



Mark Scheme (Results)

Summer 2018

Pearson Edexcel GCE

In Business (9BS0)

Paper 1 Marketing, people and global business

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General Marking Guidance

- All candidates must receive the same treatment. Examiners must mark the first candidate in exactly the same way as they mark the last.
- Mark schemes should be applied positively. Candidates must be rewarded for what they have shown they can do rather than penalised for omissions.
- Examiners should mark according to the mark scheme not according to their perception of where the grade boundaries may lie.
- There is no ceiling on achievement. All marks on the mark scheme should be used appropriately.
- All the marks on the mark scheme are designed to be awarded. Examiners should always award full marks if deserved, i.e. if the answer matches the mark scheme. Examiners should also be prepared to award zero marks if the candidate's response is not worthy of credit according to the mark scheme.
- Where some judgement is required, mark schemes will provide the principles by which marks will be awarded and exemplification may be limited.
- When examiners are in doubt regarding the application of the mark scheme to a candidate's response, the team leader must be consulted.
- Crossed out work should be marked UNLESS the candidate has replaced it with an alternative response.

Question Number	Answer	Mark
1(a)	<p style="text-align: center;">Knowledge 1, Application 3</p> <p>Quantitative skills assessed: QS7: Interpret values of price and income elasticity of demand QS9: Interpret, apply and analyse information in written, graphical and numerical forms.</p> <p>Knowledge: 1 mark for</p> <ul style="list-style-type: none"> Income elasticity of demand = %Change in quantity demanded/%change in income <p>Application: up to 3 marks for using appropriate data</p> <ul style="list-style-type: none"> %Change in quantity demanded = $(144-140=4)/140 \times 100 = 2.86\%$ (2 d.p.) %Change in Income = $(£27\,195 - £27\,000 = 195)/27\,000 \times 100 = 0.72\%$ (2 d.p.) YED = $2.86/0.72 = \mathbf{3.97}$ (Income elastic) <p>NB: Answer may vary due to rounding method used. All acceptable e.g.</p> <ul style="list-style-type: none"> YED = $2.85714285714 / 0.722222222222 = \mathbf{3.96}$ 3.95604395605 (2 d.p.) Correct and 4 marks, even if candidate has written 2.85/0.72 as working. YED = $2.9/0.7 = \mathbf{4.14}$ <p>4 marks if correct answer is stated without working shown.</p>	(4)

Question Number	Answer	Mark
1(b)	<p style="text-align: center;">Knowledge 1, Application 2, Analysis 1</p> <p>Quantitative skills assessed: QS9: Interpret, apply and analyse information in written, graphical, tabular and numerical forms.</p> <p>Knowledge/understanding: 1 mark for understanding what is meant by elements of the design mix:</p> <ul style="list-style-type: none"> • At least one of the following: aesthetics; function; economic manufacture <p>Application: up to 2 marks for contextualised answer e.g.</p> <ul style="list-style-type: none"> • Function - 31% of customers are concerned about healthiness of fast food • Aesthetics - Hot Chip could continue to develop their alternative toppings such as Swiss cheese/gherkin relish • Economic Manufacture – using cheaper methods to produce chips <p>Analysis: 1 mark for</p> <ul style="list-style-type: none"> • So Hot Chip could change the ingredients to make the chips healthier • So Hot Chip could change the appearance of the chips with these new toppings to make them more appealing • So Hot Chip could pass on lower costs to customers in lower prices 	(4)

Question Number	Indicative content	Mark
1 (c)	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none"> Quantitative research data is numerical. Quantitative research data is often more easily collected and cheaper than qualitative research, through methods such as brief questionnaires or visits to potential competitors Qualitative research data is collected to find out the motivations behind consumer behaviour. <p>Likely reasons could include:</p> <ul style="list-style-type: none"> Quantitative research data based on Great Yarmouth market stalls told Hot Chip that as much as 50% of sales was for chips only This led Lord Somerleyton to believe there was a gap in the market for a chip-only fast food business. Internal sales data told Hot Chip that chips on their own were initially popular, but then customers were requesting more adventurous toppings <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> Qualitative data tends to provide more in-depth and valuable research information For example, a focus group or consumer panel could be assembled in order to suggest new toppings and identify trends in customers' tastes in advance Fast food customers may be concerned with the taste of their products, such as chips and this is more accurately researched through qualitative methods such as interviews and customer feedback forms <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> For a new business just starting, such as Hot Chip, quantitative research is the most straightforward and cheapest, particularly when the business has other set-up costs such as fitting restaurants and sourcing new ingredients Qualitative research data provides more valuable data for a business such as Hot Chip, which has a specialist market niche and will not find broad quantitative data such as government statistics or competitors' sales information as useful or accessible. 	(10)

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Level 4	7–10	Accurate and thorough knowledge and understanding, supported by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced and well contextualised, using quantitative and qualitative information, and shows an awareness of competing arguments/factors leading to a supported judgement.

