



# **GCE A LEVEL MARKING SCHEME**

**SUMMER 2025**

**A LEVEL  
BUSINESS – UNIT 4  
1510U40-1**

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## About this marking scheme

The purpose of this marking scheme is to provide teachers, learners, and other interested parties, with an understanding of the assessment criteria used to assess this specific assessment.

This marking scheme reflects the criteria by which this assessment was marked in a live series and was finalised following detailed discussion at an examiners' conference. A team of qualified examiners were trained specifically in the application of this marking scheme. The aim of the conference was to ensure that the marking scheme was interpreted and applied in the same way by all examiners. It may not be possible, or appropriate, to capture every variation that a candidate may present in their responses within this marking scheme. However, during the training conference, examiners were guided in using their professional judgement to credit alternative valid responses as instructed by the document, and through reviewing exemplar responses.

Without the benefit of participation in the examiners' conference, teachers, learners and other users, may have different views on certain matters of detail or interpretation. Therefore, it is strongly recommended that this marking scheme is used alongside other guidance, such as published exemplar materials or Guidance for Teaching. This marking scheme is final and will not be changed, unless in the event that a clear error is identified, as it reflects the criteria used to assess candidate responses during the live series.

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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. Learner's responses to questions are assessed against the relevant individual assessment objectives and they may achieve different bands within a single question. A mark will be awarded for each assessment objective targeted in the question and then totalled to give an overall mark for the question.

# WJEC GCE A LEVEL BUSINESS - UNIT 4

## BUSINESS IN A CHANGING WORLD

### SUMMER 2025 MARK SCHEME

| 1.1  | Consider how Sainsbury's has responded to potential risks. [8]                           |                                                                                                                                    |                                                                                                                   |                                                                                                                                                     |
|------|------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------|
| Band | AO1                                                                                      | AO2                                                                                                                                | AO3                                                                                                               | AO4                                                                                                                                                 |
|      | 2 marks                                                                                  | 2 marks                                                                                                                            | 2 marks                                                                                                           | 2 marks                                                                                                                                             |
| 2    | <b>2 marks</b><br>Good knowledge of risks.<br><br>At least 2 risks have been identified. | <b>2 marks</b><br>Good application to Sainsbury's.<br><br>Reference to Sainsbury's throughout.                                     | <b>2 marks</b><br>Good analysis of the responses to the risks facing Sainsbury's.<br><br>Developed analysis.      | <b>2 marks</b><br>Good evaluation of the responses to the risks facing Sainsbury's.<br><br>Valid judgements are made with some supporting comments. |
| 1    | <b>1 mark</b><br>Limited knowledge of risks.<br><br>At least 1 risk has been identified. | <b>1 mark</b><br>Limited application to Sainsbury's.<br><br>The response is mainly theoretical with some reference to Sainsbury's. | <b>1 marks</b><br>Limited analysis of the responses to the risks facing Sainsbury's.<br><br>Superficial analysis. | <b>1 mark</b><br>Limited evaluation of the responses to the risks facing Sainsbury's.<br><br>Judgements are superficial and unsupported.            |
| 0    | <b>0 marks</b><br>No valid knowledge.                                                    | <b>0 marks</b><br>No valid application.                                                                                            | <b>0 marks</b><br>No valid analysis.                                                                              | <b>0 marks</b><br>No valid evaluation.                                                                                                              |

#### Indicative content:

The case study lists several risks facing Sainsbury's. These are economic factors, changing consumer tastes and/or buying habits, increased competition from discounters and changing technology. 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.

- Economic factors** – can respond to them in a number of ways. The high levels of inflation may prevent customers from purchasing certain goods such as technological and other high priced goods as they have less disposable income. In order to encourage consumer spending, Sainsbury's should use promotion offers such as discounts or keep prices as they are but reduce profit margins. It is evident that Sainsbury's are trying to keep prices low by using 'price lock'. **However**, most economic factors are beyond their control and it may be difficult to keep prices as they are due to the inflationary pressures on costs of providing their goods and services. It may be that profit margins are already low. **In addition**, it is a highly competitive market and other supermarkets will also be

using sales promotions and price reductions. Therefore, the strategies used to overcome these risks may not work.

- **Changing consumer shopping habits** – to respond to consumer habits such as environmental conscious customers, Sainsbury's are offering a product range for Vegans etc. which caters for their needs and wants. This is better than major rivals and helping to take advantage of this market segment. In addition, Sainsbury's are investing in technology such as 'Smart Shop' to cater for the new ways in which customers are shopping and to meet their need for convenience and speed. **However**, this will impact on costs in terms of providing a wide range of goods and other supermarkets are introducing similar technologies and may have actually introduced them first. Therefore, the response may be too late in terms of technology.
- **Competition from discount stores** – Sainsbury's strategy suggests that value products have been introduced at lower prices on a variety of brands. These lower prices will help Sainsbury's attract customers from discount stores such as Aldi and Lidl. **In addition**, the use of store space to offer a wider product range is also likely to help attract customers or keep customers loyal. With Specsavers and other services provided in Sainsbury's supermarkets. **However**, Discounters focus on a smaller range of goods are more able to charge cheaper prices.
- **Leaving the European Union** – The risk is that costs may rise due to a number of things including possible tariffs or there may be shortages on certain goods due to bureaucracy at border control. Sainsbury's have set up a risk management team to forecast potential risks and are therefore looking at scenarios and how to overcome the risks. **However**, the situation of Brexit is volatile and the issues they are planning for are less likely if a trade deal is agreed. Therefore, the time and costs involved in the process may be wasted. **Nevertheless**, some analysts have argued that a trade deal is not perfect and there will still be some implications such as delays at the borders so Sainsbury's will be more prepared for this with potential contingency plans in place.

Credit any other valid point.

| <b>1.2</b>  | <b>Discuss the impact of inflation and increased interest rates on Sainsbury's and its customers. [10]</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>3 marks</b>                                                                                                                                                                                                                                                                                                                                                                                           | <b>3 marks</b>                                                                                                                                                                                                                                                                                                                                          |
| <b>3</b>    |                                                                                                            |                                                                                                                                                                                                                                                                                                                                                                                 | <p><b>3 marks</b></p> <p>Excellent analysis of the impact of inflation <b>and</b> increased interest rates on Sainsbury's <b>and</b> its customers.</p> <p>The analysis is balanced with well-developed points and logical chains of reasoning.</p>                                                                                                                                                      | <p><b>3 marks</b></p> <p>Excellent evaluation of the impact of inflation <b>and</b> increased interest rates on Sainsbury's <b>and</b> its customers.</p> <p>Clear judgements are made with supporting statements.</p>                                                                                                                                  |
| <b>2</b>    | <p><b>2 marks</b></p> <p>Good understanding of inflation <b>and</b> interest rates.</p>                    | <p><b>2 marks</b></p> <p>Good application of either,</p> <p>inflation <b>and</b> increased interest rates on Sainsbury's <b>or</b> its customers.</p> <p>Or</p> <p>inflation <b>or</b> increased interest rates on Sainsbury's <b>and</b> its customers.</p> <p>There is clear reference to the data within the case study <b>and/or</b> the context of the grocery market.</p> | <p><b>2 marks</b></p> <p>Good analysis of either,</p> <p>the impact of inflation <b>and</b> increased interest rates on Sainsbury's <b>or</b> its customers.</p> <p>Or</p> <p>the impact of inflation <b>or</b> increased interest rates on Sainsbury's <b>and</b> its customers.</p> <p>The analysis may be uneven, with some well-developed points and some where the development is more limited.</p> | <p><b>2 marks</b></p> <p>Good evaluation of either,</p> <p>the impact of inflation <b>and</b> increased interest rates on Sainsbury's <b>or</b> its customers.</p> <p>Or</p> <p>the impact of inflation <b>or</b> increased interest rates on Sainsbury's <b>and</b> its customers.</p> <p>Valid judgements are made with some supporting comments.</p> |
| <b>1</b>    | <p><b>1 mark</b></p> <p>Limited understanding of inflation <b>and/or</b> interest rates.</p>               | <p><b>1 mark</b></p> <p>Limited application of inflation <b>and/or</b> increased interest rates on Sainsbury's <b>and/or</b> its customers.</p> <p>The candidate response is mainly theoretical.</p>                                                                                                                                                                            | <p><b>1 mark</b></p> <p>Limited analysis of the impact of inflation <b>and/or</b> increased interest rates on Sainsbury's <b>and/or</b> its customers.</p> <p>Superficial analysis with undeveloped points.</p>                                                                                                                                                                                          | <p><b>1 mark</b></p> <p>Limited evaluation of the impact of inflation <b>and/or</b> increased interest rates on Sainsbury's <b>and/or</b> its customers.</p> <p>Judgements are superficial and unsupported.</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:

