Chapter 12 Class Exam

Name:________________ **Score:____________**

Answer all questions
Suggested Exam Length: 40 minutes

Student Input (Pre-exam)

How confident are you about this exam?

What topic am I worried about before I look at the exam? Why?

What strategies did you use to study for this exam? What was the best one?

Which activities in class did you most enjoy for this topic?

Student Reflection (Post-exam)

How happy were you with your result?

What were the hardest questions? Why?

Is there any exam technique I should change/use again for my next exam?

What topics should I look over again?

Aoife plans to set up her own vitamin and supplement e-commerce business WatSupp to take advantage of the growing fitness industry in Ireland. She is sourcing ingredients from China and considering producing the products there to keep costs down. However, she has never employed staff before and knows she needs to hire a marketing person but is unsure how to go about it. She also faces financial pressure, as while ordering larger batches of sachets would reduce costs per unit, she isn't sure her bank would be willing to increase her loan based on the market research she has completed to date.

(a) Discuss two challenges Aoife may face when introducing new products, and explain how they can address these challenges.

Challenge:
How to address challenge:
Challenge:
How to address challenge:

(b) Outline three suitable types of insurance that Aoife could use to protect her business from potential risks

1:

2:

3:

(c) Explain three reasons why is important for a business to manage risks

1:

2:

3:

(d) Discuss four risk management strategies that can be used by businesses to respond to potential risk.

1:

2:

3:

4:

Chapter 12 Marking Scheme – Total 66 marks

(a) Discuss two challenges Aoife may face when introducing new products, and explain how they can address these challenges
20 marks (Challenge explained 6m graded, how to address 4m graded)

Challenge 1: Staffing / Marketing
Aoife has never employed staff before but knows she needs a marketing person to help launch her new products. Without experienced marketing, she may struggle to build awareness of her brand in a crowded fitness market, leading to poor sales.

How to Address: She could begin with a short-term contract or outsource marketing to a specialist agency until the business grows. This would allow her to access expertise without the full cost of a permanent hire.

Challenge 2: Accessing Finance
Ordering larger batches of sachets would lower her unit costs, but Aoife does not have enough finance to commit to big orders. If she cannot secure extra funding from the bank, her products may be too expensive to compete with rivals.

How to Address: She could start with smaller production runs to test demand, and use alternative finance such as microfinance loans or a Local Enterprise Office grant.
Other: Crowdfunding.
Demonstrating early sales success may also help her secure additional bank finance later.

Challenge 3: Overseas Sourcing and Production
By sourcing ingredients from China and producing products overseas, Aoife faces risks around quality control and delivery delays. Any problem with suppliers could damage her reputation and slow her launch.

How to Address: She could request supplier quality certificates, use smaller trial orders first, and have a back-up supplier in place to reduce dependence on one source.

Other: operational risk – e-commerce store – stock control, quality control, fulfilling orders, taking payments etc… Use AI, outsource fulfilment…

(b) 15m - 3 @ 5m (2+3)

1. Product Liability Insurance

This protects Aoife if a customer becomes ill or is injured after using her vitamins. For example, if someone had a bad reaction to a supplement and made a compensation claim, the insurance would cover the costs.

2. Employer's Liability Insurance

If Aoife hires a marketing employee, this insurance protects her if the worker is injured while carrying out their job. It prevents her business from facing large payouts to staff if they get hurt working on her premises.

3. Contents Insurance

If Aoife stores her vitamins in a warehouse, this insurance would protect her stock and equipment against damage or theft. For example, if a fire broke out, the policy would cover the cost of replacing her goods.

4. Cyber Insurance

Since Aoife may sell vitamins through an e-commerce store, cyber insurance would protect her against risks such as hacking, data breaches, or online fraud. This ensures customer information and sales systems are secure.

(c) 15m - 3 @ 5m (2+3)

Protects Resources and Reduces Financial Loss

Effective risk management helps businesses avoid or reduce major losses. For example, taking out insurance such as public liability or business interruption cover ensures the business can recover financially if accidents or disruptions occur. This protects stock, premises, and cash flow.

Maintains Consistency and Prevents Disruption

Risk management ensures day-to-day operations can continue smoothly. For instance, using prevention strategies like staff training and quality control reduces the chance of mistakes or accidents. This means customers get a reliable service, protecting the brand from reputational damage.

Builds Long-Term Sustainability and Stakeholder Confidence

Managing risks helps businesses adapt to challenges and earn trust from investors, employees, and customers. For example, by spreading risks across different products or sales channels, a company avoids relying on just one income stream. This makes the business more resilient and sustainable.

(d) 20 marks 4 @ (0,2,4,5 graded)

1. Avoidance

Businesses can avoid risks by choosing not to engage in certain activities. For example, a café might decide not to offer home delivery to avoid the logistical and legal risks linked to food transport. This prevents exposure to risk but may also limit growth opportunities.

2. Spread

Spreading risk means diversifying products, markets, or sales channels. For instance, a clothing retailer might sell both online and in-store so that if one channel underperforms, the other can support income. This reduces dependence on a single market.

3. Prevention

Prevention involves taking proactive steps to reduce the chance of risks occurring. A factory, for example, may invest in staff training, safety equipment, and quality control systems. These measures minimise accidents, protect staff, and reduce reputational damage.

4. Insurance

Insurance transfers the financial burden of risks to an insurance company. A bakery might take out public liability or business interruption insurance to cover costs if customers are injured or equipment fails. This provides financial protection and supports business continuity.