



Rewarding Learning

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

Business Studies

Assessment Unit AS 1

assessing

The Competitive Business

[AT111]

FRIDAY 13 JUNE, MORNING

**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.

Question 1

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

Promotion is the process by which a business communicates information about their products in an attempt to persuade customers to purchase them. The most common promotional methods are advertising, sales promotions, sponsorships and public relations.

easyJet use sponsorship as a means of raising awareness of their airline. They have sponsored the MOBO awards and are official airline for the music awards.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]
Level 2	[2] Candidate demonstrates good understanding of the term.	[2] Candidate makes good application of the term.
Level 1	[1] Candidate demonstrates some understanding of the term.	[1] Candidate attempts to make some application of the term.
Level 0	[0] Candidate demonstrates no understanding of the term.	[0] No attempt at application.

[4]

**AVAILABLE
MARKS**

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

Differentiation advantage is when a firm such as easyJet has the ability to separate itself and its products from their main competitor's and therefore making it more attractive to a particular target market. easyJet customers will see their level of service as superior to their rivals.

easyJet have differentiated their service by offering the facility of TripAdvisor when booking a flight from them.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]
Level 2	[2] Candidate demonstrates good understanding of what is meant by the term.	[2] Candidate makes good application.
Level 1	[1] Candidate demonstrates some understanding of what is meant by the term.	[1] Candidate attempts to make some application.
Level 0	[0] Candidate demonstrates no understanding of what is meant by the term.	[0] No attempt at application.

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(c) Analyse how a business such as easyJet might benefit from internal economies of scale.

- Purchasing economies of scale – the more oil, for example, that an airline can purchase at a cheaper price the greater the cost savings overall.
- Marketing economies of scale – every aspect of marketing is very expensive; therefore if an airline can save money on advertising and promotion it would be hugely beneficial. Airlines tend to advertise/promote on the internet, billboards and sponsorship.
- Technical economies of scale – all of the major airlines allow its passenger to purchase tickets online. This will reduce the administration needed. Some airlines also allow passengers to print out their tickets online, resulting in minimal contact at the airport terminal.
- Financial economies of scale – the larger airlines find it much easier to raise finance. Some are Plcs and can sell shares in order to raise finance. However, they are more susceptible to hostile takeovers as a result.
- Managerial economies of scale – when an airline grows there is potential for the firm to have managers that specialise in certain areas.
- Risk-bearing – easyJet may be seen as less of a risk.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]	AO3 Analysis [4]
Level 2	[2] Candidate demonstrates good understanding of the term.	[2] Candidate makes good application of the term.	[4]–[3] Good analysis of the term.
Level 1	[1] Candidate demonstrates some understanding of the term.	[1] Candidate attempts to make some application of the term.	[2]–[1] Limited analysis of the term.
Level 0	[0] Candidate demonstrates no understanding of the term.	[0] No attempt at application of the term.	[0] No analysis of the term.

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(d) Discuss the implications to easyJet of operating in such a competitive market.

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There are likely to be the implications to easyJet as a result of encountering competition in its market:

- Competition keeps easyJet efficient and strong.
- It can motivate easyJet's management team and workers.
- easyJet may gain a large market share if competing against many small competitors.
- It may make easyJet open up and fly to more cities around the world.

The drawbacks to easyJet of encountering competition in its market might include:

- May result in reduced quality.
- More needed to promote products.
- May result in lower sales/profits.
- May have to keep prices low to compete.
- May have to spend heavily to enter new markets.
- Constantly have to update to keep up with competition.
- May have to spend a lot on research & development.
- Time needed to develop plans.

Candidates are expected to evaluate throughout.

