

CONFERENCE VERSION – 27/06/2023

**CONFIDENTIAL**



# GCE A LEVEL MARKING SCHEME

**SUMMER 2023**

**A LEVEL  
BUSINESS - COMPONENT 3  
A510U30-1**

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## **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. Learners 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 A LEVEL BUSINESS - COMPONENT 3**

**SUMMER 2023 MARK SCHEME**

**SECTION A**

1	1	<b>Explain the challenges to IKEA of moving into new international markets. [8]</b>		
Band	AO1	AO2	AO3	
	2 marks	2 marks	4 marks	
<b>3</b>			<b>4 marks</b> Excellent analysis of the challenges of moving into a new international market.  Good well-developed answer explaining the challenges faced by IKEA.	
<b>2</b>	<b>2 marks</b> Good understanding of the challenges of moving into a new international market.  At least 2 challenges of moving into new international market are outlined.	<b>2 marks</b> Good application of the challenges of moving into a new international market.  The candidate makes effective use of the case study context.	<b>2-3 marks</b> Good analysis of the challenges of moving into a new international market.  Good well-developed answer explaining the challenges.	
<b>1</b>	<b>1 mark</b> Limited understanding of the challenges of moving into a new international market.  1 or more challenges of moving into new international market are outlined.	<b>1 mark</b> Limited application of the challenges of moving into a new international market.  The candidate makes some use of the case study context during the answer.	<b>1 mark</b> Limited analysis of the challenges of moving into a new international market.  Developments are superficial.	
<b>0</b>	<b>0 marks</b> No understanding of the challenges of moving into a new international market.	<b>0 marks</b> No application of the challenges of moving into a new international market.	<b>0 marks</b> No relevant analysis.	

**Indicative content:**

IKEA predominantly operates through franchise agreements. Due to the size of the business a franchisee may be difficult to find due to the level of investment needed to operate the very large IKEA stores. As a result, any growth may be slower than anticipated and the return on the investment may take longer as a result.

Diseconomies of scale are likely to be an issue when moving into new areas such as South America. The distance from IKEA's traditional European sales bases could lead to communication and coordination difficulties especially in terms of working with existing suppliers. Any delays in supplies may result in items being out of stock. This could be potentially damaging to IKEA's reputation as first-time visitors unable to access products may consider IKEA unreliable and choose not to shop with them.

Establishing the brand in new international locations such as New Zealand will be costly in terms of the marketing budget.

If self-assembly (flatpack) furniture is an unfamiliar concept to some cultures in new international market IKEA may take longer than expected to become established. If IKEA fail to generate enough interest in this new approach to furniture it may need to eventually withdraw from the country.

Competition is likely to be a factor in all new international markets. Although IKEA is the very large provider to flatpack furniture each market is a new challenge to gain customers as furniture is currently purchased elsewhere.

Barriers to entry in the form of legal issues could be faced both in terms of product quality and labour laws. As in Ireland, building restrictions may pose problems as the large blue and yellow stores may not be permitted under local planning regulations.

Any other valid point.

1	2	<b>Assess the importance of technology to IKEA's marketing strategy. [10]</b>			
Band	AO1	AO2	AO3	AO4	
	2 marks	2 marks	2 marks	4 marks	
<b>3</b>				<p><b>4 marks</b> An excellent well-balanced evaluation of the impact of technology upon IKEAs marketing strategy.</p> <p>Clear reference to the case study and context to support the judgement.</p>	
<b>2</b>	<p><b>2 marks</b> Good understanding of the impact of technology upon a business's marketing strategy.</p> <p>The candidate identifies at least 2 elements of the marketing strategy.</p>	<p><b>2 marks</b> Good application of the influence technology has had upon IKEAs marketing strategy.</p> <p>The candidate makes effective use of the case study context.</p>	<p><b>2 marks</b> Good analysis of the influence technology has had upon IKEAs marketing strategy.</p> <p>Analysis is developed and in context.</p>	<p><b>2-3 marks</b> Good evaluation of the impact of technology upon a business's marketing strategy.</p> <p>Candidate makes partial judgement, with some attempt to support their evaluation.</p>	
<b>1</b>	<p><b>1 mark</b> Limited understanding of the impact of technology upon a business's marketing strategy.</p> <p>Candidate identifies 1 or 2 elements of the marketing strategy.</p>	<p><b>1 mark</b> Limited application of the influence technology has had upon IKEAs marketing strategy.</p> <p>The candidate makes some use of the case study context during the answer.</p>	<p><b>1 mark</b> Limited analysis of the influence technology has had upon a business's marketing strategy.</p> <p>The response is descriptive with little development.</p>	<p><b>1 mark</b> Limited evaluation of the impact of technology upon a business's marketing strategy.</p> <p>Unsupported judgements are made.</p>	
<b>0</b>	<p><b>0 marks</b> No understanding of causes of the impact of technology upon a business's marketing strategy.</p>	<p><b>0 marks</b> No application of the influence technology has had upon IKEAs marketing strategy.</p>	<p><b>0 marks</b> No relevant analysis.</p>	<p><b>0 marks</b> No valid evaluation.</p>	

**Indicative content:****Arguments for:**

Changes in technology have led to IKEA being able to replace their catalogue with an online version. This will give customers easy access to the product range whilst allowing IKEA to update the catalogue more frequently.

