



# **GCE A LEVEL MARKING SCHEME**

**SUMMER 2022**

**A LEVEL  
BUSINESS - COMPONENT 2  
A510U20-1**

## **INTRODUCTION**

This marking scheme was used by WJEC for the 2022 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.

**GCE A LEVEL BUSINESS - COMPONENT 2**

**SUMMER 2022 MARK SCHEME**

Question		Total
<p><b>1. (a)</b></p>	<p><b>Outline what is meant by depreciation.</b></p> <p>AO1: 2 marks</p> <p>Award <b>1</b> mark for limited understanding</p> <p>Award <b>2</b> marks for good understanding</p> <p><b>Indicative content:</b></p> <p>The decrease in value of fixed (1) assets over time. (1).</p> <p>Could be caused by wear and tear, obsolescence, lack of maintenance or replaced with new technology (1)</p> <p>Identified in the balance sheet of a firm (1) to show the net book value of the asset (1)</p> <p>Any other valid point.</p>	<p align="center"><b>2</b></p>
<p><b>(b)</b></p>	<p><b>Calculate the value of this car after 4 years.</b></p> <p>AO1: 1 mark AO2: 2 marks</p> <p>Award <b>1</b> mark for correct formula Award <b>1</b> mark for each correct stage of the answer</p> <p>Award <b>3</b> marks for correct answer with no workings</p> <p><b>Indicative content:</b></p> <p>Formula:</p> $\frac{\text{Historic cost} - \text{Residual Value}}{\text{Lifespan of asset (years)}} \quad (1)$ $\frac{16\,000 - 5\,800}{8} = \text{£}1\,275 \text{ per annum} \quad (1)$ $1\,275 * 4 = 5\,100$ $\text{£}16\,000 - \text{£}5\,100 = \text{£}10\,900 \quad (1)$ <p>Award 2 marks for correct final answer with no £ sign.</p>	<p align="center"><b>3</b></p>

Question		Total
(c)	<p><b>Describe the correlation between the value of a car and its age as shown in the graph.</b></p> <p>AO2: 2 marks</p> <p><b>Indicative content:</b></p> <p>There is a strong (1) and negative (1) correlation.</p> <p>As the variable of the age of the car increases, the value of the car decreases (1).</p>	<b>2</b>
2. (a)	<p><b>Outline what is meant by an adverse variance.</b></p> <p>AO1: 2 marks</p> <p>Award <b>1</b> mark for limited definition. Understanding may be superficial.</p> <p>Award <b>2</b> marks for detailed definition. Good understanding is shown.</p> <p><b>Indicative content:</b></p> <p>An adverse variance is when the actual figure will lead to less overall profit being made than was budgeted (1).</p> <p>When the financial outcome for the business is worse or less than planned (1).</p> <p>This could either be that actual costs were higher than budgeted (1) or actual revenue was lower than budgeted (1).</p>	<b>2</b>
(b) (i)	<p><b>Calculate the actual sales revenue</b></p> <p>AO2: 1 mark</p> <p>Award <b>1</b> mark for correct answer</p> <p><math>1\,200\,000 - 180\,000 = (\pounds)1\,020\,000</math></p>	<b>1</b>
(b) (ii) (iii)	<p><b>Calculate the variances and state whether they are favourable or adverse.</b></p> <p>AO2: 2 marks</p> <p>(ii) Raw materials variance = <math>(\pounds)19\,500</math> Favourable</p> <p>(iii) Labour variance = <math>(\pounds)10\,250</math> Adverse</p>	<b>2</b>

<b>2. (c)</b>	<b>Discuss two ways the manufacturing business may respond to these variances.</b>			<b>[6]</b>
<b>Band</b>	AO2	AO3	AO4	
	2 marks	2 marks	2 marks	
<b>2</b>	<b>2 marks</b> Good application to the context and/or the data  There is direct and clear reference made to the data in both the responses	<b>2 marks</b> Good analysis of the responses the business could make to two of the variances  Arguments made are well developed, with logical chains of reasoning shown	<b>2 marks</b> Good judgement is made of the solutions suggested  The candidate makes partial judgements with some attempt to support their evaluation	
	<b>1</b>	<b>1 mark</b> Limited application to the context and/or the data  The response is mainly theoretical, with limited reference made to the context and/or the data given	<b>1 mark</b> Limited analysis of the ways a business may respond to the variances  Arguments are brief and undeveloped.  The response will focus on one variance	<b>1 mark</b> Limited judgements of the proposed solutions are made  Unsupported and limited judgements are made and are often likely to be superficial  The response will focus on one variance
<b>0</b>	<b>0 marks</b> No valid application	<b>0 marks</b> No valid analysis	<b>0 marks</b> No valid evaluation	

