



Examiners' Report

June 2018

GCE Business 8BS0 01

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Introduction

This report is focused on the first paper 8BS01 'Marketing and People' that makes up the AS level in Business. This report should be used by centres to provide teachers and candidates with further guidance as to how to approach answering questions. It could be used as one of the tools which can help candidates maximise their ability to score marks in future exam series.

The format of these papers is still relatively new and candidates are still not familiar with the requirements of the questions and often try to do too much, resulting in being unable to complete all questions. This is the third year for the AS papers and as such there are a number of past papers and sample assessments that teachers and candidates can use to familiarise themselves with the layout, command words and requirements of each question. Along with using mark schemes from past papers, particularly the levels of response, this would allow candidates to see what examiners are looking for and help them to structure their answers correctly.

The average mark achieved on this paper increased this year, however candidates grasp of key Theme 1 terminology is still lacking. Many candidates also struggled with the Theme 2 terminology in Section C, Q3. As stated in the specification and demonstrated in the sample assessment materials and past papers, Section C, Q3 will draw from both Theme 1 and Theme 2 content requiring candidates to make connections between marketing and people and managing business activities.

Question 1 (a)

Candidates struggled with this question with many defining market share rather than market growth. Many were able to quote the market growth figure from the extract, but without correct knowledge to support the application they could not achieve marks for this approach.

The candidate identifies that market growth results in 'more customers' and uses the extract to support the definition achieving full marks.

1 (a) What is meant by market growth?

(2)

Market growth shows how the market is growing in size and popularity. For example in 2016 the UK fitness industry grew 14%. Which could show that there are more customers and hence competition.

(b) What is meant by on-the-job training?

(2)

On the job training is ~~the~~ learning the ways of the business while you are working there. For example they will train while they are working so they can get experience and do their job to the best of their ability.

Question 1 (b)

Many candidates rewrote the term rather than defining it and therefore did not demonstrate knowledge or understanding. There was some good use of examples such as Tesco and McDonalds to demonstrate understanding and candidates clearly drawing on their own experiences at work in some cases.

This response gives a definition of training 'learning things to do' and shows an understanding of on-the-job 'while working at the same time' therefore achieves the full 2 marks.

1 (a) What is meant by market growth?

(2)

market growth is where a business is gaining more capital to put into their business. This therefore means the resource is increasing as well.

(b) What is meant by on-the-job training?

(2)

on-the-job training is learning things to do with pure gym while working at the same time. From this they gain experience and is able to adapt to the role.

1 (a) What is meant by market growth?

(2)

Market Growth means that the market is expanding due to greater interest or sales in a certain sector.

(b) What is meant by on-the-job training?

(2)

On-the-job training is where skills and techniques are taught in a working environment. For example teaching employees in the gym how to use the machines.

This candidate shows an understanding of training 'where skills and techniques are taught' but there is not a clear understanding of on-the-job as 'in a working environment' is not adequate to show that they learn while completing their job role. This response was awarded 1 mark.

Question 1 (c)

The 4 mark questions require candidates to explain, construct or calculate. This question required them to explain and marks are awarded for knowledge, application to the context and analysis. There is no need for candidates to show evaluation skills in these questions, but some candidates are still doing this therefore limiting the time they have available to complete the rest of the questions.

Candidates showed a very good understanding of competitive advantage and were able to provide accurate definitions and good examples from the business context. It is important to note that there are 2 marks available in these questions for application, many candidates only achieve 1 of the 2 due to not including enough context in their answer. It is not enough to simply list information from the extract such as 'low-cost and open 24 hours'. The application must be used within their answer.

Many candidates also struggle to achieve the analysis mark. This is given in this case for explaining the consequences of PureGym having a competitive advantage.

(c) Explain how PureGym has gained a competitive advantage in the fitness market.

(4)

Competitive advantage is when ~~you~~ compared to your rivals you have for example a new feature of the ~~same~~ similar product you sell, but as it's different and unique more people will buy and the firm therefore has a competitive advantage. PureGym has gained this by making the gym accessible 24-hours and low-cost without contract which many gyms don't do. This means that ~~customers can~~ it is flexible for customers and won't be as costly, as other gyms in the fitness market perhaps.