As IKEA has begun to use m-commerce this will enable the business to adjust its prices more frequently. If selling seasonal items such as garden furniture, IKEA will be able to offer discounts at short notice to ensure stock is sold before seasonal demand drops.

IKEA can offer discounts through the loyalty card. This can encourage repeat custom and lead to an increase in revenue.

By changing the product range to keep up with technological developments IKEA can develop more sophisticated products and enter different sections of the market as a result. The development of the 'smart home' range has allowed IKEA to enter the home electronics market in a new way and increase their sales in this area.

**Arguments against:**

IKEA was very successful and enjoyed continual growth despite a limited role of technology either within its production operation or in its marketing.

Many of IKEA's products are standard homeware products and items which are purchased on impulse when visiting the store. Therefore, technology plays a limited role in its overall marketing strategy.

IKEA's low prices are an attraction to customers. Whilst IKEA has been able to develop areas of its product range with technology, it is the low-price approach to home furnishing which remains the USP for IKEA.

IKEA has had issues relating to variations in pricing between its websites in different countries. Customers in South Korea complained prices were higher than in other countries leading to a potential loss of sales.

Any other valid point.

1	3	<b>Consider the importance of the right store location to IKEA's success. [10]</b>			
<b>Band</b>	<b>AO1</b>	<b>AO2</b>	<b>AO3</b>	<b>AO4</b>	
	<b>1 mark</b>	<b>2 marks</b>	<b>3 marks</b>	<b>4 marks</b>	
<b>3</b>			<p><b>3 marks</b> An excellent analysis of the importance of location factors to IKEA's success.</p> <p>Analysis is well developed and in context.</p>	<p><b>4 marks</b> An excellent well-balanced evaluation of the importance of location factors to IKEA's success.</p> <p>Clear reference to the case study and context to support the judgement.</p>	
<b>2</b>		<p><b>2 marks</b> Good application of location factors to IKEA's success.</p> <p>The candidate makes effective use of the data in the case study.</p>	<p><b>2 marks</b> A good analysis of the importance of location factors to success.</p> <p>Analysis is developed in context.</p>	<p><b>2-3 marks</b> Good evaluation of the importance of location factors to success.</p> <p>Candidate makes partial judgement, with some attempt to support their evaluation.</p>	
<b>1</b>	<p><b>1 mark</b> Understanding of location factors.</p>	<p><b>1 mark</b> Limited application of location factors to IKEA's success.</p> <p>The candidate response is mainly theoretical with the limited use of examples from the case study.</p>	<p><b>1 mark</b> Limited analysis of the importance of location factors to success.</p> <p>Use of data is descriptive with little development.</p>	<p><b>1 mark</b> Limited evaluation of the importance of location factors to success.</p> <p>Unsupported judgements are made.</p>	
<b>0</b>	<p><b>0 marks</b> No valid understanding.</p>	<p><b>0 marks</b> No valid application.</p>	<p><b>0 marks</b> No valid analysis.</p>	<p><b>0 marks</b> No valid evaluation.</p>	



**Indicative content:****Arguments for:**

As most IKEA customers will be returning home with a number of items, including flatpack furniture a car is likely to be required. Therefore, it is important that IKEA locate stores close to good infrastructure routes such as motorways in order that many cars can drive to and from the store.

Additionally, IKEA stores are generally very large. As this is the case, it is necessary for IKEA to access large areas of land to build the stores. As the large store layout seems to be a key element in their success it is vital that the stores are located in areas where these large stores can be built.

Stores are often located outside of the town centre due to cheaper land values. Therefore, this will reduce costs, helping to keep prices low.

Some of the smaller stores in built-up areas have been unsuccessful therefore this provides evidence that customers will not access the stores at the same rate as larger out of town stores.

When constructing stores in America and China, due to the destruction of local historic buildings IKEA has received bad press. This may reduce the level of demand these stores receive.

**Arguments against:**

As the IKEA catalogue is available online, it is not necessary for customers to visit stores to purchase their desired product. Therefore, with a growth in online sales the importance of store location for IKEA is diminishing. This is especially true, as software is available for customers to test out the look of the IKEA products in their homes digitally, reducing the need to visit physical stores.

