



GCE AS MARKING SCHEME

SUMMER 2016

**BUSINESS – NEW AS COMPONENT 2
B510U20-1**

INTRODUCTION

This marking scheme was used by WJEC for the 2016 examination. It was finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conference was held shortly after the paper was taken so that reference could be made to the full range of candidates' responses, with photocopied scripts forming the basis of discussion. The aim of the conference was to ensure that the marking scheme was interpreted and applied in the same way by all examiners.

It is hoped that this information will be of assistance to centres but it is recognised at the same time that, without the benefit of participation in the examiners' conference, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about this marking scheme.

GENERAL MARKING GUIDANCE

Positive Marking

It should be remembered that learners are writing under examination conditions and credit should be given for what the learner writes, rather than adopting the approach of penalising him/her for any omissions. It should be possible for a very good response to achieve full marks and a very poor one to achieve zero marks. Marks should not be deducted for a less than perfect answer if it satisfies the criteria of the mark scheme, nor should marks be added as a consolation where they are not merited.

For each question there is a list of indicative content which suggest the range of business concepts, theory, issues and arguments which might be included in learners' answers. This is not intended to be exhaustive and learners do not have to include all the indicative content to reach the highest level of the mark scheme.

The level based mark schemes sub-divide the total mark to allocate to individual assessment objectives. These are shown in bands in the mark scheme. For each assessment objective a descriptor will indicate the different skills and qualities at the appropriate level. Learner's responses to questions are assessed against the relevant individual assessment objectives and they may achieve different bands within a single question. A mark will be awarded for each assessment objective targeted in the question and then totalled to give an overall mark for the question.

GCE BUSINESS
SUMMER 2016 MARK SCHEME

| Q | | Total |
|--------------|---|--------------|
| 1 (a) | <p>Identify two examples of flexible working.</p> <p>Award 1 mark for each correct example AO1:2 marks</p> <p>Indicative content:</p> <ul style="list-style-type: none">- Homeworking- Flexible hours- Job sharing- Part time working- Any other relevant suggestion | 2 |

| | | | |
|--------------|--|---|------------|
| Q1(b) | Explain the advantages of flexible working to both British Telecom and its employees. | | [6] |
| Band | AO2 | AO3 | |
| | 2 marks | 4 marks | |
| 2 | <p>2 marks</p> <p>Good application.</p> <p>Applies relevant advantages of flexible working to BT and its employees.</p> <p>Relevant data is used to develop and support answers.</p> | <p>3-4 marks</p> <p>Fully analyses the advantages of flexible working.</p> <p>A good understanding of the impact of the advantages of flexible working upon BT and its employees is demonstrated.</p> | |
| 1 | <p>1 mark</p> <p>Limited application.</p> <p>Applies a limited number of relevant advantages of flexible working to BT and/or its employees.</p> <p>The learner response is mainly theoretical with some application to support their answer.</p> | <p>1-2 marks</p> <p>A limited analysis of the advantages of flexible working.</p> <p>A limited understanding of the impact of the advantages of flexible working upon BT and/or its employees is demonstrated.</p> | |
| 0 | <p>0 marks</p> <p>No application to the information or relevant examples.</p> | <p>0 marks</p> <p>No analysis offered or understanding of the advantages of flexible working.</p> | |

Indicative content:

Advantages to British Telecom

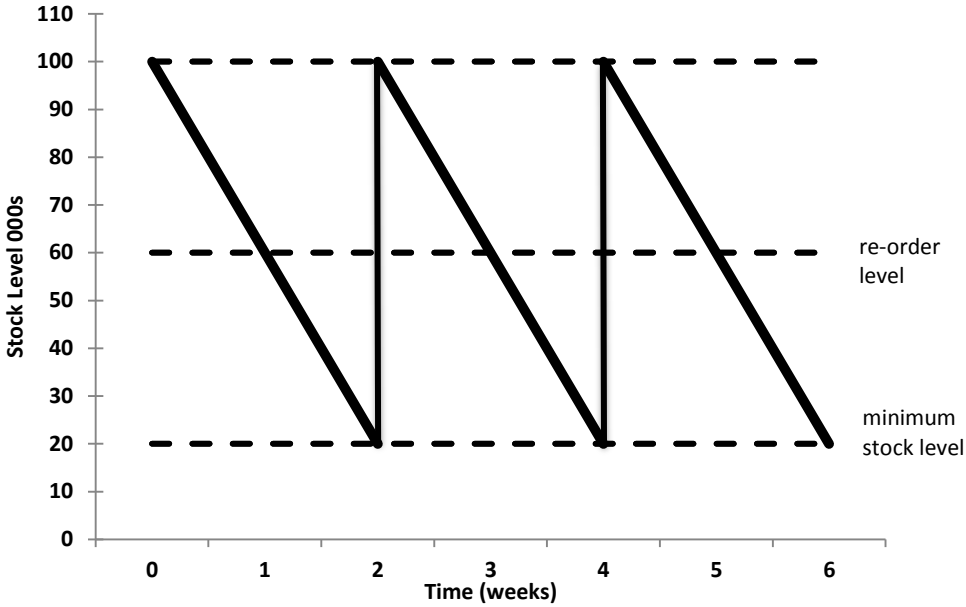
- It may motivate employees and therefore productivity may rise.
- It may avoid time off for health appointments, caring responsibilities etc.
- It may widen the number of applicants for jobs and therefore broaden the choice of skills and experience. This is important in such a large company.
- It may enable BT to retain key workers /it may lower labour turnover.
- It may lower absenteeism.
- It creates a good image/ good publicity for the company. This is especially important for such a large, well-known company.
- BT is a large company and would be expected to treat its employees well.

