



# Examiners' Report

## June 2018

GCE Business 9BS0 01

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# Introduction

This is the second year of this A-level business specification. In this case the paper 9BS01 examined content from themes 1 and 4 of the A-level business course.

The paper followed the established format of shorter knowledge and application based questions at the start of each section A and B, progressing to questions requiring candidates to show all four assessment objective skills towards the end of each half of the paper. Each section also contained questions where candidates are expected to show their understanding of quantitative skills, in line with the requirements of the new qualifications.

It was evident, from the overall performance of candidates on this paper, that there had been a good degree of preparation. There were fewer examples of candidates missing out answers to questions and time management on the whole, had improved. The extra lines available for answers, though not essential to use, were well utilised by many candidates, allowing extra planning and more clearly presented responses.

Once again, application to the extract businesses and their context is the key differentiator of candidate marks. There was plenty of evidence in the extracts to use in answers, and this should be encouraged by centres. The better candidates were able to apply aspects of more than one piece of evidence. For example, in Question 2d, better candidates were able to refer to UK production costs relative to other economies, as well as context specifically relevant to EBAC Ltd.

The general advice remains the same as the feedback from last year:

This paper requires candidates to show an in-depth understanding of the content of Theme 1 and Theme 4 of the course. The most successful candidates are those that are able to make links between these two specification areas. For example: How is niche marketing in general, linked to global niche marketing? This knowledge and understanding, then needs to be carefully applied to the businesses in the extracts to promote analysis and evaluation of the specification content, relative to the businesses in the extracts and their wider context.

To guide future teaching and learning, it is good practice to use as many different business contexts as possible. These can be taken from quality newspapers, financial publications and reputable websites. Where possible, contrasting contexts could be used to inform teaching of a topic. For example, an expansion into an international market based on the opportunities it presented, contrasted to a business that was seeking to exploit the opportunities offered by a home market.

The key thing is that candidates are able to apply their answer by answering this question: what is it about this business, its market, situation, and customers, which means particular specification topic is relevant in one way, when it would be relevant in a different way for a business in a different situation?

## Question 1 (a)

A pleasing number of candidates showed a clear understanding of the concept of Income Elasticity of Demand. Even if there were errors in the calculations, there was still knowledge of the formula. The main differentiator between candidates was their ability to calculate percentage change effectively.

- 1 (a) Using the data in Extract A, calculate, to 2 decimal places, the income elasticity of demand for takeaway meals. You are advised to show your working.

(4)

$$\frac{\% D}{\% \text{ Income}}$$

$$\% D = \frac{4}{140} = 2.86\%$$

$$= \frac{2.86}{0.72}$$

$$\% I = \frac{195}{27000} = 0.72\%$$

$$= \frac{2.86}{0.72} = 3.97$$



This candidate was awarded 4 marks. Note that the writing of the formula for the calculation is not as fully accurate as one would desire, as the 'change' aspect of percentage change is missing. However, the percentage change calculations in this case are accurate, leading to an accurate answer.



Although not essential on quantitative skills questions to write the formula out before the calculation, it can be an effective way on ensuring each step is taken accurately.

## **Question 1 (b)**

This question required a clear link between the understanding of the business concept of the design mix, and the evidence provided in the extract about how consumer tastes for fast food were evolving. A large number of candidates did not know what the design mix is, and either confused it with the marketing mix, or simply quoted evidence about how tastes had changed. Such an approach limits the application marks available as there is not a clear link to one of the design mix elements e.g. Aesthetics.

## **Question 1 (c)**

Extracts A, B, and C all provided examples of quantitative data that Hot Chip could use in their market research. The question invited candidates to assess the benefits of using mainly quantitative research, as extract C suggested Hot Chip currently does. The balance in the answer comes from two possible approaches: a) The limitations of quantitative data for example, it potentially being out of date quickly or b) Suggestions of what more useful qualitative data might provide Hot Chip. Generally this question was answered well. Candidates tended to understand quantitative and qualitative data, and were able to explain these. Once more higher marks were achieved through applying the chains of reasoning and counter-arguments to the data and context provided.

