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Business management

Higher level

Paper 3

29 April 2026

Zone A afternoon | **Zone B** afternoon | **Zone C** afternoon

1 hour 15 minutes

Instructions to students

- Do not open this examination paper until instructed to do so.
- Read the stimulus material carefully.
- Answer all questions.
- You are permitted access to a calculator for this paper.
- The maximum mark for this examination paper is **[25 marks]**.

Robust Beans (RB)

Read the resources and answer the questions that follow.

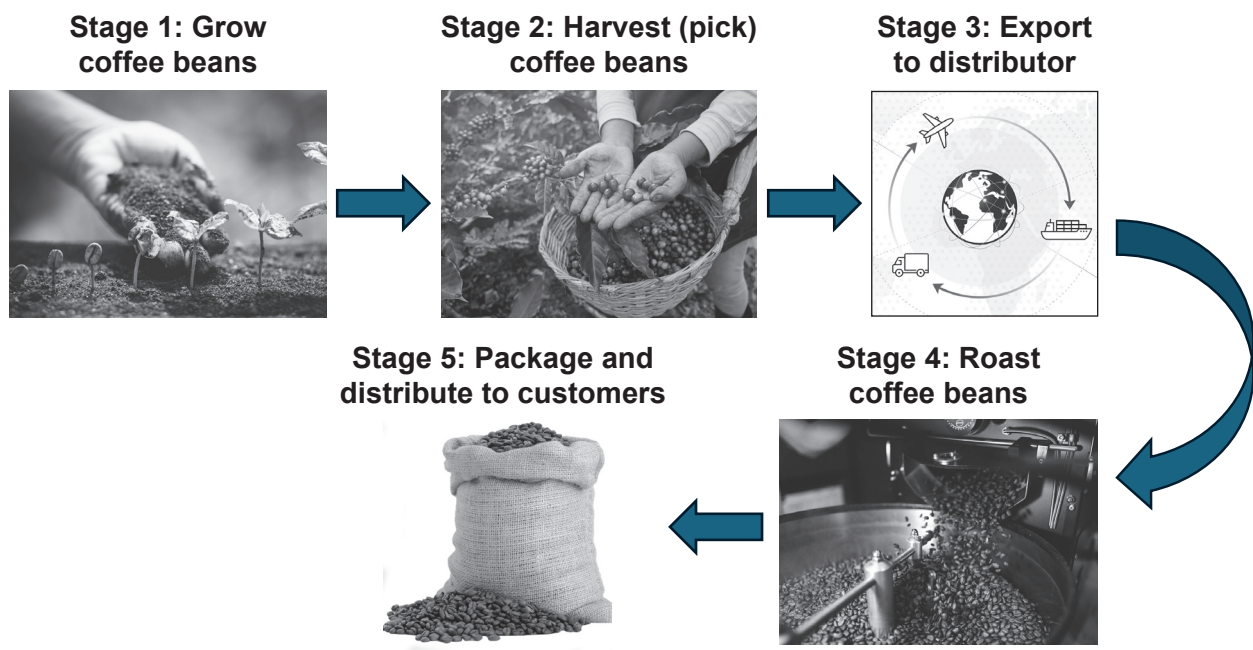
Resource 1 – Article from a global trade journal for coffee producers, December 2025

Can Country Y's coffee industry and *RB*'s success continue?

Abe Lamidi owns *Robust Beans (RB)*, a coffee bean producer, sole trader and social enterprise located in Country Y. Many other coffee bean producers in Country Y are also sole traders.

Figure 1 shows the supply chain of coffee production and distribution. Coffee bean producers are typically involved in **stages 1–3**, and coffee bean distributors are involved in **stages 4–5**.

Figure 1: Stages in the supply chain of coffee production and distribution



RB is a market leader and uses dynamic pricing. Its coffee beans are grown in an area where the climate conditions are unpredictable. When the coffee beans grown exceed international quality standards due to favourable conditions, *RB* can charge premium prices. The opposite is true when coffee bean harvests are of poor quality.

