



National
Qualifications
SPECIMEN ONLY

SQ05/H/01

Business Management

Date — Not applicable

Duration — 2 hours and 15 minutes

Total marks — 70

SECTION 1 — 30 marks

Attempt ALL questions.

SECTION 2 — 40 marks

Attempt ALL questions.

Write your answers clearly in the answer booklet provided. In the answer booklet, you must clearly identify the question number you are attempting.

Use **blue** or **black** ink.

It is recommended that you spend 15 minutes reading over the information provided in **SECTION 1** before responding to the questions.

Before leaving the examination room you must give your answer booklet to the Invigilator; if you do not, you may lose all the marks for this paper.



* S Q 0 5 H 0 1 *

SECTION 1 — 30 marks

Read ALL the following information and attempt ALL the questions that follow.

The following information has been taken from an Annual Report of J. Sainsbury PLC and is presented as a report to its shareholders.

J. Sainsbury PLC

Annual Report to shareholders 2013

The Board is pleased to report on another good year for Sainsbury's. Profits have improved and we are continuing to invest significantly in strengthening the business for the future.

Business review

A winning team

We would like to thank our 157,000 colleagues for their efforts in providing excellent customer service. Our people are the face of Sainsbury's and are central to our success. We continue to invest in their training and development, and in ensuring Sainsbury's is a great place to work. Many of our colleagues have benefited from externally certified training qualifications in our seven food colleges. We are delighted that they share in a record bonus of over £90 million this year.

Sainsbury's Bank

Whilst our core business remains supermarkets, the move into banking with Lloyds Banking Group in 1997 has proved profitable. We have now reached an agreement to acquire Lloyds' 50 per cent shareholding and take full ownership of Sainsbury's Bank.

Our values

Our unique values and strong corporate culture are at the heart of our success and this remains as true today as it was when we were founded 144 years ago. Through our ambitious *20×20 Sustainability Plan* we aim to:

- *Source raw materials with integrity* — by ensuring our products ensure sustainability, eg responsibly caught seafood and no contribution to global deforestation
- *Reduce consumption of unhealthy foods* — by providing clear nutritional information
- *Respect our environment* — by reducing carbon emissions and continuing to use solar energy
- *Be a great place to work* — by providing certificated training for employees
- *Make a positive difference to the community* — by encouraging children to enjoy physical activity

Loyalty and insight

Nearly 12 million Sainsbury's customers regularly use their loyalty card and the data gathered from these cards enables us to understand our customers better and offer them targeted promotions.

Market overview

The UK economic climate in 2012/13 continued to be challenging. Inflation outstripped wage growth, squeezing household budgets. However, consumer confidence is improving due to continued low interest rates and falling unemployment.

Although the outlook has improved slightly over the year, consumer confidence is still lower than it was five years ago due to rising living costs and changes to taxation and benefits. People are buying slightly less in their weekly grocery shop and then topping it up locally in convenience stores.

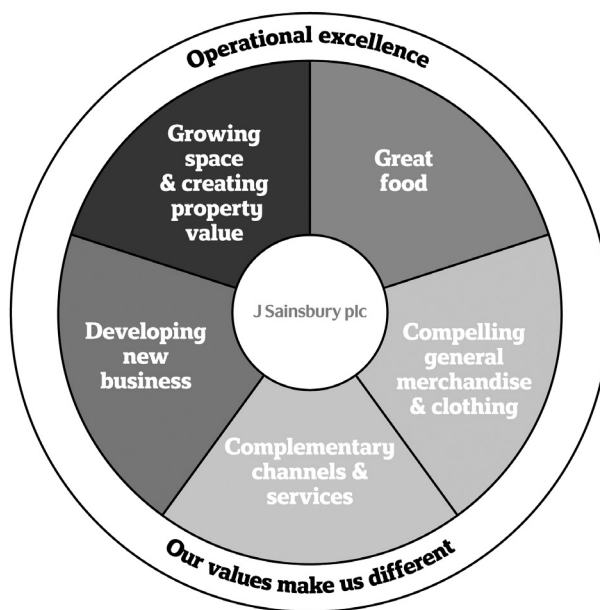
SECTION 1 (continued)

Customers are more price-conscious than ever, looking for discounts and offers to help them save money. Despite the economic downturn, consumers are still willing to spend money on expensive ethical products such as fair trade items. People carefully consider their spending decisions and have greater expectations of the quality and integrity of goods and services they buy.

