



## Worksheet 9: Making judgements answers

- 1 Evaluate the most appropriate sales promotion methods that a new fashion retailer could use in their new marketing campaign.

The BB Pizza Company is considering two options to promote the new pizza range in a marketing campaign:

Option 1: direct mail

Option 2: free samples

Discuss each of these options. Which would you recommend?

### Advantages and disadvantages of direct mail

*It is informative as it can deliver detailed information on the company's range of pizzas and prices unlike some other forms of advertising. However, some people find direct marketing annoying and consider it as junk mail to be thrown away, making the buyers less likely to buy.*

### Advantages and disadvantages of free samples

*It increases awareness of BB Pizza Company so consumers consider using the company in future. However, there is no guarantee that there will be sales as people can take free pizza samples without the intention of purchasing.*

### Which option did you recommend and why?

*I recommend Option 1, direct mail, as the marketing campaign will be measurable because if the marketing message asks the buyer to take a particular action or use a specific voucher code, it can easily track the success of the campaign.*

### Why did you not recommend the other option?

*I did not recommend Option 2, free samples, as it requires a lot of planning and there is the risk that people do not buy BB's pizzas as they do not like the taste of the free samples.*

- 2 Jemila wants to buy a small piece of land next to her business to provide parking for her customers. Should she apply for a bank loan or a bank overdraft to pay for the land? Discuss both options. Which would you recommend?

### Advantages and disadvantages of a bank loan

*As the amount of interest is fixed, Jemila will know exactly what she has to pay each month. However, in some cases, loans are secured against the assets of the business so her business assets could be at risk if she cannot make the repayments.*

### Advantages and disadvantages of a bank overdraft

*The overdraft can be received quickly and repaid at irregular intervals when Jemila has the money which will help her budgeting. However, the interest charged is likely to be higher than for a loan.*

### Which option did you recommend and why?

*I recommend a bank loan. Loans are normally used for a specific purpose, such as buying equipment. As Jemila needs finance for a specific project, namely, a fixed asset of land a loan seems most appropriate.*

### Why did you not recommend the other option?

*I did not recommend using a bank overdraft as they tend to be used in the short term for working capital requirements, such as buying more stock. If the land is going to cost a large amount of money, this would have to be repaid over a longer time.*