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# **GCE A LEVEL MARKING SCHEME**

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**SUMMER 2017**

**A LEVEL (NEW)  
BUSINESS – COMPONENT 2  
A510U20-1**

## **INTRODUCTION**

This marking scheme was used by WJEC for the 2017 examination. It was finalised after detailed discussion at the examiners' conference 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 candidates are writing under examination conditions and credit should be given for what the candidate 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 candidates' answers. This is not intended to be exhaustive and candidates 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. Candidate'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.

**EDUQAS GCE A LEVEL BUSINESS**

**COMPONENT 2: Business Analysis and Strategy**

**MARK SCHEME**

<b>1 (a)</b>	<b>Analyse the data to explain the changes in householders' incomes between 1977 and 2013.</b>		<b>[5]</b>
<b>Band</b>	AO2	AO3	
	3 marks	2 marks	
<b>3</b>	<p align="center"><b>3 marks</b></p> <p>Excellent use of the data</p> <p>The candidate fully describes the changes in income groups</p> <p>Accurate use of index numbers in the context of the data</p> <p>More than just a trend is identified</p>		
<b>2</b>	<p align="center"><b>2 marks</b></p> <p>Good use of the data</p> <p>The candidate describes some of the changes in income groups</p> <p>The candidate shows understanding of index numbers in the context of the data</p>	<p align="center"><b>2 marks</b></p> <p>A good analysis of the changes in household disposable incomes throughout the period 1977 to 2013</p> <p>Analysis shows a clear understanding and interpretation of the data</p> <p>Analysis/reasons for changes in one group in comparison to another is likely to be included</p>	
<b>1</b>	<p align="center"><b>1 mark</b></p> <p>Limited use of the data</p> <p>The candidate briefly states the change(s) in one or two of the income groups</p> <p>No or incorrect use of index numbers in the context of the data</p>	<p align="center"><b>1 mark</b></p> <p>A limited analysis of the changes in household disposable incomes throughout the period</p> <p>There is limited understanding of the data shown</p> <p>Analysis/reasons are superficial and underdeveloped</p>	
<b>0</b>	<p align="center"><b>0 marks</b></p> <p>No use of the data</p>	<p align="center"><b>0 marks</b></p> <p>No analysis attempted</p>	

## **Indicative content:**

### **AO2**

- The incomes of the richest 20% increased by roughly two and a half times over the period/ increased by 140%.
- The incomes of the poorest 20% increased steadily up to 2004/5 from the base index of 100 to 175 or 75%.
- The incomes of average households increase steadily up until about 1990, they fell slightly to 1993 and then rose again fairly steadily until 2007.
- Credit any other correct description of the data.

### **AO3**

- The increase was quite steep for the richest up until 1990, it then fell up until 1997 when it again started to increase rapidly reaching a peak in 2002. It reached another peak in 2007 and then declined again back to the level of 2003.
- Between 2004/5 and 2014 the incomes of the poorest 20% fluctuated slightly, first falling and then rising again, but overall they stayed at about the same level.
- After the recession in 2007 average household incomes fell but were still nearly double the level of 1977.
- Overall, whilst everyone's incomes increased the richest 20% did far better than the poorest 20%, i.e., the poor got richer but the richer got even richer.
- Reasons for the patterns, such as the recession, Minimum Wage, etc.
- Credit any other valid analysis.

<b>1 (b)</b>	<b>Explain how the changes shown in the graph are likely to have affected a manufacturer of motor cars, such as Ford, Toyota or Peugeot.</b>		<b>4</b>
<b>Band</b>	AO2	AO3	
	2 marks	2 marks	
<b>2</b>	<b>2 marks</b> Good application to a manufacturer of motor cars  The candidate makes direct and clear reference to car manufacturers	<b>2 marks</b> Good analysis of the impact of changes in the incomes of different income groups on a manufacturer of motor cars  The analysis clearly explains how the changes in income will impact on car manufacturers	
	<b>1 mark</b> Limited application to a manufacturer of motor cars  The candidate response is mainly theoretical with some reference to car manufacturers	<b>1 mark</b> Limited analysis of the impact of changes in the incomes of different income groups on a manufacturer of motor cars  The analysis attempts to explain how the changes in income will impact on car manufacturers	
<b>0</b>	<b>0 marks</b> No application to a manufacturer of motor cars	<b>0 marks</b> No analysis attempted	

