



Rewarding Learning

**ADVANCED SUBSIDIARY (AS)
General Certificate of Education
January 2012**

Business Studies

Assessment Unit AS 1

assessing

The Competitive Business

[AT111]

WEDNESDAY 11 JANUARY, AFTERNOON

MARK SCHEME

- 1 (a) Explain why it is important for Heinz to be concerned about the quality of its products.

Heinz takes great care to ensure that its products are of the highest quality. There are many reasons for this including:

- the health consequences for customers if something goes wrong
- the maintenance of the brand image which is built on quality
- the ability to set a premium price based on product quality
- the expenses in replacing or recalling faulty products
- the requirements to meet legislation relating to food standards
- to give Heinz a competitive advantage.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]
Level 2	[2] Candidate demonstrates good understanding of quality.	[2] Candidate applies knowledge effectively.
Level 1	[1] Candidate demonstrates some understanding of quality.	[1] Candidate attempts to apply knowledge.
Level 0	[0] Candidate demonstrates no understanding of quality.	[0] Candidate does not attempt to apply knowledge.

[4]

4

(b) Explain **two** advantages to Heinz of using flow production methods to produce its products.

Flow production, often referred to as mass production occurs when production takes place as a continuous process.

The advantages to Heinz of using flow production techniques include:

- it allows capital intensive production so that technical economies of scale are achieved
- it allows Heinz to achieve the high volumes of output required to meet demand
- it allows standardisation of products, very important in the food industry
- production can take place 24/7 which lowers costs
- less workers needed to operate automated machinery.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]
Level 2	[2] Candidate demonstrates good understanding of the advantages of flow production.	[2] Candidate applies knowledge effectively.
Level 1	[1] Candidate demonstrates some understanding of the advantages of flow production.	[1] Candidate attempts to apply knowledge.
Level 0	[0] Candidate demonstrates no understanding of the advantages of flow production.	[0] Candidate does not attempt to apply knowledge.

[4]

4

(c) Analyse how Heinz might improve the productivity of its workers at its factory in Wigan.

Labour productivity refers to the amount of output achieved for each employee or for each employee hour worked. There are a number of things that Heinz could do in order to improve labour productivity.

These include:

- ensuring that workers are well-trained in the latest production techniques
- having machinery that is up-to-date and is well maintained
- motivating workers through its payment structure
- using non-financial methods to motivate workers such as job enlargement or job rotation
- meeting health and safety standards to reduce accidents and plant shut-downs
- ensuring that managers and supervisors are well-trained and Innovative
- use of target setting.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]	AO2 Analysis [4]
Level 2	[2] Candidate demonstrates good understanding of labour productivity. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate applies knowledge effectively.	[4]–[3] Good analysis of labour productivity.
Level 1	[1] Candidate demonstrates some understanding of labour productivity. Candidate makes good use of specialist vocabulary when it is appropriate.	[1] Candidate attempts to apply knowledge.	[2]–[1] Limited analysis of labour productivity.
Level 0	[0] Candidate demonstrates no understanding of labour productivity.	[0] Candidate does not attempt to apply knowledge.	[0] No analysis of labour productivity.

[8]

8

- (d) Discuss the usefulness to a business such as Heinz of using quota sampling techniques when conducting market research.

The advantages to a business such as Heinz of using quota sampling might include:

- results are more suited to the firm's needs as those sampled are specifically chosen. For example, according to socio-economic grouping
- the sample should be representative of Heinz customer base
- useful where the proportions of the population with various characteristics are known. Heinz may record customer detail when sales are made, to be used later.

The disadvantages to a business such as Heinz of using quota sampling might include:

- can be very expensive as Heinz may have to employ a market research firm to carry out such a sample
- Heinz will find it time consuming as customers from each group must be found
- samplers may be tempted to cut corners to speed up the process.

As part of their discussion, candidates should come to a final judgement about which method is likely to be most effective for Heinz.

Candidates are expected to evaluate throughout their answers.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO2 Analysis [3]
Level 3	[3] Candidate demonstrates very good understanding of the usefulness of using quota sampling techniques when conducting market research. Candidate makes good use of specialist vocabulary when it is appropriate.		[3] Very good analysis of the usefulness of using quota sampling techniques when conducting market research.
Level 2	[2] Candidate demonstrates good understanding of the usefulness of using quota sampling techniques when conducting market research. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate applies knowledge effectively.	[2] Good analysis of the usefulness of using quota sampling techniques when conducting market research.
Level 1	[1] Candidate demonstrates some understanding of the usefulness of using quota sampling techniques when conducting market research. Candidate makes good use of specialist vocabulary when it is appropriate.	[1] Candidate attempts to apply knowledge.	[1] Limited analysis of the usefulness of using quota sampling techniques when conducting market research.
Level 0	[0] Candidate demonstrates no understanding of the benefits and limitations.	[0] Candidate does not attempt to apply knowledge.	[0] No analysis of arguments.

