

# Meeting customer needs

Level: Pearson Edexcel Level 3 Advanced GCE

Subject: Business (9BS0)

Exam Board: Edexcel A level Business students for all boards

Topic: Meeting customer needs

Type: Questionnaire

To be used by all students preparing for Pearson Edexcel Level 3  
Advanced GCE Business (9BS0)

## Questions

Q1.

### **Demand for healthy crisps grows**

They may not be the healthiest snack, but potato crisps remain the UK's second most popular snack food. However, with healthier alternatives such as crisps made out of dried fruit becoming ever more popular, is the classic deep fried potato crisp under threat? 5

Market research organisation, Mintel, has stated that during the period of negative economic growth from 2008-2012, demand for UK potato crisps increased by 29%. However, a Mintel spokesperson highlighted that, 'at the end of the day crisps are an indulgent treat but consumers are not oblivious to their health credentials'. 10

This has led to new firms entering the UK crisp market such as those owned by Charlie Fermor of Perry Court Farms. It produces a new air-dried crisp entirely out of apples. Charlie stated that 'our fruit crisps are completely natural. It's just apple. There's no oil, sugar or salt or any of that other horrible stuff! Perry Court Farms have recently signed contracts to export their air-dried apple crisps to China and Charlie expects revenue to increase by over 1 000% during 2013.

(Source: adapted from <http://www.dailymail.co.uk/news/article-2228633/Farmers-son-Charlie-Fermor-developed-fruit-crisps-begins-exporting-worldwide.html>)

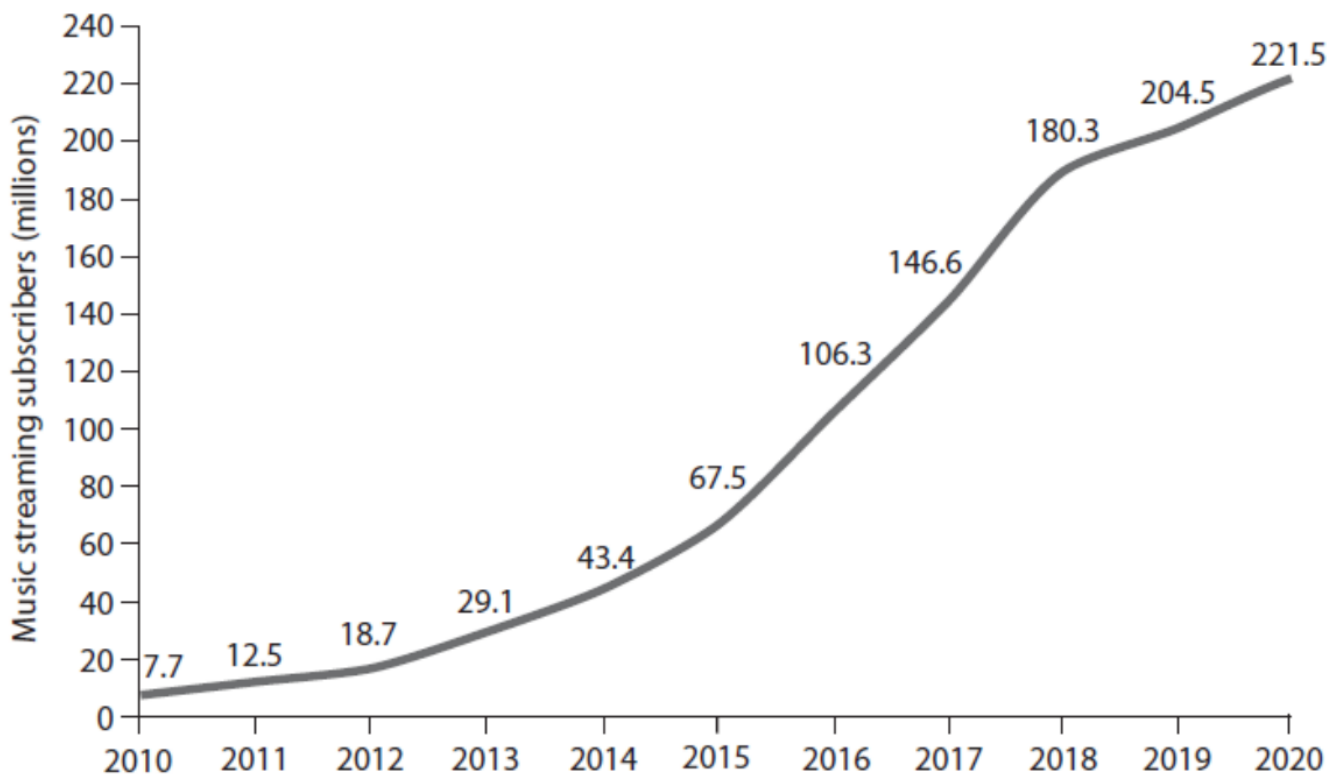
Assess the consequences for UK crisp manufacturers of changing consumer preferences towards healthier snack foods.

(10)

Q2.

Extract A

Music streaming subscribers 2010-2020



Between 2010 and 2011, the number of music streaming subscribers grew by 62.34%.

- The data between 2018-2020 is forecast/projected.

(Source adapted from: © 2018 Midia Ltd)

## Extract B

### The music subscription market in Europe and North America 2017

Habits of music consumers have changed, as they are streaming music now instead of downloading it. Consumers are increasingly listening to music at home, by using Amazon Echo or Google Home, rather than through smartphones or laptops.

Five music subscription services were launched between 2015 and 2017, but none of these made a profit. However, businesses such as Apple, Google and Amazon can afford to operate music services at a loss.

Product development is a feature of the market. Music acts such as Coldplay and Deadmau5 have already embraced virtual reality (VR) with immersive music videos, where viewers can be part of the video.

Spotify, the largest music streaming service by number of users in the US and Europe, was launched in 2008. Its latest strategy is to add short video clips to its playlists. The clips are aimed at tempting listeners to purchase Spotify's new subscription video service. This is crucial because its existing streaming service continues to make losses.

A typical music streaming business pays over 70% of its subscription revenue to record labels and publishers. Video streaming enables Spotify to gain additional revenue from advertising. In 2018, Spotify needed to make profits as it planned to be a public limited company, through a stock market flotation.

Spotify's rival, Apple Music, has taken a different approach to video streaming, signing artists such as U2 for millions of dollars to stream exclusively for its 27 million subscribers.

(Sources based on: © 2018 Billboard and © 2018 Mansueto Ventures, LLC)



Q3.

**Extract C**

**Marketing strategies in the airline industry**

Spirit Airlines is one of the fastest growing airlines in the USA. However, it brings little to the new markets it serves. It operates fewer scheduled flights on existing routes in markets that already have many competing airlines.

