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Examiners' Report

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Introduction

This was the ninth paper for IAL Business. The performance since the last series has been comparable with the vast majority of candidates able to complete the paper in the time allocated. There has been an improvement in the levels of evaluation and use of context which is very pleasing. Application still is an area which candidates can improve upon and they must ensure that they are not simply using the name of the business as application.

SECTION A

Supported Multiple Choice (SMC) questions are designed to assess a candidate's ability to demonstrate knowledge and understanding, application, analysis and/or evaluation.

- Candidates can only access 3 marks for part (b) if they have part (a) correct.
- Candidates are able to gain 1 knowledge mark for a definition which is defined in the Mark Scheme for each question.
- Candidates are able to gain up to 2 marks for a full explanation of the distracters.
- Candidates **MUST** explain why their answer for part (a) is correct to be able to access all 3 marks for part (b).
- Candidates must explain **WHY** the distracters are incorrect rather than just repeating them or defining them.
- No marks will be awarded to those answers in part (b) to those candidates who simply lift or paraphrase any of the statements A–D.

Question 1

Many candidates clearly understood this question with many able to get the correct answer for part (a). Examiners were looking for a definition of negative bank balance or a definition of overdraft. Many candidates simply repeated the stem or their answer for part (a) rather than explain why this was the correct answer. Examiners rewarded candidates for trying to link back to falling revenues and that the overdraft would be used more. Candidates were also rewarded for trying to say why the bank stopped the overdraft – anything to do with risk or not being able to pay it back.

For the distracters, examiners were looking for reasons why these were incorrect rather than definitions.

- 1 Steve Watkinson owns a plumbing business which made a good profit in 2014. In 2015 revenue started to fall and the bank stopped his overdraft.

(a) The most likely reason for the bank stopping his overdraft was due to Steve's

(1)

- A increasing negative bank balance
- B actual costs being under budget
- C suppliers increasing their credit terms
- D profit for 2015 being underestimated

Answer



(b) Explain why this answer is correct.

(3)

A bank overdraft is when someone wishes to take out more money than what's on their bank balance. Steve's revenue in 2014 fell which means that less money was coming into the business. This would give him a lower bank balance and a negative bank balance would mean that the bank would stop the overdraft as repayment would not be possible. C is wrong as if suppliers increased credit terms, Steve would have more funds available for a longer period of time, thus increasing his bank balance.



ResultsPlus Examiner Comments

This scored 3 marks for part (b):
1 mark for the definition of bank overdraft.
1 mark for explaining why the bank would stop the overdraft.
1 mark for the full explanation of a distracter (C).



ResultsPlus Examiner Tip

Do not repeat your answer for part (a) as you cannot be awarded any marks for simply repeating the stem or the answer for part (a).

Question 2

Many candidates were able to score full marks for part (a) so could access all 3 marks for part (b). Candidates could be awarded 1 mark for a correct definition or formula of YED.

The formula had to be correct to score the mark – must have % change not just change. Candidates who only showed the workings without a definition or formula could only score a maximum of 2 marks for part (b). For the application marks, candidates just needed to show the calculation. Candidates did not have to explain the result – just show the calculation and the definition/formula.

2 *David Lloyd Leisure* estimates that an 8% increase in consumer income would result in an increase in demand for its gym memberships of 10%.

(a) The income elasticity of demand (YED) for gym membership at *David Lloyd Leisure* is

(1)

- A +0.8
- B -0.8
- C +1.25
- D -1.25

Answer

C

(b) Explain why this answer is correct. (Show your working.)

(3)

income elasticity of demand = $\frac{\% \text{ change in quantity demanded}}{\% \text{ change in income}}$

$$yed = \frac{10\%}{8\%} = +1.25$$



ResultsPlus Examiner Comments

This scored 3 marks for part (b):
1 mark for correct formula of YED.
2 marks for showing the correct workings.



ResultsPlus Examiner Tip

Always give the formula for any calculation question. Show your workings and make sure you include percentage (%) and + or - signs.

