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Chapter 11 Growth, Development, and Expansion

11.1 Demonstrate an understanding of the importance of identifying competition in the market.

HL Paper 1 Q1 (e)

Driving Creativity and Sustainability

ProjectOne, a cutting-edge design and innovation engineering firm based in Kildare, is making waves in the world of product design and research and development. Catering to a diverse clientele that includes start-ups and multinational corporations across the consumer, healthcare, and professional sectors, ProjectOne has built an enviable reputation as an independent agency with international acclaim.

According to management, the company's success is rooted in the dedication and talent of its employees. ProjectOne has fostered a workplace culture where team members feel valued and appreciated, resulting in strong employee loyalty and internal promotions. With a dynamic workforce of 64 employees, ProjectOne champions a modern and balanced working environment. The company has implemented a four-day working week. Employees enjoy blended working arrangements, alternating between on-site and remote work.

"Our team's creativity and hard work are the cornerstone of our growing client base and project successes," says a ProjectOne spokesperson. "We're thrilled to see the positive impact of our working arrangements on both employee satisfaction and productivity."

The company's commitment to community engagement is also noteworthy. Several team members volunteer with Junior Achievement Ireland, to deliver high-impact programmes to students. These initiatives introduce young people to working life through hands-on experiences, showcasing the innovative and inspiring nature of ProjectOne's work.

Tackling Sustainability with GlowInc

One of ProjectOne's clients, GlowInc, a beauty product manufacturer, has partnered with the firm to develop an innovative, organic nail polish. With the nail polish industry becoming increasingly saturated, GlowInc predicts a growing demand for sustainable alternatives and has tasked ProjectOne with bringing their vision to life.

To meet the challenge, ProjectOne has assembled a forward-thinking team that includes recently hired staff eager to gain hands-on experience with this pioneering project. The firm has also invested in state-of-the-art equipment to support the development of the new product, with plans to launch it on shelves by next year.

Adopting an iterative approach, the team will create and refine a prototype through small-scale testing to perfect the formula. A key hurdle in the project will be sourcing unique, sustainable materials, but ProjectOne remains committed to delivering a high-quality, innovative product that aligns with GlowInc's standards for sustainability and originality.

This ambitious collaboration underscores ProjectOne's ability to combine innovation with environmental responsibility, further cementing its position as a leader in the design and engineering sector. "Our partnership with GlowInc exemplifies the kind of creative and impactful projects that define ProjectOne," says the spokesperson. "We're excited to help shape the future of sustainable beauty products."

Identify	Recognise patterns, facts, or details; provide an answer from a number of possibilities; recognise and state briefly a distinguishing fact or feature

Suggest	Propose solution(s), hypothesis, or other possible answer(s)

Recommend	Put forward something with approval as being suitable for a particular purpose.

*This is from the SC Economics specification as the outcome verb Recommend was not in the new SC Business specification**

(ii) Identify Glow Inc's potential competitive advantage and, based on this advantage, recommend an appropriate strategy for launching their new product on the market.

HL Paper 1 Q1 (e) Solution

Potential competitive advantage: Glow Inc's advantage is creativity and sustainability in design. This sets them apart from competitors who may rely on standard, less sustainable approaches.

Price: Position the product at a premium level to reflect its added sustainable value, rather than competing on price.

Promotion: Use digital marketing and partner with green influencers to highlight Glow Inc's unique sustainability story.

Consumers are increasingly choosing environmentally responsible and innovative products, so the strategy matches current market trends. It also positions Glow Inc as a premium brand, using its competitive advantage to achieve a successful launch.

11.2 Use Porter's five forces model* to identify and analyse competition in the market and use these findings to identify the competitive advantage of a business.

HL Paper 1 Q1 (e) (i)

Driving Creativity and Sustainability

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Analyse	Study or examine something in detail, break down in order to bring out the essential elements or structure; identify parts and relationships, and to interpret information to reach conclusions

(e) **(i)** Analyse the competitive forces in the market for Glow Inc using Porters Five Forces Model.

HL Paper 1 Q1 (e) (i) Solution

1. Threat of new entrants

This looks at how easy it is for new firms to join the market. This threat is high when set-up costs are low and loyalty in an industry for brands is weak.

The nail polish industry is described as “becoming increasingly saturated,” which shows there are lots of new entrants in the industry. For GlowInc, this force is moderate because although new sustainable brands can appear, breaking through in a crowded market is difficult.

2. Bargaining power of suppliers

Supplier power is high when few suppliers can provide the needed materials, so they have more power in setting prices for the supplies.

The text highlights that “a key hurdle... will be sourcing unique, sustainable materials.” This means GlowInc is dependent on specialist suppliers and supplier power is therefore high for GlowInc.

3. Bargaining power of customers

Customers have high power when they can easily switch to alternatives and have plenty of choice.

In the beauty market, buyers can pick from many brands of nail polish and other beauty products. For GlowInc, customer power is high, so they will need to clearly show the value of their organic and sustainable polish to keep customers loyal.

4. Threat of substitutes

Substitutes are products that can meet the same need of a customer in a different way. If there are lots of substitutes available, this threat is high for a business.

