



GCSE MARKING SCHEME

SUMMER 2022

**BUSINESS - COMPONENT 2
C510U20-1**

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 2

SUMMER 2022 MARK SCHEME

Question		Marks
1. (a)	<p>State two reasons why businesses grow.</p> <p>AO1: 2 marks</p> <p>Award 1 mark for each correct answer (Max 2 marks)</p> <p>Indicative content:</p> <ul style="list-style-type: none">• To increase profit/revenue/sales• Reduce competition• Improve market share• Diversify/spread risk• To gain economies of scale. <p>Credit other valid suggestions.</p>	2
(b) (i)	<p>Identify how Iceland grew through backwards-vertical integration.</p> <p>AO2: 1 mark</p> <p>Award 1 mark for correct answer</p> <p>Iceland grew through buying one of its suppliers (Loxton Foods)</p>	1

Question		Marks
(ii)	<p>Explain one advantage to Iceland of growing through backwards-vertical integration.</p> <p>AO3: 2 marks</p> <p>Award 1 mark for a limited explanation relevant to backwards – vertical integration</p> <p>Award 2 marks for developed explanation relevant to backwards – vertical integration</p> <p>Indicative content:</p> <p>Limited: <u>Can ensure more control over suppliers</u> – which can result in better quality supplies</p> <p><u>Can ensure more control over suppliers</u> – which can result in supplies arriving on time/at a suitable time</p> <p><u>Can reduce costs in the business</u> by having increased control over the supply chain</p> <p>Developed: <u>Can ensure more control over suppliers</u> – which can result in better quality supplies leading to increased customer satisfaction and more sales</p> <p><u>Can ensure more control over suppliers</u> – which can result in supplies arriving on time/at a suitable time leading to reduced storage costs/damage to supplies reducing waste</p> <p><u>Can reduce costs for a business</u> – by having increased control over the supply chain leading to cheaper prices that can be passed onto the customer leading to a competitive advantage</p> <p>Credit any other valid answers</p>	2

Question		Marks
(c)	<p>With reference to Figure 1 describe the changes in Iceland's financial performance between 1996 and 2006.</p> <p>AO2: 3 marks</p> <p>Award 1 mark for each description of the business financial performance covering 1996 to 2006.</p> <p>Indicative content:</p> <p>Between 1996 and 1999 Iceland were making a profit/profits continue to grow steadily/from just over £60 million to just under £80 million.</p> <p>From 2001 to 2004 Iceland made a loss/continue to make a loss/2001 was Iceland's worst year when they lost approximately £10 million.</p> <p>Between 2005 and 2006 they made profit/profits started to grow again/it made £20 million in 2006.</p> <p>Credit other valid descriptions.</p>	3

1. (d)	Evaluate Iceland's decision in 1984 to change from a private limited company to a public limited company. [8]		
Band	AO1: 2 marks	AO2: 2 marks	AO3: 4 marks
3	No Band 3 marks for this Assessment Objective. 2 marks are awarded for Band 2.	No Band 3 marks for this Assessment Objective. 2 marks are awarded for Band 2.	4 marks Excellent analysis and evaluation of Iceland's decision to change from a private limited company to a public limited company with reference to the quantitative and qualitative data to support evaluation Advantage(s) and disadvantage(s) of both private limited companies and public limited companies are considered Writing is very well structured, excellent use of SPG
2	2 marks Good knowledge and understanding of both public limited companies and private limited companies Good attempt to use specialist vocabulary	2 marks Good application to Iceland with relevant qualitative and quantitative data extracted from the text and used to develop the answer There is clear reference to Iceland throughout the answer	2-3 marks Good analysis and evaluation of Iceland's decision to change from a private limited company to a public limited company with reference to the quantitative and/or qualitative data to support evaluation The analysis may be unbalanced and focus on either the advantage(s) or disadvantage(s) of one type of ownership Writing is mostly well structured, mostly accurate SPG
1	1 mark Limited knowledge and/or understanding of public limited companies and/or private limited companies Limited use of specialist vocabulary	1 mark Limited application to Iceland with limited qualitative and/or quantitative data extracted from the text The answer is mainly theoretical	1 mark Limited analysis and evaluation of the advantages and/or disadvantages of Iceland being a private limited company/public limited company Writing shows limited evidence of structure but with some errors in SPG
0	0 marks No relevant knowledge or understanding	0 marks No reference is made to Iceland	0 marks No valid analysis or evaluation is given

