

Mark Scheme (Results)

January 2008

GCE Level

GCE Economics & Business Studies (Nuffield) (6361) Paper 1

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

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Question Number	Indicative content
1(a)(i)	<p>Knowledge 2 marks</p> <p>A part of a larger market that can be identified by the common preferences or characteristics of its customers.</p> <p>Vague or incomplete definitions should only receive a maximum of 1 mark. However, a clear and relevant example can gain the second mark.</p>

Question Number	Indicative content
1(a)(ii)	<p>Knowledge 2 marks</p> <p>The total income to a firm generated by the sale of its products or services. Usually measured over a period of time.</p> <p>Vague or incomplete definitions should only receive a maximum of 1 mark. However, a clear and relevant example can gain the second mark.</p>

Question Number	Indicative content
1(a)(iii)	<p>Knowledge 2 marks</p> <p>A small market segment that exhibits certain special characteristics. Products/services may be specialist, possibly with higher prices and limited competition .</p> <p>Vague or incomplete definitions should only receive a maximum of 1 mark. However, a clear and relevant example can gain the second mark.</p>

Question Number	Indicative content
1(b)	<p>Knowledge 1, application 2, analysis 1 marks</p> <p>There are many choices here such as age, gender, tastes, income etc. Look for two valid and clearly explained ways.</p> <p>Two ways clearly explained and understood, probably with helpful examples. 3 - 4 marks</p> <p>Possibly only one way or two ways not developed and/or explained. 1 - 2 marks</p>

Question Number	Indicative content
1(c)	<p>Knowledge 2, application 3, analysis 1 marks</p> <p>Central to this is an understanding of a how a business adds value. It must then be applied to the context of an online shop. Accept any reasonable explanations such as convenience (place and time), wider product range etc.</p> <p>Two ways clearly explained and linked to context, balanced and thoughtful.</p> <p>5 - 6 marks An understanding of concept and applied to context, may be unbalanced or lacking full development.</p> <p>3 - 4 marks Less articulate and/or convincing, may lack depth of application. Simple explanation of term adding "value"</p> <p>1 - 2 marks</p>

Question Number	Indicative content
1(d)	<p>Knowledge 1, application 2, analysis 2, evaluation 1, marks</p> <p>There is information in the evidence to show that Touchstone might face problems competing with city stores. There is also evidence to show that being online enables Touchstone to enter "the same marketplace as those on the high street". Expect to see discussion of access to more customers, expanding market share, increased turnover and profitability. More able candidates may note that costs may be lower in a rural location and thus make Touchstone more competitive on price.</p> <p>Very clear and detailed explanation of the importance of online shopping. Concepts are linked and make good use of appropriate vocabulary and toolkit.</p> <p>5 - 6 marks</p> <p>Clear understanding of the importance, with reasonable explanation and some use of toolkit but points may lack development, balance or sophistication.</p> <p style="text-align: right;">3</p> <p style="text-align: center;">- 4 marks</p> <p>Some basic insights with little development. Some understanding is evident but with little development.</p> <p style="text-align: right;">1</p> <p style="text-align: center;">- 2 marks</p>

Question Number		Indicative content
1(e)		<p>Knowledge 1, application 2, analysis 2, evaluation 3 marks</p> <p>The market for “ethical and environmentally sustainable products” is a growing one and can generate increased sales and profits. Appropriate benefits will need to be identified, applied and evaluated. Reward any relevant suggestions but at this level expect to see ideas such as building a strong brand identity and a loyal customer base, as well as the growing consumer preference for ethical and environmentally responsible products. Competition may be low to start with and the opportunity for premium pricing exists. However there are also risks in that the market may be a short lived trend, others may be tempted to enter the niche as well, bigger firms may use their extra muscle to take over. E.g. Cadbury and Greene and Black. Also costs are likely to be higher and premium prices may deter some potential customers.</p> <p>Reward positively candidates who use appropriate examples.</p>
Level	Mark	Descriptor
Level 4	7-8	Will provide a balanced response describing potential benefits and drawbacks using appropriate vocabulary and concepts. Expect to see clear discussion and analysis leading to real evaluation of the benefits and costs and a balanced conclusion.
Level 3	5-6	Answers will show good knowledge and understanding of the issues but may be less wide ranging. Evaluation may be weaker or is particularly one sided, e.g. just benefits or just costs. Without it a response cannot go beyond L3.
Level 2	3-4	Some knowledge of possible benefits but fails to make appropriate assessment, development is perhaps not fully there. Evaluation is likely to be weak or missing altogether.
Level 1	1-2	Some merit in points but little if any development. Limited awareness of possible benefits, candidates may make bold assertions.