### Impact of inflation on:

- **Sainsbury's** – high rates of inflation, with rates at 4% are less likely to encourage consumption and should decrease demand because price levels are likely to rise at higher rates than wages. It should also result in higher costs for supermarkets when purchasing stock and raw material to produce own-brand products. Therefore, the business is likely to make less profit. **In addition**, consumer confidence is low which will negatively affect a business such as Sainsbury's because consumers will spend less which will reduce the number of customers and sales revenue for a business in the retail sector such as Sainsbury's. This can be seen with sales revenue only increasing £1 596 million from 2002 to 2023. **In addition**, some customers may wait to purchase more expensive/luxury products such as electricals either because they have less disposable income or because they think that when inflation falls so too will prices. This may reduce demand for a short time which will impact negatively on the sales revenue of Sainsbury's on certain products.
- **Customers** – High inflation in theory should be a negative because it means that business costs are increasing which are passed onto the customer in the form of higher prices. This may be why Sainsbury's are now using 'price lock' and are focussing on offering lower prices as opposed to promotional strategies as a way of encouraging customers to shop with them rather than with their competitors. **However**, consumers tend to hold off on purchasing certain goods such as electricals, therefore demand falls.
- **Sainsbury's** – The rise in inflation was quite sudden and this may indicate that the figure will fluctuate, especially as the government's target for inflation is 2.0. Fluctuations in inflation are a big problem because it can cause uncertainty. Therefore, Sainsbury's would find it difficult to price goods as costs will constantly be changing (menu costs) and it could impact on interest rates as when inflation is low; interest rates may be high affecting the cost of borrowing and vice versa. **In addition**, it is difficult to forecast future demand and therefore planning is more difficult. For example, Sainsbury's could order too much or too little stock.
- **Customers** – fluctuations cause more uncertainty.

### Impact of increased interest rates:

- **Sainsbury's** – The increase in interest rates is not likely to be good for Sainsbury's because their gearing is 50.13% in 2023 which suggests that they are dependent on borrowed money. Therefore, the high rate of interest may result in increased costs because there may be more interest paid on borrowed money. This may result in reduced net profit as seen in the profit and loss accounts in 2023 (£937) when compared to 2022 (£1005). **In addition**, it may mean that Sainsbury's could pass the cost increases onto the customers with higher prices, which can make it more challenging for the business to compete in a competitive market. Reduced spending can lower demand for goods and services, causing businesses to lower prices to stimulate sales. This may be why they have adopted the strategy to be competitive on price. **In addition**, whilst interest rates are high, Sainsbury's may be tempted not to borrow more money which may limit their plans to invest in growth strategies.
- **Consumers** – High interest rates can also impact consumer spending patterns. When interest rates rise, borrowing becomes more expensive for individuals as well. This can lead to reduced consumer spending on goods and services, as customers are less likely to have disposable income as debts rise and customers may be more likely to save. This will result in them wanting to access to a lower range of goods, opting for cheaper goods as opposed to investing in more luxury products such as Sainsbury's premium grocery range or more luxury products such as electricals provided by Sainsbury's and Argos. **However**, the decrease in demand may create inflationary pressures which will lead to price reductions which could have a positive impact on customer's purchasing power. **In addition**, some customers who have savings may earn more income on the savings which can have a positive impact for them.

Credit any other valid point.

| <b>1.3</b>  | <b>Consider how Sainsbury's ethical and environmental priorities may impact on its profits. [10]</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>2 marks</b>                                                                                                                                                                                                                                   | <b>4 marks</b>                                                                                                                                                                                           |
| <b>3</b>    |                                                                                                      |                                                                                                                                                                                         |                                                                                                                                                                                                                                                  | <p><b>4 marks</b></p> <p>Excellent evaluation of how Sainsbury's ethical <b>and</b> environmental priorities may impact on its profits.</p> <p>Clear judgements are made with supporting statements.</p> |
| <b>2</b>    | <p><b>2 marks</b></p> <p>Good understanding of ethical and environmental priorities.</p>             | <p><b>2 marks</b></p> <p>Good application of how Sainsbury's ethical and environmental priorities may impact on its profits.</p>                                                        | <p><b>2 marks</b></p> <p>Good analysis of how Sainsbury's ethical and environmental priorities may impact on its profits.</p> <p>The analysis may be 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 how Sainsbury's ethical and environmental priorities may impact on its profits.</p> <p>Valid judgements are made with some supporting comments.</p>        |
| <b>1</b>    | <p><b>1 mark</b></p> <p>Limited understanding of ethical and environmental priorities.</p>           | <p><b>1 mark</b></p> <p>Limited application of how Sainsbury's ethical and environmental priorities may impact on its profits.</p> <p>The candidate response is mainly theoretical.</p> | <p><b>1 mark</b></p> <p>Limited analysis of how Sainsbury's ethical and environmental priorities may impact on its profits.</p> <p>Superficial analysis with undeveloped points.</p>                                                             | <p><b>1 mark</b></p> <p>Limited evaluation of how Sainsbury's ethical and environmental priorities may impact on its profits.</p> <p>Judgements are superficial and unsupported.</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:

### Arguments that their priorities may have a negative impact on profits:

- One of their biggest problems is the financial cost - £1billion to become 'Net Zero' and £359 million targeted in 2020 into local and national charitable causes. This could have a negative impact on profits. In addition, the capital could have been invested into other strategies that may have a greater positive impact on profits.
- Revenues may fall. For example, prices are higher than rival supermarkets and particularly the Discounters. This may be because their costs are higher and the business may need to pass the costs of its ethical and environmental priorities onto consumers. This makes it more difficult for Sainsbury's to compete on price with Tesco, Asda and Morrison's. This will again negatively impact on profitability if customers choose rivals over Sainsbury and if Sales Revenue falls, which did happen in 2020 when compared to 2019. ***However, the cause of this drop in sales may be due to other factors and not price.***

### Arguments against their priorities having a negative impact on profit:

- Some customers are attracted to those businesses that adopt an ethical approach. Using fair trade products, supporting local charities and providing products that are good for the environment and consumer health is helping Sainsbury's to target a market that is fairly large in size. For example, the vegan market alone is worth over £740million. Therefore, by targeting this segment, Sainsbury's can generate sales revenue and help to increase profit.
- Acting ethically can improve public relations (PR) and have a positive impact on the image that a business portrays. No business wants to be known for not supporting the environment or supporting local charities. Therefore, Sainsbury's will gain a good reputation from providing such large sums of capital to local charities or by providing foods free from meat and dairy – for which they actually won an award in 2019. This good publicity will help to attract customers, leading to an increase in sales revenue and potentially more profits.