The candidate demonstrates an understanding of competitive advantage and provides examples in context, but does not go on to show the consequence, so misses out on the analysis mark, therefore achieving 3 marks.



To gain the analysis mark the candidate could have suggested that it could lead to increased sales/customer choosing PureGym over their rivals.

Question 1 (d)

This was another 'explain' question, requiring candidates to demonstrate knowledge, application and analysis. Candidates made use of the extract by quoting data, but in many cases did not make effective use of the data. Some candidates again spent too much time on this question by providing more than one effect or by providing balance, both of which are unnecessary in a 4 mark question.

Marks were not available for a definition of market growth as this had been awarded in Q1(a). The knowledge mark was given for an effect. This candidate provides an effect with two points of application and an analysis point so achieves 4 marks.

(d) Explain how the growth of the fitness market from 2015 to 2016 could have affected PureGym.

(4)

Market growth is how a market expands due to greater interest or sales.

One way PureGym could have benefitted is increased sales. This means that due to the 5.39% increase in gym members, there is potential for more consumers to go to Pure Gym due to the convenience of being open 24/7. This could lead to greater revenue and profit.

Question 1 (e)

The 8 mark questions require candidates to assess **two** factors/reasons/benefits/limitations. To achieve full marks candidates need to balance both points with context on both sides of each point. A judgement/conclusion is **not** required.

Candidates struggled with this question due to a lack of understanding of paternalistic leadership, with many discussing democratic leadership instead. Many candidates provided two benefits, but did not apply their answers to PureGym and did not balance their points.

Ad.
- feel valued.
- motivated.

(e) Assess **two** likely benefits for PureGym of its managers using a paternalistic leadership style.

(8)

A paternalistic leadership style is when the manager makes a decision for the benefit of employees. ~~Consults with the employees when making a decision.~~

One benefit of PureGym using a paternalistic leadership style is that employees will feel valued and feel like they are apart of the business which ~~will lead to workers~~ this is evident in the case study as 'workers love working for this business' this shows that if workers enjoy working this will motivate staff to work harder. However, a disadvantage of PureGym using ~~paternalistic~~ a paternalistic leadership style is that ~~as managers have already~~ ~~made~~ it is time consuming to think about employees.

Another benefit of PureGym using a paternalistic leadership style is that employees will feel like they are apart of a big family as 'managers talk openly and honestly' this will make employees feel happy and enjoy work more, this will also 'inspire confidence' and make employees feel empowered. However, a disadvantage of using a paternalistic leadership style is that managers should focus more about improving the business than thinking about employees.



This candidate demonstrates their understanding of paternalistic leadership right from the start. They also make good use of the extract and provide two benefits in context. The candidate provides brief balancing points to each benefit, but these lack context so full marks cannot be awarded. This response received 7 marks.



Starting with a definition makes it clear to the examiner that the candidate understands the key business term.

(e) Assess **two** likely benefits for PureGym of its managers using a paternalistic leadership style.

(8)

A paternalistic leadership style is when the leader of the business take into account the welfare and well-being of the employees when making important business choices. This sometimes may require them even asking for their input and delegating responsibility.

One likely benefit ~~of~~ ^{for} PureGym using a paternalistic leadership style for its managers is that ~~it~~ as well as increasing morale, it increases motivation for the managers because they know that their well-being is taken into account when ~~business~~ ^{decisions} are made. Particularly, because the gyms are 24 hour access, arrangements are made presumably by paternalistic ~~leader~~ to make sure managers are working reasonable hours or give them flexibility in order to keep them motivated and increase ~~efficiency~~ ^{productivity}. However, with paternalistic leadership, when focusing on the well-being ~~and~~ of the workers/managers, it will lack prioritisation for solving issues or making important business choices that might need more attention ~~and~~ which might make the business less efficient in the long term.

Another benefit of PureGym using a paternalistic leadership style for their managers is that they will have less staff turnover rates because employees are happier to work in an environment in which their well-being is valued. The fact that managers talk openly and honestly with the workforce and have leadership skills that inspire confidence means

that there is a positive working environment therefore, less staff turnover which saves costs on regular recruitment and training of new staff frequently.

