

# A-LEVEL BUSINESS

A-level (7132)

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## Paper 2 7132-2

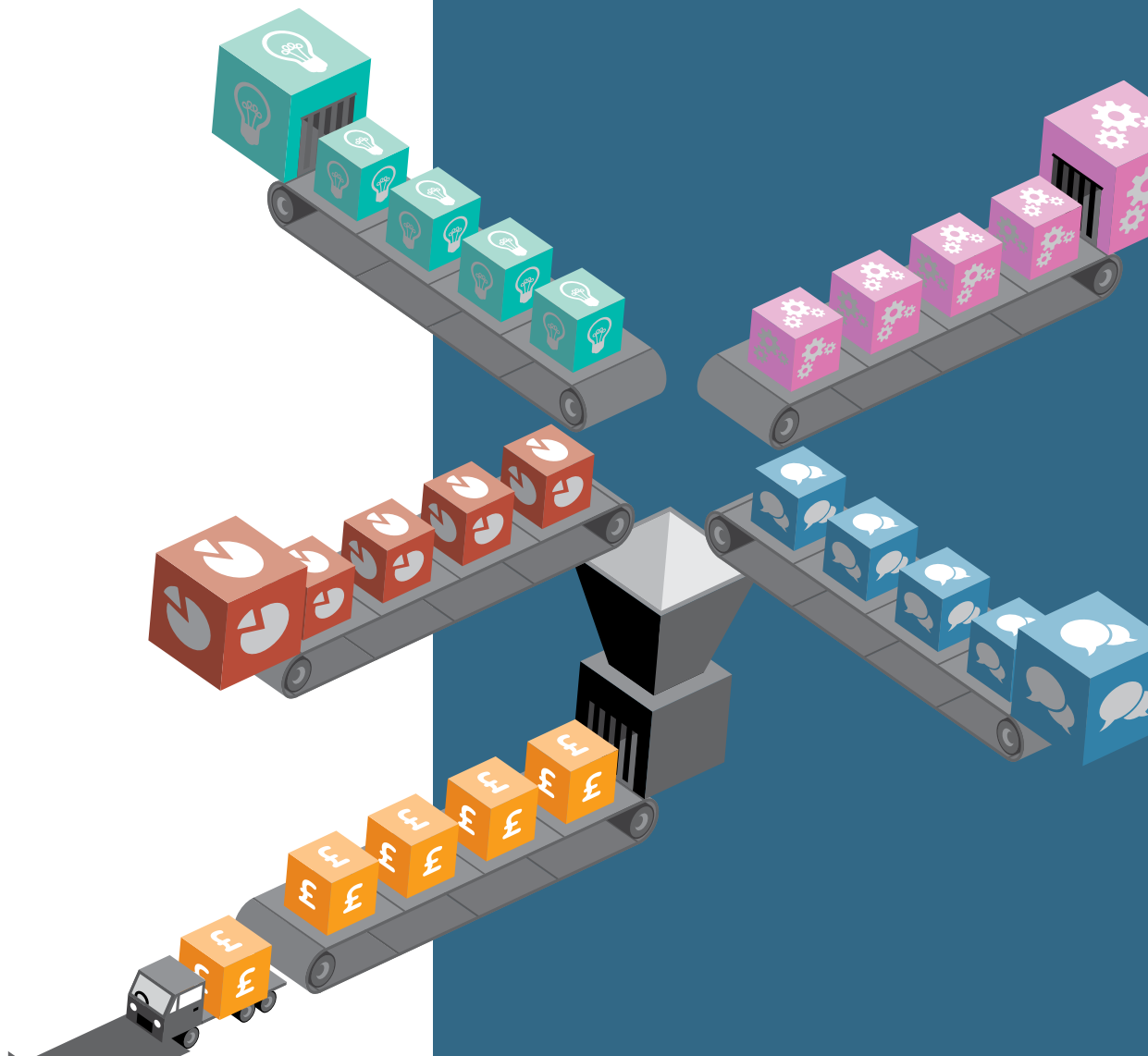
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Marked answers from students of different levels for specific questions. Supporting commentary is provided to help you understand how marks are awarded and how students can improve performance.

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Version 1.0 April 2023

# Answers and commentaries



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# A-level Business Studies

Answers and commentaries Paper 2 2022

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Please note that these responses have been reproduced exactly as they were written and have not been subject to the usual standardisation process.

### Question 1.4

A business sells two types of tea: black tea and health tea.

Analyse how the data in **Appendix C** will affect how this business might change the price it charges for each type of tea to increase its sales revenue.

