



A-LEVEL BUSINESS 7138/1

Paper 1

Mark scheme

Sample assessment materials

Version: 1.0

Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Examiner.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

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Level of response marking instructions

Level of response mark schemes are broken down into levels, each of which has a descriptor. The descriptor for the level shows the average performance for the level. There are marks in each level.

Before you apply the mark scheme to a student's answer read through the answer and annotate it (as instructed) to show the qualities that are being looked for. You can then apply the mark scheme.

Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptor for that level. The descriptor for the level indicates the different qualities that might be seen in the student's answer for that level. If it meets the lowest level then go to the next one and decide if it meets this level, and so on, until you have a match between the level descriptor and the answer. With practice and familiarity you will find that for better answers you will be able to quickly skip through the lower levels of the mark scheme.

When assigning a level you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best fit approach for defining the level and then use the variability of the response to help decide the mark within the level, ie if the response is predominantly level 3 with a small amount of level 4 material it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark. The descriptors on how to allocate marks can help with this. The exemplar materials used during standardisation will help. There will be an answer in the standardising materials which will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

Indicative content in the mark scheme is provided as a guide for examiners. It is not intended to be exhaustive and you must credit other valid points. Students do not have to cover all of the points mentioned in the Indicative content to reach the highest level of the mark scheme.

An answer which contains nothing of relevance to the question must be awarded no marks.

Marking guidance

- Be clear on the demands of the question.
- Read the response as a whole; follow the flow of the argument as a whole.
- Be positive in your marking. Look to reward what is there.
- Remember that the indicative content provides possible lines of argument but there may be others that are equally valid. Be willing to credit other lines of argument.
- Annotate the script as you read in accordance with the instructions given at standardisation.
- Consider what it all adds up to, eg is this a good response? A reasonable one? A limited one? Refer back to the standardisation scripts and guidance to help you benchmark. You are marking to the standard agreed at standardisation. Be careful of the standard you are marking at drifting when you have a big centre; refer back to standardisation scripts.
- Summarise your findings briefly at the end of the response. This will help you decide on the overall level and is helpful for others to understand the mark given.
- Next to your comment put the level awarded, eg L4.
- If in doubt about an approach contact your Team Leader, do not make up your own rules because we must have a standardised approach across all marking.

The following should be used at the end of the response:

L1	Level 1
L2	Level 2
L3	Level 3
L4	Level 4
L5	Level 5

0 1 . 1 Analyse how Ben’s attitude to risk made him a successful entrepreneur.

[6 marks]

ANALYSE: 6 marks

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

3	<p>A good response overall that focuses on many of the demands of the question. Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> • good knowledge and understanding • good application to the context • good analysis 	5–6
2	<p>A reasonable response overall that focuses on some of the demands of the question. Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> • good knowledge and understanding • reasonable application to the context • reasonable analysis 	3–4
1	<p>A limited response overall with little focus on the demands of the question. Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> • some knowledge and understanding • limited application to the context • limited analysis 	1–2

The demands of the question are:

- to demonstrate knowledge and understanding of the characteristics of entrepreneurs (AO1)
- in the context of Ben at Gymshark (AO2)
- to analyse the characteristics that made Ben a successful entrepreneur (AO3).

Arguments

- Ben dropped out of university to start Gymshark. This risk allowed him to concentrate his time and effort on the business, allowing him to build the brand during the infancy of the business.
- Ben invested all his savings into the business. This allowed him to spend money on the sewing machine and equipment he needed to start the business. This was risky because it could have failed, but by taking this risk he was able to buy what he needed and get the business up and running.
- Ben took a risk by opening a physical store at a time when many businesses are moving to or concentrating on ecommerce as a distribution strategy. This was risky because the investment was significant. This decision has been successful in attracting new customers and retaining existing ones, leading to Ben’s further success.

All relevant arguments will be credited.

0 1 . 2 Ben wants to make the Gymshark brand as strong as Nike's.

Analyse how this would benefit the business.

[6 marks]

ANALYSE: 6 marks

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

3	<p>A good response overall that focuses on many of the demands of the question. Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> • good knowledge and understanding • good application to the context • good analysis 	5–6
2	<p>A reasonable response overall that focuses on some of the demands of the question. Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> • good knowledge and understanding • reasonable application to the context • reasonable analysis 	3–4
1	<p>A limited response overall with little focus on the demands of the question. Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> • some knowledge and understanding • limited application to the context • limited analysis 	1–2

The demands of the question are:

- to demonstrate knowledge and understanding of brands (AO1)
- in the context of Gymshark (AO2)
- to analyse how a strong brand would benefit the business (AO3).

