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Cambridge International AS & A Level

BUSINESS **9609/42**

Paper 4 Business Strategy **February/March 2023**

1 hour 15 minutes

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You must answer on the enclosed answer booklet.

You will need: Answer booklet (enclosed)

INSTRUCTIONS

- Answer **all** questions.
- Follow the instructions on the front cover of the answer booklet. If you need additional answer paper, ask the invigilator for a continuation booklet.

INFORMATION

- The total mark for this paper is 40.
- The number of marks for each question or part question is shown in brackets [ ].

This document has **4** pages.

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Support 2U (S2U)

S2U provides information technology (IT) support to small businesses based in country Z. Its customers use IT, but they are not big enough to be able to afford their own IT support.

S2U was set up by Kareem, who is an IT engineer. When Kareem started the business he employed three engineers. Now S2U employs over 50 engineers and has customers throughout country Z.

S2U's services include:

- the creation and maintenance of business websites
- 24-hour telephone and internet support to report and fix IT problems
- remote and on-site installation of software.

Timeline of S2U

2016	S2U is set up by Kareem as a private limited company. S2U quickly gains five customers through word-of-mouth promotion.
2017	Kareem produces a marketing plan for S2U (see **Appendix 1**).
2018	Kareem becomes a well-known IT consultant on television (see **Appendix 2**). S2U reaches full capacity. Kareem plans rapid expansion.
2018–2021	S2U continues to expand as the brand becomes more well-known (see **Appendix 3**).
2021	S2U is converted to a public limited company.
2022	Kareem leaves S2U to pursue a career in television. Ruhi, the Marketing Director, is promoted to Chief Executive Officer (CEO). Sales growth starts to slow.

Developing a new business strategy

Ruhi was concerned about S2U's recent sales performance. She asked an external management consultancy to analyse the market. The consultancy produced a Porter's five forces analysis (see **Appendix 4**).

Ruhi is now developing a new business strategy to enable S2U to grow in the future.

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Appendix 1: Summary of Kareem's 2017 marketing plan for S2U

Objective – to grow the number of businesses using S2U's services.

Resources – limited marketing budget, but one IT engineer has skills in designing online marketing.

Secondary research – 94% of businesses use IT systems, but only 57% of businesses have specialist IT support.

Primary research – survey of businesses to identify why they do not currently use S2U's services:

- have own IT support employees
- S2U is unknown, would prefer a more established brand
- S2U's prices are too high

Planned marketing mix:

Product – 24-hour, 7-day-a-week, telephone and internet IT support services

Price – dynamic pricing method

Promotion – sales promotion, direct promotion, digital promotion

Place – services offered direct to small businesses

Appendix 2: An extract from a 2018 S2U press release

Kareem is the 'new face' of daytime television as he becomes the IT expert on Channel 17's morning program. Kareem, Managing Director of Support 2U, will bring his expertise in solving IT problems onto your television screens every week.

Appendix 3: Data about S2U between 2018 and 2021

	2018	2021
Revenue	$11m	$100m
Profit margin	6%	2%
Market share in country Z	5%	28%
IT engineers employed	20	50
Customer satisfaction	98%	72%

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Appendix 4: Porter's five forces analysis of the IT support industry produced by the management consultancy for S2U

Bargaining power of suppliers

- Software suppliers have monopoly power
- Hardware is a very competitive market

Threat of new entrants

- Few barriers to entry
- Price is more important than brand loyalty to most customers
- S2U is market leader in country Z
- Many international competitors

Intensity of competitive rivalry

Threat of substitutes

- Many substitutes
- Little differentiation between services

Bargaining power of buyers

- Well-informed customers
- Highly price sensitive
- Growing market size

Answer **both** questions.

1 Evaluate the success of S2U's marketing strategy between 2016 and 2022. [20]

2 Advise Ruhi on whether Porter's five forces analysis is the most useful approach when developing S2U's new business strategy. [20]

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