Question Number		Indicative content
2(a)(i)		<p>Knowledge 2 marks</p> <p>Total revenue minus total costs</p> <p>Vague or incomplete definitions should only receive a maximum of 1 mark. However, a clear and relevant example can gain the second mark.</p>

Question Number	Indicative content
2(a)(ii)	<p>Knowledge 2 marks</p> <p>The amount of a good or a service that people are able and willing to buy at a given price at a given time.</p> <p>Vague or incomplete definitions should only receive a maximum of 1 mark. However, a clear and relevant example can gain the second mark.</p>

Question Number	Indicative content
2(a)(iii)	<p>Knowledge 2 marks</p> <p>Usually small businesses that are not part of a larger branded chain. Often run and operated by the owner(s).</p> <p>Vague or incomplete definitions should only receive a maximum of 1 mark.</p> <p>However, a clear and relevant example can gain the second mark.</p>

Question Number	Indicative content
2(b)	<p>Knowledge 1, application 2, analysis 1 marks</p> <p>The evidence hints at increasing competition from supermarkets but there are many possible explanations such as declining birth rates, poor promotion, incorrect product choice and so on. Accept any reasonable explanations.</p> <p>Two ways clearly explained and understood, probably with helpful examples.</p> <p style="text-align: center;">3 - 4 marks</p> <p>Possibly only one way or two ways not developed and/or explained</p> <p>1 - 2 marks</p>

Question Number	Indicative content
2(c)	<p>Knowledge 2, application 3, analysis 1 marks</p> <p>There are a number of possible suggestions that could be used here. A small firm would need to develop a competitive advantage in order to compete with Mothercare. It is likely that Mothercare will compete on price and choice therefore a small retailer may choose to specialise in one area, promote friendly service or advertise locally. Accept any reasonable suggestions.</p> <p>Two ways clearly explained and linked to context, balanced and thoughtful.</p> <p>5 - 6 marks An understanding of concept and applied to context, may be unbalanced or lacking full development.</p> <p>3 - 4 marks Less articulate and/or convincing, may lack depth of application.</p> <p>1 - 2 marks</p>

Question Number	Indicative content
2(d)	<p>Knowledge 1, application 2, analysis 2, evaluation 1, marks</p> <p>Mothercare is facing strong competition from supermarkets and various options are open to it. This is module 1 and students will probably suggest strategies such as price cutting, promotion, more effective market research, developing new products etc. They may also follow the stimulus hints in section A and talk about online retailing. As ever accept any logical suggestions.</p> <p>Clear and detailed explanation of two options open to Mothercare. Concepts are developed and make good use of appropriate vocabulary and toolkit.</p> <p>5 - 6 marks Some understanding of two options but points may lack development and sophistication. The response may lack balance and full development.</p> <p style="text-align: right;">3</p> <p style="text-align: center;">- 4 marks</p> <p>Some basic insights with little development. Some understanding is evident but with little development.</p> <p style="text-align: right;">1</p> <p style="text-align: center;">- 2 marks</p>

Question Number		Indicative content
2(e)		<p>Knowledge 1, application 2, analysis 2, evaluation 3 marks</p> <p>Again bear in mind this is module 1 and that such concepts as risk-bearing economies of scale and exchange rates will not have been reached yet. Appropriate benefits will need to be identified, applied and evaluated. Reward any relevant suggestions but at this level expect to see ideas developed from the evidence such as a rapidly expanding market with rising incomes, therefore more sales and profits. The benefits of this to Mothercare should be explained. However there are also risks in that the market is new and different to the UK. Language, distance and culture may be mentioned.</p>
Level	Mark	Descriptor
Level 4	7-8	Will provide a balanced response describing potential benefits and drawbacks using appropriate vocabulary and concepts. Expect to see clear discussion and analysis leading to real evaluation of the benefits and costs and a balanced conclusion.
Level 3	5-6	Answers will show good knowledge and understanding of the issues but may be less wide ranging. Evaluation may be weaker or is particularly one sided, e.g. just benefits or just costs.
Level 2	3-4	Some knowledge of possible benefits but fails to make appropriate assessment, development is perhaps not fully there. Evaluation is likely to be weak or missing altogether. Without it a response cannot go beyond L2.
Level 1	1-2	Some merit in points but little if any development. Limited awareness of possible benefits, candidates may make bold assertions.

Question Number		Indicative content
3(a)		<p>Knowledge 2, application 2, analysis 2, evaluation 2 marks</p> <p>Expect to see responses emphasise the positive aspects of market research leading to a market orientated approach and the benefits thereof, particularly when it comes to entering a new market. More able candidates may examine the need for the right sort of research or even the accuracy/validity of the findings. They may also point out the relative importance of this when compared to other aspects of a firms approach e.g. quality, reputation, price, promotion etc.</p> <p>There is a strong evaluative element here and good candidates must show this to reach level 4. Reward positively appropriate examples.</p>
Level	Mark	Descriptor
Level 4	7-8	The importance of market research is fully discussed with an awareness of its relative position in the firm's strategy for entering a new market. The response will be clear and articulate. Understanding is strong with appropriate use of vocabulary and theory. There is balance and a reasoned evaluation.
Level 3	5-6	Candidates discuss market research with good understanding but are perhaps not as articulate. There may be an attempt at evaluation, which might be rather unbalanced or uncritical. If no evaluation level 3 max.
Level 2	3-4	Awareness of the importance of market research and some application to examples but fails to build a balanced discussion. Evaluation or conclusions may be lacking or vague.
Level 1	1-2	Basic understanding of key terms. Some merit in relevant but unsupported assertions. Will lack understanding and make brief points in general terms only.