Strategy for growth

The following five-point plan highlights our strategy going forward:

- *Great food*—the quality and value of our food, combined with our strong ethical standards and supplier relationships, differentiate us from other supermarkets and help our customers to *Live Well for Less*.
- *Compelling general merchandise and clothing*—*Tu* is the seventh most popular clothing brand in the UK and we sell more bakeware than our rivals.
- *Complementary channels of distribution and services*—we offer a winning mix of supermarkets, convenience stores and an online service.
- *Developing new business*—we continue our drive into the online and digital entertainment market with the purchase of a majority stake in Anobii, now operating as *eBooks by Sainsbury's*. Sainsbury's pharmacies are now open in over 270 stores and in three hospitals. We are finding other new ways to offer our services— from our online retail website to our innovative *Mobile Scan & Go*.
- *Growing space and creating property value*—we are increasing our store portfolio by adding bright, modern extensions, and state-of-the-art new supermarkets and convenience stores.



Source: Adapted from J. Sainsbury PLC Annual Report 2013

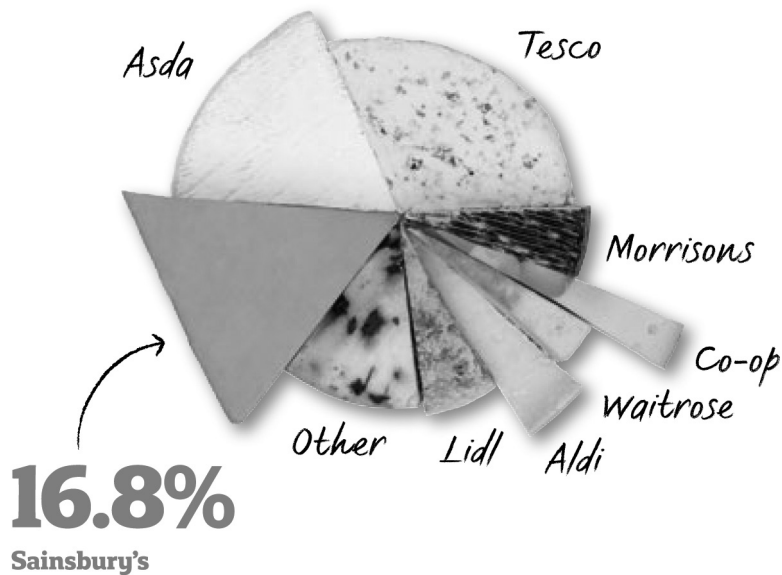
Further information

Exhibit 1 — Extract from Sainsbury's financial performance

	2012/13	2011/12	Change
	£ millions	£ millions	%
Sales	23,303	22,294	+ 4.5
Gross Profit	829	789	+ 5.1
Net Profit	614	598	+ 2.7

Source: Adapted from J. Sainsbury PLC Annual Report 2013

Exhibit 2 — Sainsbury's market share



Source: Kantar Worldpanel total till roll for the 52 weeks to 17 March 2013

Exhibit 3 — Sainsbury's growth timeline

1869	First store opened on London's Drury Lane
1950s	First self-service stores opened
1970s	Introduced the first bakeries, fresh fish counters, coffee shops and petrol stations
1994	First major supermarket in the UK to sell fair trade food
1996	Began recycling partnership with Oxfam
1997	Started Sainsbury's Bank in a joint venture with Lloyds Banking Group
2004	Launched the <i>Tu</i> fashion range
2009	First major retailer to stop selling eggs from caged hens
2010	Opened the first of our seven food colleges – with over 20,000 colleagues given off-the-job training
2012	Sainsbury's was the only sponsor for the 2012 Paralympic Games and was a major partner of the Diamond Jubilee celebrations Purchased majority stake in e-book business Anobii

Source: Adapted from J. Sainsbury PLC Annual Report 2013

The following questions are based on ALL the information provided and on knowledge and understanding you have gained whilst studying the Course.

