

IBDP Business Management

PAPER 1 CASE STUDY PACK MAY 2025

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Myt PLC

IB Business Management – Paper 1 Case Study Pack

Case Study: Myt PLC (Myt)

Introduction

For May 2025 examinations

How to use the new Paper 1 Case Study Pack, May 2025

This comprehensive Case Study Pack (CSP) has been produced to help colleagues and students in their preparations for the May 2025 Paper 1 examination (*Myt PLC*).

This latest Paper 1 CSP contains the following resources:

- Glossary of key terms from the pre-release statement.
See pages 3 – 7

- Additional glossary of key terms relevant to the case study and the drinks manufacturing industry.
See pages 8 – 11

- Two sets of True or False Quiz activities to help test students' comprehension and understanding of the pre-release statement.
See pages 12 – 15

- Three sets of Comprehension Quiz activities to help test students' comprehension and understanding of the pre-release statement.
See pages 16 – 21

- Two full case studies and Paper 1 mock exam questions, using the new assessment format.
See pages 22 – 25 and 38 – 42

- Full mark schemes for both sets of mock exams.
See pages 26 – 37 and pages 43 – 53

- A comprehensive PowerPoint presentation that includes:
 - Ready-made PPT file to use in lessons (over 50 slides).
 - ATL activities and lesson ideas that engage students.
 - Assessment advice, including writing frameworks for the extended response questions.
 - Embedded videos (to provide additional context to the case study).
 - Additional exam-practice questions for 2, 4, 6, and 10-mark questions.
 - Top tips for Paper 1
 - Accompanying teachers' notes.

With best wishes for the upcoming exams in May 2025!

Paul Hoang
22nd February 2025



Case Study: Myt PLC (Myt)

Key Terms

For May 2025 examinations

Key terms appear in alphabetical order for ease of reference. Line numbers in the pre-release statement and the first five paragraphs of the Paper 1 (*Myt PLC*) case study are shown in brackets.

Advertisements (advertising) (18)

Advertisements are a crucial element of an organization’s promotional strategy within the marketing mix. Advertising involves paid-for communication strategies designed to inform and persuade consumers about *Myt PLC*’s diverse range of beverage products. Through advertising, *Myt* aims to build brand awareness, shape customer perceptions, and influence attitudes towards its non-alcoholic drinks.

Board of directors (12)

The board of directors is comprised of a small group of individuals elected or appointed to oversee the management and overall direction of a company. *Myt PLC*’s board of directors is responsible for making major decisions (such as the decision to diversify and increase the company’s product offerings by acquiring a chain of coffee shops and a manufacturer of bottled drinking water), setting company policies, and ensuring that the company’s operations align with its goals and mission or vision.

Chain (of a business) (13)

A chain refers to a series of interconnected business outlets, like *Lotssa Coffee (LC)*, that are owned or managed by the same company and operate under a common brand name. *LC* has a chain of 4,000 coffee shops across 35 countries. Chain coffee shops typically share similar standards, services, and amenities, providing consistent products and services to customers across different locations. The chain is centrally managed, which typically includes a common marketing mix and corporate policies across its 4,000 outlets. Having a chain of coffee shops enables *LC* to gain from brand consistency and economies of scale (cost savings and operational efficiencies achieved through bulk purchasing, shared resources, and standardized procedures across its coffee shops).

Company (1)

A company is a limited liability business organization that is owned by shareholders. As a publicly held company, the shares in *Myt PLC* are publicly listed on a stock exchange, such as the New York Stock Exchange. The company is a separate legal entity from its owners (the shareholders), meaning there is a divorce of ownership and control in the organization.



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Corporate social responsibility (CSR) (20)

CSR refers to a company's commitment to operate ethically and contribute positively to society and the environment. This can include actions like reducing environmental impact, supporting community projects, or improving the welfare of employees. For example, *Myt PLC* aims to enhance its CSR by modernizing factories (to be green or environmentally friendly) and reducing sugar in its products (to reduce the health issues associated with the consumption of sugary drinks).

Diversification (12)

In the Ansoff matrix, diversification is a growth strategy where a business introduces new products into new markets. This approach is considered the riskiest growth strategy, as it involves both product development and market development, requiring the business to venture into areas where it has little, if any, prior experience. *Myt's* diversification includes acquiring *Lotssa Coffee* and *Honest Water*, as well as exploring the healthy snacks market.

External growth (4)

External growth refers to a business expansion achieved through mergers, acquisitions, or partnerships rather than internal development. *Myt PLC's* takeover of *Lotssa Coffee* and *Honest Water* are examples of external growth, allowing the company to increase its market presence and product portfolio by acquiring these existing businesses.

Green (factories) (16)

"Green factories" are manufacturing facilities that are designed and operated with a focus on environmental sustainability. This includes reducing energy consumption, minimizing waste, using renewable resources, and lowering carbon emissions at *Myt's* factories. *Myt* plans to modernize its factories to make them greener, aligning with its CSR and sustainability goals. This will also help *Myt* to improve its green credentials, i.e., *Myt's* credibility in terms of its ecological sustainability (attempts to protect the planet), which will also have a direct impact on its economic sustainability.

Grown (growth) in size (4)

"Grown in size" refers to the process of a business organization, such as *Myt PLC*, increasing its scale of operations through various means, e.g., expanding production facilities, increasing production capacity, or expanding its product portfolio (to include coffee drinks and bottled water). *Myt* has grown in size through both internal growth (such as developing new drinks) and external growth (such as acquiring other companies like *Lotssa Coffee* and *Honest Water*).



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Head office (2)

The head office of a multinational company is the central location of the business where key management and administrative functions are coordinated, and strategic decisions are made for *Myt PLC*'s global operations.

Internal growth (4)

This is a category of growth that refers to the expansion of a business organization through its own efforts and resources, such as increasing sales, launching new products, or expanding production capacity. *Myt PLC*'s internal growth is demonstrated by the development of its product portfolio of more than 30 different drinks through product innovation and market expansion.

Manufactures (Manufacturing) (1)

This refers to the process of producing physical goods, typically using production methods such as batch or mass production. In the case of *Myt PLC*, the company manufactures a variety of non-alcoholic drinks, including root beer, bottled water, and canned carbonated drinks in its factories located across multiple continents.

Market (17)

A market refers to all existing and potential customers who have an interest and ability in purchasing a business organization's goods or services. For *Myt PLC*, this includes individuals and organizations purchasing non-alcoholic beverages or healthy snacks that meet their specific needs and purchasing preferences. Understanding the market involves analyzing consumer preferences, spending patterns, and purchasing power in order to effectively tailor products and marketing strategies.

Market development (entering new markets) (17)

Market development, in the context of the Ansoff matrix, is a growth strategy that involves a business seeking to enter new markets with its existing products. *Myt PLC* is pursuing market development by expanding its customer reach through acquisitions, such as taking over *Lotssa Coffee* and *Honest Water*, and by diversifying its product offerings, such as entering the healthy snacks market.



Case Study: Myt PLC (Myt)

Key Terms

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Multinational company (1)

A multinational company (MNC) operates in two or more countries. *Myt PLC* is a multinational company as it has manufacturing factories on six continents and sells its products globally, including mass produced non-alcoholic beverages and recently acquiring businesses like *Lotssa Coffee* (with over 4,000 coffee shops across 35 countries).

Outlets (13)

Outlets are the physical locations or points of sale where a business organization's goods or services are offered to customers. In the case of *Myt PLC*, outlets include the retail locations where its drinks are sold as well as *Lotssa Coffee's* 4,000 coffee shop locations in 35 different countries.

Portfolio (product portfolio) (6)

A product portfolio is the range of goods or services offered by a business. *Myt PLC's* product portfolio includes over 30 different non-alcoholic drinks, such as root beer and bottled water, reflecting the company's growing and diverse offerings that cater to various consumer preferences.

Plans (business plans) (15)

Business plans are detailed documents outlining an organization's goals (aims and objectives) and strategies (the steps it will take to achieve them). For *Myt PLC*, its business plans include modernizing its factories, reducing caffeine and sugar levels in its drinks, exploring the healthy snacks market, and improving its corporate social responsibility (CSR).

Pressure group (pre-release statement)

A pressure group is an organized alliance that seeks to influence public (government) policy and/or business practices, often advocating for specific social, environmental, or political causes. For *Myt PLC*, pressure groups could include health organizations pushing for reduced sugar in drinks or environmental groups advocating for greener production methods.

Products (19)

Products are goods or services that a business offers to meet the needs and wants of its customers. *Myt PLC's* products include a range of non-alcoholic drinks, such as root beer, bottled water, and beverages acquired through its takeovers, like *Lotssa Coffee* and *Honest Water*.



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Promotional strategy (7)

A promotional strategy is a marketing plan of action to promote a business organization's goods or services to increase brand awareness, brand recognition, and (ultimately) sales revenues. *Myt PLC* uses social media influencers as part of its promotional strategy to reach a wide audience and engage consumers, especially in markets where its drinks are popular.

Publicly held company (1)

A publicly held company is one whose shares are traded on a public stock exchange, such as the New York Stock Exchange. This allows the general public to buy and sell ownership stakes in the company. As a publicly held company, *Myt PLC* must comply with regulatory requirements for financial transparency.

Recycling (pre-release statement)

Recycling is the process of converting waste materials into new products so as to reduce the environmental impact of business activity. For *Myt PLC*, recycling could involve using sustainable packaging for its beverages or reprocessing waste materials from production of its drinks to align with its corporate social responsibility (CSR) goals and to contribute to its sustainability efforts.

Social media (6 - 7)

Social media refers to online platforms where users can create, share, and engage with digital content. For *Myt PLC*, social media plays a key role in its promotional strategy, allowing the company to reach and interact with a wide audience.

Social media influencer (6 - 7)

This is any individual who has a large following on social media platforms and can affect the purchasing decisions of their audience through content creation and product endorsement. *Myt PLC* uses social media influencers as part of its promotional strategy to boost its brand awareness and drive product sales.

Taking over (takeover) (12)

A takeover refers to the acquisition of one company by another, where the acquiring company gains control of the target company by purchasing a majority stake of its shares. *Myt PLC's* takeover of *Lotssa Coffee* and *Honest Water* enabled the company to expand its product offerings and market presence by acquiring established businesses in the coffee and water sectors.



Case Study: Myt PLC (Myt)

Additional Key Terms

For May 2025 examinations

This section of the Paper 1 Case Study Pack introduces additional key terms that may link well with the pre-release statement. Definitions are provided along with application to *Myt PLC* and/or the non-alcoholic drinks manufacturing industry. The additional key terms are presented in alphabetical order for ease of access and reference. Line numbers are also included for terms that appear in the pre-release statement and the first five paragraphs of the Paper 1 (*Myt PLC*) case study.

Note: Application of any relevant tool, theory, or term from the syllabus will be awarded accordingly in the exams. However, there is absolutely no requirement for any candidate to use HL tools and theories in the Paper 1 examination.

Avatars (18)

Avatars are computer-generated characters that *Myt PLC* uses in its advertising campaigns. These virtual representations are likely employed to create engaging and visually appealing content that resonates with digital audiences, particularly on social media. This helps to enhance brand awareness and supports *Myt PLC*'s promotional strategy for its non-alcoholic beverage products.

