanation of any one of the following points:

Flexibility - Temporary workers provide *BON* with flexibility in staffing, allowing the company to adjust its workforce according to the fluctuating demand for its five music festivals during the months of May to August. During peak staffing periods, such as festival setup, operations, and clean-up, *BON* can increase the size of its workforce by hiring more temporary workers. The opposite happens during months when the events are not held. This flexibility enables *BON* to efficiently allocate resources and ensure adequate staffing levels without the long-term commitment associated with hiring permanent employees (line 6).

Cost savings - Hiring temporary workers can result in cost savings for *BON* compared to hiring permanent staff year-round. Temporary workers are typically employed on an as-needed basis and are paid hourly wages or a fixed rate (flat rate fee) for their services. By avoiding the costs associated with providing benefits offered to permanent employees (such as health insurance, retirement plans, paid time off, and other perks), *BON* can reduce its overall staffing costs, especially during the off-peak season.

Specialized skills and expertise - Temporary workers (including freelancers) can bring specialized skills and expertise to *BON*'s music festivals, complementing its existing workforce of permanent employees. *BON* may hire temporary workers with specific talents or experience in areas such as stage management, sound engineering, lighting design, security, and environmental sustainability. By tapping into the diverse pool of talent offered by temporary workers, *BON* can access a wide range of skills and expertise to meet the unique needs of each music festival. This helps the company to maintain high-quality music events.

Accept any other relevant advantage that is explained in the context of BON.

Mark as 2 + 2.

Award [1 mark] for each appropriate advantage that is explained, and a further [1 mark] for clear application of the advantage that is written in the context of BON, up to the overall maximum of [4 marks].

3. Explain the interests of permanent employees (line 6) as internal stakeholders of *BON*. [2 marks]

As internal stakeholders of *BON*, permanent employees have several interests that are essential to consider:

Job security - Permanent employees are invested in the long-term success and stability of *BON* as their employer. They have a vested interest in job security, seeking assurances that their positions will remain intact and that the company will continue to thrive. Job security is a hygiene factor in Herzberg's theory, which provides employees with a sense of stability and peace of mind, allowing them to focus on their roles and responsibilities without concerns about job losses, pay cuts, or downsizing of the workforce.

Career development and advancement opportunities - Permanent employees are interested in opportunities for career development, growth, and advancement within *BON*. They seek opportunities to enhance their skills, expand their knowledge, and take on new challenges that contribute to their professional development. Career advancement opportunities, such as promotions and leadership roles, are important for employee engagement, motivation, and staff retention, as they provide a pathway for employees to progress in their profession and achieve their long-term career goals.

Fair and competitive pay and benefits - Permanent employees expect fair compensation and perks in line with their qualifications, skills, experience, and contributions to *BON*. They seek competitive wages, salaries, and benefits packages that reflect industry standards and align with their value to the business. Fair and competitive pay and benefits are essential for attracting and retaining top talent, motivating employees, and fostering a positive work culture.

Award [1 - 2 marks] for a response that shows some understanding of the demands of the question, although the distinction is not made clear. Application is poor or missing.

Award [3 - 4 marks] for a response that shows good understanding of the demands of the question, with a clear distinction made. There is appropriate application to the case study.

4. Explain **two** disadvantages for *BON* of employing temporary workers and freelancers (lines 6 – 7) for its music festivals. [4 marks]

Possible disadvantages could include an explanation of any one of the following points:

Lack of continuity and stability - Temporary workers and freelancers may lack the long-term commitment and continuity that the 60 permanent employees provide (line 6). Their transient nature means that they may only be available for short-term engagements, leading to high staff turnover and recruitment costs. The lack of continuity and stability can disrupt workflows, hinder team cohesiveness, and require additional time and resources for hiring and training new staff for each of *BON*'s music festivals.

Limited employee loyalty and engagement - Temporary workers and freelancers may have less investment in *BON*'s mission, values, and long-term success compared to permanent employees. Without a strong sense of staff loyalty to the organization, temporary workers and freelancers may be less motivated to go above and beyond their basic job duties or contribute innovative ideas to improve processes and outcomes for the company. This lack of staff engagement can affect *BON*'s overall performance, productivity, and profitability.

Quality and consistency concerns - Similarly, *BON* may face challenges in ensuring the quality and consistency of work performed by temporary workers and freelancers, particularly if they lack adequate training, supervision, experience, or motivation. Variability in skills, work ethic, and reliability amongst temporary workers can lead to inconsistencies in service delivery, customer satisfaction, and the overall quality of *BON*'s music events. As a result, *BON* may need to invest additional time and resources in monitoring and managing temporary workers to maintain quality standards and mitigate performance issues.