[9 marks]

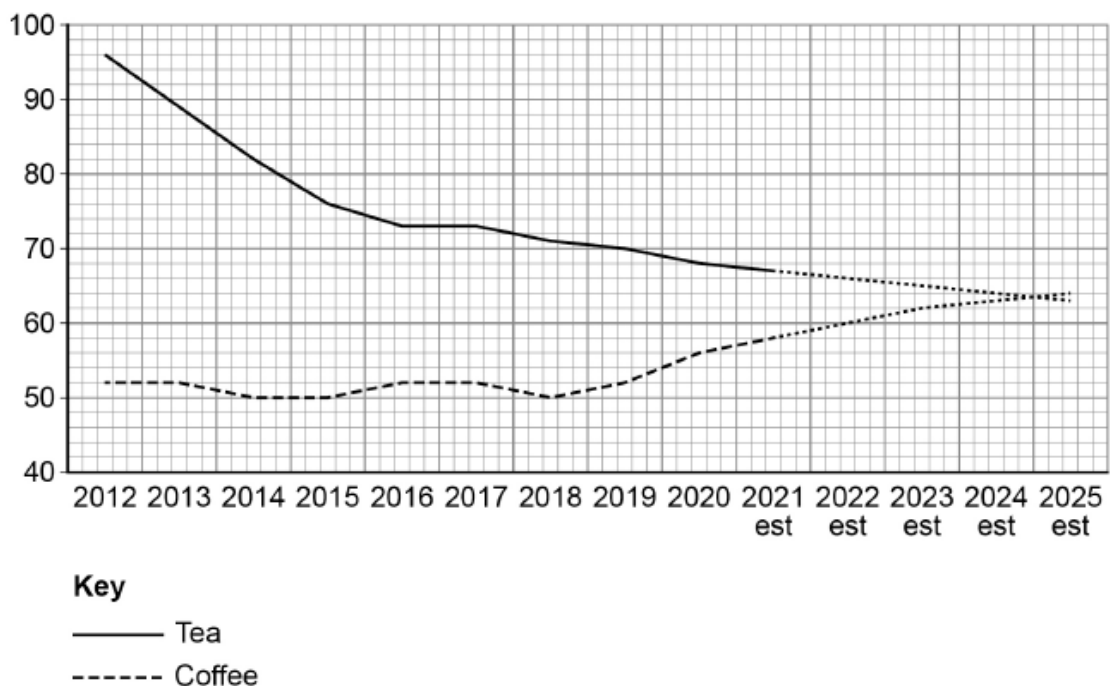
**0 1** Read the information below and then answer the questions that follow.

#### The UK tea market

Tea drinking in the UK is declining as younger customers choose alternatives such as coffee. Extrapolation of the annual sales suggests that coffee will outsell tea in the UK by 2025.

Within the overall tea market traditional black tea still dominates sales. However, a 'health tea' niche made up of fruit, herbal and green teas is growing. This niche has benefitted from its association with wellbeing.

**Appendix A Annual sales volume of black tea and coffee (million kg), UK (actual sales 2012–2020; estimated sales 2021–2025)**



**Appendix B UK tea brands 2019**

Rank	Brand	Annual Sales (£m)	% change	Type of tea in range
1	Twinnings	108	+3.8	Black and health tea
2	PG Tips	99	-7.2	Mainly black, with small new health tea range
3	Taylors (including Yorkshire Tea)	98	+5.0	Black and health tea
4	Tetley	90	+0.4	Mainly black but some health tea
5	Pukka	23	+15.4	Organic and ethical black and health teas
	Other tea brands	144		

**Appendix C Price elasticity of demand data**

Type of tea	Price elasticity of demand
Black tea	-1.2
Health teas	-0.5

**Appendix D Selected data from recent market research survey**

<b>How often do you drink black tea? (% of respondents)</b>			
	<b>Overall</b>	<b>Age 18–24</b>	<b>Age over 65</b>
Several times a day	42	25	56
Once a day	15	16	16
2–3 times per week	10	14	5
Occasionally	12	17	7
Never	21	28	16

<b>Do you drink health tea? (% of respondents)</b>	
	<b>Yes</b>
Female	32
Male	19

<b>How important is it that the tea you buy is ethically sourced, eg fair trade? (% of respondents)</b>	
Important	62
Not very important	26
Not at all important	12

## Mark scheme

Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4

Level	The student will typically demonstrate:	Marks
3	<p><b>A good response overall that focuses on many of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>demonstrates analysis which is well developed and is applied effectively to the context.</li> </ul>	7–9
2	<p><b>A reasonable response overall that focuses on some of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question</li> <li>demonstrates analysis which is developed and is applied to the context.</li> </ul>	4–6
1	<p><b>A limited response overall with little focus on the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>demonstrates analysis with little development and with mainly descriptive application to the context.</li> </ul>	1–3

**The demands of this question are:**

- show understanding of price elasticity of demand
- interpret the figures of  $-0.5$  as price inelastic and  $-1.2$  as price elastic
- analyse a link between price elasticity of demand, a related pricing strategy and increasing sales revenue.