Biodegradable (pre-release statement)

Biodegradable refers to materials that naturally decompose through the action of microorganisms, reducing their environmental impact. As *Myt PLC* modernizes its factories to become green, using biodegradable packaging for its non-alcoholic drinks, for example, could support its corporate social responsibility (CSR) goals and address environmental concerns linked to waste management.

Bottled drinking water (14)

Bottled drinking water refers to distilled, purified, or spring water packaged in bottles for sale and consumption. The bottles are typically made from glass or plastic. *Myt PLC*'s acquisition of *Honest Water (HW)* allows it to diversify into this market, catering to health-conscious consumers and expanding its product portfolio beyond sugary, carbonated drinks.

Caffeine (11, 19)

Caffeine is a natural stimulant found in certain beverages such as cola and coffee drinks. High doses of caffeine can cause anxiety and restlessness, including sleep disruptions. Many of *Myt PLC*'s non-alcoholic drinks are high in caffeine, which has raised health concerns. This has prompted the company's plans to reduce caffeine levels as part of its product reformulation strategy.



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Additional Key Terms

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Carbonated drinks (5)

Carbonated drinks (often referred to as “fizzy drinks”) are beverages infused with carbon dioxide to create fizz. *Myt PLC* initially specialized in producing a single carbonated root beer but has since expanded its product portfolio to more than 30 carbonated and non-carbonated drinks.

Coffee shops (13)

Coffee shops are retail outlets where coffee and other beverages (such as teas and juices) are sold and consumed on-site. Many coffee shops also offer light snacks. *Myt PLC*’s acquisition of *Lotssa Coffee (LC)*, with over 4,000 outlets across 35 countries, shows its strategic diversification into the coffee market.

Diabetes (8)

Diabetes is a medical condition where the body is unable to properly regulate blood sugar levels. This can result in high blood sugar, which can lead to health issues and complications such as heart disease, kidney damage, and even vision loss. Diabetes is linked to high sugar intake and poor dietary habits.

Diet drinks (10)

Diet drinks are non-alcoholic beverages that are marketed as having reduced or zero sugar content. They typically contain artificial sweeteners or sugar substitutes to mimic the taste of sugary drinks while aiming to lower calorie intake and prevent health issues like obesity and diabetes.

Health issues (8)

Health issues refer to physical or mental conditions that negatively affect a person’s well-being. For example, health issues include obesity and diabetes which are linked to high sugar and caffeine consumption. In the context of *Myt PLC*, health issues can result from overconsumption of drinking sugary and/or caffeinated beverages.

Healthy snacks (17)

Healthy snacks are food items that are nutritious and offer health benefits, often being low in sugar, salt, fat, and/or calories. For *Myt PLC*, healthy snacks could include options like protein bars, fruit-based snacks, or low-sugar granola. Offering such snacks would align with *Myt PLC*’s goal to diversify into healthier product offerings.



Case Study: Myt PLC (Myt)

Additional Key Terms

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Horizontal integration

Horizontal integration is a growth strategy whereby a business expands by acquiring or merging with competitors at the same production stage. The purpose is to increase market share and achieve economies of scale. The latter is achieved as the larger organization gains from cost advantages due to its scale of operations, with cost per unit of output generally decreasing as fixed costs are spread out over more units of output. *Myt PLC* has used this external growth strategy by taking over *Honest Water* (line 14).

Obesity (8)

Obesity is a medical condition characterized by excessive body fat that increases the risk of various health problems, including heart disease, diabetes, high blood pressure (or hypertension), and the risk of strokes. It is often associated with poor dietary choices, such as consuming high-sugar and high-calorie drinks, which *Myt PLC* is planning to address by reducing caffeine and sugar levels in its products.

Non-alcoholic drinks (1, 2, and 5)

Non-alcoholic drinks are beverages that do not contain any alcohol. They include a wide range of options such as soft drinks (carbonated fizzy drinks), fruit juices, bottled water, and energy drinks. *Myt PLC* specializes in manufacturing non-alcoholic drinks. According to [Statista](#), the non-alcoholic drinks market consists of four markets:

- Soft drinks, which consist of carbonated soft drinks, non-carbonated soft drinks (such as iced teas and fruit-flavoured beverages), and energy (sports) drinks.
- Bottled water, which includes carbonated and non-carbonated water sold in bottles or via water dispensers.
- The juices market, which consists of all types of bottled fruit and vegetable juices, such as orange juice, apple juice, grapefruit juice, pineapple juice, grape juice, and other juice mixtures and smoothies.
- The ready-to-drink (RTD) coffee and tea market, which includes packaged coffee and tea beverages in liquid form, ready for consumption. This market is further split into RTD coffee and RTD tea.



Recommended daily sugar intake (9)

This term refers to the maximum amount of sugar that an individual should consume each day to maintain good health. The World Health Organization (WHO) advises that adults limit their sugar intake to less than 50 grams (about 12 teaspoons) per day. This equates to about 10% of total daily energy intake. Data from the WHO show that the average adult in the US consumes about 77 grams of sugar daily, mainly from sugar-sweetened beverages.

Sugar substitutes (9)

Sugar substitutes are artificial or natural ingredients used to replace sugar in food and beverages. These replacement ingredients provide sweetness with fewer calories (and in some cases, no calories at all). Common examples of sugar substitutes include aspartame, stevia, and sucralose, which are often used in diet drinks to reduce sugar content while maintaining the taste of sweetness.

Vertical integration is a growth strategy whereby a company expands by acquiring or merging with businesses at different stages of the production process, but typically within the same industry. *Myt PLC* has used this external growth strategy (forward vertical integration) by taking over *Lotssa Coffee* (line 13), which operates in the tertiary sector.



Case Study: Myt PLC (Myt)

True or False Quizzes

For May 2025 examinations

True or False Quiz 1

To test your comprehension and understanding of the *Myt PLC (Myt)* case study, answer ‘True’ or ‘False’ to each of the statements below.

Statements	True or False?
1. <i>Myt's</i> first product was an alcoholic root beer.	
2. <i>Myt</i> operates internationally with factories on six continents.	
3. By 2020, <i>Myt</i> had developed a product portfolio of over 30 drinks.	
4. <i>Myt</i> exclusively sells its drinks in recyclable bottles.	
5. <i>Myt</i> uses social media influencers as part of its promotional strategy.	
6. Obesity and diabetes have been linked to some of <i>Myt's</i> drinks.	
7. None of <i>Myt's</i> drinks currently contain caffeine.	
8. In 2023, <i>Myt's</i> board of directors began a diversification process.	
9. <i>Myt</i> acquired a coffee chain called <i>Lotssa Coffee (LC)</i> with over 100 outlets.	
10. <i>Myt</i> has intentions of making its factories environmentally friendly.	



Case Study: Myt PLC (Myt)

True or False Quizzes

For May 2025 examinations

True or False Quiz 1

To test your comprehension and understanding of the *Myt PLC (Myt)* case study, answer ‘True’ or ‘False’ to each of the statements below.

Answers

Statements	True or False?
1. <i>Myt</i> 's first product was an alcoholic root beer.	False – it was non-alcoholic
2. <i>Myt</i> operates internationally with factories on six continents.	True
3. By 2020, <i>Myt</i> had developed a product portfolio of over 30 drinks.	True
4. <i>Myt</i> exclusively sells its drinks in recyclable bottles.	False – bottles and cans
5. <i>Myt</i> uses social media influencers as part of its promotional strategy.	True
6. Obesity and diabetes have been linked to some of <i>Myt</i> 's drinks.	True
7. None of <i>Myt</i> 's drinks currently contain caffeine.	False
8. In 2023, <i>Myt</i> 's board of directors began a diversification process.	True
9. <i>Myt</i> acquired a coffee chain called <i>Lotssa Coffee (LC)</i> with over 100 outlets.	False – over 4,000 outlets
10. <i>Myt</i> has intentions of making its factories environmentally friendly.	True – green factories



Case Study: Myt PLC (Myt)

True or False Quizzes

For May 2025 examinations

True or False Quiz 2

To test your comprehension and understanding of the *Myt PLC (Myt)* case study, answer ‘True’ or ‘False’ to each of the statements below.

Statements	True or False?
1. <i>Myt PLC</i> is a privately held company.	
2. <i>Myt</i> initially manufactured only one type of drink.	
3. <i>Lotssa Coffee (LC)</i> operates in six continents.	
4. <i>Honest Water (HW)</i> produces carbonated soft drinks.	
5. <i>Myt</i> has announced plans to modernise its factories.	
6. <i>Myt</i> is exploring entering the healthy snacks market.	
7. <i>Myt</i> aims to reduce caffeine and sugar levels in its products.	
8. <i>Myt’s</i> acquisition of <i>Honest Water (HW)</i> aligns with its health-focused diversification strategy.	
9. <i>Myt’s</i> headquarters are located in the European Union.	
10. <i>Myt’s</i> growth strategy relies on external acquisitions.	



Case Study: Myt PLC (Myt)

True or False Quizzes

For May 2025 examinations

True or False Quiz 2

To test your comprehension and understanding of the *Myt PLC (Myt)* case study, answer ‘True’ or ‘False’ to each of the statements below.

Answers

Statements	True or False?
1. <i>Myt PLC</i> is a privately held company.	False – it is a publicly held company
2. <i>Myt</i> initially manufactured only one type of drink.	True – root beer
3. <i>Lotssa Coffee (LC)</i> operates in six continents.	False – 35 countries
4. <i>Honest Water (HW)</i> produces carbonated soft drinks.	False – bottled drinking water
5. <i>Myt</i> has announced plans to modernise its factories.	True
6. <i>Myt</i> is exploring entering the healthy snacks market.	True
7. <i>Myt</i> aims to reduce caffeine and sugar levels in its products.	True
8. <i>Myt’s</i> acquisition of <i>Honest Water (HW)</i> aligns with its health-focused diversification strategy.	True
9. <i>Myt’s</i> headquarters are located in the European Union.	False - USA
10. <i>Myt’s</i> growth strategy relies on external acquisitions.	False – it uses internal and external growth



Comprehension Quiz 1

To help improve your application skills, review the *Myt PLC (Myt)* case study and then answer these questions. Try to answer the questions without referring to the case study if possible.

1. What type of company is *Myt PLC*?
.....
2. On how many continents does *Myt PLC* own manufacturing factories?
.....
3. By 2020, how many drinks did *Myt PLC* have in its product portfolio?
.....
4. What promotional strategy does *Myt PLC* use?
.....
5. Which coffee chain did *Myt PLC* take over in 2023 as part of its diversification growth strategy?
.....
6. What type of product is manufactured by *Honest Water*?
.....
7. What is the purpose of *Myt PLC*'s diversification growth strategy?
.....
8. How many shops (outlets) does the coffee chain acquired by *Myt PLC* have?
.....
9. Does *Myt PLC* have any plans to improve its corporate social responsibility (CSR)?
.....
10. What is a potential downside to diet drinks despite having no sugar?
.....



Case Study: Myt PLC (Myt)

Comprehension Quizzes

For May 2025 examinations

Comprehension Quiz 1 (Answers)

To help improve your application skills, review the *Myt PLC (Myt)* case study and then answer these questions. Try to answer the questions without referring to the case study if possible.