Spirit Airlines' pricing strategy is not simply to undercut other airlines, but to offer a radically different pricing structure. Whilst it offers lower fares, customers have less legroom and there are additional charges for all extras, including luggage and boarding pass printing. Spirit Airlines does not use travel agents; customers can only book online. 5

Emirates is one of the fastest growing airlines in the Middle East and Europe. It has always been clear about its market positioning. Emirates has established itself by offering a better product than many competitors, with a fantastic business class experience based on high specification aircraft and exceptional customer service. 10

(Source: adapted from <http://www.eyefortravel.com/revenue-and-data-management/airline-pricing-and-high-growth-strategy-tactics>)

Assess the likely importance of its market positioning to the success of a business, such as Emirates.

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Q4.

**Extract A**

**Benefits of McDonald's to London and the UK**

London represents an important part of the McDonald's story. It opened its first UK restaurant in Woolwich in 1974.

In 2016, McDonald's added £540 million in revenue to the Greater London economy. 82% of restaurants in London are owned and operated by 24 franchisees - local entrepreneurs - with the remainder operated by the corporate group (McOpCo). McDonald's and its franchisees have become important members of communities in London: investing in skills and developing people, supporting local causes and getting kids into football.

5

Today McDonald's has 183 restaurants across London, employing 15,000 people, with a presence in every borough. In the UK, McDonald's operates over 1,250 restaurants and employs just over 115,000 people. Over 80% of restaurants are operated by franchisees as local businesses. Worldwide, today, there are over 38,000 restaurants.

10

(Source: adapted from <https://www.london.gov.uk/sites/default/files/McDonald%27s%20Restaurants%20Ltd%20%282650%29.pdf>)

**Extract B**

**Jamie Oliver's empire collapses**

Jamie Oliver's has closed all but three of 25 UK restaurants, with the loss of 1,000 jobs, after the business called in administrators.

The celebrity chef said he was "deeply saddened" by the blow to his restaurant empire, which first launched in London in 2002.

5

"I appreciate how difficult this is for everyone affected," he said. "We launched the brand Jamie's Italian in 2008, with the intention of positively disrupting mid-market dining in the UK high street. The brand offered great value and much higher quality ingredients, best-in-class animal welfare standards and an amazing team who shared my passion for great food and service. And we did exactly that."



Will Wright, a partner at KPMG and the joint administrator, said: "The current trading environment for companies across the casual dining sector is as tough as I've ever seen. The directors at Jamie Oliver's have worked tirelessly to stabilise the business against a backdrop of rising costs and weak consumer confidence."

(Source: adapted from Jamie Oliver's empire collapses as 22 UK restaurants close  
By Sarah Butler C Guardian News & Media Ltd, 21 May 2019.)

### Extract C

#### Hospitality firms can make use of various loans, grants and tax cuts

The hospitality industry warned that it faced an 'obvious crisis' without financial support from the UK Government.

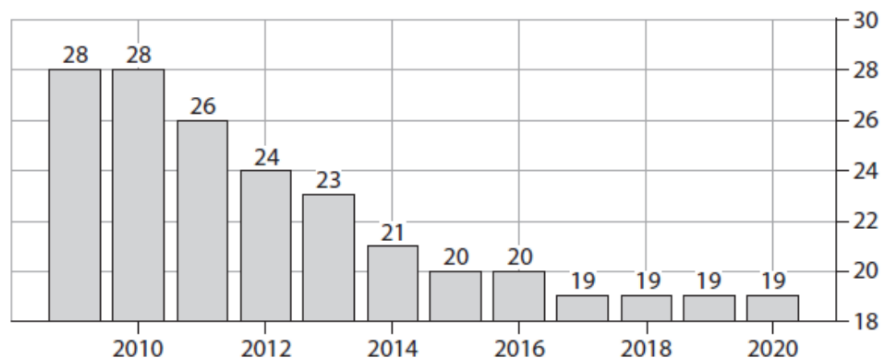
Shops, restaurants, cafes, pubs, bars and cinemas were the first businesses to feel the full effect of the economic recession in 2020.

5

In March 2020, the Chancellor of the Exchequer pledged to provide a £330 billion package to help businesses through the recession, with a number of measures such as tax cuts and millions of pounds in grants and loans.

(Source: adapted from What help the government has announced for the hospitality sector - and how to apply for support By Rachel Millard and Sophie Smith Telegraph, 26 March 2020)

#### UK corporation tax rates, 2009-2019 (%)



(Source: adapted from <https://tradingeconomics.com/united-kingdom>)

For more help visit our website <https://www.exampaperspractice.co.uk/>

**Extract D**

**Mindful Chef sees sales boost**

Childhood school friends Rob Grieg-Gran, Giles Humphries and Myles Hopper founded Mindful Chef in 2015. The London-based delivery company now employs 27 people and aims to make healthy eating easy by creating healthy food boxes with locally sourced, high quality ingredients, complete with tasty recipes. 5

Since its launch, Mindful Chef has grown rapidly, with a 178% increase in sales in 2019, delivering nearly two million meals to UK consumers, with annual sales of £10 million.

The sales boost could enable Mindful Chef to grow its customer base in the UK to second place behind market leader Gousto, helping it to capitalise on the expanding recipe box market, which is forecast to double over the next 10 years. 10

More ambitious long-term expansion plans also include exploring options to either undertake a global merger with US company Blue Apron, or a joint venture with French supermarket chain Auchan to help secure customers in France.

(Source: adapted from <http://www.fruitnet.com/fpj/article/177512/mindful-chef-gets-6m-boost-1>)

Assess the possible limitations of secondary market research to restaurant chain companies, such as Jamie Oliver's.

**(10)**

**(Total for question = 10 marks)**

Q5.

**Extract A**

**UK's live entertainment industry revenue hits new highs in 2017**

The West End, London debut of the hit Broadway musical Hamilton, mega concerts by U2 and Guns N' Roses and the return of Star Wars helped boost the UK's live entertainment sector to a record £17bn in revenues last year. Growth will continue this year as the UK's live entertainment economy - which ranges from cinema visits to attending music and arts festivals and live tours of TV shows including The X Factor - is forecast to surge by another £400m.