**Indicative content:**

- All incomes have increased significantly over the period. This would have meant that many households that would not have been able to afford a car in 1977 would have been able to by 2014. However, the biggest increase in incomes was amongst the richest 20% and for this reason car manufacturers would have needed to have developed a range of luxury cars to appeal to the people in this income bracket.
- Since all incomes increased over the period it would have made sense for the car manufacturers to have developed a range of cars to appeal to people in each of the income groups. Any car manufacturer that did not have a range of cars that appealed to the various income groups would have lost sales to ones that did. Also those without a luxury car for sale would have lost out. In all cases the companies would have needed to ensure that they had sufficient capacity to meet the increased demand.
- However, there were years when incomes did not rise and so the car manufacturers would have needed to have been flexible in terms of the quantity of cars that they produced. It may have been necessary in times of recession to have built additional storage facilities for unsold cars.
- The increase in incomes may be a result of an increase in wages; therefore the costs of employing workers will increase for car manufacturers so their overall costs will increase.
- Identifying cars as normal/luxury goods.
- Credit any other valid point.

Q.		Total
1 (c)	<p><b>Calculate the income elasticity of demand for new cars (showing your workings).</b></p> <p>Award <b>1 mark</b> for the correct formula <span style="float: right;">AO1: 1 mark</span></p> <p>Percentage change in quantity demanded/percentage change in income</p> <p><math>0.13/2.6 \times 100 = 5(\%)</math> <b>(1)</b></p> <p><math>650/26\ 000 \times 100 = 2.5(\%)</math> <b>(1)</b></p> <p><math>5/2.5 = 2</math> <b>(1)</b></p> <p>(or <b>4 marks</b> for the correct answer without working) <span style="float: right;">AO2: 3 marks</span></p>	<b>4</b>

2 (a) (i)	<b>Use the information provided to calculate and outline the meaning of working capital.</b>		<b>[4]</b>
Band	AO1	AO2	
		2 marks	2 marks
<b>2</b>	<p><b>2 marks</b></p> <p>Good understanding of the meaning of working capital</p>	<p><b>2 marks</b></p> <p>Correct calculation of working capital, including £ sign and expressed as millions</p>	
<b>1</b>	<p><b>1 mark</b></p> <p>Limited understanding of the meaning of working capital</p> <p>Understanding is superficial</p>	<p><b>1 mark</b></p> <p>Partially correct calculation of working capital</p> <p>Correct figures chosen but incorrectly calculated</p> <p><u>or</u> correct calculation expressed without £ sign or expressed as millions</p>	
<b>0</b>	<p><b>0 marks</b></p> <p>No understanding of working capital</p>	<p><b>0 marks</b></p> <p>Incorrect calculation</p>	

**Indicative content:**

- Working capital is calculated by subtracting current liabilities from current assets. It represents the money that is used in the day-to-day running of the business.
- In the case of Marks and Spencer this gives us  $\text{£}1455\text{m} - \text{£}2111.6\text{m} = -\text{£}656.6\text{m}$ .
- Working capital shows the financial strength of a business over the short term – the higher the level of working capital, then the more able a business is to meet demands from creditors for payment.
- Working capital is also used to pay day-to-day expenses like wages, salaries, overheads and other operating expenses.