1. What type of company is *Myt PLC*?
Publicly held company (but accept multinational company)
2. On how many continents does *Myt PLC* own manufacturing factories?
Six
3. By 2020, how many drinks did *Myt PLC* have in its product portfolio?
More than 30 different drinks
4. What promotional strategy does *Myt PLC* use?
Social media influencers (accept social media marketing)
5. Which coffee chain did *Myt PLC* take over in 2023 as part of its diversification growth strategy?
Lotssa Coffee (LC)
6. What type of product is manufactured by *Honest Water*?
Bottled drinking water
7. What is the purpose of *Myt PLC*'s diversification growth strategy?
To modernize and expand its product portfolio and market reach
8. How many shops (outlets) does the coffee chain acquired by *Myt PLC* have?
More than 4,000
9. Does *Myt PLC* have any plans to improve its corporate social responsibility (CSR)?
Yes
10. What is a potential downside to diet drinks despite having no sugar?
Health problems linked to sugar substitutes



Comprehension Quiz 2

To help improve your application skills, review the *Myt PLC (Myt)* case study and then answer these questions. Try to answer the questions without referring to the case study if possible.

1. What type of products does *Myt PLC* manufacture?

.....

2. Which method(s) of growth does *Myt PLC* use?

.....

3. In what types of containers does *Myt PLC* sell its drinks?

.....

4. What are the two health issues linked to sugary drinks mentioned in the pre-release?

.....

5. What is the name of the manufacturer of bottled drinking water that was taken over by *Myt PLC* in 2023?

.....

6. How many countries does *Lotssa Coffee (LC)* operate in?

.....

7. What changes did *Myt PLC* announce regarding its factories?

.....

8. What changes is *Myt PLC* planning for its non-alcoholic drinks?

.....

9. What health issue does a single can of some drinks provide for an adult?

.....

10. Why is using social media influencers important for *Myt PLC*?

.....



Case Study: Myt PLC (Myt)

Comprehension Quizzes

For May 2025 examinations

Comprehension Quiz 2 (Answers)

To help improve your application skills, review the *Myt PLC (Myt)* case study and then answer these questions. Try to answer the questions without referring to the case study if possible.

1. What type of products does *Myt PLC* manufacture?
Non-alcoholic drinks
2. Which method(s) of growth does *Myt PLC* use?
Both internal and external growth
3. In what types of containers does *Myt PLC* sell its drinks?
Train engine, tracks, and coaches
4. What are the two health issues linked to sugary drinks mentioned in the pre-release?
Obesity and diabetes
5. What is the name of the manufacturer of bottled drinking water that was taken over by *Myt PLC* in 2023?
Honest Water (HW)
6. How many countries does *Lotssa Coffee (LC)* operate in?
35 countries
7. What changes did *Myt PLC* announce regarding its factories?
Myt PLC's plans to modernize and make its factories green
8. What changes is *Myt PLC* planning for its non-alcoholic drinks?
A reduction of caffeine and sugar levels
9. What health issue does a single can of some drinks provide for an adult?
Each drink can provide the entire recommended daily sugar intake
10. Why is using social media influencers important for *Myt PLC*?
It helps promote their products to a larger, online audience



Comprehension Quiz 3

To help improve your application skills, review the *Myt PLC (Myt)* case study and then answer these questions. Try to answer the questions without referring to the case study if possible.

1. Where is *Myt PLC*'s head office located?

.....

2. What was the first drink that *Myt PLC* manufactured?

.....

3. Why would *Myt PLC* reduce caffeine and sugar levels in its products?

.....

4. What problem has been associated with sugar substitutes in diet drinks?

.....

5. In what year did *Myt PLC*'s board of directors begin a diversification process?

.....

6. What are the names of the two companies that were acquired by *Myt* during its diversification process?

.....

7. Which new market is *Myt PLC* considering entering?

.....

8. What benefit might *Myt PLC* gain by entering the healthy snacks market?

.....

9. What type of growth strategy did *Myt PLC* use in 2023?

.....

10. What innovative advertising method is *Myt PLC* planning to use?

.....



Comprehension Quiz 3 (Answers)

To help improve your application skills, review the *Myt PLC (Myt)* case study and then answer these questions. Try to answer the questions without referring to the case study if possible.

1. Where is *Myt PLC*'s head office located?
In the United States (USA)
2. What was the first drink that *Myt PLC* manufactured??
A sweet, carbonated, and non-alcoholic root beer
3. Why would *Myt PLC* reduce caffeine and sugar levels in its products?
To address health concerns associated with high sugar and caffeine levels
4. What problem has been associated with sugar substitutes in diet drinks?
Various health problems due to the use of sugar substitutes used in *Myt*'s diet drinks
5. In what year did *Myt PLC*'s board of directors begin a diversification process?
2023
6. What are the names of the two companies that were acquired by *Myt* during its diversification process?
Lotssa Coffee (LC) and *Honest Water (HW)*
7. Which new market is *Myt PLC* considering entering?
The healthy snacks market
8. What benefit might *Myt PLC* gain by entering the healthy snacks market?
Diversification and catering to health-conscious consumers
9. What type of growth strategy did *Myt PLC* use in 2023?
External growth, by acquiring *LC* and *HW* (accept diversification as a growth strategy)
10. What innovative advertising method is *Myt PLC* planning to use?
Computer-generated avatars

IB Business Management – Paper 1 Case Study Pack

Case Study: Myt PLC (Myt)

SL and HL Mock Exam TZ1

For May 2025 examinations

1 hour 30 minutes

Instructions to candidates

- Do not open this examination paper until you have been instructed to do so.
 - Read the case study carefully.
 - Section A: answer **all** questions.
 - Section B: answer **one** question from a choice of two.
 - You are permitted to use a calculator for this examination paper.
 - The maximum mark available for this paper is **[30 marks]**.
-
- The data and information included in this mock exam are provided for illustrative purposes only, in order to provide students with practise for the final examinations in May 2025.

Myt PLC (Myt)

Myt PLC (Myt) is a publicly held multinational company that manufactures non-alcoholic drinks. *Myt's* head office is in the United States (USA). *Myt* owns manufacturing factories on six continents.

5 *Myt* has grown in size through internal and external growth. Initially, *Myt* manufactured just one drink: a root beer that was non-alcoholic, sweet, and carbonated. By 2020, *Myt* had developed its own large portfolio of over 30 different drinks, which it sells in bottles and cans. *Myt* uses social media influencers as part of its promotional strategy.

10 Obesity and diabetes are two health issues that have been linked to drinks, many of which provide the entire recommended daily sugar intake for an adult in a single can. However, sugar substitutes used in diet drinks have also been linked to various health problems. Many of *Myt's* drinks are high in caffeine and sugar.

In 2023, *Myt's* board of directors began a process of diversification, taking over:

- *Lotssa Coffee (LC)*, a chain of coffee shops with over 4000 outlets across 35 countries
- *Honest Water (HW)*, a manufacturer of bottled drinking water.

15 *Myt* announced plans to:

- modernize and make its factories green
- explore entering the healthy snacks market
- utilize computer-generated avatars when creating advertisements
- reduce caffeine and sugar levels in its products
- 20 • improve its corporate social responsibility (CSR).

25 *Myt's* chief executive officer is Jared Frieland, who advocates for a balanced growth strategy that combines innovation with sustainability. He supports modernizing manufacturing facilities to meet environmental standards and reducing caffeine and sugar levels in products to align with consumer health trends. He acknowledges that the US government's proposed 25% import tariff on aluminium from China and Canada could increase *Myt's* canning costs. Nevertheless, Jared is concerned about the environmental implications, as plastic bottles are less recyclable. He has emphasized the importance of maintaining the company's commitment to sustainability while addressing challenges such as rising energy prices across the world.

30 Gareth O'Leary is *Myt's* Marketing Director. He focuses on aggressive market expansion and brand positioning. He is enthusiastic about leveraging social media marketing and the use of computer-generated avatars to enhance brand visibility and engagement in *Myt's* advertising campaigns. Gareth argues that entering the healthy snacks market presents as an opportunity to tap into a growing consumer segment. He is less concerned about a shift to plastic bottles, viewing it as a necessary adaptation to maintain the company's price competitiveness and there
35 are economies of scale to be gained in collaboration with *Honest Water (HW)*. He believes that effective marketing can mitigate concerns about the related environmental impact.

Production Director, Yee-Boon Choo, prioritizes operational efficiency and cost management. She supports modernizing *Myt's* factories but is cautious about the associated costs of being both efficient and green. She is concerned that reducing caffeine and sugar levels could alter product

- 40 taste and affect consumer satisfaction. Yee-Boon also acknowledges the environmental concerns regarding the potential increase in plastic bottle usage but emphasizes the need to manage production costs amid the potential aluminium tariffs. Preferring a democratic leadership style, she advocates for a pragmatic approach that balances environmental goals with financial realities. She has suggested that the board of directors needs to prioritize a marketing plan.
- 45 Jared and Gareth are interested in the proposal to enter the healthy snacks market. This move aligns with global trends toward healthier eating habits and offers an opportunity to diversify *Myt*'s product portfolio. The company is considering developing a range of low-sugar, natural, and nutritious snacks that complement its beverage offerings, potentially leveraging its existing distribution channels to reach health-conscious consumers.
- 50 However, Jared has expressed major concerns about *Myt PLC*'s eroding profitability and liquidity ratios. In the most recent board meeting, the Finance Director presented the following financial summary (**Table 1**).

Table 1 – Financial ratios for *Myt PLC* (2023 and 2024):

Financial ratio	2024	2023
Gross profit margin (%)	18.1	20.6
Profit margin (%)	8.2	11.3
Return on capital employed (%)	6.2	8.4
Acid test ratio	0.7	1.1
Current ratio	1.0	1.4

- The Finance Director has suggested that the fall in the financial ratios was mainly due to highly expensive acquisitions made during 2023, causing a significant rise in costs of production and the resulting diseconomies of scale recorded in 2024. The directors agreed that *Myt PLC* would need to generate additional revenue streams.

- Myt*'s environmental initiatives are under scrutiny from various pressure groups advocating for sustainable business practices. The 2024 *Global Brand Audit* by the *Break Free From Plastic (BFFP)* movement identified *Honest Water (HW)* as one of the world's top global plastic polluters alongside the likes of the Coca-Cola Company, Nestlé, Unilever, and PepsiCo.

- Myt*'s plan to modernize its factories includes adopting energy-efficient technologies and reducing waste through comprehensive recycling programmes. However, the potential increase in plastic bottle usage due to the aluminium tariffs has raised further concerns among environmental advocates. Plastic remains a far more cost-effective material for *Myt PLC* to use than glass. *Myt* is exploring the use of biodegradable materials as well as sustainable packaging solutions as an alternative to traditional plastics to mitigate environmental impact and address these concerns.

Modernizing *Myt PLC*'s factories involves significant capital expenditure estimated to be around \$100 million, including the installation of renewable energy solutions such as solar panels.

- The estimated payback period is 3 years and 2 months.
- Over a 5-year period, the average rate of return (ARR) is expected to be 6.5%. As of February 2025, the base interest rate in the USA is 4.50%.

