

Script Marks

Centre Number : 64395

Date Generated : 14/07/2023 00:46

Component : A510U30-1-BUSINESS COMPONENT 3

Series : 23E

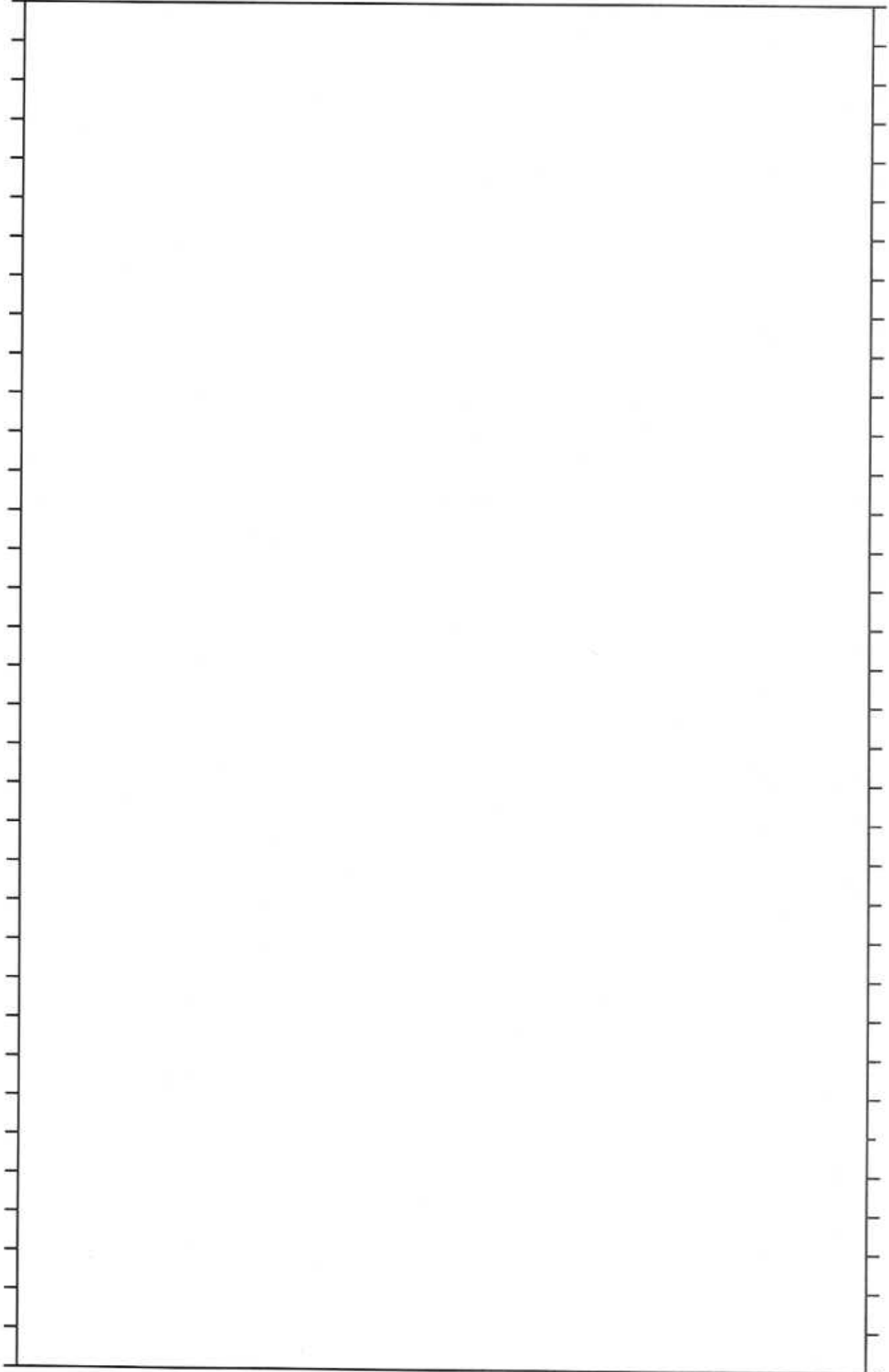
Candidate Name	Candidate Number	Total Marks
DANIEL JANOUSEK MACHEN	26212	59

