Solutions

Marking: **K** knowledge, **App** use of the case or data, **An** analysis (a chain of reasons: cause, then effect), **Ev** evaluation (a judgement with a reason). In calculations, **M1** is for the method and **A1** for the answer; **B1** is an independent mark.

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

2.1

total **15** of 25

a middling industry: profit depends on the firm's own strategy

2.2

cost £**2.80**

margin £**0.20**

$\frac{0.20}{3.00} = \mathbf{6.7}\%$

2.3

(a) parity; (c) temporary advantage

(b) sustained advantage: valuable, rare, hard to copy and organised

2.4

a firm can hold a valuable, rare resource and still gain nothing if it has no process to use it

e.g. 14,000 loyalty records that nobody analyses give no advantage

3.1

(a) $0.08 \times 2.50 =$ £**0.20**

(b) $0.11 \times 2.50 =$ £**0.275**

(c) $0.20 + 0.08 =$ £**0.28**; $\frac{0.28}{2.53} = \mathbf{11.1}\%$

(d) e.g. the price rise: festival buyers negotiate hard (buyer power), so the rise may not hold; or cheaper materials, which could harm the quality the premium depends on

3.2

(a) **16** of 25

(b) substitutes (supermarkets, coffee chains); e.g. make Nimbus clearly different: the festival brand and fresh 6 am baking

(c) the score is an average for the industry; a firm with a strong position can still earn a high margin, as the top quarter does at 11%

3.3

7–8: long queues show demand at one shop, not the structure of the industry (An); forces at 16 of 25 say profits are middling and depend on position (App); Nimbus's 8% margin is above average but below the top quarter, so growing an 8% business multiplies a thin margin (App); its one sustained resource is the festival brand; new shops away from the festival may not carry it (K); but three shops could share supply and overheads, raising the margin (An); recommendation with a condition, e.g. open one shop first, near the festival's customers, and expand only if it reaches the 11% target (Ev). **4–6**: sound analysis with limited use of the data or a weak judgement. **1–3**: relevant points, mostly descriptive.

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