However, the importance of the manager and employee happiness is limited because there are more important factors that the leader need to consider when ~~decide~~ making business choices that will benefit consumers as well as the business.



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Examiner Comments

This candidate again starts with a definition to demonstrate their knowledge. They also provide two very well-analysed benefits of paternalistic leadership which are in context. The balancing points are good, but lack context so the response overall achieves Level 3 but not quite full marks.



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Examiner Tip

To achieve full marks this response would need context in the balancing points. Candidates should familiarise themselves with the marking grids for these questions, in this case examiners are looking for 'Assessment is balanced and well contextualised'.

Question 1 (f)

This is an 'assess' question which requires candidates to demonstrate a full range of skills; knowledge, application, analysis and evaluation leading to a supported judgement.

A levels of response mark scheme is used to allow examiners to apply a best fit approach when marking these questions.

Candidates showed good knowledge in this question with a range of approaches taken including providing the benefits and drawbacks of on and off the job training or internal and external recruitment. However, answers lacked context and many candidates did not make use of the extract.

Some confusion was occasionally seen over the word 'promotion' with a few candidates discussing the marketing mix. It is important that candidates take the time to read the question carefully as well as the extract which helps to lead them to a correct response.

(f) Assess the extent to which training assistant managers for promotion to managers could benefit a business, such as PureGym.

(10)

Training assistant managers for promotion to managers ~~has~~ ^{has} several advantages and drawbacks to a business such as PureGym. Firstly, training assistant managers for promotions shows a clear route ^{and opportunities for} to success within the company. ~~and~~ This will motivate staff as they feel they can be successful and grow as professionals. By using internal recruitment, businesses such as PureGym are aware of the employee's skills and characteristics. In addition, employees who are promoted are already familiar with the business and its staff. ~~This~~ This may reduce training costs ^{e.g. induction training} for businesses such as PureGym as employees are already aware of how the business runs. However, training lower level management for more senior roles may be disadvantageous to businesses as employees ~~who leave their jobs~~ have more skills and will find getting other jobs easier. If employees quit or move to a ~~competitive~~ ^{competing} business they will take with them the skills they learnt. Training assistant ~~manager~~ managers for management positions can also lead to problems between

staff if one person is promoted and others are not. External recruitment, hiring outside of the business, may be more effective as ~~empty~~ candidates may bring new, fresh ideas and the business has a larger 'pool' of candidates to ~~these~~ choose from. Overall, training assistant managers for senior positions is a form of internal recruitment mostly beneficial to a company. The business will benefit from a more motivated workforce as they feel they can achieve personal and professional growth in their working environment. The business e.g. Pure Gym will also have a more efficient workforce as they have better knowledge and skills, improving production and quality of service. Finally, training assistant managers will create a more efficient workforce as their skills and knowledge are increased. These benefits will lead businesses e.g. Pure Gym to grow, making more profit and sales and having better reputation from workers and customers.



The candidate shows good knowledge, but this is a generic response with no use of the extract or understanding of the business situation, so achieves 6 marks.

(f) Assess the extent to which training assistant managers for promotion to managers could benefit a business, such as PureGym.

makes employees have more job security motivation. x higher costs
take time away depends if it's on the job or off the job (10)

Promotion is when an employee gets ^{another} job role in the business higher in the hierarchy. One benefit of training assistant managers is that they feel ~~more~~ ^{like} they have more job security. This is because they know they're being valued at work and even have the chance to be promoted. This means that they will be more productive, such as showing more people how to lift weights properly. This means that they will get more ~~of~~ customer satisfaction, so will gain a better brand image. This means that they will get more new gym members than competitors such as Virgin Active. Therefore, they will be more competitive, so have a higher market share.

Another benefit is that training will motivate the employees to provide better customer service, such as taking more time and care to show new members around the gym facilities. This means that customers will be more satisfied. Therefore, they will gain more word-of-mouth advertising, which will lower their cost because they don't need to advertise as much, leading to them maximising their profits.

One disadvantage is that they will have higher costs. This is because PureGym may have to hire an external business to train the assistant managers. This means that PureGym won't have as much money to spend elsewhere in the business, such as buying new treadmills. Therefore,

they won't have the ability to ~~give~~ increase interest from potential new members, ~~the~~ meaning they won't increase sales, so won't increase revenue and profit.

