

Mark Scheme (Results)

January 2007

GCE

GCE Economics and Business Studies
6364 (Unit 4)

MARK SCHEME 6364

SOME GENERAL POINTS

1. The scheme tries to provide a range of likely relevant responses to the questions set. All relevant responses are worthy of marks; it is important to reward good work even if it is not referred to explicitly in the mark scheme. **Valid original responses could well call for high marks.**
2. The Levels of Performance table should be used to reinforce the content level descriptors to establish the appropriate level of achievement and number of marks to be awarded to each candidate. Marks for quality of written communication are embedded in the Levels of Performance table and, consequently, candidates will be assessed on their quality of written communication wherever a Levels of Response mark scheme is used.
3. Marks within levels are determined by examiner judgement based on both quality and quantity of work.
4. Do not be reluctant to use the full mark range and, especially, do not shy away from awarding maximum marks. The candidates are working under great pressure; ask what might be considered excellence in such circumstances.
5. Be careful not to be severe in awarding marks to candidates answering questions within your own area of expertise. Conversely, avoid being too generous in less familiar areas.
6. Throughout this Mark scheme, "toolkit" refers to the concepts, theories and techniques which form the knowledge base for this subject.
7. Our view of analysis entails a logical sequence of explanation, generally using 'toolkit' concepts.
8. The sequence of evaluation is a conclusion drawn from weighing evidence.

Question 1

The income elasticity of demand for chocolate in the UK is 0.44.

Examine the implications of this for chocolate producers.

(8)

Knowledge 2, application 3, analysis 3 marks.

Candidates should appreciate that the low income elasticity means that demand for chocolate will not be significantly affected by changes in income. The evidence suggests that, '*Chocolate is seen as a comfort good when times are tough. The income elasticity of demand for chocolate in the UK is 0.44. It is therefore an attractive stock for investors seeking protection from market uncertainty.*' It suggests that shareholders might expect consistent returns on their investment and that production might be predicted with a degree of certainty.

Level 4

Look for development of a coherent response which identifies two implications of chocolates income elasticity of demand. We are looking for candidates to demonstrate applied knowledge with reasoned explanation supporting analytical comment. Very able candidates might see chocolate as more than a comfort food. The distinction might be made that income elasticity of demand might vary for different products. For example Green and Black may have a higher income elasticity of demand than Cadburys Dairy Milk. Candidates may also note that the market is competitive and that some firms may have higher or lower elasticities of demand. An elasticity of demand of 0.44 may mean that some firms may choose to 'milk cash cows'. It does mean that firms may be able to plan production

7-8 marks

(8)

Level 3

Answers should demonstrate understanding and offer a clear and accurate grasp of the implications of chocolates income elasticity of demand for producers. Answers should demonstrate logical development and offer a coherent explanation of the implications of inelastic demand

5-6 marks

Level 2

We are looking for some relevant knowledge implications of chocolates income elasticity of demand applied to the question. Responses may lack the logical development required to progress to Level 3, offering unequivocal statements regarding the implications of inelastic demand for chocolate producers. Maximum Level 2 for only one implication.

3-4 marks

Level 1

Some relevant understanding of at least one implication is apparent. Application may be weak. We are looking for some awareness. Some understanding of income elasticity should be evident.

1-2 marks

Question 2

Briefly examine two policies which might be adopted in order to improve the employment prospects of workers made redundant by Terrys.

(10)

Knowledge 3, application 3, analysis 2, evaluation 2 marks

A range of possible policies to improve the employment prospects of workers might be considered. Retraining initiatives and counselling might usefully be proposed to help redundant workers return to work. Employment agencies might work with Terry's to identify suitable jobs for staff.

Job creation schemes could be introduced to entice firms within the area. One possibility is to look at redeveloping the vacant site in order to encourage firms into the area.

The stem is expecting candidates to identify at least two possible strategies to improve the employability of workers made redundant.

Differentiation will be based upon the quality of the argument offered.

Level 4

Candidates accessing this level should offer balanced comment. Candidates will be required to offer a considered assessment of the appropriateness of their suggested strategies, such as retraining and job creation schemes. The effectiveness of such schemes will be considered.