**Indicative content:**

Responses to an adverse sales variance:

- Increasing demand through an advertising campaign, however this will increase costs and there is no guarantee it will be successful.
- Reducing the selling price, but the product would need to be highly elastic for the increase in demand to be large enough to create an overall increase in revenue. This is unlikely for job production as made to order products can usually command a higher price.
- Ensuring that the 'place' element of the marketing mix is working effectively, and the product is available to purchase when the customer wants to buy it. However, this is reliant on other factors such as delivery or the willingness of tertiary sector businesses to stock their products, and as it is job production is likely to have long lead times.

Responses to a favourable raw materials variance:

- Whilst there is no immediate need to respond to this as it is currently a favourable variance, the business may want to continue to work with the current suppliers, or they may have trained staff effectively to work efficiently with the materials with less waste.
- Strong answers may connect the fact that perhaps the firm has a favourable variance here because they sourced cheaper raw materials, which could have been a cause behind the adverse sales variance.

Responses to an adverse labour variance:

- Invest in training to encourage employees to work faster, which is especially relevant within job production, which may reduce the need for employees.
- Look to invest in some machinery to speed up production and reduce the need for labour. However, this may not work for certain job production businesses, there would be a short-term cost implication of this investment, and it could lead to lower morale if jobs were put at risk.

Credit any other relevant point.

N.B If candidates have suggested to improve the budgeting procedure so it is likely to be more accurate, this can only be credited once, not as a response to multiple variances.

OFR applies.

Question		Total
<p><b>3. (a)</b></p>	<p><b>Calculate the return on capital employed for 2020. Show your answer to 2 decimal places.</b></p> <p>AO1: 1 mark AO2: 1 mark</p> <p>Award <b>1</b> mark for the correct formula Award <b>1</b> mark for the correct final answer</p> <p><u>Operating (net profit)</u> Capital Employed                      x 100                      (1)</p> $\frac{1\,500\,000}{8\,400\,000 + 8\,200\,000} \times 100 = 9.04\% \quad (1)$ <p>If the answer is expressed without a % sign, or is incorrectly rounded to 2 decimal places, award 1 mark.</p>	<p><b>2</b></p>
<p><b>(b) (i)</b></p>	<p><b>Calculate the income elasticity of demand for the diamond and emerald necklace.</b></p> <p>AO1: 1 mark AO2: 3 marks</p> <p>Award <b>1</b> mark for the correct formula Award <b>3</b> marks for the correct workings and end calculation as shown below</p> <p><u>Percentage change in quantity demanded</u> Percentage change in income                      (1)</p> <p>% change in demand: <math>\frac{7\,524 - 6\,890}{6\,890} \times 100 = 9.2\% \quad (1)</math></p> <p>% change in income: <math>\frac{31\,200 - 29\,400}{29\,400} \times 100 = 6.12\% \quad (1)</math></p> <p>Income elasticity: <math>\frac{9.2}{6.12} = 1.503 \quad (1)</math></p>	<p><b>4</b></p>
<p><b>(ii)</b></p>	<p><b>Classify the type of income elasticity of demand for the diamond and emerald necklace.</b></p> <p>AO2: 1 mark</p> <p>The product is income elastic.</p> <p>OFR applies</p>	<p><b>1</b></p>