Another disadvantage of this is that if the assistant managers then get promoted, another job role in the business opens up. This means that they will have to spend more time trying to find another person who is qualified enough to do that job. This means that they will have less time to do other things, such as advertise their ~~the~~ 24-hour gym access. Therefore, they won't gain as many new gym memberships as Virgin Active, meaning they will be less competitive, leading to a lower market share.

Overall, training assistant managers is bad because it takes time away from them doing other jobs, such as supervise staff when they are doing ~~as~~ a weight class. However, it depends if they do on-the-job training or off-the-job training.



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Examiner Comments

This candidate provides a good balanced assessment with context throughout.



Candidates should avoid making assertions such as 'One disadvantage is that they will have higher costs.' Candidates should be encouraged to suggest what may happen rather than stating that it definitely will.

(f) Assess the extent to which training assistant managers for promotion to managers could benefit a business, such as PureGym.

(10)

Promotion is when a staff from lower down in the hierarchy is given a job role higher up to give more responsibility, job enrichment and job empowerment.

Training assistant managers for promotion will increase their motivation, and make them feel valued and make them feel that staff are viewed as an asset. This also gives them job security as they feel that PureGym is keeping them and improving their knowledge and skills to grow as an individual. "personal growth!" Internal recruitment is good for the staff motivation and they also have experience in the business, and know how to give good customer service, ^{and here existing customers} and know the company's rules and regulations, and also reduces the cost of introducing a new staff and training them without as much experience. However it may be bad as training ~~is~~ is very expensive for PureGym and this could be opportunity costs which could be invested in other areas of the business such as advertising and promotion as ~~it is a grow~~ fitness is a growing market and they need to keep brand awareness to gain customers, and stay competitive. Training for promotion might not ~~be good~~ ^{be good} or motivational for staff as it could cause conflict as staff which may also have been trained may not get the promotion but feel they should of been given it. This will cause staff to be demotivated, also

They may feel ~~be~~ undervalued, which means they may leave pure gym which ~~opens~~^{gives} a higher staff turnover, which costs money to recruit new staff members, which could be money going/being invested in other areas of the business such as new health and fitness trackers. Although, not training staff and giving promotion to new employees who have not worked for pure gym before may be equally as demotivating for staff. In addition, promotions leave vacancies in other areas which doesn't reduce the recruitment costs, and on the job training may reduce productivity, however you could say in this market training at the gym you can multi task of giving good customer service and helping people work out safely and correctly while learning the job yourself and you have peak hours at a gym where demand is low such as ~~to~~ just after lunch so training could take place then.

Overall, ~~the~~ promotion for managers will positively affect puregym as managers already know their employees and how they work, and their fitness so it avoids the chance of employing someone who isn't efficient, and they build better relationships with their managers, ~~and~~ it also motivates so they give good customer service and they're more efficient, so they may help more members work out per hour, giving a personal touch, increasing customer satisfaction. (Total for Question 1 = 30 marks)



A good response that achieves full marks. The answer is balanced and well contextualised throughout.

Question 2 (a)

A well-answered question, with many candidates achieving the full 2 marks.

2 (a) What is meant by niche market?

(2)

A subset of the main market that addresses specialists needs. ex- organic foods



This response achieves the full 2 marks for the definition, the example doesn't add anything in this case.

2 (a) What is meant by niche market?

(2)

A niche market is a smaller segment of a large market that provides a product or a service that is specialised to the consumers needs or wants often at a premium price. For example a tailored made suit in the clothing market.



The candidate provides a good definition as well as a relevant example which shows an understanding of a niche market 'tailor made suit' within the larger 'clothing market'. This response achieves the full 2 marks.

Question 2 (b)

Another well-answered question with candidates generally achieving the full 2 marks.

(b) What is meant by brand?

(2)
A logo or image a business uses to distinguish its product from rivals.



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Examiner Comments

A good concise definition which achieves full marks.

(b) What is meant by brand?

(2)
Firms develop a brand (name, symbol, logo) in order to differentiate their products and services from rivals.
An example of this could be in the clothing market, Gucci t-shirts which allow them to charge premium prices on consumers as well.



