

IB DP Business Management

CASE STUDY PACK _ NOV 2023

Paul Hoang

Brondy's PLC





examinations

Introduction

For November 2023

How to use the Paper 1 Case Study Pack (November 2023)

This comprehensive Case Study Pack has been produced to help colleagues and students in their preparations for the November 2023 Paper 1 examination (*Brondy's PLC*). This latest Case Study Pack from Level7 Education includes:

1. **Definitions** of all the key terms in the case study. Over 80 key terms/phrases have been identified and clearly defined in the context of the *Brondy's PLC* case study. See pages 4 – 16
2. **Stakeholder Profiles Quiz** – Use this quiz to find out how much students know about the key individual and group stakeholders in the *BRD* case study. See pages 17 – 18
3. **5-4-3-2-1 Quiz** – A “5-4-3-2-1 Quiz” is included, with suggested answers. Students can use this as an example to design their own version of this quiz to get them to engage further with the case study.
See pages 19 – 22
4. **Timeline** – A useful summary sheet of the events featured in the case study, presented in chronological order to help students grasp the context of the case study. You can use this as a template and get students to create their own timelines of the *BRD* case study. See pages 23 – 24
5. **Comprehension Quizzes** – The CSP includes 10 sets of comprehension questions to help students learn and engage with the *BRD* case study. The first page of each quiz contains a blank version that can be printed for students to write their answers in class or complete as homework. The second page of each quiz comes with the answers and can be shared with students for revision purposes. There are 100 comprehension questions in total. See pages 25 – 44
6. **True or False Quizzes** – The CSP also includes 10 sets of ‘True or False?’ questions to test students’ recall and understanding of the case study. The first page of each quiz contains a blank version of the quiz for students and the second page includes the answers. There are 100 of these true or false questions in the pack. See pages 45 – 64
7. **A–Z Quiz** – This activity is a great lesson starter or plenary, containing 26 questions to test your students’ comprehension and understanding of the *BRD* case study. See pages 65 – 66
8. **Multiple Choice Questions Quiz** – Use this activity to check students’ comprehension of the pre-seen case study. There are 15 multiple choice questions based on the case study, each with 4 options but only 1 correct answer. How many of these can your students get right?
See pages 67 – 72

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9. An applied **SWOT analysis** of *BRD* – This detailed SWOT analysis can be used as a tool for strategic analysis in order to support decision making at *BRD*. A fully applied SWOT analysis has been included based on the pre-issued case study. See pages 73 – 79
10. An applied **PEST analysis** of *BRD* – Similarly, a detailed PEST (STEEPLE) analysis is included to provides useful information for strategic analysis and for formulating appropriate strategic changes at *BRD* (Section B and/or Section C). See pages 80 – 86
11. Separate **Paper 1 mock exams for HL and SL**, with full **mark schemes**. This Case Study Pack includes two full mock exams – one for HL and one for SL, each with an accompanying detailed mark scheme.

Additional information/data have been included for Section B of both examination papers. For the HL mock exam, Section C has also been included (as this section of Paper 1 makes a return in the November 2023 exams), so this is reflected in the CSP to mirror the final examinations.

Note: The additional information and data in Section B and Section C have been incorporated only for the purpose of providing additional practice for the final examination.

SL mock exam paper: See pages 87 – 89

SL marks scheme: See pages 90 – 102 HL

mock exam paper: See pages 103 – 107

HL marks scheme: See pages 108 – 125

Best wishes with the preparations for the November 2023 examinations!

Paul Hoang
20th August 2023



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Key terms in **red italics** apply to *HL* students only

PLC (1, 27 - 28)

A public limited company (PLC) is a business organization owned by shareholders with limited liability. The shares in a PLC are traded on a public stock exchange, such as the London Stock Exchange.

Manufacturing (1)

This is another term for *production*, which refers to the process of combining and transforming raw materials and/or components into final goods, such as toys, ready for sale to customers. Essentially, it is the process of transforming factors of production (land, labour, capital, and enterprise) into finished goods or services.

Founded (2)

The person who creates or sets up a business organization is known as the founder. Geoff Brondy founded *Brondy's PLC (BRD)* in 1930.

Private limited company (2)

A private limited 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.

Entrepreneur (2)

An entrepreneur bears the financial risks of starting and managing a new business or a commercial venture. 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.

Product range (3)

The product range of a business refers to all products in its product mix, i.e., all the products sold by the business such as model train sets and plastic model kits of aircraft and military vehicles.

Market (7)

A market refers to the collective groups of existing and potential buyers and sellers of a particular good or a service.



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Consumers (8)

Consumers are the end-users of a product. This contrasts with customers who are the buyers of the product. Whilst a customer can indeed also be the consumer of the good or service they purchase, this is not always the case (such as with business-to-business transactions).

Products (11)

A product is a good or service which is sold on the market to satisfy the needs and wants of customers. It can be a tangible good (such as toy trains) or an intangible service (such as repair services).

Production (12)

Production is about processing resources (land, labour, capital, and enterprise) to provide the output of goods and/or services. It aims to provide the right quantity and quality of goods and/or services in a cost-effective and timely manner.

Brand (13)

This refers to a distinguishing name, symbol, image or trademark of a product or organization. As an intangible asset, the brand differentiates the product or organization from competing products and firms in the market. Examples of brand names owned by *Brondy's PLC* include *BRD Slotcars*, *BRD Three-Rail Model Railway*, and *Matchfix*.

Sales (14)

Sales refers to the income of a business derived from the purchase of its goods and/or services from customers. It is calculated by multiplying the selling price of the product by the quantity sold.

Shareholder (22)

Shareholders are people or organizations that own shares in a private or a public limited company. They risk capital in return for a share of the company's profits (paid out in dividends if the firm is profitable) and for capital gain (a rise in the value of the shares that they hold).

Minority shareholder (22)

A minority shareholder is a part-owner of a limited liability company but who holds an insignificant number of shares to have any real control or influence.



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Share capital (22)

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 private and public limited companies. Share capital is the most important source of finance for public limited companies.

Chief executive officer (CEO) (23)

The CEO of a company is the most senior person at the top of the organizational hierarchy. The CEO is supported by a team of senior executives, which typically includes a COO and CFO.

Diversification (25)

A growth strategy where a business spreads its risks by expanding into new products and markets, away from its traditional markets and business model.

Interest rates (26)

The interest rate is the cost of borrowing money. It is expressed as a percentage of the amount borrowed.

Board of directors (27)

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.

Acquisitions (28)

An acquisition (or takeover) is a method of external growth that occurs when one company buys a controlling interest (majority stake) in another business, thereby taking overall control and ownership of the target business.

Finance (29)

Finance refers to the monetary funds required for business purposes, such as funding the start-up of a new business venture, the day-to-day running of business, or its expansion. Finance for a



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business can be either internal (such as retained profit), or external (such as share capital or mortgages).

Takeover (took over) (30)

A takeover is a method of external growth that occurs when one company buys a controlling interest (majority stake) in another business, thereby taking overall control and ownership of the target business.

Companies (30)

A company is a business owned by shareholders who have limited liability. Companies are incorporated institutions, i.e., they are legally separate entities from their owners. Hence, this means there is a divorce of ownership and control in a company.

Manufacturer (31)

A manufacturer is a business entity that operates in the secondary sector and combines and transforms raw materials and/or components into final goods ready for sale. Manufacturers usually operate on a large scale and divide tasks between different workers.

Business (32)

A business is a decision-making organization involved in the production of goods and/or services to satisfy a need or a want of customers. It combines human, capital and financial resources to create certain goods and/or services.

Efficiency (35)

Efficiency refers to how well things are done in an organization. This includes measures such as how effectively a business generates goods and services related to the amount of time and money needed to produce them. Another example is how well the business manages its stock (inventory).

Productivity (35)

Productivity measures the rate of production of goods or services, expressed in terms of an input/output ratio, such as the output per worker or sales per worker, typically over a specific period of time.



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Merged (Merger) (36)

A merger is an external growth strategy that involves two or more firms agreeing to join and operate as a single legal entity. It can also refer to the amalgamation of two or more departments in order to streamline the firm's operations.

Departments (37)

A department is a separate division of an organization. In a typical organization, departments are based on their functions, such as marketing, human resource management, finance and accounts, and operations management.

Production methods (40)

Production method refers to the different ways in which goods and services can be produced. Production methods are usually classified into job production, batch production, mass/flow production, and cell production.

Batch production (41)

Batch production is the manufacture of a set number of identical products (referred to as a batch), with work on each batch being fully completed before production switches to another batch. It is used where the level of demand for a product is frequent and steady.

Production targets (43)

These are specific goals set by the Production Department of a business to achieve a certain amount of output within a set time. The targets are used to ensure the production process is efficient and matches the business's overall objectives, as well as holding employees to account.

Employee absence (44)

This happens when an employee is not at work during their scheduled hours. This can be due to illness, emergencies, vacations, or any authorized reason. However, if absences are not managed effectively, the result is lost productivity.

Communication (44)

Communication refers to the transfer of information from one party to another. Effective communication is essential for the transmission of information in a clear and meaningful manner so that a business can meet its goals and objectives.



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Communication issues (44)

This refers to any barrier to effective communication, such as conflicts and misunderstandings between co-workers. If not dealt with effectively, communication issues can hinder working relationships and productivity.

Retailers (45)

A retailer is a merchant or vendor that sells goods and services directly to consumers, usually in small quantities. This contrasts with wholesalers and suppliers, who usually sell to other business customers. Examples include convenience stores, shops, and supermarkets.

Cellular production (46 - 47)

This is a method of production that splits a task or project into a self-contained team (or cell). Each cell is responsible for a significant part of the overall project with skilled team members taking on various job roles to complete their assigned task (unit of work). For cellular production to work, employees must be multi-skilled and flexible to the needs of the organization.

Training (48)

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).

Multiskilled (48)

Being multiskilled means having the ability to utilize a range of expertise and competencies in multiple areas or fields. A multiskilled employee is not limited to capabilities in just one specific role or job but can perform effectively in various tasks, roles, or functions.

Teams (49)

A team is a group of co-workers who work together to achieve a common goal. They have complementary skills that are needed to complete a job, task or project. Some teams are selfmanaged but most are overseen by a line manager.



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Cells (49)

Cells are autonomous decision-making teams. Cells take full responsibility for quality assurance in their own area but rely on each other to ensure that final production targets are met. They communicate with other cells as if they were external customers.

Workstation (52)

A workstation is a specialized and designated area within a workplace where an individual employee performs their job. The space is equipped with the necessary resources needed for that specific job role.

Production process (55)

The production process refers to the various steps needed to turn raw materials or component parts into finished products ready to be sold to consumers. The activities in any production process should be efficient and cost effective.

Human resources (57)

Human resources are the personnel or the employees of a business, often regarded as an asset for their skills and abilities.

Production employees (60)

These are the people who work in the Production Department of an organization, such as factory workers in a manufacturing plant.

Absenteeism (63)

Absenteeism occurs when an employee does not attend work during their scheduled working hours, often without formal authorization or valid reasons. A high absenteeism rate can be a concern for employers because employee absence often disrupts productivity, negatively affects team dynamics, and leads to increased workloads for other employees.

Labour turnover (63 - 64)

Labour turnover measures the rate of change of human resources within an organization, per period of time. The more people who leave the organization per time period, the higher the labour turnover rate. It is calculated using the formula:



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$$\frac{\text{Number of staff leaving per year}}{\text{Average number of staff}} \times 100$$

Industry (64)

An industry consists of businesses involved in a similar business activity so are in direct competition as they cater for the same client base.

Industrial strike action (64 - 65)

Strike action occurs when the employees of an organization agree to withdraw their labour services for a specified time period. This means that the employees will not perform their usual duties so the organization will have great difficulty functioning.

Contracts of employment (65 - 66)

Employment contracts are legally binding agreements between an employer and employees which set out specific terms and conditions established for work-related matters.

Statutory minimum benefits (66)

These are the legally mandated rights and entitlements that employees have under the country's 'employment laws. The purpose of is to ensure that all workers receive certain fundamental rights and protection in their employment. For example, in the UK, workers are protected by a mandated national minimum wage, statutory sick pay, maternity and paternity leave, annual leave (holiday pay), and health and safety legislation.

Salaries (68)

A salary is a form of financial payment made to an employee, based on his/her job as specified in a contract of employment. It is a fixed amount paid on a periodic basis, usually per month. 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.

Production department (69)

This is a specific functional area within an organization that is responsible for overseeing and managing the manufacturing or creation of certain goods and/or services.



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Fringe benefits (69)

These are benefits received by employees in addition to their wages or salary e.g., free uniform, subsidized meals, health insurance, and paid holidays (annual leave).

Design department (70)

This is a specialized functional area within an organization responsible for hypothesizing, creating, and developing the visual and/or functional aspects of a product. It is essential for industries where design has a significant role, such as marketing, branding, and software development.

Flexible working practices (71)

Flexibility in the context of work describes an approach or outlook to working arrangements or practices which gives a degree of freedom to employees to determine how where, and when they work. Flexible working practices include flexi-time, part-time employment, job-sharing, zero-contract hours, and homeworking.

Work from home (WFH) (72)

This refers to a work arrangement in which employees perform their job roles remotely (away from the usual workplace), such as from their own homes or other locations outside of the traditional office setting. The WFH idea has gained significant popularity, especially with advancements in technology that enable seamless communication and collaboration over the internet.

Production director (79)

A Production Director is a high-level manager in charge of making sure everything goes smoothly in making things. They are often found in manufacturing companies but can also work in other industries where making things is important.

Foreign competition (84)

This refers to the presence and activities of businesses from other countries that operate within the same industry or market as a local business organization. It represents an external threat as businesses from different countries compete for customers, market share, and profits.



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Market reach (86)

This refers to how well a firm's product offerings (its goods, services, and brands) connect with and appeal to existing and potential customers. The broader the market reach, the greater the firm's sales and profits tend to be.

Customer base (88)

This means the total number of individuals or entities who purchase goods and services from a business or engage with the organization in some way. 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.

Niche market (89)

A niche market product caters for a small market segment, such as all-natural energy drinks for professional athletes. A niche market is a subset of the larger market (for energy drinks or beverages in general) on which an actual or specific product is focused. Niche market products aim to satisfy specific market needs, including production quality or specific demographic needs.

Prices (90)

Price refers to the value of a good or service that is paid by the customer. Price will usually cover the costs of production, allowing the business to earn a profit margin.

Quality (94)

Quality refers to the extent to which a product is fit for its purpose, i.e., whether it meets (or exceeds) the needs and wants of the customer by conforming to a certain standard. Aspects of quality include: durability, reliability, customer service, after-sales care and the physical appearance of the products.

Customer loyalty (loyal customer base) (96)

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. Strong customer loyalty exists when customers are committed to a certain business and make repeat purchases time and time again. Marketing strategies designed to cultivate loyal customers can give organizations a competitive advantage.



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Market share (97)

Market share is the percentage of all sales in a market that is held by one brand or a business. It can be measured in terms of the volume (units sold) or value (revenue generated). Most firms strive to gain high market share. The formula for calculating market share is:

$$\frac{\text{Firm's sales revenue}}{\text{Industry's sales revenue}} \times 100$$

Prototypes (101)

Prototypes are trial or test products which are developed as part of the R&D (research and development) process. They are a preliminary version of a product from which other forms or developments can be made. Only the most promising prototypes are considered for commercialization.

Recyclable (108)

This means that a physical good sold by a business can be collected, broken down, processed, and reused to make new something new or be used again. It helps to save resources and is designed to work well with sustainability, waste management systems, and circular business models.

Primary market research (114)

Primary research (or **field research**) is the process of conducting market research to collect new (original) data to gain more insight into the issue being investigated to meet the needs of the organization. Examples include the use of: questionnaires (surveys), interviews, observations and focus groups.

Secondary market research (114)

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.

Share price (122)

This is the price of a single share of a limited liability company. It is determined by the demand for and supply of the shares of the company on the listed stock market. A company share price is typically based on the firm's profitability and earnings potential.



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Private equity firm (123)

This is a specialized investment company that focuses on investing money into private businesses or acquiring ownership stakes in such companies. Private equity firms gather funds from wealthy investors (private individuals and/or business entities) to buy or invest in these private companies, aiming to earn substantial returns for their investors.

Liquidity crisis (124)

This refers to problems arising from the inability of a business to meet its short-term debts, as seen from its liquidity ratio or acid test ratio, i.e., the firm has insufficient cash or liquid assets to meet its short-term financial obligations.

Stock (125)

This refers to the inventory of goods, components, or materials that a firm has at any point in time with the intention of selling or using them in its business operations. Stock is a key component of a firm's current assets.

Overdraft (127)

A financial service that enables pre-approved customers to take out more money from their bank account than the available cash balance in the account. Essentially, an overdraft is a form of credit or short-term loan.

Suppliers (127)

A supplier is an external stakeholder group that sells goods (final products, semi-finished goods or components, or raw materials) as well as services to other businesses. Suppliers play a vital role in the firm's supply chain, as they provide the necessary inputs for production or the products that the firm sells to its customers.

Trade credit (128)

Credit is a financial service that enables a customer to purchase goods without having to immediately pay for these. Allowing customers to have a credit period helps to improve the liquidity position of customers (especially business clients) and to attract customers as they have an alternative way to pay.



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Strategic decision making (135)

This refers to the process of making high-level choices and plans that have significant and long-term impacts on an organization's overall direction, goals, and competitive position. Such decisions are made by senior executives or directors. The process involves analyzing various strategic options, application of relevant Business Management tools, theories, and techniques, all of which must be aligned with the organization's mission, vision, and values.

Liquidity (140)

This refers to the ease with which an asset, such as stocks (inventories), can be quickly converted into cash or used to settle financial obligations. It reflects the ability of a business to meet its shortterm debts and liabilities without causing disruptions or incurring excessive costs.

Strategic changes (140)

This refers to significant and purposeful alterations made by a business in its overall strategy, including aspects of its structure, processes, or operations. These changes are intended to achieve specific strategic goals (such as gaining competitive advantages), adapt to changes in the external environment, or respond to emerging opportunities or threats.



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Personnel Profiles Quiz

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With reference to the *Brondy's PLC* case study, name the person or stakeholder group based on the clue in each of the following statements.

No.	Statement	Stakeholder
1.	Took over <i>BRD</i> as the CEO after his father's retirement in 1985.	
2.	The founder of the private limited company <i>BRD</i> , which initially began manufacturing wind-up clockwork toys in 1930 in Liverpool.	
3.	A member of the Design Department at <i>BRD</i> who used a 3D printer to produce working prototypes of model train sets in plastic.	
4.	He understood the importance of diversification to ensure the prosperity of <i>BRD</i> .	
5.	A member of <i>BRD</i> 's Design Department who played a significant role in developing new model train sets in plastic for.	
6.	A skilled engineer and entrepreneur, demonstrating his ability to adapt to market changes and seek new opportunities.	
7.	He oversaw the acquisitions of <i>Matchfix PLC</i> (plastic model kits) and <i>Enam Ltd.</i> (paint manufacturer) to expand <i>BRD</i> 's offerings.	
8.	Played a pivotal role in <i>BRD</i> 's transition from a private limited company to a public limited company.	
9.	Under his leadership, <i>BRD</i> expanded its product range to include clockwork cars, lorries, motorbikes, trains, animals, and novelty items.	
10.	The son of Geoff Brondy, the founder of <i>BRD</i> .	
11.	Maintains a close relationship with the factory employees at the Liverpool factory by regularly interacting with them.	
12.	After World War II, he recognized the changing market demand for more sophisticated toys and introduced electric slot cars and model train sets.	
13.	She showed that it is possible to achieve the same level of detail and realism using plastic for model trains as it was with metal.	



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14.	Knows <i>BRD</i> 's employees by name and their birthdays, contributing to a positive work environment with low absenteeism and labor turnover.	
15.	Retired in 1985 and passed on his share capital to his son who became the new CEO.	

Personnel Profiles Quiz

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Answers

With reference to the *Skandvig Terra PLC* case study, name the person or stakeholder group based on the clue in each of the following statements.

No.	Statement	Stakeholder
1.	Took over <i>BRD</i> as the CEO after his father's retirement in 1985.	Arnold Brondy
2.	The founder of the private limited company <i>BRD</i> , which initially began manufacturing wind-up clockwork toys in 1930 in Liverpool.	Geoff Brondy
3.	A member of the Design Department at <i>BRD</i> who used a 3D printer to produce working prototypes of model train sets in plastic.	Julia Dentes
4.	He understood the importance of diversification to ensure the prosperity of <i>BRD</i> .	Arnold Brondy
5.	A member of <i>BRD</i> 's Design Department who played a significant role in developing new model train sets in plastic for.	Julia Dentes
6.	A skilled engineer and entrepreneur, demonstrating his ability to adapt to market changes and seek new opportunities.	Geoff Brondy
7.	He oversaw the acquisitions of <i>Matchfix PLC</i> (plastic model kits) and <i>Enam Ltd.</i> (paint manufacturer) to expand <i>BRD</i> 's offerings.	Arnold Brondy
8.	Played a pivotal role in <i>BRD</i> 's transition from a private limited company to a public limited company.	Arnold Brondy
9.	Under his leadership, <i>BRD</i> expanded its product range to include clockwork cars, lorries, motorbikes, trains, animals, and novelty items.	Geoff Brondy
10.	The son of Geoff Brondy, the founder of <i>BRD</i> .	Arnold Brondy



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11.	Maintains a close relationship with the factory employees at the Liverpool factory by regularly interacting with them.	Arnold Brondy
12.	After World War II, he recognized the changing market demand for more sophisticated toys and introduced electric slot cars and model train sets.	Geoff Brondy
13.	She showed that it is possible to achieve the same level of detail and realism using plastic for model trains as it was with metal.	Julia Dentes
14.	Knows <i>BRD</i> 's employees by name and their birthdays, contributing to a positive work environment with low absenteeism and labor turnover.	Arnold Brondy
15.	Retired in 1985 and passed on his share capital to his son who became the new CEO.	Geoff Brondy

Use the *Brondy's PLC (BRD)* case study to answer the following **5, 4, 3, 2, 1** questions.