<b>2 (ii)</b>	<b>Use the information provided to calculate and outline the meaning of capital employed.</b>		<b>[4]</b>
<b>Band</b>	AO1	AO2	
	2 marks	2 marks	
<b>2</b>	<b>2 marks</b>	<b>2 marks</b>	
	Good understanding of the meaning of capital employed  The candidate identifies the key features of capital employed	Correct calculation of capital employed, including £ sign and expressed as millions	
<b>1</b>	<b>1 mark</b>	<b>1 mark</b>	
	Limited understanding of the meaning of capital employed  Understanding is superficial	Partially correct calculation of capital employed  Correct figures chosen but incorrectly calculated  <u>or</u> correct calculation expressed without £ sign and/or expressed as millions	
<b>0</b>	<b>0 marks</b>	<b>0 marks</b>	
	No understanding of the meaning of capital employed	Incorrect calculation of capital employed	

**Indicative content:**

- Capital employed is the amount of money that is used to finance a business in the long term. This finance has been either invested by shareholders or borrowed long term.
- It is calculated by adding long-term liabilities to shareholders' funds. Long-term in this case means money borrowed for more than one year. Shareholders' funds (also called equity) includes money that has been raised from selling shares and retained profits (or losses).
- In the case of Marks and Spencer this gives £2885.7m + £3198.8m = £6084.5m.

<b>2 (b)</b>	<b>With reference to the data, explain the reasons why Marks and Spencer depreciates the value of its fixed assets. [6]</b>		
<b>Band</b>	AO1	AO2	AO3
	2 marks	2 marks	2 marks
<b>2</b>	<b>2 marks</b> Good understanding of depreciation	<b>2 marks</b> Good application to Marks and Spencer	<b>2 marks</b> Good analysis of the reasons for depreciation
	Clear understanding of the reasons why assets depreciate	There is direct and clear reference to the data  Information in the data is used in development	The candidate develops their argument with supporting analysis from the data
<b>1</b>	<b>1 mark</b> Limited understanding of depreciation	<b>1 mark</b> Limited application to Marks and Spencer	<b>1 mark</b> Limited analysis of the reasons for depreciation
	Brief/underdeveloped understanding of depreciation	The candidate response is mainly theoretical with limited use of the data	Superficial or generic discussion of the reasons why fixed assets are depreciated
<b>0</b>	<b>0 marks</b> No understanding of depreciation	<b>0 marks</b> No application to the data	<b>0 marks</b> No analysis attempted

**Indicative content:**

- Depreciation is the decrease in value of fixed assets overtime.
- Marks and Spencer, like all limited companies, uses net book value because of the need for depreciation. If the full value of the cost of assets were to be included in the balance sheet it would overstate the true value of the business, since most assets lose value over time.
- In this case land and buildings have been depreciated by £305.5m and fixtures and fittings by £3988.4m. Assets in course of construction have not been depreciated because they are still new. Eventually, they too will start to lose value and will be subject to depreciation in the company's accounts.
- Depreciation needs to be carried out so that profits are not overestimated.
- Depreciation helps to make accounting provision for replacement purchase of new fixed assets in the future.
- Window dressing to make accounts look better.
- Planning for the future to sell assets.



