Solutions

Marking: **K** = knowledge, **App** = applying it to the business in the case, **An** = analysis (explaining causes and effects step by step), **Ev** = evaluation (a judgement with reasons, for this business). In calculations, **M1** is for the method and **A1** for the answer. Longer answers are marked in levels: the top level needs analysis applied to the business **and** a justified judgement.

Each answer shows the steps, then the **result**.

2.1

- $20/250 \times 100$
- **8**%

2.2

- $27/270 \times 100$
- **10**%

2.3

- mass market: a large market where products appeal to most customers (K)
- niche market: a small, specialised part of a market with particular needs (K)

3.1

- segmentation divides a market into groups with similar features, e.g. age, income or location (K)
- the business can design products and promotion for each group's needs (An)
- this raises sales and avoids wasting money on people unlikely to buy (An)

3.2

Any two, each analysed (2 marks each):

- loyal customers renew contracts, so the network keeps steady revenue (K, An)
- keeping customers is cheaper than finding new ones (K, An)
- data on customers' use allows offers they value, raising spending (K, An)
- happy customers recommend the network to friends (K, An)

3.3

(a) share $1.8/12 \times 100 = 15\%$; next year $12 \times 1.2 = \$14.4$m

(b) any two, each analysed (3 marks each):

- less competition from large firms, so it can charge a premium price (K, App, An)
- customers in the niche are loyal and will pay for vegan products (K, App, An)
- the niche is growing at 20%, so sales can rise without taking customers from rivals (K, App, An)
- marketing can be aimed precisely, e.g. at vegan food shops and social media groups (K, App, An)

Levels: **top** (5–6) two points, each analysed step by step and applied to this business; **middle** (3–4) analysis of one point, or two points with little development; **bottom** (1–2) relevant points, little explanation.

(c) points to include:

- the mass market is much larger, so sales could grow a lot (An)
- but it is dominated by big brands with economies of scale and large advertising budgets (An)
- Frosty Leaf would need more capacity and finance, and might have to cut its price (App)
- moving into the mass market could weaken its premium vegan image and upset loyal customers (An)
- the niche is growing fast: 20% a year gives room to grow without the risk (App)
- judgement: stay in the niche for now and grow with it; perhaps test one product in supermarkets before a full move (Ev)

Levels: **top** (8–10) analysis applied to this business, and a justified judgement that answers the question; **middle** (4–7) some analysis applied to the business; judgement weak or missing; **bottom** (1–3) relevant points, little explanation or application.