

© International Baccalaureate Organization 2025

All rights reserved. No part of this product may be reproduced in any form or by any electronic or mechanical means, including information storage and retrieval systems, without the prior written permission from the IB. Additionally, the license tied with this product prohibits use of any selected files or extracts from this product. Use by third parties, including but not limited to publishers, private teachers, tutoring or study services, preparatory schools, vendors operating curriculum mapping services or teacher resource digital platforms and app developers, whether fee-covered or not, is prohibited and is a criminal offense.

More information on how to request written permission in the form of a license can be obtained from <https://ibo.org/become-an-ib-school/ib-publishing/licensing/applying-for-a-license/>.

© Organisation du Baccalauréat International 2025

Tous droits réservés. Aucune partie de ce produit ne peut être reproduite sous quelque forme ni par quelque moyen que ce soit, électronique ou mécanique, y compris des systèmes de stockage et de récupération d'informations, sans l'autorisation écrite préalable de l'IB. De plus, la licence associée à ce produit interdit toute utilisation de tout fichier ou extrait sélectionné dans ce produit. L'utilisation par des tiers, y compris, sans toutefois s'y limiter, des éditeurs, des professeurs particuliers, des services de tutorat ou d'aide aux études, des établissements de préparation à l'enseignement supérieur, des fournisseurs de services de planification des programmes d'études, des gestionnaires de plateformes pédagogiques en ligne, et des développeurs d'applications, moyennant paiement ou non, est interdite et constitue une infraction pénale.

Pour plus d'informations sur la procédure à suivre pour obtenir une autorisation écrite sous la forme d'une licence, rendez-vous à l'adresse <https://ibo.org/become-an-ib-school/ib-publishing/licensing/applying-for-a-license/>.

© Organización del Bachillerato Internacional, 2025

Todos los derechos reservados. No se podrá reproducir ninguna parte de este producto de ninguna forma ni por ningún medio electrónico o mecánico, incluidos los sistemas de almacenamiento y recuperación de información, sin la previa autorización por escrito del IB. Además, la licencia vinculada a este producto prohíbe el uso de todo archivo o fragmento seleccionado de este producto. El uso por parte de terceros —lo que incluye, a título enunciativo, editoriales, profesores particulares, servicios de apoyo académico o ayuda para el estudio, colegios preparatorios, desarrolladores de aplicaciones y entidades que presten servicios de planificación curricular u ofrezcan recursos para docentes mediante plataformas digitales—, ya sea incluido en tasas o no, está prohibido y constituye un delito.

En este enlace encontrará más información sobre cómo solicitar una autorización por escrito en forma de licencia: <https://ibo.org/become-an-ib-school/ib-publishing/licensing/applying-for-a-license/>.

Business management

Higher level and standard level

Paper 1

30 April 2025

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

1 hour 30 minutes

Instructions to candidates

- Do not open this examination paper until instructed to do so.
- Read the case study carefully.
- Section A: answer all questions.
- Section B: answer one question.
- You are permitted access to a calculator for this paper.
- The maximum mark for this examination paper is **[30 marks]**.

Myt PLC (Myt)

Myt PLC (Myt) is a publicly held multinational company that manufactures non-alcoholic drinks. *Myt*'s head office is in the United States (USA). *Myt* owns manufacturing factories on six continents.

Myt has grown in size through internal and external growth. Initially, *Myt* manufactured just one drink: a root beer that was non-alcoholic, sweet, and carbonated. By 2020, *Myt* had developed its own large portfolio of over 30 different drinks, which it sells in bottles and cans. *Myt* uses social media influencers as part of its promotional strategy.

Obesity and diabetes are two health issues that have been linked to drinks, many of which provide the entire recommended daily sugar intake for an adult in a single can. However, sugar substitutes used in diet drinks have also been linked to various health problems. Many of *Myt*'s drinks are high in caffeine and sugar.

In 2023, *Myt*'s board of directors began a process of diversification, taking over:

- *Lotssa Coffee (LC)*, a chain of coffee shops with over 4000 outlets across 35 countries
- *Honest Water (HW)*, a manufacturer of bottled drinking water.

Myt announced plans to:

- modernize and make its factories green
- explore entering the healthy snacks market
- utilize computer-generated avatars when creating advertisements
- reduce caffeine and sugar levels in its products
- improve its corporate social responsibility (CSR).

Each of the 50 states in *Myt*'s USA division has a sales manager. Sales managers can choose which days to work from home. They manage the training of salespersons. While the board of directors sets sales targets and marketing expenditure, sales managers decide how to spend this money on marketing. Sales managers exceeding sales targets compete for a Sales Manager of the Year award, the winner of which receives a new car. *Myt* also organizes regular team-building events for its sales managers.