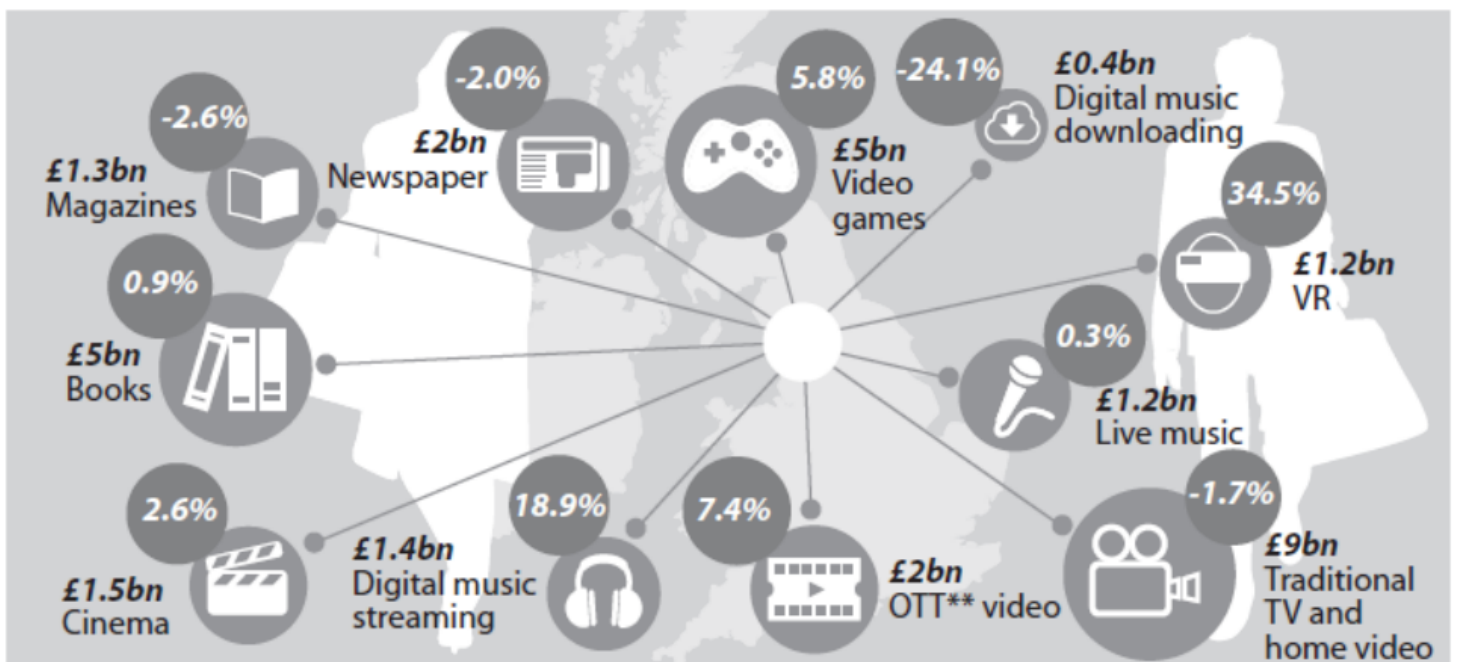
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Revenue from live performances, such as concerts or the theatre, reached £2.1bn last year and is expected to grow a further 7% in 2018, according to a report from Deloitte.

(Source: <https://www.theguardian.com/media/2018/jan/19/uks-live-entertainment-industry-hits-new-highs>)

**Extract B**

**Forecast UK consumer spending habits in 2022\***



\*when compared to 2018

\*\*OTT stands for 'over-the-top', the term used for the delivery of film and TV content through the internet with companies such as Netflix or Amazon Prime, without requiring users to subscribe to a traditional cable or satellite pay-TV service such as Sky or BT Vision.

(Source: <https://www.pwc.co.uk/industries/entertainment-media/insights/entertainment-media-outlook.html>)

### Extract C

#### ITV Chief: Now is last chance to build British challenger to Netflix

The new Chief Executive of ITV, Carolyn McCall, declared that building a UK subscription video-on-demand service is a priority in order to compete with the US-based streaming superpowers Netflix and Amazon.

Netflix's core US market is close to saturation, so its international markets are driving growth. UK viewers are flocking to the US giant: Netflix has almost 10 million UK subscribers, compared to Sky's 9.6 million pay-TV and Amazon Prime Video's 7.3 million subscribers. 5

McCall said 'to provide the depth and breadth of programmes for an ITV subscription video-on-demand service, programmes that were previously licensed to Netflix must instead be kept by ITV. This means no more deals such as licensing Love Island, the ITV2 reality TV show, to Netflix. 10

'The best chance of creating a viable rival to Netflix is for the UK's public service broadcasters (PSBs) to join forces. However, she conceded that a joint venture between the publicly-listed ITV, the licence fee funded BBC and state-owned commercially funded Channel 4 - is proving difficult. 15

'We all have different ownership structures and we all have slightly different objectives!

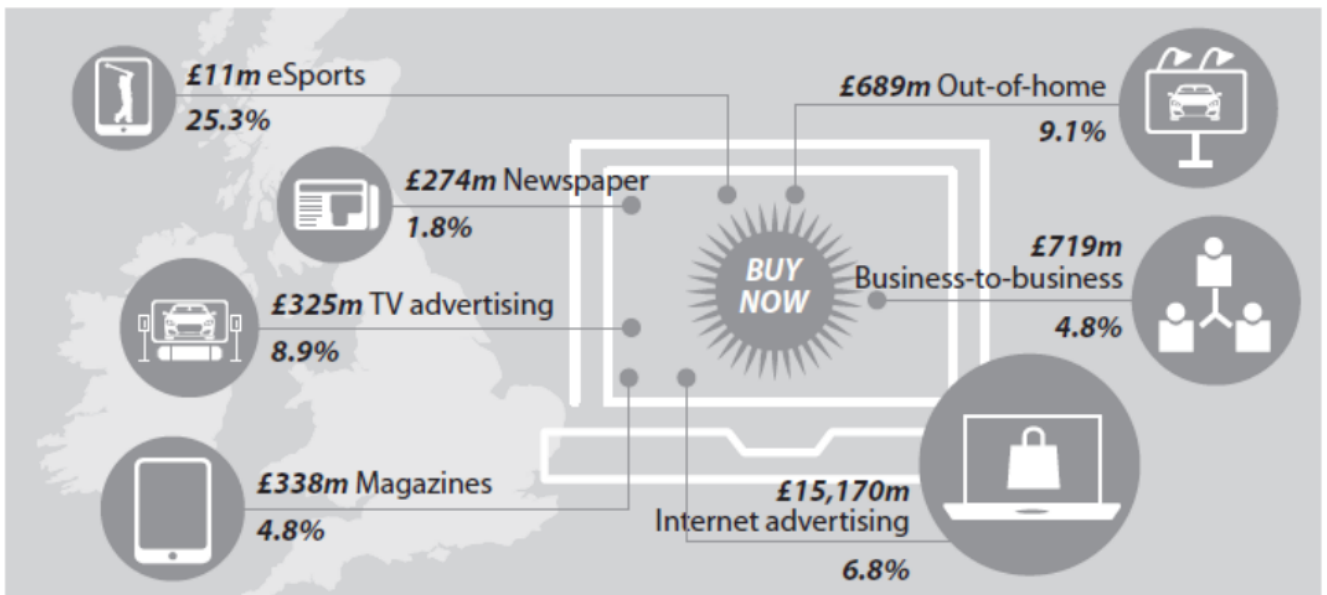
ITV has Britbox, a joint venture streaming service with the BBC. However, it is available only in the US. In 2007 the BBC, Channel 4 and ITV created the OTT service Kangaroo, but it was ultimately blocked by the UK competition regulator in 2009. 20

Netflix plans to raise \$2bn so it can invest in producing new programmes. The costs of its streaming services amount to \$30bn - higher than the annual revenue it expects to receive from its 130 million users in 190 countries across the world, with the US its largest market.

