



## Worksheet 8: Marking analysis

Read the following data and then underline the analysis in each response. Award marks for each response using the mark scheme below:

| Knowledge and understanding<br>(max 1 mark) | Application<br>(max 1 mark)          | Analysis<br>(max 2 marks)                                  |
|---|--------------------------------------|--|
|   |                                      | A developed chain of analysis in context<br><b>2 marks</b> |
| Knowledge of the key term<br><b>1 mark</b>  | Applied to the data<br><b>1 mark</b> | Limited analysis<br><b>1 mark</b>                          |

### Too Tasty (TT)

TT is a brand of vegetable chips (crisps) owned by a large public limited company. The vegetables are thinly sliced, cooked, flavoured and then packaged in the TT factory. The factory uses flow production with a different variety of vegetable chips made each day. The factory runs for 24 hours a day, 5 days a week. TT's varieties and some market data is shown in Table 2.1

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**Table 2.1: Varieties and market data of TT's vegetable chips**

| Variety  | Annual sales<br>(million units) | Estimated price<br>elasticity of demand |
|----------|---------------------------------|---|
| Beetroot | 2                               | -0.9                                    |
| Parsnip  | 3                               | -0.8                                    |
| Potato   | 6                               | -1.1                                    |
| Carrot   | 3                               | -1.5                                    |

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All the varieties are sold at a price of \$1 per unit. TT branded products have a high profit margin.

The owners of the TT brand would like to develop a new variety to expand the product portfolio. This new variety would be targeted at parents as a lunchtime snack for their children. The Marketing Director has been told to do some market research into potential new varieties of chips.

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A large supermarket group would like to start a joint venture with TT. The supermarket wants to buy TT's vegetable chips, but branded with the supermarket packaging. If the directors of TT agree, this is expected to increase TT's annual sales by 25% and improve the cash flow of the business. However, the joint venture would mean TT's profit margin for supermarket branded chips would be lower than TT's branded chips. The manager at the factory where TT's vegetable chips are produced also has other concerns about the joint venture.

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- 1 Analyse, by underlining, one method of primary market research that the Marketing Director could use to help develop a new variety of vegetable chip. [4 marks]

**Response 1:** TT could use a questionnaire to research the market. This means that they would ask random people some questions about the flavours that they would most like. Questionnaires would be good because they can get all the data they want, and it is specific to the vegetable chips.

**Response 2:** TT could use random sampling. The big advantage of this is that there will not be any bias. This is an advantage because if there was bias then they might get the wrong data. If that happened, then the business could spend lots of money making a new variety and this could lead to increased business costs. If the product does not sell, then TT will have a lower profit margin and less overall profit or even a loss for TT.

**Response 3:** TT could use a focus group by getting a group of people together and give them the new product. The interviewer can then ask the group questions that they want an answer to, such as 'do you like this?' This information can be used by the managers of TT to make sure that a normal group of people like the product and try to estimate the demand. By estimating the demand TT can forecast how many to make and set their prices so that they can increase sales revenue and make more profit.

- 2 Analyse, by underlining, one concern that the factory manager might have about the joint venture between TT and the supermarket group. [4 marks]

**Response 1:** TT will produce more crisps for the supermarket to sell. Which may mean that TT must open the factory for six days a week instead of five. This will increase TT's costs and with a lower profit margin, TT may make a loss from this joint venture.

**Response 2:** One concern the factory manager might have is that the profitability of the new chips is lower than their normal chips. This means that the difference between the cost of the new chips and the selling price is less than the difference between the cost and price of the normal chips. Profitability is vital to a business because it is likely to be the businesses' main objective.

**Response 3:** The factory manager will be pleased that there would be a better cash flow because it is likely to mean that his job is more secure. This means that he can relax and not worry about his job and should motivate him. If he is more motivated then he will work harder and this may mean that he motivates the other workers, produce more chips for the business and end up giving the business more profit.