

Chapter 28: Exam practice question

Apple opens more of its own stores

1 Define the following terms:

a distribution channel

(2)

This is the pathway that a product takes from the producer to the consumer. It may pass through wholesalers and/or retailers, although this is not strictly necessary. Businesses often look for ways to shorten the distribution chain, as each middleman between the producer and the consumer may add to the final costs reflected in the selling price. Shortening the pathway may therefore involve direct sales and/or use of online selling.

b product mix.

(2)

This is the chosen combination of product (including packaging), pricing, promotional strategies and distribution channels.

Apply **Resources table 3a** mark band descriptors.

2 Outline the different distribution channels Apple could use to distribute its products. (6)

- Apple → wholesaler → retailer → consumer
- Apple → Apple stores → consumer
- Apple → mail order direct to consumer

State all three channels, explain and link to the case study.

SL: apply **Resources table 1** mark band descriptors.

HL: apply **Resources table 2** mark band descriptors.

A justified conclusion is **not** required.

3 Analyse the effects on existing retailers of Apple products of the opening of new Apple stores. (6)

Positive effects on existing retailers:

- Publicity of the new stores raises consumer awareness of Apple.
- The Genius Bar is a useful back-up facility that could cause consumers to have more confidence in buying the product from local retailers: if they have a big problem they could go further to consult the Genius Bar.
- The Apple stores are located in big cities – as many customers may not have access to them, they create interest without directly competing.
- Retailers who offer several brands to choose from may have an advantage.
- Any other relevant point.

Negative effects on existing retailers:

- Apple stores may directly compete for business.
- Apple stores may be more attractive to buy from because they stock the whole product range and have expert staff to help the customers.
- Apple stores may be able to undercut existing retailers' pricing.
- Apple stores may have more stock and are therefore able to supply everything that the consumer may want whereas other retailers may stock many brands and therefore have less stock and a narrower range of each.
- Any other relevant point.

SL: apply **Resources table 1** mark band descriptors.

HL: apply **Resources table 2** mark band descriptors.

'Analyse' questions often require conclusions, but for 6 marks a justified conclusion is **not** required.

4 Evaluate Apple's decision to open new Apple stores as a way of distributing its products. **(9)**

Good decision:

- provides extra places consumers can buy
- good PR
- consolidates the image of Apple as a service-oriented brand
- cuts out stages in the supply chain and so can give extra profit to Apple
- Apple are buying stores on a market low – could be a good investment in the long term
- any other relevant point

Bad decision:

- in conflict with existing retail partners
- some retailers may decide not to continue supplying Apple products
- high investment in property at a time of slower economic growth when property prices may not be rising in the short term
- risk of stock build-up in time of slower economic growth
- any other relevant point

SL: apply **Resources table 1** mark band descriptors.

(SL questions do not usually go up to 9 marks, so the HL table is best used for SL students.)

HL: apply **Resources table 2** mark band descriptors.

A justified conclusion is required.