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

price $3.10 \times 1.4 = £\mathbf{4.34}$

margin $\dfrac{1.24}{4.34} = \mathbf{28.6}\%$

2.2

$\dfrac{29}{5} = £\mathbf{5.80}$ a meal

saving $32.50 - 29 = £\mathbf{3.50}$, about 11%

2.3

(a) skimming; (b) penetration

(c) psychological; (d) bundle

2.4

revenue £5,800 → £6,240

contribution $200 \times 13.50 = £2{,}700 \to 240 \times 10.50 = £2{,}520$

revenue rises but contribution **falls** by £180

3.1

(a) per box £9.70, £13.50, £23.00; per meal £3.23, £2.70, £2.30

(b) $0.3 \times 9.70 + 0.5 \times 13.50 + 0.2 \times 23.00 = £\mathbf{14.26}$

(c) it earns the most per box from heavy users; and it makes the 5-meal box look like the sensible middle choice

3.2

(a) $100 \times 4 \times (13.50 - 9.30) = £\mathbf{1{,}680}$

(b) $\dfrac{1{,}680}{135} = 12.4$, so **13** subscribers

(c) many may cancel when the price goes back up, or customers may expect discounts later

3.3

(a) match $214 \times 10.50 = £\mathbf{2{,}247}$; hold $171 \times 13.50 = £\mathbf{2{,}309}$; add value $214 \times 12.50 = £\mathbf{2{,}675}$

(b) **4–5**: adding value earns the most and avoids a price war (App); matching cuts margin for every customer and teaches them to wait for cuts (An); holding depends on the 20% guess (An); risk: the rival may add value too, and the dessert must be one customers value (Ev); judgement, e.g. add value, measure churn for 4 weeks (Ev). **2–3**: options compared with some numbers. **1**: a relevant point.

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