- 4 -

In addition, the directors are exploring initiatives such as reducing *Myt's* carbon footprint, engaging in community development projects, and ensuring ethical sourcing of ingredients. Given the intensity of competition in the industry, Jared believes it is crucial that *Myt* enhances its CSR efforts in order to build a more positive brand image and foster long-term relationships with its key stakeholder groups.

Organizations, products, or individuals named in this case study are fictitious and any similarities with actual entities are purely coincidental.

SECTION A

Answer **all** questions from this section.

1. Define the term *corporate social responsibility* (line 20). [2]
2. Define the term *social media marketing* (line 30). [2]
3. Apart from takeovers (line 12), outline **two** methods of external growth that *Myt PLC* may have pursued. [2]
4. Explain **two** reasons how diseconomies of scale (line 55) can erode *Myt PLC's* profitability ratios (Table 1). [4]
5. Explain **two** reasons why it is important for *Myt PLC* to generate new revenue streams (line 56). [4]
6. In the context of the external environment, analyse **three** potential challenges for *Myt PLC*. [6]

SECTION B

Answer **one** question from this section.

7. Recommend whether *Myt PLC* should invest in modernizing its factories. [10]
8. Recommend a plan of action for *Myt PLC* to improve the multinational company's financial position. [10]

IB Business Management – Paper 1 Case Study Pack

Case Study: Myt PLC (Myt)

SL and HL Mock Exam – TZ1 Mark Scheme

For May 2025 examinations

TEACHERS' NOTES

- These are suggested answers only.
- Teachers should use their professional judgement in awarding answers that may not be included in this mark scheme.
- The data and information included are provided for illustrative purposes only to give students practise for the final examination in May 2025.
- While there is no need to include any HL content, students should be awarded accordingly if the inclusion of such content directly addresses the demands of the question.

SECTION A

1. Define the term *corporate social responsibility* (line 20). [2]

Corporate social responsibility (CSR) refers to an organization's commitment to ethical behaviour and its obligation to contribute positively to society beyond profit-making. This includes initiatives focused on environmental sustainability, ethical sourcing of materials and ingredients, community engagement, and improving stakeholder well-being. It aims to balance economic, social, and environmental concerns while enhancing the company's reputation and long-term success.

Award [1] for a definition that shows some understanding of CSR.

Award [2] for a clear and accurate definition of CSR, similar to the example above.

Application and examples are not required.

2. Define the term *social media marketing* (line 30). [2]

Social media marketing refers to the use of social media platforms such as Facebook, Instagram, TikTok, and X (Twitter) to promote an organization's goods or services. It involves activities such as content creation, influencer partnerships, targeted advertisements, and audience engagement to increase brand awareness, attract customers, and stimulate sales. It allows businesses to interact directly with consumers and gain real-time feedback.

Award [1] for a definition that shows some understanding of social media marketing.

Award [2] for a clear and accurate definition of social media marketing, similar to the example above.

Application and examples are not required.

3. Apart from takeovers (line 12), outline two methods of external growth that *Myt PLC* may have pursued. [2]

Possible external growth methods include:

- Mergers – Mutual agreement to combine with another company to form a single, larger entity, to help *Myt PLC* increase its sales and market share.
- Strategic alliances – Teaming up with other organizations to collaborate on projects or share resources while remaining independent business entities.
- Joint ventures – Creating a separate business entity with another company to share ownership, risks, and profits, which could help *Myt PLC* enter new markets or industries.

- Licensing – Allowing other companies to produce and sell *Myt PLC*'s products under its brand name in exchange for royalties.

Mark as a 1 + 1.

Award **[1]** for a method of external growth, up to the maximum of **[2]**.

4. Explain two reasons how diseconomies of scale (line 55) can erode *Myt PLC*'s profitability ratios (Table 1). [4]

Diseconomies of scale occurs when *Myt PLC* operates on a larger scale, through its internal and external growth (line 4), but suffers from higher average costs of production due to operational inefficiencies, such as:

- Higher managerial costs – As *Myt PLC* expands through acquisitions (of *Lotssa Coffee* and *Honest Water*, for example), managing a larger and more diverse company becomes highly complex. Increased administrative expenses and bureaucracy can lead to operational inefficiencies, raising costs per unit of production and lowering profit margins.
- Coordination and communication issues – Operating factories across six continents and integrating new acquisitions require effective coordination and communications. However, miscommunications, cultural differences, and slow decision-making can lead to production delays and inefficiencies, increasing average costs of production and eroding the company's profitability and return on capital employed (ROCE).
- Rising production costs – Expanding *Myt PLC*'s manufacturing operations (lines 13 - 14) and switching to more sustainable production methods may initially result in higher fixed and variable costs for the company. This reduces *Myt*'s profit margin from 11.3% in 2023 to 8.2% in 2024 as expenses have accounted for a greater proportion of its sales revenue.
- Liquidity constraints – Growth through acquisitions in 2023 (lines 13 - 14) significantly increased *Myt PLC*'s costs, leading to financial strain on the company. *Myt*'s acid test ratio fell from 1.1 to 0.7, meaning it has fewer liquid assets to cover short-term liabilities. This could result from overinvestment in growth without sufficient short-term cash flow management, further worsening the company's financial performance.

Accept any other relevant explanation, written in the context of the case study.

Mark as 2 + 2.

Award **[1]** for each relevant reason, plus a further **[1]** for an appropriate explanation written in the context of the case study, up to a total maximum of **[4]**.

If there is no application shown, award a maximum of **[2]**.

5. Explain two reasons why it is important for *Myt PLC* to generate new revenue streams (line 56). [4]

Revenue streams are the flows of money or income coming into *Myt PLC* from a particular trading activity during a given period of time. *Myt's* revenues come mainly through the sale of its non-alcoholic drinks, such as carbonated drinks, coffees, and bottled drinking water.

Additional revenue streams can help to improve *Myt PLC's* profitability, by addressing the following issues, for example:

- Declining gross profit margin (from 20.6% to 18.1%) and profit margin (from 11.3% to 8.2%) (Table 1).
- Funding *Myt PLC's* production costs given the potential 25% import tariffs on aluminium needed for the company's cans (line 24).
- The company's acid test ratio (0.7) and current ratio (1.0) also indicate liquidity constraints (Table 1).
- Reducing *Myt PLC's* dependence on sugary and caffeinated drinks, given growing health concerns over obesity, diabetes, and the risks of sugar substitutes are shifting consumer preferences away from traditional sugary drinks (lines 8 - 10).
- Additional revenue from new product lines or market segments can spread fixed costs across more sales, reducing the impact of diseconomies of scale caused by *Myt PLC's* expansion through acquisitions of *Lotssa Coffee* and *Honest Water* (lines 12 - 14).

Essentially, new revenue streams, such as healthy snacks, could help offset rising costs, improve cash flow, and restore profitability

Mark as 2 + 2.

Award [1] for each relevant reason, plus a further [1] for an appropriate explanation written in the context of the case study, up to a total maximum of [4].

If there is no application shown, award a maximum of [2].

6. In the context of the external environment, analyse three potential challenges for *Myt PLC*. [6]

In analyzing the external environment, relevant aspects of a STEEPLE analysis can be used to explain the challenges facing *Myt PLC*, although this is not a formal requirement.

The examples below are for illustrative purposes only, rather than as a prescriptive or definitive list of challenges:

- Health concerns and changing consumer preferences – Consumers are increasingly aware of the negative effects of sugary and caffeinated drinks, leading to a growing demand for healthier alternatives (lines 24, and 45 - 46). *Myt's* traditional product offerings mean that failure to adjust to these changing trends could potentially harm its financial performance and brand image.

- Environmental laws and regulations – Governments and health organizations are introducing regulations on sugar content, advertising to children, and even taxes on sugary drinks in some countries. *Myt* must adapt to these changes by reducing sugar and caffeine levels, which could affect taste and brand loyalty. This could lead to a decline in demand for *Myt*'s traditional sweet, carbonated drinks if the company does not successfully transition to healthier offerings like low-calorie or diet drinks or diversify into healthier product lines (such as healthy snacks).
- Pressure and advocacy groups (lines 57 - 59) – The excessive plastic waste and packaging in the non-alcoholic drinks industry means that *Myt PLC* faces scrutiny over its overuse of plastic bottles and the environmental impacts of its business. The *BFFP (Break Free From Plastic)* movement has identified *Honest Water (HW)* as a significant plastic polluter, for example (lines 59 - 60).
- Tariffs and costs – Proposed tariffs on aluminium imports (from China and Canada) could increase *Myt*'s canning costs, leading to higher production costs and potentially reduced profitability (lines 24 - 25). The challenge is that *Myt PLC* may need to invest in sustainable packaging solutions, such as biodegradable materials or better recycling initiatives, to address these concerns while managing costs effectively.
- Intensity of competition – *Myt* operates in a highly competitive industry dominated by global market leaders like Coca-Cola, PepsiCo, and Nestlé (lines 59 - 60), who also focus on diversifying their product lines (e.g., plant-based drinks and healthier snacks) as well as eco-friendly packaging. Hence, there are pressures for *Myt* to continually innovate and differentiate itself, especially with its new acquisitions, but this also comes at the cost of high R&D expenditure, which has negatively impacted the company's profitability (Table 1).

Accept any other relevant response using a STEEPLE analysis framework and analysed in the context of the case study.

*Do **not** accept responses that refer to the internal environment, such as the weaknesses of or challenges for *Myt PLC*.*

Mark as 2 + 2 + 2.

*For each point, award **[1]** for a suitable challenge, and a further **[1]** for the analysis written in the context of the case study, up to the maximum of **[6]**.*

*If there is no application shown, award a maximum of **[3]**.*

SECTION B

7. Recommend whether *Myt PLC* should invest in modernizing its factories. [10]

In the context of *Myt PLC*, the decision to invest in modernizing its factories involves evaluating both the potential financial benefits and risks associated with the necessary capital expenditure. The cost of modernization is \$100 million (lines 67 - 68), although there is no data about whether the company can afford this or if it will need to rely on external sources of finance.

