1.9 Growing the business: 30-minute Pack

AQA 8132 · Calculator allowed · about 30 minutes

Total Marks

Name: _____ Date: ____ / ____ / _____

Study the case study below, then answer ALL questions. Show your working for any calculation. In your longer answers, use evidence from the case study and relevant business terminology.

Case Study: Marlow Outdoor Gear

Case study written for Revision Library. Marlow Outdoor Gear and Fellwalk Supplies are fictional businesses.

Marlow Outdoor Gear is a fictional retailer of camping and hiking equipment. It was founded six years ago by Jing Marlow, who opened a single shop in the market town of Aldbury, selling tents, walking boots and outdoor clothing to local customers. In its first year, Marlow Outdoor Gear had a turnover of £180,000. The business grew steadily, and Jing used profits from the Aldbury shop to open two more company-owned shops in nearby towns. Marlow Outdoor Gear now operates three shops and had a total turnover of £540,000 last year.

Jing is now considering how to grow the business further. She is looking at three options.

Option A: Open two more company-owned shops in other market towns, funded by a bank loan of £120,000 at an annual interest rate of 5 per cent.

Option B: Turn Marlow Outdoor Gear into a franchise, allowing other people to open and run shops under the Marlow Outdoor Gear name in exchange for a fee, so franchisees invest their own money to open and run new shops.

Option C: Merge with Fellwalk Supplies, a fictional wholesaler that currently supplies Marlow Outdoor Gear with tents and boots, to secure cheaper stock and a more reliable supply chain.

Jing's staff have mixed views. The shop managers worry that opening more company-owned shops will be difficult to control from a distance. The finance team like the franchise option because it needs less of Marlow Outdoor Gear's own money, but Jing is concerned about losing control of quality if she is not running every shop herself.

1 Identify from the case study one method of organic (internal) growth that Marlow Outdoor Gear has already used.

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(Total for Question 1 is 1 mark)

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2 Other than merging with a supplier, state two other methods of external growth a business could use.

(Total for Question 2 is 2 marks)

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3 Marlow Outdoor Gear's shop managers worry that opening more company-owned shops (Option A) will be difficult to control from a distance.

(a) State two advantages to Marlow Outdoor Gear of choosing Option A (opening more company-owned shops). **(2)**

(b) State two disadvantages to Marlow Outdoor Gear of choosing Option A (opening more company-owned shops). **(2)**

(Total for Question 3 is 4 marks)

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4 If Marlow Outdoor Gear funds Option A with a bank loan of £120,000 at an annual interest rate of 5 per cent, calculate the interest Marlow Outdoor Gear would pay in the first year. Show your working.

(Total for Question 4 is 2 marks)

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5 Analyse one advantage and one disadvantage to Marlow Outdoor Gear of choosing Option B (franchising) rather than Option A (opening more company-owned shops).

(Total for Question 5 is 6 marks)

6 Using the case study, recommend which ONE of the three growth options (A, B or C) Jing should choose for Marlow Outdoor Gear.
Justify your recommendation.

(Total for Question 6 is 12 marks)

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Mark scheme · 1.9 Growing the business: 30-minute Pack

Question 1

using profits from the Aldbury shop to open two more company-owned shops (oe, reference to opening additional company-owned shops from profit) **B1**

Answer: Jing used profits from the first shop to open two more company-owned shops.

Question 2

one acceptable method, e.g. taking over a rival business (buying a controlling share of it) **B1**

a second acceptable method, e.g. entering a joint venture with another business to share a specific project **B1**

Answer: Any two, e.g. taking over a rival business; entering a joint venture with another business.

Question 3

(a) one acceptable advantage, e.g. Jing keeps full control over how every shop is run and how it represents the brand **B1**

(a) a second acceptable advantage, e.g. Marlow Outdoor Gear keeps 100 per cent of the profit generated by the new shops **B1**

(a) Answer: Any two, e.g. Jing keeps full control of every shop; Marlow Outdoor Gear keeps all the profit from the new shops.

(b) one acceptable disadvantage, e.g. it may be difficult for Jing to control shops that are further away, as the shop managers worry **B1**

(b) a second acceptable disadvantage, e.g. Marlow Outdoor Gear must fund all the set-up costs itself (e.g. through the £120,000 bank loan), increasing its financial risk **B1**

(b) Answer: Any two, e.g. harder to control shops from a distance; Marlow Outdoor Gear must fund all set-up costs itself, increasing financial risk.

Question 4

120,000 x 0.05 seen **M1**

£6,000 cao **A1**

Answer: £6,000.

Question 5

Level 1 Identifies an advantage and/or disadvantage of franchising with little or no development or use of the case study. **1-3**

Level 2 Develops a clear chain of reasoning, using evidence from the case study, to show how franchising specifically benefits or disadvantages Marlow Outdoor Gear compared with Option A. **4-6**

Indicative content:

- Advantage: franchising needs less of Marlow Outdoor Gear's own money, since franchisees invest their own money to open and run new shops, reducing the financial risk that Option A's bank loan would create.
- Advantage: franchisees are often more motivated than employed shop managers, since they have invested their own money and keep a share of the profit, which could improve how each shop is run.
- Disadvantage: as Jing fears, she loses direct control over quality/standards in each shop, since franchisees run their own shops day to day.
- Disadvantage: Marlow Outdoor Gear only earns a franchise fee/percentage of sales from each shop, rather than keeping 100 per cent of the profit as it would under Option A.
- A well-developed answer links the case study's own evidence (the finance team's and Jing's differing views) to the analysis, rather than discussing franchising in general terms only.

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Question 6

Level 1 Makes simple, undeveloped comments about one or more options, with little or no use of the case study and no clear recommendation.	**1-3**
Level 2 Shows some understanding of at least one option, with limited use of case study evidence; a recommendation is stated but not developed.	**4-6**
Level 3 Analyses at least two options using case study evidence, showing clear chains of reasoning; a recommendation is given with some supporting justification.	**7-9**
Level 4 Weighs all three options against each other using detailed case study evidence, and reaches a well-justified recommendation of ONE option that is clearly supported by the analysis and shows awareness of the trade-offs involved.	**10-12**

Indicative content:

- Option A (more company-owned shops): keeps full control and full profit, matching Jing's proven organic-growth track record, but the shop managers' worry about control from a distance and the £120,000 loan (with £6,000 of interest in year one) increase financial risk and management strain.
- Option B (franchising): needs less of Marlow Outdoor Gear's own money since franchisees fund new shops themselves, and motivated franchisees may run shops well, but Jing loses direct control over quality, which she is explicitly worried about, and Marlow Outdoor Gear only earns a fee rather than full profit.
- Option C (merging with Fellwalk Supplies): secures cheaper, more reliable stock and could improve margins across all shops, but does not by itself open any new shops, so it grows the business's supply chain rather than its market presence, and carries the risk of a clash between the two businesses' cultures.
- A strong recommendation compares the three against Jing's own priorities shown in the case study (control over quality, limited own capital, existing supplier relationship) rather than treating the options in isolation.
- Possible justified conclusions: recommend Option A if maintaining quality control matters most to Jing, despite the extra debt; recommend Option B if the priority is growing quickly with limited extra capital and franchisee quality can be managed through contracts/training; recommend Option C if Jing wants to strengthen the existing three shops' profitability before opening any more, or even recommend combining options (e.g. Option C now, Option A or B later) as a top-band, well-justified alternative.

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