



---

# **GCE A LEVEL MARKING SCHEME**

---

**SUMMER 2017**

**A LEVEL (NEW)  
BUSINESS – COMPONENT 3  
A510U30-1**

## **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 3**

**MARK SCHEME - SUMMER 2017**

**SECTION A**

<b>1 (a)</b>	<b>Analyse the importance of new technology to JD Sports Fashion Plc's success.</b>			<b>[8]</b>
<b>Band</b>	AO1	AO2	AO3	
	2 marks	2 marks	4 marks	
<b>3</b>			<p align="center"><b>4 marks</b></p> <p>Excellent analysis of the advantages of the importance of new technology to JD Sports</p> <p>Detailed and well-balanced analysis</p> <p>Analysis shows a clear line of argument and includes an excellent understanding of the importance of new technology</p>	
<b>2</b>	<p align="center"><b>2 marks</b></p> <p>Good understanding of the importance of new technology</p> <p>Two or more points are identified</p>	<p align="center"><b>2 marks</b></p> <p>Good application of the importance of new technology to JD Sports</p> <p>Reference is made to relevant points in the case study</p>	<p align="center"><b>2-3 marks</b></p> <p>Good analysis of the advantages of the importance of new technology to JD Sports</p> <p>A number of key issues are discussed</p> <p>The analysis is uneven, with some well-developed points and some where the development is more limited</p>	
<b>1</b>	<p align="center"><b>1 mark</b></p> <p>Limited understanding of the importance of new technology</p> <p>One or more points are identified</p>	<p align="center"><b>1 mark</b></p> <p>Limited application to JD Sports.</p>	<p align="center"><b>1 mark</b></p> <p>Limited analysis of the importance of new technology to JD Sports</p> <p>Superficial analysis with undeveloped points</p>	
<b>0</b>	<p align="center"><b>0 marks</b></p> <p>No understanding of the importance of new technology</p>	<p align="center"><b>0 marks</b></p> <p>No application to JD Sports</p>	<p align="center"><b>0 marks</b></p> <p>No analysis attempted</p>	

### **Indicative content:**

- JD Sports states that it has seen “considerable growth in its online sales”. This shows that more customers are using the internet to purchase clothing. If JD Sports did not compete with other businesses selling over the internet it would lose sales.
- The case study includes the statement that “there has been substantial growth in sales from our instore digital devices (kiosks, web tills and iPads) and that customers use this technology to order online and then go into the stores to pay cash”. This will appeal to younger people who are the core customer base for JD Sports.
- The company’s warehouse inventory is catalogued online, which means that customers can order anything they want and pick it up in any of the company’s shops. This will mean that individual shops will not have to carry the entire product range, which will save the company money.
- It is also stated that “overseas, we have rolled out a full local language and local currency multichannel offer (website, mobile site, apps, instore devices, delivery to home and store)”. This technology has allowed JD Sports to service large numbers of customers in a way that would have been impossible if they had only their shops from which to sell.
- Benefits for the customer. This includes convenience, saving time and greater choice.
- Enables CAD/CAM in production process in meeting customer orders.
- Negative impact such as breakdowns in technologies and the impact on the customer and the business.
- Credit any other valid point and use of other technology e.g. social media

(b)	<b>Calculate the net profit margin, acid test and gearing ratios for 2014 and 2015 and use them to assess the financial performance of JD Sport's Fashion Plc.[10]</b>			
Band	AO1	AO2	AO3	AO4
	2 marks	2 marks	2 marks	4 marks
<b>3</b>				<p><b>4 marks</b></p> <p>Excellent evaluation of all the 3 financial ratios</p> <p>Both sides of the argument are evaluated</p> <p>Clear judgements are made with supporting statements</p>
<b>2</b>	<p><b>2 marks</b></p> <p>Good understanding of all 3 financial ratios</p>	<p><b>2 marks</b></p> <p>Good application of financial ratios to JD Sports - all 3 ratios calculated correctly</p>	<p><b>2 marks</b></p> <p>Good analysis of all three financial ratios</p> <p>The analysis is uneven, with some well-developed points and some where the development is more limited</p>	<p><b>2-3 marks</b></p> <p>Good evaluation of at least 2 financial ratios</p> <p>The evaluation is reasonably well balanced with some development on both sides of the argument</p> <p>Valid judgements are made with some supporting comments</p>
<b>1</b>	<p><b>1 mark</b></p> <p>Limited understanding of financial ratios</p> <p>Understanding of 1 or 2 ratios</p>	<p><b>1 mark</b></p> <p>Limited application of financial ratios to JD Sports – 1 or 2 ratios calculated correctly</p>	<p><b>1 mark</b></p> <p>Limited analysis of 1 or 2 of the financial ratios</p> <p>Superficial analysis with undeveloped points</p>	<p><b>1 mark</b></p> <p>Limited evaluation of 1 or 2 of the financial ratios</p> <p>Judgements are superficial and unsupported</p>
<b>0</b>	<p><b>0 marks</b></p> <p>No understanding of financial ratios</p>	<p><b>0 marks</b></p> <p>No correct calculation of the financial ratios</p>	<p><b>0 marks</b></p> <p>No analysis of the financial ratios</p>	<p><b>0 marks</b></p> <p>No evaluation of the financial ratios</p>

