



GCE AS MARKING SCHEME

SUMMER 2019

**AS
BUSINESS - COMPONENT 2
B510U20-1**

INTRODUCTION

This marking scheme was used by WJEC for the 2019 examination. It was finalised after detailed discussion at examiners' conferences by all the examiners involved in the assessment. The conference was held shortly after the paper was taken so that reference could be made to the full range of candidates' responses, with photocopied scripts forming the basis of discussion. The aim of the conference was to ensure that the marking scheme was interpreted and applied in the same way by all examiners.

It is hoped that this information will be of assistance to centres but it is recognised at the same time that, without the benefit of participation in the examiners' conference, teachers may have different views on certain matters of detail or interpretation.

WJEC regrets that it cannot enter into any discussion or correspondence about this marking scheme.

GENERAL MARKING GUIDANCE

Positive Marking

It should be remembered that 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.

EDUQAS AS BUSINESS - COMPONENT 2

SUMMER 2019 MARK SCHEME

1 (a)	What is meant by the term <i>zero-hours contracts</i>?	Total
	<p>Award 1 mark for a limited understanding of the term '<i>zero-hour contracts</i>' Award 2 marks for a good understanding of the term '<i>zero-hour contracts</i>'</p> <p align="right">AO1:2 marks</p> <p>Indicative content:</p> <p>This is where an employee has to be available to work but is not guaranteed work (1). Provides employers with total flexibility (1). Employees may be given no hours or full-time hours depending on demand (1). Workers have no income security (1).</p>	2

1 (b)	Outline how McDonald's use Maslow's hierarchy of needs.		[4]
Band	AO1	AO2	
	2 marks	2 marks	
2	<p align="center">2 marks</p> <p>Demonstrates good knowledge of Maslow's hierarchy of needs.</p> <p>Three or more needs are identified.</p> <p>Fully correct labelled diagram.</p>	<p align="center">2 marks</p> <p>Good clear application to McDonald's.</p> <p>Three or more of Maslow's needs are applied to McDonald's.</p>	
1	<p align="center">1 mark</p> <p>Demonstrates limited knowledge of Maslow's hierarchy of needs.</p> <p>Two needs are identified.</p> <p>A diagram is used but errors are present.</p> <p>Definition of Maslow's theory.</p>	<p align="center">1 mark</p> <p>Limited application to McDonald's.</p> <p>Two of Maslow's needs are applied to McDonald's.</p>	
0	<p align="center">0 marks</p> <p>Little or no knowledge of Maslow's hierarchy of needs.</p>	<p align="center">0 marks</p> <p>Little or no application to McDonald's.</p>	

Indicative content:

Maslow's hierarchy of needs classifies 5 human needs from basic needs such as the need to survive to reaching ones full potential.

- Basic/Physiological needs – The need to survive (food, shelter, warmth and clothing) with good working conditions. In McDonald's employees have had pay increases in recent years which allow them to earn money to pay for these basic needs. Employees also get a free meal whilst working and get paid holiday leave.
- Security/safety needs – The need for safe working conditions and future confidence. In McDonald's, the shift away from zero hour contracts to permanent hours enables employees to feel more job secure with guaranteed hours. McDonald's offers a pension scheme to employees which will also make them feel more secure about their future. McDonald's ensures that all new employees receive induction training so they are aware of the health and safety issues within the workplace.
- Social needs/love and belonging – The need for interaction, trust, acceptance and leisure time. McDonald's focus on team work to ensure customer satisfaction; this allows employees to interact with one another.
- Esteem needs – The need for recognition and feeling good about achievements. McDonald's offer financial bonuses to employees, employee of the month recognition, internal training and promotion opportunities such as becoming a team leader/supervisor.
- Self-actualisation needs – The need to reach ones full potential. McDonald's offers qualifications such as BA Business Management which can enable employees to gain qualifications and promotions.

1 (c)	Evaluate McDonald's decision to use a mixture of internal and external recruitment.			
				[8]
Band	AO1	AO2	AO3	AO4
	2 marks	2 marks	2 marks	2 marks
2	2 marks Demonstrates good understanding of internal and external recruitment.	2 marks Good application of both internal and external recruitment to McDonald's. Clear reference to McDonald's.	2 marks Good analysis of the benefits or drawbacks of internal and external recruitment. Analysis shows clear line of arguments.	2 marks Good and well-balanced evaluation that focuses on the key strengths of both internal and external recruitment. Valid judgements are made to support arguments with development on both sides. May contain a brief conclusion.
1	1 mark Demonstrates limited knowledge of internal or external recruitment.	1 mark Limited application of internal or external recruitment to McDonald's.	1 mark Limited analysis of the benefits or drawbacks of internal or external recruitment. A superficial understanding of the benefits or drawbacks of both methods of recruitment.	1 mark Limited evaluation of the effectiveness of internal and external recruitment. Partial, unsupported judgements made. One-sided evaluation.
0	0 marks No knowledge	0 marks No application.	0 marks No analysis given.	0 marks No evaluation given.

Indicative content:

Internal recruitment: Filling a vacancy by employing someone who already works for the business, could be a promotion or sideways movement.

External recruitment: Filling a vacancy by employing someone from outside of the business.

Arguments for internal recruitment:

- Employees are already known – McDonald's will already know the employees skills, absence rates and work ethic and so is considered a lower risk option. McDonald's offers a number of training programs so they can identify more easily which courses internal employees should go on that allow them to fulfil the requirements of the new job. Reduced risk of choosing the wrong person.

- Motivation – McDonald's internally recruits for internal promotions. This meets Maslow's esteem needs, Herzberg's motivators and Vroom's expectancy theory of a positive reward. This may result in an improved customer service, serving customers quicker who are then more likely to return increasing sales. Workers will work harder, increasing productivity and minimizing waste such as incorrect food orders, lowering unit costs and increasing profit.
- Costs and time – It is usually cheaper and quicker to recruit internally as the business doesn't need to pay fees to external recruitment companies to advertise the job. McDonald's is a low-price retailer and so lower costs allow prices to remain low.

Arguments for external recruitment:

- More workers are needed – McDonald's has grown from 100 outlets to over 1,200 and so they would have had to recruitment from outside the business as there wouldn't be enough workers internally. Not enough workers could negatively affect motivation, working conditions, absenteeism and labour turnover. If McDonald's used internal recruitment for the vacancy, they would still need to find another worker to fulfil the job role that the successful internal applicant used to do.
- Wider choice – McDonald's offer training and qualifications but it is more likely with a wider choice of applicants to find someone with the required skills saving money on training costs such as a store/head office manager. As many workers are students looking for part-time work rather than careers, labour turnover is probably quite high and so there is a much wider choice of students found outside the business. A wider choice of applicants allows more candidates to be assessed and so there is a greater chance of selecting a more suitable applicant with the required skills and qualifications.
- Brings in new ideas – Recruiting managers from McDonald's rivals such as Burger King or other multinational chains can allow McDonald's to gain knowledge of more efficient ways of working that could increase productivity, reduce waste and other costs.
- Overcomes Jealousy – If more than one internal applicant applies for the vacancy it can cause a breakdown in friendship (Maslow – social needs). If both internal applicants are equally as strong but there is only one McDonald's in-store management position; the unsuccessful applicant may not want to take orders from the successful applicant and may leave. This will increase the need for external recruitment.

Possible key themes for evaluation:

- As McDonald's has grown they would have had to have used more external recruitment.
- A mixture of both allows the benefits of both to be achieved such as employee motivation whilst meeting the demands of growth.
- It depends on whether there are suitable applicants that already work for McDonald's.
- It depends on how quick a replacement is needed.

Any other relevant argument.

