

IB DP Business Management

CASE STUDY PACK – MAY 2024

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Before One PLC (BON)



Introduction

For May 2024 examinations



How to use the new Paper 1 Case Study Pack, May 2024

This comprehensive Case Study Pack (CSP) has been produced to help students in their preparations for the May 2024 Paper 1 examination (*Before One PLC*).

The new format of the Paper 1 CSP contains the following:

1. Glossary of key terms from the pre-release statement.
See pages 3 – 9
2. Additional glossary of key terms relevant to the case study and the music festivals industry.
See pages 10 – 32
3. Two different complete case studies (for reference and exam practice only).
See pages 33 – 35 and pages 47 – 49
4. Two separate Paper 1 mock exams, using the new assessment format.
See pages 36 and 50
5. Full mark schemes for both mock exams.
See pages 37 – 46 and pages 51 – 61
6. Comprehensive PowerPoint presentation that includes:
 - Lesson activities that engage students.
 - Assessment advice.
 - Embedded videos (to provide additional context to the case study).
 - Exam-practice questions.
 - Accompanying teachers' notes.

With best wishes for the upcoming exams in May 2024!

Paul Hoang
22nd February 2024

Key Terms

For May 2024 examinations



Key terms appear in alphabetical order for ease of reference. Line numbers in the pre-release statement are shown in brackets.

Average cost (lines 9-10)

This refers to the cost per unit of production. The average cost is derived from dividing the total cost of output by the number of units of produced. As a business grows, the average cost will tend to fall due to economies of scale.

Challenge (line 11)

A challenge refers to any internal or external factor that hinders the operations and profitability of an organization. For example, internal challenges facing *BON* include environmental sustainability practices (line 10). Examples of external challenges include competition from other organizers of music festivals, technological breakdowns during music concerts and festivals, changes in government regulations (such as eco-friendly guidelines), and adverse weather conditions.

Company (line 4)

A company is a business owned by shareholders who have limited liability. Companies, like *BON*, are incorporated organizations, i.e., they are legally separate entities from their owners. This means there is a divorce of ownership (the shareholders) and control (the directors) in the company.

Contracts (line 8)

Contracts are legally binding agreements between two parties, such as an employer and employee. The legal agreement sets out specific terms and conditions established for work-related matters. Contract exist between *BON* and its employees (temporary and permanent), the five farmers (to use their farmland for the music festivals), and freelancers.

Cost (line 10)

Costs are items of expenditure by a business when producing goods and/or services. Examples for *BON* include the costs of salaries for the events managers and administrative staff, rent paid to the farmers, advertising expenses, and corporate taxes.

Directors (line 10)

Directors are senior executives in an organization who hold autonomous decision-making responsibility and power. They are appointed to manage and oversee the operations of a company.

Key Terms

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Employees (line 6)

A type of internal stakeholder, employees are the people who work for a business. They are employed to carry out specific tasks or roles. They can have significant influence on the organization, such as their level of loyalty, motivation, and productivity. *BON* hires both permanent and temporary employees (line 6).

Environmental sustainability (line 11)

This is one of the three pillars in John Elkington's triple bottom line (TBL), along with social and economic sustainability. Environmental sustainability (or ecological sustainability) is the ability of a business to maintain the use of its renewable and non-renewable resources for future generations. This means production does not jeopardize the resources for successive generations. Depletion of the earth's scarce resources is not sustainable as they cannot be used indefinitely.

Expansion (line 6)

This refers to the growth of a business due to an increase in the size of the organization itself and/or growth in the market. Expansion is usually measured by an increase in metrics such as sales revenue, market share, or profits. The music festival industry has expanded substantially, especially after the COVID-19 pandemic.

Fee (line 9)

These are payments made to a professional body in exchange for advice or services. Essentially, this refers to the price a customer pays for receiving advisory services.

Finance (line 6)

Finance refers to the money required for business activities, such as funding music concerts and festivals during the summer months, the day-to-day running of the business throughout the year, and to fund its expansion. Finance for a business can come from internal sources (such as retained profit) or external sources (such as share capital and bank loans).

Location (line 1)

This refers to the geographical position of a business, such as the farmland that *BON* hires to host its music festivals (lines 8-9). The location decision is a crucial one, and will depend on both quantitative and qualitative factors. The location of a business or its operations can have profound implications on the profitability and survival of the organization.

Key Terms

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Permanent employees (line 6)

These workers have an employment contract on a continual basis. There is no expiry date on the employment contract, unless the workers resign or the employer terminates the contract due to redundancies or dismissals.

Private limited company (line 5)

A private limited company (or **privately held company**) is an incorporated business owned by shareholders who have limited liability. The shares of a private limited company cannot be bought by or sold to the general public.

Public limited company (line 5)

A public limited company (or **publicly held company**) is an incorporated business owned by shareholders who have limited liability but with the shares being openly traded on a public stock exchange, such as the London Stock Exchange or the Euronext Paris.

Temporary workers (line 6)

In Charles Handy’s Shamrock Organization model, temporary workers are employees hired for a limited period of time or until the completion of a project.

Note: The Shamrock Organization is HL only content, so will not be explicitly assessed in the final external examination.

Other key terms from the pre-release statement

Note that the pre-release statement includes terminology that students are expected to have some basic familiarity with. The IB recommends about 5 hours of preparation, so there is no expectation for students to have comprehensive or exhaustive knowledge of these additional terms in the pre-release statement.

Terms	Link to Business Management content and concepts
Bamboo plates and cutlery	1.3 Business objectives (Corporate Social Responsibility) Key concepts - Change, Ethics, and Sustainability
COVID-19 pandemic	BMT - STEEPLE analysis

Key Terms

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Terms	Link to Business Management content and concepts
Credit card	3.2 Sources of finance 3.7 Cash flow
Freelancer	2.1 Introduction to human resource management Internal and external factors that influence human resource planning (for example, demographic change, change in labour mobility, immigration, flexi-time, and the gig economy) Key concept - Creativity
Greenwashing	1.3 Business objectives (Corporate Social Responsibility) 4.5 The seven Ps of the marketing mix Key concepts - Ethics and Sustainability
Interest rate	3.2 Sources of finance 3.4 Final accounts BMT - STEEPLE analysis Key concept - Change
Landfill site	5.4 Location Key concepts - Sustainability and Ethics
Line manager	2.2 Organizational structure
Music concert	4.5 The seven Ps of the marketing mix Key concepts - Ethics, Change, Sustainability, and Creativity
Music genre	4.2 Marketing planning (segmentation, targeting, and positioning) 4.5 The seven Ps of the marketing mix Key concepts - Creativity, Change, and Sustainability
Music performer	4.2 The importance of having a unique selling point (USP) 4.5 The seven Ps of the marketing mix – People Key concepts - Creativity, Change, and Sustainability
Reservoir	5.4 Location Key concepts - Sustainability and Ethics
Solar power	5.2 Operations methods Key concepts - Change, Ethics, and Sustainability

Key Terms

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Bamboo plates and cutlery

These are eco-friendly dishware, tableware, and utensils made from sustainable bamboo. This reduces the environmental impact of using plates and cutlery at *BON*'s music festivals compared to traditional materials like plastic or other non-biodegradable compounds.

COVID-19 pandemic

The worst global health crisis in living memory caused by the novel coronavirus in late 2019, impacting economies, healthcare systems, and people's daily lives across the world. The pandemic had devastating impacts on the whole music industry, and in particular music concerts and musical festivals, due to lockdown and social distancing measures.

Credit card

This is a card payment system that allows qualifying customers to borrow funds from a financial services provider (such as banks or credit card companies) for making purchases. The credit card users repay the financiers at a later date, often with interest charges if there are late payments. Credit card payment allows attendees at *BON*'s events to pay without using cash.

Freelancer

A freelance is a self-employed individual who provides services to their clients, rather than working for an employer. Freelancers work on specific projects instead of long-term employment commitments. Examples of freelancers in the music festivals industry include music performers, music composers, choreographers, videographers, marketers, and publicists.

Greenwashing

This refers to misleading marketing tactics that falsely portray sustainable practices or describe products to be more environmentally friendly than they actually are. Negative environmental impacts from music festivals are mainly related to transportation, energy usage, littering, and waste.

Interest rate

This refers to the cost of borrowing money or the return on savings, expressed as a percentage figure. The higher the interest rate, the higher the cost of borrowing, including those with credit card debts, and the greater the incentive for saving money.

Key Terms

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Landfill site

A landfill site is a designated area for the disposal of waste materials, which is compacted and buried to order to minimize the environmental impacts of waste and litter.

Line manager

A line manager is the person directly above an employee on the next hierarchical level in an organizational structure. Line managers, as shown in an organizational chart, supervise and manage their subordinates on a day-to-day basis.

Music concert

This is a live music performance event where artists and bands perform for a live audience. Music concerts are typically single events that feature one or a few supporting artists or bands who perform at a single venue.

Music genre

This refers to the distinctive category or style of music, thereby defining its audience and appeal. Music festivals enlist a range of music performers of different music genres, including popular music, folk music, rock and roll, rap, metal, hip hop, rhythm and blues, reggae, and country.

Music festivals

These are large-scale music events featuring multiple musical performances across various music genres, often spanning multiple days (line 12). Typically, music festivals attract diverse crowds of attendees. The main difference between music festivals and music concerts is their scale and duration. Music festivals are typically larger events spanning multiple days with multiple stages featuring a wider variety of artists.

Music performer

A music performer is an individual musician or a band that performs music, in recorded form and/or live performances.

Reservoir

This is a facility for storing large volumes of water, used for different reasons like drinking water, generating hydroelectric power, and irrigation (agricultural purposes). Reservoirs are important infrastructure for waste and water management at music festivals.

Key Terms

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Solar power

This is energy or power generated from sunlight. The purpose or benefit of solar power is the provision of clean and renewable energy, such as the supply of electricity for outdoor music events during the summer months.



This section of the Paper 1 Case Study Pack introduces additional key terms that may link well with the pre-release statement. Definitions are provided along with application to *BON* and/or the music festivals industry. The additional key terms are presented in alphabetical order for ease of access and reference.

Note: Although some of these terms are from the HL only part of the course (such as recruitment), application of any relevant tool, theory, or term from the syllabus will be awarded accordingly in the exams. There is absolutely no requirement for any candidate to use HL tools and theories in the Paper 1 examination.

Above the line (ATL) promotion

Above the line promotion refers to the use of mass media (such as television, magazines, national newspapers, and radio) for advertising of a product or a service. Established over 20 years ago and hosting 5 music festival events annually, *BON* is likely to utilize aspects of ATL promotion.

Advertising

Advertising is the main form of promotion, used to shape and develop brand awareness and foster customer perceptions, knowledge, and attitudes towards a firm's products or services, such as *BON*'s music concerts and music festivals. Advertising communicates marketing messages in a persuasive and/or informative way.

Agents

An agent is an independent person or company appointed and authorized to act on behalf of another person in business and legal dealings. *BON* could work with agents to hire their temporary workers (line 6) and music performers.

Bank loans

A bank loan is a fixed amount of money borrowed from a bank with regular fixed repayments, including interest payments, over a defined period. Bank loans are generally offered by banks against some security or collateral from the borrower. The COVID-19 pandemic is likely to have caused major cash flow issues for *BON*, possibly necessitating external finance such as bank loans.



Below the line (BTL) promotion

Below the line promotion refers to the use of non-mass media promotional activities. Examples of BTL promotion for *BON* include special discounts for large groups attending their concerts and music festivals, social media marketing (SMM), and targeted search engine marketing.

