Answer Booklet

Edexcel A Level Business
Paper 3 - 2026
Mock Exam 1.2

Revisionstation

Mrs Briggs
THE BIZ TEACH

Q1: (8 marks) Assess two benefits to Choc-o-Bloc of using viral marketing

LEVELS

Level 1: 1-2 Marks - Knowledge and recall only

Level 2: 3-5 Marks - Comments are in context and chains of reason are present

Level 3: 6-8 marks - Argues both points
(no evaluation is required on 8 mark questions on paper 3)

Definition of viral marketing:

Viral marketing happens when content is shared quickly online (for example on TikTok or Instagram). It spreads through people sharing it, rather than through paid advertising.

Potential theory students may include:

- brand awareness
- word-of-mouth promotion
- social media influence

Benefit 1: Low-cost promotion and wider reach

Choc-o-Bloc has limited money for traditional advertising, so viral marketing allows the business to promote its products without spending on TV or print adverts. If customer's social media posts are shared many times, more people become aware of the brand and visit the website. This can increase sales while keeping marketing costs low, which is important for a small start-up business.

Counterbalance of benefit 1:

Viral marketing is unpredictable. Not every post will go viral, so sales may be inconsistent if the business relies on it too much.

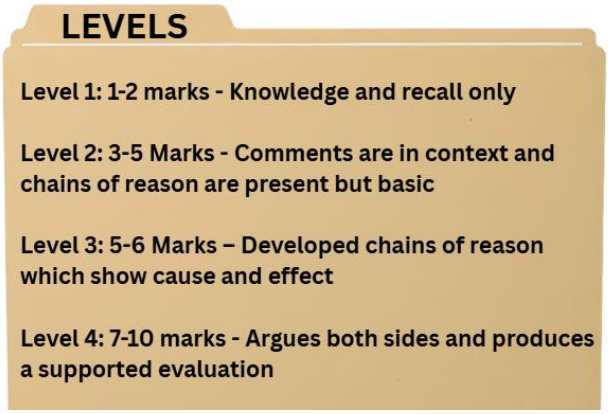
Benefit 2: Builds brand loyalty and community

Viral marketing encourages customers to take part by creating, sharing, and reacting to content. This matches Choc-o-Bloc's fun and creative brand image. As customers engage with the brand online, they are more likely to buy again and recommend it to others.

Counterbalance of benefit 2:

Negative or critical posts could also spread quickly and harm the brand's image.

Q2: (10 marks) Assess how important retail stores are to Choc-o-Bloc for increasing the sales of its products



Argument that retail stores are important for increasing sales:

Choc-O-Bloc's early growth came from TikTok challenges, influencers and subscription boxes. However, growth has begun to slow, and some customers say they would buy more often if they could purchase locally rather than wait several days for delivery.

Retail stores could increase sales because:

- customers can buy instantly instead of waiting for delivery postage costs are removed, making prices feel more affordable
- Their chocolate becomes visible to shoppers who do not follow the brand online
- In the confectionery industry many purchases are impulse buys, made at tills or end-of-aisle displays.
- Being stocked in convenience stores and supermarkets could expose Choc-O-Bloc to far more customers and encourage trial of limited-edition flavours, which may increase unit sales.

Counterbalance:

Selling through retail creates new pressures. Retailers often expect:

- lower wholesale prices
- promotional discounts
- packaging suitable for shelves
- reliable large-scale production

This increases costs and may reduce profit per bar. Even if sales volume rises, total profit may grow more slowly. Competition in confectionery retail is intense, with established brands and cheaper supermarket own-label chocolate on the same shelves. Customers may choose lower-priced alternatives, limiting Choc-O-Bloc's sales gains.

Other factors may be more important than retail in driving sales:

Other factors may have a greater impact on increasing sales than physical distribution alone.