Arguments in favour of modernizing the factories could include:

- Environmental benefits and corporate social responsibility (CSR) – Modernizing the factories will help *Myt* meet its sustainability targets by adopting energy-efficient technologies and reducing waste through recycling programmes (lines 61 - 62). This would align with *Myt's* CSR objectives (line 20), which focus on improving its environmental impact whilst fostering a positive brand image in the non-alcoholic drinks industry. These initiatives could enhance its corporate reputation among stakeholders, including health-conscious consumers and investors who value sustainability.
- Cost efficiency in the long term – The investment in renewable energy, such as solar panels (line 68) would eventually reduce energy costs for *Myt PLC*. As energy consumption decreases due to the modernization of its factories, *Myt PLC* will benefit from lower ongoing operating expenses, particularly in the face of rising energy prices (line 28). Economies of scale could be achieved through technological advancements, including green technologies, reducing *Myt PLC's* long-term production costs and increasing efficiency.
- Investment appraisal – A payback period of 3 years and 2 months (line 69), which may be attractive as a reasonable timeframe to shareholders given the project lasts 5 years, so it is expected to earn profit for the remaining period of 1 year and 10 months. An average rate of return (ARR) of 6.5% over five years (line 70), which is noticeably more attractive than the current base interest rate of 4.5% in the US (line 71), suggesting the project could provide a reasonable return on capital employed (ROCE).
- Meeting regulatory and market pressures – The *Global Brand Audit* identified *Honest Water* as a significant plastic polluter (lines 58 - 59). By modernizing its factories and improving sustainability practices, *Myt PLC* is likely to improve its compliance with environmental regulations and reduce plastic usage. Furthermore, modernization of its factories can help mitigate the impact of the 25% aluminium tariffs (lines 24 - 25) by improving operational efficiency and reducing costs elsewhere.
- *Accept any other relevant reason in favour of Myt PLC investing in modernizing its factories, written in the context of the case study.*

The case against modernizing *Myt PLC's* factories could include:

- The high initial capital expenditure and financial risks – The \$100 million capital investment in factory modernization is a significant upfront cost for *Myt PLC*. This could lead to further liquidity problems, particularly as *Myt's* acid test ratio has dropped to below 1.0 in 2024 (Table 1), signalling short-term cash flow issues for the multinational company. Given its eroding profitability (as seen in the declining profit margin and return on capital employed ratios), investing such a large amount now could place additional financial strain on the company during times of uncertainty, such as the imposition of tariffs on aluminium (lines 24 - 25).

- Potential for diseconomies of scale – Modernization may initially lead to diseconomies of scale (rising average costs of production), as *Myt PLC* might incur significant disruptions to production during the transition period, leading to operational inefficiencies and increased costs. The significant upfront capital outlay of \$100 million may also limit the company’s ability to pursue other strategic initiatives, such as the opportunities from expanding the healthy snacks market (lines 32 - 33) or investing in research and development (R&D) to gain advantages in a highly competitive industry (lines 73 - 74).
- Uncertainty regarding long-term impacts – While the investment promises long-term benefits in cost savings, the exact return on investment is difficult to predict, especially during times of uncertainty. Changes in the non-alcoholic drinks market, regulatory environments, interest rates, or unexpected technological disruptions could affect the return on the investment of \$100 million to modernize the factories. In addition, consumer preferences may shift, making some of *Myt’s* modernization efforts less relevant or less impactful than anticipated.
- Environmental and legal concerns with plastic bottles – Modernizing the factories and increasing production efficiency may still require using plastic bottles, as this would help maintain the company’s price competitiveness (line 34). This being a concern for the CEO, environmental advocates, and government regulators. *Myt* could face legal and reputational risks if the environmental implications of plastic usage worsen, potentially reducing customer loyalty and attracting negative publicity. Therefore, the return on investment in modernization may be lower than initially predicted.

Conclusion / Recommendation

Note that candidates can provide any conclusion, so long as the arguments are clear and substantiated. For example, *Myt PLC* should proceed with caution in modernizing its factories, making them more environmentally sustainable. While the long-term benefits such as cost savings, improved sustainability, and compliance with environmental regulations are compelling, the high upfront costs, liquidity challenges, and potential diseconomies of scale make the decision more complex. The financial pressures and risks associated with the investment should be carefully considered, especially given the current strain on *Myt’s PLC* profitability and liquidity (Table 1).

A balanced approach may be best, where *Myt PLC* could prioritize specific aspects of the modernization plan (e.g., energy efficiency) while also seeking other low-risk initiatives to improve financial performance, such as exploring the healthy snacks market or expanding further into existing profitable sectors.

Limitations of the stimulus, which would otherwise improve the objectivity of the recommendation include:

- Lack of detail on alternative investment opportunities – The case study does not provide sufficient information about other possible avenues for investment (e.g., marketing campaigns or R&D into new products that have less caffeine and sugar levels) that *Myt PLC* could pursue instead of factory modernization. This limits the evaluation of whether the \$100 million investment in modernization is the best use of its financial resources.
- Market research and consumer preferences – The stimulus does not provide detailed insights into sales forecasts for *Myt’s* products post-modernization or how the market dynamics could shift in the coming years, e.g., is the non-alcoholic drinks sector expected to grow or fall, and by how much? Consumer trends, especially towards health-conscious products, might significantly impact the success of the modernization project.

- Limited financial data – More detailed financial forecasts, including projections for both short-term and long-term revenue and cost savings, for different product lines, would help strengthen the evaluation of whether *Myt* can afford such a large investment (of \$100 million) given its current financial position (Table 1). Example, there is no information about the level of *Myt PLC*'s current borrowing or gearing ratio.
- *Accept any other relevant reason opposed to Myt PLC investing in modernizing its factories, written in the context of the case study.*

Candidates can make any recommendation so long as this is substantiated, and the line of argument is based on the evidence presented in the response.

Award [1 – 2] for a response that shows little understanding of the demands of the question. There is minimal use of Business Management tools and theories, which are irrelevant or used inaccurately. There is little, if any, reference to the stimulus material.

Award [3 – 4] for a response that shows some understanding of the demands of the question. There is some use of Business Management tools and theories, but these are mostly lacking in accuracy and relevance. There is superficial use of information from the stimulus material, often not going beyond the name of the organization. Any arguments made are largely not substantiated.

Award [5 – 6] for a response that shows an understanding of the demands of the question, but these demands are only partially addressed. There is some relevant and accurate use of Business Management tools and theories. There is some relevant use of information from the stimulus material that goes beyond just the name of the organization but does not effectively support the argument. Arguments are substantiated but are mostly one-sided (unbalanced)s.

Award [7 – 8] for a response that mostly addresses the demands of the question. The response contains mostly relevant and accurate use of Business Management tools and theories. Information from the stimulus material is generally used to support the argument, although there is some lack of clarity or relevance in some places. Arguments are substantiated and the response has some balance.

Award [9 – 10] for a response that shows clear focus on addressing the demands of the question throughout. There is relevant and accurate use of Business Management tools and theories. Relevant information from the stimulus material is integrated effectively to support the argument. Arguments are substantiated and balanced. There is an explanation of the limitations of the case study or stimulus material.

8. Recommend a plan of action for *Myt PLC* to improve the multinational company's financial position. [10]

Possible recommendations could include:

1. Diversify *Myt PLC*'s product portfolio by expanding into the healthy snacks market.

Advantages of this recommendation include:

- Increased revenue streams – Entering the healthy snacks market (line 17) would create a new revenue stream for *Myt PLC*, helping to reduce its dependency on traditional beverages and potentially increasing overall sales revenue and profitability ratios.
- This approach aligns with consumer trends – The growing demand for healthier food options (lines 23 - 24), along with consumer preference for low-sugar and natural products, fits well with *Myt PLC*'s aim to address health-related concerns (lines 46 - 49). This would provide the company with additional revenue streams, which could be important to tackle the decline in its liquidity position (Table 1).
- Market penetration growth strategy – As the market for health-conscious products expands (lines 32 - 33), *Myt PLC* can capitalize on its brand recognition and distribution networks already established with its beverage products across the world.

Disadvantages of this recommendation include:

- High initial investment – Entering a new market requires substantial investments in product development, market research, advertising and promotion, and distribution, all of which could strain *Myt PLC*'s financial resources, especially given its current liquidity concerns (Table 1).
- Risk of failure – *Myt PLC* is a traditional manufacturer of non-alcoholic drinks, so diversifying into the healthy snacks market is risky, especially if there is a high degree of competition with well-established market leaders. If *Myt*'s healthy snack products do not meet customer expectations or fail to capture market share, the company could face financial losses, thereby worsening its financial position.
- Brand confusion – Introducing new products outside of its core beverages could lead to brand dilution, confusing customers about *Myt*'s identity. This could mean that the company's healthy snacks division would need to be traded under a separate brand name, but marketing and financial challenges remain without any brand awareness or customer loyalty in this new market for the company.

2. Improve operational efficiency through technological upgrades (modernization).

Advantages of this recommendation include:

- Cost reduction in the long term – Investing in technological advancements such as energy-efficient technologies and reducing waste through comprehensive recycling programmes (lines 61 - 62) could significantly reduce *Myt PLC*'s costs and improve its production efficiency. Lower operational expenses in the long term would lead to higher profit margins for the company (Table 1).

- Alignment with sustainability goals – Implementing energy-efficient technologies and green production practices would enhance *Myt PLC*'s sustainability efforts, potentially improving its CSR image and attracting environmentally-conscious consumers. This would help to address concerns about having to balance *Myt PLC*'s environmental goals with financial realities (line 43).
- Economic sustainability (long-term profitability) – Although the initial investment is high at an estimated \$100 million (lines 67 - 68), the long-term savings in energy costs, waste reduction, and labour efficiency could boost *Myt PLC*'s overall profitability in the long term. This will therefore improve the MNC's return on investment for its shareholders and other investors.

Disadvantages of this recommendation include:

- High initial costs – The cost of implementing automation and upgrading technology may be significant, especially given *Myt*'s current financial position (Table 1). This puts huge pressure on *Myt*'s short-term finances and possibly exacerbating its liquidity issues.
- Disruption during transition period – Implementing modernization of its factories could result in temporary disruptions to *Myt*'s production schedules. This would negatively impact the company's overall productivity and customer satisfaction in the short run, and potentially harm its financial position in the long run.
- Dependence on external providers – *Myt* would need to rely on external suppliers for factory upgrades and new technologies, which could expose the company to risks related to supply chain disruptions or technological obsolescence. This would therefore be detrimental to its financial position.

3. Strengthening corporate social responsibility (CSR) to drive economic sustainability.

Advantages of this recommendation include:

- Enhanced brand image and consumer trust – Consumers are increasingly aware of environmental and health-related concerns (lines 45 - 49). By improving CSR initiatives (line 20), such as the use of biodegradable materials and sustainable packaging (line 65), *Myt* can strengthen its corporate reputation, attract socially responsible customers, and build brand loyalty to improve its long-term profitability.
- Competitive advantages in an evolving market – With growing health consciousness, reducing caffeine and sugar levels in its products aligns with consumer preferences. This differentiation strategy can position *Myt* ahead of competitors that fail to adapt to market trends, potentially leading to higher sales despite plastics being far more cost-effective for *Myt PLC* to use than glass, for example (line 64).
- Improved investor relations – Investors and financial lenders are more likely to support businesses with strong CSR policies and practices. Strengthened and sustained CSR efforts could therefore improve investor confidence and open up funding opportunities for *Myt* from sustainability-focused investment firms.
- Regulatory compliance and risk reduction – Governments worldwide are tightening regulations on social and environmental sustainability, such as sugar content in food and beverages. By proactively adopting CSR measures, *Myt* can avoid potential fines, negative media attention, and restrictions on its products. This would, ultimately, improve the financial position of the company.

Disadvantages of this recommendation include:

- High implementation costs – Investing in CSR practices, such as the widespread use of sustainable packaging, ethical sourcing, and carbon reduction initiatives (line 72), all requires significant upfront costs. Modernizing factories to be environmentally friendly (line 16), for example, could strain financial resources, especially as the ROCE has fallen from 8.4% to 6.2% (Table 1).
- Uncertain consumer response – While many consumers support sustainability efforts, not all are willing to pay a premium for it (as sustainable materials and ethical sourcing could increase production costs). If demand does not increase proportionally with Myt's CSR efforts, the company may struggle to recoup its investments in CSR initiatives.
- Operational challenges – Sourcing sustainable raw materials and transitioning to greener production methods, as part of Myt PLC's CSR practices, could disrupt its global supply chain. This would then cause potential production delays or inconsistencies in product availability. Customers may then switch brands, harming Myt PLC's financial position.

