

# ResultsPlus

Examiners' Report

June 2011

GCE Business Studies 6BS02 01

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## Introduction

The summer paper of 2011 proved to be accessible to most candidates with little evidence of candidates failing to complete tasks due to an inadequate time allowance. The mean mark increased when compared to the January 2011 paper with a particular improvement in candidate performance in the supported multiple choice section. Some candidates achieved higher marks in this 24 mark section than they did in the 46 mark section. Centres are to be congratulated on their work in helping candidates to acquire the necessary skills and it is hoped this can be replicated in section B in the future. Two questions proved particularly troublesome for candidates, Whilst some candidates had a good, clear understanding of the design mix (question 8), many had no idea of what the concept was. More disappointingly, question 10, on contingency finance planning was poorly answered with very few candidates being able to use their knowledge of working capital to make the connection to short term financial planning. Those who concentrated on overdrafts (a correct response) often didn't provide enough detail. On the positive side candidates answered the question on marketing mix well, allying theory to the specific requirements of the question and question 13 saw some pleasing responses on motivation. A good number of candidates married theory (and theorists) with practical methods quite well and provided justification for their answers.

## Question 1

This question proved more challenging to candidates than was anticipated. A clear definition helped enormously but too many candidates were not able to say why an increase in productivity increased capacity utilisation. Often the distracters were dealt with inappropriately with a common response being 'reduced stock levels has nothing to do with capacity utilisation'.

1 (a) BAe Systems wishes to increase output of aircraft components from its existing facilities.

Which **one** of the following is a way of improving capacity utilisation at BAe Systems?

(1)

- A Reduce stock levels
- B Increase productivity of its workforce
- C Reduce spending on advertising
- D Increase prices

Answer

B

(b) Explain your answer.

(3)

Capacity utilization is the actual output as a proportion of the maximum output.  
By increasing the productivity of BAe's workforce you are able to reduce ~~the~~ <sup>the</sup> average cost of producing aircraft components.  
By reducing the stock levels you are not using the capacity to its full potential.  
Increasing productivity will result in a greater output as a result capacity utilization will improve. (Total for Question 1 = 4 marks)



**ResultsPlus**

**Examiner Comments**

Here the candidate provides a correct definition of the main concept and was able to explain that average unit cost would fall and that as productivity increased greater output ensued as a result. This was not the best answer seen but was sufficient to gain full marks.



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**Examiner Tip**

Look for a key term to explain or define.

1 (a) BAe Systems wishes to increase output of aircraft components from its existing facilities.

Which **one** of the following is a way of improving capacity utilisation at BAe Systems?

(1)

- A Reduce stock levels
- B Increase productivity of its workforce
- C Reduce spending on advertising
- D Increase prices

Answer

B

(b) Explain your answer.

(3)

Capacity utilisation is ~~the~~<sup>a</sup> percentage of your maximum output that you are currently working at. To increase the productivity of the workforce means that more products will be going out in the same time as before the increase in productivity. By increasing your price it might increase profits but it won't affect the capacity utilisation.



### ResultsPlus Examiner Comments

Again, a correct definition to start off the process. The candidate understands that more products being produced in the same amount of time increases productivity, and although there is no mention of existing resources, there is enough to secure a mark. The candidate goes on to explain one of the incorrect responses and although, once again, the reasoning could have been more detailed, there is enough to claim the third mark.

## Question 2

Many candidates coped well with this question stating clearly why the move by the Evening Standard to become a free paper was an extension strategy designed to increase reading numbers and as a consequence attract advertisers. A popular misconception was that this move increased the product portfolio.

In endeavouring to use real questions and to keep up-to-date the topicality of this question has been brought into sharp focus by the recent tribulations in the newspaper industry. Some years ago it would be unthinkable for newspapers to be offered free but that is what some are doing as a means of keeping afloat. Another extension strategy could be on-line subscriptions - watch this space!

- 2 (a) The *London Evening Standard* became a free newspaper in October 2009. An objective was to more than double its circulation from 250,000 to 600,000.

This might best be seen as an example of

(1)

- A an extension strategy to attract advertising revenue
- B niche marketing
- C a reduction in the environmental impact of the business
- D an increase in the product portfolio

Answer

A

- (b) Explain your answer.