<b>3</b>				
<b>To what extent is Starbucks' new mission statement likely to be of greater benefit to the business than its original one?</b>				
<b>[10]</b>				
<b>Band</b>	AO1	AO2	AO3	AO4
	2 marks	2 marks	2 marks	4 marks
<b>3</b>				<p><b>3-4 marks</b></p> <p>Excellent evaluation of Starbucks' mission statements</p> <p>Clear judgement to as whether the new mission statement is of greater benefit than the old</p> <p>The evaluation is balanced and detailed and will focus on the key issues</p> <p>Clear judgements are made with supporting statements to build an argument</p> <p>A holistic evaluation is likely to be offered with an overall conclusion</p>
<b>2</b>	<p><b>2 marks</b></p> <p>Good understanding of mission statements</p> <p>Clear understanding of mission statements and the reason they are used</p>	<p><b>2 marks</b></p> <p>Good application to Starbucks</p> <p>Key aspects of the mission statements described in the data are used in development</p> <p>There is direct and clear reference to both the old and the new mission statements</p>	<p><b>2 marks</b></p> <p>Good analysis of Starbucks' mission statements</p> <p>The impact on Starbucks of the new mission statement is discussed</p> <p>The candidate will develop clear arguments of the benefit of the new mission statement</p>	<p><b>2 marks</b></p> <p>Good evaluation of Starbucks' mission statements</p> <p>The evaluation is reasonably well balanced with some development</p> <p>The candidate makes judgements on the key aspects of the mission statement(s)</p> <p>The answer may contain a brief conclusion</p>
<b>1</b>	<p><b>1 mark</b></p> <p>Limited understanding of mission statements</p> <p>Brief/ underdeveloped understanding of mission statements</p>	<p><b>1 mark</b></p> <p>Limited application to Starbucks</p> <p>The response is mainly theoretical with brief reference to Starbucks' mission statements</p> <p>Limited reference to one or both of the mission statements</p>	<p><b>1 mark</b></p> <p>Limited analysis of Starbucks' mission statements</p> <p>The impact of the new/old mission statement is briefly discussed</p>	<p><b>1 mark</b></p> <p>Limited evaluation of Starbucks' mission statements</p> <p>The evaluation will be one sided and include general comments that are not developed or quantified</p>
<b>0</b>	<p><b>0 marks</b></p> <p>No understanding of mission statements</p>	<p><b>0 marks</b></p> <p>No application to Starbucks</p>	<p><b>0 marks</b></p> <p>No analysis of Starbucks' mission statements</p>	<p><b>0 marks</b></p> <p>No evaluation of Starbucks' mission statements</p>

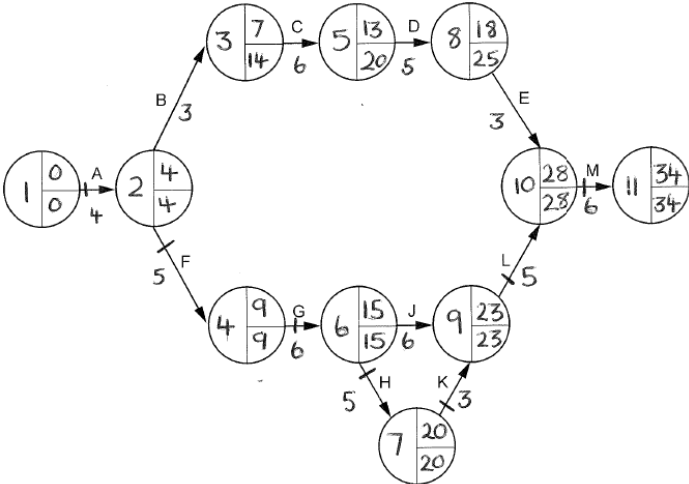
## Indicative content:

There are many ways in which a candidate might tackle this question and there is not one correct answer. We are looking for a good well-supported argument.

- A mission statement is a brief statement that encapsulates the broad aims of a business. It helps all employees, as well as the wider world, to understand what the business is about. It will guide the everyday operations and decision making of a business.
- Reasons for mission statements include:
  - Ensures that all stakeholders are clear on the purpose of the business so that everyone can be focussed on the same aims and objectives
  - Helps with strategic planning
  - Gives some transparency for investors
  - Helps customers understand the ethics of a company
- In the case of Starbucks its original mission statement had two elements: to sell the best coffee in the world and to stick to its principles as it grew. There is no detail about what these principles might be, but they are no doubt of an ethical nature. This may be useful for customers.
- The new mission statement is more aspirational and goes well beyond the normally stated aims of businesses to make profits. The company seems to be committed to making the world a better place by “inspiring and nurturing the human spirit”. This is not simply about acting ethically, i.e., treating the environment, employees and customers fairly, it is about improving the world in general. This may be useful for potential investors as it is perhaps giving more detail about their principles.
- The second part of the new mission statement, also gives a hint of the company’s strategy. By wanting to grow “one person, one cup and one neighbourhood at a time” the company is demonstrating both what it wants to do, i.e., keep on expanding, and also how it intends to do it.
- In that sense both mission statements talk about growth, but the new mission statement is more specific about how that might be achieved, with a clear focus on individual customers and neighbourhoods. Therefore this may be more useful in the strategic planning process, to guide managers in the overall direction of the business.
- The first part of the new mission statement might be helpful in inspiring and motivating its employees, as well as winning the loyalty of its customers. The second half is useful in giving the business direction.
- However, the mission statement could be criticised as being too general and, frankly, unbelievable. Can a business selling coffee really inspire and nurture the human spirit?
- Also, in the light of recent revelations over Starbucks not paying UK taxes, the mission statement seems almost ironical. Avoiding taxes is hardly the best way to nurture the human spirit!