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Examiner Comments

This response provides a good definition backed up with a good example that shows a brand 'Gucci' within the 'clothing market'.

The definition alone would have received the full 2 marks, but an example is a good way to show understanding and can support a weaker definition to allow 2 marks to be awarded.

(b) What is meant by brand?

(2)

A brand is a name, logo, sign etc... that a business has to differentiate those of competitors in the market. For example; Mars is a brand name that differentiates than the other chocolate businesses in the market.



Another good definition backed up by an example from the business context.



Stating a brand name alone such as 'Mars' or 'McDonalds' as some candidates did is not adequate to show knowledge. This candidate recognises that Mars is a brand name within the chocolate market.

Question 2 (c)

This question was very well answered with the majority of candidates achieving full marks. By providing the formula and showing their working out, those that did not reach the correct answer were still able to gain some marks.

Question 2 (d)

Candidates demonstrated a good understanding of market research, however they struggled to apply this to Mars or provide analysis. With only 1 mark available for knowledge, candidates spent too much time explaining primary and secondary research instead of answering the question.

(d) Explain how Mars could research the protein bar market.

(4)

Market research is how firms gather, process and analyse information about the production and consumption of goods and services. Mars ~~can use~~ has launched 2 new protein bars 18g and 19g of Snickers and Mars respectively and so they can use primary market research for example focus groups to get ~~customers~~ potential customers to try the product with the help of a questionnaire to see if there is anything that needs changing e.g. they could do it with Sparty people "people who love to get on their bikes".



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Examiner Comments

This candidate provides a good response which is applied to Mars and makes good use of the extract to support their answer and achieves the full 4 marks.

Question 2 (e)

Candidates were able to suggest two methods of promotion, but responses were often generic and balance was either very brief or absent in many cases.

(e) Assess **two** methods Mars could use to promote its new protein bars.

(8)

The first method Mars could use to promote the new protein bars is by using an above the line technique by advertising the protein bars on TV. This would get Mars protein bars to be able to be seen all over the country. Which would make customers attracted to it and want to buy it as they have seen a commercial they like and want to buy the product. Through this method they can attract new customers which too could lead to customer loyalty and repeat purchase. However by using a TV it can be expensive.

Another method is a below the line method which is to talk to people directly by going door to door. This would mean they could persuade consumers to buy their products by having a conversation.

- That they can show that they are truly passionate about the protein bar and as well give out samples. However this could be very time consuming for a Mars who are very busy as it could cost them money as to a huge business like Mars Mars Time is Money.

This candidate provides two methods, both with some balance, but there is no application so is awarded 6 marks.

Question 2 (f)

This was the second 'assess' question in the paper and again required candidates to demonstrate a full range of skills.

Many candidates provided a very good one-sided argument which was often applied to the business context, but struggled to suggest balancing points.

(f) Assess the importance of adapting to market change for a business such as Mars.

(10)

Market change can occur when consumers tastes and preferences change due to fashions and fads. It's important for Mars to adapt to a changing market as it will help ~~them~~ them to continue to make sales and be profitable, if they don't ~~change~~ adapt, customers who are more health conscious, who may not want a chocolate bar full of sugar, will look to alternative healthier products such as nut bars, this will result in Mars losing sales and losing market share, which could eventually cause them to go bankrupt. However, it may not be important for Mars to adapt to the market as they are already an established brand with products such as Mars bar, therefore customers will still be willing to buy their product as it's considered a classic chocolate bar, therefore they will still have sales ~~and profits~~ of their products because they are well known and well established and well enjoyed by people. Also as markets are changing it could be likely that healthy protein bars are created, therefore if Mars ~~change~~ adapt to the market ~~and~~ only focus on being healthy they run the risk of losing sales in the long run as the market could change back, this would anger long term customers who have been loyal to Mars and prefer their Mars bars over protein bars, therefore they would lose customers if they get rid of their original products.

resulting in a loss of sales and a loss of profit. If Mars adapt to the changing market by introducing new products, they will attract more business and have a competitive advantage over other brands by having a wide range of products, this will increase sales volume and sales revenue.

In conclusion, it is important for Mars to adapt to the changing market as it will allow them to continue making sales and remain profitable as they attract new customers in.



