RAFFLES INSTITUTION
2025 YEAR 5 PROMOTION EXAMINATION
Higher 2

ECONOMICS 9570/01

Paper 1 Case Study

25 September 2025

1 hour 15 minutes

Additional Materials: Answer Paper

READ THESE INSTRUCTIONS FIRST

Write your name, index number and civics class on all the work you hand in.
Write in dark blue or black pen on both sides of the paper.
You may use a soft pencil for diagrams, graphs or rough working.
Do not use paper clips, highlighters, glue or correction fluid.

Answer **all questions**.

The number of marks is given in brackets [ ] at the end of each question or part question.

Attach this cover sheet to answers for Paper 1.

Name: ______________________

Civics Class: ________________

Economics Tutor: ____________

Question	Marks
1	/30

This document consists of **5** printed pages and **1** blank page.

Raffles Institution

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Question 1 Diaper Industry

Extract 1: Global Baby Diapers Market

The global baby diapers market size was estimated at US$78.54 billion in 2024. A steady rise in the global birth rate, especially in emerging economies like Indonesia, significantly drives the baby diapers market.

As more families migrate to urban areas and an increasing number of mothers join the workforce, disposable diapers have become essential to working parents. An average diaper costs US$0.30 and babies use around 8 diapers per day. Assuming a baby becomes toilet-trained after two and a half years, it might be more cost-effective to consider reusable diapers, which are made of cloth that's absorbent, reusable, and washable. They cost US$500 for a full set to get started, but they can be used repeatedly till the baby is toilet-trained and even reused for subsequent children.

Source: Various

Table 1: Comparing Singapore and Indonesia

	Singapore	Indonesia
Price of Pampers® Premium Care Pants™	S$65.90 (144 pieces) S$0.45 per piece	Rp486,000 or S$38.20 (144 pieces) S$0.26 per piece
Average Income of Person in Country	US$74,750	US$4,910

Source: World Data, retrieved 1 July 2025

Extract 2: Insurgence of New Brands in the US Baby Diaper Market

The emergence of new brands continues to shake up the baby diaper category. Although it is still dominated by multinational brands like P&G's Pampers and Kimberly-Clark's Huggies who together control roughly 75% of the US diaper market, the baby diaper market has transformed over the last decade. It is easier for new brands to launch and offer what they believe is a unique option for parents.

Independent diaper brands emerge to appeal to current consumers who are demanding and looking for a product that fits their lifestyle. These brands have successfully focused on sustainable innovation, but the basics must be right: protection and skin care. For example, Coterie, a direct-to-consumer brand, has successfully carved out a premium segment with their high-performing products that are dermatologist tested, hypoallergenic, and cruelty free.

One of the major challenges independent brands are facing is affordability. Consumers are going for budget-friendly private label brands purchases as the competitive market has changed after the pandemic. Insurgent brands are struggling because they must come up with some sort of differentiating factor to keep up with the market, while maintaining low prices.

Source: Nonwovens Industry, 2024

Extract 3: P&G Commits to Further Brand Investment

Consumer goods company, Procter & Gamble (P&G), has an "ongoing commitment" to invest in its brands, despite reporting a decline in quarterly sales for the first time in five years. The "brand investment" includes upping its advertisements spending by US$140m in the most recent quarter. P&G's chief financial officer added that 'the best way to get through this rough patch" would be to focus on the long-term and investing in packaging, brand communication and retail execution to create an engaging in-store experience.

P&G's brand investment strategy for Pampers includes the following elements:
1. Packaging that attracts consumers and helps them select the best product for their needs
2. Brand communication through advertising that reaches consumers and communicates the superiority of the brand compared to other brands
3. Improving retail execution
    - in-store (e.g. store coverage, product form and sizes, shelving and merchandising)
    - online (e.g. content, ratings, reviews, search engine optimization, and subscription offerings)

Source: Marketing Week, 2023 & P&G Investor, July 2025

Extract 4: Disposable Diapers are one of the Biggest Contributors to Plastic Waste

Every minute more than 300,000 disposable diapers around the world are incinerated, sent to landfills or pollute the environment. Because of the combination of materials, they are very hard to recycle.

Disposable diapers are ubiquitous, with around 95% of families in developed countries opting to use them. Convenience is a huge part of the argument in their favour.

The effects of single-use diapers are often worse in the developing world, where a lack of waste infrastructure and policymaking can make their disposal even more problematic. More than a fifth of waste found in Indonesia's waterways is diapers. Plastic fibres, likely from diapers, have been found in the stomachs of fish in riverways. Research also suggests that some diapers may contain toxic chemicals which could harm children and the environment.

As an alternative, modern reusable diapers come with washable inners. Prigi Arisandi, Indonesian biologist, wants to make reusable diapers more accessible in Indonesia. He's calling on the government to subsidise reusable cloth diapers to make the initial costs more affordable. He also wants the government to crack down on single-use diapers and diaper companies to be forced to take responsibility for the waste their products produce.

Source: World Economic Forum, 2023 & The Guardian, 2021

Extract 5: Tax to Combat the Problem

In the UK, it had been reported that a tax on disposable diapers was being considered in an effort to reduce the amount going to landfill. The Daily Mail reported that, following a crackdown on throwaway plates, cups and cutlery, the next single-use item being looked at by ministers was disposable diapers. However, when asked if there were plans to introduce a tax on disposable diapers, the Prime Minister's official spokesman said: "We will not be putting a tax on diapers. We believe the best way to do that is to ensure that we have policies that encourage people to make change."

Importantly, it would probably do little to limit the use of disposable diapers. Parents are voting with their wallets: just 5 per cent buy reusable diapers. As is the case with several taxes – such as those on alcohol, tobacco or soft drinks – the move would hit the poorest families hardest. The tax on diapers will lead to higher living costs and budgetary constraints for many families. For single-parent households, this added financial pressure could force cutbacks on essential needs, including nutritious food for their children.

Source: Adapted from CityAM, 2021 & Naya Kenya, 2024

Questions

(a) Using a diagram, explain why the price of disposable diapers are expected to rise in the global market. [2]

(b) (i) Calculate the total savings parents can enjoy if they use reusable diapers till their baby is toilet-trained. [2]

(ii) Explain how economic theory suggests that parents act rationally to decide to switch to reusable diapers. [4]

(c) With reference to Table 1, explain whether P&G's pricing strategy for its Pampers diapers is an example of price discrimination. [4]

(d) In light of increasing competition from new brands in the baby diaper market, assess whether P&G should further its brand investment to increase its profits. [8]

(e) Explain why the use of disposable diapers leads to market failure and discuss whether taxing disposable diapers is an appropriate policy to correct it. [10]

[Total: 30]