Advantages to employees

- If homeworking, employees avoid travel time so may be less stressed.
- Employees may be able to work when it suits them.
- Easier to take time off for health appointments, deliveries etc.
- Easier to fit in child care and other responsibilities .
- Job sharing enables employees who do not wish to work full time to apply for full time jobs.
- May enable employees to achieve a better work-life balance.

Examples from the text should be credited.

Credit any other relevant advantage.

| Q | | Total |
|-------|--|---|
| 2 (a) | <p data-bbox="284 293 1246 360">Rainy Days Ltd keeps a stock of handles used in the manufacture of umbrellas. Study the stock control diagram:</p> <p data-bbox="384 394 1257 461">(i) label the re-order level and minimum stock level on the diagram</p> <p data-bbox="376 495 847 524">Award 1 mark for each correct label</p> <p data-bbox="1118 495 1302 524">AO2: 2 marks</p>  <p data-bbox="384 1272 791 1308">(ii) calculate the lead time</p> <p data-bbox="376 1375 807 1404">Award 1 mark for correct answer</p> <p data-bbox="959 1375 1118 1404">AO2 1 mark</p> <p data-bbox="376 1442 475 1471">1 week</p> | <p data-bbox="1345 398 1369 427">2</p> <p data-bbox="1345 1249 1369 1279">1</p> |

| | | |
|--------------|---|--|
| 2 (b) | Evaluate the importance to businesses of holding the correct level of stock. [6] | |
| Band | AO1 | AO4 |
| | 2 marks | 4 marks |
| 2 | <p>2 marks</p> <p>Demonstrates a good understanding of the importance of holding the correct level of stock.</p> | <p>3-4 marks</p> <p>Good, clear judgements are made on the importance of holding the correct level of stock.</p> <p>The evaluation will focus on key issues.</p> <p>The learner is likely to offer an overall conclusion.</p> |
| 1 | <p>1 mark</p> <p>Demonstrates a limited understanding of the importance of holding the correct level of stock.</p> | <p>1-2 marks</p> <p>Limited judgements are made on the importance of holding the correct level of stock.</p> <p>Judgements are relatively superficial and unsupported.</p> <p>The learner does not offer an overall conclusion.</p> |
| 0 | <p>0 marks</p> <p>No issues surrounding the importance of holding the correct level of stock identified.</p> | <p>0 marks</p> <p>No judgements are made on the importance of holding the correct level of stock.</p> |

Indicative content:

If the correct level of stock is held:

- It means that there is less danger of running out of stock and production being stopped.
- It means that there is less likelihood of failing to fulfil orders and therefore disappointing customers.
- It avoids the need for expensive last minute or emergency orders to replenish stock.
- It means that any defective stock is immediately replaceable.
- It means that unexpected increases in demand can be met.
- There may be opportunities for bulk buying discounts (economies of scale).
- It reduces the costs of holding stock such as storage space, insurance.
- There is less money tied up in stock so liquidity will be better/working capital will be higher.
- There is less possibility of damage to stock/obsolescence.
- It will be easier to respond to changes in fashion/taste.
- The correct amount will depend on the type of business and the products it produces. Service sector businesses may have little or no stock.
- Any other relevant suggestion.

| Q | | Total |
|-------|---|-------|
| 3 (a) | <p>(i) Calculate productivity for Allen Ltd for 2015</p> <p>Award 1 mark for correct formula AO1: 1 mark</p> $\text{Productivity} = \frac{\text{output per period}}{\text{No. of employees}}$ <p>Award 1 mark for correct calculation AO2: 1 mark</p> $\frac{216\,000}{40}$ <p>= 5 400 per employee (per year)</p> <p>Award 1 mark for 5 400</p> <p>Must state per employee</p> <p>(ii) Calculate labour turnover for Allen Ltd for 2015</p> <p>Award 1 mark for correct formula AO1: 1 mark</p> $\frac{\text{No. of employees leaving}}{\text{average no. of employees}} \times 100$ <p>Award 1 mark for correct calculation AO2: 1 mark</p> $\frac{5}{40} \times 100$ <p>= 12.5%</p> <p>Award 1 mark for 12.5</p> | 2 |