(Sources: <https://www.theguardian.com/business/2018/oct/21/itv-chief-now-is-last-chance-to-build-british-challenger-to-netflix?> and <https://www.theguardian.com/media/2018/oct/22/netflix-plans-to-raise-2bn-as-it-invests-in-new-content>)

**Extract D**

**Forecast UK advertising expenditure in 2020\***



\*when compared to 2018.

(Source: <https://www.pwc.co.uk/industries/entertainment-media/insights/entertainment-media-outlook>)

Mark Maitland, Media and Entertainment Leader at PwC UK, suggested cinemas might make

more use of opportunities to add value, such as providing luxury seats.

Assess whether providing luxury seats is the best way for cinemas to increase added value.

(10)

**(Total for question = 10 marks)**

Q6.

### **Extract C**

#### **'High frying' Norwich entrepreneurs**

Lord Somerleyton and his business partner Toby Marchant opened Hot Chip in Norwich in June 2013. Within a year, it had won best chip shop in Norfolk at the National Chip Week awards.

They now plan to open a 'Hot Chip Saloon, to target the late-night economy. Lord Somerleyton said: "Before we can turn Hot Chip into a national brand we know we need to have between three and five successfully trading shops."

5

The entrepreneurs also hope to open a Hot Chip van. The idea came from visiting Great Yarmouth's chips stalls and the incredible success of chips as a meal in themselves on the continent. Lord Somerleyton said: "We went around 30 to 40 fish and chip shops in East Anglia and found as much as 50% of their sales were just portions of chips."

10

Hot Chip sales data showed that chips and cheesy chips had initially been most popular, but customers were increasingly trying more adventurous toppings and sauces, such as: hot salt beef, gherkin relish, melting Swiss cheese and mustard mayonnaise.

(Source: adapted from © 2017 Archant Community Media Ltd)

Assess the likely reasons for Hot Chip using mainly quantitative market research data.

**(Total for question = 10 marks)**

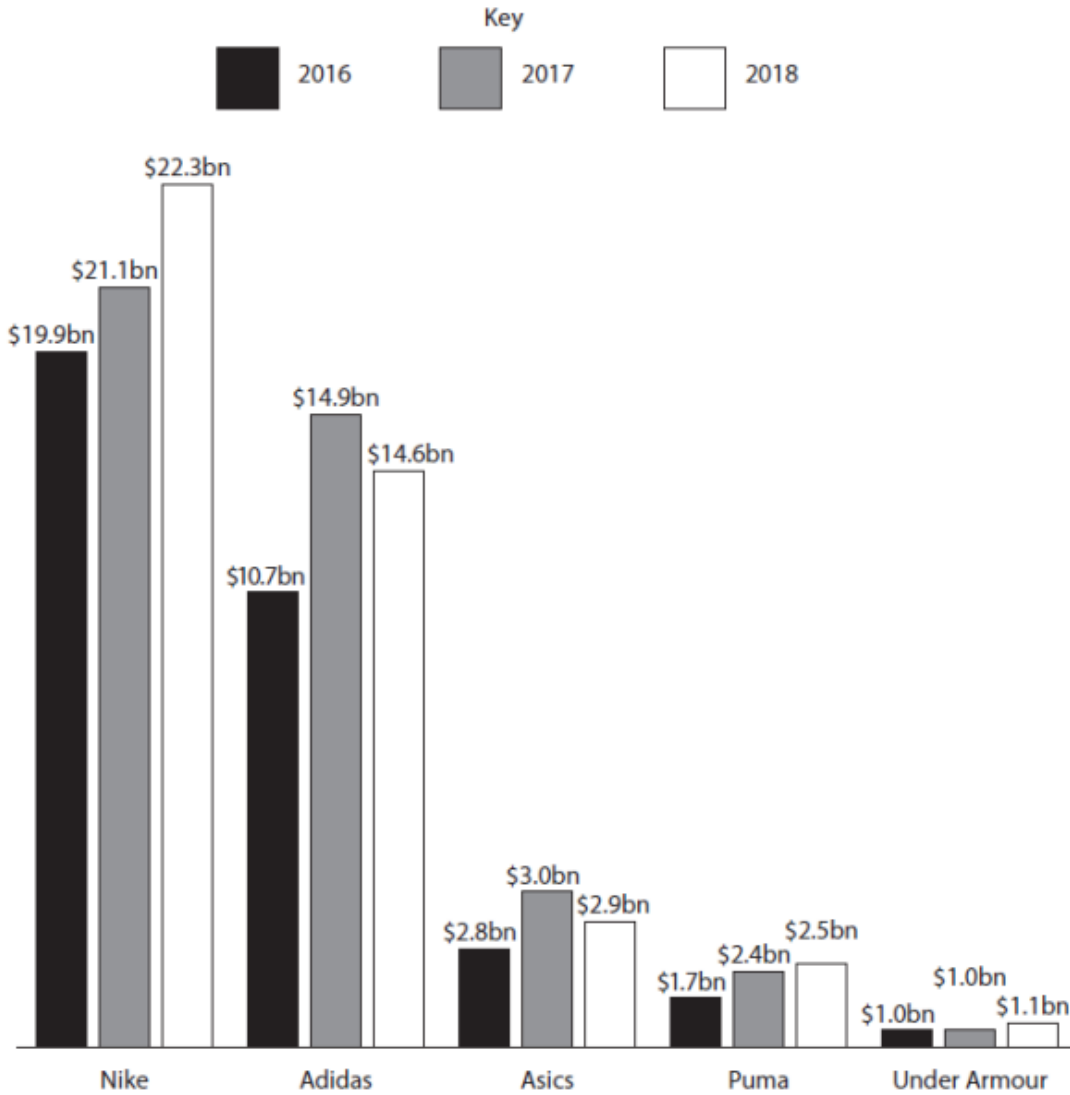




Q8.

Extract D

Worldwide sports footwear sales (\$bn) of selected leading brands



Sales value of all other sports footwear brands not included in the chart = \$16.7bn in 2018

(Source: adapted from [https://infographic.statista.com/normal/chartoftheday\\_13470\\_athletic\\_footwear\\_sales\\_n.jpg](https://infographic.statista.com/normal/chartoftheday_13470_athletic_footwear_sales_n.jpg))

Using the data in Extract D, calculate Nike's market share of worldwide sports footwear in 2018. State your answer to 2 decimal places. You are advised to show your working.

