

Examiners' Report

June 2024

IAL Business WBS14 01

Introduction

This proved to be an accessible exam paper, with questions that discriminated well. Candidates accessed a wide range of marks, with some good, and occasionally very good, responses to the questions set. There was very little evidence to suggest that candidates did not have enough time to complete the paper.

Strong candidates did well, with some excellent and thoughtful responses, particularly for the longer questions. By contrast, there were also some very weak responses that showed little understanding of, or even familiarity with, the specification content. The main reasons for some candidates underachieving were the usual ones of not heeding command words and not reading the questions carefully enough. Once again, command words are still being ignored by a sizeable number; instructions to 'assess' and 'evaluate' were not always followed.

Some candidates missed out on marks because they did not answer the question that was set. Question 3 proved to be a problem for some, who gave a generic response on the four P's rather than focussing on the importance of place as per the question. It is worth reminding future candidates of the need to apply proper context to all responses. Repeating generic or stock answers, or just copying the text from the case study will not access the higher levels of the mark scheme.

Both the longer 20 mark questions in section B were accessible to well informed candidates and acted as good platforms from which they could build convincing answers. However, as has been pointed out in previous reports, the reasons for not doing so well in these questions was usually because candidates had simply copied out, or re-written, the evidence with little or no attempt at analysis or evaluation. Good conclusions were rare; simply re-writing previously made points adds little to the answer. The use of examples beyond the case studies was disappointingly rare.

As ever, the key to doing well in the longer questions is to fully develop the chains of reasoning, look at the competing arguments and support them with evidence before reaching a supported conclusion or judgement.

Question 1 (a)

This was a straightforward start to the paper for many candidates. There were several push factors that could have been applied to this question. Most candidates wrote about the declining population in Finland. A small number of responses confused a push factor with a pull factor.

It is worth repeating that on this type of question a definition is not needed and does not achieve any marks. By contrast, there are 2 marks available for application or a contextualised response but many candidates are still missing out on these marks.

1 (a) Explain **one** push factor that may have caused *Valio* to expand overseas.

(4)

push factors are factors that cause a business to seek other ~~at~~ overseas markets as the domestic market could be saturated or has intense competition, whereas in *Valio's* case they may have expanded as the population in Finland is declining therefore it would be better to expand in other countries if they are seeking on building a big brand name globally and not just locally.



ResultsPlus
Examiner Comments

This response gains 2 marks. Good knowledge and understanding with analysis but no application.



ResultsPlus
Examiner Tip

The first part of this answer is a definition, no marks are available for a definition.

1 (a) Explain **one** push factor that may have caused Valio to expand overseas.

(4)

A push factor plays a role of a negative future prediction that a company should take into account when considering ~~moving~~ expansion. Finland has a declining population of 5.5 million, which means that growth is limited domestically. By expanding to EU, China and US, Valio will be able to increase its sales and revenue, leading to a wider growth opportunities.



ResultsPlus
Examiner Comments

A good response that gains 3 marks.

1 mark for clear identification of a push factor, 1 application mark and then 1 analysis mark for explaining why.



ResultsPlus
Examiner Tip

Don't forget that there are 2 application marks to be gained here.

Question 1 (b)

Those candidates that knew the right formula inevitably did well on this question.

Unfortunately, some did not and they missed out on what should have been a straightforward few marks. Others lost a mark by missing the percentage sign or by only giving the answer to one decimal place. Some candidates knew the formula but not how to calculate the gross profit figure from the totals given in Extract B. A surprising number gave the answer as 31.31% rather than 31.32%.

(b) Using the data in Extract B, calculate to two decimal places, the gross profit margin for Valio in 2021.

(4)

$$\text{Gross profit margin} = \frac{\text{Gross profit}}{\text{sales revenue}} \times 100$$

$$\text{Gross profit: Sales revenue} - \text{costs of goods sold}$$

$$696659$$

$$\text{Gross profit margin} = \frac{696659}{1918238} \times 100$$

$$36.32\%$$

$$36.32\%$$



ResultsPlus
Examiner Comments

A perfect answer gaining all 4 marks. Note the logical way the working is set out.

