



Rewarding Learning

**ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2015**

Business Studies

Assessment Unit AS 1

assessing

The Competitive Business

[AT111]

WEDNESDAY 10 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.

- 1 (a) Explain what is meant by price elasticity of demand, using an example from the case study to illustrate your answer.

Price elastic means that the demand for the product is responsive to a change in price. If the price of greeting cards drop then the corresponding change in demand is significant.

Mother’s Day greeting cards and greeting cards in general appear to be elastic. The demand is affected by a change in price. In this case the price fell by 4 pence and demand rose by 1 million cards.

	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) Calculate the price elasticity of demand for Mother's Day Cards, using the information from the case study.

$$\text{PeD} = \frac{\text{Percentage change of Quantity demanded}}{\text{Percentage change in Price}}$$

$$\text{How to calculate the percentage change} = \frac{\text{Change}}{\text{Original} \times 100}$$

Mother's Day Cards – the price dropped from £1.91 to £1.87. This means a

$$\text{percentage change of } 2.09\%, \text{ i.e. } \frac{4\text{p}}{1.91\text{p}} = 2.09\%$$

Percentage change in quantity demanded – demand rose by 1 million cards, this means a percentage change of 3.39%, i.e. 29.5m to 30.5m

$$\frac{1}{29.5} = 3.39\%$$

$$\text{PeD} = \frac{3.39}{2.09} = 1.6$$

	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.

[4]

AVAILABLE
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- (c) Analyse how a card manufacturer such as Moonpig.com may seek to improve the labour productivity of its workforce.

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 Moonpig.com could do in order to improve labour productivity.

These include:

- level of communication
- 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 – appraisal
- leadership style.

	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] Some 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.

[8]

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MARKS

- (d) Discuss the advantages and disadvantages of niche marketing to a business such as Moonpig.com

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A niche market is a business that focuses on a need for a product or service that is not being addressed by mainstream providers. You can think of a niche market as a narrowly defined group of potential customers. A niche market is the term used to describe a narrow or focused subset of a larger market sector. The most obvious example from the case study is the market for Chinese New Year cards, announcing a pregnancy card or a Halloween card.

Benefits of a niche market:

- Premium price
- Less capital investment, lower costs
- Moonpig should find it easier to appeal to its target customers.
- having such a niche market may reduce overall advertising costs for Moonpig.
- you can gain more profits; this may be due to few competitors in the same market.
- a niche strategy for Moonpig will allow them to come up with their own unique products.
- there will be less competition
- it will allow Moonpig to establish its name, they become the market leader.
- Moonpig will be able to tailor their cards specifically to suit their target market
- Niche market extends the product life cycle.

The disadvantages of following such a strategy might include:

- it is risky as there may not be as much demand for products such as 'Chinese New Year' and Halloween cards.
- it will require considerable expenditure on promotional activities.
- competitors, such as Funky Pigeon may be able to respond quickly with improved products
- it may harm Moonpig's brand image amongst traditional customers
- may mean expensive market research
- niche market may be too small.

Candidates are expected to evaluate throughout their answers and write a final judgement to get full marks.

	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]-[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.	[1] Some 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 an excellent evaluation of the arguments presented and forms a final judgement. QWC is excellent.
Level 2	[3]-[2] Candidate gives a good 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 a final judgement. QWC is poor.

[12]

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AVAILABLE MARKS

- (e) Evaluate the usefulness of the product life cycle to businesses operating in the Greeting Card industry.

A product life cycle shows the different stages in the life of a product and the sales that can be expected at each stage.

Application:

Mother's Day Cards have grown significantly; this shows that some target markets are growing.

E-commerce and the use of Apps have injected new sales into the market.

New target markets – for example Halloween

The advantages to Moonpig.com of trying to prolong the life cycle of one of its products might include:

- it helps to aid decisions – number of employees
- it helps with R&D and the production stage of the greeting cards.
- it allows greeting card businesses to make more effective decision making on new products.
- may bring in extra sales revenue/profits for many years.
- it shows the level of cashflow in and out at various stages of the product life cycle.
- it helps businesses such as Moonpig.com to ensure they have a variety of products within the product life cycle.
- it helps to decide when to introduce extension strategies and when to withdraw
- it helps to predict future sales – extrapolate.

