BUS.MK9 Extension Strategies and the Product Portfolio

AQA 8132 · Calculators not allowed · about 40 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, a fictional UK food brand, sells Summer Chutney which is now in the maturity stage. Which one of the following is an example of an extension strategy?

- ☐ A) Increasing the size of the management team
- ☐ B) Repackaging the chutney in smaller jars
- ☐ C) Switching the business to a different industry
- ☐ D) Selling the factory building

(Total for Question 1 is 1 mark)

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2 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 2 is 1 mark)

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

(Total for Question 3 is 2 marks)

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4 Oak & Ember Foods finds a new use for Summer Chutney as an ingredient in a ready-meal range. Identify two benefits this new use strategy could bring to the business.

(Total for Question 4 is 2 marks)

5 Explain how rebranding Summer Chutney, for example giving it a modern label and new story about local ingredients, could extend the product's life for Oak & Ember Foods.

(Total for Question 5 is 4 marks)

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6 Explain how repackaging Summer Chutney into smaller, lower-priced jars could extend its life for Oak & Ember Foods.

(Total for Question 6 is 4 marks)

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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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8 State one reason Oak & Ember Foods might reduce the price of Summer Chutney temporarily as an extension strategy.

(Total for Question 8 is 1 mark)

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9 State one possible risk to Oak & Ember Foods of using repeated price reductions for Summer Chutney as a long-term extension strategy.

(Total for Question 9 is 1 mark)

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10 Explain one way Oak & Ember Foods could find new markets for Summer Chutney, for example exporting to another EU country, and how this could extend the product life.

(Total for Question 10 is 3 marks)

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11 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 11 is 3 marks)

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12 Identify two non-price extension strategies Oak & Ember Foods could use for Summer Chutney other than rebranding or repackaging.

(Total for Question 12 is 2 marks)

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13 Identify two internal benefits Oak & Ember Foods gains from having a product portfolio containing items at different life-cycle stages, using Summer Chutney and the spicy jam example.

(Total for Question 13 is 2 marks)

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14 State two limitations of relying only on extension strategies to keep Summer Chutney selling, without developing new products.

(Total for Question 14 is 2 marks)

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15 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 15 is 1 mark)

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16 Explain how Oak & Ember Foods could use customer feedback on Summer Chutney to inform an extension strategy and give one possible outcome of doing so.

(Total for Question 16 is 4 marks)

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Mark scheme · BUS.MK9 Extension Strategies and the Product Portfolio

Question 1

- **B1** B cao
- **Answer: B**

Question 2

- **B1** B cao
- **Answer: B**

Question 3

- **B1** repackaging the product
- **B1** rebranding the product
- **Answer: Repackaging; rebranding.**

Question 4

- **B1** increased sales from new customers or new markets
- **B1** better use of existing production capacity or improved cash flow
- **Answer: Increased sales from new customers or markets; better use of existing production capacity improving sales or cash flow.**

Question 5

- **B1** identifies rebranding action, e.g. new label and story
- **B1** explains how this can attract new or younger customers
- **B1** explains it can differentiate the product from competitors
- **B1** links these effects to extended sales and a longer commercial life for the product
- **Answer: Rebranding by updating the label and emphasising local ingredients can attract new or younger customers and make the chutney look fresher compared with rivals, differentiating it on the shelf. These effects can increase or stabilise sales and so extend the product's commercial life.**

Question 6

- **B1** identifies repackaging into smaller jars as the action
- **B1** explains how a lower price per pack can attract price-sensitive customers
- **B1** explains how smaller packs can increase trial purchases and repeat sales
- **B1** links these effects to increased sales volume and a longer product life
- **Answer: Repackaging into smaller jars reduces the price customers pay per purchase, attracting price-sensitive shoppers and encouraging trial. Smaller packs are easier to buy as impulse or gift items, which can increase trial and repeat purchases and therefore boost sales volume, helping to extend the chutney's commercial life.**

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Question 7

- **Level 1** (1-3): Provides simple, limited analysis of benefits, with little use of the named products and weak linkage to business outcomes.
- **Level 2** (4-6): 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.
- **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.

Question 8

- **B1** to increase short-term demand and encourage trial purchases
- **Answer: To increase short-term demand and encourage trial purchases.**

Question 9

- **B1** it can damage the brand's perceived value or lead customers to expect low prices, reducing long-term profit margins
- **Answer: It can damage perceived value and train customers to expect low prices, reducing long-term profit margins.**

Question 10

- **B1** identifies the action, e.g. exporting to a new country
- **B1** explains how accessing new customers increases potential sales
- **B1** links increased sales to delaying decline and extending the product's commercial life
- **Answer: Exporting Summer Chutney to a new country opens the product to new customers and retail channels; this increases potential sales and demand, which can delay the decline in domestic sales and extend the product's overall commercial life.**

Question 11

- **B1** 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
- **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 12

- **B1** finding new uses or recipe ideas for the chutney
- **B1** finding new markets or export opportunities
- **Answer: New uses or recipe ideas; finding new markets or export opportunities.**

Question 13

- **B1** steady cash flow from mature products like Summer Chutney
- **B1** future profit potential from growth products like the spicy jam
- **Answer: Steady cash flow from mature products; future profit potential from growth products.**

Question 14

- **B1** extensions may only delay decline and not reverse market shifts
- **B1** constant changes can increase costs and may fatigue customers
- **Answer: Extension strategies may only delay decline rather than reverse long-term market changes; repeated changes can raise costs and fatigue customers.**

Question 15

- **B1** B cao
- **Answer: B**

Question 16

- **B1** identifies gathering customer feedback as the action
- **B1** explains how feedback can reveal desired flavours, pack sizes or uses
- **B1** explains how this information can guide specific changes, such as a new flavour or recipe suggestions on the pack
- **B1** links the change to an outcome, e.g. increased sales or stronger customer loyalty extending product life
- **Answer: Gathering customer feedback identifies what buyers like or dislike, such as preferred flavours, pack sizes or suggested uses. Using this information Oak & Ember Foods could launch a new variant or include recipe ideas on the pack, which can increase relevance, encourage repeat purchases and strengthen loyalty, thereby increasing sales and extending the product's commercial life.**

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