

# Markscheme

May 2021

Business management

Higher level

Paper 2

19 pages

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The markbands and assessment criteria on page 3 should be used where indicated in the markscheme.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptors below.
1–2	<ul style="list-style-type: none"> <li>• Little understanding of the demands of the question.</li> <li>• Few business management tools (where applicable), techniques and theories are explained or applied, and business management terminology is lacking.</li> <li>• Little reference to the stimulus material.</li> </ul>
3–4	<ul style="list-style-type: none"> <li>• Some understanding of the demands of the question.</li> <li>• Some relevant business management tools (where applicable), techniques and theories are explained or applied, and some appropriate terminology is used.</li> <li>• Some reference to the stimulus material but often not going beyond the name of a person(s) and/or the name of the organization.</li> </ul>
5–6	<ul style="list-style-type: none"> <li>• Understanding of most of the demands of the question.</li> <li>• Relevant business management tools (where applicable), techniques and theories are explained and applied, and appropriate terminology is used most of the time.</li> <li>• Some reference to the stimulus material that goes beyond the name of a person(s) and/or the name of the organization.</li> <li>• Some evidence of a balanced response.</li> <li>• Some judgments are relevant but not substantiated.</li> </ul>
7–8	<ul style="list-style-type: none"> <li>• Good understanding of the demands of the question.</li> <li>• Relevant business management tools (where applicable), techniques and theories are explained and applied well, and appropriate terminology is used.</li> <li>• Good reference to the stimulus material.</li> <li>• Good evidence of a balanced response.</li> <li>• The judgments are relevant but not always well substantiated.</li> </ul>
9–10	<ul style="list-style-type: none"> <li>• Good understanding of the demands of the question, including implications, where relevant.</li> <li>• Relevant business management tools (where applicable), techniques and theories are explained clearly and applied purposefully, and appropriate terminology is used throughout the response.</li> <li>• Effective use of the stimulus material in a way that significantly strengthens the response.</li> <li>• Evidence of balance is consistent throughout the response.</li> <li>• The judgments are relevant and well substantiated.</li> </ul>

### Section A

1. (a) Describe **one** step in the development of a brand. [2]

Common steps in developing a brand include:

- consideration of the business' strategy
- identification of the target market
- doing market research
- focusing the four Ps for purposeful positioning
- development of market vision around the USP
- selection of a name and logo
- development of a marketing strategy.

*Accept any other relevant step. Candidates do not have to use identical wording to the above.*

*Award [1] for identification of a step and [2] for an appropriate description of it e.g this might include an example – does not have to be TPS.*

- (b) Calculate:

- (i) which store made the highest net profit before interest and tax (*no working required*); [1]

Store 1	Store 2	Store 3
\$90 000	\$103 000	\$85 000
<u>-\$66 000</u>	<u>-\$76 000</u>	<u>-\$67 000</u>
\$24 000	\$27 000	\$18 000

Store 2 made the highest profit.

*Award [1] for the correct answer. Working not required. Actual profit NOT required.*

- (ii) which store had the highest profitability (*show all your working*). [2]

$$\frac{\$24\,000}{\$180\,000} = 13.33\%$$

$$\frac{\$27\,000}{\$223\,000} = 12.11\%$$

$$\frac{\$18\,000}{\$170\,000} = 10.59\%$$

Store 1 had the highest profitability.

*Award [1] for correct working and [1] for correct answer. Own figure rule does not apply since there are no calculations in b(i). Must include percentage for full marks. Do not penalize rounding of decimals*

*N.B. Please reward candidates that provide correct working using Gross Profit. In this case Stores 1 and 3 have the same profitability of 50 percent.*

(c) Calculate:

(i) TPS' equity; [1]

$$\begin{aligned} \$200\,000 \text{ [total assets]} - \$120\,000 \text{ [total liabilities]} &= \text{Equity} \\ &= \$80\,000 \end{aligned}$$

*Award [1] for the correct answer. Working NOT required. Do not penalize lack of \$ sign.*

(ii) TPS' return on capital employed (ROCE) (*show all your working*). [2]