- | | |
|---|---|
| 1. (a) (i) Describe what is meant by market share. | 1 |
| (ii) Describe People, Process and Physical Evidence used by Sainsbury's in the information provided. | 3 |
| (b) Discuss the methods of growth used by Sainsbury's in the information provided. | 6 |
| (c) Describe, using evidence from the information provided, ethical and environmental factors Sainsbury's has taken into account. | 5 |
| (d) Describe the profitability ratios used to analyse financial data. | 3 |
| (e) Explain the impact on Sainsbury's of the external factors highlighted in the information provided. | 6 |
| (f) Compare Sainsbury's method of staff training with on-the-job training. | 4 |
| (g) Describe the interdependence of Sainsbury's stakeholders identified in the information provided. | 2 |

SECTION 2 — 40 marks

Attempt ALL questions

- | | | | |
|----|-----|--|---|
| 1. | (a) | Describe the selection methods used to appoint new employees. | 4 |
| | (b) | Explain the benefits of using information technology to deliver staff training. | 3 |
| | (c) | Describe one theory of motivation used by managers. | 3 |
| 2. | (a) | Describe the reasons a profitable organisation may experience cashflow problems. | 4 |
| | (b) | Discuss the advantages and disadvantages of using ratio analysis. | 6 |
| 3. | (a) | Describe the production methods an organisation could use. | 4 |
| | (b) | Discuss the use of a just-in-time stock control system. | 6 |
| 4. | (a) | Describe the benefits of maintaining a product portfolio. | 4 |
| | (b) | Compare the use of penetration pricing with skimming pricing. | 3 |
| | (c) | Describe into the pipeline promotions that an organisation could use. | 3 |

[END OF SPECIMEN QUESTION PAPER]

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Section One Source, Sainsbury's market share - 'Kantar Worldpanel total till roll for the 52 weeks to 17 March 2013,' is reproduced by kind permission of Kantar Worldpanel.



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Business Management

Marking Instructions

These Marking Instructions have been provided to show how SQA would mark this Specimen Question Paper.

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General marking principles for Higher Business Management

This information is provided to help you understand the general principles you must apply when marking candidate responses to questions in this Paper. These principles must be read in conjunction with the detailed marking instructions, which identify the key features required in candidate responses.

- (a) Marks for each candidate response must always be assigned in line with these General Marking Principles and the Detailed Marking Instructions for this assessment.
- (b) Marking should always be positive. This means that, for each candidate response, marks are accumulated for the demonstration of relevant skills, knowledge and understanding: they are not deducted from a maximum on the basis of errors or omissions.
- (c) For each candidate response, the following provides an overview of the marking principles. Refer to the specific Marking Instructions for further guidance on how these principles should be applied.

Marks will be awarded as follows for:

- (i) Questions that ask candidates to Describe ...

Candidates must make a number of relevant factual points, which may be characteristics and/or features, as appropriate to the question asked. These points may relate to a concept, process or situation.

Candidates may provide a number of straightforward points or a smaller number of developed points, or a combination of these.

Up to the total mark allocation for this question:

- **1 mark** should be given for each relevant factual point
- **1 mark** should be given for any further development of a relevant point, including exemplification when appropriate

- (ii) Questions that ask candidates to Explain ...

Candidates must make a number of accurate relevant points that relate cause and effect and/or make the relationships clear. These points may relate to a concept, process or situation.

Candidates may provide a number of straightforward points of explanation or a smaller number of developed points, or a combination of these.

Up to the total mark allocation for this question:

- **1 mark** should be given for each relevant point of explanation
- **1 mark** should be given for a further development of a relevant point, including exemplification when appropriate

- (iii) Questions that ask candidates to Compare ...

Candidates must demonstrate knowledge and understanding of the similarities and/or differences between things, methods or choices, for example. The relevant comparison points could include theoretical concepts.

Up to the total mark allocation for this question:

- **1 mark** should be given for each accurate point of comparison

- (iv) Questions that ask candidates to Discuss ...

