



GCSE MARKING SCHEME

SUMMER 2022

**BUSINESS - COMPONENT 1
C510U10-1**

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.

GCSE BUSINESS - COMPONENT 1

SUMMER 2022 MARK SCHEME

Question		Marks
1.	<p>Identify which two of the following are examples of sales promotion.</p> <p>AO1: 2 marks</p> <p>Award 1 mark for Buy one get one free Award 1 mark for Discounts</p>	2
2.	<p>Identify two reasons why a business creates a business plan.</p> <p>AO1: 2 marks</p> <p>Award 1 mark for each correct answer identified</p> <p>Indicative content:</p> <p>Helps plan for unexpected problems. Help set up a new business. Raise finance by showing possible investors/bank. Set the vision/aims and objectives for the business. Provide a management tool to help coordinate actions and help make decisions.</p> <p>Credit any other valid responses.</p>	2
3.	<p>Identify which of the terms above best describes each of the following:</p> <p>AO1: 4 marks</p> <p>Award 1 mark for the correct answer identified</p> <p>(a) Goods and services that are produced in one country and sold to another country. Exports</p> <p>(b) Where a business grows by merging with another business. Integration</p> <p>(c) Computer software that allows businesses to create 2D and 3D drawings. CAD</p> <p>(d) A tax on spending which is paid by individuals and businesses in the UK. VAT</p>	4

Question		Marks
4. (a)	<p>Explain one advantage to Dave's Taxis of introducing the smartphone app.</p> <p>AO1: 1 mark AO2: 1 mark AO3: 1 mark</p> <p>Award 1 mark for an advantage of new technology identified Award 1 mark for a suitable reference to Dave's Taxis Award 1 mark for a suitable explanation of the advantage to Dave's Taxis</p> <p>Indicative content:</p> <p>Customers are able to book a taxi more conveniently, this can lead to more bookings for Dave, increasing his sales revenue.</p> <p>Dave will not need to employ so many call handlers to take taxi bookings, Dave could improve his profit margins as his expenses are likely to be lower.</p> <p>Credit other valid answers.</p>	3
(b)	<p>Suggest one way a business could use the following types of software in the workplace.</p> <p>AO1: 3 marks</p> <p>Award 1 mark for the correct suggestion of a suitable way each software can be used (Max 1 mark per suggestion).</p> <p>Spreadsheet package – to calculate wages/to calculate profit/manage cash flow/manage budgets/to store/filter/sort data.</p> <p>Database package – to record/store customer details/to record the amount of stock/to store/filter/sort data.</p> <p>Computer graphics package – to create a logo/to create marketing material, e.g., flyers, adverts.</p> <p>Credit any other valid suggestions.</p>	3

Question		Marks
5. (a)	<p>Identify two ways Gino Gelato could manufacture ice cream in an ethical way.</p> <p>AO2: 2 marks</p> <p>Award 1 mark for each ethical way identified relating to the ice cream industry (up to 2 marks)</p> <p>Indicative content:</p> <p>Fairtrade – they could use Fairtrade ingredients in their ice cream. Treatment of workers – they could pay staff in their factory a fair wage. Animal rights – vegan milk alternative. Social responsibility – make sure they dispose of waste in an environmentally friendly way. Ethical marketing – not advertise towards children. Suppliers – they could make sure they pay their suppliers on time.</p> <p>Credit other valid suggestions. Maximum 1 mark for environmental.</p>	2
(b)	<p>Explain two advantages to a business of adopting ethical business practices.</p> <p>AO1: 2 marks AO3: 2 marks</p> <p>Award 1 mark for correctly identifying a suitable advantage to a business of acting in an ethical way (Max 2 marks)</p> <p>Award 1 mark for each correct explanation of the advantage to a business of acting in an ethical way (Max 2 marks)</p> <p>Indicative content:</p> <p>The business can charge higher prices for ethical products, consumers often place a greater value on ethical businesses and are happy to pay a higher price.</p> <p>Consumers are more attracted to ethical products, allowing them to get repeat purchases from existing customers and develop customer loyalty.</p> <p>Employees can be motivated when they work for an ethical business, this leads to greater productivity/getting the best people to work for your business.</p> <p>The business can develop a better reputation/image which may lead to customers choosing the business over its competitors.</p> <p>Credit other valid answers.</p>	4

