

Mark Scheme (Results)

Summer 2007

GCE

GCE Economics and Business Studies (Nuffield)
(6364) Paper 1

GCE ECONOMICS AND BUSINESS STUDIES (NUFFIELD) A-LEVEL

UNIT 4 -

THE MARK SCHEME - 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. Points made should be ticked in the body of the script and marks placed in the right-hand margin.
3. 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.
4. Marks within levels are determined by examiner judgement based on both quality and quantity of work.
5. 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.
6. 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.
7. When marking large centres it is possible to become 'localised' to the quality of the centre and drift away from agreed standards. To avoid this, make frequent references to the copied scripts marked at the standardisation meeting.
8. The total marks for each question should be circled and also entered on the front of the answer book.
9. Throughout this Mark Scheme, "toolkit" refers to the concepts, theories and techniques which form the knowledge base for this subject.
10. Our view of analysis entails a logical sequence of explanation, generally using 'toolkit' concepts.
11. The sequence of evaluation is a conclusion drawn from weighing evidence.

1.

Examine the potential difficulties that firms such as Nestle may experience when launching new products. (8)

Knowledge 2, application 3, analysis 3 marks

Expect to see recognition that this is a mature market with a number of well established products. Nestle have struggled to launch new products into the market and, since its acquisition of Rowntree Mackintosh has failed to launch a successful new brand. Nestles Double Cream has been the most successful attempt but even this does not rival the success of well established rival brands such as Cadbury's Dairy Milk. There have been other attempts by various companies over the years, ranging from Amazing bars to Cabanas. Many of these have not survived the years. The difficulties that firms such as Nestle may face are resistance to new products from customers due to brand loyalty and reluctance from retailers to stock new products which do not have an established customer base. New products if they are stocked may not be displayed prominently. Firms may have to advertise and promote heavily new products, in order to persuade retailers to stock these products. This will significantly increase costs to manufacturers such as Nestle. Nestle in developing new products will also have to conform to design constraints. Products must have a degree of uniformity in order to gain display space on shelves.

Level 4

Look for development of a coherent response which identifies two potential difficulties which firms such as Nestle may encounter when launching a new product. We are looking for candidates to demonstrate applied knowledge with reasoned explanation supporting analytical comment. Very able candidates might see implications of the difficulty in launching new products, as a reason for Nestle to focus on the modification of existing products rather than the development of new, higher risk products.

(7-8 marks)

Level 3

Answers should demonstrate understanding and offer a clear and accurate grasp of at least two potential difficulties that firms such as Nestle might face. Answers should demonstrate logical development and offer a coherent explanation of the problems which firms such as Nestle might face when launching a new product. At this level it is appropriate to expect some examples, preferably real world of the difficulties which might be faced.

(5-6 marks)

Level 2

We are looking for some relevant knowledge of problems which Nestle or other confectionery companies might face. Responses may lack the logical development required to progress to Level 3, offering unequivocal statements regarding the difficulties which confectionery firms might face.

(3-4 marks)

Level 1

Some relevant understanding of at least one potential difficulty is apparent. Application may be weak. Answers may lack a critical perspective, making assertions in general terms, as to why confectionery will have difficulty.

(1-2 marks)

2.

Briefly examine the merits of a diversified business portfolio. (10)

Knowledge 3, application 4, analysis 3 marks

A range of possible merits of a diversified business portfolio may be identified. It is reasonable to expect candidates to identify two possible strengths of a diversified business portfolio. The benefits identified may include spreading risks, exploiting synergies e.g. confectionery ice cream, or moving into more profitable areas of business.

There are arguments for not diversifying the business portfolio. Cadbury attempted a diversified business portfolio during the 1960's and 1970's. They produced a wide range of products ranging from cleaning fluid, instant potato, cakes, wines and beverages. The experience was not a happy one. Key financial indicators dipped and the company chose to refocus on core markets (drinks and confectionery) in order to maximise profitability. Cadbury recognised that there were dangers in entering into markets that they knew little about.

Differentiation between candidates 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 merits of a diversified business portfolio. Look for the use of appropriate business terms such as synergy applied to the context. Answers should demonstrate analysis offering insights as to the reasons why firms might choose to diversify their business portfolio. An analysis of the Cadbury experience might offer a useful route to accessing this level.