Indicative content:

It was a good decision for Iceland to become a public limited company in 1984. One of main advantages of becoming a public limited company is the extra capital it can generate. Shares are open to the public to buy on the stock exchange, this can lead huge amounts of capital coming into a business, unlike private limited companies (Ltd) who cannot gain cash from the sale of public shares and would have to raise finance in other ways. For Iceland, this huge cash injection meant that it was able to expand further and open 752 stores across the UK. The increase in capital also allowed Iceland to take-over Booker Plc in a £374 million deal.

Another reason it was a good idea to become a Plc in 1984 was that Plcs are more well-known than Ltds, leading to greater confidence and trust in Plcs from consumers. This resulted in the number of Iceland stores and profit continually growing between 1984 and 1995.

It could be argued that becoming a Plc leads to a loss of control. Malcolm Walker had started Iceland out by himself, he had built up the business from scratch. However, when it became a Plc in 1984 Malcom lost control and was actually forced to leave the company along with some of the original directors, this must have been very difficult for Malcolm. After that Iceland Plc's sales and profit started to fall and it was at risk of bankruptcy. This meant Iceland Plc decided to return to its previous ownership becoming a Ltd once more, with Malcolm back in charge.

The shareholders of a Plc are likely to demand increased dividends as a reward for their investment, this can push the business towards making this their main objective rather than other objectives such as becoming more environmentally friendly. If Iceland were still a Plc. shareholders may have voted against the banning of palm oil in Iceland's own brand products because shareholders may put short term financial gains over an environmentally friendly agenda.

Even though becoming a Plc led to many years of growth and increased profit, in the end, the loss of control was too much. In 1984 becoming a Plc was the right thing to do, however, if they hadn't returned to the control of Malcolm Walker perhaps Iceland wouldn't be here today.

Credit other valid responses.

Question		Marks
(e)	<p>Analyse the ways in which Iceland has attempted to reduce the environmental costs of its business activity.</p> <p>AO1: 2 marks AO2: 2 marks AO3: 2 marks</p> <p>Award 1 mark for identifying ways in which Iceland has reduced the environmental cost of its business activity (Max of 2 marks)</p> <p>Award 1 mark for application to Iceland (Max of 2 marks)</p> <p>Award 1 mark for analysis of the ways Iceland has reduced its environmental costs of its business activity (Max of 2 marks)</p> <p>Indicative content:</p> <p>Reduce use of palm oil/deforestation (1) on their own label food (1)</p> <p>Eliminate plastic packaging (1) on their own label products by 2023 (1)</p> <p>Recycling (1) bottle deposit scheme (1)</p> <p>Possible analysis:</p> <p>This could increase costs for Iceland that may have to be passed onto the customer, this could put customers off shopping at Iceland which they will have to consider when operating in such a competitive environment.</p> <p>However, Iceland still sells items with palm oil in from other brands, so the impact on the environment could be minimal and contradictory (green washing).</p> <p>The bottle deposit scheme is not only helping the environment but also encouraging customers to return to the store developing customer loyalty.</p> <p>Credit any other valid analysis.</p>	6