**Indicative content:**

- a clear chain of argument interpreting the meaning of the  $-0.5$  figure; health tea being price inelastic demand
- price inelastic demand will allow the business to increase price of health tea and as percentage increase in price will be half the fall in percentage demanded then revenue would rise if price increased
- a clear chain of argument interpreting the meaning of the  $-1.2$  figure; black tea being price elastic demand
- price elastic demand will allow the business to decrease the price of black tea then revenue would rise if price decreased.

**Allow other relevant arguments.**

## Student responses

### Student response 1

For health tea the business could increase the price of the product to increase sales revenue as it is price inelastic (-0.5), therefore if the price increases demand would only decrease slightly and a higher price would mean the business is making higher revenues.

However they may not do the same for black tea as it is price elastic (-1.2) which means if price increased demand would decrease quite significantly and decrease sales revenue. However if the business make the decision to decrease the price, this could increase demand quite a lot. This will increase sale and therefore sale revenue.

This is a Level 3 response

This response clearly focusses on the demands of the question, elasticity is understood, the figures are interpreted correctly and there is analysis related to relevant pricing strategies for both black and health tea that is linked in both cases to increasing sales revenue.

Overall the response demonstrates a good understanding of the demands of the question, a sound knowledge and understanding of the concepts involved and correct analysis in the context of the question.

9 marks

### Student response 2

Black tea has a PED of -1.2 which means it is price elastic. Therefore a change in price will affect demand. If they decide to decrease the prices of Black tea they should see an increase in demand. This can lead to greater revenues because the business begins to sell more. However, they would have lower selling prices which means although they might sell more products it might not equate to more revenue. The other option is to keep prices the same and see how much this affects revenue.

Health tea has a PED of -0.5 which means it is price inelastic. This means that a change in price should not affect demand. This means the business should be able to increase the prices without any effect. By selling the same amount of products at a higher price will lead to higher sales revenue. The business might see a slight decrease in demand due to customers not seeing the value in the product but overall this is not an issue.



This is a Level 2 response

The first paragraph begins well correctly identifying black tea as price elastic and that a fall in price should see a rise in revenue. The ensuing development focusses on competitive pricing and lacks precision in the context of the demands of the question. In the second paragraph health tea is correctly identified as being inelastic and a strategy of reducing price is suggested but the analysis again lacks precision. Overall this response demonstrates a sound knowledge and understanding of the concepts involved but the demands of the question have not been fully appreciated resulting in analysis that is lacking in precision and context.

5 marks

### Student response 3

Appendix C shows that the price elasticity of demand for black tea is  $-1.2$  whereas health teas are  $-0.5$ . This would show that both of these products are not price inelastic and rather that they are price elastic. This means that if a business were to increase the price of these products it would lead to demand for these goods to fall and with that the sales revenue will also decrease.

For black tea they would be unable to significantly increase price as demand would plummet therefore they should rather maintain the price it is as due to it being price inelastic. There are also many competitors in the market so they should match competitor prices and maximise output and try decreasing production cost while maintaining product standard.

For health teas it is quite close to being price inelastic and it is an emerging market so they could raise prices by a bit as it won't cause a lot of damage to revenue and they could increase but need to make sure they do not lose market share.

This is a Level 1 response

The first paragraph demonstrates a little knowledge related to price and demand but incorrectly states both products are elastic. The second paragraph makes the point that it would be unwise to increase the price of black tea but then incorrectly states it is inelastic. The final paragraph suggests the price of health tea could be raised but there is no analysis of why this can be done. There is no link made for either black or health tea in terms of increasing sales revenue.

Overall this response demonstrates a little knowledge but understanding is limited leading to an inability to address the demands of the question.

2 marks

## Question 1.5

To what extent does the information provided suggest that now is a good time to launch a new brand of tea?

[16 marks]

## Mark scheme

Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4, AO4 = 7

Level	The student will typically demonstrate:	Marks
4	<p><b>An excellent response overall that is fully focused on the key demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a depth and range of knowledge and understanding that is precise and well-selected in relation to issues in the question</li> <li>demonstrates analysis throughout which is well-developed, is applied effectively to the context and considers a balanced range of the issues in the question</li> <li>makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.</li> </ul>	13–16
3	<p><b>A good response overall that focuses on many of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>demonstrates analysis which is well-developed, applied effectively to the context and considers a range of issues in the question</li> <li>makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole throughout.</li> </ul>	9–12
2	<p><b>A reasonable response overall that focuses on some of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question</li> <li>demonstrates analysis which is developed, applied to the context and considers some of the issues in the question</li> <li>makes judgements or provides solutions which are built on analysis, but lack balance and not fully focused on the question as a whole.</li> </ul>	5–8

<b>1</b>	<p><b>A limited response overall with little focus on the demands of the question</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question</li> <li>• makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.</li> </ul>	<b>1–4</b>
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**The demands of the question are:**

- to consider the arguments for it being a good time to launch a brand of tea
- to consider the arguments against it being a good time to launch a brand of tea
- to consider the balance of arguments to make a judgement about the decision based on the information provided.

