

Name: _____

Topic 1: Meeting customer needs 1

Date:

Edexcel AS Level Business

Mark Scheme

Time:

Total marks available: 126

Total marks achieved: _____



EXAM PAPERS PRACTICE

Mark Scheme

Q1.

Question Number	Indicative content	Mark
	<p>Knowledge 2, Application 2, Analysis 2, Evaluation 2</p> <ul style="list-style-type: none"> Customer tastes and trends – faster/more economical engines Availability and/or price of substitutes – electric/hybrid cars, other forms of transport Increase in price of complementary goods - fuel, car tax, insurance Changes in income – a career promotion may mean that consumers have more disposable income <p>Potential counterbalance</p> <ul style="list-style-type: none"> The extent of other changes will depend on whether they are long term or short term e.g. further changes in technology may cause an increase in the demand from those consumers who prefer the most up to date models, rather than those consumers who do not The extent of the changes in income will determine customers ability/willingness to spend on luxury goods, e.g. people who receive large bonuses /increased salary may choose to save rather than spend the additional income 	(8)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1–2	Isolated elements of knowledge and understanding – recall based. Weak or no relevant application to business examples. Generic assertions may be presented.
Level 2	3–5	Accurate knowledge and understanding. Applied accurately to the business and its context. Chains of reasoning are presented, showing cause(s) and/or effect(s) but may be assertions or incomplete. An attempt at an assessment is presented that is unbalanced, and unlikely to show the significance of competing arguments.
Level 3	6–8	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Logical chains of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors leading to a supported judgement.

Q2.

Question Number	Answer	Mark
	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge/understanding: 1 mark for understanding niche market</p> <ul style="list-style-type: none"> • A specialised section of the market where customers have specific needs/wants. <p>Application: up to 2 marks for contextualised examples of how The Good Hotel could benefit e.g.</p> <ul style="list-style-type: none"> • It is a social enterprise so might attract customers who prefer ethical businesses. • The hotel is in a private mansion which may provide attractive/luxury rooms • The hotel only has 20 rooms which may allow staff to focus on customer service <p>Analysis: 1 mark for explaining the consequences e.g.</p> <ul style="list-style-type: none"> • The Good Hotel may be able to charge higher prices/may face less competition from big brand hotels such as Marriott/Hilton. 	(4)

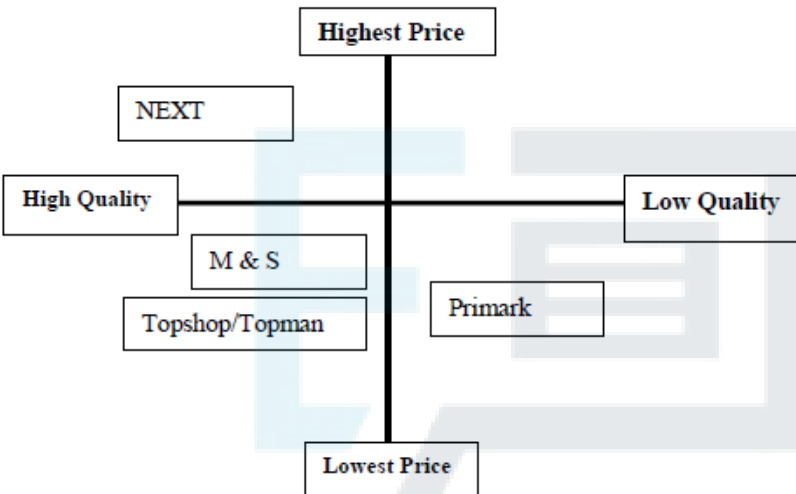
Q3.

Question Number	Answer	Mark
	<p style="text-align: center;">Knowledge 1, Application 3</p> <p>Quantitative skills assessed: QS2 Calculate, use and understand percentages and percentage changes</p> <p>Knowledge: 1 mark for the formula</p> <ul style="list-style-type: none"> • Sales of X/Total sales of the market x 100 = Market Share <p>Application: up to 3 marks</p> <ul style="list-style-type: none"> • Calculate the market sales for 2015 = £22m - £8.2m = £13.8m (1) • Calculate the market share = (13.8m/310m) x 100 (1) = 4.45% (1) <p>N.B. If the only answer given is:</p> <ul style="list-style-type: none"> • 4.45% award 4 marks • 4.45 award 3 marks • 4.5% award 3 marks • 4.5 award 2 marks 	(4)

