

# Examiners' Report

## June 2016

### GCE Business 8BS0 01

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## **Introduction**

The first two questions in both Section A and Section B required candidates to show knowledge and understanding of key business terminology used in the extracts, this could be achieved through a definition alone or a definition combined with an example. Questions (c) and (d) in Section A and Section B required candidates to show knowledge, understanding, application and analysis. All other questions in the paper also required the skills of evaluation.

This is a new paper and some candidates did not seem to be familiar with the requirements of some of the questions particularly Questions (e) and (f) in Sections A and B which required evaluative skills. Candidates' performance on this paper generally showed an effective grasp of business concepts and theory, but not a good understanding of business behaviour, this was shown by a lack of context in responses to questions. More able candidates were able to make effective use of the extracts in all sections to write answers in context and consequently achieve higher scores.

Quantitative skills were demonstrated in response to question 2(c) though this varied significantly.

Centres are encouraged to further develop candidate's evaluative skills along with learning through the study of a variety of businesses as part of the teaching and learning. Given this, the more likely they are to develop and transfer their knowledge and understanding to less familiar contexts. This can be achieved through use of a variety of stimuli - case studies, real business problem solving activities, company reports, newspapers, websites and, where possible, the use of educational visits/visitors from business into school/college.

### **Section A**

The Aston Martin extract appeared to be accessible to most candidates with good use of the company's plans to target women and younger buyers. Although candidates struggled to suggest how removing a level of hierarchy would affect this business in particular with many providing generic evaluation of delayering.

### **Section B**

The Approved Foods extract was not as well utilised by candidates with few answers in this section showing a real understanding of the business and its objectives.

### **Section C**

The Bunches case study proved more difficult for candidates particularly when responding to distribution through Royal Mail, although all seemed to be comfortable discussing the business using online distribution. Many candidates did not recognise that this was a question about profitability and many did not discuss profit at all in their answer. As a 20 mark question has more than one element to it, it is vital that candidates read the whole question carefully.

## Question 1 (a)

Candidates were not identifying strategy as a way of achieving objectives. Some identified marketing mix which received marks, but many referred only to promotion/advertising.

1 (a) What is meant by a marketing strategy?

A marketing strategy is a strategy used by a <sup>business</sup> ~~market~~ to help them to increase their market share to increase their demand for the product eg. marketing mix - promotion, price, place. (2)



**ResultsPlus**  
Examiner Comments

The candidate shows an understanding of marketing strategy by discussing use of the marketing mix, 1 mark.



**ResultsPlus**  
Examiner Tip

An example is an opportunity to gain 1 mark in definition questions.

## Question 1 (b)

Generally well answered although some candidates referred to a catalogue containing product specifications. Others suggested the Boston Matrix is the product portfolio rather than a method of analysing it. Good examples used from a range of businesses.

(b) What is meant by product portfolio?

It ~~is~~ refers to the collection of products<sup>(2)</sup>  
a brand has. E.g. the ~~iPhone~~ Apple  
has the iPhone, Mac's and iPods.



### ResultsPlus Examiner Comments

The candidate demonstrates an understanding of product portfolio by suggesting it is a 'collection of products', 1 mark. The second part of this sentence 'a brand has' is not adequate to achieve the second mark, the word 'has' being too vague. The second mark would have been awarded for produces/sells/offers etc.

The candidate has provided an example, 1 mark.



### ResultsPlus Examiner Tip

An example can achieve 1 mark and strengthen a weak definition.

(b) What is meant by product portfolio?

(2)

A product portfolio is a range of different products  
produced by a business that are laid ~~out~~<sup>out</sup>, which therefore  
makes it easier for comparisons and differences to improve/  
change in the future.



### ResultsPlus Examiner Comments

This response achieves 2 marks in the first sentence, 'range of different products', 1 mark and 'produced by a business', 1 mark.



### ResultsPlus Examiner Tip

Keep the answer short and concise, there are no marks available for analysis.

### Question 1 (c)

This question was generally very well answered with a good understanding of differentiation. Many made good use of the extract to apply their answer to Aston Martin and the wider car industry, but few achieved analysis.