Question 3

This question proved to be popular with many candidates getting part (a) correct. Many candidates were able to correctly define bonus for 1 mark – and examiners were looking for references to being rewarded for achieving a target/goal/objective. For additional marks, candidates had to try to link this to the scenario given – references to the bonus being paid for meeting the target/objective of winning the Super Bowl. Examiners did not reward candidates for simply stating they received \$102K – it had to be tied back to the original target or objective.

For the distracters, examiners were looking for why they were incorrect and not just for definitions. Many candidates just gave definitions for the distracters which was not enough and examiners needed to know why these were incorrect.

3 The *Denver Broncos*, an American football team, gave each member of the team \$102 000 for winning the Super Bowl in 2016.

(a) This payment can be **best** described as

(1)

- A piecework
- B a bonus
- C profit sharing
- D job enrichment

Answer

B

(b) Explain why this answer is correct.

(3)

A bonus is when a business achieves its goals therefore gives employees a ^{financial} reward. As the Denver Broncos won the superbowl in 2016 they recived a bonus as they have achived the goals of the business.

As answer D is wrong as Job enrichment means giving employees more complex work to do and it doesnt have a reward in money.



ResultsPlus Examiner Comments

This scored 3 marks for part (b):
1 mark for the correct definition of bonus.
1 mark for linking this back to why it is a bonus.
1 mark fully explaining distracter D.



ResultsPlus Examiner Tip

Make sure you define the key term – this can be either from the correct answer or from the stem of the question. Only define one key term as only 1 mark can be awarded for this. Do not define the distracters – instead explain why they are incorrect.

Question 4

Some candidates were able to score full marks for part (a), but many candidates incorrectly gave distracter A (labour intensive) for part (a). Examiners were looking for a definition of capital intensive – references to being more reliant or uses a relatively high proportion of capital to labour (must make the comparison) rather than ‘more machines than labour’ for the definition. Examiners awarded 1 mark for references to that there were only a small number of employees/120 required or for references to the cost of the power plant (£25bn). Another mark was awarded for references to the main resource used in the generation of energy was machinery and so this was why the power station was capital intensive. Many candidates did use distracter A (labour intensive) and there needed to be a full explanation of why this was incorrect rather than a definition of labour intensive. Overall, this question was poorly done.

- 4 A new nuclear power station, costing £25bn and capable of generating 10% of the UK’s energy needs, is being proposed for Hinkley Point. When completed it is expected to employ 120 people.

(a) How could the generation of energy at Hinkley Point **best** be described?

(1)

- A Labour intensive
- B Capital intensive
- C Kaizen
- D JIT

Answer

B

(b) Explain why this answer is correct.

(3)

Capital intensive involves the use of more capital (machines) in comparison to the labour (people) employed. A nuclear power station will probably be composed of thousand of machines doing the work and making energy, whereas it will only require 120 people to be employed. Probably just for maintenance and vigilators.

A is incorrect because labour intensive employs a larger number of people rather than machine which will not be the case in a Power station.

C is incorrect because Kaizen is a philosophy which involves all workers participating in way to improve production, not related.

(Total for Question 4 = 4 marks)



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Examiner Comments

This scored 3 marks for part (b):
1 mark for the definition of capital intensive.
1 mark the second sentence – applying the correct answer to the stem.
1 mark for distracter A.



ResultsPlus

Examiner Tip

You can gain all 3 marks by explaining the correct answer or gain additional marks by explaining up to two of the distracters.

Question 5

This proved to be a popular question with many candidates getting part (a) correct. For the definition of external recruitment, examiners were looking for references to recruitment from **outside of the business**. Similar to Q1, some candidates simply repeated their answer from part (a) and examiners wanted to know why the business used external rather than internal recruitment.

Candidates were rewarded for making references to why Stoke used external recruitment – the skills needed will be in short supply and these are senior positions which need certain skills and they may not be available within the organisation. An additional mark was awarded for references to there being only a limited or small number of internal applicants. Candidates had to fully explain the distracters and say why they were incorrect.