**Indicative content may include:**

- the traditional tea market is declining at a significant rate potentially making it a bad time
- the traditional tea market remains large and valuable, so could be an attractive time
- the tea market is sub-divided and there are growing niches that could be focused on
- younger people are favouring coffee and health (herbal/fruit/green) tea
- ethically sound products may be favoured – does this provide an opportunity to focus on
- established brands are very strong brands – providing a large barrier to entry (Porter) – sales dominance of top four brands so not a good time to enter – could use calculation from Question 2 (70.32%) or OFR.

However, need to consider:

- Finance – is the new brand able to penetrate the market effectively eg is it a brand with backing (financial or as a name) from another market. If so it may more readily enter the market.
- Other information (data beyond that provided) would be useful – such as the channels of distribution available eg dominance of supermarkets; the coffee market; the scale at which the new brand wishes to operate.

Overall, there may be opportunities even though the market is declining, but it will depend upon a range of factors eg:

- the niche/segment being aimed at
- what the new brand's USP is
- how well the brand can be supported and promoted.

**Allow other relevant arguments.**

### Student response 4

The information provided may suggest that it is not a good time because there has been a significant decrease in sales volume of black tea since 2012, and this is predicted to continue. This means that if a new brand was launched there may not be a strong enough demand and the new brand may fail as they do not make enough sales. This is also not a good time because of the change in consumer trends. Moving towards coffee as shown by the increase in sales volume in Appendix A. This also suggests that there is not a strong demand for tea and a new brand may not be necessary. This shows that it is not a good time.

However it may be a good time to launch a new brand of health tea as it is popular because of the association with health and wellbeing, which is becoming increasingly popular. This niche market has high potential to expand and become a mass want by consumers, and may be opportunities to market the product to men as there is a low % that drink health tea (19%) and this could increase with changing needs and wants. This shows that it is a good time to launch a new tea brand as there is demand and high potential growth and sales in the health tea market.

In conclusion, I do not think that it is a good time, mainly because of the increasing demand for coffee, leading to a lower demand for tea. Also because there are already 4 dominating tea brands in the market (Twinings, PG Tips, Taylors and Tetley) meaning competition would be high. However it does depend if a health tea brand is launched that can be differentiated from these brands and find a gap in the market, as has a potential to be successful.

#### This is a Level 4 response

The first paragraph uses the data in appendix A to analyse why it may not be a good time to launch a new brand of tea. The second paragraph provides a counter argument suggesting that now might be a good time to launch a new brand of health tea due to its increasing popularity using data from appendix D to support. This provides balance to the response but although judgemental in approach as yet does not provide any overall judgement.

The final paragraph draws the response together basing their conclusion on their earlier analysis and using further data from appendix B to establish the extent to which now is a good time to launch a new product. For the most part it is not a good time unless it is possible to find a gap in the market for a health tea product.

Overall a very good response it addresses the demands of the question, develops a range of issues, has balance and a supported judgement. Yes there is other data that could have been used to support the arguments but given the time constraints of the exam there is sufficient context in this response to make this an excellent response.

15 marks

### Student response 5

The business could launch a new brand of tea as a 'health tea' niche is growing. For example, the 'health' tea niche made up of fruit, herbal and green teas is growing. The business could take advantage of this as 32% of females and 19% of males drink health tea. Also, the 'health' benefits could further attract all types of customers as it encourages you to look after your body and hence, could stand out as a USP which can help compete with market leaders. 'twinings'. However, it depends on the size of a business and its funds as targeting a niche market could be seen as risky and in order to become profitable, you will need to charge higher prices and therefore produce higher quality products.

On the other hand, a business planning long term might want to launch a new brand of coffee instead. 'Extrapolation of the annual sales suggests that coffee will outsell tea in the UK by 2025.' To target younger customers, introducing a new brand of coffee will somewhat guarantee a large volume of sales and therefore, growth in market share. Also, it will want to source the products ethically in order to maintain a loyal customer base and remain competitive. However, it depends on a business strategy as launching a new brand of coffee will not be as successful as launching a new brand of tea in the short term.

Overall, the information provided suggests that it is now a good time to launch a new brand of coffee as it will benefit the company long term. A company could launch a new brand of tea now, however, and launch a new brand of coffee in a few years' time to maximise revenue, and competitiveness.

