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# Mark Scheme (Standardisation)

Summer 2019

Pearson Edexcel GCE A Level

In Business (9BS0)

Paper 01 Marketing, people and global  
businesses

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Publications Code xxxxxxxx\*

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## General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Question Number	Answer	Mark
<b>1(a)</b>	<p style="text-align: center;"><b>Knowledge 1, Application 3</b></p> <p><b>QS2:</b> calculate, use and understand percentages and percentage changes</p> <p><b>QS9:</b> interpret, apply and analyse information in written, graphical and numerical forms</p> <p><b>Knowledge: 1 mark</b> for</p> <ul style="list-style-type: none"> <li>• Market growth = increase in sales/original sales x 100</li> <li>• Difference in percentage growth = 2019-2020 – 2010-11 percentage growth.</li> </ul> <p><b>Application: up to 3 marks</b> for</p> <ul style="list-style-type: none"> <li>• Market growth from 2019 to 2020 is 17m subscribers (221.5m-204.5m)</li> <li>• Calculate percentage change = 17m/204.5m x 100 = 8.31% (2dp)</li> <li>• Difference in growth between 2010-11 and 2019-20 = 62.34% - 8.31% = 54.03 or 54.03% (2dp)</li> </ul> <p>NB: if the answer given is 54.03 or 54.03% award 4 marks if the candidate calculates 2010 – 2011 percentage change as 62.3376 and answer given is 54.02 or 54.02% award 4 marks if answer is not rounded to 2dp award 3 marks</p>	<b>(4)</b>

Question Number	Answer	Mark
<b>1(b)</b>	<p style="text-align: center;"><b>Knowledge 1, Application 2, Analysis 1</b></p> <p>Quantitative skills assessed:</p> <p><b>QS3: Construct and interpret a range of standard graphical forms</b></p> <p><b>QS8: Use and interpret quantitative and non-quantitative information in order to make decisions</b></p> <p><b>Knowledge/understanding: 1 mark</b> for understanding the product life cycle e.g. is development, introduction, growth, maturity and decline</p> <p><b>Application: up to 2 marks</b> for e.g.</p> <ul style="list-style-type: none"> <li>• 2010 is the development/growth stage</li> <li>• 2019 is the growth/maturity stage</li> <li>• Marketing may focus more on raising awareness of the product in 2010</li> </ul> <p><b>Analysis: 1 mark</b> for e.g.</p> <ul style="list-style-type: none"> <li>• In 2019 marketing may focus on highlighting the difference between your product and competitors that have arrived since the introduction stage.</li> </ul>	<b>(4)</b>

Question Number	Indicative content	Mark
1(c)	<p style="text-align: center;"><b>Knowledge 2, Application 2, Analysis 3, Evaluation 3</b></p> <ul style="list-style-type: none"> <li>• Stock market flotation is when a company launches on the stock market by the offer of shares to the public</li> </ul> <p>Consequences of flotation</p> <ul style="list-style-type: none"> <li>• Spotify needs capital in order to invest in new products such as music video subscription services; selling shares publicly through flotation is one way to raise this capital</li> <li>• Spotify's main competitors, such as Apple and Google are large corporations that have access to vast sums of capital – flotation may enable Spotify to compete with these businesses more effectively</li> </ul> <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> <li>• Spotify has not yet made a profit, so it may not be an attractive investment for investors in the stock market. This could result in less finance being raised as the flotation may not attract sufficient investment</li> <li>• The current owners/board are likely to lose some ownership/control to new investors attracted during flotation, which may limit their ability to develop new products such as VR</li> </ul> <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> <li>• The main consequence for Spotify's stock market flotation is the ability to raise large amount of capital which will allow them to compete with Apple and Google in the growing music streaming market.</li> </ul>	<b>(10)</b>

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Level 1	1-2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3-4	Elements of knowledge and understanding, which are applied to the business example. Chains of reasoning are presented, but may be assertions or incomplete. A generic or superficial assessment is presented.
Level 3	5-6	Accurate and thorough knowledge and understanding, supported by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and qualitative information, though unlikely to show the significance of competing arguments.
Level 4	7-10	Accurate and thorough knowledge and understanding, supported by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced and well contextualised, using quantitative and qualitative information, and shows an awareness of competing arguments/factors leading to a supported judgement.