	A04 Evaluation [4]
Level 3	[4] Candidate gives a full evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates good spelling, punctuation and grammar. The meaning of the text is clear. The candidate has consistently used a form and style of writing appropriate to the purpose of the question. Answer is organised in a clear and coherent manner.
Level 2	[3]–[2] Candidate gives a satisfactory evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate demonstrates a satisfactory level of writing, form and style appropriate to the purpose of the question. Answer is organised in a satisfactory manner.
Level 1	[1] Candidate attempts some evaluation of the arguments presented. The candidate makes limited use of spelling, punctuation and grammar. The meaning of the text is not always clear. The candidate demonstrates a limited form and style appropriate to the purpose of the question. The organisation of the answer is limited.
Level 0	[0] Candidate makes no attempt to evaluate the arguments presented.

[12]

12

- (e) Evaluate the usefulness of price elasticity of demand to a business such as Heinz.

Price elasticity of demand measures the responsiveness of demand to changes in the price of a product. Goods which are not responsive are said to be inelastic while those that are responsive are said to be elastic.

Knowledge of price elasticity is likely to be useful to a business such as Heinz for a number of reasons. These might include:

- it will allow Heinz to consider the impact on sales if it decides to raise the price of a product
- it will help Heinz to consider the amount of any changes in price that it is considering by forecasting how revenue will be affected
- it will predict the impact on sales of any change in price. This will tell Heinz how much it needs to alter its orders of raw materials and ingredients.

On the other hand, price elasticity may not be quite so useful to Heinz. Reasons might include:

- it is based on historic information and is not necessarily a good guide as to what will happen in the future as Heinz raises or lowers prices
- the value of price elasticity of demand may change according to the time period under consideration. This could present Heinz with the problem of which time period to consider
- it may be a very time consuming and costly process for Heinz to calculate the estimates of price elasticity
- based on assumptions that other factors constant. May not take account of impact of recession, or a new competitor.

As part of their discussion, candidates should consider both positive and negative arguments and come to a final judgement.

Candidates are expected to evaluate throughout their answers.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO2 Analysis [3]
Level 3	[3] Candidate demonstrates very good understanding of the usefulness of price elasticity of demand. Candidate makes good use of specialist vocabulary when it is appropriate.		[3] Very good analysis of the usefulness of price elasticity of demand.
Level 2	[2] Candidate demonstrates good understanding of the usefulness of price elasticity of demand. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate applies knowledge effectively.	[2] Good analysis of the usefulness of price elasticity of demand.
Level 1	[1] Candidate demonstrates some understanding of the usefulness of price elasticity of demand. Candidate makes good use of specialist vocabulary when it is appropriate.	[1] Candidate attempts to apply knowledge.	[1] Limited analysis of the usefulness of price elasticity of demand.
Level 0	[0] Candidate demonstrates no understanding of the usefulness of price elasticity of demand.	[0] Candidate does not attempt to apply knowledge.	[0] No analysis of the usefulness of price elasticity of demand.

	A04 Evaluation [4]
Level 3	[4] Candidate gives a full evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates good spelling, punctuation and grammar. The meaning of the text is clear. The candidate has consistently used a form and style of writing appropriate to the purpose of the question. Answer is organised in a clear and coherent manner.
Level 2	[3]–[2] Candidate gives a satisfactory evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate demonstrates a satisfactory level of writing, form and style appropriate to the purpose of the question. Answer is organised in a satisfactory manner.
Level 1	[1] Candidate attempts some evaluation of the arguments presented. The candidate makes limited use of spelling, punctuation and grammar. The meaning of the text is not always clear. The candidate demonstrates a limited form and style appropriate to the purpose of the question. The organisation of the answer is limited.
Level 0	[0] Candidate makes no attempt to evaluate the arguments presented.

[12]

12

- 2 (a) Explain what is meant by adding value, using an example from the case study to illustrate your answer.

Adding value refers to the process by which a business makes a product or service more desirable to consumers. Thus, raw materials are transformed into finished products and sold on at a profit.

Difference between selling price and cost of production.