(b) Using the data in Extract B, calculate to two decimal places, the gross profit margin for Valio in 2021.

(4)

$$\begin{aligned} \text{gross profit margin} &= \frac{\text{gross profit}}{\text{revenue}} \times 100 \\ &= \frac{122,579}{199,198,238} \times 100 \\ &= 63.68\% \end{aligned}$$



ResultsPlus
Examiner Comments

This response understands the formula but not how to derive the correct gross profit figure.

Incorrect final answer but it gains 2 marks. 1 mark for the correct formula and 1 mark for the correct denominator.



ResultsPlus
Examiner Tip

Always show the full workings as some marks can still be gained if the calculation goes awry.

Question 1 (c)

A generally well-answered question. The topic of sustainability is widely understood and most candidates were able to explain its importance in terms of appealing to environmentally concerned customers and creating a positive brand image leading to higher sales. Stronger candidates linked this to PED and the possibility of higher prices.

Most added balance by pointing out the potential increase in costs or those potential customers that were not environmentally concerned and/or prioritised lower prices.

(c) Discuss the benefits of sustainability for a global business such as Valio.

(8)

Sustainability involves businesses opting for environmentally friendly practices in an effort to improve their brand image and longevity.

Firstly, Valio could benefit from being more sustainable as it can significantly improve their brand image. Valio aim to cut milks carbon footprint in Finland to zero by 2035 and were selected as the most sustainable brand in Finland in 2021. This is beneficial as many people want to support sustainable brands which could increase Valio's sales & therefore revenue. However, all of Valio's packaging is made from 100% plant based materials which means their production costs are likely to be very high. This can make a business uncompetitive as they have less capital to use on other things such as marketing their products.

On the other hand, their sustainability is likely to receive support from pressure groups & other environmentalist parties.

This is beneficial as pressure groups can negatively impact businesses and their brand image which could happen to Valios competitors, giving Valio a competitive advantage. Additionally, they now have the opportunity to work with St1 on a joint venture to produce biogas through sustainable practices. This gives them access to new markets allowing them to increase profits. However, consumers may opt for cheaper substitutes as porters 5 forces suggest. This means that due to Valios high costs, they may need to raise prices to be competitive. This gives cost-focused competitors an advantage & reduces Valios market size.



This is a good response that reaches level 3, 7 marks.

Clear and accurate knowledge and understanding with logical chains of reasoning. The assessment is balanced and equally clear.

(c) Discuss the benefits of sustainability for a global business such as Valio.

(8)

Sustainability means taking sustainable measures in production. This includes using ~~ecological~~^{organic} raw materials or using recycled products.

One advantage for sustainability is that it can be used as a marketing tool. Choosing to be sustainable is an ethical stance and the joint venture with St1 can be used by Valio to show they are a sustainable business. However, being sustainable may incur higher costs.

Another advantage for an multinational such as Valio is that it can exploit a global niche market. These markets have a focus on quality, higher profits, brand loyalty and the added global benefit of economies of scale. This will lower the cost of the plant-based cartons.

However, taking an environmental ethical stance may affect other ethical stances. This is because people will research where those plant-based materials come from and if they come from exploited factories, consumers may start a boycott campaign against Volvo, which will also negatively affect their partner, St1.



ResultsPlus
Examiner Comments

This is a low level 2 response, and gains 3 marks.

There is some knowledge and understanding but the arguments are based on assertion. There is an attempt at balance but it is not wholly convincing.



ResultsPlus
Examiner Tip

When stating that something will happen, it is important to explain 'how' or 'why'. Without this development it remains an assertion.

Question 1 (d)

Trade blocs were widely understood by most candidates. However, the question was specifically about the EU which is a requirement of the specification. Some responses just discussed trade blocs in general and produced generic responses which were not focused on the question. Many candidates seemed to think that a tariff was a cost of production for the firm.