Question Number	Indicative content	Mark
1(d)	<p><b>Knowledge 2, Application 2, Analysis 4, Evaluation 4</b></p> <ul style="list-style-type: none"> <li>• Dynamic markets are those subject to rapid and fundamental change over a short time period</li> </ul> <p>Consequences of a dynamic market</p> <ul style="list-style-type: none"> <li>• New developments such as video subscriptions provide opportunities for Spotify to exploit new revenue streams as new customers are attracted</li> <li>• Rapid change might allow businesses such as Spotify to become more niche and focus on higher-end customers, such as those prepared to pay for immersive Virtual Reality experiences</li> <li>• New means of listening are evolving from smartphones to home systems such as Amazon Echo and Google Home – this creates new means of competing and new ways for customers to listen to music</li> </ul> <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> <li>• The music streaming market is dynamic due to the change in product e.g. music, videos, virtual reality and this affects what Spotify offers its customers and this can increase product development costs</li> <li>• Five new music subscription services launched between 2015 and 2017, but none of these have made a profit possibly because of the continuous marketing costs needed to compete in the dynamic market effectively with companies such as Apple</li> </ul> <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> <li>• Apple and Google are able to operate their music streaming at a loss in order to gain new subscribers, whereas Spotify need to make a profit. This means that market research may be important for Spotify to be able to keep pace with the changes in this dynamic market.</li> <li>• Spotify have only existed in this market since 2008 and the fact that they have the highest number of users in Europe and US suggest that they understand the nature of the market</li> </ul>	(12)

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Level 4	9-12	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors leading to a supported judgement.



Question Number	Indicative content	Mark
1(e)	<p style="text-align: center;"><b>Knowledge 4, Application 4, Analysis 6, Evaluation 6</b></p> <ul style="list-style-type: none"> <li>• An extension strategy is aimed at preventing the decline stage of a product/service's sales in the medium-to-long term</li> </ul> <p><b>Option 1</b></p> <ul style="list-style-type: none"> <li>• Spotify's development of new video experiences may add further customers to their service, as sales of pure streaming reaches the maturity phase</li> <li>• Early adopters for Virtual Reality experiences may have different consumer characteristics, such as higher disposable income and lower price elasticities therefore they are prepared to pay the higher price</li> <li>• Users in the US and Europe are likely to have better access to technology which may give Spotify more opportunity to add value by linking music streaming to video watching and other experiences</li> <li>• As an established brand (since 2008), Spotify can focus on its core market and build users, while competitors such as Apple look to create new content. This can reduce costs for Spotify and improve profit margins.</li> </ul> <p><b>Option 2</b></p> <ul style="list-style-type: none"> <li>• New markets may provide more sales growth than could be achieved in established markets where competition from well-known brands such as Amazon and Google is significant</li> <li>• Only 14% of world digital music revenue comes from Asia, so there is a large number of potential customers that could be attracted to Spotify's existing streaming services</li> <li>• Mobile network providers are including music streaming services with their price plans, so this provides an opportunity for Spotify to be introduced to a large number of new customers</li> <li>• However, potential copyright infringements and the price sensitivity of Asian consumers, who have lower disposable income levels, may make increase subscription more difficult for Spotify to achieve</li> </ul> <p><i>Potential judgement:</i></p> <ul style="list-style-type: none"> <li>• Focusing on existing markets is the least-risky strategy because the Spotify brand is well-known and trusted for new products that might be developed in the future, such as immersive video content</li> <li>• The rapid growth of new markets such as those in Asia provides a bigger opportunity, this is an example of market development in Ansoff's matrix and suggests despite the higher risk, side-</li> </ul>	

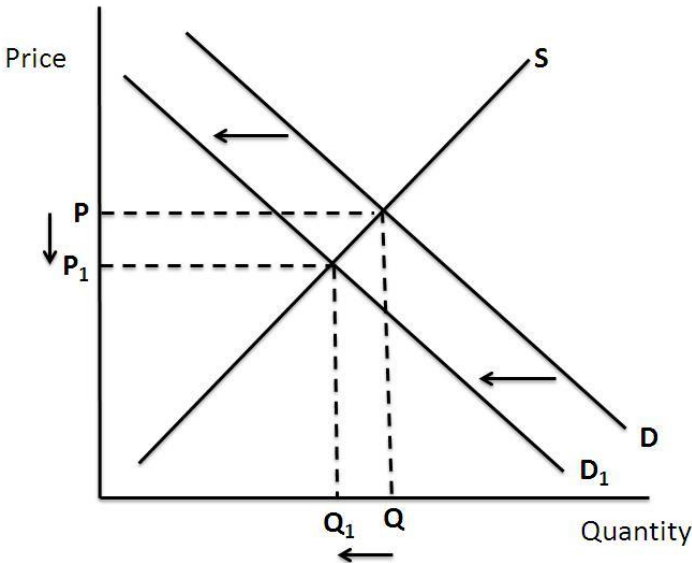
stepping competitors such as Apple and Google who may not be targeting these markets at this time

<b>Market</b>	The market is growing most quickly in the Asian markets, so this provides the best opportunity for Spotify to expand without the need to change its current approach that has worked in Europe.
<b>Objectives</b>	If is growth, then Asia might be the best focus, however, if profit maximisation is more important, then devising more high margin products for Europe/North America might be the best option.
<b>Products/ services</b>	It is unclear that new technology such as immersive videos will be profitable, so extending the existing business model to Asia might be the least risky approach.
<b>Situation</b>	The imminent stock market flotation might lead Spotify to be more cautious in their growth strategy. Perhaps focusing on one or two countries in the Asia market might help growth that attracts investors.