Question		Marks
6. (a)	<p>Calculate the percentage increase of the number of customers between 2017 to 2020. (Show your workings and present your answer to 1 decimal place).</p> <p>AO2: 2 marks</p> <p>Award 1 mark for calculating the difference between 2017 and 2020</p> <p>Award 1 mark for the correct answer</p> $39\,018 - 20\,800 = 18\,218$ $18\,218 / 20\,800 * 100$ <p>87.6 (%)</p> <p>Award 2 marks if give just the correct answer Award 1 mark for presenting the correct answer to 2 decimal places</p>	2
(b)	<p>Describe two different situations where Boing Ltd's staff interact with customers.</p> <p>AO1: 2 marks AO2: 2 marks</p> <p>Award 1 mark for each description of a situation where staff could interact with customers (Max 2 marks)</p> <p>Award 1 mark for applying the situation to Boing (Max 2 marks)</p> <p>Indicative content:</p> <p>Dealing with customer complaints – about the queuing times to get into the trampoline park/quality of food in the café.</p> <p>Interacting with customer queries – such as what time the park closes/cost/age limits.</p> <p>Sales – when they are buying their tickets at the till.</p> <p>Health and safety information/briefing – where staff explain the rules for using the zip lines and trampolines.</p> <p>After-sales – questionnaire about their experience at the park.</p> <p>Credit other valid descriptions.</p>	4

Question		Marks
(c) (i)	<p>Identify two situations when training is needed in a business.</p> <p>AO1: 2 marks</p> <p>Award 1 mark for each correct situation identified (Max 2 marks)</p> <p>Indicative content:</p> <p>Induction training/new employees. Retraining. Using new technology/machinery/equipment. Meeting new health and safety requirements. Learning about new product ranges. Preparing for a promotion/new job role. When employees are under-performing/reduce errors.</p> <p>Credit other valid situations.</p>	2
(ii)	<p>Explain two benefits to a business of having a motivated workforce.</p> <p>AO1: 2 marks AO3: 2 marks</p> <p>Award 1 mark for identifying a benefit of having a motivated workforce (Max 2 marks)</p> <p>Award 1 mark for explaining the benefit of having a motivated workforce (Max 2 marks)</p> <p>Indicative content:</p> <p>Lower absenteeism – which means the business will not have to pay for the worker and a replacement. Retention of workers/lower labour turnover – which means the business will not have the training/recruitment costs of employing someone new. Improved relations between managers and workers - resulting in fewer industrial disputes. Improve worker performance – resulting in more efficiency/quality in the business. More innovation and creativity – more likely to come up with new ideas.</p> <p>Credit other valid responses.</p>	4

6. (d)	Advise Justine whether she should grow her business through franchising or internal (organic) growth.			[8]
Band	AO1: 2 marks	AO2: 4 marks	AO3: 2 marks	
3	<p>No Band 3 marks for this Assessment Objective</p> <p>2 marks are awarded for Band 2</p>	<p>4 marks</p> <p>Excellent application to Justine/Boing with relevant data extracted from the text</p> <p>There is clear, correct and direct reference to Justine/Boing throughout the answer</p>	<p>No Band 3 marks for this Assessment Objective</p> <p>2 marks are awarded for Band 2</p>	
2	<p>2 marks</p> <p>Good knowledge and understanding of franchising and internal (organic) growth</p> <p>Good attempt to use specialist vocabulary</p>	<p>2-3 marks</p> <p>Good application to Justine/Boing with some relevant data extracted from the text</p> <p>There is reference to Justine/Boing throughout the answer</p>	<p>2 marks</p> <p>Good analysis and evaluation of growing the business through franchising and internal (organic) growth to Justine/Boing</p> <p>Writing is generally well structured using reasonably accurate grammar, punctuation and spelling</p> <p>Good advice is given with some supporting statements</p>	
1	<p>1 mark</p> <p>Limited knowledge and understanding of franchising and/or internal (organic) growth</p> <p>Limited attempt to use specialist vocabulary</p>	<p>1 mark</p> <p>Limited application to Justine/Boing with limited data extracted from the text</p> <p>There is limited reference to Justine/Boing</p> <p>The answer is mainly theoretical</p>	<p>1 mark</p> <p>Limited analysis and evaluation of growing the business through franchising or internal (organic) growth</p> <p>Writing shows limited evidence of structure with some errors in grammar, punctuation and spelling</p> <p>Advice may be given but it is not justified</p>	
0	<p>0 marks</p> <p>No relevant knowledge or understanding</p>	<p>0 marks</p> <p>No reference is made to Justine/Boing</p>	<p>0 marks</p> <p>No valid analysis or evaluation is given</p>	

