Solutions

Marking: **K** knowledge, **App** application to the case, **An** analysis (a developed chain of reasoning), **Ev** evaluation (a justified judgement); calculations earn **M1** for the method and **A1** for the answer.

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

2.1

any two: **development**; **introduction**; **growth**; **maturity**; **decline**

2.2

- 24×1.5
- = \$**36**

2.3

- a low price **attracts** customers away from established rivals (1)
- the service gains **market share** quickly (1)
- many subscribers bring revenue and economies of scale (1)
- once customers are loyal, the price can be raised later (1)

3.1

C

3.2

B

3.3

(a)

- a **name, symbol or design** that makes a product recognisable and different from rivals

(b)

- $(120 - 60) \div 60 \times 100$
- = **100** %

(c) two advantages, each outlined (K + App each):

- **no retailer's share**: Nova keeps more of each \$120 or \$250
- direct **contact** with customers: data and feedback
- reaches customers **anywhere**, 24 hours a day
- full control over how the watch is shown

(d) two methods, each explained (K, App, An each):

- **online / social media** advertising aimed at young, tech-loving buyers, showing the long battery life
- **reviews** by technology websites and influencers: trusted, reaches early buyers
- **sales promotion**: a launch discount or free strap, to win buyers from rivals
- in-store **demonstrations** at electronics retailers

(e) skimming: (An)

- the battery is a real **advantage**, so early buyers may pay \$250; high mark-up recovers development costs; a premium image

penetration: (An)

- \$120 undercuts rivals at \$150, so Nova wins **market share** fast; but a lower mark-up, and a cheap image is hard to raise later

decision: (Ev) for example, skimming suits Nova, because the long battery is a clear advantage rivals cannot copy at once; the price can fall later as rivals catch up.

Level 3 (5–6): a justified decision for this business, weighing both sides. Level 2 (3–4): points explained and applied. Level 1 (1–2): points identified.