#### This is a Level 2 response

The first paragraph uses data in an attempt to analyse why it might be a good time to launch a new brand of health tea. The development though becomes rather assertive in that it is not supported by the data and developed why it could compete with market leaders and why prices and quality would need to be higher. The second paragraph attempts a counter argument using data to suggest it is not a good time to launch a new brand and that a business would be better off launching a new brand of coffee. Although valid, the response drifts from the key focus and demands of the question. This is further shown in the concluding judgement which demonstrates a lack of focus on the key demand of whether now is a good time to launch a new brand of tea.

Overall the response demonstrates some understanding of the concepts involved, recognises the importance of and attempts to use the data provided but the ensuing analysis lacks context and focus on the key demands of the question.

7 marks

### Student response 6

A business would have to look at many factors before launching a new brand of tea. Information would be a very helpful want to see whether launching a new brand of tea.

It does however depend on what kind of data is available to a business. Numerical data for example could be useful when trying to increase sales revenue however if you are trying to expand your brand and release a new product then it may not be useful at all. They would need much more than data that is given by the government or other businesses. Although sales forecasts would be a good indicator.

Primary market research is a more in depth view on whether they should release a new product. As they are selling this product to consumers then it would be more sensible to get their feedback on the products. They could sample the product and hand it out to select customers to try the product or interview consumers and see their buying habits, why they buy products, what they want from products. However if this is not done correctly then it could lead to inaccurate data which would not be speaking on behalf of the entire consumer base. For example if the sample size is too small or biased than it would be inaccurate.

Information on consumers and the competitors is key as it would give a key understanding on whether it is a good idea. Strategies such as market mapping is helpful as it compares products in relation to competitor products. A product would either be expensive or cheap, modern or tradition. It helps analyse where a product will be on the spectrum.

Information is helpful but it depend on what kind of information and whether they analyse it correctly/ In this case secondary information would give a greater insight in whether this is a good idea and how it just depends on whether they carry out the procedure and make sure its accurate so they would have a good understanding on whether it's a good time to buy.

This is a Level 0 response

This response fails to address the demands of the question, there is no reference to launching a new brand of tea and no use of specific data from the appendix. The student looks at the need for data and market research in launching a new product – not answering the question.

Overall there is no consideration of the demands of the question.

0 marks

Question 3.5

Analyse how contingency planning might have helped DT maintain its competitiveness.

[9 marks]

0 3

Read the information below and then answer the questions that follow.

**Disrupted supply**

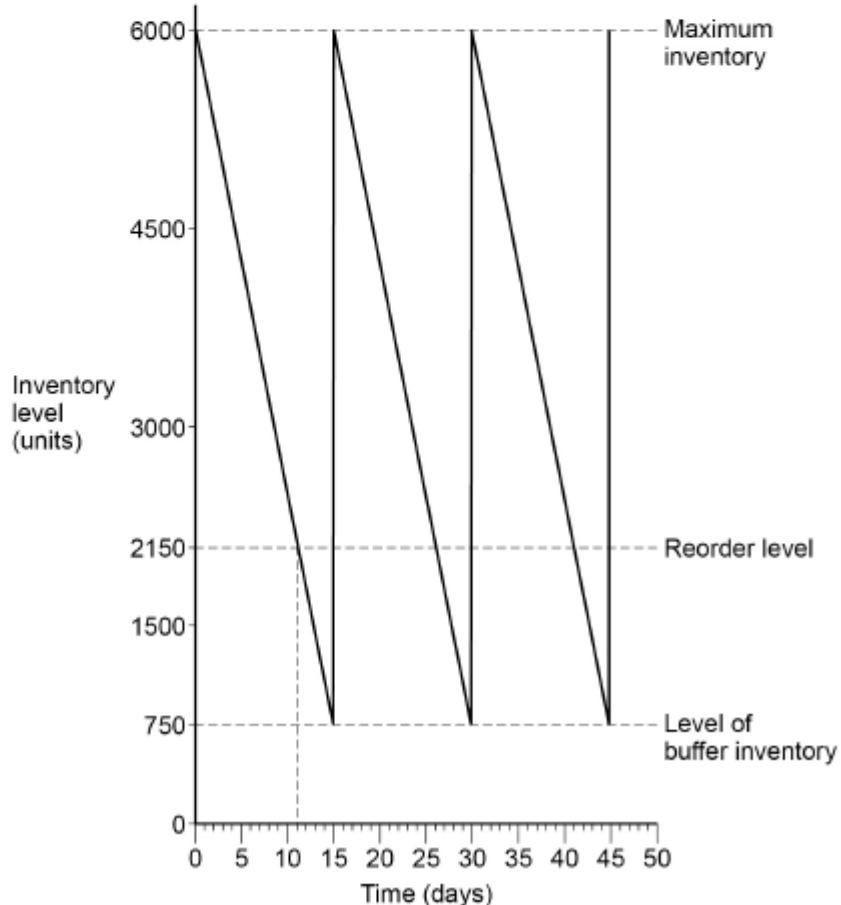
DT is a UK-based business manufacturing circuit boards which it sells to other businesses. All of DT's output is exported to Europe. The components that DT uses are sourced in the UK.