(c) Explain how Aston Martin uses differentiation in the premium car market.

(4)

Differentiation is when the businesses will use a unique selling point (USP) to make the product stand out from competitors.

Aston Martin differentiate themselves by having excellent quality - durable and beauty. This helps as it means it will stand out from other competitors so may increase demand so more sales. It also has 4x4 vehicles which not all premium cars have so this may target the more adventurous market and again makes the car unique.



#### ResultsPlus Examiner Comments

The candidate provides a good definition of differentiation, 1 mark.

Then suggests how Aston Martin have achieved differentiation 'durable and beauty' as well as '4x4 vehicles', 2 marks.

Analysis is also demonstrated 'may increase demand so more sales', 1 mark.



#### ResultsPlus Examiner Tip

'Explain how' requires good use of the extract to provide examples.

(c) Explain how Aston Martin uses differentiation in the premium car market.

(4)

Differentiation is making your product stand out from your competitors, often by giving your products a unique selling point. Aston Martin uses differentiation by increasing its product range. This is evident as they want to 'add two new cars' to their product portfolio. Aston Martin have also differentiated their products by wanting to introduce a more feminine, but not stereotypically, car for their new target audience: women. They have made their new car unique as competitors such as Toyota don't have a car specifically targeted at women consisting of a 'higher driver's seat, greater durability and a 4x4 vehicle'.



### ResultsPlus Examiner Comments

The candidate has provided a good definition of differentiation, 1 mark.

They have used the extract to identify how Aston Martin are differentiating by aiming at women with 'a higher driver's seat.....' The candidate has also used their own knowledge to suggest a competitor 'Toyota', 2 marks.



### ResultsPlus Examiner Tip

Analysis would be achieved by explaining the consequence of Aston Martin's differentiation.

### Question 1 (d)

Generally well answered although there was some confusion seen between the design mix and the marketing mix. Many candidates were able to identify at least two of the three aspects of the design mix, although some stated price rather than cost/economic manufacture. Again there was good application to Aston Martin with reference to younger buyers or women.

(d) Explain how Aston Martin could use the design mix to appeal to the new target market.

(4)

Design mix is the use of function, cost and aesthetics to create ~~and~~ a product measure its quality and if it is viable  
Aston martin could specifically aim at the function element of the design mix to make it more appealing. They have done this through a higher seat as well as more durable. Therefore the function of the car is better, leading to more people wanting the car which is an increase in demand of a new market



#### ResultsPlus Examiner Comments

The candidate has correctly identified all three elements of the design mix, 1 mark.

They have made good use of the extract to suggest that Aston Martin 'aim at the function element of the design mix to make it more appealing' 'through a higher seat as well as more durable', 1 mark.

The analysis point is not well explained and would need to refer to Aston Martin achieving more sales/revenue/profit rather than 'increase in demand of a new market'.



## Question 1 (e)

Non price demand factors are generally well known by candidates with many suggesting income, trends/fashion or competition. In most cases these factors were successfully applied to Aston Martin, but few candidates successfully evaluated both points. Many attempted evaluation by suggesting the opposite of the factor, e.g. if incomes rise, so will demand, but in evaluation if incomes fall so will demand, rather than suggesting why income would not impact demand.

(e) Assess **two** non-price factors that might affect the demand for premium priced cars in the UK.

(8)

~~Competition - if the competition~~

Laws - If there were changes in the law, such as lower emission allowances for cars, and premium cars were to be higher with in emission, then the demand for premium priced cars would fall.

Recession/Boom - If there were to be a recession in the UK, and people in general didn't have much money, they are not likely to buy a premium priced car, they are more likely to go for a cheaper alternative. However if there is a boom across the UK and in general people have more money, they are more likely to buy premium priced cars, increasing demand.



### ResultsPlus Examiner Comments

The candidate has provided two non-price factors with some application to the premium car market. There is an attempt at evaluation in the second point by suggesting that 'if there was a boom .....demand is likely to increase' however this only achieved Level 2, 4 marks.

Good assessment would be achieved by suggesting why each factor would not affect demand for premium priced cars.



### ResultsPlus Examiner Tip

In an 'assess two' question both points should be balanced.