Dependency on external expertise - Relying heavily on temporary workers and freelancers may create a dependency on external talent that *BON* does not fully control. If temporary workers or freelancers become unavailable or unreliable due to factors such as scheduling conflicts or competing commitments, *BON*'s ability to fulfill staffing needs and execute music events effectively may be compromised. In addition, if specific skills or expertise are not readily available in the external labour market, *BON* may face huge challenges in securing the necessary talent to meet its operational requirements.

Mark as 2 + 2.

Award [1 mark] for each appropriate disadvantage that is explained, and a further [1 mark] for a clear application of the disadvantage that is written in the context of BON, up to the overall maximum of [4 marks].



Unit 3: Exam-style Questions

1. Define the term *average costs*. [2 marks]
2. Identify **two** revenue streams for *BON*. [2 marks]
3. Describe **two** suitable source of finance for *BON* to fund its music festivals. [4 marks]
4. Suggest **two** reasons why *BON* may have faced liquidity issues during the COVID-19 pandemic. [4 marks]
5. Distinguish between fixed and variable costs for *BON*. [4 marks]
6. Apart from share capital, suggest **two** suitable sources of finance for *BON* to fund its long-term expansion (line 6). [4 marks]

Answers

1. Define the term *average costs*. [2 marks]

This refers to the cost per unit of production or output, i.e., how much it costs, on average, to produce one unit of a good or service.

Award [1 mark] for a definition that shows some understanding of average cost.

Award [2 marks] for a definition that shows good understanding of average cost, similar to the example above.

2. Identify **two** revenue streams for *BON*. [2 marks]

Possible answers include:

Ticket sales for music concerts and festivals.

Camping charges to campers and glampers (who willing to pay for added-extras such as tents with power, Wi-Fi, air-conditioning, air-inflated beds, and private toilets).

Sponsorships deals.

Merchandise sales.

Rent paid by vendors, such as traders at the festivals selling food and beverages.

Government grants or subsidies for supporting local communities.

Mark as a 1 + 1

3. Describe **two** suitable source of finance for *BON* to fund its music festivals. [4 marks]

Possible sources of finance that *BON* could consider to fund its music festivals include:

Bank loans - *BON* can obtain finance through commercial bank loans to fund its music festivals. Commercial banks offer various types of loans which can provide *BON* with the necessary funds to cover upfront costs such as venue rental (for an average fee of \$100,000), fees for music artists, events equipment, marketing expenses, and other operating expenses (such as the clean-up costs). Bank loans typically offer competitive interest rates and flexible repayment terms, allowing *BON* to manage its cash flow effectively.

Corporate sponsorship deals and brand partnerships - *BON* can secure corporate sponsorships and brand partnerships in order to finance its music festivals. Corporate sponsors may provide financial support and promotional assistance in exchange for brand exposure and other branding opportunities (such as product placements) at *BON*'s music festivals.

Investment from private investors (such as business angels) - *BON* can seek investment from private investors in order to finance its music festivals. Private investors provide capital in exchange for equity (ownership) or a share of future profits, allowing *BON* to access larger amounts of funding without incurring debt. In addition to providing financial support, private investors may offer strategic guidance, industry expertise, and networking opportunities to help *BON* grow and succeed in the competitive European music festival market.

Crowdfunding campaigns - *BON* can leverage crowdfunding platforms such as *Kickstarter*, *Indiegogo*, or *GoFundMe* to raise finance from a large number of individuals willing and able to support its music festivals, especially in support of up-and-coming music artists. Crowdfunding campaigns allow *BON* to showcase its festival concept, artist lineup, and unique features to potential supporters in exchange for rewards such as early bird tickets, VIP passes, merchandise, back stage passes, or exclusive concert experiences. By harnessing the power of social media and online communities, *BON* can engage with music fans, build excitement, and generate pre-sales revenue while raising finance to cover set-up and running costs of its five music festivals.

Mark as a 2 + 2

Award [1 mark] for each suitable source of finance, and a further [1 mark] for a clear application, written in the context of BON, up to the overall maximum of [4 marks].

4. Suggest **two** reasons why *BON* may have faced liquidity issues during the COVID-19 pandemic. *[4 marks]*

Possible interrelated reasons include:

Cancellation of music festivals - The COVID-19 pandemic led to widespread cancellations of outdoor social events, including music festivals, due to public health concerns and government-imposed restrictions on mass gatherings. As a result, *BON* is likely to have experienced a significant loss of revenue from ticket sales, corporate sponsorship deals, and merchandise sales, all of which negatively impacts its cash flow and liquidity position.

Refunds of pre-booked ticket sales - Due to the cancellation of music festivals, *BON* may have faced substantial refund requests from customers who had purchased tickets for its upcoming events. Processing the refunds and reimbursing ticket holders will have negatively impacted *BON*'s cash reserves and therefore strain its liquidity position, especially if the company lacks adequate cash or insurance protection to cover such liabilities.

