



*Rewarding Learning*

ADVANCED SUBSIDIARY (AS)  
General Certificate of Education  
January 2011

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## **GCE Applied Business**

Assessment AS 3

*assessing*

External Influences on the Business Enterprise

**[A3B31]**

**TUESDAY 11 JANUARY, MORNING**

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**MARK  
SCHEME**

- 1 The George Best Belfast City Airport operates in the consumer goods and services market. Explain two features of this market.

Two features of the consumer market are as follows:

- **Consumables or non-durable goods** – purchasing products at the airport or on aeroplanes. These products can only be used once or several times before replacement e.g. food and drink, cosmetics and perfume, newspapers and magazines.
- **Consumer durables** – purchasing products at the airport or on aeroplanes. These products can last many years and are thus likely to be infrequently purchased e.g. electric products, jewellery and clothes.
- **Tangibles** – these can be purchased at the airport and on aeroplanes. These goods are merchandise that can be touched or felt by the consumer e.g. jewellery, electric products, clothes, CDs.
- **Intangible** – these can be purchased at the airport. These are products that cannot be seen or touched e.g. playing computer games on machines, using the Internet at kiosks, flights on a plane.

1 × [2] for explanation.

1 × [2] for application.

[4]

4

- 2 Analyse how the proposed expansion at George Best Belfast City Airport could affect four stakeholder groups.

The stakeholders that may be affected with the expansion in the following ways include:

- **Airlines** – The different airlines (e.g. Ryanair, Flybe, Manx2). With plans to expand the airport, current operators of larger aircraft will be able to offer higher take-off weights allowing more seats to be sold on departing flights and the potential opening of new routes.
- **Local Community/Residents** – With the airport expanding this could cause problems with noise and pollution to local residents with larger aircraft and increased air traffic. The local community could benefit from increased employment. As a result of more jobs new employees will contribute to the local economy, which in turn will mean that other local businesses such as shops will also benefit. House prices could increase in the local area.
- **Employees** – They will benefit from expansion leading to enhanced job prospects and promotions.
- **Government** – They will benefit from tax revenue from the airport. In addition to this expansion unemployment will be reduced removing the necessity to provide unemployment benefit. George Best Belfast City Airport could receive money in the form of grants/loans to help in the expansion of the airport.
- **Pressure Groups** – They can take the form of trade unions, professional bodies and environment groups such as Greenpeace and Friends of the Earth e.g. concerns about CO<sub>2</sub> emissions.
- **Customers** – They will benefit from a greater choice of airlines and the amount of destinations being offered.
- **Shareholders** – Owners of George Best Belfast City Airport.

**Level 1 ([1]-[3])** Some knowledge and understanding of how the proposed expansion at George Best Belfast City Airport could affect its stakeholder groups and there is some application in the context of George Best Belfast City Airport. One stakeholder is properly analysed. There is little attempt to analyse the stakeholder. Quality of written communication is limited.

**Level 2 ([4]-[9])** Adequate knowledge and understanding of how the proposed expansion at George Best Belfast City Airport could affect its stakeholder groups and there is reasonable attempt to apply these to the context of George Best Belfast City Airport. Two or three stakeholders are properly analysed. Some attempt is made to analyse the stakeholders. Quality of written communication is satisfactory.

**Level 3 ([10]-[12])** Good knowledge and understanding of how the proposed expansion at George Best Belfast City Airport could affect its stakeholder groups and there is reasonable attempt to apply these to the context of George Best Belfast City Airport. Four stakeholders are thoroughly analysed. Quality of written communication is of a high standard. [12] 12

**3 Analyse four reasons for government intervention in The George Best Belfast City Airport.**

There are various reasons for government intervention which may influence the operations of a business such as George Best Belfast City Airport.

- **To ensure fair trade** – The Government will ensure fair trade in the market. The case study does not indicate that George Best Belfast City Airport has attempted to mislead consumers in an effort to secure higher profits. The number of laws that Government has passed to protect consumers from unscrupulous traders are as follows: Sale of Goods Act, Minimum Wage, Trade Description Act and the Weights and Measures Act. Examples: goods purchased at the airport or on aeroplanes are fit for purpose and of merchantable quality.
- **To control competition** – The level of competition must be controlled by the EU & Government to ensure that individual businesses do not gain too much market power. A number of laws aimed at encouraging greater competition have been passed by the government which are as follows: the Fair Trading Act, the Competition Act, the Restrictive Trade Practices Act and the Enterprise Act. These laws are intended to make the local economy more competitive by preventing large firms from abusing their market power. Examples: George Best Belfast City Airport would not be able to form a cartel and set different prices for different buyers on using the facilities or purchasing goods or services at the airport.
- **To protect stakeholders** – Government wishes to protect the various stakeholders from abuse. Protecting employees from being poorly treated by their employers by introducing a number of pieces of legislation. For example the Fair Employment Act, the Equal Pay Act, the Sex Discrimination Act, the National Minimum Wage and the

Working Time Directive. Examples: All employees should work in a safe environment not in an unsafe environment in an attempt to reduce costs.