(e) Assess **two** non-price factors that might affect the demand for premium priced cars in the UK.

(8)

Premium Pricing is when the company charge a higher price due to the quality and function of the product being so high.

One non price factor is that the change in consumer income. This might affect the demand because if prices of incomes increase then there will be a higher demand due to more people being able and willing to buy the product. This can be because people feel as if they have more disposable income and can afford these premium goods. However demand could fall because if people have lower incomes then they cannot afford to buy these goods. But it depends on how many people are affected and whether these people already own cars or not. Consequently demand is always changing due to other factors but if the demand increases <sup>companies who</sup> ~~cars in the UK~~ sell cars in the UK would see a rise in sales and profit.

Another non price factor is the amount of <sup>cheaper</sup> competition in the field. This would affect the demand for premium priced cars in the UK because it could decrease if people can find cars that have similar qualities and are to a high standard but are cheaper than the demand for premium pricing in the car industry would decrease. Therefore because people can get good quality cars for a cheaper price people are less likely to buy premium price cars, this would then cause a decrease in demand and so premium priced cars in the UK would decline.



**ResultsPlus**  
Examiner Comments

The first point is well explained and balanced, but lacks context. The second point in this response is much weaker and the analysis turns it into a price factor. However the strong first point allows the candidate to achieve high Level 2, 5 marks.

## Question 1 (f)

This question was generally well answered with most candidates achieving Level 3 marks by suggesting why delayering may motivate staff and balancing it with why it may demotivate staff. However very little context was seen in responses to this question, many candidates simply used the business name which does not show an understanding of the business situation/context.

(f) Assess the likely impact of this change on the motivation of the workforce.

(10)

Organisational structure is the way in which the employees of a business are set out into roles, responsibility and power. Taking out a level of the hierarchy in Aston Martin's organisational structure will benefit them because it means that the communication within the business will become better. This is because there are less layers of the hierarchy for a message that may have been passed from the top of the hierarchy to the bottom to get through. This therefore reduces the chance of the message becoming distorted and the time taken for the message to be received and changes to occur, which improves efficiency within Aston Martin. However, I think that taking a level out of the hierarchy will not benefit Aston Martin because it means that there is more authority distributed amongst employees and it could mean there are less people to supervise the employees so they may become unproductive and therefore reduce efficiency and demotivate at Aston Martin. Overall I believe that Aston Martin were correct to remove a layer of the

hierarchy because it means that employees will be able to respond to message from them being ordered in a shorter amount of time, and therefore increase productivity and sales revenue. However, to what extent it benefits them is how the staff removed from the level of the hierarchy respond and this could potentially demotivate them and disrupt Aston Martin.

(Total for Question 1 = 30 marks)

TOTAL FOR SECTION A = 30 MARKS



**ResultsPlus**  
Examiner Comments

This is a good response which shows a good understanding of the potential effects of removing a layer of the hierarchy. The candidate provides points on both sides of the argument and a very good attempt at a conclusion. The answer lacks application to Aston Martin which could have been gained by discussing car manufacturers/car designers/production line workers/showroom staff, Level 4, 7 marks.

## Question 2 (a)

Many candidates identified that entrepreneurs take risks, but few linked this to reward/profit. Some gained the second mark by suggesting an example of an entrepreneur.

2 (a) What is meant by entrepreneur?

(2)

An entrepreneur is a someone who starts up a brand new business, they ~~risk~~ take risks with their company however they know there product well and are good at communicating.



**ResultsPlus**  
Examiner Comments

The candidate has shown an understanding of an entrepreneur both by saying they 'start up a business' and 'they take risks'. There is no understanding shown of the reasons for starting up a business/taking risks, e.g. reward/profit, 1 mark.

A second mark could have been achieved by providing an example of an entrepreneur using Dan Cluderay from the extract or another entrepreneur from their own knowledge.



**ResultsPlus**  
Examiner Tip

An example strengthens a definition and often provides a second mark.

## Question 2 (b)

Candidates are confusing objectives and aims with many suggesting that objectives are long term/aims rather than short to medium term targets/steps towards the aim. Some used examples from the case study, some used SMART and some used examples to receive the second mark. Many candidates were unclear about the time frame and simply stated to 'achieve in a time period.'

