



Worksheet 7: Developing advantages and disadvantages answers

- 1 A supermarket operates in a competitive business environment. The owners of the business know that most of their products are price elastic. Analyse one possible advantage and one possible disadvantage to the business of reducing their prices.

Advantage	Disadvantage
<i>Because the products are price elastic, a fall in price is likely to lead to more customers buying their products, an increase in sales revenue and an increase in profit.</i>	<i>However, it is a competitive business environment, so the other supermarkets are likely to also reduce their prices, leading to the supermarket not getting more customers and a reduction in sales revenue because the price has reduced and reduced profit.</i>

- 2 A restaurant operates in a tourist destination. It is very busy in the peak holiday season but there are very few customers for the rest of the year. Analyse one possible advantage and one possible disadvantage to the business of increasing the size of the restaurant.

Advantage	Disadvantage
<i>If the restaurant increases the size of the business then it can serve more customers during the peak season and gain more revenue and profit.</i>	<i>However, the restaurant needs the increased size for the rest of the year, so the business costs will increase because of the increase in size and this could lead to less profit.</i>

- 3 A manufacturing business is labour intensive and produces clothing for many well-known brands. The business has a contingency plan in case of a fire in the factory. Analyse one advantage and one disadvantage to the business of having a contingency plan in case of a fire in the factory.

Advantage	Disadvantage
<i>Because the factory is labour intensive it is important to have a fire contingency plan to reduce the chance of people being injured in the fire which could lead to bad publicity and increasing business costs if they were sued by the injured employees.</i>	<i>However, the contingency plan may involve practicing evacuation of the factory, which could delay production and the well-known brands may start to use a different supplier, decreasing sales revenue and profit.</i>

- 4 Max is a sole trader who has recently set up a business that sells jewellery. All of his products are sold over the internet. Analyse one advantage and disadvantage to Max of using the internet to sell his products.

Advantage	Disadvantage
<i>Using the internet is a low-cost way to sell the products and cheaper than having a shop. This reduces Max's costs and since he has just set up the business it reduces his risks and gives Max a better chance to make a profit.</i>	<i>However, jewellery is often a product that people like to try on and they will not be able to do this using a website. Therefore, potential customers may go to a high-street shop and Max may not get any customers which could lead to his business failing.</i>



- 5 A large manufacturing business that produces and sells smartphones is planning to introduce Total Quality Management (TQM) into its factory. Analyse one possible advantage and one possible disadvantage to the workers from the introduction of Total Quality Management (TQM).

Advantage	Disadvantage
<i>The workers are likely to be given more responsibility when using TQM, which may motivate them to increase production of the smartphones. If they are paid using piece-rate then this could increase their pay and improve their standard of living.</i>	<i>However, the employees may be expected to do more work to implement TQM and there is no guarantee that they will get higher wages, so this may demotivate them and they may want to leave the business.</i>