5. State **five** things you know about Arnold Brondy. [5 marks]

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4. State **four** things you know about *BRD*'s model train sets. [4 marks]

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3. State **three** about *BRD*'s employees in the Production Department. [3 marks]

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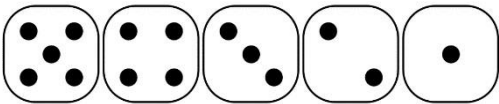
2. State **two** things you know about Julia Dentes. [2 marks]

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1. State **one** of the financial problems at *BRD*. [1 mark]

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Answers

Use the *Brondy's PLC (BRD)* case study to answer the following **5, 4, 3, 2, 1** questions.

The answers below are for illustrative purposes only (other suitable answers may be provided by students and should be awarded accordingly).

5. State **five** things you know about Arnold Brondy. [5 marks]

- Successor and CEO of *Brondy's PLC* – Arnold Brondy is the son of Geoff Brondy, the founder of *BRD*. He became the chief executive officer (CEO) of *BRD* after his father's retirement in 1985.
- Advocate of diversification – Arnold Brondy recognized the need for *BRD* to diversify its product range beyond clockwork toys and model train sets in order to ensure the company's long-term prosperity. He played a key role in broadening the product offerings through acquisitions and expanding beyond traditional clockwork toys and model trains.
- Converted *BRD* to a public limited company – Arnold persuaded the board of directors to convert *BRD* from a private limited company to a public limited company (PLC) to raise additional funds for the company's growth strategy (expansion through acquisitions).
- Acquisitions – Under Arnold Brondy's leadership, *BRD* acquired two companies in 1990: *Matchfix PLC*, a manufacturer of plastic model kits, and *Enam Ltd.*, a paint manufacturer.
- Focus on efficiency and productivity – Arnold Brondy valued efficiency and productivity within the company over price. He merged design departments (of *Matchfix* and *BRD*), closed a factory in Wales, and implemented changes to streamline production methods.
- Responsive to market changes – In response to market challenges, Arnold Brondy supported a significant shift in *BRD's* product material. From 2024, *BRD's* model train sets will be made from plastic instead of metal for the first time.
- Maintains good stakeholder relations – Arnold Brondy maintains a close relationship with the factory employees. He personally interacts with them every two weeks, knows them by name, and acknowledges their birthdays, all of which contributes to a low level of absenteeism and labour turnover.

4. State **four** things you know about *BRD's* model train sets. [4 marks]

- *BRD's* model train sets use a unique three-rail system, with the centre rail carrying the electrical current. This differs from the two-rail systems used by competitors in the USA and Europe.
- Unlike many other model train manufacturers, *BRD* continued to use metal as the primary material for its model train sets, emphasizing quality and realism over price. This decision made *BRD's* products significantly more expensive than similar plastic model train sets from competitors.
- *BRD* targeted its model train sets at a niche market of railway modelers who valued accurately made and well-designed models. This allowed *BRD* to charge higher prices for its model train sets but limited sales to wealthier families.



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- *BRD's* model train set production faced coordination issues leading to the postponement of dispatches to retailers approximately 3 times a month in 2022.
- *BRD* is considered shifting from batch production to cellular production, which would involve halting production for two weeks and providing additional training to employees.
- *BRD* has decided to transition from metal to plastic for its model train sets. This was in response to falling sales and changing market dynamics. The transition was motivated by the success of a working prototype created using a 3D printer, showing that plastic could offer comparable detail and realism as metal.

3. State **three** about *BRD's* employees in the Production Department. [3 marks]

- Employees in the Production Department face coordination difficulties, resulting in occasional postponements in the daily dispatch of train sets to retailers. Reasons for these challenges include employee absence, machinery problems, and communication issues.
- *BRD* is considering transitioning from batch production to cellular production for its model train sets. This change would require a two-week production halt and additional training for employees in the Production Department to become multiskilled.
- Employees in the Production Department do not receive any of the fringe benefits like their colleagues in the Design Department. Their fringe benefits include a car allowance, subsidized meals, private health care, and flexible working practices (such as the option to work from home).
- Many employees in the Production Department have worked at the Liverpool factory for over 20 years. This long tenure suggests a stable, contented, and experienced workforce.
- Absenteeism and labour turnover in the Production Department are reported to be very low, contributing to the overall stability of the department.

2. State **two** things you know about Julia Dentes. [2 marks]

- She works in *BRD's* Design Department where she used a three-dimensional (3D) printer to create working prototypes of 5 different versions of a model train set in plastic during the Design Team Freedom Month.
- Her ability to use 3D printing technology to create prototypes showcases her expertise in modern design and manufacturing methods. Her work demonstrates that plastics can achieve the same level of detail and realism as metals in model train sets.
- Julia's work has impressed the head of the Design Department, leading to an opportunity for her to make a presentation to *BRD's* board of directors. This recognition highlights her contributions and innovative thinking within the company.



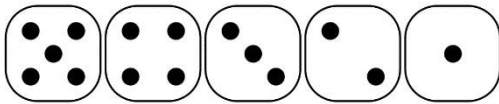
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- Her work with plastic prototypes played a significant role in BRD's decision to make a fundamental change in its model train production, transitioning from metal to plastic starting in 2024.

1. State **one** of the financial problems at *BRD*.

[1 mark]

- Sales of *BRD*'s plastic model kits and model train sets have steadily declined since the beginning of the century, with the rate of decrease accelerating each year from 2015.
- *BRD*'s sales decline and financial difficulties caused a sharp drop of over 50% in its share price in 2021, eroding shareholder confidence and prompting measures to stabilize the company's finances.
- In 2022, *BRD* encountered a liquidity crisis due to declining sales along with £6 million worth of unsold stock in its Liverpool factory.
- The bank did not extend the £8 million overdraft.
- Suppliers cancelled *BRD*'s 30-day trade credit facility, and instead demanded immediate payment. This intensified the financial strain on the company.



IB Business Management – Paper 1 Case Study Pack Case Study: Brondy's PLC **Timeline for BRD**



For November 2023 examinations

Time line for *Brondy's PLC (BRD)*

1930: *BRD's* founding (year of establishment)

- Geoff Brondy established *BRD* as a private limited company.
- The company's initial product range included clockwork toys like cars, lorries, motorbikes, trains, animals, and novelty items.
- A notable seller in the 1930s was a toy monkey playing a drum kit.

World War II: Transition to Second World War production

- Toy production at *BRD* was suspended during the Second World War.
- The factory was repurposed to manufacture rifles for the army, contributing to the war effort.

1954: Inspiration from New York Toy Fair

- Geoff Brondy attended a toy fair in New York, USA.
- He observed the popularity and interest in electric slot cars and electric model train sets.

1955: New product launches

- *BRD* introduced a slot car racing set with a track and two sports cars and branded it as "*BRD Slotcars.*"
- A model train set with a three-rail system (*BRD Three-Rail Model Railway*) was launched. This was particularly successful in the UK, Australia, and New Zealand, but struggled in the USA and Canada due to compatibility issues with the prevalent two-rail system there.

1985: Leadership transition at *BRD*

- Geoff Brondy retired, and his son Arnold Brondy became the CEO.
- Arnold aimed to diversify *BRD's* product range, even though he shared his father's passion for model trains, having realized the need for broader product offerings.



IB Business Management – Paper 1 Case Study Pack Case Study: Brondy's PLC **Timeline for BRD**

For November 2023 examinations

1990: Acquisitions by *BRD*

- *BRD* acquired *Matchfix PLC*, a manufacturer of plastic model kits, thereby expanding its product line.
- *BRD* also acquired *Enam Ltd.*, a paint manufacturer with a wide application, beneficial for modellers using *BRD*'s toy products.

2001: Streamlining *BRD*'s operations

- *BRD* closed the *Matchfix* factory in Wales, having consolidated production in the Liverpool factory.
- The *Matchfix* brand name is retained by *BRD*.
- The design departments of *Matchfix* and *BRD* are joined together.

2022: *BRD*'s Liquidity crisis

- Sales declined at the start of the 21st century.
- *BRD* had unsold stock valued at £6 million, which contributed to a liquidity crisis.
- *BRD*'s bank did not extend the £8 million overdraft.
- A key supplier cancelled *BRD*'s 30-day trade credit facility and demanded immediate payment for each order, causing further strains on the company's finances.

2022: *4Change*'s growing involvement in *BRD*

- *4Change*, a private equity business, purchased 20% of *BRD*'s shares following the significant drop in share price.
- *BRD* offered existing shareholders £15 million of extra shares to stabilize the business, but only £3 million worth of shares were sold.
- *4Change* steps in with a substantial offer, raising their stake in *BRD* to 35%.

2023: Looking to the future (strategic decisions)

- The company faces a critical year ahead with the need for further strategic changes to address the company's ongoing difficulties and to secure its future.





For November 2023 examinations

your application skills, review the case study and then answer these questions.

Comprehension Quiz 1

To help improve *BRD*
Try to answer the questions without referring to the case study if possible.

1. When did *Brondy's PLC (BRD)* start manufacturing wind-up clockwork toys?
.....
2. Who became the CEO of *BRD* after Geoff Brondy's retirement?
.....
3. What are electric slot cars?
.....
4. Where are the *Matchfix* plastic model kits manufactured?
.....
5. What is the purpose of "Design Team Freedom Month" in the Design Department?
.....
6. Why did most model train manufacturers switch from metal to plastic in the final quarter of the 20th century?
.....
7. There has been an increase in customer complaints about which of *BRD's* products?
.....
8. Why did *BRD's* bank refuse to extend its overdraft?
.....
9. True or false? *BRD* was initially founded as a private limited company?
.....



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your application skills, review the *BRD* case study and then answer these questions.

10. Who attended a toy fair in 1954 in New York and saw the interest that electric slot cars?

.....

Comprehension Quiz 1 (Answers)

To help improve

Try to answer the questions without referring to the case study if possible.

1. When did *Brondy's PLC (BRD)* start manufacturing wind-up clockwork toys? **1930**
2. Who became the CEO of *BRD* after Geoff Brondy's retirement? **Arnold Brondy**
3. What are electric slot cars?
Miniature cars guided by a groove on the track
4. Where are the *Matchfix* plastic model kits manufactured?
In a separate part of the Liverpool factory
5. What is the purpose of "Design Team Freedom Month" in the Design Department? **To work on individual design projects of their choice**
6. Why did most model train manufacturers switch from metal to plastic in the final quarter of the 20th century?
Plastic is lighter and cheaper
7. There has been an increase in customer complaints about which of *BRD's* products? **Quality issues with *Matchfix* plastic model kits**
8. Why did *BRD's* bank refuse to extend its overdraft?
The overdraft was already too large
9. True or false? *BRD* was initially founded as a private limited company. **True**
10. Who attended a toy fair in 1954 in New York and saw the interest that electric slot cars? **Geoff Brondy**



For November 2023 examinations

Comprehension Quiz

To help improve your application skills, review the *BRD* case study and then answer these questions.

2

Try to answer the questions without referring to the case study if possible.

1. Who founded *BRD* as a private limited company?

.....

2. What was Arnold Brondy's preferred focus for *BRD*'s product line?

.....

3. What three components make up a *BRD* model train set?

.....

4. Why is cellular production not used for the *Matchfix* plastic model kits?

.....

5. What 3 type of products is the Design Department responsible for designing during this special month?

.....

6. Why did *BRD*'s board of directors choose to continue using metal for their model train sets despite the industry trend towards plastic?

.....

7. What contributed to the ageing of *BRD*'s customer base?

.....

8. What action did one key supplier of materials take in response to *BRD*'s financial situation?

.....



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your application skills, review the *BRD* case study and then answer these questions.

9. In which year in the 1950s did Geoff Brondy's first two designs (slot car racing set and model train set) go into production?

.....

10. What happened to Geoff Brondy in 1985?

.....



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Comprehension Quiz

To help improve your application skills, review the *BRD* case study and then answer these questions.

2

Try to answer the questions without referring to the case study if possible.

1. Who founded *BRD* as a private limited company?
Geoff Brondy
2. What was Arnold Brondy's preferred focus for *BRD*'s product line? Model train sets
3. What three components make up a *BRD* model train set?
Train engine, tracks, and coaches
4. Why is cellular production not used for the *Matchfix* plastic model kits? It would require specialized machinery
5. What 3 type of products is the Design Department responsible for designing during this special month?
Model train sets, slot car sets, and plastic model kits
6. Why did *BRD*'s board of directors choose to continue using metal for their model train sets despite the industry trend towards plastic?
Prioritising quality and realism were prioritized over price
7. What contributed to the ageing of *BRD*'s customer base?
Younger generations not replacing older customers
8. What action did one key supplier of materials take in response to *BRD*'s financial situation? It cancelled the trade credit facility granted to *BRD* and demanded immediate payment
9. In which year in the 1950s did Geoff Brondy's first two designs (slot car racing set and model train set) go into production?
1955
10. What happened to Geoff Brondy in 1985? H retired and became a minority shareholder



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Comprehension Quiz (Answers)

To help improve your application skills, review the *BRD* case study and then answer these questions.

3

Try to answer the questions without referring to the case study if possible.

1. What was one of *BRD*'s best-selling toys in the 1930s?
.....
2. What challenge did Arnold Brondy face when he wanted to diversify *BRD*'s product range?
.....
3. How often does the CEO of *BRD*, Arnold Brondy, interact with the production employees?
.....
4. What role does the centre rail have in *BRD*'s model train sets?
.....
5. How did the pricing of *BRD*'s model train sets compare to those made by rival manufacturers?
.....
6. What is the name of the private equity business that purchased 20% of *BRD*'s shares after its share price dropped in 2021?
.....
7. What did *BRD*'s board decide to offer existing shareholders in order to stabilize the business?
.....
8. When was toy production at *BRD*'s factory suspended?
.....



For November 2023 examinations

Comprehension Quiz

To help improve your application skills, review the *BRD* case study and then answer these questions.

9. Which method of production is *BRD* considering for the production of its model train sets?

.....

10. How much do the salaries of *BRD*'s employees rise by after every three years of employment?

.....

3

Try to answer the questions without referring to the case study if possible.

1. What was one of *BRD*'s best-selling toys in the 1930s?
A toy monkey playing a drum kit
2. What challenge did Arnold Brondy face when he wanted to diversify *BRD*'s product range? *High interest rates*
3. How often does the CEO of *BRD*, Arnold Brondy, interact with the production employees? *Once every two weeks*
4. What role does the centre rail have in *BRD*'s model train sets? *It carries the electrical current for the model trains*
5. How did the pricing of *BRD*'s model train sets compare to those made by rival manufacturers? *BRD's model train sets were significantly more expensive*
6. What is the name of the private equity business that purchased 20% of *BRD*'s shares after its share price dropped in 2021?
4Change
7. What did *BRD*'s board decide to offer existing shareholders in order to stabilize the business?
The right to buy an extra share for every five shares owned



For November 2023 examinations

Comprehension Quiz (Answers)

To help improve your application skills, review the *BRD* case study and then answer these questions.

8. When was toy production at *BRD*'s factory suspended?

World War II

9. Which method of production is *BRD* considering for the production of its model train sets?

Cellular production

10. How much do the salaries of *BRD*'s employees rise by after every three years of employment?

3%

4

Try to answer the questions without referring to the case study if possible.

1. During the Second World War, what was *BRD*'s factory used for?

.....

2. How did *BRD* finance its acquisitions to broaden its product range?

.....

3. *BRD* is considering switching to cellular production for which of its products?

.....

4. What is Arnold Brondy's approach to *BRD*'s employees' birthdays?

.....

5. Why is *BRD*'s model train system unique compared to its competitors in the USA and Europe?

.....

6. Why did *BRD*'s share of the UK market decline from 60% in 2001 to 20% in 2020?

.....



For November 2023 examinations

Comprehension Quiz

To help improve your application skills, review the *BRD* case study and then answer these questions.

7. What was the total value of the unsold stock in *BRD*'s Liverpool factory?

.....

8. How much money did *BRD* aim to raise from existing shareholders with the share offer?

.....

9. Name one of the three countries where the *BRD* Three-Rail Model Railway brand sold well?

.....

10. Name one of the two countries where the *BRD* Three-Rail Model Railway brand did not sell well.?

.....



For November 2023 examinations

Comprehension Quiz (Answers)

your application skills, review the *BRD* case study and then answer these questions.

4

To help improve

Try to answer the questions without referring to the case study if possible.

1. During the Second World War, what was *BRD*'s factory used for? **To produce rifles for the army**
2. How did *BRD* finance its acquisitions to broaden its product range? **Issuing new shares to the public (share capital)**
3. *BRD* is considering switching to cellular production for which of its products? **Its electric model train sets**
4. What is Arnold Brondy's approach to *BRD*'s employees' birthdays? **He gives them a card and small gift**
5. Why is *BRD*'s model train system unique compared to its competitors in the USA and Europe? **It uses a three-rail system that is not compatible with foreign models**
6. Why did *BRD*'s share of the UK market decline from 60% in 2001 to 20% in 2020? ***BRD* faced intense competition from new manufacturers**
7. What was the total value of the unsold stock in *BRD*'s Liverpool factory? **£6 million**
8. How much money did *BRD* aim to raise from existing shareholders with the share offer? **£15 million**
9. Name one of the three countries where the *BRD* Three-Rail Model Railway brand sold well. **The UK, Australia, and New Zealand**
10. Name one of the two countries where the *BRD* Three-Rail Model Railway brand did not sell well.
USA and Canada

5



For November 2023 examinations

Comprehension Quiz

To help improve your application skills, review the *BRD* case study and then answer these questions. Try to answer the questions without referring to the case study if possible.

1. What change did Geoff Brondy notice in the toy market after the Second World War?
.....
2. In which countries were the factories of the companies *BRD* acquired located?
.....
3. For how long would the switch to cellular production for *BRD*'s model train sets require production to be halted for?
.....
4. How long have many of the production employees at the Liverpool factory worked there?
.....
5. What has limited *BRD*'s market reach in the USA and Europe?
.....
6. What impact did Julia Dentes's work during the last Design Team Freedom Month have on *BRD*'s model train design?
.....
7. Which industry posed a challenge to the interest in modelling as a hobby, contributing to the decline in sales?
.....
8. How much was actually raised from existing shareholders through *BRD*'s latest share offer?
.....
9. How much money did *BRD* intend to raise from existing shareholders through its latest share offer to stabilize the business?



For November 2023 examinations

Comprehension Quiz (Answers)

To help improve your application skills, review the *BRD* case study and then answer these questions.

10. What is the name of the paint manufacturer that *BRD* acquired in 1990?

5

Try to answer the questions without referring to the case study if possible.

1. What change did Geoff Brondy notice in the toy market after the Second World War? **Consumers wanted more sophisticated toys**
2. In which countries were the factories of the companies *BRD* acquired located? **Wales, UK, and France**
3. For how long would the switch to cellular production for *BRD*'s model train sets require production to be halted for? **Two weeks**
4. How long have many of the production employees at the Liverpool factory worked there? **Over 20 years**
5. What has limited *BRD*'s market reach in the USA and Europe? **Compatibility issues with their two-rail systems**
6. What impact did Julia Dentes's work during the last Design Team Freedom Month have on *BRD*'s model train design? **It demonstrated the feasibility of using plastic for detailed and realistic model train sets**
7. Which industry posed a challenge to the interest in modelling as a hobby, contributing to the decline in sales? **The online games industry**
8. How much was actually raised from existing shareholders through *BRD*'s latest share offer? **£3 million**



For November 2023 examinations

Comprehension Quiz

To help improve your application skills, review the *BRD* case study and then answer these questions.

9. How much money did *BRD* intend to raise from existing shareholders through its latest share offer to stabilize the business?

£15 million

10. What is the name of the paint manufacturer that *BRD* acquired in 1990? *Enam Ltd.*

6

Try to answer the questions without referring to the case study if possible.

1. In which year did Geoff Brondy introduce the first *BRD* Slotcars racing set?

.....

2. What type of products did *Matchfix PLC* manufacture before being acquired by *BRD*?

.....

3. What is the purpose of the daily 30-minute cell meetings in the proposed production method?

.....

4. What is the situation with absenteeism and labour turnover at the Liverpool factory?

.....

5. Who is *BRD*'s primary customer base for its model train sets?

.....

6. How did Julia Dentes create prototypes of the model train sets during Design Team Freedom Month?

.....

7. What happened to *BRD*'s share price in 2021?

.....



For November 2023 examinations

Comprehension Quiz (Answers)

To help improve your application skills, review the *BRD* case study and then answer these questions.

8. What did *4Change* offer to do to help *BRD*?

.....

9. What external growth strategy did Arnold Brondy use with the aim to broaden *BRD*'s product range?

.....

10. Where is *BRD*'s Design Department based?

.....

6

Try to answer the questions without referring to the case study if possible.

1. In which year did Geoff Brondy introduce the first *BRD* Slotcars racing set? **1955**
2. What type of products did *Matchfix PLC* manufacture before being acquired by *BRD*? **Plastic model kits of aircraft and military vehicles**
3. What is the purpose of the daily 30-minute cell meetings in the proposed production method? **To improve communication between employees**
4. What is the situation with absenteeism and labour turnover at the Liverpool factory? **They are very low by industry standards**
5. Who is *BRD*'s primary customer base for its model train sets? **Railway modellers**
6. How did Julia Dentes create prototypes of the model train sets during Design Team Freedom Month? **She used a three-dimensional (3D) printer**
7. What happened to *BRD*'s share price in 2021? **It dropped by more than 50%**



For November 2023 examinations

Comprehension Quiz

To help improve your application skills, review the *BRD* case study and then answer these questions.

8. What did *4Change* offer to do to help *BRD*?
Buy £3 million worth of shares at a 25% discount and gain positions on the board of directors
9. What external growth strategy did Arnold Brondy use with the aim to broaden *BRD*'s product range?
Acquisitions
10. Where is *BRD*'s Design Department based?
Liverpool, UK

7

Try to answer the questions without referring to the case study if possible.

1. What was the unique feature of the *BRD* Three-Rail Model Railway?
.....
2. What did *BRD* do with the *Matchfix* factory in Wales after the acquisition?
.....
3. In cellular production, how are *BRD*'s employees organized?
.....
4. What is the content of the employment contracts for *BRD*'s factory employees?
.....
5. Why can *BRD* charge higher prices for its model train sets in the past?
.....
6. What was the primary advantage of using a 3D printer for creating the plastic prototypes?
.....