(b) What is meant by business objective?

(2)

An objective is used to meet an aim set by a business, it is specific and ~~that~~ guides the business in the medium to long term. For example to be increasing sales by 20% in a <sup>set</sup> time frame.



### ResultsPlus Examiner Comments

This is a good definition, the candidate recognises that 'an objective is used to meet an aim' - 1 mark. The time aspect is incorrect as the candidate suggest medium to long term rather than short to medium term. However the response includes an example of 'increasing sales by 20%', 1 mark.

An example is a way of achieving 1 mark.

(b) What is meant by business objective?

A business objective is something that business' sets <sup>(2)</sup> themselves to achieve over a set time period. For example or winning to sell 300 units over a year period.



### ResultsPlus Examiner Comments

The definition here is unclear 'something the business sets themselves' could easily have been improved by using the words 'target/goal'. 'Set time period' is also too vague to achieve a mark. However the example provided does show an understanding of objectives and that they are targets in the short term 'sell 200 units.....a week', 1 mark.

## Question 2 (c)

Candidates had good knowledge of the formula for YED, with many achieving a high mark on this question, but a number of candidates did not recognise that it should be a minus figure.

Less able candidates were not familiar with the percentage change calculation often neglecting to multiply by 100.

The Office for National Statistics stated that incomes fell by 2.2% in 2014.

- (c) Using the data in Extract B, calculate the income elasticity of demand for Approved Food, following an increase in weekly orders to 3,500 in 2014. You are advised to show your working.

(4)

$$\frac{\text{New - old}}{\text{old}} = \frac{3500 - 2000}{2000} = 0.75 \times 100 = 75\% \text{ increase}$$

$$2.2 \div 75 + 100 = 2.93$$

It is income elastic.



### ResultsPlus Examiner Comments

The candidate correctly calculates the percentage change in demand, but uses it in the wrong order to calculate YED, 1 mark.



### ResultsPlus Examiner Tip

Show all working, if this candidate had not done so they would have lost all marks on this question.

(c) Using the data in Extract B, calculate the income elasticity of demand for Approved Food, following an increase in weekly orders to 3,500 in 2014. You are advised to show your working.

(4)

$$\text{IED} = \frac{\% \Delta \text{ Demand}}{\% \Delta \text{ Income}} \quad \text{IED} = \frac{75\%}{2.2\%} = 34\%$$

$$\% \text{ change in demand} = \frac{3500 - 2000}{2000} \times 100 = 75\%$$



**ResultsPlus**

**Examiner Comments**

This candidate has shown knowledge of YED, 1 mark.

Correctly calculated the percentage change in demand, 1 mark.

They have inputted the figures into the YED formula, 1 mark, but not recognised that the percentage change in income should be a negative figure, as should the resulting YED, this has resulted in the loss of 1 mark.



## Question 2 (d)

This question presented candidates with a problem although most could define YED the knowledge mark required candidates to suggest how a business could use YED. The definition of YED was awarded in Question 2(c) so there was no mark available for it in this question.

More able candidates identified that Approved Foods sell inferior goods. Although there was some confusion between PED and YED with many suggesting YED would help approved foods see if they should increase/decrease prices. Many candidates discussed elastic and inelastic demand, but not normal and inferior goods. Many candidates suggested the data could be used to change price rather than looking at the type of products the business stocks.

(d) Explain how a business, such as Approved Food, might use income elasticity of demand data.

(4)

Income elasticity of demand shows a business how responsive their demand is to income.

Approved Food may use this to know how much stock they need to get. ~~If there is a change in income they~~ If income decreases they know they need to get more stock as they are offering an inferior good that is income elastic.

Therefore this data can help them to have the correct stock levels to match demand.



### ResultsPlus Examiner Comments

The candidate shows an understanding of how a business can use YED 'to know how much stock they need to get', 1 mark.

They then relate this to Approved Foods by identifying that the business 'are offering inferior goods that is income elastic', 1 mark. The analysis mark is achieved by suggesting 'the data can help them have the correct stock levels to match demand', 1 mark.