The expectation for home delivery reduces the need for IKEA to have stores in their traditional out-of-town retail parks. In-town stores may be more successful as a showroom where customers can view the products. However, the expectation may now be that customers purchase the product later or buy in-store and make more use of home delivery services rather than taking items home on the day of a store visit.

Although legal restrictions can be important when locating, in Ireland the government changed the law to accommodate IKEA's large store model. Therefore, it can be argued that as IKEA have considerable power to influence government policy. It can be concluded that initial legal concerns over a location need not be an issue.

Any other valid point.

<b>1</b>	<b>4</b>	<b>“Franchising offers only benefits and no problems to franchisors and franchisees”. Evaluate this statement.</b>			<b>[10]</b>
<b>Band</b>	<b>AO1</b>	<b>AO3</b>	<b>AO4</b>		
	<b>2 marks</b>	<b>4 marks</b>	<b>4 marks</b>		
<b>3</b>		<b>4 marks</b> Excellent analysis of the benefits and problems of franchising to franchisors and franchisees.	<b>4 marks</b> Excellent evaluation of the benefits and problems of franchising to franchisors and franchisees.		
<b>2</b>	<b>2 marks</b> Good understanding of the benefits and problems of franchising to franchisors and franchisees.	<b>2-3 marks</b> Good analysis of the benefits and/or problems of franchising to franchisors and/or franchisees.	<b>2-3 marks</b> Good evaluation of the benefits and/or problems of franchising to franchisors and/or franchisees.		
<b>1</b>	<b>1 mark</b> Limited understanding of the benefits of franchising to franchisors and/or franchisees.  Limited understanding of franchising.	<b>1 mark</b> Limited analysis of the benefits and/or problems of franchising to franchisors and/or franchisees.	<b>1 mark</b> Limited evaluation of the benefits and/or problems of franchising to franchisors and/or franchisees.		
<b>0</b>	<b>0 marks</b> No valid understanding.	<b>0 marks</b> No valid analysis.	<b>0 marks</b> No valid evaluation.		

**Indicative content:**

Franchising occurs where a franchisor sells the right to use its name, logo, trademarks and ideas to a franchisee. It is common for the franchisor to supply the franchisee with products and support them through training and the provision of marketing.

**Benefits to franchisor:**

As franchisees pay a fee to join the franchise as well as paying for supplies and/or royalties from sales, this will provide a steady income for the franchisor.

As the operational responsibility is on the part of the franchisee it can be argued that the risk is on the part of the franchisee to ensure they attract enough customers.

**Problems to franchisor:**

Franchisee may not follow policy leading to the risk reputational damage. It is likely that if a franchisee causes a newsworthy problem this will be reported as a fault with the franchising company leading to negative effects for both the franchisor and be felt by other franchisees in terms of reduced sales.

**Benefits to franchisee:**

Follow a successful business model may be a very easy way to operate a business. By simply buying a franchise, the prices are set, the promotions paid for the franchisor and the product designed and researched by the franchisor. Therefore, this business model reduces the workload for franchisees.

**Problems to franchisee:**

The ability to make decisions is one reason why entrepreneurs set up their own business. By taking on a franchise all the major decisions are already made and the franchisee simply follows the businesses template. As lack of decision making can be seen as leading to low motivation this may negatively affect the franchisee.

Any other valid point.

<b>1</b>	<b>5</b>	<b>Evaluate the impact of IKEA's ethical and environmental practices on its stakeholders.</b>				<b>[12]</b>
<b>Band</b>	<b>AO1</b>	<b>AO2</b>	<b>AO3</b>	<b>AO4</b>		
	<b>2 marks</b>	<b>2 marks</b>	<b>4 marks</b>	<b>4 marks</b>		
<b>3</b>			<p><b>4 marks</b></p> <p>An excellent analysis of the impact of ethical and environmental factors upon IKEA's stakeholders.</p> <p>Analysis is developed in context.</p>	<p><b>4 marks</b></p> <p>An excellent evaluation of the impact of ethical and environmental factors upon IKEA's stakeholders.</p> <p>Clear reference to the case study and context to support the judgement.</p>		
<b>2</b>	<p><b>2 marks</b></p> <p>Good understanding of ethical and environmental factors and stakeholders.</p>	<p><b>2 marks</b></p> <p>Good application of the impact of ethical and environmental factors upon IKEA's stakeholders.</p> <p>The candidate makes effective use of the data in the case study.</p>	<p><b>2-3 marks</b></p> <p>A good analysis of the impact of ethical and/or environmental factors upon stakeholders.</p> <p>Impact on 2 or more stakeholders is developed.</p>	<p><b>2-3 marks</b></p> <p>Good evaluation of the impact of ethical and/or environmental factors upon stakeholders.</p> <p>Candidate makes partial judgement, with some attempt to support their evaluation.</p>		
<b>1</b>	<p><b>1 mark</b></p> <p>Limited understanding of ethical and/or environmental factors and stakeholders.</p>	<p><b>1 mark</b></p> <p>Limited application of the impact of ethical and/or environmental factors upon IKEA's stakeholders.</p> <p>The candidate response is mainly theoretical with the limited use of examples from the case study.</p>	<p><b>1 mark</b></p> <p>Limited analysis of the impact of ethical and/or environmental factors upon stakeholders.</p> <p>Analysis is descriptive with little development.</p>	<p><b>1 mark</b></p> <p>Limited evaluation of the impact of ethical and/or environmental factors upon stakeholders.</p> <p>Unsupported judgements are made.</p>		
<b>0</b>	<p><b>0 marks</b></p> <p>No valid understanding.</p>	<p><b>0 marks</b></p> <p>No valid application.</p>	<p><b>0 marks</b></p> <p>No valid analysis.</p>	<p><b>0 marks</b></p> <p>No valid evaluation.</p>		