Board of Directors

The Board of Directors (BOD) of a company refers to an elected group of senior executives to represent the interest of shareholders. The BOD acts as the governing body that oversees the operations and strategic direction of the company. The BOD meets at regular intervals (at board meetings) to discuss the make decisions about company policies and practices, such as *BON*'s expansion strategies (line 6).

Brand

This refers to a distinguishing name, symbol, image, or trademark of a product or organization, e.g., the *BON* brand name. As an intangible asset, the brand differentiates the product or organization from competing products and firms in the market.

Brand awareness

This term refers to the extent to which a brand name is recognized or well-known to its potential market audience. Brand leaders will have high brand awareness amongst their existing and potential customers whereas less known brands will have low brand awareness. Given the company was founded in 2001, there will be awareness of the *BON* brand amongst music festival goers.

Brand loyalty

This measures the degree to which customers consistently repurchase the same brand of a product over time rather than buying from rival firms. Strong brand loyalty exists when customers are committed to a certain brand and make repeat purchases time and time again, e.g., the same people return to *BON*'s music concerts and festivals year after year. Marketing strategies designed to cultivate loyal customers can give *BON* a competitive advantage in the industry.



Break-even

Break-even exists when a firm's total sales revenue equals its total costs ($TR = TC$). This means the business does not earn any profit nor does it make a loss. Break-even is a common objective for new businesses, as they can then strive for profits. Rising costs can be a challenge for *BON* as its break-even level of sales will increase.

Business functions

Business functions refer to the various types of work carried out in a business. In larger organizations, people and work are often divided into departments which carry out certain tasks related to that area, e.g., tasks relating to human resource functions, finance, production, administration and so forth. These functions might be carried out most efficiently by organizing a business into these departments (or functional areas).

Business owner

A business owner is the legal proprietor of a business organization. Business owners can be individuals or groups of owners, such as shareholders of *BON*, with legal rights to the assets of the organization, including any profits generated from its operations.

Business plan

A business plan is a written document detailing how an organization sets out to achieve its objectives and the strategies to achieve these goals. It is prepared by the owner(s) and describes the market, sales strategy, operations, financial forecasts, and staffing needs of the business. *BON*'s business plan may include policies and procedures for dealing with its music events, such as human resource needs, marketing strategies, and operations management strategies.

Capital expenditure

Capital expenditure is a use of finance, referring to the spending of a business on acquiring, maintaining, and/or upgrading its non-current assets. Capital expenditure represents a financial investment in the business, e.g., the purchase of capital equipment for *BON*'s head office.

Carbon emissions

This refers to the greenhouse gases emitted to the Earth's atmosphere due to human actions and business operations, such as power to run *BON*'s music festivals. The long-term impacts of this include climate change and global warming.



Carbon footprint

Carbon footprint is a measure of the total greenhouse gas emissions caused by business activity. It can be attributed to an individual, product, organization, or event (such as music festivals). It is measured by the amount of carbon dioxide (CO₂) produced through the burning of fossil fuels.

Career prospects

Also known as **career opportunities**, this refers to the likelihood or probability of a person's future success in a certain job or profession. Such opportunities within the workplace are an important factor in staff recruitment and retention. The seasonal nature of *BON*'s business means that there are few, if any career opportunities for temporary workers (line 6).

Cash flow

This refers to the movement of cash into (mostly from income and capital injections) and out of (mostly purchases and expenses) a business. Effective cash flow management becomes vital for a business such as *BON* that only has cash inflows for 4 months in the year (May to August).

Cash inflow

This refers to the movement of cash into an organization, such as from the sale of goods (such as merchandise, food, and drinks sold at the music concerts and festival) and services (mainly ticket sales). It can also come in the form of bank overdrafts, loans, and crowd-funding income.

Cash outflow

This refers to the movement of cash out of an organization, such as payment of wages (to temporary workers and freelancers) and salaries (for full-time, permanent employees), rental payments to the five farm owners (line 8), and taxes to the government.

Climate change

This refers to an increase in the average temperature of the earth driven by human-induced emissions of greenhouse gases, and the resulting and extensive shifts in weather patterns across the world. It is caused by events such as music festivals which generate huge volumes of waste. Climate change also causes extreme weather conditions so can have major consequences for outdoor events such as music festivals.



Communication

Communication refers to the transfer or exchange of information, ideas, or messages from one party to another. Internal communication takes place with *BON* as an organization, e.g., employees communicating with their line managers. External communication takes place between *BON* and outside individuals and organizations, e.g., farm owners, suppliers, freelancers, and local communities.

Competition

This refers to the rivalry within an industry, such as organiser of large music festivals like Sziget (Hungary), Tomorrowland (Belgium), and Glastonbury (UK). Competitors may offer products of better quality, more competitive prices, and/or have lower costs. *BON* may have little or no control over the activities of its competitors as these are external stakeholders.

Competitive advantage

This refers to any edge (degree of superiority) that a firm has over its rivals, allowing it to generate greater sales and/or profit margins. For example, brand loyalty and superior marketing campaigns can give *BON* a competitive advantage over other organizers of music festivals.

Competitive price (Price competitiveness)

This pricing method entails *BON* setting the price of its tickets at the same or similar level as its main competitors. Typically, this pricing method is used by businesses selling similar products, although the services they provide can differ markedly.

Coordination

Coordination is one of the main functions of management. For *BON*, this refers to the process of overseeing and managing all aspects of its music concerts and festivals. This can include the management of human, capital, and financial resources in order to meet organizational goals. Line managers are responsible for coordinating routine tasks and activities.



Corporate social responsibility (CSR)

CSR consists of responsible business behaviour towards the individuals and societies, e.g., consumers, suppliers, employees, and local communities. It also involves a business being responsible for the natural environment in which it operates. Hence, CSR involves organizations like *BON* monitoring and ensuring their compliance with the ethical standards of society, e.g., noise and pollution levels at its music festivals.

Cost-plus pricing

Cost-plus is a pricing method that adds a mark-up to the cost of production of a product, ensuring the firm earns a profit margin. It is important for *BON* to determine its average cost of production (lines 9 – 10) in order to charge a suitable price (depending on its desired or target profit margin).

Creditors

Creditors are individuals or other businesses to whom money is owed. This is because *BON* may have used trade credit from its suppliers (for credit purchases and outstanding bills) and/or loan capital (such as bank overdrafts or bank loans).

Crowdfunding

This is a way of raising finance by asking a large number of individuals each for a small amount of money to finance a new business or project. This is the opposite of the traditional method of borrowing a large sum of money from a small number of lenders or financiers. Crowdfunding may serve as a viable source of finance for *BON* to support relatively new and lesser-known music performers.

Customer base

This means the total number of individuals who purchase goods and services from a business. The size of the customer base is important because it is the customers who ultimately help the business to earn money, grow, and do thrive. *BON*'s customer base consists of those who attend its music festivals, irrespective of demographics such as age or income level.



Customer loyalty

This measures the degree to which customers consistently repurchase products from the same business. Loyal customers also choose the goods and services of the business over its competitors. Marketing strategies designed to cultivate loyal customers can give organizations a competitive advantage. *BON*'s loyal customers are those who repeatedly attend its music festivals.

Customer satisfaction

Customer satisfaction is a measure of the degree of customer contentment with regards to indicators such as the quality of the firm's products and its services. Data used to measure customer satisfaction includes customer satisfaction surveys and ratings or reviews on social media. Such feedback can help *BON* to determine how best to improve or change its product offerings, including music artists, performers, and bands at its music events. It could also include feedback about the food and beverage offerings at its music festivals.

Economic sustainability

Economic sustainability in the context of the case study refers to the ability of *BON* to generate sufficient revenue and manage costs effectively in the long term, while also contributing positively to the economic well-being of its stakeholders, e.g., *BON*'s shareholders and the local communities in which it operates. It is about effective financial planning and management.

Economies of scale

Economies of scale refers to the cost-saving benefits enjoyed by an organization due to its larger scale of operation. It is shown by a fall in average cost of production following an increase in output. For instance, hosting larger music festivals enables *BON* to spread fixed costs (such as the fee paid to the five farmers) over a larger number of attendees and activities, leading to a decrease in average cost per attendee.

Energy-efficient production methods

This refers to methods of lowering energy consumption by using less energy to achieve the same amount of output. Examples include the use of solar power (line 50) and energy-efficient LED light bulbs for *BON*'s music festivals.



Entrepreneurship

An entrepreneur bears the financial risks of starting and managing a new business or a commercial venture, such as running music festivals in Europe. Entrepreneurs can develop new products or service ideas or find a new way of offering an existing product. S/he organizes factors of production to produce goods and/or services and assumes the risks and rewards of running the business.

Environmental issues

Environmental issues (in a STEEPLE analysis) refer to the ecological aspects of business activity that can have positive as well as negative impacts on organizations. Environmental sustainability is one of the three pillars in Elkington's triple bottom line (along with social and economic sustainability) referring to the ability of *BON* to maintain the use of its renewable and non-renewable resources for future generations.

Ethical objectives

Ethical objectives are the moral principles that guide business decision-making. Ethics are the beliefs of what society considers to be morally right or wrong. These goals can come from internal pressures (such as the desire of management to implement ethical business behaviour, such as labour practices at *BON*) or from external pressures (such as environmental sustainability practices). Ethical objectives are shaped by societal norms and expectations of business practices that are deemed to be fair to society as a whole.

External investors

External investors are stakeholders who provide external sources of finance to an organization. Examples include financial lenders (such as banks) and business angels. External investors of *BON* are interested in the company's financial performance, especially its profitability and level of gearing.

External stakeholders

These are individuals or other organizations that are not part of the business but have a direct interest in its operations. Examples for *BON* include customers (music festival attendees), suppliers (such as the farmers who rent their land to *BON*), freelancers, competitors, financiers, local communities, pressure groups, and the government.



Extrinsic motivation

This category of motivation occurs when people participate in a task or activity because of the tangible benefits and rewards associated with doing so, such as pay, financial benefits, recognition, and praise for music performers at *BON*'s festivals.

Financial performance

This refers to how well a business is performing financially as reflected in its final accounts (balance sheet and profit and loss account). A ratio analysis is often conducted to assess the financial performance of a business.

Financial motivation

This refers to the use of monetary payments to reward and/or motivate people in organizations. Examples for *BON* include salaries and fringe benefits (for permanent employees), wages (for temporary employees), commission (for agents), and possibly bonuses (for freelancers).

Fixed costs

Fixed costs are costs which do not change with the level of output or sales. Examples for *BON* include advertising, insurance, management salaries, loan repayments, and rent (paid to the five farm land owners).

Green credentials

Green credentials refer to the credibility of a business in terms of its ecological sustainability (attempts to protect the planet), which will also have a direct impact on its economic sustainability. For example, a business which actively engages with the three Rs (reduce, reuse, and recycle) is likely to have better green credentials than firms that do not. The three Rs is a simple framework that can be applied across the board to businesses of all sizes in all industries. Consumers and businesses increasingly consider green credentials when deciding who they will do business with. Therefore, it is increasingly challenging for organizations to ignore business ethics, sustainability issues and considering the environmental impacts of their operations. Sustainability is of growing importance to customers and governments around the world.



Health and safety training

This refers to specific training that ensures *BON*'s workers are able to carry out their jobs carefully without risks to their physical wellbeing or harm to others. Managers have a responsibility to make sure the business has a safe and healthy working environment, especially in job roles with high-risk activities such as running outdoor music festivals. It also helps to improve labour productivity as staff know what to do, in a safe and sensible manner. A lack of health and safety training will cost *BON* money due to staff absences (lost productivity, sick pay, and even compensation claims).