(c) Assess the likely reasons for Hot Chip using mainly quantitative market research data.

(10)

Quantitative <sup>market research</sup> data involves numerical statistics that reflect consumer wants or needs. Hot Chip may have used mainly quantitative data for their market research as it will give them a clear indication of social trends that will possess statistical values, therefore making it easier to interpret. This will allow Hot Chip to more easily understand the number of customer needs, making it easier to identify particular trends that a large quantity may desire. For instance, quantitative research has clearly indicated growing concerns over healthiness, with 31% limiting the amount they eat due to concerns, and 17% ordered healthier dishes as a response. These easily accessible figures allow quick responses to trends, therefore Hot Chip could reduce portion sizes or offer a greater selection of healthier dishes. However, whilst they know distinct figures, Hot Chip will not know why ~~consumers feel this way~~ consumers feel this way, therefore they will not know the psychological reasons behind it.

Another reason why Hot Chip used mainly quantitative data is because being set up in 2013, they are a relatively new business. This means that their overall business objective is likely to be survival or profit maximisation, notably on only a small scale with

future hopes of becoming a national business. As a result of this, figures that show potential threats ~~of~~ or opportunities are very valuable to Hot Chips, as opposed to the deeper and complex reasoning behind those figures. For instance a willingness to try new 'adventurous' toppings amongst consumers grants them enough information to increase sales and aid their growth into a national brand. However, as they expand, it may prove crucial to conduct first-hand qualitative data in order to understand the reasoning behind their sales, as potential trends may be an anomaly that will not positively return profit to the business.

Overall, the nature of the business being relatively new and the fact it is in a competitive fast-food industry mean it is focused on profit and therefore only need a quantitative evaluation of their position. In the long-run however, this may change and as the business grows into a national brand, they may need a psychological understanding of consumer behaviour.



This response achieved full marks - 10. It is recognised that time limitations will naturally reduce the possible scope of responses to a 10 mark question, but this response is a well-developed answer, with a judgement and chains of reasoning leading to this. The candidate clearly uses the context, quoting quantitative percentage figures to support their judgement. There is counter-balance to the well developed argument in support of quantitative data, and there is understanding of the business context. The judgement is brief, but well-articulated, showing appreciation of the business' plans to become a 'national brand', which may require more qualitative research methods.



Check the extracts for evidence of the key terms in the question. This candidate clearly defines quantitative data, but also picks out examples from the extract - for example, 17% of customers wanting healthier options. The command word is 'assess', so although an extensive judgement is not possible, and overall assessment is, which enables you to answer the question.



## **Question 1 (d)**

Entrepreneurial roles and characteristics are a key specification topic in Theme 1. Candidates find the difference between roles and characteristics a tricky concept, and this question proved that. The question, via a short stem, invites candidates to consider what an entrepreneur does to be successful by comparing the setting up, with other possible roles, often necessary to maintain and grow the business. A large number of candidates talked about characteristics such as determination, and if they did so, this would limit their possible marks as the Level 3 criteria of 'accurate knowledge and understanding', would not be accessible.

Creating and setting up a business is one role of an entrepreneur.

(d) Assess whether this is the most important role of an entrepreneur, such as Lord Somerleyton.

(12)

Setting up a business is the most important part because the entrepreneur has to assess the ease of setting up a business. For example Hot chip needs to open 3 to 5 other outlets and so Lord Somerleyton needs to know whether he can pay costs with ease or not. This will help Lord Somerleyton identify whether additional finances will be needed or not. However if the cashflow is positive it will be difficult for Hot chips to gain additional finances such as a loan.

Being a good leader is important because employees need to be monitored and supported in their work. Having more than one outlet means that Lord Somerleyton may have to delegate work to subordinates. This could lead to an a highly empowered workforce which will lead to a highly efficient running of Hot chip because employees will be more willing to help the company succeed. However some employees may not want responsibility.

Another important role is to make effective decisions and to have the ability to take risks. This will make the company more efficient and productive when projects can be started and completed ~~soon~~ fast due to no halts from management or the owners regarding decisions. This could lead to low unit costs which will allow Lord Somerleyton to gain economies of scale. However quick decision making could be the downfall for the company.