### Possible evaluation themes:

- The original mission statement has the advantage of setting a target, of being the best in the world, but it does not state how this might be achieved. The new mission statement is more inspirational but it may backfire if employees and customers do not believe in it.
- Whilst mission statements are generally vague in nature, it is sometimes an advantage to have one that is more specific and measurable to give a clearer focus on where the organisation is being steered to.
- Depends who is using the mission statement and for what purpose.
- Only useful if an organisation affirms its commitment to the mission statement and makes decisions on a daily basis based upon it.
- Credit any other valid point.

Q.		Total
<p><b>4 (a) (i)</b></p>	<p><b>Complete the network diagram below, including: the time required for each task, the <i>earliest start times</i> and the <i>latest finishing times</i>.</b></p> <p style="text-align: right;">AO2: 5 marks</p> <p>Award <b>1</b> mark for correct labelling of all the times for each task (allow for 1 omission or error)</p> <p>Award <b>2</b> marks for all EST completed correctly ( allow for 1 error)</p> <p>Award <b>1</b> mark for all EST with 2 or 3 errors</p> <p>Award <b>2</b> marks for all LFT completed correctly ( allow for 1 error)</p> <p>Award <b>1</b> mark for all LFT with 2 or 3 errors</p> <p>If the LFT for node 11 is incorrect but all other LFT are then correctly calculated from node 11 award <b>1</b> mark.</p>  <pre> graph LR     N1((1)) -- A (4) --&gt; N2((2))     N2 -- B (3) --&gt; N3((3))     N2 -- F (5) --&gt; N4((4))     N3 -- C (6) --&gt; N5((5))     N4 -- G (6) --&gt; N6((6))     N5 -- D (5) --&gt; N8((8))     N6 -- J (6) --&gt; N9((9))     N7((7)) -- H (5) --&gt; N9     N8 -- E (3) --&gt; N10((10))     N9 -- K (3) --&gt; N10     N10 -- L (5) --&gt; N11((11))     N10 -- M (6) --&gt; N11   </pre>	<p><b>5</b></p>
<p><b>(ii)</b></p>	<p><b>Mark on the diagram the critical path.</b></p> <p>Award <b>1</b> mark for correctly indicating the critical path. <span style="float: right;">AO2: 1 mark</span></p> <p>Highlighted in the diagram above</p> <p>CP = A, F, G, H, K, L, M</p>	<p><b>1</b></p>

<b>(b)</b>	<b>Discuss the usefulness of critical path analysis to John Scott Ltd when carrying out this kind of work. [8]</b>		
<b>Band</b>	AO2	AO3	AO4
	2 marks	2 marks	4 marks
<b>2</b>	<p><b>2 marks</b></p> <p>Good application of the usefulness of critical path analysis to John Scott Ltd</p> <p>There is direct and clear reference to John Scott Ltd</p>	<p><b>2 marks</b></p> <p>Good analysis of the usefulness of critical path analysis to John Scott Ltd</p> <p>The candidate will develop arguments making use of theory and the context</p> <p>A clear chain of argument is present</p>	<p><b>3-4 marks</b></p> <p>Good evaluation of the usefulness of critical path analysis to John Scott Ltd</p> <p>The evaluation is well balanced</p> <p>The candidate makes judgements to support their evaluation</p> <p>The answer is likely to contain an overall conclusion</p>
	<b>1</b>	<p><b>1 mark</b></p> <p>Limited application of the usefulness of critical path analysis to John Scott Ltd</p> <p>The response is mainly theoretical with limited use of the data</p>	<p><b>1 mark</b></p> <p>Limited analysis of the usefulness of critical path analysis to John Scott Ltd</p> <p>Superficial discussion of the usefulness of CPA with limited development of arguments</p>
<b>0</b>	<p><b>0 marks</b></p> <p>No application to John Scott Ltd</p>	<p><b>0 marks</b></p> <p>No analysis attempted</p>	<p><b>0 marks</b></p> <p>No evaluation attempted</p>