Human resource management

HRM is about the development of people and overall workforce planning. It includes the recruitment, selection, dismissal, training, and development of employees. The HR Manager is in charge of developing the skills, experiences, and talents of the workforce. A human resources strategic plan is a long-term plan to ensure that the labour force within the business has the correct skills and expertise to carry out its role within the business so that it achieves the business objectives. This is particularly important given the seasonal nature of *BON* in running its musical festival from May to August (line 12) but also with permanent employees throughout the year (lines 6 – 7).

Informal communication

Informal communication is communication that takes place through social conversations and gossip, rather than through official lines of communication. In the context of *BON*, this could take place between the temporary employees, permanent staff, and freelancers.

Infrastructure

Infrastructure refers to the physical structures and facilities needed for the operations of a business. Examples of infrastructure for *BON* include telecommunications, electricity (power networks), and transportation access to its music festivals.

Internal stakeholders

These are individuals or other organizations that are part of the business, so have a direct interest in its operations and affairs. Examples for *BON* include employees, managers, directors, and shareholders.



Internal sources of finance

This refers to the various methods by which an organization funds its operations without the use of third-party (external) finance. Examples for *BON* could include the sale of tickets for its music festivals, merchandise sales, and retained profits.

Intrinsic motivation

This category of motivation exists when people engage in a task or activity out of their own desire (such as the enjoyment of being a music artist or performer), rather than due to extrinsic reasons (such as pay, financial benefits, and praise).

Job production

Also known as customized production, this production method is used to make unique or one-off products for the specific requirements of customers. Each music festival is an example of job production, with its different set up artists, bands, and performers catering to audiences and fans of different music genres.

Leadership

Leadership is the art of influencing, inspiring, and motivating others to accomplish a common goal. Leadership plays a key role in an organization and involves setting a clear vision and direction for others to follow. It is integral to the success of running music concerts and festivals, given the huge scale of operations, staffing, and attendees at these events.

Liquidity

This refers to the ability of a business to meet its short-term debts and liabilities without causing disruptions or incurring excessive costs. It involves *BON* monitoring the cash flow of the business to ensure it can meet its current obligations, including bills, overdrafts, and other short-term liabilities. Seasonality, in particular, can cause liquidity challenges for *BON*, given the absence of sales revenues between the months of September and April.

Management

Management encompasses several roles which include planning, commanding, controlling, coordinating, and organizing human and capital resources to achieve organizational objectives. Managers at *BON* focus on problem solving and decision-making so that the company's goals can be achieved within a set time frame.



Market development

Market development is the growth strategy in Ansoff's matrix where a business sells its existing products in new markets, i.e., the products are the same, but sold to a new group of customers. For *BON*, this could include expanding its music festivals into new geographic markets or expanding its portfolio of festivals by catering to different music genres or niche audiences.

Market gap (or market opportunity)

A gap in the market refers to a business opportunity whereby something that customers need is identified but it is not currently available. This is likely to be a product that is completely unique or addresses the existing needs of customers in a different market. For example, *BON* could host festivals dedicated to niche music genres such as indie rock, electronic experimental, or folk, as well as targeting festivals specific to families with young children. Identifying and catering for these gaps in the market can lead to higher attendance and engagement at *BON*'s events.

Market growth

This refers to the increase in the size of a market or industry over time. It can be measured in several ways including an increase in sales revenue or the number of customers in a particular market. It is typically associated with an increase in the level of consumer spending in a given market, such as the increase in attendees at music festivals in the post-COVID era.

Market research

Market research is the process of gathering and interpreting information regarding the thinking patterns and buying habits of customers. For example, market research help can *BON* to gain insights into the preferences, tastes, and behaviours of its target audience. By conducting surveys, interviews, and focus groups, *BON* can gather feedback on the types of music, performers, and experiences that attendees desire.

Marketing

Marketing is the management process of identifying, anticipating, and satisfying consumers' requirements in a profitable way. It involves *BON* meeting the needs and desires of its customers by focusing on ensuring that the product (music festivals), price, place (distribution channels), and promotional methods are effective in encouraging sales of tickets to its music events.



Marketing mix

The marketing mix describes the key components of marketing a physical good: product, price, promotion, place, physical evidence, and process. All aspects of the marketing mix apply to *BON* for the successful running of its music festivals.

Marketing strategy

This refers to the management process of formulating a firm's marketing goals and activities to increase sales and to achieve a sustainable competitive advantage. *BON*'s marketing strategy should be drawn from market research and focus on all aspects of the marketing mix in order to achieve its strategic goals.

Mass market

A mass market refers to an unsegmented market for a good or service, i.e., the product is aimed at or appeals to all customers in the market, irrespective of population demographics. *BON* caters to a broad audience of festival goers by organizing music festivals that appeal to a wide range of music enthusiasts. Successful music festivals will attract large numbers of attendees, representing different demographics, interests, and preferences.

Mission statement

This official declaration of a business refers to its overall goal and its purpose. Although *BON*'s mission statement is not provided in the pre-release statement, it forms the foundation for setting the aims and objectives of the business.

Motivation

Motivation is the desire, effort, and willingness to complete a task or to achieve something. It can be extrinsic (such as pay and financial rewards for *BON*'s 60 permanent employees) or intrinsic (such as pride, self-esteem, or altruism - the desire to help others). Many music festivals rely on volunteers, including those with medical training who serve as first responders and coordinate emergency services. These volunteers participate not only to assist others but also to enjoy the atmosphere associated with outdoor music events.



Non-financial motivational methods

Non-financial rewards (intangible rewards) are non-monetary methods used to reward and/or motivate people. Examples of non-financial rewards for *BON* could include job satisfaction, job enlargement, job enrichment, teamworking, and career advancement.

Objectives

Objectives are the short to medium term goals of an organization, such as survival, expansion, revenue maximization, increased profits, and increased market share.

Operational objective (tactical objective)

This is a short-term organizational goal that is in line with the organization's long-term goals. They are specific targets for the day-to-day activities and tasks necessary to execute *BON*'s music festivals efficiently, such as resource utilization. Departments or divisions of an organization tend to set their own tactical objectives.

Operations management

Operations management (or **operations**) is concerned with using an organization's resources (labour, capital, and finance) to provide goods and/or services. This business includes *BON* overseeing the planning, coordination, and execution of various activities and resources necessary to organize and run successful music festivals.

Opportunities

In a SWOT analysis, opportunities refer to changes in the external business environment that create optimistic prospects for a business. Opportunities for *BON* could include market growth in the post-COVID era, adoption of digital technologies, and strategic partnerships (such as collaborating with music artists, influencers, sponsors, local communities, and other key stakeholder groups).

Overheads (expenses)

Overheads are the ongoing expenses of running a business. They are not directly linked to the level of production, or the service being provided, but are still vital to the firm's operations. Examples include the cost of office rents (for *BON*'s headquarters), salaries of administrative staff, office equipment and supplies, legal fees, accounting fees, advertising, and utility bills.



Pressure groups

Pressure groups are external stakeholder groups that exist to influence and persuade organizations and governments to act in socially responsible ways. Such advocacy groups could include those focused on environmental conservation and sustainability by exerting pressure on *BON* to adopt eco-friendly practices and reduce its environmental impact.

Price

Price refers to the value of a good or service that is paid for by the customer. Price will usually cover the costs of production, allowing the business to earn a profit margin. Ticket prices for *BON*'s music festivals are likely to be high due to the peak summer season when demand is high.

Pricing methods

This refers to the pricing strategies that a business uses to sell its goods and/or services. Examples of pricing methods for *BON* could include cost-plus, premium pricing, competitive pricing, and dynamic pricing. *Note: Although the latter two methods are both HL only, application of any relevant tool, theory, or term from the syllabus will be awarded according in the exams.*

Profit

Profit is the financial surplus from sales revenue after all production costs have been deducted. It is a fundamental objective of most private sector organizations. *BON*'s shareholders will expect a return on their investment so the company will need to be profitable. In its most simplistic form, profit is calculated by using the formula: Profit = Sales revenue – Total costs.

Promotion

In the context of marketing, promotion is part of the marketing mix related to the methods of communicating marketing messages to potential and existing customers, usually with the intention of selling a firm's products. Methods of promotion include the use of advertising, branding, sales promotion, and public relations. Promotions and advertising play a crucial role in attracting attendees, enhancing brand visibility, and influencing ticket sales for *BON*'s music festivals.



Qualitative research

Qualitative research involves the collection of primary and/or secondary market research data and information based on attitudes, beliefs, and opinions. It is about finding out what people think and why they think it. Qualitative research may be important for *BON* in understanding the preferences, motivations, and experiences of attendees at its music festivals industry in order to enhance customer engagement in the future. However, the research can be subjective, so is open to a high degree of interpretation.

Recruitment

Recruitment is the process of hiring suitable workers for job roles within an organization. It starts with identifying the need for a new employee, followed by defining the job and the appropriate person for it, attracting a number of suitable candidates, interviewing them, and finally selecting the best person for the job. This applies to both *BON*'s temporary and permanent employees (line 6).

Recycling

Recycling means a physical good sold by a business, such as the bamboo plates and cutlery (line 40) which can be collected, broken down, processed, and reused to make new something new or be used again. It helps to save resources in the long-term and is designed to work well with sustainability, waste management systems, and circular business models.

Renewable energy sources

Renewable energy sources, such as solar power and wind energy, are natural resources that replenish themselves through natural reproduction processes. They replace the resources that have been depleted by usage in production and consumption. Using these resources can help *BON* to improve its green credentials and reduce costs in the long term.

Revenue expenditure

Revenue expenditure refers to the money needed for the day-to-day running of a business, including expenses such as wages, rent, marketing, insurance, and utility bills. Revenue expenditure is a key reason why *BON* needs sufficient sources of finance.



Revenue streams

This refers to the money or income coming into the business from a particular activity over a period of time. Examples for *BON* could include ticket sales, merchandise, sponsorships, and revenues from the sale of food and beverages sold at its music festivals.

Risks

A risk refers to a situation with unknown outcomes which could damage the financial health and viability of a business. Some risks, with a high degree of uncertainty, can cause a financial loss and possibly threaten the survival of an organization. Risks for *BON* included the COVID-19 pandemic which caused liquidity problems for the company. Competition in the industry, green credentials, and evolving societal expectations about sustainability are existing risks or challenges for *BON*.

Salaries

A salary is a fixed amount of money paid on a periodic basis, usually per month, to full-time or permanent staff. Hence, salaries represent a fixed cost to an organization. Salaries create a sense of security as employees know how much they will be paid each month (unlike wages or commission), although do not necessarily create any incentive to work harder.

Sales

Sales (or **sales revenue**) refers to the income of a business received from customer purchases of its goods and/or services. It is calculated by multiplying the selling price of the product by the quantity sold. *BON*'s sales mainly come from selling tickets to its music festivals. Additional sources come from the sale of merchandise.

Secondary market research

Also known as **desk research**, this refers to information collected from second-hand sources (which already exist), e.g., government statistics, the news media, and independent market research reports, all of which are easily accessible to the public. Secondary market research can offer insights into consumer preferences and demographics related to music festivals. This information can help *BON* to tailor its music festival offerings to enhance attendee satisfaction and build customer loyalty.



Set-up-costs

These are the initial investment costs incurred by a business when establishing a new operation or when launching a new product or service, such as a specific music concert or festival. Examples for *BON* include costs associated with acquiring or leasing physical farm land (to host the music events) and purchasing machinery, equipment, and other tangible assets needed for the music festivals.

Services

Services are intangible (non-tangible) products provided by organizations, such as *BON*'s music concerts and festivals. Freelancers (like music performers, music composers, choreographers, videographers, marketers, and publicists) and suppliers also provide their services to *BON*.

Share capital

Share capital is a source of finance, raised by selling shares in a company to shareholders (who become part-owners of the company). Share capital is the most important source of finance for public limited companies like *BON*.