Arguments

- A big benefit of a strong brand is that it can lead to repeat business. Customers will be more loyal to Gymshark, increasing sales and potentially reducing the need for as much investment in marketing.
- A strong brand may mean the business retains customers and does not lose them to competitors such as Nike, Adidas and Puma.
- A strong brand has a value which will boost the value of the business; the company valuation could go even higher than \$1 billion which would help Gymshark to meet its objective of being the UK equivalent of Nike.
- A strong brand would increase sales, which could allow Gymshark to benefit from higher prices. Gymshark has seen a reduction in its net profit margin between 2021 and 2022. Higher prices could help this.

All relevant arguments will be credited.

0 1 . 3

Assess whether Gymshark is right to use influencers to promote the business.

[9 marks]

EVALUATE: 9 marks

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

Level	The student will typically demonstrate	Marks
3	<p>A good response overall that focuses on the demands of the question. Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> • good knowledge and understanding • good application to the context • good analysis • judgement which is supported by argument(s) based on quantitative and/or qualitative information 	7–9
2	<p>A reasonable response overall that focuses on some demands of the question. Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> • good knowledge and understanding • reasonable application to the context • reasonable analysis • judgement which has some support from argument(s) based on quantitative and/or qualitative information 	4–6
1	<p>A limited response overall with little focus on the demands of the question. Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> • knowledge and understanding which may lack depth or contain some inaccuracy • limited application to the context • limited analysis • judgement which has limited support from argument(s) based on quantitative and/or qualitative information 	1–3

The demands of the question are:

- to demonstrate knowledge and understanding of influencers (AO1)
- in the context of Gymshark (AO2)
- to analyse the use of influencers (AO3)
- to support a judgment on whether it is right for Gymshark to use them to promote the business (AO4).

Arguments supporting the use of influencers to promote the business:

- Influencers can have a wide reach (sometimes millions of users) and could help Gymshark be seen by many potential customers. The sportswear market is competitive, and exposure can therefore be crucial to success.
- Gymshark is targeting younger gym goers who are likely to be aware of influencers and more likely to purchase based on an influencer showing or using Gymshark.

- Facebook and Instagram are huge platforms and therefore using influencers could be seen by billions of people. Facebook has over 3 billion active users globally, Instagram 2 billion and Tik Tok over 1 billion.
- Influencers may be a cheaper form of promotion than advertising and using shops to promote the brand. Some influencers may want to be associated with the Gymshark brand and therefore may be prepared to take Gymshark clothes as payment for promotion.
- Influencers can be selected based on their abilities and number of followers. For example, Gymshark can choose influencers who are body builders or athletes. This could help boost sales and help Gymshark to portray the image it is hoping for.

Arguments against using influencers to promote the business:

- Ben has a large following of his own, so wouldn't necessarily need to pay money to use influencers if he can promote the products using his own social media.
- Influencers with many followers may be expensive. This could raise the costs for Gymshark and force prices higher. In such a competitive market, Gymshark's products may be price sensitive and therefore this could damage its profit margins.
- Using influencers could mean that potential customers from other demographics may not be able to see the promotion for the brand. This may limit its reach. Facebook, Instagram and Tik Tok for example may not appeal to certain people and therefore the promotion may not have the reach it is hoping for.
- There is a risk of linking the brand to an influencer. If that influencer behaved badly, for example, this could reflect on Gymshark's brand image.

Judgement:

- Influencers use platforms such as Facebook, Instagram and Tik Tok. Due to the number of active users across these platforms, this could be an effective and quick way to reach many customers and help to achieve growth assuming this reaches the target market. So far it seems to have been successful.
- It depends on cost and reach of influencers and who is chosen. There is a risk if there are any scandals or bad publicity linked to the influencer.

All relevant arguments and judgements will be credited.

0 1 . 4 Assess whether Gymshark was in a better financial position in 2022 than 2021.

Use **Table 1** and relevant calculations to support your answer.