Step 1: add up the profits from the three stores. (award 1 mark)

$$\$24\,000 + \$27\,000 + \$18\,000 = \$69\,000$$

Step 2: Calculate ROCE.

$$\frac{\$69\,000}{\$50\,000 \text{ (loan capital)} + \$80\,000 \text{ [Equity]}} = 53.08\%$$

*Award [1] for correct working and [1] for correct answer. Own figure rule applies but final answer must be consistent with correct use of formula Deduct 1 mark if no percentage. Accept 53.1%.*

(d) Explain **one** effect that the \$50 000 long-term debt may have on TPS' profit and loss account. [2]

The \$50 000 in long-term debt would have to be repaid with interest. That interest expense would have three effects:

- The interest expense would be subtracted from net profit before interest and tax, thereby lowering TPS' net profit before tax.
- The corporate tax rate would be applied to TPS' net profit before tax. Because this figure is lower than it would have been had TPS not had an interest expense, TPS' income tax expense is reduced.

*Award [1] mark for an identification and explanation of an effect. Award [1] mark for direct application to TPS which may include reference to actual net profit and interest figures AFTER tax.*

*N.B. Do NOT credit "increases expenses" since it is a deduction AFTER profit before interest and tax. Deductions before profit before interest and tax are expenses.*

2. (a) Describe **one** feature of a cooperative. [2]

One feature of a cooperative:

- decision making is usually shared by all members
- any profits (or surpluses) and losses arising from this decision are also shared
- decision making is regarded as more democratic
- membership is voluntary
- although a for-profit business there is usually some sort of social improvement goal

*Award [1] for a partial description of a cooperative.*

*Award [2] for a fuller description which may include an element of profit (surplus) or loss sharing.*

- (b) Using total contribution, calculate the forecasted total profit for SSL **before** the introduction of the new promotional strategy (*show all your working*). [2]

Unit contribution is  $\$10.20 - \$6.40 = \$3.80$

Total contribution =  $3200 \times \$3.80 = \$12\,160$

Total profit =  $\$12\,160 - \$7980 = \$4180$

*Award [1] for a correct calculation for both total contribution and one mark for total profit similar to the working shown above.*

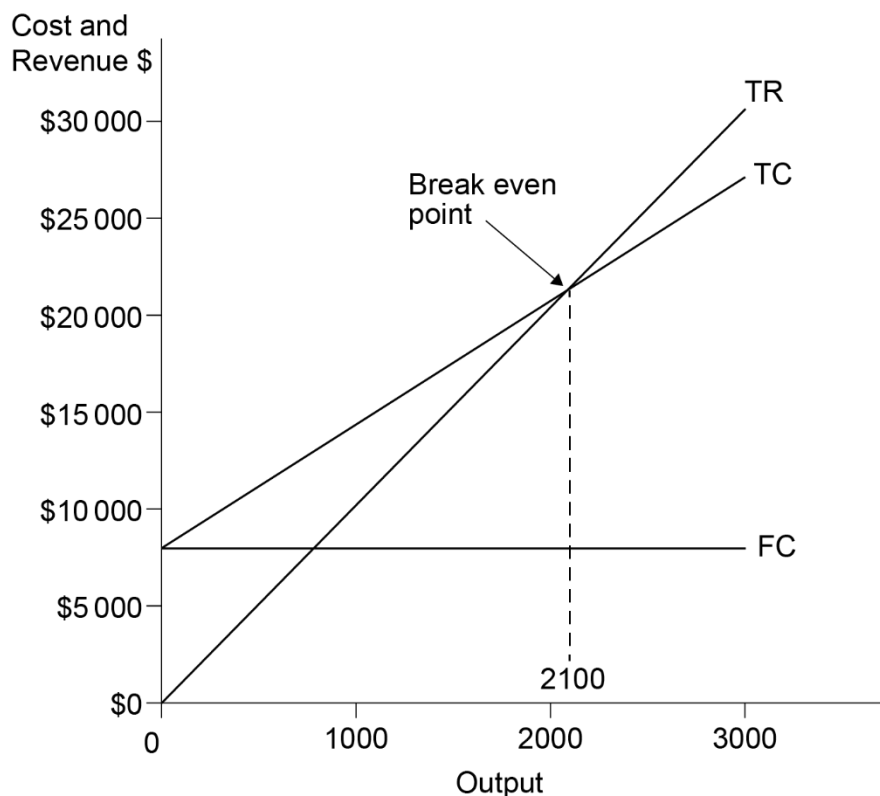
*If the candidate correctly calculates total profit but does not make any reference to contribution, then award [1] only.*

