

Volume 29, Number 3, February 2023

Practice exam questions

Sainsbury's and Porter's strategy matrix

Mark Hage

Check your answer to the question on pp. 12–13 of the magazine.

Sample answer

One reason why the bargaining power of buyers is the most significant influence on EasyJet is because of their huge customer base of 48 million customers across 55 countries and 154 airports. This may be the most significant influence as these customers have different opinions, such as 94% of customers being concerned by the environmental impact of air travel. This may mean that customers have power over how EasyJet operates as they may switch allegiances if another airline, such as TUI, offers a more environmentally friendly flying experience, such carbon offsetting at no cost to flyers.

However, it is unlikely that competitors such as TUI will be able to compete on price if they did decide to offer free carbon offset as they are already suffering from decreasing profit margins of 8.05%. EasyJet are more likely to be able to not only offer such a feature to passengers due to its global size, but, more importantly for the low-cost market, offer cheaper ticket prices. For example, it may have access to cheaper stock, like aviation fuel from hubs such as Istanbul, allowing it to meet customers' environmental concerns while maintaining lower costs than TUI. Ultimately customers may be more tempted by lower-cost travel than environmental impact, meaning the bargaining power of buyers is not as significant an impact on EasyJet compared to its competitors.

On the other hand, it may be argued that the threat of rivals is more significant as an external influence as the aviation industry has many competitors that are challenging EasyJet for dominance, such as Ryanair. This leads to an increase in supply that may push down prices. This may result in EasyJet having to undertake further cost-cutting measures, which competitors such as Ryanair have already undertaken, for example, cutting back on cabin crew and handheld luggage allowance. Price conscious passengers may switch to competitors who offer even a small saving in ticket price.

However, budget airlines are getting a bad reputation for delayed flights and increasingly poor service, such as cramped seating and customer service. If EasyJet decide to be too drastic in cutting its offering to compete on price, this may see customers abandon the budget airline due to the low-quality service.

In conclusion, the threat of rivals may be seen as more significant an external factor than the bargaining power of buyers because of increased market rivalry through intensified cost cutting. It may be that EasyJet can no longer compete purely on being the lowest price budget airline and needs to consider a non-price method of differentiating its product from TUI and Ryanair, such as making a long-term investment in planes that offer passengers increased comfort while also producing tangible cost savings. EasyJet could invest in technology such as the Dreamliner, which may offer the unique

selling point of a smaller carbon footprint and a quieter and more cost-effective journey, leading to a longer-term sustainable business model for EasyJet.

Sample examiner comment

Mark: 9/9 (An excellent response fully focused on the question).

A depth and range of knowledge and understanding are shown on the potential impact of the bargaining power of buyers of EasyJet.

Application about a specific and relevant businesses is applied effectively throughout the answer.

Analysis is well developed throughout the answer and considers a balanced range of issues appropriate to answering the question.

The answer makes judgements as to the impact on EasyJet's business of bargaining power of rivals compared to the threat from rivals. The answer shows a balance of competing arguments and a clear focus on answering the question throughout.

This resource is part of BUSINESS REVIEW, a magazine written for A-level students by subject experts. To subscribe to the full magazine go to www.hoddereducation.co.uk/businessreview