

Markscheme

May 2025

Business management

Higher / Standard level

Paper 1

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The markbands on page 3 should be used where indicated in the markscheme.

Marks	Level descriptor
0	The work does not reach a standard described by the descriptor.
1–2	• Little understanding of the demands of the question. • Little use of business management tools and theories; any tools and theories that are used are irrelevant or used inaccurately. • Little or no reference to the stimulus material. • No arguments are made.
3–4	• Some understanding of the demands of the question. • Some use of business management tools and theories, but these are mostly lacking in accuracy and relevance. • Superficial use of information from the stimulus material, often not going beyond the name of the person(s) or name of the organization. • Any arguments made are mostly unsubstantiated.
5–6	• The response indicates an understanding of the demands of the question, but these demands are only partially addressed. • Some relevant and accurate use of business management tools and theories. • Some relevant use of information from the stimulus material that goes beyond the name of the person(s) or name of the organization but does not effectively support the argument. • Arguments are substantiated but are mostly one-sided.
7–8	• Mostly addresses the demands of the question. • Mostly relevant and accurate use of business management tools and theories. • Information from the stimulus material is generally used to support the argument, although there is some lack of clarity or relevance in some places. • Arguments are substantiated and have some balance.
9–10	• Clear focus on addressing the demands of the question. • Relevant and accurate use of business management tools and theories. • Relevant information from the stimulus material is integrated effectively to support the argument. • Arguments are substantiated and balanced, with an explanation of the limitations of the case study or stimulus material.

Section A

1. State **two** methods of promotion, **other than** social media, that a business can use as part of its marketing mix. **[2]**

Methods of promotion include:

Below the line

- Direct marketing, such as:
- Direct mail or direct post or emails or brochures / catalogues
- Personal selling
- Word of mouth
- Customer loyalty programs
- Packaging
- PR (Public relations), including sponsorship (accept only one)
- Celebrity endorsement / brand ambassadors if not related / in the context of social media
- Sales promotions:
 - competitions and giveaways
 - flash sale or limited-time price reduction / promotional pricing / end of season sale / sale
 - free trial or demo / samples
 - limited time / free shipping
 - (limited time) free gifts
 - Coupon / money off coupon / vouchers
 - buy one, get one free
 - bundling of products or services.
 - Point of sales displays / merchandizing
 - Exhibitions / trade fairs

Through the line:

- 360 Marketing

Above the line:

- Advertising, such as:
 - TV
 - Newspapers
 - Magazines
 - Cinema
 - Radio
 - Posters
 - Billboard
 - Google Ads

*Award **[1]** for each method stated up to a maximum of **[2]**.*

N.B. no description or application is required.

2. State **two** types of **internal** economy of scale. **[2]**

Types of internal economy of scale include:

- Purchasing / bulk buying
- managerial
- technical
- marketing
- financial
- risk bearing.

*Award **[1]** for each **internal** economy of scale stated up to a maximum of **[2]**.*

***N.B.** no description or application is required – must be a named internal economy of scale*

***N.B.** Do not credit examples.*

3. Describe **two** operations methods used by Myt in its drinks factories (lines 34–38). **[4]**

*Myt is likely to use flow / mass production **[1]**, which is continuous production of a large quantity of an identical product in an assembly line process. The factories that produce Viola use flow production as it has only one flavour and the factory is highly automated **[1]**.*

*Myt is also likely to use batch production **[1]**, where groups of products move through each stage of production at the same time. Myt uses batch production for its new range of eight different fresh fruit juice drinks **[1]**.*

*Mark as **[2] + [2]**. Award **[1]** for each correct operation method identified and an additional **[1]** for a development / description with application to Myt.*

*Award a maximum of **[1] per method**, if the operation method is not identified, but there is a description of the operation method with application to the case study.*

*Award a maximum of **[2]** if the methods of production are only stated but NOT described even if application is present for both methods*

***[2]** cannot be awarded per operations method if the response lacks application to the case study. For example, for a description of flow production without any application to the case study.*

4. Explain **one** advantage **and one** disadvantage for Myt of using social media influencers as part of its social media promotional strategy (lines 27–28). **[4]**

Advantages include:

- The relative low cost **[1]** of this promotional strategy and Myt has increased its global brand recognition since 2020 without any increases in its annual promotional expenditure. **[1]**
- Social influencers appear to have a great impact on the purchasing decisions of younger consumers **[1]**, which may be an important factor as to why Myt drink sales to younger consumers have increased in recent years. **[1]**

Disadvantages include:

- The actions of a social influencer may tarnish the brand image if the influencer behaves in a way that does not align with Myt's brand image **[1]**. Myt's most followed social influencer was jailed for theft. **[1]**

- Influencers target younger consumers **[1]**. The product is marketed to a range of consumers. Older consumers may be left out. **[1]**

Mark as **[2] + [2]**.

