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Practice exam questions

Lessons from the movies: *The Founder*

Mark Hage

Check your answer to the question on pp. 27–29 of the magazine. This question relates to the AQA specification.

Sample answer

Product decisions can be informed by tools such as the Boston matrix and the product life cycle. The Boston matrix allows a business to analyse its products' performance in comparison to other competitors in the market. For example, the dairy company Arla not only sells Cravendale milk but also many other dairy products, such as 'UHT' and 'new feature' cheese products. Arla's aim is to gain the largest share of customers in the milk and dairy market. As Arla's biggest market is in the UK, with £2 billion of revenue in 2023, it is important for Arla to ensure that the range of products in its product portfolio meet its current and future business objectives. The Boston matrix can be used to identify which products require the most investment and which do not. For example, Cravendale milk might be described as a 'cash cow' because it may have high market share as it is a niche-market product with few current competitors. As a consequence, this would be a product that has little further growth due to the relatively small nature of a niche market. It has already satisfied Arla's objective of capturing market share, having contributed to £2 billion annual revenue. The Boston matrix can therefore be seen as an effective tool in informing Arla about this product. Arla would need to simply maintain the high market share of Cravendale through marketing and promotion but would not have to spend any money on product design or development – an effective product decision that reduces costs that may not be recouped.

Deliveroo, an online takeaway business, is able to make use of the Boston matrix to populate its 14 different 'dark kitchens' with food offerings that are more likely to be seen as rising stars. Its ability to create unique food offerings that can be tweaked to ensure market share grows exponentially allows Deliveroo to gain a competitive advantage over competitors such as McDonalds and Dominoes. Deliveroo can continue to use the Boston matrix, based on historical and projected sales data, to identify and promote offerings that are 'problem child' and reduce costs on those that are cash cows. This type of strategy may have helped Deliveroo to almost double its restaurant offerings from 83,000 in 2020 to 183,00 in 2023. Offering more brands results in further increases in market share, competitive advantage over more established restaurants such as KFC, and ultimately increased repeat purchases and sales revenue.

However, the Boston matrix can only focus on a business' own product offering. For example, Tesco has entered the premium market with its own filtered milk at a lower price per litre than Cravendale. The Boston matrix may help Arla to identify this competitor, though it is not likely to do so until Tesco

has entered the market, meaning that Arla could not have taken steps to protect its market share objective straight away. This shows a problem with using the Boston matrix to help product decisions, in that it only measures competitors that are already known. As a result, Arla could not use this method to react quickly to changes in a dynamic market, risking a loss of its market share, at least in the short term.

Another method for making product decisions is using the product life cycle. The product life cycle describes the stages a product goes through, from when it was first conceptualised until it is finally removed from the market. Arla's Cravendale may be described as reaching maturity if sales figures are no longer increasing. The product life cycle can help Arla to identify when such a product appears to have reached its maximum potential. As a consequence, the product life cycle may allow Arla to decide on whether to invest in an extension strategy, such as moving production to Latvia. This may reduce costs, such as labour costs, and help maintain the product's market share by passing this on in the form of a lower selling price. Arla may wish to introduce a new product instead, such as its new cheese range, which will be at the introduction stage of the product life cycle.

For Deliveroo, the product life cycle can be mapped for each of its 4,700 brands, meaning the business may be able to match its product decisions, including marketing growth products and investing in others that need an extension strategy, enhancing its whole product portfolio. For businesses that operate in a highly dynamic market, such as the takeaway and delivery market, the product life cycle may be a more effective approach for business decisions than the Boston matrix. This is particularly the case for Deliveroo, since it has so many brands to manage. The product life cycle may allow for more 'joined up' marketing and investment strategy that prioritises products that are likely to generate the greatest increase in market share, thus reducing costs and ultimately increasing profitability.

However, unlike the Boston matrix, Arla may only have sales records to gauge the product life cycle. So, the problem for Arla is that it will not know who its competitors are or the potential size of the dairy market without other information like secondary market research, such as Mintel reports. Without this data, Arla would simply be guessing as to whether Cravendale milk had reached its maximum market share. As a consequence, the product may still be in the growth stage, as perhaps shown by new competitors such as Tesco entering the market.

Due to the weaknesses of the Boston matrix and the product life cycle, the best approach for Arla and Deliveroo to maximise their market share is to combine both methods of analysing their product portfolios. In order to do this successfully they will need to carry out primary and secondary market research in a way that allows them to understand the size of the potential market, so they can accurately assess at what stage their products are at. It will also help them to react quickly enough to identify new competitors who are likely to steal market share, such as Uber Eats in the fast-food delivery market. This will help Arla and Deliveroo to make the correct decisions in terms of investment and promotional spending for each product and therefore maximise their revenue and market share.

Sample examiner comment

25/25 (Level 4 – an excellent response, fully focused on the question)

A depth and range of knowledge and understanding are shown of the importance of different product decision-making tools for maximising market share. Application is applied effectively throughout the answer and analysis is well developed throughout, considering a balanced range of issues appropriate to answering the question.

The answer makes judgments as to the importance of product decision-making tools for maximising market share. The answer shows a balance of competing arguments and a clear focus on answering the question throughout.

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