Operational costs and overhead expenses - Despite the cancellation of music festivals, *BON* may have continued to incur operational costs and overhead expenses associated with maintaining its business operations and workforce during the pandemic. For example, fixed expenses such as rent, utilities, insurance premiums, and salaries for the 60 permanent employees will have placed additional strain on *BON*'s liquidity position in the absence of revenue-generating business activities. The mismatch between revenue and expenses exacerbated by the COVID-19 pandemic and the downturn in the music festival industry are likely to have contributed to *BON*'s liquidity issues.

Mark as a 2 + 2

Award [1 mark] for each appropriate reason, and a further [1 mark] for a clear application, written in the context of BON, up to the overall maximum of [4 marks].

5. Distinguish between fixed and variable costs for *BON*. [4 marks]

Fixed costs are the expenses that *BON* needs to pay regardless of the level of production or business activity, i.e., these costs do not vary with changes in output or sales volume over a specific period of time. Examples of fixed costs for *BON* include rent or lease payments for its office space (head office), the fees paid to the five farmers for the festival venues, salaries for the 60 permanent employees, insurance premiums, and marketing costs.

By contrast, variable costs are expenses that fluctuate in direct proportion to changes in production or business activity. These costs increase during the music festivals season (May to August) and decreases during the off-season. Examples of variable costs for *BON* include fees for music artist, production costs (including stage set-up expenses for each music festival organized), wages for temporary employees at the music festivals, and the fees for the freelancers.

Fixed costs differ from variable costs in that they are incurred regardless of *BON*'s level of activity and remain constant over a specific period, while variable costs fluctuate with changes in production or business activity and are directly linked to revenue generation and the level of market demand for *BON*'s music events.

Award [1 - 2 marks] for a response that shows some understanding of the demands of the question, although the distinction is not made clear. Application is poor or missing.

Award [3 - 4 marks] for a response that shows good understanding of the demands of the question, with a clear distinction made. There is appropriate application to the case study.

6. Apart from share capital, suggest **two** suitable sources of finance for *BON* to fund its long-term expansion (line 6). [4 marks]

Possible sources of finance could include:

Loan capital - *BON* can obtain external financing through commercial bank loans to fund its expansion plans. Banks offer various types of loans, including long-term loans and other credit facilities based on *BON*'s specific needs and repayment capabilities. Loan capital provides a lump sum cash injection that enables *BON* to finance its expansion projects.

Business angels - *BON* can seek financing from business angels or private investors to support its expansion plans. These people provide equity in exchange for ownership stakes and potential returns on investment. By securing capital from business angels, *BON* may also be able to access strategic guidance and industry expertise from these investors to improve the chances of success.

Government grants and subsidies - *BON* can explore opportunities to secure government grants and/or subsidies that may be available for businesses in the entertainment, tourism, or cultural industries. Governments at the local, regional, or national levels may offer financial assistance to support economic development, job creation, and industry growth, particularly in areas affected by the COVID-19 pandemic or other economic downturns. *BON* can research and apply for such grants or subsidies targeted at promoting arts and culture, fostering tourism, or enhancing community engagement through its music concerts and festivals.

Accept any other relevant source of finance, including internal sources such as retained profit. These must be applied in the context of BON for full marks.

Do not accept short-term sources of finance, such as overdrafts, as these are not appropriate for funding long-term expansion.

Mark as a 2 + 2

Award [1 mark] for each appropriate source of finance, and a further [1 mark] for a clear application, written in the context of BON, up to the overall maximum of [4 marks].



Unit 4: Exam-style Questions

1. Outline why brand recognition is important to *BON* operating in the music festivals industry. [2 marks]
2. Describe **two** elements of *BON*'s marketing mix for the running of its music festivals. [4 marks]
3. Suggest **two** promotional strategies for *BON* to increase ticket sales of its music festivals. [4 marks]
4. Suggest **two** appropriate promotional strategies that *BON* could use to increase its brand awareness. [6 marks]

Answers

1. Outline why brand recognition is important to *BON* operating in the music festivals industry. [2 marks]

Brand recognition can be particularly important in the events and entertainment industry, where brand reputation and trust are essential for attracting attendees (festival goers), sponsors, suppliers, financiers, and talent (music performers and freelancers). It also helps *BON* to promote its music festivals and differentiate itself from competitors in the industry.

Award [1 mark] for a limited understanding of the demands of the question.

Award [2 marks] for a good understanding of the demands of the question, similar to the example above.

2. Describe **two** elements of *BON*'s marketing mix for the running of its music festivals. [4 marks]

Possible answers could include:

Product (music festivals) - The product element focuses on *BON*'s offering of music festivals and the associated experiences of attending these live events. This includes factors such as the line-up of music performers, the various music genres represented, the overall ambience and atmosphere of the five annual music festivals, and any unique features or attractions offered.