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The candidate provides a balanced response in which they clearly demonstrate an understanding of the market that Mars operates in.

This response receives 9 marks. To achieve full marks the judgement would need to bring something new rather than repeating points.



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Examiner Tip

Weighing up long-term and short-term effects is a useful way of forming a judgement.

(f) Assess the importance of adapting to market change for a business such as Mars.

(10)

A reason why this is important is because there is a growth in sales in protein bars, if Mars didn't adapt, then they would miss the opportunity to grow their brand even further and ~~it~~ ~~could~~ ~~begin~~ to lose sales as people become more and more obsessed with ~~best~~ fitness. However, Mars is not known for protein bars, so changing the formula and style in which they sell their products may be unpopular within people.

A reason why I don't think it is important for Mars to adapt is because the protein bar market is a niche market, meaning only a specific group of people are going to be interested, whereas the more mass amount of people are going to be interested in the original way Mars makes its products. However, the demand for protein bars has grown and sales are increasing massively. Eventually, protein bars may be bigger than normal chocolate bars, ~~the~~ causing Mars to have lost out on sales.

Overall, I think adapting to market change will be important for Mars in the long term. This is because Mars would have adapted before competitors, giving them an advantage against competitors. The demand for

the product will increase with the growth in demand for protein bars. Mars are already a well known and established brand which could lead to them becoming the biggest brand in that specific market. However, when brands such as Cadbury, who are bigger than Mars, decide to adapt too, ~~the market will be~~ Mars may not be the biggest brand in that ~~market~~ market.



Another balanced answer that demonstrates a good understanding of the business and the market it operates in. The conclusion is an improvement on the previous example and allows this response to achieve full marks.

Question 3

Many candidates were unprepared for the demands of this question. Section C of the AS papers draw on elements of both Theme 1 and Theme 2 content and require candidates to make connections between the two. Many responses demonstrated a lack of knowledge in terms of venture capital, although most candidates were able to provide a balanced argument for bank loans, but without discussing venture capital they were not able to fully answer the question.

Many responses were generic and did not make good use of the extract. Some also missed that the question was about a business in a dynamic market which again lead to them not fully answering the question.

To continue developing the most innovative technology in the travel market, MT could either use more venture capital or a bank loan.

- 3 Evaluate these **two** options and recommend which option would be most suitable for a company that operates in a dynamic market, such as MT.

(20)

Venture capital is a source of finance sourced from an ~~expensive~~ venture capitalist, such as ~~the~~ Piers on Dragon's Den, in return for an equity in the business.

A bank loan is a loan given to a business by the bank which has to be paid back with interest within a certain time period stated in the contract.

A venture capitalist would be more beneficial for MT in continuing to develop the most innovative technology in travel as the venture capitalist usually have a specialist quality within business or technology like Piers himself. This would benefit MT as more effective ways to innovate technology may be provided meaning MT could continue their aim in a much more cost effective manner which helps them with cost minimisation.

This could save them money for elsewhere such as further advertising to raise more awareness of the packages they offer which would increase sales and generate more sales revenue to be then reinvested into developing technology in the travel market.

On the other hand, having another venture capitalist may not

be useful for MT as they already have Piers and having another would mean giving away even more shares of the business away. Piers already has 15% and giving any more away would mean that MT would be out on 50% profits from the festival, flight and hotel packages they are offering to people. Losing out on profits will mean that they have less money to invest into developing the technology which has become their unique selling point and competitive advantage.

A bank loan would benefit MT as they would be still gaining a source of income but without giving away a percentage of the business away meaning the same like venture capital. Due to MT being proven to be successful, the chances of securing a bank loan are also fairly high, meaning it wouldn't take that long to agree a contract with a bank. An instant source of finance would mean MT can continue to promote their festival packages to festival goers as well as continuing to develop technology to further improve the dynamic travel market.

On the other hand, a bank loan may not be useful to MT as developing technology is an expensive process and banks may not be able to offer the funding needed by MT where as ~~some~~ venture capital could. This means that MT may have to get various loans which could cause

a huge interest figure needed to be payed back which could be uncertain to generate in such a dynamic market ~~at~~ as the travel one. This could cause a huge affect on cash flow in the future ~~of~~ for MT.