The disadvantages to Moonpig.com of trying to prolong the life cycle of one of its products might include:

- it does not indicate the market potential, merely historical sales achieved so far. This may be misleading to businesses.
- there are practical problems in assessing exactly what stage a product is at a particular time. Sales of greeting cards may go down temporarily due to recession for example, not because the 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
- costly and time consuming.

Candidates are expected to evaluate throughout their answer and write a final judgement to get full marks.

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	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] Some analysis of the term.
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Level 3	[4] Candidate gives an excellent evaluation of the arguments presented and forms a final judgement. QWC is excellent.
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Level 1	[1] Candidate attempts some evaluation of the arguments presented. QWC is limited.
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[12]

**AVAILABLE
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- 2 (a) Explain what is meant by test marketing, using an example from the case study to illustrate your answer.

Test market is the launch of a new or improved product within a tight defined location/area, in order to measure actual sales potential. Launching a product nationally is so expensive in production costs, advertising expenditure that JML would not take that risk.

For JML it will help them to provide more accurate sales forecasts and to learn any lessons before a national launch. It costs JML £1 million pounds a year to test market its products.

	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.
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[4]

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

Quality can be seen as the way JML respond to customer comments and the feedback they receive from customers. It is how reliable their products are and the durability. Quality may be thought of as the extent to which a set of inherent characteristics meet established requirements – the needs and wants of customers.

JML have products of a high standard and these are shown in in-store videos such as the fountain pen.

	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 the term.	[1] Candidate attempts to make some application.
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[4]

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**AVAILABLE
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(c) Analyse the factors that JML may have considered when deciding to use television advertising.

- competitors' actions
- type of product
- it can reach a wider audience – 25 million homes.
- it can be adapted to suit a wide audience, depends on their target audience.
- it can be used to build up brand loyalty to JML.
- the cost of television advertising – it depends on their advertising budget
- objectives of the business
- enhances image.

	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] Some 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.

[8]

**AVAILABLE
MARKS**

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- (d) Discuss the advantages and disadvantages of using e-commerce to a business such as JML.

AVAILABLE
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Advantages of e-commerce to JML:

- JML can source suppliers
- allows impulse purchases
- JML to carry out market research
- having access to a global market makes JML better known.
- the wider market gives JML the opportunity to be ahead of its competitors
- e-commerce increases sales which usually leads to increased profit for JML.
- expensive showrooms and premises are unnecessary which is a major saving.
- advertising costs are kept to a minimum.
- increased sales and production enable the business to take advantage of economies of scale.
- JML is always open so there are opportunities for sales at all times
- improved corporate image.

Disadvantages of e-commerce to JML:

- it takes time and money for JML to constantly maintain and update the website.
- JML will need to ensure that the website is secure; otherwise consumers will be reluctant to use it. This creates a bad image for JML.
- not all of JML customers will have access to the internet, therefore they may miss out on sales.
- the website may be affected by technical difficulties which can slow down or stop purchasing altogether.
- it is expensive for JML to set up a website, in terms of the hardware needed.
- JML would need the properly trained IT staff, to ensure it runs smoothly.
- it may add additional costs for distribution.
- organising the return of goods can be expensive.
- there would be a lack of personal service for JML customers
- increased competition.

Candidates are expected to evaluate throughout and write a final judgement to get full marks.

	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]-[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.	[1] Some analysis of the term.
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Level 0	[0] Candidate gives no evaluation of the arguments presented and forms a final judgement. QWC is poor.

[12]

12

AVAILABLE MARKS

- (e) Discuss the benefits and drawbacks to a business such as JML of using quota sampling as a method of sampling.

A sample is a group of respondents to a market research exercise selected to be representative of the views of the target market as a whole.

JML places huge emphasis on the size of the sample, if it is too small then the results will not be as accurate.

The advantages to a business such as JML 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 JML customer base, for example the majority may be women.
- useful where the proportions of the population with various characteristics are known. JML may record customer detail when sales are made, to be used later
- easier/cheaper to conduct compared to other sampling methods, uses smaller sample sizes.

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

- can be very expensive as JML may have to employ a market research firm to carry out such a sample
- JML 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
- bias – not based on the laws of probability.

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

Candidates are expected to evaluate throughout their answers and write a final judgement to get full marks.

	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] Some 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 an excellent evaluation of the arguments presented and forms a final judgement. QWC is excellent.
Level 2	[3]–[2] Candidate gives a good 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 a final judgement. QWC is poor.

[12]

Total

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MARKS**

12

80