

2(a) Explain two effects of BB having a short chain of command.

Award 1 mark for each effect (max 2).

Award a maximum of 3 additional marks for **each** explanation of the effect of having a short chain of command – **one of which must be applied to this context.**

Relevant effects might include:

- Communication is more accurate – as fewer people for messages to be passed through – less chance of errors being passed on
- Senior managers are less remote from lower levels in the hierarchy - allows these managers to be more aware of the views of employees - less likely to be disputes between production employees and managers
- Decision-making can be quicker – as fewer levels to discuss issues and pass on decisions – react to customer changes more quickly
- Manager may have a wider span of control – which may increase the opportunities for delegation – employees feel more trusted/greater job satisfaction
- Managers may have less control of what their subordinates are doing may be more likely for subordinates to make mistakes – increases costs
- Increased workload for managers
- Communication is quicker

For example: Communication is more accurate (1) as there are fewer people for messages to be passed through (1) less chance of errors in the messages (1) about the production of bikes (app).

Application could include: new factory; bikes; flow production; wants to become a multinational company; bike manufacturer; exports 30%; target market of adults and young children; bike components e.g. gears; 100 production workers; sells through specialist bicycle shops; higher labour turnover; flat organisational structure; named director/manager from Appendix 1.

2(b) Consider the following three extension strategies BB could use for its best-selling product. Which strategy should BB use? Justify your answer.

- Adding new features
- Start selling in toy shops
- Television advertising campaign

Level	Description	Marks
3	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of two or more strategies. Well-justified recommendation. Candidates discussing all three strategies, in context and with a well-justified recommendation, including why the alternative strategies were rejected, should be rewarded with the top marks in the band.	9–12
2	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of at least one strategy. Judgement with some justification/some evaluation of choice made. Candidates discussing two or more strategies in detail and applying these to the case should be rewarded with the top marks in the band.	5–8
1	Limited application of knowledge and understanding of relevant business concepts. Limited ability to discuss the strategies with little/no explanation. Simple judgement with limited justification/limited evaluation of choice made. Candidates outlining the three strategies in context should be rewarded with the top marks in the band.	1–4
0	No creditable response.	0

2(b)	Relevant points might include: <table border="1"> <tr> <td data-bbox="309 153 488 504">Adding new features</td><td data-bbox="488 153 956 504"> - Bike will have additional features – such as more gears – making it easier to ride and therefore attractive to a wider range of customers - Bikes may be better than competitors' bikes – encouraging customers to buy BB's bikes instead of competitors' bikes - May encourage existing customers to get rid of their old bike and buy a bike with the new features – as they will want the most up-to-date version to show their friends – increasing revenue - Takes time and cost to develop the new features of the product </td></tr> <tr> <td data-bbox="309 504 488 914">Start selling in toy shops</td><td data-bbox="488 504 956 914"> - A different target market will see the children's bike in toy shops and may be attracted to buy it as usually sold through specialist bike shop so will not usually be seen by these other customers – increasing sales - May be more toy shops in country X than specialist bike shops – making the bike more accessible to potential customers – greater number of shops where can buy/see the bike so more likely to buy the bike - Potential customers go into toy shops to buy other products such as a scooter – see the bike whilst in the toy shop and may be attracted to buy one - Also selling competitors' products so may be more competition </td></tr> </table>	Adding new features	- Bike will have additional features – such as more gears – making it easier to ride and therefore attractive to a wider range of customers - Bikes may be better than competitors' bikes – encouraging customers to buy BB's bikes instead of competitors' bikes - May encourage existing customers to get rid of their old bike and buy a bike with the new features – as they will want the most up-to-date version to show their friends – increasing revenue - Takes time and cost to develop the new features of the product	Start selling in toy shops	- A different target market will see the children's bike in toy shops and may be attracted to buy it as usually sold through specialist bike shop so will not usually be seen by these other customers – increasing sales - May be more toy shops in country X than specialist bike shops – making the bike more accessible to potential customers – greater number of shops where can buy/see the bike so more likely to buy the bike - Potential customers go into toy shops to buy other products such as a scooter – see the bike whilst in the toy shop and may be attracted to buy one - Also selling competitors' products so may be more competition
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2(b)	Television advertising campaign	- A wider range of people will see the advertisement and will become aware of the bike – leading to higher sales - TV adverts can be attractive and persuasive – using moving images and colour to attract children or their parents to purchase a bike – can reinforce the brand image and attract customers - The TV advert can be put on between programmes that are watched by children – so they are seen by target customers – increasing the effectiveness of the marketing budget - High cost of television advertising
	Recommendation	Justification might include: Bikes with new features will attract existing customers to upgrade their bike leading to increased sales. These customers are already familiar with the BB brand and will want the latest version of the bike. Selling through toy shops will be less effective as customers may not go to toy shops to buy a bike, preferring instead to go to a specialist shop where they can get advice. A TV campaign may not be effective if customers do not watch television. - Starting to sell through toy shops should be used as it will enable BB to reach a wider market of potential customers including children and their parents and therefore, they may be more likely to buy a BB bike if they are now aware of the product. - A new TV campaign should be used as it will make many more people aware of the children's bike and parents might be attracted to buy one leading to increased revenue.