*If candidate incorrectly calculates contribution but applies correctly to Total Profit then OFR and 1 mark.*

*Do not penalize lack of \$ sign.*

- (c) Construct a fully labelled break-even chart for SSL for **before** the new promotional strategy is introduced (*show all your working*).

[4]



Award [1] for correct labelling of both x and y axis – total costs and revenue (y) and output or units produced (x).

Award [1] for accurate total cost curve.

Award [1] for accurate total revenue curve.

Award [1] for identifying the break-even point = Do Not reward calculations of BE quantity when not accompanied by chart.

Candidates are NOT required to produce Fixed Costs FC or show the B/E Revenue line.

Accuracy of TC and TR is based on the ability to approximate the B/E quantity based on the scale chosen for the x and y axes (this allows for the cases where graph paper has not been used).

If B/E not accurate but identified DO NOT penalize if either TR and/or TC already penalized. Hence OFR applied.

- (d) Explain **one** advantage to SSL from implementing the new promotional strategy.

[2]

The new promotional strategy will allow SSL to generate considerable goodwill, publicity and social responsibility. This will boost output from the current level of 3200 to the maximum of 4000. SSL may be able to reduce costs through greater bulk buying of ingredients and this could lead to an increase in profits.

As *SSL* has a minimum order size of 50, the promotional offer is likely to encourage more schools to order.

*Award [1] for an advantage and an additional [1] for clear application to SSL.*



## Section B

3. (a) State **two** features of product innovation. [2]

Product innovation features could include:

- the development of a new, redesigned goods or services – creative innovation
- quality improvements made to a product
- the inclusion of new components, materials or desirable functions into an existing product. – adaptive innovation
- It results from successful research and development which can be expensive, time consuming and risky

*Accept any other relevant feature of product innovation. Candidates are not expected to word their responses exactly as above. Award [1] for each relevant feature of product innovation identified. Award a maximum of [2]. N.B. do not credit features which are in fact repetitions.*

- (b) Explain **one** advantage **and one** disadvantage for SSC of having a product-orientated marketing approach. [4]

As a product-orientated business, SSC can:

- concentrate resources and efforts to produce high quality products. Customers reviews are very positive about SSC's quality ad effectiveness. It seems that SSC has built a good brand image and a good brand awareness by focusing on the product
- be the first to develop and produce innovative products, such as the first sunscreen free of synthetic chemicals, to get the first mover advantage in a highly competitive market
- avoid spending money in market research, to know what customers dictate or the type of products to develop. Market research costs are usually very high and SSC can devote more finance into research and development or into corporate social responsibility practices
- benefit from economies of scale. As SSC only produces a small range of high quality facial creams and soaps focusing on quality products, they can benefit from economies of scale due to greater product specialization
- can develop new products and be able to sell them with relatively little marketing. SSC has an established customer base that trusts them. So far they have relied on social media and word of mouth only.

However:

- SSC faces higher risks. Without market research, the risks that customers may not be interested or like their new products, such as the sunscreen free of synthetic chemicals, are higher. If the sunscreen free of synthetic chemicals doesn't sell losses could be substantial.
- Research and development costs are usually steep in the cosmetic industry. SSC is already facing difficulties in financing the development of new products.
- New ideas from customers may emerge from a market research. As a product-orientated business, SSC may not get this valuable information in a highly competitive market.

*Accept any other relevant and applicable advantage/disadvantage.*

**Mark as 2 + 2.**

Award **[1]** for identifying or describing the advantage/disadvantage of having a product-orientation and a further **[1]** for a development with respect/application to SSC.

Award a maximum of **[2]**.