<b>3. (b) (iii)</b>	<b>Explain how the level of income elasticity calculated above may impact Silvers plc.</b> <span style="float: right;"><b>[4]</b></span>	
<b>Band</b>	AO2	AO3
	2 marks	2 marks
<b>2</b>	<p style="text-align: center;"><b>2 marks</b></p> <p>Good application to both the calculations from part b, and the given context</p> <p>There is direct and clear reference to the context and the data given</p>	<p style="text-align: center;"><b>2 marks</b></p> <p>Good analysis of how the level of income elasticity of demand may impact Silvers plc</p> <p>Arguments made are well developed, with logical chains of reasoning shown</p>
<b>1</b>	<p style="text-align: center;"><b>1 mark</b></p> <p>Limited application to the either the calculations from part b or the given context</p> <p>The response is mainly theoretical, with limited reference made to the context and the data given</p>	<p style="text-align: center;"><b>1 mark</b></p> <p>Limited analysis of how the level of income elasticity of demand may impact Silvers plc</p> <p>The arguments made are brief and underdeveloped</p>
<b>0</b>	<b>0 marks</b> No valid application	<b>0 marks</b> No valid analysis
<p><b>Indicative content:</b></p> <p>(N.B OFR applies for the interpretation of the calculation).</p> <p>As the necklace has an elastic income elasticity of demand, this means it is most likely to be a luxury good, and when the economy is doing well and growing it is likely that incomes will be rising too – therefore the business could expect to see a rise in demand in these times. Equally so, if the economy is shrinking then demand is likely to fall. Knowing this information will help the firm plan their stock levels.</p> <p>Knowing the level of income elasticity of demand will also allow the firm to plan ahead by calculating the expected increase in sales revenue, which helps with sales forecasting and can help make decisions on a wide range of issues such as budgeting and cash flow.</p> <p>Credit any other relevant point.</p>		

<b>4. (a)</b>	<b>Explain why scientific decision-making tools are appropriate when making strategic decisions. (4)</b>	
<b>Band</b>	AO1	AO3
	2 marks	2 marks
<b>2</b>	<p><b>2 marks</b></p> <p>Good knowledge is shown of both scientific decision-making tools <b>and</b> strategic decisions</p>	<p><b>2 marks</b></p> <p>Good analysis of why scientific decision-making tools are more likely to be used when making strategic decisions is shown</p> <p>Arguments made are well developed, with logical chains of reasoning shown</p>
<b>1</b>	<p><b>1 mark</b></p> <p>Limited knowledge of scientific decision-making tools <b>and</b> strategic decisions is shown</p> <p>OR</p> <p>Good knowledge of <b>either</b> scientific decision-making tools <b>or</b> strategic decisions is shown</p>	<p><b>1 mark</b></p> <p>Limited analysis of why scientific decision-making tools are more likely to be used when making strategic decisions is shown</p> <p>The arguments made are brief and underdeveloped</p>
<b>0</b>	<b>0 marks</b> No valid knowledge	<b>0 marks</b> No valid analysis

**Indicative content:**

Strategic decisions are long term and will affect the direction the business takes. They affect the whole business and will be made by owners or senior management. They are often complex, require large financial commitment and may create major organisational change.

Scientific decision-making tools are based on logic, quantitative data and evidence and should reduce the risk of failure. The process considers alternative options and so a full analysis is made before making any decisions.

Therefore, as strategic decisions carry a much higher level of risk, it would be better to use scientific decision-making tools so that the risk is minimised and the outcome is more likely to be favourable and successful.

A comparison as to why intuitive decision-making tools would be less appropriate for strategic decisions may be given instead as valid analysis.

Credit any other relevant point.

Question		Total
<p><b>4. (b)</b></p> <p>AO2: 3 marks</p> <p>Award 1 mark for each correctly calculated profitability, as shown below.</p>	<p><b>Calculate the final net return of each option.</b></p> <p>Option 1 = 1 660 000 – 1 100 000 = £560 000 (1)</p> <p>Option 2 = 712 000 – 310 000 = £402 000 (1)</p> <p>Option 3 = 347 500 – 215 000 = £132 500 (1)</p>	<p><b>3</b></p>