(3)

An extension strategy is such a strategy where the product is not retracted but value is added somehow (in this instance making the paper free) while the product is still available in order to attract more customers.



### ResultsPlus Examiner Comments

The candidate struggled with the concept of 'extension strategy'. Some idea of maintaining the life of the product is gleaned from this answer - just enough to secure one mark.



### ResultsPlus Examiner Tip

If candidates are not totally sure of themselves it is always a good idea to try to explain one of the incorrect options with the key word being explain.

- 2 (a) The *London Evening Standard* became a free newspaper in October 2009. An objective was to more than double its circulation from 250,000 to 600,000.

This might best be seen as an example of

(1)

- A an extension strategy to attract advertising revenue
- B niche marketing
- C a reduction in the environmental impact of the business
- D an increase in the product portfolio

Answer

A

- (b) Explain your answer.

(3)

A is the right answer as by making the paper become free it will mean more people will be demanding the product. B is wrong as a niche market only targets a small segment of the market and is unique. It is also not an increase in product portfolio as the product is not being sold but its free.



### ResultsPlus Examiner Comments

A mark is awarded for the correct explanation of why the answer is not (B) - a niche market. No definition is attempted but the candidate links gaining more readers with the paper becoming free - just enough for a mark. If the candidate had gone on to link this to advertising revenue then full marks would have been awarded.

### Question 3

Candidates generally seem quite well prepared for questions linking business to the environment and they can see how this is often used as a marketing ploy.

This question appeared to discriminate well between candidates with the majority of candidates confidently dealing with the issues.

- 3 (a) Forster, a London-based media firm, brands itself as an 'ethical marketing, Public Relations and design company'. It tries to make the environment an everyday consideration for staff.

One of the likely objectives of this strategy is to

(1)

- A centralise decision-making
- B increase the carbon footprint of the business
- C increase labour turnover
- D attract additional business from customers

Answer

D

- (b) Explain your answer.

(3)

If the staff are enthusiastic and considerate about the environment, it may attract additional business from customers if they have the same views. It can create a personal link with the company if they are promoting environmentally friendly stuff. It won't be increase labour turnover, as it doesn't have anything to do with the wages and salaries of employees.



**ResultsPlus**

**Examiner Comments**

The first two sentences, linking considerate staff with like minded customers is enough to ensure the 2 marks. To gain the third the candidate must do better than say increased labour turnover has nothing to do with the strategy. A mark would be given if the candidate had said that as the firm is ethically based its staff are likely to be attracted to this view, making them happier at work, therefore possibly reducing labour turnover.



**ResultsPlus**

**Examiner Tip**

When trying to explain incorrect answers always attempt to say why the choice is incorrect.



- 3 (a) Forster, a London-based media firm, brands itself as an 'ethical marketing, Public Relations and design company'. It tries to make the environment an everyday consideration for staff.

One of the likely objectives of this strategy is to

(1)

- A centralise decision-making
- B increase the carbon footprint of the business
- C increase labour turnover
- D attract additional business from customers

Answer

D

- (b) Explain your answer.

(3)

It is done to attract the customers towards their firms. with this strategy, centralise decision making is done by the director of the firm where decisions are made by him by increasing labour turnover the firm cannot make the staff consider with the environment.



**ResultsPlus**  
Examiner Comments

The candidate selects the right option but then goes on to offer an explanation of centralised decision making which offers no credible point for mark gathering.

## Question 4

This question proved particularly beneficial to most candidates, if not a particularly good discriminator. Nearly all candidates scored at least 2 marks and the only problem for many candidates was whether they could show their workings, as instructed.

- 4 (a) Anne Walker, founder of International Dance Supplies, forecasts monthly cash flows for her business.

July 2011 Cash Flow

<u>Cash Inflow</u>	<b>£ m</b>
Cash sales	1
Payment from debtors	0.5
Total cash inflow	1.5
<u>Cash Outflow</u>	<b>£ m</b>
Labour	0.25
Materials	0.5
Overheads	0.5
Total cash outflow	1.25
<b>Net cash flow</b>	<b>0.25</b>

What will be the new forecasted net cash flow for July 2011 if Anne now expects cash sales to be 20% higher and materials to be 20% higher?