[9 marks]

EVALUATE: 9 marks

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

Level	The student will typically demonstrate	Marks
3	<p>A good response overall that focuses on the demands of the question. Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> • good knowledge and understanding • good application to the context • good analysis • judgement which is supported by argument(s) based on quantitative and/or qualitative information 	7–9
2	<p>A reasonable response overall that focuses on some demands of the question. Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> • good knowledge and understanding • reasonable application to the context • reasonable analysis • judgement which has some support from argument(s) based on quantitative and/or qualitative information 	4–6
1	<p>A limited response overall with little focus on the demands of the question. Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> • knowledge and understanding which may lack depth or contain some inaccuracy • limited application to the context • limited analysis • judgement which has limited support from argument(s) based on quantitative and/or qualitative information 	1–3

The demands of the question are:

- to demonstrate knowledge and understanding of financial data (AO1)
- in the context of Gymshark in 2022 compared to 2021 (AO2)
- to analyse its financial position (AO3)
- to support a judgement on whether the financial position was better in 2022 than 2021 (AO4).

	2022 (£000s)	Calculations	2021 (£000s)	Calculations
Turnover	484,476	NPM 4.65%	401,946	NPM 9.08%
Net profit	22,529	Gearing 48.90%	36,497	Gearing
Non-current liabilities	76,743	ROCE 14.33%	16,849	17.96%
Capital employed	157 256		93,835	ROCE 38.89%

Arguments supporting that Gymshark’s financial position was better in 2022 than 2021:

- Turnover in 2022 is higher by £82,530,000.
- Gearing in 2022 is significantly higher than in 2021, but still less than 50%. This increase could be because of increased borrowing to fund expansion. It could be argued that 17.96% in 2021 could be too low and represent a lack of risk taking.
- Gymshark opened a physical store in October 2022 which is likely to mean that non-current assets would increase and could be the cause of the increase in gearing. This is less of an issue in terms of financial performance.

Arguments against Gymshark’s financial position being better in 2022 than 2021:

- Gearing was lower in 2021 (17.96% compared to 44.27%) suggesting that Gymshark was less susceptible to changes in interest rates than it would be in 2022.
- Net profit was higher in 2021 by £1,396,800 and the net profit margin was higher in 2021 (9.08% compared to 4.65%). This suggests that Gymshark could struggle to access profit as a source of finance to open further physical stores.
- Return on capital employed was higher in 2021 showing a more efficient use of financial resources in 2021.

Judgement:

Overall, the financial position does look worse in 2022: gearing is higher, the net profit margin and the ROCE is lower. Ideally, we would have comparisons with other businesses and an understanding of the strategy would help to place these numbers in context.

All relevant arguments and judgements will be credited.

0 1 . 5

You are advising Ben about the future of the business. Which of the following options do you think he should focus on first:

- turning Gymshark into a public limited company
- or
- opening more physical stores?

Assess both options and make a recommendation.

[15 marks]

EVALUATE: 15 marks

Marks for this question: AO1 = 3, AO2 = 3, AO3 = 4, AO4 = 5

Level	The student will typically demonstrate	Marks
5	<p>An excellent response overall that is fully focused on the demands of the question. Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> • good knowledge and understanding • good application to the context throughout • good analysis throughout • excellent evaluation of quantitative and/or qualitative information • a convincing judgement/recommendation which is built effectively on strong arguments and weighs up both options 	13–15
4	<p>A good response overall that focuses on the demands of the question. Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> • good knowledge and understanding • good application to the context • good analysis • good evaluation of quantitative and/or qualitative information • a clear judgement/recommendation which is supported by arguments and considers both options 	10–12
3	<p>A reasonable response overall that focuses on some demands of the question. Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> • reasonable knowledge and understanding • reasonable application to the context • reasonable analysis • reasonable evaluation of quantitative and/or qualitative information • a judgement/recommendation which is supported by some of the arguments made 	7–9
2	<p>A limited response overall with little focus on the demands of the question. Provides an answer to the question that demonstrates:</p>	4–6

	<ul style="list-style-type: none"> • limited knowledge and understanding • limited application to the context • analysis with little development • limited evaluation of quantitative and/or qualitative information to support the arguments • a judgement/recommendation which has limited support 	
1	<p>A weak response overall lacking focus on the demands of the question. Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> • isolated or imprecise knowledge and understanding • descriptive application to the context • weak analysis • weak evaluation of quantitative and/or qualitative information • a judgement/recommendation based on assertions 	1–3

The demands of the question are to:

- to demonstrate knowledge and understanding of public limited companies and distribution (AO1)
- in the context of Gymshark (AO2)
- to analyse the two options given (AO3)
- to support a judgement on which option Ben should focus on first (AO4).