**Indicative content:**

	<b>2015</b>	<b>2014</b>
	<b>£m</b>	<b>£m</b>
NPM	5.93%	6.41%
Acid Test	0.54:1	0.50:1
Gearing	12.68%	13.06%

Allow for variations in rounding. E.g. 12.7% for gearing in 2015

- The company's net profit margin is perhaps a little lower than might be expected and has also fallen slightly. On the other hand sales revenue has increased considerably from £1216 million to £1552 million and the actual figure for net profit is up by nearly 18%. This is a good performance.
- The acid test, at half of the ideal ratio of 1:1, is low. This could indicate a potential liquidity problem. If all of the suppliers were to ask for repayment immediately the company would struggle to find the finance. It might also indicate that stock levels are too high. This could be due to seasonal factors, although the accounts are as at 31 January so the peak season has already passed.
- The gearing ratio is low. The company does not depend greatly on loans and has plenty of potential to borrow more in the future to help its expansion plans.
- Overall the company seems to be performing well, apart from the possibility that it is holding too much stock. Sales and profits are up and the shareholders are getting a satisfactory return for their investment. Candidates may offer an overall conclusion.
- OFR in marking AO3 and AO4
- Credit any other valid point.

(c)	Evaluate the ways that JD Sports Fashion Plc can respond to the risks that are facing the business. [10]			
Band	AO1	AO2	AO3	AO4
	2 marks	2 marks	2 marks	4 marks
3				<p><b>4 marks</b></p> <p>Excellent evaluation of the ways that the business can respond to the risks facing the company</p> <p>Both sides of the argument are evaluated</p> <p>Clear judgements are made with supporting statements</p>
2	<p><b>2 marks</b></p> <p>Good understanding of risks</p> <p>At least 2 risks are identified</p>	<p><b>2 marks</b></p> <p>Good application to JD Sports</p> <p>2 or more risks applied to JD</p>	<p><b>2 marks</b></p> <p>Good analysis of the responses to the risks facing JD</p> <p>The analysis shows a clear understanding how a business can respond to risks</p>	<p><b>2-3 marks</b></p> <p>Good evaluation of the ways that the business can respond to the risks facing the company</p> <p>The evaluation is reasonably well balanced with some development on both sides of the argument</p> <p>Valid judgements are made with some supporting comments</p>
1	<p><b>1 mark</b></p> <p>Limited understanding of risks</p> <p>1 or 2 risks are identified</p>	<p><b>1 mark</b></p> <p>Limited application to JD Sports.</p> <p>1 or 2 risks applied to JD</p>	<p><b>1 mark</b></p> <p>Limited analysis of the responses to the risks facing JD</p> <p>A superficial understanding how a business can respond to risks</p>	<p><b>1 mark</b></p> <p>Limited evaluation of the ways that the business can respond to the risks facing the company</p> <p>Judgements are superficial and unsupported</p>
0	<p><b>0 marks</b></p> <p>No understanding risks</p>	<p><b>0 marks</b></p> <p>No application to JD Sports</p>	<p><b>0 marks</b></p> <p>No analysis of the responses to the risks facing JD</p>	<p><b>0 marks</b></p> <p>No evaluation</p>

### **Indicative content:**

- The case study lists several risks facing JD Sports. These are brands, seasonality, economic factors and warehouse operations. It is likely that the business is also facing other risks which are not mentioned in the case study. A few of the risks are insurable, for example the warehouse can be insured against risks from fire and theft. However, this can be expensive but is usually worth paying for.
- Most of the other risks are uninsurable and the company will need to have some contingency plans to deal with them.
- JD Sports sells many third party brands, such as Nike and Adidas. These other companies promote their brands strongly which should help JD Sports' sales. The company will need to ensure that its own brands are well-designed and of good quality in order to maintain customer loyalty. However, this can be expensive in the short term.
- Seasonality – the company could try to promote its products at other times of the year. For example have a range of clothing relating to summer activities such as surfing. It could introduce a loyalty scheme that encourages customers to shop throughout the year by giving them special offers. This could tie in with the developments in technology. However, weather is unpredictable; JD could be left with lots of unsold stock.
- Economic factors – can respond to them in a number of ways. In order to help its customers pay for its products it could introduce its own credit card. It could buy currency in advance in order to hedge against exchange rate changes. It could have special offers and sales at times of economic hardship in order to retain customer loyalty. However, most economic factors are beyond their control.
- The company could open another warehouse, since at the moment all of their eggs are in the one basket. But this is expensive and will take time to set up.
- Credit any other valid point.



