

Awesome Avocados (AA)

Isabel is an Avocado farmer. Her farm is located on the edge of a busy town. The main output from her farm is avocados. The avocados are packed into AA branded boxes made with recycling materials and transported by electric trucks to customers. AA are marketed as environmentally friendly avocados. The avocados are sold through various channels of distribution.

AA has an excellent reputation for fresh, juicy avocados. It offers a 'money-back' guarantee if the consumer is not happy with the quality of the avocados. All the avocados are labelled with a 'best before' date which gives the consumer an idea of how long each avocado will remain fresh.

Isabel has two production lines at the farm; one for the industrial market and one for the consumer market. Table 1.1 contains some data about the two production lines.

Table 1.1: Production line data

	Production Line A	Production Line B
Type of market	Industrial	Consumer
Number of employees	3	7
Sorting process	None	avocados sorted into small, medium and large
Packaging	Trays of 20 avocados	Boxes with 3 of the same size avocado in each box
Total variable costs	\$2.10 per tray	\$0.25 per box
Price	\$4.50 per tray	\$0.70 per box

The fixed costs for the business are \$12 000 per month. These are allocated equally between the two production lines.

Isabel would like to expand AA by renting more land to grow avocados and opening a new production line.

The new production line would require 4 employees who would need to be recruited and trained. It would specialise in sorting and packaging avocados that will be sold to retailers.

Isabel feels that she is good at listening to her workers and has an understanding of their concerns. However, she is concerned that the management functions she has to perform during and after the expansion might be too much for one person. She also thinks that her laissez-faire leadership style may not be appropriate for this type of business.