1. (f)	Evaluate Iceland's use of market segmentation.			[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 to Iceland with relevant data extracted</p> <p>There is clear, correct and direct reference to Iceland throughout the answer</p>	<p>3 marks</p> <p>An excellent evaluation of the ways that Iceland uses market segmentation</p> <p>Writing is very well structured using accurate grammar, punctuation and spelling</p> <p>A well-reasoned and balanced discussion</p> <p>Judgements are clearly supported and analysed</p>	
2	<p>2 marks</p> <p>Good knowledge and understanding of market segmentation</p> <p>Good attempt to use specialist vocabulary</p>	<p>2 marks</p> <p>Good application to Iceland with some relevant data extracted</p> <p>There is clear reference to Iceland throughout the answer</p>	<p>2 marks</p> <p>A good evaluation of the ways that Iceland uses market segmentation</p> <p>Writing is generally well structured using reasonably accurate grammar, punctuation and spelling</p> <p>Judgements are made</p>	
1	<p>1 mark</p> <p>Limited knowledge and/or understanding of market segmentation</p> <p>Limited attempt to use specialist vocabulary</p>	<p>1 mark</p> <p>Limited application to Iceland with limited data extracted</p> <p>There is limited reference to Iceland</p> <p>The answer is mainly theoretical</p>	<p>1 mark</p> <p>A limited evaluation of the ways that Iceland uses market segmentation</p> <p>Writing shows limited evidence of structure but with some errors in grammar, punctuation and spelling</p> <p>Unsupported judgements are made</p>	
0	<p>0 marks</p> <p>No relevant knowledge or understanding</p>	<p>0 marks</p> <p>No reference is made to Iceland</p>	<p>0 marks</p> <p>No valid analysis or evaluation is given</p>	

Indicative content:

Iceland, over the years, has transformed itself to attract a wide range of market segments, one of these segments is income. The income segment splits people into groups of people based on how much they earn. When Iceland started out it was seen as a low-price supermarket selling cut-price frozen food and aiming to attract the lower income customers. Iceland has gone on to try and attracted a completely different market segment by setting up stores in more affluent areas, they have also started selling luxury foods such as lobster and Wagyu steaks. It says that 37% of Iceland's customers now come from affluent areas. The benefit of targeting their products at different market segments based on income is that Iceland has been able to set its price appropriately to meet customer expectations. Despite this, perhaps Iceland should reconsider targeting the more affluent customers as since 2018 profits have fallen and the cut price stores like Aldi and Lidl are growing in popularity, so perhaps they should consider targeting the lower income customers.

Another market segment which Iceland is trying to attract is lifestyle. Iceland was the first business to introduce a home shopping service back in 1999. This type of service is likely to attract very busy people who are working and may not have time to go shopping. In 2013 Iceland introduced an online shopping service and has won lots of awards for service and convenience which is likely to mean busy customers will enjoy the convenience of this trusted service leading to more sales from their online shop. The benefit of segmenting in this way to meet the needs of customers of different lifestyles is that they can sell more but also gain loyal customers. Another aspect of lifestyle could be the Slimming World range of diet foods as many people are now health conscious and want to lose weight. Even though they offer these dietary foods to attract this segment, they also offer less healthy foods such as Greggs' bakery.

Another market segment that Iceland is trying to attract is by religion/culture. It has introduced halal products which serve Muslim communities therefore allowing customers who have particular needs when it comes to eating certain foods to buy more products in its stores. This means that Iceland is likely to benefit from new customers by targeting their customers more precisely, leading to increased sales and increasing its profit. This, however, will depend on location of the stores as different parts of the UK will have different levels of diversity.

Credit other valid responses.

