Solutions

Business answers are marked by **level of response** against the assessment objectives: award **AO1** knowledge, **AO2** application, **AO3** analysis and **AO4** evaluation.

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

2.1

- selling more of an existing product to its existing market (2 for a clear idea; 1 for a partial idea)

2.2

- because both the product and the market are new, so the firm has no experience of either, giving the highest chance of failure (2 for a clear reason; 1 for a partial idea)

2.3

- adapting the marketing mix (product, price, promotion, place) to suit a local market's tastes, language, laws or incomes (2 for a clear definition; 1 for a partial idea)

3.1

- *[3]* **AO1** 1 — give a reason (the home market is saturated; to use spare capacity; a new region wants the product). **AO2** up to 2 — develop it, e.g. selling the existing product in a new country reaches more buyers
- higher sales
- without the cost of developing a new product (2 developed / 1 limited)

3.2

- *[8]* For **each** of two ways: **AO1** 1 + **AO2** 1 + **AO3** up to 2. Example chains — *exporting*: sell from the home base
- low cost and risk
- but less control over how it is sold. *Joint venture*: partner with a local firm
- local knowledge and shared risk
- faster entry, but profit and control are shared. Maximum 4 per way, 8 total

3.3

- *[12]* **AO1** 2 / **AO2** 2 / **AO3** 2 / **AO4** up to 6. **Market penetration:** low risk, uses what the firm knows — but limited growth if the market is saturated. **Diversification:** large growth and spreads risk — but the highest chance of failure, needing new skills and finance. Judgement: a cautious firm should grow first by penetration or development, turning to diversification only when it has the resources and the core market is exhausted — the choice depends on its finances and the state of its current market