



Worksheet 3: Making appropriate choices answers

Quality Fencing

1

Choices	Ranking	Explanation
Most appropriate  Least appropriate	Bank loan	Seojun does not have any savings, so it is most likely that he will need an external source of finance such as a bank loan.
	Owner's savings	A bank loan would be better as he has already used his savings. However, he is a sole trader so cannot use share capital.
	Share capital	Seojun is a sole trader so share capital is impossible.

2

Choices	Ranking	Explanation
Most appropriate  Least appropriate	Direct mail	Seojun's customers have houses with gardens, so he can send mail directly to these potential customers that are local to QF.
	Social media	Not as focussed on the local area as direct mail, but it is low-cost, so better than a television advertisement.
	Television advertisement	The most expensive promotion method and not targeted on the local area, or Seojun's target market.



Bob's Furniture

1

Choices	Ranking	Explanation
<p>Most appropriate</p>  <p>Least appropriate</p>	Job production	Job production would allow Bob to make unique pieces of furniture which could be sold for a high price. This matches his market research that customers want unique pieces and they also have high incomes.
	Batch production	Although the pieces of furniture would not be unique, they could be part of small batches which may be somewhat unique and still sold for a higher price than flow produced furniture.
	Flow production	Flow produced furniture is a competitive market and does not match any of the research that Seojun has found out about his potential customers.

2

Choices	Ranking	Explanation
<p>Most appropriate</p>  <p>Least appropriate</p>	Cost-based pricing	Since each piece of furniture will be unique, cost-based would allow Bob to price each piece based on what each customer wants. He can use the mark-up to keep a high profit margin based on the high-income customers.
	Price skimming	Price skimming would allow Bob to charge a high price to his high-income customers. However, as each piece is unique it might be difficult to have one price.
	Price discrimination	Price discrimination is usually used when a business has different market segments. Seojun only have one high-income market segment, so it is unlikely to attract these customers.