**Business management**
**Higher level and standard level**
**Paper 1**

IB Genius Mock 2025

1 hour 30 minutes

**Instructions to candidates**

Do not open this examination paper until instructed to do so.
Read the case study carefully.
Section A: answer all questions.
Section B: answer one question.
You are permitted access to a calculator for this paper.
The maximum mark for the examination is **[30 marks].**

**Myt PLC (Myt)**

Myt PLC (Myt) is a publicly held multinational company that manufactures non-alcoholic drinks. Myt's head office is in the United States (USA). Myt owns manufacturing factories on six continents.

Myt has grown through internal growth and external growth. Initially, Myt manufactured just one drink: a root beer that was non-alcoholic, sweet, and carbonated. By 2020, Myt had developed its own large portfolio of over 30 different drinks, which it sells in bottles and cans. Myt uses social media influencer partnerships as part of its promotional strategy.

Obesity and diabetes are two health issues that have been linked to drinks, many of which provide the entire recommended daily sugar intake for an adult in a single can. However, sugar substitutes used in diet drinks have also been linked to various health problems. Many of Myt's drinks are high in caffeine and sugar.

In 2023, Myt's board of directors began a process of diversification, taking over:

- Lotssa Coffee (LC), a chain of coffee shops with over 4000 outlets across 35 countries.
- Honest Water (HW), a manufacturer of bottled drinking water.

Myt announced plans to:

- modernize and make its factories green
- explore entering the healthy snacks market
- utilize computer-generated avatar characters when creating advertisements
- reduce caffeine and sugar levels in its products
- improve its corporate social responsibility (CSR).

Despite its global success, Myt faces financial challenges. In 2023, Myt generated $32 billion in revenue with a profit margin of 18%. However, rising raw material costs and global supply chain disruptions resulted in reduced net cash flow. These financial pressures have led to growing concerns among investors about Myt's ability to sustain dividend payments and fund future expansion. Raw material costs increased by 9% compared to 2022, and Myt's profit margin is now below that of some competitors in the non-alcoholic drinks industry, which typically achieve profit margins of around 20%.

The Lotssa Coffee (LC) chain has performed below expectations. Sales have been lower than forecasted, and some customers have complained about long waiting times and inconsistent quality across its outlets. In several regions, staff have demanded higher wages, with labour costs rising by 10% in some markets. The chain of coffee shops is also facing increased competition from both global rivals and local independent cafés. LC's profit margin is estimated to be around 12%, which is lower than the 15% industry average for global coffee shop brands.

Honest Water (HW) continues to perform well in developing markets, contributing $4 billion to Myt's annual revenue. However, pressure group Planet First has criticized Myt's use of plastic bottles, arguing that the company is not doing enough to reduce its environmental impact. Planet First has demanded that Myt invest more in recycling plastic bottles and shift to biodegradable packaging. Some large supermarkets in Europe are starting to reduce shelf space for brands that rely on single-use plastics, which could reduce HW's shelf presence in key European markets.

To support its long-term growth and improve sustainability, Myt's board is considering opening a new manufacturing facility. This facility would focus on producing drinks and packaging using more sustainable production processes. It would eliminate the use of single-use plastics and allow Myt to produce bottles and cans made from biodegradable materials. The facility is expected to operate on flow production lines to achieve high efficiency and consistency in output. The board recognizes that this facility will require a significant financial investment of $500 million but could improve Myt's CSR, brand image, and reduce criticism from the pressure group Planet First.

However, Myt's Operations Director is concerned about the location of the new factory, as it could increase supply chain costs or disrupt relationships with key suppliers. The HR Director is worried about the impact on current employees, particularly factory workers who may need to relocate or retrain to adapt to the new production processes.

Myt is also continuing its work on entering the healthy snacks market as part of its diversification strategy. Market research suggests that demand for nutritious and natural snack products is increasing globally, especially among younger consumers. However, a large, well-established multinational company holds 70% of the global market share in the healthy snacks industry, making market entry highly competitive.

Some directors believe this product line could align well with Myt's existing marketing approach, particularly its use of social media influencer partnerships to target younger audiences. There are also plans to incorporate avatar characters into the marketing of these snacks, building on the avatar-based advertising strategies being trialled for Myt's drinks division. While these avatars have been popular with some younger consumers, others have found them unrelatable and artificial, raising concerns about the impact on Myt's brand image.

The Operations Director is concerned about how and where the healthy snacks would be produced, as Myt's existing factories are designed exclusively for drinks production.
The HR Director has suggested that off-the-job training will be necessary for operations staff if they are to be involved in producing healthy snacks, raising further concerns about training costs and the disruption this could cause to Myt's production processes.

Myt's directors must decide whether to:

- Proceed with opening the new manufacturing facility.
- Launch the healthy snacks range as planned.

*Companies, products, or individuals named in this case study are fictitious and any similarities with actual entities are purely coincidental.*

## Section A

Answer **all** questions.

1. Define the term *internal growth* (line 4). [2]
2. Define the term *supply chain* (line 50). [2]
3. Describe **two** possible implications of reduced net cash flow for Myt. [4]
4. Explain **one** advantage and **one** disadvantage to Myt of recycling plastic bottles. [4]
5. Explain **one** reason why Myt's directors may be concerned about the performance of Lotssa Coffee (LC). [2]
6. Analyse **two** advantages and **one** disadvantage for Myt of using flow production in its new manufacturing facility. [6]

## Section B

Answer **one** question.

7. Discuss whether Myt should open the new manufacturing facility. [10]
8. Discuss whether Myt should launch their healthy snacks range. [10]