Candidates must make a number of points that communicate issues, ideas, or information about a given topic or context that will make a case for and/or

against. It is not always necessary to give both sides of the debate in responses.

Up to the total mark allocation for this question:

- **1 mark** should be given for each accurate point of knowledge that is clearly relevant
- **1 mark** should be given for any further development of a relevant point, including exemplification or a conclusion when appropriate

Marking Instructions for each question

SECTION 1

Question			Possible response	Max mark	Additional guidance
1	a	i	<p>Responses could include the following:</p> <ul style="list-style-type: none"> Market share is an organisation's percentage of the overall sales in a particular market. <p>Accept any other suitable response.</p>	1	Award a maximum of 1 mark for a valid description of market share.
1	a	ii	<p>Responses could include the following:</p> <p>People: anyone who comes into contact with your customers that will have an effect on customer satisfaction.</p> <ul style="list-style-type: none"> Sainsbury's ensures employees are highly trained. Sainsbury's employees are noted for providing excellent customer service. <p>Process: the ways of delivering the service, ie helpfulness of staff, quality of information given.</p> <ul style="list-style-type: none"> Providing innovative mobile scan-and-go facilities in stores. Using e-commerce for purchases. Using loyalty cards to maintain customer satisfaction. Offering customers targeted promotions. Providing nutritional information on food products. <p>Physical Evidence: the tangible aspect of delivering the service, ie the building.</p> <ul style="list-style-type: none"> Providing bright and modern extensions. Providing updated state-of-the-art stores. <p>Accept any other suitable response.</p>	3	<p>Candidates' responses must be based on the information from the case study.</p> <p>Award 1 mark for each valid description.</p> <p>To gain full marks, at least one point should be given for each of People, Process and Physical Evidence.</p> <p>It must be clear in the response which 'P' is being referred to.</p> <p>It is acceptable to lift information directly from the case study.</p>

Question		Possible response	Max mark	Additional guidance
1	b	<p>Responses could include the following:</p> <p><u>Organic/internal growth</u></p> <ul style="list-style-type: none"> • Growth of a business from its own internally generated resources (1 mark for definition). • Sainsbury's is growing by increasing the number of its state-of-the-art new supermarkets (1 mark for definition). <p><i>Advantages</i></p> <ul style="list-style-type: none"> • Less risky than taking over other businesses. • Can be financed through internal funds, eg retained profits. • Builds on a business's strengths, eg brands, customers. <p><i>Disadvantages</i></p> <ul style="list-style-type: none"> • Growth may be dependent on the growth of the overall market. • Slower method of growth – shareholders may prefer a more rapid growth. <p><u>Diversification/takeover</u></p> <ul style="list-style-type: none"> • Sainsbury's buying a majority stake in Anobii e-books (1 mark for definition). • Sainsbury's joining with Lloyds Banking Group to form Sainsbury's Bank (1 mark for definition). <p><i>Advantages (can apply to diversification or takeover)</i></p> <ul style="list-style-type: none"> • Reduces the risk of business failure. • Makes a larger and more financially secure business. <p><i>Disadvantages (can apply to diversification or takeover)</i></p> <ul style="list-style-type: none"> • Requires allocation of significant financial and human resources. • Risk of harming the main company business. <p>Accept any other suitable response within each of the above headings.</p>	6	<p>Award 1 mark for each valid discussion point. Award 1 mark for a development point.</p> <p>Only accept organic/internal growth and diversification/takeover as suitable growth methods.</p> <p>At least two methods must be discussed to gain full marks.</p> <p>Up to 5 marks can be awarded for discussing any one of the above methods.</p> <p>Marks can be awarded for:</p> <ul style="list-style-type: none"> • a definition of the growth method which may include an example highlighted from the case study (maximum 1 mark each) • advantages and/or disadvantages of the methods