## **Indicative content:**

### **Environmental:**

#### **Positive**

Re-selling old IKEA furniture is a benefit to customers. Returning customers will be able to receive store credit for their unwanted furniture. This will help to reduce the amount spent on other items purchased from the store. Customers also have the opportunity to own used IKEA furniture at a lower price than a new item.

IKEA plans to become "a climate positive business by 2030". The dramatic reduction in greenhouse gas emissions through initiatives such as IKEA's own wind farms will help governments achieve their environmental targets.

#### **Negative**

Although not an intended negative environmental impact, IKEA's model is based upon customers bringing their cars to a store and driving away with their furniture. This will cause an increase in CO2 and congestion. Both issues could cause problems for the local community in terms of air pollution and traffic.

Recycling items that could not be resold will be a cost for IKEA. This will reduce profitability for the business which will impact upon profits. If profits are reduced, then shareholders may achieve lower dividends.

### **Ethical:**

#### **Positive**

IKEA has signed a pledge to ensure that workers are not exploited in the production of raw materials sourced in developing economies and has stated that if suppliers do not meet the standards set by IKEA, it will activate an action plan to correct any issues. This is a great benefit to the workers of suppliers as conditions may be improved or kept high in order to achieve a supply contract with IKEA.

IKEA provides skills development and work experience placements to tackle unemployment especially for people experiencing poverty and inequalities. This is beneficial to the local community in providing access to potential jobs. The government will also benefit due to a reduction in unemployment and its associated costs.

IKEA's pledge to work with social entrepreneurs and actively engages with local communities will help local charity groups and the community they support.

#### **Negative**

Claims have been made that IKEA has caused the law in Ireland to change. This may have produced a negative view of the government. As a result, some voters may not support them in the next election leading to a loss of power.

Destruction of tombs in China and the demolishing historic buildings in America will be upsetting for the local community.

Not withdrawing items from the Malm range that were potentially dangerous to customers. Any resulting injury or death will no doubt have negative implications for customers and their families.

Any other valid point.

## SECTION B

<b>2</b>	<b>1</b>	<b>Explain how social changes may affect the product portfolio of a business producing breakfast cereals.</b> <span style="float: right;"><b>[10]</b></span>		
<b>Band</b>	<b>AO1</b>	<b>AO2</b>	<b>AO3</b>	
	<b>4 marks</b>	<b>4 marks</b>	<b>2 marks</b>	
<b>3</b>	<b>4 marks</b> Excellent understanding of how social changes may affect the product portfolio.	<b>4 marks</b> Excellent application of social changes upon the product portfolio of a business producing breakfast cereals.		
<b>2</b>	<b>2-3 marks</b> Good understanding of how social changes may affect the product portfolio.	<b>2-3 marks</b> Good application of the impact of social changes upon affect the product portfolio of a business producing breakfast cereals.	<b>2 marks</b> Good analysis of social changes upon the product portfolio.	
<b>1</b>	<b>1 mark</b> Limited understanding of how social changes may affect the product portfolio.	<b>1 mark</b> Limited application of social changes upon the product portfolio of a business producing breakfast cereals.	<b>1 mark</b> Limited analysis of the impact of social changes upon the product portfolio.	
<b>0</b>	<b>0 marks</b> No understanding of the product portfolio or social change.	<b>0 marks</b> No application of social changes upon the product portfolio of a business producing breakfast cereals.	<b>0 marks</b> No analysis of the impact of social changes upon the product portfolio.	

