① Highlight connectors ☐ ③ circle How + Why ☐
② underline impacts ☐ ④ Highlight application ☐

Do not write outside the box

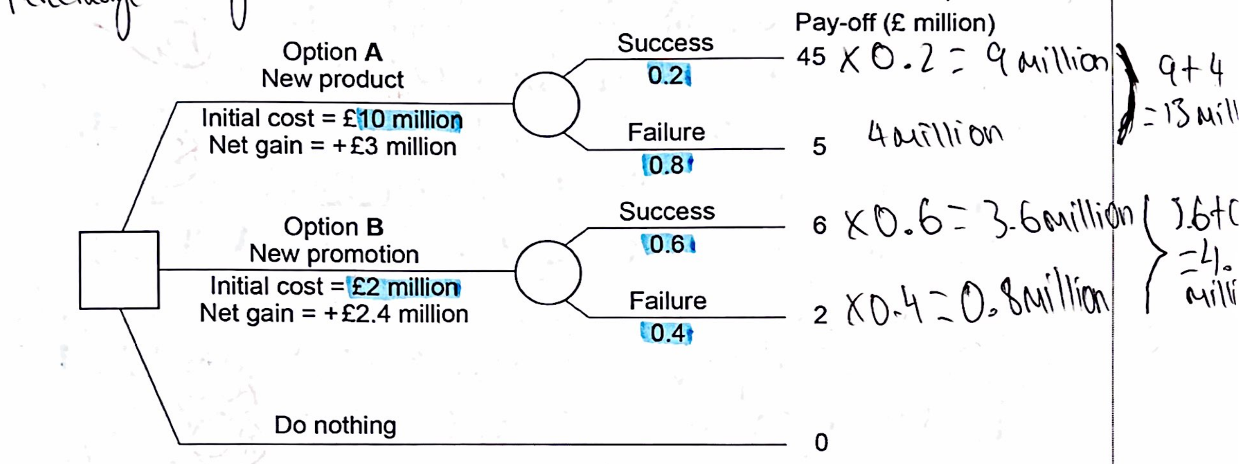
1 8 The Marketing Manager of a business is considering whether to choose **Option A** or **Option B**.

Option A: Introduce a new product.
Option B: Use a new promotion for an existing product.

Figure 4 shows the results of a decision tree for these options and the 'do nothing' option.

Percentage change:

Figure 4



Based on this decision tree, the Marketing Manager chooses **Option A**.

Using **Figure 4**, analyse why choosing **Option A** might **not** be the best decision.

L3

[9 marks]

P Plan:

	Option A	Option B
	Greater initial cost	lower initial cost
E (IRC)	Greater risk	lower risk
	Greater reward	lesser reward
A	The reward difference is limited	Reward = - 600K

C Choosing option A may not be the best decision because of the greater initial cost of investment (£10 million) compared to £2 million for option B. This leads to the business having less finance available for the development of other sectors in the firm. Resultantly, the firm will lose its

[redacted]

Do not write outside the box

An

P ability to innovate as the restriction of finance then limits the development of other products. Therefore, other firms ~~will~~ within the market will be able to catch up with the business due to their own development and product investment.

E (BLT)

A

Additionally, choosing option A may not be the best

L because option B has lower risk of failure, only

Extra space 40% compared to 80% of option A. Resultantly, the business will be able to have increased certainty that the product development will pay off. Therefore, employees will be more confident in their work due to the fact that the development will lead to success. This leads to the firm being able to increase investment into this product which will increase sales revenue due to the fact that product demand for option B may be higher than product demand for option A.

9

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