5 Stoke-on-Trent City Council paid an external recruitment agency £26 766 to find four new assistant directors rather than recruit internally.

(a) The **most likely** reason to use external recruitment is because

(1)

- A there is a wider choice of applicants
- B it is less expensive than internal recruitment
- C it is a shorter recruitment process
- D more is known about the applicants

Answer

A.

(b) Explain why this answer is correct.

(3)

Recruitment is the process of finding ~~re~~ workers and enrolling them into vacancies. External recruitment is when workers are found from outside the business.

A is correct because when recruiting externally, there is a wider choice of applicants as many people can be found from outside whereas it isn't limited to the existing workforce like in internal recruitment.

B is incorrect as external recruitment is usually more expensive than internal ~~as they have eq:-~~ they

have paid £26766 whereas through internal, they just have to promote an existing worker.

(Total for Question 5 = 4 marks)



ResultsPlus
Examiner Comments

This scored 3 marks for part (b):
1 mark for the definition.
1 mark for explaining the correct answer
– limited number of applicants.
1 mark for fully explaining distracter B.



ResultsPlus
Examiner Tip

Do not just repeat or copy out the information in the stem of the question
– this will not gain you any marks.

Question 6

For this question, many candidates got part (a) incorrect so they were only able to access 2 marks for part (b). The majority of candidates incorrectly defined zero-based budgeting or just rearranged the words or said that budgets were set at 0. Examiners did not reward this and were looking for definitions which included comments such as 'starting from scratch' or 'not based on past data'. Examiners awarded an additional mark if there was reference to having to justify all costs. An additional mark was awarded for references to why this method was more efficient – saving or avoiding waste. Again, the distracters had to be fully explained and many candidates used distracter B (based on previous data) to gain an additional mark.

6 Unilever announced an end of year revenue of \$5.34bn. However, it is going to use zero-based budgeting to try to reduce costs.

(a) Zero-based budgeting is **most likely** to be

(1)

- A a faster method of budgeting
- B based on previous data
- C planned by the finance department
- D more efficient in allocating funds

Answer

D

(b) Explain why this answer is correct.

(3)

Zero-based budgeting is when the manager within a business has to justify the spending of money on each resource to show that it's worth buying. This will therefore increase efficiency in allocating funds as waste is reduced as money is not spent on unnecessary resources within the business. Option A is wrong as zero-based budgeting would be a slower method of budgeting as each cost has to be analysed and justified ^{and approved} which is very slow.



ResultsPlus

Examiner Comments

This scored 3 marks for part (b):

1 mark for stating that the manager has to 'justify the spending'.

1 mark for fully explaining why this would result in more efficient allocation of funds

1 mark for fully explaining distracter A.

This candidate did not gain the definition mark but was still able to score all 3 marks for part (b).



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Examiner Tip

Try and give as much detail as possible for the correct answer. You do not have to give a definition and you can still gain all 3 marks with a combination of fully explaining the correct answer and up to 2 distracter marks.

Question 7

This question was marked using a points based mark scheme with knowledge = 2 marks, application = 2 marks and analysis = 2 marks. Examiners awarded 2 knowledge marks for an accurate definition of the decentralised organisational structure. The knowledge marks could also be awarded for giving any plausible advantage such as faster decision making and staff morale.

Application meant using the evidence provided in the case study. Many candidates simply copied out large chunks of the evidence and it had to be used in order to gain the marks. Application could be references that QVC operates in countries such as UK, Germany and Japan, references to call centre staff or the names of the products such as Elemis.

For analysis, examiners were looking for consequences – linking to things such as increase motivation for employees which may result in better customer service/lower staff turnover/less absenteeism or faster decision making resulting in responding to the changing market. Examiners were looking for two separate points for the 2 analysis marks.

7 Explain **two** possible advantages to QVC of having a decentralised organisational structure.

A decentralised organisational structure is when decision-making is delegated down the business chain of command to lower level employees. One advantage to QVC of doing this is that it gives employees empowerment, responsibility and trust and therefore they feel more motivated. While the lower level employees are making decisions they are more likely to work hard and increase productivity in QVC which adds to their sales and revenue such as the £450m they made in 2014 just in the UK.