Indicative content:

Justine could grow her business by selling franchises. A franchise is a type of business growth where the franchisor (Justine) sells the right to the franchisee to use the business name and methods to reproduce the success of the business in another location in return for fees including royalty payments.

One of the advantages to Justine of growing Boing as a franchise is that the business will grow without Justine doing all of the work, this is a quicker method of growth which will suit Justine's vision. As the business is now only located in Manchester, franchising would allow the business to expand across the rest of the country more quickly than growing organically.

One problem is, as a franchisor, Justine will have less control over the business. At the moment Justine is in full control of Boing, the great reviews, cleanliness and excellent customer service are her responsibility, however, if she sells the right to use her business ideas and processes to a franchisee, she loses some of that control. Justine's business could suffer if one of the franchisees does not maintain her high standards, for example, if someone breaks their leg in a new Boing franchise, due to lapses in health and safety guidance, this could affect the whole franchise, resulting in a damaged reputation and a fall in customer visits. Another problem Justine may experience is a lack of interest in the franchise, Justine's financial record is not great, how can she sell the idea of this business model when she is not having a great deal of business success?

Justine could decide to use internal (organic) growth. She could set up new parks in new locations away from Manchester. This method of growth could mean Justine has more control over customer service and standards at Boing, however, growth could be slow and expensive. Each of the parks has over 100 pieces of equipment, which alone would be very expensive for Justine to finance. Justine is not in any sort of financial position to fund this, with net profits of just £10 000 in the last two years she is unlikely to be able to raise the finance internally or externally.

I recommend Justine grows her business by selling franchises if she can. The franchisees will be investing their own money in the parks so it is likely that they will work really hard for the park to succeed, Justine can also provide excellent training and support to ensure her standards are maintained.

I would advise Justine to grow her business internally because she will lose control of her business and the reputation she has built up.

Allow alternative advice

Credit other valid responses.

Question		Marks
7. (a)	<p>Suggest a suitable SMART objective for Denny’s UK business.</p> <p>AO2: 2 marks</p> <p>Award 1 mark for a measurable objective</p> <p>Award 1 mark for a timed objective</p> <p>Indicative content:</p> <p>To open 2 more Denny’s restaurants in the UK by 2023</p> <p>Credit other valid SMART objectives</p>	2
(b) (i)	<p>Calculate the number of people in employment in March 2019.</p> <p>AO2: 2 marks</p> <p>Award 1 mark for selecting the correct data</p> $\frac{41\,297\,000}{100} * 76.1$ <p>Award 1 mark for the correct answer</p> <p>= 31 427 017 (people)</p> <p>Award 2 marks for just stating correct answer OFR if they select 2018 figure</p>	2

7. (b) (ii)	Explain how Denny's might be affected by economic factors.			[6]
Band	AO1: 2 marks	AO2: 2 marks	AO3: 2 marks	
2	<p>2 marks Good knowledge and understanding of at least 2 economic factors</p> <p>Good use of specialist vocabulary</p>	<p>2 marks Good application to Denny's throughout the answer</p> <p>There is clear reference to Denny's and the data</p>	<p>2 marks Good explanation of how Denny's might be affected by at least 2 economic factors</p> <p>Clear lines of development</p>	
1	<p>1 mark Limited knowledge and/or understanding of at least 1 economic factor</p> <p>Limited use of specialist vocabulary</p>	<p>1 mark Limited application to Denny's throughout the answer</p> <p>There is limited reference to Denny's and the data</p>	<p>1 mark Limited explanation of how Denny's might be affected by economic factor(s)</p> <p>The explanation is superficial</p>	
0	<p>0 marks No knowledge or understanding of an economic factor</p>	<p>0 marks No reference is made to Denny's</p>	<p>0 marks No valid explanation</p>	

Indicative content:

One economic factor that might affect Denny's is a rise in interest rates. If interest rates continue to rise like they have between March 2018 and March 2019, people may find mortgage payments will go up and up, this could lead to less disposable income for people. Eating out is seen as a luxury and people may find they have less money for luxuries. This can result in a fall in sales revenue for Denny's and they may have to rethink their aim of growth in the UK.