### Indicative content:

As the population is becoming more elderly a business selling breakfast cereal may develop products particularly for an older age range. Cereal with added minerals or a high fibre content may entice this older age range to select a product containing age specific health benefits.

Many people have busy work lives and prefer to start the commute to work and have breakfast on the way. To cater for customers on the move a business selling breakfast cereal may wish to produce breakfast snack bars. As these products can be easily stored in a pocket or bag and consumed later this product will help to maintain sales even though breakfast cereal is not being consumed in the traditional way with milk.

Increased gym usage has gone hand in hand with the development of protein rich food products. A high protein breakfast cereal could be developed to target those engaging in sport and exercise, particularly those aiming to gain muscle.

Weetabix has developed a version of its product that is contained within a drink format. Although this is a departure from the traditional Weetabix product this still enables consumers to purchase the breakfast cereal for consumption in another format helping maintain sales.

As family sizes are becoming smaller cereal manufacturers could release the product in different pack sizes to appeal to households consuming cereal at different rates. This may attract customers of all kinds, whether a single person household concerned about the cereal going out of date before being finished or a large family seeking a large pack size due to the usually lower price per gram.

Credit any other valid point.

2	2	<b>To what extent is the growth of a business likely to have a positive impact on all its employees?</b> [20]		
<b>Band</b>	<b>A01</b>	<b>A03</b>	<b>A04</b>	
	<b>4 marks</b>	<b>8 marks</b>	<b>8 marks</b>	
<b>3</b>		<p><b>6-8 marks</b></p> <p>Excellent analysis of the effect of growth upon employees.</p> <p>Key issues have been well developed with a clear line of reason.</p> <p>In-depth analysis required for this band.</p>	<p><b>6-8 marks</b></p> <p>Excellent evaluation of the effect of growth upon employees.</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 effect of growth upon employees.</p> <p>Points will agree and disagree with the statement.</p>	<p><b>3-5 marks</b></p> <p>Good analysis of the effect of growth upon employees.</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 effect of growth upon employees.</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 effect of growth upon employees.</p> <p>Points will agree and/or disagree with the statement.</p>	<p><b>1-2 marks</b></p> <p>Limited analysis of the effect of growth upon employees.</p> <p>Superficial analysis.</p>	<p><b>1-2 marks</b></p> <p>Limited evaluation of the effect of growth upon employees.</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 meaningful understanding.</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:**

Financial incentives are likely to be achieved if a business is growing. Therefore, it is likely that managers may achieve bonuses and sales staff may achieve high levels of commission. As a result, the financial gain will be a benefit to these types of employees within the organisation.

Throughout the organisation, objectives will be set through both workforce appraisals and managerial objectives. As growth would indicate an increase in sales and production, it is likely these objectives will be met. Goal achievement can be motivating for employees and so this will support the argument that growth will have a positive impact.

Growth will lead to developments in the organisation structure. Promotion opportunities may be more abundant as the business becomes larger. This presents an increased range of opportunities for employees. According to Maslow, esteem can be achieved through promotion as this will lead to a sense of self-development. Therefore, growth can provide a positive experience for employees.

A successful and growing business may give a sense of safety to employees. Busy and successful businesses may be less likely to make redundancies and so provide employees with a sense of employment security. As this will reduce stress for employees, growth could be seen as a benefit.

**Arguments against:**

Particularly in manufacturing businesses, growth can lead to an increase in capital intensity. As employees on a production line may be replaced by machines, growth cannot be seen as a benefit for all employees.

A need for increased space as a business grows may sometimes lead to businesses relocating. Some employees may have a longer commute to work or perhaps find it impractical to move to within commuting distance of the new site and so some staff may have to leave the business. Therefore, if business growth leads to re-location this may not benefit all employees.

In the short term, growth may lead to an increased workload for managers with a widening span of control. Equally, a wider span of control can mean that employees do not receive as much attention from their line manager as they would like. Therefore, in the case of both the superior and subordinate, a widening span of control cannot be seen as a benefit.

Lengthening chains of command in growing businesses can negatively affect the speed of communication from the top to the bottom of the hierarchy. Therefore, the increasing number of layers within the organisation can leave lower-level employees demotivated due to a lack of empowerment and inability to influence the organisation.

Growth may be achieved through merger or takeover. As this can lead to roles being duplicated and team structures needing to be changed this may lead to insecurity for employees or redundancies. Therefore, growth may not always be beneficial to employees.

Credit any other valid point.