Most looked at the unrestricted access that Valio's products would have to all the countries in the EU and the advantages that might follow. Some discussed the advantages of free movement of labour along with tariff and quota free access to raw materials. Good responses added balance by looking at the possibilities of trade diversion. Some discussed the possible retaliation of other regions to the EU's external tariffs and the impact that might have on Valio's exports to areas such as the US and China. Rather surprisingly, few looked at the risks of other EU countries having equally free access to Valio's home market.

(d) Assess the benefits for Valio of being in the EU trading bloc.

(12)

The EU trade bloc is a combination of regional trading agreements between a large percentage of European countries. The EU is an economic union, the euro (€) is the official currency and Finland is part of it.

Being part of the EU involves having access to many trade agreements. This offers Valio the opportunity to export to other ~~countries~~ ^{countries} in the EU such as France, Italy, Spain and many others. With an appropriate marketing strategy, Valio can penetrate in these markets, increasing the pool of potential customers which is currently declining in Finland but may be increasing in other countries.

However, as well as Valio can enter other EU countries to sell their produce, other companies can do so in Finland, the market that Valio dominates. Swiss-company Nestlé conducts similar activity so being part of the EU can increase the competitive pressure by other EU firms when access is granted to Finland.

Another benefit of being in the EU is that it is an economic union. ~~These~~ Economic unions, along other types of trade ~~the~~ bloc allow free movement of people, there is no need of visa nor permission.

Consequently, Valio can access a larger pool of workers with skills and training that they may not have otherwise been able to recruit within Finland. For example, the increased availability of skills can help coordinating managerial operations such as the joint venture with STI, making the business stronger ~~managerially~~ in terms of management and skills.

However, there exists an opposite counterpart. Countries find that when they enter a trade bloc such as the EU, ~~there is~~ there can occur a brain drain issue. This means that workers travel to other EU countries looking for better conditions, pay and in Finland's ^{case,} ~~case,~~ a warmer climate. Although this may not be an issue for Valio because it has operations in many countries and it can ~~recruit~~ recruit workers that migrate.

Another benefit of being in the EU is that the business can access a more global supply chain. The movement of goods is accepted within the EU countries and importing raw materials such as milk from France, for example, may be ~~more~~ cheaper than local sourcing. This allows to reduce the price of products, an ^{important} ~~essential~~ competitive edge in the dairy market.



A very good response in level 4, gaining 11 marks.

The response is clearly focused on the EU as per the question. Note how the arguments are strengthened by examples other than the ones provided in the extracts.

(d) Assess the benefits for Valio of being in the EU trading bloc.

- | | |
|--------------------------|--------------------------|
| + Market share | - Interdependance ✓ (12) |
| + Trade liberalisation ✓ | - Competition |
| + Labour ✓ | - |

Trading bloc = group of businesses which join together to enjoy free trade.

Valio is a Finnish dairy and food business. A benefit of Valio being in the EU would be the trade liberalisation. Valio pays 12 027 € of income tax. This could reduce by being in a trade bloc as ~~the~~ costs will decrease because tariffs will be removed. Therefore, Valio will have extra money to invest in promotion, production, etc. However, being in the EU will cause interdependance. This means there is more risk that any economic problem from another EU country will affect Valio. Uncertainty will increase

Another advantage is the access to labour. Being in the EU, which is a monetary union, will mean that there is a free flow of capital, labour, goods. So, there will be more ~~choice~~ ^{choice} ~~to~~ when choosing to employ new people. More skilled ~~to~~ workers to choose from. Which will give Valio productivity and efficiency. Less loss of output and therefore less money lost because of errors in production. However, by joining the EU Valio will have more competition. Valio will ~~to~~ have to compete not only with Finnish businesses but with all European businesses. This means Valio will find it harder ~~to~~ to differentiate which could make them struggle to gain market share.

In conclusion, in the short-term Valio might have to spend money in promotion ~~to~~ in other countries. However, its market share could increase ~~will be able to enter new markets~~ ^{expand}.



A low level 3 response, gaining 5 marks.

There is some confusion in the arguments used on the first page and they rely too much on assertions. The second page is better and more focused.

