

GCSE

Business

J204/01: Business 1: business activity, marketing and people

General Certificate of Secondary Education

Mark Scheme for June 2022

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This mark scheme is published as an aid to teachers and students, to indicate the requirements of the examination. It shows the basis on which marks were awarded by examiners. It does not indicate the details of the discussions which took place at an examiners' meeting before marking commenced.

All examiners are instructed that alternative correct answers and unexpected approaches in candidates' scripts must be given marks that fairly reflect the relevant knowledge and skills demonstrated.

Mark schemes should be read in conjunction with the published question papers and the report on the examination.

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MARKING INSTRUCTIONS

PREPARATION FOR MARKING

1. Make sure that you have accessed and completed the relevant training packages for on-screen marking: RM Assessor *assessor Online Training*; *OCR Essential Guide to Marking*.
2. Make sure that you have read and understood the mark scheme and the question paper for this unit. These are posted on the RM Cambridge Assessment Support Portal <http://www.rm.com/support/ca>
3. Log-in to RM Assessor and mark the **required number** of practice responses (“scripts”) and the **number of required** standardisation responses.

YOU MUST MARK 6 PRACTICE AND 10 STANDARDISATION RESPONSES BEFORE YOU CAN BE APPROVED TO MARK LIVE SCRIPTS.

MARKING

1. Mark strictly to the mark scheme.
2. Marks awarded must relate directly to the marking criteria.
3. The schedule of dates is very important. It is essential that you meet the RM Assessor 50% and 100% deadlines. If you experience problems, you must contact your Team Leader (Supervisor) without delay.
4. If you are in any doubt about applying the mark scheme, consult your Team Leader by telephone or the RM Assessor messaging system, or by email.
5. **Crossed Out Responses**
Where a candidate has crossed out a response and provided a clear alternative then the crossed out response is not marked. Where no alternative response has been provided, examiners may give candidates the benefit of the doubt and mark the crossed out response where legible.

Multiple Choice Question Responses

When a multiple choice question has only a single, correct response and a candidate provides two responses (even if one of these responses is correct), then no mark should be awarded (as it is not possible to determine which was the first response selected by the candidate).

When a question requires candidates to select more than one option/multiple options, then local marking arrangements need to ensure consistency of approach.

Contradictory Responses

When a candidate provides contradictory responses, then no mark should be awarded, even if one of the answers is correct.

Short Answer Questions (requiring only a list by way of a response, usually worth only **one mark per response**)

Where candidates are required to provide a set number of short answer responses then only the set number of responses should be marked. The response space should be marked from left to right on each line and then line by line until the required number of responses have been considered. The remaining responses should not then be marked. Examiners will have to apply judgement as to whether a 'second response' on a line is a development of the 'first response', rather than a separate, discrete response. *(The underlying assumption is that the candidate is attempting to hedge their bets and therefore getting undue benefit rather than engaging with the question and giving the most relevant/correct responses.)*

Short Answer Questions (requiring a more developed response, worth **two or more marks**)

If the candidates are required to provide a description of, say, three items or factors and four items or factors are provided, then mark on a similar basis – that is downwards (as it is unlikely in this situation that a candidate will provide more than one response in each section of the response space.)

Longer Answer Questions (requiring a developed response)

Where candidates have provided two (or more) responses to a medium or high tariff question which only required a single (developed) response and not crossed out the first response, then only the first response should be marked. Examiners will need to apply professional judgement as to whether the second (or a subsequent) response is a 'new start' or simply a poorly expressed continuation of the first response.

6. Always check the pages (and additional objects if present) at the end of the response in case any answers have been continued there. If the candidate has continued an answer there then add a tick to confirm that the work has been seen.
7. Award No Response (NR) if:
 - there is nothing written in the answer space

Award Zero '0' if:

- anything is written in the answer space and is not worthy of credit (this includes text and symbols).

Team Leaders must confirm the correct use of the NR button with their markers before live marking commences and should check this when reviewing scripts.

8. The RM Assessor **comments box** is used to explain the marking of the practice responses. Please refer to these comments when checking your practice responses. **Do not use the comments box for any other reason.**
If you have any questions or comments for your team leader, use the phone, the RM Assessor messaging system, or e-mail.