For November 2023 examinations

Comprehension Quiz (Answers)

To help improve your application skills, review the *BRD* case study and then answer these questions.

7. What did *BRD*'s primary and secondary market research identify as one of the reasons for falling sales of its train sets?

.....

8. How many positions on the board of directors did *4Change* insist on?

.....

9. In which year did *BRD* close the *Matchfix* factory in Wales and move production to the *BRD* factory in Liverpool?

.....

10. After the takeover of *Matchfix PLC* in 1990, was the *Matchfix* brand name retained by *BRD*?

.....



For November 2023 examinations

Comprehension Quiz (Answers)

your application skills, review the *BRD* case study and then answer these questions.

7

To help improve

Try to answer the questions without referring to the case study if possible.

1. What was the unique feature of the *BRD* Three-Rail Model Railway? **It has a three-rail system with a middle rail supplying power**
2. What did *BRD* do with the *Matchfix* factory in Wales after the acquisition? **Closed it**
3. In cellular production, how are *BRD's* employees organized?
Employees work in teams called cells, each responsible for a specific component
4. What is the content of the employment contracts for *BRD's* factory employees?
They only provide the statutory minimum benefits for employees who are absent due to illness or those who need to take parental leave following the birth or adoption of a child
5. Why can *BRD* charge higher prices for its model train sets in the past? **Their model train sets are more accurate and well-designed**
6. What was the primary advantage of using a 3D printer for creating the plastic prototypes? **It is faster than using metal**
7. What did *BRD's* primary and secondary market research identify as one of the reasons for falling sales of its train sets? **Uncompetitive prices for train sets**
8. How many positions on the board of directors did *4Change* insist on? **Three positions**
9. In which year did *BRD* close the *Matchfix* factory in Wales and move production to the *BRD* factory in Liverpool?
2001
10. After the takeover of *Matchfix PLC* in 1990, was the *Matchfix* brand name retained by *BRD*?
Yes

8



For November 2023 examinations

Comprehension Quiz (Answers)

To help improve your application skills, review the *BRD* case study and then answer these questions. Try to answer the questions without referring to the case study if possible.

1. What does the Fresh Water Division of *SVT* supply to its customers?

.....

2. What is Yannick Pedersen's leadership style?

.....

3. Who is the director of the Engineering Division?

.....

4. Who are *Geng PLC*?

.....

5. What is the main market for the much smaller desalination plants that are manufactured by *SVT's* Desalination Division?

.....

6. Did *H4 PLC* make use of any methods of motivation for its employees beyond paying competitive salaries?

.....

7. By how much did *SVT's* share price change between 2005 and 2010?

.....

8. Were people with the required skills (to replace *H4 PLC's* former employees who did not sign the flexible-working contract) in short supply in the UK?

.....

9. What did *SVT* embark on after acquiring *H4 PLC*?

.....



For November 2023 examinations

Comprehension Quiz

To help improve your application skills, review the *BRD* case study and then answer these questions.

10. Which two types of business entities does *SVT* work with to identify projects for the company's Outreach Programme?

.....
8

Try to answer the questions without referring to the case study if possible.

1. In which two countries did *BRD* see good sales of its Three-Rail Model Railway? **UK and Australia**
2. Which brand name was retained after the acquisition of *Matchfix PLC*? **Matchfix plastic model kits of aircraft and military vehicles**
3. How are the parts delivered to workstations in cellular production? **Through automated delivery vehicles**
4. How often do the salaries of all employees at the factory rise? **Every three years**
5. What restriction did the high prices of *BRD*'s model train sets impose (Hint: think market segments)? **They limited sales to wealthy families**
6. Why did some of the directors have misgivings about switching to plastic for the model train sets? **The plastic was not yet recyclable**
7. Why did *BRD* suffer a liquidity crisis in 2022? **Falling sales of model train sets and plastic model kits**
8. Why was *BRD*'s CEO initially reluctant to accept *4Change*'s offer? **He feared the direction that *4Change* might want *BRD* to take**



For November 2023 examinations

Comprehension Quiz (Answers)

To help improve your application skills, review the *BRD* case study and then answer these questions.

9. What did *SVT* embark on after acquiring *H4 PLC*?

SVT undertook a modernization program and reorganization of the operations of H4 PLC's factories in the UK

10. Which two types of business entities does *SVT* work with to identify projects for the company's Outreach Programme?

SVT works with charities and non-governmental organizations (NGOs) to identify projects for its Outreach Programme

9

Try to answer the questions without referring to the case study if possible.

1. Why did sales of the *BRD* Three-Rail Model Railway perform poorly in the USA and Canada?

.....

2. Where was the single Design Department responsible for designing various products located?

.....

3. What would be required if *BRD* switches to cellular production?

.....

4. Which department has a range of fringe benefits, including a car allowance and private health care?

.....

5. How often does Arnold Brondy meet with the employees in the Design Department?

.....

6. When will *BRD*'s switch to plastic for the model train sets?

.....



For November 2023 examinations

Comprehension Quiz

To help improve your application skills, review the *BRD* case study and then answer these questions.

7. What percentage of *BRD*'s shares did *4Change* purchase in 2021?

.....

8. What percentage of *BRD*'s shares does *4Change* now own?

.....

9. What is the financial outlook for *BRD* in 2023?

.....

10. With the switch to cellular production, how long would the daily cell meetings last?

.....

9

Try to answer the questions without referring to the case study if possible.

1. Why did sales of the *BRD* Three-Rail Model Railway perform poorly in the USA and Canada? **It was not compatible with the model train sets used in those countries**

2. Where was the single Design Department responsible for designing various products located? **Liverpool**

3. What would be required if *BRD* switches to cellular production? **Two weeks of halting production and employee training**

4. Which department has a range of fringe benefits, including a car allowance and private health care? **The Design Department**

5. How often does Arnold Brondy meet with the employees in the Design Department? **Every two weeks**

6. When will *BRD*'s switch to plastic for the model train sets?



For November 2023 examinations

Comprehension Quiz (Answers)

To help improve your application skills, review the *BRD* case study and then answer these questions.
2024

7. What percentage of *BRD*'s shares did *4Change* purchase in 2021?

20%

8. What percentage of *BRD*'s shares does *4Change* now own?

35%

9. What is the financial outlook for *BRD* in 2023?

It is likely to face more financial difficulties

10. With the switch to cellular production, how long would the daily cell meetings last? **30 minutes**



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your application skills, review the *BRD* case study and then answer these questions.

Comprehension Quiz 10

To help improve

Try to answer the questions without referring to the case study if possible.

1. What kind of toys did *BRD* make before transitioning to electric slot cars and model train sets?
.....
2. What two things did Arnold value and emphasize in the operation of *BRD*?
.....
3. Why does *BRD* want to make employees multiskilled in cellular production?
.....
4. What is the advantage of employees in the Design Department compared to those in the Production Department?
.....
5. During which stage of the design process is the Design Department responsible for managing a new model train set?
.....
6. In which year did *BRD* suffer a liquidity crisis due to falling sales of its model train sets and plastic model kits?
.....
7. What aspect of Julia Dentes's work convinced the board of directors to make the fundamental change to plastic model train sets?
.....
8. What action did *BRD* take in response to the liquidity crisis?



For November 2023 examinations

BRD

9. How much of *BRD*'s shares did *4Change* ultimately own after the board of directors accepted the offer?

10. Advancements in which rival industry has harmed the sales of *BRD*'s toys?

Comprehension Quiz 10 (Answers)

To help improve your application skills, review the case study and then answer these questions Try to answer the questions without referring to the case study if possible.

1. What kind of toys did *BRD* make before transitioning to electric slot cars and model train sets?
Wind-up clockwork toys
2. What two things did Arnold value and emphasize in the operation of *BRD*? Efficiency and productivity
3. Why does *BRD* want to make employees multiskilled in cellular production? To make them more efficient
4. What is the advantage of employees in the Design Department compared to those in the Production Department?
They have a more flexible work schedule
5. During which stage of the design process is the Design Department responsible for managing a new model train set?
Initial concept
6. In which year did *BRD* suffer a liquidity crisis due to falling sales of its model train sets and plastic model kits?
2022

IB Business Management – Paper 1 Case Study Pack
Case Study: Brondy's PLC **True**
or False Quizzes



For November 2023 examinations

- to each of the statements below based on the *Brondy's PLC (BRD)* case
7. What aspect of Julia Dentes's work convinced the board of directors to make the fundamental change to plastic model train sets?
The ability to achieve the same level of detail and realism as metal
 8. What action did *BRD* take in response to the liquidity crisis? **It sought a financial rescue package**
 9. How much of *BRD*'s shares did *4Change* ultimately own after the board of directors accepted the offer?
35%
 10. Advancements in which rival industry has harmed the sales of *BRD*'s toys? **Online games**

True or False Quiz 1

Answer 'True' or 'False' study. There are ten sets of these quizzes, each with ten questions (statements).

Statements	True or False?
1. <i>Brondy's PLC (BRD)</i> was founded in the United Kingdom (UK) by Geoff Brondy.	
2. The conversion of <i>BRD</i> to a public limited company was financed by the sale of share capital.	
3. Arnold Brondy decided to keep the <i>Matchfix</i> factory in Wales operational after the acquisition in 1990.	
4. If <i>BRD</i> switches to cellular production, it would require a two-week production halt as well as additional employee training.	
5. Many of the production employees at <i>BRD</i> 's Liverpool factory have been working there for more than 20 years.	
6. Design Team Freedom Month is a period during which employees in the Production Department can pursue individual design projects.	
7. <i>BRD</i> 's products became significantly cheaper than similar two-rail train sets made by rival manufacturers.	



For November 2023 examinations

BRD

8. <i>Julia</i> 's prototypes took more time to produce than a single model train set in metal.	
9. <i>BRD</i> 's unsold stock in the Liverpool factory was valued at £6 million during the liquidity crisis in 2022.	
10. <i>4Change</i> 's share ownership in <i>BRD</i> increased to 35% after <i>BRD</i> 's more recent share issue.	



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(Answers) to each of the statements below based on the *Brondy's PLC*

(*BRD*) case

True or False Quiz 1

Answer 'True' or 'False' study. There are ten sets of these quizzes, each with ten questions (statements).

Statements	True or False?
1. <i>Brondy's PLC (BRD)</i> was founded in the United Kingdom (UK) by Geoff Brondy.	True
2. The conversion of <i>BRD</i> to a public limited company was financed by the sale of share capital.	True
3. Arnold Brondy decided to keep the <i>Matchfix</i> factory in Wales operational after the acquisition in 1990.	False
4. If <i>BRD</i> switches to cellular production, it would require a two-week production halt as well as additional employee training.	True
5. Many of the production employees at <i>BRD's</i> Liverpool factory have been working there for more than 20 years.	True
6. Design Team Freedom Month is a period during which employees in the Production Department can pursue individual design projects.	False
7. <i>BRD's</i> products became significantly cheaper than similar two-rail train sets made by rival manufacturers.	False
8. <i>Julia's</i> prototypes took more time to produce than a single model train set in metal.	False
9. <i>BRD's</i> unsold stock in the Liverpool factory was valued at £6 million during the liquidity crisis in 2022.	True

IB Business Management – Paper 1 Case Study Pack
Case Study: Brondy's PLC True
or False Quizzes



For November 2023 examinations

True or False Quiz (Answers)

Answer 'True' or 'False' to each of the statements below based on the *Brondy's PLC (BRD)* case

10. <i>4Change's</i> share ownership in <i>BRD</i> increased to 35% after <i>BRD's</i> more recent share issue.	True
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2

study. There are ten sets of these quizzes, each with ten questions (statements).

Statements	True or False?
1. <i>BRD's</i> original product range included wind-up clockwork toys such as cars, lorries, and motorbikes.	
2. <i>BRD's</i> acquisitions in 1990 included a paint manufacturer based in Wales, UK.	
3. The <i>Matchfix</i> brand name was associated with paint products used by toy train modellers.	
4. The proposed change to cellular production would not require any additional training for <i>BRD's</i> Production Department employees.	
5. Absenteeism and labour turnover at the Liverpool factory are higher than industry standards.	
6. The employees in the Design Department collaborate with the production director to address design and production issues.	
7. Sales of <i>BRD's</i> model train sets increased year after year from 2010.	
8. Julia Dentes's presentation to the board of directors resulted in unanimous approval for switching to plastic model train sets.	

IB Business Management – Paper 1 Case Study Pack
Case Study: Brondy's PLC True
or False Quizzes



For November 2023 examinations

True or False Quiz

Answer 'True' or 'False' to each of the statements below based on the *Brondy's PLC (BRD)* case

9. The financial situation at <i>BRD</i> meant that shareholder confidence fell, and the share price dropped by more than 50% in 2021.	
10. The funds raised from the recent share sale provided <i>BRD</i> with enough liquidity to continue trading.	

2

study. There are ten sets of these quizzes, each with ten questions (statements).

Statements	True or False?
1. <i>BRD</i> 's original product range included wind-up clockwork toys such as cars, lorries, and motorbikes.	True
2. <i>BRD</i> 's acquisitions in 1990 included a paint manufacturer based in Wales, UK.	True
3. The <i>Matchfix</i> brand name was associated with paint products used by toy train modellers.	False
4. The proposed change to cellular production would not require any additional training for <i>BRD</i> 's Production Department employees.	False
5. Absenteeism and labour turnover at the Liverpool factory are higher than industry standards.	False
6. The employees in the Design Department collaborate with the production director to address design and production issues.	True

IB Business Management – Paper 1 Case Study Pack
Case Study: Brondy's PLC True
or False Quizzes



For November 2023 examinations

True or False Quiz (Answers)

Answer 'True' or 'False' to each of the statements below based on the *Brondy's PLC (BRD)* case

7. Sales of <i>BRD</i> 's model train sets increased year after year from 2010.	False
8. Julia Dentes's presentation to the board of directors resulted in unanimous approval for switching to plastic model train sets.	False
9. The financial situation at <i>BRD</i> meant that shareholder confidence fell, and the share price dropped by more than 50% in 2021.	True
10. The funds raised from the recent share sale provided <i>BRD</i> with enough liquidity to continue trading.	True

3

study. There are ten sets of these quizzes, each with ten questions (statements).

Statements	True or False?
1. During the Second World War, <i>BRD</i> temporarily halted toy production and instead manufactured rifles for the army.	
2. The <i>Matchfix</i> brand name was discontinued after the acquisition by <i>BRD</i> .	
3. The <i>BRD Three-Rail Model Railway</i> had great success in the USA and Canada due to its compatibility with the local two-rail system.	
4. <i>BRD</i> 's primary reason for considering the switch to cellular production is to increase the variety of train set components.	
5. <i>BRD</i> 's employees at the Liverpool factory have never engaged in industrial strike action.	

IB Business Management – Paper 1 Case Study Pack
Case Study: Brondy's PLC True
or False Quizzes



For November 2023 examinations

True or False Quiz

Answer 'True' or 'False' to each of the statements below based on the *Brondy's PLC (BRD)* case

6. Arnold Brondy meets with the Design Department employees every week to discuss their progress and ideas for the future.	
7. By 2020, <i>BRD</i> 's share of the UK market had dropped from a peak of 60% in 2001 to 20%.	
8. <i>BRD</i> has now decided to switch to plastic for its model train sets due to concerns about the recyclability of the material.	
9. The primary reason for <i>BRD</i> 's liquidity crisis in 2022 was excessive production leading to overstock in the Liverpool factory.	
10. <i>BRD</i> will not need to make any further strategic changes in 2023 due to the successful sale of shares to <i>4Change</i> .	

3

study. There are ten sets of these quizzes, each with ten questions (statements).

Statements	True or False?
1. During the Second World War, <i>BRD</i> temporarily halted toy production and instead manufactured rifles for the army.	True
2. The <i>Matchfix</i> brand name was discontinued after the acquisition by <i>BRD</i> .	False
3. The <i>BRD Three-Rail Model Railway</i> had great success in the USA and Canada due to its compatibility with the local two-rail system.	False
4. <i>BRD</i> 's primary reason for considering the switch to cellular production is to increase the variety of train set components.	False

IB Business Management – Paper 1 Case Study Pack
Case Study: Brondy's PLC True
or False Quizzes



For November 2023 examinations

True or False Quiz (Answers)

Answer 'True' or 'False' to each of the statements below based on the *Brondy's PLC (BRD)* case

5. <i>BRD's</i> employees at the Liverpool factory have never engaged in industrial strike action.	True
6. Arnold Brondy meets with the Design Department employees every week to discuss their progress and ideas for the future.	False
7. By 2020, <i>BRD's</i> share of the UK market had dropped from a peak of 60% in 2001 to 20%.	True
8. <i>BRD</i> has now decided to switch to plastic for its model train sets due to concerns about the recyclability of the material.	True
9. The primary reason for <i>BRD's</i> liquidity crisis in 2022 was excessive production leading to overstock in the Liverpool factory.	True
10. <i>BRD</i> will not need to make any further strategic changes in 2023 due to the successful sale of shares to <i>4Change</i> .	False

4

study. There are ten sets of these quizzes, each with ten questions (statements).

Statements	True or False?
1. After the Second World War, the demand for clockwork toys remained strong, leading to <i>BRD's</i> continued success in the market.	
2. Arnold Brondy closed the <i>Matchfix</i> factory in Wales and moved its production to the <i>BRD</i> factory in Liverpool in 2001.	
3. <i>BRD's</i> electric slot cars are powered by miniature engines within the vehicles.	

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Case Study: Brondy's PLC **True**
or False Quizzes



For November 2023 examinations

True or False Quiz

Answer 'True' or 'False' to each of the statements below based on the *Brondy's PLC (BRD)* case

4. In the proposed cellular production system for <i>BRD's</i> model train sets, each cell (team) would produce a complete train set.	
5. Arnold Brondy has been proactive in updating the factory employees' contracts of employment to provide additional benefits beyond the statutory minimum requirements.	
6. <i>BRD's</i> model train sets are made from metal, with a three-rail system for the tracks.	
7. In the late 20th century, many model train manufacturers switched from metal to plastic, but <i>BRD</i> continued using metal.	
8. The advancement of the online games industry has contributed to a general lack of interest in modeling as a hobby.	
9. <i>BRD's</i> bank agreed to extend its overdraft to £8 million.	
10. Arnold Brondy was concerned about the direction that <i>4Change</i> might want <i>BRD</i> to take.	

4

study. There are ten sets of these quizzes, each with ten questions (statements).

Statements	True or False?
1. After the Second World War, the demand for clockwork toys remained strong, leading to <i>BRD's</i> continued success in the market.	False



For November 2023 examinations

True or False Quiz (Answers)

Answer 'True' or 'False' to each of the statements below based on the *Brondy's PLC (BRD)* case

2. Arnold Brondy closed the <i>Matchfix</i> factory in Wales and moved its production to the <i>BRD</i> factory in Liverpool in 2001.	True
3. <i>BRD</i> 's electric slot cars are powered by miniature engines within the vehicles.	False
4. In the proposed cellular production system for <i>BRD</i> 's model train sets, each cell (team) would produce a complete train set.	False
5. Arnold Brondy has been proactive in updating the factory employees' contracts of employment to provide additional benefits beyond the statutory minimum requirements.	False
6. <i>BRD</i> 's model train sets are made from metal, with a three-rail system for the tracks.	True
7. In the late 20th century, many model train manufacturers switched from metal to plastic, but <i>BRD</i> continued using metal.	True
8. The advancement of the online games industry has contributed to a general lack of interest in modeling as a hobby.	True
9. <i>BRD</i> 's bank agreed to extend its overdraft to £8 million.	False
10. Arnold Brondy was concerned about the direction that <i>4Change</i> might want <i>BRD</i> to take.	True

study. There are ten sets of these quizzes, each with ten questions (statements).



For November 2023 examinations

True or False Quiz

Answer 'True' or 'False' to each of the statements below based on the *Brondy's PLC (BRD)* case

Statements	True or False?
1. In 1954, Geoff Brondy attended a toy fair in London, UK, where he found inspiration for new toy products.	
2. The Design Department that is responsible for model train sets, slot car racing sets, and plastic model kits was based in the <i>Matchfix</i> factory.	
3. <i>BRD's</i> model electric train sets consist of 3 components: a train engine, coaches, and tracks.	
4. The proposed cell meetings would be scheduled during normal working hours as part of <i>BRD's</i> new production system.	
5. Factory employees are entitled to additional benefits if they are absent due to illness or need parental leave.	
6. Competitors in the USA and Europe do not use a three-rail system for their model train sets.	
7. <i>BRD's</i> board of directors believed that quality and realism (for its model trains) were more important than price.	
8. <i>BRD's</i> train sets were considered competitively priced, leading to high sales in the USA, Canada, Australia, and the UK.	
9. A key supplier of materials canceled <i>BRD's</i> 30-day trade credit facility, demanding immediate payment for each order.	
10. <i>4Change's</i> purchase of shares allowed them to gain a significant level of influence over <i>BRD</i> .	

IB Business Management – Paper 1 Case Study Pack
Case Study: Brondy's PLC True
or False Quizzes



For November 2023 examinations

True or False Quiz (Answers)

Answer 'True' or 'False' to each of the statements below based on the *Brondy's PLC (BRD)* case study. There are ten sets of these quizzes, each with ten questions (statements).

Statements	True or False?
1. In 1954, Geoff Brondy attended a toy fair in London, UK, where he found inspiration for new toy products.	False
2. The Design Department that is responsible for model train sets, slot car racing sets, and plastic model kits was based in the <i>Matchfix</i> factory.	False
3. <i>BRD's</i> model electric train sets consist of 3 components: a train engine, coaches, and tracks.	True
4. The proposed cell meetings would be scheduled during normal working hours as part of <i>BRD's</i> new production system.	True
5. Factory employees are entitled to additional benefits if they are absent due to illness or need parental leave.	False
6. Competitors in the USA and Europe do not use a three-rail system for their model train sets.	True
7. <i>BRD's</i> board of directors believed that quality and realism (for its model trains) were more important than price.	True
8. <i>BRD's</i> train sets were considered competitively priced, leading to high sales in the USA, Canada, Australia, and the UK.	False
9. A key supplier of materials canceled <i>BRD's</i> 30-day trade credit facility, demanding immediate payment for each order.	True
10. <i>4Change's</i> purchase of shares allowed them to gain a significant level of influence over <i>BRD</i> .	True

IB Business Management – Paper 1 Case Study Pack
Case Study: Brondy's PLC True
or False Quizzes



For November 2023 examinations

True or False Quiz

Answer 'True' or 'False' to each of the statements below based on the *Brondy's PLC (BRD)* case
6

study. There are ten sets of these quizzes, each with ten questions (statements).