(1)

- A £0  
 B £0.1 m  
 C £0.35 m  
 D £0.5 m

Answer

**C**

- (b) Explain your answer (show your working).

(3)

$$\begin{array}{r} \text{cash inflow} \\ \text{cash sales} \end{array} = \begin{array}{r} +20\% \\ 1.2 \end{array} \quad \begin{array}{r} \text{total} \\ 1.7 \end{array}$$

$$\begin{array}{r} \text{payment} \\ \text{overheads} \end{array} \begin{array}{r} 0.5 \\ 0.5 \end{array}$$

$$\text{cash outflow} \begin{array}{r} \text{Labour} \\ \text{materials} \\ \text{overhead} \end{array} \begin{array}{r} 0.25 \\ 0.6 \\ 0.5 \end{array} \quad \begin{array}{r} 1.35 \end{array}$$

$$\text{inflow} - \text{outflow} = \text{net cash flow}$$

$$1.7 - 1.35 = \pounds 0.35$$



### ResultsPlus Examiner Comments

This candidate, though not the neatest, provided enough information to hit the key calculations and to indicate how the final figure was obtained.



### ResultsPlus Examiner Tip

Future questions with calculations may not be so friendly to candidates so remember that if asked to explain, showing your workings, you must do this.

- 4 (a) Anne Walker, founder of International Dance Supplies, forecasts monthly cash flows for her business.

**July 2011 Cash Flow**

Cash Inflow	£ m	
Cash sales	1	- 1.2 m
Payment from debtors	0.5	
Total cash inflow	1.5	= 1.7 m
Cash Outflow	£ m	
Labour	0.25	
Materials	0.5	- 0.6 m
Overheads	0.5	
Total cash outflow	1.25	→ 1.35
<b>Net cash flow</b>	<b>0.25</b>	

What will be the new forecasted net cash flow for July 2011 if Anne now expects cash sales to be 20% higher and materials to be 20% higher?

(1)

- A £0  
 B £0.1 m  
 C £0.35 m  
 D £0.5 m

Answer

C

(b) Explain your answer (show your working).

(3)

Net cash flows = Total inflow - Total outflow  
 therefore it would be ~~£1.5m - £1.25m =~~  
 $£1.7m - £1.35m = £0.35m$   
 If cash sales were raised by 20% they would be  
 £1.2m  
 and materials would be £0.6m



**ResultsPlus**  
 Examiner Comments

This candidate included a definition as well as the calculation, and scored full marks. Examiners were instructed to award marks for calculations even if they were shown alongside the table rather than in the correct place, below.

## Question 5

Most candidates were able to do the arithmetic and therefore scored at least 2 marks in part (b), many going on to show or explain why the variance was adverse. Marks were lost where candidates selected 'C', a favourable variance or failed to explain what a variance was or alternatively didn't clearly show an adverse variance in their calculation.

If this paper is anything to go by candidates are more comfortable with questions requiring calculations. There will not always be 2 of them on a paper and future questions may have to be a little more taxing!

- 5 (a) Sole Trader is a UK footwear retailer. Its budgeted sales for one month were 1 000 units at £50. Its actual sales were 900 units at £52.50.

The accounts department calculated a sales variance of

(1)

- A £50 000 favourable
- B £50 000 adverse
- C £2 750 favourable
- D £2 750 adverse

Answer

C

- (b) Explain your answer (show your working).

(3)

$$1000 \times 50 = 50000$$

$$50000 - 47250 = 2750$$

$$900 \times 52.50 = 47250$$

Sales variance figures look at budgeted and actual sales to show whether a business is exceeding its budgets. To work out sales variance you do budgeted - actual, as this figure came out as £2750 the budgeted figure is greater than actual sales so the business is £2750 favourable for that month.



### ResultsPlus Examiner Comments

This answer is typical of those where the candidate picked 'C' instead of the correct response 'D'. The calculations were correct but the maximum mark that could be awarded to any SMC question that was answered incorrectly is 2.