Question 1 (e)

Most candidates found this to be the more straightforward of the two 12 mark questions. Inorganic growth proved to be a widely understood topic and most responses were able to show some of the potential benefits and drawbacks. However, many did not go beyond simple assertions or copied out the source material without really adding anything useful to it. Balance was often based on assertions without supporting argument or evidence.

Stronger responses made good use of Extract D and focused on how the product portfolios of both Valio and Heinon Tukku might affect the success or otherwise of the takeover. Some also looked at the joint venture with St1 in Extract C to good effect.

(e) Assess the advantages of inorganic growth for a global business such as Valio.

(12)

Inorganic growth occurs when a business expands by joining together with another business through mergers, takeovers & other methods as oppose to growing organically using their own resources.

Firstly, inorganic growth allows businesses such as Valio to expand very quickly making them extremely competitive. Their takeover of Heinen Tukkku was approved by the FCCA in 2021 and gives Valio access to new markets and products as they can continue selling to Tukkku's existing customer base.

This can significantly increase their revenue.

However, there is a risk of growing too quickly & as Tukkku has a portfolio of thousands of diverse products, Valio may not have enough capital & profit to be able to keep up with production as well as demand.

This could cause them to be uncompetitive.

On the other hand, Valio's takeover gives them access to all of Heinen Tukkku's resources & production. This means that

Valio could exploit economies of scale in order to reduce their costs. This would make them more cost efficient allowing them to generate higher profit margins making Valio very competitive. However, takeovers are extremely expensive and require a lot of capital to be invested upfront.

Although Heimon Tukku already have many customers in the form of restaurants & coffee shops, there is no guarantee Valio will recover their investment. Additionally, Tukku are likely to have fixed contracts with their customers meaning Valio could suffer from inflation.

In conclusion, it is advantageous for Valio to grow inorganically as it allows them to expand quickly & tap into new markets whilst using strategies such as economies of scale to lower their costs. However, they need to be aware of the risk of growing too quickly & the expenses required when expanding. They can however calculate the likely ROI using methods such as the ARR.



A good level 4 response which gains 10 marks.

A logical and clear answer that makes good use of the extract and avoids a generic response.

(e) Assess the advantages of inorganic growth for a global business such as Valio.

(12)

Inorganic growth can be achieved by mergers, takeovers or joint ventures.

It is when a business grows by joining or buying another business.

In 2021, Valio took over Heimon Tukkku and became an even more competitive supplier to the food industry. Taking over this business will benefit Valio as it has reduced competition in the market, enabling them to be the only business that supplies everything a professional kitchen needs. Being a monopoly will lead to Valio increasing sales for a period of time until another business tries to compete with them by introducing substitute products.

However it may be difficult for others to compete with a business that has ~~an~~ such as an extensive ~~selection of products~~ portfolio of products.

Inorganic Growth is a very fast way to grow as there's no need to wait for other ^{new} products to sell.

However, it is very expensive to takeover a business such as Heimon Tukkku, ~~all~~ which has thousands of products in the market. Valio may be in the need to get a loan to cover costs as it also thinks in offering support in the development of new meal and snack products. The business will see an increase in costs in 2021 but if they perform as a monopoly, there may not be as big of a problem.



This gains level 2, 4 marks.

There is some knowledge and understanding here but the points are not developed and are incomplete. An assessment is attempted but is not convincing.

Question 2

For a number of candidates, it was clear that they knew little about the impact of skills shortages on international competitiveness. Many resorted to quoting statistics from the extract alongside assertions about low productivity without explaining the connections or causes. This meant that they struggled to produce a meaningful response. Balance was often simply further repetition from the extract about South Korea without any further development or understanding.

Because of the reasons above, this question was perhaps not as well answered as question 3. Nevertheless, there were some very good answers that clearly explained the negative impact of skills shortages in terms of both increased costs and lack of innovation. Balance was often in the form of alternative factors that may be more important than skills shortages in affecting international competitiveness, such as protectionism, exchange rates, natural disasters and conflict.

- 2 Evaluate whether a skills shortage is the most limiting factor on international competitiveness.

(20)

Skill shortages refers to the lack of labour force in the market.

