L3 Lead Examiner Report 1906

June 2019

L3 Qualification in Business/ Enterprise and Entrepreneurship: Business Decision Making 31589H

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What is a grade boundary?

A grade boundary is where we set the level of achievement required to obtain a certain grade for the externally assessed unit. We set grade boundaries for each grade, at Distinction, Merit and Pass.

Setting grade boundaries

When we set grade boundaries, we look at the performance of every learner who took the external assessment. When we can see the full picture of performance, our experts are then able to decide where best to place the grade boundaries – this means that they decide what the lowest possible mark is for a particular grade.

When our experts set the grade boundaries, they make sure that learners receive grades which reflect their ability. Awarding grade boundaries is conducted to ensure learners achieve the grade they deserve to achieve, irrespective of variation in the external assessment.

Variations in external assessments

Each external assessment we set asks different questions and may assess different parts of the unit content outlined in the specification. It would be unfair to learners if we set the same grade boundaries for each assessment, because then it would not take accessibility into account.

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Unit 7/Unit 6: Business Decision Making

Grade	Unclassified	Level 3			
		N	P	M	D
Boundary Mark	0	12	24	39	55

Introduction

- LE Report is to be considered with the live external assessment and corresponding mark scheme

- This was the fourth time learners sat this unit. Centres have had access to sample marked learner work, the 1801. 1806 and 1901 paper, mark scheme and lead examiner's report when preparing learners. The assessment consists of an unseen case study with two activities. Activity 1 requires learners to study the data provided and then justify the selection of one of the two business opportunities identified. There is no requirement for learners to think up their own alternative options. For Activity 2, learners have to provide a summary of their choice of business and provide a rationale for the choice made. It is important that the choice made in Activity 1, the report, is carried forward into the presentation summary, Activity 2.

- In this series, learners were given a scenario of a start-up business, selling ice cream. Data was provided on a business opportunity which involved buying either mobile equipment in the form of an ice cream van and associated equipment, or renting a pop-up space in a shopping centre and buying the required equipment. Learners had to decide which of these two options should be followed and could make their selection based on whichever gave the greatest return or the lowest risk. Ice cream market trends were provided. Data was also provided on the start-up and running costs of each option and the forecast sales levels and average selling prices. Learners could therefore carry out some financial analysis such as gross and net profit, profitability ratios and return on capital employed. Learners could also carry out break-even analysis by using the average selling prices and the fixed costs provided.

- Having chosen which option to select, learners needed to justify their decision. When making decisions such as these, it is expected that learners will use financial analysis together with some of the business decision making tools identified in the unit specification. These include PESTLE analysis, SWOT analysis, Porter's five forces model or the 5C model. Other decision-making tools/models could also be used.

Introduction to the Overall Performance of the Unit

In this fourth sitting of the paper, the scenario, an ice cream business, was familiar to most learners. Many were able to use the data provided to make an informed choice as to which of the options should give the best return. A number of learners attempted this decision making and justification section based purely on the data provided without carting out any financial analysis. Not only did these learners lose marks for assessment focus 3, the financial analysis focus, but this also prevented them from achieving higher marks on assessment focus 4 and 5, the key factors and the quality of decision making. Learners need to use the financial data provided to make some forecast of profits or financial return for the investment, and then use this analysis together with other key factors to fully justify the choice of business they think should be followed.

Activity 1: The report

For this first activity, learners are required to use the information provided, and prepare a report to the owner of the business about the two options they are considering.

The report must address both options and include an assessment of:

- the key factors and risks
- the implication for resources
- appropriate financial forecasts
- an interpretation of financial information using ratio analysis
- use appropriate decision-making tools to support learner recommendations

The report should be set within the context of the business and its stated goals, which were to open a successful start-up business that would survive and potentially expand in the near future.

Assessment Focus One: Information/data selection and interpretation.

Most learners were able to take some reference to the case study information and select some appropriate evidence to support their decision. In a number of cases, there was a lack of relevance, or learners simply copied the case study information rather than use it to justify their choice of business expansion. This approach limited learners to marks at the bottom of band 2.

In the example below, the learner has taken the information provided and restated it. The work does not go on to use this information to say why which option should be followed or how the information might help identify the best option to follow, and was awarded **4 marks**.

In the UK research has presented that the sales have increased by 6% since 2012, by the end 2017 sales were estimated to reach £2.67 billion. However, in 2017 the ice cream industry accounted for £1.14 billion of sales value. There was a rise in the ice cream industry from 2016 to 2017, in 2016 the segment grew to 2.8% and rose to 3.6% in 2017. The sales value is expected to reach approximately £1.3 billion by 2022. A challenge presented to this market is the ageing population, the elderly are less likely to buy ice cream whereas from the ages of 5-34 are the main consumers. Beneficially to this industry there has been growth in the population meaning there is increase in the younger generation which are consumers within this market.

