

## Section A

1. Define the term diversification. [2]

- **Diversification** is a growth strategy where a business expands into new products or markets. *(1 mark)*
- It can be **related (expanding within the same industry)** or **unrelated (entering a completely different industry)**. *(1 mark)*
- Accept any other accurate definition.

Maximum: [2]

2. Define the term brand loyalty. [2]

- **Brand loyalty** refers to **customers' consistent preference for a particular brand** over competitors. *(1 mark)*
- It leads to **repeat purchases and customer retention**, even when alternatives exist. *(1 mark)*

Maximum: [2]

3. Describe **two** financial benefits of selling Honest Water (HW) for Myt PLC. [4]

Possible benefits include:

- **Immediate cash injection** – Selling HW would provide **liquidity** to fund Myt's other operations or pay off debts. *(1 mark)*
- **Reduced operational costs** – Myt would no longer have to invest in **biodegradable packaging, sustainability initiatives, or compliance costs** related to HW. *(1 mark)*
- **Focus on core business** – Myt could focus on its **non-alcoholic beverage segment** without the distraction of managing a bottled water division. *(1 mark)*
- **Avoid regulatory risks** – Governments are increasing restrictions on **single-use plastics**, making HW a liability. *(1 mark)*

Mark as [2] + [2].

Award [1] for each appropriate financial benefit and [1] for explaining how it applies to Myt PLC.

Maximum: [4]

4. Explain **one** advantage and **one** disadvantage for Myt PLC of using AI-generated avatars in its marketing campaigns. [4]

**Advantages:**

- **Cost efficiency** – AI avatars **eliminate the need for influencer contracts**, reducing long-term marketing expenses. *(1 mark)*
- **Brand consistency** – AI-generated influencers can maintain a **consistent image and messaging** across global markets. *(1 mark)*

**Disadvantages:**

- **Lack of authenticity** – Consumers may **prefer real human influencers**, leading to a **loss of engagement and trust** (as seen in Myt's 15% drop in social media engagement). *(1 mark)*
- **Risk of backlash** – The use of AI influencers may be perceived as **dehumanizing** or lacking in emotional connection. *(1 mark)*

Mark as [2] + [2].

Award [1] for identifying an appropriate advantage/disadvantage and [1] for explaining its impact on Myt PLC.

Maximum: [4]

5. Explain **one** reason why Myt PLC is investing in biodegradable packaging for its bottled water division. [2]

Possible reasons include:

- **Environmental regulations** – Governments and retailers are pushing for **sustainable packaging solutions**, and Myt is adapting to avoid legal risks. (1 mark)
- **Corporate Social Responsibility (CSR)** – Myt wants to improve its **brand image by aligning with sustainability goals**. (1 mark)
- **Market demand** – Consumers are **increasingly eco-conscious**, and sustainable packaging **enhances brand reputation and sales potential**. (1 mark)

Award [1] for identifying a valid reason and [1] for explaining its relevance to Myt PLC.

Maximum: [2]

6. Analyse **one** way in which Myt PLC is responding to consumer health concerns and **two** ways in which it is not. [6]

Ways in which Myt PLC is responding:

- **Product reformulation (MytLite)** – Myt has **reduced sugar and caffeine** in its main product lines to align with **health-conscious consumer trends**. (2 marks)

Ways in which Myt PLC is not responding:

- **Limited success of reformulation** – The reformulated drinks received a **mixed response**, with some customers rejecting the taste. *(2 marks)*
- **New product challenges** – Despite Myt's launch of **functional beverages**, it faces **fierce competition from health-focused brands**, making it difficult to reposition successfully. *(2 marks)*

Award **[2]** for explaining one way Myt is responding and **[2]** each for two ways it is not.

Maximum: **[6]**

## Section B

Answer **one** question from this section.

7. Discuss whether Myt PLC should continue investing in functional beverages despite competition from established health-focused brands. [10]

### Arguments for investing in functional beverages

- **Growing health-conscious market:** Consumer demand for **low-sugar and functional drinks** is increasing, especially among younger demographics. If Myt successfully positions itself as a **health-focused brand**, it could secure long-term market share.
- **Brand repositioning:** Investing in functional beverages aligns with Myt's broader strategy of **reducing sugar and caffeine levels**. Moving towards a **diversified product portfolio** can help reduce dependence on declining soda sales.
- **Synergies with Honest Water (HW) and Lotssa Coffee (LC):** Myt could distribute functional beverages **through Lotssa Coffee outlets** and its **existing supply chains** to increase sales.