Rose Kane takes a variety of raw materials and makes them up into Doodle Bread kits. She also takes bread ingredients and bakes them into loaves which she sells on at a profit.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]
Level 2	[2] Candidate demonstrates good understanding of adding value.	[2] Candidate applies knowledge effectively.
Level 1	[1] Candidate demonstrates some understanding of adding value.	[1] Candidate attempts to apply knowledge.
Level 0	[0] Candidate demonstrates no understanding of adding value.	[0] Candidate does not attempt to apply knowledge.

[4]

4

- (b) Explain what is meant by the element of place in the marketing mix, using an example from the case study to illustrate your answer.

Place is one of the elements of the marketing mix. It is essential to let customers buy a product at a location which is convenient for them.

Rose currently sells her Doodle Bread kits direct to customers at her market stall and also via the Internet. In the future she has plans to sell them through national retail stores as well.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]
Level 2	[2] Candidate demonstrates good understanding of the place element of the marketing mix.	[2] Candidate applies knowledge effectively.
Level 1	[1] Candidate demonstrates some understanding of the place element of the marketing mix.	[1] Candidate attempts to apply knowledge.
Level 0	[0] Candidate demonstrates no understanding of the place element of the marketing mix.	[0] Candidate does not attempt to apply knowledge.

[4]

4

(c) Analyse the factors that might affect the weekly demand for Doodle Bread kits at Rose’s market stall.

There are a number of factors which might affect the weekly demand for Doodle Bread kits at Rose’s market stall. These include:

- the price at which Rose sells the kits at. The lower the selling price the more she might expect to sell
- the way in which she packages her product and how her stall is laid out
- the way in which Rose advertises Doodle Bread kits and the level of advertising for St George’s market itself
- the impact of recession and job losses on customer incomes
- the weather might affect the number of people who visit St George’s market on a given weekend
- the factors mentioned in the case study relating to increased interest in bread making, crafts and vegetable gardening
- level of competition
- time of the year, month will impact on demand.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]	AO2 Analysis [4]
Level 2	[2] Candidate demonstrates good knowledge and understanding of factors affecting the weekly demand of Doodle Bread kits. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate applies knowledge effectively.	[4]–[3] Good analysis of the factors affecting the weekly demand of Doodle Bread kits.
Level 1	[1] Candidate demonstrates some knowledge and understanding the weekly demand of Doodle Bread kits. Candidate makes good use of specialist vocabulary when it is appropriate.	[1] Candidate attempts to apply knowledge.	[2]–[1] Limited analysis of the factors affecting the weekly demand of Doodle Bread kits.
Level 0	[0] Candidate demonstrates no knowledge and understanding of the factors affecting the weekly demand of Doodle Bread kits.	[0] Candidate does not attempt to apply knowledge.	[0] No analysis of the factors affecting the weekly demand of Doodle Bread kits.

[8]

8

(d) Discuss the advantages and disadvantages of operating as a sole trader to an entrepreneur such as Rose.

There are a number of advantages to Rose of operating as a sole trader. These might include:

- allows her the freedom to be her own boss and not have to consult with anyone over business decisions
- as a sole trader Rose could get all the profits from Doodle Bread, which could be considerable if the business takes off
- Rose can grow the business at her own pace and in a way which suits her business objectives
- Rose does not have to make her accounts public
- Rose has more freedom from government regulation than other business forms so her business can be more flexible.

There are a number of disadvantages associated with Rose operating as a sole trader. These might include:

- the amount of capital that Rose can raise is limited
- she may need to work long hours and restrict her holidays
- the level of expertise within the business is more limited
- Rose will have to take on the pressure of unlimited liability
- her opportunities to gain from economies of scale are limited
- nobody to share ideas with in the business.

Candidates are expected to evaluate throughout their answer.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO2 Analysis [3]
Level 3	[3] Candidate demonstrates very good understanding of the advantages and disadvantages of Rose operating as a sole trader. Candidate makes good use of specialist vocabulary when it is appropriate.		[3] Very good analysis of the advantages and disadvantages of Rose operating as a sole trader.
Level 2	[2] Candidate demonstrates good understanding of the advantages and disadvantages of Rose operating as a sole trader. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate applies knowledge effectively.	[2] Good analysis of the advantages and disadvantages of Rose operating as a sole trader.
Level 1	[1] Candidate demonstrates some understanding of the advantages and disadvantages of Rose operating as a sole trader. Candidate makes good use of specialist vocabulary when it is appropriate.	[1] Candidate attempts to apply knowledge.	[1] Limited analysis of the advantages and disadvantages of Rose operating as a sole trader.
Level 0	[0] Candidate demonstrates no understanding of the advantages and disadvantages of Rose operating as a sole trader.	[0] Candidate does not apply knowledge.	[0] No analysis of advantages and disadvantages of Rose operating as a sole trader.