**[2]** cannot be awarded per advantage/disadvantage if the response lacks either explanation **and/or** application.

For example:

- for an identification or a description of an advantage/disadvantage **with or without** application **[1]**.
- for explanation of an advantage/disadvantage with **no** application **[1]** for explanation of an advantage/disadvantage **and** application **[2]**.

- (c) Explain **one** advantage **and one** disadvantage to SSC of practising corporate social responsibility (CSR). **[4]**

By practising corporate social responsibility, SSC will be able to:

- increase their customer base. Consumers that are compromised with the environmental or animal cause and health seekers, may be drawn to buy SSC's products. Customers with this profile may be willing to buy from companies that have a reputation of being good corporate citizens
- keep support from pressure groups. SSC already receives public recognition from animal support pressure groups. As SSC only relies on word of mouth and social media, keeping good publicity from these groups is vital for reputation and brand image
- attract investors. SSC's image plays an important role in attracting investors. If SSC is engaged in CSR their image may get boost and attract capital/investors to finance research and development.

However:

- Practising corporate social responsibility increases costs to relatively small businesses like SSC. For instance, not testing on animals can increase SSC's production costs. Charity support may also increase SSC's expenses, reducing finance availability for product innovation.
- May preclude access to certain markets like China who insist that cosmetic products ARE tested on animals (ref – reach unsatisfied demand internationally)
- Senior management must be fully committed otherwise risk backlash if actions seen as inconsistent or half-hearted (ref- IPO would make company decisions much more visible)

Accept any other relevant and applicable advantage/disadvantage.

**Mark as 2 + 2.**

Award **[1]** for identifying or describing an advantage/disadvantage of corporate social responsibility and a further **[1]** for a development with respect/ application to SSC.

Award a maximum of **[2]**

**[2]** cannot be awarded per advantage/disadvantage if the response lacks either explanation **and/or** application.

For example:

- for an identification or a description of an advantage/disadvantage **with or without** application **[1]**.
- for explanation of an advantage/disadvantage with **no** application **[1]**.
- for explanation of an advantage/disadvantage **and** application **[2]**.

- (d) Discuss Chelsea's idea to convert SSC into a public limited company.

[10]

If SSC converts to a public limited company they will be able to finance product innovation, research and development. SSC is already facing difficulties to fund internally the development of a sunscreen free of synthetic chemicals. If the company goes public, they will be able to sell shares in the stock market to raise the required capital to develop and produce it.

With share capital, SSC will also be able diversify their production and offer a wider range of creams, soaps and other innovative cosmetics. Through the expansion of their product portfolio, it is likely that SSC's customer base and sales will increase.

SSC is probably missing sales opportunities by selling online only. As a Plc, they will have the financial means to develop alternative distribution channels, to reach unsatisfied national and international demand. Sales turnover may increase and SSC will ultimately grow.

Share capital will also open up advertising possibilities. SSC will be able to finance costly above the line advertising instead of relying on social media and word of mouth.

**However**, converting to a public limited company could be a risky move. The cosmetic market is dominated by multinational companies. If more than 50 % of shares are bought by another company Tiffany and Chelsea will lose their control over SSC.

New shareholders may have a different perspective in several aspects such as SSC corporate social responsibility or SSC product orientation. Clashing perspectives may arise. Tiffany is already worried about losing control. New shareholders may replace SSC's ethical objectives and focus on profit maximization. Tiffany's commitment to the animal cause may be lost. Pressure groups may react as well as stop their support to the company.

It is likely that as a bigger company SSC may also change into market orientation. SSC may decide to produce what the market wants instead of focusing on high quality healthy products. Healthy products may be replaced by nice smelling and looking ones. Current customers may perceive this change and stop buying SSC.

**Overall**, it seems that SSC needs to grow externally. The cosmetic market is highly competitive and it is dominated by multinational companies. SSC has no chances of expansion with its current level of finance, thus converting to a Plc has clear advantages to SSC. However, Tiffany and Chelsea will have to make several concessions. It is unlikely that more capital will come without new perspectives, new ways of doing things and a new ethos.