Overall, it is obvious that acting ethically and being environmentally friendly will cost large sums of money in the short term; it can also prevent unwanted bad publicity and can generate a good reputation for a business. As can be seen by the financial data, whilst seeking to achieve ethical and environmental aims, Sainsbury have still seen an increase in net profit between 2019 and 2020.

Credit any **other** valid point.

| <b>1.4</b>  | <b>Evaluate the impact on UK businesses of not being a member of the European Union.</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>    |                                                                                                                               | <p><b>4 marks</b></p> <p>Excellent analysis of the benefits <b>and</b> drawbacks of EU membership to UK businesses.</p> <p>Analysis considers both sides of the argument.</p> <p>Well-developed points and logical chains of reasoning.</p>     | <p><b>4 marks</b></p> <p>Excellent evaluation of the benefits <b>and</b> drawbacks of EU membership to UK businesses.</p> <p>The evaluation is fully balanced with arguments developed on both sides of the argument.</p> <p>Clear judgements are made with supporting statements.</p>            |
| <b>2</b>    | <p><b>2 marks</b></p> <p>Good understanding the benefit(s) <b>and</b> drawback(s) of EU membership to UK businesses.</p>      | <p><b>2-3 marks</b></p> <p>Good analysis of the benefit(s) <b>and/or</b> drawback(s) of EU membership to UK businesses.</p> <p>Analysis may be one-sided.</p> <p>Some well-developed points and some where the development is more limited.</p> | <p><b>2-3 marks</b></p> <p>Good evaluation of the benefit(s) <b>and</b> drawback(s) of EU membership to UK businesses.</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 the benefit(s) <b>and/or</b> drawback(s) of EU membership to UK businesses.</p> | <p><b>1 mark</b></p> <p>Limited analysis of the benefit(s) <b>and/or</b> drawback(s) of EU membership to UK businesses.</p> <p>Superficial analysis with undeveloped points.</p>                                                                | <p><b>1 mark</b></p> <p>Limited evaluation of the benefit(s) <b>and/or</b> drawback(s) of EU membership to UK businesses.</p> <p>Judgements are superficial and unsupported.</p>                                                                                                                  |
| <b>0</b>    | <p><b>0 marks</b></p> <p>No valid understanding.</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:

### Argument in favour of being part of the EU:

- **No free trade** – For example, there is the potential for tariffs to be added to goods imported from EU member states which mean that there will be tax allocated to certain products. This will increase the costs of businesses which will negatively impact on profits unless these costs are passed on to consumers. Even then, businesses will lose customers. From the data, it is clear that this was a possibility as it was part of the risk management process. This would negatively affect company profits which will impact on shareholders, possibly workers and customers. Businesses who are exporting into the EU are now subject to the common external tariff and so may need to increase prices to customers to cover higher costs or alternatively accept lower profit margins to remain competitive with European counterparts.

**In addition**, quotas could be imposed and/or more border controls could be in place on Lorries at the border of the UK and EU member states e.g. France (Dover). If this is the case, it could delay the transport of fresh produce which could impact on the quality of goods sold by businesses such as Sainsbury's or the product range it can provide. This could lead to a loss of customers and sales revenue. **In addition**, this could have an impact on stock control as suggested in the data, with delays at the border hindering the JIT process used on many businesses. This may increase operational costs which could impact on prices charged and/or profits.

- **No free movement of workers** – Businesses in the UK employ large numbers of workers and many may come from European countries. For example, businesses such as Sainsbury's employ high numbers of staff and many of these staff may come from EU countries. This could restrict the recruitment of talented staff that may be prevented from working in the UK.
- **Free movement of capital** – Businesses in the UK were previously able to access capital from EU financial institutions. As a result of leaving the EU they are now restricted to UK only financial institutions which has limited their access to capital. As EU interest rates have typically been lower in the Eurozone, UK businesses may now also be paying higher rates of interests.
- **Access to funding** – As a result of leaving the EU, UK businesses are no longer able to access funding/grants from the EU. This may have had a significant impact on businesses operating in deprived areas.

### Arguments against being part of the EU :

- **UK controlling own laws** – UK is now free from legislation that may not benefit UK businesses.
- **Ability to negotiate trade deals with non-EU countries** – there is now the opportunity for the UK to negotiate with major trade partners and fast-growing emerging countries such as the BRICs. Free trade agreements could be established allowing businesses such as supermarkets to benefit from lower costs of imports from these countries – reducing costs and helping to increase profits / become more competitive. For example, the trade agreement struck between the UK and EU still allows for the free movement of goods and the UK are also free to negotiate trade deals with others such as NAFTA.

Credit any other valid argument.

| <b>1.5</b>  | <b>Calculate Sainsbury's return on capital employed (ROCE), current ratio and gearing ratios for 2023. Evaluate the financial performance of Sainsbury's. [12]</b> |                                                                                                                                                                                                  |                                                                                                                                                                                                           |                                                                                                                                                             |
|-------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Band</b> | <b>AO1</b>                                                                                                                                                         | <b>AO2</b>                                                                                                                                                                                       | <b>AO3</b>                                                                                                                                                                                                | <b>AO4</b>                                                                                                                                                  |
|             | <b>2 marks</b>                                                                                                                                                     | <b>4 marks</b>                                                                                                                                                                                   | <b>3 marks</b>                                                                                                                                                                                            | <b>3 marks</b>                                                                                                                                              |
| <b>3</b>    |                                                                                                                                                                    | <p><b>4 marks</b></p> <p>Excellent application of the financial performance of Sainsbury's.</p> <p>All 3 calculations are accurate <b>and</b> use of other financial data given.</p>             | <p><b>3 marks</b></p> <p>Excellent analysis of the financial performance of Sainsbury's.</p> <p>Well-developed points and logical chains of reasoning.</p>                                                | <p><b>3 marks</b></p> <p>Excellent evaluation of the financial performance of Sainsbury's.</p> <p>Clear judgements are made with supporting statements.</p> |
| <b>2</b>    | <p><b>2 marks</b></p> <p>Good knowledge of financial performance measures.</p> <p>At least two correct formulae from ROCE, current ratio and gearing.</p>          | <p><b>2-3 marks</b></p> <p>Good application of the financial performance of Sainsbury's.</p> <p>At least 2 of the calculations are accurate <b>and/or</b> use of other financial data given.</p> | <p><b>2 marks</b></p> <p>Good analysis of the financial performance of Sainsburys.</p> <p>The analysis may be uneven, with some well-developed points and some where the development is more limited.</p> | <p><b>2 marks</b></p> <p>Good evaluation of the financial performance of Sainsburys.</p> <p>Valid judgements are made with some supporting comments.</p>    |
| <b>1</b>    | <p><b>1 mark</b></p> <p>Limited knowledge of financial performance measures.</p> <p>At least one correct formula from ROCE, current ratio and gearing.</p>         | <p><b>1 mark</b></p> <p>Limited application of the measures of financial performance to Sainsbury's.</p> <p>Calculations may be inaccurate, and response is mainly theoretical.</p>              | <p><b>1 mark</b></p> <p>Limited analysis of the financial performance of Sainsburys.</p> <p>Superficial analysis with undeveloped points.</p>                                                             | <p><b>1 mark</b></p> <p>Limited evaluation of the financial performance of Sainsburys.</p> <p>Judgements are superficial and unsupported.</p>               |
| <b>0</b>    | <p><b>0 marks</b></p> <p>No valid knowledge.</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:

### Quantitative Data:

|               | 2023   | 2022   |
|---------------|--------|--------|
| ROCE          | 6.44%  | 5.9%   |
| Gearing       | 50.13% | 50.58% |
| Current Ratio | 0.68:1 | 0.68:1 |
| GPM           | 7.68%  | 7.88%  |
| NPM           | 2.98%  | 3.36%  |

| Tesco  | Morrisons |
|--------|-----------|
| 8.6%   | 3.95%     |
| 0.74:1 | 0.36:1    |
| 56.93% | 38.43%    |

- If the candidate calculates Gross Profit as £2366 accept GPM 7.91% and NPM 3.39%.

Allow for variations in rounding.

- The **current ratio** is well below the ideal ratio of 1.5:1 in both years. This could indicate a potential liquidity problem. If all of the suppliers were to ask for repayment immediately the business may struggle to find the finance. **However**, within this industry working capital may be less significant because supermarkets tend to have more trade creditors than debtors and cash is often under tight control and suppliers provide lengthy trade credit agreements. This is evident when compared to rival supermarkets current ratios with Tesco having slightly better rates at 0.74:1 but Morrison's far worse liquidity with a ratio of 0.36:1. Therefore, it is likely that within this industry, ratios below the norm are fine.
- The **gearing ratio** at 50.13% has seen only a minor improvement from 50.58% in 2022 indicating stable but relatively high reliance on debt. Deemed to be satisfactory at 50% of Sainsbury's capital being generated by borrowing, this could become an issue if the economic climate changes with interest rates increasing. In recent years, interest rates have been particularly high which has meant that the interest on borrowing is high so businesses may be put off from using loans to fund growth as this would increase business costs and will have a negative impact on profitability. When interest rates were at historically low rates of 0.1% in 2019, interest on borrowing was low therefore long term loans are advised to fund growth. **However**, it is a sign of growth and it is clear from the data that Sainsbury's have invested in growth areas such as such investing in the takeover of Argos in 2016 but also investing in new product development such as the vegan range and healthy heating schemes. Nevertheless, it appears as though the gearing is below that of Tesco's (56.93%) the market leader. This may be an indication that Sainsbury's are not investing as much capital into growth as their biggest rival and the business may lose more market share as a result. Morrisons gearing is 38.43%.
- Whilst there has been a slight improvement from 5.9% in 2022 to 6.44% in 2023, the **ROCE** figures are low and are only marginally above the current rates of interest that may be achieved by shareholders if they were to invest money into banks and/or other investments. This could potentially cause an issue with shareholders who may be concerned with the rates of return. They may decide to sell shares or reduce investment which will cause problems for Sainsbury's in terms of raising capital to invest in strategies to achieve their main priorities such as community projects, environmental projects or elements of the marketing mix such as product innovation. This is evident with a reduction in total shareholder funds (down to £7253m in 2023 from £8423m in 2022) and there is also evidence with Sainsbury's investment in the 'Active Kids Scheme' and 'community projects' being slightly below 2023 targets. It is also important to compare figures with rival firms in the same industry; as can be seen, the ROCE

figures are comparable with two of the other supermarkets with rates just over Morrison's and Tesco's. Therefore, this could be the industry norm.

- **Sales revenue** increased from £29 895m in 2022 to £31 491m in 2023, indicating growth in revenue generation.
- **Gross profit margin** – The gross profit figure has increased from £2357m (£2366) to £2417m. However, the GPM has slightly declined from 7.88% (7.91%) to 7.68%, suggesting either increased cost of sales or pricing pressures.
- **Net profit** decreased from £1005m (£1014m) in 2022 to £937m in 2023, which reflects increased expenses (£1480m in 2023 vs. £1352m in 2022). This has decreased from 23.36% in 2022 to 2.98% in 2023.

### **Overall assessment**

- The business seems to be performing well, apart from the possibility that liquidity may be poor.
- Revenue growth is a positive sign, but declining profit margins and increasing expenses indicate cost pressures.
- Liquidity remains tight, with low current ratio values, meaning the business may struggle to cover short-term liabilities.
- The business remains highly leveraged, but ROCE improvement suggests better efficiency in generating returns – the shareholders are getting a positive return for their investment which is comparable with an industry norm.

Candidates may offer an overall conclusion.

OFR in marking AO3 and AO4

Credit any other valid point in relation to financial figures such as fixed assets, shareholder funds, etc.

|             |                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                |
|-------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>2.1</b>  | <b>Describe how a holiday company, such as TUI or Jet2holidays, may use market segmentation to attract customers to purchase a holiday. [10]</b>                                                                       |                                                                                                                                                                                                                                                |
| <b>Band</b> | <b>AO1</b>                                                                                                                                                                                                             | <b>AO2</b>                                                                                                                                                                                                                                     |
|             | <b>6 marks</b>                                                                                                                                                                                                         | <b>4 marks</b>                                                                                                                                                                                                                                 |
| <b>3</b>    | <b>5-6 marks</b><br>Excellent understanding of market segmentation and its purpose.<br><br>The candidate describes in detail at least 2 ways in which a business can segment the market in order to attract customers. |                                                                                                                                                                                                                                                |
| <b>2</b>    | <b>3-4 marks</b><br>Good understanding of market segmentation and its purpose.<br><br>The candidate describes at least 2 ways in which a business can segment the market in order to attract customers.                | <b>3-4 marks</b><br>Good application of how a holiday company may use market segmentation to attract customers to purchase a holiday.<br><br>The candidate uses relevant context to develop and support their answer.                          |
| <b>1</b>    | <b>1-2 marks</b><br>Limited understanding of market segmentation and/or its purpose.<br><br>The candidate briefly describes at least 1 way in which a business can segment the market in order to attract customers.   | <b>1-2 marks</b><br>Good application of how a holiday company may use market segmentation to attract customers to purchase a holiday.<br><br>The candidate response is mainly theoretical with the inclusion of some reference to the context. |
| <b>0</b>    | <b>0 marks</b><br>No valid understanding.                                                                                                                                                                              | <b>0 marks</b><br>No valid application.                                                                                                                                                                                                        |

## **Indicative content:**

### **AO1**

Market segmentation splits up a market into different types (segments) to enable a business to better target its products to the relevant customers. Mass market businesses divide their target markets into segments (sub-groups) that have common features, or are made up of individuals that make purchasing decisions based on common factors.

Markets can be segmented by demographics e.g. age, gender, income and social class; psychographic e.g. personality, attitudes or lifestyle; and geographic.