Price - The price element of the marketing mix involves determining the most appropriate ticket prices for *BON*'s music festivals. Its pricing method should take into account factors such as the cost of organizing the events, competitor pricing, perceived value by attendees, and the willingness of the target audience to pay. For example, *BON* could use a dynamic pricing strategy, as well as offer early bird discounts (for those who book early), group discounts, or customer loyalty discounts.

Promotion - Promotion encompasses the various marketing and communication channels used to raise awareness and generate interest in *BON*'s music concerts and music festivals. This includes both traditional and digital marketing tactics, using ATL, BTL, and TTL methods, aimed at reaching the target audience effectively. For example, *BON* can use a mix of promotional channels such as social media advertising, email marketing (to customer who have attended *BON*'s events in the past, for example), social media influencer partnerships, radio adverts, print advertisements, and outdoor billboard adverts.

Place (Distribution) - This element of the marketing mix focuses on making *BON*'s music festivals accessible to attendees by selecting appropriate distribution channels for ticket sales and ensuring convenient access to the events. For example, *BON* can sell tickets

through various distribution channels such as its official website, third-party ticketing platforms, physical ticket outlets, and on-site ticket booths at its music events.

Mark as a 2 + 2

Award [1 mark] for each appropriate element of the marketing mix, and a further [1 mark] for a clear application, written in the context of BON, up to the overall maximum of [4 marks].

3. Suggest **two** promotional strategies for *BON* to increase ticket sales of its music festivals. [4 marks]

Possible promotional strategies for *BON* to increase ticket sales of its music festivals could include:

Social media marketing (SMM) - *BON* can leverage social media platforms such as Facebook, Instagram, Twitter (X), and TikTok to launch targeted marketing campaigns aimed at increasing ticket sales. These digital platforms allow *BON* to reach its target audience of music fans based on demographics and interests (music genres). *BON* can use SMM to create engaging content, such as teaser videos about its music events, artist announcements, behind-the-scenes footage of its festivals, and user-generated content, in order to generate excitement and anticipation for its music festivals.

Influencer partnerships and sponsorship deals - *BON* can collaborate with social media influencers, bloggers, vloggers, and other social media personalities who have a strong following and influence within its target audience. By partnering with such influencers who align with *BON*'s organizational values and corporate culture, *BON* can enhance its promotional efforts and reach a wider audience of potential attendees at its music festivals. Influencers can create relatable content to promote *BON*'s music festivals, share their authentic festival experiences, and encourage their followers to purchase tickets to *BON*'s events. Similarly, *BON* can explore sponsorship opportunities with relevant organizations, such as suppliers or local businesses, to increase brand visibility and credibility amongst their customers.

Referral programmes and customer loyalty rewards programmes - *BON* can implement referral programmes to incentivize existing customers to refer their friends, family, and colleagues to purchase tickets for *BON*'s music festivals. *BON* can also offer discounts, free gifts, exclusive perks, early access to ticket sales, VIP upgrades, backstage passes, or exclusive merchandise to repeat customers who attend additional music events held by *BON*. By leveraging the power of word-of-mouth marketing and rewarding customer loyalty, *BON* can increase its ticket sales, enhance attendee retention, and foster a sense of community and engagement amongst its music festival-goers.

Accept any other relevant promotional strategy that is written in the context of BON.

Mark as a 2 + 2

Award [1 mark] for each appropriate suggestion, and a further [1 mark] for a clear application, written in the context of BON, up to the overall maximum of [4 marks].

4. Suggest **two** appropriate promotional strategies that *BON* could use to increase its brand awareness. [6 marks]

Appropriate promotional strategies that *BON* could use to increase its brand awareness include:

Below the line promotional strategies - *BON* can leverage BTL strategies to create and market valuable, relevant, and engaging content that resonates with its target audience of festival goers and increases brand awareness. *BON* can produce various types of content such as blog posts, online articles, videos, email newsletters, podcasts, and infographics that showcase its expertise in organizing music festivals, highlight upcoming events, feature interviews with music artists, share behind-the-scenes footage, and

provide useful tips and insights for festival goers. By consistently delivering high-quality BTL promotional content, *BON* can establish itself as a trusted source of information and entertainment in the music festival industry, attract a larger audience, and build brand awareness over time.

Social media marketing - *BON* can utilize SMM platforms such as Facebook, Instagram, Twitter (X), TikTok, and YouTube to engage with its target audience, foster community interaction, and amplify its brand presence. *BON* can create captivating social media content, including visually appealing posts, stories, videos, live streams, and interactive polls, that showcase its music festivals, share user-generated content, announce lineup updates, run contests (competitions) and giveaways (prizes), and encourage audience participation. By leveraging SMM tools, *BON* can reach a wider audience and increase brand awareness among music enthusiasts, festival goers, and potential attendees, as well as sponsors, vendors, suppliers, and freelancers.

