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# Business management

## Standard level

### Paper 1

28 April 2023

Zone A afternoon | Zone B morning | Zone C morning

1 hour 15 minutes

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#### Instructions to candidates

- Do not open this examination paper until instructed to do so.
- A clean copy of the **business management case study** is required for this examination paper.
- Read the case study carefully.
- A clean copy of the **business management formulae sheet** is required for this examination paper.
- Section A: answer two questions.
- Section B: answer question 4.
- A calculator is required for this examination paper.
- The maximum mark for this examination paper is **[40 marks]**.

## Section A

Answer **two** questions from this section.

1. (a) Outline **two** disadvantages for *SVT*'s employees of the new flexible-working contract (lines 60–62). [4]
- (b) Explain the factors that *SVT* should consider when deciding on a pricing strategy for the WF15 water purifier (lines 126–131). [6]
2. (a) Outline **one** advantage **and one** disadvantage for *SVT* of Ariadne's leadership style (lines 21–26). [4]
- (b) Explain different distribution channels that *SVT* could use for the WF15 water purifier (lines 132–133). [6]
3. (a) Outline **two** non-financial rewards that *SVT* could have used for the long-serving employees that wanted to leave the company because of the implementation of the flexible-working contract (lines 56–64). [4]
- (b) With reference to STEEPLE factors, explain changes in the external environment that may have affected *SVT* (lines 20–21). [6]

## Section B

Answer the following question.

4. In 2022, the global home water filter market was \$14 billion.

SVT's product penetration in Europe and the United States of America (USA) is high and growing but low in the rest of the world. In 2022:

- SVT's total sales revenue from home water filters was \$4.9 billion
- the average revenue earned per water filter was \$20
- 90 % of SVT's home water filter sales were to Europe and the USA.

In 2022, SVT announced the closure of its European and USA water filter manufacturing factories. Water filter profit margins had fallen for three years, partly because of increasing costs of energy, rent and labour. SVT has since built a huge new factory in Asia to manufacture home water filters.

SVT's market research, using quota sampling, found that 80 % of households that purchased an SVT water filter:

- had an above-average income
- owned two or more cars.

In January 2023, SVT:

- launched an advertising campaign in Europe and the USA highlighting the lack of potable water for millions of people in less economically developed countries (LEDCs)
- announced a 5 % worldwide increase in the price of its home water filters.

SVT committed to use the revenue from the 5 % price increase to provide two million free WF15 water purifiers annually to charities in LEDCs. It costs SVT \$10 to make a water purifier.

Some disagreement occurred among the board of directors regarding this price increase. Some directors felt it would highlight SVT's vision and commitment to helping people in LEDCs, but others believed sales might fall, impacting profits in SVT's Consumer Products Division.

- (a) Define the term *quota sampling*. [2]
- (b) (i) Calculate SVT's home water filter market share in 2022 (*show all your working*). [2]
- (ii) Calculate the number of home water filters SVT sold in 2022 to the rest of the world (excluding Europe and the USA) (*show all your working*). [2]
- (c) Explain **two** factors that SVT would have needed to consider when deciding where to open the new factory in Asia. [4]
- (d) Discuss whether SVT should have increased the price of its home water filters. [10]
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