9. Assistant Examiners will send a brief report on the performance of candidates to their Team Leader (Supervisor) via email by the end of the marking period. The report should contain notes on particular strengths displayed as well as common errors or weaknesses. Constructive criticism of the question paper/mark scheme is also appreciated.
10. For answers marked by levels of response:
- To determine the level** – start at the highest level and work down until you reach the level that matches the answer
 - To determine the mark within the level**, consider the following:

Descriptor	Award mark
On the borderline of this level and the one below	At bottom of level
Just enough achievement on balance for this level	Above bottom and either below middle or at middle of level (depending on number of marks available)
Meets the criteria but with some slight inconsistency	Above middle and either below top of level or at middle of level (depending on number of marks available)
Consistently meets the criteria for this level	At top of level

11. Annotations

Annotation	Meaning
	Analysis (AO3a)
	Application (AO2)
	Benefit of doubt
	Blank page
	Cross
	Evaluation (AO3b)
	Knowledge (AO1a)
	Not answered question
	No use of text
	Own figure rule
	Response unclear
	Repeat
	Noted but no credit given
	Too vague
	Tick
	Understanding (AO1b)

SECTION A			
Question	Answer	Marks	Assessment Objective
1	D	1	1a
2	C	1	2
3	C	1	2
4	C	1	1b
5	B	1	2
6	C	1	2
7	D	1	1b
8	D	1	2
9	C	1	2
10	D	1	2
11	D	1	2 (PS)
12	A	1	1a
13	D	1	1b
14	C	1	2
15	C	1	2

Question		Answer	Mark	Guidance
16	(a)	Explain one reason why businesses have different organisational structures. Knowledge may include: • Size of the business e.g. large/small, number of employees • Nature of the industry/business/product or service e.g. creative • Business objectives • Style of management • Skills/expertise of employees • Different ways of working e.g. working from home • Need for flexibility e.g. need to respond to market changes • Growth. Understanding may include: • Number of layers e.g. flat or tall • Chain of command e.g. long or short • Span of control/subordinates/supervision • Managers/delegation/authority. Exemplar responses: A creative business (1) would prefer a flat structure (+1). As an organisation grows in size (1) it may choose to appoint managers, adding more layers (+1) to the structure. ARA	2 AO1a 1 AO1b 1	One mark for a reason why organisational structures may differ. ✓ One further mark for explaining how this relates to the organisational structure. ✓ <i>Answers do not need to relate to Dyson.</i> Reason for a difference must be identified for a further mark to be awarded. Do not award incorrect use of terminology e.g. <u>short</u> span of control or <u>wide</u> chain of command.

16	(b)	Explain three entrepreneurial characteristics that have supported James Dyson’s success. Indicative content: <table><tr><th>Knowledge</th><th>Application</th></tr><tr><td>Confidence</td><td>Thought he could design a better product/vacuum cleaner</td></tr><tr><td>Determination/perseverance</td><td>Tried thousands of design ideas Trying from late-1970s to 1984/tried many years Partnership did not work out so formed his own company/continued with his product</td></tr><tr><td>Creativity/innovative/inventive</td><td>Created his own vacuum cleaner</td></tr><tr><td>Willingness to take risks</td><td>James Dyson set up his own company</td></tr></table> Exemplar responses An entrepreneur needs to be determined (1). James Dyson demonstrated determination by continuing to create <u>thousands</u> of design ideas until he found a suitable one (APP). James Dyson was confident (1) that he could design a <u>better</u> vacuum cleaner (APP).	Knowledge	Application	Confidence	Thought he could design a better product/vacuum cleaner	Determination/perseverance	Tried thousands of design ideas Trying from late-1970s to 1984/tried many years Partnership did not work out so formed his own company/continued with his product	Creativity/innovative/inventive	Created his own vacuum cleaner	Willingness to take risks	James Dyson set up his own company	6 AO1a 3 AO2 3	One mark for an entrepreneurial characteristic, up to a maximum of three marks.  <i>No further marks can be gained without knowledge.</i> One further mark for each application to James Dyson using evidence from the text, up to a maximum of three marks. APP NB The application required for each characteristic is shown in the table. Indicative content only.
Knowledge	Application													
Confidence	Thought he could design a better product/vacuum cleaner													
Determination/perseverance	Tried thousands of design ideas Trying from late-1970s to 1984/tried many years Partnership did not work out so formed his own company/continued with his product													
Creativity/innovative/inventive	Created his own vacuum cleaner													
Willingness to take risks	James Dyson set up his own company													