<b>3</b>	<b>1</b>	<b>Explain the possible impacts upon a global smart phone manufacturer of poor public relations and product failure. [10]</b>		
<b>Band</b>		<b>AO1</b>	<b>AO2</b>	<b>AO3</b>
		<b>4 marks</b>	<b>4 marks</b>	<b>2 marks</b>
<b>3</b>	<b>4 marks</b>	<p>Excellent understanding of the possible impacts of poor public relations and product failure.</p> <p>Clear and detailed understanding of at least 2 possible impacts.</p>	<p>Excellent application of the possible impacts upon a global smart phone manufacturer of poor public relations and product failure.</p> <p>The candidate will have suggested 2 or more different impacts suitable to the scenario.</p>	
<b>2</b>	<b>2-3 marks</b>	<p>Good understanding of the possible impacts of poor public relations and/or product failure.</p> <p>Good understanding of at least 2 possible impacts.</p>	<p>Good application of the possible impacts upon a global smart phone manufacturer of poor public relations and/or product failure.</p> <p>The candidate will have suggested 1 or 2 different impacts suitable to the scenario.</p>	<p><b>2 marks</b></p> <p>Good analysis of the possible impacts upon a global smart phone manufacturer of poor public relations and/or product failure.</p> <p>The candidate will have analysed 1 or 2 possible impacts.</p>
<b>1</b>	<b>1 mark</b>	<p>Limited understanding of the possible impacts of poor public relations and/or product failure.</p> <p>Basic knowledge of at least 1 possible impact.</p>	<p><b>1 mark</b></p> <p>Limited application of the possible impacts upon a global smart phone manufacturer of poor public relations and/or product failure.</p> <p>The candidate will have suggested at least 1 impact suitable to the scenario.</p>	<p><b>1 mark</b></p> <p>Limited analysis of the possible impacts upon a global smart phone manufacturer of poor public relations and/or product failure.</p> <p>The candidate will have analysed at least 1 possible impact.</p>
<b>0</b>	<b>0 marks</b>	<p>No understanding of the possible impacts of poor public relations or product failure.</p>	<p><b>0 marks</b></p> <p>No application of the possible impacts upon a global smart phone manufacturer of poor public relations or product failure.</p>	<p><b>0 marks</b></p> <p>No analysis of the possible impacts upon a global smart phone manufacturer of poor public relations or product failure.</p>

## **Indicative content:**

### **Poor public relations**

As poor public relations will provide a negative view of the business this is likely to reduce demand for the phones. As phones are both expensive to produce and have a short product lifecycle, the research and development capital may not be recouped. This has a knock-on effect of reduced capital to invest into the next handset.

Smart phone manufacturers such as Apple and Samsung are heavily branded. This will aim to produce a degree of customer loyalty. For example, when Apple was accused of having poor working conditions in some of its Asian factories this had little short-term impact and no real long-term reduction in sales as Apple quickly produced a press release announcing that they were investigating the claims and seeking to correct any issues found.

### **Product failure**

Product failure can be due to a manufacturing fault. As this is more likely to be a problem on product launch when mass production occurs for the first time, this can damage the perception of a new phone. As this is a competitive market, potential customers may choose to purchase a competitor's product. As phones are an infrequent purchase, this could lead to factories having to cut back production or close down, both of which will have a negative impact on the phone manufacturer's profit.

Product failure of a large businesses new product is likely to attract a lot of media attention. Apple has released products which have had problems with phone batteries or the phone losing power suddenly. However, as these faults could quickly be traced to their source at a particular factory, replacements could be issued from other manufacturing units whilst the problems were being corrected. Therefore, if the phone manufacturer has enough stock to quickly resolve the problem, product failure can have a limited effect.

Should a mobile phone manufacturer fail to produce a model which is considered acceptable by the market then it is unlikely that they will regain the capital spent on research and development through sales revenue. However, the marketing mix can be adjusted in order to minimise the financial impact on the business. Often, a lower price or increased promotion will help to stimulate sales and minimise any losses.

Reputational damage can be severe from developing a product that is not accepted by the market. As the mobile phone market is essentially an oligopoly, the release of a product which is rejected by the market can give competitive advantage to other big providers. This may be difficult to recover from due to the revenue from sales being lower than expected. However, companies such as Apple and Samsung are not solely reliant on phone sales for income. Therefore, if the manufacturer has a diverse product profile, the effect may be minimal.

Credit any other valid point.