Accept any other relevant and substantiated recommendation, written in the context of the case study.

Conclusion

Note that candidates can provide any conclusion, so long as the arguments are clear and substantiated. Myt PLC faces a challenging financial position (deteriorating financial metrics shown in Table 1), so the board of directors must implement strategies to improve its profitability and cash flow. The three strategies recommended above, as a combined plan of action, serves as an illustrative example only – diversifying Myt PLC's product portfolio, improving its operational efficiency through modernization, and strengthening its CSR. Each have their advantages and disadvantages.

Limitations of the stimulus include:

- Lack of detailed financial data – The stimulus provides limited insight into the current cash flow and liquidity situation of Myt, which are crucial factors in assessing the feasibility of the recommendations. Including its cash flow forecast or final accounts would help beyond liquidity ratios shown in Table 1.
- Market and consumer insights – There is limited information on consumer preferences within the healthy snacks market or on the effectiveness of Myt's current social media marketing strategy (the use of influencers), making it harder to evaluate the potential success of these strategies.
- Competition analysis – The stimulus does not provide details on competitor activity, especially in the healthy snacks, which could affect the financial success of any recommendation.

Candidates can make any recommendation so long as this is substantiated, and the line of argument is based on the evidence presented in the response.

Award [1 – 2] for a response that shows little understanding of the demands of the question. There is minimal use of Business Management tools and theories, which are irrelevant or used inaccurately. There is little, if any, reference to the stimulus material.

Award [3 – 4] for a response that shows some understanding of the demands of the question. There is some use of Business Management tools and theories, but these are mostly lacking in accuracy and relevance. There is superficial use of information from the stimulus material, often not going beyond the name of the organization. Any arguments made are largely not substantiated.

Award [5 – 6] for a response that shows an understanding of the demands of the question, but these demands are only partially addressed. There is some relevant and accurate use of Business Management tools and theories. There is some relevant use of information from the stimulus material that goes beyond just the name of the organization but does not effectively support the argument. Arguments are substantiated but are mostly one-sided (unbalanced)s.

Award [7 – 8] for a response that mostly addresses the demands of the question. The response contains mostly relevant and accurate use of Business Management tools and theories. Information from the stimulus material is generally used to support the argument, although there is some lack of clarity or relevance in some places. Arguments are substantiated and the response has some balance.

Award [9 – 10] for a response that shows clear focus on addressing the demands of the question throughout. There is relevant and accurate use of Business Management tools and theories. Relevant information from the stimulus material is integrated effectively to support the argument. Arguments are substantiated and balanced. There is an explanation of the limitations of the case study or stimulus material.

IB Business Management – Paper 1 Case Study Pack

Case Study: Myt PLC (Myt)

SL and HL Mock Exam TZ2

For May 2025 examinations

1 hour 30 minutes

INSTRUCTIONS

- Do not open this examination paper until you have been instructed to do so.
 - Read the case study carefully.
 - Section A: answer **all** questions.
 - Section B: answer **one** question from a choice of two.
 - You are permitted to use a calculator for this examination paper.
 - The maximum mark available for this paper is **[30 marks]**.
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- The information included in this mock exam has been provided for illustrative purposes only, in order to provide students with practice for the final examinations in May 2025.

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Myt PLC (Myt)

Myt PLC (Myt) is a publicly held multinational company that manufactures non-alcoholic drinks. *Myt's* head office is in the United States (USA). *Myt* owns manufacturing factories on six continents.

5 *Myt* has grown in size through internal and external growth. Initially, *Myt* manufactured just one drink: a root beer that was non-alcoholic, sweet, and carbonated. By 2020, *Myt* had developed its own large portfolio of over 30 different drinks, which it sells in bottles and cans. *Myt* uses social media influencers as part of its promotional strategy.

10 Obesity and diabetes are two health issues that have been linked to drinks, many of which provide the entire recommended daily sugar intake for an adult in a single can. However, sugar substitutes used in diet drinks have also been linked to various health problems. Many of *Myt's* drinks are high in caffeine and sugar.

In 2023, *Myt's* board of directors began a process of diversification, taking over:

- *Lotssa Coffee (LC)*, a chain of coffee shops with over 4000 outlets across 35 countries
- *Honest Water (HW)*, a manufacturer of bottled drinking water.

15 *Myt* announced plans to:

- modernize and make its factories green
- explore entering the healthy snacks market
- utilize computer-generated avatars when creating advertisements
- reduce caffeine and sugar levels in its products
- 20 • improve its corporate social responsibility (CSR).

Myt operates in a highly competitive industry. Market research shows consumer preferences are shifting toward healthier beverage options, with a growing demand for no-sugar or low-sugar and plant-based drinks. The global non-alcoholic beverage market was valued at \$1.8 trillion in 2024 and is projected to reach \$3.8 trillion by 2034.

25 In addition, environmental concerns are driving the board of directors to adopt sustainable practices. This includes plans to:

- develop biodegradable packaging to replace plastic bottles and cans
- improve water and energy efficiency in production
- implement efficient recycling practices and processes to enhance waste management.

30 Regulatory bodies worldwide are also imposing stricter rules on advertising, product formulation, and labelling transparency. *Myt PLC* has therefore committed to making its factories more environmentally friendly by investing in energy-efficient production processes and reducing its overall carbon footprint.

35 Pressure groups advocating for environmental responsibility have also urged *Myt PLC* to accelerate its environmental sustainability efforts, particularly in regions where pollution and waste disposal are major concerns. Consumers also expect multinational brands to demonstrate ethical business practices, including the fair treatment of suppliers and responsible sourcing of raw materials.

Myt PLC has relied on social media marketing (SMM) since 2015 to promote its drinks. This includes the use of influencers to engage with millions of followers, creating viral marketing campaigns and

40 increasing brand visibility. However, in an effort to modernize its advertising approach, *Myt PLC* plans to introduce computer-generated avatars into its campaigns. The aim is for these digital characters to interact with consumers across multiple platforms, providing personalized experiences and strengthening the brand's global appeal among younger demographics.

While this strategy has potential, it also raises concerns about authenticity and consumer trust.

45 Findings from focus groups suggest that some customers prefer genuine human engagement over digital interactions. In addition, regulatory bodies may impose guidelines on how avatars can be used in advertising, requiring transparency in their messaging.

50 Governments worldwide have or are introducing sugar taxes to tackle rising obesity and diabetes rates, increasing costs for high-sugar beverages. These taxes increase the cost of high-sugar beverages, pushing companies like *Myt PLC* to reconsider their product formulations. The multinational company needs to balance taste, expectations, and affordability while complying with such regulations. *Myt PLC* must also decide whether to absorb these taxes or pass costs to consumers, which could impact sales and brand loyalty.

55 The global healthy snacks market is experiencing rapid growth as consumers become more health-conscious and seek nutritious alternatives to traditional snacks. Popular healthy snacks include protein bars, nut-based snacks, whole-grain crackers, and fruit-based products. This industry, valued at over \$100 billion in 2024, is projected to surpass \$150 billion by 2030 (see Figure 1).

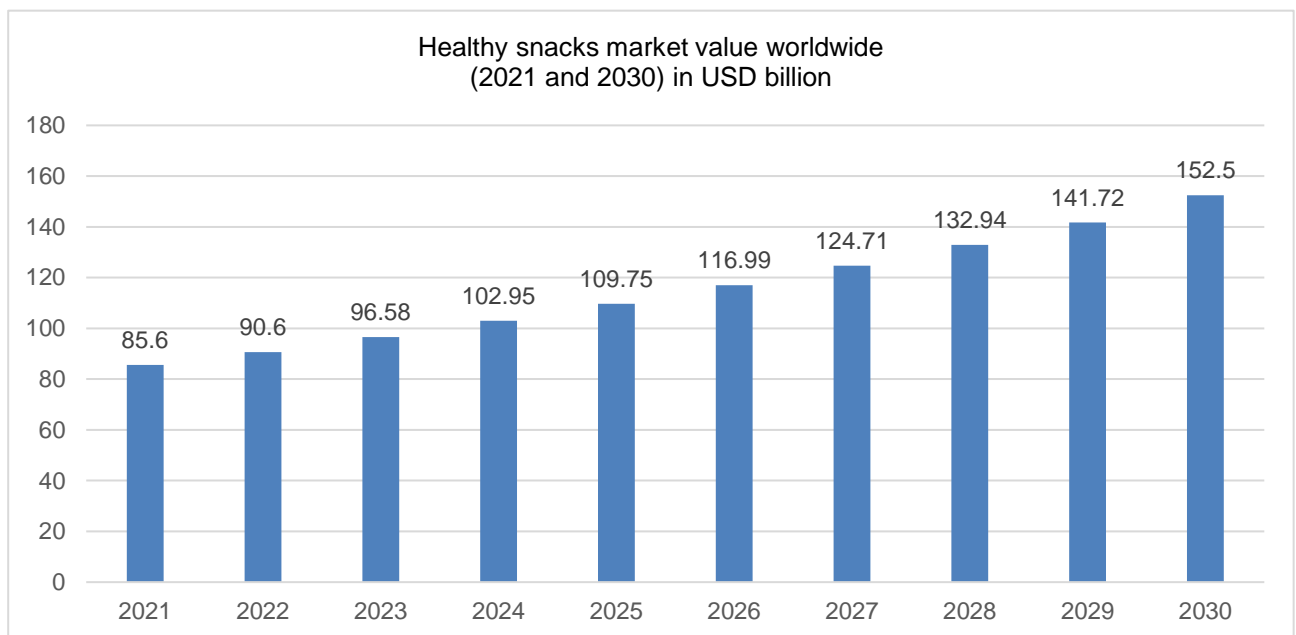


Figure 1 - Healthy snacks market value worldwide

Source: [Statista](#)

Several market leaders in the global healthy snacks industry include:

- 60 • *Simply Good Foods* – This company caters to the growing demand for low-carb, low-sugar, and high-protein diets. Its portfolio includes brands like *Quest Nutrition*, which accounts for over half of its sales, and the recently acquired *Only What You Need (OWYN)*, a plant-based protein drink company. It is also known for supporting community health and educational programmes.

- 4 -

- 65 • *Deliciously Ella* – A UK-based healthy eating brand offering a range of plant-based snacks and foods. In 2024, *Deliciously Ella* was acquired by the Swiss company *Hero Group*, aiming to expand its international presence in the healthy snacks industry.
- *Arnott's Group* – An Australian company traditionally known for its biscuits. The company has invested heavily in the gluten-free market since 2021 and has seen sales increase to \$35.6 million, contributing to 3% of its total biscuit sales, with plans to reach 10%.

70 Key drivers of this growth include increasing demand for plant-based, high-protein, and organic snacks, as well as rising awareness of the benefits of plant-based foods. The directors are aware that entering the healthy snacks market could complement *Myt's* beverage offerings and provide a complementary revenue stream. However, this expansion would require significant investment in product development, manufacturing capabilities, and marketing.