Skill shortages is the limiting factor, this is because due to the lack of digitally skilled workers it will result in firms such as Samsung to experience lower quality in their services, this is because Samsung will result in acquiring ~~lower~~ unskilled workers into their production, therefore due to their lack of experiences in the occupation this will result in them to ~~make~~ make increased mistakes while producing products such as its new Samsung S24, therefore this will lead to increased wastage to Samsung as well as reduced reputation due to lower quality resulting in customers to switch to rivals such as Apple, lowering Samsung's sales as well as its international competitiveness.

likewise, another reason why it is a limiting factor is because Skill shortages

~~reduces~~ increases firms cost, this is due to the fact the firms such as Samsung would need to train 59% individuals ~~on~~ being digitally up to date ~~on~~ improving their digital skills, therefore this will result in firms to have an increase in training cost, resulting in them to charge higher prices for its products in order to cover its operational cost, ~~as a result~~. This will ~~lead~~ lead to firms such as Samsung reducing their price competitiveness ~~on~~ its products, which will lead to ~~as~~ ^{rational} customers switching to fair price products ^{as} such as Huawei, lowering Samsung's sales as well as profitability ~~or~~ preventing them to maintain a dominant position in the market, lowering their international competitiveness.

lastly, another reason would be due to the lower productivity skill shortages ~~give~~, this is because has 59% of individuals lack digital experience it will result in them to lack knowledge ~~on~~ their expertise therefore this will result in lower output to be ~~produced~~ produced therefore firms will result in not satisfying consumer demands ~~on~~ time, giving them a negative reputation resulting in firms to lower international

al Competitive Competitiveness.

However, firms such as Samsung can mitigate this risk by not solely depending on human capital, this means that firms can invest in new AI integrated machinery in production processes, therefore this will enable firms to improve product ^{quality} has less mistakes will be occur allowing Samsung to improve reputation as well as regain 54% of competitive advantage.

likewise, the South Korean government should invest in lowering occupational immobility of labour, by providing training to ^{59%} individuals of individuals who lack digital skills, therefore firms can recruit skilled workers lowering cost has firms do not have to train.

Similarly, firms can prevent reducing competitive due to lack of skilled workers by offshoring or Outsourcing therefore this will enable firms to hire people with particular skills allowing them to produce more efficiently and maintain a dominant position.

In Conclusion, skill shortage is a limiting factor since, skilled labourers are ^{scarce} ~~scarce~~ the increase in demand for them will result in them to demand higher wages, therefore this will increase firms' business cost of production leading ~~to~~ ^{to} higher price charged lowering international competitiveness (Total for Question 2 = 20 marks)



This gains level 4, 16 marks.

Accurate knowledge and understanding with well developed arguments, good use of context and logical chains of reasoning with balanced judgements.

2 Evaluate whether a skills shortage is the most limiting factor on international competitiveness.

(20)

Skills shortage occurs as there is not enough of employees with the correct skills that could conduct their job properly on the level demanded by their employer. In a survey of 500 businesses, 59% of them agreed that their workers lack qualifications of digital skills (by the 2024 nearly 74% of all jobs are going to need those skills) and 54% of these businesses said that they have lost their competitive advantage because of that.

Skills shortage is crucial limitation to businesses international competitiveness as it increases the costs of production for the firm. The less workers know how to work, the more costs will be as the firm will have to pay for their training, time and education. This eventually increases the costs of production resulting in higher price of the product which reduces the competitiveness internationally. However, not only skills are important factor that can increase the price of the product. If the country the business trades at is has more of a protectionist approach it may be imposing tariffs or other non tariff barriers which will cause business to be less competitive and unable to increase its revenue as high as it wishes. Skills shortage is important to business and its international competitiveness, as the less workers know, the less will be

produced. By this we can understand how the bigger the skills shortage, the lower the productivity. Company that is unable to produce number of products demanded will lose their loyal and future customers and give more international market power and share to its rivals. However, even if the productivity ~~and~~ is high and skills are high another important factor comes around - ~~the more~~ corruption. Skills shortage may not be as big of an issue when compared to corruption. If government is bribed by other business of an industry, company may be simply unable to trade fairly and globally.