This could have been improved further by suggesting what kind of stock Approved Foods have, e.g. rice/chocolate/near use-by-date.

## Question 2 (e)

This question posed a problem for candidates who struggled to identify the impact of social trends on channels of distribution and either talked of social trends or distribution. Those that had some success with answering the question discussed the impact of online retailing.

Less able candidates were unable to demonstrate an understanding of the term 'channels of distribution' and provided a definition of social trends instead.

- (e) Assess **two** ways social trends might affect the channels of distribution for a business such as Approved Food.

(8)

Social trends has had a large effect on online retailing. This is because people are becoming more interactive with technology and the internet in nowadays. This is especially important because the food market has a large presence in online retailing. As a consequence people are less likely to visit local stores and the online market will grow. In context approved food may be pressured into using online retailing as a method of distribution as they will want to retain their customers. I do accept ~~not~~ ~~at~~ a large ~~small~~ proportion of the population still prefer to use stores which is an effecting factor.

Another factor is a large proportion of the UK still prefer to shop at their local store. This is because they either are not interactive with modern day technology or they prefer to speak to an actual person and keep people in jobs. This as a consequence this still opens up an opportunity to increase revenue within another target market.

Overall online retailing is the largest factor as the UK population are becoming increasingly busy leaving no time for shopping at local stores.



**ResultsPlus**  
**Examiner Comments**

This candidate provides a good first point which is applied to the 'food market' and offers a balancing point to the growing trend of online retailing 'a large proportion still prefer to use stores'.

The second point is not as strong as it lacks both application to Approved Foods/food retailers and balance.

The conclusion strengthens the response slightly and allows the candidate to achieve Level 3, 6 marks.



**ResultsPlus**  
**Examiner Tip**

'Assess two' requires both points to be balanced.

(e) Assess **two** ways social trends might affect the channels of distribution for a business such as Approved Food.

agent/broker  
customer  
Store<sup>(8)</sup>  
warehouse

Social trends are the popularity of something based on what everyone else is doing.

Social trends may affect channels of distribution for a business such as approved food as it is an online business so customers buy directly from them. Buying directly from a business usually makes it cheaper for the customer as it reduces the amount of added value on a product as the profits made from their products cover the wages of less people.

If social trends alter and people prefer buying from a store which has a longer channel of distribution as customers may feel more comfortable going and ~~also~~ immediately getting the products themselves may mean Approved Foods could have to adapt in order to survive, which may mean having to increase their prices in order to cover the extra costs.



**ResultsPlus**  
Examiner Comments

This candidate has shown an understanding of channels of distribution in both points made, as well as recognising that social trends could lead to 'Approved Foods having to adapt to survive'.

There is very little context shown, only that they have recognised that Approved Foods do not currently have stores. Neither point is balanced although each point does offer a counterbalance of the other, Level 2, 4 marks.

## Question 2 (f)

Candidates had an understanding of profit maximisation, but tended to discuss how to maximise profits rather than why/the importance of.

Less able candidates stated that profit is needed to pay costs/staff. Some started their answer well by suggesting that profit is required by Approved Foods to continue expansion, but then went on to say how Approved Foods should expand or the pros and cons of expansion.

More able candidates were able to balance their answer by suggesting Approved Foods may have other objectives such as customer satisfaction/social objectives.

(f) Assess the importance of profit maximisation to a business such as Approved Food.

(10)

Profit Maximisation is the process of ensuring that a business sources or making as much profit as possible, this can be achieved by lowering costs or increasing sales revenue. Profit Maximisation is very important to a business such as Approved Food as it ensures survival of the business and means the likelihood of business failure is reduced. Also it is important because profit allows the business to have more finance available to expand the business and therefore further profit maximize which could lead to a chain of stores and a significant increase of sales revenue and profit. However, Profit Maximisation is not very important to businesses like Approved Food because achieving Profit Maximisation can be a costly process of investing money and this can be difficult because funds may not be available and there is a large risk when attempting to Profit Maximise that it may not work so could therefore result in loss in finance.