Also because QVC has five specialist areas: beauty, fashion, home furnishings, jewellery and home electronics, using a decentralised structure means each employee who specialises in these product areas is able to make a justified and more educated decision as they know the products they sell better than the higher ranking directors of the business. These better decisions will benefit QVC to progress and capture more market share.



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Examiner Comments

This response scored 6 marks. This was a great example of a candidate who used the evidence rather than just copied out chunks. There was more than enough to cover the AOs and score 6 marks.



ResultsPlus

Examiner Tip

Make sure you know all your key definitions as there are 2 marks available on Q7, 8(a) and 8(b) for giving an accurate definition.

Question 8 (a)

This question was marked in the same way at Q7 with the same Assessment Objectives (AOs). Examiners allowed 2 knowledge marks for either a definition of inventory control or for giving a reason why it was important. Many candidates gave both a definition and a reason. Application was done better on this question and could be references to the fact QVC had sell outs and customers had been put on a waiting list for some products. For analysis, examiners were looking for a consequence of having effective inventory control – linking to things such as sales/profits/brand image/no money tied up in stock/no waste/satisfied customers/repeat purchases/customer loyalty. On the whole, this was done well by most candidates.

8 (a) Explain the importance to QVC of having an effective inventory control system.

(6)

Inventory control is where the business controls how much inventory is available and when is the right time to order more products.

As mentioned in the case as products are sometimes sold in minutes after restocking. Also mentioned how some customers were disappointed as they have been placed on a waiting list for new inventory.

As this shows that QVC have poor inventory control and they will need to have buffer stock at all times and this will lead to satisfied customers as ~~the~~ QVC will have stock at all times therefore having a buffer stock you will also have to have a higher reorder stock level as mentioned products were once sold 105,000 units in just 28 hours having inventory control at all times will make sure that QVC will always have stock available and also this will lead to customer satisfaction which leads to more sales as more products are available.



ResultsPlus Examiner Comments

This response scored 6 marks and gave a detailed explanation of the importance to QVC of having an effective inventory control system. Great use of the evidence and detailed analysis.



ResultsPlus Examiner Tip

Always use the case study evidence in your response but avoid just copying it out – you must use it in your response to show the knowledge and analysis.

Question 8 (b)

This question asked for two benefits of QVC being a trusted brand and was marked knowledge =1, application =1 and analysis =1 per benefit. The 2 knowledge marks were also awarded for either a definition of brand or for giving two benefits. Application could be references to QVC being the third most trusted brand and being better than Amazon. For analysis, examiners were looking for references about how this benefits QVC – such as impact on sales/revenues/profits or market share.

(b) Explain **two** possible benefits to QVC of being a trusted brand.

(6)

Brand is a name or logo that a business uses for their each product or service to make it known to everyone. QVC's biggest selling factor is beauty products, company has 247 beauty brands in its portfolio, by being a trusted brand, suppliers are likely to sell their products through QVC and this will mean that QVC's product portfolio is bigger and it attracts more potential customers due to that, so therefore its likely to increase sales and also increase its reputation due to having a massive, diversified large of brands. QVC once sold 105,000 units of Fleming product in 28 hours, this clearly indicates that there is great demand and they trust the company, QVC could think about increasing its prices because there is massive demand for the product, people are still likely to buy because they trust QVC and they're loyal, but if QVC increase price by a big margin this factor could change.



ResultsPlus Examiner Comments

This response scored 6 marks. This candidate not only gave a definition of brand, but also gave two benefits. Again, the evidence was used rather than copied out or 'standalone'. The analytical marks follow on from the knowledge given in the response.



ResultsPlus Examiner Tip

If you are asked for two benefits make sure that you clearly give two benefits and that the examiner can see where one benefit ends and the other one starts. One suggestion is that you leave a line between each benefit to make it very clear to the examiner.