<b>4. (c)</b>	<b>Evaluate the three options to grow the business using quantitative and qualitative information and advise Muddy Boots Ltd on the best option.</b> <b>[10]</b>		
<b>Band</b>	AO2	AO3	AO4
	4 marks	2 marks	4 marks
<b>3</b>	<p><b>4 marks</b></p> <p>Excellent application to the quantitative and qualitative data</p> <p>The candidate makes consistent and direct reference to the context and to the decision tree that is embedded throughout the whole response</p> <p>Application to the context is used in the development and the judgement within the response</p>		<p><b>4 marks</b></p> <p>Excellent evaluation of all three options</p> <p>Clear reference to the context is given to support the judgement</p> <p>Relevant judgements are made with qualifying statements used to build an argument</p> <p>There is an overall judgement given as to which option is best that is supported</p>
<b>2</b>	<p><b>2-3 marks</b></p> <p>Good application to the context and the data</p> <p>The candidate uses both the diagram and the other information</p> <p>There is consistently direct and clear reference made to the data</p>	<p><b>2 marks</b></p> <p>Good analysis of the options available to Muddy Boots Ltd</p> <p>Arguments made are well developed, with logical chains of reasoning shown</p>	<p><b>2-3 marks</b></p> <p>Good evaluation of the options available is made</p> <p>The candidate makes partial judgements with some attempt to support their evaluation</p> <p>There is likely to be some reference to the context to support their judgement for top marks in this band</p>
<b>1</b>	<p><b>1 mark</b></p> <p>Limited application to the context and/or the data</p> <p>The candidate only uses either the diagram or the other available information</p> <p>The response is mainly theoretical, with limited reference made to the context and/or the data given</p>	<p><b>1 mark</b></p> <p>Limited analysis is made of the options available to Muddy Boots Ltd</p> <p>The arguments made are likely to be brief and undeveloped</p>	<p><b>1 mark</b></p> <p>Limited evaluation of the options available to Muddy Boots Ltd</p> <p>Unsupported and limited judgements are made and are often likely to be superficial</p> <p>The evaluation is likely to be one sided and only cover 1 or 2 of the options available</p>
<b>0</b>	<p><b>0 marks</b></p> <p>No valid application</p>	<p><b>0 marks</b></p> <p>No valid analysis</p>	<p><b>0 marks</b></p> <p>No valid evaluation</p>

**Indicative content:**

From a quantitative perspective, the best option would be the merger or takeover of a French firm as it has the highest overall return. However, this also has an extremely high initial cost of over triple the other two options, and also has the lowest chance of success. So, whilst it might seem like the best option according to the decision tree, it depends on the amount of finance available for this initial investment. Additionally, mergers and takeovers as a method of expanding into another country requires lots of research and takes lots of time. However, it could be seen as a safe route into international markets, perhaps safer than trying to set up their own distribution.

Option 2 has the highest chance of success and is a lot cheaper than the initial cost of option 1. This is a method of product development and so as it is selling to an existing market perhaps the safest for this reason, as they have understanding and recognition in that market. However, this would still require R&D, but as it would likely use their existing distribution channels, should be relatively straightforward.

Option 3 is the cheapest often, but yields the lowest return, so it depends on how much of a risk the brothers want to take to get reward. This would be an example of organic growth which is deemed less of a risk, but they do not have knowledge or a reputation in this market.

Overall, the appropriate choice depends on how much risk the brothers are willing to take. Option one gives the highest reward, but it is the most risky. This may be the best option if the current market is saturated, and this is the only method of growth. It also depends on how much finance there is available for the initial investment cost.

Credit any other relevant point.

Question		Total
5. (a)	<p><b>Outline what is meant by market development, according to the Ansoff Matrix, giving an example from the text above.</b></p> <p>AO1: 1 mark AO2: 1 mark</p> <p>Award <b>1</b> mark for correct knowledge of market development Award <b>1</b> mark for correct example from the context</p> <p><b>Indicative content:</b></p> <p>Market development is when businesses sell existing products to new markets (1).</p> <p>Examples of this strategy from the text include:</p> <ul style="list-style-type: none"> <li>• Putting private labels on Müller products to sell through third party businesses.</li> <li>• Selling milk products through the Milk &amp; More scheme to deliver to consumers' doorsteps.</li> </ul>	2