Social media

Social media refers to any form of online platform (such as websites and applications) that enable users to create and share interactive content or to participate in online social networking. Social media platforms *provide* *BON* with direct channels to engage with its target audience, including festival goers, music fans, and potential attendees, as well as possible sponsors and vendors.

Sources of finance

Sources of finance refers to the various methods by which an organization obtains its money. These sources can be split into internal sources (such as retained profit) and external sources (such as bank loans, leasing, and share capital raised on the stock exchange from the general public).

Sponsors

A sponsor is a person or organization that pays for or contributes to the costs of an event in return for exclusive advertising exposure at events such as *BON*'s music festivals.



Staff retention rate

The staff retention rate is the percentage of staff who remain employed by a business over a given time period, usually one year. It is calculated by deducting the number of leavers from the total number of employees in a year, expressed as a percentage of the workforce that has remained within the business. A low retention rate implies low employee motivation and a lack of staff loyalty. *BON* is likely to have a relatively high turnover rate (i.e., a low staff retention rate) due to the seasonal nature of the business and the number of temporary employees hired its music festivals.

Stakeholders

Stakeholders are the individuals and/or other organizations that have a direct interest in the operations and activities of the business in question. They include internal stakeholders (such as employees, managers, directors, and shareholders) and external stakeholders (such as customers or festival goers, suppliers, the local community, pressure groups, and the government).

Strategic objective

Strategic objectives are the long-term goals that guide the overall direction and growth of *BON* in the music festivals industry. They involve broader decisions and initiatives made by the directors and are aimed at positioning the organization for future success. *BON*'s strategic objectives could include growth (expansion), market leadership, sustainability objectives, profit maximization, and improving the corporate image of the organization.

Strategic plan

This is an organization's proposal of its business strategy, outlining its strategic direction and including the necessary resources to pursue the strategy. As a management tool, strategic planning starts with strategic analysis (an examination of its current position in the market), followed by strategic choice (the possible options through which the firm can pursue its strategy) and ending in strategic implementation (deciding how to get to where the firm wants to be).

Strategic priority

Strategic priority refers to the ranking of strategic objectives by their level of importance to the organization at any given time. Subsequently, operational (or tactical) planning and resource allocation (including budgets) are based on a firm's strategic priorities. A strategic priority for *BON* could be expansion (line 6) in the European music festivals industry.



Subcontractors

A subcontractor is a third-party individual or firm hired by the main contractor of a project to help complete a project. The subcontractor specializes in performing and completing part of (or in some cases all of) the responsibilities assigned to them, in a timely and cost-effective way. Subcontractors can be hired by *BON* to handle various aspects of event logistics and setup of the 60 stages (line 15) at its music festivals.

Survival

Survival is a business objective for many organizations, especially during turbulent times, such as the COVID-19 pandemic. It refers to the continuity of a business and its operations. Common methods to survive include cost cutting (such as staff redundancies) and reducing prices to increase sales revenue.

Sustainability

Sustainability is about using the planet's resources in such a way that future generations are not deprived of access to what the current and previous generations have enjoyed. In Elkington's triple bottom line model, sustainability is comprised of three pillars: economic, environmental (ecological) and social sustainability, i.e., profits, planet, and people. Sustainability initiatives and practices are a top strategic priority for *BON*.

Tertiary sector

The tertiary sector refers to business organizations that operate in industries involved in the provision of services (intangible products). *BON* operates in the tertiary sector by providing services such as music concerts and festivals to its target audience.

Threats

A threat refers to any external factor that hinders or risks the operations and profitability of an organization. Examples include the challenges of competition in the music festivals industry, technological breakdowns during *BON*'s music festivals, changes in government regulations, adverse weather conditions, and the outbreak of infectious diseases such as the COVID-19 pandemic.



Tourism

Tourism refers to people travelling to places outside of their normal environment for the purpose of leisure and pleasure. It is a dynamic and competitive industry that caters for the changing needs and desires of customers, with a specific focus on customer satisfaction, safety, and enjoyment. Tourism in Europe will have a direct impact on *BON*'s financial success as this influences the number of attendees at its music festivals.

Training

Training is the process of developing the knowledge and skills of workers in order to enhance their confidence and competence in the workplace. The main forms of training are *induction* (for new staff to acquaint themselves with the policies, processes and physical environment of the organization), *on-the-job* (training in the normal workplace) and *off-the-job* (training that takes place away from the normal place of work, such as at a training college).

Uncertainties

In business management, uncertainties refer to any situation with a lack of certainty or confidence because the business cannot control or accurately predict the outcome of its actions. A high degree of uncertainty can create many problems for *BON* as it is more difficult to make well-informed decisions. For example, there are uncertainties about the direction of interest rates in Europe as well as government regulations for sustainable initiatives at music festivals.

Unique selling point (USP)

Unique selling point (USP), also known as a **unique selling proposition**, refers to any aspect of a product or organization that makes it stand out positively from others on the market. *BON*'s USP is not clear but could revolve around offering a distinctive festival experience that sets it apart from other music festivals in Europe. This could include unique themes based on different music genres, creative stage designs with a unique appeal, interactive activities for overnight campers (line 15), and immersive performances that create memorable moments for attendees.

Variable costs

Variable costs are costs which change with the level of output or sales. Examples of variable costs include wages paid to the temporary employees, electricity, and other utility bills.



Wages

Wages are a time-based payment system used to pay workers a fixed amount per time period. Workers are typically compensated on an hourly, daily, or weekly basis. Workers receive this payment for the work or services provided. For *BON*, wages are likely to be used to pay its temporary workers during peak seasons.

Weakness

In a SWOT analysis, a weakness refers to any internal factor that negatively impacts the market position of an organization. For *BON*, this could include its reliance on seasonal demand for its music festivals (thereby causing potential liquidity issues during the rest of the year) as well as the environmental issues and sustainability concerns associated with running its music festivals. Having 25,000 waste bins (lines 15 – 16) also suggests there are huge challenges for *BON* in terms clean-up costs at an average cost of \$250,000 per festival (lines 9 – 10).

Word of mouth

Word of mouth (WOM) is a form of unpaid promotion in which customers tell others about a business or its products and services. WOM is increasingly important for all businesses, as happy and satisfied customers can influence many others, especially in the age of social media and social networking. WOM is a crucial aspect of the marketing for *BON*, playing a significant role in shaping its reputation, attracting attendees, and fostering customer loyalty.

Workforce planning

Workforce planning is the continual process of assessing the current and future needs and priorities of an organization's personnel requirements. It involves recruitment, training, and appraisals. Workforce planning is particularly important for seasonal businesses like *BON* in order to deliver successful outdoor music events.

Working capital

Also referred to as **net current assets**, this represents the amount of finance available to a business for its day-to-day operations. It is calculated using the formula: Working capital = Current assets – Current liabilities. Not having enough working capital indicates strained liquidity while too much would indicate wasted investment opportunities. The seasonal nature of *BON*'s business can create working capital concerns, especially during September to April.



Working conditions

This refers to the physical and non-physical environments in the workplace. It includes working time (hours of work, rest breaks, and work schedules), pay and rewards, and the physical conditions in the workplace (such as lighting, air conditioning, and rest areas for employees and music performers). Working conditions have a direct impact on the productivity and wellbeing of employees.

Working relationships

This refers to the degree of affiliation and connections with other people in the workplace. Having a good working relationship with others means the ability to get along with (or work with) other people in the organization. Strong, professional, and meaningful working relationships are more likely to improve labour productivity, motivation, and success for individuals and the organization. This is more likely to apply to the 60 permanent employees but more challenge to foster for the temporary workers and freelancers (lines 6 – 7).

IB Business Management – Paper 1 Case Study Pack
Case Study: Before One PLC (BON)
SL and HL Mock Exam Paper TZ1



For May 2024 examinations

1 hour 30 minutes

INSTRUCTIONS

- Do not open this examination paper until you have been instructed to do so.
 - Read the case study carefully.
 - Section A: answer **all** questions.
 - Section B: answer **one** question from a choice of two.
 - You are permitted to use a calculator for this examination paper.
 - The maximum marks available for this paper are **30 marks**.
-
- The data and information included in this mock exam are provided for illustrative purposes only, in order to provide students with practise for the final examinations in May 2024.

Before One PLC (BON)

Music festivals are growing in number globally. Festivals vary in location, size, and music genre. They include commercial multiple-day events on farmland and community-led events in public-owned parks.

Before One PLC (BON), a European company, has organized music festivals since 2001.

- 5 In 2016, *BON* converted from a private limited company to a public limited company to raise finance for expansion. *BON* has 60 permanent employees but also relies on temporary workers and freelancers.

- 10 *BON* organizes five music festivals each year and has contracts with five farmers to use their farmland for an average fee of \$100 000. *BON* must clean up after a festival at an average cost of \$250 000 per festival. *BON*'s directors regard environmental sustainability as a significant challenge.

BON's festival season runs from May to August. Each music festival runs from Friday to Sunday. Each festival site:

- 15
- takes two weeks to set up and one week to dismantle.
 - requires security fencing, 60 stages, enough space for camping, 3000 toilets, and 25 000 waste bins.

Prior to the COVID-19 pandemic, *BON* was highly profitable and had established itself as a renowned organizer of music festivals across Europe by demonstrating commitment to creativity, collaborations, and audience engagement.

- 20 However, the pandemic brought unprecedented disruptions to the music festivals industry, with many European countries implementing travel limitations and national lockdowns. Subsequently, *BON* faced liquidity and profitability problems.

- 25 Although music festival goers have started to return in their numbers, implementing stringent post-COVID health and safety protocols have become paramount, with measures such as temperature checks and enhanced sanitation procedures are now standard practice at *BON*'s music events.

- 30 The COVID-19 pandemic also prompted *BON* to seize the opportunity to embrace digital technologies such as virtual music concerts and live streaming platforms, allowing music fans to see their favourite music performers from the comfort of their own homes. These digital initiatives not only provided additional revenue streams for *BON*, but also expanded its reach to a global audience, regardless of geographical barriers and time zone differences.

- 35 Despite the directors agreeing that *BON*'s commitment to environmental sustainability is important, the relatively high implementation costs could jeopardize shareholder value. Nevertheless, the potential for pressure groups to scrutinize and publicize the impact of *BON*'s operations, especially as people increasingly value environmentally responsible businesses, has pushed the company to take proactive steps to minimize its carbon footprint and waste generation.

- 3 -

One such initiative involved the adoption of bamboo plates and cutlery at its music festivals. *BON* has replaced disposable plastic utensils with eco-friendly and biodegradable ones.
 40 Festival goers are also encouraged to separate waste into green (recyclables), brown (compostable), and black (general) waste bins.

BON's director of operations management has also suggested several initiatives to reuse post-festival waste, such as turning scrapped tents into ponchos and transforming discarded property clothing items into wallets, grocery bags, and phone covers. However, these efforts
 45 can only address a small proportion of the waste generated.

Understanding the importance of water conservation, *BON* has sought partnerships with local authorities to access reservoirs as alternative water sources, to reduce the pressure on natural water sources and to minimize the environmental impacts of its music festivals. However, not all of the farmers that *BON* has contracts with are located near a reservoir.

50 In addition, *BON* has explored innovative solutions to power its music festival sites in sustainable ways, such as considering the use of solar power as a renewable energy source. By installing solar panels and making the most of the summer months when its music festivals are held, *BON* aims to reduce its reliance on fossil fuels and mitigate its contribution to climate change. However, the set-up costs are extremely high, and the weather is
 55 unpredictable, even during the festival season.

Despite *BON*'s attempts to strengthen its sustainability efforts, the company has faced criticism and accusations of greenwashing due to the enormous volume of waste generated. *BON* uses a subcontractor to send festival waste to landfill sites after each event.