Question 9 (a)

This question was marked with the following AOs: knowledge = 1 mark, application = 1 mark and analysis = 2 marks. As in previous papers, the 1 knowledge mark was only awarded for the factor and not for a definition of working capital. Unfortunately, lots of candidates did define working capital. Examiners accepted a range of factors such as trade credit, seasonal factors, demand or cash payments. Application could be related to the fact QVC offered easy pay or that customers had to pay by either a debit or credit card (no cash sales), or linked to some of the products it sells such as beauty or electronics. The 2 analysis marks were awarded for what the impact would be on working capital – does it improve or worsen working capital?

- 9 (a) Explain **one** factor that is likely to affect the amount of working capital held by QVC. (Evidence B)

(4)

One factor that would affect working capital is the trade credit given to customers. QVC offers customers 'Easy Pay' so that they could pay over two to four months. Therefore, only after the certain time period ~~the~~ ~~at~~ QVC would receive the money therefore ~~they~~ there could be less working capital in the business as they do not receive cash immediately and QVC might run out of liquid cash to pay its day to day expenses if most of its customers pay them through 'Easy Pay'.



ResultsPlus Examiner Comments

This response scored 4 marks and used trade credit as the knowledge point. The candidate then used the evidence to show how easy pay would affect QVC's working capital.



ResultsPlus Examiner Tip

Do not define the key term in Q9(a). The knowledge mark will always be for the reason, benefit or factor asked for in the question.

Question 9 (b)

For the levels of response questions (9(b), 10 and 11), there had to be context to access Level 4, otherwise top Level 3 was awarded. If there was analysis but no context, then top Level 2 was awarded. Using the name of the company – QVC or any context from the stem was not classed as application or context. Evidence C had plenty of examples of QVC's quality management techniques – namely its own Quality Assurance Team who checked all the products offered. For this question, examiners were looking for analysis in the form of benefits of using quality management techniques in order to maintain sales. Level 3 had to be in context and marks were awarded according to the quality of the response. Analysis with no context was restricted to Level 2 – 4 marks only. Evaluation had to be in context to enter Level 4 and many candidates referred to the cost of using quality management techniques such as the Quality Assurance Team having to check all the 15,000 products and the wastage from customers being able to return goods within 30 days and get their money back. Evaluation with context on one side only was awarded 7 marks and evaluation with context on both sides was awarded 8 marks. Evaluation with no context could only achieve Level 3 – 6 marks. Overall, the evaluations are improving and examiners did see less one-sided responses this year.

(b) Evidence C states some of the quality management techniques used by QVC.

Assess the likely importance of this in maintaining sales.

(8)

Quality management techniques are techniques put into place by a business such as quality control, quality assurance and quality circles to maintain high quality throughout the products. QVC have a quality assurance team who check the quality of the products everyday. The importance of quality in maintaining sales is high because if quality is maintained throughout the products such as beauty, fashion and jewellery this is more likely to lead to repeat purchases and customer loyalty as customers will be more likely to buy the products if quality is maintained. However, with quality assurance checking the quality of the products at every stage of production

is very expensive as the employees who will be checking the quality need to be highly trained to be able to have zero defects. Quality assurance is expensive to implement but quality of products is very important in maintaining sales especially for their beauty products which are the best sellers. Higher quality products will allow QVC to charge higher prices, increase revenue and maintain inelastic demand. of their products.

(Total for Question 9 = 12 marks)



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Examiner Comments

This response scored 8 marks. There was clear evaluation with context on both sides of the argument so accessed Level 4 and scored all 8 marks.