### **Indicative content:**

#### **Reasons for using CPA:**

- CPA will have a number of benefits for John Scott Ltd. Producing a network diagram will help the business to become more efficient by saving time and possibly, materials. It can ensure that John Scott Ltd meets critical deadlines and so does not let its customers down. If the stage was not erected in time the festival could not go ahead and the festival goers would be disappointed.
- John Scott Ltd will have strict deadlines to meet to ensure the stage is ready, and so with the use of CPA, problems can be highlighted early to ensure the project is not delayed.
- John Scott Ltd will have to think clearly about the time that each task takes and the best sequence in which to work. It will speed up the overall time that it takes to erect the stage as many processes can be carried out simultaneously and there should be less waiting time involved.
- CPA allows for the effective management of resources such as knowing where to effectively allocate labour, or where materials and equipment might be needed. John Scott Ltd can also identify activities where there is float time, such as activity C, to ensure CP activities do not get delayed.

#### **Reasons against using CPA:**

- CPA may have limited use and does not guarantee success since time estimates may be wrong, or unexpected events, such as bad weather, delayed supplies or sub-contractors missing deadlines, may occur which mean that the original plan needs to be adapted.
- Credit any other valid point.

#### **Possible themes for evaluation:**

- When used appropriately, CPA can have significant benefit for a business, and help make the management of a project run more smoothly and be more time effective.
- Depends on the experience of those preparing the CPA, to ensure accurate estimation of timings.
- CPA does not ensure quality, the focus is only on time and meeting deadlines.

<b>5</b>				
<b>Discuss the non-financial measures that Next plc might use in order to evaluate its performance. [14]</b>				
<b>Band</b>	AO1	AO2	AO3	AO4
	2 marks	4 marks	4 marks	4 marks
<b>3</b>		<p><b>4 marks</b></p> <p>Excellent application of non-financial measures to Next plc</p> <p>There is consistently direct and clear reference to Next plc</p> <p>Information in the data is used in development</p>	<p><b>4 marks</b></p> <p>Excellent analysis of non-financial measures to Next plc</p> <p>The analysis is detailed, with logical chains of reasoning</p> <p>The candidate includes well-reasoned developments that fully explain why non-financial measures are useful to judge performance</p>	<p><b>4 marks</b></p> <p>An excellent, critical and detailed evaluation of non-financial measures to Next plc is given</p> <p>The evaluation is well balanced and will focus on the key issues</p> <p>Clear reference to the context is given to support judgement</p> <p>Relevant judgements are made with qualifying statements used to build and argument</p> <p>A holistic evaluation may be offered with an overall conclusion</p>
<b>2</b>	<p><b>2 marks</b></p> <p>Good understanding of non-financial measures</p> <p>The candidate makes reference to and understands at least 2 non-financial measures</p>	<p><b>2-3 marks</b></p> <p>Good application of non-financial measures to Next plc</p> <p>There is some direct reference to Next plc and/or the data</p>	<p><b>2-3 marks</b></p> <p>Good analysis of non-financial measures to Next plc</p> <p>The candidate explains why non-financial measures are useful to judge performance</p> <p>The analysis may be unbalanced</p>	<p><b>2-3 marks</b></p> <p>Good evaluation of non-financial measures to Next plc</p> <p>The candidate makes partial judgements, with some attempt to support their evaluation</p> <p>The answer may contain a brief conclusion</p>
<b>1</b>	<p><b>1 mark</b></p> <p>Limited understanding of non-financial measures</p> <p>The candidate only refers to one or 2 non-financial measures</p> <p>Understanding is superficial</p>	<p><b>1 mark</b></p> <p>Limited application of non-financial measures to Next plc</p> <p>The candidate response is mainly theoretical with limited use of examples from the data</p>	<p><b>1 mark</b></p> <p>Limited analysis of non-financial measures to Next plc</p> <p>The candidate briefly explains why non-financial measures are useful to judge performance</p>	<p><b>1 mark</b></p> <p>Limited evaluation of non-financial measures to Next plc</p> <p>Unsupported judgements are made</p>
<b>0</b>	<p><b>0 marks</b></p> <p>No understanding of non-financial measures</p>	<p><b>0 marks</b></p> <p>No application of non-financial measures to Next plc</p>	<p><b>0 marks</b></p> <p>No analysis of non-financial measures to Next plc</p>	<p><b>0 marks</b></p> <p>No evaluation of non-financial measures to Next plc</p>

