

AS BUSINESS

Paper 2 Business 2

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Source 1: Boss Balloons Ltd

Boss Balloons Ltd

Boss Balloons Ltd (BB) creates balloon displays for events such as children's parties, weddings and store openings. BB is owned by Zoe, who set the business up after seeing a gap in the local market. BB sells its products through its website and via social media, which it also uses for its marketing. BB's prices range from £50 for the smallest balloon display to £950 for large displays for events such as weddings. Customers pay a small deposit to secure their order and pay the balance once they have received the display. BB often experiences cash flow issues due to Zoe taking on lots of big orders at once.

BB has been trading for five years and has experienced steady growth. BB has recently introduced cakes and sweets to go with the balloon displays. Zoe originally created the displays in her garage. With the increase in demand that BB experienced, more space was needed and BB is now run from a small workshop, rented at a high cost each month.

Zoe is the manager of BB and oversees the day-to-day running of the business. There are 10 employees, who Zoe has trained to create the displays to a high standard. The global and UK market for balloon displays has grown rapidly. BB has experienced a big increase in local competition from other balloon businesses. This means customers have lots of choice when deciding which balloon company to use. BB is considered to be a more expensive option; Zoe feels this is justified as she produces high-quality displays. The company has a history of excellent customer reviews.

Table 1: Balloon display market data

	Price elasticity of demand	Average price of a small balloon display	Average price of a large balloon display	Average wage per hour
UK market	-1.3	£38	£700	£9.00
BB Ltd	-0.5	£50	£950	£10.50
Main rival	-0.9	£45	£800	£9.50

The future

Raising finance 20

A larger workshop is needed for storage and assembly to accommodate the growth of BB. A venture capitalist, Jack, wants a 30% share of BB in return for providing the full price for the new workshop. Jack wants to be hands-on and has many years' experience in marketing and events management. He believes that having the right marketing objectives is key to success, with external factors being more important than internal factors when setting these objectives. His experience and knowledge are something that Zoe likes as she wants to expand into new markets. Zoe is concerned about giving up full control of the business she started. An alternative is to take out a 10-year bank loan; the monthly loan repayments are less than the rent she is currently paying for the existing workshop.

Regular contract

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BB has been offered a contract with a local hotel to supply balloon displays for weddings. This is a three-year contract with fixed prices agreed below BB's current display prices. This would be guaranteed weekly income. The hotel balloon displays require many hours' work. This will take some employees away from working on the one-off orders of a much higher value that may come in.

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Outsourcing catering

Providing the cakes and sweets to go with the balloon displays has not gone well. Only one of the employees is able to create these products to a high standard. There have recently been complaints received from customers about the quality of these products. There is little added value to making and selling the cakes with the balloons, but more customers are demanding that their displays come with these items. Zoe does not want to lose these customers to competitors. An option is to outsource the catering orders to a local bakery with good reviews, so that staff can focus on providing high-quality balloon displays.

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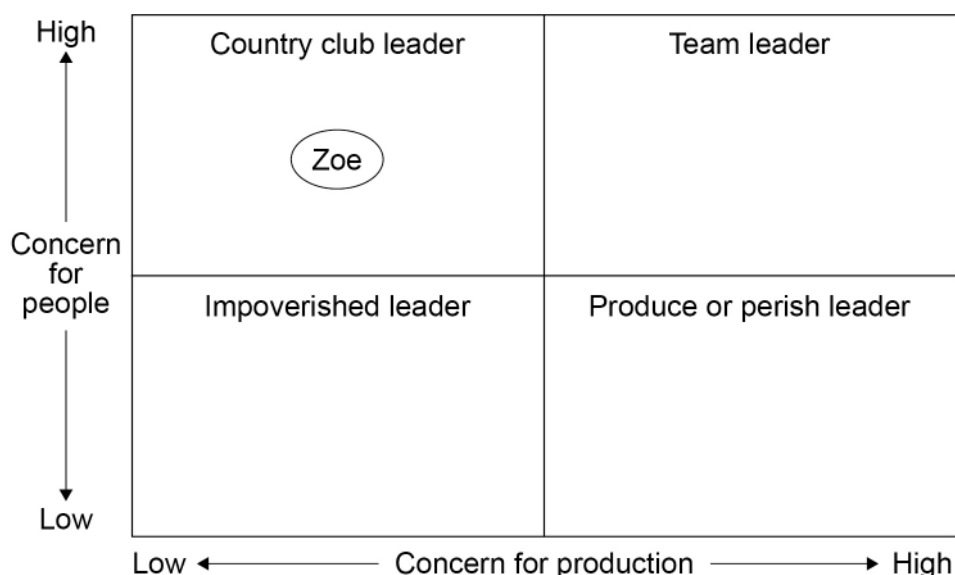
New manager

Zoe needs to employ a manager so that she can focus on making decisions about the future of the business. Zoe believes her management style is that of a 'country club leader', as shown in **Appendix A**. Zoe is considering employing a manager with a different management style. This is because in the last few months at BB there have been some motivation issues that have resulted in reduced productivity. BB has had recent high rates of absenteeism amongst staff and this has led to some balloon orders being sent out late and bad reviews on the website.

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Appendix A: Blake Mouton grid



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