16	(c)	Analyse one likely reason why Dyson Ltd puts all new employees through an induction training programme. Knowledge may include: • Introduce them to the culture/aims and objectives/mission statement, etc, of the business • Introduce to workplace e.g. where toilets/canteens/changing rooms, etc, are • Issue computer logins • Explain the organisational structure • Explain who to refer issues to • Clarify job role • Introduce to colleagues • Make employees feel value • Health & safety briefing. Application may include: • Over 12,000 employees • Unique organisational structure. Analysis may include: Common analytical comments (which must stem from the reason stated) include positive impacts on productivity, labour turnover, employee retention, likelihood of bad publicity, communication, motivation, output, costs, profits, etc. Exemplar responses: Induction training will help make new employees feel valued (1) which is important when there are over 12,000 employees (APP) as this will improve employee retention rates (+1). New employees will be more productive (+1) if they are supported to settle into their new role (1) which is important to a business that focuses on creating innovative products (APP). ARA	3 AO1a 1 AO2 1 AO3a 1	One mark for a reason for providing induction training.  <i>No further marks can be gained without knowledge.</i> One further mark for application to Dyson Ltd, using evidence from the text. APP One further mark for analysis of the reason a business may provide induction training  NB Analysis must be a business-facing impact. Analysis = the business-facing impact of a stated reason e.g. 'to explain health and safety procedures (1) to reduce the likelihood of accidents in the work place (AN)'. Do not award 'learn new skills' or 'how to do job role'. 'Learn from others', TV. 'Learn how business operates', TV. 'Introduce them to the business', TV.
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16	(d)	(i)	Identify two other methods of staff development that a business could offer. Indicative content: • Vocational/job specific qualifications, e.g. Cambridge Technicals, etc • Academic/general qualifications, e.g. GCSEs, A levels, degrees, etc • Professional development programmes • Secondments.	2 AO1a 2	One mark for a method of staff development, up to a maximum of two marks.  <i>Answers do not need to relate to Dyson</i> Do not reward ‘apprenticeships’, ‘induction’, ‘courses’ or other types of training. Use the list of indicative content only. One mark per bullet point e.g. GCSE (1) A level (REP).
	(d)	(ii)	Evaluate whether or not Dyson Ltd should continue to offer apprenticeship opportunities. Application may include: • Over 12,000 employees • Employees worldwide • Creates new and innovative products • James Dyson promotes careers in engineering Analysis may include: Common analytical comments (which must stem from stated advantages/disadvantages) include positive/negative impacts on workforce planning, productivity, cost, product quality, business image, etc. Evaluation may include: Candidate may justify continuing with apprenticeships or not continuing with apprenticeship. Exemplar response: Dyson Ltd has over 12,000 employees (APP) and since apprentices are trained to improve their skills, business productivity will increase (AN).	7 AO2 2 AO3a 2 AO3b 3	Use the level of response marking grid to assess skill levels. Annotate as: Up to 2 marks for application to Dyson  Up to 2 marks for analysis  Up to 3 marks for evaluation  NB Context must be <u>used</u> to show <u>understanding</u> to be awarded as application. Analysis = the business-facing impact of any stated advantage/disadvantage of offering apprenticeships for staff development e.g. ‘improve staff motivation (U) increasing employee retention (AN)’. For a strong evaluation i.e., the full three marks, the evaluation must be contextual. Suggested understanding to base analytical comments on include:

			Apprentices are likely to feel valued being put on the staff development programme so they are more motivated to work harder creating innovative products (APP) (AN). Overall, Dyson Ltd should continue with apprenticeships (EVAL) as this is in line with James Dyson's desire to promote a career in Engineering (EVAL) (EVAL). ARA		Improved skills, retention, loyalty, feels valued and increased in costs for funding, reduced output when offsite.
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Q16(dii) Evaluate whether or not Dyson Ltd should continue to offer apprenticeship opportunities.