Another economic factor that may affect Denny's is a rise in employment. This means that more people are in work, earning. If more and more people are in a job Denny's may find it difficult to hire staff for their new and existing restaurants, especially due to the fact restaurants often hire temporary staff, leading to a high turnover of staff in the restaurant industry. This could result in having to pay above the average wage in order to attract and keep staff, Denny's may have to pass this cost onto the customer who may be unhappy to pay higher prices for what is essentially fast-food.

Another economic factor is a rise in inflation. This is a general rise in consumer prices, this could result in eating at Denny's becoming too expensive. Denny's would have to pay more for its supplies and may have to pass these expenses onto its customers who may find they are too expensive, particularly if wages are not rising at the same rate as inflation. This reduction in disposable income could result in people's priorities becoming more about buying the basics rather than eating out.

Credit any other valid response.

7. (c)	<p>Discuss the impact of Denny’s expanding its business in the UK on the following stakeholders:</p> <ul style="list-style-type: none"> • employees • local community • UK Government <p style="text-align: right;">[10]</p>		
Band	AO1: 3 marks	AO2: 3 marks	AO3: 4 marks
3	<p>3 marks</p> <p>Excellent knowledge and understanding of the impact of a multinational expanding into the UK</p> <p>Clear understanding of all 3 stakeholders</p> <p>Excellent use of specialist vocabulary</p>	<p>3 marks</p> <p>Excellent application to Denny’s diner/restaurant and/or restaurant industry</p> <p>There is clear, correct and direct reference to Denny’s and/or restaurant industry throughout the answer</p>	<p>4 marks</p> <p>An excellent discussion of the impact of Denny’s expanding into the UK on all 3 stakeholders</p> <p>Writing is very well structured using accurate grammar, punctuation and spelling</p> <p>Well-reasoned and balanced discussion with a clear line of argument</p>
2	<p>2 marks</p> <p>Good knowledge and understanding of the impact of a multinational expanding into the UK</p> <p>Understanding of 2 or 3 stakeholders</p> <p>Good use of specialist vocabulary</p>	<p>2 marks</p> <p>Good application to Denny’s diner/restaurant and/or restaurant industry</p> <p>There is reference to Denny’s and/or restaurant industry</p> <p>Relevant data is used to develop the answer but there may be omission</p>	<p>2-3 marks</p> <p>A good discussion of the impact of Denny’s expanding into the UK on at least 2 stakeholders</p> <p>Writing is well structured using mostly accurate grammar, punctuation and spelling</p> <p>Discussion may be unbalanced</p>
1	<p>1 mark</p> <p>Limited knowledge and understanding of the impact of a multinational expanding into the UK</p> <p>Knowledge of at least 1 stakeholder</p> <p>Limited or no use of specialist vocabulary</p>	<p>1 mark</p> <p>Limited application to Denny’s diner/restaurant and/or restaurant industry</p> <p>The answer is mainly theoretical</p>	<p>1 mark</p> <p>A limited discussion of the impact of Denny’s expanding into the UK on at least 1 stakeholder</p> <p>Writing may lack structure and there will be errors in spelling, punctuation and grammar</p> <p>Unsupported discussion with superficial comments</p>
0	<p>0 marks</p> <p>No relevant knowledge or understanding</p>	<p>0 marks</p> <p>No reference is made Denny’s and/or restaurant industry</p>	<p>0 marks</p> <p>No valid discussion</p>

Indicative content:

One of the impacts of Denny's setting up in the UK on employees is the creation of new jobs. At the moment, Denny's has opened two restaurants in the UK, one in Wales and one in Scotland, their intention to expand in the UK will mean the creation of new jobs. These jobs created will not only be in the restaurant industry but others areas such as building, local food suppliers etc. However, the majority of jobs in the restaurant industry tend to be low-skilled, low-paid jobs and often temporary. Despite this, there may be opportunities for management jobs and a potential chance for progression in other restaurants in the UK if they open.