(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. Answers at this level may offer an abstract analysis, rather than an applied examination of reasons why firms in the confectionery business might opt for a diversified business portfolio, rather than employing specific examples such as the ones cited in the evidence.

(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 reason for having a diversified portfolio will be capped at Level 2. Candidates achieving this level may place a greater emphasis on assertive statements rather than seeking to support comments with examples appropriate to the context.

(4-6 marks)

Level 1

Reward valid assertions which identify some possible suggestions but which may lack coherent development. Expect to see some general insight offered. Answers may not be linked to the context.

(1-3 marks)

3. Assess the reasons why confectionery firms such as Nestle might express concern about child labour. (10)

Knowledge 2, Application 2, Analysis 3, Evaluation 3 marks

There are contrasting views as to why Nestle may be concerned about child labour. On one level Nestle may be concerned about the ethical dimension about using raw materials which have been produced using child labour. It may wish to adopt a philanthropic stance looking after the interests of suppliers because it is the right thing to do.

Alternatively, concern about the issue of child labour may be a cynical attempt to deflect criticism and avoid a potential consumer boycott of their products. An ethical stance, sourcing raw material from producers who do not use child labour, may provide a useful marketing strategy for the firm. This may be particularly significant given the growth in demand for fair trade products.

This question requires an evaluative response if candidates are to access the higher levels of the mark range. A range of possible reasons for Nestle's concern about the use of child labour may be identified. The evidence cites a belief that many cocoa farmers are trapped in poverty and forced to rely on child labour and even child slavery. The evidence also suggests that a disdain for the use of child labour is not enough and that in order to make a real difference to the lives of cocoa farmers a Fair Trade policy is needed in order to try to improve farmers' quality of life.

Level 4

Candidates will offer a clear assessment of the possible reasons for Nestle's concern about child labour. At this level a balanced assessment should lead to evaluative comment.

(9-10 marks)

Level 3

There should be some attempt to make an assessment of the possible reasons why Nestle may be concerned about the use of child labour however answers may lack balance and evaluation may be limited. Look for two reasons/benefits developed.

(7-8 marks)

Level 2

Conclusions may be based on assertions. An attempt should be made to identify plausible reasons why Nestle may express concern about the use of child labour. The examination is likely to be one-sided and may lack the use of appropriate examples.

(4-6 marks)

Level 1

Some relevant comments offer at least a partial consideration of the reasons behind Nestle's concern about the use of child labour. Responses at this level are likely to be characterised by limited development.

(1-3 marks)

4.

Evaluate the market potential of premium chocolate. (12)

Knowledge 2 , application 2, analysis 2, evaluation 6 marks.

Premium chocolate has seen significant growth in recent years and there is clearly market potential for firms in this sector. The Fair Trade and High Cocoa content premium products have shown that there is demand for this type of product. It should be remembered however that premium chocolate represents only a relatively small proportion of the global confectionery market. The potential for premium chocolate to become a mass market product is doubtful. The profit margins on a bar of premium chocolate may be higher but the volume likely to be sold is potentially much less. This question very much focuses on market segmentation and differing price elasticities of demand. The potential for premium chocolate to become a mass market product is limited.

Level 4

Responses clearly demonstrate knowledge of market segmentation and the market potential of premium chocolate. Evaluative and analytical comment should be evident leading to an assessment of the market potential of fair trade and, or, high cocoa content chocolate. Look for evidence of informed conclusions demonstrating evaluative comment. At this level expect to see the use of appropriate examples to support evaluation.

(10-12 marks)

Level 3

Some sound analysis is evident but responses lack appropriate development for the highest marks. Look for evidence of concepts being correctly applied. At least two comments regarding the market potential of premium chocolate should be developed. At this level answers should offer some development of arguments through the use examples. Look for developed explanations and conclusions.

(7-9 marks)

Level 2

Candidates will identify the possible scope for premium chocolate. Answers may be incomplete and not fully developed. Some theory should be evident although development may be incomplete.

(4-6 marks)

Level 1

Candidates may show some awareness of the potential for premium chocolate. Answers will demonstrate limited development. And may offer uncritical assessment of the scope for premium chocolate.

(1-3 marks)

5.