<b>(d)</b>	<b>Discuss the advantages to JD Sports Fashion Plc of growing the business by acquisition rather than by organic growth. [12]</b>			
<b>Band</b>	AO1	AO2	AO3	AO4
	2 marks	2 marks	4 marks	4 marks
<b>3</b>			<p><b>4 marks</b></p> <p>Excellent analysis of the advantages of acquisition and organic growth to JD Sports</p> <p>The analysis is detailed, with logical chains of reasoning</p> <p>The candidate includes well-reasoned developments that fully explain the impact of acquisition/organic growth</p>	<p><b>4 marks</b></p> <p>Excellent evaluation of the advantages of acquisition and organic growth to JD Sports</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>
<b>2</b>	<p><b>2 marks</b></p> <p>Good knowledge of the advantages of acquisition /organic growth</p> <p>At least 2 advantages identified</p>	<p><b>2 marks</b></p> <p>Good application of the advantages of acquisition/organic growth to JD Sports</p> <p>2 or more advantages applied to JD sports</p>	<p><b>2-3 marks</b></p> <p>Good analysis of the advantages of acquisition/organic growth to JD Sports</p> <p>The candidate explains the impact of acquisition/organic growth</p> <p>The analysis may be unbalanced</p>	<p><b>2-3 marks</b></p> <p>Good evaluation of the advantages of acquisition/organic growth to JD Sports</p> <p>The evaluation is reasonably well balanced with some development</p>
<b>1</b>	<p><b>1 mark</b></p> <p>Limited knowledge of the advantages of acquisition /organic growth</p> <p>1 or 2 advantages identified</p>	<p><b>1 mark</b></p> <p>Limited application of the advantages of acquisition/organic growth to JD Sports</p> <p>1 or 2 advantages applied to JD sports</p>	<p><b>1 mark</b></p> <p>Limited analysis of the advantages of acquisition/organic growth to JD Sports</p> <p>Superficial analysis</p>	<p><b>1 mark</b></p> <p>Limited evaluation of the advantages of acquisition/organic growth to JD Sports</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 relevant knowledge</p>	<p><b>0 marks</b></p> <p>No application to JD Sports</p>	<p><b>0 marks</b></p> <p>No analysis attempted</p>	<p><b>0 marks</b></p> <p>No evaluation attempted</p>

Note: If the answer only focuses on acquisition or growth max Band 2.

### **Indicative content:**

- Acquisition is a quicker method of growth; JD Sports is a company that seeks to grow as fast as it can, so this method is suitable for it.
- Acquisition will allow the company to expand into new markets as there is a ready-made business for it already; it does not have to start from scratch. This will benefit JD Sports as it is seeking to expand into new markets. The example of the acquisition of the Blacks and Millets stores shows how this has allowed the company to expand from fashion into the outdoor goods market.
- Acquisition allows the company to expand into new geographical areas. JD Sports is expanding its presence throughout the UK and into the European market.
- The businesses that JD Sports acquires may have new operating methods that they can learn from. For example, one of the businesses that they acquire might have a better distribution system.
- The businesses that JD Sports acquires may have people that prove to be useful to the company, for example they may have experience of the new markets that JD Sports has entered into.
- There may be cost savings, as parts of the acquired business may be disposed of if there is duplication, e.g., one headquarters instead of two.

However there may be problems when attempting to integrate an acquired business with the existing business, which do not arise with organic growth, e.g., ∴

- The cultures of the two businesses may be different.
- It may take time and money to integrate the different systems of the new business.
- Some staff in the acquired business may be made redundant which can cause resentment amongst the remaining employees.
- If the new business is overseas there may be communication issues.
- Credit any other valid point.