Influencer marketing - *BON* can collaborate with social media influencers, bloggers, vloggers, and up-and-coming celebrities or personalities in the music industry who have a strong following and influence within its target audience so as to increase brand awareness and reach new potential attendees. *BON* can partner with influencers who share its passion for music, festivals, and lifestyle experiences in order to create authentic and engaging content that resonates with their followers. Influencers can attend *BON*'s music festivals, document their experiences, share festival highlights, and promote upcoming events to their audience, all of which help to drive awareness and interest in *BON*'s music events.

Strategic partnerships and sponsorships deals - *BON* can establish strategic partnerships and sponsorships with relevant brands, organizations, artists, and media outlets to increase its brand awareness and reach larger audiences. *BON* can also collaborate with music labels, artists, DJs, and bands to co-promote its music festivals, feature exclusive performances, and cross-promote ticket sales to their fan base. By creating mutually beneficial partnerships and sponsorship deals, *BON* can leverage the reach, resources, and credibility of its strategic partners to elevate its brand awareness, expand its audience reach, and differentiate itself in the competitive European music festivals market.

Accept any other written response that explains how BON could use appropriate promotional strategies to raise brand awareness.

Mark as 3 + 3

For each point, award [1 mark] for stating an appropriate promotional strategy and an additional [2 – 3 marks], depending on the depth and clarity of the explanation, up to the overall maximum of [6 marks].



Unit 5: Exam-style Questions

1. Outline the importance of location for *BON* (line 1). [2 marks]
2. Suggest why the location decision is strategically important to *BON*. [4 marks]
3. Explain **two** factors that affect the choice of location for *BON*. [4 marks]
4. Evaluate *BON*'s decision to outsource aspects of its operations. [10 marks]

Answers

1. Outline the importance of location for *BON* (line 1). [2 marks]

The location of music festivals is a crucial factor that influences attendance, atmosphere (physical environment), logistics, and regulatory compliance. *BON*'s success in organizing memorable and successful music festivals depends heavily on selecting the right locations that cater to the needs and preferences of its target audience while ensuring operational efficiency and regulatory compliance (including environmental standards).

Award [1 mark] for a limited understanding of the demands of the question.

Award [2 marks] for a good understanding of the demands of the question, similar to the example above.

2. Suggest why the location decision is strategically important to *BON*. [4 marks]

Possible suggestions could include:

Customer accessibility - The location of *BON*'s music festivals directly impacts the accessibility and appeal of its events to potential music festival attendees. By strategically selecting locations that are easily accessible via major transportation routes or within proximity to densely populated areas, *BON* can maximize its market reach and attract a larger customer base. Well-chosen locations help to ensure that *BON*'s festivals are convenient and appealing to festival goers from diverse geographic regions, increasing ticket sales and sales revenue potential.

Customer experience - The location of *BON*'s music festivals contributes significantly to overall event experience perceived by its music festival goers. Choosing scenic, iconic, or unique venues that align with *BON*'s brand identity can help to enhance the atmosphere and appeal of the music festivals. A well chosen and suitable location creates memorable experiences for customers, suppliers, vendors, musical artists, and freelancers. This helps to reinforce *BON*'s brand reputation as an events organizer, and distinguishes its festivals from competitors, fostering positive word-of-mouth promotion.

Environmental and social considerations - The location decision reflects *BON*'s commitment to environmental sustainability (line 10) and social responsibility. Choosing venues that are eco-friendly helps to minimize *BON*'s environmental impact, and supports local communities. This also improves corporate image as a responsible and conscientious events organizer. By prioritizing events venues with sustainable practices, and access to renewable energy sources (such as solar power), *BON* demonstrates its dedication to corporate social responsibility and sustainability, which enhances its reputation and appeals to eco-conscious festival goers and other key stakeholders.

Accept any other relevant suggestion, written in the context of the case study.

Award [1 - 2 marks] for a response that shows some understanding of the demands of the question, although the response is limited in clarity and/or application.

Award [3 - 4 marks] for a response that shows good understanding of the demands of the question, with clear comprehension of why the location decision is strategically important to BON. There is suitable application to the case study.

3. Explain **two** factors that affect the choice of location for *BON*. [4 marks]

Possible factors include an explanation of any two of the following factors:

Accessibility and transportation - These are crucial factors that influence the choice of location for *BON*'s music festivals. The selected venue should be easily accessible to music festival goers, irrespective of whether they have travelled locally, nationally, or internationally. This ensures convenience and minimizes travel barriers. *BON* needs to consider factors such as the proximity to major transportation hubs (such as airports, train stations, and bus terminals), availability of public transportation options (such as buses, shuttles, and taxis), and ease of access via major motorways (highways) and roads.

