

Scenario

You are the marketing manager at BBQfun. You and your team have identified three marketing opportunities to evaluate. They are:

- manufacture and sell own brand
- sell products through e-commerce
- sell products at bargain prices

The first opportunity is to manufacture and retail own-branded barbecues and products. Manufacture would take place at a leased plant in India as BBQfun has no manufacturing capability. Also, manufacture in Australia would be too expensive.

The second opportunity is to offer all products in an online store. Stock could be stored at no extra cost at existing stores. Customers would cover delivery costs.

The third option is to aim to increase market share by cutting the cost of products and aiming at mass appeal.

Further information is provided in the BBQfun sales data worksheet.

Each opportunity will be promoted through a \$500,000 television, internet and email advertising campaign (cost accounted for in approved budget).

You will need to review the BBQfun simulated business information to determine organisational fit, profitability and operational implications for each of the three opportunities.

On the basis of the profitability index (opportunity cost estimated to be 8%) and a full appreciation of other, non-financial factors, you will need to rank these opportunities and choose one top-rated opportunity for further evaluation.

After ranking the three opportunities, you will complete your evaluation in terms of impact on operations. Information is provided in the BBQfun sales data worksheet.

You will then need to provide a report to the board of directors documenting your evaluation of identified marketing opportunities and required changes to operations.

- e. Use the additional fixed costs and the BBQfun simulated budget to determine the net profit for each opportunity.
 - f. Use gross profit and total fixed costs from each opportunity to calculate the profitability index for each opportunity.
 - g. Use information from this assessment task and the BBQfun simulated business to calculate total cost of operational changes.
3. Complete your own research to supplement the information you have been provided with. Ensure that you have all the information that will enable you to address all the requirements of the report.

Part B ✓

1. Complete a report according to the following requirements.
2. Referring to the BBQfun simulated business documentation, analyse the three opportunities outlined in the scenario in terms of likely fit with organisational goals and capabilities. Consider:
 - a. organisational marketing plan, structure, products and services
 - b. principles of marketing and the marketing mix
 - c. additional marketing information such as survey results in the BBQfun sales data worksheet.
3. Using information in the BBQfun sales data worksheet, evaluate each opportunity in terms of impact to current business and customer base. Evaluation should include investigation of:
 - a. sales volume for each opportunity in FY 2012/13
 - b. gross and net profit for each opportunity FY 2012/13
 - c. use numerical analysis or statistical methods to forecast, for example, the size of potential markets in FY2012/13.
4. consider also:
 - a. impact on growth plans
 - b. market share
 - c. knockout factors to rule out opportunities.
5. Assess external factors which may be relevant to each opportunity. Identify all of:
 - a. codes of practice and models
 - b. regulations
 - c. relevant legislation.
6. Refer to relevant BBQfun policies and procedures.
7. Referring to BBQfun simulated business documentation, summarise major costs, benefits and risks associated with each opportunity, including risks associated with potential competitors. Identify at least two strategies or approaches to mitigate risk.

8. Using information in the BBQfun sales data worksheet, assess the return on investment for each opportunity. Calculate the profitability index for each opportunity.
9. Based on your analysis so far, rank each of the three marketing opportunities. Justify your ranking in terms of both financial and non-financial factors (such as organisational fit).
10. Using information from the BBQfun sales data worksheet, for the top-ranked marketing opportunity, identify changes to current operations in order to take advantage of the opportunity. Ensure changes identified are adequate to:
 - a. service an increased or different customer base
 - b. ensure continued quality of service.
11. Ensure you can justify changes on the basis of maintaining quality.
12. Using information from the BBQfun sales data worksheet, estimate and justify resource requirements and costs for changed operations. Consider:
 - a. additional staff
 - b. distribution costs
 - c. equipment
 - d. promotional costs
 - e. staff training.
13. Prepare the report for the board of directors to document your evaluation of the three marketing opportunities and operational changes for the top-ranked opportunity. Ensure you include the following in your report:
 - a. An executive summary.
 - b. The results of your investigation of marketing opportunities in steps 3–8. Document the results of your investigation at **each** step. Consider documenting each step separately, under its own section heading.
 - c. For the top-ranked opportunity, the results of your evaluation of required changes to operations in steps 9–10. Document the results of your evaluation at **each** step. Consider documenting each step separately, under its own section heading.
14. Appropriate language and level of formality to satisfy needs of your readers:
 - a. formal language
 - b. technical vocabulary; no need to define terms such as 'marketing mix', for example
 - c. assume knowledge of organisational policies, marketing strategies.
15. Submit your report as per specifications below. Keep a copy of your report for your records.