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Examiner Tip

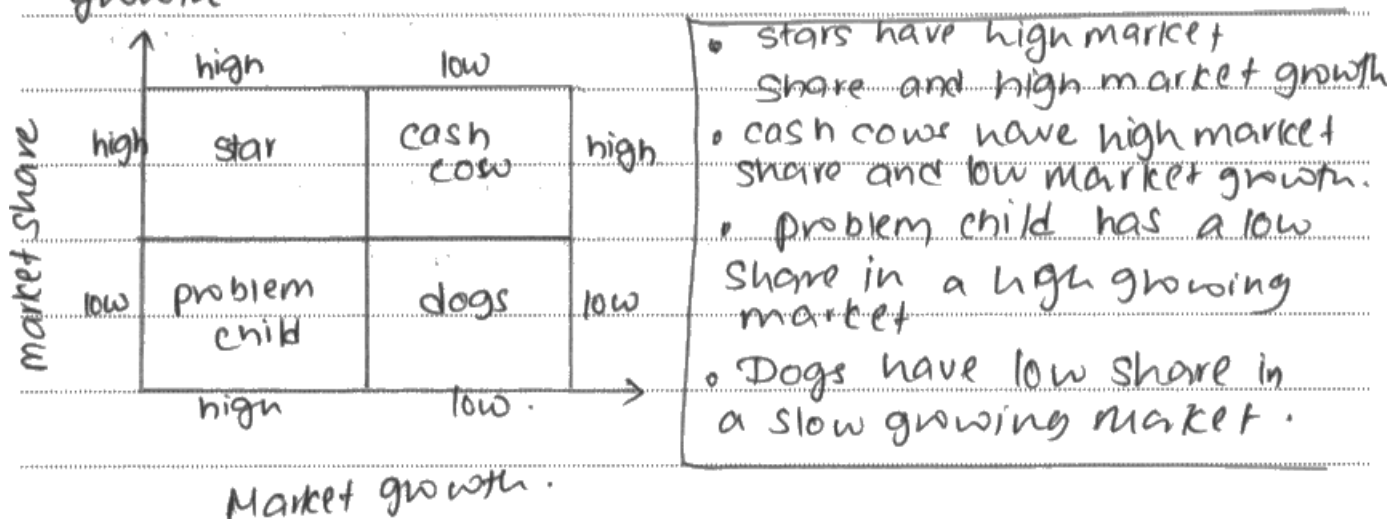
Think about the target audience of the business in the case study and the type of products or services they sell – beauty, electronics or clothing in this case. This is a great way to contextualise your response. Remember that anything in the question cannot be classed as application/context.

Question 10

Many candidates were able to use the evidence to explain how QVC could use the Boston Matrix to manage its 15,000 products so could access Level 3. There was lots of application which candidates could use and examiners were looking for references to beauty products such as Elemis or Tarte Cosmetics or the fact QVC did have over 15,000 products in its portfolio. Analysis had to be focused on how the Boston Matrix could help QVC to see which products were problem child, cash cows, stars or even dogs and how they could be managed to increase sales and profits. Many candidates could give some analysis and if this was in context could access Level 3 for a one-sided response. As in all levels of response questions, if context was missing, then this restricted the level the candidate could reach. There had to be context to enter Level 4 and marks were awarded in this level according to the quality of the evaluation. Evaluation could be references to the limitations of the Boston Matrix – there are 15,000 products, lots of different countries in which it operates or it doesn't consider external factors. Overall, this question was popular with candidates with many getting into Level 3.

10 Assess the usefulness of the Boston Matrix to QVC.

Boston Matrix is when products are placed or classified into 4 categories (- Stars, Cash cows, problem child and dogs) based on their market share and market growth.



According to evidence D, QVC has a large product portfolio with over 15,000 items, including beauty, furniture & jewellery etc. Due to this wide range of products, A Boston matrix could be used to classify each product into a category.

Boston matrix will be useful to QVC because it can help analyse how products are to

be invested. According to the case, Beauty products appears to be stars, they are already established products so ~~not~~ the Boston matrix suggests that not much investment is needed. It will also show QVC which products are not performing that well so for Dogs it is better to divest in them (Do away with them) as they are unprofitable.

Boston Matrix can also be paired with the product life cycle when making decisions on extension strategies etc.

However, Boston matrix only categorises products based on market share & growth. There are also other indicators such as quality etc. Furthermore, the market is a fast changing place so the Boston matrix will not always be accurate eg:- new rivals such as Marks & Spencer can enter the market which will reduce share. Moreover, since QVC has over 15000 items it will be difficult to implement the Boston matrix.



