3.2 Porter's Five Forces and Competitive Strategy: 30-minute Pack

Total Marks

AQA 7132 · Calculators not allowed · about 30 minutes

Name: _____ Date: ____ / ____ / _____

Answer ALL questions in the spaces provided. Use full sentences for the longer 'apply' and 'assess/recommend' questions. Show working where appropriate. The SuperShop case details given in several prompts are fictional and provided for use in applied questions.

1 Identify one example of supplier power that could affect prices at UK supermarkets.

(Total for Question 1 is 1 mark)

2 Identify one way intense price rivalry between supermarkets could affect SuperShop's long term strategy.

(Total for Question 2 is 1 mark)

3 Identify which Porter's Five Force is most directly concerned when customers can easily switch to online meal-kit subscriptions, and explain the choice in one line.

(Total for Question 3 is 1 mark)

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4 Explain one way SuperShop's investment in online ordering could reduce the bargaining power of buyers in its local market.

(Total for Question 4 is 3 marks)

5 Assess the competitive pressures facing SuperShop in the UK supermarket market, using Porter's Five Forces and the case details given about SuperShop (moderate market share, strong private-label lines, recent investment in online ordering). Recommend which generic strategy, cost leadership or differentiation, SuperShop should prioritise. Make a clear, supported judgement.

(Total for Question 5 is 16 marks)

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Mark scheme · 3.2 Porter's Five Forces and Competitive Strategy: 30-minute Pack

Question 1

identifies a valid example such as a major supplier increasing wholesale prices or restricting supply **B1**

Answer: A major food supplier increasing wholesale prices or restricting deliveries to supermarkets.

Question 2

identifies an effect such as shifting strategy towards cost leadership, margin reduction, or focus on efficiency **B1**

Answer: SuperShop may pursue a cost leadership strategy to protect margins by reducing costs and competing on price over the long term.

Question 3

identifies threat of substitutes and links it to meal-kits being an alternative to supermarket shopping **B1**

Answer: Threat of substitutes, since online meal-kit subscriptions offer a different solution that reduces demand for supermarket grocery shopping.

Question 4

identifies a way, e.g. online ordering increases convenience and loyalty **B1**

develops the point, e.g. customers may value delivery slots or loyalty points and be less willing to switch stores **B1**

links to outcome, e.g. this weakens buyer bargaining power because buyers have higher switching costs or prefer SuperShop services **B1**

Answer: Online ordering increases convenience and loyalty, for example through delivery slots and loyalty benefits, so customers face higher switching costs and are less likely to shop elsewhere, reducing their bargaining power.

Question 5

Level 1 Makes general, undeveloped statements about competitive pressures or strategy with little use of SuperShop facts and no clear judgement. **1-4**

Level 2 Identifies relevant forces and offers some application to SuperShop, with limited analysis and a tentative recommendation. **5-8**

Level 3 Analyses several of Porter's forces applied to SuperShop using the case details, discusses implications for competition and gives a reasoned recommendation. **9-12**

Level 4 Provides a sustained, balanced analysis of all five forces applied to SuperShop, considers strategic options and trade offs, and reaches a well supported, justified recommendation linking evidence to implications. **13-16**

Indicative content:

- Competitive rivalry: existing supermarkets compete on price, range and convenience; SuperShop faces strong rivalry because of many national and local competitors, so margins may be under pressure.
- Buyer power: customers can easily switch between supermarkets and online options; SuperShop's online ordering and loyalty schemes can reduce buyer power by increasing switching costs.
- Supplier power: SuperShop's strong private-label ranges reduce dependence on large branded suppliers and weaken supplier power; however, some suppliers may still be concentrated and able to push up wholesale prices.
- Threat of new entrants: barriers such as capital costs, distribution networks and brand loyalty reduce the threat, helping SuperShop maintain market position despite only moderate market share.
- Threat of substitutes: online meal-kits and food delivery apps are realistic substitutes that digital adoption strengthens; SuperShop's investment in online ordering helps it counter this threat.
- Implications for strategy: cost leadership is appropriate where price rivalry is intense and margins need protecting, and SuperShop's private-label strength and scale economies support cost-based approaches; differentiation is appropriate where added services, convenience and unique products reduce price sensitivity and create loyalty, and SuperShop's online capability offers routes to differentiate.
- Recommendation and judgement: a combined strategic emphasis may be best, but a clear priority should be stated and justified, for example prioritise differentiation through superior online convenience, targeted private-label premium ranges and loyalty benefits if SuperShop believes customers value service and convenience, or prioritise cost leadership and further private-label expansion if immediate margin protection is essential given local price competition.
- Consider trade offs: differentiation may require investment and risk of low uptake; cost leadership may erode perceived quality and make SuperShop vulnerable to suppliers if price competition intensifies.

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