1 (d)	Discuss the impact of a motivated workforce on businesses.		[8]
Band	AO3	AO4	
	4 marks	4 marks	
3	<p>4 marks</p> <p>Excellent and well-balanced two-sided analysis of the impacts of a motivated workforce to businesses.</p> <p>Analysis considers why a motivated workforce may and may not be important to businesses.</p> <p>The key issues are discussed.</p> <p>Analysis shows a clear line of argument and includes an excellent understanding of the importance of motivation.</p>	<p>4 marks</p> <p>An excellent and well-balanced evaluation of the impacts of motivation.</p> <p>The focus is on the key issues.</p> <p>Both sides of the argument are evaluated.</p> <p>Clear judgements are made with supporting statements.</p>	
2	<p>2-3 marks</p> <p>Good analysis of the impacts of a motivated workforce to businesses.</p> <p>A number of key issues are discussed.</p> <p>Analysis is uneven, with some well-developed points and some where the development is more limited.</p> <p>A good one-sided analysis of the importance of motivation to businesses.</p>	<p>2-3 marks</p> <p>A good evaluation of the impacts of motivation.</p> <p>The evaluation includes most of the key issues.</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 statements.</p>	
1	<p>1 mark</p> <p>Limited analysis of the impact of a motivated workforce to businesses.</p> <p>A limited number of issues are discussed.</p> <p>The analysis will focus on one-side of the argument.</p> <p>The analysis may only list or describe the reasons why motivation may/may not be important without development.</p>	<p>1 mark</p> <p>Limited evaluation of the impact.</p> <p>The evaluation is one-sided.</p> <p>An awareness of the key issues but little development.</p> <p>Judgements are superficial and unsupported.</p>	
0	<p>0 marks</p> <p>No analysis attempted.</p>	<p>0 marks</p> <p>No evaluation attempted.</p>	

Markers note: One-sided answers can only achieve band 2 AO3 and band 1 AO4, a maximum of 4 marks.

Indicative content:

Why a motivated workforce is important for businesses:

- Increased productivity as workers want to work, decreasing unit costs and increasing profits.
- Improved quality as workers try harder to provide a greater customer experience and try harder to ensure fewer mistakes are made, leading to a better brand image.
- Lower labour turnover as workers who are happy and motivated are less likely to leave, reducing costs for recruitment, selection and training.
- Improved communication and employee relations as workers are less likely to cause problems and disputes when they are happy working for a business, leading to a better reputation as an employer, attracting better workers.
- Higher levels of innovation as motivated employees are more likely to offer their own suggestions for improvements as they care more for the business, leading to reduced costs, improved processes, improved brand image and profits.
- Improved customer service as happy workers are usually more willing to help customers with their queries/problems, leading to more repeat business and sales.
- Better reputation as an employer as motivated workers are more likely to recommend the business as an employer, which will attract better workers in the future improving productivity, innovations and quality.

Why a motivated workforce may not be important for businesses:

- Costs to motivate the workforce may be higher than the productivity gains or costs saved from higher levels of labour turnover. Different workers are motivated by different things as discussed by the different views of motivational theorists, as a result the costs incurred to meet all individual needs may be too expensive, too time consuming and takes time away from other important business roles.
- If the business only employs a few workers due to the business size or whether they are mainly capital intensive. This reduces the importance to spending time keeping workers satisfied in the workplace due to the number employed. Money therefore may be better spent on maintaining the machines or marketing for example.
- If the business employs mainly students, there is less of a need to motivate and retain them as the business knows that these workers are not working at the business for a career but just for money and usually short-term employment.
- Temporary, part-time workers will have a reduced negative impact on the business if they are not motivated, compared to full-time and permanent staff.
- Businesses with workers working in the warehouse or doing fewer important job roles may require less motivation than those who deal direct with customers. It may not be important for all workers employed to be fully motivated as certain tasks done by unmotivated workers may not impact the business negatively due to the nature of the job.

Possible key themes for evaluation:

- Depends on the number of workers employed.
- Depends on the type of workers employed, comparing full-time permanent workers looking for a career at the business compared to students and temporary workers.
- Depends on the job roles of the workers as some jobs require a greater importance for a motivated worker to complete them.
- Depends on the cost to motivate versus the financial and non-financial rewards gained as a result of a motivated workforce.

Any other relevant suggestion.

2 (a)	Outline how <i>computer aided design (CAD)</i> can be used by businesses.	Total
	<p>Award 1 mark for a limited understanding of the use of CAD Award 2 marks for a good understanding of the use of CAD</p> <p style="text-align: right;">AO1:2 marks</p> <p>Indicative content:</p> <p>CAD software enables businesses to create products on-screen (1). CAD allows products to be tested on-screen (1). CAD allows graphics to be added so products can be changed on-screen (1). CAD allows designers to change/re-design product ideas on-screen (1). CAD can link to machines and printers so product designs can be made (1).</p>	2

2 (b)	Describe Eddie's management style according to McGregor (Theory X or Y manager).		[4]
Band	AO1	AO2	
	2 marks	2 marks	
2	<p style="text-align: center;">2 marks</p> <p>Demonstrates good knowledge of D. McGregor's Theory X/Theory Y.</p>	<p style="text-align: center;">2 marks</p> <p>Good clear application to Eddie.</p> <p>Two or more references are made to Eddie in determining his manager type.</p>	
1	<p style="text-align: center;">1 mark</p> <p>Demonstrates limited knowledge of D. McGregor's manager types.</p> <p>Candidate identifies that Eddie is a theory Y manager but with no development.</p>	<p style="text-align: center;">1 mark</p> <p>Limited application to Eddie.</p> <p>At least one reference is made to Eddie in determining his manager type.</p>	
0	<p style="text-align: center;">0 marks</p> <p>No knowledge of D. McGregor's manager types.</p>	<p style="text-align: center;">0 marks</p> <p>No application to Eddie.</p>	

Indicative content:

- Theory X manager: Assumes workers are lazy, must be supervised, are motivated only by money, have little ambition and do not want to be involved in decision making.
- Theory Y manager: Assumes workers are trustworthy, can be left to their own devices, are motivated by more than just money, ambitious and want to be involved in decision making.

Eddie is a theory Y manager because:

- He involves employees in the decision-making process.
- He believes that empowering workers and their contributions have helped the success of his business.
- He believes his workers are motivated by more than just money.
- He provides regular training.

Accept the above reasons when described in the context of Eddie not being a theory X manager.

2 (c)	What is meant by the term <i>leasing</i> ?	Total
	<p>Award 1 mark for a limited understanding of the term '<i>leasing</i>' Award 2 marks for a good understanding of the term '<i>leasing</i>'</p> <p style="text-align: right;">AO1:2 marks</p> <p>Indicative content:</p> <p>Leasing is where a business pays for the use of an asset/equipment (1) but will never own the asset (1) improving short term cash flow compared to buying the asset outright (1)</p>	2

2 (d)		Total
(i)	<p>Using extract 1, calculate the total amount of profit Muhammad will receive over 5 years if Eddie decides to use share capital.</p> <p style="text-align: right;">AO2: 1 mark</p> <p>£144 000 / 3 = £48 000 (accept 48 000)</p> <p>Also accept answers of -£2 000 as candidates may work out Muhammad's personal loss comparing his £50 000 investment with £48 000 return over the 5 years.</p>	1
(ii)	<p>Using extract 1, calculate the 5 year cost of taking out the bank loan.</p> <p>AO2: 1 mark for working out 25% of £50 000 = £12 500</p> <p>AO2: 1 mark for correct answer of the 5 year total cost of the bank loan by adding the 25% on top of the loan amount</p> <p>£12 500 + £50 000 = £62 500 total cost (Must have £ sign, answers of 62 500 receive 1 mark in total)</p>	2