Item	Mark	Comment
11	6	
12	9	
13	8	
14	6	
15	7	
21	0	
22	0	
31	7	
32	16	
41	0	
42	0	
Total	59	

Write the two digit question number *inside* the boxes next to the first line of your answer

Answer

Leave blank



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Answer

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blank

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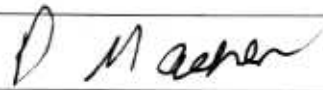
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section A

1

international expansion is when a business attempts to sell its products in a different country from its own. Ikea could face a number of challenges when expanding into international markets. For example, establishing a customer base for their new stores may be complicated an extensive market research will need to be carried out on the cultural differences between each country and possible adaptations that the business may have to make in order to integrate successfully with their culture. For example, a cultural difference Ikea would need to consider when they expanded to India would be that they would be unable to serve their meatballs due to the number of Hindu customers the business would attract, which are considered an important part of their branding so a good replacement would need to be found in order to overcome this which may involve intensive market research but this level of glocalisation would allow the business to fit in and attract more customers.

Ikea may also face the difficulty of the need of fluctuating exchange rates as despite a number of their stores being located within the eurozone, the company still has a wide range of stores in a number of different locations where the Euro is not used such as australia and the US. This will be complicated as when exporting goods from the manufacturers to the store locations, prices are likely to change at a fast rate meaning that

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budgets can be hard to establish and the pricing of goods becomes more complicated as the tariffs and quotas the business may have to pay will fluctuate depending on the exchange rates meaning they are likely to eat into profit margins and be unpredictable.

AO1 2

2

technology has played an important role in Ikeas marketing strategy as it has made many changes to the product itself. For example, Ikea's Smart Home range with features such as wireless chargers built into furniture has only been developed recently as it was released in 2019. As well as this, their furniture is able to be flat packed making it easier for the customers to purchase and take home with them in their cars as well as reducing delivery costs for the company. This has had a massive positive impact and has allowed Ikea to offer a more advanced product range to their profiles and benefitted customers as they have an easier delivery process and cheaper costs. However, the customers will still have to build their furniture meaning an element of quality customer service as reduced however those with the budget to buy pre-made furniture are likely not shopping at Ikea.

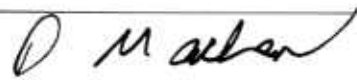
Technology has played a massive role in the placement of Ikeas products. For example, the new online stores and an app that will enable customers to buy online and have the

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furniture delivered to their doors. This benefits both customers and ikea as cutomers have the convenience of the products being delviered to their door and Ikea are able to gain a wider range of customers including customers that may not live near any of their stores meaning that they expand their customer base as well as well as saving costs by not having to print a catalogue in so many different languages in large quantities. However, the use of e and m commerce may be harmful as it pay prevent customers from actually buying in store due to the transportation hassle and just think they'll buy it online instead or have not decided on an item and can remember that they can always buy it online and end up not purchasing in store and then forgetting about the item and not purchasing it at all. However this is only likely to happen in a few cases and doesn't outweigh the benefit of conveniece to all the current and new customers.

Technology will likely have had an influence on the price of the items available as their furniture is flatpacked and mass produced due to developments in automation and innovation and development in flatpack furniture has massively allowed the company to reduce on delivery costs and benefit from economies of scale. This will mean either their profit margins have increased massively or the reduced costs has allowed them to provide their customers with cheaper furniture, increasing demand. The second is the most likely as ikea are considered a relatively budget furniture company but this has allowed for a large surge in demand of their products due to the price elasticity around their furniture.

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However, this may have lead to redundancies in manufacturing due to this automation

AO1 2

however, there workers may have been retrained to run machinery instead of being made redundant due to Ikea's ethical policies.

AO2 2

Overall, technology has had a massive impact on the marketing strategy of ikea as it has played an important role in the type of products they offer, the wider availability of their products and the fact they can offer such low prices to their customers.

