

External assessment 2021

Stimulus book

Business

General instruction

- Work in this book will not be marked.

Case study 1 (Stimulus 1–3) — surfboard business

Stimulus 1

Excerpt from company annual report (September 2021)

We are a small-scale manufacturer of short and long surfboards. We are based in Queensland and currently serve 6% of the market for custom surfboards in Queensland and northern New South Wales.

The company has built its reputation by focusing on high-quality inputs and handcrafted board shaping and finishing. All our staff are surfers and most have been with us since we started 15 years ago. Where possible, we source our foam, wood, fibreglass and resin from local or Australian sources. Every year, we commission an emerging local artist to develop designs that will feature on our boards for the following year.

In anticipation of listing as a public company on the Australian Securities Exchange by 2026, we are considering trialling offshore manufacturing in Thailand to take advantage of advanced robotic technologies and computer-aided design (CAD) and manufacturing in our basic shortboard model. We hope this approach will deliver high production volumes and enable us to offer a lower price to attract first-time surfers to our boards. This approach will also increase our ability to compete with other offshore manufacturers who have lower labour, transportation and input costs.

Stimulus 2

Australian Government trade report (September 2021)

Recent data shows that the value of surfboard exports has risen from \$9.2 million in 2013–14 to \$24.3 million in 2020–21. The main export markets are New Zealand, the United States, Hong Kong and Singapore.

Stimulus 3

Media article headlines (January–September 2021)

FINALLY! Lower Australian dollar helping local manufacturers



High-quality craftsmanship boosts domestic small-scale manufacturing

Consumer spending on recreational activities is **ON THE RISE** *Special report*

SPOT THE DIFFERENCE

Made overseas

\$400



Made in Australia

\$900



Fashion and celebrities driving surfboard and surfwear sales

‘Cheap overseas boards are taking over the market.’



JONO SMITH
Gold Coast surfing celebrity

Case study 2 (Stimulus 4–10) — vegetarian butcher business

Stimulus 4

Profile in a local business magazine (October 2021)

Last year, Francis, a fifth-generation butcher, decided to rebrand his family business to incorporate vegetarian and vegan products. The business has been operating in an outer suburb of Brisbane for the past 75 years — for many years it has been the only standalone butcher in a 10 km radius. There are two major supermarkets in the adjacent suburb. The local area now includes many young singles and couples, with rising vegetarianism evident through the establishment of numerous local vegetarian restaurants.

Francis’s decision to change the focus of the business and diversify his product range from purely meat-based products to include vegan and vegetarian products has proved to be a challenge. Francis wanted to ensure the long-term sustainability of the business by introducing a range of innovative meat substitutes (known as ‘vege-meat’). He decided to phase out all meat-based products gradually while expanding the new vege-meat range. But sales are not rising as quickly as he had planned.

Francis is promoting his new business focus through social media. His idea is to encourage meat-eaters to include meat-free products in their diets, particularly in his target market of people aged 25 to 45. He has also included a ‘review’ section on his business website where customers identify how they found out about his business and rate his products. From this data, Francis has found that social media is the main source of new customers, followed by word of mouth, with his website providing only a small number of new customers.

The most popular product in the new vege-meat range is the spicy vegetarian burger patties. Customers have told Francis that they are easy to cook and taste good.

Stimulus 5

Excerpt from email from Francis to his father, the previous owner of the business (October 2021)

 RE: Suggestions for the business

Thanks, Dad. While I respect your suggestions, I can’t afford to hire anyone right now to help with the business and consultants are just out to profit themselves. I admit it has been a challenge to get everything done myself, but I feel I have no other choice. It doesn’t help that our existing customers keep moving away! The Luxtons are the latest in a long list to retire to the coast.

I want to try new things too. We’ve offered the same chops and sausages for so long that I’m starting to get bored. I’ve really enjoyed experimenting both on the product side and in how we reach our customers. It’s funny to think that before last year I’d never eaten tofu, and now I make my own. I’m confident that things will pick up and this new focus will pay off soon.

Stimulus 6

News article

DAILY NEWS

The steady rise of vegetarianism in Australia

Many Australians today are aware of the health benefits of a vegetarian diet. In fact, there has been significant growth in the number of people now looking for alternatives to meat products in their diets. As a consequence, companies are expanding their consumer appeal by staying away from animal ingredients wherever possible. The rise in demand for vegan and vegetarian products indicates current market trends.