	Application (2 marks)	Analysis (2 marks)	Evaluation (3 marks)
Strong	2 marks Two relevant <u>uses</u> of context (Applied Understanding). [APP] [APP]	2 marks Two advantages/disadvantages (or one of each) of offering apprenticeships for staff development <u>analysed</u> . [AN] [AN]	3 marks A justified contextual decision as to whether Dyson Ltd should continue to offer apprenticeships. [EVAL] [EVAL] [EVAL]
Good			2 marks A justified decision as to whether Dyson Ltd should continue to offer apprenticeships. [EVAL] [EVAL]
Limited	1 mark One relevant use of context (Applied Understanding). [APP]	1 mark One advantage/disadvantage of offering apprenticeships for staff development <u>analysed</u> . [AN]	1 mark A decision as to whether Dyson Ltd should continue to offer apprenticeships. [EVAL]

Question		Answer	Mark	Guidance
17	(a)	State two purposes of market research. Answers may include: - To identify/understand customer wants/needs - To find out whether there is demand - To identify customer trends - To identify target market - To gain customer feedback - To identify gaps in the market - To understand competitors ARA	2 AO1a 2	One mark for a purpose of market research, up to a maximum of two marks.  <i>Answers do not need to relate to Heinz</i> Do not award further uses of market research data e.g. to segment the market (0), to decide how to advertise (0), etc. To plan for the future TV.
17	(b)	Explain three reasons why employee motivation is important for Heinz. Understanding may include: - Employees work harder/perform well - Make high quality goods - Employee less likely to leave/more likely to stay - Ease of recruitment - Less need for supervision - Less likely to take days off - Less likely to make mistakes - High morale Application may include: - The market is highly competitive - Producing high quality product is critical - Many tasks are automated - Work is repetitive - Produces over 1 billion cans annually Exemplar responses:	6 AO1b 3 AO2 3	One mark for a reason why employee motivation is important, up to a maximum of three marks.  <i>No application marks can be gained without understanding.</i> One further mark for each application to Heinz using evidence from the text, up to a maximum of three marks. APP NB Correct answers should be positive. Answers pertaining to the reasons why lack of motivation is bad are not awardable. Do tasks effectively/properly TV.

Question			Answer	Mark	Guidance
			Employee motivation makes them less likely to leave (1) even for the most repetitive job in the food factory (APP). The work is repetitive (APP), motivation increases the likelihood of employees performing their tasks to a higher standard (1). ARA		
17	(c)		Analyse one benefit for Heinz of developing new products. Understanding may include: • Helps keep product ranges up to date • To manage product life cycles • To remain competitive • Provide new income stream • Keep customers interested • Create brand loyalty • Create brand awareness • To attract more/new customers • Helps to spread risk • Meet changes in demand e.g. healthy eating • Increases potential market share • To reach a larger/different market • Helps to balance/diversify their portfolio • Widens product range • Enables them to grow (organically) Application may include: • New product development, e.g. healthy new pasta shapes in tomato sauce for young adults • Varied product range, including baked beans, soups and sauces • Highly competitive market	3 AO1b 1 AO2 1 AO3a 1	One mark for a benefit of developing new products. ✓ <i>No further marks can be gained without understanding.</i> One further mark for application to Heinz, using evidence from the text. APP One further mark for analysis of the benefit to a business of developing new products. ✓ NB Analysis must be a business-facing impact. Analysis = the business-facing impact of any stated benefit of developing new products e.g. 'attract more customers (U) increasing market share (AN)'.