Overall, I think to continue to develop the most innovative technology in the travel market, a Venture Capitalist would be the most beneficial to MT. In such a dynamic market and unexpected changes due to external factors which cannot be predicted, another experienced specialist alongside Piers would only benefit MT as they could seek help with financial and business issues at no extra cost. Although they will lose a percentage of the business, the expenses will make up for the loss and an increase in sales of the packages may cover the cost of - losing some of the business. Furthermore, MT will have no deadlines to pay any money back like they would with a bank loan meaning it is new products like Morel 2020 said then they will not fall behind on any payments.



This candidate shows good knowledge of both bank loans and venture capital and is able to provide a balanced and contextualised answer. They also focus on the innovative and dynamic nature of the business. The conclusion brings something new rather than simply repeating points. This response received 18 marks.

To achieve full marks the chains of analysis need to be developed further in places and the answer would benefit from further application.



It is important to ensure that there is application throughout the answer that shows a good understanding of the business and its situation.

To continue developing the most innovative technology in the travel market, MT could either use more venture capital or a bank loan. ^{allow more input / no repayments} ^{a lump sum of money} ^{x pay interest}

3 Evaluate these two options and recommend which option would be most suitable for a company that operates in a dynamic market, such as MT.

(20)

One reason why a venture capital is good because it allows experienced investors to give their own opinions and guidance to MT, such as developing it's app Hotel 2020. This means that the MT will have the ability to make better decisions due to more people being involved in decision making.

Therefore, they will have a better understanding of how to meet the changing needs in the dynamic travel market, meaning they will be able to have more customer satisfaction,

leading to more sales, so more revenue and higher profits. However, it depends if there would be any conflict in decision making.

However, MT have already used a venture capitalist, Piers Linney from Dragon's Den. Because he highly experienced in technology in a dynamic market, he will already have the expertise to meet the changing needs of the customers, such as popular flight destinations.

This means that if they use a new venture capitalist to raise more finance to develop technology, then there will be little benefit ~~due to this~~. Therefore, they will gain no new ideas, meaning that they won't be able to meet the needs of more customers. However, it depends if they use the same venture capitalist.

A bank loan is good because you have access to a lump sum of money. This means that you will immediately be able to invest more money into the business, which is

important due to the high costs in the technology market. This means that they will be able to improve their Hotel 2020 app more quickly, such as speeding up the time it takes to book a flight and hotel. This means you can meet customer needs, so you will gain more customer satisfaction. Therefore, you will get loyal customers, so there will be more repeat purchases, meaning higher sales, so more revenue and profit. However, it depends how much the interest rate is for repaying the bank.

However, a bank loan isn't good because you don't gain any more knowledge. Even though you will raise the finance to develop new technology, you may not have the knowledge to make the best decisions, such as improving their relationship with the festival organiser Dimensions. This means that they won't be able to keep up with the changing needs in the dynamic market.

Therefore, they will ~~gain~~ have lower customer satisfaction so less sales, meaning a lower ~~profit~~ ^{turnover since} their £4.5m turnover in 2015. However, it depends on the ~~time~~ ^{time} experience they already have because Piers Linney already has technology experience in the dynamic market, so he will know what the best decisions are.

~~Overall~~ Overall, increasing venture capital is the best option because they already know it is a successful method. However, it depends how much more percentage of the business he wants in return, increasing

from his 15%.



This response is well balanced and in context with a strong focus on the dynamic technology market. Some chains of analysis need further development, as does the judgement in order to receive full marks.

Paper Summary

Based on the performance on this paper, candidates are offered the following advice:

- Read the extracts in each section carefully and make good use of the evidence to support their answers.
- For 'explain' questions ensure there are two clear elements of context used in the answer and not simply quoted or listed.
- Read each question carefully to ensure they understand what is being asked and answer all aspects of the question, this is particularly important in Q3.
- Revise both Theme 1 and Theme 2 when preparing for this paper so that they are equipped with the knowledge needed to answer Q3 fully.

Grade Boundaries

Grade boundaries for this, and all other papers, can be found on the website on this link:

<http://www.edexcel.com/iwantto/Pages/grade-boundaries.aspx>