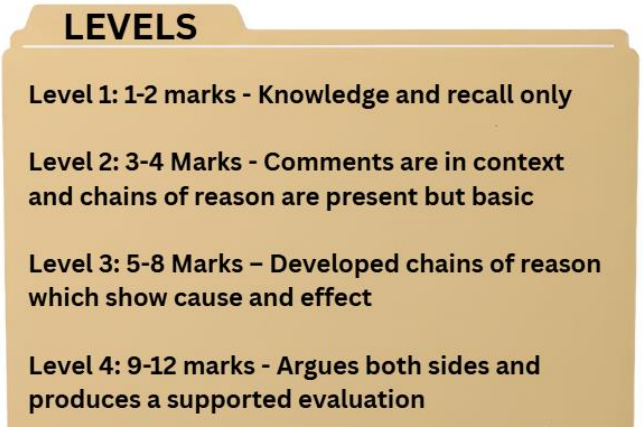
- **Brand identity** may be more important. Choc-O-Bloc's appeal is built around creativity, novelty and online engagement. Moving into retail risks making the brand feel more mass-market, reducing its attractiveness as a fun, shareable treat.
- **Promotion** has been central to past sales growth. Viral videos, influencer partnerships and limited-edition drops create excitement and repeat purchases. Strengthening these promotional methods could increase sales.
- **Economic conditions and consumer confidence** are critical. As a non-necessity, demand for Choc-O-Bloc may fall during periods of low confidence, regardless of availability in stores.
- **Price sensitivity** may increase in retail. Direct comparison with cheaper brands could reduce demand, particularly outside peak seasonal periods.

Suggested evaluation:

Retail distribution is not the most effective way for Choc-O-Bloc to increase sales. In the premium confectionery market, sales are driven primarily by strong brand identity and clear differentiation rather than widespread physical availability. Successful premium chocolate brands focus on distinctive branding, gifting appeal, and presentation, which justify higher prices and build customer loyalty.

If Choc-O-Bloc were to expand into retail outlets, it would risk weakening its creative, online-led brand image and becoming lost among cheaper supermarket own-label products and established mass-market brands. As a discretionary "treat" product, demand is influenced by consumer confidence, meaning that effective promotion and brand loyalty are more important than ease of access. Therefore, Choc-O-Bloc should prioritise protecting and strengthening its premium brand positioning rather than expanding into retail stores.

Q3: (12 marks) Using the information provided, assess how rising inflation may affect the pricing decisions of Monty Bojangles



Definition of inflation:

Inflation is a sustained rise in the general price level, increasing business costs and reducing consumers' real incomes.

Argument: Rising inflation may lead Monty Bojangles to increase prices:

- Rising inflation increases variable costs such as ingredients, packaging and energy, creating cost-push inflation pressures.
- The inflation graph (2021–2024) suggests these cost increases are sustained rather than temporary.
- To protect profit margins, Monty Bojangles may increase prices
- As a premium confectionery brand, demand for Monty Bojangles' gifting products may be relatively price inelastic, especially during seasonal periods such as Christmas.
- This gives the business some ability to raise prices without a proportionate fall in sales volume.

Counterbalance: Inflation may restrict price increases

- Market research suggests that even small price increases could lead customers to switch to cheaper alternatives, such as supermarket own-label chocolate.
- This indicates demand may be more price elastic outside gifting periods, limiting Monty Bojangles' pricing freedom.
- As a result, raising prices could reduce sales volumes and damage revenue growth.

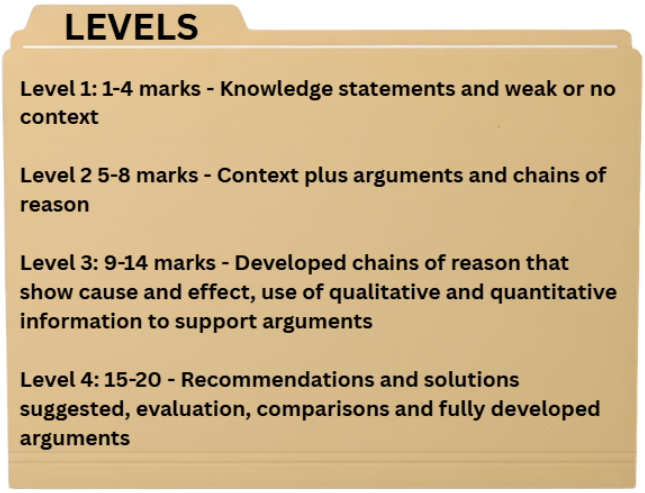
Alternative pricing strategy: Shrinkflation:

- Monty Bojangles may reduce portion sizes while keeping prices constant to control costs.
- This avoids visible price rises but risks damaging brand perception and trust, which is crucial for premium products.
- For a brand built on quality and presentation, shrinkflation may be less suitable than for mass-market competitors.

Evaluation:

Overall, rising inflation significantly influences Monty Bojangles' pricing decisions by increasing costs while also making consumers more price sensitive. Although selective price increases may be necessary to protect margins, inflation limits how aggressively prices can be raised. Given its premium positioning, Monty Bojangles is more likely to adopt small, carefully managed price rises or absorb some costs, rather than rely on shrinkflation or passing large price increases on to customers.

Q4: (20 marks) Using the data in Extract D and your own knowledge of business, evaluate and recommend whether Monty Bojangles should enter a joint venture with a European supermarket chain or undertake a global merger with an international confectionery business



Definitions:

Joint venture:
A strategic alliance where two businesses share ownership, resources and risk in a new operation.

Merger:
A form of external growth where two businesses combine to form a single organisation, often to gain scale and market access.

Argument for a joint venture with a European supermarket chain:

- A joint venture with established retailers such as Carrefour or Edeka would give Monty Bojangles immediate access to shelf space in key European markets.
- This supports the brand's gifting-focused strategy, as premium confectionery benefits from supermarket footfall and seasonal promotions, particularly at Christmas and Easter.
- A joint venture allows Monty Bojangles to retain control of its brand, which is important given its premium positioning and reliance on colourful packaging and gift-box appeal.
- Risk is shared.
- Local partners provide market knowledge, helping Monty Bojangles adapt pricing and packaging to local tastes without fully committing to a foreign market.

Counterbalance:

- Growth may be slower, as Monty Bojangles would be limited to the partner's retail network.
- Profit must be shared, reducing margins at a time when price rises could lead to a fall in sales volume due to price sensitivity.

Argument for a global merger with an international confectionery business:

- A merger would allow Monty Bojangles to expand rapidly into multiple markets, benefiting from existing international distribution networks.
- Economies of scale could help reduce unit costs, which is important given rising input costs and energy costs increasing.
- Larger production volumes could reduce reliance on price increases or shrinkflation, helping the business remain competitive as consumers become more price sensitive.
- A merger could strengthen bargaining power with suppliers, helping offset volatile cocoa and sugar prices.

Counterbalance:

- A merger risks diluting the Monty Bojangles brand, particularly if the parent company focuses on mass-market products rather than premium gifting.
- Cultural clashes and integration costs may reduce the expected benefits, especially in the short term.
- Strategic control would be reduced, making it harder to protect product design, packaging and premium positioning.

Evaluation:

Although a global merger could reduce costs and accelerate international expansion, it carries significant strategic risk for a brand built on premium identity and gifting appeal. Monty Bojangles operates in a market where customers are increasingly price sensitive, yet still value differentiation. Losing brand control could undermine the very reason supermarkets stock the product.

A joint venture is the more suitable option. It allows Monty Bojangles to access European markets, benefit from reliable distribution, and share risk at a time of rising costs and uncertain consumer demand. Importantly, it protects brand identity while enabling steady, controlled growth.

Suggested MOPS

Market

- The premium confectionery market is competitive but growing, particularly through supermarkets where gifting products benefit from high footfall and seasonal demand.
- European markets already have strong domestic confectionery brands, meaning Monty Bojangles needs reliable shelf space and visibility, not just market entry.
- A joint venture with an established supermarket chain provides immediate access to customers and reduces the risk due a clear understanding of the market.
- A global merger would increase scale but place Monty Bojangles in direct competition with mass-market brands, risking loss of premium positioning.