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

Some candidates may approach this question by focusing more on specific ways by which easyJet might react to the competition it encounters. For example, by reducing prices in order to compete. Such an approach is valid and should be given credit.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO3 Analysis [3]
Level 3	[3] Candidate demonstrates excellent understanding of the term.	[2] Candidate makes excellent application of the term.	[3] Excellent analysis of the term.
Level 2	[2] Candidate demonstrates good understanding of the term.	[2] Candidate makes good application of the term.	[2] Good analysis of the term.
Level 1	[1] Candidate demonstrates some understanding of the term.	[1] Candidate attempts to make some application of the term.	[1] Limited analysis of the term.
Level 0	[0] Candidate demonstrates no understanding of the term.	[0] No attempt at application.	[0] No analysis of the term.

	AO4 Evaluation [4]
Level 3	[4] Candidate gives a full evaluation of the arguments presented and forms a final judgement. QWC is excellent.
Level 2	[3]–[2] Candidate gives a satisfactory evaluation of the arguments presented and forms a final judgement. QWC is good.
Level 1	[1] Candidate attempts some evaluation of the arguments presented. QWC is limited.
Level 0	[0] Candidate gives no evaluation of the arguments presented and forms no final judgement. QWC is poor.

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(e) Evaluate the usefulness of a marketing plan to an airline such as easyJet.

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Advantages:

- May be required in order to receive finance to cover marketing and other costs.
- It ensures the survival of easyJet by giving it time to reflect upon the efficiency of its operations. The external environment changes constantly and any business needs to take account of this.
- A marketing plan ensures that easyJet uses its human and financial resources most effectively. Resources can be reallocated to where they are needed most.
- Through setting marketing objectives and targets in the planning process, the owners/managers will have a way of measuring the progress of the business.
- The setting of such targets will also motivate the owners/managers to achieve them.
- Ensures that the marketing mix is appropriate.

Disadvantages:

- The time and expense involved in drawing it up. easyJet will also have to continually update it and evaluate its progress. This takes focus off the core activities of the business.
- The external environment is changing constantly so the owners/managers will find it difficult to take account of all the relevant factors impacting upon the business at any given time.
- Employees/managers may find that having such targets might prove restrictive to easyJet. 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 easyJet to gather accurate, quantitative data necessary for a marketing plan.
- Workers may be demotivated if targets in plan not achieved.

Candidates are expected to evaluate throughout.

As part of their discussion, candidates should come to an overall final judgement about the importance of a marketing plan.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO3 Analysis [3]
Level 3	[3] Candidate demonstrates excellent knowledge of the term.	[2] Candidate makes excellent application of the term.	[3] Excellent analysis of the term.
Level 2	[2] Candidate demonstrates good understanding of the term.	[2] Candidate makes good application of the term.	[2] Good analysis of the term.
Level 1	[1] Candidate demonstrates some understanding of the term.	[1] Candidate attempts to make some application of the term.	[1] Limited analysis of the term.
Level 0	[0] Candidate demonstrates no understanding of the term.	[0] No attempt at application of the term.	[0] No analysis of the term.

	AO4 Evaluation [4]
Level 3	[4] Candidate gives a full evaluation of the arguments presented and forms a final judgement. QWC is excellent.
Level 2	[3]–[2] Candidate gives a satisfactory evaluation of the arguments presented and forms a final judgement. QWC is good.
Level 1	[1] Candidate attempts some evaluation of the arguments presented. QWC is limited.
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[12]

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Question 2

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

Lean production is a production technique which attempts to produce goods and services while eliminating waste. Lean production is about reducing the costs associated with waste, such as less labour, less space and less inventory.

Aldi uses lean production to pass savings onto consumers; they look at ways of using less labour, less materials, space and time. Aldi focuses on the physical environment- the store layout and shorter opening hours as a means to reducing labour costs.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]
Level 2	[2] Candidate demonstrates good understanding of the term.	[2] Candidate makes good application of the term.
Level 1	[1] Candidate demonstrates some understanding of the term.	[1] Candidate attempts to make some application of the term.
Level 0	[0] Candidate demonstrates no understanding of the term.	[0] No attempt at application.