| | | | |
|--------------|---|--|---|
| 3 (b) | Discuss methods by which productivity in the business could be increased. [8] | | |
| Band | AO1 | AO3 | AO4 |
| | 2 marks | 4 marks | 2 marks |
| 2 | 2 marks Demonstrates a good understanding of the methods of improving productivity. | 3-4 marks Good analysis of the key methods of improving productivity. Good understanding of how various methods might improve productivity. | 2 marks Good evaluation of the methods of improving productivity. The evaluation will focus on key issues. |
| 1 | 1 mark Demonstrates a limited understanding of the methods of improving productivity. | 1-2 marks Limited analysis of the key methods of improving productivity. Limited understanding of how various methods might improve productivity. | 1 mark Limited evaluation of the methods of improving productivity. The evaluation is superficial. |
| 0 | 0 marks No understanding of the methods of improving productivity. | 0 marks No analysis of the key methods of improving productivity. | 0 marks No evaluation given |

Indicative content:

- Training staff - helps improve productivity but takes time and money.
- Better quality materials or equipment - helps improve productivity but costs money.
- Technology – such as CAD and CAM.
- Motivating staff may make them more productive but this may be difficult to achieve.
- Re-organising production - helps improve productivity but takes time and money.
- Lean production techniques such as kaizen - helps improve productivity but takes time and requires management expertise.
- Any other relevant suggestion.

| | | | |
|--------------|---|--|--|
| 4 (a) | Explain how the Boston Matrix could help Premier Foods manage its product portfolio. [6] | | |
| Band | AO1 | AO2 | AO3 |
| | 2 marks | 2 marks | 2 marks |
| 2 | <p>2 marks</p> <p>Demonstrates good knowledge and understanding of the Boston Matrix.</p> <p>Learners might include an accurate diagram but this is not essential.</p> | <p>2 marks</p> <p>Good application of the Boston Matrix to Premier Foods.</p> | <p>2 marks</p> <p>A good analysis of how the Boston Matrix could help Premier Foods manage its product portfolio.</p> |
| 1 | <p>1 mark</p> <p>Demonstrates limited knowledge and understanding of the Boston Matrix.</p> <p>If a diagram is included it may not be accurate.</p> | <p>1 mark</p> <p>Limited application of the Boston Matrix to Premier Foods.</p> | <p>1 mark</p> <p>A limited analysis of how the Boston Matrix could help Premier Foods manage its product portfolio.</p> |
| 0 | <p>0 marks</p> <p>No knowledge of the Boston Matrix.</p> | <p>0 marks</p> <p>No application to Premier Foods.</p> | <p>0 marks</p> <p>No analysis given.</p> |

Indicative content:

The Boston Matrix enables companies to categorise products into ‘Dogs’, ‘Problem children (question marks)’, ‘Cash cows’ or ‘Stars’ dependant on high or low market share and market growth.

- If products are identified as ‘dogs’ they may be discontinued or monitored very closely to ensure they are not making a loss. Hovis may have fallen into this category.
- If products are identified as ‘problem children’ then a decision may be made to invest in these products as the market is growing so strongly.
- If products are identified as ‘cash cows’, little investment will be needed and there will be high positive cash flow, e.g. cake slices.
- If products are identified as ‘stars’, the company will need to invest to cope with the growing market and the growing sales, e.g. new production facilities (as in the text) or advertising to reduce the power of the competition.

The Boston Matrix helps companies to analyse their products and categorise them. It may help with decisions about promotion or discontinuing a product.

| Q | | Total |
|---|---|-----------------|
| <p>4 (b) (i) (ii)</p> | <p>Calculate (i) gross profit margin and (ii) net profit margin for Premier Foods in the year ended 4th April 2015.</p> <p>(i) <u>Gross Profit Margin</u></p> <p>Award 1 mark for correct formula AO1: 1 mark</p> $\frac{\text{Gross Profit}}{\text{Sales Turnover}} \times 100$ <p>Award 1 mark for correct calculation AO2: 1 mark</p> $\frac{294\text{m}}{767\text{m}} = 38.33\% \text{ or } 38.3\% \text{ Must be given as a \%}$ <p>(ii) <u>Net Profit Margin</u></p> <p>Award 1 mark for correct formula AO1: 1 mark</p> <p>Net profit margin =</p> $\frac{\text{Net Profit}}{\text{Sales Turnover}} \times 100$ <p>Award 1 mark for correct calculation AO2: 1 mark</p> $\frac{131\text{m}}{767\text{m}} = 17.08\% \text{ or } 17.1\% \text{ Must be given as a \%}$ | <p>4</p> |

| | | | | |
|--------------|---|---|--|---|
| 4 (c) | Evaluate ways in which net profit margin could be improved at Premier Foods. | | | |
| | | | | [8] |
| Band | AO1 | AO2 | AO3 | AO4 |
| | 2 marks | 2 marks | 2 marks | 2 marks |
| | 2 marks | 2 marks | 2 marks | 2 marks |
| 2 | Demonstrates good knowledge and understanding of how to improve net profit margin. | Good application of how Premier Foods might improve their net profit margin. | Good analysis of how Premier Foods could improve their net profit margin. | Good evaluation of the methods of improving net profit margin. |
| | 1 mark | 1 mark | 1 mark | 1 mark |
| 1 | Demonstrates limited knowledge and understanding of how to improve net profit margin. | Limited application of how Premier Foods might improve their net profit margin. | Limited analysis of how Premier Foods could improve their net profit margin. | Limited evaluation of the methods of improving net profit margin. |
| | 0 marks | 0 marks | 0 marks | 0 marks |
| 0 | No knowledge of how to improve net profit margin demonstrated. | No application to Premier Foods. | No analysis given | No evaluation given. |