Question			Answer	Mark	Guidance
			Analysis may include: Common analytical comments (which must stem from stated benefit) include positive impacts on sales, market share, revenue, cash inflow, profit, reputation, competitive advantage, etc. Exemplar responses: By developing pasta products of the highest quality (APP) this leads to more customers (1) increasing sales revenue (+1). New products help Heinz to increase its market share (1) in this highly competitive market (APP) leading to greater profit (+1). ARA		
17	(d)	(i)	Analyse one benefit for Heinz of using radio to advertise the new range of products. Understanding may include: • The timing of the advert can be selected • Reach a wide range of customers • Can use audio to attract listener's attention • Can use advertising jingles • Radio stations can be selected to target specific geographical areas • Radio stations can be selected to target specific audiences • Cost-effective way to advertise • Can reach customers doing other activities e.g. people driving, exercising, gardening, etc Application may include: • Can advertise just before lunch/evening mealtime when listeners may be hungry • Can select a station targeted at young adults or the health conscious • New healthy pasta shapes in tomato sauce aimed at young adults	3 AO1b 1 AO2 1 AO3a 1	One mark for a benefit of using radio advertising  <i>No further marks can be gained without understanding.</i> One further mark for application to Heinz, using evidence from the text. APP One further mark for analysis of the benefit to a business of using radio advertising  NB Analysis must be a business-facing impact. Analysis = the business-facing impact of the stated benefit of using radio, e.g. 'can use audio (1) to attract attention leading to better brand awareness (AN)'.

Question			Answer	Mark	Guidance
			- Varied product range, including baked beans, soups and sauces - Well known advertising slogan, "Beanz Meanz Heinz" Analysis may include: Common analytical comments (which must stem from the benefit stated) include a positive impact on sales, revenue, brand awareness, costs, gaining customers, market share, etc. Exemplar responses: The time the advert is aired can be selected (1) so Heinz can accurately target the stations that young adults (APP) are most likely to tune into, increasing brand awareness (+1) in its target market. The advert can include music (1) and the famous "Beanz Meanz Heinz" jingle (APP) which will increase the likelihood of brand recall (+1). Using the radio is effective as young adults (APP) listen to the radio while driving (1). This is likely to increase sales (+1). ARA		
	(d)	(ii)	Analyse one benefit for Heinz of using its own website to advertise the new range of products. Understanding may include: - Cost effective - Reach a wide range of customers - Reach young adults who tend to use the internet - Reach those who already have an interest in Heinz - Easy to update the advert - Can include video/audio to show products - Can link to other sites e.g. YouTube - Advert easily found via a search engine - Analytics of customer visits	3 AO1b 1 AO2 1 AO3a 1	One mark for a benefit of using website advertising  <i>No further marks can be gained without understanding.</i> One further mark for application of understanding to Heinz, using evidence from the text. APP One further mark for analysis of the benefit to a business of advertising on its own website  NB Analysis must be a business-facing impact.

Question	Answer	Mark	Guidance
	Application may include: • New product development, e.g. healthy new pasta shapes in tomato sauce for young adults • Varied product range, including baked beans, soups and sauces • Operates in a highly competitive market • Well known advertising slogan, “Beanz Meanz Heinz” • The factory is one of Europe’s largest food factories. Analysis may include: Common analytical comments (which must stem from the benefit stated) include a positive impact on sales, revenue, brand awareness, costs, gaining customers, market share, etc. Exemplar responses: The advert can include video footage of the product (1) to demonstrate that despite being healthy (APP) it is also tasty. This will allow Heinz to effectively encourage customers to buy, leading to greater market share (+1). Website advertising is relatively low cost (1) so will leave Heinz with funds to spend on developing other healthy products (APP), allowing Heinz to further increase its product range (+1). The website can be seen by a large audience (1) as Heinz operates one of Europe’s largest food factories (APP), this enables them to gain customers worldwide (+1). ARA		Analysis = the business-facing impact of the stated benefit of using own website, e.g. ‘can use pictures (1) to raise interest and increase sales (AN)’. Answers must be about the use of a firm’s own website, rather than a third-party website.