In conclusion, when creating a business the entrepreneur has to evaluate and plan the products, resourcing and goals of the company. However Lord Somerleyton will have to analyse the costs over in the long term to see whether the company will make enough profit to run all of the 'Hot chips' outlets. Other things to consider will be trends because s.t. of consumers are more health conscious. Overall creating and setting up a business is the most important role of an entrepreneur.



This response was awarded Level 4 - 11 marks. There is a clear explanation of how and why setting up the business is an important role, with application referring to the 3 to 5 initial stores. The candidate then explains how leadership is an important role as this business expands. The application to the business and/or context is a little lacking here, and this reduces the final mark from 12 to 11. The conclusion is a clear judgement and the candidate explains the importance of these roles, by linking the evidence of changing trends in the fast food market and the need for an entrepreneur to accommodate these.



Make sure you are clear about different specification terms. Glossaries, or key terms lists are a good place to start, but there are other techniques that you can use to deepen knowledge. For example a venn diagram can be used for two related concepts, where there might be similarities, such as entrepreneurial roles and characteristics. In the middle 'cross-over' section you might include 'risk-taker' as this can be both a role and a characteristic. There are lots of other specification sections where this approach to learning can be useful. See if you can spot them!

## **Question 1 (e)**

This question was written to invite a comparative judgement of two alternatives for the leadership style used by Hot Chip as they expanded. The intention was that Extract D and the work of Jerry Newman could be used to support arguments and analytical statements. A surprising number of candidates did not use this extract and therefore some responses became quite generic. Knowledge and understanding of autocratic and democratic leadership styles was generally strong, but once again, context was lacking in many responses. This context could come from Extract D and Newman's observations on management in the fast food industry, or more widely from an understanding of Hot Chip and its type of business. Better responses gave time and space for a developed judgement, which explain overall, with contextual reasons, why one particular style was more suitable than the other.

Hot Chip will employ a manager in each of its outlets. These managers could use a broadly autocratic or democratic leadership style.

(e) Evaluate these **two** options and recommend which is the most suitable leadership style for a business such as Hot Chip.

(20)

A democratic leadership style is one where the managers will allow staff to have an opinion in decision making and let them be a part of it. One reason why this may be the most suitable leadership style for a business such as Hot Chip is because it may motivate the employees. According to Maslow's Hierarchy of needs, an important part of motivation is self esteem. ~~the staff are part of decisions~~ If Hot Chip was run with a democratic leadership style and staff were involved in decision making, it may give them self esteem which theoretically should motivate them and lead to them working harder. This could lead to increased employee retention and reduce turnover, which Jerry Newman found to be high in ~~the~~ fast food restaurants such as Hot Chip. This will be very significant for them, since a motivated workforce are likely to provide better customer service and hopefully lead to repeat purchases. However, one problem with democratic leadership styles is that it may be difficult for decisions to be made. This is because staff members at Hot Chip may not necessarily want to make decisions based on what is best for the growth of the company, but rather what they think is best for the staff. This could ultimately lead to disputes with management, especially Lord Somerleyton who's

main objective is to grow the company. Therefore, democratic leadership may not be the most appropriate since it can lead to conflicts and increase the time it takes for decisions at Hot Chip to be made.

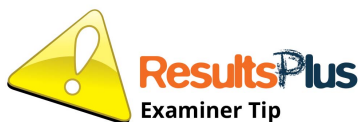
~~There~~ On the other hand, Autocratic Leadership is when the owner of the company or manager of the store makes all the decisions and staff are expected to go along with it. One reason why this might benefit Hot Chip is because it can significantly reduce the time it takes for decisions to be made. This is because if it is the owner who makes the decisions, Lord Somerleyton should be able to decide on what's best for the company and implement that strategy quickly without consulting other staff, reducing the time taken and allowing the staff to focus on other things instead, which may all together increase efficiency. However, one potential drawback of Autocratic Leadership is that it may demotivate staff, especially if a decision is made which does not benefit them. This could therefore lead to increased turnover or absenteeism, which is already a problem in the fast food industry according to extract D.