Statements	True or False?
1. <i>BRD's</i> slot car racing set, branded as <i>BRD Slotcars</i> , gained popularity in various countries of the Commonwealth (Commonwealth of Nations).	
2. When he took on the role as CEO, Arnold Brondy wanted <i>BRD</i> to focus solely on model trains, but he recognized the need for diversification.	
3. <i>BRD's</i> current production method for model train sets is batch production.	
4. Arnold Brondy keeps a record of staff birthdays in his office and acknowledges each employee's birthday with a card and small gift.	
5. The Design Team Freedom Month is primarily focused on providing a break for employees rather than encouraging creative design work.	
6. <i>BRD's</i> board of directors prioritized price over quality and realism when choosing materials for its electric model trains.	
7. <i>BRD's</i> customer base for metal trains and plastic model kits was declining, and younger customers are not replacing the ageing customer base.	
8. Customer complaints about quality issues with <i>Matchfix</i> plastic model kits had negatively impacted <i>BRD's</i> sales.	
9. <i>BRD's</i> board of directors offered existing shareholders the right to buy an extra share for every ten shares owned.	
10. <i>BRD's</i> bank did not approve an increase in an overdraft to accommodate the company's financial needs.	



For November 2023 examinations

True or False Quiz (Answers)

Answer 'True' or 'False' to each of the statements below based on the *Brondy's PLC (BRD)* case

6

study. There are ten sets of these quizzes, each with ten questions (statements).

Statements	True or False?
1. <i>BRD's</i> slot car racing set, branded as <i>BRD Slotcars</i> , gained popularity in various countries of the Commonwealth (Commonwealth of Nations).	True
2. When he took on the role as CEO, Arnold Brondy wanted <i>BRD</i> to focus solely on model trains, but he recognized the need for diversification.	True
3. <i>BRD's</i> current production method for model train sets is batch production.	True
4. Arnold Brondy keeps a record of staff birthdays in his office and acknowledges each employee's birthday with a card and small gift.	True
5. The Design Team Freedom Month is primarily focused on providing a break for employees rather than encouraging creative design work.	False
6. <i>BRD's</i> board of directors prioritized price over quality and realism when choosing materials for its electric model trains.	False
7. <i>BRD's</i> customer base for metal trains and plastic model kits was declining, and younger customers are not replacing the ageing customer base.	True
8. Customer complaints about quality issues with <i>Matchfix</i> plastic model kits had negatively impacted <i>BRD's</i> sales.	True
9. <i>BRD's</i> board of directors offered existing shareholders the right to buy an extra share for every ten shares owned.	False

IB Business Management – Paper 1 Case Study Pack
Case Study: Brondy's PLC True
or False Quizzes



For November 2023 examinations

True or False Quiz

Answer 'True' or 'False' to each of the statements below based on the *Brondy's PLC (BRD)* case

10. <i>BRD</i> 's bank did not approve an increase in an overdraft to accommodate the company's financial needs.	True
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7

study. There are ten sets of these quizzes, each with ten questions (statements).

Statements	True or False?
1. The model train set introduced by <i>BRD</i> had a two-rail system, similar to those found in the USA and Canada.	
2. The <i>Matchfix</i> brand name was maintained even after the takeover by <i>BRD</i> in 2001.	
3. Production targets for each component of the model train sets are consistently met without any issues.	
4. Automated delivery vehicles would be responsible for delivering parts to workstations in the proposed cellular production system.	
5. Salaries of all employees automatically increase by 3% after every three years of continuous employment.	
6. The three-rail system has limited <i>BRD</i> 's market reach to the UK only.	
7. <i>BRD</i> 's loyal customer base is primarily composed of younger consumers.	
8. Falling sales meant <i>BRD</i> 's shareholder confidence fell until <i>4Change</i> , a private equity business, purchased 20% of the company's shares.	

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Case Study: Brondy's PLC True
or False Quizzes



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True or False Quiz (Answers)

Answer 'True' or 'False' to each of the statements below based on the *Brondy's PLC (BRD)* case

9. <i>BRD</i> raised the targeted £15 million from existing shareholders to stabilize the business.	
10. The cancellation of the trade credit facility from a key supply had a large impact on <i>BRD's</i> operations and financial position.	

7

study. There are ten sets of these quizzes, each with ten questions (statements).

Statements	True or False?
1. The model train set introduced by <i>BRD</i> had a two-rail system, similar to those found in the USA and Canada.	False
2. The <i>Matchfix</i> brand name was maintained even after the takeover by <i>BRD</i> in 2001.	True
3. Production targets for each component of the model train sets are consistently met without any issues.	False
4. Automated delivery vehicles would be responsible for delivering parts to workstations in the proposed cellular production system.	True
5. Salaries of all employees automatically increase by 3% after every three years of continuous employment.	True
6. The three-rail system has limited <i>BRD's</i> market reach to the UK only.	False
7. <i>BRD's</i> loyal customer base is primarily composed of younger consumers.	False

IB Business Management – Paper 1 Case Study Pack
Case Study: Brondy's PLC **True**
or False Quizzes



For November 2023 examinations

True or False Quiz

Answer 'True' or 'False' to each of the statements below based on the *Brondy's PLC (BRD)* case

8. Falling sales meant <i>BRD</i> 's shareholder confidence fell until <i>4Change</i> , a private equity business, purchased 20% of the company's shares.	True
9. <i>BRD</i> raised the targeted £15 million from existing shareholders to stabilize the business.	False
10. The cancellation of the trade credit facility from a key supply had a large impact on <i>BRD</i> 's operations and financial position.	True

8

study. There are ten sets of these quizzes, each with ten questions (statements).

Statements	True or False?
1. The <i>BRD Three-Rail Model Railway</i> was a successful product in the UK, Australia, and New Zealand, but not in the USA or Canada.	
2. The factory of the acquired company, <i>Enam Ltd.</i> , was located in France.	
3. Employee absence, machinery problems, and communication issues are some of the key reasons for <i>BRD</i> not meeting production targets.	
4. The <i>Matchfix</i> plastic model kits are manufactured in a different part of the Liverpool factory and use cellular production.	
5. Employees in the Production Department receive the same fringe benefits as those in the Design Department.	
6. <i>BRD</i> 's model trains cannot run on the two-rail systems made by rivals in the USA and Europe.	

IB Business Management – Paper 1 Case Study Pack
Case Study: Brondy's PLC True
or False Quizzes



For November 2023 examinations

True or False Quiz (Answers)

Answer 'True' or 'False' to each of the statements below based on the *Brondy's PLC (BRD)* case

7. <i>BRD</i> 's model train sets made from metal are more expensive than similar two-rail train sets made by rivals.	
8. Sales of <i>BRD</i> 's products, including model train sets, have fallen year after year since 2010.	
9. <i>BRD</i> reduced production in response to the falling sales of its model train sets and plastic model kits.	
10. <i>4Change</i> purchased the unsold shares from <i>BRD</i> 's shareholders at a 25% discount, raising £12 million in the process.	

8

study. There are ten sets of these quizzes, each with ten questions (statements).

Statements	True or False?
1. The <i>BRD Three-Rail Model Railway</i> was a successful product in the UK, Australia, and New Zealand, but not in the USA or Canada.	True
2. The factory of the acquired company, <i>Enam Ltd.</i> , was located in France.	True
3. Employee absence, machinery problems, and communication issues are some of the key reasons for <i>BRD</i> not meeting production targets.	True
4. The <i>Matchfix</i> plastic model kits are manufactured in a different part of the Liverpool factory and use cellular production.	False
5. Employees in the Production Department receive the same fringe benefits as those in the Design Department.	False

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Case Study: Brondy's PLC True
or False Quizzes



For November 2023 examinations

True or False Quiz

Answer 'True' or 'False' to each of the statements below based on the *Brondy's PLC (BRD)* case

6. <i>BRD</i> 's model trains cannot run on the two-rail systems made by rivals in the USA and Europe.	True
7. <i>BRD</i> 's model train sets made from metal are more expensive than similar two-rail train sets made by rivals.	True
8. Sales of <i>BRD</i> 's products, including model train sets, have fallen year after year since 2010.	True
9. <i>BRD</i> reduced production in response to the falling sales of its model train sets and plastic model kits.	False
10. <i>4Change</i> purchased the unsold shares from <i>BRD</i> 's shareholders at a 25% discount, raising £12 million in the process.	True

9

study. There are ten sets of these quizzes, each with ten questions (statements).

Statements	True or False?
1. Arnold Brondy has been <i>BRD</i> 's CEO since 1985.	
2. In 2022, <i>BRD</i> had to delay the daily dispatch of train sets to retailers approximately three times a month due to production issues.	
3. Production targets for the <i>Matchfix</i> model kits are consistently met, which is why cellular production is not being considered for them.	
4. Employees in the Design Department have flexible working practices, including the option to work from home two days a week.	



For November 2023 examinations

True or False Quiz (Answers)

Answer 'True' or 'False' to each of the statements below based on the *Brondy's PLC (BRD)* case

5. <i>BRD</i> targeted a niche market of railway modellers and wealthy families for its model train sets.	
6. Arnold Brondy's vision for <i>BRD</i> included expanding the product range through acquisitions of other companies.	
7. By 2020, <i>BRD</i> 's market share in the UK had decreased from a peak of 60% in 2001 to 20%.	
8. <i>4Change</i> demanded three positions on <i>BRD</i> 's board of directors as a condition for buying the unsold shares.	
9. The primary purpose of the share sale was to raise capital for expanding <i>BRD</i> 's product range.	
10. <i>BRD</i> 's board of directors offered existing shareholders the right to buy an extra share for every five shares owned.	

9

study. There are ten sets of these quizzes, each with ten questions (statements).

Statements	True or False?
1. Arnold Brondy has been <i>BRD</i> 's CEO since 1985.	True
2. In 2022, <i>BRD</i> had to delay the daily dispatch of train sets to retailers approximately three times a month due to production issues.	True

IB Business Management – Paper 1 Case Study Pack
Case Study: Brondy's PLC True
or False Quizzes



For November 2023 examinations

True or False Quiz

Answer 'True' or 'False' to each of the statements below based on the *Brondy's PLC (BRD)* case

3. Production targets for the <i>Matchfix</i> model kits are consistently met, which is why cellular production is not being considered for them.	True
4. Employees in the Design Department have flexible working practices, including the option to work from home two days a week.	True
5. <i>BRD</i> targeted a niche market of railway modellers and wealthy families for its model train sets.	True
6. Arnold Brondy's vision for <i>BRD</i> included expanding the product range through acquisitions of other companies.	True
7. By 2020, <i>BRD</i> 's market share in the UK had decreased from a peak of 60% in 2001 to 20%.	True
8. <i>4Change</i> demanded three positions on <i>BRD</i> 's board of directors as a condition for buying the unsold shares.	True
9. The primary purpose of the share sale was to raise capital for expanding <i>BRD</i> 's product range.	False
10. <i>BRD</i> 's board of directors offered existing shareholders the right to buy an extra share for every five shares owned.	True

10

study. There are ten sets of these quizzes, each with ten questions (statements).

Statements	True or False?
1. Geoff Brondy preferred <i>BRD</i> to focus solely on model trains, but he recognized the need for diversification.	

IB Business Management – Paper 1 Case Study Pack
Case Study: Brondy's PLC True
or False Quizzes



For November 2023 examinations

True or False Quiz (Answers)

Answer 'True' or 'False' to each of the statements below based on the *Brondy's PLC (BRD)* case

2. <i>BRD's</i> acquisitions of <i>Matchfix PLC</i> and <i>Enam Ltd.</i> were funded by a government grant as well as share capital.	
3. <i>BRD</i> is considering changing to batch production of its model train sets.	
4. The CEO of <i>BRD</i> personally interacts with every production employee at least once every two weeks.	
5. Every year, each member of the Design Department is given responsibility for designing a new product, such as a model train set or slot car set.	
6. In the late 20th century, most model train manufacturers transitioned from metal to plastic, but <i>BRD</i> didn't make this change.	
7. Julia Dentes, a member of the Design Department, used a 3D printer to produce working prototypes of plastic model train sets.	
8. <i>BRD's</i> decision to seek a financial rescue package was prompted by the purchase of 20% of its shares by <i>4Change</i> .	
9. As CEO, Arnold Brondy was eager to accept <i>4Change's</i> offer to buy the unsold shares.	
10. Following the sale of shares to <i>4Change</i> , <i>BRD's</i> strategic challenges have been fully resolved, and no further financial difficulties are anticipated.	

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Case Study: Brondy's PLC True
or False Quizzes



For November 2023 examinations

True or False Quiz

Answer 'True' or 'False' to each of the statements below based on the *Brondy's PLC (BRD)* case
10 (Answers)

study. There are ten sets of these quizzes, each with ten questions (statements).

Statements	True or False?
1. Geoff Brondy preferred <i>BRD</i> to focus solely on model trains, but he recognized the need for diversification.	False
2. <i>BRD</i> 's acquisitions of <i>Matchfix PLC</i> and <i>Enam Ltd.</i> were funded by a government grant as well as share capital.	False
3. <i>BRD</i> is considering changing to batch production of its model train sets.	True
4. The CEO of <i>BRD</i> personally interacts with every production employee at least once every two weeks.	True
5. Every year, each member of the Design Department is given responsibility for designing a new product, such as a model train set or slot car set.	True
6. In the late 20th century, most model train manufacturers transitioned from metal to plastic, but <i>BRD</i> didn't make this change.	True
7. Julia Dentes, a member of the Design Department, used a 3D printer to produce working prototypes of plastic model train sets.	True
8. <i>BRD</i> 's decision to seek a financial rescue package was prompted by the purchase of 20% of its shares by <i>4Change</i> .	False
9. As CEO, Arnold Brondy was eager to accept <i>4Change</i> 's offer to buy the unsold shares.	False
10. Following the sale of shares to <i>4Change</i> , <i>BRD</i> 's strategic challenges have been fully resolved, and no further financial difficulties are anticipated.	False

A – Z Quiz

For



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Complete the A - Z quiz to check your comprehension of the *Brondy's PLC* case study.

	Clue	Answer
A	First name of the CEO of <i>Brondy's PLC</i> since 1985.	
B	Production method used to make <i>BRD's</i> model train sets.	
C	One of the allowances workers in the Design Department get.	
D	The CEO meets with workers from this department every 2 weeks	
E	Paint manufacturer acquired by <i>BRD</i> in 1990.	
F	Number of train carriages in <i>BRD's</i> model train sets.	
G	First name of the founder of <i>Brondy's PLC</i> in 1930.	
H	Employees in the Design Department qualify for this private fringe benefit.	
I	The cost of borrowing money, which was very high in the mid to late 1980s (and at a 14 year high in the UK today).	
J	First name of employee in the Design Department who created the 3-D prototype train set in plastic	
K	<i>Matchfix</i> produces plastic model of aircraft and military vehicles.	
L	Location of <i>BRD's</i> factory in northwest England, UK.	
M	Manufacturer of plastic model kits acquired by <i>BRD</i> in 1990.	
N	City where the CEO of <i>BRD</i> visited for a toy fair in 1954.	
O	<i>BRD's</i> bank refused to extend this financial service, which now stands at £8 million.	
P	107 people work in this department at <i>BRD</i> .	
Q	<i>BRD's</i> board of directors were convinced that realism and are more important than price.	
R	<i>BRD's</i> customer base initially included modellers.	
S	Source of finance that raised £12 million in 2012 to give <i>BRD</i> sufficient liquidity to continue trading.	
T	Number of tracks in <i>BRD's</i> rail system (model trains).	
U	Competitors in this country use a two-rail system for its model trains.	
V	<i>Matchfix PLC</i> produces plastic model kits of military	
W	Major event that suspended toy production at <i>BRD's</i> factory.	
X	Work from home is an example of this working practice: ...x....	
Y	The salaries of all employees rise automatically by 3% after every three	



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Z	<i>BRD's Three-Rail Model Railway</i> sold well in the UK, Australia, and New	
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A – Z Quiz

For

Answers

	Clue	Answer
A	First name of the CEO of <i>Brondy's PLC</i> since 1985.	Arnold
B	Production method used to make <i>BRD's</i> model train sets.	Batch
C	One of the allowances workers in the Design Department get.	Car allowance
D	The CEO meets with workers from this department every 2 weeks	Design Department
E	Paint manufacturer acquired by <i>BRD</i> in 1990.	<i>Enam Ltd.</i>
F	Number of train carriages in <i>BRD's</i> model train sets.	Four
G	First name of the founder of <i>Brondy's PLC</i> in 1930.	Geoff
H	Employees in the Design Department qualify for this private fringe benefit.	Health care
I	The cost of borrowing money, which was very high in the mid to late 1980s (and at a 14 year high in the UK today).	Interest rates
J	First name of employee in the Design Department who created the 3-D prototype train set in plastic	Julia
K	<i>Matchfix</i> produces plastic model of aircraft and military vehicles.	Kits
L	Location of <i>BRD's</i> factory in northwest England, UK.	Liverpool
M	Manufacturer of plastic model kits acquired by <i>BRD</i> in 1990.	<i>Matchfix PLC</i>
N	City where the CEO of <i>BRD</i> visited for a toy fair in 1954.	New York, USA
O	<i>BRD's</i> bank refused to extend this financial service, which now stands at £8 million.	Overdraft
P	107 people work in this department at <i>BRD</i> .	Production Department
Q	<i>BRD's</i> board of directors were convinced that realism and are more important than price.	Quality
R	<i>BRD's</i> customer base initially included modellers.	Railway
S	Source of finance that raised £12 million in 2012 to give <i>BRD</i> sufficient liquidity to continue trading.	Share capital
T	Number of tracks in <i>BRD's</i> rail system (model trains).	Three
U	Competitors in this country use a two-rail system for its model trains.	USA



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V	<i>Matchfix PLC</i> produces plastic model kits of military	Vehicles
W	Major event that suspended toy production at <i>BRD's</i> factory.	World War II
X	Work from home is an example of this working practice: ...x....	Flexible
Y	The salaries of all employees rise automatically by 3% after every three	Years
Z	<i>BRD's Three-Rail Model Railwayd</i> sold well in the UK, Australia, and New	Zealand



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Multiple Choice Questions

How much do you really know about the contents of the *BRD* case study? Answer the following set of MCQs to find out.

1. What was one of *BRD*'s best-selling toys in the 1930s?
 - A. Clockwork cars
 - B. Electric model train sets
 - C. Electric slot cars
 - D. Toy robots

2. What led to the decline of clockwork toys at *BRD* after the Second World War?
 - A. A lack of funding
 - B. A shift in consumer preferences
 - C. A shortage of skilled engineers
 - D. Government regulations

3. Why did Arnold Brondy consider diversification for *BRD*'s product range?
 - A. To expand the business and ensure prosperity
 - B. To focus on model electric train sets
 - C. To match the preferences of consumers in the USA and Canada
 - D. To take advantage of low interest rates

4. What was the main reason for closing Matchfix's factory in Wales and moving production to the *BRD* factory in Liverpool?
 - A. Enam Ltd.
 - B. Matchfix PLC
 - C. Three-Rail Model Railway
 - D. TrackMaster Models

5. What was the main reason for closing the *Matchfix* factory in Wales and moving production to the *BRD* factory in Liverpool?
 - A. A shortage of skilled employees in Wales
 - B. Access a larger market in Liverpool
 - C. A strategic decision to reduce costs
 - D. Tax incentives offered by the Liverpool government



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6. Which type of products is the Design Department at the Liverpool factory responsible for?
- A. Aircraft engines
 - B. Military vehicles
 - C. Plastic model kits
 - D. Slot car racing sets
7. What is one of the reasons why *BRD* is considering changing to cellular production for its model train sets?
- A. To make employees multiskilled
 - B. To increase labour turnover
 - C. To reduce employee absenteeism
 - D. To utilize specialized machinery
8. How often does *BRD*'s CEO speak with each of the 107 production employees at the Liverpool factory?
- A. Once a month
 - B. Once a week
 - C. Once a year
 - D. Once every two weeks
9. Why is cellular production not being considered for the *Matchfix* plastic model kits?
- A. Employees at *Matchfix* are multiskilled
 - B. Machinery for the model kits is outdated
 - C. Production targets for the model kits are consistently met D. The *Matchfix* factory is too small
10. What is the key difference in fringe benefits between employees in the Production Department and those in the Design Department?
- A. Design Department employees receive private health care
 - B. Design Department employees receive free meals
 - C. Production Department employees have flexible working practices D. Production Department employees receive a car allowance



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11. What unique event takes place within the Design Department every year, allowing employees to pursue individual design projects?
- A. Creative Design Month
 - B. Design Department Review Week
 - C. Design Team Freedom Month
 - D. Design Innovation Workshop
12. Why did *BRD* continue using metal as the primary material for its model train sets, despite the trend of other manufacturers shifting to plastic?
- A. To attract younger customers
 - B. To maintain detail and realism
 - C. To reduce manufacturing costs
 - D. To target wealthy families
13. What pivotal change did *BRD's* board of directors decide to make in 2024 regarding the material used for model train sets?
- A. Introduce a combination of metal and plastic
 - B. Introduce sustainable metal
 - C. Switch from metal to plastic
 - D. Switch from plastic to metal
14. What was one of the reasons for the decline in the sales of *BRD's* plastic model kits?
- A. A decline in the customer base for metal trains
 - B. A lack of interest in the hobby of modelling
 - C. An increase in customer complaints about quality issues
 - D. An uncompetitive pricing strategy
15. What was the most severe financial challenge that *BRD* faced in 2022 due to falling sales and unsold stock?
- A. Cash surplus
 - B. Decline of an overdraft
 - C. Liquidity crisis
 - D. Removal of trade credit from a supplier



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Answers

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 - B. **A shift in consumer preferences**
 - C. A shortage of skilled engineers
 - D. Government regulations

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- C. A strategic decision to reduce costs**
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IB Business Management – Paper 1 Case Study Pack
Case Study: Brondy's PLC
SWOT Analysis



For November 2023 examinations

Use the case study to construct a SWOT analysis for *Brondy's PLC (BRD)*.