(20)

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Level 2	5-8	Elements of knowledge and understanding, which are applied to the business example. Arguments and chains of reasoning are presented, but connections between cause(s) and/or consequence(s)/ effect(s) are incomplete. Attempts to address the question. A comparison or judgement may be attempted, but it will not successfully show an awareness of the key features of business behavior or business situation.
Level 3	9-14	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behavior/context. Uses developed chains of reasoning, so that cause(s) and/or consequence(s)/effect(s) are complete, showing an understanding of the question. Arguments are well developed. Quantitative or qualitative information is introduced in an attempt to support judgements, a partial awareness of the validity and/or significance of competing arguments and may lead to a conclusion.
Level 4	15-20	Accurate and thorough knowledge and understanding, supported throughout by use of relevant and effective use of the business behaviour/context. Uses well-developed and logical, coherent chains of reasoning, showing a range of cause(s) and/or effect(s). Arguments are fully developed. Quantitative and/or qualitative information is/are used well to support judgements. A full awareness of the validity and significance of competing arguments/factors, leading to balanced comparisons, judgements and an effective conclusion that proposes a solution and/or recommendation(s).

Question Number	Answer	Mark
2(a)	<p style="text-align: center;"><b>Knowledge 1, Application 2, Analysis 1</b></p> <p><b>QS9:</b> Interpret, apply and analyse information in written, graphical, tabular and numerical forms</p> <p><b>Knowledge/understanding: 1 mark</b> for understanding the limitations of secondary market research data, e.g.</p> <ul style="list-style-type: none"> <li>• The data is collected by an organisation for general use</li> </ul> <p><b>Application: up to 2 marks</b> for contextualised example, e.g.</p> <ul style="list-style-type: none"> <li>• Data is from 2016</li> <li>• Data is 3 years old</li> <li>• Consumers aged 40–59 account for 63.2% of coffee consumption in the USA</li> </ul> <p><b>Analysis: 1 mark</b> for explaining a limitation of the secondary market research data, e.g.</p> <ul style="list-style-type: none"> <li>• The demographic information may have changed, potentially making it inaccurate/less useful</li> </ul>	<b>(4)</b>

Question Number	Answer	Mark
2(b)	<p style="text-align: center;"><b>Knowledge 2, Application 1, Analysis 1</b></p> <p><b>QS3:</b> construct and interpret a range of standard graphical forms</p> <p><b>Knowledge/understanding:</b>  <b>1 mark</b> for correctly constructing supply and demand curves  <b>1 mark</b> for correctly labelling axes, price and quantity</p> <p><b>Application: 1 mark</b> for</p> <ul style="list-style-type: none"> <li>• Correctly interpreting the shift in demand curve to the left</li> </ul> <p><b>Analysis: 1 mark</b> for drawing the original and new equilibrium on the quantity and price axes</p> <div style="text-align: center;">  </div>	<b>(4)</b>

Question Number	Indicative content	Mark
2(c)	<p><b>Knowledge 2, Application 2, Analysis 3, Evaluation 3</b></p> <ul style="list-style-type: none"> <li>• A trading bloc is a group of countries that trade freely with reduced or no tariffs and quotas on trade between businesses in these countries</li> </ul> <p>Benefits to Lavazza</p> <ul style="list-style-type: none"> <li>• Lavazza has purchased Kicking Horse and therefore has a business based in Canada. This will allow Lavazza to access the market in USA and Mexico freely as well.</li> <li>• There is no common tariff structure in NAFTA; each member state has its own policies and imports from economies outside NAFTA. This means that supplies of coffee beans may be imported more freely than if there was a common external tariff.</li> </ul> <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> <li>• Free trade as part of NAFTA means that US businesses such as Starbucks provide competition to Lavazza in the Canadian market and may limit competition through aggressive pricing and promotion</li> <li>• NAFTA membership may not be a large advantage to Lavazza because it is a business supplying mainly to specialist outlets, rather than importing or exporting manufactured goods. The cost advantages may therefore be smaller.</li> </ul> <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> <li>• NAFTA gives Lavazza a range of opportunities to expand from Canada into the US and Mexico, but it seems to be more focused on the more niche organic/fair-trade segment in Canada in the short-term, and may therefore be less concerned with the access to other markets NAFTA offers.</li> </ul>	(10)

