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Exam-style question

3M

Mark Hage

Check your answer to the question on p. 14 of the magazine. This question relates to the Edexcel specification.

Sample answer

Competitive advantage is when a business has a significant advantage over another that allows it to increase sales and market share. Brompton has a distinctive innovation capability that allows the business to create unique bikes, which when compared to competitors are of higher quality and offer a distinct unique selling point. As a result, Brompton has built a good brand image, 'design excellence and innovation', which makes it easier for it to differentiate itself from other bike manufacturers. Constant improvement of its products, such as extending this to include clothing and helmets, show potential customers that they have new ideas. This may well have led to an increase of sales of £3 million in 2022, over its 2021 revenue. As a result, this creates an expectation with customers that Brompton will continuously be bringing new and innovative ideas to market, increasing brand image and customer loyalty, regardless of the premium prices charged. However, it may not be a factor that gives them the most competitive advantage if they fail to keep on innovating or are simply seen as copying other companies' ideas, potentially leading to a loss of reputation and sales.

On the other hand, Brompton may also be recognised for their 'renowned' customer service. They have a skilled workforce who are likely to be experts at offering customers advice regarding which bike is the most likely to meet their needs. For example, a lighter bike may be suggested for a customer who has to carry it on a train regularly. During this process Brompton may also offer unique parts and accessories that can enhance the customer experience, increasing sales revenue together with customer satisfaction. Brompton may also be much more innovative with its after-service experience, such as being able to offer upgrades to customer bikes like better suspension, therefore showing a distinctive capability compared to competitors. As a result customers are more likely to return for advice and upgrades rather than going to other brands, increasing sales of accessories and creating a loyal customer base. However, innovation and high levels of customer service and aftermarket support may mean that Brompton must reinvest its profits into expensive research and development, rather than into other areas of the business, such as marketing or shareholder dividends. This appears to be one of the reasons that profits declined in 2022 even though turnover increased.

Although Brompton offer great customer service, their ability to innovate is most likely the main reason for their competitive advantage. They are able to increase their market share by offering new and improved products that easily grab the attention of bikers, such as unique clothing and helmets. Furthermore, they are also expanding their range while constantly improving their bikes, giving customers more options and unique ways of customising their bike. This may be a combination that many competitors fail to offer, ultimately leading Brompton to be able to charge even greater prices for their products while maintaining and even increasing market share. In the longer term, this may mean

that investment in research and innovation pays back significant dividends for the company and its shareholders.

Sample examiner comment

Mark: 10/10 (Level 4 — an excellent response, fully focused on the question)

Excellent and detailed knowledge and understanding of distinctive capability of innovation throughout the answer. Excellent application is shown using appropriate context applied to the question. Analysis is well developed, coherent and logical. Analysis is linked together, giving causes and effects of the positive and negative effects of competing arguments, using context based on qualitative and quantitative data. An evaluation of whether innovation is the key to Brompton competitive advantage, with context, is used to support a judgment.

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