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Business management

Higher level and standard level

Paper 1

30 April 2025

Zone A afternoon | Zone B afternoon | Zone C afternoon

1 hour 30 minutes

Instructions to candidates

- Do not open this examination paper until instructed to do so.
- Read the case study carefully.
- Section A: answer all questions.
- Section B: answer one question.
- You are permitted access to a calculator for this paper.
- The maximum mark for this examination paper is **[30 marks]**.

Myt PLC (Myt)

Myt PLC (Myt) is a publicly held multinational company that manufactures non-alcoholic drinks. *Myt's* head office is in the United States (USA). *Myt* owns manufacturing factories on six continents.

5 *Myt* has grown in size through internal and external growth. Initially, *Myt* manufactured just one drink: a root beer that was non-alcoholic, sweet, and carbonated. By 2020, *Myt* had developed its own large portfolio of over 30 different drinks, which it sells in bottles and cans. *Myt* uses social media influencers as part of its promotional strategy.

10 Obesity and diabetes are two health issues that have been linked to drinks, many of which provide the entire recommended daily sugar intake for an adult in a single can. However, sugar substitutes used in diet drinks have also been linked to various health problems. Many of *Myt's* drinks are high in caffeine and sugar.

In 2023, *Myt's* board of directors began a process of diversification, taking over:

- *Lotssa Coffee (LC)*, a chain of coffee shops with over 4000 outlets across 35 countries
- *Honest Water (HW)*, a manufacturer of bottled drinking water.

15 *Myt* announced plans to:

- modernize and make its factories green
- explore entering the healthy snacks market
- utilize computer-generated avatars when creating advertisements
- reduce caffeine and sugar levels in its products
- 20 • improve its corporate social responsibility (CSR).

As part of its process of modernization and diversification, *Myt* prioritizes its corporate social responsibility (CSR), as reflected in its new mission statement: “To provide healthy, delicious drinks and food to the world”. The commitment to healthy drinks and food would be *Myt's* unique selling point/proposition (USP). *Myt's* CSR includes its use of recycled material in its product packaging.

25 *Myt* also shows its concern for CSR in the way it takes care of its employees, who are paid above-average wages and receive non-financial rewards. However, many employees in *Myt's* factories complain that their jobs are monotonous, and they work alone in the same part of the production process every day.

30 All drinks companies, including *Myt*, aggressively promote their CSR because of criticism from pressure groups. This criticism includes the overuse of limited water resources in some parts of the world and the manufacturing of drinks with too much sugar.

Managers at *Myt* have a democratic leadership style. *Myt* believes that its managers should ideally be employees who were promoted because of their commitment and expertise within the organization.

35 *Myt* is considering entering the healthy snacks market to continue with the diversification process that started in 2023 with the takeover of *LC* and *HW*. The takeover of *LC* and *HW* was a success. Both *LC* and *HW* were growing quickly, with increasing market share in growing markets.

40 Tastes and demands of healthy snacks vary between different regions. Some medical research suggests that snacking can be a healthy way of controlling appetite and therefore help people lose weight if the snacks are healthy.

Myt's main competitors not only sell drinks but also have a strong presence in the snack market. However, most competitors only sell unhealthy snacks with high levels of fat, salt, and/or sugar and sometimes have unhealthy amounts of added caffeine too. Pressure groups have criticized these unhealthy snacks.

- 45 Secondary market research was conducted in the USA by *Myt*'s marketing director. The findings of this research included:
- a forecast that the healthy snacks market will have an annual growth rate of around 6.5% from 2024
 - a prediction that the healthy snacks market will be worth approximately \$57 billion by 2033
- 50
- the fact that healthy snacks are no longer a niche market, as significant numbers of consumers want to purchase nutritious food products
 - the fact that healthy snacks have high prices because of high production costs.

The sources used for this market research were mostly from 2023 and were available for free via online content.

- 55 Diversifying into the healthy snacks market creates potential new revenue streams for *Myt* but is also a serious challenge, as *Myt* has no experience in the snacks manufacturing industry and market. Consequently, *Myt* is considering a joint venture with a leading healthy snacks manufacturer, *ABC*, a publicly held company.

60 *ABC* manufactures healthy snacks and nutritious fruit-based sweets and candy products in the USA. *ABC*'s factory in the USA uses mass production and mass customization to manufacture its products, which are made from expensive, high-quality ingredients. These products are produced for four different target markets:

1. Customers who love *ABC*'s Irresistible Bites, tasty snacks that are very popular with many groups of people.
- 65 2. Customers with specific health requirements or lifestyles and who consume a variety of healthy snacks. These customers are often willing to pay more for healthy snacks than for ordinary ones.
3. Children who regularly consume nutritious fruit-based sweets and candy products.
4. Vegan customers. *ABC* recently entered the vegan healthy snacks market, where snacks are
- 70 free from all animal products. This market has many competitors.

ABC aims to maximize profits. It puts employees under enormous pressure to increase production output. *ABC*'s managers have an autocratic leadership style.

75 *ABC* offers above-average salaries and guarantees that all employees in the seven countries in which it operates have the same health insurance benefits, the same number of holidays, and the same childcare benefits. *ABC*'s employees work in groups.

A joint venture between *Myt* and *ABC* would include the following:

- *Myt* would cover 75% of the investment cost of the joint venture.
- Operating costs would be shared equally.
- Profits and losses would be shared equally between *Myt* and *ABC*.
- 80 • *Myt* and *ABC* would each provide an equal number of managers and employees.
- *ABC* would share its knowledge and experience in manufacturing and marketing their products.

The chief executive officers (CEOs) of both businesses think that a successful joint venture between *Myt* and *ABC* could lead to a merger.

Companies, products, or individuals named in this case study are fictitious and any similarities with actual entities are purely coincidental.

Section A

Answer **all** questions from this section.

1. State **two** examples of corporate social responsibility (CSR) that a business could implement. [2]
2. State **two** types of revenue stream for a business. [2]
3. (a) Describe **one** non-financial reward that *Myt* could offer its employees (lines 25–26). [2]
(b) Describe **one** financial reward, **other than** salaries, that *ABC* offers its employees. [2]
4. Explain **one** advantage **and one** disadvantage for *Myt* of conducting secondary market research (line 45). [4]
5. Explain **one** advantage for *ABC* of using mass customization (lines 60–61). [2]
6. “*Myt* is considering entering the healthy snacks market” (line 35). Explain **two** appropriate pricing methods that *Myt* could use to sell its healthy snacks. [6]

Section B

Answer **one** question from this section.

7. Discuss whether *Myt* should enter the healthy snack market. [10]
 8. Discuss whether *Myt* should enter into a joint venture with *ABC*. [10]
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