### ResultsPlus Examiner Tip

A definition of sales variance may have helped candidates to realise that the actual figure is set out first and that if the budgeted figure is greater than the actual result is an adverse variance.

- 5 (a) Sole Trader is a UK footwear retailer. Its budgeted sales for one month were 1 000 units at £50. Its actual sales were 900 units at £52.50.

The accounts department calculated a sales variance of

(1)

- A £50 000 favourable
- B £50 000 adverse
- C £2 750 favourable
- D £2 750 adverse

Answer

D

- (b) Explain your answer (show your working).

(3)

Budget	Actual
$(1000 \times 50)$	$(900 \times 52.50)$
Variance = Actual - Budget = $47250 - 50000$	
= $-2750$	



### ResultsPlus Examiner Comments

The easiest 3 marks this candidate will ever gain all because the candidate knows how to set out the formula and by displaying the results as  $47250$  minus  $50000 = -2750$ , gets all 3 marks.

## Question 6

Although the majority of candidates chose the correct option - B, far fewer were able to explain their answer well enough to gain all 3 marks. Once again a good starting point is to define the main concept, in this case 'narrow span of control'. Perhaps the reason for fewer candidates than expected scoring 3 marks was because the question asked 'which of the following might be a disadvantage?' The most straightforward way of achieving the 3 marks is by explaining why the chosen response is correct, but many tried to explain why the others were incorrect, and whilst this is a valid route to take, caused some confusion.

Candidates may need to brush up on their organisational structure work because a significant minority were confused as to what constitutes a narrow span, with a number believing that this would be associated with fewer levels in a hierarchy.

6 (a) Carl Beatty's vehicle repair centre has grown rapidly. He is considering changing the organisational structure.

Which **one** of the following might be a **disadvantage** of a narrow span of control for the vehicle repair centre?

(1)

- A It allows a manager to communicate quickly with employees under his control ✘
- B Management costs may increase ✓
- C Less management skill is needed as it requires a higher level of skill to control a greater number of workers ✘
- D Feedback of ideas from the workers should be gained more rapidly

Answer

A  B

(b) Explain your answer.

(3)

Organizational Structure Shows the pattern of relationships among position of the business.  
By having a narrow span of control, there will be only a few workers under your control therefore there will be many managers incharge of small batches of workers. This will increase management cost as a result.  
Feedback of ideas will be fast as there are only few workers accountable for one manager.  
(Total for Question 6 = 4 marks)



**ResultsPlus**

**Examiner Comments**

Wherever possible examiners will award marks for the first part if they can work out what the candidate has written. Here the candidate crosses out the first attempt and writes the preferred option outside the box. This is acceptable but many candidates risk losing their mark with an indecipherable answer. Although this candidate does not specifically define 'span of control' there is enough here for full marks. The essence of the answer, that a narrow span requires more managers at a greater cost is well understood. One of the distractors is also explained, in context.

- 6 (a) Carl Beatty's vehicle repair centre has grown rapidly. He is considering changing the organisational structure.

Which **one** of the following might be a **disadvantage** of a narrow span of control for the vehicle repair centre?

(1)

- A It allows a manager to communicate quickly with employees under his control
- B Management costs may increase
- C Less management skill is needed as it requires a higher level of skill to control a greater number of workers
- D Feedback of ideas from the workers should be gained more rapidly

Answer

B

- (b) Explain your answer.

(3)

Span of control is the number of employees directly answerable to one manager.

A narrow span of control means more managers will be needed to manage smaller groups of workers.

The cost of training managers, their salaries will be an additional cost to the repair centre.



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**Examiner Comments**

This full mark answer is included to show the clearest way of obtaining 3 marks for explanation. More like this please!



**ResultsPlus**

**Examiner Tip**

A caveat. Examiners do understand that candidates may be full of doubt as to their initial response and then proceed to state why the other options are incorrect. Please remember that only 2 marks can be obtained this way, and that each point should be reasoned and explained separately.

## Question 7

Generally speaking in these 4 mark questions there are 1 or 2 marks for knowledge, 1 or 2 for application, and 1 for analysis. Candidates score well on knowledge, explaining for example, 'niche market'; sometimes less well on context because they don't refer to the specific subject matter, and sometimes not at all on analysis.