9-10 marks

Level 3

Responses should apply relevant knowledge to the analysis of the question. At this level argument may lack balance but should nonetheless offer some assessment of effectiveness of their proposed strategies such as local authority intervention and attracting inward investment.

7-8 marks

Level 2

Candidates provide partial answers which fail to fully develop a response to the stem. Valid insights will be identified. Responses which are limited to one policy will be capped at Level 2.

4-6 marks

Level 1

Reward valid assertions which identify some possible suggestions which lack coherent development. Expect to see some ways that unemployment may be addressed identified. Answers may not be linked to the context. If no specific policies, Level 1 maximum.

1-3 marks

Question 3

Assess the likely implications for two stakeholder groups as confectionery companies seek to achieve competitive advantage.

(10)

Knowledge 2, Application 2, Analysis 3, Evaluation 3

This question requires an evaluative response if candidates are to access the higher levels of the mark range. A range of possible stakeholders may be identified. The evidence cites a number of possible examples which might be discussed. The most obvious stakeholder group highlighted are employees. Firms in the confectionery industry may look to automate or to rationalise productive capacity. The evidence about Terry's and Chocolat Frey may be used to good effect. The evidence suggests that not all initiatives may produce anticipated benefits, "*we reverted back to using manual labour in our quality control systems, after finding that machinery could not provide 100 per cent accuracy.*"

Efforts to control costs may affect consumers as firms seek to increase the quantity of vegetable fat used in chocolate production. This may have implications for the quality of the product but also consumer health.

Chocolate producers have been criticised for using marketing campaigns to encourage consumption of more confectionery products in order to acquire sports equipment for schools.

Candidates may choose to explore other sources of competitive advantage such as innovation, reputation and relationships. Innovation through new product development is a possibility. Branding can help to establish reputation. Nestle acquired Rowntree Mackintosh in order to gain recognised and trusted brands. Building relationships with customers and distributors can be a means to gain competitive advantage.

Level 4 Candidates will offer a clear assessment of the likely implications for two stakeholder groups as confectionery companies seek competitive advantage. At this level balanced comment should lead to evaluative comment. A typical response may focus on Chocolat Frey's efforts to improve efficiency, combined with recognition that the such objectives are not always achieved by chosen strategies. **9-10 marks**

Level 3 There should be some attempt to make an assessment. Answers may lack balance. Candidates will offer a clear assessment of the likely implications for two stakeholder groups as confectionery companies seek competitive advantage. Evaluation may be limited. Answers at this level may focus on the identification of stakeholders and the identification of strategies which may improve competitive advantage. The examination of the impact on stakeholders may not be fully developed. It is also possible that the relationship to improving competitive may not be fully developed. **7-8 marks**

Level 2 Conclusions may be based on assertions. An attempt is made to identify a link between company objectives to improve competitive advantage and the impact on two stakeholders. The impact on only one stakeholder group may access Level 2. **4-6 marks**

Level 1 Some relevant comments offer at least a partial consideration of the impact of efforts to improve competitive advantage. **1-3 marks**

Question 4

Evaluate possible reasons for Cadbury's decision to purchase Green & Black's.

(12)

Knowledge 2, application 3, analysis 3, evaluation 4 marks.

The trend towards developing extra special products with added value suggests that at least some customers are not price sensitive but are prepared to pay for quality. Green and Black is a fast-growing confectionery brand, with 5.1% of the UK market for block chocolate. Demand for healthier products is booming. In addition Green & Black's also makes organic ice creams, biscuits and cooking products which are sold on the High Street through retailers such as Boots and Tesco. Given that the market is mature, a firm with a growing market may be an attractive acquisition.

The evidence also alludes to the fact that Green and Black is an ethical brand, trading in fair trade products. This may be attractive to Cadbury's. It is a growing sector which may be attractive to Cadbury's. The Green and Black brand may be easier to grow in this sector than the Cadbury's brand.

Level 4

Clearly demonstrates knowledge of appropriate concepts. Evaluative and analytical comment should be evident leading to an assessment of the reasons for Cadburys decision to purchase Green & Black. Look for evidence of informed conclusions demonstrating evaluative comment. At this level candidates may assess two points such as the growth potential of the Green Black brand. Answers should draw on concepts such as synergistic benefits when considering reasons for Cadburys decision to purchase Green & Black.