Overall I think that profit maximisation is very important to businesses like Approved Food as it allows them to invest in things such as research and development. Although I do accept that profit maximisation is difficult and costly to achieve in the short-term and expansion may not be successful.



**ResultsPlus**  
Examiner Comments

The candidate shows a good understanding of profit maximisation 'achieved by lowering costs or increasing sales revenue'. They then continue to explain why it is important 'likelihood of failure is reduced' and 'allows the business to have more finance available to expand'.

There is an attempt at balance, but at this point the candidate goes off track and fails to answer the question, suggesting instead that expansion is risky.

The response also lacks application to Approved Foods, Level 2, 4 marks.



**ResultsPlus**  
Examiner Tip

Focus on the question and provide a conclusion that directly answers the question.

(f) Assess the importance of profit maximisation to a business such as Approved Food.

(10)

Profit maximisation is a pricing strategy used when you try and reduce costs and increase prices in order to try and make as much profit as you can. So you get the maximum profit available.

This is important to a business such as Approved food because it will enable him to invest his money back into the business in order to expand and grow. As well as this it means that he can charge a premium price and focus on quality and so is able to get good customer loyalty. Consequently by having profit maximisation you are then able to spend money on promotion and advertising which increases brand recognition and therefore helping to increase sales. Which is important for his business to get the message across about saving money on not throwing food away.

On the other hand it isn't very important to a small entrepreneurial business such as Approved food because his objective is to save shoppers 60-70% on each order, therefore he is worrying about the welfare of consumers and is more concerned about selling the food than making a profit so profit maximisation isn't very important.

Also because Approved food is a ~~very~~ very common type of business he hasn't got much competition to compete against for the market so by getting just enough profit by using satisfaction pricing he can still get profit while allowing customers to save the 60-70% on orders. This means that he is able to meet his objectives.

Also if he was to use profit maximisation because it's a new company and business people may not want to pay a high

price and therefore he would benefit more by using satisfaction  
pricing first.

To conclude in the long term profit maximisation may be important  
to Approved food if the market grows and there is more demand for it  
and therefore more competition. But in the short term it isn't very  
important because he needs to generate sales and become more established  
and focus on the customer needs and

(Total for Question 2 = 30 marks)

Requirements before trying to make the most profit because it could cause his business to lose sales as he  
would be prioritising the customer

TOTAL FOR SECTION B = 30 MARKS



### ResultsPlus Examiner Comments

This is a very good response that is in context, provides balance and a good conclusion.

The candidate starts by demonstrating an understanding of profit maximisation 'reduce costs and increase prices'.

More than one point is given as to why profit maximisation is important 'expand and grow' as well as 'spending money on promotion and advertising'.

Points are analysed using logical chains of reasoning 'which increases brand recognition and therefore helping to increase sales'.

The candidate also provides balancing arguments by recognising that this is a question about business objectives and that a business such as Approved Foods may have objectives other than profit maximisation such as 'to save shoppers 60-70% on each order'.

A very good conclusion is provided that directly answers the question and weighs up long term and short term needs of the business, this could have been improved by putting it in context.  
Level 4, 9 marks.



### Question 3

Less able candidates did not fully answer the question, although they weighed up pros and cons of each option there was no reference to profit.

There was a lot of evidence available in the extract for candidates to draw on and this was done well in most cases. Most were able to recognise that Bunches had started out using the Royal Mail and would have a base of customers as a result. Many found it easy to discuss the pros and cons of online expansion, with more able candidates recognising that Bunches already had a good online presence and facilities to deal with this side of the business.

Many of those that attempted a judgment provided a summary of points, rather than showing any real understanding of the business, its objectives or the market it operates in.

- 3 Evaluate these **two** options and recommend which option would be the most profitable for Bunches.

(20)

distribution is the way in which a product gets

from the production, through to the customer.

Online sales are no doubt convenient, and many

modern families would be able to access and would

prefer the convenience of buying online. This would save

customers time, so no doubt improve their experience

overall. This would result in more customer satisfaction.

However, developing the proper means of selling online

and developing the capacity to deal with that would be

expensive for the business, so therefore it may not be

an affordable choice for many customers the

business to make given the cost of expansion.