Organizations, products, or individuals named in this case study are fictitious and any similarities with actual entities are purely coincidental.

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SECTION A

Answer **all** questions from this section.

1. State **two** features of a publicly held company (line 1). [2]
2. Define the term *promotional strategy* (line 7). [2]
3. Explain **two** suitable sources of finance for *Myt PLC* to modernize and make its factories green (line 16). [4]
4. Explain **two** reasons why environmental sustainability is important for *Myt PLC* (line 35). [4]
5. Outline why brand loyalty is important to *Myt PLC* (line 53). [2]
6. Explain **two** advantages and **one** disadvantage for *Myt PLC* of using social media marketing (SMM) as part of its promotional strategy (lines 38 - 39). [6]

SECTION B

Answer **one** question from this section.

7. Using the stimulus material, and your knowledge of business management, recommend whether *Myt PLC* should enter the healthy snacks market (line 17). [10]
8. Recommend a plan of action for *Myt PLC* to improve its corporate social responsibility (CSR) (line 20) to gain competitive advantages in the non-alcoholic drinks industry. [10]

IB Business Management – Paper 1 Case Study Pack

Case Study: Myt PLC (Myt)

SL and HL Mock Exam TZ2 Mark Scheme

For May 2025 examinations

TEACHERS' NOTES

- These are suggested answers only.
- Teachers should use their professional judgement in awarding answers that may not be included in this mark scheme.
- The data and information included are provided for illustrative purposes only to give students practise for the final examination in May 2025.
- While there is no need to include any HL content, students should be awarded accordingly if the inclusion of such content directly addresses the demands of the question.

SECTION A

1. State **two** features of a publicly held company (line 1). [2]

Possible features of a publicly held company include any two of the following:

- Shareholders (co-owners) have limited liability.
- As an incorporated company, the business is a separate legal entity from its owners.
- Transferability of ownership as shares can be bought and sold via a public stock exchange.
- Business continuity as the company's existence continues despite any changes in ownership.
- The organization is managed and governed by a board of directors, elected by the shareholders.

Accept any other relevant feature.

Award [1] for each valid feature, up to the maximum of [2].

*Explanations and application are **not** required for full marks.*

2. Define the term **promotional strategy** (line 7). [2]

A promotional strategy is a planned approach that businesses use to communicate and market their goods or services to target customers. It involves various techniques such as advertising, sales promotions, and social media marketing (including the use of social media influencers) to increase brand awareness, attract customers, and generate sales.

Award [1] for a definition that shows some understanding of promotional strategy.

Award [2 marks] for a clear and accurate definition of promotional strategy, similar to the example above.

*Explanations and application are **not** required for full marks.*

3. Explain **two** suitable sources of finance for **Myt PLC** to modernize and make its factories green (line 16). [4 marks]

Possible answers include an explanation of any **two** of the following sources of finance:

- Retained profits – As a large and well-established multinational company, *Myt PLC* can reinvest its earnings from previous years, avoiding debt and interest costs while maintaining control over its funding decisions. However, this may not be sufficient to fund the modernization plans,
- Share capital – As a publicly held company, *Myt PLC* can raise finance by issuing new shares to investors, generating significant capital without incurring debt. However, this may dilute existing shareholders' ownership.

- Loan capital – As a large MNC with operations across six continents, *Myt PLC* should be able to secure long-term bank loans to finance the factory modernization. While this provides immediate funding, it also increases financial obligations due to interest payments owed to commercial lenders.
- Leasing – Instead of capital expenditure on new green technologies outright, *Myt PLC* can opt to lease energy-efficient machinery and technology, such as solar energy. This reduces upfront costs and helps to preserve its liquidity position.
- Business angels – While typically more relevant for startups and smaller firms, *Myt PLC* might be able to attract large-scale investors or ethical investment funds interested in supporting sustainable initiatives such as green factories in the non-alcoholic drinks industry.

Do not accept personal funds (for sole traders and partnerships), overdrafts, trade credit, crowdfunding or microfinance providers as these are not appropriate sources of finance.

Mark as 2 + 2.

Award [1] for a suitable source of finance, plus a further [1] for an appropriate explanation written in the context of the case study, up to a total maximum of [4].

If there is no application shown, award a maximum of [2].

4. Explain two reasons why environmental sustainability is important for *Myt PLC* (line 35). [4 marks]

Possible advantages include an explanation of any **one** of the following points:

- Regulatory compliance – Governments and regulatory bodies worldwide are imposing stricter rules on product formulation, packaging, labelling transparency, and carbon emissions (lined 30 - 33). By adopting sustainable practices such as biodegradable packaging and energy-efficient production, *Myt PLC* can comply with these regulations, avoiding fines, legal issues, and potential bans on certain products.
- Consumer expectations – Consumers are increasingly prioritizing environmentally responsible brands. Many expect businesses to use sustainable and ethical sourcing of materials and ingredients as well as eco-friendly packaging such as biodegradable packaging (line 27). By demonstrating a commitment to environmental sustainability, *Myt PLC* can strengthen its brand image, attract environmentally conscious consumers, and differentiate itself in a highly competitive market (line 21).
- Cost reduction – Environmentally sustainable practices, such as improving water and energy efficiency (line 28), can lead to long-term cost savings for *Myt PLC*. For example, investing in energy-efficient production processes can reduce electricity costs, while efficient recycling and waste management (line 29) can lower production costs. This enhances *Myt PLC*'s profitability while reducing the company's environmental footprint (line 33).

- Alleviating issues from pressure groups and environmental advocacy groups – By accelerating its environmentally sustainability efforts, particularly in regions facing pollution and waste disposal concerns, there is less pressure applied from these external stakeholder groups (lines 34 - 36). Failing to act on these demands could lead to negative publicity, consumer boycotts, and reputational damage for *Myt*. Furthermore, ethical investors and other key stakeholders are more likely to support *Myt* if it has strong environmental commitments, improving its ability to attract sustainable investments.
- *Accept any other reason why environmental sustainability is important for Myt PLC that is clearly explained in the context of the case study.*

Mark as 2 + 2.

Award [1] for a suitable reason, plus a further [1] for an appropriate explanation written in the context of the case study, up to a total maximum of [4].

If there is no application shown, award a maximum of [2].

5. Outline why brand loyalty is important to *Myt PLC* (line 53). **[2 marks]**

Brand loyalty is important to *Myt PLC* due to any one of the following reasons:

- Repeat purchases – Loyal customers consistently choose *Myt's* drinks over competitors, leading to predictable and stable sales revenue. In a highly competitive industry (line 21) where consumer preferences are shifting toward healthier options (line 22), maintaining a strong customer base ensures continued sales.
- Reduced marketing costs – Acquiring new customers is typically more expensive than retaining existing ones. Brand-loyal consumers are more likely to purchase *Myt's* drinks without being influenced by competitor promotions, reducing the need for frequent and costly advertising and marketing campaigns. Given that *Myt* relies heavily on social media marketing (line 38), a loyal customer base can amplify its promotional efforts through word-of-mouth and user-generated content.
- Ability to introduce new products more successfully – *Myt PLC* has a diversified product portfolio (line 6), including expanding into the coffee and bottled drinking water markets (lines 13 - 14). Having brand loyalty increases the likelihood of successful product launches, as consumers who trust the *Myt* brand are more willing to try new offerings. This helps *Myt* adapt to changing market trends, such as healthy snacks (line 17) while maintaining customer retention.

Award [1] for a suitable reason why brand loyalty is important to Myt PLC, plus a further [1] for an appropriate application of the case study, up to a total maximum of [2].

6. Explain **two** advantages and **one** disadvantage for *Myt PLC* of using social media marketing (SMM) as part of its promotional strategy (lines 38 - 39). **[6 marks]**

Advantages could include an explanation of any **two** of the following points:

- Cost-effective promotion – Social media platforms provide a lower-cost alternative to traditional advertising methods such as television and print media. *Myt* can reach millions of potential customers worldwide without incurring high advertising expenses, making it a cost-efficient promotional strategy, especially for a multinational company operating in a competitive industry across six continents.
- Enhanced consumer engagement – SMM allows *Myt PLC* to interact directly with consumers through comments, likes, and shares on various social media platforms. This engagement helps build a strong brand community, increases brand awareness, and encourages customer loyalty. Viral marketing campaigns, influencer endorsements (line 7), and interactive content can further boost consumer interest in *Myt*'s products.
- Targeted marketing and personalization – Social media platforms offer advanced data analytics tools that enable *Myt* to target specific customer segments based on demographics, preferences, and behaviour. This allows *Myt* to tailor its promotional messages effectively, ensuring that advertisements reach the right audience, increasing conversion rates (sales revenues) for the company.

Accept any other advantage that is appropriately explained in the context of the case study.

Disadvantages could include an explanation of any **one** of the following points:

- Negative publicity (brand reputation risks) – Social media platforms allow for instant consumer feedback, but this includes negative customer reviews, complaints, or backlash over issues such as the high sugar content in *Myt*'s drinks or the volume of plastic waste generated from the company. Such negative publicity can quickly go viral, damaging the brand's reputation. Managing such crises effectively requires dedicated resources and rapid response strategies.
- Difficulty in measuring the return on social media expenditure – Although SMM improve consumer engagement, accurately measuring its direct impact on sales revenue and profitability can be more challenging and subjective. Metrics such as likes, shares or likes on social media platform, or user comments, do not always translate into actual purchases of drinks. *Myt* could struggle to assess the true effectiveness of its SMM campaigns, making it difficult to allocate marketing budgets efficiently.

Accept any other disadvantage that is appropriately explained in the context of the case study.

Mark as 2 + 2 + 2.

For each point, award [1] for a suitable (dis)advantage, and a further [1] for the explanation written in the context of the case study, up to the maximum of [6].

If there is no application shown, award a maximum of [3].

SECTION B

7. Using the stimulus material, and your knowledge of business management, recommend whether *Myt PLC* should enter the healthy snacks market (line 17). [10 marks]

To diversify its portfolio and align with shifting consumer preferences, *Myt* is considering entering the healthy snacks market (line 17). This decision carries both potential benefits and challenges.

Arguments in favour of *Myt PLC* entering the healthy snacks market include:

- Alignment with consumer trends and market growth – Market research indicates a growing demand for healthier food and beverage options (lines 21 - 22). The healthy snacks market is expanding significantly, with projected global sales increasing from \$85.6 billion in 2021 to \$152.5 billion in 2030 (Figure 1). By leveraging this growth, *Myt* can capitalize on a rising consumer preference for nutritious alternatives.
- Diversification and risk reduction – Currently, *Myt PLC* relies heavily on sugary and caffeinated beverages, which are subject to increasing health-related concerns (lines 8 - 10). Diversification into healthy snacks can reduce business risks by ensuring *Myt* is not overly dependent on a narrow product category. With past success in external growth strategies (e.g., acquiring *Lotssa Coffee* and *Honest Water*), *Myt PLC* can expand further through acquisitions or partnerships in the snack industry.
- Synergies with existing brand and distribution channels – *Myt PLC* already has an extensive distribution network across six continents and a strong global brand presence (lines 1 - 3) and over 4000 coffee shops (line 13). It can use its existing marketing and logistics infrastructure to launch and sell healthy snacks. Social media marketing, which *Myt* excels in, can be used to promote these new products effectively.
- Corporate social responsibility (CSR) and brand image – Entering the healthy snacks market aligns with *Myt's* commitment to reducing caffeine and sugar levels (line 19). Offering healthier products can improve public perception, addressing concerns from regulatory bodies and pressure groups (lines 34 - 35). This could also help *Myt* navigate stricter regulations on advertising, labelling, and product formulation (lines 30 - 31).