Question		Possible response	Max mark	Additional guidance
1	c	<p>Responses could include the following:</p> <ul style="list-style-type: none"> • Suppliers' products ensure sustainability of raw materials. • Sainsbury's commitment to reducing unhealthy food and providing nutritional information. • Suppliers' products don't have a large carbon footprint (1 mark) and support renewable energies (1 development mark). • Sainsbury's commitment to making a positive difference to the communities in which it operates. • Suppliers' products are fair trade (1 mark) meaning suppliers get a fair price for products and are likely to stay in business (1 development mark). • Sainsbury's recycling partnership with Oxfam. • Suppliers ensure high standards of animal welfare. <p>Accept any other suitable response.</p>	5	<p>Candidates' responses must be based on the information from the case study.</p> <p>Award 1 mark for each valid description. Award 1 mark for a development of a description.</p> <p>It is acceptable to lift information directly from the case study.</p>
1	d	<p>Responses could include the following:</p> <p><u>Gross profit ratio</u></p> <ul style="list-style-type: none"> • Measures the percentage of profit that is made from buying and selling stock. <p><u>Net profit ratio</u></p> <ul style="list-style-type: none"> • Measures the percentage of profit that is made after expenses are deducted from GP. <p><u>Return on capital employed</u></p> <ul style="list-style-type: none"> • Measures the percentage of investment that is yielded as profit. <p>Accept any other suitable response.</p>	3	<p>Award a maximum of 1 mark for each valid description of a profitability ratio.</p> <p>To gain full marks, all three profitability ratios need to be described.</p> <p>Accept the formula for each one as a description.</p>

Question		Possible response	Max mark	Additional guidance
1	e	<p>Responses could include the following:</p> <ul style="list-style-type: none"> • <i>Rising inflation</i> means goods/services cost more, so Sainsbury's plans to offer more great food of quality and value. • <i>Low interest rates</i> mean consumers are less likely to save and so spend more in shops like Sainsbury's (1 mark). For example, Sainsbury's sales have increased by 4.5% (1 mark for development for using Source A). • <i>Falling unemployment</i> means consumers may have more wages/disposable income to spend in shops like Sainsbury's. • <i>Rising living costs</i>, however, mean that consumers may have less disposable income to spend in Sainsbury's. • <i>Customers are being more price conscious</i> so Sainsbury's is offering more promotional offers/deals. • <i>Consumers are making fewer but more considered spending choices</i> so are buying higher quality goods such as fair trade products provided by Sainsbury's. • <i>Competitive factors</i> – Sainsbury's must be constantly aware of these, eg from Asda and Tesco, to maintain or increase its current market share of 16.8% (Exhibit 2). <p>Accept any other suitable response.</p>	6	<p>Candidates' responses must be based on the external factors highlighted from the case study.</p> <p>Award 1 mark for each valid explanation. Award 1 mark for a development of an explanation.</p> <p>To gain full marks, at least two external factors must be explained.</p> <p>It must be clear which external factor is being referred to.</p> <p>It is acceptable to lift appropriate information directly from the case study.</p>
1	f	<p>Responses could include the following:</p> <ul style="list-style-type: none"> • Sainsbury's uses off-the-job training which takes place at training colleges away from the workplace, whereas on-the-job training takes place in the workplace. • Sainsbury's uses its own training colleges (off-the-job) which can offer intense training away from the distractions at work, whereas on-the-job training can be distracting. • When at a training college/off-the-job, the employee isn't contributing to the business, whereas with on-the-job training the employee may be doing some work. • With off-the-job training an employee learns from professional trainers/instructors/teachers, whereas with on-the-job training the 	4	<p>Only accept comparison between off-the-job and on-the-job training methods.</p> <p>Award 1 mark for each valid comparison.</p> <p>It is acceptable to lift information directly from the case study. However, candidates will have to compare features with on-the-job training to be awarded a mark.</p>