<b>5. (b)</b>	<b>Discuss how the Ansoff Matrix may be of use to Müller UK &amp; Ireland. [10]</b>		
<b>Band</b>	AO2	AO3	AO4
	3 marks	3 marks	4 marks
<b>3</b>	<p><b>3 marks</b></p> <p>Excellent application of how the Ansoff Matrix may be of use to Muller</p> <p>The candidate makes consistent and direct reference to the context and to the data provided that is embedded throughout the whole response</p> <p>Application to the context is used in the development and the judgement within the response</p>	<p><b>3 marks</b></p> <p>Excellent analysis is made of how the Ansoff Matrix may be of use to Muller</p> <p>The analysis is detailed and logical and considers how the Ansoff Matrix may be of use to Muller</p> <p>At least 3 strategies are referenced</p>	<p><b>4 marks</b></p> <p>Excellent evaluation of how the Ansoff Matrix may be of use to Muller</p> <p>Clear reference to the context is given to support the judgement</p> <p>Relevant judgements are made with qualifying statements used to build an argument</p> <p>There is likely to be an overall conclusion</p>
<b>2</b>	<p><b>2 marks</b></p> <p>Good application to the context</p> <p>There is some direct and clear reference made to the context of Müller</p>	<p><b>2 marks</b></p> <p>Good analysis of how the Ansoff Matrix may be of use to Muller</p> <p>Arguments made are well developed, with logical chains of reasoning shown</p> <p>At least 2 strategies are referenced</p>	<p><b>2-3 marks</b></p> <p>Good evaluation of how the Ansoff Matrix may be of use to Muller</p> <p>The candidate makes partial judgements with some attempt to support their evaluation</p> <p>There is likely to be some reference to the context to support their judgement for top marks in this band</p>
<b>1</b>	<p><b>1 mark</b></p> <p>Limited application of the given data and to Müller</p> <p>The response is mainly theoretical, with limited reference made to the context</p> <p>Reference to the context is likely to be superficial</p>	<p><b>1 mark</b></p> <p>Limited analysis is made of how Muller may use the Ansoff Matrix</p> <p>The arguments made are likely to be brief and undeveloped</p>	<p><b>1 mark</b></p> <p>Limited evaluation is made of how Muller may use the Ansoff Matrix</p> <p>Unsupported and limited judgements are made and are often likely to be superficial</p> <p>The evaluation is likely to be one-sided and unbalanced</p>
<b>0</b>	<p><b>0 marks</b></p> <p>No valid application</p>	<p><b>0 marks</b></p> <p>No valid analysis</p>	<p><b>0 marks</b></p> <p>No valid evaluation</p>

**Indicative content:**

**Market penetration** is the first strategy that could be of use to Müller, by aiming to sell more of its existing products to its existing customers. This is the least risky strategy but if the market is saturated this may be an extremely difficult task. In the yoghurts and desserts section of the business it is likely that this is extremely competitive with shelf space within supermarkets at a premium. However, where the market is less saturated such as in the home delivery business as it could be assumed that large companies such as Müller may dominate using Milk & More to help the traditional milkman.

**Product development** is bringing new products to the existing customers. It appears from the case that Müller have done lots of this in the past and developed many product lines within the dairy market. Whilst this is good as the new lines thrive on the recognised brand name, encouraging supermarkets to stock these may be difficult.

**Market development** appears to have been implemented through the use of Milk & More as it is selling its existing products but in new ways through the traditional milkman. Whilst this strategy can sometimes be deemed as risky due to the lack of knowledge of the new market, this is likely to be something that a large firm like Müller can use its resources to approach, therefore reducing the risk. However, with supermarkets known for driving down the price of milk by reducing the margins for dairy farmers, this may be a hard market to be price competitive in.

**Diversification** is the most risky strategy that Müller could use. There doesn't appear to be much evidence of this strategy being used so far, as the company's ventures are all focussed closely around the dairy industry. However, following a strategy of diversification can spread risk across new markets, and as Müller already operates throughout Europe it is likely they could easily venture into a new market, providing they are happy to take on the additional risk and do sufficient research.

Overall, the Ansoff Matrix is a great tool that businesses can use in order to identify and evaluate options for growth. It is extremely useful as it forces managers to take into account the risk of different strategies, but it does not take into account the actions of competitors and other external forces. In this scenario, it would be difficult to judge the best strategy as this would depend on the level of risk they want to take, the finance available to invest in the strategy and the external context.

Credit any other relevant point.