*Marks should be allocated according to the markbands on page 3.*

*A balanced response is one that covers at least two arguments for and two arguments against the option.*

*For one relevant issue that is one-sided, award up to [3]. For more than one relevant issue that is one-sided, award up to a maximum of [4].*

*Award a maximum of **[6]** if the answer is of a standard that shows balanced analysis and understanding throughout the response with reference to the stimulus material but there is no judgment/conclusion.*

*Candidates cannot reach the **[7–8]** markband if they give judgment/conclusions that are not based on analysis/explanation already given in their answer.*

4. (a) Define the term *niche market*. [2]

A niche market is a small market segment. The products are usually specialised, aimed at satisfying specific market needs for a well-defined segment of the population.

*Candidates are not expected to word their responses exactly as above.*

*Award [1] for some understanding. E.g small market.*

*Award [2] for a clear definition, including reference to either specialization, segmentation or specific market needs.*

*N.B. Examples should NOT be credited.*

- (b) Explain **two** benefits to *RV* of the decision to adopt e-commerce. [4]

Benefits must be to *RV* not just to customers – a benefit to a customer can only be rewarded if the answers goes on to explain how this benefit also helps the business

For example, stating that a website allows the customer to view the business products 24x7 (or to place orders from the comfort of their own home) is on its own not rewardable. The candidate would need to go on to state that this situation may lead to increased orders for *RV* bicycles for the response to be rewardable.

Benefits may include:

- Lowering costs – *RV* can reduce the need for employing staff to handle orders or take phone calls.
- Providing abundant information – There are limitations to the amount of information that can be displayed in a physical store. It is difficult to equip employees to respond to customers who require information across product lines. E-commerce websites can make additional information easily available to customers. Most of this information is provided by vendors and does not cost anything to create or maintain. Will also help overcome problems that *RV* faced .eg *RV* received an increasing number of customer complaints that phone lines were often engaged and calls not returned.
- Being open 24x7, which may increase orders as customers can order anytime.
- Making the business more visible – currently 98% of customers are within 50 miles of *RV*'s business. N.B given the business has been offering e-commerce for at least 3 years then this benefit has yet to be achieved although responses of this nature should continue to be rewarded

*Accept any other relevant benefit.*

*Award [1] for stating a benefit to *RV* from adopting e-commerce and an additional [1] for its explanation with reference to *RV*. Award a maximum of [2] per benefit. Mark as 2+2. Maximum award: [4].*

- (c) (i) Calculate the payback period if *RV* chooses **Option 2** (*show all your working*).

[2]

The payback is:

$$\begin{aligned} \text{Payback formula} &= \frac{\text{initial investment}}{\text{net cash flow per year}} \\ &= \frac{\$3\,500\,000}{\$600\,000} \end{aligned}$$

= 5 years and 10 months OR 5.833 years

**OR**

$$\frac{\$3.5}{\$0.6}$$

= 5 years and 10 months OR 5.833 years

Accept 70 months

*Award [1] for correct formula (with or without figures)*

**OR**

*Award [1] for correct figures but incorrect final answer*

(eg  $\frac{\$3.5}{\$0.6} = 5.5$  years).

*Award [2] for correct answer with working.*

*Accept any other method used if working is included.*

*Do not accept 9.96 months if rounded down to 9 months.*

*Deduct 1 mark if “years/months” omitted*

*Do not accept rounding up to 6 years unless actual figure is shown in calculation.*

- (ii) Explain **one** disadvantage to *RV* of using the payback period method of investment appraisal.

[2]

One disadvantage is that the payback method fails to take into account the time value of money and adjust the cash inflows accordingly. **[1 mark]** Though the forecasted net returns each year are \$600 000, the inflation in the country is forecast to remain in the 2–3% range for the next three years. Therefore, the real value of the annual \$600 000 will be less in years 1 to 3, thus overstating the return on the investment.

Also, the payback analysis fails to consider inflows of cash that occur beyond the payback period **[1]** – in this case we are not told the life of the investment so we cannot see how much the net returns will be for the life of the investment beyond 5 years and 10 months **[1]**.

The forecast figures are subject to variation based on qualitative factors. Although this is also true of other investment appraisal methods it should be accepted.

*Award [1] for a disadvantage of the payback method and [1] for its application to RV Ltd.*

- (d) Recommend whether *RV*'s directors should choose **Option 1** or **Option 2**. **[10]**

**Option 1 advantages:**

*RV* will have lower production costs as production costs are lower in China. This option will help the business deal with the low-priced imports.