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Strengths

Weaknesses

Opportunities

Threats



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SWOT analysis for Brondy's PLC (BRD)

SWOT analysis provides a framework for decision makers to consider factors in both the internal and the external business environment that affect their operations. The internal factors can be classified as either **strengths** or **weaknesses** within the organization. The external factors can be classified as **opportunities** or **threats**, as outlined in the case study.

Note: The examples below are not prescriptive and it may be possible for students to justify a different category within a SWOT analysis. The important thing is that answers in the final examination must be fully justified / substantiated through the use of reasoning.

Strengths

These strengths of *BRD* come from a combination of having a strong legacy, a diverse product portfolio, adaptability to changing market conditions, and positive relationships with both employees and customers, all of which contribute to its potential for success in the toy industry.

- A diverse product range – *BRD* has a varied product range, including clockwork toys, electric slot cars, model train sets, plastic model kits, and other novelty items, enabling the company to appeal to a wide customer base.
- Longstanding reputation – *BRD* has a long history, having been established over 90 years ago in 1930. *BRD*'s longevity has helped the company to establish a strong brand name and brand reputation in the toy industry.
- Innovation and adaptability – *BRD* has demonstrated a culture of innovation and adaptability by transitioning from clockwork toys to more sophisticated electric slot cars and model train sets, reflecting its ability to stay relevant in changing markets.
- Employee loyalty – Many of the employees in *BRD*'s Production Department have worked for the company for over 20 years. This suggests a highly dedicated and experienced workforce with low absenteeism and labour turnover. This is beneficial for both costs and productivity.



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Strengths continued ...

- Positive employee relations – Arnold Brondy, as the CEO, maintains close working relationships with his factory employees, ensuring he speaks with all 107 team members every two weeks. This personal touch has a positive impact on the work environment, raises staff morale, and further enhances employee loyalty.
- High-quality materials – *BRD*'s commitment to quality is evident in its use of metal in its products (such as the *BRD Three-Rail Model Railway*), demonstrating a focus on realism and durability. Up until now, this has helped to differentiate the *BRD* brand from its competitors.
- Global presence – *BRD* has expanded its market reach beyond the UK, with sales in other Commonwealth countries, such as Australia and New Zealand. This showcases the company's ability to cater its toy products to international markets.
- Growth through strategic acquisitions – *BRD*'s acquisitions of *Matchfix PLC* (plastic model kits) and *Enam Ltd.* (paints manufacturer) indicate a strategic approach to external growth and diversification. This has enabled the company to expand its product offerings. It has also enabled *BRD* to leverage synergies between the acquired companies, such as merging the *Matchfix* and *BRD* design departments.

Weaknesses

The weaknesses of *BRD* highlight some of the challenges and vulnerabilities that the company is facing, ranging from market limitations and product compatibility issues to internal operational concerns and financial difficulties. Addressing these weaknesses will be essential for the company's future success and growth.

- Ageing customer base – *BRD*'s customer base for metal trains and plastic model kits is ageing, i.e., the average age of customers is increasing. However, there are not enough younger customers interested in these toys. This points to a weakness in that *BRD*'s products do not appeal to younger consumers.



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- Declining sales – *BRD* has been experiencing declining sales for its model train sets and plastic model kits. This indicates a vulnerability (weakness) in maintaining a consistent revenue stream.

Weaknesses continued...

- Foreign competition – There is competition from toy manufacturers in the USA and Europe. Given these markets use a different two-rail system for their model train sets, it also limits *BRD*'s market reach and prevents its products from being compatible with rival systems. This limits the size of *BRD*'s global customer base.
- Limited global market reach – While *BRD* has a strong market presence in the UK, Australia, and New Zealand, its market share in other countries, including the USA, has significantly decreased. This is largely due to incompatibility issues with the two-rail systems used in many overseas markets.
- Coordination challenges – *BRD* faces issues in coordinating the production of train set components. This has led to the company having to postpone dispatches and disruptions in meeting demands from retailers.
- Financial challenges – *BRD* experienced a liquidity crisis in 2022 due to unsold stocks (inventories). A key supplier has also cancelled the 30-day trade credit facility, creating liquidity issues for *BRD*. In addition, it has had difficulty raising capital from existing shareholders (only raising £3 million from the intended or required £15 million). This resulted in the involvement of a private equity firm, *4Change*, which now owns a significant portion of *BRD*'s shares.
- Inconsistent and inequitable employee contracts – Employee contracts at *BRD* are not consistent or equitable. In particular, employees in the Production Department are provided with only statutory minimum benefits. In contrast, employees in the Design Department receive more benefits, such as a car allowance, subsidized meals, and private health care. This disparity in fringe benefits between departments is very likely to cause problems and negatively impact employee satisfaction and retention in the long term.



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- Reliance on traditional materials – *BRD* has continued to use metal as the primary material for its model train sets despite the trend in the industry toward using plastic. This decision has led to higher costs, making *BRD*'s products far more expensive than those of competitors. It is also very likely to have contributed to the company's declining sales every year since 2015.

Opportunities

The opportunities facing *BRD* present various avenues for the company to capitalize on its strengths, overcome its weaknesses, and strengthen its position for growth in the evolving toy industry.

- Innovations (recyclable plastic model kits) – The success of Julia Dentes's 3D printed plastic prototypes presents an opportunity to explore new innovations in plastic model kits. *BRD* can leverage this technology to create high-quality, cost-effective, and customizable plastic model kits that could attract a wider customer base, especially if recyclable materials can be used. *BRD*'s willingness to transition from metal to plastic for its model train sets shows a forwardthinking approach that could enhance the company's cost-efficiency as well as align with market preferences.
- Sustainable and eco-friendly initiatives – Similarly, addressing societal concerns about the nonrecyclable plastics used in the prototypes of the model train sets could present an opportunity for *BRD* to lead in eco-friendly toy manufacturing. This could include opportunities such as exploring the feasibility of using bio-based materials, developing sustainable packaging, and/or incorporating recycling programmes could attract environmentally conscious consumers.
- Modernization of toy production processes – Adopting cellular production methods for model train sets could increase *BRD*'s operational efficiency, reduce production challenges faced in the past, and align with current manufacturing practices in the industry. This can therefore improve *BRD* ability to meet changing market demands.
- Expansion into emerging markets – *BRD* could explore expanding its market presence into emerging economies with a growing consumer base, such as Eastern Europe. These markets



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may have untapped demand for high-quality toys, and *BRD*'s established reputation could give it an advantage.

- Product diversification – *BRD* can further diversify its product range beyond traditional toy manufacturing. This is important given the general lack of interest in modelling as a hobby due to the advancement of the online games industry. This could involve exploring complementary product categories, such as educational toys for younger children, catering toy products for female customers, and/or interactive technology-based products (replacing *BRD*'s ageing customer base with younger ones). Such strategies present opportunities for *BRD* to tap into new trends and changing customer preferences.

Opportunities continued ...

- E-commerce (online sales) – With the advancement of online retail and the growing popularity of e-commerce, *BRD* can expand its online sales presence. This strategy has been used by *Toys "R" Us* following the closure of most of its physical retail stores. Creating a user-friendly website, offering online purchasing options, and leveraging social media marketing (SMM) can help the company to reach a broader customer base – selling directly to the customer, rather than through retailers.
- Collaborations and licensing – *BRD* could explore collaborations with popular franchises or licensing agreements to create themed toy sets. This approach can allow the company to tap into existing fan bases and create buzz around the products, potentially leading to increased sales. This strategy worked extremely well for *Mattel* with the hundreds of brand licensing deals with *Barbie* in 2023.
- New distribution channels – Exploring partnerships with specialty toy retail stores, online marketplaces, and/or other distribution formats can create opportunities for *BRD* to expand its distribution channels and increase its brand visibility in target markets.

Threats



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The threats facing *BRD* highlight the challenges that the company must address in order to ensure its long-term success and sustainability in a highly competitive and dynamic toy industry.

Implementing effective strategies to mitigate these threats will be crucial for *BRD*'s future growth.

- Intense competition – The toy industry is highly rivalrous, both in the UK and globally, with established and market leaders constantly competing to protect and increase their market share. Competitors from Europe, the USA, and Canada threaten *BRD*'s sales and profitability.
- Changing consumer preferences – As consumer preferences continue to evolve, *BRD* may struggle to keep up with shifting trends in the toy industry. If the company does not adapt its product offerings to match changing consumer demands, it could lose market relevance given that *BRD*'s customer base is ageing and the company is not sufficiently catering for younger customers.

Threats continued ...

- Financial instability – *BRD* has faced recent financial challenges, including a liquidity crisis and a prolonged decline in sales. If the company cannot stabilize its financial situation, it may face difficulties in maintaining operations and threaten its survival.
- Economic downturn – The current economic climate could lead to lower consumer spending on non-essential items, including toys. The UK is currently facing inflationary pressures and an economy suppressed by the impacts of the COVID-19 pandemic and Brexit (its withdrawal from the European Union). Such economic threats could mean that *BRD* may experience reduced sales during an economic downturn or recession, impacting its sales revenue and profitability.
- Rapid technological changes – Technological advancements and the rise of digital entertainment, such virtual reality (VR), could lead to a further decline in interest in traditional toy products. If *BRD* does not embrace technological innovations or adapt its product offerings to suit modern trends, this is likely to threaten its sales and profits.
- A lack of brand awareness in new markets – Expanding into new markets may present challenges for *BRD* in terms of building brand awareness and trust. This is particularly the case in places like the USA and Canada where *BRD*'s model train sets are not compatible with the



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two-rail model railway system. If *BRD* cannot establish a strong presence in new markets, it may struggle to gain traction and compete effectively with local and global competitors in the toy manufacturing industry.



examinations

PEST (STEEPLE) Analysis

For November 2023

Use the case study to complete a PEST (STEEPLE) analysis for *Brondy's PLC (BRD)*.



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Political factors

Economic factors

Social factors

Technological factors

PEST (STEEPLE) analysis for Brondy's PLC (BRD)



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PEST analysis provides a framework for decision makers to consider factors in the external business environment that affect their operations. These factors can be categorized as **political**, **economic**, **social**, and **technological** factors, which can present opportunities and threats, as outlined in the *BRD* case study.

When studying these PEST/STEEPLE factors, consider how the various points might affect the operations and strategic decision-making at *BRD*.

Note: The IB Business Management syllabus refers to STEEPLE analysis (social, technological, economic, environmental, political, legal, and ethical). To simplify revision for students, in this analysis 'environmental' and 'ethical' factors are covered under the section heading of 'social' factors, and the 'legal' issues are covered under the section on 'political' factors.

Political factors and considerations (including legal factors)

The political and legal factors and considerations should be analyzed by *BRD* to develop a comprehensive understanding of its business environment and to make informed strategic decisions for its future success.

- Environmental regulation and legal compliance – Being a manufacturer of toys and model train sets in the UK, *BRD* is subject to various regulations and standards related to product safety, labeling, and environmental protection. The decision to switch to plastic materials, while beneficial in terms of cost and production time, may have environmental implications. The non-recyclable nature of the plastic used in the new products may attract scrutiny from environmental advocates and regulatory bodies. *BRD*'s compliance with environmental standards is crucial on ethical and legal grounds.
- Government support and grants – Given the financial challenges *BRD* has faced, it might seek support or grants from the UK government to aid its transition and research efforts. The availability of such support, including government-back low-interest rate loans, could affect support *BRD*'s financial stability and innovation.

Political factors and considerations (including legal factors) continued ...



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- Trade agreements and restrictive trade barriers – *BRD* operates in multiple countries, and any changes in trade agreements or trade restrictions (such as tariffs imposed by the European Union) could impact its supply chain and international competitiveness, especially since it has acquired companies in different locations, e.g., France. Trade policies and Brexit (the UK's withdrawal from the European Union), for example, may affect *BRD*'s business operations and distribution in overseas markets.
- Labour laws and employment practices – Arnold Brondy's approach to employee relations, including contracts, benefits, and flexible working practices, is inconsistent and this could have implications under labour laws. He has been slow at updating the factory employees' contracts of employment, for example. Furthermore, *BRD* may face changes in labour laws, especially if there are government initiatives to update or regulate employment contracts (including the need to comply with equal opportunities laws), fringe benefits, and workplace flexibility.
- Political stability – The degree of political stability in the countries where *BRD* operates, particularly in the UK, USA, and Europe, can have a huge impact on the overall business environment. Political stability fosters business and consumer confidence, while political instability can lead to uncertainty, higher risks, and reduced consumer spending on non-essential items like toys and model train sets.

Economic factors and considerations

Analyzing the economic factors and considerations within a PEST analysis framework allows *BRD* to better understand its economic environment and make informed decisions that can help stabilize and improve the company's financial performance, adapt to changing market conditions, and drive its future growth.

- Changing market demand and trends – The declining sales of *BRD*'s metal model train sets and plastic model kits are a significant economic concern. Understanding changes in consumer preferences, the impact of online gaming on traditional hobbies, and trends in the global toy industry are crucial for *BRD*'s future product development and sales growth strategies.

Economic factors and considerations continued ...



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- Pricing strategy – The competitive pricing landscape in the toy manufacturing industry is critical, especially given *BRD*'s higher prices for its metal products compared to plastic alternatives offered by rivals. Adjusting pricing strategies to remain competitive without compromising quality or profitability is essential, even as *BRD* transitions to plastic materials for its model train sets.
- Economic conditions – *BRD*'s financial performance is influenced by the overall economic conditions in the countries in which the company operates. This includes key economic performance indicators such as the growth in gross domestic product (GDP), inflation rates, unemployment rates, and the level of consumer disposable income. In particular, an economic downturn or recession can negatively impact consumer spending on non-essential products such as toys.
- Currency fluctuations – *BRD* operates in multiple countries so may be exposed to currency exchange rate risks. Fluctuations in exchange rates, especially given its international operations, could impact *BRD*'s production costs, pricing, and overall profitability.
- Cost efficiency and production methods – *BRD*'s transition to plastic from metal in its model train sets highlights a cost-efficiency consideration. The economic impact of this shift in production, including material costs, could be financially beneficial for *BRD* in the long term, so long as it can deal with the environmental impacts of the change.
- Financial and liquidity considerations – *BRD* recently faced a liquidity crisis due to unsold stock (inventory) and a lack of available trade credit. Maintaining financial stability, managing cash flow, and ensuring access to trade credit facilities are essential economic factors for *BRD*'s business operations and growth.
- Investment and R&D expenditure – *BRD*'s decisions to invest in new production methods, research and development (e.g., 3D printing), and strategic changes (e.g., transitioning to plastic) have significant economic implications. Balancing the need for innovation with financial constraints is a crucial consideration for the company.

Social factors and considerations (including environmental and ethical factors)



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Analyzing the social factors and considerations within a PEST framework allows *BRD* to better understand its social environment, align its strategies with societal trends, and enhance its brand image while meeting the changing expectations of customers and employees.

- Demographic changes – *BRD*'s customer base for its metal model train sets and plastic model kits has been ageing (i.e., an increase in the average age of its customers), leading to declining sales as new and younger customers are not sufficient in numbers. Understanding demographic shifts like this, such as the changing preferences and buying habits of younger generations, is essential for *BRD* to adapt its product offering and marketing strategies in order to resonate with its target audience.
- Environmental awareness – The shift from metal to plastic in *BRD*'s products has been influenced by economic factors (i.e., cost savings) as well as growing environmental awareness, especially in recent years. Consumers are increasingly showing a preference for environmentally friendly products. Therefore, *BRD* needs to ensure its transition to plastic aligns with these environmental concerns in order to positively impact brand perception.
- Workforce practices - Many of the production employees in the Liverpool factory have worked there for over 20 years, which is beneficial in terms of employee loyalty, experience, and productivity. However, managing a diverse workforce, including addressing generational differences and encouraging new ideas, can contribute to a more innovative and adaptable company culture. This is particularly true for employees who do not receive any fringe benefits as this can cause personnel problems within *BRD*, especially if the workers in the Production Department compare their remuneration package with those in the Design Department.
- Employee relations and engagement – *BRD*'s CEO, Arnold Brondy, has a personal approach to employee relations, which has resulted in low absenteeism and low labour turnover. Maintaining a positive work environment in such ways helps to address employee concerns and foster employee engagement; both of which are vital for retaining skilled and motivated employees. However, the board of directors may be concerned about whether such a high level of engagement from the CEO is the best use of his valuable time, such as giving out birthday cards and gifts to each employee on their birthday.

Social factors and considerations (including environmental and ethical factors) continued ...



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- Corporate social responsibility (CSR) - The decision to switch to plastic materials in the production of model train sets has implications for *BRD*'s corporate social responsibility. This includes the need to carefully consider factors such as recyclability, environmental impacts, and the company's contribution to waste management and waste reduction. *BRD*'s commitment to socially responsible practices can enhance its corporate reputation and appeal to more customers, especially those who are socially conscious.

Technological factors and considerations

Analyzing the technological factors and considerations within a PEST framework allows *BRD* to leverage technology as a driver for innovation, operational efficiency, and market expansion while meeting customer expectations in the future.

- 3D printing and prototyping – The introduction of 3D printing technology by Julia Dentes, a member of the Design Department, showcases the potential for rapid prototyping and innovation in product development at *BRD*. The company could consider the implications of 3D printing for design flexibility, speed, and cost-effectiveness for a broader range of its toy products. Staying up to date with technological advancements and integrating them into *BRD*'s operations can enhance its international competitiveness.
- Transition to plastic materials – The decision to switch from metal to plastic materials in *BRD*'s products has significant technological implications, including changes in manufacturing processes, material sourcing, and quality control – as well as staff training. Adapting to new production methods and understanding the capabilities and limitations of plastic materials in toy production is crucial for the future success of *BRD*.
- Automated Delivery Vehicles – The case study refers to the proposed use of automated delivery vehicles (ADV) to deliver parts to workstations in a potential cellular production setup. *BRD* will need to consider the feasibility, efficiency, and integration of such technology into its production processes as well as the impact on its costs and profits.

Technological factors and considerations continued ...

- Online sales and e-commerce – The growth of online sales and e-commerce platforms has transformed the retail landscape, including the toy market. *BRD* could consider expanding its



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online presence, optimizing its website for sales directly to customers (such as model train enthusiasts from across the world), and leveraging social media marketing (SMM) strategies to reach a broader and perhaps younger customer base.

- **Compatibility with Two-Rail Systems** – This is an obvious gap in the market for *BRD* as its own model train sets use a unique three-rail system, although this limits compatibility with the more common two-rail systems used by competitors in many parts of the world, including the USA and Europe. Understanding the technological challenges and opportunities of adapting to different model rail systems could create a huge business opportunity for expanding *BRD's* market reach.
- **Automation and efficiency improvements** – In addition to *BRD's* consideration of cellular production, the board of directors could focus further on automation and efficiency improvements by adopting the latest technologies in toy production. This could include exploring how advanced manufacturing technologies, such as robotics and 3-D printing, can streamline production, reduce costs, cut waste, and improve product quality and consistency.
- **Digital design tools** – *BRD's* Design Department uses digital design tools for model creation. The company should stay updated on the latest software and digital modelling techniques to optimize design efficiency, collaboration, and overall product development. This will also require sufficient funding to train and upskill workers in the Design Department.

**IB Business Management – Paper 1 Case Study Pack Case Study: Brondy's
PLC SL Mock Exam**



For November 2023 examinations

1 hour 15 minutes

INSTRUCTIONS

- Do not open this examination paper until you have been instructed to do so.
- You will need a clean copy of the *Brondy's PLC (BRD)* case study for this examination.
- A clean copy of the Business Management formulae sheet is required.
- Answer any **two** questions from Section A.
- Answer **the** compulsory question from Section B.
- You are permitted to use a calculator for this examination paper.
- Total marks available: 40 marks.

- 2 -

SECTION A

Answer **two** questions from this section.

1. (a) Describe **one** advantage and **one** disadvantage for *Brondy's PLC (BRD)* of batch production (line 41). [4 marks]
- (b) Explain the importance of sufficient liquidity (line 140) for *BRD*. [6 marks]

2. (a) Outline **two** benefits for *BRD* of having low labour turnover by [4 marks]

industry standards (lines 63 – 64).

- (b) Explain how changes in any **two** STEEPLE factors in the external environment might pose a threat to *BRD*. [6 marks]

3. (a) Define the following terms:

(i) *niche market* (line 89) [2 marks]

(ii) *market share* (line 97). [2 marks]

- (b) Explain **one** strength and **two** weaknesses of *BRD* as a company. [6 marks]

There is no additional information in this mock exam paper for Section A.

- 3 -

SECTION B

*Refer to the addition materials below and answer **the compulsory** questions from this section.*

4. Last month, *BRD*'s board of directors agreed that a 5-year plan of action was needed to remain competitive in the toy manufacturing industry. The directors are aware that the toys industry in the UK is a lucrative and growing one. Nevertheless, firms in the industry currently face economic challenges caused by high levels of inflation and a cost-of-living crisis.

The toys industry includes different **market segments**, ranging from toys targeted at young children to more complex games targeted at adults such as card games and board games. The directors also discussed the feasibility of expanding its product offerings to include any combination of construction sets and models, puzzles, dolls and stuffed toys, and toys for toddlers and younger children.

At the meeting, Arnold Brondy also presented the following findings from the latest market research about the toy industry in the UK. He is keen to explore the option of *BRD* selling its toys and model train sets directly to consumers via an e-commerce platform rather than relying on retailers only. This is an approach used by larger rivals such as *Mattel* and *Hasbro*.

Item 1 – The UK toys industry

- Sales of the toys and games industry in the UK increased from billion £4 billion in 2015 to over £4.7 billion in 2021. Sales are expected to exceed £5.5 billion by 2027.