Indicative content:

- Increase the number of sales, e.g. Premier Foods may launch an advertising campaign to achieve this. This will improve Net Profit margin but it may be difficult to supply more products without increasing cost of sales and the advertising campaign will cost money.
- Increase/decrease the price of the products to increase sales turnover , but this depends on the price elasticity of demand of the product. Are cake slices a luxury?
- Reduce cost of goods sold by finding another supplier, e.g. for cake ingredients. However, this new supplier may be unreliable or may sell goods of a poorer quality. Premier Foods have a good reputation for quality of products.
- Reduce the cost of goods by purchasing lower quality items, e.g. flour, sugar, but this may lead to dissatisfied customers or higher waste costs.
- Reduce expenses such as administration or marketing but this may lead to inefficiencies and stressed staff.
- Any other relevant suggestion.

| 4 (d) | | Discuss the benefits and drawbacks to Premier Foods of spending large amounts of money on new technology. | | | | [8] |
|--------------|--|--|---|--|--|------------|
| Band | AO1 | AO2 | AO3 | AO4 | | |
| | 2 marks | 2 marks | 2 marks | 2 marks | | |
| 2 | 2 marks Good understanding of the benefits and drawbacks of spending large amounts of money on new technology. | 2 marks Good application of the benefits and drawbacks of spending large amounts of money on new technology for Premier foods. | 2 marks Good analysis of the benefits and drawbacks of spending large amounts of money on new technology. A clear understanding of how high spending on technology might affect a company. | 2 marks Good, clear judgements are made on the benefits and drawbacks of high spending on technology. The evaluation will focus on key issues. The learner is likely to offer an overall conclusion. | | |
| | 1 | 1 mark Limited understanding of the benefits and/or drawbacks of spending large amounts of money on new technology. | 1 mark Limited application of the benefits and/or drawbacks of spending large amounts of money on new technology for Premier foods. | 1 mark Limited analysis of the benefits and/or drawbacks of spending large amounts of money on new technology. A superficial understanding of how high spending on technology might affect a company. | 1 mark Limited judgements are made on the benefits and/or drawbacks of high spending on technology. Judgements are relatively superficial and unsupported. The learner does not offer an overall conclusion. | |
| 0 | 0 marks No understanding of the benefits and drawbacks of spending large amounts of money on new technology. | 0 marks No application of the benefits and drawbacks of spending large amounts of money on new technology for Premier foods. | 0 marks No analysis of the benefits and drawbacks of spending large amounts of money on new technology. No understanding of how high spending on technology might affect a company. | 0 marks No evaluation offered of the benefits and drawbacks of high spending on technology. | | |

Indicative content:

Benefits:

- Speed -new technology will increase the speed of production, e.g. 60,000 cake slices an hour can be produced.
- Capacity – new technology may make it possible for the production line to be operated for longer periods, e.g. Premier Foods will have people working on the new line in three different shifts, operating throughout the day and night.
- Quality – quality and precision may be improved.
- Reduced waste – new technology may mean less waste and therefore lower costs.
- Efficiency – the new line should be more efficient and have lower costs per unit. Spending on new computers and internet facilities may make communication more efficient.
- Administration tasks may be carried out more quickly with new office equipment.
- Mobile technologies can be used to communicate inside the Company and with suppliers, customers, etc.
- Any other valid benefit.

Drawbacks

- Cost – the capital cost of the new technology has to be recouped. (e.g. £20 million for the new production line).
- Training of staff will cost time and money.
- Teething Problems – new technology often brings with it teething problems which may disrupt operations.
- Employee Reaction – some employees may not welcome new technology or change. Their jobs may be de-skilled. It may create industrial relations problems.
- Any other valid drawback.

New technology should offer many benefits, but there may also be drawbacks, especially initially. It may be necessary to introduce new technology just to keep up with the competition. The success of new technology may depend on employee reaction.