Market segmentation will help a business attract customers to purchase a product or services because:

- The business can meet the needs and wants of customers by tailoring a product specific to them.
- The business can keep customers and gain customer loyalty by satisfying their needs. This means repeat purchasing, helping the business to attract customers to make a purchase.

### **AO2**

- Holiday companies can segment the market based on age. For example, some companies will target the over 50s with more relaxing holidays where there is unlikely to be young families. In addition, TUI and others will have adult only hotels or hotels which cater for adults only, etc.
- Holiday companies can segment the market by lifestyle. For example, a range of holidays will be included in brochures including family holidays, active holidays, sports holidays etc. This helping the companies to target a wider range of customers to attract more customers.
- Holiday companies can segment the market based on income. For example, there will be low cost and high-cost holidays based on star ratings and/or holiday destinations. In addition, there are a wide range of seats offered on airlines with different pricing levels. Therefore, customers with different income levels are targeted so that the holiday companies are meeting the needs and wants of different customer to attract more customers to purchase a holiday.

Credit any other valid point.

| <b>2.2</b>  | <b>“An effective pricing strategy is the best way for a business to improve its profit”. To what extent do you agree with this statement? [20]</b>             |                                                                                                                                                                                                                                                                                                    |                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Band</b> | <b>AO1</b>                                                                                                                                                     | <b>AO3</b>                                                                                                                                                                                                                                                                                         | <b>AO4</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                |
|             | <b>4 marks</b>                                                                                                                                                 | <b>8 marks</b>                                                                                                                                                                                                                                                                                     | <b>8 marks</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                            |
| <b>3</b>    |                                                                                                                                                                | <p><b>6-8 marks</b><br/>Excellent analysis of the impact of pricing strategies <b>and</b> other ways of improving profitability.</p> <p>The key issues for both sides of the debate are analysed in detail.</p> <p>The analysis is well developed and with a clear line of reasoning.</p>          | <p><b>6-8 marks</b><br/>Excellent evaluation of the impact of pricing strategies <b>and</b> other ways of improving profitability.</p> <p>The evaluation is balanced and detailed and will focus on the key issues.</p> <p>The evaluation provides a broad range of arguments on both sides of the debate.</p> <p>Clear judgements are made with supporting statements to build an argument.</p> <p>A holistic evaluation will be offered with an overall conclusion.</p> |
| <b>2</b>    | <p><b>3-4 marks</b><br/>The learner shows good understanding of the impact of pricing strategies <b>and</b> other way(s) of improving profitability.</p>       | <p><b>3-5 marks</b><br/>Good analysis of the impact of pricing strategies <b>and/or</b> other ways of improving profitability.</p> <p>A number of key issues are analysed.</p> <p>The analysis may be uneven, with some well-developed ideas and others where the development is more limited.</p> | <p><b>3-5 marks</b><br/>Good evaluation of the impact of pricing strategies <b>and/or</b> other ways of improving profitability.</p> <p>The evaluation will include most of the key issues.</p> <p>Judgments are made with some attempt to support statements and build arguments.</p> <p>A brief conclusion will be offered.</p>                                                                                                                                         |
| <b>1</b>    | <p><b>1-2 marks</b><br/>The learner shows limited understanding of the impact of pricing strategies <b>and/or</b> other way(s) of improving profitability.</p> | <p><b>1-2 marks</b><br/>Limited analysis of the impact of pricing strategies <b>and/or</b> other ways of improving profitability.</p> <p>A limited number of issues are analysed.</p>                                                                                                              | <p><b>1-2 marks</b><br/>Limited evaluation of the impact of pricing strategies <b>and/or</b> other ways of improving profitability.</p> <p>The evaluation will include some of the key issues but with limited development.</p> <p>Judgements are superficial and unsupported.</p> <p>Evaluation will be uneven and focus on one side of the argument.</p> <p>Evaluation tends to be asserted rather than explained.</p>                                                  |
| <b>0</b>    | <p><b>0 marks</b><br/>No valid understanding.</p>                                                                                                              | <p><b>0 marks</b><br/>No valid analysis.</p>                                                                                                                                                                                                                                                       | <p><b>0 marks</b><br/>No valid evaluation.</p>                                                                                                                                                                                                                                                                                                                                                                                                                            |

## Indicative content:

### Arguments for and against the use of pricing strategies:

Pricing strategies is a key part of the marketing mix. There are a number of pricing strategies a business could use including; cost-plus, penetration pricing, price skimming, competition pricing, price discrimination and psychological pricing.

If a business has an effective pricing strategy then it will be more likely to increase sales revenue which may lead to increase profit. For example;

- Using cost-plus pricing will allow a business to cover costs and add a % mark-up to the cost of providing the product or service. This mark-up could be reduced or increased depending on demand for a product. Therefore, if demand is high the business may choose to increase the mark-up/price which will lead to more profit or if demand is low then the price could be reduced to attract more customers and potentially more revenue and profit. **However**, this will depend on certain factors such as the price elasticity of the product or services. If the product is inelastic then increasing the mark-up is a suitable strategy because customers will still purchase the product leading to more profit but if the product/service is elastic then there may be a greater % fall in customers which will lead to less revenue and less profit (vice versa for fall in price).
- Competitive pricing or psychological pricing could be used to set a price slightly lower than rivals or just below the full value to make the product or service look cheaper. This will help a business to attract customers and increase revenue which will lead to more profit. **However**, competitive pricing could lead to price wars as seen in the grocery industry with supermarkets. When one business/supermarket reduces its prices the other business follow suit which makes attracting customers from rivals very difficult and could lead to a fall in revenue and profit.
- Credit any argument for other pricing strategies.

### Arguments for and against other ways to improve profit:

- **Quality** is an important factor that may help a business to improve profitability. For example, if the product is of a high standard and better quality than rivals then it is likely that there will be greater demand for a product and also more likely that the product will be inelastic which means that changes in price are less likely to impact on the demand for the product. For example, Dyson vacuum cleaners are more likely to command a high price than rivals because of the unique design and its quality. Therefore, quality may be more important than the actual pricing strategy. **However**, to have a unique product in terms of quality is likely to be more difficult to achieve and will increase business costs. For example, large amounts of capital may need to be spent on R&D or product development or training the workforce to provide higher quality products and services. Therefore, if costs are too high and demand for a product/service isn't where it should be then profits may fall. Also, in certain markets such as the grocery market, products are very similar and therefore improving quality of the product is difficult and so service would be more important.
- **Cost efficiency** is an important factor in improving profitability. Businesses may seek to reduce costs to improve profit. For example, this could be done by simply reducing variable costs such as the cost of supplies or by rationalising or by using lean production techniques to improve efficiency. Reducing fixed or variable costs to reduce total costs will obviously improve profits **but** there are drawbacks. Reducing variable costs such as the cost of supplies may mean that the products produced or sold may be of lower quality and could result in a loss of customers or customers unwilling to pay the prices charged. Improving efficiency through rationalisation will result in short term costs which will negatively impact on short term profits. Using lean production techniques will be difficult to implement and will increase costs in the short term to train workers, change working practice etc.