Question		Possible response	Max mark	Additional guidance
		<p>employee learns from colleagues through demonstrating/coaching.</p> <ul style="list-style-type: none"> • With off-the-job training the employee is away from colleagues and will still have to integrate when completed, whereas with on-the-job training, employee bonds can be built during the training process. • Sending a new employee to a training college may help them feel better prepared for the job; however, with on-the-job training the employee may feel apprehensive. • Off-the-job training is more expensive than on-the-job training. <p>Accept any other suitable response.</p>		
1	g	<p>Responses could include the following:</p> <ul style="list-style-type: none"> • Sainsbury's (owners) need employees to operate stores and employees require Sainsbury's to provide secure jobs. • Suppliers need Sainsbury's to buy their stock and Sainsbury's needs suppliers to provide good-quality products. • Employees need customers to give money to Sainsbury's in order to have job security and customers need good-quality service from employees. • Employees need owners for wages/training/career development and owners need employees for productivity/good customer service. • Owners need customers to give them profits/market share and customers need owners for quality services/products. <p>Accept any other suitable response.</p>	2	<p>Candidates' responses must be based on stakeholders identified from the case study.</p> <p>Award 1 mark for each valid description of interdependence.</p> <p>Other possible combinations of stakeholders are acceptable.</p> <p>As the question is about interdependence, reference to why both stakeholders need each other is required.</p>

SECTION 2

Question		Possible response	Max mark	Additional guidance
1	a	<p>Responses could include the following:</p> <p><u>Application forms</u></p> <ul style="list-style-type: none"> • Forms are created to request relevant information from applicants. • Comparison of applicants is easier as all provide the same information. <p><u>CVs</u></p> <ul style="list-style-type: none"> • A written summary of an applicant's experience, educational background and any other relevant information. • Candidates are free to provide the information they feel is relevant, which may not be requested on an application form. <p><u>Interviews</u></p> <ul style="list-style-type: none"> • A formal face-to-face meeting between an employer and an applicant. • Candidates can be compared in a pressure situation. • Allows candidates to respond to questions; they can also ask questions about the job/company. • Interviewers can compare notes to get a consensus on the best applicants. <p><u>Assessment centres</u></p> <ul style="list-style-type: none"> • Candidates can be observed in practical situations. • Tasks can be tailored to the vacancy, eg in-tray exercise, group task, presentation, case study. • Candidates can be moved around to work with a variety of others to see how they perform with different people and personality types. <p><u>Testing</u></p> <ul style="list-style-type: none"> • Attainment testing allows a candidate to demonstrate their skills, eg ICT, joinery skills, childcare skills. • Medical testing measures physical fitness which may be required for certain jobs, eg fire service, armed services, professional football. <p>Accept any other suitable response.</p>	4	<p>Award 1 mark for each valid description. Award 1 mark for a development of a description.</p> <p>To gain full marks at least two methods of selection must be described.</p> <p>Up to 3 marks can be awarded for describing any one selection method.</p> <p>The names of any testing methods used are not required but it must be clear from the description which testing method is being referred to.</p>

Question		Possible response	Max mark	Additional guidance
1	b	<p>Responses could include the following:</p> <ul style="list-style-type: none"> • Visuals from presentation software provide reinforcement to verbal information from trainer/speaker (1 mark), therefore it holds the attention of the trainees longer (1 development mark). • Staff in remote locations can be involved in training events using web conferencing, reducing the need to travel. • Live-link meetings/online tutorials can be set up between trainer and trainee so support is immediately available. • Staff being trained can access centrally-stored shared files from any geographical location. <p>Accept any other suitable response.</p>	3	<p>Award 1 mark for each valid explanation. Award 1 mark for a development of an explanation.</p> <p>To gain full marks at least two benefits must be explained.</p> <p>Up to 2 marks can be awarded for explaining any one benefit.</p> <p>No marks are awarded for a description only.</p> <p>Candidates' responses must link the use of technology for training purposes.</p>
1	c	<p>Responses could include the following:</p> <p><u>Maslow's Hierarchy of Needs</u></p> <ul style="list-style-type: none"> • Maslow suggested that there were five interdependent levels of basic human needs (motivators) that must be satisfied in a strict sequence (1 mark), starting with the lowest level and working up to the highest (1 development mark). • Physiological needs (to stay alive and reproduce), and security needs (to feel safe) are the most fundamental and pressing needs (1 mark). • They are followed by social needs (for love and belonging), self-esteem needs (to feel worthy/respected) and, lastly, self-actualisation needs (to realise potential and have status) (1 mark). • You cannot progress to the next level in the hierarchy until the previous level is satisfied (1 mark). <p><u>McGregor's Theory X and Theory Y</u></p> <ul style="list-style-type: none"> • McGregor believed there were two distinct sets of assumptions that managers, in general, have about their employees (1 mark). 		<p>Award 1 mark for each valid description. Award 1 further mark for each development of a description.</p> <p>Marks can only be awarded for a description of any one motivation theory.</p>