Overall, whilst an ~~autocratic~~ autocratic leadership style may be best for a tall organisational structure with a long chain of command, it could just demotivate staff in

a relatively small company like Hot Chip. Therefore, in the short term, it is probably best to give staff an input and lead democratically, although this may need to change in the long term if they reach their objective to grow nationally.



This is a well-balanced, well-written answer. It achieved Level 4 - 18 marks. As you can see there is early clarity on the definitions of the key terms in the question - always a good approach. There is also a link to Maslow's motivational theory, which shows good synoptic understanding and is very relevant to a discussion about leadership. The candidate references Newman's article in the extract a number of times and does so in a way that supports the chains of reasoning that are presented. Lord Somerleyton's wider objectives are also used to support the argument, so there is relevant and effective use of the business behaviour and context. The counter-points to each argument are also clear, accurate and contain clear chains of analytical reasoning; there is good context too, for example, the reference to Newman's argument about absenteeism caused by certain leadership styles. There is also an attempt at a developed conclusion - crucial for a good response in this question. The candidate refers to how different styles might be appropriate in different time-frames of the short and long-term. However, this is not a 20 mark response as there is little attempt to refer to a defining characteristic or reason for the judgement, which comes from Hot Chip's Market, Objectives, Products, or Situation. ('MOPS - see mark scheme for further exemplification).



Be prepared to bring in relevant specification content, even if it is not mentioned in the question - in this case motivation. Also, remember that these questions are encouraging you to make a judgement/recommendation. Think of this as being nearly 1/3 of your answer if you wish to gain the top Level 4 marks. When making this judgement, try to bring in a new reason or defining point for your judgement. This candidate, refers to a 'relatively small company', which is a good start. However, there needs to be more detail of how/why this is a factor in the judgement.



## Question 2 (a)

This question, as indicated by the wording 'Using the data in extract...' was the second quantitative skills question on the paper. Candidates were expected to do two things: Firstly interpret the graph, and secondly complete a basic percentage calculation. This question was generally completed well. Where candidates missed marks, it was because they had miscounted the countries on the graph, or failed to calculate the percentage correctly. It was very rare for both stages to be incorrect.

- 2 (a) Using the data in Extract E, calculate the percentage of the world's top 25 exporting economies that have costs of production **above** those of the United Kingdom in 2014. You are advised to show your working.

(4)

Countries with costs above  
the United States

total number of countries

x100

$$= \frac{12}{25} \times 100$$

~~12~~ ~~25~~ ~~x100~~ ~~12~~ ~~25~~ ~~x100~~

$$= \underline{\underline{48\%}}$$



This response achieved 4 marks. The candidate has identified 12 countries having labour costs above the United Kingdom's (as indicated in bold in the question). The percentage calculation is accurately completed after that.



Practice quantitative questions that have two stages in the calculations. Refer to the quantitative skills section in the appendix of the course specification to be clear about the skills that could be examined. Be careful to read the question. This one was a percentage calculation, not a percentage change calculation. Again, it is useful to show your calculations, in case you make a mistake.

## Question 2 (b)

Extract F explains that Ebac is a successful export business, and gives some context, such as 70% of its turnover coming from continental Europe. The question invites candidates to suggest why exporting might be beneficial, referring to their knowledge and the information in the extract for context. The question was completed well by most candidates. Where marks were dropped, this tended to be due to a lack of application to the Ebac context.

(b) Explain how Ebac Ltd could benefit from exporting its products.

(4)

Exporting is selling goods or to another country. Ebac Ltd would benefit from this because they'd have a wider target market. For example 70% of turnover came from continental ~~mark~~ Europe as a result there's already proof of a target market and that these products is known. Selling washing machine globally increases chance of sales so further ~~expansion~~ can take place for market share in washing machine markets. to increase



This response achieved the knowledge mark for defining exports, but could have equally done so for the knowledge of a benefit of exporting - in this case a wider target market. Application comes from the reference to 70% of turnover coming from continental Europe and also the example of washing machines being sold. This answer is clearly about Ebac and its business context.