[4]

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

Market share is the proportion of total sales in a market that is held by a particular brand, product or company. It is normally calculated by taking a company's sales revenue and dividing it by the total value of sales in that particular market. It can also be calculated by taking their total volume of sales for the company and dividing it by the total volume of units sold in that market. Aldi's market share has grown to 3% and this is quite good because the total value of sales is £138.2 billion. This is £4.14 billion.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]
Level 2	[2] Candidate demonstrates good understanding of the term.	[2] Candidate makes good application of the term.
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[4]

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(c) Analyse the benefits to Aldi Ltd of introducing store loyalty cards.

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Benefits:

- Gives a competitive advantage.
- Attracts new customers.
- Good marketing technique.
- Store loyalty cards would produce large quantities of accurate information.
- The data produced by store loyalty cards can be used to look for regional or local trends in shopping habits and therefore enable Aldi to specifically target certain geographical areas.
- Once the card is set up it is extremely easy to run.
- Those stores who have loyalty cards find that customers may spend a longer time and more money in their stores than those who don't use loyalty cards.
- Increases loyalty, therefore leads to repeat customers.

	AO1 Knowledge and Understanding [2]	AO2 Application [2]	AO3 Analysis [4]
Level 2	[2] Candidate demonstrates good understanding of the term.	[2] Candidate makes good application of the term.	[4]–[3] Good analysis of the term.
Level 1	[1] Candidate demonstrates some understanding of the term.	[1] Candidate attempts to make some application of the term.	[2]–[1] Limited analysis of the term.
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[8]

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- (d) Discuss the advantages and disadvantages of Aldi Ltd operating as a private limited company.

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Advantages of a private limited company:

- Not open to a hostile takeover.
- Benefits from economies of scale.
- Aldi's shareholders will have limited liability and the business has a separate legal existence.
- Aldi would have more access to capital than an unincorporated business.
- More privacy than a Plc, as it only has to release a limited amount of financial information.
- Aldi would be a lot more flexible than a Plc, such as decision-making.
- Increased specialisation.

Disadvantages of being a private limited company:

- Accounts have to be filed with the Registrar of Companies and are then open to the public for inspection so Aldi cannot keep information from competitors.
- Profits now have to be shared out amongst shareholders Aldi needs to be careful that they do not issue too many shares.
- Aldi is still limited in the capital it can raise since shares cannot be sold to the general public as in a public limited company.
- On-going costs of a Ltd. – such as administration costs, e.g. accounts have to be audited.

Candidates are expected to evaluate throughout.

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

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO3 Analysis [3]
Level 3	[3] Candidate demonstrates excellent understanding of the term.		[3] Excellent analysis of the term.
Level 2	[2] Candidate demonstrates good understanding of the term.	[2] Candidate makes good application of the term.	[2] Good analysis of the term.
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[12]

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(e) Evaluate the usefulness of a quality policy to a business such as Aldi Ltd.

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Advantages for Aldi:

- Allows premium pricing.
- Gives a USP if others don't.
- Aldi may find that quality adds value to the firm's products.
- Aldi will reduce costs if the quality of its products is high.
- Improved quality may lead to greater customer loyalty.
- A quality award, such as Which?, should help to improve the image of Aldi.
- Improved quality may motivate the staff to continue offering the high quality service.
- It may attract good staff to Aldi.
- It avoids costly complaints for Aldi.
- It may improve the brand image for Aldi.
- It has increased market share.
- Aldi may find themselves with a competitive advantage.

Disadvantages for Aldi:

- It takes time and money to ensure that all stakeholders are aware of the quality expected.
- Aldi will be under scrutiny to continue the high quality expected, and if they don't reach the high standards they may receive bad PR.
- It can put a lot of pressure onto workers, and as a result de-motivate Aldi's workers.
- Takes focus away from their day-to-day running.

Candidates are expected to evaluate throughout.

As part of their discussion, candidates should come to a final judgement about the importance to a company of having an effective quality policy.

	AO1 Knowledge and Understanding [3]	AO2 Application [2]	AO3 Analysis [3]
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Level 2	[2] Candidate demonstrates good understanding of the term.	[2] Candidate makes good application of the term.	[2] Good analysis of the term.
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[12]

Total

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