| | | | |
|--------------|--|--|-------------|
| 5 (a) | Describe the different leadership styles which might be used by a manager of a supermarket. | | [10] |
| Band | AO1 | AO2 | |
| | 6 marks | 4 marks | |
| 3 | <p style="text-align: center;">5-6 marks</p> <p>Excellent understanding of more than two leadership styles. Clear understanding of the difference between them and the characteristics of each style.</p> | | |
| 2 | <p style="text-align: center;">3-4 marks</p> <p>Good understanding of at least two leadership styles. Good understanding of the difference between them and the characteristics of each style.</p> | <p style="text-align: center;">3-4 marks</p> <p>The learner applies leadership styles to the context of the management of a supermarket. Good understanding of how different leadership styles might be used in the management of a supermarket. There is direct and clear reference to supermarkets to support points.</p> | |
| 1 | <p style="text-align: center;">1-2 marks</p> <p>Limited understanding of only one or two leadership styles. Superficial understanding of the difference between them and the characteristics of each style.</p> | <p style="text-align: center;">1-2 marks</p> <p>The learner attempts limited application of leadership styles to the context of the management of a supermarket. Suggestions of the use of differing leadership styles are generic.</p> | |
| 0 | <p style="text-align: center;">0 marks</p> <p>Little or no understanding of the key leadership styles.</p> | <p style="text-align: center;">0 marks</p> <p>No specific application of leadership styles to the context of the management of a supermarket.</p> | |

Indicative content:

Autocratic - this may be used in supermarkets to closely control staff who are generally not well paid and may be de-motivated, e.g. shelf stackers; part time staff.

Democratic –shop floor staff are unlikely to be asked to participate in decision making. Other staff may be, e.g. managers of departments, office staff.

Paternalistic – this still offers an element of control as well as caring for staff so could be effective in a supermarket.

Bureaucratic – rules and regulations may be important for the handling and storage of fresh food.

Laissez – faire – the lack of guidelines and rules make it unsuitable for a supermarket. However, some night staff may be unsupervised.

Accept other relevant leadership styles with application to a supermarket.

| 5 (b) Consider the importance of good leadership to the success of a business. [15] | | | |
|--|--|---|---|
| Band | AO1 | AO3 | AO4 |
| | 3 marks | 6 marks | 6 marks |
| 3 | <p>3 marks</p> <p>The learner demonstrates excellent understanding of the value and limitations of good leadership.</p> <p>A clear understanding of other issues that impact upon business success is included.</p> <p>The key value and limitations of good leadership are well explained.</p> | <p>5-6 marks</p> <p>The learner gives an excellent analysis of the value of good leadership in business success.</p> <p>The analysis is balanced and detailed.</p> <p>The impact of good leadership on business success is discussed.</p> <p>Key issues have been well-developed with a clear line of argument.</p> <p>Other issues that impact on the success are discussed.</p> <p>In-depth analysis required for this band.</p> | <p>5-6 marks</p> <p>The learner gives an excellent evaluation of the role of good leadership in business success.</p> <p>The evaluation is balanced and detailed and will focus on the key issues.</p> <p>The evaluation provides a broad range of arguments on both sides of the debate.</p> <p>Clear judgements are made with supporting statements to build an argument.</p> <p>An holistic evaluation may be offered with an overall conclusion.</p> |
| | <p>2 marks</p> <p>The learner demonstrates good understanding of the value and limitations of good leadership.</p> <p>The learner identifies other issues that impact upon business success.</p> | <p>3-4 marks</p> <p>The learner gives a good analysis of the value of leadership in business success.</p> <p>The analysis is uneven with some well-developed points and others which are more limited in their development.</p> <p>The impact of good leadership on business success is identified.</p> <p>A number of key issues are developed.</p> <p>Reference is made to other issues that impact on success.</p> <p>The analysis will mainly focus on one side of the argument.</p> | <p>3-4 marks</p> <p>The learner gives a good evaluation of the role of good leadership in business success.</p> <p>The evaluation will include some of the key issues.</p> <p>The evaluation is reasonably well-balanced with some development on both sides of the debate.</p> <p>The learner makes judgements with some attempt to support their evaluation.</p> <p>The answer may include a brief conclusion.</p> |

| | | | |
|----------|--|--|---|
| 1 | 1 mark The learner demonstrates limited understanding of the value and limitations of good leadership. Understanding is superficial. The learner identifies the value and limitations of good leadership with no explanation. Little or no reference is made to other issues that impact upon business success. | 1-2 marks The learner gives a limited analysis of the value of good leadership in business success. The analysis will focus on one side of the argument. Superficial discussion on the impact of good leadership on business success. A limited number of key issues are developed. | 1-2 marks The learner gives a limited evaluation of the role of good leadership in business success. The learner shows an awareness of some of the key issues but with limited development. Judgements are superficial and unsupported. The evaluation is uneven and focuses on one side of the debate. Evaluation is not explained. There is no conclusion. |
| 0 | 0 marks The learner demonstrates no understanding of the value and limitations of good leadership. | 0 marks The learner gives little or no analysis of the role of good leadership in business success. | 0 marks The learner makes no meaningful evaluation of the role good leadership in business success. |

Indicative content:

Good leadership should mean that:

- employees are motivated and may therefore be more productive.
- employees are likely to be happier so labour turnover will be low.
- orders are more likely to be followed.
- strategies are more likely to be implemented correctly.
- The most suitable style will be used in particular situations (P. Wright and D. Taylor)
- However, the leadership style adopted may not be suitable for all the employees it applies to. The style of a 'good' leader may appeal to all employees.
- The leadership style usually used may not be appropriate in all situations, e.g. if there is a crisis.
- Fiedler argued that leaders are not able to change their leadership style to suit circumstances therefore good leadership may not be evident all of the time even from the same leader.
- There are many other factors which affect the success of a business, e.g. having the correct marketing mix, good control of finances.
- Good leadership is an important factor for the success of a business but how is 'good leadership' defined?
- Any other relevant suggestion.