Use the context effectively to support your points. In this question the business is Ebac, so make sure there is evidence from the extract, or your own understanding, that can support your answer and make it relevant to that business.

## **Question 2 (c)**

Business ownership (forms of business) is one of the most fundamental concepts in any business course. The same is true for this one. A surprising number of candidates did not answer this well. Some argued that a Private Limited Company had unlimited liability, while others answered quite a lot of the question in relation to sole traders and partnerships. There was information in Extract F which explained how Ebac was a family company that had grown successfully so far. The intention was to compare this ownership with the potential of becoming a PLC. The best answers took this approach and did so in relation to the potential of raising extra finance. There were some good responses that compared the Private Limited Company to a partnership, emphasising the benefits of such an approach. This is also valid, as long as it is explained carefully in context.

(c) Assess the likely consequences of Ebac Ltd continuing to operate as a private limited company.

(10)

A Private Limited Company is a company with limited liability which is owned by shareholders who are normally family and friends.

Continuing to operate as an S Ltd could have a positive impact on Ebac because they can maintain control. This is beneficial as Ebac is a very lucrative company, for example it has been the leader in the water cooler market in Western Europe since the mid 1990s, therefore if it was a public company external investors would want to invest. Continuing as a Ltd will mean that Ebac will be able to keep control of the company as it is in terms of production, distribution and decision making. Therefore, the business will continue to grow in sales as with its current shareholders it is a market leader and produces "innovative, quality products". This will help to ensure long term sales and profit margins as a tried and tested business plan will continue to prosper.

On the other hand, continuing to operate as an Ltd could be an issue for Ebac because they may lack the necessary funding to continue expanding. This is because with only a limited number of shareholders it is unlikely it will be able to continue investment projects abroad, especially after the £7m expansion project in late 2015. This will put Ebac at a disadvantage to competitors such as Hotpoint, who may

be public companies ~~and~~ that can raise more share capital and invest in their operations to improve competitiveness. Therefore sales may decrease in the long term as Ebac cannot afford to compete with rivals such as Hotpoint in areas such as R&D expenditure. Customers are ~~likely~~ likely to move to higher quality competitors, therefore market share may decrease.

To conclude I believe that Ebac should not continue to operate as an Ltd as it can limit their investment and expansion potential in the future. However it depends on how committed the ~~are~~ current shareholders of Ebac are in terms of investment and how much retained profit the business currently makes. Most importantly, Ebac should monitor competitors to decide whether more investment and therefore a change in business ownership is needed.



This response scored 10 marks, the maximum for this question. It is noticeable how the response is full of context, clearly using the information available in the extract. The candidate makes a strong argument about remaining a Private Limited Company and how this helps with control of the business - existing shareholders decide who any new shareholders might be. The answer then makes the counter-argument that the Private Limited ownership potentially limits the capital available for further investment, particularly the £7m expansion plans.



Ensure you are clear about the main forms of business and their key features. This topic affects not only ownership, but finance, growth, objectives, taxation, and of course liability. When looking at the advantages and disadvantages of each one, avoid always comparing a model to the 'previous' form in the chain. For example, it is tempting to focus on a private limited company being 'better' than a partnership due to limited liability. However, in the context of Ebac, it is more interesting and relevant to compare it to a PLC, which has implications for growth and maintenance of the family traditions, as well as the Ebac foundation, which public investors might not support.



## **Question 2 (d)**

Factors affecting the choice of production location is a key specification topic in Theme 4. In this case, the question required candidates to compare the UK, which Ebac has chosen as a production location, with other possibilities. As labour costs are a key factor in the production location decision, it was possible for candidates to refer in detail to Extract E. A surprising number of candidates focused on the North East of England as having low labour costs. This may have been a factor in locating within the UK, but those labour costs would still be higher than other emerging markets such as China, which could be a production location for Ebac. Better candidates recognised this, focusing on other features of the UK, such as minimum wage laws which would add to Ebac's costs. Although not contained in the extracts, many candidates rightly discussed the UK's decision to leave the European Union. Where the chain of reasoning was clearly developed and accurate, this gained reward.