Unfortunately for entry businesses within the ice cream market, the market is already dominated by well-established and popular brands making somewhat difficult for new businesses to become as successful. These brands are:

Brand	Sales in 2016 (£m)	% of Ice cream sales
Magnum	174	15
Ben & Jerry's	95	8
Wall's	76	7
Haagen-Dazs	54	5
Wall's Carte D'Or	48	4
Nestle	44	4
Cadbury	40	3
Supermarket and other own label products	399	34

Even though the market is highly competitive there is definitely still opportunity for new entering businesses, as long as the business are well planned out and have performed extensive research. Small and medium sized independent retailers including farmers who produce and sell their own brand ice cream using their own milk production have noticeably grown from research. There has evidently been an increase in the number of ice cream parlors that offer a variety of flavors and high quality products. In the UK it has been noted that are currently over 70 different flavors of ice cream even expanding onto the savory side, such as marmite, Thai green curry, sea salt and black expresso, there also flavors that are based of traditional sweets like Refreshers and Fruit Salad.

In this second example, the learner has used the data provided to produce a SWOT analysis rather than copy the data provided. Under strengths, they have used the data on the decline in the number of ice cream vans and used this to justify this option due to the lack of competition in the market. In the Weaknesses section, they have identified that option one not only sells the ice cream at a lower price, but that saples volumes are also lower. They have gone on to state the figures, calculate the revenues and finish with the simple conclusion that revenues for option 1 will be lower. Taken with other data used within the report, this learner achieved **high band 3/band 4**.

Strength:

The strength of this option is that there is a decline in the numbers of ice cream vans and this is a great strength for your business because there will be less competitors in your market meaning that you will not have to worry constantly about another ice cream van stealing your customers or building a better reputation in your area than your business. For example, if there is another ice cream van operating in the same area as you then you will struggle to sell as many ice cream as you would if the other business was not there, meaning that you must ensure that you are operating in an area that your business will not have any competitors in that location. Therefore, the strength of this option is that there is a decline in the numbers of ice cream vans meaning that you are likely to receive more customers because you are offering "something different" in this market and this increases your chances of selling more units of ice cream.

Weakness:

The weakness of this option is that you will be selling less units in a year and at a lower price than you would if you start a business in a shopping centre. This is because the asking price of the ice cream with the first option is cheaper than the asking price of the second option and also you will sell more units of ice cream in a shopping centre than you would with an ice cream van. For example, the projected sales volume of option one is 55 000 units a year at £1.50 a unit, meaning that you will make a revenue of £82 500 with the first option; with the second option the projected sales volume is 140 000 units a year at £3.50 a unit, meaning that with the second option you will earn £490 000 in the first year. Therefore, the weakness of option one is that you will make less revenue than option two because your units will be cheaper, and you are projected to sell less units with the first option.

In this third example, the learner uses the data provided as an introduction to the market. They state value of the market and start to use the data on aging population to suggest this is a potential draw back to entering the ice cream business. They also use the data on competition and trends to makes statements about the suitability or otherwise of the options. Taken with other data used in the report, the learner achieved a mark in **band 3**.

In this report I will looking at both option that the business is current considering and making a judgment base on the information that I will talking through in this report and information provided for me. From the market I can see that the UK ice cream market is worth £1.14 billion in 2017, however this market sales have been increasing by 6% each year since 2012. Is even predicted in the ice cream segment of the market to reach £1.3 billion in 2022.

However there is a drawback to this market and this is the aging population continuing to grow. Which means they are becoming less likely to buy ice cream which means that the target market for this ice cream business is the age group of 5 -34 year olds which are regular consumers of ice-cream. There has also been a growth in the small and medium size business within the ice cream market which shows the scope for new business to penetrate the market. However over the last 30 years ice cream vans have decreased by 80% over this time. Which could mean that their less competitor's in this market compared to option 2 pop up shop. Current trends within the UK is being organic and suitability and also health eating, which means a reduction in sugar as this has contributed to the decline in recent sales. Which is they were to offer low sugar options of ice cream this could be a unique selling point for this business as its current trend and one in five children and 63% of adults are currently classified as overweight or obese.

Some learners did not fully understand the scenario and rather than make their own ice cream either in the mobile van or the pop-up shop, these learners discussed the problems of buying ice cream from branded sources and selling it to customers.

Assessment Focus Two: Implications for resources based on decisions made.

Once again, some learners used sub headings in their work for Physical, Human and Financial resources. However, this assessment focus continues to be a problem for some learners.

For financial resources, learners could have discussed the start-up costs of the two options and the difference between them. They could also have identified that both options would require additional finance above the £30,000 identified in the case study. More able learners went on to calculate the difference and state ways this could be raised i.e. through a loan or by taking on a partner.