2 (e)	With reference to Extract 1 & 2 and your calculations to question (d), assess the most suitable source of finance for Eddie's purchase of the 3D equipment. [8]		
Band	AO2	AO3	AO4
	2 marks	3 marks	3 marks
3		<p>3 marks</p> <p>Excellent analysis of the suitability of sources of finance.</p> <p>Candidates are likely to analyse at least two sources of finance in detail.</p> <p>The key issues are discussed with a clear line of argument focusing on the suitability of sources of finance.</p> <p>Quantitative and qualitative data is analysed in detail to support the answer.</p>	<p>3 marks</p> <p>Excellent well-balanced evaluation of the choice of sources of finance.</p> <p>At least two sources of finance are considered.</p> <p>The focus is on the key issues.</p> <p>The evaluation considers both quantitative and qualitative data.</p> <p>The candidate may offer an overall conclusion.</p>
2	<p>2 marks</p> <p>Good application of the data.</p> <p>Use of Extract 1 and 2</p> <p>Quantitative and qualitative data is used to support the answer.</p> <p>Candidates may use further calculations to support their answer.</p>	<p>2 marks</p> <p>Good analysis of the suitability of sources of finance.</p> <p>Candidates are likely to analyse two sources of finance in detail.</p> <p>Quantitative or qualitative data is analysed in detail to support the answer.</p>	<p>2 marks</p> <p>Good evaluation of the choice of sources of finance.</p> <p>Valid judgements are made to support arguments with some development on both sides.</p> <p>The evaluation considers quantitative or qualitative data.</p> <p>At least two sources of finance are considered.</p>
1	<p>1 mark</p> <p>Limited application to Extract 1 or 2.</p> <p>Some reference is made to Extract 1 or 2.</p> <p>Quantitative or qualitative data is used to support the answer.</p>	<p>1 mark</p> <p>Limited analysis of the suitability of sources of finance.</p> <p>A superficial analysis of the suitability of sources of finance.</p> <p>It is likely that only one source of finance is analysed in detail.</p> <p>Quantitative or qualitative data is analysed to support the answer.</p>	<p>1 mark</p> <p>Limited evaluation of the suitability of sources of finance.</p> <p>Partial and unsupported judgements made.</p> <p>The evaluation considers quantitative or qualitative data.</p>
0	<p>0 marks</p> <p>No application.</p>	<p>0 marks</p> <p>No analysis given.</p>	<p>0 marks</p> <p>No evaluation given.</p>

Indicative content:

Reasons why leasing is the best choice:

- £6,500 cheaper than getting a bank loan over the first 5 years.
- After 5 years the cost of leasing remains at £11,200 per year, but the average profit doubles to £57,600. Eddie will be giving away £19,200 (1/3 of £57,600) per year to Muhammad.
- Leasing is £8,000 cheaper than share capital in year 6 which covers the £8,000 extra paid to lease compared to share capital for the first 5 years.
- After 6 years leasing it's cheaper than selling shares if average yearly profits continue to double.
- Don't lose ownership or control of the business unlike share capital.
- Don't have to provide security unlike the bank loan, with a risk of losing his home.
- After 5 years the equipment may need replacing and so owning it after this period may not be an important factor.
- After 5 years the business can lease new equipment and will not have the problem of having old equipment.

Reasons why leasing may not be the best choice:

- £8,000 more expensive than selling shares over the first 5 years.
- The business does not get to own the equipment and so cannot make any additional money by selling it or using it after 5 years when it could still be fully functional.

Reasons why the bank loan is the best choice:

- After 5 years there will be no additional costs to pay, while leasing will still cost £11,200 per year and 1/3 of the doubled yearly profits of £57,600 is £19,200 of dividends that has to be given to Muhammad. This makes the bank loan the cheapest option after 5 years if this equipment is still usable and yearly profits continue to double.
- Don't lose ownership or control of the business unlike share capital.

Reasons why the bank loan may not be the best choice:

- £6,500 more expensive than leasing and £14,500 more expensive than selling shares over the first 5 years.
- After 5 years the equipment may need replacing/updating and so there might be more added costs.
- It depends on the life expectancy of the equipment. If it can last for 6 years it becomes the cheapest option.
- Eddie may lose his home if he cannot keep up with payments, although this could be seen as low risk as yearly profits are expected to double.

Reasons why share capital is the best choice:

- It's the cheapest over 5 years, £14,500 cheaper than bank loan and £8,000 cheaper than leasing.
- The business does not get into debt or have to provide collateral.
- Get to own the equipment straight away.
- Muhammad may be able to offer help and support in running the business, dependent on his skills.

Reasons why share capital may not be the best choice:

- This is a possibly this is the worst choice financially after 5 years as it becomes the most expensive given the rise in expected profits (paying £19,200 to Muhammad each year).
- The equipment after 5 years may also need replacing and Muhammad may not have skills to help the business progress but he will still own 1/3 share in the business.

OFR – Part (i) calculations

3 (a) (i)	State two roles of a financial department in a business.	Total
	<p data-bbox="312 221 1219 248">Award 1 mark for each correct separate financial role identified below</p> <p data-bbox="1126 288 1302 315" style="text-align: right;">AO1:2 marks</p> <p data-bbox="312 324 576 351">Indicative content:</p> <ul data-bbox="312 392 1302 734" style="list-style-type: none"> • Controlling costs/budgeting. • Predicting future inflows and outflows of money/cash flow forecasting. • Calculate profits/profit margins/prepare financial documents such as an income statement. • Assessing the financial viability of a strategy e.g. working out the break-even point. • Seek sources of finance to be used for business strategies. • Pay employees wages and salaries, pay suppliers and other creditors what is owed. • Any other relevant answer linked to finance. 	2

3 (a) (ii)	State one role of a marketing department in a business.	Total
	<p data-bbox="1139 882 1302 909" style="text-align: right;">AO1:1 mark</p> <p data-bbox="312 918 576 945">Indicative content:</p> <ul data-bbox="312 985 979 1305" style="list-style-type: none"> • Identifying customer needs (market research). • Analysing market conditions. • Developing a marketing mix. • Developing a brand identity. • Developing new products. • Developing promotions. • Developing pricing strategies. • Developing/agreeing distribution channels. • Any other relevant answer linked to marketing. 	1

3 (b)	Analyse the benefits of economies of scale to Airbnb as they have grown. [5]	
Band	AO2	AO3
	2 marks	3 marks
3		<p>3 marks</p> <p>Excellent analysis of the benefits of economies of scale</p> <p>At least two economies of scale are discussed.</p> <p>Analysis shows a clear line of argument and includes an excellent understanding of the benefits of at least two types of economies of scale.</p>
2	<p>2 marks</p> <p>Good application of economies of scale to Airbnb.</p> <p>Clear reference to Airbnb.</p> <p>At least two economies of scale are applied to Airbnb.</p>	<p>2 marks</p> <p>Good analysis of the benefits of economies of scale.</p> <p>One or two types of economies of scale are analysed.</p>
1	<p>1 mark</p> <p>Limited application of the benefits of economies of scale to Airbnb.</p> <p>There is some reference to Airbnb.</p> <p>At least one economy of scale is applied to Airbnb.</p>	<p>1 mark</p> <p>Limited analysis of the benefits of economies of scale.</p> <p>A limited number of issues are discussed.</p> <p>Limited analysis of one type of economies of scale.</p> <p>OR</p> <p>The analysis may only list or describe the benefits of economies of scale.</p>
0	<p>0 marks</p> <p>No application.</p>	<p>0 marks</p> <p>No analysis attempted.</p>

Indicative content:

- **Purchasing:** Airbnb do not sell products so would not require stock as they are a marketplace listing rentals. However, reference could be made to technological purchases that allow Airbnb to store more information due to its growth. These include processors, computer equipment, storage units as well as equipment required for the growth in their different offices in different countries they operate across 190+ countries e.g. office desks computers. Benefits can link to lower unit costs of operating around the world and greater profits.
- **Marketing:** Airbnb may be able to get bigger discounts from social media sites, broadcasting companies and other forms of advertising companies who operate around the globe given Airbnb's greater market power being in over 190 countries. Lowering average costs allowing them to charge less commission for room listings.
- **Managerial:** Throughout the growth they would have become more of an attractive place for specialist staff and managers to seek employment. Airbnb would have made enough profits to afford to hire specialist employees to manage the website, marketing and operations of the business in different countries. Benefits of having more specialist staff can be linked to productivity improvements and innovative ideas.
- **Technological:** Airbnb relies heavily on websites and internet technology. As the business has grown and earned more profits, they were able to invest in better software and technology allowing the website/app to be run more efficiently. Analysis can relate to quality of service as well as cost savings.
- **Risk Bearing:** Operating in 190 countries spreads risk, so there is less of a need to put more resources into countries where Airbnb may be struggling and instead focus on other countries. Airbnb can increase their global brand identity and global market share, needing to rely less on above the line promotions for customer loyalty.
- **Financial:** Due to the growth to 190 countries, significant investment would have had to be made in marketing, HR and operations given the language barriers, search for new hosts and understanding of local markets. As a larger company they may have been able to negotiate lower interest loans. This can result in lower average costs savings which could be passed on in the form of lower commission charges to hosts, more for capital for investment, or more profits for the owners.
- **External:** Better external infrastructure/online technology such as broadband/Wi-Fi capabilities in countries could have enabled customers and hosts to access Airbnb's websites and apps more effectively improving customer service.
- **External:** Better education economies can result in Airbnb being able to access a wider pool of skilled IT workers, improving operational standards and efficiencies.

Any other relevant suggestion

3 (c)	Advise which price option Maria and Jakub should choose when renting out their spare room using Airbnb. [6]		
Band	AO2	AO3	AO4
	2 marks	2 marks	2 marks
2	<p>2 marks</p> <p>Good application to Maria's and Jakub's situation.</p> <p>There is application to both price skimming and price penetration options.</p>	<p>2 marks</p> <p>Good analysis of the suitability of both price options.</p> <p>Both price options are considered and compared to one another in analysing their suitability.</p>	<p>2 marks</p> <p>Good evaluation of the suitability of both price options.</p> <p>Clear supported advice is offered.</p> <p>Valid judgements are made to support arguments with development on both sides.</p>
1	<p>1 mark</p> <p>Limited application to Maria's and Jakub's situation.</p> <p>There is application to either price skimming or the price penetration option.</p>	<p>1 mark</p> <p>Limited analysis of the suitability of both price options.</p> <p>One price option is analysed in detail.</p>	<p>1 mark</p> <p>Limited evaluation of the suitability of price options.</p> <p>Partial and unsupported judgements made.</p>
0	<p>0 marks</p> <p>No application.</p>	<p>0 marks</p> <p>No analysis given.</p>	<p>0 marks</p> <p>No evaluation given, no choice is made.</p>

Indicative content:

For penetration price of £30 per night:

- They will become the cheapest priced Airbnb host, and much cheaper than any local hotels giving them a USP of being the lowest priced host, which could be suitable for customers on low-budgets.
- The additional costs of renting out this spare room is minimal (cleaning, minimal furniture and a small commission fee) and so a low price can be charged to make profit.
- It allows them to break into the market as there are already 23 other places customers could stay, this could increase market share more quickly.
- Hotels could be seen as price elastic for those seeking a vacation and this option should see a greater increase in demand and possibly profits.
- Airbnb are known for being a place to find cheaper rooms and so this price strategy fits into the expectations of many of those looking for rooms.
- Jakub and Maria will not have to share more of the property with the customers and will not have to cook breakfast reducing their workload.
- Customers may be interested in the surrounding areas and so the additional services at the house may not attract customers to stay more often, as they may only want a room to sleep in to be close to local attractions.
- The swimming pool is only accessible in the summer so during the winter the skimming price comes with a reduction in facilities.

For skimming price of £85 per night:

- £27 above average for Airbnb hosts can give off a higher quality brand image and attract customers looking for a higher quality stay.
- Customers may want to pay the extra price given the extra services they gain.
- £3 cheaper than the most expensive Airbnb host and so the price could still be seen as accessible and fair given the additional services.
- Prices are £27 cheaper than the average hotel that may have less additional services that Jakub and Maria are offering, giving them a USP in the market.
- Most additional services appear to be already at the house and so there are limited additional costs whilst being able to charge almost triple compared to the penetration option (£55 more). This will increase profit margins per guest and enable Jakub and Maria to earn a healthy profit with fewer guests staying at their home each month/year.

Possible key themes for evaluation

- Depends on what facilities are offered at other Airbnb hosts and hotels as this is not clear. If similar facilities are offered at cheaper rivals then it may be difficult to attract customers to the hotel at the penetration price.
- Depends on what brand image Jakub and Maria want to have (low-cost or high quality).
- Depends on the price elasticity of demand for customers. A cheaper price may be more suitable if customers are price sensitive (price elastic), which could result in more profits even though profit margins per guest is lower.
- Depends on whether Jakub and Maria want to share more facilities with their customers.
- Depends on how many times a year Jakub and Maria want to share their house with guests.
- Depends on whether Jakub and Maria want to increase their workload to offer the higher price, do they already have full-time jobs?

Any other relevant suggestion.

4 (a)	Describe the different methods of employee appraisals which might be used in a restaurant such as TGI Fridays, Harvester or Prezzo. [10]	
Band	AO1	AO2
	6 marks	4 marks
3	<p>5-6 marks</p> <p>Excellent understanding of at least two types of appraisals.</p> <p>Clear understanding of the features of at least two types of appraisals.</p>	
2	<p>3-4 marks</p> <p>Good understanding of one or two types of appraisals.</p> <p>The learner identifies the key features of at least one type of employee appraisal.</p> <p>At least two types of appraisals are identified.</p>	<p>3-4 marks</p> <p>The learner applies at least two types of employee appraisals to a restaurant business situation.</p> <p>Good application of how different appraisals might be used in context.</p> <p>There is direct and clear reference to restaurants.</p>
1	<p>1-2 marks</p> <p>Limited understanding of one or two types of appraisals.</p> <p>Superficial understanding of the features of each employee appraisal.</p> <p>At least one correct type of appraisal is identified.</p>	<p>1-2 marks</p> <p>The learner applies at least one type of employee appraisal to a restaurant business situation.</p> <p>Limited application of one or two types of appraisals to the context of a restaurant business.</p> <p>Suggestions of the use of appraisals are generic and limited attempt is made to link these to a restaurant scenario.</p>
0	<p>0 marks</p> <p>No understanding of employee appraisals.</p>	<p>0 marks</p> <p>No specific application of appraisals to the context of a restaurant.</p>

Indicative content:

- Superior assessment (appraisal): This is when a worker's performance is assessed by his/her line manager (immediate boss) who comes up with future targets and training needs. A restaurant manager might use management data such as absenteeism rates, punctuality and financial performance of the restaurant to judge chefs/waiter/waitresses/bar staff/cleaner's performance. As a result of the meeting the manager may set targets such as reduced customer waiting times for chefs, reduction in stock waste for bar and kitchen staff in order judge next year's performance.
- Peer assessment (appraisal): This is when a worker's performance is assessed by other colleagues who work in the same level in the hierarchy and who do similar job roles. Discussions could be made between kitchen staff on how many tables on average each waiter/waitress looks after during an average shift to judge performance against peers and set targets for improvements. Examples can be made for any groups of workers found in a restaurant.
- Self-assessment (appraisal): This is when workers reflect on their own recent performance and set their own targets and considers their own training needs. The Chef could self-assess the quality of the dishes he/she is providing and how long it takes to create dishes in order for coming up with their own targets to improve this in the future. Examples can be made for any groups of workers found in a restaurant.
- 360 assessment (appraisal): This is when a worker's performance is assessed and feedback by their line manager, colleagues, subordinates, self-assessment, and sometimes from customers and suppliers. For example, Chefs could receive feedback from customer surveys and the number of complaints/returned food. Management records such as financial performance of the restaurant, absenteeism/punctuality rates from the restaurant manager. Employee peer feedback from other chefs/kitchen/bar staff that work with this particular employee day to day to discuss how peers view the productivity and easiness of working with this particular chef. Suppliers could offer opinions on how easy it is to work with the chef that is responsible for ordering stock such as meat, dairy and vegetables and whether suppliers are always clear with orders and expected delivery dates giving that much stock is perishable. Examples can be made for any groups of workers found in a restaurant.

