

Question 26 (9 marks)

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

External factor	Example
customer trend 1. ecological environment	eg. if in drought, foods which contain apples may not be as successful.
2. political environment environmental	eg. laws introduced may affect new product developed such as GM foods / chemical additives
technological environment 3. economic environment	eg. whether a machine or technology in the world can produce the food as some may require advanced skills. eg. in times of recession, sales may go down and not many will purchase a new food product.

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Question 26 (continued)

- (b) How does the food industry adjust its pricing structures in response to changes in the economy? 6

Changes to the economy include times of recession and booms. During recession, the economy goes down, unemployment rate rises and households on average has less money to purchase foods and other products. In times like these, the food industry may adjust its pricing structure to ~~the~~ psychological pricing or penetration pricing. Psychological pricing may fool consumers into thinking that a product is cheap, for example at \$2.49. Penetrating pricing involves lowering the price ~~much~~ below other competitors. For example product A might sell for \$5 whereas product B (by penetration pricing) may sell for \$5. In times of boom however, employment rate rises and people are more "rich". Market skimming and meet-the-competitor pricing are more often used as consumers are more willing to spend more. Inflation rate also influences price structures, ~~high inflation~~ in which food industry will respond by adjusting the final cost of the product, passing on any excess cost onto the consumer.

End of Question 26