Question		Marks
2. (a) (i)	<p>Identify and describe one type of business aim.</p> <p>AO1: 2 marks</p> <p>Award 1 mark for the correct identification of a business aim Award 1 mark for a description of the business aim</p> <p>Indicative content:</p> <p>Survival – do not go bankrupt/continue to trade</p> <p>Growth – increase market share/size of the business</p> <p>Profit maximisation – this means that over time its profit margins are likely to increase/increase revenue and reduce costs</p> <p>Customer satisfaction – this means that customers are happy with the product/service they receive and are likely to continue to use the business</p> <p>Being ethical – this means that the business makes the decision to do the right thing</p> <p>Social objectives – this means the business is focused on helping the community</p> <p>Credit other valid responses.</p>	2
(ii)	<p>Explain one reason why business aims may change over time.</p> <p>AO1: 1 mark AO3: 1 mark</p> <p>Award 1 mark for identifying a reason why business aims change over time</p> <p>Award 1 mark for explaining why business aims change over time</p> <p>Indicative content:</p> <p>Business aims change over time due to internal factors/events that happen in the business – such as faster growth than expected</p> <p>Business aims change over time due to external factors/events that happen outside the business – such changes in consumer incomes</p> <p>Business aims change because business operates in a competitive market – which means that businesses have to respond to the ever-changing landscape – such as a new competitor enters the market</p> <p>Because they have achieved the aim they met – such as, they have survived the first few years and now they want to look at increasing their profit</p> <p>Credit other valid responses.</p>	2

Question		Marks
(b)	<p>Using the average price of FitNow Plc’s membership, calculate its total sales revenue in 2020.</p> <p>AO2: 2 marks</p> <p>Award 1 mark for correctly identifying the monthly sales revenue Award 1 mark for the correct answer</p> <p>$9\ 000 + 4\ 000 + 32\ 000 + 40\ 000 + 2\ 000 = 87\ 000$</p> <p>$87\ 000 \times \text{£}42.00$</p> <p>$= \text{£}3\ 654\ 000\ (1)$</p> <p>$\text{£}3\ 654\ 000 \times 12$</p> <p>$= \text{£}43\ 848\ 000\ (2)$</p> <p>Award 2 marks if the candidate gives just the correct answer</p> <p>Award 1 mark for correct answer without the £ sign</p> <p>Apply OFR for a correct answer if they add up the number of members data incorrectly</p>	2
(c) (i)	<p>Outline the difference between primary and secondary market research</p> <p>AO1: 2 marks</p> <p>Award 1 mark for a correct statement about primary market research Award 1 mark for a correct statement about secondary market research</p> <p>Indicative content:</p> <p>Primary research is first hand, it is specific to the needs of the person collecting the data, secondary research is data that already exists</p> <p>Credit other valid responses</p>	2

Question		Marks
(ii)	<p>Consider two limitations of the market research data used by FitNow Plc.</p> <p>AO2: 2 marks AO3: 4 marks</p> <p>Award 1 mark for stating a limitation of FitNow Plc’s market research (Max of 2 marks)</p> <p>Award 1 mark for each development point of each limitation (up to 2 marks per limitation)</p> <p>Indicative content:</p> <p><u>Out of date data</u> – this data was carried out in 2017 therefore it is not up-to-date, this is a dynamic market and data that is 4/5 years old will not give a true reflection of the current market conditions</p> <p><u>Small sample size</u> – only 35% of ex-members completed the questionnaire, this makes it difficult to draw full conclusions of the views of all their customers. This could lead to FitNow Plc making the wrong decisions that drive even more customers away.</p> <p><u>Incomplete data</u> – because the questionnaire only looks at ex-customer views then it may not take into consideration the views of existing customers who may be happy. There is no wider research about the wider industry or competitors’ performance. Their market research is primarily based on one primary market research tool.</p> <p><u>Unreliable data</u> – because the questionnaire doesn’t show competitors gyms data so Fit Gym Plc are unable to make a comparison. It may be that there is a trend that is not obvious when looking at data in isolation. This could lead to FitNow Plc making the wrong decisions.</p> <p>Credit other valid responses.</p>	6

