



Rewarding Learning

**ADVANCED SUBSIDIARY (AS)
General Certificate of Education
January 2014**

Business Studies

Assessment Unit AS 1

assessing

The Competitive Business

[AT111]

WEDNESDAY 8 JANUARY, AFTERNOON

**MARK
SCHEME**

General Marking Instructions

Introduction

Mark schemes are published to assist teachers and students in their preparation for examinations. Through the mark schemes teachers and students will be able to see what examiners are looking for in response to questions and exactly where the marks have been awarded. The publishing of the mark schemes may help to show that examiners are not concerned about finding out what a student does not know but rather with rewarding students for what they do know.

The Purpose of Mark Schemes

Examination papers are set and revised by teams of examiners and revisers appointed by the Council. The teams of examiners and revisers include experienced teachers who are familiar with the level and standards expected of students in schools and colleges.

The job of the examiners is to set the questions and the mark schemes; and the job of the revisers is to review the questions and mark schemes commenting on a large range of issues about which they must be satisfied before the question papers and mark schemes are finalised.

The questions and the mark schemes are developed in association with each other so that the issues of differentiation and positive achievement can be addressed right from the start. Mark schemes, therefore, are regarded as part of an integral process which begins with the setting of questions and ends with the marking of the examination.

The main purpose of the mark scheme is to provide a uniform basis for the marking process so that all the markers are following exactly the same instructions and making the same judgements in so far as this is possible. Before marking begins a standardising meeting is held where all the markers are briefed using the mark scheme and samples of the students' work in the form of scripts. Consideration is also given at this stage to any comments on the operational papers received from teachers and their organisations. During this meeting, and up to and including the end of the marking, there is provision for amendments to be made to the mark scheme. What is published represents this final form of the mark scheme.

It is important to recognise that in some cases there may well be other correct responses which are equally acceptable to those published: the mark scheme can only cover those responses which emerged in the examination. There may also be instances where certain judgements may have to be left to the experience of the examiner, for example, where there is no absolute correct response – all teachers will be familiar with making such judgements.

- 1 (a) Explain what is meant by the place element of 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. The place element must fit well with the other elements of the mix.

Rolex watches are sold throughout the world using a network of Official Rolex Retailers. These are mostly prestigious jewellers. Rolex do not sell watches over the internet.

	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]

**AVAILABLE
MARKS**

- (b) Explain what is meant by product quality, using an example from the case study to illustrate your answer.

Product quality refers to both the ability of a product to meet consumer expectations regarding its use as well as the actual build quality of the product itself. Products which are of high quality can be sold at a higher price.

Rolex watches are “crafted from the finest raw materials and assembled with scrupulous attention to detail with each watch undergoing stringent examination and testing”. They sell for thousands of pounds each as a result.

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

[4]

**AVAILABLE
MARKS**

(c) Analyse factors than Rolex might consider when setting the price for one of its watch models.

AVAILABLE
MARKS

There are a number of factors that Rolex might consider when setting the price for one of its watch models. These include;

- Mark-up of retailers.
- The total costs associated with the watch.
- The level of profits that Rolex wishes to make on each watch.
- The prices that competitors charge.
- The brand image that Rolex is trying to build up.
- The pricing strategy being followed at the time.
- The customer group that the watch is aimed at.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]	AO3 Analysis [4]
Level 2	[2] Candidate demonstrates good understanding of factors influencing price. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate applies knowledge effectively.	[4]–[3] Good analysis of factors influencing price.
Level 1	[1] Candidate demonstrates some understanding of factors influencing price. Candidate makes good use of specialist vocabulary when it is appropriate.	[1] Candidate attempts to apply knowledge.	[2]–[1] Limited analysis of factors influencing price.
Level 0	[0] Candidate demonstrates no understanding of factors influencing price.	[0] Candidate does not attempt to apply knowledge.	[0] No analysis of factors influencing price.

[8]

- (d) Discuss the advantages and disadvantages to a business such as Rolex of targeting the luxury segment of the watch market.