The supplier of a vital component closed suddenly in early 2020 disrupting DT's supply chain. DT's usual pattern of inventory control for this component is shown in Figure 1.

DT was forced to buy this component from a new and more expensive supplier.

DT stated: 'We had no contingency plan. It was impossible for us to find alternative supplies quickly enough to fulfil all our existing orders. The new supplies had higher levels of defects.'

**Figure 1 Inventory control chart showing DT's usual pattern before disruption**



## Mark scheme

Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4

Level	The student will typically demonstrate:	Marks
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2	<p><b>A reasonable response overall that focuses on some of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question</li> <li>demonstrates analysis which is developed and is applied to the context.</li> </ul>	4–6
1	<p><b>A limited response overall with little focus on the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>demonstrates analysis with little development and with mainly descriptive application to the context.</li> </ul>	1–3

**The demands of the question are:**

- to understand contingency planning
- to analyse how this may help DT reduce the negative impacts of problems with supply
- to analyse this through to the impact on competitiveness.

**Indicative content:**

- contingency plans allow a business to work through ‘what if’ scenarios to plan in case predictable disruptions might occur
- in effect the contingency plan allows managers to give thought to what to do if XYZ happens – meaning if something does happen the business does not start from scratch and will appear more organised in tackling problem
- in this case the business had no contingency plan.
- managed to source alternatives – but not quickly enough to fulfil existing orders, at greater cost and with more defects.
- but at least this maintained production and kept supplying customers



- in this case the events were unexpected – so possibly not part of a contingency plan – but if the process of planning had happened managers may be equipped to manage changes
- with no plan, some customers' were not fulfilled and as a result competitiveness may fall.

**Allow other relevant arguments.**

## Student responses

### Student response 7

Contingency planning is the planning for unexpected events. DT having contingency planning for delays in supplier would have decreased the expenses of the business. This is because they had to find suppliers quickly and were forced into paying higher prices due to the need to fulfil orders. Because they had orders already to fulfil the profit margin will be reduced as they cannot increase price of previous orders. Then the suppliers have had a higher number of defects this will result in a higher level of wastage and therefore increase costs.

DT will then have to increase costs to maintain profit however due to the delays in the supply chain customers will not be happy and can lead to them opting for competitors products due to delays and bad reputation especially if they are sensitive to price. Therefore, if they had planned for this event these impacts would have been reduced therefore maintaining DT's competitiveness.

This is a Level 3 response

This is a very good response, contingency planning is clearly understood, the problems of supply are analysed in terms of price, defects and wastage impacting costs suggesting this could lead to higher prices (student says costs but means price). This is then linked to competitiveness in terms of losing customers that might be price sensitive or due to delays, defects and the resulting impact on reputation. This all comes about as DT were forced to find new suppliers at short notice – a contingency plan could have meant they were better prepared therefore maintaining competitiveness.

The final paragraph adds nothing to the response – it appears to be an attempt at judgement but the command word here is analyse and therefore there is no requirement for judgement.

Overall the response demonstrates a good understanding of the demands of the question, a sound knowledge of the concepts involved which are analysed correctly in the context of the question.

9 marks

### Student response 8

May have helped them to remain competitive as it may have meant they had a back-up supplier in place so they had somewhere to turn when their supplier shows down, as it took them a long time to find one and this would have been a good plan to put in place as the search for other suppliers is not expensive to do. This would have meant they had a better chance at fulfilling orders.

It may have also helped because they could have researched the new supplier and found out about high defect rates and asked them to address this before offering faulty products to customers, or having a high level of waste which increases unit costs.

This is a Level 2 response

This is a reasonable response, contingency planning is understood and there is some development in terms of having a backup supplier in place and fulfilling orders but it lacks analysis related to competitiveness. The second paragraph identifies the problems of supply and develops how contingency planning might overcome these but there is no direct link to competitiveness.

Overall the response demonstrates a sound knowledge and addresses some of the demands of the question but crucially misses the link to competitiveness.

6 marks

### Student response 9

Contingency planning is when a business plans before hand for emergency situations. This might have made DT maintain its competitiveness as DT was already prepared for a situation like this meaning they had a backup plan therefore the business would not be surprised by the changes in the external environment compared to other competitors. This means that consumers would see how unaffected DT was so would feel more confident shopping at DT compared to other businesses. However since DT did not have a contingency planning they suffer from having to spend more costs just to export goods as they were so used to their exports coming from Europe. They might also have to take out loans from banks to stop them from any further financial problems.

This is a Level 0 response

This response demonstrates a clear understanding of contingency planning and there is a little development in relation to businesses such as DT being able to better respond to changes in the external environment. The answer then drifts and loses focus.