Very few learners discussed the human resources requirements. In both options, staffing was required. This was indicated by the inclusion of wages as an example of an expense in the running costs.

The most obvious example of a physical resource was the mobile van and equipment in option one, and the equipment and shop space in option two. Identification of these resources gave learners the opportunity to discuss things such as finding cheaper equipment, discussing the pros and cons of the pop-up space location and the opportunity for the mobile business to relocate to a new location if business was slow.

Time was another resource that could have been discussed. No information had been provided on the time taken to start either business, but learners could have considered that the renting and decoration of a pop-up space could have taken longer to achieve than buying an existing van and equipment.

The following is an example of a **band 1 or 2** response. The learner has not fully understood the nature of the business and starts by discussing that more efficient equipment would reduce the need for labour. In this type of small business this is clearly not the case. The work goes on to identify and provide some comment on running costs and start-up costs, both financial resources.

With higher tech equipment Option 1 will be able to increase production rate. This will make it easier for them to compete with bigger competitors and successfully meet demand which is forecasted to increase. Additionally, the introduction of more able and complex equipment will reduce the human workforce. This will decrease the total costs of the business which will increase the profit.
It has a lower % running cost in comparison to option 2. This can be for many reasons, reduction in human employees or with more equipment they are buying materials in bulk and therefore reducing price 2
Both, the local business and the supplier have an excellent reputation. The supplier has a strong brand image in in manufacturing such equipment.
Less human workers eliminates human error and can improve the quality of goods This can have a greater impact on profit making it easier for option 1 to compete with larger businesses that may or operate in the area.
Also option 1 has lower start up cost compare to option 2 and that's ideal because the client has funds for option 1 which is £30,000 and doesn't have funds for option 2 which is £55,000 so that means he has to borrow money and be in debt for option 2 and that would be the worst way to start a business .

Assessment Focus Three: Financial forecasting

In this series, the financial analysis was a little better than seen in the previous series. Most learners were able to use the data provided to calculate the potential sales revenue for each option. Some learners did not use the data at all. Centres are reminded that without any financial analysis, learner's final decisions cannot be considered properly justified and marks will not only be lower in this assessment focus but also lower in AF4 and AF5.

Many learners went on to calculate the gross and net profit for each option and some then did ratio analysis to identify the gross profit margin, net profit margin and in some cases, the return on capital employed. In some cases, learners made a judgement to go with option 1 because it had the higher net profit margin, without looking at the actual value of net profit generated. A common error was where learners including the start-up costs in their income statement and then saying that the business would make a loss in its first year.

A small number of learners accurately calculated the break-even sales for each option using the average selling price per item.

Investment appraisal data was also provided in the scenario. Most learners ignored this or simply stated option two would pay back the investment quicker. Very few learners seemed to understand the concept of net present value.

A few learners attempted to produce a cash flow forecast but some managed to use the annual sales as monthly sales.

Having performed the calculations, a number of learners then used the financial analysis to build a justification for one option or the other.

The following is an example of a **band 1** response where the learner has used the data provided to calculate the cost of sales and expenses, but has failed to carry this through and calculate gross and net profit.

Running costs	
Costs of sales	£16,500
expenses	£41,210
Predicted sales	82,500
Net present value	£5,500
Investment pay back	1.8 years

The next example scored **top of band 3**. The learner has correctly calculated gross and net profit, net profit margin for both options. They have correctly calculated the break-even point for option 1 and made a slight error when calculating the break-even of option 2. This should have been 117,647 units rather than the 117, 600 quoted. Rather than stopping here, the learner has gone on to analyse what the calculations mean for the business in terms of how bad weather might impact the break-even for option 1. Having calculated the break-even point, the learner could have calculated the margin of safety. They refer to this in the discussion but do not calculate it. It should be noted that band 4 can be achieved even is some ratios or financial calculations have not been carried out.

Financial information and forecasting

	Year 1
Revenue	82500
Cost of sales	16500
Gross profit	66000
Expenses	41250
Net profit	24750
Net Profit Margin	30
price per unit	1.5
Cost per unit	0.3
Costs	41250
BEP	34375

This data is relevant to the predicted revenue and expenses in option 1. Based from these number it is expected that net profit will be 24,750 which means a 30% net profit margin. This is useful to know because it gives an indication that 30% of the sales from a product are profit. This is also shown by the break-even point being at 34,375 units sold. Based upon the predictions of selling 55000 units it is still possible for a bad year of weather and still break-even or produce a profit. This table only takes into consideration that he can afford the start-up however as a loan would change both of these figures as shown below. A loan however would be hard to gain of such a high amount because the business is not yet started and proven to work. Based upon the market i predicted for year 2 that sales would increase by 3% and the figures show that