Q4. EXAM PAPERS PRACTICE

Question Number	Answer	Mark
	Knowledge 1, Application 3 Quantitative skills assessed: QS1: Calculate, use and understand ratios, averages and fractions QS2: Calculate, use and understand percentages and percentage changes Knowledge: 1 mark for the formula: <ul style="list-style-type: none"> • $(\text{new market sales} - \text{old market sales} \div \text{old market sales}) \times 100$ (1) Application: up to 3 marks for: <ul style="list-style-type: none"> • Calculate the difference in market sales between 2019 and 2022 = $\pounds 6.7\text{bn} - \pounds 5.3\text{bn} = \pounds 1.4\text{bn}$ (1) • Calculate the market growth = $\pounds 1.4\text{bn} \div \pounds 5.3\text{bn} \times 100$ (1) • = 26.42% (1) NB: If the only answer given is 26.42% or 26.42 award 4 marks. If the answer given is 26.41% or 26.41 or 26.4 award 3 marks.	(4)

Q5.

Question Number	Answer	Mark
	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge/understanding: 1 mark for correctly constructing a labelled market map</p> <p>Application: up to 2 marks for</p> <ul style="list-style-type: none"> • Correct labelling of both axis using price, quality or age • Identifying a competitor e.g. NEXT <p>Analysis: 1 mark for</p> <ul style="list-style-type: none"> • Correctly positioning of M&S based on its decision to aim its clothing range at a younger target market, e.g. high quality low price <p>Example market map</p>  <p>This is only an example of what candidates could produce, other distributions of the clothing brand competitors from candidates own knowledge can be rewarded.</p>	(4)

Q6.

Question Number	Answer	Mark
	<p style="text-align: center;">Knowledge 2</p> <p>Knowledge/understanding: of niche market, e.g.</p> <ul style="list-style-type: none"> • A small section of a market (1) with distinctive specialised requirements (1) 	(2)

Q7.

Question Number	Answer	Mark
	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge/understanding: 1 mark for understanding an effect.</p> <ul style="list-style-type: none"> • More people may be interested in joining a gym/more competition may enter the market <p>Application: up to 2 marks for contextualised examples e.g.</p> <ul style="list-style-type: none"> • market growth of 3.2% • 1 in 7 people in the UK is a gym member • PureGym has added 60 gyms in the last 12 months • Competition offer more luxury/benefits e.g. Virgin Active. <p>Analysis: 1 mark for explaining the consequences e.g.</p> <ul style="list-style-type: none"> • PureGym may have more potential customers to target therefore increasing sales revenue • PureGym may face more competition and may lose market share. 	(4)

Q8.

Question Number	Indicative content	Mark
	<p style="text-align: center;">Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <p>Innovation</p> <ul style="list-style-type: none"> • Innovation is putting new ideas/designs into action • By producing a remote-controlled Hogwarts Express, Hornby could attract Harry Potter fans who were not previously interested in train sets, as well as keep existing customers interested in the Hornby brand. This could lead to increased sales, which could increase profit • By creating new mobile phone controlled Scalextric sets, Hornby could become more attractive to the younger tech-savvy customer who usually play computer games. This could gain Hornby a new segment of customers who may be more willing to pay higher prices for new technology, which could increase the profit made on each set sold • The cost of developing and producing the new toys may be high due to the cost of the technology and paying for the use of the Harry Potter brand. This could make it more difficult to make a profit on each train set 	