10-12 marks

Level 3

Some sound analysis is evident but responses lack appropriate development for the highest marks. Limited development of response may result in assessments not being fully developed. Look for evidence of concepts being correctly applied to the assessment reasons for Cadburys decision to purchase Green & Black. Some developments of arguments, explanations and conclusions. No evaluation can just reach Level 3.

7-9 marks

Level 2

Identification of appropriate reasons why Cadburys may wish to buy the Green and Black brand are identified without logical analysis. Answers may not be fully developed. Explanations may be incomplete or may fail to draw on appropriate Business and Economic concepts. Candidates offer explanations and conclusions without full development

4-6 marks

Level 1

Candidates may show some awareness of the reasons for Cadburys decision to purchase Green & Black but fail to structure a developed response. Answers at this level may be more list-like.

1-3 marks

Question 5

Critically assess the importance of branding in the confectionery market. (40)

Knowledge 8, application 8, analysis 11, evaluation 13 marks.

There is significant evidence for candidates to draw on in answering this question. Evidence E highlights Cadburys decision to acquire the Green & Black brand. Cadburys have sought to focus its product range on a single brand, linking products to the Daily Milk brand. Nestle similarly have sought to exploit brands as the key to its success in the confectionery market. Nestle has sought to identify brands appropriate to different markets. Other confectionery companies have sought to produce pan-european brands in order to refocus marketing. The daim bars are an example of this. The strength of the Mars brand was one element in the successful launch of Mars ice creams. It should be remembered that brands are not a marketing panacea. Other factors such as reputation (nestle) and product quality are significant factors which affect the success of brands. Changing consumer tastes and preferences may also be influential in the confectionery market. This question offers candidates considerable scope to demonstrate and apply knowledge.

Level 4

Response should consider the potential benefits of the importance of branding in the confectionery market. An evaluative response is required, making reasoned comments on the significance of branding in ensuring sales and market share. Expect to see appropriate examples being used in order to support arguments. Look for reasoned conclusions.

Answers should provide evidence of accurate and wide-ranging knowledge. At this level we need evidence of appropriate theories, concepts and methods to support wide-ranging evaluation. Candidates demonstrating sustained evaluation throughout their response, leading to appropriate conclusions, will be rewarded in the upper half of the mark allocation. (28-40 marks)

Candidate demonstrates detailed and accurate knowledge relevant to the question. Relevant concepts are drawn together. There is consistent evidence of the candidate reaching informed and evaluative conclusions. Answers should demonstrate a high degree of sophistication. 37 - 40

Candidates responses are accurate but lack the development seen at the highest level. Conclusions are balanced and arguments are made clearly. The candidates answers demonstrate sound evaluation 34 - 36

The candidate uses appropriate terminology to analyse and evaluate the importance of branding in the confectionery market. Knowledge demonstrated should be relevant and should be developed to provide valid insights relevant to the question. 31 - 33

Level 3

Analysis supporting reasoned evaluation is evident. Relevant areas of knowledge are identified and applied, leading to analysis with limited evaluation or evaluative comment which is not supported by fully developed explanations of concepts. Some assertions may be evident.

Candidate demonstrates relevant knowledge and is able to select relevant knowledge and apply it in appropriate contexts. Concepts and are applied. Sources are used to develop appropriate and justified conclusions. Answers demonstrate effective evaluation relevant to the question **27 - 30**

Appropriate knowledge is applied to the question. There is clear evidence of theories and concepts applied relevant to the question. Candidates should demonstrate the ability to produce reasoned conclusions regarding the effectiveness of the importance of branding in achieving growth. **24 - 26**

Candidates demonstrate sound knowledge of the importance of branding. Some relevant theories and concepts have been selected. The significance of theories and concepts is explained. **21 - 23**

Level 2

Candidate demonstrates an awareness of the importance of branding, but analysis of the implications may be limited. There is little, if any, evaluation. Candidate should display some appropriate application of knowledge. Development of responses may be limited and the candidate may rely too heavily upon unsubstantiated assertions. Application of appropriate concepts is likely to be limited.