	Year 1
Revenue	490000
Cost of sales	73500
Gross Profit	416500
Expenses	349860
Net Profit	66640
Net Profit margin	13.6
price per unit	3.5
Cost per unit	0.525
costs	349860
BEP	117600

This is a chart based on the predicted figures for option 2. The net profit margin is at 13.6% which is much lower than option 1 because of the larger expenses which will make it much harder to make a profit and increasing the break even. The break-even point for this option would be approximately 117,600 and this would have to be achieved in the first year of trading with no loyal customer base from the start. If sales do reach 490,000 like predicted however the overall net profit will be higher than option 2 and should increase upon each year. For this reason I made a chart predicting that they may need another staff member the following year and determined how this may affect this option.

Assessment Focus Four: Key factors, risks and alternative approaches.

Once again, this strand often had strong, well thought through key points. Learners rationalised the key factors and risks. The majority completed a SWOT analysis although some simply used the case study data to insert as bullet points into a SWOT table. This method of displaying data demonstrates selection of data but does not show the detailed level of analysis that is required to achieve the higher mark bands and this form of presentation should be discouraged.

PESTLE analysis was the next most common decision-making tool used by learners. This particular case study was appropriate for a PESTLE analysis given the impact of governments on decision making around obesity and the sugar tax.

Very few learners produced a Porters 5 Forces analysis or a 5 C analysis models. Some learners attempted to produce a marking mix for the two options.

There were a number of key factors and risks that learners could have discussed. These include:

- Start-up and running costs
- Revenues
- Profits
- Investment returns
- Threat from supermarket brands
- Location issues
- Trends in reduction in mobile vans
- Issues around street trading licenses
- Risk from competitors
- Risk form high rents/running costs of option 2
- Risk from continued reduction in mobile ice cream vans
- Alternative approach to raising start-up finance
- Lease/hire purchase as alternative to outright purchase of the van and equipment

The following is an example of a **band 1 or 2** SWOT analysis that lacks detail.

Option 1:

Strengths	Weaknesses
• There has been an increase in ice cream and dessert sales by 6% since 2012. • There has been a growth in 5-34 year olds buying ice cream. • There has been a growth in small and medium sized independent retailers selling own brand ice cream.	• If the client wanted to try and grow the business by getting more ice cream vans then they would need to develop a new image to reinvent the ice cream van market. • The client will need to make sure that they are marketing their business well to ensure they attract the market.
Opportunities	**Threats**
• There is a declining number of ice cream vans inside the UK which gives the client the opportunity to offer something new and different to the market. • Could potentially try and sell a new range flavours and add new products.	• The market is already dominated by many well-known businesses so it will make it difficult for the client to gain brand recognition in the market. • Weather can stop their business and or hinder it.

Some learners discussed the market when producing a PEST or SWOT analysis, rather than doing an analysis of each option. This limited the value of the discussion.

PESTLE:

Political:

- The level of taxation may be high when you enter into this market. This is because as the overall level of consumers in this market are high, this means that businesses will have the opportunity to generate higher levels of gross profit into their business as they can attract a larger capacity of consumers into their business. Therefore, this would mean that you would have to consider how much profit you would be generating into your business each year and level it out with the total expenses you are required to pay in order to keep the running of the business efficient and effective. If you shown a huge increase in your gross profits this would mean that their level of tax taken out of the business would increase rapidly meaning that the business may have to consider making more sales and lowering your fixed costs in order to have a positive cash flow.

Economical:

- Economies of scale may increase as the level of demand increases within this ice cream market. This is a huge factor for yourself when running a mobile business as if the economy of scale increases this will affect your business especially when starting-up as this could affect the prices of your products as the level of costs for manufacturing these products will increase over time, and so this will mean that you would have to spent a higher capacity of money on importing these products from another country in order to save on costs.

Social:

- Ethical factors. This is a vitally important factor to take into account if choosing this option because it is essential that you take into account the different cultures within different countries and to their beliefs and so you must act in a professional manner and conduct the services equally and in a way which does not dishearten different individuals culture in order to keep a positive and well represented reputation for your new business.

Environmental:

- Level of pollution will increase. This is a major issue for businesses like these when running your business through a van and traveling to different location to interact with customers as the overall level of pollution will increase rapidly and so affects these consumers in their day-to-day life. As a result of this issue, it would be very hard for this type of business to survive within the ice cream market as this may cause riots between consumers who are against the running of this type of business and will draw away customers meaning that this will affectively affect their cash flow forecast and weaken as a business.

Technological:

- Ability to invest in promotions through social media. This is a great factor which will highly benefit yourself when choosing this type of business option. As it has been proven that the level of demand for purchasing products online is continuing to increase rapidly, this leaves yourself with huge potential in doing this and therefore creating your own business through an online website to draw in a larger capacity of their audience.