| | | |
|--------------|--|--|
| 6 (a) | Describe the pricing strategies which might be used by a fast-food business such as Subway, KFC or McDonalds. [10] | |
| Band | AO1 | AO2 |
| | 6 marks | 4 marks |
| 3 | <p>5-6 marks</p> <p>Excellent understanding of more than two types of pricing strategies.</p> <p>Clear understanding of the different features of the pricing strategies.</p> | |
| 2 | <p>3-4 marks</p> <p>Good understanding of at least two types of pricing strategies.</p> <p>The learner identifies the different features of the pricing strategies.</p> | <p>3-4 marks</p> <p>The learner applies pricing strategies to the context of a fast-food business.</p> <p>Good understanding of how a fast-food business might use different pricing strategies.</p> <p>There is direct and clear reference to the sale of fast-food to support points.</p> |
| 1 | <p>1-2 marks</p> <p>Limited understanding of one or two types of pricing strategies.</p> <p>Superficial understanding of the different features of the pricing strategies.</p> <p>The learner may only identify one pricing strategy.</p> | <p>1-2 marks</p> <p>There is limited application to the context of a fast-food business.</p> <p>Suggestions of the use of pricing strategies are generic and may not be suitable for fast-food.</p> <p>At least one pricing strategy is applied to the context of selling fast-food.</p> |
| 0 | <p>0 marks</p> <p>Little or no understanding of pricing strategies.</p> | <p>0 marks</p> <p>No specific application of pricing strategies to the context of selling fast-food.</p> |

Indicative content:

Pricing strategies may include: penetration pricing, market skimming, cost based pricing, competition based pricing.

- Penetration pricing – charging a low price in order to penetrate into the market. This may be used to enter the market where there is much competition. This would be used by fast-food businesses as there is already a lot of competition in the market. They may use it for new products, e.g. a new burger.
- Market skimming – charging a high price usually because of an innovative product, e.g. a new burger type that the competition do not have. A high price will be charged until competitors enter the market. They could also use this for innovative services, e.g. a delivery service that is not offered by competitors.
- Cost based pricing - this ignores market prices but ensures that companies cover their costs. It may be appropriate where a great deal has been spent on the Research and Development of a new type of fast-food.
- Competition based pricing – with high levels of competition in the fast-food market, those companies without an innovative product may have to follow the lead of competitors on pricing.
- Psychological pricing – selling products or ‘meal deals’ for a price just below a round figure, e.g. £1-99 is common in the fast-food market.
- Contribution pricing – this may be used so that large companies with many products can price some more competitively if necessary, and respond to the pricing strategies of their competitors, whilst still covering indirect costs.
- Give some credit for tactics such as special offers, BOGOF, competitions, giveaways if examples included.

| | | | |
|-------------|---|---|---|
| 6 (b) | <p>'Charging the correct price is the most important element of the marketing mix.' Discuss this statement. [15]</p> | | |
| Band | AO1 | AO3 | AO4 |
| | 3 marks | 6 marks | 6 marks |
| 3 | <p style="text-align: center;">3 marks</p> <p>The learner demonstrates excellent understanding of the marketing mix.</p> <p>A clear understanding of the interaction of the 4 elements of the marketing mix is included.</p> | <p style="text-align: center;">5-6 marks</p> <p>The learner gives an excellent analysis of the interaction of the 4 Ps.</p> <p>The analysis is balanced and detailed.</p> <p>The relative importance of each element of the marketing mix is discussed.</p> <p>Key issues have been well-developed with a clear line of argument.</p> <p>In-depth analysis required for this band.</p> | <p style="text-align: center;">5-6 marks</p> <p>The learner gives an excellent evaluation of the interaction of the 4 Ps.</p> <p>The evaluation is balanced and detailed.</p> <p>The evaluation provides a balanced argument of the relative importance of each element of the marketing mix.</p> <p>Clear judgements are made with supporting statements to build an argument.</p> <p>An holistic evaluation may be offered with an overall conclusion.</p> |
| 2 | <p style="text-align: center;">2 marks</p> <p>The learner demonstrates a good understanding of the marketing mix.</p> <p>A good understanding of the interaction of the 4 elements of the marketing mix is included.</p> | <p style="text-align: center;">3-4 marks</p> <p>The learner gives a good analysis of the interaction of the 4 Ps.</p> <p>The analysis is uneven with some well-developed points and others which are more limited in their development.</p> <p>The relative importance of each element of the marketing mix is identified.</p> <p>A number of key issues are developed.</p> | <p style="text-align: center;">3-4 marks</p> <p>The learner gives a good evaluation of the interaction of the 4 Ps.</p> <p>The evaluation provides a reasonably well balanced argument of the relative importance of each element of the marketing mix.</p> <p>The learner makes judgements with some attempt to support their evaluation.</p> <p>The answer may contain a brief conclusion.</p> |