3	2	Evaluate the strategies that businesses use to achieve global growth. [20]		
Band	AO1	AO3	AO4	
	4 marks	8 marks	8 marks	
3		<p><b>6-8 marks</b></p> <p>Excellent analysis of the strategies that businesses use to achieve global growth.</p> <p>Key issues have been well developed with a clear line of reason.</p> <p>In-depth analysis required for this band.</p>	<p><b>6-8 marks</b></p> <p>Excellent evaluation of the strategies that businesses use to achieve global growth.</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>	
2	<p><b>3-4 marks</b></p> <p>Good understanding of the strategies that businesses use to achieve global growth.</p> <p>The candidate explains the impact of at least 2 strategies.</p>	<p><b>3-5 marks</b></p> <p>Good analysis of the strategies that businesses use to achieve global growth.</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 strategies that businesses use to achieve global growth.</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>	
1	<p><b>1-2 marks</b></p> <p>Limited understanding of the strategies that businesses use to achieve global growth.</p> <p>The candidate explains the impact of at least 1 strategy.</p>	<p><b>1-2 marks</b></p> <p>Limited analysis of the strategies that businesses use to achieve global growth.</p> <p>Superficial analysis.</p>	<p><b>1-2 marks</b></p> <p>Limited evaluation of the strategies that businesses use to achieve global growth.</p> <p>Judgements are superficial and unsupported.</p> <p>The evaluation is uneven and one-sided.</p>	
0	<p><b>0 marks</b></p> <p>No understanding of the strategies that businesses use to achieve global growth.</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:**

Organic growth is where a business increases the level of sales being achieved. This may be done in a number of ways such as via product development or market development.

Market development is carried out when a business seeks to sell an existing product in a new market. For example, in recent years Apple has attempted to develop their presence in the Asian markets such as Japan, South Korea and Singapore. By opening physical Apple stores as well as improving e-commerce and m-commerce routes to customers Apple have managed to grow their levels of sales in these regions. As Apple products are consumer durables, this tactic will attract new customers in new locations where stagnation may occur in western markets due to market saturation.

Product development may be carried out by developing new products in order to perpetuate sales to existing customers. For example, dedicated Samsung customers may appreciate the brand but seek upgrades on TVs, phones and other electronic devices as technology continues to improve. Therefore, Samsung will continue to bring out new upgraded versions of their product in order to keep up with the changing requirements of their customers.

External growth via takeover can be a good way of entering a new market. When Walmart entered the UK grocery market it did so by purchasing the ASDA supermarket chain. This gave Walmart an immediate foothold in the market as they inherited the market position of ASDA as one of the UK's biggest supermarkets. However, although the takeover gave Walmart some success, the arrival of low-cost providers such as ALDI and LIDL, combined with the strength of traditional competitors such as Tesco left Walmart frustrated with the lack of growth in the ASDA investment. Finally, Walmart decided to sell ASDA to British investors leading to the conclusion that external growth does not guarantee success.

Mergers are a common way of achieving global growth, particularly through horizontal mergers where businesses share many of the same characteristics and work in similar markets. In early 2021, a merger was agreed between car manufacturers Fiat and Peugeot. As both companies are in the same market, economies of scale can be achieved through sharing research and development into new engine technology. The economies of scale achieved will lead to lower average costs for the merged business. This could lead to a reduction in prices for customers and stimulate further sales and growth.

Franchising is one method of achieving global growth. McDonalds has achieved rapid global growth by allowing franchisees to purchase the right to operate some of its restaurants. This has provided a steady level of growth through the capital provided by franchisees and the subsequent profit from sales taking place in these outlets. Although this is successful for McDonalds, some franchise arrangements break down due to a poor business model leaving the franchisor out of business and the franchisee having paid for something of no further value.

Any other valid point.

<b>4</b>	<b>1</b>	<b>Explain how the concept of elasticity may be useful to an independent clothing retailer. [10]</b>		
<b>Band</b>		<b>AO1</b>	<b>AO2</b>	<b>AO3</b>
		<b>4 marks</b>	<b>4 marks</b>	<b>2 marks</b>
<b>3</b>		<b>4 marks</b> Excellent understanding of the concept of elasticity.  Clear understanding of the uses of elasticity.	<b>4 marks</b> Excellent application of concept of elasticity to an independent clothing retailer.	
<b>2</b>		<b>2-3 marks</b> Good understanding of the concept of elasticity.  Understanding of the uses of elasticity.	<b>2-3 marks</b> Good application of concept of elasticity to an independent clothing retailer.	<b>2 marks</b> Good analysis of concept of elasticity to an independent clothing retailer.
<b>1</b>		<b>1 mark</b> Limited understanding of the concept of elasticity.  Basic knowledge of the uses of elasticity.	<b>1 mark</b> Limited application of concept of elasticity to an independent clothing retailer.	<b>1 mark</b> Limited analysis of concept of elasticity to an independent clothing retailer.
<b>0</b>		<b>0 marks</b> No understanding of the concept of elasticity.	<b>0 marks</b> No application of concept of elasticity to an independent clothing retailer.	<b>0 marks</b> No meaningful analysis.

**Indicative content:**

**Price elasticity of demand**

This concept measures change in demand produced by a change in price. This is important as clothing retailers are likely to be concerned about the amount of stock to order from suppliers. If a clothing retailer can establish a good link between price and demand, it will be possible to maintain steady levels of stock. As excessive levels of capital will not be tied up in stock this will help an independent clothes retailer to maintain a suitable level of cash for marketing, staffing or other purposes.