6. (a)	Evaluate the usefulness to the stakeholders of easyHotel of having a mission statement. [10]			
Band	AO1	AO2	AO3	AO4
	2 marks	2 marks	2 marks	4 marks
3				<p><b>4 marks</b></p> <p>Excellent evaluation of the usefulness of the mission statement to the stakeholders of easyHotel</p> <p>Clear reference to the context is given to support the judgement</p> <p>Relevant judgements are made with qualifying statements used to build an argument</p> <p>It is likely that an overall judgement is made</p>
2	<p><b>2 marks</b></p> <p>Good understanding of mission statements</p> <p>The response will consider a range of stakeholders</p>	<p><b>2 marks</b></p> <p>Good application to the context</p> <p>There is some direct and clear reference made to the context of easyHotel and the given mission statement</p>	<p><b>2 marks</b></p> <p>Good analysis of the usefulness of the mission statement to a range of stakeholders</p> <p>Arguments made are well developed, with logical chains of reasoning shown</p>	<p><b>2-3 marks</b></p> <p>Good evaluation of the usefulness of the mission statement to the stakeholders of easyHotel</p> <p>The candidate makes partial judgements with some attempt to support their evaluation</p> <p>There is likely to be some reference to the context/mission statement to support their judgement for top marks in this band</p>
1	<p><b>1 mark</b></p> <p>Limited understanding of mission statements</p> <p>Understanding is superficial</p>	<p><b>1 mark</b></p> <p>Limited application given to the mission statement and/or to easyHotel</p> <p>The response is mainly theoretical, with limited reference made to the context</p> <p>Reference to the context is likely to be superficial</p>	<p><b>1 mark</b></p> <p>Limited analysis is made of the usefulness of the mission statement</p> <p>The arguments made are likely to be brief and undeveloped and for a restricted number of stakeholders</p>	<p><b>1 mark</b></p> <p>Limited evaluation of the usefulness of the mission statement to the stakeholders of easyHotel</p> <p>Unsupported and limited judgements are made and are often likely to be superficial</p> <p>The evaluation is likely to be one sided and unbalanced</p>
0	<p><b>0 marks</b></p> <p>No valid knowledge</p>	<p><b>0 marks</b></p> <p>No valid application</p>	<p><b>0 marks</b></p> <p>No valid analysis</p>	<p><b>0 marks</b></p> <p>No valid evaluation</p>

**Indicative content:**

A mission statement is a broad statement of an organisation's aims and objectives. It will guide the everyday operations and decision making of a business.

**Managers** are likely to be very significantly affected as it should guide their everyday decisions and actions. It gives clear ideas on the core service of easyHotel with a focus on price and in a great location. This should also create cohesiveness in the organisation and keep everyone working towards the same aims. However, managers will have to use this in line with other information such as aims, objectives and strategy to give clearer guidelines on the day to day running of the company.

**Owners/shareholders** – as this is a Ltd, it is likely that some of the owners/shareholders will also be senior managers within the business and therefore the level of usefulness for them is likely to be similar to the points in the paragraph above. Ultimately a mission statement is designed to give transparency to investors, so they know how their capital will be put to use.

**Employees** may find the mission statement useful because it should provide them guidance with their day-to-day tasks. However, it could be argued that as it is more of an aspirational statement, that employees may not deal with it on a day-to-day basis.

**Customers** will be indirectly affected if the goals in the mission statement are achieved, but due to the nature of the way a mission statement is used they are unlikely to be aware of it. However, this mission statement is clearly focussed around the service provided for customers and so if they were aware of it, it should help them to understand what the business is about.

**Suppliers** – the mission statement of a firm should give suppliers a key idea of the purpose of the business. The statement says that they want to offer the service at a great price, and so this should make suppliers aware that they are likely to negotiate low margins on their products and services. However, this is true of all the easy brands and so suppliers are likely to understand this anyway.

Possible themes for evaluation:

- Overall, as the mission statement in theory should guide the direction and decisions of a business it is likely to have some impact on all stakeholders, even if indirectly.
- However, internal stakeholders are impacted more than external.
- It all depends on whether the mission is truly lived out in all decisions and not just a virtuous wish that is forgotten about.

Credit any other relevant point.