Question		Marks
(d)	<p>Explain two reasons why FitNow Plc can charge a higher price for its gym membership.</p> <p>AO2: 2 marks AO3: 2 marks</p> <p>Award 1 mark for the correctly identifying a reason why FitNow Plc charge a higher price (Max of 2 marks)</p> <p>Award 1 mark for the correct explanation of why FitNow Plc charge higher prices for its gym membership (Max of 2 marks)</p> <p>Indicative content:</p> <p><u>Prime locations</u> in towns and cities, people are more willing to pay to have easy access to their gym in a place that is convenient to them.</p> <p><u>More facilities</u> such as a spa and pool, people are more likely to pay a higher price if they are able to have access to facilities that suit their needs.</p> <p><u>24-hour access</u> people are likely to pay a higher price if they are able to access the gym at a time that suits them.</p> <p><u>Personal trainers</u> can provide a personalised service, so customers are likely to get fitter/see better results.</p> <p><u>Technologically advanced equipment</u> - customers can use their wearable technology to track their fitness goals and improve their experience.</p> <p><u>Popularity of gym membership in the UK</u> - FitNow Plc are taking advantage of the high demand for gym memberships.</p> <p>Credit other valid responses.</p>	4

2. (e)	<p>Discuss how FitNow Plc could increase the membership in its gyms. In your answer you must include reference to:</p> <ul style="list-style-type: none"> • elements of the marketing mix • training and recruitment. <p style="text-align: right;">[12]</p>		
Band	AO1: 3 marks	AO2: 3 marks	AO3: 6 marks
3	<p>3 marks</p> <p>Excellent knowledge and understanding of at least 2 elements of the marketing mix and training and recruitment</p> <p>Good use of specialist vocabulary</p>	<p>3 marks</p> <p>Excellent application to FitNow Plc with relevant data extracted</p> <p>There is clear, correct and direct reference to FitNow Plc throughout the answer</p>	<p>5-6 marks</p> <p>Excellent analysis and evaluation of how FitNow Plc could use at least 2 elements of the marketing mix and training and recruitment</p> <p>Clear, well-reasoned and suitable suggestions how the marketing mix and training and recruitment can increase membership in its gyms</p> <p>Writing is well structured and uses accurate grammar and punctuation</p> <p>A well-reasoned and balanced discussion with a line of argument that is backed up using the data</p>
2	<p>2 marks</p> <p>Good knowledge and understanding of at least 2 elements of the marketing mix and/or training and/or recruitment</p> <p>Good use of specialist vocabulary</p>	<p>2 marks</p> <p>Good application to FitNow Plc with relevant data extracted</p> <p>There is reference to FitNow Plc throughout most of the answer</p>	<p>3-4 marks</p> <p>Good analysis and evaluation of how FitNow Plc could use at least 2 elements of the marketing mix and/or training and/or recruitment</p> <p>Suitable suggestions how the marketing mix and/or training and/or recruitment can increase membership in its gyms</p> <p>Writing is generally well structured and uses mostly accurate grammar and punctuation</p> <p>A mostly reasoned and balanced discussion with a line of argument that is backed up using data</p>
1	<p>1 mark</p> <p>Limited knowledge and understanding of 1 element of the marketing mix and training and/or recruitment</p> <p>Limited use of specialist vocabulary</p>	<p>1 mark</p> <p>Limited application to FitNow Plc with limited data extracted</p> <p>Some information from the data is used, but the response is mainly theoretical</p>	<p>1-2 marks</p> <p>Limited analysis and evaluation of how FitNow Plc could use at least 1 element of the marketing mix and training and/or recruitment</p> <p>Limited or brief suggestions how the marketing mix and/or training and/or recruitment can increase membership in its gyms</p> <p>Writing may lack structure and there will be some errors in spelling, punctuation and grammar</p> <p>Unsupported assumptions are made</p>
0	<p>0 marks</p> <p>No relevant knowledge or understanding</p>	<p>0 marks</p> <p>No reference is made to FitNow Plc</p>	<p>0 marks</p> <p>No valid analysis or evaluation is given</p>

Indicative content:

FitNow Plc offer a range of products for its customers such as a range of membership options from children's membership to Gold membership where members have special extras, all contracts have a minimum 12-month contract. They could increase their membership options to meet the needs of different customers, for example, a budget membership that does not allow access to all the facilities of the gym. Or they could have a premium membership that includes exclusive access to all the gym's facilities including the spa and tennis courts. They could offer a more flexible membership scheme so customers are not paying for products they don't want, not everyone will require a personal trainer, for example.