However using the post office may not be the most

convenient method for customers, since actual use of

post offices are in decline, and some may decide that

it is not worth the effort that it means that all

the use of the post office may go to work.

However, the ~~old~~ Post Offices are already a <sup>distribution</sup> channel that

they have in place, so the set up costs would be

very minimum.

overall continuing the cheaper to use the post office  
is clearly the cheaper option. However, to further  
expand and to set the business up for the  
future, financing growth of her online distribution  
would be best.



**ResultsPlus**

**Examiner Comments**

This response does not fully answer the question, the candidate has not recognised that the question asks about the profitability of the two options. Nor have they applied it to Bunches.

There is evidence of business knowledge and some connections between cause and consequence, but these do not extend into supported chains of reasoning.

There is some basic assessment as both options are weighed up briefly.

Level 2 8 marks.



**ResultsPlus**

**Examiner Tip**

Read the question fully to ensure all elements are included in the answer.

3 Evaluate these **two** options and recommend which option would be the most profitable for Bunches.

(20)

Distribution refers to how products are sent to consumers.

Online sales will benefit Bunches as it enables them to reach a wider and target market which may lead to an increase in sales thus creating a higher profit. However increasing sales by retailing online will mean that they may have to hire more staff to take control of the incoming orders online, this will increase the costs of Bunches meaning that profits may not increase. Also in the case it suggests new offices were built; if they decided to increase distribution through the Post Office these facilities may not be needed meaning they are not utilising their full capacity.

One benefit to increasing distribution through the Post Office is they have access to customers nationwide which in the case is suggested. This will mean that they will be able to supply to customers nationwide, by evaluation ~~status~~ ~~the~~ which may create an increase in demand creating more sales and a rise in gross profit. However this may not be the most profitable technique as this involves an intermediary (the post office) which may cost Bunches more than if they were to distribute the

products themselves as they will have to pay the post office as they are Bunches is outsourcing their work to them.

In the case it suggests ~~it~~ suggests that Bunches has an extensive online presence; this means it may be suitable for Bunches to increase distribution through online sales as they're already well known and are able to use an outbound marketing strategy online where as with increasing the Post Office they're unable to market their products as the post office only acts as a middle man. As well if they distribute online Bunches themselves can offer an after sale service which would increase reputation which may incentivise future sales.

Lastly with distributing online, customers can shop 24/7, in the comfort of their own home, where as with a Post Office they have to travel to a Post Office and it is only open for a specific time, this may suggest online retailing is more profitable as customers are available to order whenever. In evaluation Online retailing involves maintaining the website customers order from which is an added cost, however they already will do this.

The Bunches also have the available resources as the case suggests they have modern sales facilities and the job enrichment may motivate workers which may increase reputation and sales. I recommend online retailing as they have an extensive online presence and can access worldwide markets

(Total for Question 3 = 20 marks)

TOTAL FOR SECTION C = 20 MARKS

TOTAL FOR PAPER = 80 MARKS



The candidate has recognised that this is a question about profitability and has clearly discussed the impact on profit throughout their answer.

They have made good use of the extract and recognised that Bunches already has an 'extensive online presence' as well as having invested in new offices.

Both online and the Post Office are discussed as methods of increasing distribution, with advantages and disadvantages of each option provided.

The response ends with the required recommendation although this is very brief and does not show a good understanding of the market the business operates in, its objectives or product.

Level 4 16 marks.

## **Paper Summary**

Based on the performance on this paper, candidates should:

- read the extracts in each section carefully and make good use of the evidence in their answers
- read questions carefully and when asked to assess the impact of one factor on another, ensure both factors are discussed
- provide balancing points in both 1(e) and 2(e) when asked to 'assess two'
- read question 3 carefully to ensure they answer the question fully, taking time to plan their answer
- include a conclusion in questions 1(f), 2(f) and 3 that directly answers the question and takes into account the market that the business operates in, its product and objectives.

## **Grade Boundaries**

Grade boundaries for this, and all other papers, can be found on the website on this link:

<http://www.edexcel.com/iwantto/Pages/grade-boundaries.aspx>

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