Arguments for Gymshark becoming a public limited company (PLC):

- As a PLC, Gymshark will be able to sell shares on the stock market and potentially this will allow a much larger amount of capital to be raised. Ben has ambitious plans for Gymshark (e.g., in Asia), which is likely to require a large amount of cash. Selling shares could allow Ben to raise cash without raising gearing above 50% (OFR).
- Becoming a PLC could help Gymshark to become better known and raise brand awareness, helping with Ben’s ambition to become the UK version of Nike.
- Gymshark has successfully raised finance before (£200 million) through selling to General Atlantic. A successful public offering is likely and therefore should result in a high share capital which could help with Ben’s plans for international expansion and/or fund the opening of new stores in the future.

Arguments for opening more physical stores:

- As a PLC, Gymshark could be at risk of a takeover and Ben losing control of the business. He has a very clear vision of how he wants the business to grow and if he loses control, he may not be able to execute this vision.
- The first physical store seems to have been a success, allowing Ben to add a lot of value to the business. More physical stores across the UK could help to strengthen the brand and increase customer loyalty.
- Physical stores allow for different types of engagement with customers that online stores do not, such as learning how to lift weights. This could increase sales.
- Online only could limit customers/the type of customers who are able to access the brand. Physical stores may provide the opportunity for Gymshark to reach a different demographic who may prefer not to shop online.
- Gymshark sells clothes which may lend itself to physical stores, as people are able to try the clothes on before deciding to purchase.
- Gearing is less than 50% so floating on the stock market may not be necessary to fund the opening of new stores.

Judgement:

- Ben has already been able to raise a large amount of money without floating on the stock market, so this may not be needed for future growth.
- Physical stores are something different as they include interactive elements. This could be a good way to increase market share in the UK and help achieve Ben's aim but it may be risky.
- Floating on the stock market is likely to be an effective way to grow. The Gymshark brand is doing well, so it is likely that shares would sell well and for a high price. Ben can control the proportion of the business he chooses to sell.
- Judgement may link to what Ben should focus on "first" eg float to raise funding for expansion of stores.

All relevant arguments and judgements will be credited.

0 2 . 1 Analyse why Apple might have set the price of Vision Pro at \$3,499.

[6 marks]

ANALYSE: 6 marks

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

3	<p>A good response overall that focuses on many of the demands of the question. Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> • good knowledge and understanding • good application to the context • good analysis 	5–6
2	<p>A reasonable response overall that focuses on some of the demands of the question. Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> • good knowledge and understanding • reasonable application to the context • reasonable analysis 	3–4
1	<p>A limited response overall with little focus on the demands of the question. Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> • some knowledge and understanding • limited application to the context • limited analysis 	1–2

The demands of the question are:

- to demonstrate knowledge and understanding of pricing (AO1)
- in the context of Apple (AO2)
- to analyse why Apple set the price at \$3,499 (AO3).

Arguments:

- A higher price suggests that Apple is looking to use a price skimming strategy which could have been appropriate for a new, highly technological product with a strong brand behind it
- Vision Pro has advantages compared to other headsets as it is not controlled with a handheld controller, but hand gestures etc. With its distinctive features, consumers may have been prepared to pay a higher price.
- Vision Pro required a large level of investment into research and development – analysts suggested over \$20,000 million. Apple will be keen to recoup this investment by charging a premium price.
- Some customers are likely to pay a premium price in the introduction phase of the product life cycle, so Apple could achieve high profit margins by charging a high price.

All relevant arguments will be credited.

0 2 . 2 Analyse what might have caused Apple’s share price to change between September 2022 and September 2023 (see **Table 3**).

[6 marks]

ANALYSE: 6 marks

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

3	<p>A good response overall that focuses on many of the demands of the question. Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> • good knowledge and understanding • good application to the context • good analysis 	5–6
2	<p>A reasonable response overall that focuses on some of the demands of the question. Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> • good knowledge and understanding • reasonable application to the context • reasonable analysis 	3–4
1	<p>A limited response overall with little focus on the demands of the question. Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> • some knowledge and understanding • limited application to the context • limited analysis 	1–2

The demands of the question are:

- to demonstrate knowledge and understanding of share prices (AO1)
- in the context of Apple and Table 3 (AO2)
- to analyse why the share price changed between September 2022 and September 2023 (AO3).