Lastly, if skills shortage is high, the business will have to face customers loss. This is due to the fact that the more ~~the~~ skills being lacking, the bigger the chances of product failures, errors and quality loss. As this, customers will be looking for other, better options within the global market. However, if the economy at which the ~~country~~ business trades at, is not developed enough, infrastructure issues tend to outweigh the problem of skills shortage. If there is not ~~pe~~ enough of roads, airports, highways or ports, company will not be able to trade globally well enough. It will face delays and huge costs causing the fall of the competitiveness.

As seen, ~~both~~ skills shortages as well as other factors are equally important and business should remember that not only skills are important when it comes to international competitiveness.



This is a level 2 response, 8 marks.

There are chains of reasoning but could be developed further. There is some balance but again it lacks development, for example, protectionism is mentioned but it is not clear just how this causes a business to be less competitive.



The first paragraph is just a repetition of the extract and adds nothing to the answer. It is absolutely fine to take information from the extract but it must be used to support your arguments.

Question 3

Given the subject matter of Extract G, it was not surprising that the vast majority of responses used Starbucks as their example. Good answers looked at the use of place in the context of China and the challenges of successfully entering and competing in such a market for a business. Balance was usually shown by looking at the remaining three 'P's of product, price and promotion, their relative importance in that context and how they were linked to the importance of place.

A surprising number did not make full use of the information about the use of supermarkets as sales venues or digital platforms and delivery drivers, which are all part of the importance of place. Less successful answers just gave a generic response on the four 'P's with little or no attempt to address the specific requirements of the question. Some candidates even ignored place altogether and launched into a prepared answer on the merits or otherwise of ethnocentric, polycentric and geocentric marketing strategies. Such responses did not do well.

3 Evaluate the importance of place in the global marketing strategy of a business such as Starbucks.

(20)

Place refers to the distribution channels a business considers while launching its product in a market. In this case, Starbucks is developing a number of new distribution channels in China in order to gain a competitive advantage over rivals such as Luckin Coffee and Tims China. Assessing place is a very important factor as it considers how to get the product to the customers. Starbucks makes use of digital platforms to develop its delivery business which accounts for 47% of its revenue. This is important because customers who want coffee at the convenience of staying at home can now order also order Starbucks coffee. This opens up a whole new customer base and may allow Starbucks to grab more market share and consolidate its market position.

Further, Starbucks also plans to open 2000 new stores, covering 300 cities. This may also prove to be beneficial as it will allow customers to find Starbucks more conveniently wherever they go. As a result, Starbucks customers may never have to go and try another brand's coffee as finding a Starbucks chain nearby will be easier than ever before. Over time this will develop a sense of loyalty in customers.

and help starbucks get more repeat purchases, leading to increased revenues in the Chinese markets.

In addition to that, plans to supply ready, ready-to-drink coffee will also open up a major distribution channel for Starbucks. This is because customers who want to grab a coffee without waiting in line or customer who may be late to prepare a coffee can purchase ready-to-drink coffee from nearest supermarkets. This will not only increase Starbucks revenue but will also create a brand presence in the country. As customers see more and more of the stores and products of Starbucks in their local markets, ~~brand name~~ The brand name will be more known. This may help Starbucks achieve the expected growth rate of 30% of coffee related goods and gifts such as coffee mugs and more. Ultimately leading to increased revenue ~~rather~~ more revenue streams and wld spreading.

However, it can also be argued that other ~~the~~ factors such as ~~per~~ promotion, price and product may be more important while designing a global marketing strategy. In this case, Starbucks is using a market penetration strategy by developing new distribution channels of the same products. This may not be as successful as consumers might eventually get bored of the same ~~product~~ product and flavours and therefore may as a result may switch to other brands to

try new flavors. Therefore, Starbucks must focus on these product and make sure its not ethnocentric and responding to more broadly customer needs. As this will help Starbucks ~~retain~~ attract and retain more customers in the long-run.