Overall this response demonstrates some knowledge and development but lacks context and analysis in regard to the demands of the question related to the supply problems faced by DT and link to competitiveness.

4 marks

### Question 3.6

Reliability is the most important factor in a business' choice of supplier. To what extent is this true for **all** businesses?

[16 marks]

### Mark scheme

Marks for this question: AO1 = 2, AO2 = 3, AO3 = 4, AO4 = 7

Level	The student will typically demonstrate:	Marks
4	<p><b>An excellent response overall that is fully focused on the key demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a depth and range of knowledge and understanding that is precise and well-selected in relation to issues in the question</li> <li>demonstrates analysis throughout which is well-developed, is applied effectively to the context and considers a balanced range of the issues in the question</li> <li>makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout.</li> </ul>	13–16
3	<p><b>A good response overall that focuses on many of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>demonstrates analysis which is well-developed, applied effectively to the context and considers a range of issues in the question</li> <li>makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole throughout.</li> </ul>	9–12
2	<p><b>A reasonable response overall that focuses on some of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question</li> <li>demonstrates analysis which is developed, applied to the context and considers some of the issues in the question</li> <li>makes judgements or provides solutions which are built on analysis, but lack balance and not fully focused on the question as a whole.</li> </ul>	5–8

<b>1</b>	<p><b>A limited response overall with little focus on the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question</li> <li>• makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole.</li> </ul>	<b>1–4</b>
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**The demands of the question are:**

- to analyse the case for and against the reliability of suppliers being the most important factor
- to judge the extent to which reliability of supply is the most important factor in choice of supplier
- for **all** businesses.

**Indicative content may include:**

Choice of supplier is important for many businesses and will take into account many factors – quality; price charged; after sales service; ethical issues as well as reliability.

Reliability is the most important as:

- delays in supply will potentially interrupt production
- it can have a knock-on effect to your customers making your business appear unreliable to your customers
- many businesses wish to keep buffer stock as low as possible to help financially, this will need suppliers to be reliable eg to operate JiT systems.

Reliability not the most important as:

- you could plan to mitigate the impact – run a larger buffer stock if a less reliable supplier has other great attributes
- other factors may be more important:
  - most obviously price charged, the cheapest supplier may allow your business to increase profit margins or reduce final price
  - quality – the best quality – could this make up for lack of reliability.

The extent to which reliability is the most important factor will depend upon:

- the nature of the business
- the type of business/industry
- the nature of the product and the final customer expectations
- does the supplier supply competitors too so effect may be mirrored – ie a monopsony supplier may be equally unreliable for your business and competitors?
- the way the business manages its inventory.

Judgement should be supported with prior arguments.

**Allow other relevant arguments.**

## Student responses

### Student response 10

On the one hand it can be argued that reliability is the most important factor in a business' choice of supplier for all businesses. This is because entrepreneurs are able to ensure quality of the supplies, as well as it being delivered on time, in order to have stock to sell. As some businesses use just-in-time processes, they would want to ensure they have a good relationship with their suppliers in order to ensure supplies are delivered on time. As they do not hold stock to lower costs, as they set an order, to prevent any delays and customer dissatisfaction the reliability of suppliers is extremely crucial. However it depends on whether the businesses operate just-in-time processes and the type of product. If they were long-lasting non perishable goods, businesses can afford to hold stock.

On the other hand it can be argued that reliability isn't the most important factor in a businesses choice of supplier. This is because depending on the image and reputation of the business, quality may be more important. In respect to this quality may be the most important factor in a business' choice of supplier. For example in the super car market there are only a limited amount of cars being sold like, bugatti, Ferarri, rolls royce. Due to the low volume of supply reliability of delivery may not be that concerning, considering the supplies are of high quality.

Furthermore costs may be more important for certain businesses. For example if a business attracts demand through low prices instead of quality then it would be in their best interests to keep costs low. An example of this would be products that are convenient and are bought on impulse such as ready made meals. As customers are 'cash' rich but 'time' poor they may excuse the quality of the food as long as it's cheap. Therefore suppliers must offer low prices for business.

Ultimately it's not the most important for ALL businesses however it's still important. It depends on the type of business and what kind of market it's operating in. If the products are perishable then businesses would require a reliable supplier, furthermore if businesses operate in a market where there is seasonal demand, or there's an economic boom, then suppliers must be able to react to the change in demand so businesses won't miss out. However if businesses operate within the luxury market, then they will value reliability, however quality may be more valued than that. Moreover in the long-term it may be the most important component as you need good relationships with certain suppliers in order to prosper, and even in the short-term its very important to respond to rapid changes in demand. Despite this it is not the most important for ALL businesses.