Award **[1]** for an advantage explained **[1]** and an additional **[1]** for a development with application to Myt. Award a maximum of **[2]**.

[2] cannot be awarded if the response lacks application to Myt.

Award **[1]** for a disadvantage explained **[1]** and an additional **[1]** for a development with application to Myt. Award a maximum of **[2]**.

[2] cannot be awarded if the response lacks application to Myt.

5. Explain **one** advantage for Myt of using penetration pricing for its new range of fresh fruit drinks (line 38). **[2]**

Penetration pricing is a pricing method a business may use when entering an existing market for the first time and involves charging a low price / a price lower than existing products. This is an advantage to Myt for its new fresh fruit drinks as they are a new market segment, which will encourage consumers to try Myt's new drinks.

Award **[1]** for demonstrating an understanding of penetration pricing. Award an additional **[1]** for application to Myt, up to a maximum of **[2]**.

6. Referring to **two** elements of Maslow's motivation theory, explain the ways in which Myt meets sales managers' needs in its USA division (line 21). **[6]**

Mark as **[3] + [3]**

Award **[1]** for stating a relevant need from Maslow. eg social (love and belonging / affiliation) / esteem (self-esteem)/ self-actualization.

Award **[1]** for explaining that need.

Award **[1]** for application from the case study.

Social needs / love and belonging / affiliation [1] are met when employees are provided opportunities to interact with colleagues, share ideas. **[1]** Sales directors' social needs are met through the **regular team building events** at Myt. **[1]**

Esteem needs / self-esteem [1] are met when an employee's contribution to the business is formally recognized. **[1]** Their esteem needs are met through the Myt sales **manager of the year award, the winner of which receives a new car.** **[1]**

Self-actualization [1] occurs when an employee has opportunities to realize their potential, to develop their abilities. In the workplace, this self-actualization can occur when an employee is allowed to make decisions, to be creative, to take responsibility. **[1]** Sales directors' self-actualization needs are met in two ways – they can **choose which days to work from home and they control how the centrally set marketing expenditure is spent in their own state.** **[1]**

No marks if only application is present but no element of Maslow is identified or explained.

Section B

7. Discuss the potential impacts on the island of Omega if *HW* builds the new distribution facility and the plastic bottle recycling centre. **[10]**

Positive impacts include:

- creates 450 new jobs (directly) and is likely to create additional jobs in ancillary services;
- will reduce unemployment;
- will add to government's tax revenue through tax on employee incomes;
- the government will need to improve electricity supply this will improve islanders access to a stable electric supply and allow the developing tourist industry to expand.

Negative impacts include:

- may impact the islands' developing tourist industry as new site is close to the island's main tourist resort;
- government may be forced to make cuts in spending on some areas as money to HW equals 15 % of forecast revenue;
- the issues regarding HW in the media may impact the island's reputation and its developing tourist industry;
- issues about safety in the workplace may be an issue for the government to tackle;
- concerns may arise about how much waste will be created by the plastic recycling factory and increased traffic from lorries transporting bottles to the island ports;
- government will need to find funds to finance improvements in the electricity supply.
- New job creation related only to unskilled jobs

Accept any relevant discussion.

To receive marks at the highest level [9-10] reference is needed to the limitations to the case study.

Marks should be allocated according to the markbands on page 3.

8. Discuss *Myt*'s decision to launch a takeover of *Cuz*.

[10]

Positives include:

- economies of scale;
- *Cuz* has a 10 % profit margin – will help LC achieve its target to raise its margin to 8 % in 2 years' time – LC's margin is currently 5%;
- *Cuz* operates in a market in which LC has no presence;
- would cost at today's share price only \$800 million to acquire while its net assets are valued at \$1 billion;
- a quick way of growing the business – faster than organic growth;
- LC sales would rise by 20 % when adding in *Cuz*'s sales.

Negatives include:

- *Cuz* has 500 franchises and LC has no experience of this business model;
- *Cuz*'s profits have been overstated by 10% each year for 4 years;
- *Cuz*'s share price has plunged – may fall further;
- Some of *Cuz*'s franchisees are using questionable employment practices, which may impact LC's reputation as an ethical employer;
- *Cuz* has a poor reputation in the media following criticism of accounting irregularities.

Accept any relevant discussion.

To receive marks at the highest level [9-10] reference is needed to the limitations to the case study.

Marks should be allocated according to the markbands on page 3.
