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Practice exam questions

Burberry

Mark Hage

Check your answer to the question on pp. 23–25 of the magazine. This question relates to the Edexcel specification.

Sample answer

One benefit of high levels of capacity utilisation is that Burberry can keep its unit costs per item of handbags low, as costs are spread over more handbags. With higher capacity utilisation than the industry average of 74%, Burberry could be more competitive against rivals such as Chanel, who may have lower than average capacity utilisation due to factories being located in the USA. As Burberry is aiming for higher profit margins from its move into the upmarket designer handbag market, higher capacity utilisation may give it even lower costs per handbag, allowing the company to either reinvest this into improving brand awareness or increasing profits.

Sample examiner comment

Mark: 4/4

Excellent response with the right amount of detailed knowledge and understanding of capacity utilisation and how it may benefit Burberry.

Excellent application is shown through the use of appropriate context applied to the question.

Analysis is well developed and coherent and logical analysis is linked together giving cause and effect of the benefit of capacity utilisation.

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