RB wants to differentiate itself according to quality and ethical objectives and is seeking B Corp certification*. Abe uses some of *RB*'s profits to finance schools and child healthcare in the region where most of *RB*'s employees and their families work and live. Abe has also introduced community-based educational programmes to inform stakeholders about the importance of environmental sustainability in the region. Other coffee bean producers in Country Y have similar objectives but are not all run as social enterprises. All of the coffee bean producers in Country Y are economically unsustainable.

* B Corp certification: certification granted to businesses that meet the highest standards of social and environmental performance, public transparency and legal accountability. To become certified, a business must meet several requirements, including a comprehensive review of its impact on all stakeholders.

Table 1 shows the market share of coffee bean production in Country Y.

Table 1

	Market share (%)		
	2015	2025	Forecast 2031
RB	40	48	60
Other eight producers (combined figures)	60	52	40

Resource 2 – Social media posts by consumers of high-quality, ethically sourced coffee beans, January 2026

RB is destroying the planet! Unsustainable coffee bean production causes deforestation and pollution. For every cup of coffee you drink, a tiny piece of the rainforest disappears. That's equivalent to around two football fields a minute when you count all the cups of coffee drunk simultaneously in the world! 🤔



[1/2]

Coffee bean production is responsible for 5% of global deforestation. Profit-driven coffee bean producers like RB are responsible! 😞



[2/4]

But there is hope! Coffee bean producers that follow sustainable practices protect the environment and help their local community. 😊



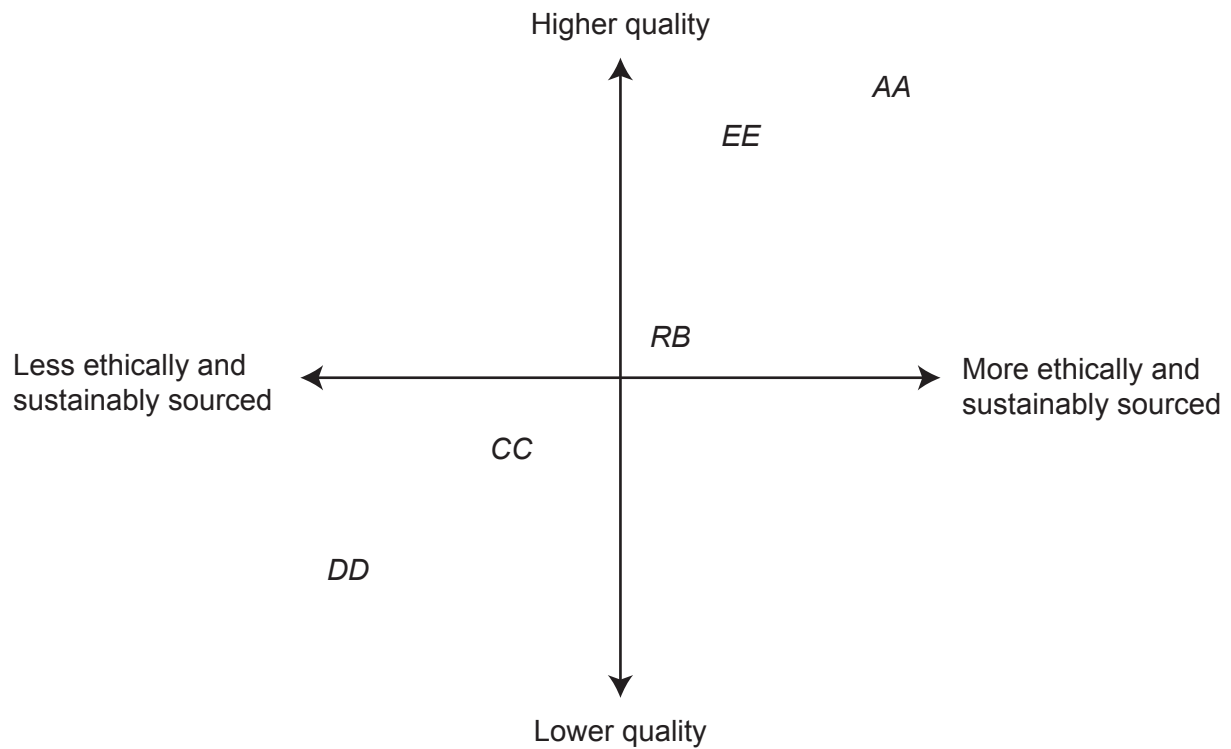
[3/4]