	(d)	(iii)	Recommend whether advertising on the radio or on its own website would be the most appropriate method for Heinz to use when launching the new range of products. Give reasons for your answer. A full answer needs a justified contextual judgement of why one method is BETTER THAN the other for Heinz. Further analysis of the two methods should not be rewarded but can form part of a candidate's justification. Justification includes: Radio – can target specific groups <u>whereas</u> website is mass advertising; can reach people even when they are not actively seeking to hear from Heinz <u>unlike</u> the website where people have to click on it. Website – no additional cost <u>unlike</u> radio which requires payment to the radio station; cheaper; can use pictures or video <u>whereas</u> radio only audio; easier to edit the content of the advert. <u>Exemplar responses:</u> Heinz should use radio advertising (1) as you can target young adults (CONT) by choosing a radio station that appeals to them e.g. Fenland Youth Radio <u>whereas</u> a website does not allow targeting (+2). Website (1) is better as it is easier to edit the content of the advert e.g. images of pasta (CONT)(+2). ARA	3 AO3b 3 One mark for a judgement whether Heinz should advertise on radio or its website  PLUS Two marks for a contextual justification of the judgement on whether Heinz should advertise on radio or its website.   OR One further mark for a non-contextual justification of the judgement on whether Heinz should advertise on radio or its website.  NB The justification why the selected method is BETTER THAN the other (rather than just list positive features or benefits). NB Context, rather than application, required for full marks.
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Question		Answer	Mark	Guidance
18	(a)	Identify one likely objective of an employee. Answers may include: • Promotion/progression • Payment/wages/earn <u>money</u>/income/earn a living • To receive recognition/to be praised • Job security • Job satisfaction/interesting job/motivation • Work with friendly colleagues/good morale • To gain work experience • Safe working conditions ARA	1 AO1a 1	One mark for an employee objective. ✓ <i>Answers do not need to relate to Shinz.</i> Read whole answer, award any correct answer. E.g. To do my job well (0) and be paid for it (1). Objectives must relate to personal needs and wants. Do not award answers relating to customer service/satisfaction, sales, output, quality, training, profit or revenue, etc. 'Receive reward' TV 'Earn' TV
18	(b)	Analyse two disadvantages for Shinz Ltd of operating as a private limited company. Understanding may include: • <u>Financial</u> information available to competitors/general public • Lots of (complex) paperwork/regulations to set up/run the firm • Potential conflict between shareholders (ownership) and directors (control) • Sale of shares restricted/only with agreement of other shareholders/<u>only</u> to family and friends/by invitation only/not quoted on stock market/not sell to the public • Dividends need to be paid to <u>shareholders</u> Application may include: • Owned by two brothers • Launching a new 'resin polish' service • Plans to expand • Three local competitors	6 AO1b 2 AO2 2 AO3a 2	One mark for a disadvantage of operating as a private limited company, up to a maximum of two marks. ✓ <i>No further marks can be gained without understanding.</i> One further mark for each application to Shinz Ltd using evidence from the text, up to a maximum of two marks. APP One further mark for analysis of the disadvantage of operating as a private limited company, up to a maximum of two marks. ✓ Analysis must be a business-facing <u>impact</u>. Analysis = the business-facing impact of the stated disadvantage of being an Ltd, e.g.

Question	Answer	Mark	Guidance
	Analysis may include: Common analytical comments (which must stem from the disadvantage stated) include a negative impact on growth/expansion/output/sales/market share/time to do other tasks, etc. Exemplar responses: Shinz Ltd's shares are not available to the general public (1). So, even after five years (APP) a lack of finance may limit the business' expansion (+1). Private limited companies have to submit various forms to disclose financial information (1). The two owners (APP) may struggle to find the time to complete the paperwork, restricting the amount of time that can be given to other tasks (+1). ARA		'complex paperwork (1) may lead to a lack of focus on the customer service they think so important (APP), leading to a reduction in sales (AN)'. NB the analysis point must stem from the understanding point i.e. they must flow. The first mark is for a disadvantage from the business' perspective. Do not award disadvantages to customers, workers, owners, etc. NB Correct answers should be <u>negative</u>. Answers which tell you the benefits of not being an Ltd are not awardable. Answer must relate to legal status. Do not award answers relating to business size e.g. large so decision-making slower or e.g. several owners so there may be conflict. Do not award vague answers e.g. less privacy/high cost to run/expensive to set up/difficult to raise funds, etc, <u>unless</u> the reason is given. Please annotate TV. Difficult to raise finance TV for AN – impact required.