<b>(e)</b>	<b>Evaluate the strategy of expanding in overseas markets for a business such as JD Sports Fashion Plc. [10]</b>	
<b>Band</b>	AO3	AO4
	5 marks	5 marks
<b>3</b>	<p><b>5 marks</b></p> <p>Excellent analysis of a strategy of expanding in overseas markets</p> <p>The analysis is detailed, with logical chains of reasoning</p> <p>The candidate includes well-reasoned developments that fully explain why a strategy of expanding is beneficial</p>	<p><b>5 marks</b></p> <p>Excellent evaluation of a strategy of expanding in overseas markets</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><b>3-4 marks</b></p> <p>Good analysis of a strategy of expanding in overseas markets</p> <p>The candidate explains why a strategy of expanding is beneficial</p> <p>The analysis may be unbalanced</p>	<p><b>3-4 marks</b></p> <p>Good evaluation of a strategy of expanding in overseas markets</p> <p>The evaluation is reasonably well balanced with some development</p>
<b>1</b>	<p><b>1-2 marks</b></p> <p>Limited analysis of a strategy of expanding in overseas markets</p> <p>The candidate briefly explains why strategy of expanding is beneficial</p> <p>Superficial analysis</p>	<p><b>1-2 marks</b></p> <p>Limited evaluation of a strategy of expanding in overseas markets</p> <p>The evaluation will be one sided and include general comments that are not developed or quantified</p>
	<p><b>0 marks</b></p> <p>No analysis of a strategy of expanding in overseas markets</p>	<p><b>0 marks</b></p> <p>No evaluation of a strategy of expanding in overseas markets</p>

**Indicative content:**

Benefits of expanding into overseas market include:

- An increase in sales and, potentially an increase in profits.
- As a result a company can take advantage of economies of scale. These include purchasing economies, technical economies, technological economies and managerial economies. It is possible that it can also make some marketing economies although these may be subject to language issues.
- A business may learn lessons from the new businesses that they acquire overseas, including recruiting talented personnel.

Drawbacks of expanding into overseas market include:

- There is no guarantee of success when moving from the home market to an overseas market.
- It can be expensive to set up or acquire a new business.
- There may be cultural differences and the customers in the new market may not like the products that the company is currently selling. As a result the product range may need to be changed which will be expensive.
- There may be problems with currency which may affect the profits of the business.
- Consumers in the overseas market may have a lower standard of living and will not be able to afford the prices that the company charges in the UK.
- There may be communication problems if the senior management in the UK do not speak the languages of the overseas businesses.
- It may be more difficult to control overseas businesses and there may arise problems of diseconomies of scale if the business gets too big.
- Credit any other valid point.

The answer is reversible.

## SECTION B

<b>2 (a)</b>	<b>Explain how and why a company that produces chocolate confectionery, such as Cadbury or Mars, might segment its market.</b>		
	<b>[10]</b>		
<b>Band</b>	AO1	AO2	AO3
	4 marks	4 marks	2 marks
<b>3</b>	<p style="text-align: center;"><b>4 marks</b></p> <p>Excellent understanding of segmentation</p> <p>At least 2 different methods of segmentation are described in detail</p>	<p style="text-align: center;"><b>4 marks</b></p> <p>Excellent application of segmentation to a chocolate company</p> <p>At least 2 appropriate methods are fully applied</p>	
<b>2</b>	<p style="text-align: center;"><b>2-3 marks</b></p> <p>Good understanding of segmentation</p> <p>1 or 2 methods of segmentation are clearly described</p>	<p style="text-align: center;"><b>2-3 marks</b></p> <p>Good application of segmentation to a chocolate company</p> <p>1 or 2 or more methods are clearly applied</p>	<p style="text-align: center;"><b>2 marks</b></p> <p>Good analysis of the advantages of market segmentation</p> <p>2 or more advantages of segmentation are clearly explained</p>
<b>1</b>	<p style="text-align: center;"><b>1 mark</b></p> <p>Limited understanding of segmentation</p> <p>At least 1 method of segmentation is partially described</p>	<p style="text-align: center;"><b>1 mark</b></p> <p>Limited application of segmentation to a chocolate company</p> <p>At least 1 method is partially applied</p>	<p style="text-align: center;"><b>1 mark</b></p> <p>Limited analysis of the advantages of market segmentation</p> <p>At least 1 advantage of segmentation is explained</p>
<b>0</b>	<p style="text-align: center;"><b>0 marks</b></p> <p>No understanding of segmentation</p>	<p style="text-align: center;"><b>0 marks</b></p> <p>No application of segmentation to a chocolate company</p>	<p style="text-align: center;"><b>0 marks</b></p> <p>No analysis of the impact of segmentation</p>