**Indicative content:**

- Non-financial measures include such things as: sales records and targets, customer attitude surveys, employee attitude surveys, the market share of the business, the productivity of the workforce, quality and the company's environmental record.
- Next plc will constantly monitor its sales figures to see which items are selling well and which ones are staying on the shelves. It might use the Boston matrix to do this kind of analysis.
- Next plc will be very concerned about the attitude of its customers and will carry out regular surveys to find out what the customers like about the company and its products and what it can improve. Its customer relations department will monitor complaints and returns to see if there are any lessons that can be learnt. However, customer surveys are not always reliable, there is the possibility of bias in questions or of customers saying what they think the questioner wants to hear rather than being truthful.
- Employee attitude surveys: As Next plc is a retail business it will want to keep its employees, both full and part-time, highly motivated, especially those that are dealing directly with the public. The HR department will conduct interviews and appraisals to find out if staff are happy. It is unlikely that staff will be completely honest in these interviews as they will not want the management to think that they are being negative. May be especially important if high labour turnover in the past. Can also be used to understand the business's needs, and to judge the reaction to change.
- The company will be keen to increase its market share. It will keep a close eye on the level of success achieved by its competitors. Whilst it may be good to increase market share, this can often be done in the short term by lowering prices but the long term effects may be less positive.
- Next plc will be keen to monitor productivity, especially in the factories that it owns as this is a key way of controlling costs and increasing profits. Increases in productivity are usually a good thing but it may affect labour relations in a negative way if not carried out sensitively.
- The company states that it takes CSR seriously and it will monitor such things as energy use and waste in order to try to minimise the environmental impact of the company's activities. This is a good thing but it might lead to extra expense.
- Credit any other valid point.

Q.		Total
6 (a)	<p><b>Outline Porter's Five Forces Framework.</b></p> <p>Award <b>3 marks</b> if all 5 forces are listed. The candidate will give an overall description of the model and its purpose.</p> <p>Award <b>2 marks</b> for listing all 5 forces correctly</p> <p>Award <b>1 mark</b> for listing the 5 forces (allow for 1 error)</p> <p>Award <b>1 mark</b> for overall description of the model and its purpose</p> <p style="text-align: right;">AO1: 3 marks</p> <p><b>Indicative content:</b></p> <p>Porter's five forces framework is concerned with: the intensity of rivalry (competition) within the industry, the threat of new entrants (barriers to entry), the threat of substitute products, the bargaining power of customers and the bargaining power of suppliers.</p> <p>Porter suggested that the interaction and influence of these 5 forces will determine the behaviour of businesses and the likely levels of profitability for a business within a particular industry.</p>	3