Legal:

- Employee's working rights. This is an essential factor for yourself as you will have to take into account when contracting employees into your business over time. This is because employees are fully entitled to different working rights such as maternity pay/ leave, holiday pay, sick pay, etc. and so the client will have to be fully aware of these rights when taking on employees and consider how effective they are to the business.

In the next example, the learner has used some of their calculations together with some other factors from the scenario, to justify the final decision. In this case, the work is potentially **high band two**. To reach band three or higher, the work would need to be more detailed, include more of the data provided in the scenario, and use an additional decision-making tool such as PEST analysis.

Key risks and factors

Strengths

Option 1 has a much higher net profit margin which overall makes it easier to break even and lessens the impact of external factors such as weather. This offers a safer route to take when starting because you aren't as pressured into growing the brand quickly in order to gain a high amount of sales.

Option 2 is close to both a motorway and train station meaning that the people visiting the centre will often be people that rarely or haven't previously visited. These are people that could be out spending large amounts of money and are probably good people to target. They aren't likely to be unhappy to spend 3.50 per ice cream as it is a reasonable price within the sector of the market

Weaknesses

Increased sales for supermarket own brands means that they will have to contend with competition who are established and offer a quick approach to getting an ice cream. This affects both options because people are less likely to use an on street van if they have ice cream at home and are less likely to queue for ice cream in a shopping centre.

For option 2 a big weakness is that it requires a high number of units to break even that may not be possible within the first year. It is highly possible that due to high competition and external factors that whilst gaining reputation and advertising they could make a loss or barely break even within the first 2 years. This would become an issue as it may not be sustainable to continues that way and in worst case scenario the business might fail although it is unlikely

Opportunities

The market is growing year on year which means that by entering the market now there is still an opportunity to catch the growing market and take some of these customers. This is a strength to both methods as an increase in customers can bring them to break-even and make profit quicker. A growing market may also provide opportunities to diversify once you become a reputable seller

A government tax would mean business diversifying into sugar free markets. This is something that can be taken as an opportunity as they could do this before setting up and provide a range of unique sugar free and fat free ideas that could maybe increase popularity with the business and place them into the market before other reputable brands do.

Threats

Highly competitive market making it difficult to enter the market especially for option 2 where you will likely be competing with stores that sell both own brand products as well as reputable makers such as magnum and Cadbury.

Another threat is the possibility of the government producing sugar tax on products such as ice cream. The issues associated with this would be that the costs of ingredients would go up and it may affect the prices going up. Ice cream is a price elastic product and it would be difficult to increase prices and maintain customers so it is very hard to overcome this unless they diversify which would provide a future opportunity.

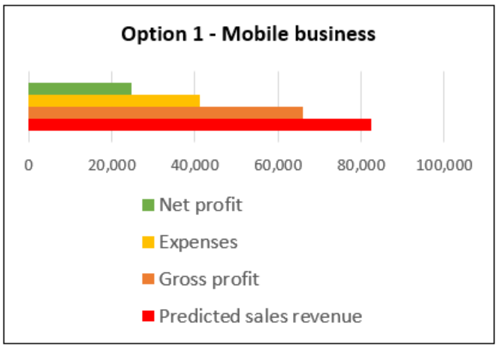
Assessment Focus Five: Supported decision making.

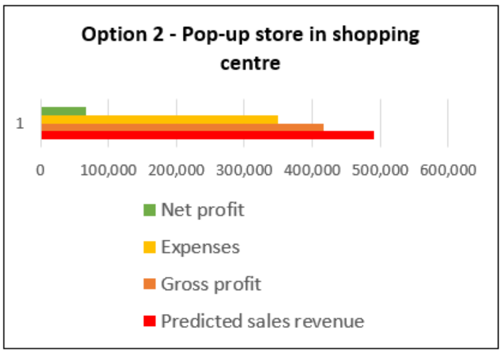
Some learners produced a report but failed to provide a final decision on which option to choose. Those learners who had failed to complete a financial analysis provided only a partial justification of which option was best. The best learners used all of their financial and other analysis to produce a convincing and coherent decision.

The example below shows a **top of band three** response. It was considered convincing but not fully justified, requiring consideration of some other key factors/risks to achieve band 4.

Recommendation:

From the graphs above, it is clear that option 2 (pop-up store in shopping centre) allows the client to take in more net profit overall (£66,640) whereas option 1 (mobile business) only generates less than half of what option 1's predicted revenue, (£24,750). Therefore, I would recommend that the client should sell high quality, premium priced products from a pop-up space in a shopping centre. With this option, the client is able to generate more revenue, and most importantly profit. If the client was able to reduce the cost of expenses this would later cause a greater net profit increase.