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|---|--|---|---|
| 1 | <p style="text-align: center;">1 mark</p> <p>The learner demonstrates a limited understanding of the marketing mix.</p> <p>A superficial understanding of the interaction of the 4 elements of the marketing mix is included.</p> | <p style="text-align: center;">1-2 marks</p> <p>The learner gives a limited analysis of the interaction of the 4 Ps.</p> <p>Superficial discussion on the relative importance of each element of the marketing mix.</p> <p>Some elements of the marketing mix may not be analysed.</p> <p>A limited number of key issues are analysed.</p> | <p style="text-align: center;">1-2 marks</p> <p>The learner gives a limited evaluation of the interaction of the 4 Ps.</p> <p>The learner shows an awareness of some of the key issues but with limited development.</p> <p>Judgements are superficial and unsupported.</p> <p>The evaluation is uneven and focuses more on some elements of the marketing mix than on others.</p> <p>Evaluation is not explained. There is no conclusion.</p> |
| 0 | <p style="text-align: center;">0 marks</p> <p>The learner demonstrates no understanding of the marketing mix.</p> | <p style="text-align: center;">0 marks</p> <p>The learner makes little or no analysis of the relative importance of each element of the marketing mix.</p> | <p style="text-align: center;">0 marks</p> <p>The learner makes no meaningful evaluation of the relative importance of each element of the marketing mix.</p> |

Indicative content:

Price is very important:

- Too high – if the price is set too high then demand will be low and costs may not be covered.
- Too low – if the price is set too low the customer may doubt the quality and reliability of the product and sales will fall. Customers may doubt the prestige of the product. Costs may not be covered.
- Elasticity – depending on whether the product or service is seen as a necessity or a luxury, recognising price elasticity of demand and setting the correct price is essential to avoid falling revenue.

However

The other elements of the marketing mix are also important:

- Product – a high quality, innovative, aesthetically pleasing or technically advanced product can command higher prices.
- Promotion – sales may depend on the amount of promotion for the product or service. A highly visible advertising campaign for instance may increase sales whatever the price charged.
- Place – customers need to be able to access the product or service. Some outlets may mean that a higher price can be charged eg upmarket retailers.
- External factors – economic circumstances may mean that price is less important, e.g. in a 'boom'. Tastes or fashion may change.
- No one aspect of the marketing mix is more important than the others. The relative importance varies over time and depends on the nature of the product or service and also external factors.
- Any other relevant suggestion.

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| 7 (a) | Identify the methods of improving quality which might be used by a multinational clothing manufacturer. | | [10] |
| Band | AO1 | AO2 | |
| | 6 marks | 4 marks | |
| 3 | <p style="text-align: center;">5-6 marks</p> <p>Excellent understanding of the key methods of improving quality.</p> <p>Clear understanding of the features of the key methods of improving quality.</p> | | |
| 2 | <p style="text-align: center;">3-4 marks</p> <p>Good understanding of the key methods of improving quality.</p> <p>The learner identifies the features of the key methods of improving quality.</p> | <p style="text-align: center;">3-4 marks</p> <p>The learner applies key methods of improving quality to the context of a multinational clothing manufacturer</p> <p>Good understanding of how and why a multinational clothing manufacturer might use key methods of improving quality.</p> <p>There is direct and clear reference to the large scale manufacture of clothing in a multinational company to support points.</p> | |
| 1 | <p style="text-align: center;">1-2 marks</p> <p>Limited understanding of the key methods of improving quality.</p> <p>Basic description of methods of improving quality.</p> | <p style="text-align: center;">1-2 marks</p> <p>The learner attempts limited application to the context of a multinational clothing manufacturer.</p> <p>Suggestions of methods of improving quality are generic and may not be applicable to the large scale manufacture of clothing in a multinational company.</p> | |
| 0 | <p style="text-align: center;">0 marks</p> <p>Little or no understanding of the key methods of improving quality.</p> | <p style="text-align: center;">0 marks</p> <p>No specific application of key methods of improving quality to the context of the large scale manufacture of clothing in a multinational company.</p> | |

Indicative content:

- Quality control – to ensure that the product meets standards. Price charged may depend on the quality of the clothing.
- Quality Assurance and Total Quality Management – a large multinational company may well use this system, including quality chains, zero defects, quality circles, empowerment, monitoring, teamwork, benchmarking.
- Train staff so that fewer mistakes are made. In a multinational company, much of the production may be carried out in countries with poor education standards.
- To follow fashion there may be frequent changes to the styles which are made. This will require frequent training to ensure quality standards are maintained.
- Invest in new machinery which may be more accurate. A large scale manufacturer of clothing is likely to be highly capital intensive.
- Any other relevant suggestion.

