
Question 26 (9 marks)

- (a) Identify THREE external factors that affect food product development, and give a relevant example for each. 3

<i>External factor</i>	<i>Example</i>
<i>Technological</i>	<i>microwavable meals (introduction of new technology).</i>
<i>Ecological</i>	<i>Biodegradable packaging.</i>
<i>Environmental</i> <i>Economic</i>	<i>Appropriate waste facilities</i> } <i>cheap Home Brand products</i>

Question 26 continues on page 16



Question 26 (continued)

- (b) How does the food industry adjust its pricing structures in response to changes in the economy?

6

The economic situation of the country is directly linked to the price producers set for their products. If the country is going into contraction, and especially recession, companies will often set their prices lower to encourage buyers. If the country is in a boom, likewise the company will increase prices. However, in a boom, there will be the rise of more competitors so the company will need to devise a pricing strategy. Examples include price skimming where the highest price is charged or price penetration where the lowest price is charged. The price of the product will differentiate the product among competitors and can lead to increased ~~or~~ or decreased sales.

End of Question 26