Moreover, in comparison to option 1 (mobile business) there is a larger predicted footfall due to the location of the pop-up shop, therefore, this allows a continuous income to the business as consumers are shopping throughout the year and spend a significant amount of money when they visit the centre. Whereas if the client were to implement option 1, there would be no guarantee of a continual flow of consumers passing through. Also, option 2 is not dependent on the weather, even in bad weather this could boost sales, as the shopping centre would be indoor and as an activity, consumers are more likely to shop rather than go outdoors in bad weather – only to increase customers.

Furthermore, implementing option 2 (pop-up store in shopping centre) there are more opportunities for the business to expand locally/regionally with possibility of a second store. This would not only increase profits, but would make the clients business more of a recognised brand locally, and develop a good reputation for high quality, premium ice cream products – which is achieving the customers' needs/expectations. In addition, the expansion of the business would make the clients business a local leader in premium ice cream products, reducing competition and customers are more likely to recommend it through word and mouth, reducing the requirement/cost for marketing.

In conclusion, option 2 (pop-up store in shopping centre) reduces the risk of financial failure whilst producing larger amounts of net profit, which can then be reinvested into the development/expansion of the business as whole. Also, with option 2, it is more of a guaranteed success as the premium and unique ice cream flavours, as well as establishing an ice cream parlour (rather than a mobile unit) is a more sustainable model within the current market and ensures the long-term success of the business and appeals to consumers' needs and wants.

The following learner conclusion scored within **band 1**. This was a simplistic justification of a decision without any financial analysis or key factors considered.

Conclusion

In conclusion, it would be a good idea for the client to go for the second option. Although the costs are significantly higher than the first option, it still offers a great opportunity to make high profits and expand unlike having an ice cream van, in which you are limited to expand in and the service that can be offered is also limited. You can offer a wide range of products through the second option and won't be isolated as you get to meet new people and build new relationship, unlike an ice cream van, where you are driving around hopelessly alone. Vast majority of businesses have plans to expand in the future, this can't be done with an ice cream van, hence option 2 is a better opportunity in order to reach the full potential.

Assessment Focus Six: Presentation and structure

Reports were usually well presented with learners achieving band two or higher. Most of the work contained headings, subheadings and clear paragraphs. Some used formal report structures with paragraph numbering and an index sheet, although this was not required for top of band 4. Learners continue to lose marks for poor structure in the report and for the lack of relevant business principles and business management terminology.

Activity 2: The presentation

For this second activity, learners have to use appropriate software, to prepare a presentation to the entrepreneur. The presentation should:

- summarise the recommendations made in the report
- give a rationale for the recommendations made

The presentation must be accompanied by speaker's notes or a script that will engage and convince the directors of the viability of the recommendations made.

Assessment Focus Seven: Business proposal overview

Most learners were able to refer to the data used in their report and their conclusion and identify some key points that outlined the business idea.
Some learners failed to select the appropriate information from their report or gave a very brief outline. It is possible that these errors were due to the learners running short of time having spent too long producing the report in Activity 1. Learners that copy and pasted large sections of the report into the presentation speakers notes also failed to score highly as they did not demonstrate ability to select appropriate data.

Assessment Focus Eight: Reference to costs/finance, key factors/risks

Many learners attempted to justify their business proposal, but some presentations were not in the form of a business pitch. In addition to this, to achieve band 3, the work must demonstrate sustained use of the data and finances to help justify the choice being made. Learners are reminded this activity is a summary of what has been produced before. There is no requirement to provide additional recommendations. Furthermore, the decision made in Activity 1 must be carried through to this activity. The assessment focus marks are split between discussing key factors and risk, and discussing financial data/statements.

Assessment Focus Nine: Presentation design and structure

Most of the learners created slides with a coherent structure and some appropriate speaker notes. Many used bullet points and kept slides clear and easy to read, leading to a professional appearance.
A few presentations failed to provide speaker notes, whilst others as stated earlier, simply copied large sections of the report and pasted these into the speaker notes section of the presentation.
Not all learners added clear headings to slides.
Some learners failed to provide any evidence for Activity 2.

To achieve high marks in this assessment focus, the presentation should be professional, free from errors, and be likely to engage the audience/investors. This is not likely to be the case if financial data has not been provided in the presentation.

An example of a **band 2** summary presentation is given below. Whilst on first view this appears to be a very good presentation, much of the content of the speaker's notes has been copied and pasted from the Activity 1 report, therefore demonstrating a lack of selectivity. This is not a summary of the decision.

BACKGROUND INFORMATION

Business- Ice cream shop

Option 1- Setting up as a mobile business

Option 2- Setting up a pop- up space in a shopping centre

Background Information:
The potential business is a business that makes and sells ice cream. The funds available to start-up the business are £30,000. The first option involves purchasing a van and setting up a mobile ice cream business. The second option is to make and sell high quality, premium priced ice cream from a pop-up space in a shopping centre. The main goals of the business are to make a profit, increase its market share over time and hopefully to expand in the future.