AO3 2

AO4 3

3

Ikea's store location is important in terms of the costs associated with the business as the stores are often located outside town centres due to the reduced running costs and the costs of buying the land within that area as its almost always cheaper to build in a rural area compared to a city centre especially with the amount of land required for an ikea store. However this may drive customers away as they will have to make an active effort to come out to the store as they often aren't located close to any built up areas meaning less customers are likely to come to their stores meaning less sales are likely to be made and the business will have less success. However the cost savings of building in a rural area likely outweigh this.

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Ikeas store location is currently less important than it used to be due to their wide range of availability online meaning that customers may only need to come into the store to try a variety of products such as mattresses whereas teh furnture can be seen and bought online. This can allow customer loyalty to be maintained whilst still having stores only in rural areas. However the diamentions of furniture mean customers will feel they have to try before they buy so Ikea could instead introduce an AR feature on their app so a customer can picture what it would be like to have a certain product within their home. this would allow ikeas products to be more accessible without going in store meaning the business can make more sales and be more successful

ikeas store location is less important due to the contrvercy behind building their new stores. For example, when building new stores in China, one of their car parks destroyed a number of tombs. This makes the business seem unethical and locals may be agianst the idea of having such a big store built next to their houses meaning that this may reduce the popularity and ethical view that a lot of people have on Ikea. However, this was likely a very rare occurance and probably a mistake as well as the fact that Ikea stores aren't usually built next to residential areas so the locals aren't likely to have a problem with this or even if they do the number of locals is consideably small

In conclusion, the location of Ikea stores are important as they still need to be located in a place that is somewhat accessible to customers but not essential considering the wide range

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AO1 1

of accessibility of these products in the modern day with the use of M and E commerce and potential for making location even less important through the use of AR.

AO2 2

AO3 2

AO4 3

14 : 6

4

franchisors will benefit from franchising as it will allow for a business to expand quickly as the capital for this expansion and the location is being provided by a franchisee meaning less costs of expansion overall making it easier for them to develop into international markets like Ikea has done in recent times. However franchisors won't get the benefit of all the sales revenue from the franchisees as they take a majority cut in sales meaning that the £36 billion in sales is likely to be considerably less than that in profit for the Ikea themselves depending on the number and cut that the franchisees take from their deals.

Franchisees will also have to rely on the franchisee to carry out the correct company policies and will have less control over the stores in which the franchisees operate in terms of how the managers and employees behave. This means that if a franchisee owner becomes less interested in their job this can cause a knock on effect for teh franchisor. However, this is unlikely due to the fact that this job is likely the livelyhood of the franchisee is they will almost definately be committed to their work.

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Franchisees will benefit from franchising as they are able to gain access to the products and already established market of an established business meaning that there is likely to be a level of demand regardless of where the business sets up due to the recognition of the brand. For example, McDonalds has a franchising scheme and as they're one of the worlds most well kown brands, a franchisee is able to setup pretty much anywhere and still receive a number of customers. However, Franchisees are unlikely to benefit in terms of the restrictions placed on them as they will have to sell, market, an setout their store exactly how the business wants it to portray its brand image meaning that despite investing in your own business location, this is still controlled by the franchisee.

Franchisees do take a large cut of the profits meaning that they will get to keep profits with an immediate source of demand meaning that overall this is a massive benefit for the franchisee as owning the location for the store is half the job done. However the Franchisee will have to manage effectively, something they may not be experienced in, in order to achive maximum sales.

In conclusion, Franchisors and Franchisees have both have benefits and drawbacks including some that often conflict with each other such as cuts in profits meaning that overall there will always be drawbacks for both parties involved and most definately not only benefits.

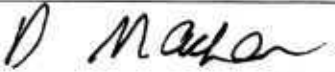
AO1 2

However the franchisor will get major benefits in the form of quick growth and the

AO3 2

franchisee with immediate demand of an established business.