**Indicative content:**

- Segmentation can be by age. For example some sweets are particularly aimed at children, with appropriate promotion and packaging whilst others are aimed at adults, e.g. Galaxy, Freddo.
- Galaxy is also an example of segmentation by gender, some confectionery is aimed more at women than at men.
- Segmentation can be by income group. Some confectionery is marketed as a premium brand with prices to suit.
- Similarly, segmentation by social class, with some confectionery appealing to more sophisticated consumers. For example, Ferrero Rocher chocolates are wrapped in gold foil and placed in an expensive looking plastic container.
- Segmentation can be by lifestyle, there are many consumers who prefer fair-trade products. There are some products that are designed for people who prefer an outdoor lifestyle, e.g. trail bars.
- There is also segmentation between products which are bought for own consumption and products which are bought as gifts and which are already gift-wrapped.
- The advantage of segmenting the market are that the products can be better targeted at particular groups of consumers. As a result sales should increase. Also it may make it easier to use premium pricing as consumers are willing to pay more for products that are better suited to their taste. In both cases this should result in greater profits for the business and greater customer loyalty.
- Credit any other valid point.

<b>(b)</b>	<b>Discuss, with the use of examples, the view that “businesses that successfully promote their products are likely to be the most profitable.” [20]</b>		
<b>Band</b>	AO1	AO3	AO4
	4 marks	8 marks	8 marks
<b>3</b>		<p style="text-align: center;"><b>6-8 marks</b></p> <p>Excellent analysis of the role of promotion and other factors affecting profitability</p> <p>At least 2 appropriate examples are analysed</p> <p>The analysis is balanced and detailed</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;"><b>6-8 marks</b></p> <p>Excellent evaluation of the role of promotion and other factors affecting profitability</p> <p>At least 2 appropriate examples are evaluated</p> <p>The evaluation is balanced and detailed</p> <p>Clear judgements are made with supporting statements to build an argument</p> <p>A holistic evaluation may be offered with an overall conclusion</p>
<b>2</b>	<p style="text-align: center;"><b>3-4 marks</b></p> <p>Good understanding of the importance of promotion and/or other factors affecting profitability</p> <p>1 or 2 valid reasons are understood</p>	<p style="text-align: center;"><b>3-5 marks</b></p> <p>Good analysis of the role of promotion and other factors affecting profitability</p> <p>1 or 2 appropriate examples are analysed</p> <p>The analysis is uneven with some well-developed points and others which are more limited in their development</p>	<p style="text-align: center;"><b>3-5 marks</b></p> <p>Good evaluation of the role of promotion and other factors affecting profitability.</p> <p>1 or 2 appropriate examples are evaluated</p> <p>The evaluation provides a reasonably well balanced argument</p> <p>The candidate makes judgements with some attempt to support their evaluation</p> <p>The answer may contain a brief conclusion</p>
<b>1</b>	<p style="text-align: center;"><b>1-2 marks</b></p> <p>Limited understanding of the importance of promotion and/or other factors affecting profitability</p> <p>At least 1 valid reason is partially understood</p>	<p style="text-align: center;"><b>1-2 marks</b></p> <p>Limited analysis of the role of promotion and other factors affecting profitability</p> <p>At least 1 appropriate example is briefly analysed</p> <p>Superficial analysis</p>	<p style="text-align: center;"><b>1-2 marks</b></p> <p>Limited evaluation of the role of promotion and other factors affecting profitability</p> <p>1 or 2 appropriate examples are briefly evaluated</p> <p>Judgements are superficial and unsupported</p> <p>The evaluation is uneven and one-sided.</p> <p>There is no conclusion</p>
<b>0</b>	<p style="text-align: center;"><b>0 marks</b></p> <p>No understanding of the importance of promotion</p>	<p style="text-align: center;"><b>0 marks</b></p> <p>No meaningful analysis</p>	<p style="text-align: center;"><b>0 marks</b></p> <p>No meaningful evaluation</p>

**Indicative content:**

Arguments in favour of the proposition:

- All businesses need customers for their products but the degree to which promotion will be important for them will depend, amongst other things, on the size of the business, its budget, the location of its market and the types of products that it sells.
- The other aspects of the marketing mix: product, price and place (and if not considered as part of promotion, packaging) are also likely to be relatively more or less important to different types of business.
- Promotion is essential for products or services that exist in highly competitive markets.
- It can be of crucial importance to new businesses, or businesses opening up in new locations.
- Promotion can be very important at the launch stage of the product life-cycle or when an extension strategy is developed.
- Promotion can be above the line, i.e., through the use of media that are paid for such as newspaper or television advertisements.
- For many businesses it will be the cost of advertising that determines which method they use. For example, television advertising is very expensive and would not be appropriate for a small business.
- The decision about advertising will also depend on the size and location of a business's market. A local business is unlikely to use national newspapers to advertise their products. Nevertheless, promotion in their local area may be very important for them.
- Below the line promotion involves such things as PR and sponsorship, which need not be expensive but can boost the image of a business and attract new customers.
- For businesses in competitive markets pricing may possibly be more important than promotion.
- Place will be an important concern for most businesses, although being in the right place is no good if, due to lack of promotion, nobody knows that you are there.
- If the business's product or service is of poor quality in the eyes of the consumer, no amount of promotion, can persuade customers to carry on purchasing.
- Overall, depending on the type of business, promotion is important but needs to work well with the other aspects of the marketing mix.
- Other factors relating to profitability. E.g. R and D, financial management.
- Credit any other valid point.