FINANCIAL ANALYSIS

- Income Statement
- Gross Profit Margin
- Financial resource needed –NPV and Payback period.

Income Statement- Option one
Sales Revenue £82500
Cost of goods sold £16500
Gross profit £66000
Expenses £41250
Net Profit £24750

Income Statement- Option two
Sales Revenue £490000
Cost of goods sold £73500
Gross profit £416500
Expenses £349860
Net profit £66640

Gross Profit Margin- Option one
(£66000 / £82500) X 100 = 80

Gross Profit Margin- Option two
(£416500 / £490000) X 100 = 85

As you can see from the information provided above option two has a much higher sales revenue figure than option one. The net profit figure is also much higher on option two than option one. The gross profit margin at 85 for option two is 5 higher than option one at 80. All of this information shows that option two is a better option when it comes to financially.

A resource that is required for both option one and two is additional funds option one requires £48000, the client currently has £30,000 therefore that is an extra £18,000 needed. With option two's start-up costs at £55,000 and additional £25,000 is needed on top of the clients £30,000. Large amounts of money can be a difficult resource to find but there are many different sources of finance such as bank loans, Mortgage, asking family and friends, Savings etc. For both option one and two I would recommend that the client goes to the bank with a business plan to ask for a bank loan. The Income statements I have created below show the predicted forecasted finances of the business however, both business ideas have a different net present value and investment payback period. Option one has a NPV of £16500 after three years and a payback period of 1.8 years. Whereas option two has a NPV of £27700 after one year and a payback period of 0.8 years. The bank is likely to see option two as the better option as there is less long term liability due to the shorter payback period and a higher NPV which means there's more likely to be more money to enable them to pay the loan back in comparison to option one.

SWOT ANALYSIS OF BOTH OPTIONS AND RISKS

- Strengths
- Weaknesses
- Opportunities
- Threats

Risks of both options:
Option one- Finding customers/ Footfall
Option two- Increase in start-up finance required

SWOT analysis of option one- A mobile business
The strengths of option one are that less additional start up finance is required (£7,000 less) in comparison to option two. The investment payback period of 1.8 years is short which reduces the liability of investing into the business. They would have a net present value of £16500 after three years which is excellent as any positive net present value means the business is successful.
The weaknesses of option one are that the client only has funds of £30,000 currently therefore an extra £15,000 is required for the production equipment and £3000 is needed for the first year's trading license. Another weakness is that ice cream vans are in decline which indicates the sales of ice cream vans were falling which has led to a lot of ice cream vans closing. Hard to expand the business without having the entire start-up costs again, another person with a driving license would need to be employed as well.
An opportunity for a mobile ice cream business to take is to offer something different as the number of ice cream vans is significantly decreasing due to restrictions on street trading. A second opportunity is that the business wants to make sorbets and frozen yoghurts which could be the business' unique selling point as other ice cream vans don't currently offer these products.
Threats of the mobile business are that the restrictions on street trading may increase which means the mobile ice cream van may have to pay more money to relocate, they would also have to start up again with finding customers.

SWOT analysis of option two- A pop-up space in a shopping centre
The strengths of option two are that the shopping centre has a high footfall of 30 Million be annum, with a population of over 3.5 Million in the catchment area. Customers spend an average of 2.5 ours in the shopping centre and over £120 per visit which suggests the area the shopping centre is located is an area where people have money to spend. If people are there for 2.5 hours, it is likely they will be hungry within that time too. Therefore, they could eat at the ice cream store either in the shop or while shopping, the customers will also be able to afford the premium priced products. The average spend is expected to be double the spend of customers at the mobile ice cream van. The payback period is extremely short at 0.8 years. There is also a higher net present value of £27700 after the first year.
The weaknesses of option two are that an additional £25,000 is needed on top of the £30,000 funds that the client currently has. This is a large amount of money that needs borrowing. The expenses are high at 71.4% of the sales revenue figure which would be £349860 each year in expenses. The business will have a smaller target market as it will be selling premium products of high quality which also mean high prices.
Opportunities of option two are the increasing amount of people becoming vegan or unable to consume dairy for health reasons such as being lactose intolerant. As the business is looking to make and sell high quality, premium priced products this is a target market they could cater for as dairy free products are always more expensive, as they are making the products they can also control what goes into them. They could also sell healthier products which would help increase the target market.
Threats of option two are that although the shopping centre has a high annual footfall of 30 Million, not everyone will like ice cream and may not want to purchase from the pop-up store. Another threat is that the sales of ice cream are significantly affected by the weather and if the weather is hot people are more likely to be outside, not inside shopping, so they may go to other ice cream businesses outside.