Question		Possible response	Max mark	Additional guidance
		<p><i>Theory-X assumptions are:</i></p> <ul style="list-style-type: none"> • Most employees dislike work and will avoid it at all costs (1 mark), therefore workers must be continually coerced, controlled and threatened to get the work done (1 development mark). • Employees have little or no ambition/prefer to avoid responsibility and choose security above everything else (1 mark). <p><i>Theory-Y assumptions are:</i></p> <ul style="list-style-type: none"> • Most employees find work to be a source of satisfaction/are generally self-motivated in meeting individual and company goals (1 mark). • Workers either seek responsibility or learn to accept it willingly (1 mark) and are motivated by the needs at the top end of Maslow's hierarchy (1 development mark). <p><u>Hertzberg</u></p> <ul style="list-style-type: none"> • Hertzberg believed that employee satisfaction is related to factors which motivate, and factors which cause dissatisfaction – hygiene factors (1 mark). • Motivating factors give job satisfaction and include giving employees increased responsibility/recognition for their effort/personal sense of achievement/changes for promotion, etc. • Motivating factors refer to things involved in doing the job. • Hygiene factors need to be met to prevent dissatisfaction and include pay and conditions/support for colleagues/company policies and procedures, etc. • Hygiene factors are things which define the job. <p>Accept any other suitable response.</p>		
2	a	<p>Responses could include the following:</p> <ul style="list-style-type: none"> • Too much money tied up in unsold stock. • Customers being given too long a credit period. • Customers being given too high a credit limit. 	4	<p>Award 1 mark for each valid description. Award 1 further mark for each development of a description.</p> <p>A maximum of 1 mark to be awarded for</p>

Question		Possible response	Max mark	Additional guidance
		<ul style="list-style-type: none"> • Owners taking excessive cash drawings. • Suppliers not allowing a trade credit period. • Sudden increase in an expense, eg heat and light. • High capital expenditure outlay in one month instead of spreading payments over a period of time. <p>Accept any other suitable response.</p>		responses referring to increased revenue expenditure.
2	b	<p>Responses could include the following:</p> <p><i>Advantages</i></p> <ul style="list-style-type: none"> • Good for comparing current performance with that of previous years. • Good for comparing with rival businesses. • Highlights differences in performance that will aid future decision-making/financial planning. • Good for highlighting trends over a period of time. <p><i>Disadvantages</i></p> <ul style="list-style-type: none"> • Ratios are based on historic financial information which limits usefulness. • Comparisons only useful if made with like-for-like organisations – firms in the same industry may differ in size/product mix/objectives. • The accounting information used to calculate ratios does not take account of other internal factors, eg quality of managers/staff, staff motivation, staff turnover, location of business. • Calculations do not show the implications of product developments or declining products. • The accounting information used to calculate ratios does not include external factors – PESTEC. <p>Accept any other suitable response.</p>	6	<p>Award 1 mark for each valid discussion point. Award 1 mark for a development of a discussion point.</p> <p>Full marks can be awarded for either all advantages of ratio analysis or all disadvantages of ratio analysis.</p> <p>No marks awarded for ‘flip’ points if both advantages and disadvantages are discussed.</p>