<b>3 (a)</b>	<b>Explain ways in which small independent high street businesses might best respond to the changes that are likely to affect them in the future.</b> <b>[10]</b>		
<b>Band</b>	AO1	AO2	AO3
	4 marks	4 marks	2 marks
<b>3</b>	<p><b>4 marks</b></p> <p>Excellent understanding of change</p> <p>Clear understanding of at least 2 different aspects of change</p>	<p><b>4 marks</b></p> <p>Excellent application of the impact of change to small independent high street businesses</p> <p>The candidate will have suggested 2 or more changes/responses</p>	
<b>2</b>	<p><b>2-3 marks</b></p> <p>Good understanding of change</p> <p>The candidate outlines at least 2 aspects of change</p>	<p><b>2-3 marks</b></p> <p>Good application of the impact of change to small independent high street businesses</p> <p>The candidate will have suggested 1 or 2 changes/responses</p>	<p><b>2 marks</b></p> <p>Good analysis of the impact of change on businesses</p> <p>The candidate will have analysed 1 or 2 changes/responses</p>
<b>1</b>	<p><b>1 mark</b></p> <p>Limited understanding of change</p> <p>Basic knowledge of at least 1 aspect of change</p>	<p><b>1 mark</b></p> <p>Limited application of the impact of change to small independent high street businesses</p> <p>The candidate will have suggested at least 1 change/response</p>	<p><b>1 mark</b></p> <p>Limited analysis of the impact of change on businesses</p> <p>The candidate will have analysed at least 1 change/response</p>
<b>0</b>	<p><b>0 marks</b></p> <p>No understanding of changes</p>	<p><b>0 marks</b></p> <p>No application of the impact of change to small independent high street businesses</p>	<p><b>0 marks</b></p> <p>No analysis of the impact of change on businesses</p>

**Indicative content:**

- Small independent high street businesses are likely to face increased competition from larger businesses. For example supermarkets used to sell only food but now they sell clothing, electrical goods, books, etc.
- Independent retailers have less money to spend on advertising than large retail chains.
- They also face increased competition from companies such as Amazon selling goods on the internet.
- Independent retailers are facing increases in their rents and rates, which makes it difficult for them to survive.
- Smaller shops can respond by improving the quality of the goods that they sell.
- They can respond by offering better customer service and advice, which is not available from larger stores.
- They can respond by offering niche products that are not available in larger stores.
- They can set up their own online businesses to give themselves a larger potential market.
- They can form local groups that combine to promote all of the small independent businesses in a town.
- They can set up their own loyalty schemes to encourage customers to return.
- They can get involved in the local community, for example sponsoring local events, in order to build up customer loyalty.
- Credit John Storey's 4 approaches to manage change – explains the approaches.
- Credit Kurt Lewin's 3 step process to change - explaining the steps.
- Credit any other valid point.

<b>(b)</b>	<b>"The ability to manage change successfully is the most important aspect of management in today's business world". Discuss.</b> <span style="float: right;"><b>[20]</b></span>		
<b>Band</b>	AO1	AO3	AO4
	4 marks	8 marks	8 marks
<b>3</b>		<p><b>6-8 marks</b></p> <p>Excellent analysis of the management of change/other aspects of management</p> <p>The analysis is balanced and detailed</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><b>6-8 marks</b></p> <p>Excellent evaluation of the importance of managing change/other aspects of management</p> <p>The evaluation is balanced and detailed</p> <p>Clear judgements are made with supporting statements to build an argument</p> <p>A holistic evaluation may be offered with an overall conclusion</p>
<b>2</b>	<p><b>3-4 marks</b></p> <p>Good understanding of the importance of managing change/other aspects of management</p>	<p><b>3-5 marks</b></p> <p>Good analysis of the management of change /other aspects of management</p> <p>The analysis is uneven with some well-developed points and others which are more limited in their development</p>	<p><b>3-5 marks</b></p> <p>Good evaluation of the importance of managing change/other aspects of management</p> <p>The evaluation provides a reasonably well balanced argument</p> <p>The candidate makes judgements with some attempt to support their evaluation</p> <p>The answer may contain a brief conclusion</p>
<b>1</b>	<p><b>1-2 marks</b></p> <p>Limited understanding of the importance of managing change/other aspects of management</p>	<p><b>1-2 marks</b></p> <p>Limited analysis of the management of change/other aspects of management</p> <p>Superficial analysis</p>	<p><b>1-2 marks</b></p> <p>Limited evaluation of the importance of managing change/other aspects of management</p> <p>Judgements are superficial and unsupported</p> <p>The evaluation is uneven and one-sided</p> <p>There is no conclusion</p>
<b>0</b>	<p><b>0 marks</b></p> <p>No understanding of the importance of managing change /other aspects of management</p>	<p><b>0 marks</b></p> <p>No meaningful analysis</p>	<p><b>0 marks</b></p> <p>No meaningful evaluation</p>