Branding is one feature which creates inelasticity of products within the clothing market. The status carried by the logo of some fashion brands will see items such as white cotton t-shirts being sold at very different prices. A prestigious brand may sell such an item for £75, whereas a similar unbranded item may sell for £5. The concept of elasticity is therefore useful for an independent clothing retailer as they will be able to judge the potential selling price of items of stock as well as perhaps decide when to lower prices and to what level in order to sell off excess stock at the end of a season.

Income elasticity considers the relationship between income and demand. This can be useful to an independent clothing retailer as changes in income will determine the best stock to hold. If incomes are increasing, then shelf space may be given over to more prestigious brands which will generate a higher revenue per sale.

Income elasticity is a useful concept to an independent clothing retailer in determining where to locate their premises. If the retailer is looking to focus on low priced items, then these may sell better in an area where incomes are low. Equally, should the focus be on more highly priced branded items then locating near to other high-end shops may be a priority as those with higher disposable income will be attracted to the area.

Credit any other valid point.

4	2	<p><b>“Using the product life cycle to make decisions will always be beneficial to a business and its stakeholders.” Discuss. [20]</b></p>		
Band	A01	A03	A04	
	4 marks	8 marks	8 marks	
3		<p><b>6-8 marks</b></p> <p>Excellent analysis of the usefulness of the product life cycle in making decisions.</p> <p>Key issues have been well developed with a clear line of reason.</p> <p>In-depth analysis required for this band.</p>	<p><b>6-8 marks</b></p> <p>Excellent evaluation of the usefulness of the product life cycle in making decisions.</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>	
2	<p><b>3-4 marks</b></p> <p>Good understanding of the usefulness of the product life cycle in making decisions.</p> <p>Good reference to parts of the product life cycle in relation to decision making.</p> <p>A diagram of the product life cycle may be used to support points.</p>	<p><b>3-5 marks</b></p> <p>Good analysis of the usefulness of the product life cycle in making decisions.</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 usefulness of the product life cycle in making decisions.</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>	
1	<p><b>1-2 marks</b></p> <p>Limited understanding of the usefulness of the product life cycle in making decisions.</p> <p>Candidates may be credited for drawing the product life cycle.</p>	<p><b>1-2 marks</b></p> <p>Limited analysis of the usefulness of the product life cycle in making decisions.</p> <p>Superficial analysis.</p>	<p><b>1-2 marks</b></p> <p>Limited evaluation of the usefulness of the product life cycle in making decisions.</p> <p>Judgements are superficial and unsupported.</p> <p>The evaluation is uneven and one-sided.</p> <p>There is no conclusion.</p>	
0	<p><b>0 marks</b></p> <p>No meaningful understanding.</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:**

The product life cycle tracks the sales of a single product over time. The stages include research and development, introduction, growth, maturity, decline. Extension strategies may be used to encourage further sales when a product's popularity may otherwise decline.

Research and development (R&D) is carried out in order to create new products ready to launch on the market. As R&D can result in the development of USPs for products this can improve the quality and range of items available on the market once launched. This is of great benefit to the customer giving them access to more products of potentially higher quality. However, carrying out R&D does not necessarily guarantee new discoveries will be made. Therefore, this can be detrimental to the business's shareholders as capital can be spent with no return leading to lower profits and lower dividend pay-outs.

Deciding when to launch a new product can be a very important decision to the business. If the product is likely to replace one in the business's current portfolio it will be most appropriate to launch the product once the older version is in decline. This will help to maximise sales revenue as launching too early may simply detract from sales of the previous product and shorten its product life cycle.

Growth in sales has a large impact upon the workforce. As staff may need to undertake training and be redeployed as older products are phased out, this provides the opportunity to develop new skills. Although this may be a benefit by some employees, others may not have transferable skills or simply may not be needed as growing demand leads to a move to more mechanised production. Therefore, the growth phase of the product life cycle may provide opportunities for some employees but lead to potential job losses for others.

The maturity stage is a point at which positive cash flow is at its highest. This is beneficial to the government as this can also be the most profitable point of a product's life cycle. As tax income will be generated from profits this gives the government the opportunity of providing more public and merit goods which will in turn be beneficial to the wider community.

When a product is in the decline stage the business will need to make a decision as to when extension strategies should be carried out. This will help to maintain a positive cash flow and help management hit sales targets by recreating interest in the product. Once extension strategies seem to be exhausted the business will need to decide when to divest. This will free up resources to be redeployed into a new product enabling the business to maintain competitive advantage as the market changes.

Credit any other valid point.