- Toys for toddlers and younger children are the most lucrative segment in the toys industry in the UK, with sales revenues exceeding £1.4 billion in 2021.
- Online sales in the UK toys and games industry have grown significantly since 2017 and are projected to surpass offline sales by 2024.
- Kidults (customers aged 12 and over) represent the largest market segment, equating to almost 30% of UK toy sales.
- Consumer spending on toys, games, and hobby-related items in the UK more than doubled from around £6.2 billion in 2005 to almost £13 billion in 2021. Spending on these items differed based on income levels. The highest earners spent around £6 weekly, while the lowest earners spent only £1 weekly.

Source: [Statista](#)

- (a) Define the term *market segments*. [2 marks]
- (b) With reference to any **two** aspects of Daniel Pink's theory of motivation, explain the drive of *BRD*'s employees in the Design Department. [4 marks]
- (c) Explain the suitability of cellular production for *BRD*'s model train sets (lines 46 – 47). [4 marks]
- (d) Using the additional information in Section B **and** information in the case study, recommend a plan of action for *BRD* to remain competitive in the toy manufacturing industry over the next five years. *You may find it useful to refer specifically to any two functional areas of the business.* [10 marks]

IB Business Management – Paper 1 Case Study Pack Case Study: Brondy's PLC

SL Mock Exam – Mark Scheme



For November 2023 examinations

TEACHERS' NOTES

- These are suggested answers only.
- Teachers should use their professional judgement in awarding answers that may not be included in this mark scheme.
- The data and information included in Section B are provided for illustrative purposes only, in order to provide students with practice for the final examination in November 2023.

SECTION A

1. (a) Describe one advantage and one disadvantage for *Brondy's PLC (BRD)* of batch production (line 41). **[4 marks]**

Possible advantages could include a description of any one of the following points:

- Cost efficiency – Batch production allows *BRD* to produce a certain quantity of toys or model train sets in one production cycle. This approach can lead to cost savings as resources, materials, and labour can be optimized for a specific batch size. By producing in larger batches for the most popular toys or model, *BRD* can take advantage of economies of scale, which can lead to lower perunit costs of production.
- Variety and customization – Batch production is well-suited for situations where there is demand for a range of different products or variations, such as different train model sets. This production method allows *BRD* to manufacture different models or variations within a single production run. Hence, batch production enables *BRD* to cater for customers with different preferences without the company having to commit to mass production of a single product.

- Quality control – With batch production, *BRD* can implement stringent quality control measures for each batch. Since the production process is repeated for each batch, it becomes easier to identify and rectify any issues or defects that may arise. This helps ensure that its products meet the required quality standards before being dispatched to retailers, enhancing overall customer satisfaction, and reducing the likelihood of product recalls or returns.
- *Accept any other relevant advantage of batch production that is clearly described in the context of the case study.*

Possible disadvantages could include a description of any one of the following points:

- Higher inventory costs – Batch production often leads to the production of larger quantities of products at once. This can result in higher levels of stocks (raw materials, semi-finished goods, and finished goods), tying up *BRD*'s capital whilst incurring costs, such as storage. If demand for model train sets fluctuates or if certain models become less popular, *BRD* could be left with unsold inventory, leading to financial losses.
- Longer lead times – Batch production requires the setup of production processes for each batch, which can take time, especially if there are machinery problems (line 44). As a result, lead times from order placement to product delivery may be longer compared to mass production methods. This could impact *BRD*'s ability to respond quickly to changes in market demand or trends.
- Less flexibility – Although batch production allows for variety within each batch, it might not be as adaptable to sudden changes in customer preferences or market dynamics. If *BRD* needs to pivot quickly to introduce new products or modify existing ones, the setup and coordination required for batch production may hinder the company's responsiveness. Coordination has been an issue for *BRD*'s batch production of its model train sets (line 42).
- Higher risk of wastage – With batch production, if errors or defects are detected after production has begun, the entire batch is likely to be affected. This could result in a larger quantity of defective output, leading to wastage of both materials and production employees' time. Quality issues can also impact customer satisfaction and brand reputation (line 121).
- *Accept any other relevant disadvantage of batch production that is clearly described in the context of the case study.*

Mark as 2 + 2

Award [1 mark] for a valid advantage (and disadvantage) and a further [1 mark] for an appropriate description written in the context of the case study.

(b) Explain the importance of sufficient liquidity (line 140) for *BRD*. [6 marks]

Liquidity refers to the ease with which an asset, such as stocks (inventories), can be quickly and easily converted into cash or used to settle financial obligations. It reflects the ability of *BRD* to meet its short-term debts and liabilities without causing disruptions or incurring excessive costs.

Having sufficient liquidity is crucial for *BRD* for several reasons, including an explanation of any combination of the following points:

- Operational stability – Liquidity ensures that *BRD* has the necessary cash resources to meet its day-to-day operational expenses, such as paying employee salaries, purchasing raw materials for its toys and model train sets, covering utility bills, and maintaining batch production processes. Without adequate liquidity, *BRD* is likely to face disruptions in its operations, which may lead to production delays, reduced output, and customer dissatisfaction.
- Managing financial obligations – *BRD* has financial commitments such as overdraft repayments (line 127), interest payments, and supplier invoices (line 128). Insufficient liquidity can jeopardize the company's ability to honour these obligations on time, damaging its creditworthiness and leading to strained relationships with creditors and suppliers (lines 127 – 129).
- Seizing business opportunities – Being in a good liquidity position provides *BRD* with the flexibility to capitalize on growth opportunities or to respond to unexpected changes in the market. For example, having available funds enables *BRD* to invest in research and development and to produce prototypes (lines 101 – 102) or to fund strategic acquisitions that can enhance its competitive position (lines 28 – 34).
- Crisis resilience – Liquidity provides *BRD* with a financial buffer during times of economic uncertainty (such as a recession), market volatility, or industry disruptions. Having a degree of financial safety allows *BRD* to navigate through challenging trading periods without making hasty decisions that could have long-term negative consequences (such as an overreliance on *4Change*). It provides *BRD* with the ability to endure unexpected shocks, maintain stability, and continue its operations whilst conditions improve.
- *Accept any other reason, explained in the context of the case study.*

In summary, sufficient liquidity is the lifeblood of *BRD*'s operations, enabling it to function efficiently, meet its financial commitments, exploit market opportunities, and withstand potential threats. Liquidity supports *BRD*'s overall financial health, operational efficiency, and strategic responsiveness in the dynamic toys and model trains industry.

Award up to *[2 marks]* if the answer shows minimal understanding of the demands of the question. The response lacks detail and makes minimal use of appropriate terminology or application to *BRD*.

Award up to *[4 marks]* for an answer that demonstrates some understanding of the demands of the question, although the explanation lacks depth in parts. The response is mainly theoretical and has partial application of the *BRD* case study.

Award up to *[6 marks]* for an answer that demonstrates a good understanding of the demands of the question. The response shows a detailed explanation of the importance of liquidity for *BRD*. There is effective use of appropriate terminology throughout the response, with clear application of the *BRD* case study.

2. (a) **Outline two benefits for *BRD* of having low labour turnover by industry standards (lines 63 – 64). *[4 marks]***

Possible benefits for *BRD* could include:

- Having low labour turnover means that workers are generally more motivated and productive because they are accustomed to how things work at *BRD*, such as improved labour productivity. This is important as the CEO values productivity (line 35).
- Labour turnover is a sign or measure of employee loyalty, i.e., low labour turnover suggests the workers are content and highly motivated to work at *BRD*. Hence, they are likely to be more dedicated to their jobs. This is evident given that many production employees have worked at the Liverpool factory for over 20 years (lines 62 – 63).
- It enables Arnold Brondy, as the CEO, to focus his time, resources, and energy on other operations such as acquisitions (line 28) and strategic decision making (line 135), thereby helping to improve *BRD*'s overall efficiency and productivity.
- Ultimately, low labour turnover relative to other toy manufacturers in the industry saves *BRD* both time and money needed for the recruitment, induction, and training of new/replacement workers. This helps to reduce the overall operational costs for *BRD*, thereby improving its profitability.
- *Accept any other benefit that is clearly outlined in the context of the BRD case study.*

Mark as 2 + 2

Award *[1 mark]* for each relevant advantage for *BRD*, and a further *[1 mark]* for the outline, written in the context of the case study, up to the maximum of *[4 marks]*.

If there is no application of the stimulus material, award a maximum of *[2 marks]*.

- (b) **Explain how changes in any two STEEPLE factors in the external environment might pose a threat to *BRD*. *[6 marks]***

STEEPLE analysis provides a framework for decision makers to consider factors in the external business environment that affect their operations. These factors can be opportunities or threats to *BRD*'s operations.

Possible responses could include an explanation of any two of the following points:

- Social factors – *BRD*'s customer base for metal model train sets and plastic kits is ageing (lines 116 – 117), resulting in reduced sales due to the insufficient influx of new, younger customers. Recognizing such demographic changes, including shifts in the preferences and purchasing habits among younger generations, is vital for *BRD* so that it can adjust its product offering and marketing approaches to connect with its target markets.
- Technological factors – The integration of 3D printing technology (lines 101 – 102) highlights the rapid prototyping potential at *BRD*. Exploring the potential of 3D printing and other technologies on design flexibility, speed, and costeffectiveness across a wider range of toys could be beneficial for *BRD*. Remaining current with technological advances, including developments in the online gaming industry, and incorporating these into *BRD*'s operations can elevate the company's international competitiveness.
- Economics factors – *BRD* faces economic worries due to falling sales of metal model train sets and plastic kits (line 97). Recognizing shifts in consumer preferences and market trends, such as the impact of online gaming, is vital for *BRD*'s future product and sales strategies.
- Political (government) factors – As *BRD* is facing financial difficulties, it may consider seeking government support or grants in the UK to assist its transition and research endeavours. This includes the existence of business development loans and low-interest loans backed by the government, which has the potential to stabilise *BRD*'s financial position (lines 111 – 114) and innovation initiatives (lines 101 – 102).
- Legal factors – *BRD* must follow regulations for product safety, labelling, and the environment. Choosing plastic for production, though cost-effective, might raise environmental concerns due to its non-recyclable nature (lines 107 – 108), potentially drawing attention from environmental groups and regulators. Adhering to environmental standards and ecological sustainability is also vital for *BRD* both in terms of business ethics and legal terms. Furthermore, *BRD* will need to comply with equal opportunities laws, fringe benefits, and workplace flexibility (lines 69 – 72).
- *Accept any other relevant STEEPLE factor, explained in the context of the BRD case study.*

Note: This question requires candidates to explain any **two** of the (seven) STEEPLE factors. Each of the two STEEPLE factors must be explicitly stated (Social, Technological, Economic, Ethical, Political, Legal, or Environmental). It must be clear from the response which factor is being referred to.

Award up to *[2 marks]* if the answer shows limited understanding of the demands of the question. The answer lacks detail and/or application.

Award up to [4 marks] if the answer demonstrates some understanding of the demands of the question. The response may be overly theoretical and/or lacks clear application of the case study.

Award up to [6 marks] if the answer demonstrates good understanding of the demands of the question. The response shows detailed explanations of any two different STEEPLE factors. There is appropriate use of terminology throughout the response, with effective application of the stimulus material in the case study.

3. (a) Define the following terms:

(i) *niche market* (line 89). [2 marks]

A niche market product caters for a small market segment, such as predominantly male customers who value accurately made and well-designed railway modellers. It is a subset of the larger market (for toys in general) on which an actual or specific product is focused.

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

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

Application and examples are not required for full marks.

(ii) *market share* (line 97).

Market share is the percentage of all sales in a particular market or industry that is held by one brand, product, or business. It is typically measured in terms the value of sales revenue generated per time period. The formula for calculating *BRD's* market share in the toy manufacturing industry is:

$$\frac{\text{Brondy's PLC's sales revenue (£)}}{\text{Total industry's sales revenue (£)}} \times 100$$

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

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

Application and examples are not required for full marks.

(b) Explain one strength and two weaknesses of *BRD* as a company. [6 marks]

Possible strength of *BRD* could include an explanation of any one of the following points:

- Longevity – *BRD* is a well-established company, having been founded back in 1930 (line 1). This indicates a long-standing market presence in the toy manufacturing industry. This legacy can enhance the *BRD*'s brand reputation and credibility in the markets in which it operates.
- Internal and external growth – *BRD*'s CEO, Arnold Brondy, recognizes the importance of diversification (through internal and external growth strategies) to ensure the company's continued expansion and success. Under his leadership, *BRD* acquired *Matchfix PLC* and *Enam Ltd.* (lines 30 – 34), expanding the *BRD*'s product range and market reach. This strategy showcases *BRD*'s ability to adapt to changing market demands and capitalize on opportunities for growth.
- A focus on efficiency and productivity – *BRD*'s emphasis on efficiency and productivity (line 35), as demonstrated by the merger of *BRD*'s design departments and factory consolidation (lines 35 – 37). This indicates *BRD*'s commitment to optimizing resources and streamlining operations. This leads to cost savings, improved resource usage, and enhanced competitiveness.
- Strong employee relations – Arnold Brondy's personal interaction with his employees helps to foster positive working relations at *BRD*. The CEO's knowledge of the production employees' names, family situations, and recognition of their birthdays all demonstrate a strong connection with the workforce. The low absenteeism and labour turnover, as well as the absence of strikes, indicate a positive and stable work environment that can contribute to consistent production targets, quality output, and customer satisfaction.
- *Accept any other strength of BRD, explained in the context of the case study.*

Possible weaknesses of *BRD* could include an explanation of any two of the following points:

- Limited product range and market reach – *BRD*'s historical focus on metal model train sets and plastic model kits, while initially profitable, has led to a lack of product diversification in its product portfolio. This narrow focus has made the company vulnerable to shifts in market trends, such as the decline in interest in railway modelling as a hobby due to the rise of the online gaming industry (lines 118 – 119).
- Ageing customer base – Similarly, although *BRD* has a loyal customer base (line 96), this primarily consists of older individuals who value high-quality and realistic train models. This poses a challenge for *BRD* as these customers are ageing (line 117). Currently, *BRD* is not able to attract younger customers to replace the older, loyal customer base, so the company risks a continuous decline in sales and market share, particularly as the preferences of younger generations may differ.
- Uncompetitive pricing – *BRD*'s decision to continue using metal as the primary material for its products for so long, despite competitors switching to plastic to reduce costs, has led to higher prices for its model train sets. This uncompetitive pricing strategy has contributed to the company's declining sales, limited its ability

to attract price-sensitive consumers, and reduced its market share from a peak of 60% in 2001 to 20% in 2020 (lines 97 – 98).

- Quality concerns- The increase in customer complaints about quality issues with *Matchfix* plastic model kits (line 121) suggests a weakness in *BRD*'s quality control processes. Such concerns can damage *BRD*'s corporate reputation, reduce customer trust in the brand, and diminish customer loyalty. Quality issues can also result in additional costs for *BRD* with regards to addressing customer complaints and product returns.
- Financial instability – *BRD*'s liquidity crisis (line 124) and inability to secure sufficient financing (lines 126 – 129 and lines 132 – 133) as well as the decline in sales (line 124) highlight the company's financial vulnerabilities. *BRD*'s dependence on shareholder investment and the additional involvement of *4Change* as a major shareholder (lines 136 – 137) indicate a lack of financial stability and raises concerns about the company's ability to handle future financial challenges without external support.
- *Accept any other weakness of BRD, explained in the context of the case study.*

Award [1 – 2 marks] if only one strength or one weakness is explained or if there is minimal, if any, application.

Award [3 – 4 marks] if one strength and one weakness is covered, although the response may lack depth. There is appropriate use of terminology for most of the response. Application might be weak in some areas.

Award [5 – 6 marks] if the explanations are in-depth, covering one strength and two weaknesses of *BRD*. There is effective use of terminology throughout the response, with consistent and effective application of the stimulus material in the case study.

SECTION B

4. (a) Define the term *market segments*. [2 marks]

Market segments are particular sets of customers within a larger market who share similar traits, behaviours, or preferences. These subdivisions of the customer base for a good or service can be identified based on factors such as age, gender, income, lifestyle, values, purchasing habits, and location.

*Students are **not** expected to word their definition **exactly** as above. Application to the *BRD* case study is not required nor expected for full marks.*

Award [1 mark] for a basic definition that shows partial knowledge of the term market segments.

Award [2 marks] for a clear and accurate definition that shows understanding of the term market segments, similar to the example above.

(b) With reference to any two aspects of Daniel H. Pink's theory of motivation, explain the drive of *BRD*'s employees in the Design Department. [4 marks]

Daniel H. Pink's theory of motivation ("Drive: The Surprising Truth About What Motivates Us") identifies three key elements that drive intrinsic motivation and enhance performance in creative roles:

- **Autonomy** – This involves giving individuals, like Julia Dentes, the freedom to direct their work and make choices. Employees in *BRD*'s Design Department are likely to be motivated by the autonomy they are given to manage their creative projects. For example, during "Design Team Freedom Month" (line 75), employees have the opportunity to pursue individual design projects that interest them. This autonomy allows workers to choose projects aligned with their own passions and skills. This also helps to increase the employees' level of engagement and sense of ownership of their work.
- **Mastery** – This refers to the desire to improve and excel in a chosen area of expertise. The employees in the Design Department at *BRD* have the opportunity to engage in individual design projects. For example, the dedicated time during Design Team Freedom Month enables worker to enhance their skills and master their craft. By pursuing their creative interests, employees in the Design Department like Julia Dentes can experience a real sense of accomplishment. This pursuit of mastery can drive intrinsic motivation and foster a continuous desire for self-improvement.
- **Purpose** – Pink's theory also emphasizes the importance of connecting a person's work to a larger purpose. Employees in *BRD*'s Design Department work on projects that have a clear purpose, such as creating new model train sets, slot car sets, and plastic model kits. These products bring joy to customers and contribute to the company's success. By understanding the positive impact of their creative work, employees can experience a deeper sense of purpose and fulfilment. This purpose-driven approach to work enhances people's motivation and commitment to their jobs.

Award [1 – 2 marks] for an answer that shows some understanding of the demands of the question, although the response lacks details of Pink's theory and/or clear application to the case study.

Award [3 – 4 marks] for an answer that shows clear understanding of the demands of the question. There is effective use of any two aspects of Pink's theory, along with appropriate use of terminology and clear application throughout the response.

(c) Explain the suitability of cellular production for *BRD*'s model train sets (lines 46 – 47). [4 marks]

Cellular production is a manufacturing approach that involves organizing the production process into self-contained work cells, each responsible for completing a specific task or set of tasks. Reasons why cellular production may be suitable for *BRD*'s model train sets include the following points:

- Complex product assembly – *BRD*'s model train sets consist of multiple components that need to be well designed and accurately assembled (line 89). Cellular production allows for the specialization of work cells, with each team focusing on a specific assembly task. This specialization can lead to greater precision in assembly, resulting in higher-quality products.
- Minimized transportation and movement – Cellular production reduces the need for transporting products between different departments or areas of *BRD*'s factory. Components and materials are delivered directly to the cells, minimizing unnecessary movement and handling. This streamlined approach enhances *BRD*'s efficiency and reduces any risk of damage during transportation.
- Reduced lead times – Similarly, as each cell is responsible for producing a specific part of the train set, this can significantly reduce lead times. This is because each cell operates independently and can work concurrently on different batches of components (line 42). As a result, the overall production time can be reduced, allowing *BRD* to respond faster to customer demands.
- Improved flexibility – Cells are designed to be flexible and adaptable. So, for example, if *BRD* needs to adjust production volumes or switch to a different model or design, it can allocate resources and adjust work cells accordingly. This flexibility allows the company to quickly adapt to changes in customer preferences or market trends.
- Empowerment of employees – Cellular production empowers employees by giving them ownership of their work within their cells. They become responsible for the quality and efficiency of their designated tasks, which can lead to higher levels of employee engagement. This sense of ownership can contribute to improved motivation, performance, and product quality.
- *Accept any other relevant reason, written in the context of the case study.*

Award [1 – 2 marks] for an answer that shows some understanding of the demands of the question, although the response lacks details of cellular production and/or clear application to the case study.

Award [3 – 4 marks] for an answer that shows clear understanding of the demands of the question. There is effective use Business Management theory and terminology along with clear application throughout the response.

- (d) Using the additional information in Section B and information in the case study, recommend a plan of action for *BRD* to remain competitive in the toy manufacturing industry over the next five years. *You may find it useful to refer specifically to any two functional areas of the business. [10 marks]*

To ensure *BRD*'s competitiveness in the UK toy manufacturing industry over the next five years, a comprehensive plan of action should be developed across multiple key functions of the business, including marketing, human resources, finance, and operations management.

Note: Candidates do not need to cover all 4 of these functions for full marks.

Marketing strategy

- Diversify *BRD*'s product range – Considering the decline in sales of metal model train sets and plastic model kits, *BRD* should consider expanding its product offerings to appeal to a wider, younger customer base. This could include introducing construction sets, puzzles, and other toys targeted at customers of different age groups.
- B2C e-commerce strategy – *BRD* can capitalize on the growing trend of online toy sales by developing a robust business to consumer (B2C) e-commerce strategy, as used by larger competitors including *Mattel* and *Hasbro*. This will allow *BRD* to sell its toys and model train sets directly to consumers, using a suitable online platform. It would also reduce the dependence on traditional retailers and providing a direct channel for customer engagement. This would also improve the company's profit margins or allow it to charge lower prices to appeal to more customers.
- Market segmentation strategy – *BRD* can leverage market research findings to target various segments more effectively. For example, it could broaden its focus to emphasize products for toddlers and younger children (a segment where customers, i.e., parents, are less sensitive to price changes), while also addressing the interests of the growing "kidult" market.

Human resources strategy

- Update employee contracts – *BRD* needs to review and update its employment contracts for production employees to offer improved benefits, including sick leave and parental leave, to align with industry standards. This can enhance employee satisfaction and retention, as well as comply with UK employment legislation, such as equal opportunities laws.
- Training and skills development – *BRD* will need to implement a comprehensive training programme to transition from batch production to cellular production for model train sets (lines 46 – 47). This training programme should include multiskilling employees, empowering them to work across different production stages as the company transitions to new production process in order to remain competitive in the industry.