7 Briefly explain **one** reason why it might be better for Dyson to adopt a niche marketing strategy for his bladeless fan.

Niche market is a submarket which is not readily served by the ~~mass market~~ main stream companies. As Dyson's, bladeless electric fan expensive and unique it might have a price inelastic demand in USA, Australia, ~~for~~ and Japan. As the above text says only consumers who are attracted to innovative products will buy this product. So entering a Niche market where the demand for innovative products are high would be a good marketing strategy.



### ResultsPlus Examiner Comments

This is a well written answer starting with an explanation of what a niche market is and then applying the concept accurately to the product in question. The link is well established. If the candidate had gone on to briefly look at mass marketing as an alternative or had linked the high prices in the niche market to profits, then full marks could have been obtained.



### ResultsPlus Examiner Tip

Often on these 4 mark questions the difference between 1 or 2 marks and 3 or 4 marks is the context. In the heat of battle, i.e. the exam room, many candidates explain theory and concepts but never get beyond 2 marks as they forget to put the answer into the required context.



7 Briefly explain **one** reason why it might be better for Dyson to adopt a niche marketing strategy for his bladeless fan.

Niche marketing is tailoring a product to suit a particular segment of the market.

Sir James Dyson has aimed the premium product at early adopters.

The bladeless fan is relatively more expensive than a regular fan which is just £18. Only a few would be willing and able to afford the fan due to its high price.

Sir James should minimize supply and aim the product at the early adopters.

(Total for Question 7 = 4 marks)



**ResultsPlus**

**Examiner Comments**

A similar answer to the first example, scoring 3 marks. The candidate understands 'niche', and links it well to the context - Dyson's fan, making the connection between high price and limited supply. Well done! A brief explanation of why mass marketing would not be suitable would help garner the extra mark.

## Question 8

Design mix is clearly signposted in the specification - indeed its component parts are listed, so it is with some disappointment that this question was done so badly by many candidates. Two different attempts are highlighted below.

The example of mobile phones illustrates how many products change, either through technology or by use of different materials. This is why the concept of design mix is so important. Dyson manufactures innovative products, the vast majority of which will have elements of their mix changing on a regular basis.

8 Why is the design mix crucial to a manufacturer such as Dyson?

The design mix consists of 3 components namely as aesthetics function and economic manufactured  
Dyson's bladeless fan has been developed since four years and newly launched. Therefore customers will only buy the product, if they are able to ensure the quality and reliability of the product.  
Aesthetics is concerned with the shape and feel of the product, function is whether the product is working properly and the economic manufacture is whether the product can be made quickly and efficiently. (Total for Question 8 = 4 marks)



**ResultsPlus**

**Examiner Comments**

This candidate boldly (and correctly) states the components of the mix in the first sentence. The candidate then goes on to explain what each concept means. Most successful products are reliable and have a degree of quality so mention of this in the answer is not enough to secure the last mark. If the candidate had gone on to say that the combination of the design mix is what gives Dyson its competitive advantage then full marks would have been awarded.



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**Examiner Tip**

Know your specification - it is only 4 pages long. Concentrate on the column - 'What students need to know'!

It is not usually helpful to include an answer which scores zero marks, but this is an exception as I believe the candidate sees the word 'mix' and knows only marketing mix and goes from there.

8 Why is the design mix crucial to a manufacturer such as Dyson?

Price, Product, Promotion, Placement.

Price: They need to find a price that customers will pay, but so they can capture the fact they ~~can~~ <sup>can</sup> charge more as it is a unique product.

Product: They need to keep up the brand recognition of making innovative products.

Promotion: they need to market it correctly so they maximise sales figures.

Placement: they need to find the right place or country to sell it in, like a worm (Total for Question 8 = 4 marks)  
place that needs fans regularly.



**ResultsPlus**

**Examiner Comments**

Unfortunately the candidate has the wrong type of mix. It is of little consolation that the marketing mix is known. No marks can be awarded. It is the wrong concept.