18	(c)	(i)	Analyse one advantage for Shinz Ltd of using each pricing method. <u>Competitor pricing</u> Understanding may include: • Less likely to lose customers • High customer retention • Attract customers who are unwilling/unable to pay high prices • Encourage repeat custom • Appeal to a wide market • Steal customers from competitors • Create a brand image for value for money Application may include: • Offers three car wash services • Customer service is a priority • Shinz Ltd does not offer low prices • New resin polish service also offered by a competitor five miles away Analysis may include: Common analytical comments (which must stem from the advantage stated) include positive impacts on reputation/brand image/brand awareness/number of customer/sales/revenue/cash flow, etc. Exemplar response: The price will be easy to set (1) as Tom will only need to visit the competitor five miles away (APP). Ensuring that the business still has time to prioritise its customer service (+1). <u>Price skimming</u> Understanding may include: • High profit margin/profit <u>per sale</u> • Perceived brand image for quality	6 AO1b 2 AO2 2 AO3a 2	One mark for an advantage of using competitor pricing.  <i>No further marks can be gained without understanding.</i> One further mark for application to Shinz Ltd, using evidence from the text. APP One further mark for analysis of the advantage to a business of using competitor pricing.  Analysis must be a business-facing <u>impact</u>. Analysis = the business facing impact of the stated advantage of being using competitor pricing, e.g. 'attracts more customers (1), increasing brand awareness (AN)'. NB No marks for what competitor pricing is. Do not award 'charge similar prices to rivals', etc. An advantage (to the business) of using competitor pricing is required to gain a mark.
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		- Helps to quickly cover any costs from developing a new product - Attract high income customers or those attracted by quality - Higher average revenue/revenue <u>per sale</u> Application may include: - Offers three car wash services - Customer service is a priority - Shinz Ltd does not offer low prices - New resin polish service also offered by a competitor five miles away Analysis may include: Common analytical comments (which must stem from the advantage stated) include positive impacts on reputation/profit(ability)/faster payment on any borrowing, etc. Exemplar response: Charging higher prices may give a perception of quality (1) which helps to build a good brand image for the new service (+1) encouraging customers to try the new car wash service (APP). ARA		One mark for an advantage of using price skimming  <i>No further marks can be gained without understanding.</i> One further mark for application to Shinz Ltd, using evidence from the text. APP One further mark for analysis of the advantage to a business of using price skimming  Analysis must be a business-facing <u>impact</u>. Analysis = the business facing impact of the stated advantage of using price skimming e.g. 'gives a perception of quality (U) improving reputation (AN)'. NB No marks for what price skimming is. Do not award 'charge high prices initially', etc. An advantage to the business of using price skimming is required to gain a mark.
(c)	(ii)	Recommend which of the two pricing methods Shinz Ltd should use. Give reasons for your answer. A full answer needs a justified contextual judgement of why one method is MORE APPROPRIATE for Shinz Ltd. Further analysis of the two methods should not be rewarded but can form part of a candidate's justification. Justification includes:	3 AO3b 3	One mark for a judgement on whether Shinz Ltd should use competitor pricing or price skimming.  PLUS Two marks for a contextual justification of the judgement on whether Shinz Ltd should use competitor pricing or price skimming.  