Credit any other argument such as increasing advertising and promotion, widening the product portfolio, market development, use of budgeting and financial planning, lean production techniques etc.

|             |                                                                                                                                                    |                                                                                                                                                                                                                                                               |
|-------------|----------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>3.1</b>  | <b>Describe the internal and external causes of change that could affect a nationwide chain of restaurants.</b>                                    |                                                                                                                                                                                                                                                               |
| <b>Band</b> | <b>AO1</b>                                                                                                                                         | <b>AO2</b>                                                                                                                                                                                                                                                    |
|             | <b>6 marks</b>                                                                                                                                     | <b>4 marks</b>                                                                                                                                                                                                                                                |
| <b>3</b>    | <b>5-6 marks</b><br>Excellent understanding of internal <b>and</b> external causes of change.<br><br>Causes of changes will be described detailed. |                                                                                                                                                                                                                                                               |
| <b>2</b>    | <b>3-4 marks</b><br>Good understanding of internal <b>and/or</b> external causes of change.<br><br>Causes of change will be described briefly.     | <b>3-4 marks</b><br>Good application of the internal <b>and</b> external causes of change that could affect a nationwide chain of restaurants.<br><br>The candidate uses relevant context to develop and support their answer.                                |
| <b>1</b>    | <b>1-2 marks</b><br>Limited understanding of internal <b>and/or</b> external causes of change.<br><br>Cause(s) of change will be identified.       | <b>1-2 marks</b><br>Limited application of the internal <b>and/or</b> external causes of change that could affect a nationwide chain of restaurants.<br><br>The candidate response is mainly theoretical with the inclusion of some reference to the context. |
| <b>0</b>    | <b>0 marks</b><br>No valid understanding.                                                                                                          | <b>0 marks</b><br>No valid application.                                                                                                                                                                                                                       |

### Indicative content:

#### AO1

Change is an ongoing process and businesses cannot avoid having to deal with its consequences. Change in some businesses can be gradual, with small, incremental changes made to the way they operate year after year. However, increasingly there are factors that cause rapid change, totally altering the way a business operates in a relatively short period of time. This creates a far more challenging environment. The major causes of change can be classified as internal or external:

- Internal causes of change can be initiated by the business and may include:
  - introduction of new technology
  - change in management structure
  - leadership style
  - changes in the size of the business through organic growth or external growth.
- External causes of change are initiated by factors from outside of the business which it has little or no control of. External causes of change may include;
  - developments in technology
  - market changes (competitors, new markets or globalisation)
  - changes in consumer tastes
  - new legislation
  - changes in the workforce
  - changes in the economy.

## AO2

### Internal factors causing change:

- **The introduction of new technology.** Whilst technology is driven by external factors in terms the introduction of Apps or the Internet, the business need to plan and implement change by investing in technology such as designing websites and apps for both e-commerce and m-commerce e.g. to book tables or food online and the implementation of touch screen technology to self-order food such as that seen in fast food restaurants such as McDonald's
- **Change in size of the business** for example many national chains of restaurants such as Frankie and Benny's and TGI Fridays have rationalised and downsized by closing a number of restaurants across the UK. This is in order improve efficiency and profitability as result of external factors such as a pandemic or loss of consumer confidence resulting less sales revenue.
- **Labour retention** is a problem to fast food restaurants and takeaway businesses which can cause major internal issues in terms of the efficiency of operations and increased costs of recruitment and training. This can impact on a business's ability to fund the introduction of new technology or invest in new menus to cater for the change in consumer taste.

### External factors causing change:

- **The introduction of new technology** means that restaurants and takeaway businesses need to adapt and introduce technology such as Apps for m-commerce to allow both bookings and takeaways. National chain restaurants are more able to do this with the funding. However, many small independent restaurants are now using third-party such as Deliveroo or UberEats. This is allowing them to compete with national chains creating a more competitive market which national chain restaurants need to be aware of. In addition, restaurants are now using technology to allow bookings and reserve tables, to order food online for collection etc. This is more convenient for customers.
- **Environmental and ethical issues** are causing change in the restaurants in the food industry. Consumers are choosing healthier options and environmental options such as meat-free alternatives. Therefore, to survive and succeed businesses such as fast-food restaurants and other establishments need to adapt menus to offer more selection to meet the needs of these customers. This will increase costs but could lead to attracting new markets.

Credit any other valid point including the increasing number of competitors, economic factors which may result in more people eating in and cooking themselves etc.

| <b>3.2</b>  | <b>“An autocratic leadership style should always be used to enable a business to successfully manage change”. Discuss.</b> <span style="float: right;"><b>[20]</b></span>  |                                                                                                                                                                                                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|-------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Band</b> | <b>AO1</b>                                                                                                                                                                 | <b>AO3</b>                                                                                                                                                                                                                                                                                                       | <b>AO4</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 autocratic leadership <b>and</b> other leadership styles that could be used to manage change.</p> <p>The key issues for both sides of the debate are analysed in detail.</p> <p>The analysis is well developed and with a clear line of reasoning.</p>          | <p><b>6-8 marks</b></p> <p>Excellent evaluation of autocratic leadership and other leadership styles that could be used to manage change.</p> <p>The evaluation is balanced and detailed and will focus on the key issues.</p> <p>The evaluation provides a broad range of arguments on both sides of the debate.</p> <p>Clear judgements are made with supporting statements to build an argument.</p> <p>A holistic evaluation will be offered with an overall conclusion.</p> |
| <b>2</b>    | <p><b>3-4 marks</b></p> <p>The learner shows good understanding of autocratic leadership and other leadership styles that could be used to manage change.</p>              | <p><b>3-5 marks</b></p> <p>Good analysis of autocratic leadership <b>and/or</b> other leadership styles that could be used to manage change.</p> <p>A number of key issues are analysed.</p> <p>The analysis may be uneven, with some well-developed ideas and others where the development is more limited.</p> | <p><b>3-5 marks</b></p> <p>Good evaluation of autocratic leadership <b>and/or</b> other leadership styles that could be used to manage change.</p> <p>The evaluation will include most of the key issues.</p> <p>Judgments are made with some attempt to support statements and build arguments.</p> <p>A brief conclusion will be offered.</p>                                                                                                                                  |
| <b>1</b>    | <p><b>1-2 marks</b></p> <p>The learner shows limited understanding of autocratic leadership <b>and/or</b> other leadership styles that could be used to manage change.</p> | <p><b>1-2 marks</b></p> <p>Limited analysis of autocratic leadership <b>and/or</b> other leadership styles that could be used to manage change.</p> <p>A limited number of issues are analysed.</p>                                                                                                              | <p><b>1-2 marks</b></p> <p>Limited evaluation of autocratic leadership <b>and/or</b> other leadership styles that could be used to manage change.</p> <p>The evaluation will include some of the key issues but with limited development.</p> <p>Judgements are superficial and unsupported.</p> <p>Evaluation will be uneven and focus on one side of the argument.</p> <p>Evaluation tends to be asserted rather than explained.</p>                                           |
| <b>0</b>    | <p><b>0 marks</b></p> <p>No valid understanding.</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:

Leadership is the relationship through which one person influences the behaviour or actions of other people. In business there are many leadership styles including autocratic, democratic, paternalistic, and bureaucratic and laissez faire.