60 The shareholders of *BON* are keen for the company to reduce costs and return to profitability. *BON* has optimized its payment processing systems, offering attendees the convenience of cashless transactions, through credit card payments. However, interest rates and inflation in Europe have remained high in the past few years, which has had a negative impact on attendance numbers at music festivals as many people struggle to manage their debt obligations effectively.

65 Amidst the complexities of managing its operations, *BON* faces challenges in coordinating its workforce, particularly its temporary workers and freelancers. *BON*'s Human Resources Department works closely with line managers to recruit and train temporary staff, many of who are hired from local communities, and to provide induction training to freelancers, including music composers, videographers, and publicists.

70 *BON*'s directors are keen to strike a balance between social, environmental, and economic sustainability. To this effect, they are considering numerous options to cut costs and raise revenues, while meeting their sustainability obligations. These options include:

- Optimizing social media platforms and digital technologies.
- Implementing green technologies.
- 75 • Seeking alternative sources of finance, especially as interest rates are yet to fall.

Despite the challenges and uncertainties ahead, *BON* remains committed to its mission of delivering unforgettable experiences for music enthusiasts.

Companies, products, or individuals named in this case study are fictitious and any similarities with actual entities are purely coincidental.

- 4 -

SECTION A

Answer **all** questions from this section.

1. Define the term *environmental sustainability* (line 10). [2 marks]
2. Define the term *revenue streams* (line 30). [2 marks]
3. Explain the significance for *BON* of implementing eco-friendly alternatives such as bamboo plates and cutlery at its music festivals (line 38). [4 marks]
4. Explain **one** advantage and **one** disadvantage for *BON* operating a business that is seasonal in nature (line 12). [4 marks]
5. Calculate the total annual value of *BON*'s direct costs the five music festivals held each year (lines 8 – 10). [2 marks]
6. With reference to the external environment, explain **two** challenges for *BON*. [6 marks]

SECTION B

Answer **one** question from this section.

7. Discuss the importance of corporate social responsibility (CSR) for *BON*. [10 marks]
8. Recommend an appropriate strategy for *BON* to improve its financial stability in the dynamic business environment of the music festivals industry. [10 marks]

IB Business Management – Paper 1 Case Study Pack
Case Study: Before One PLC
SL and HL Mock Exam TZ1 – Mark Scheme



For May 2024 examinations

TEACHERS' NOTES

- These are suggested answers only for
- Teachers should use their professional judgement in awarding answers that may not be included in this mark scheme.
- The data and information included are provided for illustrative purposes only to give students practise for the final examination in May 2024.
- While there is no need to include any HL content, students should be awarded accordingly if the inclusion of such content directly addresses the demands of the question.

SECTION A

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

Ecological sustainability refers to the ability of an economy or society to maintain the use of its renewable and non-renewable resources without jeopardising opportunities for future generations. Depletion of the earth's scarce resources is not ecologically sustainable as they cannot be continued or used indefinitely.

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

Award [2 marks] for a clear and accurate definition of environmental sustainability, similar to the example above.

Application and examples are not required.

2. Define the term *revenue streams* (line 30). **[2 marks]**

Revenue streams are the different sources of money or income coming into the business from various activities, such as revenue from the sale of goods or services, licensing fees, subscription fees, advertising revenue, and merchandise.

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

Award [2 marks] for a clear and accurate definition of revenue streams, similar to the example above.

Application and examples are not required.

3. Explain the significance for *BON* of implementing eco-friendly alternatives such as bamboo plates and cutlery at its music festivals (line 38). **[4 marks]**

Being eco-friendly means *BON* acts to conserve and preserve the earth's scarce resources. Using alternatives such as plates and cutlery made from sustainable bamboo helps to reduce the environmental impact of using traditional materials like plastic or other non-biodegradable compounds. This is because bamboo plates and cutlery are biodegradable and renewable resources, so have a lower environmental footprint compared to disposable plastic substitutes.

Implementing eco-friendly alternatives at music festivals demonstrate *BON*'s commitment to ecological sustainability, which can help to enhance its brand image and corporate reputation. People increasingly value environmentally responsible businesses (lines 35 – 36) so adopting eco-friendly practices, such as mitigating or minimizing plastic waste, can help to attract environmentally conscious music concert and festival goers. Furthermore, such practices can ensure regulatory compliance as environmental guidelines become more stringent.

Award [1 – 2 marks] for an answer that shows limited understanding of the demands of the question and/or an answer that has minimal, if any, reference to the stimulus material.

Award [3 – 4 marks] for an answer that shows good understanding of the demands of the question, with a clear explanation of the significance for BON of implementing eco-friendly alternatives, such as bamboo plates and cutlery, at its music festivals. There is clear and effective use of the stimulus material. There is appropriate use of business management terminology throughout the response.

4. Explain one advantage and one disadvantage for BON operating a business that is seasonal in nature (line 12). [4 marks]

Advantages could include an explanation of any **one** of the following points:

- High revenue during peak seasons – BON has the potential to earn very high sales revenue during peak season (the summer months) for music festivals (line 12). Music festivals often attract large crowds, resulting in increased ticket sales, merchandise purchases, and sponsorships. BON can capitalize on this peak demand, when customers are less sensitive to prices, in order to generate substantial sales revenue within a relatively short period.
- Flexibility in resource allocation – Operating as a seasonal business allows BON to allocate its capital, financial, and human resources more flexibly. During off-peak seasons, BON can reduce staffing levels (mainly temporary staff and freelancers) and scale back its operations so as to control running costs and expenses. This flexibility enables BON to adapt to fluctuating demand and optimize resource utilization according to seasonal trends.
- Opportunity for innovation and events planning – Seasonal downtime during the months of September to April provides BON with opportunities for creative and innovative strategic development and events planning. During off-peak periods, BON can focus on refining events management, booking music performers, negotiating contracts with freelancers and temporary workers, and exploring new revenue streams. Such opportunities help BON to remain competitive and well-prepared for upcoming festivals.
- *Accept any other advantage that is appropriately explained in the context of the case study.*

Disadvantages could include an explanation of any **one** of the following points:

- Sales and cash flow volatility – Operating seasonally means BON will face large fluctuations in its sales revenues and cash flow during different times of the year. In particular, BON has limited income during off-peak periods. This irregular sales and cash flow can pose challenges for BON's budgeting, financing, and meeting financial obligations for eight of the 12 months each year.
- Dependence on seasonal demand – BON's business is heavily dependent on seasonal demand and the associated weather conditions. Unpredictable weather patterns due to climate change (line 54), even during the summer months in Europe, such as heavy rain or extreme temperatures, can impact attendance and revenues at music festivals.

- Vulnerability to the external environment – A seasonal business is more exposed to changes in consumer preferences or the external environment, such as the COVID-19 pandemic (lines 20 – 22). Adverse changes, such as an economic downturn, higher interest rates, or higher inflation, can reduce the demand for music festival tickets and related services, thereby posing risks to *BON*'s liquidity and profitability (line 22).
- *Accept any other disadvantage that is appropriately explained in the context of the case study.*

Mark as a 2 + 2

Award **[1 mark]** for a relevant advantage (or disadvantage). Award a further **[1 mark]** for each explanation, written in the context of case study, up to the maximum of **[4 marks]**.

5. Calculate the total annual value of *BON*'s direct costs the five music festivals held each year (lines 8 – 10). [2 marks]

- *BON* organizes five music festivals each year (line 8).
- The direct costs per festival include the fees for using farmland (\$100,000) and the cleanup cost per festival (\$250,000).
- Total annual direct costs for *BON* = (Fee for using farmland + Cleanup cost) × Number of festivals per year
- Total annual value of direct costs = (\$100,000 + \$250,000) × 5 = \$1,750,000
- Accept answers that show \$1.75 million.

Award **[1 mark]** for appropriate working and **[1 mark]** for the correct answer.

6. With reference to the external environment, explain two challenges for *BON*. [6 marks]

In analyzing the external environment, a STEEPLE analysis can be used to explain the challenges facing *BON*. The examples below are for illustrative purposes only rather than as a prescriptive or definitive list:

Social challenges

- Changing consumer preferences – Shifts in consumer preferences towards more sustainable and environmentally friendly options (lines 35 – 36) may put pressure on *BON* to adopt eco-friendly practices and reduce the environmental impacts from its music festivals. For example, there have been “accusations of greenwashing due to the enormous volume of waste generated” from *BON*'s events (line 57).
- Demographic and cultural diversity – Socio-demographic differences among attendees may require *BON* to tailor its music concerts and festival experiences to accommodate diverse tastes, preferences, and expectations, thereby posing logistical and financial challenges for the business.

Technological challenges

- Digital disruption – Rapid advancements in digital technologies (lines 27 – 28) may disrupt traditional business models, with virtual and augmented reality experiences for music festival fans, potentially competing with *BON*'s own live events. *BON* must adapt by integrating such digital technologies to enhance attendee engagement and reach broader audiences. However, there are significant costs included in developing, running, and managing virtual music concerts and live streaming events.
- Online security risks – Reliance on digital technologies for ticketing, payments, and communications can expose *BON* to online threats such as data breaches and ransomware attacks. This challenge requires *BON* to implement robust cybersecurity measures is therefore essential to safeguarding attendee information and maintaining trust from stakeholders, despite the financial hurdles this could entail.

Economic challenges

- Economic uncertainty – The persistent high interest rates in Europe (lines 61 – 62) can negatively impact consumer spending, affecting ticket sales for *BON*'s music concerts and festivals. At the same time, the higher cost of borrowing also means higher costs for businesses with existing loans. This can harm *BON*'s liquidity position. It can also mean lower sponsorship revenues for corporate partners of *BON*'s festivals.
- Cost pressures – High rates of inflation in recent years (line 62) results in higher operational costs for *BON*, including venue rentals, fees for music performers and freelancers, as well as compliance with regulatory requirements (such as licensing fees). This is a major challenge as it reduces *BON*'s profit margins at a time when customers are more sensitive to price increases due to higher interest rates and inflation.

Environmental challenges

- Climate change – The increasing frequency and severity of extreme weather conditions throughout the world due to global warming and climate change pose significant risks to outdoor music festivals, potentially disrupting schedules, damaging infrastructure, and even endangering the safety of festival goers. Therefore, *BON* is likely to face challenges in developing measures to minimize risks and adapt their operations to changing environmental conditions.
- Waste management – Society's heightened awareness of environmental issues places added challenges and pressures on *BON* to address waste management associated with its music festivals, such as plastic pollution, littering, and general resource consumption including wastewater. Implementing sustainable practices such as waste reduction, recycling, and composting (lines 40 – 41) is essential to mitigate these environmental impacts and challenges.
- *Accept any other relevant response using a STEEPLE analysis framework and explained in the context of the case study.*

Mark as 3 + 3

For each point, award [1 mark] for stating a potential external challenge and, depending on the depth and clarity of the explanation, an additional [2 – 3 marks], up to the maximum of [6 marks].

SECTION B

7. Discuss the importance of corporate social responsibility (CSR) for *BON*. [10 marks]

Corporate social responsibility (CSR) is the conscience of a business with consideration of the organization's actions on its various stakeholder groups (consumers, suppliers, employees, and local communities) and the natural environment. It involves *BON* monitoring and ensuring its compliance with the ethical standards in Europe.