## **Indicative content:**

### Arguments in favour:

- The world is changing rapidly due to various changes including - changes in technology, changes in consumer tastes, changes in legislation, changes in the workforce and the impact of increased competition and globalisation.
- Responding to these changes is a challenge for any business and needs to be done carefully.
- For instance, introducing new technology can be vital to a business's survival but if it is not done well it can cause a great deal of disruption and be expensive and ultimately not produce the desired results.
- One of the main problems in introducing change is resistance from the workforce, from customers and suppliers and sometimes from the owners of the business. For this reason it is sometimes helpful to use Lewin's three step process. This involves introducing an innovation with appropriate information to explain the need for change; overcoming resistance through group discussion and finally, establishing a new, agreed, practice that everyone is happy to work with.
- Unless change is managed, all kinds of problems can ensue. E.g., workers may take industrial action; customers may not be happy with the changes, for instance as with the introduction of self-service tills in some supermarkets; suppliers may find it difficult to meet the conditions of just-in-time deliveries. All of these things will result in problems for the business, whereas, if the change had been introduced better there would have been less resistance and fewer problems.
- John Storeys 4 approaches. It is important that the business knows its employees and whether change management should be discussed with them or implemented quickly. The wrong approach could cause more staff resistance, while the right approach may motivate.

### Arguments against:

- Not all businesses are subject to constant change. Some businesses are able to survive and prosper whilst carrying on with their traditional methods of operation.
- The importance of managing change can be exaggerated – most changes are small and will take place without a great deal of management. There is therefore no need to consult with the workforce or customers.
- Candidates should be rewarded for giving suitable examples.
- Other aspects of management include; financial, HR and operational.
- Credit any other valid point.

<b>4 (a)</b>	<b>Explain the possible implications of Brexit (UK withdrawal from the European Union) to the UK car industry. [10]</b>		
<b>Band</b>	AO1	AO2	AO3
	4 marks	4 marks	2 marks
<b>3</b>	<p><b>4 marks</b></p> <p>Excellent understanding of EU membership and non-membership</p> <p>At least 2 points are described in detail</p>	<p><b>4 marks</b></p> <p>Excellent application of the implications of leaving the EU to the car industry in the UK</p> <p>At least 2 appropriate points are fully applied</p>	
<b>2</b>	<p><b>2-3 marks</b></p> <p>Good understanding of EU membership and non-membership</p> <p>1 or 2 points are clearly described</p>	<p><b>2-3 marks</b></p> <p>Good application of the implications of leaving the EU to the car industry in the UK</p> <p>1 or 2 or more points are clearly applied</p>	<p><b>2 marks</b></p> <p>Good analysis of the implications of leaving the EU</p> <p>2 or more impacts explained</p>
<b>1</b>	<p><b>1 mark</b></p> <p>Limited understanding of EU membership and non-membership</p> <p>At least 1 point is briefly described</p>	<p><b>1 mark</b></p> <p>Limited application of the implications of leaving the EU to the car industry in the UK</p> <p>At least 1 point is briefly applied</p>	<p><b>1 mark</b></p> <p>Limited analysis of the implications of leaving the EU</p> <p>At least 1 impact is explained</p>
<b>0</b>	<p><b>0 marks</b></p> <p>No understanding of EU membership and non-membership</p>	<p><b>0 marks</b></p> <p>No application to the car industry in the UK</p>	<p><b>0 marks</b></p> <p>No analysis of the implications of leaving the EU</p>

**Indicative content:**

- Membership of the EU benefits the UK car industry in a number of ways:
- Without membership there would no longer be completely free trade between the UK and EU countries. There may be tariffs and/or quotas placed on UK exports to the EU.
- A number of overseas manufacturers such as Nissan and Honda base their production in the UK because of the free access to European markets. If the UK was not a member of the EU it is likely that these companies would move their production elsewhere resulting in a huge loss of jobs, not only directly, in the car plants, but also amongst the hundreds of businesses that supply these companies.
- Because there are common standards throughout the EU it makes it easier for car manufacturers to produce one model for all markets rather than different models for each country. This enables them to gain large economies of scale.
- Also some UK car manufacturers rely on workers from EU countries. Membership of the EU means that there is a supply of labour which would not be available if the UK was not a member of the EU. This would result in an increase in the cost of production and a potential shortage of essential skills.
- Greater need to source materials and components from within the UK.
- Great consolidation of the car industry within the UK.
- Credit any other valid point.