- **To ensure support for government economic objectives** – The Government should create a stable, competitive economy by the following: low levels of inflation, low levels of unemployment, high but sustainable levels of economic growth, an acceptable balance of payments. Examples: George Best Belfast City Airport creating jobs and bringing more money into the local economy.
- **To protect the environment** – Government must protect the environment from pollution caused through either the production or the consumption of goods and services. Various pieces of legislation were introduced by the government to protect the environment, for example the Clean Air Act and the Environmental Protection Act. The government introduced a number of environmental taxes in an attempt to reduce pollution, including the Climate Change Levy and the excise duty in fuel. Examples: Taxes on air fares.
- **Social and ethical issues** – The government must protect the social and ethical issues within the local economy. Examples: Welfare and clarity of the employees of George Best Belfast City Airport, addictive substances, suicide, parenthood, animal rights, safety standards, environmentalism, governmental corruption, smokers' rights and privacy rights.

**Level 1 ([1]-[3])** Some knowledge and understanding of government intervention at George Best Belfast Airport and some application in the context of George Belfast City Airport. One reason is properly explained. There is little attempt to analyse the reason. Quality of written communication is limited.

**Level 2 ([4]-[9])** Adequate knowledge and understanding of government intervention at George Best Belfast Airport and there is reasonable attempt to apply these to the context of George Belfast City Airport. Two or three reasons are properly analysed. Some attempt is made to analyse the reasons. Quality of written communication is satisfactory.

**Level 3 ([10]-[12])** Good knowledge and understanding of government intervention at George Best Belfast Airport and there is reasonable attempt to apply these to the context of George Belfast City Airport. Four reasons are thoroughly analysed. Quality of written communication is of a high standard.

[12]

12

4 With reference to the case study, explain four features of an oligopoly.

- Airport sector in NI dominated by a few operators, e.g. George Best Belfast City Airport; Belfast International Airport and City of Derry Airport;
- Total passenger numbers within George Best Belfast City Airport are quoted at approx. 2-2.7m, representing 40% market share, presumably the remaining airports account for 60% between them, with Belfast International Airport likely to have the majority share;
- Rivalry is intense between each airport operator – in terms of passenger numbers, airlines services, destinations offered, e.g. BMI transferred to GBBCA some years ago from BIAL;
- Each airport likely to gain market share at the expense of rivals, whereby changes in strategy/policies at one airport is likely to impact profits/revenues at either of the other airports, e.g. runway extension;
- Large amounts of capital investment required, which tends to prevent competitors entering the market, e.g. runway extension costing £10m to GBBCA.

**Level 1 ([1]-[3])** Some knowledge and understanding of the features of an oligopoly and some application in the context of George Belfast City Airport. One feature is properly explained. There is little attempt to analyse the feature. Quality of written communication is limited.

**Level 2 ([4]-[9])** Adequate knowledge and understanding of the features of an oligopoly and there is reasonable attempt to apply these to the context of George Belfast City Airport. Two or three features are properly explained. Some attempt is made to analyse the features. Quality of written communication is satisfactory.

**Level 3 ([10]-[12])** Good knowledge and understanding of the features of an oligopoly and there is reasonable attempt to apply these to the context of George Belfast City Airport. Four features are thoroughly analysed. Quality of written communication is of a high standard. [12]

12

5 Discuss **four** conditions of demand which might apply to The George Best Belfast City Airport.

The conditions of demand on George Best Belfast City Airport.

- **Change in population** – As the population increases the demand for most goods increase.
- **Change in income** – Income is a very important factor determining the level of demand for a particular product or service. Demand for passengers using George Best Belfast City Airport will rise as income increases. Business or leisure travellers will have more disposable income to spend on flights and additional products or services when using the airport. The global downturn in the economy resulted in three of the four Polish destinations axed.
- **Change in the price of other goods** – Changes in the price of goods or services will have an influence on demand. If airlines advertise cheap flights it may increase the number of travellers to George Best Belfast City Airport. Passengers may book their flights well in advance of their departure date to ensure a cheap fare.
- **Change in tastes and fashions** – Changes in tastes and fashions will have a huge impact on the demand for certain goods and services. Passengers may prefer to fly with airlines offering a ‘no frills’ service; or prefer flying as a method of travel compared to ferry services.
- **Availability of substitutes** – The level of demand for a good or service is the price of other closely related goods and services. Passengers will look at the offers available from different airports in Northern Ireland and which airline is giving them the best deal to their chosen destination.
- **Legislation** – Changes in legislation can have huge effects on the demand for a good or service e.g. the no-smoking ban and Monetary Policy Committee (MPC) or environmental regulations. Children under 16 years of age cannot travel by themselves unless they have adult supervision on an airplane.