Specifications

You must submit:

- evaluation report for the board of directors that covers all of the listed requirements.

2,500 words

Your assessor will be looking for:

- literacy skills to identify and interpret market information, to write in a formal style appropriate to a professional audience and to document outcomes and requirements
- numeracy skills to calculate and evaluate financial information on new marketing options
- knowledge of key provisions of relevant legislation from all forms of government, codes of practice and national standards that may affect aspects of business operations such as:
 - anti-discrimination legislation and the principles of equal opportunity, equity and diversity
 - ethical principles
 - marketing codes of practice and conduct such as the Australian Direct Marketing Association (ADMA) Direct Marketing Code of Practice, The Free TV Australia Commercial Television Industry Code of Practice, and the Australian E-commerce Best Practice Model
 - privacy laws
 - *Competition and Consumer Act*
- knowledge of organisational marketing plan, structure, products and services
- knowledge of principles of marketing and the marketing mix
- knowledge of statistical methods and techniques to evaluate marketing opportunities, including forecasting techniques.

Adjustment for distance-based learners

- No variation of the task is required.
- A follow-up interview may be required (at the discretion of the assessor).
- Documentation can be submitted electronically or posted in the mail.

BBQfun sales data worksheet

Performance

Market share (Projected*):

Assume market share constant across all products.

Financial year (FY)	Local independents	The Yard	BBQ's R us	Outdoorz	BBQfun
FY2009/10	30%	0%	25%	23%	22%
FY 2010/11	30%	0%	27%	23%	20%
FY2011 /12	30%	0%	22%	25%	23%
*FY2012 /13	30%	0%	22%	24%	24%

Sales performance:

Financial year (FY)	Total sales
FY2008/09	8,500,000
FY2009/10	10,000,000
FY2010/11	9,000,000
FY2011/12	9,500,000

Estimated total market potential for 2012/13 (SE Qld)

Calculate potential sales for marketing opportunities.

Total market potential (with potential online sales included)

Use to calculate potential sales with e-commerce included in FY2012/13.

Financial year (FY)	BBQs	Outdoor Furniture	BBQ Accessories	Total
FY2008/9	25,000	13,000	42,000	80,000
FY2009/10	35,000	15,000	58,000	108,000
FY2010/11	40,000	17,000	68,000	125,000
FY2011/12	45,000	19,000	75,000	139,000
FY2012/13				

Additional fixed costs	Add lease: \$1,000,000 Add labour: \$500,000 Add plant (depreciation): \$500,000	Add training: \$50,000 Add online store development: \$100,000 Add new plant and equipment (depreciation): \$150,000 Add labour: \$250,000 Add reconfiguring of warehouse/office: \$50,000	See approved budget (no change in fixed costs)
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Number of buyers	30,000	13,000	56,000
Quantity	1	1	3
Average price	\$600	\$850	\$50

Bargain market

Assume market share of 25% for BBQfun.

	BBQs	Outdoor Furniture	BBQ Accessories
Number of buyers	40,000	20,000	70,000
Quantity	1	1	3
Average price	\$500	\$650	\$40

With E-commerce

Assume market share of 24% for BBQfun.

Profitability index figures for calculation

	Own brand	E-commerce	Bargain market
Cash flow 2012/13	(Use gross profit)	(Use gross profit)	(Use gross profit)
Opportunity cost	8%	8%	8%
Present value of future cash flows			
Present value of initial investment	(Use total fixed costs)	(Use total fixed costs)	(Use total fixed costs)
Profitability index			

Operational changes

After consulting with the management team at BBQfun, you determine:

- high risk of customer service quality problems for online customers
- high risk of staff misunderstanding changes and considering online sales as threat to jobs
- eight online sales and customer service people will be needed to manage increased online customers
- since stores are overstaffed, need for online people could be met from drawing from existing employees at the two stores
- currently no staff have online customer service skills
- management would like to develop people through retraining rather than hire new staff to handle online sales
- six delivery trucks needed to enable distribution
- website will take 50 days to develop
- three forklifts needed
- four additional warehouse workers needed
- six additional drivers needed
- office space may need to be reconfigured.

Resources	Costs
Additional staff	\$25,000 year average
Plant and equipment depreciation	<ul style="list-style-type: none"> • Delivery trucks (\$20,000 each) • Forklifts (\$10,000 each)
Promotional costs	\$500,000
Website developers	Contractors (\$2,000/day)
Staff training	\$ Online customer service training \$3,000 per staff member
Management change leadership training for store managers and team leaders	\$3,000 each