<b>(b)</b>	<b>Discuss the impact of globalisation on the key stakeholders of UK businesses. [20]</b>		
<b>Band</b>	AO1	AO3	AO4
	4 marks	8 marks	8 marks
<b>3</b>		<p style="text-align: center;"><b>6-8 marks</b></p> <p>Excellent analysis of the impact of globalisation on the key stakeholders of UK businesses</p> <p>The candidate analyses the impact on at least 2 key stakeholder groups</p> <p>The analysis is balanced and detailed</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;"><b>6-8 marks</b></p> <p>Excellent evaluation of the impact of globalisation on the key stakeholders of UK businesses</p> <p>The candidate evaluates the impact on at least 2 key stakeholder groups in detail</p> <p>The evaluation is balanced and detailed</p> <p>Clear judgements are made with supporting statements to build an argument</p> <p>A holistic evaluation may be offered with an overall conclusion</p>
<b>2</b>	<p style="text-align: center;"><b>3-4 marks</b></p> <p>Good understanding of globalisation and key stakeholders</p> <p>At least 2 key stakeholders are identified</p>	<p style="text-align: center;"><b>3-5 marks</b></p> <p>Good analysis of the impact of globalisation on the key stakeholders of UK businesses</p> <p>The candidate analyses the impact on 1 or 2 key stakeholder groups</p> <p>The analysis is uneven with some well-developed points and others which are more limited in their development</p>	<p style="text-align: center;"><b>3-5 marks</b></p> <p>Good evaluation of the impact of globalisation on the key stakeholders of UK businesses</p> <p>The candidate evaluates the impact on 1 or 2 or key stakeholder groups</p> <p>The evaluation provides a reasonably well balanced argument</p> <p>The candidate makes judgements with some attempt to support their evaluation</p> <p>The answer may contain a brief conclusion</p>
<b>1</b>	<p style="text-align: center;"><b>1-2 marks</b></p> <p>Limited understanding globalisation and key stakeholders</p> <p>1 or 2 key stakeholders are identified</p>	<p style="text-align: center;"><b>1-2 marks</b></p> <p>Limited analysis of the impact of globalisation on the key stakeholders of UK businesses</p> <p>The candidate briefly analyses the impact on at least 1 key stakeholder group</p> <p>Superficial analysis</p>	<p style="text-align: center;"><b>1-2 marks</b></p> <p>Limited evaluation of the impact of globalisation on the key stakeholder(s) of UK businesses</p> <p>The candidate evaluates the impact on at least 1 key stakeholder group</p> <p>Judgements are superficial and unsupported</p> <p>The evaluation is uneven and one-sided</p> <p>There is no conclusion</p>
<b>0</b>	<p style="text-align: center;"><b>0 marks</b></p> <p>No understanding of globalisation or key stakeholders</p>	<p style="text-align: center;"><b>0 marks</b></p> <p>No meaningful analysis</p>	<p style="text-align: center;"><b>0 marks</b></p> <p>No meaningful evaluation</p>

**Indicative content:**

- Globalisation has both positive and negative effects on the stakeholders of businesses.
- The owners of a business may benefit if they are able to sell their goods in a larger market. Increased sales can mean increased economies of scale and increased profits.
- The owners can also benefit if they are able to have goods manufactured cheaper in another country with lower wage rates.
- The workers of a business may benefit if the company they work for increases its worldwide sales but, on the other hand, increased competition or the relocation of factories may result in loss of jobs.
- Consumers in general will benefit from being able to buy a far wider range of goods than they would otherwise have available to them, often at considerably lower prices. On the other hand, some consumers may feel that quality has been sacrificed in moving production from the UK to overseas.
- The government may find that it has less control over multinational companies that pay their taxes elsewhere. The government may also be concerned about loss of jobs and even the potential loss of whole industries, such as clothing and possibly steel.
- Local communities may benefit if the local businesses benefit from global trade but also may suffer if local companies close down.
- Suppliers may similarly benefit if trade increases but lose out if production moves elsewhere.
- Credit any other valid point.