Accept other relevant employee appraisals with application to restaurants.

4 (b)	Evaluate the importance of employee appraisals to the profitability of a business. [15]		
Band	AO1	AO3	AO4
	3 marks	6 marks	6 marks
3	<p>3 marks</p> <p>The learner demonstrates excellent understanding of the importance of employee appraisals to the profitability of a business.</p> <p>There is clear reference to the profitability of a business.</p>	<p>5-6 marks</p> <p>The learner gives an excellent analysis of the importance of employee appraisals to the profitability of a business.</p> <p>The analysis is balanced and detailed.</p> <p>The impact on profitability is routed within the analysis.</p> <p>Key issues have been well-developed with a clear line of argument.</p> <p>In-depth analysis required for this band.</p>	<p>5-6 marks</p> <p>The learner gives an excellent evaluation of the importance of employee appraisals to the profitability of a business.</p> <p>The evaluation is balanced and detailed and will focus on the key issues.</p> <p>The evaluation focuses on the impact on profitability.</p> <p>The evaluation provides a broad range of arguments on both sides of the debate.</p> <p>Other factors affecting business profitability are discussed.</p> <p>Clear judgements are made with supporting statements to build an argument.</p> <p>An holistic evaluation may be offered with an overall conclusion.</p>
2	<p>2 marks</p> <p>The learner demonstrates good understanding of the importance of employee appraisals to the profitability of a business.</p> <p>The learner makes an attempt to identify the key issues that impacts business profitability.</p> <p>The learner may not always consider the importance of appraisals on business profitability.</p>	<p>3-4 marks</p> <p>The learner gives a good analysis of the importance of employee appraisals to the profitability of a business.</p> <p>The analysis is uneven with some well-developed points and others which are more limited in their development.</p> <p>The impact on profitability is uneven and not always considered.</p> <p>A number of key issues are developed.</p> <p>The analysis will mainly focus on one side of the argument.</p>	<p>3-4 marks</p> <p>The learner gives a good evaluation of the importance of employee appraisals to the profitability of a business.</p> <p>The evaluation will include some of the key issues.</p> <p>The evaluation considers business profitability but may not always focus on profitability.</p> <p>The evaluation is reasonably well-balanced with some development on both sides of the debate.</p> <p>The learner makes judgements with some attempt to support their evaluation.</p> <p>Other factors affecting business profitability may be included.</p> <p>The answer may include a brief conclusion.</p>

<p>1</p>	<p>1 mark</p> <p>The learner demonstrates limited understanding of the importance of employee appraisals to the profitability of a business.</p> <p>Understanding is superficial.</p> <p>The learner identifies the value and limitations of appraisals.</p> <p>Little or no reference is made to the impact on business profitability.</p>	<p>1-2 marks</p> <p>The learner gives a limited analysis of the importance of employee appraisals to the profitability of a business. Superficial discussion on the impact of employee appraisals. The learner does not consider the impact on the profitability of a business.</p> <p>A limited number of key issues are developed.</p> <p>The analysis will focus on one side of the argument.</p>	<p>1-2 marks</p> <p>The learner gives a limited evaluation of the importance of employee appraisals to the profitability of a business.</p> <p>The learner shows an awareness of some of the key issues but with limited development.</p> <p>The evaluation does not consider the effects on business profitability.</p> <p>Judgements are superficial and unsupported.</p> <p>The evaluation is uneven and focuses on one side of the debate.</p> <p>The evaluation is not explained.</p> <p>There is no conclusion.</p>
<p>0</p>	<p>0 marks</p> <p>The learner demonstrates no understanding of appraisals.</p>	<p>0 marks</p> <p>The learner gives little or no meaningful analysis of the importance of employee appraisals to the profitability of a business.</p>	<p>0 marks</p> <p>The learner makes no meaningful evaluation of the importance of employee appraisals to the profitability of a business.</p>

Indicative content:

Why appraisals can improve business profitability:

- Motivation effects – Appraisals include the setting of and reflecting on employee targets which could be linked to pay rewards. This can encourage employees to work more productively to ensure targets are met; this can include meeting greater sales/production targets. Higher productivity can lead to lower costs and greater profits. Achieving greater sales will increase revenue and profits. Links can be made to motivational theories such as Vroom, Porter and Lawler (expectancy theory).
- Identifies training needs – Managers will have a greater understanding of employee strengths and weaknesses and therefore relevant training needs can be identified. The impact of training can lead to greater profits in a number of ways, e.g. improved customer service skills will enhance the customer's experience and therefore will return, increasing sales and profits.
- Employer/Employee relations – Appraisals allow effective communication between employers and employees which can break down disputes and maintain agreements. The impact of fewer industrial disputes can lead to a better brand image and customer convenience as there is less threat of industrial action, leading to more sales and profits.
- Improved management – Line managers will have a better understanding of their subordinates, day to day tasks and what motivates them. This will allow management tasks to consider the value of work done by the employees and allow for more effective workforce planning. This can lead to greater efficiencies and reduced costs of production, leading to greater profits.

Why appraisals may not improve business profitability:

- De-motivation effects – Targets set by managers may be unachievable or not agreed by employees, this can have an adverse effect on motivation levels, resulting in increased labour turnover and reduced labour productivity, increasing costs and decreasing profits. Increased labour turnover would incur higher recruitment and training costs, lowering profits.
- Employee pressure – Employees may feel more stressed with targets which aim to keep on improving the performance of the workforce. This can result in greater absenteeism, reduced productivity, higher unit costs and a fall in profits.
- Employer/Employee relations – Maybe adversely affected if managers do not consider employees' views within appraisals and set targets too high by only considering business profits rather than employees' views. This can lead to greater stress and lower motivational effects negatively affecting profits as explained above.
- Employer/Employee relations – Managers may also be seen to have conflicting roles, supporting employees on a day to day basis but then giving unrealistic targets and having to reprimand and discipline employees. This may affect the working relationships between both parties negatively affecting motivation, productivity, absenteeism and labour turnover. All can increase business costs, lowering profits.

- Time – Employee appraisals take managers and employees away from the day to day profit making duties affecting productivity in the short run. If employees see appraisals as a negative experience, the benefits of them may not outweigh the loss of productivity in carrying them out.

Possible key themes for evaluation:

The importance of appraisals to increase profitability depends on:

- Whether targets are realistic and achievable.
- The skill and knowledge of managers in carrying out the appraisals.
- The willingness of employees to take part in appraisals.
- Whether staff targets are reviewed.
- Whether the firm is labour or capital intensive, as firms with less employees may depend on appraisals less to increase profits.
- Other factors affecting profitability such as: effective recruitment systems, financial management, appropriate marking mix and operational management.

Any other relevant suggestion.