AO4 2

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Ikea's environmental practices may impact on shareholders of the business as through the use of their Buy back scheme, they are paying customers to return their older items to them and although this does have an great ethical impact as it then allows the customer to get money off a new item, the customer may use this money to buy furniture elsewhere meaning that profits suffer as ikea give the money to the customer and don't make any back. However, this does allow the raw materials from the furniture to be reused meaning that money will save money that way. As well as this, the customer already has brand loyalty to Ikea having previously bought their items before and with this money offering, the customer will is more likely to purchas something else from Ikea leading to further sales. This will mean more long term dividends for shareholders due to greater level of sales and reduced costs in manufacturing

Customers will also be more encouraged to buy from Ikea if they're ethical and more environmentally as it improves their brand image and makes customers feel good about shopping there.

Ikea's ethical practices may impact on suppliers will be postive as Ikea has pledged to ensure that workers are not exploited in the production of raw materials in developing countries.

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This will allow workers to get a fair deal on their products meaning they're able to make greater revenues and profits. As well as this, Ikea also stated that they will activate an action plan to correct any supplier issues. This means that Ikea seem more likely to work with suppliers in correcting their issues rather than against them meaning their jobs are more secure as suppliers to such a major business as Ikea.

employees will benefit from ethical practices as Ikea have said they will help employees improve and develop skills and tackle unemployment meaning they will feel secure in their job, have the ability to improve and therefore be more motivated overall to work. Working for an environmentally friendly company is also a great motivator as workers feel like they're working towards the right cause in an ethical environment.

In conclusion most stakeholders will benefit from Ikea's ethical and environmental policies

AO1 2

as employees will feel secure and motivated, suppliers will get fair deals however

shareholders profit's may be impacted overall by this but these practices do have some cost

AO2 1

savings such as reduced manufacturing costs and reduced government taxes.

AO3 2

AO4 2

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section b

3 1

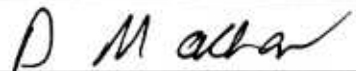
less customers

less shareholders

poor PR and product failure will likely have a large impact on a smart phone business as a smart phone needs to be reliable as it is an everyday use for a customer. Bad PR will also have an impact as brand reputation is seen as important to customers especially when buying expensive items such as a phone.

poor PR and product failure will likely drive customers away from the business as they they will see the companies phones as poor quality and considering smartphones are usually expensive and will cost a customer a considerable amount disposable income, they will likely want something that is reliable and may be prepared to spend more money on a different brand to this one on a phone that is more reliable. As well as this poor PR will mean customers may assume that their phone won't be repaired or replaced if something goes wrong with it causing meaning this will deter even more customers and lead to a reduced number of sales and therefore less profit.

Shareholders are much less likely to invest in a company that has bad PR as if they believe this bad PR will mean less customers for the brand which it likely will especially considering

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the poor quality of their items, this will mean less dividends for them so they won't invest in a company such as this. As well if they're looking to invest in a smart phone company, Apple is likely going to be the best choice as they're the biggest company in the world with some of the most prestigious branding. This will mean the business will have less available capital for expansion or to improve the quality of their phones. However, apple have had a number of product recalls such as the bending iphone 6 and have still made it to where they are today.

Prospective employees may not want to work at a company that has got bad PR as they feel they will be treated unfairly so they may go to competitors such as samsung meaning they are more likely to get the employees with more skills and will meaning this business may have a shortage of worker wanting to work for their company and their competitors will have an advantage over them with more workers with better qualifications coming to work for them instead.

Legal action may be taken against the business due to the failed products that may have been dangerous such as overheating. For example samsung phones would overheat and there were even reports of some setting on fire. If the business doesn't have an effective contingency plan to recall and repay all customers quickly, this may lead to legal trouble meaning costs are increased due to legal fees and pr is made worse.