This is a Level 4 response

The opening paragraph suggests why reliability of suppliers is important for all businesses and in particular those that operate using JIT. The next two paragraphs provide a counter argument suggesting quality and cost may be more important to some businesses. The analysis of quality is particularly well developed with good supporting examples. The conclusion makes supported judgement drawing together the arguments made suggesting that while reliability is important for all businesses it may not be the most important for all as it depends on the type of business, products made and market it operates in.

Overall an excellent response that is fully focussed on the demands of the question.

16 marks

### Student response 11

I disagree with the statement that reliability is the most important factor for all businesses. I think that price is more important, Particularly for small businesses. They might not have the funds to pay for more expensive materials with better service. They would need to focus on more important things, such as rent, wages and production costs. If the suppliers are charging too much money for the materials they are selling then it is not worthwhile. The opposite can be said for designer brands. If the price is lower it tends to mean it is lower quality which needs to be considered. Another factor I would consider more important for all businesses is the quality of the goods. It does not matter if you can get the materials or goods on time if they have lots of defects. This means the business won't be able to do anything with the materials. If they can't do anything with the goods there was no point of them being on time in the first place.

However, I agree that reliability is the most important factor when choosing a supplier. Regardless of the quality if the products don't turn up or are late this can be very bad for the business. They might miss or be late for orders which can damage the businesses reputation. This can reduce the amount of customers, revenues and profits they can make. It's out of their hands if the goods turn up or not showing they must choose wisely. A business should expect to be able to order when they want so reliability is important. This is key for businesses who use JIT as this production process requires very fine margins. If the supplier can't provide for the demands of the just in time then they aren't very reliable. An example of an industry where reliability is key is the hospitality industry, the restaurants to be exact. If food is late this could mean it is out of date and no longer useful. Due to them having specific use by dates even being a day late can hugely affect the quality of the goods, hence why reliability is such a key factor for many businesses.

Overall, I agree with the statement that reliability is the most important factor. Any supplier can provide quality materials at a good price. Irrespective of cost if the businesses don't receive anything then production has to completely stop. This can depend on the size of the business and what their budget is like, as they may not have the funds for certain suppliers. However, you get what you pay for so it is worthwhile to invest more funds into a reliable supplier as long-term it will be more beneficial than one who constantly misses or is late for orders.

This is a Level 3 response

The first paragraph suggests that price or quality might be more important than reliability but the development of these factors lacks precision and effectiveness particularly in regard to small businesses. The second paragraph however is much better developed with supporting examples to suggest why reliability is the most important factor in the choice of supplier. The conclusion and ensuing judgement is somewhat limited and one sided and in part assertive.

Overall the response demonstrates a good knowledge and understanding of the concepts involved, a range of factors are considered, there is some balance but due to the nature of the opening paragraph this is a rather one sided response resulting in a limited judgement.

11 marks

### Student response 12

Reliability is a key factor for all businesses. It is incredibly important for a business to choose the correct supplier in order to remain competitive.

The choice of a supplier is a fundamental part in making sure a business is successful. If a supplier is supplying products which are faulty then that would reflect negatively on the business. The business would be taken accountable for if the supplier produces goods which are not up to standard. This would have a major negative impact as it would impact a businesses reputation and potentially customer loyalty if it continues. This would result in a loss of sales revenue and market share overtime for a business. It is fundamental for them to choose correctly.

If the supplier cannot deliver the products on time than this could also be a major problem for a business. For example if the inventory level is low for a business and the suppliers are unable to fulfil the re-order on time then that would mean that the business would be unable to produce on the output they should be and they also may not be able to deliver the orders of the consumers as they do not have the inventory to do so. This once again would represent the business negatively and would negatively harm them.

An example of this would be from a few years ago where the samsung smart phone started catch fire and explode. This was due to certain faulty parts of the phone and this negatively harmed samsung. Whereas the suppliers were not mentioned. The blame gets placed on the business releasing the product rather than the supplier.

Some could also say that choice of supplier is not the most important and it could be factors such market research as this a important method in order to understand a given market, how to manage a product in the market and whether to release a product They could say that this is the most important due to every business needing to research different markets in order to understand it. It is a key part of a business and possibly the most important.

Overall I would say that choice of supplier is important and it impacts on how a business is perceived and the products they release, but market research would be more important as without it a business would not be able to start up and release products in the correct market or correct prices or try reaching the correct target audience. Market research is one of the main aspects for a business to get started and throughout its lifespan.

This is a Level 2 response

This response demonstrates an understanding of a number of factors that affect the choice of supplier such as quality and reliability. Any development however is very general and although examples are used they are not focussed on the question set. This is confirmed in the conclusion which concentrates on factors affecting choice of supplier rather than whether reliability is the most important factor for all businesses. Overall this response demonstrates some knowledge and understanding but the development is lacking context and focus on the demands of the question.

6 marks



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