5 (a)	Describe the different distribution channels which might be used for farmed goods such as milk, vegetables or meat. [10]	
Band	AO1	AO2
	6 marks	4 marks
3	<p>5-6 marks</p> <p>Excellent understanding of at least two types of distribution channels.</p> <p>Clear understanding of the features of at least two types of distribution channels.</p>	
2	<p>3-4 marks</p> <p>Good understanding of one or two types of distribution channels.</p> <p>The learner identifies the key features of at least one type of distribution channel.</p> <p>At least two types of distribution channels are identified.</p>	<p>3-4 marks</p> <p>The learner applies at least two types of distribution channels used for farmed goods.</p> <p>Good application of how different distribution channels might be used in context.</p> <p>There is direct and clear reference to farmed goods such as milk, vegetables and meat, and how these goods get to the end customer.</p>
1	<p>1-2 marks</p> <p>Limited understanding of one or two types of distribution channels.</p> <p>Superficial understanding of the features of each distribution channel.</p> <p>At least one correct type of distribution channel is identified.</p>	<p>1-2 marks</p> <p>The learner applies at least one type of distribution channel used for farmed goods.</p> <p>Limited application of one or two types of distribution channels to the context of farmers in getting their goods to the end customer.</p> <p>Suggestions of the use of distribution channels are generic and limited attempt is made to link these to farmed goods such as milk, vegetables and meat.</p>
0	<p>0 marks</p> <p>No understanding of distribution channels.</p>	<p>0 marks</p> <p>No specific application of distribution channels to the context of farmed goods.</p>

Indicative content:

- Traditional distribution using a wholesaler: Producer > Wholesaler > Retailer > Consumer.

The manufacturer/producer has the convenience of selling in bulk to wholesalers. The wholesaler has a role in breaking bulk so smaller quantities can be purchased by retailers, usually smaller retailers who cannot afford to bulk buy. More intermediaries can sometimes mean higher prices for end customers due to mark-up/cost plus pricing.

Farmers could sell milk, meat or vegetables to wholesalers such as Booker or Makro. Then smaller local independent stores/market stalls/butchers can then purchase smaller bulks of milk, meat or vegetables from these wholesalers and sell them to a small number of local customers before these products perish.

Farm produce can be sold to large firms such as a national pie manufacture who then create pies from farm produce who then sell these goods in bulk to wholesalers. Small local stores then purchase small quantities of these goods from wholesalers in order to sell to their small customer base.

- Modern distribution using a retailer: Producer > Retailer > Consumer.

Large retail businesses (oligopolies) can afford to bulk buy straight from the producer and so do not require using wholesalers. The growth of stock ordering technology (EPOS systems) has also enabled this method of distribution. The end customer therefore can expect lower prices than going through traditional distribution.

Farmers could sell milk, meat or vegetable in bulk to large supermarkets who often try to drive down prices. Large retailers could buy in bulk and store all goods at their own distribution centres who then deliver these farm produce to different stores located around the UK which can be accessed by customers.

- Direct selling/e-commerce distribution: Producer > Consumer.

Direct distribution has increased in popularity due to the growth of communication technology such as the internet. This allows for much cheaper prices due to no intermediaries.

Farmers could operate their own online farm shop that sells its farm produce direct to customers nationally or via their own farm shop located next to the farm to sell to locals. Produce is usually not sold in bulk and can be used by farmers to sell some or all of its farm goods without going through wholesalers or retailers. Small scale farmers could use this to sell all of its produce rather than being forced to sell at low prices to large oligopolies supermarkets.

- Multichannel distribution: Where a combination of distribution channels are used. E.g. some milk is sold at the farm/online to customers while a larger proportion could be sold to wholesalers and retailers.

Accept application to other farmed goods such as eggs and wheat.

5 (b)	'Businesses who do not adapt their marketing mix when targeting different geographical markets are more likely to fail.' Discuss this statement. [15]		
Band	AO1	AO3	AO4
	3 marks	6 marks	6 marks
3	<p>3 marks</p> <p>The learner demonstrates excellent understanding of how the marketing mix may or may not differ in different geographical markets.</p> <p>3 or 4 elements of the marketing mix are described.</p> <p>Two or more different geographical markets are considered. E.g. comparing a national context to a global context.</p>	<p>5-6 marks</p> <p>The learner gives an excellent analysis of how the marketing mix may or may not differ in different geographical markets.</p> <p>The analysis is balanced and detailed.</p> <p>Two or more different geographical markets are fully analysed with at least 3 elements of the marketing mix considered.</p> <p>The relative importance of each element of the marketing mix is discussed.</p> <p>Key issues have been well-developed with a clear line of argument.</p> <p>In-depth analysis is required for this band.</p>	<p>5-6 marks</p> <p>The learner gives an excellent evaluation of how the adaptation of the marketing mix to different geographical contexts may link to business failure.</p> <p>The evaluation is balanced and detailed and will focus on the key issues.</p> <p>The evaluation considers two geographical markets and the importance of at least 3 marketing mix elements.</p> <p>The evaluation clearly relates to business failure.</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>An holistic evaluation may be offered with an overall conclusion.</p>
2	<p>2 marks</p> <p>The learner demonstrates good understanding of how the marketing mix may or may not differ in different geographical markets.</p> <p>2 or 3 elements of the marketing mix are described.</p> <p>1 or 2 geographical markets are considered. E.g. a national or a local context.</p>	<p>3-4 marks</p> <p>The learner gives a good analysis of how the marketing mix may or may not differ in different geographical markets.</p> <p>The analysis is uneven with some well-developed points and others which are more limited in their development.</p> <p>1 or 2 geographical markets are analysed with 2 or 3 elements of the marketing mix considered.</p> <p>The relative importance of each element of the marketing mix is identified.</p> <p>A number of key issues are developed.</p> <p>The analysis will mainly focus on one side of the argument.</p>	<p>3-4 marks</p> <p>The learner gives a good evaluation of how the adaptation of marketing mix to different geographical contexts may link to business failure.</p> <p>The evaluation will include some of the key issues.</p> <p>The evaluation considers 1 or 2 geographical markets and the importance of 2 or 3 elements of the marketing mix.</p> <p>The evaluation will consider business failure but not fully relate to business failure.</p> <p>The evaluation is reasonably well-balanced with some development on both sides of the debate.</p> <p>The learner makes judgements with some attempt to support their evaluation.</p> <p>The answer may include a brief conclusion.</p>

<p>1</p>	<p>1 mark</p> <p>The learner demonstrates limited understanding of how the marketing mix may or may not differ in different geographical markets.</p> <p>Only one or two elements of the marketing mix are described.</p> <p>Only one geographical market is considered. E.g. only looking at the national context rather than comparing this to a global context.</p> <p>Understanding is superficial. For instance, just listing the marketing mix and not describing these in relation to more than one different geographical market.</p>	<p>1-2 marks</p> <p>The learner gives a limited analysis of how the marketing mix may or may not differ in different geographical markets.</p> <p>Superficial discussion.</p> <p>One or two geographical markets are analysed considering one or two elements of the marketing mix.</p> <p>A limited number of key issues are developed.</p> <p>The analysis will focus on one side of the argument.</p>	<p>1-2 marks</p> <p>The learner gives a limited evaluation of how the adaption of the marketing mix to different geographical contexts may link to business failure.</p> <p>The learner shows an awareness of some of the key issues but with limited development.</p> <p>The evaluation considers one or two geographical markets and the importance of one or two elements of the marketing mix.</p> <p>The evaluation will not consider business failure.</p> <p>Judgements are superficial and unsupported.</p> <p>Evaluation is not explained.</p> <p>There is no conclusion.</p>
<p>0</p>	<p>0 marks</p> <p>The learner demonstrates no understanding of how the marketing mix may or may not differ in different geographical markets.</p>	<p>0 marks</p> <p>The learner gives little or no meaningful analysis of how the marketing mix may or may not differ in different geographical markets.</p>	<p>0 marks</p> <p>The learner makes no meaningful evaluation of how the adaption of marketing mix to different geographical contexts may link to business failure.</p>

Indicative content:

The marketing mix outlines the marketing strategy and consists of product, price, promotion and place.