- Employee engagement – The CEO’s practice of direct interaction with employees may need to be reviewed, especially as it does not extend to all departments. In addition, such practice is taking up too much of Arnold Brondy’s time – speaking with 107 workers every 2 weeks equates to around 11 workers every day over a 5-day working week. It is highly questionable whether this is effective use of the CEO’s time. *BRD* should consider having much of this delegated to administrative personnel, such as the purchase of birthday cards and gifts (line 62). Instead, the CEO could spend the time to communicate with and empower workers to contribute innovative ideas and suggestions.

Finance strategy

- Cost optimization – *BRD* should review the cost structure of production processes and explore opportunities for cost reduction, especially with the shift from metal to plastic model train sets (lines 109 – 110). This can help in maintaining competitive pricing, especially as “2023 will be a crucial year for *BRD*” (line 139).
- Financial planning – *BRD* will need to develop a strategic financial plan that considers sales projections of its new model train sets, operational costs, and potential budgetary challenges. Although the company has sufficient liquidity for now (lines 139 – 140), *BRD* will still need to navigate any unforeseen disruptions or market fluctuations, such as the challenge of “a general lack of interest in modelling as a hobby due to the advancement of the online games industry” (lines 118 – 119).
- Investor relations – *BRD* needs to enhance communications with existing key stakeholder and shareholders and involve them in strategic decision-making. In particular, the company needs to address concerns raised by *4Change* given their growing stake in the company, with 3 positions on the board of directors (line 134). This could also give *BRD* broader insights and perspectives which helps the company to be more competitive in the next 5 years.

Operations management strategy

- Sustainable transition to plastic production – As *BRD* embraces the change proposed by Julia Dentes to manufacture model train sets from plastic, it needs a thorough feasibility study on recyclability and a strategy to explore eco-friendly options for the plastic used in production. This will help to improve *BRD*’s ecological, social, and economic sustainability.
- Cellular production implementation – *BRD*’s transition to cellular production for model train sets is imminent (lines 109 – 110). However, *BRD* still needs a comprehensive plan to initiate this, including employee training, processes to monitor productivity and quality, as well as strategies to make necessary adjustments to the plan of action.
- Supply chain management – *BRD* needs to build stronger relationships with key suppliers and negotiate more favourable terms to prevent supply chain disruptions. This could include seeking alternative (new) suppliers, especially as the company shifts to the use of plastics for its model train sets. Reaching

out to different suppliers can help to mitigate risks associated with dependence on a single or limited supply source.

By combining these strategies across marketing, human resources, finance, and operations management, *BRD* can improve its position to thrive in the competitive toy manufacturing industry over the next five years. Adapting to market trends, fostering employee engagement, optimizing costs, and enhancing production processes will contribute to *BRD*'s plan of action for sustained success and market growth.

Accept any other relevant and substantiated argument as part of the plan of action, making reference to the stimulus material in the case study and Section B.

Do not penalize candidates for referring to more than two functional areas of the business.

Award [1 – 2 marks] for an answer that shows a limited understanding of the demands of the question. There is minimal, if any, application to *BRD*.

Award [3 – 4 marks] for a simplistic answer that shows some understanding of the demands of the question, but with partial application of the *BRD* case study.

Award [5 – 6 marks] for an answer that shows some understanding of the demands of the question, with use of the additional stimulus material in Section B. However, the discussions are not always substantiated.

Award [7 – 8 marks] for an answer that shows understanding of the demands of the question, with appropriate use of the pre-issued case study and additional stimulus material in Section B to formulate a plan of action. There is suitable use of appropriate terminology throughout the discussion although not all arguments are substantiated. Evidence of evaluation is limited.

Award [9 – 10 marks] for an answer that shows good understanding of the demands of the question and makes effective use of the pre-issued case study and the additional stimulus material in Section B to formulate a suitable plan of action. The discussions are fully substantiated, using appropriate terminology throughout. There is clear evidence of critical and evaluative thinking in the response.

**IB Business Management – Paper 1 Case Study Pack Case Study: Brondy's
PLC HL Mock Exam**



For November 2023 examinations

2 hours 15 minutes

INSTRUCTIONS

- Do not open this examination paper until you have been instructed to do so.
- You will need a clean copy of the *Brondy's PLC (BRD)* case study for this examination paper.
- A clean copy of the Business Management formulae sheet is required.
- Read the case study carefully, including the additional information in Sections B and C.
- Answer any **two** questions from Section A.
- Answer **the** compulsory question from Section B.
- Answer **the** compulsory question from Section C.
- You are permitted to use a calculator for this examination paper.
- Total marks available: 60 marks.

- 2 -

SECTION A

Answer **two** questions from this section.

1. (a) Describe **two** features of acquisitions (line 28). [4 marks]
 (b) Explain why *BRD* might struggle to attract external sources of finance. [6 marks]

2. (a) Describe **one** advantage and **one** disadvantage of *BRD*'s high price strategy for its model train sets (lines 89 – 90). [4 marks]
 (b) Explain the importance of low absenteeism **and** low labour turnover (lines 63 – 64) for *BRD*. [6 marks]

3. (a) Define the following terms:
 (i) *labour turnover* (lines 63 – 64) [2 marks]
 (ii) *prototypes* (line 101). [2 marks]
 (b) Explain the importance of primary **and** secondary market research (line 114) for *BRD*. [6 marks]

There is no additional information in this mock exam paper for Section A.

- 3 -

SECTION B

Read the additional information below and answer **the compulsory** questions from this section.

4. In recent years, a significant global trend in the toys industry has been the shift of potential market opportunities to economically developing countries such as Brazil, China, and South Africa. In contrast, economically mature markets including the US, Canada, New Zealand, Australia, and Western Europe, are close to saturation.

The board of directors at *BRD* is considering expanding its operations to one of these three emerging markets, in an attempt to tackle the challenge of declining sales in more mature markets. Arnold Brondy has been presented with the following data from market research team at *BRD*.

Option	Economic conditions	Probability	Forecast revenue (£m)	Cost (£m)
Brazil	Improve	60%	£120	£85
	Unchanged	25%	£90	
	Worsen	15%	£30	
China	Improve	55%	£120	£80
	Unchanged	35%	£90	
	Worsen	10%	£40	
South Africa	Improve	50%	£100	£70
	Unchanged	40%	£70	
	Worsen	10%	£20	

Given *BRD*'s recent **liquidity crisis** and decline in sales as well as the desire to minimize risks of external growth, the three directors on the board from *4Change* are only prepared to consider expanding to one of these markets.

- (a) In the context of *BRD*, outline the meaning of a *liquidity crisis*. [2 marks]
- (b) Describe **two** driving forces that have influenced changes at *BRD*. [4 marks]
- (c) In the context of *BRD*, explain **two** possible areas of conflict between the company's stakeholder groups. [4 marks]
- (d) Using information from the case study **and** the additional information above, discuss which option *BRD* should pursue. *You will find it useful to construct a decision tree for this question.* [10 marks]

- 4 -

SECTION C

Answer **the** following question.

5. *BRD*'s directors are aware that the UK toys industry is a lucrative and growing market. Nevertheless, firms in the industry currently face economic challenges caused by high levels of inflation, interest rates at a 15-year high since the global financial crisis in 2008, and a cost-of-living crisis which is dampening consumer spending on non-essential items such as toys and model train sets.

4Change has pushed for a turnaround plan to ensure *BRD* remains competitive. Integral to this plan involves the board of directors deciding on one of two external growth options:

Option 1: Acquire *Accelx Toy Co. (AT)*

Likely overall cost: £8 million

Accelx Toy Co. (AT) is a British retailer of toy classic cars. Founded in 1989, the company's slogan is "*The joy of nostalgia meets the thrill of customization*". *AT* has two stores in the southwest of England. It caters mainly to the adult market where customers are willing and able to pay premium prices for classic toy cars that are completely customizable, such as choice of colour, wheels, and lights. Three of the five owners are in favour of an acquisition.

AT understands the importance of delivering an exceptional experience to its valued customers. It also provides educational content to engage younger customers about classic cars by offering tutorials on assembling and maintaining the model cars, guides on selecting the right components, and historical information about the cars that the models are based on. This approach enhances the overall customer experience.

Option 2: Acquire *Kent Model Trains Ltd. (KMT)*

Likely overall cost: £3 million

Kent Model Trains Ltd. (KMT) is a specialist in two-track rails system in the UK. It is a small, family-owned business in Canterbury, southeast England. The business caters mainly for children aged 12+ as well as adult fans of model trains. *KMT* offers a diverse range of model railway products, including different scales, designs, and styles of trains and accessories. This variety ensures that *KMT* caters to a wide range of interests and preferences among model railway enthusiasts, from beginners to experienced collectors. *KMT* also has an established customer base that regularly purchase products using its e-commerce platform.

The co-owners of *KMT* wish to retire within the next year. Reflecting on 38 years of operating their business, the owners commented that the success of running a successful model railway toy business depends on the ability to consistently deliver quality products, personalized experiences, and outstanding customer service. By focusing on these key aspects, *KMT* has been able to create memorable and enjoyable interactions for model train fans while building a strong and loyal customer base.

To support their decision making, *BRD*'s head of finance and accounts department has provided the board of directors with the following financial information for *AT* and *KMT*.

Table 1 – Financial information for *AT* and *KMT* for year ended 31st March 2023

	<i>AT</i>	<i>KMT</i>
Sales revenue	658,750	425,000
Cost of sales	395,250	170,000
Net profit before interest and tax	63,500	95,000
Retained profit	41,275	38,000

Table 2 – Financial ratios for *AT* and *KMT* as on 31st March 2023

	<i>AT</i>	<i>KMT</i>
Creditor days	35	28
Acid test ratio	1.25	1.8
Gearing ratio	20.00%	26.80%

Using the case study, additional information on pages 3 – 5, **and** appropriate business management tools, recommend whether *BRD* should implement Option 1 **or** Option 2. You may find it useful to calculate the gross profit margin (*GPM*) and net profit margin (*NPM*).

[20 marks]

IB Business Management – Paper 1 Case Study Pack Case Study: Brondy's PLC

HL Mock Exam – Mark Scheme



For November 2023 examinations

TEACHERS' NOTES

- These are suggested answers only.
- Teachers should use their professional judgement in awarding answers that may not be included in this mark scheme.
- The data and information included in Sections B and C are provided for illustrative purposes only, in order to give students further practise for the final examination in November 2023.

SECTION A

1. (a) Describe two features of acquisitions (line 28). [4 marks]

Possible responses could include descriptions based on the following features of acquisitions:

- An acquisition is a method of external growth that occurs when one company (such as *BRD*) buys a controlling interest (majority stake) in another business (such as *Enam Ltd.*), thereby taking overall control and ownership of the target company.
- The acquisition can result in the bought company being rebranded as part of the purchasing company or can have its brand name retained (as in the case of *Matchfix PLC*). In the latter case, the acquired company operates as a separate business division of the parent company, even though resources such as production factories may be shared.
- The acquisition can be friendly (in which case the two companies agree to the takeover), thereby creating synergies for both companies. However, the acquisition can also be hostile (in which case the target company is bought out against the wishes of its directors and/or shareholders).
- *Accept any other feature described that is accurately described.*

Mark as a 2 + 2

Award [1 mark] for identifying an appropriate feature, and a further [1 mark] for an accurate description, up to the maximum of [4 marks].

(b) Explain why *BRD* might struggle to attract external sources of finance. [6 marks]

Reasons why *BRD* might struggle to secure external sources of finance to fund its operations might include an explanation of any combination of the following:

- Declining financial performance – *BRD*'s declining sales, falling market share, and liquidity crisis in 2022 (line 124) have weakened its financial performance and stability. External financiers, such as banks or suppliers, may be hesitant to provide funds to a company with a recent history of financial challenges.
- High debt levels – *BRD*'s existing debt levels, including the £8 million overdraft (line 127) and the need to raise additional capital, may raise concerns among potential financiers, such as banks and investors. *BRD*'s high levels of debt can indicate financial risk and reduce the company's borrowing capacity, making it less attractive to lenders.

- Uncertain market prospects – The challenges faced by *BRD*, such as an ageing customer base (lines 116 – 117), foreign competition (line 84), and changes in customer preferences (lines 118 – 119), create uncertainty about the *BRD*'s future market prospects. External financiers may hesitate to invest in a company with such uncertain growth potential.
- Shifting market challenges – The broader challenges facing the toy and model trains manufacturing industry, including shifts in consumer preferences, technological advancements, and the rise of online gaming (lines 118 – 119) are likely to concern investors and diminish their confidence in *BRD*'s ability to remain competitive and profitable.
- Reputation and shareholder confidence – The decline in *BRD*'s share price and the involvement of *4Change*, a private equity business, in acquiring a significant stake in the company might suggest a lack of shareholder confidence and a perceived need for external intervention. Therefore, potential investors and financiers may question the *BRD*'s strategic direction and its management decision making.
- *Accept any other valid reason, explained in the context of the BRD case study.*

Award a maximum of [2 marks] if the explanation is inaccurate, lacks clarity, or lacks clear application to *BRD*.

Award a maximum of [4 marks] if the response lacks depth in the explanation. There is an attempt at application to the *BRD* case study.

Award up to [6 marks] if there is a clear understanding of the demands of the question. The explanation has depth, and the response is applied well to the *BRD* case study.

2. (a) **Describe one advantage and one disadvantage of *BRD*'s high price strategy for its model train sets (lines 89 – 90).** [4 marks]

Possible advantages of using a high price strategy for *BRD* include:

- The higher (premium) price of *BRD*'s model train sets has enabled the company to benefit from higher profit margins (higher contribution per unit) for many decades.
- There is positive brand association due to the general perception that *BRD*'s metal model train sets are of high quality and realism, which is reinforced by the high/premium prices charged). This creates a heightened level of prestige about the brand and *BRD*'s products.

- It can act as a barrier to entry because *BRD* invests heavily in its Three-Rail Model Railway products. This can make it more challenging for new and existing entrants from the USA and Europe to offer competing products.
- *Accept any other relevant advantage, written in the context of the BRD case study.*

Possible disadvantages of using a high price strategy for *BRD* include:

- Higher prices tend to reduce sales volume, as many customers may not be able and/or willing to pay premium prices for *BRD*'s model train sets, i.e., higher prices limit *BRD*'s market reach.
- Similarly, high prices may deter price-sensitive customers who are unwilling to pay a premium price for model train sets. In markets where consumers prioritize affordability, *BRD*'s products could be seen as overpriced, leading potential customers to choose more competitively priced alternatives from the USA and Canada, for example (lines 20 – 21).
- There are higher unit costs of production due to a relatively smaller scale of operations as *BRD* produces high-quality model train sets targeting niche markets (line 89). By focusing on the high-quality output that *BRD* is known for, this strategy restricts the company to lower sales volume. Hence, this limits *BRD*'s ability to exploit economies of scale, resulting in higher unit costs of production.
- Higher priced products are more vulnerable or sensitive to economic downturns. During economic recessions or periods of reduced consumer spending, highpriced products like *BRD*'s model train sets may experience a sharper decline in demand as customers prioritize essential purchases.
- *Accept any other disadvantage for BRD of its high prices, described in the context of the case study.*

Mark as 2 + 2.

For each point, award *[1 mark]* for any (one) valid advantage and disadvantage that is identified, and *[1 mark]* for an accurate description, written in the context of *BRD*, up to the maximum of *[4 marks]*.

- (b) **Explain the importance of low absenteeism and low labour turnover (lines 63 – 64) for *BRD*.** **[6 marks]**

Possible reasons for the importance of low absenteeism for *BRD* could include:

- Low absenteeism ensures that the production process at *BRD* remains smooth and uninterrupted. When employees are consistently present, the company can maintain its production schedules, meet customer demands, and avoid disruptions that may arise from understaffing or reassigning tasks to other employees when employees are absent (line 44).

- Product quality is likely to suffer in the absence of key production employees, especially those with specialized skills, experience, or knowledge. This can result in decreased product quality (line 121). In contrast, low absenteeism ensures that experienced and skilled employees are available to maintain the required quality standards of *BRD*'s toys, reducing the likelihood of errors or defects in the manufacturing process.
- A low absenteeism rate helps to lower labour costs as there is less of a need to hire temporary staff or pay overtime to existing staff to cover absent employees. Hence, low absenteeism contributes to overall cost savings for *BRD*.
- A low absenteeism rate suggests *BRD* offers a consistent and positive work environment for employees who are motivated and engaged. When employees feel valued, recognized, and have a positive relationship with management, they are more likely to be committed to their work and less inclined to take unnecessary absences.
- *Accept any other benefit of low absenteeism which is clearly outlined in the context of the BRD case study.*

Possible reasons for the importance of low labour turnover for *BRD* could include:

- Having low labour turnover means that workers are generally more motivated and productive because they are accustomed to how things work at *BRD*, such as improved labour productivity. This is important as the CEO values productivity (line 35).
- Labour turnover is a sign or measure of employee loyalty, i.e., low labour turnover suggests the workers are content and highly motivated to work at *BRD*. Hence, they are likely to be more dedicated to their jobs. This is evident given that many production employees have worked at the Liverpool factory for over 20 years (lines 62 – 63).
- It enables Arnold Brondy, as the CEO, to focus his time, resources, and energy on other operations such as acquisitions (line 28) and strategic decision making (line 135), thereby helping to improve *BRD*'s overall efficiency and productivity.
- Ultimately, low labour turnover relative to other toy manufacturers in the industry saves *BRD* both time and money needed for the recruitment, induction, and training of new/replacement workers. This helps to reduce the overall operational costs for *BRD*, thereby improving its profitability.
- *Accept any other benefit of low labour turnover which is clearly outlined in the context of the BRD case study.*

Award a maximum of [2 marks] if there is a limited understanding of the demands of the question, or if the answer is simply descriptive and theoretical.

Award a maximum of [4 marks] if there is some understanding of the demands of the question, but the answer lacks depth in the explanation of absenteeism or labour turnover. At the top end of the mark band, there is evidence of application.

Award up to [6 marks] if there is a good understanding of the demands of the question, with a detailed and considered response to the question with regards to absenteeism and labour turnover. There is appropriate use of terminology throughout the answer, which is suitably applied to the case study.

3. (a) **Define the following terms:**

(i) ***labour turnover* (lines 63 – 64)**

Labour turnover measures the rate of change of human resources (employees) within an organization, per period of time. The more people who leave the organization during a given time period, the higher the labour turnover rate. It is calculated using the formula:

$$\frac{\text{Number of staff leaving per year}}{\text{Average number of staff}} \times 100$$

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

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

Application and examples are not required for full marks.

(ii) ***prototypes* (line 101).**

Prototypes are trial or test products that are developed as part of the R&D (research and development) process. They are a preliminary version of a product from which other forms or developments can be made. Only the most promising prototypes are considered for commercialization.

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

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

Application and examples are not required for full marks.

(b) Explain the importance of primary and secondary market research (line 114) for *BRD*. [6 marks]

Market research is the process of gathering and interpreting information regarding the thinking and buying patterns of customers. It can be done via primary and/or secondary research and assists with forecasting future demand for a product.

Both primary and secondary market research are crucial for *BRD* to make informed decisions, understand its market environment, and develop effective strategies.

Reasons for the importance of primary market research for *BRD* include:

- Customer insights – Primary research (field research) allows *BRD* to directly engage with its target customers to understand their preferences, needs, and behaviours. This information is invaluable for product development, design improvements, and aligning product offerings with changing customer expectations, such as the reasons why young people prefer online games (lines 118 – 119).
- Customized data – Primary research provides specific and bespoke data that is directly relevant to *BRD*'s unique situation (reasons for the falling sales, as outlined in lines 115 – 121) and business objectives. It helps the company gather information that is not readily available from other sources or its competitors. This knowledge helps *BRD* to adapt its products and to make more informed decisions.
- Product development – Primary research supports *BRD* to refine its existing product offerings and design new ones that appeal to customers. For example, the use of focus groups and/or interviews to gather feedback on *BRD*'s prototypes helps the company to make informed design choices and prioritize the features that customers of model train sets value most. It can also be used to determine the main reasons why there has been an increase in customer complaints about *Matchfix* plastic model kits (line 121).
- Competitive analysis – Primary research allows *BRD* to gather information about competitors' strengths and weaknesses directly from customers. This insight can help *BRD* to identify opportunities to differentiate itself and address any gaps in the market.

Reasons for the importance of secondary market research for *BRD* include:

- Industry insights – Secondary research (desk research) provides a broader overview of the landscape in the toy manufacturing industry, including the market size, growth projections, and customer trends. This information helps *BRD* to better understand the broader and changing context of the markets in which it operates (lines 116 – 119).
- Best practice benchmarking – Secondary market research allows *BRD* to compare its performance, market share, and financial indicators against industry standards and competitors. Benchmarking helps Arnold Brondy and the board

of directors to identify areas for improvement and long-term strategic changes (line 140). It also helps to hold departmental managers accountable for the performance of their respective teams.

- **Cost-effective** – Secondary market research can be a cost-effective way to collect relevant data, as the information has already been collected by other organizations or researchers (unlike with primary market research). Hence, this enables *BRD* to access valuable insights without substantial expenses. This is even more important given the company's recent liquidity issues (line 124).
- **Market segmentation** – Secondary research provides demographic, geographic, and psychographic data that can help *BRD* segment its target audience effectively. This segmentation enables the company to tailor its marketing efforts and product offerings to specific customer groups, such as different products for older and younger customer groups (line 117).

Award up to *[2 marks]* if the answer shows minimal understanding of the demands of the question. The answer lacks detail and makes minimal use of appropriate terminology or application to *BRD*.

Award up to *[4 marks]* for an answer that demonstrates some understanding of the demands of the question, although the explanation lacks depth in parts. The response is mainly theoretical and has partial application of the *BRD* case study. Award up to *[3 marks]* for an answer that explains only one method of market research.

Award up to *[6 marks]* for an answer that demonstrates a good understanding of the demands of the question. The response shows a detailed explanation of both primary and secondary market research for *BRD*. There is effective use of appropriate terminology throughout the response, with appropriate application of the *BRD* case study.