**Level 1 ([1]-[10])** Some knowledge and understanding of the conditions of demand is demonstrated but this is limited. Up to two points are stated. Application of this knowledge to the question context, if present, is very limited as is the evaluation. Quality of written communication is limited.

**Level 2 ([11]-[15])** Adequate knowledge and understanding of the conditions of demand is demonstrated. Up to three points stated. There is some application (and evaluation) of this knowledge to the question context. Quality of written communication is satisfactory.

**Level 3 ([16]-[20])** Thorough knowledge and understanding of the conditions of demand is demonstrated. Four points are stated. There is good application of knowledge to the question context (including extensive evaluation). Quality of written communication is of a high standard. [20]

6 Evaluate five different ways in which The George Best Belfast City Airport could improve its competitiveness.

The various ways in which a business such as George Best Belfast City Airport could improve its competitiveness are:

- **Pricing strategies** – George Best Belfast City Airport could seek to improve competitiveness through its pricing strategies. They could vary strategies such as skimming penetration, destroyer pricing. Examples Ryanair charging cheaper airline fares or reduced landing fees for aircraft.
- **Improving quality** – If George Best Belfast City Airport can improve the quality of its goods and services then it can compete on the basis of quality rather than price. First impressions last and it is vital George Best Belfast City Airport has a good or service that sets the tone for the rest of the consumer's visit. To this end George Best Belfast City Airport will be embarking on a £6 million upgrade of facilities both inside and outside the terminal.
- **Adding value** – This will make George Best Belfast City Airport attractive as travellers will know that their needs are being met. George Best Belfast City Airport will continue to plan ahead of the curve to provide facilities that exceed the customer expectations ensuring that visitors have a positive experience on arrival or departure from Belfast.
- **Advertising** – George Best Belfast City Airport could advertise their products more in an attempt to raise awareness. Moreover, the aggressive marketing of Belfast over the past number of years as a vibrant, exciting destination for both business and leisure travellers has contributed to the increased number of visitors to Belfast and it's encouraging to see George Best Belfast City Airport assisting the development of the Belfast brand.
- **Product differentiation** – This means that George Best Belfast City Airport modifies its goods or services in an attempt to make them appear different to that of its rivals. This can be done by branding and advertising. Moreover, the aggressive marketing of Belfast over the past number of years as a vibrant, exciting destination for both business and leisure travellers has contributed to the continuing rise of visitors to Belfast and it's encouraging to see George Best Belfast City Airport assisting the development of the Belfast brand.
- **Organic growth** – If George Best Belfast City Airport can gain a competitive advantage over its rivals then it can grow organically. Organic growth occurs whenever a business grows naturally through increasing sales and market share as opposed to merging or acquiring another firm.
- **Takeovers** – George Best Belfast City Airport could look for opportunities for a takeover with another business.
- **Diversification** – George Best Belfast City Airport could try to diversify and sell other goods and services. There is also a proposal to build an airport hotel on a site occupied by the cargo terminal or short stay car park.

**Level 1 ([1]-[8])** Some knowledge and understanding of the ways in which competitiveness can be improved is demonstrated but this is limited. Up to two points are stated. Application of this knowledge to the question context, if present, is very limited as is the evaluation. Quality of written communication is limited.

**Level 2 ([9]-[16])** Adequate knowledge and understanding of the ways in which competitiveness can be improved is demonstrated. Up to four points stated. There is some application (and evaluation) of this knowledge to the question context. Quality of written communication is satisfactory.

**Level 3 ([17]-[20])** Thorough knowledge and understanding of the ways in which competitiveness can be improved is demonstrated. Five points are stated. There is good application of knowledge to the question context (including extensive evaluation). Quality of written communication is of a high standard.

[20]

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**Total**

**80**

	<b>A01</b>	<b>A02</b>	<b>A03</b>	<b>A04</b>	<b>Total</b>
<b>Question 1</b>	2	2			4
<b>Question 2</b>	3	3	6		12
<b>Question 3</b>	4	4	4		12
<b>Question 4</b>	4	4	4		12
<b>Question 5</b>	5	5	5	5	20
<b>Question 6</b>	5	5	5	5	20
<b>Total</b>	<b>23</b>	<b>23</b>	<b>24</b>	<b>10</b>	<b>80</b>
<b>Percentage</b>	<b>29</b>	<b>29</b>	<b>30</b>	<b>12</b>	<b>100</b>