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Examiner Comments

This response scored 10 marks and did access Level 4. This response was mid-level evaluation and had good use of context throughout.



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Examiner Tip

Make sure you give context on both sides otherwise you will restrict your overall mark.

Question 11

This was also a levels of response question and was the highest mark question on the paper. Again, there had to be context to enter Level 4. Many candidates were able to provide analysis in context and were able to show how current social trends affected QVC's marketing mix so accessed Level 3. Examiners saw a wide range of social trends discussed such the use of apps, social media, environmental concerns, the use of recycled materials or online distribution methods. The key was for candidates to show how these positively affected QVC and then look at how these could negatively affect QVC's marketing mix. In order to access high Level 4 marks more depth and discussion in context was needed by candidates. More able candidates did show the extent to which QVC's marketing mix would be affected by current social trends. Candidates did not have to cover all the Ps to access Level 4 and it was more the quality of the evaluation rather than the number of Ps covered.

11 Evidence D shows that QVC is making increasing use of apps.

Evaluate the impact of current social trends on QVC's marketing mix.

The marketing mix is also known as the four Ps and are the factors which affect how a product is marketed. They are: product, place, promotion and price. Current social trends such as the use of social media or price comparison sites will affect QVC's marketing mix. A social trend such as social media would affect how QVC uses promotion from the marketing mix. This would allow QVC to reach their customer base and have personal interactions rather than just put out advertisements on TV. They can use pages on Twitter or Facebook for example in order to gain a following and reach a more targeted audience which are the people using technology. As QVC has an app accessible through mobile phone and tablet, they will want to use promotion on mobile phones and tablets in order to market their product to these people and therefore the increasing use of the Internet and technology will change and impact QVC's marketing mix and how they promote to customers. The use of price comparison sites for example would also have an impact as customers can compare QVC's prices to rivals such as Amazon and therefore QVC may change

their price or pricing strategy to something such as competitive pricing in order to compete in the market and try to be successful.

However I think that current social trends may only have little impact on QVC's marketing mix. QVC is an established business formed in 1986 and has ever since been primarily focused on the use of television to market to customers. Since then QVC has grown exponentially worldwide and now is a trusted brand that is well known. Therefore I do not think the current social trends will change how QVC markets and their marketing mix. They never had high street stores, always just warehouses to hold stock and so now through the use of technology and being able to purchase and browse products on the go through a phone or smart watch, this still won't change, social trends won't affect QVC's place factor. Similarly QVC ~~has~~ ^{have sold} 173 million products and therefore just through the introduction of social media and allowing customers to voice opinions won't change or impact QVC's products and people's opinions will likely be ignored and so will have very minimal or no impact on QVC's marketing mix.

In conclusion I think that social trends will be impactful, but only to a certain point as although QVC have diversified and used modern technology such as mobile phones and apps, this won't really change any of the four Ps or not drastically due to the wide range of QVC's viewable 15,000 products and the nature of the business being huge and globally recognisable.



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Examiner Comments

This response scored 14 marks and was the best response found for this question. This candidate evaluated to the highest level and also considered the extent to which the marketing mix would be affected. A superb response!



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Examiner Tip

Always give a contextualised conclusion for the 14 mark question after you have evaluated. Make sure you give a balanced evaluation and **USE** the evidence throughout.

Paper Summary

Based on their performance on this paper, candidates are offered the following advice:

- Read the Supported Multiple Choice carefully in terms of most likely and least likely. Many did not spend enough time doing this and did not fully develop their reasons as to why distracters were incorrect.
- Contextualise responses both in Section A and Section B. This is particularly important for Section B where Level 4 can only be accessed if the response is in context.
- Pay attention to the command words – assess and evaluate are largely ignored and this will restrict marks to Level 3.
- Use business concepts rather than generic ‘common sense’ answers.
- Read and use the evidence provided – it is there for a reason.
- Show your working for any calculation questions and include the % signs and + or – signs where necessary.

Grade Boundaries

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