Objectives

- Monty Bojangles' objective is controlled international growth while protecting brand value and margins.
- A joint venture supports gradual expansion with shared risk, which is important given rising costs and uncertain consumer demand.
- A global merger prioritises rapid growth and scale, but may conflict with the objective of maintaining a distinct premium brand.
- Protecting long-term brand equity is more important than short-term sales growth.

Product

- Monty Bojangles' truffles and gift boxes rely on presentation, branding and perceived quality, not price competitiveness.
- A joint venture allows the business to retain control over product design, packaging and positioning in foreign markets.
- A merger increases the risk of standardisation, which could undermine the gifting appeal that drives supermarket sales.
- Premium confectionery is less suited to aggressive cost cutting and economies of scale than mass-market chocolate.

Situation

- Rising inflation has increased ingredient, packaging and energy costs, raising financial risk.
- Falling real incomes have made some consumers more price sensitive, increasing uncertainty in overseas demand.
- Sharing risk through a joint venture is more appropriate than committing to a full merger during a period of cost pressure and economic instability.
- Management concerns about brand protection and distribution reliability align more closely with a joint venture strategy.

Q5: (8 marks) Analyse two advantages to Sam and Priya of operating SugarRush as a franchise

LEVELS

Level 1: 1-2 Marks - Knowledge and recall only

Level 2: 3-5 Marks - Comments are in context and chains of reason are present

Level 3: 6-8 marks - Argues both points
(no evaluation is required on 8 mark questions on paper 3)

Definition of a franchise:

A franchise is when an entrepreneur buys the right to operate under an existing brand and business system in return for fees and royalties.

Potential theory students may include:

- reduced risk compared with starting alone
- proven business model
- brand recognition
- marketing support
- guidance and training
- royalties reduce profit

Advantage 1: Reduced risk:

Sam and Priya had no experience running a retail business, yet they took on a SugarRush store in a busy shopping centre in Leeds. Operating as a franchise means they do not have to build a brand from scratch.
SugarRush:

- already has national brand recognition
- provides branded packaging and displays
- ensures stores look similar so customers "know what to expect"

Because shoppers already recognise the SugarRush brand, more passing shoppers are likely to go inside. especially during seasonal peaks such as Christmas, when people buy sweets as gifts.
This reduces the risk of failure compared with opening an independent sweet shop, helping Sam and Priya achieve more reliable sales.

Counterbalance:

However, they must pay a percentage of sales to head office each month, which reduces their retained profit.

Advantage 2:

Ongoing support with operations and decision-making
Neither Sam nor Priya had previously handled stock ordering or retail finances. As franchisees, they receive ongoing support from head office.

SugarRush:

- reviews store performance data
- advises which sweets to stock and how to display them
- runs national promotions that all stores take part in

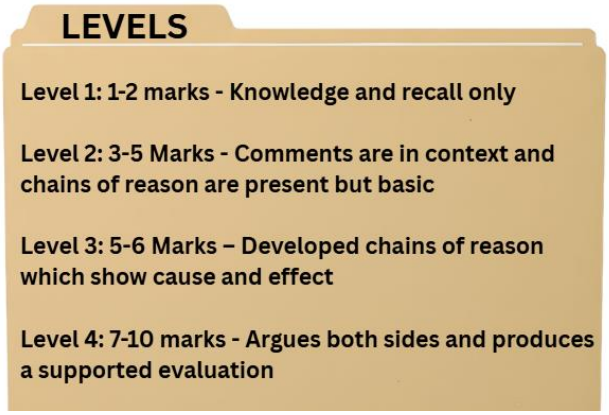
This means Sam and Priya do not have to make every decision alone. They benefit from experience gained across many SugarRush stores, helping them avoid costly mistakes and compete more effectively with supermarkets selling cheap multipacks and online sweet retailers.
As a result, the store is more likely to operate efficiently and maintain steady cash flow.