| 7 (b) | Discuss the impact of improving quality on the stakeholders of a business. [15] | | |
|----------|---|---|---|
| Band | AO1 | AO3 | AO4 |
| | 3 marks | 6 marks | 6 marks |
| 3 | <p style="text-align: center;">3 marks</p> <p>The learner demonstrates excellent understanding of stakeholders and their interests.</p> <p>There is a clear understanding of the contrasting objectives of key stakeholders.</p> <p>The key effects and impact of improving quality of products on different stakeholders are identified.</p> | <p style="text-align: center;">5-6 marks</p> <p>The learner gives an excellent analysis of the impact of improving the quality of products on key stakeholders.</p> <p>The analysis is balanced and detailed.</p> <p>Key issues have been well-developed with a clear line of argument.</p> <p>Analysis will be supported by specific reference to how improving the quality of products will affect the business and how this will impact on key stakeholders.</p> <p>In-depth analysis required for this band.</p> | <p style="text-align: center;">5-6 marks</p> <p>The learner gives an excellent evaluation of the impact of improving the quality of products on key stakeholders.</p> <p>The evaluation is balanced and detailed and will focus on the key issues.</p> <p>The evaluation provides a balanced argument as to the impact on key stakeholders.</p> <p>Clear judgements are made with supporting statements to build an argument.</p> <p>An holistic evaluation may be offered with an overall conclusion.</p> |
| 2 | <p style="text-align: center;">2 marks</p> <p>The learner demonstrates a good understanding of stakeholders and their interests.</p> <p>The learner identifies some contrasting objectives of key stakeholders.</p> <p>The learner makes an attempt to identify some of the key effects and impact of improving quality of products on stakeholders.</p> | <p style="text-align: center;">3-4 marks</p> <p>The learner gives a good analysis of the impact of improving the quality of products on key stakeholders.</p> <p>The analysis is uneven with some well-developed points and others which are more limited in their development.</p> <p>A number of key issues have been developed.</p> <p>Analysis will be supported by some reference to how improving the quality of products will affect the business and how this will impact on key stakeholders.</p> | <p style="text-align: center;">3-4 marks</p> <p>The learner gives a good evaluation of the impact of improving the quality of products on key stakeholders.</p> <p>The evaluation is reasonably well balanced between stakeholders.</p> <p>The evaluation will include some of the key issues.</p> <p>The answer may contain a brief conclusion.</p> |

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| 1 | <p style="text-align: center;">1 mark</p> <p>The learner demonstrates a limited understanding of stakeholders and their interests.</p> <p>Understanding is superficial.</p> <p>The learner may list the key stakeholders in a business.</p> | <p style="text-align: center;">1-2 marks</p> <p>The learner gives a limited analysis of the impact of improving the quality of products on key stakeholders.</p> <p>Analysis may not include some key stakeholders.</p> <p>A limited number of issues are analysed.</p> <p>Superficial discussion of the effect of improving the quality of products and how this will impact on key stakeholders.</p> | <p style="text-align: center;">1-2 marks</p> <p>The learner gives a limited evaluation of the impact of improving the quality of products on key stakeholders.</p> <p>The learner shows an awareness of some of the key issues but with limited development.</p> <p>Judgements are superficial and unsupported.</p> <p>The evaluation is uneven and focuses more on some stakeholders than others.</p> <p>Evaluation is not explained.</p> <p>There is no conclusion.</p> |
| 0 | <p style="text-align: center;">0 marks</p> <p>The learner demonstrates no understanding of stakeholders.</p> | <p style="text-align: center;">0 marks</p> <p>The learner makes little or no meaningful analysis of the effect of improving the quality of products and how this will impact on key stakeholders.</p> | <p style="text-align: center;">0 marks</p> <p>The learner makes no meaningful evaluation of the effect of improving the quality of products and how this will impact on key stakeholders.</p> |

Indicative content:

- A stakeholder is anyone who has a direct or indirect interest in the activities of a business.
- Shareholders – should find that improving the quality of the product leads to higher profits and therefore maybe higher dividends. However, there may be an initial cost to improving the quality of the product and this may affect dividends in the short term.
- Employees – may feel more motivated if they are involved in quality initiatives. Producing a higher quality product may be more rewarding. However, new techniques or new machinery or training may be stressful for employees.
- Customers – will benefit from higher quality products. However, they may be charged more for the products.

- Competitors – may have to respond by improving the quality of their products. However, it might be the case that they can under-cut prices with products of a slightly lower level of quality.
- Management – may be motivated by bringing in new quality initiatives and seeing the quality of the product improve. However, the drive to improve the quality of the product may be stressful, especially if there is employee resistance to change.
- Suppliers – may be able to charge higher prices for higher quality raw materials and components. However, there may be great pressure to meet standards which require capital expenditure and new systems or ways of working.
- Local communities – Should not be directly affected by a company improving the quality of the product unless the company looks for new suppliers (if suppliers are currently local).
- Improving the quality of the product impacts on nearly all stakeholders to some extent. Whilst it has a positive impact in many cases, it also has a negative impact for some stakeholders. It may depend on how big the necessary changes are and how stakeholders react to the changes.