AVAILABLE
MARKS

The advantages of Rolex targeting the luxury segment of the watch market might include;

- Rolex can charge higher prices for its watches and thus increase profits.
- The luxury segment is less likely to be affected by the recession so Rolex is more likely to continue making sales.
- It may be possible to grow this segment in the future using cheaper watch models.
- The Rolex brand is extremely well known and some customers are prepared to pay extremely high prices.
- By concentrating on this segment Rolex can get to know the wants and needs of its customers very well.

The disadvantages of Rolex targeting the luxury segment of the watch market might include;

- Competitors may make higher profits by selling to the mass market at lower prices.
- The high prices charged to customers make it more likely for counterfeit watches to be produced.
- The size of the segment may not justify the high costs associated with building up and maintaining a brand image.
- Won't benefit from economies of scale due to it not being a mass market.

As part of their discussion, candidates should consider both advantages and disadvantages and come to a final judgement.

Candidates are expected to evaluate throughout their answers.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO3 Analysis [3]
Level 3	<p>[3] Candidate demonstrates very good understanding of the arguments for and against.</p> <p>Candidate makes good use of specialist vocabulary when it is appropriate.</p>	<p>[2] Candidate applies knowledge effectively.</p>	<p>[3] Very good analysis of arguments.</p>
Level 2	<p>[2] Candidate demonstrates good understanding of the arguments for and against.</p> <p>Candidate makes good use of specialist vocabulary when it is appropriate.</p>	<p>[2] Candidate applies knowledge effectively.</p>	<p>[2] Good analysis of arguments.</p>
Level 1	<p>[1] Candidate demonstrates some understanding of the arguments for and against.</p> <p>Candidate makes good use of specialist vocabulary when it is appropriate.</p>	<p>[1] Candidate attempts to apply knowledge.</p>	<p>[1] Limited analysis of arguments.</p>
Level 0	<p>[0] Candidate demonstrates no understanding of the arguments for and against.</p>	<p>[0] Candidate does not attempt to apply knowledge.</p>	<p>[0] No analysis of arguments.</p>

**AVAILABLE
MARKS**

	AO4 Evaluation
	[4]
Level 3	<p>[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.</p>
Level 2	<p>[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.</p>
Level 1	<p>[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.</p>
Level 0	<p>[0] Candidate makes no attempt to evaluate the arguments presented.</p>

[12]

**AVAILABLE
MARKS**

- (e) Evaluate the usefulness of primary market research to a business such as Rolex.

Businesses such as Rolex have to choose between different methods of market research. Primary research involves the collection of original data for a specific purpose. It may involve postal, telephone or internet surveys.

The benefits of using primary research to a business such as Rolex might include;

- It is up to date information that enables Rolex to predict the demand for new watch models.
- The information is not available to any competitors so Rolex can use it to get ahead in the market.
- Rolex can verify the accuracy of any information that it attains rather than relying on perhaps misleading secondary data.
- The information obtained will be very relevant to the specific needs of Rolex.
- Primary research can be carried out by specialists.

The disadvantages of using primary research to a business such as Rolex might include;

- Primary research can be very expensive/time-consuming for Rolex to carry out in terms of the amount of planning required and the cost of gathering the data.
- Primary research is often difficult to carry out and interpret findings correctly. It may lead to poor commercial decisions being made.
- Results obtained may be inaccurate or biased which could prove expensive for Rolex.

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

Candidates are expected to evaluate throughout their answers.

AVAILABLE
MARKS

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO3 Analysis [3]
Level 3	<p>[3] Candidate demonstrates very good understanding of advantages and disadvantages.</p> <p>Candidate makes good use of specialist vocabulary when it is appropriate.</p>	<p>[2] Candidate applies knowledge effectively.</p>	<p>[3] Very good analysis of points.</p>
Level 2	<p>[2] Candidate demonstrates good understanding of advantages and disadvantages.</p> <p>Candidate makes good use of specialist vocabulary when it is appropriate.</p>	<p>[2] Candidate applies knowledge effectively.</p>	<p>[2] Good analysis of points.</p>
Level 1	<p>[1] Candidate demonstrates some understanding of advantages and disadvantages.</p> <p>Candidate makes good use of specialist vocabulary when it is appropriate.</p>	<p>[1] Candidate attempts to apply knowledge.</p>	<p>[1] Limited analysis of points.</p>
Level 0	<p>[0] Candidate demonstrates no understanding of advantages and disadvantages.</p>	<p>[0] Candidate does not attempt to apply knowledge.</p>	<p>[0] No analysis of points.</p>