Candidates demonstrate appropriate knowledge. The relevance of the knowledge is for the most part appropriately explained. A selection of concepts and theories are applied to the questions. Not all concepts and theories are fully developed. Answers may not be fully developed. Relevant techniques are imperfectly applied. Conclusions demonstrate an understanding of the potential benefits of the selected. **17 - 20**

Candidates have demonstrated an ability to select information relevant to the question. Answers demonstrate a straight forward understanding of the issues. **14 - 16**

Knowledge is selected relevant to the question. Candidates' responses may demonstrate a lack of selectivity. Candidates demonstrate a valid understanding of importance of branding. Concepts are used in simple contexts. Conclusions are unsubstantiated. **11 - 13**

Level 1

Answers will demonstrate some appropriate knowledge and understanding. Responses will be characterised by lack of development, errors and omissions. Expect to see simple assertions, possibly in bullet point form, offering conclusions without development. Responses may lack coherence. Contradictions may be evident.

Candidates demonstrate some relevant knowledge and understanding. Simple insights are offered. Limited analysis offers simple conclusions. Limited use is made of appropriate sources of information. 7 - 10

Answers demonstrate limited knowledge and limited understanding. 4 - 6

Candidates show evidence of having some knowledge relevant to the question. 1 - 3

LEVELS OF PERFORMANCE TABLE

The following 'levels of performance table' should be used in conjunction with the indicative content for each question to establish the appropriate level of achievement and number of marks to be awarded to each candidate. The performance criteria are based on 4 assessment objectives for the specification overall.

Levels	Percentage	Performance Criteria
4	100	<i>Has demonstrated detailed, accurate and wide-ranging knowledge relevant to the question. Has drawn together relevant concepts, theories and methods, integrated them and used them convincingly. Has demonstrated the skills and used independence of mind to draw informed conclusions.</i>
	76	<i>Has demonstrated precision in thought processes leading to logical, balanced and clear conclusions. Has demonstrated integration of concepts and theories to solve problems within the Economic and Business context. Communicates arguments, explanations and conclusions with clarity and produces answers with a clear sense of direction culminating in evaluation which flows from the preceding discussion. Uses Economics and Business terminology precisely and effectively with excellent spelling, punctuation and grammar.</i>
3	75	<i>Has demonstrated a grasp of relevant areas displaying some specificity and selectivity. Has demonstrated a thorough application of concepts, theories and methods, integrating Economic and Business terminology. Has demonstrated the skills and shown evidence of using sources to draw informed conclusions. Communicates arguments, explanations and conclusions well and produces answers with evaluation clearly linked to the preceding discussion. Uses Economics and Business terminology well, with good spelling, punctuation and grammar.</i>
	51	
2	50	<i>Has demonstrated knowledge which is characterised by generalisation or lack of selectivity. Has demonstrated application of concepts, theories and methods with a limited attempt at integration. Has demonstrated the skills in a superficial manner leading to unsubstantiated conclusions. Has demonstrated a capacity to evaluate and has drawn conclusions which are dependent on a narrow range of inputs. Has demonstrated relevant techniques and related them in simple contexts. Communicates arguments, explanation and conclusions adequately with straight forward narrative or explanation. Some Economics and Business terminology is used with reasonable spelling, punctuation and grammar.</i>
	26	

1	25 1	<i>Has demonstrated independent elements of knowledge and understanding. Has applied a limited range of concepts, theories and methods in simple contexts. Has demonstrated the skills, using a small range of appropriate sources. Has attempted evaluation and has drawn simple conclusions which give simple insights. Has demonstrated some relevant techniques in simple contexts. Communicates some simple arguments, explanations and conclusions with adequate spelling, punctuation and grammar.</i>
---	---	---

ASSESSMENT OBJECTIVES GRID

ASSESSMENT OBJECTIVES					
QUESTION	KNOWLEDGE	APPLICATION	ANALYSIS	EVALUATION	TOTAL
1(a)	2	3	3		8
2	3	3	2	2	10
3	2	2	3	3	10
4	2	3	3	4	12
5	8	8	11	13	40
Total	17	19	22	22	80