## Question 9

The information provided in the evidence about Dragon's Den is enough to guide candidates on this question, which discriminated quite well. No candidates appeared disadvantaged by lack of knowledge of these venture capitalists. Candidates only needed to know why sometimes their ideas fail or, in this instance, fail to get backing.

9 Analyse **one** possible reason why the Dragons were unwilling to invest in the Road Refresher bowl.

The Dragons were unwilling to invest in Natalie's bowl maybe because, they did not have a proper briefing about the future of the product. Natalie might have been unsuccessful in providing the dragons with a carefully thought out business plan, that predicts and shows the direction of where the business is heading. Natalie might have not provided with a forecasted sales and cash flow, so that the dragons are able to get a clear picture of the business. (Total for Question 9 = 4 marks)



### ResultsPlus Examiner Comments

The candidate provides 2 similar points about business plans and sales/cash forecasts and is rewarded for this. A definition of investment would have secured a third mark and a comment on the amount required and the risk factor would have secured the fourth mark.



### ResultsPlus Examiner Tip

Use the evidence available to help your answer. This candidate doesn't mention the nature of the product or the amount being sought.

9 Analyse **one** possible reason why the Dragons were unwilling to invest in the Road Refresher bowl.

The Dragons may have been unwilling to invest in the Road Refresher bowl because it was a lot of money for a product that may not have been accepted by the public as it was a very simple sound idea to replicate for a cheap amount of money and also many people when they take their pet somewhere stop at regular intervals and so feed and water pets other.

(Total for Question 9 = 4 marks)



**ResultsPlus**  
Examiner Comments

A definition of investment would have secured a mark but the candidate recognises that the amount required may be offputting as it was for a relatively simple product and gains 2 marks for this.

## Question 10

This question caused candidates more problems than any other. Managing working capital has a section of its own in the specification, within which 'contingency finance planning such as overdraft or loan' is clearly identified, plus 'managing customer and supplier credit terms and payments'. Given that the question specifically makes use of this wording it is difficult to know why candidates did so poorly. Relatively few candidates explained working capital adequately and this may be a starting point for centres to examine.

**10** Explain **two** methods of contingency finance planning that Natalie could have considered as a way of managing her working capital.

Working Capital is the amount of money present to pay for day to day expenses

$$\text{Working Capital} = \text{Current Assets} - \text{Current Liabilities}$$

If the working Capital problem is Short term maybe due to a loss in demand, Natalie can take an Overdraft from the bank. It is a limit the bank has agreed cheques exceeding the bank balance. This will provide a Short term Solution for the Cash flow problem.

Another method is to postpone / delay purchasing of fixed assets. As they incur alot of money for the initial purchase. Instead lease or hire purchase fixed Assets.

(Total for Question 10 = 6 marks)



**ResultsPlus**

**Examiner Comments**

This candidate starts confidently showing a sound understanding of what working capital is. The choice of an overdraft is also correct and is rewarded with 2 extra marks. Unfortunately the choice of delaying the purchase of fixed assets cannot be rewarded as it does not directly impinge on working capital. It is highly unlikely that fixed asset purchase will be funded from assets available for day-to-day purposes.

10 Explain **two** methods of contingency finance planning that Natalie could have considered as a way of managing her working capital.

Two methods of contingency finance planning that Natalie could have done as a way of managing her working capital is by borrowing loan from the bank and then invest it into the business, however she must consider interest rate. Another method that she could do is budget plan as that will help her set her objectives and of how much she needs to spend to reach the aim. If it's for short-term it will be better to use an overdraft but if it's long term then loan will be better as you can take time to pay it back.



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**Examiner Comments**

Although the candidate misses the opportunity to give a clear explanation of working capital two relevant ideas are mooted, namely loans and overdrafts. However, apart from acknowledging that overdrafts are short term, there is no explanation of what they are and the coverage of loans is also rather brief.

## Question 11

The best answers to this question sought to make use of the evidence provided, particularly that of Dyson's R & D facilities in the UK and its manufacturing capacity abroad. The weaker responses rarely mentioned the company, or any like it, and concentrated on theoretical arguments.