Arguments against *Myt PLC* entering the healthy snacks market include:

- Intense competition and market saturation – The healthy snacks industry is highly competitive, with established brands dominating the market (lines 59 - 68). Competing against well-known companies, like *Simply Good Foods*, with existing customer loyalty may require significant investment in branding and differentiation.
- Lack of experience in the food sector – *Myt PLC* specializes in non-alcoholic beverages, meaning its expertise does not naturally extend to healthy snacks. Successfully entering a new industry may require high market research and R&D costs, as well as adjustments to global supply chain and distribution channels.
- Potential product cannibalization of *Myt's* existing products – Consumers shifting toward healthier snacks might reduce sales of *Myt's* traditional sugary drinks. If *Myt* fails to position its products correctly, it may experience internal competition among its own product lines despite them being in different markets. If *Myt* fails to establish a competitive edge, entry into the healthy snacks market could lead to financial losses and strain the MNC's existing resources.

Conclusion / Recommendation

Note that candidates can provide any conclusion, so long as the arguments are clear and substantiated. For example, based on the analysis, *Myt PLC* should enter the healthy snacks market, but with a carefully planned strategy:

- Market research – *Myt* should conduct detailed consumer research to identify gaps in the market and differentiate its healthy snacks products from competitors. This will improve the chance of success in entering an otherwise unknown market.
- Gradual entry approach – Instead of launching a full-scale product range immediately, *Myt* can start with a small selection of snacks that align with its expertise, such as energy bars or fruit-based snacks.
- Leverage its acquisitions – Given *Myt's* success in acquiring *Lotssa Coffee*, acquiring an existing healthy snacks brand could provide an easier and faster entry into the market. Alternatively, with the soft launch, *Myt's* new healthy snacks could be sold in any number of *LC's* 4000 outlets (line 13).

Limitations of the stimulus, which would otherwise improve the objectivity of the recommendation include:

- Lack of financial data – The case study does not provide *Myt's* financial position, profitability ratios, or available investment budget. Having a clearer idea of *Myt's* financial and liquidity position, as well as its risk tolerance, would strengthen the recommendation.
- Uncertainty in consumer behaviour – While the market for healthy snacks is growing (Figure 1), consumer acceptance of *Myt's* potential products is unknown. Market research, including results from pilot tests or focus groups, would provide a more data-driven basis for decision-making about whether or not to enter this market.
- Regulatory and legal considerations – The case study highlights increasing regulation in advertising, labelling, and product formulation, but does not specify how these might impact *Myt's* expansion. Given *Myt PLC* operates across six continents, knowledge of regional regulations and compliance costs would improve strategic planning and decision-making for the company.

Accept any substantiated conclusion/recommendation based on the line of argument presented in the extended response.

Award [1 – 2] for a response that shows little understanding of the demands of the question. There is minimal use of Business Management tools and theories, which are irrelevant or used inaccurately. There is little, if any, reference to the stimulus material.

Award [3 – 4] for a response that shows some understanding of the demands of the question. There is some use of Business Management tools and theories, but these are mostly lacking in accuracy and relevance. There is superficial use of information from the stimulus material, often not going beyond the name of the organization. Any arguments made are largely not substantiated.

Award [5 – 6] for a response that shows an understanding of the demands of the question, but these demands are only partially addressed. There is some relevant and accurate use of Business Management tools and theories. There is some relevant use of information from the stimulus material that goes beyond just the name of the organization but does not effectively support the argument. Arguments are substantiated but are mostly one-sided.

Award [7 – 8] for a response that mostly addresses the demands of the question. The response contains mostly relevant and accurate use of Business Management tools and theories. Information from the stimulus material is generally used to support the argument, although there is some lack of clarity or relevance in some places. Arguments are substantiated and the response has some balance.

Award [9 – 10] for a response that shows clear focus on addressing the demands of the question throughout. There is relevant and accurate use of Business Management tools and theories. Relevant information from the stimulus material is integrated effectively to support the argument. Arguments are substantiated and balanced. There is an explanation of the limitations of the case study or stimulus material.

8. **Recommend a plan of action for *Myt PLC* to improve its corporate social responsibility (CSR) (line 20) to gain competitive advantages in the non-alcoholic drinks industry. [10 marks]**

Corporate social responsibility (CSR) is crucial for *Myt PLC* as it navigates increasing consumer demand for ethical and sustainable business practices in the non-alcoholic drinks industry. Strengthening its CSR strategy can enhance brand reputation, consumer trust, and long-term profitability.

There is no prescribed format for a recommended plan of action. The example below is for illustrative purposes only.

Short-term CSR plan (0 - 2 years)

- Allocate funds for CSR initiatives – Establish a dedicated budget for sustainability projects such as reducing sugar and caffeine content in drinks (line 19), improving packaging sustainability, and supporting community health programmes (line 62).
- Short-term cost management – Shift to more cost-effective sustainable materials and ingredients to balance CSR initiatives with profitability (lines 71 - 72).
- CSR-focused advertising campaigns – Launch marketing initiatives emphasizing *Myt's* commitment to sustainability, such as reducing sugar levels and using biodegradable packaging to replace plastic bottles and cans (line 27).
- Leverage social media for CSR transparency – Regularly communicate sustainability milestones to consumers to reinforce brand credibility, and leverage its relationship with social media influencers to engage with millions of followers (line 39).
- Healthy product innovations – Introduce and market low-sugar, organic, and plant-based beverages, aligning with rising consumer preferences for healthier drinks (lines 69 – 70).
- Sustainable packaging initiatives – Switch to fully recyclable or biodegradable materials to reduce plastic waste (lines 27 and 29).
- Carbon footprint reduction – Optimize supply chain logistics to cut transport emissions, beginning with energy-efficient manufacturing production processes in key locations (lines 32 - 33).
- Supplier audit – Conduct an assessment of raw material suppliers to ensure compliance with ethical and sustainable sourcing policies. This should then be a recurring or ongoing assessment.

Long-term CSR plan (3+ years)

- Global CSR partnerships – *Myt PLC* could form strategic alliances with NGOs and governmental bodies to expand its social impact initiatives as it shifts toward healthier beverage options (line 22).
- Long-term R&D for sustainable products – *Myt* could invest in healthier beverage alternatives, sugar substitutes, and sustainable sourcing of ingredients in all continents where it has business operations. This could include green financing options to support large-scale environmentally sustainable initiatives. For example, modernizing and making its factories green (line 16) could take many years and require external financing.

- Expansion of CSR programmes, such as *Simply Good Foods'* community health and educational programmes (lines 59 - 62). Authentic CSR initiatives could include *Myt* launching educational programmes on nutrition and environmental sustainability to improve consumer awareness.
- Position *Myt* as a leader in CSR – The enhanced corporate image could help *Myt PLC* to take advantage of the global non-alcoholic beverage market, which is expected to more than double in the next ten years (lines 23 - 24).
- Long-term brand positioning – *Myt* may need to evolve by shifting its brand image from a traditional sugary drinks company to an industry leader in sustainable and ethical business practices of healthy foods and beverages. For example, it may choose to sponsor health and wellness initiatives, such as children's nutritional programmes and social media campaigns promoting active lifestyles, hydration (*Honest Water*), and healthy eating.
- Circular business model integration – Develop recycling programmes for used packaging and partner with waste management firms (line 29) to achieve zero waste. To commit to its CSR, this could involve switching to 100% renewable energy sources in its factories and warehouses (line 16).
- CSR-linked HR performance incentives – Reward employees for contributing to CSR efforts, such as innovations in sustainable production.

Recommendations

Note that candidates can provide any conclusion, so long as the arguments are clear and substantiated. Two examples are provided below for illustrative purposes.

Conclusion 1

Myt PLC should implement a structured CSR plan integrating all business functions (HR, marketing, finance, and operations management) to gain competitive advantages in the non-alcoholic drinks industry. This is achieved by environmentally sustainability programmes, establishing consumer trust, and striving for long-term profitability. While the plan aligns with industry trends and ethical business standards, the absence of financial, consumer, and regulatory data in the case study limits the objectivity of these recommendations.

Conclusion 2

Myt PLC should prioritize both short-term and long-term CSR strategies to gain sustainable competitive advantages in the non-alcoholic drinks industry. In the short term, the focus should be on improving packaging sustainability, launching healthier product lines, and engaging consumers in CSR initiatives through social media engagement. *Myt PLC's* long-term success will depend on significant investment in R&D, renewable energy, and ethical supply chains with strategic partnerships. By integrating CSR across all business functions, *Myt* can differentiate itself from competitors and strengthen brand loyalty in the growing and evolving non-alcoholic drinks industry.

Limitations of the stimulus include:

- Lack of financial data – The case study does not provide *Myt PLC*'s profitability, budget allocation, or financial feasibility for the recommended CSR investments. More financial data is needed to determine how much *Myt* can afford to invest in CSR, such as the cost of switching to biodegradable packaging, without affecting its overall profitability.
- Unclear consumer preferences – The case study does not indicate the extent of consumer demand for CSR-oriented products in *Myt*'s key markets. This is likely to differ between countries, regions, or continents.
- Regulatory uncertainty – The impact of government regulations and potential CSR-related incentives is not detailed. For example, subsidies and tax breaks may exist for businesses that adopt green technologies, or there may be financial penalties for unsustainable practices.

Award [1 – 2] for a response that shows little understanding of the demands of the question. There is minimal use of Business Management tools and theories, which are irrelevant or used inaccurately. There is little, if any, reference to the stimulus material.

Award [3 – 4] for a response that shows some understanding of the demands of the question. There is some use of Business Management tools and theories, but these are mostly lacking in accuracy and relevance. There is superficial use of information from the stimulus material, often not going beyond the name of the organization. Any arguments made are largely not substantiated.

Award [5 – 6] for a response that shows an understanding of the demands of the question, but these demands are only partially addressed. There is some relevant and accurate use of Business Management tools and theories. There is some relevant use of information from the stimulus material that goes beyond just the name of the organization but does not effectively support the argument. Arguments are substantiated but are mostly one-sided.

Award [7 – 8] for a response that mostly addresses the demands of the question. The response contains mostly relevant and accurate use of Business Management tools and theories. Information from the stimulus material is generally used to support the argument, although there is some lack of clarity or relevance in some places. Arguments are substantiated and the response has some balance.

Award [9 – 10] for a response that shows clear focus on addressing the demands of the question throughout. There is relevant and accurate use of Business Management tools and theories. Relevant information from the stimulus material is integrated effectively to support the argument. Arguments are substantiated and balanced. There is an explanation of the limitations of the case study or stimulus material.