	<p>Promotional Methods</p> <ul style="list-style-type: none"> • Promotion is the way in which a business creates awareness and interest in its product/service • By using social media Hornby could advertise its existing and new products to a younger audience who may be interested in Harry Potter and phone controlled Scalextric. If they like the new toys, they are more likely to share them on their social media and increase awareness, resulting in more sales which could improve profitability • Asking existing customers to post their own memories of Hornby could result in Hornby advertising to each customer's family and friends as well, allowing them to increase the reach of their promotion which could result in more sales leading to increased profit • Social media is only useful as a promotional method if Hornby are producing toys that appeal to the target market, otherwise social media posts will be ignored or users may hide the ads as they find them to be irrelevant. This could result in promotional costs increasing without a corresponding increase in sales, therefore reducing profits. 	
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	<p><i>Potential recommendation</i></p> <ul style="list-style-type: none"> • The development of new toys that are attractive to a younger market is important to gain more sales. The new train set must be relevant to the target market, e.g. Harry Potter fans, who may be more willing to buy the train sets and therefore lead to increased profitability for Hornby • Using social media to promote Hornby's products may be a low-cost marketing method to gain sales from the younger audience it is aiming at, which may therefore lead to increased profitability for Hornby. 	(20)
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Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1-4	Isolated elements of knowledge and understanding. Weak or no relevant application of business examples. An argument may be attempted, but will be generic and fail to connect causes and/or consequences.
Level 2	5-8	Elements of knowledge and understanding, which are applied to the business example. Arguments and chains of reasoning are presented, but connections between causes and/or consequences are incomplete. Attempts to address the question. A comparison or judgement may be attempted, but it will not successfully show an awareness of the key features of business behaviour or business situation.
Level 3	9-14	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Uses developed chains of reasoning, s that causes and/or consequences are complete, showing an understanding of the question. Arguments are well developed. Quantitative and/or qualitative information is introduced in an attempt to support judgements, a partial awareness of the validity and/or significance of competing arguments and may lead to a conclusion.
Level 4	15-20	Accurate and thorough knowledge and understanding, supported throughout by use of relevant and effective use of the business behaviour/context. Uses well-developed and logical, coherent chains of reasoning, showing a range of cause(s) and/or effect(s). Arguments are fully developed. Quantitative and/or qualitative information is/are used well to support judgements. A full awareness of the validity and significance of competing arguments/factors, leading to balanced comparisons, judgements and an effective conclusion that proposes a solution and/or recommendation(s).

Q9.

Question Number	Indicative content	Mark
	<p style="text-align: center;">Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <p>Increased costs</p> <ul style="list-style-type: none"> • Jamie’s Italian has made a £9.9m loss, this could in part be because of increase costs of rent, which is high for high street outlets. Jamie may need to negotiate lower rent or move restaurants to cheaper locations. • Increased food costs may mean that Jamie’s Italian has lower gross profit on menu items, which could be reduced by switching to cheaper suppliers. • By closing more of his Italian restaurants this could further reduce fixed costs making it easier for the remaining business as a whole to survive. 	
	<p>Adapting to change</p> <ul style="list-style-type: none"> • The casual dining market is dynamic and customers want to try new things so it is important that Jamie’s Italian keeps updating its menu to reflect this. • Veganism is a growing trend and customers are looking for restaurants that meet these needs, which Jamie’s Italian is not known for. This presents an opportunity for Jamie to adapt his menus in order to regain customers. • Jamie’s Italian has lots of direct competition such as Ask Italian, Prezzo, Zizzi and Pizza Express as well as indirect competition such as Byron the burger chain, JD Wetherspoon and Nando’s, so it is important that they stay ahead by adapting to the changing needs of customers. <p><i>Potential recommendation</i></p> <ul style="list-style-type: none"> • The rising cost of rent and ingredients could have affected all the restaurant chains, but some are still profitable. Therefore, by changing suppliers and negotiating costs, Jamie could prevent further business failure. • The casual dining market is dynamic as customer tastes and preferences are constantly changing. So, keeping up to date with current trends and meeting customer needs is the most important factor to maintain sales and preventing further business failure. 	<p>(20)</p>

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1-4	<p>Isolated elements of knowledge and understanding.</p> <p>Weak or no relevant application of business examples.</p> <p>An argument may be attempted, but will be generic and fail to connect cause and/or consequences.</p>
Level 2	5-8	<p>Elements of knowledge and understanding, which are applied to the business example.</p> <p>Arguments and chains of reasoning are presented, but connections between causes and/or consequences are incomplete. Attempts to address the question.</p> <p>A comparison or judgement may be attempted, but it will not successfully show an awareness of the key features of business behaviour or business situation.</p>
Level 3	9-14	<p>Accurate knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context.</p> <p>Uses developed chains of reasoning, so that causes and/or consequences are complete, showing an understanding of the question.</p> <p>Arguments are developed.</p> <p>Quantitative and/or qualitative information is introduced in an attempt to support judgements, a partial awareness of the validity and/or significance of competing arguments and may lead to a conclusion.</p>

Level 4	15-20	<p>Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context.</p> <p>Uses well-developed and logical, coherent chains of reasoning, showing a range of cause and/or effect(s).</p> <p>Arguments are fully developed.</p> <p>Quantitative and/or qualitative information is/are used well to support judgements. A full awareness of the validity and significance of competing arguments/factors, leading to balanced comparisons, judgements and an effective conclusion that proposes a solution and/or recommendations.</p>
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Q10.