**AVAILABLE
MARKS**

	AO4 Evaluation
	[4]
Level 3	<p>[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.</p>
Level 2	<p>[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.</p>
Level 1	<p>[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.</p>
Level 0	<p>[0] Candidate makes no attempt to evaluate the arguments presented.</p>

[12]

**AVAILABLE
MARKS**

40

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

A private limited company has a separate legal entity from its shareholders. This means that any debts incurred by the business belong to the company and are not the responsibility of the individual shareholders. If the company becomes insolvent the individual shareholders will not have to sell their private possessions to cover the debts of the company. Limited liability means that the shareholders will only lose what they have invested in the company.

The Parker Pen Company Ltd is an example of a private limited company as it has ltd. Its shareholders therefore enjoy limited liability.

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

[4]

AVAILABLE
MARKS

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

The price element is one of the elements of the marketing mix. Manufacturers must choose an appropriate price to sell their products at if they are to maximise profits. This price must fit well with the other elements of the marketing mix.

Fountain pen manufacturers, such as Parker Pens Ltd engaged in price wars to try to maintain sales although this proved ineffective. When fountain pens were perceived as a luxury item this allowed manufacturers to raise prices.

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

[4]

**AVAILABLE
MARKS**

- (c) Analyse how the cash flow of Parker Pens Ltd might be affected by the extended life cycle of fountain pens.

Cash flow involves the sales revenue coming into the Parker Pen Company Ltd and all money paid out to cover the expenses of the business.

As the fountain pens moved into the decline stage of the life cycle it is likely that sales revenue would have fallen considerably causing cash flow difficulties for the business, particularly as many running costs still had to be paid.

If the life cycle was extended, revenue would once again have increased due to the increased sales, helping to bring the cash flow situation back to a better state. This may not have happened immediately as the business may have had to spend extra money on promotion or product development to ensure that market share was maintained.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]	AO3 Analysis [4]
Level 2	[2] Candidate demonstrates good knowledge and understanding of cash flow and the product life cycle. Candidate makes good use of specialist vocabulary when it is appropriate.	[2] Candidate applies knowledge effectively.	[4]–[3] Good analysis of cash flow and the product life cycle.
Level 1	[1] Candidate demonstrates some knowledge and understanding of cash flow and the product life cycle. Candidate makes good use of specialist vocabulary when it is appropriate.	[1] Candidate attempts to apply knowledge.	[2]–[1] Limited analysis of cash flow and the product life cycle.
Level 0	[0] Candidate demonstrates no knowledge and understanding of cash flow and the product life cycle.	[0] Candidate does not attempt to apply knowledge.	[0] No analysis of cash flow and the product life cycle.

[8]

AVAILABLE
MARKS

- (d) Discuss the arguments for and against using cost advantage as a strategy to enable Parker Pens Ltd to gain competitive advantage in the fountain pen market.

Cost advantage refers to the ability of a business to constantly produce a product at a lower cost than its rivals. This enables it to sell at a lower price and achieve higher profits and greater market share. Alternatively it may keep prices constant and still benefit from greater profits.

Cost advantage allows a business to achieve competitive advantage in its market.

The arguments for Parker Pens Ltd using cost advantage might include:

- The business can gain significantly from economies of scale that other competitors might not have access to. This increases profitability for Parker Pens Ltd.
- Cost advantage is likely to be a popular and effective strategy in times of recession when consumers are unwilling to pay higher prices.
- Smaller companies simply cannot compete on cost so their market share is likely to decline and Parker Pens Ltd may capture customers.
- It allows the market share for Parker Pens to grow.

The arguments against Parker Pens Ltd using cost advantage might include:

- Profits of Parker Pens Ltd may be reduced if prices are lowered without a significant increase in sales volume.
- Product quality of fountain pens may be compromised if costs are reduced too much. This may reduce sales or cause brand image to deteriorate.
- Can lead to greatly increased competition in the market as all firms strive to cut costs.
- Price cutting was not an effective strategy in the past and may not work if there are insufficient customers in the fountain pen market.