It will allow *RV* to concentrate on design and marketing, which may enable it to improve its designs and marketing and, thus, increase sales.

**Option 1 disadvantages:**

The Chinese factory uses batch production, which will affect *RV*'s ability to produce bicycles that fit their customer's demands. Currently, *RV* can meet customer demands because the business uses job production.

*RV* will no longer have control over production and quality standards may deteriorate.

Transport issues from China will mean that *RV* will not be able to deliver bicycles to customers within 7 days of receipt of their orders. *RV*'s advertising slogan will need to change as the business will no longer hand make orders in the USA.

**Option 2 advantages:**

*RV* will have lower production costs because it will no longer need expensive, skilled labour. Lower costs will help the business deal with the low-priced imports.

Production will remain in the USA and it can retain job production.

*RV* will likely not have delivery time issues.

**Option 2 disadvantages:**

Will need to make existing skilled employees redundant which will incur redundancy costs.

Require an investment of \$3.5m at a time when the business is making losses (since 2017) – this may require external finance which will, incur interest charges, raising unit costs.

The payback period is also more than 5 years which is relatively long.

Will their customer base trust the new production technique which uses glue rather than welding?

*Accept any other relevant evaluation.*

*Marks should be allocated according to the markbands on page 3.*

*Balance in the context of this question means having at least one advantage and one disadvantage for each option (and, thus, addressing both options).*

*These mark awards in the table below should be viewed as maximums.*

Maximum mark award	Option 1	Option 2	Judgement/Conclusion
3	One option unbalanced		N/A
4	One option balanced (one argument for and one argument against) or both options in an unbalanced fashion		N/A
5	One balanced and one unbalanced		N/A
6	Both balanced		No judgments/conclusions
7–8	Balanced Largely effective use of business language and the stimulus		Judgments/conclusions based upon analysis and explanation in the body
9–10	Balanced Rich use of business language, business theory, and the stimulus		Judgments/conclusions based upon analysis and explanation in the body

*Marks should be allocated according to the markbands on page 3.*



5. (a) Define the term *product orientation*. [2]

A company following a production orientation chooses to ignore their customers' needs and to focus only on efficiently building a quality product. They do not undertake market research identifying customer reactions to their proposed product before commencing production. This type of company believes that if they can make the best product their customers will come.

*Candidates are not expected to word their responses exactly as above.*

*Award [1] for identification of one characteristic of a product-orientated business. Award [2] for a full, clear description.*

*Do NOT reward examples.*

- (b) With reference to **Option 1**, for *KT*, explain the relationship between the product life cycle, investment, profit and cash flow. [4]

Initial research and development costs plus the costs involved in launching a product usually means a product will be a loss maker in its early years. Cash flows may be negative. As sales grow and the product moves into the growth phase, profits are likely to be positive but the company will require additional working capital. Not until the product reaches the maturity phases of the life cycle are cash flows and profits likely to be positive. In the decline phase, cash flows and profits are likely to remain positive. The cash flows especially should be solid with the contraction of necessary working capital. For *KT*, the investment in R&D for the new battery will have had a negative effect on cash flow and profits. Once the product is launched, **Option 1** forecasts see quite large sales and therefore large cash inflows. However, we do not know about the marketing costs, which will increase cash outflows. Sometime in year 2, further investment would be needed if sales targets in years 3 and 4 are to be fulfilled as projected sales exceed capacity. This investment would increase fixed costs and reduce profits. However, another option to solve this problem could be to overproduce in years 1 and 2 to cover the forecast sales for year 3. However this would give problems of tying up working capital plus the problems of storage.