Another impact of Denny's setting up in the UK is the impact on the local community. Denny's is a very popular restaurant, with well-known dishes such as the pancake stack, it attracts lots of customers to its restaurants, who can enjoy an American diner experience. Denny's new restaurants could help to rejuvenate areas which could have a positive effect on other local businesses and the local community by attracting other businesses into the area. However, there are other factors that could affect local communities in a negative way. The food Denny's serves could be considered unhealthy and likely to have a high fat and sugar content, this could have a negative effect on people's health. It may also cause local cafes to lose customers because they can't compete on price with a multi-national that benefits from economies of scale. This could lead to a back-lash from the local community, and they may decide to not visit.

Lastly, the UK Government may be affected by Denny's expanding further into the UK. By expanding in the UK, it is likely it will generate money for the UK economy, through corporation taxes, VAT and the increased employment which will mean they gain income tax. All this will support growth in the UK economy. On the other hand, there is no guarantee that all the revenues made by Denny's will end up in the UK, most of the revenue could go back to America where the business is from. Also, the type of food served in Denny's could lead to obesity and health problems could put pressure on the NHS.

Credit other valid responses.

Question		Marks
8. (a)	<p>With reference to the data, identify one resource used to manufacture cricket bats.</p> <p>AO2: 1 mark</p> <p>Award 1 mark for stating the correct resource</p> <p>Indicative content:</p> <p>Wood Willow tree</p>	1
(b)	<p>Explain why a business may use batch production.</p> <p>AO1: 1 mark AO3: 1 mark</p> <p>Award 1 mark for limited explanation Award 2 marks for a developed explanation</p> <p>Indicative content:</p> <p>To produce identical products in groups in higher quantities with lower costs – allowing businesses to speed up production</p> <p>Businesses use batch production to be able to change the production to respond to demand – to allow flexibility</p> <p>Compared to job production, batch production is a method of producing similar products more efficiently – keeping costs down</p> <p>Credit other valid responses.</p>	2

Question		Marks
(c) (i)	<p>State the formula for calculating break even through contribution.</p> <p>AO1: 1 mark</p> <p>Award 1 mark for correctly identifying the formula for contribution</p> <p><u>Fixed costs</u> Contribution (selling price – variable costs)</p>	1
(ii)	<p>Using the contribution formula, calculate how many cricket bats per month Hillier Ltd needs to sell to break even.</p> <p>AO2: 2 marks</p> <p>Award 1 mark for selection of correct data</p> <p><u>£12 500</u> (£110-£60)</p> <p>Or</p> <p><u>£12 500</u> (£50)</p> <p>Award 1 mark for correct answer</p> <p>250 bats</p> <p>Note: if only 250 is written award 2 marks Award 1 mark if presented as £250</p>	2

Question		Marks
(d) (i)	<p>State what is meant by cost of sales.</p> <p>AO1: 1 mark</p> <p>Award 1 mark for a correct definition</p> <p>Indicative content:</p> <p>Direct costs. The cost of stock (to produce the product). Raw materials (used to produce the product). The costs involved in directly supplying goods/services. The cost of the stock bought to produce goods for resale.</p> <p>Credit other valid definition.</p>	1
(ii)	<p>Calculate Hillier Ltd's gross profit in 2018.</p> <p>AO2: 1 mark</p> <p>Award 1 mark for a correct answer</p> <p>(£) 222 000</p>	1
(iii)	<p>State the formula for calculating net profit margin (NPM). Use the formula to calculate the net profit margin (NPM) in 2019 for Hillier Ltd.</p> <p>AO1: 1 mark AO2: 1 mark</p> <p>Award 1 mark for stating the correct formula</p> <p><u>Net profit</u> Sale revenue/turnover x 100</p> <p>Award 1 mark for the correct answer</p> <p>$\frac{30\,400}{380\,000} \times 100$ 8% (% needed for 2 marks)</p>	2