As part of their discussion, candidates should consider both the arguments for and against and come to a final judgement.

Candidates are expected to evaluate throughout their answers.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO3 Analysis [3]
Level 3	<p>[3] Candidate demonstrates very good understanding of the advantages and disadvantages.</p> <p>Candidate makes good use of specialist vocabulary when it is appropriate.</p>	<p>[2] Candidate applies knowledge effectively.</p>	<p>[3] Very good analysis of arguments.</p>
Level 2	<p>[2] Candidate demonstrates good understanding of the advantages and disadvantages</p> <p>Candidate makes good use of specialist vocabulary when it is appropriate.</p>	<p>[2] Candidate applies knowledge effectively.</p>	<p>[2] Good analysis of arguments.</p>
Level 1	<p>[1] Candidate demonstrates some understanding of the advantages and disadvantages.</p> <p>Candidate makes good use of specialist vocabulary when it is appropriate.</p>	<p>[1] Candidate attempts to apply knowledge.</p>	<p>[1] Limited analysis of arguments.</p>
Level 0	<p>[0] Candidate demonstrates no understanding of the advantages and disadvantages.</p>	<p>[0] Candidate does not apply knowledge.</p>	<p>[0] No analysis of arguments.</p>

**AVAILABLE
MARKS**

	AO4 Evaluation
	[4]
Level 3	<p>[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.</p>
Level 2	<p>[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.</p>
Level 1	<p>[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.</p>
Level 0	<p>[0] Candidate makes no attempt to evaluate the arguments presented.</p>

[12]

**AVAILABLE
MARKS**

- (e) Evaluate the usefulness of the product life cycle to a business such as Parker Pens Ltd.

AVAILABLE
MARKS

The product life cycle concept is likely to be useful to a business such as Parker Pens Ltd for a number of reasons. These might include;

- It will help Parker Pens Ltd in decisions about when to withdraw a fountain pen model from the market, or even about when to close down as a business.
- It is particularly useful for businesses such as Parker Pens Ltd which have a portfolio of products to manage.
- It will allow Parker Pens Ltd to assess the cash flow implications of marketing decisions.
- It will allow Parker Pens Ltd to make better decisions about when to introduce new models or change elements of the marketing mix in order to improve sales.

There are a number of difficulties to Parker Pens Ltd of using the product life cycle. These might include;

- There are practical problems in assessing exactly what stage a product is at at a particular time. Sales of fountain pens may go down temporarily due to recession for example, not because a product is at the end of its life cycle.
- Timing is critical in decisions relating to the introduction and withdrawal of products yet it is difficult to be precise when dealing with product life cycle charts.
- It does not indicate market potential, merely historical sales achieved so far. This may be misleading to Parker Pens Ltd.

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

Candidates are expected to evaluate throughout their answers.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO3 Analysis [3]
Level 3	<p>[3] Candidate demonstrates very good understanding of advantages and disadvantages.</p> <p>Candidate makes good use of specialist vocabulary when it is appropriate.</p>	<p>[2] Candidate applies knowledge effectively.</p>	<p>[3] Very good analysis of points.</p>
Level 2	<p>[2] Candidate demonstrates good understanding of advantages and disadvantages.</p> <p>Candidate makes good use of specialist vocabulary when it is appropriate.</p>	<p>[2] Candidate applies knowledge effectively.</p>	<p>[2] Good analysis of points.</p>
Level 1	<p>[1] Candidate demonstrates some understanding of advantages and disadvantages.</p> <p>Candidate makes good use of specialist vocabulary when it is appropriate.</p>	<p>[1] Candidate attempts to apply knowledge.</p>	<p>[1] Limited analysis of points.</p>
Level 0	<p>[0] Candidate demonstrates no understanding of advantages and disadvantages.</p>	<p>[0] Candidate does not attempt to apply knowledge.</p>	<p>[0] No analysis of points.</p>

**AVAILABLE
MARKS**

AO4 Evaluation		AVAILABLE MARKS
	[4]	
Level 3	<p>[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.</p>	
Level 2	<p>[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.</p>	
Level 1	<p>[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.</p>	
Level 0	<p>[0] Candidate makes no attempt to evaluate the arguments presented.</p>	
	[12]	40
	Total	80