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One product FitNow Plc offer is a personal trainer service, however, 32% of ex-members said that personal trainers lacked knowledge of the equipment. This shows that training staff should be a priority for FitNow Plc so staff are able to help customers in a more effective way. Although this training will be costly, this should lead to greater customer satisfaction and fewer members leaving. When recruiting new staff, FitNow Plc should look for staff who are competent with the use of technology and customer service, this could prevent customers being unhappy with these aspects of the business as was discovered in the market research.

FitNow Plc's prices are high. The average gym membership costs £42 per month this is more than double the cost of the average gym membership in the UK of £18.78. The data states that more affordable gyms are attracting customers and customers do not like to be tied into a contract, but customers of FitNow Plc are tied in for 12 months. Fit Now Plc could reduce the price of their gyms because 57% of ex-members said the price of gym membership was too high, with large amounts of competition this could meet the needs of customers who are sensitive to price. Fit Now Plc have different prices for peak times and quiet times (this is called price discrimination) they could use this further by using a lower price in quieter times, perhaps during the day, when there is less demand for the gym, which could help to increase membership. Price penetration could also be used by offering cheaper membership for the first 3 months to encourage people to join.

FitNow Plc's gyms are already located in large towns and cities across the UK, these are places with highly populated areas and are close to lots of customers, there are also 120 gyms across the UK and customers can visit any of the gyms. The gyms are also open 24/7. FitNow Plc may want to consider opening up on out-of-town retail parks rather than busy town centres with great parking facilities and transport links. Through their smartphone app, there could be a reward system which members could use when using the gym to encourage use of the gym.

FitNow Plc currently use national newspapers to advertise but this could be the wrong choice of media for the business' demographic. People who go to the gym who use wearable technology are likely to use social media platforms so they may want to consider advertising on social media. In addition, they could recruit influencers who would be able to promote FitNow Plc's gyms and their products within them. Personal trainers could be trained to use social media effectively to show short training videos to showcase services. They could offer free taster sessions via adverts in the local paper to encourage customers to try the gym and potentially join after experiencing the equipment and facilities first-hand.

Fit Now Plc could use training to support these marketing initiatives, current employees need to be trained to a high standard in operating the equipment and helping customers. Currently 29% of people who answered the questionnaire said counter staff were not helpful, so this is something that needs to be addressed. Customer service skills are very important to the gym, staff should be greeting the customer in a friendly and supportive manner and interacting with them positively and identifying their needs. Training and support could help increase the FitNow Plc membership as customers' needs will be satisfied. By having regular training sessions staff will be able to improve their skills and knowledge of the equipment that the gym uses, this could be done through on-the-job and off-the-job training. There will be an increased cost to this training, however, in the future FitNow Plc will be rewarded with satisfied customers who may increase the number of memberships through word of mouth.

Through the recruitment process FitNow Plc should make sure they identify what positions are needed and what skills potential staff will need to complete these jobs to a high standard. The methods of selection used in the recruitment process could be aimed at the type of skills needed for specific roles in the business, for example, for a customer service position, role play could be used. For personal trainers, equipment demonstrations could be used rather than just relying on a formal interview.

As a Plc with 120 gyms in different locations, FitNow Plc has the ability to have training sessions with different types of roles within the business. For example, all the managers could meet in one location, to receive training possibly from outside providers. As a large business they can afford to employ trainers who can travel around gyms and train people in different areas, this could lead to more effective and consistent training.

In conclusion, whatever FitNow Plc decide to do they must make sure that all the elements of the marketing mix work together, to increase gym memberships and not lose any further members. And the success of this will be supported by effective recruitment and training procedures.

Credit other valid responses.