(4)





## **Extract B**

### **UK sugar sweets**

Bags of sugar-based sweets are still popular in the UK's independent convenience stores. However, sales in the stores could be increased if they added 'better-for-you' options and dedicate space to kids' sweets. From lollipops to liquorice laces, convenience stores serve customers from school kids searching for a sweet snack, to pensioners with a desire for a 'pick-me-up!

Sugar confectionery is often bought on impulse and there is a trend for consumers to buy little and often, so convenience stores are ideally placed to increase sales. In 2018, £445m of sweets were sold in convenience stores, out of total UK sweet market of £2 388m.

Convenience stores can take full advantage of their independent status to shop around and stock new sweet products from suppliers. Stores have the freedom of choice to stock smaller niche brands, an opportunity to differentiate, given that consumers are now switching to cheaper own brand sweets.

(Source: adapted from <https://www.conveniencestore.co.uk/products-in-depth/hanging-with-the-big-gums/567533.article>)

## **Extract C**

### **Bon Bon's sweet wholesaler**

Bon Bon's, founded in 2007, is a confectionery wholesaler, led by Yorkshire businessman, Mark Rowntree, descendant of confectionery pioneer, Joseph Rowntree. In 2018, Bon Bon's opened an additional site in Yorkshire.

Bon Bon's supplies a range of confectionery, from Belgian chocolates to boiled sweets and specialist liquorices, as well as children's sweets such as 'Traffic Light Lollies' and 'Candy Necklaces. It repackages these sweets in small quantities and interesting packaging. Bon Bon's claims this selection is different to the mass-produced ranges found in the larger high street chains. Sweets are supplied to hundreds of high-quality independent retailers including farm shops, delicatessens and tourist attractions such as The British Museum, Tower of London and Stonehenge. Bon Bon's provides display units so these retailers can recreate the look of a traditional, old fashioned sweet shop.

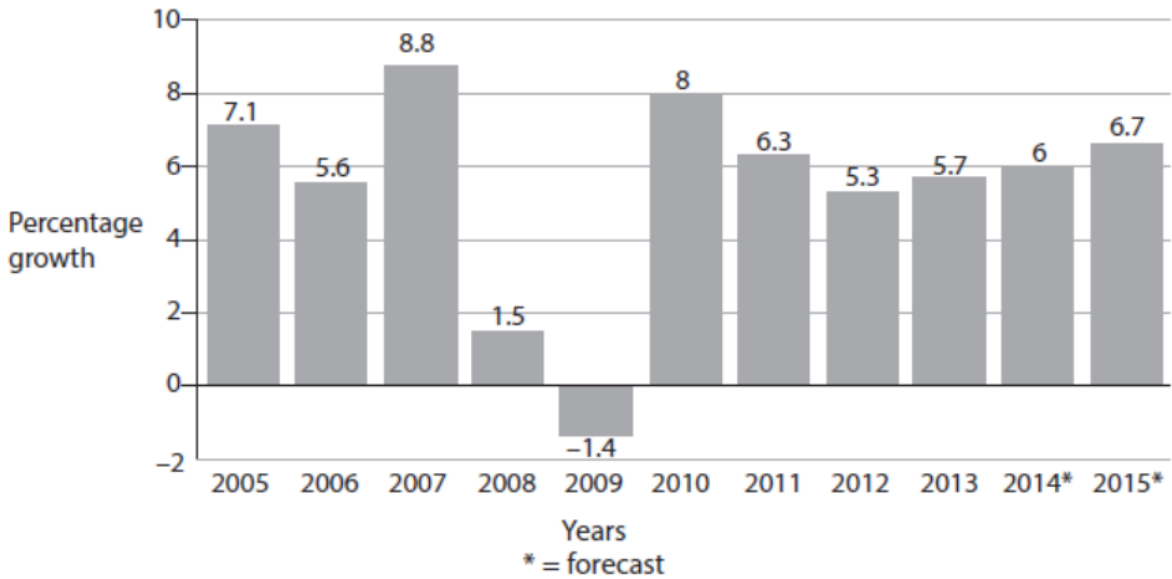




Q10.

Extract A

Annual growth in global air traffic passenger demand from 2005 to 2015



(Source: adapted from <http://www.statista.com/statistics/193533/growth-of-global-air-traffic-passenger-demand/>)

Air passenger numbers were forecast to be 3.5bn people in 2015 and 3.75bn people in 2016.

Air passenger numbers were forecast to grow from 3.5bn people in 2015 to 3.75bn people in 2016.

Using the data from Extract A and the information above, calculate the difference in percentage growth in air passenger numbers between 2015 and 2016. You are advised to show your working.

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### Extract E

#### Taco Bell opens first Rio de Janeiro location

American fast-food business, Taco Bell, has joined an already crowded market.

"Brazil has great potential both in terms of its geography and its food consumption," said Taco Bell's Director of Operations in Brazil. She added, "Operating on a larger scale is important, because it allows us to reduce the cost of inputs and services." The company's current goal is to have up to 200 locations by 2027.

As well as Taco Bell's popular Tex-Mex dishes, including the 'Crunchwrap Supreme' and the 'XXL Grilled Stuff Burrito', Taco Bell has made sure to add local flavour to its traditional menu. For example, in São Paulo, it added the local drink maté.

Currently, all the branches in Brazil will be company-owned, but Taco Bell is considering franchising in the future.

(Source: adapted from <https://riotimesonline.com/brazil-news/rio-business/taco-bell-opens-first-rio-location-in-barra-da-tijuca/>)

### Extract F

#### Brazilian Real to US dollar exchange rate 2018-19



(Source: adapted from <https://tradingeconomics.com/brazil/currency>)

## Extract G

### Multinationals in Brazil

Food and beverage multinationals provide a range of benefits to the Brazilian economy. They are responsible for 10% of Brazil's economic output and together employ 1.6 million people. Specifically, Nestlé employs 21,000 people in Brazil and has started an apprenticeship programme training 7,000 people under the age of 30.

However, in 2006, the Brazilian government, recognising the health problems caused by some multinational food businesses, introduced regulations to curb obesity and disease. These measures included advertising to warn consumers about foods high in sugar, salt and saturated fats. There were also marketing restrictions on sugary drinks aimed at children. The new rules also stopped brands such as Pepsi and KFC from sponsoring sports and cultural events.

Brazilian business, Citrusuco, exports 50% of the total orange juice exported to the USA, a total market worth \$1.4 billion. One of the American companies Citrusuco sells to is Tropicana, owned by PepsiCo.

However, a report in 2015, from the pressure group Supply Cha!nge, criticised working conditions in the Brazilian orange juice industry. The report alleged that high pesticide use led to unsafe working conditions and even deaths. It also stated workers were sometimes unpaid for weeks and trapped in employment contracts that kept them in debt.

