Chapter 11

Chapter 11 Ordinary Level Questions

Q1. (i) Identify the competitive advantage a business of your choice has (e.g. price, brand, speed of service)

Penneys has a competitive advantage in Ireland due to its low prices and fast-changing fashion range.

(ii) Outline one way the business can capitalise on it.

Penneys can capitalise on this by adjusting its promotion strategy to highlight new stock arrivals and low pricing on social media, encouraging frequent visits.

Q2. *A large clothing retailer has used online analysis to identify their three main rivals in the market.*
Explain the importance of identifying potential competitors when operating in a competitive market.

Identifying potential competitors helps a business understand who it is up against and how to position itself effectively. By analysing competitors' marketing mix (prices, products, promotions used etc) the business can find ways to stand out, such as offering better value or targeting a gap in the market no one is focussing on. This is especially important in a competitive market where customers have many options.

Q3. Complete each stage of Porter's Five Forces Model

Threat of New Entrants
Threat of Substitues
Bargaining Power of Suppliers
Bargaining Power of Customers
Competitive Rivalry

Q4. Outline **two** strategies a business can use to expand in to new markets.

1. **E-commerce expansion:** Allows a business to reach more customers online without extra premises by using digital ads and selling directly to customers on their website or shop on their social media channels.
2. **Franchising:** Enables rapid brand growth by allowing franchisees to run outlets using the business's name and systems in return for a fee or percentage of sales or profits. This allows the business to expand without bearing the full cost of opening new locations.

Q5. Describe one potential **benefit** and one potential **cost** for a business like **Meta** when considering the takeover of a another popular social media platform.

Benefit A takeover allows a business to quickly increase its market share. This means gaining access to more customers and removing a competitor from the market. For Meta, acquiring another social media platform would expand its user base and reduce the threat from rival apps.
Cost A takeover can be very expensive and may involve a large one-off investment. There is no guaranteed return or chance of success – there may be conflict between different teams or systems, and it may not be successful. For Meta, this might affect profitability or create challenges when merging two platforms' operations.

Q6. A small Irish food company has seen changes in customer demand and increased competition.

(i) Name one element of the marketing mix (e.g. product, price, promotion) the company could change.

Product

(ii) Describe how adjusting this element could help the business respond to these external challenges.

Adjusting the product means changing its features, ingredients, or packaging to better meet customer needs. A business might introduce a new version, improve quality, or respond to health trends to stay competitive. In this case, the small Irish food company could launch gluten-free or plant-based options to meet changing customer demand and stand out in a crowded market.

Chapter 11 Higher Level Questions

Q1. (i) Choose a well-known business of your choice, and then identify a potential competitor for this business.

Business: McDonald's
Competitor: Burger King

(ii) Using the business you chose, explain the importance of identifying competitors when planning their strategy or launching a new product.

Identifying competitors helps McDonald's understand how its menu, pricing, and customer service compare to their rivals.
By analysing Burger King's offerings, McDonald's can adapt its strategy to stay match successful products, or get ahead by adjusting product features or introducing new value meals that Burger King don't offer.

(iii) Describe one potential source of competitive advantage this business has in the market.

McDonald's competitive advantage is its delivery of fast, consistent, good value service across all locations it operates from.
This creates customer trust and loyalty, making it more difficult for competitors to attract regular McDonald's customers.

Q2. (i) Analyse the competitive forces in the market for a business of your choice using Porters Five Forces Model.

Business: Apple iPhone
1. Threat of new entrants New entrants find it difficult to succeed in industries that require large capital, advanced technology, and strong brand loyalty. For the iPhone, high barriers like research costs and customer expectations make it very hard for new smartphone brands to compete directly.
2. Bargaining power of suppliers When suppliers are few or provide specialised inputs, they can have stronger influence over price and availability. Apple uses specific components like chips and screens from key suppliers, but its global scale reduces their power overall. Apple likely make up a huge amount of revenue for suppliers so they don't want to lose the Apple contract.
3. Bargaining power of buyers Customers have more power when there are many alternatives and low switching costs. Smartphone users can compare and move between different brands, so Apple must keep innovating and offering high value. They may be limited or locked in to long contracts, and can get locked in to iOS software with Apps they have purchased that won't work on Android devices.
4. Threat of substitutes Substitutes are alternative products that can meet similar needs, often at a lower cost. For Apple, tablets, cheaper Android phones, or even refurbished devices are substitutes that put pressure on sales.
5. Competitive rivalry Rivalry is intense when several businesses target the same market with similar products. Apple competes directly with Samsung, Google, and others in a saturated smartphone market, pushing it to constantly improve features, design, and services.

(ii) Based on these findings, identify the competitive advantage of the business.

Apple's competitive advantage is its strong brand and ecosystem. Its design, innovation, and integration across devices (like iPhone, iPad, and Mac) build customer loyalty and reduce the appeal of switching to competitors, as they will lose Apps they've bought and how it links between devices.

Q3. Evaluate two potential benefits or challenges for a business of using technology to adapt or expand.