Compliance with local regulations - The location decision is bound by local laws and regulations, such as the need to obtain necessary permits or licenses to run live music events. *BON* must ensure that the selected venues meet legal requirements related to health and safety as well as environmental issues, e.g., noise ordinances, crowd capacity, public safety, alcohol licensing, and waste management. Failure to adhere to regulatory requirements in these locations can result in fines, penalties, or even cancellation of the event, making it imperative for *BON* to conduct thorough due diligence and obtain appropriate approvals from local authorities before finalizing the venue for its music festivals.

4. Evaluate *BON*'s decision to outsource aspects of its operations. [10 marks]

Outsourcing operations can offer both advantages and disadvantages for *BON*. Arguments in favour of using outsourcing include:

Cost efficiency - Outsourcing its operations can often lead to significant cost savings for *BON*. By contracting out certain functions to specialized third-party vendors or service providers, *BON* can avoid the overhead and running costs associated with maintaining in-house teams and operations, especially for non-core activities such as catering, security, or waste management services at its five music festivals.

Access to expertise - Outsourcing aspects of its operations allows *BON* to tap into the expertise and resources of external service providers who specialize in specific areas of planning and running music festivals. By leveraging the knowledge, experience, and technology of these service providers, *BON* can benefit from specialization and efficiency gains that may not be achievable with in-house provision. For example, outsourcing sound and lighting production to professional audio-visual companies can ensure high-quality music performances and immersive experiences for music festival attendees.

Flexibility - Outsourcing provides *BON* with greater flexibility to adapt to changing market needs and fluctuations in demand. Given the seasonal nature of the industry, by partnering with external service providers, *BON* can access additional resources and expertise on an as-needed basis. This enables *BON* to adjust the scale of its operations in response to seasonal variations in demand, market trends, or unforeseen circumstances (such as the COVID-19 pandemic). For example, outsourcing event staffing and security services enables *BON* to adjust its own staffing levels, ensuring optimal resource allocation and cost-effectiveness.

Arguments against outsourcing:

Loss of control - Outsourcing aspects of its operations can entail a loss of direct control over critical processes and activities. *BON* may subsequently face challenges in

maintaining quality standards, consistency, and brand integrity when relying on external vendors to deliver services. For example, outsourcing stage set-up and production to third-party contractors may result in variations in stage design, equipment quality, and technical support, impacting the overall attendee experience and reputation of *BON*'s music festivals. Crowd control measures and public safety may also become concerns if security measures are outsourced.

Dependency and risk exposure - Outsourcing aspects of its services can expose *BON* to dependency risks and vulnerabilities associated with reliance on external service providers. *BON* may become overly dependent on the services and reliability of third-party suppliers, making the company vulnerable to disruptions, delays, or contractual disputes (with other clients) that could negatively impact its operations and reputation. For example, if a key service provider fails to deliver services as agreed, *BON* may face logistical challenges, adverse budgets, or even event cancellations, jeopardizing its relationships with festival goers and other important stakeholder groups.

Loss of proprietary knowledge and trade secrets - Outsourcing certain operations may result in a loss of proprietary knowledge, trade secrets, and innovative or creative capabilities for *BON*. By entrusting certain functions to external service providers, *BON* may relinquish control over proprietary processes, technologies, or creative assets that contribute to its competitive advantage and long-term success in the music festivals industry. Furthermore, external vendors may not have the same incentives or motivations as *BON* to pursue innovative solutions to environmental sustainability (line 10).

Conclusion:

While outsourcing aspects of its operations can offer potential benefits (such as cost savings and access to industry expertise), it also involves risks (such as loss of control and dependency on external service providers). *BON* will need to carefully evaluate the trade-offs and implications of its outsourcing decisions, considering factors such as strategic alignment and core values, risk management, and stakeholder expectations. Nevertheless, an effective strategy that combines in-house capabilities and external partnerships through outsourcing non-core activities, can enable *BON* can optimize its operational efficiency, mitigate risks, and deliver exceptional experiences for its music festival goers.

Accept any other relevant conclusion that is substantiated.

Award marks based on the rubrics shown in "ATL Activity 6 - STEEPLE Analysis" above.



Additional Exam-style Questions

1. Define the term *environmental sustainability* (line 10). [2 marks]
2. Explain **two** possible strengths of *BON*. [4 marks]
3. Explain **two** possible weaknesses of *BON*. [4 marks]
4. Explain **one** advantage and **one** disadvantage for *BON* of operating as a seasonal business (line 12). [4 marks]
5. Comment on why *BON*'s directors regard environmental sustainability as a significant challenge (lines 9 – 10). [4 marks]
6. Comment on **one** opportunity and **one** threat that *BON* faces by operating a seasonal business (line 12). [4 marks]

Answers

1. Define the term *environmental sustainability* (line 10). [2 marks]

Environmental sustainability refers to a business responsibly managing its resources to conserve and protect natural environments and ecosystems to ensure the long-term opportunities for the present and future generations. It involves practices that reduce pollution, protect biodiversity, conserve water and energy, mitigate climate change, and minimize waste in order to protect the planet.