An international panel of health experts recommends eating a variety of foods originating mainly from plants, rather than animals. Between 2012 and 2019, the number of Australian adults whose diet was all or almost all vegetarian rose from 9.7% of the population to 12.1%, findings from research reveals. Together with research that suggests a vegan diet can reduce greenhouse gases, it is unlikely this trend will reverse. ■

Stimulus 7

Excerpt from Roy Morgan Research media release

Norman Morris, Industry Communications Director, Roy Morgan Research, says:

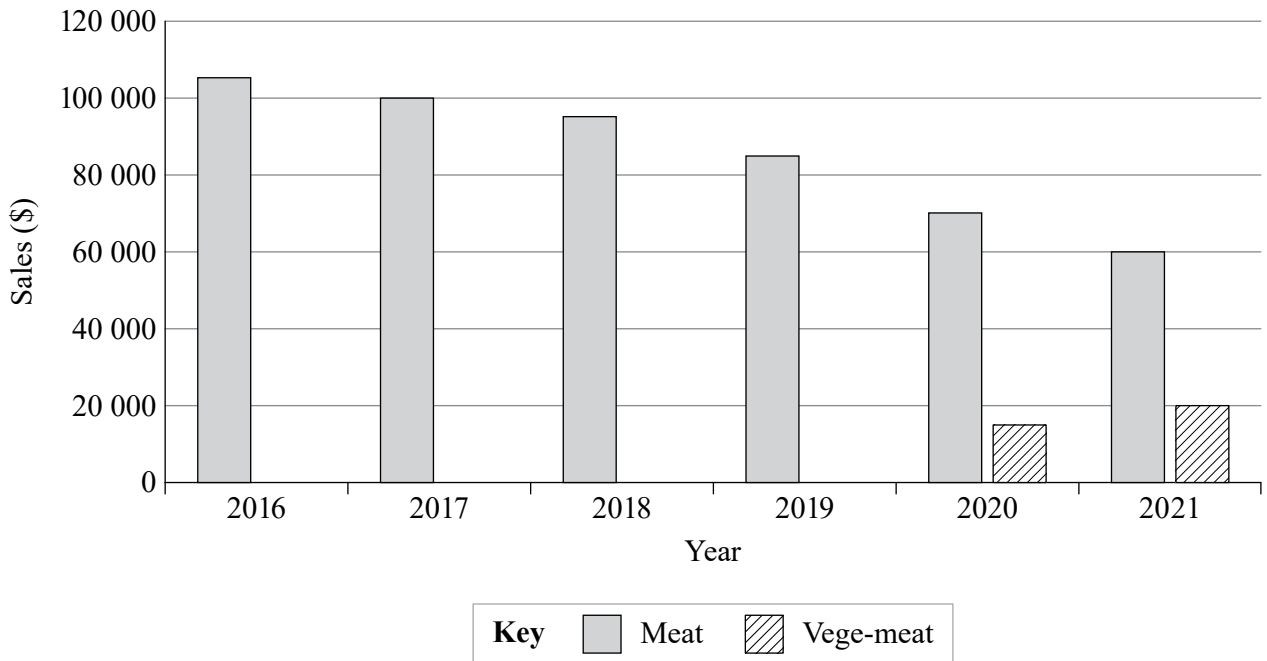
Whether people are embracing a less meat-heavy diet for health, environmental or animal-welfare reasons, the fact remains that this trend looks set to continue. Not only has there been an increase in near or total vegetarianism across Australia, but almost 9.9 million Aussie adults (53.4%) agree that they're 'eating less red meat these days'.

If they have not already, supermarkets and eateries would be wise to revisit their vegetarian-friendly options to ensure they are catering adequately for this growing — and potentially lucrative — consumer segment.

Of course, to do this successfully, an in-depth understanding of the segment is crucial ... For example, Australians whose diet is largely or completely vegetarian are 20% more likely than average to spend more than \$40 per week on fruit and vegetables, 93% more likely to buy organic food whenever they can, and 14% more likely to try new types of food.