SECTION B

4. (a) In the context of *BRD*, outline the meaning of a *liquidity crisis*. *[2 marks]*

A liquidity crisis is an emergency situation that arises from the inability of an organization to meet its short-term debts. This can be seen from examining the firm's liquidity ratio or acid test ratio, i.e., the firm has insufficient cash or liquid assets to meet its short-term financial obligations. In *BRD*'s case, this has been caused by falling sales of its model train sets and plastic model kits (lines 124 – 125) and excess stocks (inventories) of £6 million (lines 125 – 126).

Award *[1 mark]* for a response that shows some understanding of the demands of the question. Application may be missing from the answer.

Award [2 marks] for an answer that shows good understanding of the demands of the question, with effective application shown, similar to the example above.

(b) Describe two driving forces that have influenced changes at *BRD*. [4 marks]

Several driving forces have influenced changes at *BRD*. These forces have prompted the company to adapt its operations and strategies to remain competitive and relevant in the toy manufacturing industry. These driving forces include:

- Changing consumer preferences – Shifts in consumer preferences have driven changes at *BRD*. The decline in sales of metal model train sets and plastic model kits due to changing interests and the rise of the online gaming industry (lines 118 – 119) is forcing *BRD* to adapt its product offerings. As customers preferences become more sophisticated, *BRD* has to diversify its product range, such as considering the shift to plastic model train sets, especially to cater for more price-sensitive customers.
- Technological advancements – The advancement of technology in the toy and model manufacturing industry has been a significant driving force for change at *BRD*. The emergence of 3D printing technology (lines 100 – 103), for example, as showcased by Julia Dentes during the company’s “Design Team Freedom Month”, has demonstrated the potential for more efficient and cost-effective production methods. The need to stay up to date with technological advancements has driven the company to embrace innovation in its product design and production processes.
- Foreign competition – The competitive landscape and global market trends have also driven changes at *BRD*. Competitors offering plastic model kits and electric slot cars in the USA, Canada, and Europe, along with the decline in *BRD*’s market share (lines 97 – 98), have pushed the company to address foreign competition and has driven *BRD* to consider strategic changes (line 140), such as the shift to plastic materials and exploring new ways to attract a broader customer base.
- Financial challenges and shareholder pressure – *BRD*’s liquidity crisis in 2022 (line 124) and the involvement of *4Change* as a major shareholder (lines 137 – 138) have driven changes at the company. The liquidity crisis, declining sales, and difficulties in attracting external sources of finance have forced *BRD* to seek a financial rescue package (line 126). The need to secure external financing and stabilize the business have led to strategic changes (line 140), such as accepting *4Change*’s investment with its conditions. Shareholder pressure and the need to regain financial stability have driven *BRD* to make necessary changes to address its financial challenges.
- *Accept any other relevant driving force that has prompted BRD to undergo changes to its product offerings, approach to business, and corporate strategies.*

Award [1 – 2 marks] for an answer that shows some understanding of the demands of the question, although the response lack depth and/or clear application.

Award [3 – 4 marks] for an answer that shows clear understanding of the demands of the question. There is effective use of terminology and clear application throughout the response.

(c) In the context of *BRD*, explain two possible areas of conflict between the company's stakeholder groups. [4 marks]

Potential conflict between *BRD*'s stakeholders can arise due to differing interests, priorities, and perspectives. Possible areas of conflict could include:

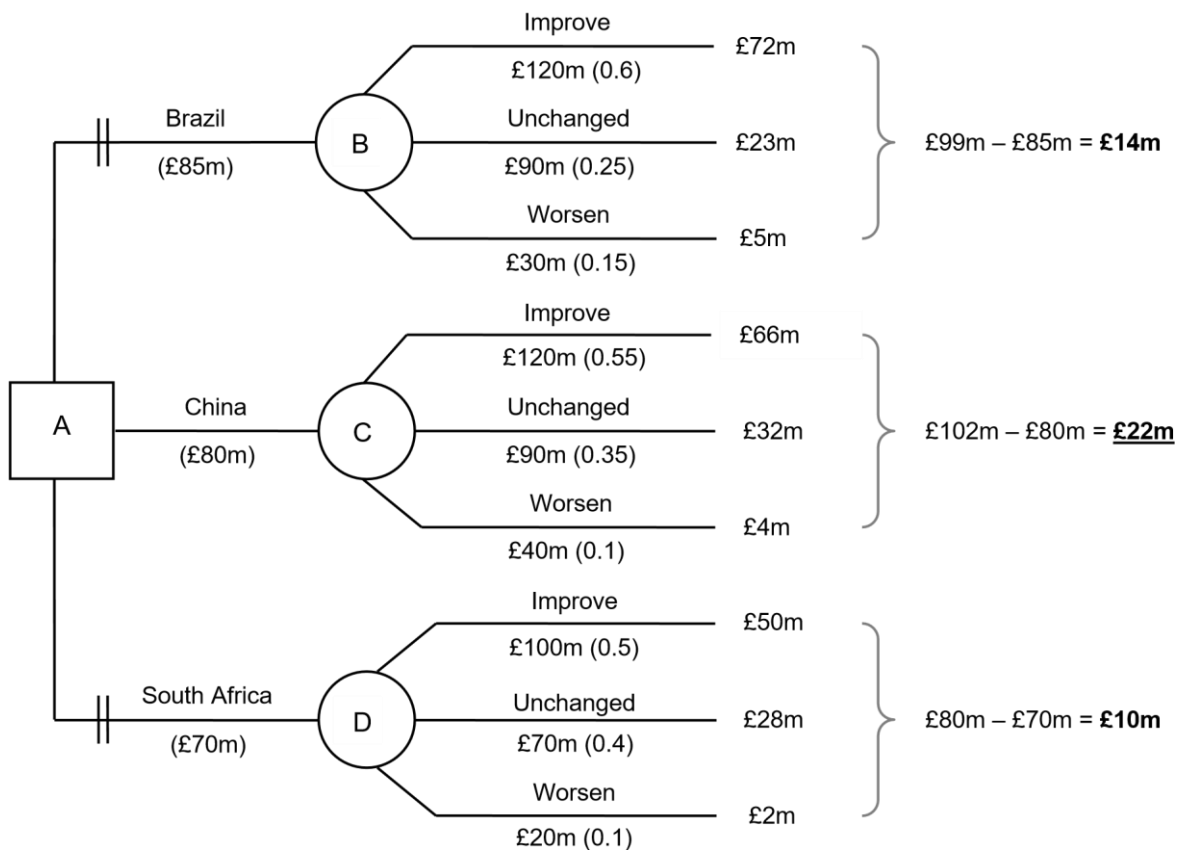
- Shareholders and the board of directors – Conflict between shareholders and the board of directors may arise when there are differing views on the company's strategic direction and financial decisions. Shareholders, particularly major investors like *4Change*, may seek greater influence in decision-making to protect their investments and maximize returns. On the other hand, the board of directors, led by CEO Arnold Brondy, may prioritize *BRD*'s long-term sustainability and the company's values.
- Employees and managers (heads of department) – Conflict between *BRD*'s workers and management can occur over matters related to working conditions, compensation, and benefits. For example, the absence of fringe benefits for Production Department employees (line 69), as compared to Design Department employees, may lead to feelings of inequity and dissatisfaction. Employees might demand fair treatment and better working conditions, while management may be focused on cost control and maintaining productivity. This conflict could negatively impact employee morale, engagement, and overall organizational culture.
- Design Department and Production Department employees – Conflict between these two departments may arise due to differing priorities and resources. The Design Department's pursuit of creative autonomy and innovation, especially during *BRD*'s "Design Team Freedom Month", could lead to challenges for the Production Department. Production employees might face challenges in implementing new designs, meeting production targets, and managing potential disruptions caused by design changes. This can create conflicts between the two departments.
- Customers and the board of directors – Customers may have contrasting expectations compared to the strategic decisions made by the board of directors. For example, the decision to shift from metal to plastic for model train sets might raise concerns among loyal customers (line 96) who value the authenticity and quality associated with metal products. Customer feedback and preferences may clash with the board of directors' decisions driven by cost efficiency or adaptation to market trends. This conflict highlights the challenge of balancing customer expectations with strategic choices.

- Accept any other area of conflict between BRD's stakeholder groups.

Mark as 2 + 2.

Award [1 mark] for a possible area of conflict and an additional [1 mark] for a relevant explanation, written in the context of *BRD*.

- (d) Using information from the case study and the additional information above, discuss which option *BRD* should pursue. You will find it useful to construct a decision tree for this question. [10 marks]



Option	Economic conditions	Probability	Forecast revenue (£m)	Probable outcome (£m)	Net probable outcome (£m)	Cost (£m)	EMV (£m)
Brazil	Improve	60%	£120	£72	£99	£85	£14
	Unchanged	25%	£90	£23			
	Worsen	15%	£30	£5			

China	Improve	55%	£120	£66	£102	£80	£22
	Unchanged	35%	£90	£32			
	Worsen	10%	£40	£4			
South Africa	Improve	50%	£100	£50	£80	£70	£10
	Unchanged	40%	£70	£28			
	Worsen	10%	£20	£2			

A decision tree is a quantitative decision-making and planning tool, designed to simplify complex decisions in an objective way. As a visual tool, it can help Arnold Brondy and the board of directors to make rational decisions by considering the probable outcomes of certain decisions, such as whether to expand to Brazil, China, or South Africa.

Students should justify how the use of a decision tree might help *BRD*'s directors to decide whether to expand in Brazil, China, or South Africa, in the context of the preseen stimulus material in the case study. For example:

- All three markets present opportunities to earn more profit for the organization as the expected monetary value (EMV) for all countries are positive:
 - Brazil = £14m
 - China = £22m, and
 - South Africa = £10m.
- The outcome of the decision tree clearly confirms the market research findings that there are potential market opportunities by expanding to economically developing countries.
- The return on investment (ROI) for Brazil is 16.47% (£14m / £85m), but only 14.29% for South Africa. For China, the ROI is 26.88% which is clearly the best investment option based on calculating the ratio between the expected monetary value and investment cost.
- In addition, economic conditions in China have a slightly higher probability of improving or not worsening (90%) compared with the likelihood in Brazil (85%). Although South Africa only has a 10% of its economy worsening, the combined forecast revenue is only £170m (£100m + £70m) compared to China's £210m (£120m + £90m). This means the net probable outcome for China is higher (£102m versus £80m).
- Additional market research, perhaps primary research, is required as the data that does reveal anything about the best-selling toys in these markets. For example, despite China being the market with the highest EMV in this analysis, there is no information about whether *BRD*'s products will appeal to customers

in this market, such as whether customers in China prefer two-rail or three-rail model systems.

- Given the recent liquidity crisis (line 124), the board of directors may prefer to opt for South Africa given that the cost of the investment is the lowest at £80m compared to China which would cost the company more than 50% more in costs. The expected return on investment in South Africa is a high 14.29%, which is significantly higher than current interest rates in the UK.
- However, the validity of the outcomes in the decision tree is only as good as the quality of the quantitative data collected to calculate the probable outcomes and EMV; after all, these are only estimated figures that have been presented to Arnold Brondy.
- Also, the analysis ignores qualitative factors that will need to be considered, such as different corporate laws as well as cultural aspects of operating in Brazil, China, or South Africa. Similarly, other factors such as the ease of doing business in these markets should be considered before a final location decision is made.
- *Accept any other relevant and substantiated discussion point.*

Award [1 – 2 marks] for an answer that shows a limited understanding of the demands of the question. There is minimal, if any, attempt to construct a decision tree and/or application to *BRD*.

Award [3 – 4 marks] for a simplistic answer that shows some understanding of the demands of the question, but with a partial attempt at constructing a decision tree and application of the *BRD* case study.

Award [5 – 6 marks] for an answer that shows some understanding of the demands of the question, with use of the additional stimulus material in Section B. The decision tree is largely accurate, but the discussions are not always substantiated.

Award [7 – 8 marks] for an answer that shows understanding of the demands of the question, with appropriate use of the pre-issued case study **and** additional stimulus material in Section B. An accurate decision tree is constructed and there is suitable use of appropriate terminology throughout the discussion although not all arguments are substantiated. Evidence of evaluation is limited.

Award [9 – 10 marks] for an answer that shows good understanding of the demands of the question and makes effective use of the pre-issued case study **and** the additional stimulus material in Section B. An accurate decision tree is constructed, and the discussions are fully substantiated, using appropriate terminology throughout the response. There is clear evidence of critical and evaluative thinking.

5. Using the case study, additional information on pages 3 – 5, and appropriate business management tools, recommend whether *BRD* should implement Option 1 or Option 2.

You may find it useful to calculate the gross profit margin (GPM) and net profit margin (NPM). [20 marks]

It is evident that *BRD* is facing critical challenges that demand strategic changes (line 140). The declining sales of model train sets and plastic model kits, along with a liquidity crisis (line 124), necessitate a decisive strategic move to ensure *BRD*'s sustainability and growth.

The table below has been included for illustrative purposes only:

	<i>AT</i>	<i>KMT</i>
Sales revenue (£)	658,750	425,000
Cost of sales (£)	395,250	170,000
Gross profit (£)	263,500	255,000
Gross profit margin (GPM)	40%	60%
Overheads (£)	200,000	160,000
Net profit before interest and tax (£)	63,500	95,000
Net profit margin (GPM)	9.64%	22.35%
Retained profit (£)	41,275	38,000

Arguments in favour of **Option 1** could include any combination of the following points:

- Synergy with *BRD*'s customization expertise – *BRD* has experience in delivering quality products (line 94), which aligns well with *Accelx Toy Co.*'s focus on customizable classic toy cars. *AT*'s expertise in customization can enhance *BRD*'s product offerings and provide a unique selling proposition (USP) in the market.
- Diversification and targeted audience - Acquiring *AT* would allow *BRD* to tap into a different niche market catering to adult collectors of classic toy cars. This diversification strategy would reduce *BRD*'s reliance on its current declining model train sets and plastic model kits business (lines 97 and 112 – 114).
- Educational content and enhanced customer experience – *AT*'s educational content for assembling and maintaining model cars can align with *BRD*'s commitment to quality and provide value to customers. This approach can create a new loyal customer base, similar to *BRD*'s commitment to engaging customers through quality products (line 96).

- Cross-selling opportunities – *BRD* can leverage its existing distribution channels to introduce *AT*'s products to a broader audience. In addition, some of existing customers of *BRD*'s model train sets and plastic model kits may be interested in collecting customizable classic toy cars as well.
- Strengthening *BRD*'s brand portfolio – Adding *AT*'s toy classic cars to *BRD*'s product portfolio enhances its brand recognition and reputation in the toys industry. This expansion could contribute positively to *BRD*'s overall brand value and help the company to regain market share (lines 97 – 98).
- Risk mitigation and sustainability – Given the challenges *BRD* has faced in its declining model train sets and plastic model kits business, diversifying into *AT*'s segment can help to mitigate risks and provide a more sustainable future for the company, especially as adult customers are willing and able to pay premium prices. The acquisition can therefore help to provide a steady revenue stream for *BRD*.
- Financial performance of *AT*:
 - The sales of *AT*, with its two stores, exceeds that of *KMT* by 55%.
 - However, the cost of sales (perhaps due to customization) is proportionately higher for *AT* (60%) than *KMT* (40%).
 - In addition, *AT*'s overhead costs are noticeably higher (£200,000) than that of *KMT* (£160,000), perhaps because it has two retail outlets whereas *KMT* only has one store.
 - As a result of the higher cost of sales and overhead costs, *AT* has a significantly lower net profit (before interest and tax). This also results in the company having a much lower net profit margin (NPM) of 9.64% versus the 22.35% earned by *KMT*.
 - Nevertheless, the figures show that *AT* retains a larger proportion of the net profit after interest and tax (65% for *AT* compared with only 40% for *KMT*). This could suggest that *AT* reinvests more of this money into the business whereas the coowners of *KMT* apportion a larger amount as personal earnings.
 - The creditors days ratio is slightly more favourable for *AT* (35 days) than for *KMT* (28 days). This could suggest that *AT* has better liquidity and favourable trade credit with its suppliers.

In summary, acquiring *Acce/x Toy Co.* provides *BRD* with an opportunity to tap into a new market segment, leverage its strengths in customization and quality, and create a more diversified and resilient business model.

Arguments in favour of **Option 2** could include any combination of the following points:

- Expertise in two-track rail system – *KMT* is a British retailer that specializes in the two-track rail system, a segment that *BRD* does not currently serve. Acquiring *KMT* would allow *BRD* to enter this market and expand its product offerings to cater to a

different audience of model train enthusiasts, including those in the USA and Canada (lines 17 and 20 – 21). Hence, this option would help to increase *BRD*'s market share.

- Wider range of product offerings whilst maintaining core focus - *KMT* offers a diverse range of model railway products, catering to various needs and preferences of its customers. This broadened variety enables *BRD* to tap into a wider range of interests and preferences among model railway enthusiasts, beyond its current loyal customer base (line 96).
- Established customer base and e-commerce platform – *KMT* has an established customer base and a popular e-commerce platform for product sales. *BRD* can take advantage of this existing channel of distribution to introduce its current product offerings and enhance its market reach. Furthermore, *BRD* is likely to gain from *KMT*'s success in delivering quality products, personalized experiences, and outstanding customer service has created a loyal customer base.
- Smooth transition due to retirement – As the co-owners of *KMT* plan to retire within the next year, this could facilitate a smooth transition of ownership and integration into *BRD*'s operations. In contrast, there may be more complications, negotiations, and delays with the acquisition of *AT* as “three of the five owners are in favour of an acquisition”.
- Financial performance of *KMT*:
 - Cost of sales are proportionately lower for *KMT* (40%) than *AT* (60%). This results in *KMT* having a higher gross profit margin of 60% versus that of *AT* (40%). This means that *KMT* has better control of its direct costs of production.
 - The acid test ratio is better for *KMT* (1.8) than for *AT* (1.25). However, the acid test ratio suggests that both businesses are highly liquid and can meet their shortterm debts and liabilities even without having to sell their stock (inventory) at short notice.
 - *KMT* has a higher gearing ratio of 26.80%. This means that for every £100 of capital in the business, £26.80 is funded by external sources of finance. This puts the organisation in a more vulnerable position given that “interest rates at a 15year high.” In contrast, *AT*'s gearing ratio is lower at 20% which suggests less financial risk during times of higher interest rates.
 - However, the head of the finance and accounts department at *BRD* has only provided financial data for 2023. This is not necessarily indicative of past or future trends. Having several years of data would enhance the decision making process.
 - Overall, these figures suggest that *KMT* has a profitable business model that could contribute positively to *BRD*'s overall financial performance.

In summary, by acquiring *Kent Model Trains Ltd.*, *BRD* can broaden its product range of model train sets, tap into new overseas markets, and leverage *KMT*'s existing customer base and expertise to enhance its own market position and financial performance.

The final decision will depend on a number of quantitative and qualitative factors, such as:

- *BRD's* appetite for risk, i.e., its attitude or culture with respect to risk taking. Option 2 seems to present less of a risk to the company due to its specialization of model train sets, albeit with a three-track rail system.
- The available funds/budget allocated to *BRD* to implement one of these two growth options. Whilst the stimulus states the board needs to choose only one of these alternatives, there is a huge difference in the investment cost (£8 million predicted for Option 1 versus £3 million forecast for Option 2).
- The financial health of the company based on its financial position. Although the financial analysis is inconclusive, it does indicate potential for profitability and growth, making the acquisition of either *AT* or *KMT* a viable investment for *BRD*.
- The final decision and outcome will also depend on the accuracy of the forecasted figures presented in Tables 1 and 2.
- *Accept any other relevant judgement that is fully substantiated.*

Note – a recommendation that a decision cannot be made due to lack of information (e.g., incomplete final accounts or the lack of an investment appraisal) can be regarded as a decision so long as the arguments are well supported.

Awarding the 20 marks for Paper 1, Section C

(please also refer to pages 65 – 68 of the IB DP Business Management Guide)

There are 5 assessment criteria (KARSI), each worth up to 4 marks, in Section C of Paper 1:

- Criterion A: **Knowledge** and understanding of tools, techniques, and theories
- Criterion B: **Application**
- Criterion C: **Reasoned** arguments
- Criterion D: **Structure**
- Criterion E: **Individual** and societies

Criterion A: Knowledge and understanding of tools, techniques, and theories

This criterion addresses the extent to which the candidate demonstrates knowledge and understanding of relevant business management tools, techniques or theories as stated and/or implied by the question.

To score full marks, the candidate must demonstrate good knowledge and understanding of relevant tools, techniques, or theories is demonstrated throughout the extended response.

Criterion B: Application

This criterion addresses the extent to which the candidate can apply the relevant business management tools, techniques, and theories to the case study organization (*BRD*).

To score full marks, the candidate must demonstrate that the relevant business management tools, techniques, and theories are well applied to explain the situation and issues of the case study organization. Relevant examples must also be shown to support the application.

Criterion C: Reasoned arguments

This criterion assesses the extent to which the candidate makes reasoned (logical and consistent) arguments. For example, this includes making relevant and balanced arguments by exploring different methods, weighing up their strengths and weaknesses, comparing and contrasting them, and/or considering their implications, depending on the requirements of the question. It also includes justifying the arguments by presenting evidence for the claims made.

To score full marks, the candidate must demonstrate relevant and balanced arguments are made. Furthermore, these must be well justified, i.e., reasoning is provided throughout the extended response.

Criterion D: Structure

This criterion assesses the extent to which the candidate organizes his or her ideas with clarity **and** presents a structured piece of extended writing comprised of:

- an introduction
- a body
- a conclusion
- fit-for-purpose paragraphs.

To score full marks, the candidate must demonstrate all of the structural elements are present, and ideas are clearly organized.

Criterion E: Individual and societies

This final criterion assesses the extent to which the candidate can provide balanced consideration to the perspectives of a range of relevant stakeholders, including individuals (such as Arnold Brondy or Julia Dentes) and groups (such as shareholders, *BRD*'s board of directors, or customers), internal and external to the organization.

To score full marks, appropriate and balanced consideration is given to relevant individual **and** group perspectives.