8. (e)	Using the qualitative and quantitative data: <ul style="list-style-type: none"> Analyse the financial performance of Hillier Ltd Recommend ways to improve business performance <p style="text-align: right;">[10]</p>		
Band	AO1: 3 marks	AO2: 4 marks	AO3: 3 marks
3	<p>3 marks</p> <p>Excellent knowledge and understanding of qualitative and quantitative data used to analyse financial/business performance</p> <p>Responses will use qualitative and quantitative data accurately</p> <p>Excellent use of specialist vocabulary</p>	<p>4 marks</p> <p>Excellent application to Hillier Ltd with relevant qualitative and quantitative data</p> <p>Both qualitative and quantitative data are used to analyse and recommend</p> <p>There is clear, correct and direct reference to Hillier Ltd throughout the answer</p>	<p>3 marks</p> <p>An excellent analysis of Hillier Ltd's financial performance</p> <p>The analysis is clearly based on the qualitative and quantitative data</p> <p>Writing is very well structured using accurate grammar, punctuation and spelling</p> <p>There are well-reasoned recommendations about the ways Hillier Ltd can improve its business performance</p>
2	<p>2 marks</p> <p>Good knowledge and understanding of qualitative and quantitative data used to analyse financial/business performance</p> <p>Responses will use qualitative and quantitative data, but may be unbalanced</p> <p>Good use of specialist vocabulary</p>	<p>2-3 marks</p> <p>Good application to Hillier Ltd with relevant qualitative and quantitative data</p> <p>Qualitative and quantitative data are used but there may be omissions</p> <p>The use of qualitative and quantitative data is unbalanced</p>	<p>2 marks</p> <p>A good analysis of Hillier Ltd's financial performance</p> <p>The analysis makes use of the qualitative and quantitative data, but there may be omissions</p> <p>Writing is well structured using mostly accurate grammar, punctuation and spelling</p> <p>There are valid recommendations about the ways Hillier Ltd can improve its business performance</p>
1	<p>1 mark</p> <p>Limited knowledge and/or understanding of qualitative and/or quantitative data used to analyse financial/business performance</p> <p>Responses will use either qualitative or quantitative data</p> <p>Limited or no use of specialist vocabulary</p>	<p>1 mark</p> <p>Limited application to Hillier Ltd with relevant qualitative and/or quantitative data</p> <p>Limited application to Hillier Ltd</p> <p>The answer is mainly theoretical</p>	<p>1 mark</p> <p>A limited analysis of the impact of Hillier Ltd's financial performance</p> <p>The analysis makes little use of the qualitative and quantitative data</p> <p>Writing may lack structure and there will be errors in spelling, punctuation and grammar</p> <p>There are brief, unsupported recommendations about the ways Hillier Ltd can improve its business performance</p>
0	<p>0 marks</p> <p>No relevant knowledge or understanding</p>	<p>0 marks</p> <p>No valid application</p>	<p>0 marks</p> <p>No valid analysis or recommendations are given</p>

Indicative content:

Hillier Ltd could improve their financial performance. At the moment sales revenue is rising year on year. Between 2018 and 2020 sales revenue rose by 8.1%, this could mean that there are more sales of cricket bats.

The cost of sales has gone up quite significantly over the three years and does not correlate with the sales revenue. The cost of sales are the costs directly linked with producing the bats. The cost of sales has gone up 48.6% over the three years, resulting in gross profit margins reducing by 15% over the three years. One of the possible reasons for reduced gross profit margins could be the cost of materials rising, we know that Hillier Ltd is getting its wood from the UK so transportation costs within the UK should be quite low compared to shipping wood from abroad. However, it could be the case that it is actually cheaper to import the wood from another country that has lower labour costs compared to the UK. We know they are finding it hard to compete with other manufacturers who benefit from lower costs, this could be an important factor.

Even though cost of sales have risen significantly, expenses have gone down. They seem to have made a saving on wages, the wages have fallen by £24,000 it is likely that one person is no longer employed there, perhaps one of the people hand-crafting the bats? This could be a retirement or perhaps a redundancy. With the increasing cost of sales this has reduced Net Profit margins, this is the most important type of profit, it is this profit that pays dividends to the shareholder and allows the business to retain profit for further investment. The NPM has reduced by 5% over the three years. If this trend continues Hillier Ltd could be in trouble.