<b>6. (b)</b>		<b>To what extent is franchising an appropriate method of growth for easyHotel? [12]</b>			
<b>Band</b>	AO1	AO2	AO3	AO4	
	2 marks	2 marks	4 marks	4 marks	
<b>3</b>			<p><b>4 marks</b></p> <p>Excellent analysis of the appropriateness of franchising to easyHotel</p> <p>The analysis is detailed and logical and analyses the impact of franchising on easyHotel</p>	<p><b>4 marks</b></p> <p>Excellent evaluation of the appropriateness of franchising for easyHotel</p> <p>Clear reference to the context is given to support the judgement</p> <p>Relevant judgements are made with qualifying statements used to build an argument</p> <p>There is likely to be an overall judgement given</p>	
<b>2</b>	<p><b>2 marks</b></p> <p>Good knowledge of franchising</p> <p>The candidate shows good holistic knowledge throughout the whole answer</p>	<p><b>2 marks</b></p> <p>Good application to the context of the hotel industry and/or easyHotel</p> <p>There is direct and clear reference made to the context of easyHotel</p>	<p><b>2–3 marks</b></p> <p>Good analysis of the appropriateness of franchising to easyHotel</p> <p>Chains of analysis are well developed, with logical chains of reasoning shown</p> <p>The response includes both sides of the argument</p>	<p><b>2–3 marks</b></p> <p>Good evaluation of the appropriateness of franchising for easyHotel</p> <p>The candidate makes partial judgements with some attempt to support their evaluation</p> <p>There is likely to be some reference to the context to support the judgement for top marks in this band</p>	
<b>1</b>	<p><b>1 mark</b></p> <p>Limited knowledge of franchising</p> <p>Understanding is superficial</p>	<p><b>1 mark</b></p> <p>Limited application to the context of the hotel industry and/or easyHotel</p> <p>The response is mainly theoretical, with limited reference made to the context</p> <p>Reference to the context is likely to be superficial</p>	<p><b>1 mark</b></p> <p>Limited analysis is made of the appropriateness of franchising to easyHotel</p> <p>The analysis is likely to be brief and undeveloped</p> <p>The analysis is likely to only consider one side</p>	<p><b>1 mark</b></p> <p>Limited evaluation of the appropriateness of franchising for easyHotel</p> <p>Unsupported and limited judgements are made and are often likely to be superficial</p> <p>The evaluation is likely to be one sided and unbalanced</p>	
<b>0</b>	<p><b>0 marks</b></p> <p>No valid knowledge</p>	<p><b>0 marks</b></p> <p>No valid application</p>	<p><b>0 marks</b></p> <p>No valid analysis</p>	<p><b>0 marks</b></p> <p>No valid evaluation</p>	

**Indicative content:**

A franchise is the legal right to use the brand name, products and business style of an existing business. The franchisor is the business who sells their brand name to others, and the franchisee is the business person who has bought the franchise.

EasyHotel use a mixture of organic growth and growth through franchising.

**Benefits to the franchisor:**

- Fast growth with lower risk – as the franchisee is financing the growth, this lowers the risk for easyHotel. This could be a significant argument as a hotel is likely to have high set up costs – especially in the prime locations that the mission statement seeks. This could also help with the expansion plans across Europe and the Middle East.
- Economies of scale – if easyHotel is buying supplies/services in bigger volume on behalf of their franchisees these will become cheaper. This could be services such as laundry or food and drink.
- Increased income – the franchisee will have to pay upfront payments and ongoing royalty fees to easyHotel.
- Franchisees are likely to be hardworking and committed as they have invested a lot of time and capital into the business. This is particularly important for easyHotel, as it is potentially not only the reputation of the other hotels in the chain, but also the whole of the 'easy' brand at stake.

**Drawbacks to the franchisor:**

- Loss of control – as the franchised hotels will be run by independent franchise owners there is some loss of control, which could potentially damage the brand.
- Less profit – not all profits are kept by easyHotel as some will be kept by the franchisor. This could suggest a reason for opening their own hotels instead of franchising.
- Loss of reputation – if the franchisee does not follow the guidelines and standards of the franchise. This could be damaging for the whole of EasyGroup Holdings Ltd.
- Possible diseconomies of scale if the growth occurs too quickly.

Overall, as easyHotel seems to be growing both organically and through franchising it seems to be an effective method of growth that spreads the risk.

**Possible themes for evaluation:**

- Especially important to manage growth effectively because of the other brands associated with easyHotel.
- Saturated market with lots of substitutes so it is vital that it is run effectively.
- Likely to be more successful as a franchise as it is based on a solid foundation as the easy brand is well known. However, if easyHotel is one of its lesser brands, this may not be as significant.
- Depends on how well easyHotel manage its franchisee recruitment and training, and effective ongoing communication is essential for it to work well.
- Some consideration may be given to alternative growth options.

Credit any other relevant point.