Since 2020, *Myt* has been using social media influencers as part of its social media promotional strategy. *Myt*'s sales to younger consumers have grown significantly in the last four years. *Myt* has increased its global brand recognition since 2020 without any increase in its annual marketing expenditure. *Myt* has a computer-generated social media avatar, *Myt Jane*, who has a chart-topping, award-winning song in the USA and Europe as well as a social media profile with over 50 million followers. Recently, however, *Myt*'s most followed influencer was convicted of theft and jailed for 12 months.

Myt benefits from internal economies of scale. Its biggest selling drink, *Viola*, is available in one flavour. Production in *Myt* factories is highly automated, and the factories operate continuously (24 hours a day). *Myt* has launched a new range of eight fresh fruit juice drinks, which are a new target market segment for *Myt*. These new drinks are made on a single production line in a factory in Mexico. *Myt* uses penetration pricing for these new drinks.

HW, now owned by *Myt*, is considering building a new distribution facility and a plastic bottle recycling factory on the island of Omega, which would enable *HW* to:

- distribute bottled water to 100 islands in the region
- collect and recycle the plastic bottles from these islands.

HW has identified a suitable site on Omega that is currently used to grow fruit. The owner has agreed to sell the land, which is located next to the island’s main tourist resort.

- 45 However, Omega has an unreliable electricity supply. *HW* has told the Omega government that:
- it will expand elsewhere if the electricity supply is not improved
 - It wants the government to contribute \$100 million towards the cost of building a new distribution facility and plastic bottle recycling factory.

- 50 This \$100 million contribution would equal 15 % of the government’s forecasted tax revenue for 2025. Omega’s unreliable electric supply is preventing further expansion of Omega’s developing tourist industry. Tourism is the biggest employer on the island, but overall, the number of people not in employment is high.

Friends of the Planet (FOTP), a pressure group, has raised concerns about *HW*’s plans on the island of Omega.

- 55 Building a new distribution facility and a plastic bottle recycling factory would create 450 unskilled jobs. A recent television programme accused *HW* of unsafe work conditions and low wages in some of its 40 factories. *HW* strongly denied these accusations.

- 60 *Myt*’s takeover of *LC* gave it access to a new target market. *LC*’s employees see *LC* as an ethical employer. *LC* does not have franchisees and has a target to increase its profit margin to 8 % within two years.

Myt has launched a takeover of *Cuz*, a publicly held company. *Cuz* operates 900 coffee shops in the USA. *Cuz* uses a franchise model for 500 of its outlets. After investigations carried out by a government organization in 2024, *Cuz* was fined \$250 million for overstating its 2020–2023 profits by 10 %. As a result, *Cuz* experienced negative publicity.

- 65 To reduce total labour costs, 50 of *Cuz*’s franchisees changed employees who were paid hourly to assistant managers on a fixed salary. However, a journalist found that these new “assistant managers” were still cleaning tables and emptying bins and now had to work up to 10 hours a week, unpaid, over their contracted working hours. *Cuz*’s share price fell from \$18 in January 2025 to around \$10 today. *Cuz* has 80 million issued shares. Today, *Cuz*’s net assets are valued at
- 70 \$1 billion.

Table 1 shows selected financial information for *LC* and *Cuz* (before the government investigation) for 2024.

Table 1: Selected financial information for *LC* and *Cuz* (before the government investigation) for 2024 (all figures in \$ millions)

	<i>LC</i>	<i>Cuz</i>
Sales revenue	3000	600
Gross profit	1200	320
Profit for period (net profit)	150	60

Companies, products, or individuals named in this case study are fictitious and any similarities with actual entities are purely coincidental.

Section A

Answer **all** questions from this section.

1. State **two** methods of promotion, **other than** social media, that a business can use as part of its marketing mix. [2]
2. State **two** types of **internal** economy of scale. [2]
3. Describe **two** operations methods used by *Myt* in its drinks factories (lines 34–38). [4]
4. Explain **one** advantage **and one** disadvantage for *Myt* of using social media influencers as part of its social media promotional strategy (lines 27–28). [4]
5. Explain **one** advantage for *Myt* of using penetration pricing for its new range of fresh fruit drinks (line 38). [2]
6. Referring to **two** elements of Maslow’s motivation theory, explain the ways in which *Myt* meets sales managers’ needs in its USA division (line 21). [6]

Section B

Answer **one** question from this section.

7. Discuss the potential impacts on the island of Omega if *HW* builds the new distribution facility and the plastic bottle recycling centre. [10]
 8. Discuss *Myt*’s decision to launch a takeover of *Cuz*. [10]
-