Counterbalance

The strict guidelines limits their independence, they cannot freely change layout, prices or suppliers even if they want to. This might be challenging if competitors make sudden changes.
Credit other valid, well-applied ideas

- banks may be more willing to lend because SugarRush is lower risk
- bulk buying through the franchisor may reduce stock costs
- training in customer service and retail systems helps build confidence

Q6: (10 marks) Assess whether expanding by organic growth would be the right decision for Snowflake Sweets Ltd



Definition of Organic Growth:

Organic growth is when a business expands using its own resources, by increasing production, capacity and sales, rather than buying another business.

Argument that organic growth may be the right decision:

Snowflake Sweets operates in the confectionery industry, where demand rises sharply during seasonal periods such as Christmas, Easter and Valentine's Day.

The business already earns 45% of revenue in December. Replacing older equipment (£18,000) and hiring an extra baker (£19,000) could:

- increase capacity during seasonal peaks
- reduce queues and the risk of turning customers away
- improve efficiency in the busy Christmas period
- help maintain quality while scaling up production

In an industry where festive products (truffles, ginger biscuits) are often bought as gifts, customers expect reliable stock and consistent quality. Organic growth allows Snowflake Sweets to keep control over production methods and ingredients, protecting its reputation as an artisan, handmade brand.

Therefore, organic growth could increase sales by allowing the business to meet higher seasonal demand and avoid lost sales to supermarkets and local competitors.

Argument that organic growth may NOT be the right decision

However, confectionery is also:

- highly competitive (supermarkets, discount stores, bakeries)
- price-sensitive during non-seasonal months
- subject to fluctuating ingredient costs

Sales outside December sometimes fall close to breakeven. Taking on higher fixed costs (new equipment and permanent wages) could be risky.

If demand drops after Christmas:

- spare capacity may sit unused
- wages must still be paid all year
- unsold confectionery may waste due to perishability

Larger competitors can spread costs over big volumes; Snowflake Sweets cannot. Expanding too quickly could reduce the flexibility Ella values, such as being able to slow production when demand dips. This would increase her financial pressure.

Evaluation:

Organic growth is not the best option for Snowflake Sweets at this stage, as the risks outweigh the potential benefits. While organic growth could help the business cope with peak Christmas demand, compete with larger local confectionery companies, and maintain product quality and brand identity, these advantages are limited by the market conditions. The confectionery industry is highly competitive and seasonal, with narrow profit margins and demand heavily concentrated in the Christmas period. Investing in permanent staff or new equipment would increase fixed costs throughout the year, even when sales are much lower, increasing financial risk and putting pressure on cash flow if demand falls outside the festive season.

As a result, Snowflake Sweets should avoid committing to full organic growth at this time. A more cautious approach, such as using temporary seasonal staff, employing part-time bakers, and upgrading equipment gradually, would allow the business to meet peak demand without risking most of its savings. This strategy maintains flexibility and reduces long-term financial commitments. Overall, organic growth may be suitable in the future, but only if demand remains consistently strong beyond Christmas and expansion is phased rather than funded all at once.

Q7: (12 marks) Using the data in Extract G, assess the likely effects of the introduction of the HFSS tax in the UK on confectionery manufacturers, such as Rowntree's

LEVELS

Level 1: 1-2 marks - Knowledge and recall only

Level 2: 3-4 Marks - Comments are in context and chains of reason are present but basic

Level 3: 5-8 Marks – Developed chains of reason which show cause and effect

Level 4: 9-12 marks - Argues both sides and produces a supported evaluation

Definition of HFSS tax:

The HFSS tax is a government policy that places financial and promotional restrictions on products high in fat, sugar and salt, with the aim of reducing consumption and improving public health.