Arguments:

- Apple’s share price rose from \$138.20 to \$171.21 (an increase of \$33.01 or approx. 24%) between September 2022 and September 2023.
- This could be due to a rise in the demand for the shares. Shareholders want a return on the investment. Apple regularly pays 15% of its net profits as dividends. If profits increased, this would increase dividends and make the shares more appealing.
- Positive PR for Apple could be responsible for the increased demand for shares and therefore increase in the share price. Apple’s Vision Pro could be viewed as having the potential to be a future success and therefore there would be potential for higher profits and dividends in the future.

All relevant arguments will be credited.

0 2 . 3

Assess whether spending on market research is a waste of money for Apple.

[9 marks]

EVALUATE: 9 marks

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

Level	The student will typically demonstrate	Marks
3	<p>A good response overall that focuses on the demands of the question. Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> • good knowledge and understanding • good application to the context • good analysis • judgement which is supported by argument(s) based on quantitative and/or qualitative information 	7–9
2	<p>A reasonable response overall that focuses on some demands of the question. Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> • good knowledge and understanding • reasonable application to the context • reasonable analysis • judgement which has some support from argument(s) based on quantitative and/or qualitative information 	4–6
1	<p>A limited response overall with little focus on the demands of the question. Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> • knowledge and understanding which may lack depth or contain some inaccuracy • limited application to the context • limited analysis • judgement which has limited support from argument(s) based on quantitative and/or qualitative information 	1–3

The demands of the question are:

- to demonstrate knowledge and understanding of market research (AO1)
- in the context of Apple (AO2)
- to analyse spending on market research (AO3)
- to support a judgement on whether spending on market research is a waste of money for Apple (AO4).

Arguments supporting why market research might be a waste of money for Apple:

- Apple has launched many successful products. Market research may therefore not be needed to help it launch a product which consumers would like to buy.
- Apple operates in a very dynamic market. Market research takes time, and therefore could slow down product launches and result in Apple being less successful.

- Apple sells products all over the world, meaning representative market research could take a very long time and therefore cost too much and be less valuable.
- Apple has a database with a large amount of customer information, making any new market research potentially a waste of time as it may already have access to information to help make decisions around products etc.
- Apple is very innovative and customers may indeed not know they want its products until they see them

Arguments supporting why market research might not be a waste of money for Apple:

- Vision Pro has proven that Apple will not always know what consumers want. Market research could have prevented a launch which could end up being damaging to the brand and costing a lot of money in research and development.
- Market research could prevent Apple from releasing products which are 'less polished' as these could damage the brand image.
- Apple has the funds to conduct market research and could do a large amount of this using technology, making it quicker and easier to gather data.

Judgement:

- Market research is not a waste of time for Apple. Current product launches show the need for Apple to find out the needs of its customers. Given the high spend on research and development, it is a costly mistake to make.
- Apple is experienced in the market and has so much data, there is no need to conduct any market research. Market research could further add to the cost and reduce profitability.

All relevant arguments and judgements will be credited.

0 2 . 4

Assess whether investment in new product development is essential to the long-term success of Apple.

Use **Figure 1** to support your answer.

[9 marks]

EVALUATE: 9 marks

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

Level	The student will typically demonstrate	Marks
3	<p>A good response overall that focuses on the demands of the question. Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> • good knowledge and understanding • good application to the context • good analysis • judgement which is supported by argument(s) based on quantitative and/or qualitative information 	7–9
2	<p>A reasonable response overall that focuses on some demands of the question. Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> • good knowledge and understanding • reasonable application to the context • reasonable analysis • judgement which has some support from argument(s) based on quantitative and/or qualitative information 	4–6
1	<p>A limited response overall with little focus on the demands of the question. Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> • knowledge and understanding which may lack depth or contain some inaccuracy • limited application to the context • limited analysis • judgement which has limited support from argument(s) based on quantitative and/or qualitative information 	1–3

The demands of the question are:

- to demonstrate knowledge and understanding of new product development (AO1)
- in the context of Apple and Figure 1(AO2)
- to analyse investment in new product development (AO3)
- to support a judgment on whether investment in new product development is essential to the long-term success of Apple (AO4).

Arguments supporting why investment in new product development might be essential to the long-term success of Apple:

- New product development is crucial to a business in such a dynamic market. Apple has seen its product life cycles get progressively shorter. Without new product development, there would be no new products to extend the life of the business.
- Products such as the iPhone represent one of Apple's top selling products, but the product life cycle suggests sales are falling. Without new products, Apple may see a fall in revenue and profit.
- New products, such as new VR headsets will be launched by competitors such as Meta. If Apple does not invest in new product development, it may find itself falling behind competitors.