Lastly, promotion may also be a very important factor while designing a global strategy, Starbucks must ~~make sure that it uses the right cultural language~~ determine if the culture is low context or high context and make sure that its advertising and branding is not offensive to the local crowd. As doing so may lead to harsh actions such as boycotting and retaliation of Starbucks products, leading to ~~be~~ significantly reduced sales and therefore ~~an~~ potential exit from the market.

In conclusion, while price is a very important factor, & other factors such as price may also be very important as it determines if consumers can afford to buy the company's product. If the price is beyond the local consumer's affordability, there may be no sales.



This is a level 4 response, 17 marks.

Right from the beginning this response shows clear understanding and focuses on the requirements of the question. Arguments are well developed with logical chains of reasoning. Although a conclusion is given, it adds little.



A conclusion should not just repeat previous points. It should try to reach some kind of judgement, perhaps as to whether the advantages outweigh the disadvantages, or the extent to which something may happen. A good conclusion should add something extra, refining the judgements or pulling together the strands of the argument to a satisfactory end.

write your answer in the space provided.

- 3 Evaluate the importance of place in the global marketing strategy of a business such as Starbucks.

(20)

Place is one of the factors of the marketing mix alongside Price, Product & promotion. It is one of the most important factors for Starbucks as they aim to grow their annual sales by 30%.

Firstly, Starbucks increased their number of mainland stores in ~~China~~ China by ~~10~~ 10 times. They will reach 6,000 stores by 2022 (end) and plans to open 3,000 more by 2025. They will have a store every 9 hours on average & will also supply 550,000 supermarkets with drinks. Additionally, they have an e-commerce platform for orders & deliveries making their products easily accessible. This gives them a competitive advantage as consumers can access products almost anywhere leading to an increase in sales. However, it is very expensive to expand this quickly and Starbucks risk a failure on their e-commerce platforms if there

is a cyber attack or checkout is inconvenient for customers. This makes their expansion risky.

On the other hand, Price is very important as Starbucks face competition from businesses such as Luckin Coffee & Tims China. Starbucks are known for charging premium prices which gives them high profit margins & since they are such a large business they can use economies of scale to further reduce costs. However, their competitors could offer cheaper substitutes as explored by Porter's 5 Forces which means they could become uncompetitive.

Thirdly, Product is extremely important as Starbucks uses a broad product portfolio to give them a competitive advantage. They have stores in over 300 cities in China & sell ready-to-drink products in 550,000 supermarkets as well as coffee related goods. This gives them a competitive advantage as their customers will have a lot of choice & they spread risk by

not relying on 1 product. However, it is very expensive to develop these products and some of them may fail (Dogs) making their costs high.

Finally, Promotion is important as Starbucks need an advantage to compete with companies such as Luckin Coffee. Starbucks use an ethnocentric marketing approach as they do not adapt their products. This allows them to promote authenticity and create a strong brand image.

However, in order to be more competitive they could try ~~as~~ ~~a~~ a geocentric approach where they combine ethnocentric & polycentric factors. This could increase their sales in China & help them achieve their annual growth rate of 30%. It is however expensive to adapt products & Starbucks risk higher costs.

In conclusion, Place is one of the most important aspects of the marketing mix & has greatly contributed to Starbucks success. However, they need to evaluate all 4 P's to be more competitive.



This is a level 2 response, 8 marks.

This response shows knowledge of the four 'P's but does not really get to grips with the question. Connections are often assertion based and incomplete. Balance is attempted but is little more than a run through of the four 'P's with little or no awareness of the business situation.



Always keep the specific wording of the question in mind, do not be tempted to give a generic answer.

Paper Summary

Based on their performance on this paper, candidates are offered the following advice:

- Read the question carefully and answer the question that is set.
- Watch out for command words such as 'assess' and 'evaluate'.
- Use examples to illustrate your argument.
- Use the language of the subject, avoid generalities and exaggerated language such as 'huge' and 'massive'.
- Watch your timing and do not spend too long on one question.
- Write concisely (and neatly please!)
- Add a relevant conclusion to the longer questions.