### Arguments for and against autocratic:

- **Make all the important decisions** so that decisions can be made quickly and therefore change can be implemented quickly. This could be suitable in times when change is unplanned and caused by external or exergonic shocks such as the financial crisis of 2007/08, the volcanic ash cloud that prevented flights or the coronavirus pandemic of 2020/21. In these situations change may need to be implemented quickly and so autocratic leadership would be suitable because the leader makes all decisions and then passes orders down the hierarchy so decisions are made quickly which is suitable in times of crisis.
- It may also be the most suitable leadership style if the change only impacts on low skilled workers because autocratic leaders **provide clear instructions and expect order to be obeyed**. However, **supervision is provided** to ensure tasks are completed. Therefore, with low skilled workers this may be beneficial as these type of workers may appreciate clear instructions/orders and the close supervision. **Theory Y workers and skilled workers may be demotivated** by this approach and may resist any changes as a result. This is because these types of workers would appreciate being involved in the decisions about how the business will implement change. This is particularly the case if change is planned and initiated by the business. For example, during restructuring of an organisation that may result in a change of job roles, delayering or any form of redundancy. In fact, if those workers are members of a trade union it would be essential to have some form of consultation about change. J Story's negotiated total or piecemeal package may be required.

### Arguments for and against other forms of leadership:

**Democratic** – involving workers in decision-making through consultation and participation.

- Workers will feel highly motivated and valued as they have been encouraged to help make important decisions within a business. Workers are empowered by a business's decision to delegate authority to make decisions.
- Decision making may be slow by involving workers in the process. This may not be suitable in certain situations where quick decisions are required such as those changes caused by external factors including technological developments. In certain industries businesses have lost their position within the market for example, Nokia lost its dominant position in the mobile phone market by failed to act quickly enough.
- It may also not be possible for workers to make good decisions because either they lack the skills or experience to do so or the communication networks don't allow it. For this to work two-communication is vital.
- This style is suitable when change is planned or initiated by the business because the business may have more time before change needs to be implemented. Examples include; restructuring of organisations, the introduction of new working practices such as TQM, JIT or new technology. Therefore, the negotiated piecemeal package or negotiated total package could be used by business leaders to implement change. This way the workers will be less resistant and more open to the changes taking place.

**Paternalistic** – managers give more attention to the social needs of their workers.

- This will be suitable for planned change such as the introduction of new technology or restructuring of an organisation. This is because the leader will consult employees over issues and listen to their feedback or opinions. This will help to reduce resistance as suggested by J Story because workers feel valued and feel that they have been involved in the changes taking place. However, it is still the leader who makes the final decision and is therefore still somewhat of an autocratic approach. This approach is closely linked to Mayo and Maslow's view of motivation and is more of a negotiated total package.
- Bad decisions from above cause major employee dissatisfaction.
- The employees will become more and more dependent on the employer, which can cause an increase in necessary supervision in order to get things done in a timely and appropriate manner.
- If loyalty to the manager is not established quickly then there can be poor staff motivation.

**Bureaucratic** – is based upon fixed official duties and adherence to a system of rules.

Leaders are subject to a system of behavioural and technical rules that define the scope of their authority, dictate certain actions and constrain certain actions.

- **Quick decision making** because decisions are likely to be taken by senior management at head office and then implemented through common policies and practices. This is evident in fast food restaurants that have common policies and procedures to follow. Therefore, if these were changed then it would be done centrally and passed on to other restaurants to follow. Thus preventing other parts of the business from becoming too independent.
- Lack of authority lower down the hierarchy of a business may reduce the motivation of management. This can cause resistance to change and leader to inefficiencies.

**Laissez-faire** – leaders make few decisions and allow their staff to choose appropriate workplace solutions.

- **Employees feel empowered** and therefore more motivated to support the business in the achievement of its vision. Therefore, workers are **less likely to resist change** and are actually **more likely to be innovative** to help a business make decisions about the best way to react to change or implement change.
- **This approach works perfectly when employees have the knowledge, skills and experience to be involved in making their own decisions.** For example, in the technological industries, this approach is more likely to work where workers are left alone to be innovative to help be proactive and initiate ideas for change. Examples of this include the government being advised by scientists during a pandemic or by other experts in situations such as flooding.
- Not suitable in industries where the workers lack the skills and experience to be innovative or where management may avoid blame if the change is not implemented well and the business suffers, because they may pass the blame to staff.

In the long run, there is no one leadership style that suits any particular organisation. Market circumstances change, internal circumstances change, external pressures change, or alternatively there may be a period of stability. These factors mean that as the business adapts to these different circumstances, then the type of leader that is best suited to the business will also alter. The type of leadership required forcing through restructuring or rebranding of an organisation will be very different from the leader who most effectively oversees a period of stability.

Credit any other valid argument.

|             |                                                                                                                                                                                                                 |                                                                                                                                                                                                                                              |
|-------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>4.1</b>  | <b>Describe how Ansoff's Matrix may be a useful management tool to a business experiencing a fall in sales in a saturated UK market. [10]</b>                                                                   |                                                                                                                                                                                                                                              |
| <b>Band</b> | <b>AO1</b>                                                                                                                                                                                                      | <b>AO2</b>                                                                                                                                                                                                                                   |
|             | <b>6 marks</b>                                                                                                                                                                                                  | <b>4 marks</b>                                                                                                                                                                                                                               |
| <b>3</b>    | <b>5-6 marks</b><br>Excellent understanding of Ansoff's Matrix.<br><br>At least 3 strategies are described in detail.<br><br>Candidate describes in detail how Ansoff's Matrix may be a useful management tool. |                                                                                                                                                                                                                                              |
| <b>2</b>    | <b>3-4 marks</b><br>Good understanding of Ansoff's Matrix.<br><br>At least 2 strategies are described.<br><br>Candidate describes briefly how Ansoff's Matrix may be a useful management tool.                  | <b>3-4 marks</b><br>Good application of Ansoff's Matrix in relation to how management may use it as a strategy to improve sales.<br><br>The candidate uses relevant context to develop and support their answer.                             |
| <b>1</b>    | <b>1-2 marks</b><br>Limited understanding of Ansoff's Matrix.<br><br>Understanding of at least 1 strategy.<br><br>Candidate identifies how Ansoff's Matrix may be a useful management tool.                     | <b>1-2 marks</b><br>Limited application of Ansoff's Matrix in relation to how management may use it as a strategy to improve sales.<br><br>The candidate response is mainly theoretical with the inclusion of some reference to the context. |
| <b>0</b>    | <b>0 marks</b><br>No valid understanding.                                                                                                                                                                       | <b>0 marks</b><br>No valid application.                                                                                                                                                                                                      |

### Indicative content:

#### AO1

The Ansoff Matrix is a strategic planning tool that provides a framework to help executives, senior managers, and marketers devise strategies for future growth.

Ansoff's Matrix suggests that a business' attempts to grow depend on whether it markets new or existing products in new or existing markets. The output from the Ansoff Matrix is a series of suggested growth strategies which set the direction for the business strategy.

These are illustrated in the diagram below:



- **Market penetration** is the name given to a growth strategy where the business focuses on selling existing products into existing markets
- **Market development** is the name given to a growth strategy where the business seeks to sell its existing products into new markets. Market development is a more risky strategy than market penetration because of the targeting of new market segments
- **Product development** is the name given to a growth strategy where a business aims to introduce new products into existing markets. This strategy may require the development of new competencies and requires the business to develop modified products which can appeal to existing markets
- **Diversification** is the name given to the growth strategy where a business markets new products in new markets. This is an inherently more risk strategy because the business is moving into markets in which it has little or no experience.