Arguments supporting why investment in new product development might not be essential to the long-term success of Apple:

- Apple has a large product portfolio and some products have had a long maturity stage, such as the iPhone, which seems to expect increasing sales.
- Apple has a very strong brand and customers tend to repeat purchase meaning that launching new products may not be essential.
- New product development is very expensive, and for Apple it may be better to extend the life of its existing products through advertising, price reductions etc.

Judgement:

- If competitors are looking to launch a lot of new products, it would be advantageous for Apple to invest in new product development to remain competitive.
- New product development may not be essential as Apple already has a large product portfolio of well-established products.
- May be a question of how much investment in new product development Apple should undertake and how well this investment was used.

All relevant arguments and judgements will be credited.

0 2 . 5 If you were the Chief Executive of Apple in 2023, would you:

- continue with plans to launch Vision Pro in Europe
- or
- stop producing Vision Pro?

Use **Table 4** to support your answer.

Assess both options and make a recommendation.

[15 marks]

EVALUATE: 15 marks

Marks for this question: AO1 = 3, AO2 = 3, AO3 = 4, AO4 = 5

Level	The student will typically demonstrate	Marks
5	<p>An excellent response overall that is fully focused on the demands of the question. Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> • good knowledge and understanding • good application to the context throughout • good analysis throughout • excellent evaluation of quantitative and/or qualitative information • a convincing judgement/recommendation which is built effectively on strong arguments and weighs up both options 	13–15
4	<p>A good response overall that focuses on the demands of the question. Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> • good knowledge and understanding • good application to the context • good analysis • good evaluation of quantitative and/or qualitative information • a clear judgement/recommendation which is supported by arguments and considers both options 	10–12
3	<p>A reasonable response overall that focuses on some demands of the question. Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> • reasonable knowledge and understanding • reasonable application to the context • reasonable analysis • reasonable evaluation of quantitative and/or qualitative information • a judgement/recommendation which is supported by some of the arguments made 	7–9
2	<p>A limited response overall with little focus on the demands of the question. Provides an answer to the question that demonstrates:</p>	4–6

	<ul style="list-style-type: none"> • limited knowledge and understanding • limited application to the context • analysis with little development • limited evaluation of quantitative and/or qualitative information to support the arguments • a judgement/recommendation which has limited support 	
1	<p>A weak response overall lacking focus on the demands of the question. Provides an answer to the question that demonstrates:</p> <ul style="list-style-type: none"> • isolated or imprecise knowledge and understanding • descriptive application to the context • weak analysis • weak evaluation of quantitative and/or qualitative information • a judgement/recommendation based on assertions 	1–3

The demands of the question are:

- to demonstrate knowledge and understanding of new products (AO1)
- in the context of Apple and Table 4 (AO2)
- to analyse the options given (AO3)
- to support a judgement on which option the Chief Executive should choose (AO4).

Arguments for continuing with plans to launch the Vision Pro in Europe:

- Vision Pro may be a success in Europe. It has a fairly similar population size to North America and the higher average income may help sales.
- As so much has already been invested, it may be more sensible to extend the life cycle of Vision Pro by looking at alternative markets overseas as opposed to withdrawing the product and effectively losing the investment it has made so far.
- Expansion into Europe could help with higher sales volumes and profits. It could result in more money to improve battery life etc.
- However, market share in Europe is smaller than North America which may make it more difficult for Vision Pro to enter the market.

Arguments for stopping production of Vision Pro:

- Sales are significantly lower than expected. This could mean it is impossible to recoup the investment made into the Vision Pro. Withdrawing it could be a better option.
- Withdrawing the Vision Pro means Apple would not have to spend further on advertisements and distribution. These funds could be redirected to other areas of the business, such as the extending the life cycle of top selling products such as the iPhone.
- International expansion may be expensive and high risk. It may be more cost effective to withdraw the product from sale rather than risking sales in other markets which may not be successful.

Judgement:

- If Meta is already established in Europe, withdrawing Vision Pro may be the best option. With such a well-known brand, a substandard product could have a negative impact on sales of alternative products or the share price.
- Apple should launch the product in Europe. It can continue to make improvements to it to make it more competitive against Meta. Failing to innovate in this market could be seriously damaging to future financial performance.

All relevant arguments and judgements will be credited.