Critically assess two strategies that firms in the confectionery market might adopt in order to increase sales and profitability. (40)

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

This question gives candidates broad scope to identify a variety of strategies which firms might adopt in order to increase sales and or profitability. Knowledge of the confectionery market might lead candidates to suggest mergers and acquisitions as plausible strategies for increasing sales. This strategy worked well for Nestle and has been a strategy adopted by Cadburys. Cadburys has adopted this strategy to move into organic and fair trade goods. This is potentially a growth sector for the confectionery sector. Automation may also provide a route towards boosting profitability through cost cutting and improved efficiency. Innovation for Mars into the ice cream market has proved a lucrative diversification. Major innovations carry a greater risk of failure. Marketing and promotion has proved a central element of a confectionery firms attempts to boost sales. Raising an awareness has a cost and firms will have to balance the cost of marketing and promotion against the potential returns in terms of higher sales and increased profitability (AED).

This question is heavily biased towards an evaluative response. Candidates achieving level 4 will have demonstrated the ability to identify appropriate objectives and assess the potential benefits and consequences of seeking to fulfil at least two possible objectives.

Level 4

Response should consider potential strategies that firms in the confectionery market might adopt in order to increase sales and, or, profitability. An evaluative response is required, making reasoned comments on the significance of possible strategies that might be adopted in order to increase sales and, or, profitability. 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. Two strategies must be assessed.

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. Candidates who are able to distinguish between strategies 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 possible strategies which might be used in order to increase sales and profitability. Knowledge demonstrated should be relevant and should be developed to provide valid insights relevant to the question. 31 - 33

Level 3

A number of possible strategies may be identified but we are looking for analysis to support reasoned evaluation of two strategies that firms in the confectionery market might adopt in order to increase sales and, or, profitability. Relevant areas of knowledge should be identified and applied, leading to analysis. Evaluation at this level may be limited and it is possible that evaluative comment may not be supported by fully developed explanations of concepts. Some assertions may be evident.

Candidate demonstrates relevant knowledge and are able to select relevant knowledge and apply it in appropriate contexts. Concepts are applied. Sources are used to develop appropriate and justified conclusions. Answers demonstrate reasoned comment regarding the appropriateness of strategies. There should be evidence of appropriate evaluation relevant to the question. Expect two strategies to be identified and developed. Development should be in context. 27 - 30

Appropriate knowledge is applied to the question. There should be clear evidence of theories and concepts applied relevant to the question. Candidates should demonstrate the ability to produce conclusions regarding the effectiveness of suggested strategies for achieving an increase in sales and, or, profit. Some attempt should be made to support conclusions reached by reasoned argument. 24 - 26

Candidates demonstrate sound knowledge of the proposed strategies to increase sales and, or, profit. Some relevant theories and concepts have been selected. Answers should attempt to demonstrate the appropriateness of the strategies identified. Look for the appropriate use of some theories and concepts. 21 - 23

Level 2

Candidate demonstrates an awareness of at least two possible ways of increasing sales and, or, profitability. Analysis of the implications of possible strategies is limited. There is little, if any, evaluation. Candidates should display some appropriate application of knowledge. Development of responses may be limited and candidates may rely too heavily upon unsubstantiated assertions. Application of appropriate concepts is likely to be limited. Two strategies must be identified although, both may not be fully developed

Candidates demonstrate appropriate knowledge. The relevance of 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 (expect to see some assertion). Relevant techniques are imperfectly applied. Conclusions demonstrate an understanding of the potential benefits of the strategies selected. Look for 17 - 20

a reasoned explanation as to how the strategies identified may lead to an increase in sales or profitability.

Candidates should have demonstrated an ability to select information relevant to the question. Answers demonstrate a straight forward understanding of the issues and identify two strategies. Answers should demonstrate some insights as to how the selected strategies might affect sales and, or profit. One strategy may be developed more fully than the other. 14 - 16

Two strategies to increase sales/profit may be identified but not developed. Alternatively one strategy may be identified but not fully developed. Candidates responses may demonstrate a lack of selectivity. Candidates will demonstrate a valid understanding of possible strategies. Concepts are used in simple contexts. Conclusions are not substantiated. 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 evaluation offers simple conclusions. Expect to see only limited use made of appropriate sources of information. Answers demonstrate only limited knowledge of strategies appropriate to the confectionery market. 7 - 10

Answers demonstrate limited knowledge and limited understanding. 4 - 6

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