Question Number		Indicative content
3(b)		<p>Knowledge 1, application 3, analysis 3, evaluation 5 marks</p> <p>Look for an awareness of how increasing use of online commerce will impact on the respective stakeholders. There is an evaluative element here and better candidates will display this. There are numerous approaches that would be valid. A discussion of the effect on consumers might center around increased knowledge and choice, prices may become lower as competition widens, on the other hand, lack of face to face contact may be a drawback, existing shops may close restricting physical choice. As ever accept any reasonable points.</p> <p>For retailers it depends on whether they can embrace and benefit from this expansion. Some like Touchstone will see it as an opportunity to expand and reach a wider market, on the other hand, some established high street names may face declining sales, others still e.g. Tesco will make it part of their growth strategy. As ever accept any reasonable points.</p> <p>There is a strong evaluative element here and good candidates must show this. Reward positively appropriate examples.</p>
Level	Mark	Descriptor
Level 4	10-12	The effect on consumers and retailers is fully discussed with an awareness of both advantages and disadvantages. The response will be clear and articulate. Understanding is strong with appropriate use of vocabulary and theory. There is balance and a reasoned evaluation with conclusion.
Level 3	7-9	Candidates discuss the effect on consumers and retailers with good understanding but are perhaps not as articulate. There is an attempt at evaluation, which might be rather unbalanced or uncritical.
Level 2	4-6	Awareness of the effect on consumers and retailers and some knowledge but fails to build a balanced discussion. Evaluation or conclusions may be lacking or vague. If no evaluation level 2 max.
Level 1	1-3	Some merit in relevant but unsupported assertions. Will lack understanding and make brief points in general terms only.

Question Number		Indicative content
4(a)		<p>Knowledge 2, application 2, analysis 2, evaluation 2 marks</p> <p>Expect to see discussion based around fulfilling the customer's needs; market orientation may well be used here. Candidates may discuss increased sales, repeat purchases and customer loyalty. These ideas should be linked to an understanding of how they benefit the firm and help gain competitive advantage and/or increase sales and profitability. There is an evaluative element here, more able candidates may point out the added costs of this approach and the need for relevant and accurate research.</p> <p>Reward any valid arguments.</p>
Level	Mark	Descriptor
Level 4	7-8	Well-rounded, balanced discussion showing clear understanding of the benefits and with an evaluative element. Response makes good use of toolkit and theory.
Level 3	5-6	Knowledge and application are evident, awareness of theory and use of toolkit is reasonable. Perhaps less clear and may lack balance, evaluation may be weak or lacking.
Level 2	3-4	Awareness of some of the benefits but response fails to develop a clear analysis. Use of theory may be rather casual and lack use of toolkit.
Level 1	1-2	Some merit in points but little development, no toolkit. May be brief general comments couched in non-economic language.

Question Number		Indicative content
4(b)		<p>Knowledge 1, application 3, analysis 3, evaluation 5 marks</p> <p>Again evidence D has a clear hint to students. Expect to see responses explaining that such programmes will make staff feel valued and therefore motivated. Maslow may well be used here but must be linked to the context (beware the dreaded triangle with a lengthy description!). Answers should demonstrate how well motivated staff could benefit the firm and the impact they may have on sales and profitability. Better candidates may evaluate by looking at the costs to the firm (both in the financial and time sense) and balance that against any gains, staff retention may be mentioned. Some may choose to question the suitability of this approach for all firms.</p> <p>There is a strong evaluative element here and good candidates must show this. Reward positively appropriate examples.</p>
Level	Mark	Descriptor
Level 4	10-12	Clear understanding of the relative benefits and costs to the firm The response will be clear and articulate. Understanding is strong with appropriate use of vocabulary and theory. There is balance and a reasoned evaluation.
Level 3	7-9	Candidates discuss the effects with good understanding but are perhaps not as articulate. There is an attempt at evaluation, which might be rather unbalanced or uncritical.
Level 2	4-6	Awareness of some likely effects and some knowledge but fails to build a balanced discussion. Evaluation or conclusions may be lacking or vague. If no evaluation level 2 max.
Level 1	1-3	Some merit in relevant but unsupported assertions. Will lack understanding and make brief points in general terms only.

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