

## Chapter 6: Exam practice question

### Four Seasons Leisure

- 1 Produce a SWOT analysis for Four Seasons Leisure's current position. (8)

Strengths (internal):

- established, prestigious brand
- effective management
- teams have knowledge and expertise in the market
- relative success despite the recession
- 30 years of experience

Weaknesses (internal):

- concentration only in the Caribbean
- concentration on only one narrow market segment: all-inclusive, prestigious

Opportunities (external):

- new holiday destinations
- expansion of existing destinations

Threats (external):

- competition from new holiday destinations
- recession may continue
- only 20% chance of fast economic growth

Award 1 mark for basic recognition of what SWOT stands for and 1 additional mark for each valid point made, up to a maximum of 2 under each heading.

#### 8 marks:

Balanced analysis with at least two valid points made under each SWOT heading and use of business terminology.

It must be recognised that strengths and weaknesses are internal factors and that opportunities and threats are external factors.

- 2 a (HL) Construct a fully labelled decision tree showing Four Seasons' options. (5)

#### 5 marks:

Fully labelled diagram with a key.

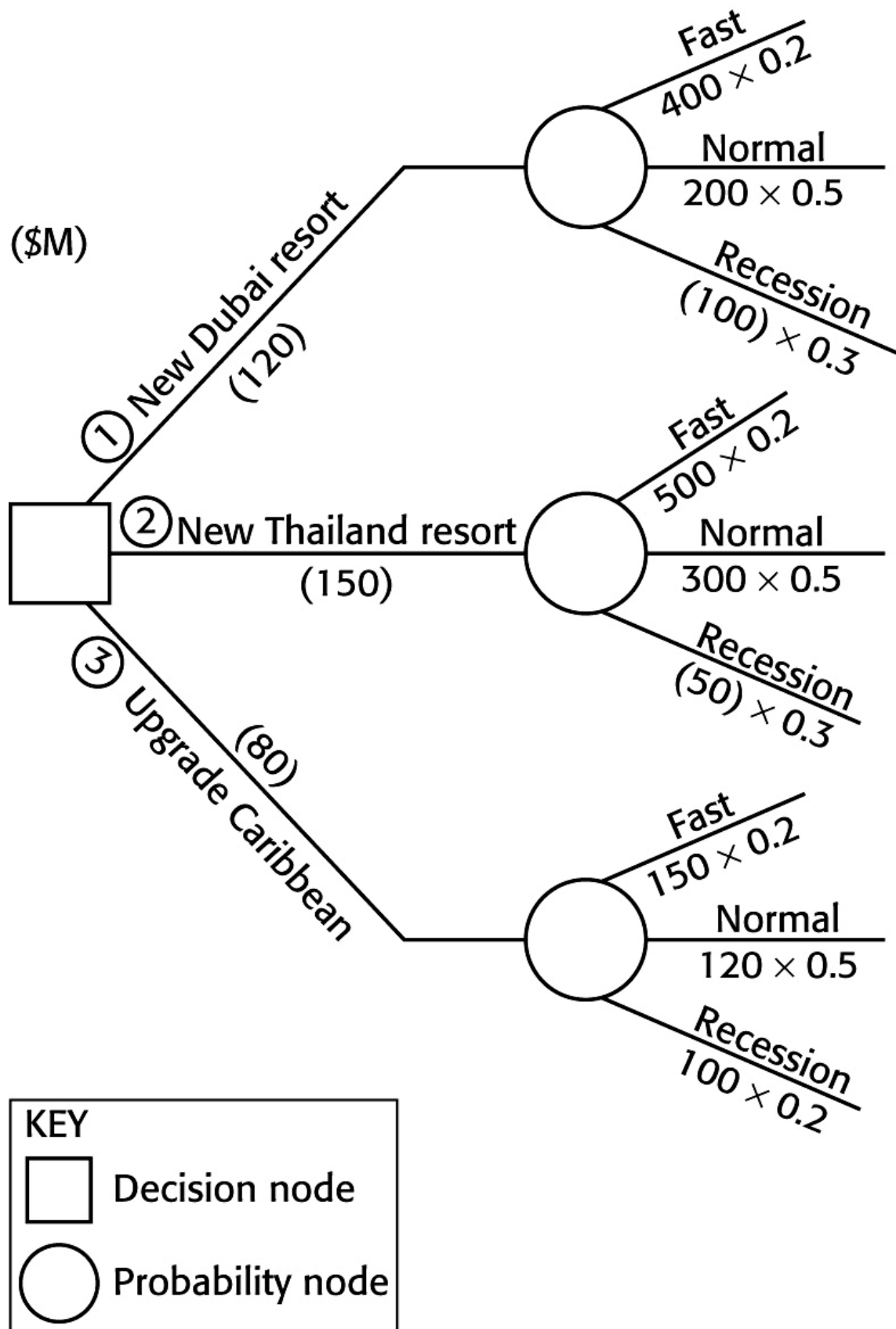
#### 3–4 marks:

Diagram with 1–2 minor omissions.

#### 1–2 marks:

An attempted diagram with missing labels or slightly incorrect interpretation of the data.

Decision tree showing Four Seasons Leisure's options



**b** (HL) Calculate the expected values for each option.

(6)

Option	Initial cost of option (c) (\$m)	Expected FAST income × Probability FAST (f) (\$m)	Expected NORMAL income × Probability NORMAL (n) (\$m)	Expected RECESSION income × Probability RECESSION (r) (\$m)	Probable option income (c + f + n + r) \$m
1 Dubai new resort	(120)	$400 \times 0.2 = 80$	$200 \times 0.5 = 100$	$(100) \times 0.2 = (20)$	40
2 Thailand new resort	(150)	$500 \times 0.2 = 100$	$300 \times 0.5 = 150$	$(50) \times 0.2 = (10)$	90
3 Caribbean upgrade	(80)	$150 \times 0.2 = 30$	$120 \times 0.5 = 60$	$100 \times 0.2 = 20$	30

**6 marks:**

Correct calculations clearly set out with reasoning evident.

**4–5 marks:**

Up to two errors.

**2–3 marks:**

An attempt with more than two errors.

**1 mark:**

An attempt showing some basic knowledge of the process needed for calculation.

**c** (HL) On financial grounds state which option Four Seasons should choose.

(2)

On financial grounds alone the Thailand option should be chosen because it has an expected income of \$90 million, which is more than the other two options.

1 mark for the correct choice based on the results of the answer to (b).

1 extra mark for justifying the choice.

**d** (HL) Analyse **one** weakness for Four Seasons of using decision trees as a basis for making this business decision(s).

(4)

IB questions with 4–5 marks often require **two** weaknesses to be examined.

Possible weaknesses analysed may include the following:

- Estimated income from projects in areas in which the Four Seasons has no expertise (e.g. Dubai, Thailand) may be just guesses.
- There is no past data on which to base the Thailand and Dubai figures.
- Probabilities used are approximate and may not apply equally to all places.
- It only considers a set period of income – such projects may not start to show full potential cash flow until later years, so direct comparison of a fixed period may not show the true picture.

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