11 To what extent is it important to a business, such as Dyson, to seek ways of reducing labour costs?

Reducing labour costs is very important to a business such as Dyson. Although ~~the~~ the businesses profit is generally high due to their range of hoovers and other products, an expensive product to design, make and sell such as the bladeless fan could mean losing such a high margin of profit, and even losing money altogether. The bladeless fan took 4 years to design and build, so labour would be quite high due to the amount of work, materials, technology and research gone into constructing the product. Keeping labour costs down would reduce the cash outflow meaning a higher NET cashflow and profit.



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**Examiner Comments**

This candidate answers fairly briefly and produces the standard argument that labour costs are very important to Dyson. Where most marks are gained is for realising that R & D costs will be high, i.e. the candidate relates the answer specifically to the company - the context is good.



**ResultsPlus**

**Examiner Tip**

We ask questions about real businesses and expect answers that can apply concepts and theory to those businesses.



The examiner has to believe that the candidate is using information about the firm to mould an answer that is not just a regurgitation of business theory. All too often, as in this case, belief that this has occurred is suspended.

11 To what extent is it important to a business, such as Dyson, to seek ways of reducing labour costs?

The lower the labour costs are, then the higher the profit should be for the company. As Dyson's products are quite expensive, they need to keep their costs as low as possible to enable the company to gain a profit. Dyson could keep the labour costs low by using manufacturers abroad, where the workers get paid a lower minimum wage than in the UK. Or Dyson could use a method called just in time method where they create the products as quickly as possible without using much storage. This could also mean that Dyson would only employ people when they are needed, so there is no cash going to waste, this is called efficiency. By having a flow production line, this should decrease labour costs, however it will also decrease the motivation of the workers.



**ResultsPlus**  
Examiner Comments

There is no specific mention of the separate parts of Dyson's organisation in this answer - the R & D function is omitted altogether. There is a reference to manufacturing abroad without any conviction that the candidate realises that Dyson already does this. There is some context as the candidate mentions that Dyson's products are of the expensive nature but the answer fails to convincingly relate to Dyson.

## Question 12

It is clear that the majority of centres have tutored their candidates well in the area of marketing mix. The way to score top marks in this area is to relate to what is being asked for in the stem of the question. Clues such as 'innovation, expensive and foreign markets', should become the backbone of the answer. It is unimportant which element of the mix is focussed on as long as the answer is well reasoned.

12 Sir James Dyson's fan is innovative, expensive and aimed principally at foreign markets.

Recommend which element of the marketing mix would be particularly important to the success of this product.

The marketing mix is a phrase used to determine what needs to be considered when a product goes on the market. It consists of place, product, price and promotion. The product itself would be the most important to Dyson's fan because it needs to be of the best quality in order to be bought by customers, considering the price of £199, compared to the price of an average fan at £18.



**ResultsPlus**

**Examiner Comments**

When the candidate cannot remember all the elements of the mix there is a good chance that the resulting answer is going to be less than convincing. Here promotion is omitted and the opportunity to discuss this element is lost. The answer is saved from being a disaster because the candidate makes a choice and provides a little bit of evidence from the case study to back up that choice.

12 Sir James Dyson's fan is innovative, expensive and aimed principally at foreign markets.

Recommend which element of the marketing mix would be particularly important to the success of this product.

The marketing mix consists of the 4 P's, place, price, product and promotion. The most important element to this product's success I believe is the product itself. If the fan works effectively and meets its guarantee then people won't be put off by the price. Especially in expensive foreign markets where buyers must have whatever new gadgets are available. Therefore price shouldn't be the most important element. Place however is almost as important as price because the product needs to be seen before it can be purchased. Getting the product on to shelves in supermarkets and design shops is important so that the right target market is being aimed at. The product is so unique for what it is that those who have higher incomes will be hooked on the uniqueness of Dyson's new fan and this is where the product will make its profit. Foreign markets are more extravagant than the UK and so Dyson might have thought it would make more sense to aim at these markets.



**ResultsPlus**

**Examiner Comments**

The candidate skilfully blends the the chosen element of the marketing mix (and the other 3 elements) with the information from the stem of the question. Elements are identified immediately - not always the case - and the reasoning is sound.