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Question Number	Indicative content	Mark
2(d)	<p style="text-align: center;"><b>Knowledge 2, Application 2, Analysis 4, Evaluation 4</b></p> <ul style="list-style-type: none"> <li>• The marketing mix is a plan for using the right blend of product, price, promotion, and place in order to maximise sales</li> </ul> <p>Importance of marketing mix to global markets</p> <ul style="list-style-type: none"> <li>• Disposable income levels may be lower in some global markets such as those in Mexico. This might require a different pricing strategy to that in Italy and Europe</li> <li>• The product may be adapted to be more focused on organic and fair-trade coffee, which is a growth market in Canada</li> </ul> <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> <li>• In Lavazza's case it is stated that Kicking Horse 'fits well' in Lavazza's product portfolio, which suggests that the Product aspect of the marketing mix may not need to be adapted</li> <li>• As Lavazza has a successful marketing mix in Europe and therefore may not need to change its marketing approach and this strength can be transferrable to Canada and other global markets</li> </ul> <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> <li>• Lavazza has 120 years of experience in the coffee market in Europe and many of the features of these developed markets are similar. Marketing that works in Europe is likely to work in North America too, particularly if Lavazza can use its 'Europeaness' as a USP</li> <li>• North America is a mature coffee market, with a range of existing businesses operating there. Adapting the marketing mix, particularly the product towards differentiating on the basis of fair-trade/organic, is necessary for Lavazza to succeed.</li> </ul>	<b>(12)</b>



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2(e)	<p style="text-align: center;"><b>Knowledge 4, Application 4, Analysis 6, Evaluation 6</b></p> <p><b>Option 1</b></p> <ul style="list-style-type: none"> <li>• An organisation structure shows who is answerable to whom in an organisation. It can also show vertical and horizontal communication links.</li> <li>• The extract suggests that attempts to flatten structures in Starbucks outlets have increased stress and workloads on managers, which in turn may have reduced motivation for staff</li> <li>• A change to a tall organisational structure should improve communication, such as new supervisors, or simply more subordinates will help to improve relations with customers and employers as communication will be clearer because people will know who to speak to</li> <li>• However, the structure itself might not be as important as the way staff are managed. If they are seen as a 'cost' to be minimised, then the motivation may be reduced and employees are less likely to be open to new employer initiatives, such as North Star.</li> <li>• However, the number of staff working at each outlet seems to be the main issue. How staff are organised is possibly therefore less important in terms of its impact on employer-employee relationships</li> </ul> <p><b>Option 2</b></p> <ul style="list-style-type: none"> <li>• Flexible working includes multi-skilling, part-time, temporary working, and flexible hours.</li> <li>• For example Starbucks staff receive university tuition assistance, flexible working hours, and Starbucks shares at a discounted rate.</li> <li>• Some staff such as parents whose availability may not include normal daytime hours, may be attracted by the flexible working at Starbucks. This could improve employer-employee relations as staff feel that their personal circumstances are being taken into account</li> <li>• However, employer-employee relations may be damaged as more flexible working hours for Starbucks employees may mean that managers find it more difficult to organise their staff rotas, which both parties may resent</li> <li>• Starbucks customer service seems to be suffering from a lack of workers available on each shift. This might be helped by flexible working, but the total working hours available might be more important to Starbucks than employees or managers</li> </ul>	

*Potential judgement:*

- The problems caused by the North Star initiative seem to be related to the way that staff are managed and treated, rather than the way they are organised. If the move towards flatter structures has caused the reduction in staff working in each store, then a return to a taller organisation, with Starbucks staff being supervised and managed more effectively, then the organisational structure is the main thing to improve.
- If the staff problems are more to do with not having sufficient colleagues to work during busy periods, then a more flexible approach to working might be the most important thing. This would allow staff to be brought in to work in busy periods such as breakfast and then leave work at quieter times in the mid-morning.

<b>Market</b>	As Starbucks operate in a competitive market, a flatter structure should allow them to cut costs and remain competitive.
<b>Objectives</b>	North Star has identified a need to improve approaches to staffing, so a focus on getting the organisation structure should improve relations.
<b>Products/services</b>	Workers in coffee shops are often low-skilled and businesses such as Starbucks often face high labour turnover. Therefore, flexible working should allow new staff to fit in to the business at times and in roles to suit them.
<b>Situation</b>	Starbucks instigation of the North Star plan shows there is a need to improve Human Resources at the business. It appears that it is the way the plan has been implemented that is causing employer/employee problems, so if it is managed effectively the change in structure could work.

**(20)**

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