**Mark as 2 + 2.**

*Award up to [1] for a **clear** explanation of the relationship between the product life cycle, and at least **one** of investment, profit and cash flow e.g. contrasting high initial investment cost OR low or negative cash flow OR negative profit (loss) in **one of the stages** in the product life cycle such as the initial stage.*

*Award up to [2] for a **clear** explanation of the relationship between the product life cycle, and at least **two** of investment, profit and cash flow in one of the stages in the product life cycle such as the initial stage OR for a clear explanation of **one** of initial investment, profit or cashflow in **TWO or more stages** of the product life cycle.*

*Award an additional [1] for application to each of the items explained above to **Option 1** for *KT*. Up to a maximum of [2]. Application may refer to the high initial cost as "to borrow significant capital" to finance this option, an increasing cash inflow in year 3 and 4 (growth and maturity etc).*

*N.B Do not reward renditions of the Product life cycle diagram unless accompanied by an "explanation" as this does not meet requirements of the command term.*

- (c) With reference to *KT*, explain **two** problems that a new business may face. [4]

Problems any new business may face include:

- Competition – *KT* faces stiff competition in the market for batteries for consumer products from multinationals.
- Cash flow problems – *KT* suffered from cash flow problems in its first year of trading.
- Human resources issues, particularly finding the right staff.
- Insufficient marketing. B2C would require much more marketing than *KT* is used to.
- Market research – *KT* is product orientated and therefore will not have undertaken market research before developing its products.
- Poor planning.- *KT* needs to plan beyond 5 years as its new battery will obsolete by then.
- Insufficient start-up capital.- several references to insufficient funds for further development.

*Accept any other relevant advantage or disadvantage.*

**Mark as 2 + 2.**

*For [2], candidates must identify an advantage or a disadvantage, explain it, and apply it to the stimulus.*

- (d) Recommend whether *KT* should choose **Option 1** or **Option 2**. [10]

**Option 1:** Selling car batteries directly to car owners. They currently sell B2B rather than B2C.

Advantages:

- Higher initial revenues per unit – *KT* will receive \$400 per unit by selling directly to consumers, compared to only \$250 per unit if sold to a car manufacturer.
- Sales are higher in option 1 for the first 2 years and at 410 000 over 5 years are 95 000 higher.
- Total revenues are higher at \$164 000 000 compared with \$78 750 000.

Disadvantages:

- *KT* has no experience of selling directly to consumers as it is currently a B2B business. It will need to decide HOW it will allow customers to order its products – via its website or by phone – both solutions will require additional spending.
- *KT* will need to undertake a marketing campaign to raise awareness of its new products. As a B2B business, *KT* has no experience of engaging consumers. Funds will need to be found to finance a marketing campaign to raise awareness of its product and to persuade consumers to buy the product.
- The data in table 1 is only a forecast and therefore may exaggerate its potential. *KT* may sell much less than forecast which affects its profitability.
- Further investment would be needed to meet demand as full capacity is exceeded in years 3 and 4. The cost of this investment is unknown. *KT* has insufficient funds to invest in new capacity.

**Option 2:** Form a five-year strategic alliance with a manufacturer of electric cars.

Advantages:

- Sales are guaranteed as the partner in the strategic alliance has agreed to buy a set number for 5 years. This alliance provides the business with certainty.
- *KT* avoids capacity issues as maximum annual sales are 85 000 units (batteries), which is below *KT*'s capacity of 90 000 units.
- No additional marketing costs.

Disadvantages:

- Sales are lower than option 1 for years 1,2,3,4 and 5.
- Unit revenues are lower at \$250 rather than \$400 per unit.
- Total sales and sales revenue are lower at 315 000 units with a total revenue of \$78 750 000.

*Balance in the context of this question means having at least one advantage and one disadvantage for each option (and, thus, addressing both options).*

*Accept any other relevant evaluation.*

*These mark awards in the table below should be viewed as maximums.*

<b>Maximum mark award</b>	<b>Option 1</b>	<b>Option 2</b>	<b>Judgement/Conclusion</b>
3	One option unbalanced		N/A
4	One option balanced (one argument for and one argument against) or both options in an unbalanced fashion		N/A
5	One balanced and one unbalanced		N/A
6	Both balanced		No judgments/conclusions
7–8	Balanced Largely effective use of business language and the stimulus		Judgments/conclusions based upon analysis and explanation in the body
9–10	Balanced Rich use of business language, business theory, and the stimulus		Judgments/conclusions based upon analysis and explanation in the body

*Marks should be allocated according to the markbands on page 3.*