For *BON*, implementing socially responsible practices can be of utmost importance due to the potential benefits of CSR. These include but are not limited to:

- Enhanced corporate reputation and improved brand image – By engaging in CSR practices such as promoting environmental sustainability (lines 10 and 32) and supporting local communities (line 67), *BON* can enhance its reputation and brand image. Although this may take some time to develop, it can lead to increased customer loyalty, positive word-of-mouth, and a stronger competitive advantage for *BON* in the music festivals industry.
- Risk mitigation – Embracing CSR practices can be important for *BON* as it helps to mitigate a variety of risks, such as negative publicity, regulatory compliance issues, and potential boycotts or protests from environmental advocacy groups (lines 34 – 37). By proactively addressing these concerns through authentic CSR practices, *BON* can reduce any potential damage to its corporate reputation or legal repercussions.
- Improved stakeholder relations – Implementing authentic CSR initiatives demonstrate *BON*'s commitment to stakeholders beyond just maximizing shareholder value by increasing profits. By addressing social and environmental concerns (lines 32 and 48), *BON* can build stronger relationships with customers (festival goers), temporary and permanent employees (by ensuring ethical labour practices and attracting top talent), investors, sponsors, suppliers, local communities, and governments – especially the stakeholders who hold the same values.
- Long-term competitiveness and sustainability – Incorporating CSR practices into its business strategy can help *BON* to enhance its competitiveness and long-term sustainability and resilience in a rapidly changing industry. By considering the social and environmental impacts of its operations, such as implementing green technologies (line 73), *BON* can identify opportunities for efficiency gains and cost savings while also contributing to the well-being of communities and the planet. This can lead to increased trust and support from all stakeholder groups, which is crucial for *BON*'s long-term competitiveness and sustainability.
- *Accept any other relevant advantage or reason, discussed in the context of the case study.*

However, drawbacks or limitations of implementing CSR practices for *BON* could include:

- **Greenwashing** – There are some concerns that *BON*'s CSR initiatives are perceived as merely greenwashing, i.e., the practice of exaggerating or misleading the general public about its environmental initiatives and actions (lines 56 – 57). Critics may question the sincerity of *BON*'s motives and accuse the company of making only a symbolic effort, especially as the company directors see environmental sustainability as a significant challenge (lines 9 – 10) and the enormous volume of waste generated at *BON*'s music festivals (line 57). Hence, *BON*'s CSR initiatives may fail to build trust and credibility.
- **Compliance costs** – The high costs associated with implementing CSR initiatives, such as investing in green technologies (line 74) and renewable energy sources like solar power (line 51), may pose enormous financial challenges for *BON*, particularly if the returns on investment are uncertain or take time to materialize.
- **Trade-offs with profitability** – The directors and shareholders of *BON* may be concerned that prioritizing CSR initiatives could divert human and financial resources and efforts away from its core business activities, i.e., planning and running music festivals. Hence, giving CSR greater importance can potentially weaken the profitability and competitiveness of *BON* in the music festival industry. *BON* may face pressure to prioritize short-term financial goals over long-term sustainability objectives, particularly if shareholders prioritize immediate returns on investment given the losses in recent years due to the COVID-19 pandemic (line 17). Hence, *BON* needs to balance its CSR goals with its financial targets and shareholder expectations so as to avoid conflicts of interest.
- **Limited impact or scope** – Despite *BON*'s own efforts to implement CSR practices, the impact or scope of these initiatives may be limited due to external factors that are dynamic in nature and beyond the company's control. For example, competitors may opt for cheaper but less eco-friendly options, consumers may not engage with separating their waste into different coloured bins (lines 40 – 41), or global economic conditions (lines 61 – 62) that mean customers prioritise lower prices over greener technologies. Therefore, *BON* may struggle to demonstrate tangible results or outcomes from its CSR activities, leading to scepticism among stakeholders about their intent and effectiveness.

Overall, corporate social responsibility encompasses various actions and initiatives taken by businesses like *BON* to contribute positively to society and the environment beyond their core business activities. The case for implementing CSR practices at *BON* is multifaceted. While there are clear benefits for being socially responsible, such as enhancing *BON*'s brand reputation, engaging stakeholders, mitigating risks, and gaining a competitive edge, there are also challenges and potential drawbacks, including scepticism, financial constraints, and issues related to resource allocation.

In conclusion, given the growing importance of sustainability and ethical considerations in the music festivals industry, embracing CSR is not only a moral imperative for *BON* but also a strategic necessity for the company to maintain its appeal and trust with festival goers and its long-term viability in a rapidly evolving industry.

Award [1 – 2 marks] 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.

Award [3 – 4 marks] 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.

Award [5 – 6 marks] 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.

Award [7 – 8 marks] 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.

Award [9 – 10 marks] 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.

8. Recommend an appropriate strategy for *BON* to improve its financial stability in the dynamic business environment of the music festivals industry. [10 marks]

To improve its financial stability in the dynamic business environment of the music festivals industry, *BON* can adopt a combination of any of the following strategies, integrating its marketing, operations management, and human resource plans.

- Diversify revenue streams – *BON* could explore additional revenue sources beyond ticket sales, such as merchandise sales, sponsorship deals, VIP experiences (such as stage access at *BON*'s music concerts and festivals), and digital content monetization. *BON* could also try to negotiate favourable terms vendors (such as providers of food and beverages at the music events) to raise their revenues.
- Cost optimization – *BON* could investigate cost-cutting measures across its various operations, including negotiating fees with booking agencies and farmers for site hire (line 9), equipment hire, insurance, staffing, and marketing costs.
- Enhance marketing strategies – To improve the financial stability of *BON*, the company can revamp its marketing campaigns to attract a wider audience and increase ticket sales. For example, it could leverage social media platforms (line 72) and influencer partnerships to boost brand visibility and user engagement. *BON* could also leverage market research to identify emerging trends and consumer preferences.
- Focus on sustainability, such as implement Implementing green technologies (line 73) and other sustainable practices, such as reducing single-use plastics (line 38), utilizing solar power as a renewable energy source (line 50), and promoting other eco-friendly initiatives (lines 39 – 40). *BON* could then incorporate sustainability into its branding and marketing efforts so as to appeal to environmentally conscious festival goers.
- Improve operational efficiency – *BON* can work to streamline festival logistics and production processes to minimize inefficiencies and optimize resource use. For example, it could invest in digital technology solutions (line 72) for ticketing, events management, and customer relationship management thereby enhancing its operational efficiency. This strategy would also help to cut operational costs, thereby improving *BON*'s financial performance and stability.
- Financial analysis and planning – *BON* should conduct a thorough financial analysis given that interest rates are still high (line 74). It should also develop plans to mitigate financial risks should interest rates remain high and seek alternative sources of finance. For example, *BON* may be eligible for government grants or subsidies aimed at promoting cultural events and sustainable initiatives. Crowdfunding may be available to support and promote small, unknown music performers. These funds can provide valuable financial support for specific projects or initiatives undertaken by *BON*.

Limitations of the strategy should also be considered. These might include:

- Financial constraints – Implementing certain strategies, such as investing in environmentally sustainable initiatives or diversifying revenue streams, may require significant upfront investments. This is likely to strain *BON*'s financial resources and impact its short-term profitability. However, the case study does not provide any financial data to confirm the scale of this potential issue.
- Competition – The music festivals industry is highly competitive, despite there being no mention of this in the case study. Any strategy may be limited in its effectiveness due to the actions and responses of competitors that also offer music concerts and festivals in Europe during the summer months.

- Market uncertainties – The music festivals industry is subject to external factors such as climate change (with its direct impact on outdoor events), changing consumer preferences, economic conditions, and regulatory standards (such as sustainable practices). *BON*'s ability to execute its strategic plan effectively, to improve its financial stability, may be influenced by unpredictable market dynamics and external influences beyond its control.
- Trade-offs due to operational challenges – Whilst *BON*'s priority might be financial stability, there could be conflicts with its core business, i.e., the operations management dimension of planning and running music concerts and festivals. Planning and coordinating these outdoor events, managing diverse workforce dynamics on a seasonal basis, and ensuring compliance with regulatory requirements all pose operational challenges that could hinder the successful implementation of any strategic plan.

In conclusion, by implementing a comprehensive strategic plan that encompasses enhanced marketing, operations management, human resource management, and sustainability initiatives can all help *BON* to improve its financial stability. *BON* can enhance its financial performance and competitiveness in the dynamic music festivals industry by using a combination of appropriate strategies to raise revenues and optimize costs. However, it is important to acknowledge the potential limitations and trade-offs in order to address these proactively to maximize the strategic plan's effectiveness and long-term success.

Award [1 – 2 marks] 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.

Award [3 – 4 marks] 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.

Award [5 – 6 marks] 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.

Award [7 – 8 marks] 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.

Award [9 – 10 marks] 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.

IB Business Management – Paper 1 Case Study Pack
Case Study: Before One PLC (BON)
SL and HL Mock Exam Paper TZ2



For May 2024 examinations

1 hour 30 minutes

INSTRUCTIONS

- do not open this examination paper until you have been instructed to do so.
- Read the case study carefully.
- Section A: answer **all** questions.
- Section B: answer **one** question from a choice of two.
- You are permitted to use a calculator for this examination paper.
- The maximum marks available for this paper are **30 marks**.

- The information included in this mock exam has been provided for illustrative purposes only, in order to provide students with practice for the final examinations in May 2024.

- 2 -

Before One PLC (BON)

Music festivals are growing in number globally. Festivals vary in location, size, and music genre. They include commercial multiple-day events on farmland and community-led events in public-owned parks.

5 *Before One PLC (BON)*, a European company, has organized music festivals since 2001. In 2016, *BON* converted from a private limited company to a public limited company to raise finance for expansion. *BON* has 60 permanent employees but also relies on temporary workers and freelancers.

10 *BON* organizes five music festivals each year and has contracts with five farmers to use their farmland for an average fee of \$100 000. *BON* must clean up after a festival at an average cost of \$250 000 per festival. *BON*'s directors regard environmental sustainability as a significant challenge.

BON's festival season runs from May to August. Each music festival runs from Friday to Sunday. Each festival site:

- 15
- takes two weeks to set up and one week to dismantle.
 - requires security fencing, 60 stages, enough space for camping, 3000 toilets, and 25 000 waste bins.
 - 100 spaces of entertainment.
 - nearly 1000 places to eat.

20 As the music festivals industry continued to expand globally, *BON* found itself facing both opportunities and challenges. The company, known for its successful music festivals across Europe, had to adapt to changing external factors, most notably the COVID-19 pandemic that brought unprecedented disruptions to the industry, forcing many events to be cancelled or postponed.

25 *BON*, like many other companies in the entertainment sector, had to navigate through these uncertain times while complying with regulations to ensure the safety of its attendees, music performers, and employees. During the height of the pandemic, *BON* implemented various measures to mitigate the risks associated with hosting music festivals. These measures included enhanced sanitation protocols, social distancing measures, and the adoption of digital ticketing systems to minimize physical contact.

30 Additionally, *BON* explored alternative revenue streams, such as virtual music concerts and live streaming events, to maintain engagement with its audience during the pandemic-induced restrictions.

35 In 2023, the industry saw audience numbers return to their pre-pandemic levels. However, this has also brought about significant environmental impacts of litter and discarded camping equipment, despite being used for only a short period. *BON* encourages attendees to donate unwanted items for reuse or recycling, but much of the equipment ends up in a landfill site or gets incinerated.

- 3 -

With growing awareness of climate change and environmental conservation, *BON*'s directors recognized the importance of implementing eco-friendly practices in its festival operations. 40 One initiative *BON* adopted was the use of bamboo plates and cutlery instead of traditional disposable plastic utensils. This reduces the company's carbon footprint, despite the relatively high costs of doing so.

BON is exploring the possibility of powering its festival sites using renewable energy sources such as solar power. By investing in solar panels and other sustainable energy technologies, 45 *BON* would reduce its reliance on fossil fuels and minimize its environmental impact. This not only contributes to *BON*'s corporate social responsibility (CSR) goals but could also help to reduce energy consumption. However, the set-up costs are prohibitively expensive.