Risks
The main risk of option one is that there isn't any estimate of footfall as a location of the mobile ice cream business hasn't been selected therefore, it is hard to predict the target market and guarantee of the sales. This could make some of the expected figures inaccurate. It also makes it hard to know what products to offer as you don't know who the target market or footfall is.

The main risk with option two is that you need to borrow £25000 from the bank rather than the £18000 you would need to borrow if you did option one. The money will need to be paid back so obviously it's a big risk to take however, from the predicted sales revenue figures the payback period is only 0.8 years so it is highly likely the business will be able to pay back the large amount of start-up money invested in the business.

RATIONALE/ RECOMMENDATIONS

My final decision was to go for option two- Setting up a pop-up space in a shopping centre.

Recommendations:

- Bank Loan
- Entering new markets e.g. Vegan Market

As I have previously mentioned the main goals I think that this business will have are to make a profit, increase its market share over time and hopefully to expand in the future. This influenced my decision when deciding which option to go for. From examining both options I think that option two (the pop-up ice cream shop in the shopping centre) is the better option because it has a higher gross profit margin, the sales revenue figure and volume of sales is much higher at 140000 units making a sales revenue figure of £490000, in comparison to option one with 55000 units making a sales revenue of £82500. There is also less liability with option two as the payback period is so much shorter at only 0.8 years in comparison to option one at 1.8 years, a whole year longer. The footfall for the pop-up in the shopping centre is much higher than the footfall of the mobile ice cream van as people will only be walking when the weather is nice whereas people go shopping whatever the weather as it is inside. I like the fact that option two has the option of eating in or taking the ice cream away as this gives more flexibility in helping meet customer's needs. It is also easier to meet technological advancements with option two than option one as there's normally Wi-Fi in shopping centres etc.

Due to the higher quality, premium priced products being sold in option two there are more opportunities as discussed in the SWOT analysis. Especially the opportunity of entering the vegan and dairy free market.
Overall, I think that option two is definitely the better option and will leave the client more financially stable and will allow the business to be more successful.

Recommendations

I think that the business should get a bank loan to cover the additional £25,000 start-up costs. I also think that the business should offer vegan alternatives not just normal ice cream especially as the product will be high quality and charged at a premium price.

Summary

- All the data required is provided in the task. Learners do not need further information and do not need to be familiar with a particular industry.
- Leaners typically perform better when face with a choice involving a business to consumer enterprise. All learners should however understand the difference in B2B and B2C with respect to how products or services are sold and marketed. B2B in a service market requires very different marketing to a B2C consumer product. Learners should not jump to the conclusion that B2B means selling other company’s products as in the case of wholesalers.
- AF1 requires learners to select and interpret data that has been provided, not simply copy the task into the report.
- AF2 requires learners to discuss financial, physical, human and time resources. Learners can comment on staffing issues, location issues, timing of individual options, of the startup costs required.
- For AF 3, the financial forecasting, learners have to decide which options should be followed. Typically, data will be provided on such things as start-up and running costs of each option, or the forecast sales levels and average selling prices. Learners should be prepared to carry out financial analysis of each option, not just on any historical financial data provided on the business or industry. This analysis can be in the form of gross and net profit, profitability ratios or return on capital employed. Learners may also be able to carry out break-even analysis if the average selling prices and the fixed costs have been provided. Unless financial analysis is undertaken, marks will be restricted for the key factors and risks (AF4) and marks for the decision (AF5). Investors would always expect some financial data to be provided in such circumstances.
- For AF4 & AF5, learners have to identify key factors and risks, and come to an informed decision on which option to choose. When making decisions such as these, it is expected that learners will use financial analysis together with some of the business decision making tools identified in the unit specification. These include PESTLE analysis, SWOT analysis, Porter’s five forces model or the 5C model. Other decision-making tools/models from other units of the specification could also be used. At least two decision making tools should be used if learner work is to be considered comprehensive and convincing.
- For Activity 2, learners have to provide a summary of their choice of business and provide a rationale for the choice made. It is important that the choice made in Activity 1, the report, is carried forward into the presentation summary, Activity 2.
- 18 marks are available for this activity. Learners regularly score around half marks in this section. Spending a little more time on Activity 2 could make a

difference.

- Simply copying the majority of the Activity 1 report into the speaker's notes for Activity 2 does not demonstrate selection. Learners should only use data relevant to the task
- For AF7, the business proposal, many learners do not provide a detailed overview of the market and choices available.
- Marks for AF8 will be limited if no financial data is used to prepare the 'pitch' for investors. Finance and other key factors should be used here to justify the decision made.
- For higher marks on AF9, the presentation, the slides need to look professional and be accompanied by appropriate speaker's notes.

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