AO1 2

AO2 3

AO3 2

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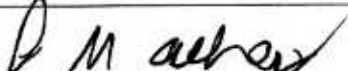
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3 2

glocalisation

market development

diversification

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expanding though brand recognition

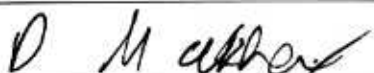
A business could achieve global growth through the use of market development as this involves selling the same products that the business already sells into a new market, in this case the international market, meaning the business is already aware and knowledgeable of the products it sells meaning there is less risk involved when compared to diversification however the company needs to make sure that there's a demand for these products on an international stage meaning extensive market research will need to be carried out about the nature of the foreign markets they're looking to expand into. A lack of demand for their product would suggest that the business would need to make adaptations to the product in order for it to succeed and this would reduce economies of scale as production of a different modified product would need to be made. Businesses will also need to take into consideration the legislation of the other country to check if their product is able to be sold in that market and whether anything else is needed to sell within the country. For example, the food nutrition display laws are different within the EU compared to the UK so UK businesses need to adapt their product labelling to sell within the EU meaning that adaptations have to be made again costing time and money which means it may be easier for a business to produce an item made for the specific market.

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Diversification allows for this as this involves selling a new product in a new market meaning that a business can make a product fully to the specification of a particular market instead of having to adapt an existing one to comply with the laws of that country and to adapt to customer needs within a country. However, there is a high level of risk involved in this as the business doesn't know the product or the market meaning and they're going to be competing against established competitors that already know about both the product and the market that the business is attempting to operate within. However this risk can be reduced by using a different method of diversification involving mergers and takeovers. This is where the business will acquire or combine with another business that may be operating in a similar or different marketplace. This will allow the business to gain the knowledge and expertise of a specific market or product to reduce the risks of this expansion along with the brand already being established in a different market meaning that there is an existing customer base and therefore more sales meaning the business is expanding and on its way to global growth. However, there are drawbacks to this as culture clashes in the workforce when performing a takeover especially when operating in different markets can lead to conflict between workers and less efficiency. For example if a business with a democratic manager were to be taken over by a business with an autocratic manager, these workers may feel demotivated due to the lack of contribution they make to decision making and the new amount of supervision they may be under meaning an overall reduced level of efficiency. Overall however this is a great strategy for achieving global growth as it allows for

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less risk due to an company that's experienced within the market, with existing demand despite the internal conflict it may cause.

Glocalisation is another way a business can grow globally meaning they make local adaptations to parts of the business in each country to match the wants and the needs of a particular market. For example, McDonalds offer the McCurrywurst in german McDonalds which has seen major success as well as their core menu that is used almost worldwide. This has shown massive benefits as it takes into account local culture meaning more customers are likely to buy from their stores in a particular area and has allowed for the business to become popular very quickly in most countries around the world. However, there is a cost increase involving this as these glocalised products require a lot of research to find the needs of each country as well as the lack of economies of scale for producing these products due to the lack of units produces as they're not being produced globally. However, the large success of these items, particularly in the case of McDonald's, would most likely outweigh the costs of research and unit costs in the long term even if they are sold as a loss leader. Overall this glocalisation has allowed for the business to succeed more easily in new markets by adapting to their needs whilst benefitting from economies of scale in their core range of products meaning its easier to expand and can help acheive global growth more easily.

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Expanding through brand recognition is another way of achieving international growth where business do little advertising and often just appear in new countries due to the high level of brand recognition that a business has around the world. This is incredibly good for cost savings as there are only new location costs to be paid and has been used by companies such as starbucks when expanding internationally. However, this is incredibly risky as it relies only on brand reputation alone to expand and will only work for the major companies with extremely strong brands. For example, when starbucks expanded to australia, this ended up failing due to starbucks being naive about its brand strength and they're a world known brand. Overall this is likely too risky for most businesses when trying to achieve global growth and would only work for the most valuable brands such as Amazon or McDonalds.

In conclusion. A variety of methods could be used to expand providing an extensive level of market reserach is carried out to back them up to idenify the needs and wants of the foreign makrets such as glocalisation and market development. However they all have varying levels of risk such as expanding through brand recognition alone and less risk in mergers and takeovers. A combination of these methods could be used to achieve global growth but the ones providing the least risk and the most adaptation to local customer needs I would consider the best being mergers and takeovers, and glocalisation.

AO1 4 AO4 6 AO4 6

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