Award [1 mark] for a definition that shows some understanding of environmental sustainability.

Award [2 marks] for a definition that shows good understanding of environmental sustainability, similar to the example above.

2. Explain **two** possible strengths of *BON*. [4 marks]

Well established - *BON* has 23 year of experience and expertise in the European music festivals industry. This can give *BON* competitive advantages such as brand recognition and customer loyalty.

Established relationships with suppliers - Similarly, *BON* has contractual agreements with five farmers to use their farmland for music festivals. These contracts enable *BON* to have suitable and established venues for hosting their music events, reducing the uncertainty of finding suitable locations.

Limited liability - Being a a public limited company, *BON*'s shareholders can benefit from limited liability. This helps to build investor confidence and can give *BON* access to much-needed finance to fund its expansion, such as share capital or loan capital (from banks and other financiers).

Accept any other valid strength, written in the context of the pre-release statement.

Mark as a 2 + 2

*Award [1 mark] for each appropriate strength that is explained, and a further [1 mark] for a clear application, written in the context of *BON*, up to the overall maximum of [4 marks].*

3. Explain **two** possible weaknesses of *BON*. [4 marks]

Over-reliance on temporary workers and freelancers for its music festivals, which can result in inconsistent quality of work, a lack of loyalty, challenges in maintaining a cohesive team, and barriers to creating a strong corporate culture.

Environmental sustainability - *BON*'s directors regard environmental sustainability as a significant challenge. The music festival industry is known for generating huge amounts of waste, so addressing this growing issue may require additional resources and creative solutions for the directors.

The seasonal nature of the business - *BON*'s music festival season runs from May to August, i.e., only 4 months a year. The seasonal nature of the industry can result in significant fluctuations in revenue (cash inflows) and expenditures (cash outflows). This can create liquidity and profitability concerns for *BON*.

Accept any other valid weakness, written in the context of the pre-release statement.

Mark as a 2 + 2

Award [1 mark] for each possible weakness that is explained, and a further [1 mark] for a clear application, written in the context of BON, up to the overall maximum of [4 marks].

4. Explain **one** advantage and **one** disadvantage for *BON* of operating as a seasonal business (line 12). [4 marks]

Possible advantages include an explanation of any one of the following points:

High revenue potential - Seasonal businesses like *BON* can capitalize on peak demand periods in the summer months to generate significant sales revenue within a limited timeframe. Music festivals typically attract large crowds and ticket sales soar during the summer months when the weather is favourable and people are more inclined to attend outdoor events. By organizing music festivals during peak seasons, *BON* can maximize ticket sales, sponsorship opportunities, and merchandise revenue, leading to higher overall profitability. The concentrated revenue generated during the music festival season (May to August) can offset the lower revenue streams or downtime experienced during off-peak periods.

Lower overhead costs - Operating as a seasonal business allows *BON* to reduce the overhead costs associated with year-round operations, such as full-time employees, rent of property (such as office space), and utility bills (for water, electricity, gas, and telephone services). During the off-peak seasons, *BON* can scale back its operations, temporarily suspend non-essential activities, and negotiate favourable terms with suppliers and other service providers to minimize its costs.

Flexibility - Being a seasonal business provides *BON* with flexibility and focus to concentrate its efforts and resources on planning, organizing, and executing high-quality music festivals during the peak season. By aligning its activities and investments with the seasonal demand for music events, *BON* can prioritize strategic initiatives, customer experiences, and budgets to deliver value for its customers and to differentiate the organization in the market. The seasonal nature of *BON*'s business allows it to dedicate time and effort to refining its music festivals, including organizing music lineups and attracting corporate sponsors.

Possible disadvantages include an explanation of any one of the following points:

Revenue volatility - Relying on seasonal revenue streams exposes *BON* to significant financial volatility and possible cash flow problems during much of the year. The concentration of income during the music festival season means that *BON* must generate sufficient sales revenue to cover operating expenses, debt obligations, and other financial commitments for the entire year. However, factors such as unpredictable weather, economic downturns, or changes in consumer preferences can significantly impact attendance levels, ticket sales, and sponsorship revenues, making it challenging for *BON* to meet its financial obligations and growth objectives.