In addition to environmental sustainability, *BON* also focuses on improving its financial performance and efficiency. *BON* has negotiated favourable terms with its suppliers and 50 vendors to reduce costs while also exploring opportunities to increase revenue through strategic collaborations and sponsorship deals. The finance department closely monitors the company's cash flow and liquidity, considering factors such as interest rates on its existing loans and credit card transactions.

Despite *BON*'s commitment to sustainability, the company has faced criticism from 55 environmental activists who have accused the directors of "greenwashing" by misleading the general public about the organization's environmental sustainability initiatives. *BON*'s directors acknowledge the need for the company to explore innovative solutions to address water usage and conservation at its festival sites. For example, *BON* needs to provide 60 adequate water for drinking and hygiene requirements while also minimizing waste. All water provided through the supply system is drinkable but there is a huge amount of plastic waste.

Recognizing the importance of responsible water management, *BON* has investigated the possibility of utilizing local reservoirs as a sustainable water source for its operations. *BON* is also exploring water-saving technologies and practices, such as using rainwater and water recycling to optimize its water usage efficiency.

65 In addition to its sustainability challenges, *BON* encounters issues in managing its workforce effectively, particularly its temporary workers and freelancers, including sound technicians, stage technicians, and security staff. With a seasonal workforce that fluctuates depending on festival schedules, *BON*'s Human Resources (HR) department works closely with line managers to ensure appropriate induction, training, and supervision of temporary staff.

70 Moving forward, *BON*'s directors have decided to investigate the company's impact on local communities and the natural environment, as well as making incremental improvements to its profits year by year. A business plan would need to be created to run future music festivals in more sustainable ways.

BON's shareholders have expressed the need for the company to position itself for long-term 75 success in an ever-changing market. They remain doubtful about sustainability initiatives.

Companies, products, or individuals named in this case study are fictitious and any similarities with actual entities are purely coincidental.

- 4 -

SECTION A

Answer **all** questions from this section.

1. Define the term *expansion* (line 6). [2 marks]
2. Define the term *average cost* (lines 9 – 10). [2 marks]
3. Describe **two** elements of *BON*'s marketing plan for running music festivals. [4 marks]
4. Explain how *BON*'s use of renewable energy sources such as solar power (line 44) aligns with its commitment to environmental sustainability (line 10). [4 marks]
5. Outline the importance of revenue streams for *BON* (line 30). [2 marks]
6. Explain **two** advantages and **one** disadvantage of *BON*'s Human Resources (HR) department relying on temporary workers and freelancers (lines 6 – 7). [6 marks]

SECTION B

Answer **one** question from this section.

7. Recommend whether *BON* should invest in sustainability initiatives. [10 marks]
8. Discuss the significance of changes in the external environment on the operations of *BON*. [10 marks]

IB Business Management – Paper 1 Case Study Pack
Case Study: Before One PLC
SL and HL Mock Exam TZ2 – Mark Scheme



For May 2024 examinations

TEACHERS' NOTES

- These are suggested answers only for
- Teachers should use their professional judgement in awarding answers that may not be included in this mark scheme.
- The data and information included are provided for illustrative purposes only to give students practise for the final examination in May 2024.
- While there is no need to include any HL content, students should be awarded accordingly if the inclusion of such content directly addresses the demands of the question.

SECTION A

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

This is the growth of a business due to an increase in the size of the organization and/or growth in the market as a whole. Expansion is usually measured by an increase in metrics such as sales revenue, market share, capital employed, or profits over time.

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

Award [2 marks] for a clear and accurate definition of expansion, similar to the example above.

Application and examples are not required.

2. Define the term *average cost* (lines 9 – 10). **[2 marks]**

The average cost of production is the cost per unit of output. Average cost (AC) is derived from dividing the total costs (TC) of production by the quantity of output (Q), i.e., $AC = TC / Q$.

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

Award [2 marks] for a clear and accurate definition of average cost, similar to the example above.

Application and examples are not required.

3. Describe two elements of *BON's* marketing plan for running music festivals. **[4 marks]**

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

- Market research – Conduct market research to identify the target demographic for *BON's* music festivals, including age groups, interests (preferred music genres of favourite music performers), and geographic locations.
- Segmentation, targeting, and positioning – The audience based on factors such as musical preferences, lifestyle characteristics, and purchasing behaviour, so that *BON* can tailor its marketing efforts more effectively.
- Unique selling point – Promoting *BON's* unique selling proposition (USP) and brand identity in the music festival industry, emphasizing factors such as quality of music performers, ample facilities for attendees (with 100 spaces of entertainment and nearly 1000 places to eat), and *BON's* commitment to sustainability (line 42).
- Social media marketing (SMM) – Audience engagement by using social media and digital marketing channels to reach and engage with *BON's* target audience more effectively. These methods need to generate buzz and excitement around *BON's* music festivals, as well as encourage user-generated content, all of which help to drive ticket sales and attendance and foster a sense of community among festival goers.

- Promotion – Promotional campaigns and initiatives could include special offers like early bird discounts (concessions for those who book early), group packages, loyalty rewards, and exclusive perks to incentivize ticket purchases and encourage repeat attendance to *BON*'s music festivals. *BON*'s official website will be essential for conveying information and promoting its music events.
- *Accept any other element of BON's marketing plan that is clearly outlined in the context of the case study. Award alternative approaches such as focus on any two elements of the marketing mix as part of BON's marketing plan.*

Mark as 2+2

Award [1 mark] for a relevant element, plus a further [1 mark] for an appropriate description written in the context of the case study, up to a total maximum of [4 marks].

If there is no application shown, award a maximum of [2 marks].

4. Explain how *BON*'s use of renewable energy sources such as solar power (line 44) aligns with its commitment to environmental sustainability (line 10). [4 marks]

Renewable resources, such as solar and wind energy, are natural resources that are replenishable through natural reproduction processes. They replace the resources that have been depleted by usage in production and consumption. Environmental sustainability refers to the ability of an economy or society to maintain the use of its renewable and non-renewable resources without jeopardising opportunities for future generations.

Renewable energy sources generate electricity without the need to burn fossil fuels, which significantly reduces carbon emissions. Unlike finite fossil fuels, such as coal or oil, solar energy is clean, abundant, and renewable, ensuring long-term energy security and reducing *BON*'s dependence on non-renewable resources.

By using solar energy to power its music festival sites, *BON* can minimize its carbon footprint and contribute to mitigating climate change, aligning with the goal of reducing the environmental impact of its music events (line 45) and its commitment to environmental sustainability.

Award [1 – 2 marks] for an answer that shows limited understanding of the demands of the question and/or an answer that has minimal, if any, reference to the stimulus material.

*Award [3 – 4 marks] for an answer that shows good understanding of the demands of the question, with a clear explanation of the link between the use of renewable energy sources and how this aligns with *BON*'s commitment to environmental sustainability. There is clear and effective use of the stimulus material. There is appropriate use of business management terminology throughout the response.*

5. **Outline the importance of revenue streams for *BON* (line 30).** **[2 marks]**

Revenue streams are the different sources of money or income coming into the business from various sources, such as sales of tickets or merchandise from music festivals. They are crucial for *BON*'s financial stability and growth as they provide the necessary funds to cover the company's operational expenses (such as venue rental, stage setup, fees for freelancers, security measures, and marketing efforts). Without sufficient revenue, *BON* would struggle to cover these costs and may risk operational disruptions, liquidity issues, or even bankruptcy.

Award [1 mark] for an answer that shows some understanding of the importance of revenue streams.

*Award [2 marks] for an answer that shows good understanding of the importance of revenue streams for *BON*, similar to the example above.*

6. **Explain two advantages and one disadvantage of *BON*'s Human Resources (HR) department relying on temporary workers and freelancers (lines 6 – 7).** **[6 marks]**

Advantages could include an explanation of any **two** of the following points:

- Flexibility – Temporary workers and freelancers can be hired on an as-needed basis, based on the level of demand for each music festival. This flexibility enables *BON* to adapt quickly to changes in attendance levels, event schedules, and staffing requirements.
- Cost savings – Without the need for long-term commitments and overhead costs associated with hiring full-time employees, *BON* is able to enjoy cost savings. Unlike full-time employees, temporary workers and freelancers typically do not receive the same benefits package, such as healthcare, pension contributions (retirement plans), and paid time off (for example, maternity cover, sick pay, and paid holidays). Additionally, *BON* can avoid costs associated with recruiting, training, and retaining permanent staff by hiring temporary workers and freelancers on a project basis.
- Specialization and division of labour – Temporary workers and freelancers often bring specialized skills and expertise that can complement *BON*'s existing full-time workforce. This helps to enhance the overall productivity and efficiency of *BON*'s operations and audience engagement at its music festivals.
- Creativity and innovation – Temporary workers and freelancers often bring new perspectives and ideas to *BON*'s music events. This helps to contribute to creativity and improvement within the organization and the music festivals it runs, thereby improving audience engagement and experience.
- *Accept any other advantage that is appropriately explained in the context of the case study.*

Disadvantages could include an explanation of any **one** of the following points:

- Lack of continuity – Temporary workers and freelancers are unlikely to have the same level of familiarity with *BON*'s organizational culture, policies, and procedures as permanent employees. This leads to inconsistencies in performance and communications.

- Lack of employee loyalty and commitment – The transient nature of temporary employment often results in high labour turnover rates, making it challenging for *BON* to build a cohesive and motivated workforce over time. The lack of any emotional investment in the organization can lead to lower levels of engagement, motivation, and accountability among temporary workers and freelancers.
- Higher costs of recruitment and training – Hiring temporary workers and freelancers can be extremely time consuming and expensive. These people also require induction and other forms of specialized training. This contributes to *BON*'s ongoing costs. The continual and transient nature of hiring temporary workers and freelancers therefore means higher costs for *BON*.
- *Accept any other advantage that is appropriately explained in the context of the case study.*

For each point, award [1 mark] for each of the two suitable advantages, and one disadvantage, and a further [1 mark] for each explanation, written in the context of the case study.

SECTION B

7. Recommend whether *BON* should invest in sustainability initiatives. [10 marks]

Sustainability is about using the planet's resources in such a way that future generations are not deprived of access to what the current and previous generations have enjoyed. In Elkington's triple bottom line model, sustainability is comprised of three pillars: economic, environmental (ecological) and social sustainability, i.e., profits, planet, and people.

Reasons in favour of *BON* invest in sustainability initiatives, such as the use of bamboo plates and cutlery instead of traditional disposable plastic utensils (lines 40 – 41) include the following points:

- Enhancing brand reputation – Investing in sustainability initiatives, such as the possibility of powering *BON*'s festival sites using solar power (lines 43 – 44) can enhance its brand reputation within the industry and among environmentally-conscious stakeholder groups. By demonstrating a commitment to environmental and social responsibility, *BON* can differentiate itself from competitors that do not place sustainability as a priority and attract attendees who prioritize such values.
- Regulatory compliance – Such investments can help *BON* to mitigate issues and problems related to regulatory compliance such as regulations related to waste management (lines 59 – 60), noise pollution, carbon emissions, and energy efficiency. Investing in sustainability initiatives addresses the environmental impacts of *BON*'s music festivals which have a significant carbon footprint due to factors such as its energy consumption (line 47), waste generation (lines 34 – 37), and transportation emissions.
- Meeting stakeholder expectations – Stakeholders, including attendees, investors, sponsors, local communities, and the government, increasingly expect businesses like *BON* to operate in an environmentally responsible manner. This is particularly important as *BON* has faced criticism from environmental activists who have accused the company of greenwashing (lines 54 – 56). Therefore, by investing in sustainability initiatives, *BON* can align with stakeholder expectations and strengthen its relationships with key stakeholder groups. In turn, this can also give *BON* a competitive advantage in the highly contested musical festivals industry.