Argument: HFSS tax is likely to have a negative effect on confectionery manufacturers:

- Many of Rowntree's products remain high in sugar, meaning they may still fall within the HFSS category despite recent product launches.
- The HFSS tax and related restrictions on advertising and price promotions could reduce demand, particularly as confectionery purchases are often impulse-driven and rely heavily on promotions.
- Rising living costs mean consumers are already more price-sensitive. Any price increases caused by the HFSS tax could lead shoppers to switch to cheaper supermarket own-label alternatives, reducing Rowntree's sales volumes.
- Reformulating products to avoid the tax is described as "difficult and expensive", which could increase costs and squeeze profit margins in the short term.

Counterbalance:

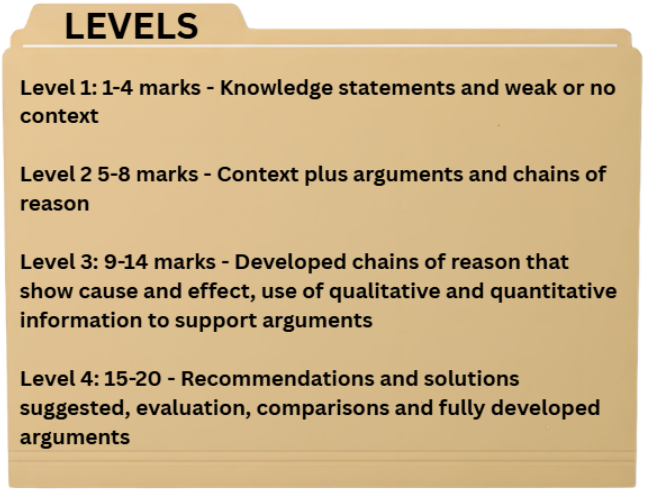
- Rowntree's has already begun launching new gummy-style products aimed at plant-based and more natural alternatives, which may help the business adapt faster than rivals.
- If reformulation is successful, Rowntree's could reduce its exposure to HFSS restrictions while benefiting from changing consumer preferences towards perceived "healthier" sweets.
- Larger manufacturers like Rowntree's (owned by Nestlé) may be better placed to absorb reformulation costs than smaller confectionery producers, potentially strengthening their competitive position over time.
- Innovation driven by HFSS pressure could protect the brand's long-term relevance as consumer tastes evolve.

Evaluation:

Overall, the HFSS tax is likely to have a long-term negative impact on confectionery manufacturers such as Rowntree's. By increasing costs, restricting price promotions, and discouraging demand for traditional high-sugar sweets, the tax reduces sales revenue and profitability across the industry. Even with attempts at reformulation and innovation, adapting products and marketing strategies requires significant investment and does not guarantee success. As a result, the HFSS tax is more likely to weaken Rowntree's competitive position and financial performance rather than support growth, making it a clear threat to the business rather than an opportunity.

Q8: (20 marks) To achieve its aim of increasing its share of the UK confectionery market, Rowntree's could either launch a new product range or invest in a national marketing campaign for its existing products.

Evaluate these two options and recommend which one is most suitable for Rowntree's to achieve its aim of increasing its market share.



Definitions:

- Market share: the percentage of total sales in a market accounted for by a particular business or brand.
- New product development (NPD): the process of developing and launching new products to meet changing consumer needs.
- Marketing campaign: a coordinated set of promotional activities designed to increase awareness, sales and brand loyalty.
- HFSS: products classified as high in fat, sugar and salt, which face restrictions on advertising and promotions.

Option 1: Launch a new product range:

Launching a new product range could help Rowntree's adapt to HFSS regulation and changing consumer preferences. The extract shows that Nestlé has already begun developing gummy-style and plant-based products, suggesting innovation is a strategic priority.

A successful new range could allow Rowntree's to:

- appeal to more health-conscious consumers
- avoid HFSS advertising restrictions
- protect long-term brand relevance

The decision tree data suggests:

- Cost: £3 million
- Probability of success: 0.3
- Successful outcome: £30 million
- Expected value (EV):
  $(0.3 \times 30) + (0.7 \times -0.5) = £8.65$ million
  Net Gain after initial cost = **£5.65 million**

This suggests the project has a positive Net Gain, which could increase market share if the product is successful. This option also has a higher net gain of £5.65 million, compared with £3.2 million for the marketing campaign, and therefore offers the greater potential financial return.