(Source: adapted from <https://www.nytimes.com/interactive/2017/09/16/health/brazil-obesity-nestle.html> and <https://www.cnn.com/2018/08/23/brazil-florida-orange-juice-tariff-trade-war.html>)

Using the data in Extract D, calculate the percentage growth in the total McDonald's restaurants operating in Brazil, between 2012 and 2018. State your answer to 2 decimal places. You are advised to show your working.

(4)





## Extract B

### The music subscription market in Europe and North America 2017

Habits of music consumers have changed, as they are streaming music now instead of downloading it. Consumers are increasingly listening to music at home, by using Amazon Echo or Google Home, rather than through smartphones or laptops.

Five music subscription services were launched between 2015 and 2017, but none of these made a profit. However, businesses such as Apple, Google and Amazon can afford to operate music services at a loss.

Product development is a feature of the market. Music acts such as Coldplay and Deadmau5 have already embraced virtual reality (VR) with immersive music videos, where viewers can be part of the video.

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Spotify's rival, Apple Music, has taken a different approach to video streaming, signing artists such as U2 for millions of dollars to stream exclusively for its 27 million subscribers.

(Sources based on: © 2018 Billboard and © 2018 Mansueto Ventures, LLC)



Q13.

**Extract A**

**Sony launches PlayStation 4 (PS4) at a price close to cost**

The video games console market is very dynamic. There are three main console manufacturers: Nintendo, Sony and Microsoft. A console war started in November 2013 when Sony launched the PS4, followed one week later by the release of Microsoft's Xbox One.

Experts consider the PS4 to be the most powerful video games console ever produced. The global mark-up per console is surprisingly low at 4.2%. 5

Component costs	US dollars (\$)
Electrical components	348
Controller	18
Box contents	6

(Source: adapted from <http://allthingsd.com/20131119/teardown-shows-sonys-playstation-4-costs-381-to-build/>)

**Extract B**

**China lifts the ban on video games consoles**

In 2014, the Chinese government removed its ban on the manufacture and sale of video games consoles. The decision gave Microsoft, Nintendo and Sony access to the potentially lucrative Chinese market. Analysts believe that sales of video games consoles in China could reach \$13bn and that the Chinese Government's decision to liberalise the video games console market in the country had created 'significant opportunities for the major console manufacturers. 5

Kazuo Hirai, the Managing Director of Sony, stated that China's large population of young people, together with rising incomes will result in China becoming an important growth market. However, he believed positioning the brand will be an important factor in allowing Sony to generate sales at the expense of its competitors.

10

(Source: The Guardian)

**Extract C**

**Talks start on ASEAN enlargement**

Negotiations have started between the Association of South East Asian Nations (ASEAN) and its six major trading partners with the aim of creating the world's largest regional trading bloc by the end of 2015. The addition of six new members: China, India, Australia, Japan, New Zealand and South Korea will expand the 10-country trading bloc which will become known as ASEAN+6. An enlarged ASEAN will cover more than half the world's population and will have a combined GDP of \$17.23tn (trillion). 5

It is hoped that the new members of ASEAN+6 will agree to the further liberalisation of markets and reduce tariffs and non-tariff barriers.

(Source: adapted from <http://www.thejakartapost.com/news/2013/01/31/talks-asean6-trade-bloc-kick-may.html>)

Explain how Sony could be disadvantaged by operating in a dynamic market.

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**Q14.**

**Vi-Spring focuses on growth**

Vi-Spring manufactures beds and mattresses. It has a global reputation for high-quality manufacture and one of its models, The Monarch, is the sixth most expensive bed in the world, selling at £80 000 in niche markets.

Vi-Spring beds are produced using the finest materials including British Shetland wool. Each bed contains several thousand springs and the stitching is completed by a skilled and motivated craftsman, with the cotton fabric being woven with silk and gold. Nearly all of the raw materials used to produce the bed are sourced within the United Kingdom, and this helps Vi-Spring to maintain its strong branding and high levels of market orientation. 5

The Monarch has many famous owners including David Beckham. Vi-Spring's market focus has been in the USA and the UK. It has now started to sell an increasing number of beds to customers in countries with high economic growth rates, such as China and India. 10

(Source: OVI-SPRING Ltd)

Explain how Vi-Spring could be disadvantaged by operating in a niche market.

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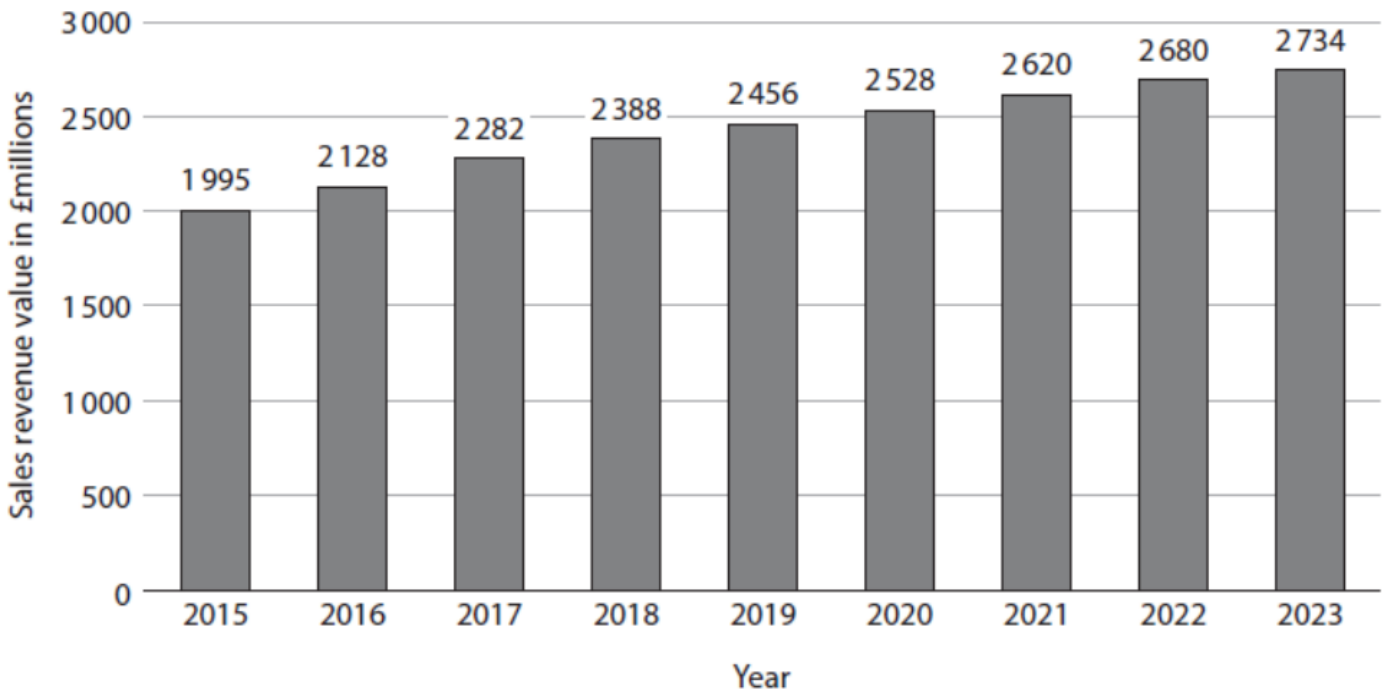
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Q15.

