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Practice exam questions

Comac

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Check your answer to the question on pp. 10–11 of the magazine. This question relates to the AQA specification.

Sample answer

High barriers to entry have a significant negative impact on Comac by severely restricting its access to profitable global markets. One of the main barriers is legal and regulatory. The article states that Comac lacks the essential safety certification from the European (EASA) and US (FAA) aviation authorities. This is a massive problem because, without this approval, Comac is effectively barred from selling its C919 aircraft in many western countries. This means that Comac's potential market is drastically reduced, forcing it to focus almost entirely on domestic Chinese airlines. This directly prevents it from challenging the duopolistic control held by Airbus and Boeing, as it cannot compete for orders from major airlines like Ryanair, who will only consider a purchase after the lengthy approval process is complete. This barrier therefore protects the incumbent firms and delays Comac's global expansion plans until at least 2028, hindering its ability to generate revenue and grow its market share.

Another high barrier to entry impacting Comac is the strong brand loyalty enjoyed by Airbus and Boeing. These established giants have decades of strong brand recognition and proven safety records, which is crucial when an airline is making a substantial investment of around £75 million per aircraft. The article suggests that new customers will want to see 'a few years' worth of reliable service before trusting Comac, meaning that there is huge buyer uncertainty. This makes it immensely difficult for Comac to secure its first vital international sales. Airlines are naturally risk-averse, and the established trust in Boeing and Airbus acts as a powerful deterrent against switching to a new, unproven manufacturer. This forces Comac into a long and expensive process of building a reputation, which slows its growth and makes it incredibly hard to achieve the sales volumes needed to gain economies of scale and properly compete on price and delivery.

Sample examiner comment

9/9 (Level 3 – an excellent response, fully focused on the question)

A good range of knowledge and understanding is shown of the impact of high barriers to entry on a business attempting to enter a new market.

Application is applied effectively throughout the answer. Specific details from the case study, such as the role of the EASA/FAA, the established brand recognition of Boeing and Airbus and the specific challenges Comac faces, are used consistently to support the analysis.

Analysis is well developed for both points. The answer provides clear and logical chains of reasoning to explain how each barrier negatively impacts Comac by restricting market access, hindering revenue growth and protecting the incumbent firms.

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