(b)	With the use of Porter's Five Forces Framework analyse and evaluate the position of Domino's Pizza in the market. [12]		
Band	AO2	AO3	AO4
	3 marks	3 marks	6 marks
3	<p><b>3 marks</b></p> <p>Excellent application of Porter's five forces framework to Domino's Pizza</p> <p>There is consistently direct and clear reference to Domino's Pizza</p> <p>Information in the data is used in development</p>	<p><b>3 marks</b></p> <p>Excellent analysis using Porter's five forces framework</p> <p>The analysis is detailed and includes well-reasoned developments that gives a good explanation of how Domino's is likely to be affected by the five forces</p> <p>Logical chains of reasoning are used</p> <p>At least 3 forces have been explained in detail</p>	<p><b>5-6 marks</b></p> <p>Excellent, well-balanced evaluation of the relevance of Porter's five forces framework to Domino's Pizza</p> <p>Judgement is made on Domino's position for at least 3 of the forces</p> <p>Clear reference to the context is given to support judgement</p> <p>Relevant judgements are made with qualifying statements used to build and argument</p> <p>For top marks in this band a clear judgement on the overall position is made</p>
2	<p><b>2 marks</b></p> <p>Good application of Porter's five forces framework to Domino's Pizza</p> <p>There is some direct references to how Domino's will be affected by the five forces</p>	<p><b>2 marks</b></p> <p>Good analysis using Porter's five forces framework</p> <p>The analysis explains how Domino's is likely to be affected by the five forces</p> <p>At least 2 forces have been explained</p>	<p><b>3-4 marks</b></p> <p>Good evaluation of the relevance of Porter's five forces framework to Domino's Pizza</p> <p>Judgement is made on Domino's position for at least 2 of the forces</p> <p>The candidate makes partial judgements with some attempt to support their evaluation</p> <p>There is some reference to the context used to support their judgement</p> <p>It is likely there will be an overall conclusion</p>
1	<p><b>1 mark</b></p> <p>Limited application of Porter's five forces framework to Domino's Pizza</p> <p>The candidate response is mainly theoretical with limited use of examples from the data</p>	<p><b>1 mark</b></p> <p>Limited analysis using Porter's five forces framework</p> <p>The arguments are likely to be undeveloped</p> <p>The explanation will be brief</p> <p>At least 1 force has been explained</p>	<p><b>1-2 marks</b></p> <p>Limited evaluation of the relevance of Porter's five forces framework to Domino's Pizza</p> <p>Judgement is made on Domino's position for at least 1 force</p> <p>Unsupported and limited judgements are made, often likely to be superficial</p>
0	<p><b>0 marks</b></p> <p>No application to Domino's Pizza</p>	<p><b>0 marks</b></p> <p>No analysis</p>	<p><b>0 marks</b></p> <p>No evaluation</p>

### **Indicative content:**

- Competition: There is likely to be quite intense rivalry in the pizza industry. Domino's does not just compete with the other pizza companies they are also competing against all other types of takeaway pizza outlets. Domino's need to keep constantly on their toes, producing new products and appealing to their customers in new ways in order to compete effectively against their competitors.
- The threat of new entrants: it is not difficult for anyone to set up a takeaway food outlet and so Domino's is constantly under threat from new entrants. However, being a well-established and popular brand gives Domino's an advantage over new entrants. Also Domino's will be able to benefit from economies of scale, both in purchasing and advertising.
- The threat of substitute products: there are plenty of substitutes for pizzas which mean that Domino's has to constantly work hard to maintain its position in the market.
- The bargaining power of customers: depending on where they live, customers have quite a large choice of takeaway outlets to choose from. This means that the customer is quite powerful and that Domino's will have to constantly tempt them with new flavours and special offers, as well as maintaining the quality of their product and value for money.
- The bargaining power of suppliers: since Domino's is such a large company it will be able to negotiate favourable terms with its suppliers. This puts it in a strong position.
- Possible themes for evaluation:  
By analysing all of these forces, Domino's will be in a better position to face the future. It will know that it faces strong competition from new entrants as well as established businesses and that its customers have plenty of other choices. By taking these factors into consideration Domino's should be in a better position to maintain and increase its market share.