Question Number	Indicative content	Mark
	<p style="text-align: center;">Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <p>Venture Capital</p> <ul style="list-style-type: none"> • MT have already been successful by using venture capital from Piers Linney, he may therefore be willing to invest additional venture capital. • A venture capitalist like Piers Linney may be willing to invest as well as giving advice. MT chose him for his technology credentials and that helped them to provide the most innovative technology in the travel industry. • MT has only been established for 4 years, yet has achieved a turnover of £4.5m, making it an attractive investment opportunity. • A bank may not approve MT a loan because it thinks it is too risky as MT is a small business in a dynamic market, compared to other travel technology businesses such as Booking.com. 	

	<p>Bank Loan</p> <ul style="list-style-type: none"> • MT could use a bank loan because they have a turnover of £4.5m, therefore they represent a lower risk and the bank may offer a lower interest rate. • MT have already developed new technology such as Hotel2020, so may already have the appropriate staff and equipment required to develop more innovative technology, therefore the amount of finance required could be small and easily gained from a bank. • If MT use a bank loan, they may not have to sacrifice a further share of the company, preventing a further dilution of ownership/control. • Piers Linney may not want to invest any more money into the business as he may have other interests he wants to pursue as the Dragons' invest in several other companies, therefore would need to apply for a bank loan. <p><i>Potential Recommendation</i></p> <ul style="list-style-type: none"> • Venture capital would be the best option because Piers Linney is likely to have already seen a good return on his 15% investment, because of MT's successful innovative approach in a dynamic market. So Piers or other venture capitalists are likely to provide further investment to gain a higher return. • A bank loan would be the best option since the company is now established having made use of Piers expertise. 	
	<p>Now the owners of MT can use the knowledge and understanding of technology needed in this dynamic travel application market, without having to sacrifice profits and/or control.</p>	(20)

Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1-4	Isolated elements of knowledge and understanding. Weak or no relevant application of business examples. An argument may be attempted, but will be generic and fail to connect causes and/or consequences.
Level 2	5-8	Elements of knowledge and understanding, which are applied to the business example. Arguments and chains of reasoning are presented, but connections between causes and/or consequences are incomplete. Attempts to address the question. A comparison or judgement may be attempted, but it will not successfully show an awareness of the key features of business behaviour or business situation.
Level 3	9-14	Accurate knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Uses developed chains of reasoning, so that causes and/or consequences are complete, showing an understanding of the question. Arguments are developed. Quantitative and/or qualitative information is introduced in an attempt to support judgements, a partial awareness of the validity and/or significance of competing arguments and may lead to a conclusion.
Level 4	15-20	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Uses well-developed and logical, coherent chains of reasoning, showing a range of cause(s) and/or effect(s). Arguments are fully developed. Quantitative and/or qualitative information is/are used well to support judgements. A full awareness of the validity and significance of competing arguments/factors, leading to balanced comparisons, judgements and an effective conclusion that proposes a solution and/or recommendation(s).

EXAM PAPERS PRACTICE

Q11.

Question Number	Indicative content	Mark
	<p style="text-align: center;">Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <p>Competition:</p> <ul style="list-style-type: none"> • Tails.com have established competitors with large market shares such as Mars Masterfoods with 45% and Nestle Purina Pet Care with 32%. They have the ability to spend on TV advertising/customers may prefer to buy recognised brands such as Bakers Complete. • The existing dog foods like Purina are suitable for all dogs so customers do not have to worry about choosing the right one and may prefer to stick to dog food that they know their dog likes rather than risk changing. • Customers may see Tails.com as an expensive option and stick to cheaper mass market brands such as Pedigree that have lower unit costs due to economies of scale. 	