Two areas Hillier Ltd needs to look at in order to start increasing its NPM is their break-even and production. At the moment, Hillier Ltd has to make 250 bats per month to break even and is only selling 300 bats per month. Hillier Ltd needs to reduce its cost of sales, at the moment they are only making £50 on each bat so they should consider sourcing cheaper materials to reduce their break-even point. They should also employ another skilled member of staff or review their production processes with the aim of increasing production, They could reduce the range of bats that they produce in order to benefit from economies of scale and move towards flow production. Hillier Ltd's bats are clearly a product in demand as sales revenue is increasing, however, they need to really consider their costs and increasing output if it is to survive and compete with other manufacturers who benefit from lower costs.

Credit other valid responses.

Question		Marks
9. (a) (i)	<p>Explain two reasons why quality is important to a business.</p> <p>AO1: 2 marks AO3: 2 marks</p> <p>Award 1 mark for stating a reason why quality is important to a business (Max 2 marks)</p> <p>Award 1 mark for further development about why quality is important to a business (Max 2 marks)</p> <p>Indicative content:</p> <p>Satisfying/increase customer expectations/fit for purpose, so they are likely to return/recommend. Reduce costs so goods do not have to be recalled/returned. Allows businesses to charge a higher price for products because they are trusted for their quality. Improved brand name/reputation which may improve customer loyalty. Improved employee motivation from working for a business associated with high quality.</p> <p>Credit other valid responses.</p>	4
(ii)	<p>Outline two ways that Next PLC can achieve quality.</p> <p>AO2: 2 marks</p> <p>Award 1 mark for each way Next could ensure quality</p> <p>Indicative content:</p> <p>Next could ensure they purchase the right quality leather to make its shoes. Employing experienced workers who can produce garments effectively. Next could ensure customer service staff know all about the clothes they are selling. Next could ensure they have sufficient quality assurance procedures when producing the furniture. Effective quality control/inspection of products before leaving the factory.</p> <p>Credit other valid responses.</p>	2

Question		Marks
(b)	<p>Explain how Next PLC can ensure it offers good customer service through its website.</p> <p>AO1: 2 marks AO2: 2 marks AO3: 2 marks</p> <p>Award 1 mark for correctly identifying how Next PLC can ensure good customer service online (Max 2 marks)</p> <p>Award 1 mark for each direct use of context related to Next PLC (Max 2 marks)</p> <p>Award 1 mark for each correct explanation of how Next PLC can ensure customer service online (Max 2 marks)</p> <p>Indicative content:</p> <p><u>Greeting the customer</u> – the customer may want their name/preferences to appear when they log in, they may want to be able to access their purchase history so they can track their purchases, and buy similar items.</p> <p>The browsing history will allow customers to gain a more personalised front page suggesting clothes/footwear/homeware that relates to their search history, which will improve their shopping experience.</p> <p><u>Interacting with the customer</u> – by offering a chat facility where customers can chat online to a Next PLC representative and ask questions about clothes/footwear/homeware they may want to purchase, developing customer confidence in buying online.</p> <p>By offering FAQs where customers can retrieve the answers to common questions about returns policies for clothes, without having to email and wait for a response, which could be frustrating.</p> <p><u>Identifying customer needs</u> – using an algorithm that directs/recommends to the customer a similar product to one they have recently purchased, offering a more personalised service, increasing Next PLCs sales.</p> <p><u>Feedback</u> – after a customer has bought a product they are then encouraged to write a review of the product and give feedback, Next PLC can use this feedback to inform other customers.</p> <p>Credit other valid responses.</p>	6