Question		Possible response	Max mark	Additional guidance
3	a	<p>Responses could include the following:</p> <ul style="list-style-type: none"> • Job production – one-off single product is made to a customer’s specification (1 mark). This method of production requires highly skilled workers (1 development mark) and the business can charge a premium price for the product (1 development mark). • Batch production – groups of similar products are made at the same time and no item in the batch goes to the next stage until the whole batch is ready. • Flow production – items move continuously from one operation to the next and each part of the process leads to the completion of the final product. • Labour-intensive – production is carried out by a high level of labour. • Capital-intensive – production is carried out using mainly machinery, highly automated production. <p>Accept any other suitable response.</p>	4	<p>Award 1 mark for each valid description. Award 1 mark for a development of a description.</p> <p>To gain full marks, at least two production methods must be described.</p> <p>Up to 3 marks can be awarded for describing any one method.</p> <p>The names of the production methods used are not required but it must be clear from the description which production method is being referred to.</p>
3	b	<p>Responses could include the following:</p> <ul style="list-style-type: none"> • Just-in-time (JIT) stock control system reduces storage costs as stock is delivered as it is needed (1 mark). • This means that the organisation is more responsive to consumer demand (1 development mark) and that money is not tied up unnecessarily in buying large volumes of stock (1 development mark). • This can also result in less wastage of stock as it is only being ordered when it is needed (1 development mark). • However, it also means that organisations can lose out on bulk-buying discounts (1 mark). • Having a JIT system relies heavily on suppliers’ co-operation in delivering stock when it is needed (1 mark). • Using a JIT system could result in high admin and delivery costs as there are many small deliveries (1 mark). • This could mean that production may be interrupted/halted if there is a delay with a delivery (1 development mark). 	6	<p>Award 1 mark for each valid discussion point. Award 1 mark for a development of a discussion point.</p> <p>Full marks can be awarded for discussing JIT in all positive terms, all negative terms or a combination of both.</p>

Question		Possible response	Max mark	Additional guidance
		<ul style="list-style-type: none"> Deliveries of small quantities and not holding stock could mean the organisation is unable to meet sudden increases in demand (1 development mark). <p>Accept any other suitable response.</p>		
4	a	<p>Responses could include the following:</p> <ul style="list-style-type: none"> Allows organisation to spread risk (1 mark). If one product's sales decline, another product's sales could be growing (1 development mark). The opportunity for increased sales/profits from selling different products (1 mark) due to customers having a number of products to buy from one brand (1 development mark). Seasonal fluctuations can be evened out (1 mark) – the company may not struggle as much if they have products that are popular at certain times of year (1 development mark). They can meet the needs of different market segments. Newer products at growth stage can replace those at the decline stage of the product life cycle. Reference to analysis of Boston Matrix – resources can be allocated from poorer performing products ('dogs') to income-generating products ('stars' or 'cash cows'). <p>Accept any other suitable response.</p>	4	<p>Award 1 mark for each valid description. Award 1 mark for a development of a description.</p> <p>To gain full marks, at least two benefits of having a product portfolio must be described.</p> <p>Up to 3 marks can be awarded for describing any one benefit.</p>
4	b	<p>Responses could include the following:</p> <ul style="list-style-type: none"> Penetration pricing is used in a highly competitive market, whereas skimming pricing is used in a market with little or no competition. Penetration pricing means that the product will be introduced at a low price, whereas skimming pricing means that the product is introduced at a high price. With penetration pricing the price will be increased once the product has been established, whereas with skimming pricing the price is decreased as competition enters the market. 	3	<p>Award 1 mark for each valid comparison.</p> <p>Candidates must demonstrate knowledge and understanding of the differences and/or similarities in the use of the two pricing strategies.</p>

Question		Possible response	Max mark	Additional guidance
		<ul style="list-style-type: none"> Penetration pricing is used to entice consumers to switch from other brands, whereas skimming pricing is used when the product is new or unique. Both penetration and skimming pricing are short-term pricing strategies. Both penetration and skimming pricing are used when introducing new products to the market. <p>Accept any other suitable response.</p>		
4	c	<p>Responses could include the following:</p> <ul style="list-style-type: none"> These are promotions that a manufacturer gives to the wholesaler or retailer that sells their products (definition). Dealer loaders are one example of 'into the pipeline promotion': this involves the wholesaler/retailer receiving an extra amount free, eg five boxes for the price of four. The manufacturer may also provide the wholesaler/retailer with staff training. The manufacturer may provide the wholesaler/retailer with point of-sale displays. The manufacturer could allow sale-or-return. <p>Accept any other suitable response.</p>	3	<p>Award 1 mark for each valid description. Award 1 mark for a development of a description.</p> <p>A maximum of 1 mark can be awarded for a definition of 'into the pipeline'.</p>

[END OF SPECIMEN MARKING INSTRUCTIONS]