So, what can you do? Only buy coffee that is certified as sustainably produced and stay away from coffee that isn't, like RB's! Let's be strong together!! 🤝



[4/4]

Resource 3 – Position map for coffee produced by *RB* and the top four coffee producers in Country Y, February 2026



Resource 4 – Outcome of the Annual Global Coffee Bean Producer Conference, March 2026

At the Annual Global Coffee Bean Producer Conference, at which Abe was present, *RB*'s competitor, *AA*'s new premium high-quality coffee won an award for achieving a United Nations (UN) Sustainable Development Goal. *AA* is the first coffee bean producer to achieve such global recognition. *RB*'s coffee beans were not nominated.

Resource 5 – Summary of minutes from a meeting of *RB*'s management team a week after the conference

- The change towards producing sustainable high-quality coffee is no longer a choice but a necessity.
- By focusing on improving the quality of its coffee beans, *RB* will significantly increase revenue by 30 % but will require considerable investment of resources and time.
- Market research has shown that many consumers will be happy to pay more for their coffee if it is produced using environmentally friendly practices.
- Strategic alliances with organizations dedicated to environmental conservation could become an opportunity to further develop our community-based environmental education program.
- Most of our coffee bean pickers are employed seasonally for the harvest. They are often unemployed for the rest of the year. Many are now migrating to cities in search of stable employment. *RB* will need to consider restructuring its workforce.
- Labour costs represent 50 %–65 % of *RB*'s total production cost. The automation of some processes, like mechanical harvesting, would reduce labour costs. The price of one harvesting machine is \$55 000. It would take *RB* three and a half years to recover the investment. The discounted cash flows for the next five years, at a discount rate of 8 %, would be \$60 000. The interest costs of borrowing capital (bank loan) to finance investment is fluctuating in Country Y and difficult to predict.

1. Using **Resource 1** and an appropriate business management motivation theory, describe **one** need that *RB* satisfies for schools in Country Y. [2]
 2. Using **Resource 2** and **Resource 3**, explain **one** operations challenge **and one** marketing challenge for *RB*. [6]
 3. Using all the resources provided and your knowledge of business management tools and theories, recommend a five-year plan of action to ensure *RB*'s sustainability. [17]
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References:

Figure 1

ArtRachen01, 2018. *Plant Coffee seedlings in nature Close-Up Of Fresh Green Plant - stock photo*. [image online] Available at: <https://www.gettyimages.ie/detail/photo/plant-coffee-seedlings-in-nature-close-up-of-fresh-royalty-free-image/940114248> [Accessed 22 April 2025]. Source adapted.

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ArtRachen01, 2023. *Coffee beans roasted from the machine - stock photo*. [image online] Available at: <https://www.gettyimages.ie/detail/photo/coffee-beans-roasted-from-the-machine-royalty-free-image/1725921035> [Accessed 22 April 2025]. Source adapted.

KingJC, 2013. *Bag of coffee beans isolated on white background - stock photo*. [image online] Available at: <https://www.gettyimages.ie/detail/photo/bag-of-coffee-beans-isolated-on-white-background-royalty-free-image/181663832> [Accessed 22 April 2025]. Source adapted.