	<p>External economic influences:</p> <ul style="list-style-type: none"> • If VAT increases, dog food may become more expensive so customers may look for the cheapest option like supermarket own brands. • If more people become unemployed they may see keeping a dog as a luxury and decide not to get one therefore reducing demand for dog food. • Inflation could mean that people have less real income/spending power and therefore buy cheaper/lower quality dog food. <p><i>Potential Recommendation</i></p> <ul style="list-style-type: none"> • Tails.com has a USP that customers may prefer over generic dog foods that are not tailored to their dog's needs. Therefore, sales should not be affected by businesses such as Mars/Nestlé. • If dog owners' real income falls, they may still be willing to purchase Tails.com's tailor-made dog food because it may improve the health of dogs. This may lead to a long-term reduction in vet bills, saving dog owners money in the future. 	(20)
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Level	Mark	Descriptor
	0	A completely inaccurate response.
Level 1	1-4	Isolated elements of knowledge and understanding. Weak or no relevant application of business examples. An argument may be attempted, but will be generic and fail to connect cause(s) and/or consequence(s)/effect(s).
Level 2	5-8	Elements of knowledge and understanding, which are applied to the business example. Arguments and chains of reasoning are presented, but connections between cause(s) and/or consequence(s)/ effect(s) are incomplete. Attempts to address the question. A comparison or judgement may be attempted, but it will not successfully show an awareness of the key features of business
Level 3	9-14	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Uses developed chains of reasoning, so that cause(s) and/or consequence(s)/effect(s) are complete, showing an understanding of the question. Arguments are well developed. Quantitative or qualitative information is introduced in an attempt to support judgements, a partial awareness of the validity and/or significance of competing arguments and may lead to a conclusion.
Level 4	15-20	Accurate and thorough knowledge and understanding, supported throughout by use of relevant and effective use of the business behaviour/context. Uses well-developed and logical, coherent chains of reasoning, showing a range of cause(s) and/or effect(s). Arguments are fully developed. Quantitative and/or qualitative information is/are used well to support judgements. A full awareness of the validity and significance of competing arguments/factors, leading to balanced comparisons, judgements and an effective conclusion that proposes a solution and/or recommendation(s).

Q12.

Question Number	Answer	Mark
	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge/understanding: 1 mark for understanding added value, e.g.</p> <ul style="list-style-type: none"> • Added value - The difference between the selling price and the cost of inputs <p>Application: up to 2 marks for contextualised examples, e.g.</p> <ul style="list-style-type: none"> • Sundried are creating sportswear that is designed to last longer • Sundried’s Eco-Tech fabric biodegrades after 3 years <p>Analysis: 1 mark is available for explaining how value is added, e.g.</p> <ul style="list-style-type: none"> • This could result in customers being willing to pay a higher price for Sundried T-shirts. 	(4)

Q13.

Question Number	Answer	Mark
	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge/understanding:</p> <ul style="list-style-type: none"> • 1 mark for understanding differentiation e.g. making a product distinctive from competitors products OR creating a USP <p>Application: up to 2 marks for suggesting how Aston Martin differentiates itself e.g.</p> <ul style="list-style-type: none"> • To appeal to a new market, e.g. design cars suited to females, younger people • To produce cars that are distinctive from traditional sports cars e.g. more durable, spacious, higher seats • Distinguishing from other car producers e.g. Jaguar, Bentley, Rolls Royce <p>Analysis: 1 mark is available for explaining the purpose of product differentiation, e.g.</p> <ul style="list-style-type: none"> • This might enable Aston Martin to gain a competitive advantage over other brands in the market. • This might enable Aston Martin to increase their sales/increase tier market share. 	(4)

Q14.

Question Number	Answer	Mark
	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge/understanding: 1 mark for showing an understanding of market orientation, eg:</p> <ul style="list-style-type: none"> • business products/services are based around the needs and wants of the customer. <p>Application: up to 2 marks for suggesting how Hydra Creative is market orientated, eg:</p> <ul style="list-style-type: none"> • by providing SEO services that businesses are looking for (1) • Hydra Creative has responded to customer feedback about how it promotes itself (1) <p>Analysis: 1 mark is available for explaining the consequences, eg:</p> <ul style="list-style-type: none"> • this could lead to more sales for Hydra Creative because it is offering services that its customers need. 	(4)

Q15.

Question Number	Answer	Mark
	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge/understanding: 1 mark for understanding primary research, e.g.</p> <ul style="list-style-type: none">primary research is collecting data first hand. <p>Application: 2 marks for contextualised examples, e.g.</p> <ul style="list-style-type: none">this could be done by collecting information through guest questionnairesto gain feedback on room rates/quality of food/ cleanliness of rooms/ ease of automated check-in/ value for money at YOTEL. <p>Analysis: 1 mark is available for explaining why the above would be of value to YOTEL, e.g.</p> <ul style="list-style-type: none">this would then enable YOTEL to plan to provide the services their guests require in their new projects.	(4)