**Extract A**

**UK sweet market revenue – actual and projected**



(Source: adapted from <https://www.statista.com/outlook/40100200/156/sugar-confectionery/united-kingdom#market-revenue>)

**Extract B**

**UK sugar sweets**

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"We are probably the UK's largest confectionery business, that still packs by hand. The additional space will allow us to provide more packing capacity in our existing unit and use our additional site as a distribution warehouse. Although we want to grow, we don't have mass market ambitions," said Rowntree. Bon Bon's has a total of 85 staff.

(Source: adapted from <http://www.bqlive.co.uk/food-drink/2019/01/11/news/healthy-outlook-as-latest-rowntree-confectionery-entrepreneur-expands-into-new-scheme-34762/> and <https://www.bonbons.co.uk/traditional-sweets/>)

Explain one way in which a business such as Bon Bon's adds value to the products it sells.

(4)





## Extract B

### The luxury watch market

Some of the fastest growing businesses in the luxury watch market are public limited companies (PLCs). An example is Swatch, the Swiss company that owns brands such as Omega and Tiffany. Swatch embraces the current trend of 'affordable luxury for all, where luxury products are aimed at mass markets. Its aim is to grow through expensive new product development, more stock, stores and sales. 5

Private limited watch companies, such as Rolex can limit production and not have to answer to shareholders who demand growth. Rolex can control its growth and restrict its product range. This helps to build exclusivity and enables Rolex to charge over £10 000 for some models of watches. 10

Luxury watches are expensive, so customers invest time and effort in researching the best price. Some retail stores attempt to justify high prices by giving customers a glass of champagne and additional attention by sales staff. While this approach still appeals to some customers, research suggests they feel that the item itself represents the luxury experience, not the process of buying it. 15

The sale of luxury watches online is growing and made up of three areas. First are online sales directly from the companies who own the brands, such as Rolex. Second, the highest sales are made by retailers who can offer lower prices. These retailers usually purchase from luxury watch brand manufacturers at up to 50% below the recommended selling price, leaving room for discounting. Third, online sellers and buyers of pre-owned luxury watches. 20

(Source: adapted from <https://www.forbes.com/sites/arieladams/2017/06/23/despite-consumer-demand-the-luxury-watch-industry-will-have-to-shrink-before-it-recovers/#3c79db0f2c75>)

### Extract C

#### Hans Wilsdorf, the entrepreneur behind Rolex

When Hans Wilsdorf was born in 1881, wristwatches were mostly regarded as women's jewellery; no one believed it possible to make watches men would want. Aged 24, and despite the lack of support from his peers, he decided to take a risk and began his plan to deliver a modern watch, aimed at the male market. 5

Wilsdorf described how, "while riding on the upper deck of a horse-drawn bus in the City of London, a genie whispered 'Rolex' in my ear". Rolex is a short word, easy to pronounce in every language, and easy to remember. Rolex had style and authority and looked clear on a watch face. Within days, Wilsdorf had registered the trademark.

Rolex's reputation grew, and in 1919 it set up operations in Geneva, Switzerland. Wilsdorf inspired and persuaded the best craftsmen and engineers in Swiss watchmaking to work alongside him. He was a brilliant leader who believed that "Rolex must continuously strive to think and act differently from the rest. Therein lies its greatest strength," he declared. 10

Wilsdorf insisted that each new watch should be a product of quality. For him, marketing was not just a way to gain sales, but a means of communicating his brand's reputation. 15

Today, Rolex is a private limited company, owned by the Hans Wilsdorf Foundation, created before Wilsdorf died in 1960.

(Source: adapted from <https://pressroom.rolex.com/en/corporate/history-and-corporate/history-of-rolex.html> and <https://www.rolex.org/perpetual/the-man-behind-the-crown>)

Explain **one** way in which product orientation is important to Rolex.

(4)





### Extract E

#### Estimated change in USA population by age group

Age (years)	Change (%) between 2020 and 2040
Under 24	-2.4
25 to 39	-1.3
40 to 59	-1.2
60 and over	4.9

(Source adapted from: <https://www.census.gov/>)

### Extract F

#### Canadian coffee roaster sold to Lavazza

For more than 120 years, Lavazza has been a major business in Europe's coffee market. It focuses on selling coffee through small specialised outlets. Lavazza has recently bought an 80% stake in Canada's Kicking Horse Coffee. Lavazza stated 'we are interested in NAFTA. Kicking Horse has a strong presence in the fast-growing organic and fairtrade segments of the Canadian coffee market. It fits well in Lavazza's brand portfolio.

Under NAFTA, member states must treat each other's goods, services, and investors as they treat their own. Foreign investors can purchase any company incorporated in Canada, knowing they have secure access to markets in the USA and Mexico.

(Source based on: ©2018 CBC/Radio-Canada)

**Extract G**

**Staffing approaches at Starbucks**

North Star is a Starbucks initiative created to focus its North American employees on what makes a good Starbucks' customer experience.

Some employees are unhappy about how North Star has affected them. Their concerns include: workers struggling with high workloads; less support and reduced management; understaffing because organisational structures in stores and regions have been made flatter. One employee said: "They cut our labour in half last year, and often there'd only be one coffee server on at a time. Staff are simply treated as a cost".

Kris Engskov, new Head of US Retail, said: "Staff are our biggest asset; how we staff our stores is the most important thing we do. Our managers have great autonomy".

In the USA, Starbucks' baristas are paid \$9.50 an hour on average, compared to McDonald's employees who are paid \$8.49 an hour. Other Starbucks staff benefits include university tuition assistance, flexible working hours and Starbucks shares at a discounted price.

(Source adapted from: © 2018 Insider Inc)

Explain **one** limitation of secondary market research data, such as that presented in Extract D.