(d) Assess the likely impact on Ebac Ltd of choosing the UK as a production location.

(12)

The production location of B Ebac Ltd is where they produce all of their products in order to then be sold in the UK or exported out of the UK to other markets. An impact of B Ebac Ltd choosing the UK as their production location is the fairly high production costs compared to the top 25 exporting countries. They are the 12th highest countries and although Ebac's labour costs are slightly cheaper than the UK's average they are still quite high. This leads to a higher overall unit cost of their products meaning a higher selling price losing some of their competitive advantage. Then selling 70% of their products out of the UK means paying for export taxes and tariffs adding on more costs. However as Ebac has already created a name for themselves with being the market for nearly 20 years they can afford to sell at a higher price because of their innovated quality products which help stand apart from competitors like Indesit.

Another impact of Ebac producing in the UK is their large market share after Indesit moved production outside of the UK. This means £7 million expansion plan will help to create a lot more business in which they will have demand as they are the only UK based makers of washing machines with give

The company a strong brand image as it is boosting the UK economy but putting their profits back into the countries in order to stimulate growth. They are also creating more jobs decreasing the UK's unemployment rate therefore increasing income and the UK's overall GDP which makes inward FDI's more attractable from foreign countries to help ~~to~~ grow the UK's economy even more. However this lack of competition could cause the ~~the~~ Ebac to mature and even maybe decline due to the lack of motivation to expand, this could lead to offshoring business's to option market share and take the leadership off Ebac.

In conclusion I believe Ebac should stay in the UK in order to keep their family own UK companies strong market share and brand loyalty. Although offshoring would lower costs they would be leaving a large gap in the market which they right now are dominating and have the potential to expand not just their company in the UK but also the UK economy.



This response gained a top mark of 12. The candidate makes very effective use of the context and incorporates appropriate use of information from the extract at every available opportunity. The answer is clearly about Ebac and no other business. Of particular note is the quality of the overall judgement. The candidate recognises that costs might not be at their lowest in the UK, but that Ebac might have other considerations, such as its family ownership, or being the only UK producer of white goods, that over-ride these cost considerations.



Check all extracts to ensure you are including as much relevant context as possible. When thinking about likely impacts, consider who these impacts might be on? Workers? Owners? Local community? This can help to provide a structure to your answer, and give you a framework for writing analytical and evaluative answers.

## **Question 2 (e)**

This final question stayed in the white goods market, but moved focus to Haier, a Chinese manufacturer. As with question 1(e), the question invited evaluations of two options and a recommendation based on the preceding evaluation. This question was done well by a range of candidates and it was noticeable that the use of context was much better in these responses than some of the previous questions. Where candidates failed to achieve the upper mark levels, this was largely because they focused on 'niche markets' in general, as opposed to global niche markets in particular. As with question 1(e), developed recommendations, based on applied chains of reasoning were well rewarded.

Haier is aiming to continue its global expansion in the white goods market. It could do this by focusing on either global niche markets or global mass markets for white goods.

(e) Evaluate these **two** options and recommend which approach is most suitable for Haier.

(20)

~~Global niche markets~~ Global niche markets are segments in various countries worldwide that share similar interests and requirements, when combined they can form a larger market. One advantage to Haier on moving on global niche markets to continue its global expansion is that it will give the company the ability to charge premium prices and reduce price elasticity of its goods, then enjoy the benefits associated. The reason for this is that consumers that are purchasing from global niche markets and the companies operating in them have unique requirements and will be willing to pay a higher price to have these requirements satisfied. Such as Chinese consumers, who would prefer a smaller-sized washing machine to clean their undergarments separate to their clothing. This machine was likely to have been an innovation at the time, and by being the first mover to this market, Haier would have been able to maximise profit margins due to the reduced price elasticity and reap higher revenue from sales and maximise profits as a result of this. ~~However~~

However, there are concerns and potential issues involved with operating in a global niche market and ~~that~~ one of these are the high labour costs (costs in general)

associated with producing global niche market goods/services. The reason for this is that these products will be expected to have a higher level of quality and innovation in order to charge consumers these premium prices. Therefore, highly skilled workers will be needed for Haier to continue expanding in this market. It is likely that engineers will be needed who specialise in niche goods, to make these ~~products~~<sup>while goods</sup>, but it could be difficult to find such highly skilled workers, and one point, these must be paid high wages to meet their expertise.