9. (c)	Discuss the advantages and disadvantages to Next PLC and its customers of using a multichannel distribution approach to sell its range of products.		
	[8]		
Band	AO1: 2 marks	AO2: 3 marks	AO3: 3 marks
3	<p>No Band 3 marks for this Assessment Objective</p> <p>2 marks are awarded for Band 2</p>	<p>3 marks</p> <p>Excellent application of multi-channel distribution is made to Next PLC</p> <p>There is clear and direct reference to Next PLC throughout the discussion</p>	<p>3 marks</p> <p>An excellent analysis and evaluation of the advantages and disadvantages to Next PLC and its customers of using multi-channel distribution</p> <p>Writing is very well structured using accurate grammar, punctuation and spelling</p> <p>Well-reasoned and balanced discussion with a clear line of argument</p> <p>Clear judgements are made with supporting statements</p>
2	<p>2 marks</p> <p>Good knowledge and understanding of multi-channel distribution</p> <p>Specialist vocabulary is used with accuracy</p>	<p>2 marks</p> <p>Good application of multi-channel distribution is made to Next PLC</p> <p>There is reference to Next PLC to support the answer but there are omissions</p>	<p>2 marks</p> <p>A good analysis and evaluation of the advantage(s) and disadvantage(s) to Next PLC and its customers of using multi-channel distribution</p> <p>Writing is generally well structured using reasonably accurate grammar, punctuation and spelling</p> <p>The discussion may be unbalanced, focusing on either Next PLC or its customers</p> <p>Judgements are made with some attempt to support the evaluation</p>
1	<p>1 mark</p> <p>Limited knowledge and understanding of multi-channel distribution</p> <p>Limited specialist vocabulary is used with accuracy</p>	<p>1 mark</p> <p>Limited application of multi-channel distribution is made to Next PLC</p> <p>The response is mostly generic with brief application to Next PLC</p>	<p>1 mark</p> <p>A limited analysis and evaluation of the advantage(s) and/or disadvantage(s) to Next PLC or its customers of using multi-channel distribution</p> <p>Writing shows limited evidence of structure but with some errors in grammar, punctuation and spelling</p> <p>The discussion lacks detail and superficial comments are made with little development</p>
0	<p>0 marks</p> <p>No relevant knowledge or understanding</p>	<p>0 marks</p> <p>No reference is made to Next PLC</p>	<p>0 marks</p> <p>No valid analysis or evaluation is given</p>

Indicative content:

By using a multi-channel distribution approach to selling its products Next PLC offers customers a choice of ways to purchase. Next allows its customers to buy online, in its stores, app and catalogue. By offering these different channels Next PLC are trying to maximise its sales and attract as many customers as possible by giving them choice and convenience.

Through the website and its app Next are available 365 days a year and 24/7, this gives great convenience to customers, this will help Next PLC maximise their sales revenue because they are able to sell products all the time. If Next PLC only had a physical store, they would be unable to do this and some customers could shop elsewhere. However, if Next PLC only had online, some customers may be put off particularly if they are the type of shopper who likes to see and feel the products e.g., trying on shoes and clothes, some customers don't like buying these types of products online. Therefore, having a range of ways that shoppers can purchase is beneficial to Next PLC, they are considering the shopping preferences of all customers.

Because Next PLC is a furniture retailer using a multi-channel approach helps Next PLC to sell these high value products. Customers can visit the store and view the items, to check the quality, get advice from staff and then buy the product online at a time that suits them. This allows Next PLC to keep its costs down as it can store its large furniture items in large distribution centres. Also, customers are able to research products online before going into a physical store to buy the product, this enables customers to review all the features of the products, without pressure, at a time that suits them. This can help Next PLC minimise the additional costs associated with customers returning unsuitable goods because they are more likely to be happy with their purchases.

Another way Next PLC gets its products to its customers is via the catalogue, although this is becoming less popular it is still suitable for some customers who perhaps do not have a computer or a smart phone or who cannot travel to the physical store. Some customers enjoy leisurely looking through the catalogue and then calling up the help line to order the product and have it delivered to the house at their convenience, with the added benefit of speaking to the call handler to ask further details about the product. This could be suitable for people who are not able to use technology easily and Next PLC are therefore ensuring they're meeting the needs of more customers. Despite this, the catalogues are expensive to produce and not very popular as more and more people shop online.

The main disadvantage to Next PLC is the potential costs of running all these different channels. Maintaining a consistent image and level of service across a range of channels can be difficult. Next PLC will have to pay high distribution costs to ensure that all channels are well stocked and able to quickly fulfil all customer orders. However, using a multi-channel approach does allow Next to stock a wide range of stock, from clothes to household, that it can conveniently distribute to its customers through its multiple channels.

Credit other valid responses.