Human resource management - Seasonal businesses like *BON* face challenges in recruiting, training, and retaining skilled staff and talent to support their operations during the peak festival season. Hiring temporary workers, freelancers, and events staff on a

seasonal basis can be logistically complex and time-consuming. Moreover, seasonal employment may result in higher labour turnover rates, lower employee morale, and reduced productivity compared to permanent or full-time positions. *BON* may also encounter difficulties in maintaining workforce continuity, knowledge transfer, and developing the desired organizational culture.

Seasonality risks - Operating in a seasonal business environment exposes *BON* to intense competition and risks within the music festival industry. Competing organizations that offer similar music festivals, events, or entertainment options may draw attendees and sponsors away from *BON*'s festivals, leading to reduced ticket sales and market share. In addition, *BON* must deal with the risks associated with seasonality, such as the possibility of oversupply. Failure to differentiate its music festivals or adapt to changing market dynamics may leave *BON* vulnerable to competitive threats, thereby jeopardizing its long-term financial viability.

Mark as a 2 + 2

5. Comment on why *BON*'s directors regard environmental sustainability as a significant challenge (lines 9 – 10). [4 marks]

Comments about why *BON*'s directors regard environmental sustainability as a significant challenge include coverage of any one of the following points:

Environmental impacts of *BON*'s music festivals - Music festivals, by their nature, can have significant environmental impacts. Large-scale events such as those organized by *BON* often result in substantial waste generation, energy consumption, and carbon emissions. The use of temporary infrastructure, transportation, and the disposal of waste materials all contribute to *BON*'s environmental footprint. *BON*'s directors may recognize the need to address these impacts to mitigate environmental harm and meet stakeholder expectations for socially responsible events management.

Regulatory and compliance requirements - Environmental regulations and compliance standards may pose challenges for *BON* in organizing its music festivals. Local authorities and regulatory bodies may impose strict requirements related to waste management, noise pollution, water usage, and land disturbance. *BON*'s directors must ensure compliance with these regulations to avoid fines, penalties, or legal liabilities associated with environmental violations.

Corporate image and stakeholder relations - Environmental sustainability is increasingly important to *BON*'s stakeholders, including its owners (shareholders), attendees at its music events, corporate sponsors, investors, and local communities. *BON*'s directors may recognize the significance of aligning the company's practices with stakeholder expectations for sustainable business operations. Failing to address environmental concerns or adopting green practices could damage *BON*'s corporate reputation, damage consumer trust, and result in negative publicity or even boycotts of its music festivals.

6. Comment on **one** opportunity and **one** threat that *BON* faces by operating a seasonal business (line 12). [4 marks]

Opportunities include a commentary on any one of the following points:

Peak season sales revenue potential - The seasonal nature of *BON*'s business allows it to capitalize on peak demand periods during the summer months (May to August), when music festivals are most popular. By organizing festivals during the peak season, *BON* can attract larger crowds, sell more tickets, and secure higher sponsorship deals, resulting in significant income generation for the company within a concentrated time frame.

Cost optimization - Operating as a seasonal business allows *BON* to optimize its costs and resources throughout the year. During the off-peak seasons, *BON* can scale back its operations, reduce overhead expenses, and cut back on the need for temporary employees. This enables *BON* to optimize its costs associated with year-round operations, such as staffing, venue rentals, and marketing expenses, while focusing its investments and efforts on planning, organizing, and executing high-quality music festivals.

Market differentiation and brand development - The seasonal nature of *BON*'s festivals creates a sense of exclusivity and anticipation amongst attendees and music fans, contributing to the company's market differentiation and brand development strategies. By organizing music festivals at specific times of the year, *BON* can establish itself as a premier destination for live music experiences and attract loyal fans who eagerly anticipate its seasonal events. This can help to enhance *BON*'s brand reputation, strengthen customer loyalty, and drives word-of-mouth marketing, ultimately increasing ticket sales.

Threats include a commentary on any one of the following points:

Revenue volatility - *BON*'s reliance on seasonal revenue streams exposes it to significant revenue dependence and volatility throughout the year. The concentration of income (from ticket sales, sponsorships, and merchandise sales) during the music festival season means that *BON* must generate sufficient revenue to cover operating expenses and other financial commitments for the entire year. However, factors such as unpredictable weather, economic downturns, the COVID-19 pandemic, or changes in consumer preferences can impact attendance levels, ticket sales, and sponsorship revenues, leading to revenue shortfalls or financial instability during off-peak periods.

Operational challenges and staffing fluctuations - Seasonal businesses like *BON* face challenges in managing operational fluctuations and staffing requirements throughout the year. Hiring and retaining skilled staff and talent on a seasonal basis can be logistically complex and time-consuming, requiring *BON* to continually invest resources in recruitment, training, and induction. Moreover, seasonal employment of temporary staff and freelancers may result in higher staff turnover rates, lower employee morale, and reduced labour productivity compared to permanent or full-time positions.

Accept any other relevant opportunity or threat that is written in the context of the case study.