1. Benefits Improved efficiency and automation Technology improves efficiency by automating tasks such as inventory management or payroll, helping to reduce errors and save time. This method is often effective when a business is scaling, as it allows staff to focus on more productive activities. However, this benefit depends on choosing the right system and ensuring that staff are properly trained, or it could lead to disruption instead of improvement. 2. Increased market reach through e-commerce Technology enables a business to sell products or services online using platforms like Shopify or WooCommerce. This expands the customer base beyond physical locations and supports 24/7 sales with relatively low running costs. It is especially valuable for small businesses looking to grow without opening new premises. However, success depends on having strong digital marketing and delivery systems in place. Without these, online traffic may not convert into actual sales.
1. Challenges High setup and training costs Introducing new technology usually involves significant upfront costs for equipment, software, and training. While this can help a business grow in the long term, the initial financial burden may be difficult to manage, especially for smaller firms. There is also a risk that the technology will not deliver the expected return, which would weaken the value of the investment. 2. Dependence on third-party platforms Many businesses rely on external platforms like Instagram, TikTok, or Facebook to promote and sell their products. While these tools help reach a wide audience quickly, they can change algorithms or policies without warning, affecting visibility and revenue. This creates uncertainty and makes the business vulnerable to decisions it cannot control, which limits the long-term reliability of this approach. E.g. a business that heavily relied on Twitter may struggle now as users have fallen under the rebranded X.

Q4. Describe two ways a business could expand by working with or acquiring other businesses.

1. Takeover A takeover involves one business purchasing another by buying more than 50% of it's shares, gaining control of its operations, assets, and customer base. This allows rapid growth and may remove a competitor from the market. For example, a tech company could take over a smaller app developer to gain new users and features instantly.
2. Strategic alliance A strategic alliance is when two businesses agree to work together on a shared project or for a time period, while remaining separate legal entities. This allows each business to benefit from the other's expertise or access new markets without the complications of a full merger. A petrol station chain could form a strategic alliance with a popular food brand to stock its products in-store. This helps the food brand reach more customers while allowing the petrol station to improve its product offering and attract footfall.

Q5. *In 2014, Meta (then Facebook) acquired* **WhatsApp** *for approximately* ***$19 billion****, aiming to expand its global messaging reach. The platform had over 450 million users at the time, with strong growth in emerging markets.*
Conduct a cost-benefit analysis of Meta's 2014 takeover of WhatsApp.

Benefit 1
Rapid access to a large user base - A takeover allows a business to instantly grow its market share and customer reach.
Meta acquired WhatsApp with over 450 million active users, giving it a strong foothold in global messaging, particularly in emerging markets, and position it ahead of competitors in markets where WhatsApp was the dominant platform.

Benefit 2
Strengthened platform integration - Takeovers can support product development by combining technologies or services.
Meta gained access to WhatsApp's encryption and App design. This might support plans to integrate messaging across Facebook and Instagram to enhance the user experience.

Cost 1
High financial investment - Takeovers often involve large upfront payments and financial risk.
Meta paid approximately $19 billion for WhatsApp, one of the largest tech deals at the time, with limited short-term revenue potential.

Cost 2
Regulatory and integration challenges – Taking over another business can create legal, technical, and cultural difficulties.
Meta face scrutiny from regulators concerned about data privacy and market dominance.

Analysis:
The takeover was a strong strategic (long term) move by Meta, despite high short-term costs. Meta secured dominance in global messaging and strengthened its ecosystem, although challenges around monetisation and regulation remain ongoing.

Q6. Describe how a business can adjust three elements of their **marketing mix** <u>or</u> adjust their **business model** based on any two of the following factors:

Customer demographics, competition, and economic factors

Marketing mix Customer Demographics - Product Customer demographics such as age, lifestyle, or values influence product features, packaging, and design. For example, a snack brand targeting health-conscious teenagers might introduce a low-sugar, plant-based range with colourful, compact packaging to suit their tastes and routines. Competition - Pricing In response to competitive pressure, a business can use **tiered pricing** to appeal to a broader range of customers without undercutting its entire menu. Tiered pricing involves offering different product levels at different prices, allowing customers to choose based on their budget and preferences. For example, a local café facing new competition could introduce a basic coffee option at €2 to attract price-conscious customers, while still offering larger or premium coffees at higher price points. This keeps the café competitive while protecting its overall revenue. Economic factors - Promotion In tough economic times, customers become more price-sensitive, so promotional messages often focus on value, savings, or offers. A supermarket could promote discounted bundle deals or seasonal savings in flyers and social media ads to appeal to budget-conscious shoppers.

Business Model

Customer demographics - Subscription Model

A subscription model provides customers with continuous access to products or services in exchange for regular payments.
This model appeals to younger or busy consumers who prefer predictable, flexible access to content or products.
For example, a skincare brand could offer a monthly subscription box tailored to teenage skin concerns, creating convenience and loyalty for that demographic.

Competition - Franchise Model

Franchising allows a business to expand rapidly by granting licences to independent operators who use the brand's systems and products.
This model can help a business respond to increased competition by growing its physical presence quickly while maintaining consistent quality and brand recognition.
E.g. a successful local coffee chain could franchise to open new outlets in other towns, gaining market share before a larger rival enters.

Economic factors - Crowdfunding Model

Crowdfunding allows a business to raise money from the public through small contributions, often before launch.
In times of economic uncertainty, it provides an alternative to bank loans and builds a supportive customer base early.
E.g. A small Irish tech startup could use Kickstarter to fund a new gadget, offering early access or discounts as rewards while reducing reliance on traditional finance.