(4)

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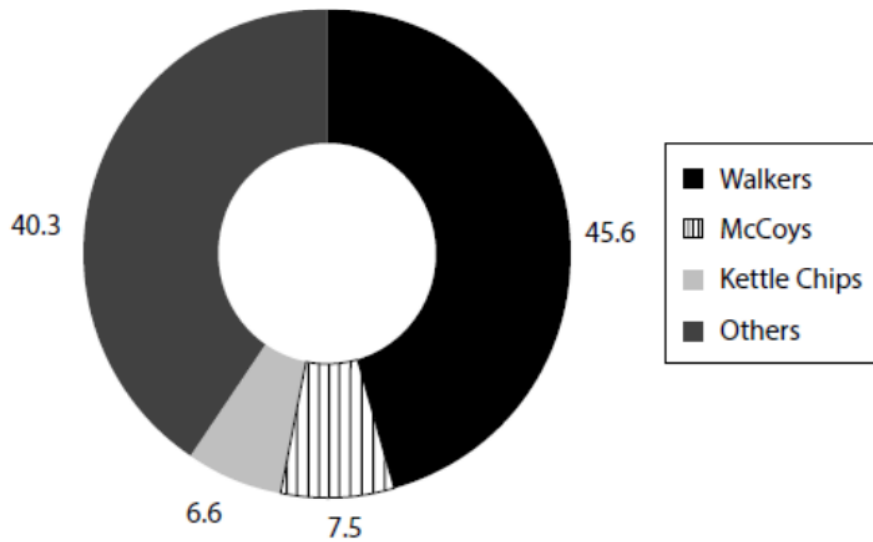
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**(Total for question = 4 marks)**

Q18.

Market share (%) in the UK crisp market 2013



(Source: Trends & Developments in the Savoury Snacks Sector in the UK, Canadean 2014)

Assess the likely impact on premium crisp manufacturers, such as Kettle, of having a small market share.

(12)

**Q19.**

**Extract D**

**Vi-Spring focuses on growth**

Vi-Spring manufactures beds and mattresses. It has a global reputation for high-quality manufacture and one of its models, The Monarch, is the sixth most expensive bed in the world, selling at £80 000 in niche markets.

Vi-Spring beds are produced using the finest materials including British Shetland wool. Each bed contains several thousand springs and the stitching is completed by a skilled and motivated craftsman, with the cotton fabric being woven with silk and gold. Nearly all of the raw materials used to produce the bed are sourced within the United Kingdom, and this helps Vi-Spring to maintain its strong branding and high levels of market orientation. 5

The Monarch has many famous owners including David Beckham. Vi-Spring's market focus has been in the USA and the UK. It has now started to sell an increasing number of beds to customers in countries with high economic growth rates, such as China and India. 10

(Source: OVI-SPRING Ltd)

**Extract E**

**China imposes a 10% tariff on imported furniture**

China's demand for imported furniture continues to grow. A recent report stated that imports of furniture into China had increased by more than 25% during 2012. The report also stated that 'faced with a choice, Chinese consumers do not want to buy domestically produced furniture - they are too concerned about the quality!

Faced with a decline in sales, Chinese manufacturers have successfully persuaded their government to impose a 10% tariff on all imported furniture made out of leather, wood or bamboo. 5

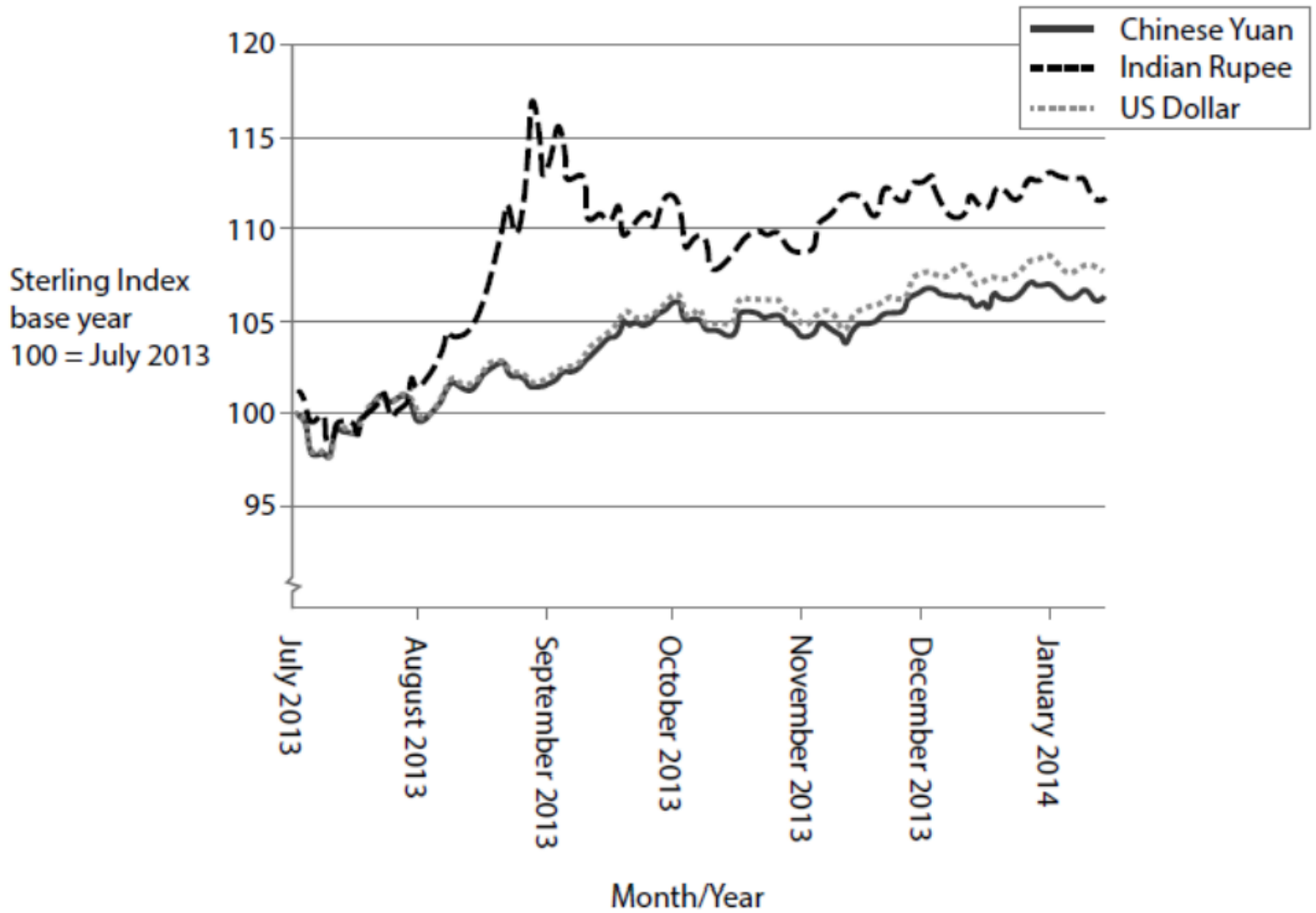
(Source: adapted from <http://www.chinaimportexport.org/> china-to-levy-10-tariff-on-imported-furniture/)



## EXAM PAPERS PRACTICE

### Extract F

Currency Index of the pound (£) against selected currencies July 2013 to January 2014



(Source: ©Ratesfx.com)

Explain how high levels of market orientation might benefit Vi-Spring.

(4)





**EXAM PAPERS PRACTICE**

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Q20.

Explain how a business, such as Adidas, could use product differentiation.

(4)

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