On the other hand, Haier could expand by focusing on global mass markets. One benefit to using this approach is that it will allow Haier to take advantage of economies of scale to reduce costs which can be passed on via price to see large volumes of sales. The reason for this is that global mass markets consist of a large population - one much higher than niche markets. Therefore, this will allow Haier to take advantage of economies of scale such as bulk-buying raw materials i.e. metal for washing machine drums or air conditioner structure. Bulk buying reduces costs, hence increases profit margins which leads to a greater competitive advantage and revenues to Haier. Haier could also use marketing economies of scale to reduce costs, by advertising their company as a single brand and use a similar marketing/advertising campaign globally to increase demand as well as save costs. Additionally, by selling,

to consumers in a wide range of markets, Haier will be able to spread the risk with selling their products by not relying on a single country. This is good because if one of the countries Haier are selling the goods to faces an economic disaster then Haier can simply focus on another country, ~~Haier, a disadvantage associated with Haier is~~ For e.g. if Japan has a sudden political disaster, Haier can advertise more in China and the USA to reduce the impact. However, a disadvantage to Haier of operating in a global mass market would be the level of competition. Haier must compete with other companies such as Bosch and Whirlpool, which has great impacts on pricing strategies and requires high costs to differentiate or differentiate to compete via cost leadership.

Overall, it is clear that Haier has considered operating in both markets and has ~~gained~~ ~~some~~ ~~exp~~ experience in global niche markets showcased by their Pakistani and Chinese specialist equipment. Due to the degree of competition associated with operating in global mass markets, I believe that Haier should expand by focusing on global ~~niche~~ Niche markets. Haier should therefore invest more in research and development to introduce a new niche market good that can be sold at a premium price, playing to the company's strengths.





This response achieved 20 marks, full marks on this question. In the first sentence the candidate makes their knowledge and understanding of global niches clear. The answer goes on to make sophisticated analytical points about reduced elasticity of demand for specialised products, with examples taken accurately from the context. The counter-balance refers to synoptic concepts such as economies of scale and again, does so in a way that enhances the quality of the answer. The most noticeable feature of this response is the clarity with which the judgement is made. In this case, the candidate uses the examples of products that Haier has successfully produced for the Pakistani and Chinese markets as a sign of success in the global niche option.



When constructing judgements for 20 mark questions, avoid repeating arguments used previously in your answer. Try to think about the key factors or reasons for your overall judgement, that are in the context of the business in question. The extracts will give you pointers, think about how this information can be used effectively. 5 minutes reading all extracts carefully and being aware of the main features of the business and its context, will be hugely valuable for adding specifics to your answers.

## Paper Summary

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

- Stick closely to the requirements of the question posed and apply these effectively to the relevant business in the evidence. The best answers are those where candidates compare and contrast businesses in the evidence, such as Hot Chip and McDonalds, to make a clear argument, in this case regarding leadership styles.
- Answer the question directly, paying attention to the command word and mark allocation.
- Make sure you have a sound understanding of the specification content so you can apply it confidently to the questions - this is particularly the case with the quantitative skills questions.
- Follow carefully the requirements of the quantitative skills questions, following each of the three stages in the calculations and, where appropriate showing your workings as to how the answer was sought.
- Make sure you have a secure enough understanding of key terminology. Specifically: 'Design Mix', 'Private Limited Company', and 'global niche markets'. Glossaries of key terminology are a good way of securing this knowledge at all stages of preparation for the examination.
- Manage your time effectively, do not spend overly long on questions worth four or ten marks, and missing out on the chance to answer 12 or 20 mark questions.

## 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>

