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: bans **false or misleading** descriptions; bans **unsafe** products; protects against unfair contracts / exploitation; controls advertising to children

2.2

- $100 - 40 - 35 = 25$ %
- $0.25 \times 80\,000 = \$\mathbf{20\,000}$

2.3

two problems, each explained (K + An each):

- **cultural** differences: tastes or language mean the product or adverts must change
- **lack of knowledge** of local customers and rivals, so marketing may fail
- different **laws** and taxes add costs
- **exchange rate** changes make revenue uncertain

3.1

A

3.2

B

3.3

(a)

- a **plan** combining the elements of the marketing mix to achieve the firm's **marketing objectives**

(b)

- $(2.1 - 1.5) \div 1.5 \times 100$
- $= \mathbf{40}$ %

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

- the home market is **saturated**: sales have stopped growing
- a **large** foreign market where tea is popular
- **spreads risk** across countries
- export sales are already growing fast (40 %)

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

- **product**: blends that suit drinking with milk and sugar, or new packaging in the local language
- **promotion**: adverts that fit local culture and show how to drink green tea
- **price**: set against local brands and incomes
- **place**: local supermarkets and distributors

(e) joint venture: (An)

- the local firm knows **customers, laws and distribution**; shared costs and risk; Lotus keeps some control over quality; but profits are shared and partners may disagree

licensing: (An)

- **cheap and low-risk**: the local firm pays Lotus; but Lotus has little **control** over quality, which could damage its premium brand

decision: (Ev) for example, a joint venture is better, because the market needs adapting to local tastes, which needs local knowledge, while Lotus keeps enough control to protect its premium quality.

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.