- Green credentials – This refers to the credibility of *BON* in terms of its ecological sustainability (attempts to protect the planet), which will also have a direct impact on its economic sustainability. For example, using rainwater and water recycling (lines 63 – 64) is likely to give *BON* better green credentials than competitors that do not. Consumers and other stakeholders increasingly consider green credentials when deciding who they will do business with. Hence, investing in sustainability initiatives can help *BON* to mitigate accusations of greenwashing (line 55), which could otherwise damage the company's reputation and undermine its credibility.
- Attracting sponsorships and collaborations – Many sponsors and collaborators, such as social media influencers, are increasingly seeking to work in partnership with organizations that prioritize sustainability and corporate social responsibility (CSR). By investing in sustainability initiatives, *BON* can attract like-minded sponsors and collaborators who share its values and are willing to support its music festivals. This can lead to mutually beneficial collaborations that enhance the overall success and impact of *BON*'s events, including its financial performance.
- Cost savings in the long run – Whilst the set-up costs of sustainability initiatives, such as investing in solar power (line 50), energy-efficient LED lighting, and other sustainable energy technologies, will be extremely high (line 44), *BON* is likely to make long-term cost savings by adopting energy-efficient technologies. This is beneficial for the company's environmental and economic sustainability, thereby safeguarding *BON*'s profitability and shareholder value.
- *Accept any other reason in favour of investing in sustainability initiatives, discussed in the of the case study.*

However, drawbacks or limitations of *BON* investing in sustainable initiatives include the following points:

- High initial investment costs – The set-up costs of implementing sustainability initiatives are highly expensive (line 47). The upfront investment expenditure for projects such as solar panels and solar technology can present financial challenges for *BON*. This could be a significant factor if *BON* is already facing financial hurdles or has limited resources. This could strain its budget and hinder *BON*'s ability to invest in other critical areas of its business, such as its expansion (line 6).
- Loss of competitiveness – If *BON* invests heavily in sustainability initiatives while competitors do not, it may face a competitive disadvantage in terms of cost competitiveness and pricing. For example, the use of bamboo plates and cutlery are relatively expensive (lines 40 – 42). Higher costs translate into higher prices in order to maintain profit margins. However, customers may prioritize lower ticket prices over sustainability credentials, especially if they perceive sustainability initiatives as adding unnecessary costs to their festival experience. This could result in *BON* losing market share to competitors who prioritize affordability over sustainability.
- Operational challenges – Implementing sustainability initiatives often requires changes to existing operational processes, such as providing adequate water for drinking and hygiene requirements while also minimizing waste (lines 58 – 60). For example, despite *BON*'s efforts, much of the litter and discarded camping equipment still end up in a landfill site or get incinerated (lines 34 – 37). Hence, *BON* may encounter logistical and financial challenges in managing waste, and implementing energy-efficient technologies (lines 43 – 47), especially given the complexities of organizing multiple large-scale music festivals. The inclusion of sustainability initiatives could increase the complexity and disrupt the smooth execution of *BON*'s core business.

- Uncertain return on investment – Another important factor to consider is that while sustainability initiatives may offer potential long-term benefits, such as cost savings and improved brand reputation, the actual return on investment may be difficult to quantify and predict. *BON* may be hesitant to allocate resources to initiatives with an uncertain financial return, especially if there is no guarantee of any immediate financial gain for shareholders, who are already doubtful about sustainability initiatives (line 75).
- *Accept any other reason against investing in sustainability initiatives, discussed in the of the case study.*

In conclusion, a commitment to sustainability is undeniably important for *BON*, as it enhances brand reputation and can lead to cost savings and efficiency gains in the future. However, *BON* must navigate challenges such as financial constraints, concerns about greenwashing, operational complexities, and addressing shareholder concerns. Sustainability is of growing importance to customers and governments, especially with the growing awareness of climate change and the importance of environmental conservation (line 38). Hence, it is increasingly challenging for organizations to ignore sustainability issues.

Hence, it is recommended that *BON* invests and commits to sustainability initiatives. By upholding integrity and authenticity in its sustainability efforts, *BON* can build trust and credibility among its key stakeholders, fostering long-term relationships based on mutual respect and shared environmental values, all of which help the company to maintain its bottom line. However, *BON* must ensure that its efforts are transparent and authentic otherwise stakeholders may perceive its sustainability efforts as insincere or superficial.

Accept any other appropriate conclusion that is substantiated in the context of the case study.

Award [1 – 2 marks] 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.

Award [3 – 4 marks] 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.

Award [5 – 6 marks] 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.

Award [7 – 8 marks] 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.

Award [9 – 10 marks] 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.

8. Discuss the significance of changes in the external environment on the operations of *BON*. [10 marks]

The impact of changes in the external environment on the operations of *BON* can be discussed through elements of a STEEPLE analysis, considering various factors that include but are not limited to the following:

Social factors

- The COVID-19 pandemic – The pandemic significantly disrupted the music festival industry, forcing cancellations and postponements (lines 21 – 23), affecting attendance levels, and requiring *BON* to implement safety measures to protect attendees, music performers, and employees (lines 24 – 26). This significantly adds to *BON*'s costs whilst lowering its revenues, threatening the financial stability of the business.
- Environmental awareness – There is growing awareness of environmental issues (line 38), such as climate change and plastic pollution, has influenced consumer preferences and expectations, prompting *BON* to adopt eco-friendly practices and sustainability initiatives to align with societal values. This aligns with *BON*'s ethical objectives, i.e., the moral principles that guide business decision-making, especially given the growing awareness of climate change and environmental conservation (line 38).

Technological factors

- Digital technologies – Advances in technology have facilitated the adoption of digital ticketing systems (line 28) as well as virtual music concerts and live streaming events (lines 30 – 31), thereby enabling *BON* to engage with audiences and generate revenue even during times of restricted physical gatherings. It is therefore impractical for *BON* to avoid the adoption of digital technologies in the music festivals industry, despite the costs, so as to remain relevant to audiences and to maintain competitive advantages.
- Renewable energy solutions – Technological advancements in renewable energy sources, such as solar panels (line 44), offer opportunities for *BON* to reduce its environmental impact and operating costs (lines 45 – 47) by powering festival sites with clean energy sources. This also helps to reduce *BON*'s carbon footprint, improve its green credentials, and protect its financial stability in the long-term. However, there are short-term implications in terms of the investment and set-up costs (line 47).

Economic factors

- Financial constraints – Economic downturns or fluctuations in consumer spending (caused by the COVID-19 pandemic, for example) can negatively impact *BON*'s sales revenue and profitability, affecting its ability to invest in expansion, innovation, and sustainability initiatives. The same applies to the current high interest rates in Europe (lines 52 – 53), which increases the cost of borrowing for *BON* as well as its customers. Hence, the economic environment directly impacts *BON*'s operations.
- Cost pressures – Whilst the data is not provided in the case study, rising costs due to inflation across Europe means higher costs of venue rental, fees for music performers and freelancers, and higher operational expenses can all limit *BON*'s profit margins. This necessitates cost-saving measures and improved financial management to maintain the company's competitiveness.

Ethical factors

- Corporate social responsibility (line 46) – *BON* has a responsibility to consider the social impact of its events on the local community and broader society, beyond job creation during the summer months. This could include promoting diversity and inclusion at its music festivals, supporting local businesses and artists, and contributing positively to the cultural and social foundation of the communities where its festivals are held. By fostering a positive and respectful festival atmosphere, *BON* can benefit from positive word of mouth promotion as customer loyalty. In contrast, failure to uphold CSR standards can harm *BON*'s reputation and relationships with key stakeholder groups.
- The fair treatment of workers (lines 65 – 69) – To remain competitive and relevant, *BON* must uphold ethical standards regarding the fair treatment of its workforce, including its permanent employees, temporary workers, and freelancers. This includes ensuring they are paid a fair and competitive remuneration, work in a safe environment, and have opportunities for training and career development. Ethical lapses in labour practices, such as exploitation or discrimination, can damage *BON*'s brand reputation and lead to a public backlash.

Political factors

- Regulatory compliance – Government regulations and policies related to public safety (lines 25 – 26) and environmental protection directly impact *BON*'s operations, requiring adherence to legal requirements. Doing so can mitigate the risks associated with hosting large music festivals, with 60 stages and 100 spaces of entertainment (lines 15 and 17).
- Government support and funding – There may be possible financial aid from the government for the arts and cultural events, including music festivals, especially if *BON* is facing liquidity issues. Hence, this can directly enhance *BON*'s operations. Government grants, subsidies, and sponsorship programmes may provide financial aid or promotional opportunities for *BON*'s music festivals. However, the chances of this materialising are limited, given that *BON* is a well-established publicly held company.

Legal factors

- Health and safety legislation – *BON* needs to adhere to health and safety regulations imposed by governmental bodies. Legal compliance is paramount for *BON* to ensure the well-being and safety of attendees, music performers, employees, vendors, and freelancers. Such compliance also helps the company to avoid potential fines and to avoid reputational damage caused by non-compliance.
- Environmental laws and regulations – Compliance with environmental laws and regulations, such as waste management and renewable energy standards, is essential for *BON* to mitigate environmental risks and demonstrate its commitment to sustainability (line 54). This could also help to alleviate accusations of greenwashing (lines 55 – 56).

Environmental factors

- Climate change and environmental conservation – Erratic and severe changes in weather patterns and extreme weather events can disrupt *BON*'s music festival operations, affecting attendance, logistics, and site management. *BON* must adapt to climate-related challenges (line 38) and implement resilience measures to mitigate risks, despite such occurrences being beyond the organization's control.

- Waste management – Growing concerns about waste generation and environmental pollution require *BON* to prioritize waste reduction, recycling, and sustainable practices in its festival operations to minimize its ecological footprint and address stakeholder expectations. This is particularly important to *BON* given the accusations of greenwashing (lines 54 – 56). Hence, *BON* needs to ensure its operations are environmentally sustainable despite the concerns of the directors (lines 10 – 11) by adopting eco-friendly practices and reducing its environmental impact in a clear and transparent manner. This will also help to deter the attention of pressure group such as environmental advocacy groups.
- *Accept any other relevant aspect of the external environment, discussed in the context of the case study.*

Note: there is no requirement or expectation to include all components of a STEEPLE analysis. Award candidates who take an alternative but appropriate approach, such as using a PEST analysis framework or those who consider opportunities and threats to discuss the significance of changes in the external environment.

Conclusions may vary depending on the preceding analysis. Two examples are provided below for reference only.

Example 1:

In conclusion, whilst some external factors will have an interim but significant impact on the operations of *BON* (such as the COVID-19 pandemic), other factors have longer lasting impacts (such as changing attitudes toward environmental protection). The latter will impact *BON*'s corporate strategy such as the need to invest in sustainable technologies and initiatives. As such capital expenditure is likely to be expensive (line 47), this could cause some conflict or trade-off with *BON*'s other strategic goals, such as expansion (line 6), especially as the global music festivals industry continues to grow (line 19) in the post-pandemic era.

Example 2:

To conclude, the most significant factor in the external environment that impacts the operations of *BON* is environmental sustainability. Changing societal values, consumer preferences, and government regulations about ecological sustainability influence the demand for music festivals and the expectations of providers like *BON*. To remain competitive and successful, *BON* must adapt to address societal concerns such as climate change and environmental conservation (line 38). This priority will shape *BON*'s strategic direction, operational decisions, and risk management strategies, emphasizing the need for flexibility, innovation, and sustainability to be successful in the dynamic and competitive landscape of the European music festival industry.

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Award [3 – 4 marks] 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.

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