It is expected that candidates will compare local, national and global contexts:

Why business should adapt their marketing mix:

- **Product:** Products must consider different cultures, tastes and religion. For example, the Chinese and Japanese diet comprises more of fish and rice compared to the UK and therefore businesses must consider bringing out products suited to local tastes. For example, KFC have a completely different menu in China which doesn't just focus on chicken and offers a number of rice dishes. (Real examples are not expected within student answers but can be used). On a local scale sports shops may consider the team colours of the local favourite premier league football team when considering the type of products. Meeting customer needs will result in more sales and less chance of failure.
- **Price:** Different regions and countries have different unemployment and wage levels and so prices must be adapted to reflect this. If customers cannot afford to buy the product the business may not get enough customers to break even. Income levels in the UK are above average compared to other countries across the world, but higher in the south compared to the north of the country on average. In China due to low average income levels (although rapidly growing) businesses like Ikea and Starbucks have positioned themselves as up-market retailers due to the price Chinese consumers have to pay. Prices must reflect local currencies and target market income levels.

- **Promotion:** A business aiming at the whole of the UK may use more national above the line more expensive methods of promotion to reach a larger audience. Businesses targeting local markets may use below-the-line techniques such as sales promotions and personal selling to offer a more personal experience for the locals. More promotion may have to be done in global markets where there is less brand loyalty and greater competition and so there is more of a need to differentiate the business from rivals. Promotions and packaging must reflect the local currencies and languages so locals can access the products.
- **Place:** It becomes much more difficult to operate in global markets and different distribution centres across the world may have to be set up. The larger the scale the more retailers and locations may be used. Some countries are more established with e-commerce than others, notably China and the UK. This is a key reason why Sainsbury's have entered the online market in China rather than having physical stores there. A business may find it difficult to sell on a global scale when working from a small single base in the UK. McDonald's had to work with existing US suppliers to build potato farms in China so enough was produced to fulfil McDonald's stock requirements for its fries.
- Starbucks had to create their own distribution when growing into China creating their own coffee farms to ensure coffee bean quality and distribution. Without this, quality may have been affected which would have damaged customer satisfaction and sales.
- Businesses are more likely to fail if the marketing mix does not meet customer or market requirements.

Why businesses may not need to adapt their marketing mix in different geographical contexts:

- **Product:** Businesses selling inelastic necessities with similar global tastes are less likely to change their marketing mix to different contexts. For example, petrol and commodity selling companies compared to markets such as food where tastes in different areas are completely different.
- **Type of market:** Some markets are completely different to others. For example, the food industry has completely different tastes across all markets compared to the car industry which has smaller differences globally. In China car colour is important but food tastes are completely different and so the marketing mix will differ more in the food industry.
- **Prices:** Businesses selling inelastic goods/services success will be less concerned about changes in prices in different markets as these goods are less price sensitive.
- **Place:** Selling online may require less adaptation than having physical stores in different geographical markets providing the current location has the capacity to meet changes in demand. For examples Sainsbury's going into China online only selling mainly Western produce would have had to make fewer changes than Tesco did when they physically expanded into China selling local Chinese produce as well as Western produce.
- **Promotions:** The levels of promotions depend on the current brand loyalty, number of competitors and changes in the target customers wants in the new geographical market. Language barriers may not exist and customer tastes may not be too different depending on which countries the business is expanding to and so the actual promotional methods already used may need little alterations.

- Targeting a new UK county or region may require less changes in promotions and pricing compared to expanding overseas, as the market may already be similar to the current market.

Possible key theme for evaluation:

Whether businesses need to adapt its marketing mix to prevent failure in different geographical markets depends on:

- Type of product sold (e.g. petrol versus food).
- Differences in customer tastes, cultures, religions and languages of the different geographical regions.
- Answers could focus on expanding to more areas of the UK requiring fewer changes to the marketing mix than expanding to overseas geographical markets.
- Income levels and unemployment rates of the different markets.
- Whether the business is selling online or through physical stores.
- The level of competition in the new market.
- Whether the business is planning to sell the same products or new products in the new market will determine how many changes are needed to other elements of the marketing mix.
- If the marketing mix is not suitable for the new target market, the business is less likely to gain enough sales to cover costs and could fail.

Any other relevant suggestion.

6 (a)	Describe the different ways in which a toy manufacturer such as Lego, Hornby, or Fisher Price can add value to its production process. [10]	
Band	AO1	AO2
	6 marks	4 marks
3	<p>5-6 marks</p> <p>Excellent understanding of at least two ways of adding value. Clear understanding of the features of at least two ways of adding value.</p>	
2	<p>3-4 marks</p> <p>Good understanding of one or two ways of adding value.</p> <p>The learner identifies the key features of at least one way of adding value.</p> <p>At least two ways of adding value are identified.</p>	<p>3-4 marks</p> <p>The learner applies at least two ways of adding value to a toy manufacturer.</p> <p>Good application of how different ways of adding value might be used in context.</p> <p>There is direct and clear reference to a toy manufacturer.</p>
1	<p>1-2 marks</p> <p>Limited understanding of one or two ways of adding value.</p> <p>Superficial understanding of the how each change to the production process adds greater value.</p> <p>At least one correct way of adding value is identified.</p>	<p>1-2 marks</p> <p>The learner applies at least one way of adding value to a toy manufacturer.</p> <p>Limited application of one or two types of ways of adding value to the context of a toy manufacturer.</p> <p>Suggestions of the ways of adding value are generic and limited attempt is made to link these to a toy manufacturer.</p>
0	<p>0 marks</p> <p>No understanding of ways to add value.</p>	<p>0 marks</p> <p>No specific application of ways of adding value to a toy manufacturer.</p>

Indicative content:

Adding value is the difference between the output price and the input costs. Answers should focus on reducing input costs, improve processes that enable the business to charge a higher price for the toys or reduce unit costs of production. Better responses to application should give specific examples of toys to apply themselves to e.g. Lego bricks, Barbie dolls etc.

- Purchase cheaper raw materials: Finding cheaper suppliers of plastic, fabric, glue, screws or batteries/electrics (depending on the toy) for production. Lower costs whilst keeping prices the same will result in greater added value.
- Economies of scale: Large toy firms such as Lego would be able to benefit from economies of scale and have the ability to drive down prices for input costs such as plastics, paint, packaging, TV commercials on children's TV channels (purchasing/marketing). Lower unit costs for the same quality raw materials will allow prices to remain the same and thus higher added value.

- Invest in lean production: Lean production techniques such as just-in-time stock deliveries for plastics, fabrics to make toys etc. This may lower input costs and production costs and so allow for higher added value due to lower unit costs if prices remain the same.
- Improving the efficiency of the production process: Using up to date technology/equipment/staff training that enables the business to be more productive resulting in lower unit costs which will add value if prices remain the same. Examples of specific equipment/machines used in making toys are examples of suitable application. Training such as developing skills to improve productivity in toy production are examples of suitable application when specific types of toys, or skills needed in toy production is mentioned.
- Increasing the selling price to customers: Higher prices will mean that added value per unit will automatically rise (providing input costs remain the same). Although total added value may be reduced due to a lack of customers so is dependent on price elasticity. Depending on the toy, raising prices alone may not be the best solution if they are elastic. Lego could be argued as inelastic due to its brand loyalty, although most toys would be considered elastic.
- Improving the design of the toy: Spending on R&D may allow the business to create more unique, appealing toys which could be sold for higher prices therefore adding value. For example, children's dolls that talk, walk etc., faster trains/train tracks for Scalextric.
- Increasing brand identity: Using effective marketing techniques to increase the perceived value of the brand. Using celebrities or famous children's presenters to advertise the toys using above the line promotion techniques may give off a greater perceived value. This may allow the business to charge higher prices and achieve higher added value.
- Offering additional services/greater conveniences with the furniture purchase: Additional services such as a greater warranty, customer service helpline, and same day delivery will allow the firm to charge higher prices with its toys. Higher prices allows for more added value.

