2.9 Extension Strategies and the Product Portfolio: 30-minute Pack

AQA 8132 · Calculators not allowed · about 30 minutes

Total Marks

Name: _____ Date: ____ / ____ / _____

Answer ALL questions in the spaces provided. Use the Oak & Ember Foods scenario in questions that name it. Show brief reasoning where asked.

1 Oak & Ember Foods' Summer Chutney sales fell by 8% last year. Which one of the following best describes a pricing extension strategy the firm might use?

- ☐ A) Increasing wholesale prices to reduce demand
- ☐ B) Reducing the retail price temporarily to stimulate purchases
- ☐ C) Charging a subscription fee for employees
- ☐ D) Increasing fixed costs to fund adverts

(Total for Question 1 is 1 mark)

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2 Which one of the following best describes a portfolio advantage for Oak & Ember Foods when one product's sales fall?

- ☐ A) The business must close immediately
- ☐ B) Other products can provide revenue to cover shortfalls
- ☐ C) All products will also decline at the same rate
- ☐ D) The business cannot invest in promotion

(Total for Question 2 is 1 mark)

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3 Identify two ways Oak & Ember Foods could improve Summer Chutney itself, rather than its packaging or price, as an extension strategy.

(Total for Question 3 is 2 marks)

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4 In the Oak & Ember Foods scenario, identify two extension strategies that involve changing how the product is presented to customers.

(Total for Question 4 is 2 marks)

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5 Explain one reason Oak & Ember Foods might change packaging design to make Summer Chutney suitable as a gift item, and how that could increase sales.

(Total for Question 5 is 3 marks)

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6 Oak & Ember Foods must choose ONE extension strategy to focus its limited marketing budget on for Summer Chutney: launching a new spicier variant, or running a fresh advertising campaign reminding customers about the existing product. Recommend which extension strategy Oak & Ember Foods should choose, justifying your answer using the case and weighing both options.

(Total for Question 6 is 9 marks)

7 Analyse why holding a portfolio of products at different life-cycle stages benefits Oak & Ember Foods, which currently has Summer Chutney in maturity and a new spicy jam in growth.

(Total for Question 7 is 6 marks)

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Mark scheme · 2.9 Extension Strategies and the Product Portfolio: 30-minute Pack

Question 1

B cao **B1**

Answer: B

Question 2

B cao **B1**

Answer: B

Question 3

adding a new flavour variant, e.g. a spicier version of Summer Chutney **B1**

improving the recipe or ingredients, e.g. using higher-quality or more natural ingredients **B1**

Answer: Any two, for example: adding a new flavour variant, such as a spicier version; improving the recipe or using higher-quality ingredients.

Question 4

repackaging the product **B1**

rebranding the product **B1**

Answer: Repackaging; rebranding.

Question 5

identifies the change, e.g. special gift packaging **B1**

explains how that can create new purchase occasions and appeal to different buyers **B1**

links new purchase occasions to increased sales and extended product life **B1**

Answer: Using special gift packaging creates new purchase occasions, appealing to shoppers buying presents rather than food staples. This attracts different buyers and increases sales occasions, which can raise overall sales and help extend the chutney's commercial life.

Question 6

Level 1 Makes simple or one-sided points about one option, with limited application to Oak & Ember Foods. **1-3**

Level 2 Gives a developed argument for one option, uses some of the case, and considers at least one alternative, but the evaluation is not fully balanced or the recommendation is not strongly justified. **4-6**

Level 3 Weighs the likely benefits and drawbacks of both options in the Oak & Ember Foods context, uses specific evidence from the case, and reaches a clear, justified recommendation. **7-9**

Indicative content:

- New variant: could attract new customers and give existing customers a reason to buy again, potentially opening a new segment such as spice lovers; however it needs development time and new production costs, and carries the risk of low take-up if the flavour does not appeal.
- Advertising campaign: relatively quick to launch and can directly remind lapsed customers that Summer Chutney still exists, which may help recover some of the 8% sales fall mentioned in the case; however it does not change the product itself, so if customers have simply moved to a rival product, advertising alone may not be enough.
- Portfolio context: Oak & Ember Foods already has a new spicy jam in growth, so resources may be limited; committing heavily to product development for the chutney at the same time could stretch the business, whereas an advertising campaign is likely to be cheaper and faster to organise.
- Comparative judgement: a new variant offers a potentially bigger, longer-lasting boost to sales if it succeeds, but at higher cost and risk; advertising is lower-risk and quicker to run, but its effect may be smaller and more short-lived.
- Justified recommendation: given the spicy jam is already using development resources, a reasoned answer could recommend the advertising campaign first as the lower-cost, lower-risk option to test whether awareness alone can revive sales, keeping the new-variant idea in reserve; or argue for the new variant if the business can afford it and believes changing tastes are the underlying cause of the sales fall.

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Question 7

Level 1 Provides simple, limited analysis of benefits, with little use of the named products and weak linkage to business outcomes. **1-3**

Level 2 Provides developed analysis that uses the example of Summer Chutney and the spicy jam to explain how products at different stages support revenue, cash flow and risk management. **4-6**

Indicative content:

- A product in maturity like Summer Chutney may provide steady sales and cash that can fund promotion or R&D for new products, such as the growing spicy jam.
- A product in growth, like the spicy jam, can expand market share and future profits, offsetting declines in mature lines.
- Portfolio balance spreads risk, because if Summer Chutney enters decline the growing jam still brings revenue, reducing the impact on total business cash flow.
- Different products allow targeting of different customer segments and retailers, helping Oak & Ember Foods maintain overall market presence.
- Judgement might consider how much reliance on Summer Chutney is acceptable and the need to invest part of mature-line cash into supporting growth-stage products.

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