		Competitor pricing – to stop potential customers going to its one competitor; so current car wash customers will not be put off by high prices; to encourage current car wash customers to try the service. Price skimming – no local competitors so can command a high price; high market share so price setter; fits with image of high quality and good customer service; high demand as requested by customers. <u>Exemplar responses:</u> Shintz should use competitor pricing (1) as they need to ensure potential customers do not go to the competition 5 miles away (CONT) (+2). Shintz should use price skimming (1) because they do not have a local competitor (CONT) so can charge a high price (+2). ARA	OR One further mark for a non-contextual justification of the judgement on whether Shinz Ltd should use competitor pricing or price skimming.  NB The justification should state why the selected method is MORE APPROPRIATE THAN the other (rather than just list positive features or benefits). NB Context, rather than application, required for full marks.
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18	(d)*	Evaluate, with reference to the data in Text 3, whether Shinz Ltd should merge with Littlelong Motors Ltd. Knowledge: • A form of <u>external</u> growth • The two (or more) firms join together to form <u>one business</u> • Businesses agree to join together unlike a takeover • Merger terminology e.g. horizontal, vertical or diversification Understanding of advantages/disadvantages may include: • Quick way to grow a business • Reduced competition • Wider target market/more potential customers • Wider product range • Greater brand awareness • Increased market share • Additional owners e.g. expertise, skills, disagreement, conflict, share workload • Take on other firm's costs • Benefit from other firm's revenue • Need to split profits • Positive/negative impact on reputation/service/customer satisfaction, etc, <u>dependant on the other firm</u> Application (quantitative) may include: • SLtd current market share £184,000 • LMLtd current market share £46,000 • SLtd market share risen by 25 percentage points in 3 years • LMLtd market share fallen by 25 percentage points in 3 years • ACLtd market share risen by 5 percentage points in 3 years • JBLtd market share fallen by 5 percentage points in 3 years • 5 owners • Combined market share 50% • Combined market share value £230,000 • Combined market share increased by 10 percentage points	9 AO1a 1 AO1b 1 AO2 2 AO3a 2 AO3b 3 (Quant 2)	Use the level of response marking grid to assess skill levels. Annotate as: 1 mark for knowledge K 1 mark for understanding U Up to 2 marks for quantitative application* APP Up to 2 marks for analysis AN Up to 3 marks for evaluation EVAL *Application assesses quantitative skills and refers to the use of data only. For a strong evaluation i.e. the full three marks, the evaluation must be contextual. Analysis must be a business-facing <u>impact</u>. Analysis = the business-facing impact of any correct piece of understanding about a stated advantage/disadvantage of the merger e.g. 'reduced competition (U) increasing the number of customers (AN)'. NB to award 'profit' as analysis the link between the understanding and the analysis must be made clear.
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		Customer satisfaction rating 42% higher than LML, etc Analysis may include: Common analytical comments (which must stem from a stated advantage/disadvantage) include positive/negative impact on reputation/brand image/brand awareness/productivity/output/customer service/costs/customer/sales/revenue, etc. Evaluation may include: Candidate may justify whether merging with Littlelong Motors Ltd is a good idea or not. <u>Exemplar response:</u> Merging with another business is an example of external business growth (K). Shinz Ltd's market share has increased to £184,000 (APP) in the last three years. The merger would further increase the number of customers they have (U), increasing their combined market share (AN) to 50% (APP). However, any profits made would need to be shared (U) with 5 owners (APP), reducing the amount of retained profit available to further expand the car wash service (AN). I think that Shinz Ltd should not merge with Littlelong Motors Ltd (EVAL). The brother's business has been successful to date, and the <u>three owners</u> of Littlelong Motors Ltd will be able to outvote them on all key decisions in future (EVAL) (EVAL). ARA		
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Q18(d)* Evaluate, with reference to the data in Text 3, whether Shinz Ltd should grow by merging with Littlelong Motors Ltd.

	Knowledge (1 mark)	Understanding (1 mark)	Application (2 marks)	Analysis (2 marks)	Evaluation (3 marks)
Strong	1 mark Knowledge of merging. [K]	1 mark One or more advantage(s)/disadvantage(s) of a horizontal merger. [U]	2 marks Two <u>uses</u> of the data in Text 3 demonstrating quantitative skills [APP] [APP]	2 marks Two advantages/disadvantages (or one of each) of a horizontal merger <u>analysed</u> . [AN] [AN]	3 marks A justified contextual decision as to whether Shinz Ltd should go ahead with the merger. [EVAL] [EVAL] [EVAL]
Good					2 marks A justified decision as to whether the Shinz Ltd should go ahead with the merger. [EVAL] [EVAL]
Limited			1 mark One <u>use</u> of the data in Text 3 demonstrating quantitative skills. [APP]	1 mark One advantage/disadvantage of a horizontal merger <u>analysed</u> . [AN]	1 mark A decision as to whether Shinz Ltd should go ahead with the merger. [EVAL]

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