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

(a) cost leadership

(b) differentiation

(c) stuck in the middle

2.2

$\dfrac{3.00 - 1.50}{1.50} = \mathbf{100}\%$

customers' belief that Nimbus is different and better, e.g. the brand

2.3

margin −£**0.30** a roll

it may weaken the premium brand, so customers pay less for the main range too

2.4

a move that is best for a player whatever the other player does

compare the player's payoffs for each of the rival's moves; if one move wins in every column (or row), it is dominant

3.1

(a) yes: Ignore; $12 > 9$ against Premium and $11 > 8$ against Standard

(b) no: Premium is better against Ignore ($20 > 14$), but Standard is better against Match ($12 > 10$)

(c) expect Ignore; Nimbus's best reply is Premium: (Premium, Ignore), **20/12**

(d) matching costs the rival more than it gains: it earns less whatever Nimbus does

3.2

(a) e.g. the trained crew and 5 am fermentation: only a loyal, skilled crew will run the early, careful process every day

(b) the rival gets the cost of the process but not the brand and festival link that make customers pay more; the advantage comes from how the activities fit together, which takes years to build

3.3

7–8: at £1.90 cost the roll loses £0.30 each, so volume increases the loss until the cost falls (App); the supermarket's cost of about £1.00 means Nimbus cannot win on cost, even with scale (An); the plan moves Nimbus towards the middle, and may weaken the premium brand that is its one sustained resource (K); it might bring new customers who later trade up (An); recommendation with a condition, e.g. do not launch; if new customers are the aim, use a small sample or a smaller premium product that keeps the brand (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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