**ResultsPlus**

**Examiner Tip**

Although the question specifically asks for a preferred element, the word 'mix' in marketing mix should signal to candidates that all parts tend to have a role to play.

## Question 13

This question could be approached from a couple of angles. It could concentrate on practical ways of motivating staff or it could focus on theoretical approaches. Centres are reminded that theories and theorists beyond the specification are not required and questions will not be asked about them. To score well on this question candidates must address approaches for both businesses.

There is no clear right or wrong answer here. As long as the candidate addresses the issues, namely one business is established and one is just starting out, and applies sensible motivational ideas, with reasoning, many points are acceptable.

\*13 Natalie Ellis's business is just starting out. Sir James Dyson's company is well established and larger.

Evaluate whether Natalie and James should adopt similar approaches to motivating their staff.

(12)

Motivating your staff is vital in the business succeeding when starting up. The staff need to be passionate about the product, and be keen to see it succeed. There are different motivating factors though. James' business is already large and established so there will be lots of people working for him. He may choose to motivate staff with praise and recognition, and then give them a bonus if they perform really well. His business will be able to do that as they will have a larger disposable income as they will produce for greater profits.

Natalie on the other hand, won't be in the position to offer bonuses for good work as they are just starting up. Natalie's staff will be much closer to her and the product itself and their real motivation will be to see the business succeed. Natalie could offer rewards as days off as well as ~~offering~~ <sup>giving</sup> them praise & recognition. Natalie could incorporate an environmentally friendly side to the day here, or link it to a charity.

This will motivate her staff in a social and ethical way, as they will be helping other people. Jones, on the other hand could emphasise the aspect of loyalty to his business. So the employees could take breaks when they want, as long as they get the work done. (Total for Question 13 = 12 marks)

This will make the employees feel good about themselves and will give them a sense of freedom and respect. This could motivate them to work more. I think in both businesses, they need to get a balance of motivators and hygiene factors to keep the level of motivation good. You don't want to offer too many rewards, as then the employees may start to slack.

I feel the way they would motivate their staff would be quite different as the businesses are so different and ~~are~~ on completely different scales. I don't think they should adopt similar motivational strategies.

TOTAL FOR SECTION B: 46 MARKS

TOTAL FOR PAPER: 70 MARKS



## ResultsPlus

### Examiner Comments

This candidate uses the evidence well to help make sensible choices about the needs of the 2 businesses. The answer is clearly in context, analysis is sound and evaluative comments are made. These could have been a little more detailed and balanced but this is a good answer.

\*13 Natalie Ellis's business is just starting out. Sir James Dyson's company is well established and larger.

Evaluate whether Natalie and James should adopt similar approaches to motivating their staff.

(12)

Both Natalie and Dyson offer highly specialised products - those which are technologically advanced. These products require high research and development cost. Therefore it is crucial for them to reduce labour cost.

Motivation is the process that drives people to do something. By adopting the same motivation approach both Natalie and Dyson will be able to increase the productivity of the staff. The staff will enjoy their work and also be rewarded for their achievement by the managers. This will help reduce staff absenteeism and labour turnover. By adopting Herzberg's two-factor theory, Natalie and Dyson will promote job rotation, job enlargement and job enrichment methods to motivate their staff. These methods are designed to fulfill both workers' hygiene factors and motivational factors. Therefore these two businesses will have highly motivated staff that enjoy work and bring good profit to the business.

However, Natalie has just started up her business therefore she might not have that knowledge about the morale of the staff and also the workers in Dyson's

business maybe Theory Y workers who are well motivated and willing to work. Thus adopting the same approach might not be suitable.

In conclusion, Natalie should adopt a motivational approach that is well suited for her staff.



### ResultsPlus Examiner Comments

This candidate feels that both firms should adopt the same strategy but there are some assertions present. The use of Herzberg is acceptable but conclusions about highly motivated staff are not fully justified, i.e. there is a big leap from explaining the theory of (say) hygiene factors, to fulfilment. On the right lines but not showing a clear understanding.

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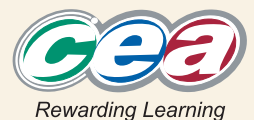
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