## Arguments against investing in functional beverages

- **Intense market competition:** Established brands, such as Coca-Cola's Smartwater and Nestlé's functional beverage line, already dominate the market. **Myt may struggle to differentiate itself.**
- **High development and marketing costs:** Creating new beverages requires **substantial R&D investment, marketing efforts, and consumer education.** Myt has already **experienced financial losses from reformulating sodas,** raising concerns about further risks.
- **Investor pressure to focus on core brands:** With Myt's stock price falling by **14%,** shareholders are urging management to **prioritize profitability.** Investing in functional beverages could delay financial recovery.

## Conclusion

- The decision depends on **Myt's long-term strategic objectives:** If the company prioritizes **health-conscious branding,** continuing investment may be beneficial. However, if financial stability is the priority, **reinvesting in core products** may be a safer strategy.
- A **balanced approach** could involve **testing functional beverages in select markets** before committing fully.

Marks should be allocated according to the mark bands below:

*Award [0 marks]* - No credible response

*Award [1-2 marks]* - A limited response that shows some knowledge but lacks coherence and development.

*Award [3-4 marks]* - Some implications are explained with limited development and use of examples/theory.

*Award [5-6 marks]* - At least two strategic implications are reasonably analyzed with some use of examples and business management tools/concepts.

*Award [7-8 marks]* - A well-developed analysis of at least two strategic implications using relevant business tools/concepts. Good examples provided.

*Award [9-10 marks]* - A coherent, balanced, and insightful discussion analyzing multiple strategic implications in detail. Excellent application of business management tools/concepts. Addresses different viewpoints

(Including positives and negatives).

*\*To reach the highest markband of a [9-10], students' response must contain mention to the limitation of the stimulus material. Else, limit maximum mark to [8].*

*Accept any other relevant response, explained in the context of Myt PLC.*

8. Discuss whether Myt PLC should prioritize profitability over sustainability in response to investor pressure. [10]

### Arguments for prioritizing profitability

- **Restoring investor confidence:** Myt's stock price has **declined by 14%**, and activist investors are calling for cost-cutting measures. Prioritizing short-term profitability could **improve financial performance and stock valuation**.
- **High costs of sustainability initiatives:** The transition to **biodegradable packaging** has already cost **\$40 million**. If Myt delays further sustainability investments, it could allocate resources **to revenue-generating projects instead**.
- **Competitive advantage through pricing:** Competitors that do not invest heavily in sustainability may be able to **offer lower prices**, making Myt's products less competitive if production costs remain high.

### Arguments for prioritizing sustainability

- **Consumer expectations and brand reputation:** Sustainability is becoming a key purchasing factor, particularly among younger consumers. If Myt cuts sustainability initiatives, it **risks losing customer loyalty and damaging its brand image**.
- **Regulatory compliance:** Governments are implementing **stricter regulations on plastic waste and carbon emissions**. Reducing sustainability efforts could lead to **legal penalties or bans on certain products** in key markets.
- **Long-term financial benefits:** Sustainable practices, such as **modernized green factories**, could lead to **lower operating costs in the future**, improving efficiency and profitability in the long run.

## Conclusion

- In the short term, **a partial focus on profitability** may help stabilize Myt's finances. However, completely **abandoning sustainability efforts** could result in **brand damage, legal risks, and long-term financial losses**.
- A **compromise strategy** could involve **phasing sustainability initiatives over time** while maintaining investor confidence.

Marks should be allocated according to the mark bands below:

*Award [0 marks]* - No credible response

*Award [1-2 marks]* - A limited response that shows some knowledge but lacks coherence and development.

*Award [3-4 marks]* - Some implications are explained with limited development and use of examples/theory.

*Award [5-6 marks]* - At least two strategic implications are reasonably analyzed with some use of examples and business management tools/concepts.

*Award [7-8 marks]* - A well-developed analysis of at least two strategic implications using relevant business tools/concepts. Good examples provided.

*Award [9-10 marks]* - A coherent, balanced, and insightful discussion analyzing multiple strategic implications in detail. Excellent application of business management tools/concepts. Addresses different viewpoints (Including positives and negatives).

*\*To reach the highest markband of a [9-10], students' response must contain mention to the limitation of the stimulus material. Else, limit maximum mark to [8].*

*Accept any other relevant response, explained in the context of Myt PLC.*