In GlowInc’s case, there are many substitutes such as gels, acrylic nails, or other beauty treatments a customer can do at home or in other shops. This makes the threat of substitutes high, meaning GlowInc must highlight why their product is special.

5. Competitive rivalry

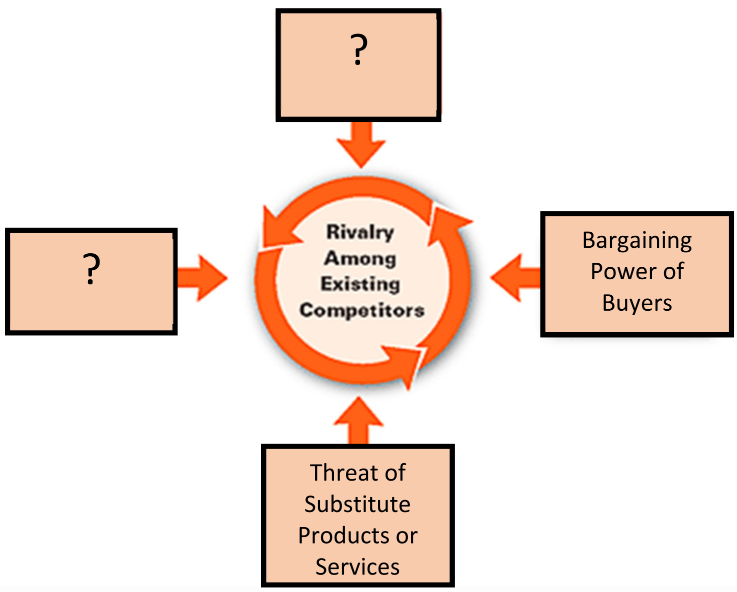
Rivalry measures how much existing businesses compete against each other. It is high if there are many firms in the same market.

In the nail polish industry, rivalry is already high because the market is saturated with established beauty brands. For GlowInc, this means they will need to differentiate with their sustainable and innovative approach to win market share.

OL Paper 2 Q2 (d)

(d) Porter's Five Forces Model.

The Five Forces That Shape Industry Competition



Name the **two** forces missing from the diagram. Write your answers in the space below.

OL Paper 2 Q2 (d) Solution

Threat of new entrants

Bargaining power of suppliers

11.5 Conduct a cost-benefit analysis to analyse the implications of business expansion.

HL Paper 2 Q5 (b)

Conduct	Perform an activity

(b)

MARS

Mars to buy Pringles maker Kellanova in mega $36bn deal

Mars, the company focused on confectionery and pet care, seeks to acquire Kellanova who have a stronghold in the snacks and breakfast sector. In 2024, Kellanova reported an operating profit of $1.873 billion. Mars are reported to be offering $83.50 per share, 33% above market price. The regulator may investigate the takeover that would make Mars a global food leader, second only to Nestlé.

Conduct a cost-benefit analysis of the proposed move by Mars.

HL Paper 2 Q5 (b) Solution

Potentially 2 developed benefits and 2 developed costs plus an overall conclusion for this answer could be a good approach – 3 of each given for reference. Question asks to link to Mars so the answer should use the content given in the question or make necessary assumptions related to Mars.

Benefit 1 – Increased market share
When a firm acquires another company, it can gain entry to new markets or increase the share it already has in existing ones.

By acquiring Kellanova, Mars would instantly gain a strong position in the snacks and breakfast sector, strengthening its place as a global food leader, second only to Nestlé.

Benefit 2 – Higher profits
Takeovers can increase profits if the acquired business is already profitable and complements the buyer's operations.

Kellanova reported an operating profit of $1.873 billion in 2024, so by taking over a profitable company, Mars can add this revenue stream to its business and boost long-term profits.

Benefit 3 – Diversification and spreading risk
When a business expands into new markets or industries, it spreads its risk because it is no longer fully dependent on its original sectors.

For Mars, which is heavily focused on confectionery and pet care, acquiring Kellanova allows it to diversify into snacks and breakfast foods. This means if one sector underperforms, Mars can rely on other revenue streams to balance performance.

Cost 1 – High purchase price
Large acquisitions are expensive and can put financial strain on the buyer, especially when paying above market value.

Mars is offering $83.50 per share, which is 33% above Kellanova's market price. This $36 billion outlay could pressure Mars's cash flow and increase debt.

Cost 2 – Regulatory risk
Mergers and acquisitions that reduce competition are often investigated by regulators, which can delay or even block a deal.

In this case, regulators may investigate the takeover because it creates a food giant. If blocked, Mars could face delays, legal costs, or lose the opportunity altogether.

Cost 3 – Duplication of resources and redundancies
When two large businesses combine, overlap in roles and facilities often leads to redundancies and restructuring. This can be costly in terms of redundancy payments and may damage employee morale.

For Mars and Kellanova, duplication of staff in marketing, distribution, and administration could create uncertainty and reduce productivity during the integration process, which may damage morale or lead to a clash of cultures between the firms.

Overall judgement

While the costs are significant, especially the high price and regulatory risk, the long-term benefits of greater market share and higher profits suggest the acquisition could strengthen Mars's global position. On balance, the benefits appear greater if the regulatory hurdles can be managed.