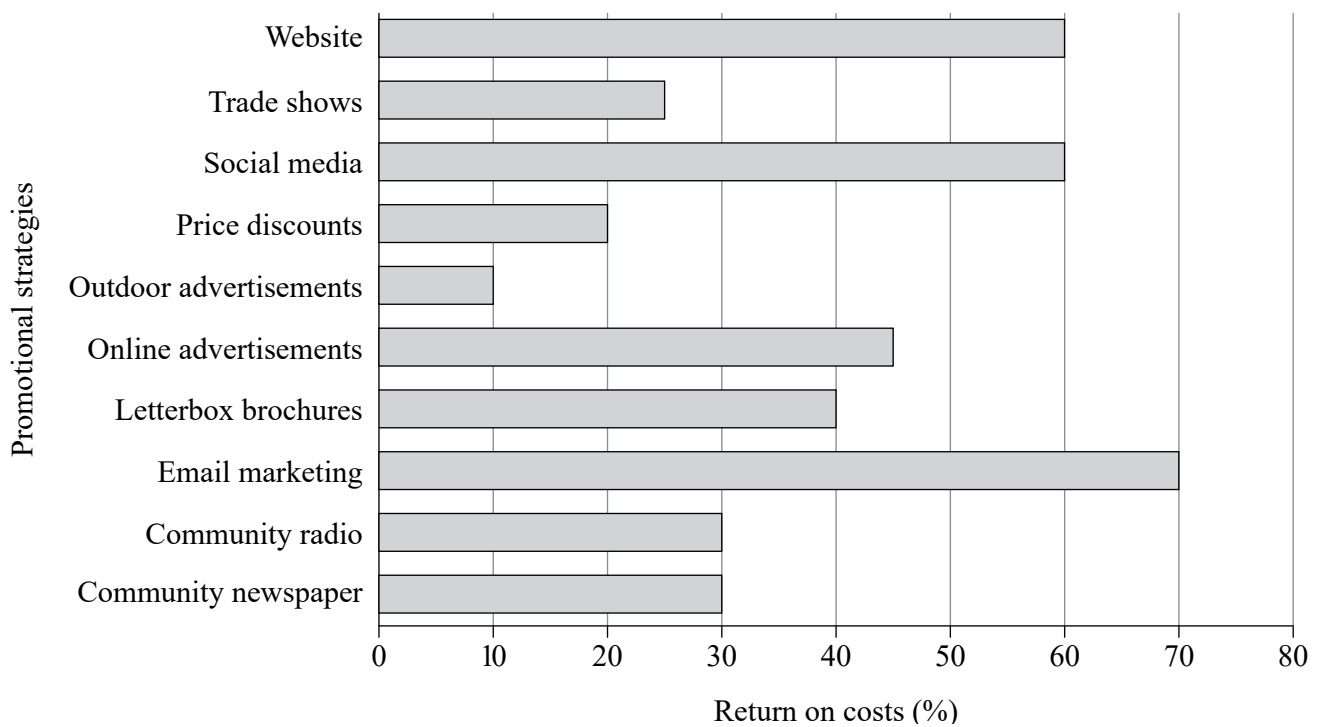
Stimulus 8

Annual retail sales for the vegetarian butcher business



Stimulus 9

Return on costs for promotional strategies used by small businesses



Stimulus 10

Excerpts from Australian Bureau of Statistics data on household use of technology, 2016–17

Users' reasons for accessing the internet

Age groups (years)	Social networking (%)	Purchasing goods or services (%)
18–24	95.7	81.2
25–34	92.9	84.0
35–44	84.2	77.4
45–54	75.2	70.8
55–64	65.0	64.4
65 or over	51.2	52.3

Internet users who purchased goods or services online

Age groups (years)	Food and groceries (%)
18–24	16.4
25–34	23.1
35–44	24.3
45–54	16.4
55–64	18.0
65 or over	15.1

References

Stimulus 2

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Stimulus 3

Images of Piggy Bank, Surfboard and Surfer from Pixabay used under Pixabay licence terms.

Stimulus 6

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Stimulus 7

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Stimulus 10

Data sourced from: Australian Bureau of Statistics 2018, *Table 3: Internet users, by reasons for accessing the internet — 2016–17 and Table 4: Internet users who purchased goods or services online, by types of goods or services purchased — 2016–17* (data) in 'Persons use of the internet, Household use of information technology: 2016–17 financial year', www.abs.gov.au/statistics/industry/technology-and-innovation/household-use-information-technology/2016-17.

Stimuli 1, 2, 3, 4, 5, 6, 8 and 9 contain names, businesses, reports, data, and associated material that are fictitious. Any resemblance to businesses, persons (living or dead), or actual events is purely coincidental



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