## AO2

- **Market penetration:**
  - The business could try and maintain or increase their market share of current products, then the business could use a combination of competitive pricing strategies, advertising, sales promotion and perhaps more resources dedicated to personal selling in order to encourage customer to purchase their products over competition. For example Coca Cola with the Christmas campaign and retailers such as John Lewis etc.
  - The business could try to restructure a mature market through aggressive promotional campaign, pricing strategies to make market unattractive to competition
  - The business could encourage increased usage maybe through a loyalty scheme such as; grocery stores including Tesco and Sainsbury, retail outlets including Matalan, Boots and Superdrug; food and drinks market including Starbucks, Costa and Beefeater etc.
- **Market development**

There are many possible ways of approaching this strategy:

  - If the UK market is saturated a business may try to increase sales by looking to enter new geographical markets; for example exporting the product to a new country
  - New product dimensions or packaging for example chocolate and confectionary companies producing larger products such as chocolate bars at Christmas
  - New distribution channels for example, if the business currently sells just through retail outlets then it could possibly move away from selling via retail to selling using e-commerce
  - A different pricing policy may work by targeting a different segment e.g. if the products are expensive then perhaps the price could be reduced to target a wider market to increase sales.
- **Product development**
  - Research & development and innovation to develop new products. For example, Cereal manufacturer have created cereal bars to compete with traditional confectionary or soft drinks companies developing different flavoured and lower sugar content drinks such as Coke Zero to target men and Diet Coke to target women.
- **Diversification**
  - The business may choose to move completely away from the current market if it is saturated and may use expertise to develop new products for a new market. For example, Dyson have tried to develop electric vehicles using their capital and expertise in electrical market.

Credit any other valid point.

| <b>4.2</b>  | <b>“There are no disadvantages of outsourcing production. It will only benefit a business and its stakeholders”. Discuss</b>                                                     |                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      | <b>[20]</b> |
|-------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------|
| <b>Band</b> | <b>AO1</b>                                                                                                                                                                       | <b>AO3</b>                                                                                                                                                                                                                                                                                                             | <b>AO4</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 benefits <b>and</b> drawbacks of outsourcing to a business <b>and</b> its stakeholders</p> <p>The key issues for both sides of the debate are analysed in detail.</p> <p>The analysis is, well developed and with a clear line of reasoning.</p>                  | <p><b>6-8 marks</b></p> <p>Excellent evaluation of the benefits <b>and</b> drawbacks of outsourcing to a business <b>and</b> its stakeholders</p> <p>The evaluation is balanced and detailed and will focus on the key issues.</p> <p>The evaluation provides a broad range of arguments on both sides of the debate.</p> <p>Clear judgements are made with supporting statements to build an argument.</p> <p>A holistic evaluation will be offered with an overall conclusion.</p> |             |
| <b>2</b>    | <p><b>3-4 marks</b></p> <p>The learner shows good understanding of the benefit(s) <b>and</b> drawback(s) of outsourcing to a business <b>and</b> its stakeholder(s)</p>          | <p><b>3-5 marks</b></p> <p>Good analysis of the benefit(s) <b>and/or</b> drawback(s) of outsourcing to a business <b>and/or</b> its stakeholder(s)</p> <p>A number of key issues are analysed.</p> <p>The analysis may be uneven, with some well-developed ideas and others where the development is more limited.</p> | <p><b>3-5 marks</b></p> <p>Good evaluation of the benefit(s) <b>and/or</b> drawback(s) of outsourcing to a business <b>and/or</b> its stakeholder(s)</p> <p>The evaluation will include most of the key issues.</p> <p>Judgments are made with some attempt to support statements and build arguments.</p> <p>A brief conclusion will be offered.</p>                                                                                                                                |             |
| <b>1</b>    | <p><b>1-2 marks</b></p> <p>The learner shows limited understanding of the benefit(s) <b>and/or</b> drawback(s) of outsourcing to a business <b>and/or</b> its stakeholder(s)</p> | <p><b>1-2 marks</b></p> <p>Limited analysis of the benefit(s) <b>and/or</b> drawback(s) of outsourcing to a business <b>and/or</b> its stakeholder(s).</p> <p>A limited number of issues are analysed.</p>                                                                                                             | <p><b>1-2 marks</b></p> <p>Limited evaluation of the benefit(s) <b>and/or</b> drawback(s) of outsourcing to a business <b>and/or</b> its stakeholder(s)</p> <p>Judgements are superficial and unsupported.</p> <p>Evaluation will be uneven and focus on one side of the argument.</p> <p>Evaluation tends to be asserted rather than explained.</p>                                                                                                                                 |             |
| <b>0</b>    | <p><b>0 marks</b></p> <p>No valid understanding.</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:

Outsourcing occurs when outside suppliers are involved in activities that could be undertaken internally by a business. This is used a lot within the manufacturing industry but is also seen with call centres that are now outsourced to other countries.

### Advantages include

- Significantly reduced staffing costs – well trained staff provided by the outsourcing company will reduce HRM costs such as recruitment and training. The lower costs increase profits giving more capital for research and development, so speeding the development of new products which will improve **business operations**. **Customers** may benefit from improved quality of products and services as outsourcing business are specialists and customers may also see more product development as a result of a businesses increased investment in R&D. **Shareholders** may also benefit from increase returns on investment as they may receive greater dividends.
- Capital needs reduced – because there is less investment, there is less need to raise finance. This benefits **management** who need to source finance but also **shareholders** who may provide some of the funding.
- Less investment risk – instead of investing in new production facilities, the outside supplier can take the risk of investing. This is of particular benefit to the **shareholders** who are investing large sums of money into businesses. Therefore, less risk means there is less chance of money being wasted and greater potential for success which will lead to higher returns.
- Existing workload and stress levels reduced, this is very important if a business is operating near or at full capacity. This may be beneficial to both **management** and **employees** because when working at full capacity they are both working under extreme pressure and stress.

### Disadvantages include:

- Potential of poor customer service (call centre related), with communication made difficult because of language barriers and cultural differences. This will impact on **customers** who may be receiving poor service and may result in a loss of customers for a business. This would then negatively impact upon **shareholders** who may see a fall in profits and lower returns on investment.
- Quality of production/product cannot be guaranteed – quality control systems are now in the hands of producers who may be thousands of miles away. Even if quality is maintained, it may be more difficult to keep up with improvements in quality from competitor companies. This could have a negative impact on the **businesses** competitiveness which could lead to a fall in sales revenue. However, it may also be negative for **customers** who may purchase goods that are not to the standard expected. There have been examples of this in the grocery market with poor quality products such as poultry – there have been many of cases when chicken has not been of the expected quality in supermarkets due to outsourcing of goods.
- Existing **employees** may feel demotivated if they believe their jobs are at risk, especially if previous redundancies resulted from outsourcing. This demotivation can increase staff turnover and reduce productivity which negatively affects **business**. The potential job losses when businesses outsource production also negatively affect the **local community**. With a loss of income other businesses may suffer a loss of trade.
- More difficult to implement JIT systems.
- Breakdown in communication in the production chain. It is often difficult for functional departments to talk to each other when they are in the same building. Speedy and effective communication becomes much more difficult when the person you need to talk to is on another continent and speaks a different language.
- Loss of security of data – there have been cases where **customer** data has been made available to external organisations from subcontracting businesses.

Credit any other valid argument such as the impact on the UK government from job losses etc.