Counterbalance of launching a new product range:

However, this option carries high financial risk. The probability of failure (0.7) is high, and reformulating sweets without damaging taste or brand loyalty may be difficult.
A £3 million upfront cost is significant, especially if the product fails. There is also a risk that new products cannibalise existing Rowntree's sales rather than increasing total market share.

Option 2: Invest in a national marketing campaign:

A national marketing campaign focuses on increasing awareness and sales of existing products, which may be less risky in the short term. Rowntree's is a long-established brand with strong recognition, so increased promotion could encourage repeat purchases and defend market share against rivals.

The decision tree data suggests:

- Cost: £400,000
- Probability of success: 0.6
- Successful outcome: £8 million
- Expected value (EV):
  $(0.6 \times 8) + (0.4 \times -3) = £3.6$ million
  Net Gain after initial cost = **£3.2 million**

This option generates an expected value of £3.6 million and a net gain of £3.2 million after the initial cost, while requiring a relatively small investment of £400,000. Although this makes it a lower-risk option financially, the decision tree shows that the new product range offers a higher potential return overall.

Counterbalance of a national marketing campaign:

However, HFSS regulations may limit how and where Rowntree's can advertise many of its existing products. Even a successful campaign may have limited impact if promotions are restricted or if consumers are trading down due to rising living costs.

This option may also fail to address longer-term threats, such as changing consumer tastes and increasing regulation. As a result, while the marketing campaign may support short-term sales, it may be less effective at protecting Rowntree's future competitiveness.

Evaluation:

Although the marketing campaign is less risky because it requires only £400,000 upfront and has a higher probability of success (0.6), its impact on market share may be limited. Increasing promotion mainly encourages additional purchases of products that consumers already know about, so it may strengthen existing demand rather than significantly expanding the customer base.

In contrast, launching a new product range could allow Rowntree's to access new segments of the confectionery market and respond to changing consumer preferences. The decision-tree analysis shows a higher potential net gain of £5.65 million, suggesting that if the launch is successful the financial rewards could be substantially greater than those generated by additional marketing.

However, the reliability of the decision-tree data is uncertain. The probabilities of success and failure are only estimates, and consumer response to a new product can be difficult to predict in a highly competitive confectionery market.

Overall, while the marketing campaign provides a safer short-term option, launching a new product range is likely to be the more effective strategy for increasing market share, as it offers greater potential to attract new customers and deliver higher long-term returns.

Suggested MOPS

Market

- The UK confectionery market is becoming more competitive, with strong pressure from supermarket own-label products and established brands.
- At the same time, consumer preferences are evolving, with greater attention on health concerns and HFSS regulation.
- Introducing a new product range may allow Rowntree's to capture emerging demand or differentiate itself, whereas a marketing campaign may mainly increase awareness of products that are already widely known.

Objectives

- Rowntree's objective is to increase its share of the UK confectionery market.
- While a marketing campaign may boost short-term sales of existing products, a successful new product launch could attract new customers and expand the brand's presence in the market.

- The decision tree suggests the new product range offers a higher potential net gain (£5.65m), indicating greater potential for growth if successful.

Product

- Rowntree's products already benefit from strong brand recognition, meaning additional marketing may reinforce existing demand rather than significantly expanding it.
- Developing a new product range could allow the business to refresh its product portfolio and respond to changing consumer tastes, potentially strengthening long-term competitiveness.
- However, product development carries the risk that the new products may not appeal to consumers or may compete with existing lines.

Situation

- The confectionery industry is facing regulatory pressure from HFSS restrictions and changing consumer attitudes towards sugar consumption.
- Businesses that innovate successfully may be better positioned to remain competitive as the market evolves.
- Although the new product range involves a larger upfront investment and greater risk, the decision-tree analysis suggests it could generate higher financial returns if the launch is successful.