Accept any other relevant way of adding value for a toy manufacturing business.

6 (b)	“A business that adds greater value to its production process is beneficial for all of its stakeholders.” Discuss this statement.			[15]
Band	AO1	AO3	AO4	
	3 marks	6 marks	6 marks	
3	<p>3 marks</p> <p>The learner demonstrates excellent understanding of stakeholders and their interests.</p> <p>There is a clear understanding of the contrasting objectives/interests of key stakeholders.</p> <p>The key effects and impact of increased added value on different stakeholders are identified, including benefits and disadvantages.</p>	<p>5-6 marks</p> <p>The learner gives an excellent analysis of the impact of greater added value on the key stakeholders in a business.</p> <p>The analysis is balanced and detailed.</p> <p>The impact of greater added value is routed within the analysis of each stakeholder group.</p> <p>Key issues have been well-developed with a clear line of argument.</p> <p>In-depth analysis required for this band.</p>	<p>5-6 marks</p> <p>The learner gives an excellent evaluation of the impact of greater added value on the key stakeholders in a business.</p> <p>The evaluation is balanced and detailed and will focus on whether all key stakeholders will benefit from increased added value.</p> <p>The evaluation focuses on the impact of greater added value.</p> <p>The evaluation provides a broad range of arguments on both sides of the debate for key stakeholders.</p> <p>Clear judgements are made with supporting statements to build an argument.</p> <p>A holistic evaluation may be offered with an overall conclusion.</p>	
2	<p>2 marks</p> <p>The learner demonstrates good understanding of stakeholders and their interests.</p> <p>The learner demonstrates some contrasting objectives/interests of key stakeholders.</p> <p>The learner makes an attempt to identify some of the key effects and impact of greater added value on stakeholders.</p>	<p>3-4 marks</p> <p>The learner gives a good analysis of the impact of greater added value on the key stakeholders in a business.</p> <p>The analysis is uneven with some well-developed points and others which are more limited in their development.</p> <p>The impact of increased added value is uneven and not always considered when analysing different stakeholders and their interests.</p> <p>A number of key issues are developed.</p> <p>The analysis will mainly focus on one side of the argument. E.g. considering benefits of increased added value to stakeholders only.</p>	<p>3-4 marks</p> <p>The learner gives a good evaluation of the impact of greater added value on the key stakeholders in a business.</p> <p>The evaluation will include some of the key issues.</p> <p>The evaluation considers the impact of increased adding value.</p> <p>The evaluation is reasonably well-balanced with some development on both sides of the debate for different stakeholders.</p> <p>The learner makes judgements with some attempt to support their evaluation.</p> <p>The answer may include a brief conclusion.</p>	

<p>1</p>	<p>1 mark</p> <p>The learner demonstrates a limited understanding of stakeholders and their interests.</p> <p>Understanding is superficial.</p> <p>The learner may list the stakeholders in a business.</p> <p>The learner identifies the value and limitations of increased added value.</p> <p>Little or no reference is made to the impact of increased added value for different stakeholders.</p>	<p>1-2 marks</p> <p>The learner gives a limited analysis of the impact of greater added value on the stakeholders in a business.</p> <p>Superficial discussion on the impact of increased added value on stakeholders and their interests.</p> <p>Analysis may not include some key stakeholders.</p> <p>The learner does not consider the impact of increased added value.</p> <p>A limited number of key issues are developed.</p> <p>The analysis will focus on one side of the argument.</p>	<p>1-2 marks</p> <p>The learner gives a limited evaluation of the impact of greater added value on the stakeholders in a business.</p> <p>The learner shows an awareness of some of the key issues but with limited development.</p> <p>The evaluation does not consider the effects of increased added value on key business stakeholders.</p> <p>Judgements are superficial and unsupported.</p> <p>The evaluation is not explained.</p> <p>The evaluation is uneven and focuses on one side of the debate.</p> <p>There is no conclusion.</p>
<p>0</p>	<p>0 marks</p> <p>The learner demonstrates no understanding of stakeholders.</p>	<p>0 marks</p> <p>The learner gives little or no meaningful analysis of the impact of greater added value on the stakeholders in a business.</p>	<p>0 marks</p> <p>The learner makes no meaningful evaluation of the impact of greater added value on the stakeholders in a business.</p>

Indicative content:

- A stakeholder is anyone who has a direct or indirect interest in the activities of a business.
- Shareholders: A larger gap between the output price and input costs will result in increased contribution per unit. This could result in more profits providing fixed costs remain the same or increase by a smaller amount, resulting in more dividends. However, there may have been an increase in short term costs such as investment in technology which led to a greater added value. In the short term this may have negatively affected profits and therefore shareholders dividends.
- Customers: May receive a better quality product/service if the production process has enabled the final output to be better compared to the current/previous goods and services. Better control of input costs to increase added value may also allow the business to pass on lower costs in the form of lower prices whilst still adding more value than previously. However, lower costs may not result in lower prices and customers may have to pay more for the product due to product improvements causing a higher selling price. The increased selling price may not reflect the improvements made to the product/service and be increased greater than the extra benefits customers gain.

- Employees: Greater added value will increase contribution per unit and can result in higher profits if fixed costs do not rise. This greater profit can be invested into employees in forms of training opportunities, financial incentives such as bonuses or non-financial incentives encouraging motivation. However, lower processing costs could be due to a reduction in employee numbers/wages or a focus on increased productivity without increased benefits. Technology investment to improve the efficiency of turning inputs into outputs may result in redundancies. Employees may have to adapt to different ways of working to improve the processes that go into making the final output/product/service. All financial benefits that may be received could be passed onto shareholders as dividends rather than employees.
- Managers: May receive more bonuses if increased added value results in greater profits. Managers may be forced into making management decisions negatively affecting employees in order to improve the efficiency of turning inputs into outputs, this could result in employer/employee disputes.
- Competition: May lose customers if rivals improve products which allows for a higher output price. Competition may have to change their approach for example focusing on lowering their prices, lowering their costs or R&D to compete. Competition may be able to copy the new processes that achieved greater added value enabling greater added value to benefit themselves if there are no patents in place.
- Suppliers: May gain increased stock orders if businesses achieved greater profits due to improved production processes or increased sales revenue due to greater added value. However, lower costs of production could have been the result of oligopoly firms driving raw material prices down with suppliers. Suppliers may feel more pressured in meeting standards to achieve greater added value e.g. just-in-time, more frequent and smaller delivery pressures on suppliers.
- Local communities: May gain from increased production processes that reduce waste and the disposal of waste in the local area. If the business earns more profits this could be invested into the local area and local events as well as providing more future job opportunities to the locals. However, new processes to add value such as just-in-time to lower input/processing costs may result in more road congestion and noise pollution from deliveries.
- Government: If the business achieves more profits due to increased added value, this will result in higher corporation taxes. However, in the short-term profits may be reduced due to the investment in improving processes that allow for increased added value and therefore corporation taxes may be reduced. Greater added value does not always result in increased profits and so there may not be any tax revenue changes.

Any other relevant suggestion.