	A04 Evaluation [4]
Level 3	[4] Candidate gives a full evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates good spelling, punctuation and grammar. The meaning of the text is clear. The candidate has consistently used a form and style of writing appropriate to the purpose of the question. Answer is organised in a clear and coherent manner.
Level 2	[3]–[2] Candidate gives a satisfactory evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates satisfactory spelling, punctuation and grammar. The meaning of the text is clear most of the time. The candidate demonstrates a satisfactory level of writing, form and style appropriate to the purpose of the question. Answer is organised in a satisfactory manner.
Level 1	[1] Candidate attempts some evaluation of the arguments presented. The candidate makes limited use of spelling, punctuation and grammar. The meaning of the text is not always clear. The candidate demonstrates a limited form and style appropriate to the purpose of the question. The organisation of the answer is limited.
Level 0	[0] Candidate makes no attempt to evaluate the arguments presented.

[12]

12

- (e) Evaluate the usefulness of preparing a marketing plan to a business such as Doodle Bread.

A marketing plan begins with a marketing audit, designed to find out the internal and external factors which might affect a company's performance. This might be conducted using a SWOT or PESTLE analysis. In the light of this, the business must then set its marketing objectives and then devise marketing strategies which can be used to achieve those objectives.

The advantages to Doodle Bread of having a marketing plan might include:

- may be required in order to receive finance from banks or other institutions
- it ensures the survival of Doodle Bread by giving it time to reflect upon the efficiency of its operations. The external environment changes constantly and Doodle Bread needs to take account of this
- a marketing plan ensures that Doodle Bread uses its human and financial resources most effectively. Resources can be reallocated to where they are needed most.
- through setting objectives and targets in the planning process, Rose will have a way of measuring the progress of Doodle Bread
- the setting of such targets will also motivate Rose to achieve them
- ensure that the marketing mix is appropriate.

The disadvantages to Doodle Bread of having a marketing plan might include:

- the time and expense involved in drawing it up. Rose will also have to continually update it and evaluate progress. This takes focus off the core activities of Doodle Bread
- the external environment is changing constantly so Rose will find it difficult to take account of all the relevant factors impacting upon Doodle Bread at any given time
- Rose may find that having such targets might prove restrictive to Doodle Bread. Too much attention might be given to meeting targets causing the business to lose focus on its customers
- it may be difficult or expensive for Rose to gather accurate, quantitative data necessary for a marketing plan
- Rose may be de-motivated if targets in plan are not achieved
- Rose may not have the skills needed to draw up a marketing plan herself.

As part of their discussion, candidates should consider both positive and negative arguments and come to a final judgement.

Candidates are expected to evaluate throughout their answer.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO2 Analysis [3]
Level 3	[3] Candidate demonstrates very good understanding of the usefulness of preparing a marketing plan to a business such as Duddle Bread. Candidate makes good use of specialist vocabulary when it is appropriate.		[3] Very good analysis of the usefulness of preparing a marketing plan to a business such as Duddle Bread.
Level 2	[2] Candidate demonstrates good understanding of the usefulness of preparing a marketing plan to a business such as Duddle Bread. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate applies knowledge effectively.	[2] Good analysis of the usefulness of preparing a marketing plan to a business such as Duddle Bread.
Level 1	[1] Candidate demonstrates some understanding of the usefulness of preparing a marketing plan to a business such as Duddle Bread plan. Candidate makes good use of specialist vocabulary when it is appropriate.	[1] Candidate attempts to apply knowledge.	[1] Limited analysis of the usefulness of preparing a marketing plan to a business such as Duddle Bread.
Level 0	[0] Candidate demonstrates no understanding of the usefulness of preparing a marketing plan to a business such as Duddle Bread.	[0] Candidate does not attempt to apply knowledge.	[0] No analysis of the usefulness of a marketing plan to a business such as Duddle Bread.

	A04 Evaluation [4]
Level 3	[4] Candidate gives a full evaluation of the arguments presented and comes to a final judgement. Candidate demonstrates good spelling, punctuation and grammar. The meaning of the text is clear. The candidate has consistently used a form and style of writing appropriate to the purpose of the question. Answer is organised in a clear and coherent manner.
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Level 0	[0] Candidate makes no attempt to evaluate the arguments presented.

[12]

12

Total**80**