

Introduction to Business



Application Exercise 04

Chapter 5 – Small Business, Entrepreneurship & Franchises

Deadline: Start of class time, Friday, Feb 13

Submission: This exercise will be discussed, graded, and submitted in-class.

Note: *If you're missing the class period during which this exercise is discussed and graded, email the answer to each question along with its accompanying rationale to mark.widdel@anokaramsey.edu. Your answer set should be emailed no later than 50 minutes after the start time for the class in which you're enrolled.*

Video/Article Links: The video link for this exercise will be emailed to your account. Article links are posted on the class website.

Value: 50 total points as described below.

- 2 points per correct answer unless otherwise noted; 26 points possible
- plus 2 points per reference note for each question; 24 additional points

Reference Notes: You need to make some notes to which you can refer if you are called upon during class to explain your answer to a particular question. The answer sheet contains an area for this purpose. *I expect to see some type of adequate reference notation for every question.*

Directions:

- ⇒ If you haven't already watched the video and read the article, do so.
- ⇒ Select a single best answer for each of the following questions (which are based upon the assigned textbook chapter and content from the video.)
- ⇒ Use a pencil to record the answer to each question on the answer sheet attached to the back of this document.
- ⇒ Make notations that will help you explain in-class, your recommended answer *for each question.*



The following questions for this portion of the application exercise are based upon the video about **Car Cash**, articles and links regarding TOMS Shoes and the information in Chapter 5.

1. As small business owners, the Baron brothers were competing within the _____ industry and because of that, they needed to be particularly good at _____.
 - a. distribution / maintaining personal relationships with customers and employees.
 - b. distribution / adapting to change.
 - c. service / maintaining personal relationships with customers and employees.
 - d. service / adapting to change.
 - e. production / maintaining personal relationships with customers and employees.
 - f. production / adapting to change.

2. Which of the following reasons common to small business failure was the greatest contributor to the problem being experienced by the Baron brothers (before the intervention by Lemonis)?
 - a. Undercapitalization
 - b. Mismanagement
 - c. Poor planning

3. The textbook authors point out that small businesses are important to our economy for numerous reasons. Car Cash reflects this because of the major role it plays in which of the following?
 - a. provider of technical innovation
 - b. provider of employment
 - c. provider of competition
 - d. filling the needs of society

4. The entry of Marcus Lemonis into the company, with a plan to franchise the business, changed everything for the Baron brothers. What type of franchise was Lemonis proposing to implement?
 - a. The authorization to retailers to offer a car-buying service under a given brand name.
 - b. The authorization to distributors to sell a car-buying service under a given brand name to retailers.
 - c. The authorization to retailers to offer a car-buying service as well as operate and market the business within the guidelines provided by the franchisor.
 - d. None of the above. He wasn't really proposing a franchise because he would own every one of the new stores.

5. One of the major benefits to a potential franchisee in obtaining or running a Car Cash franchise would be:
 - a. the brand is well-recognized, nationally.
 - b. major operational and marketing decisions don't have to be made the franchisee, they're made by the franchisor.
 - c. the start-up cost would be substantially less than if (s)he started an independent car buying service.
 - d. the profits and losses from your franchise and shared among all other franchisees.

6. One of the major disadvantages to a potential franchisee in obtaining or running a Car Cash franchise would be:
 - a. the brand name and marketing strategies wouldn't have much relevance anywhere outside a major metro market such as New York City.
 - b. major operational and marketing decisions made by corporate must be followed to-the-letter by the franchisor.
 - c. the percent of ongoing profit that needs to be shared with corporate, every month/year via royalties and fees, negates the potential profit the franchise holder could make on his or her own as an independent.
 - d. the franchisor is too shaky and is liable to go down, taking the franchisees with.
7. Consider the following components of a business plan. Which section would be most critical to the success of Lemonis in launching the Car Cash franchise?
 - a. Management
 - b. Operations
 - c. Marketing
 - d. Financial
8. Of the improvements implemented by Marcus Lemonis to the NYC store, which was the most important, strategically, to accomplishing his goal of franchising the company?
 - a. He provided a line of credit to the brothers so that they had access to additional working capital.
 - b. He implemented a major change in the selling process by getting the Car Cash estimator to involve the customer in the appraisal.
 - c. He eliminated the on-site wholesaler from the sales chain.
 - d. He made Jon aware of his managerial limitations and made him correct them.
 - e. He fixed the problems with the NYC store before launching the franchise.

The following questions are based upon the posted articles relating to TOMS Shoes.

9. TOMS Shoes are manufactured on every continent except Antarctica. The factories pay fair trade prices for the work done. The average production cost is \$13 per shoe. Considering that the shoes retail for \$50-\$80 each, the company should be able to afford to give away a lot more than one pair of shoes for every one sold.
 - a. True
 - b. False
 - c. It depends.

Returning to the subject of business ethics.

10. One of the major problems with TOMS Shoes is that giving away free shoes to children hurts the local economy of where those children live. It would be much better for TOMS to always purchase the give-away shoes made by local people rather than supply their own custom-made shoes.

- a. True
- b. False
- c. Maybe

11. Zach Mason's, an anti-TOMS blogger, draws the right conclusion when he writes

"...anyone who is buying one pair of mediocre shoes for the price of two [from TOMS Shoes] is just wasting their money. If you want to spend your money in a way that helps the world's poor..., you might donate it to Oxfam, Habitat for Humanity, Doctors Without Borders or some other genuine non-profit that is more likely going to spend it on more worthwhile projects that will make a much greater impact."

- a. True
- b. False
- c. Somewhat

Be careful, this final stock market-based question is valued at 4 points (and it is not going to be discussed during class.)

12. Currently, TOMs Shoes is an attractive stock for investors seeking a longer-term ROI.

- a. Yes
- b. No
- c. Maybe

ANSWER SHEET Ap Ex 04

Name:

BUS 1101 Franchises: CarCash

Answer Notes

1.	
2.	
3.	
4.	
5.	
6.	

Graded by:

Answer	Notes
7.	
8.	
9.	
10.	
11.	
12.	