Question Number	Indicative content	Mark
1(d)	<p>Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <ul style="list-style-type: none"> • Creating and setting up a business is the initial idea and risk involved in beginning a business, which will involve understanding consumer tastes and may also involve raising finance • Lord Somerleyton has done this through spotting a desire for customers to be willing to buy chip-only fast food, based on high quality potatoes <p>Reasons why this is important:</p> <ul style="list-style-type: none"> • Lord Somerleyton has also conducted small sample research on fish and chip businesses in Great Yarmouth as part of his set-up process • He has also spotted an opportunity for a mobile fast food facility that would target a different market (late night party-goers) to those that might visit fixed outlets (mass market customers) <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> • Other roles of the entrepreneur will include: running and expanding the business; innovating within a business; anticipating risk and uncertainty in the business environment • Lord Somerleyton wants to expand the business to a national brand, but recognizes the importance of establishing 4 or 5 successful 'saloons' before that • This role of expanding the business will involve identifying and sourcing new finance for new properties in which to sell Hot Chip, as well as recruiting managers for the new 'saloons' that share Lord Somerleyton's vision for the new business • Running the business also means that Lord Somerleyton should keep his customers happy and also bring in new customers. His expansion of the toppings range to include Hot Salt beef etc. could help, but as well as attracting new customers he needs to be innovative in keeping the customers he already has. <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> • Creating and setting up the business is an important first step for an entrepreneur such as Lord Somerleyton, because without this initial risk-taking there would be no 	

	<p>business to establish. Finding a gap in the market such as hot chips that is sustainable for a new business needs to be carefully researched and led by the entrepreneur</p> <ul style="list-style-type: none"> • However, this role is only important in the initial set-up period. Different roles such as working with his business partner Toby and recruiting and leading new staff as more branches are open will become more important – particularly if the plan to expand nationwide is followed. • The importance of each role of the entrepreneur may depend on the plans for their business. Lord Somerleyton plans to expand locally and nationally with Hot Chip, so his role in running and expanding the business becomes more important. If he were to be happy with a small number of Hot Chip outlets, he may turn to looking at other business ideas, which would raise the importance of the creation and set-up role. 	(12)
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Level 3	5–8	Accurate and thorough knowledge and understanding, supported by relevant and effective use of the business behaviour/context. Analytical perspectives are presented, with developed chains of reasoning, showing cause(s) and/or effect(s). An attempt at an assessment is presented, using quantitative and/or qualitative information, though unlikely to show the significance of competing arguments.
Level 4	9–12	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. A coherent and logical chain of reasoning, showing cause(s) and/or effect(s). Assessment is balanced, wide ranging and well contextualised, using quantitative and/or qualitative information, and shows an awareness of competing arguments/factors leading to a supported judgement.

Question Number	Indicative content	Mark
1(e)	<p data-bbox="395 304 1262 338">Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <p data-bbox="339 383 480 416">Option 1</p> <ul data-bbox="387 427 1315 1115" style="list-style-type: none"> • Autocratic leadership assumes that decision-making is best kept with managers, who will direct subordinates with little consultation • Autocratic leadership can suit fast-paced business environments such as the fast food business, where quick customer service is an expectation and staff may not have time to ask questions or consult on decisions such as the best way of organising the processing of customer orders • Autocratic leadership can also suit businesses with high staff-turnover, which is often a characteristic of fast food businesses – workers may receive limited training and need direction from an experienced manager. • As Hot Chip is a new business, with a unique product, it may be that the owners want managers to direct workers in an autocratic way so that the business culture can be established and high levels of customer service through accurate food orders and quick service, are provided <p data-bbox="339 1160 480 1193">Option 2</p> <ul data-bbox="387 1205 1315 2011" style="list-style-type: none"> • Democratic leadership means leading a business based on decisions agreed by the majority. It involves consultation between managers and subordinates. • Democratic leadership might suit a new business such as Hot Chip because subordinates who are serving customers will gain an understanding of what is popular and what customers see as important – this can be relayed to managers in meetings and inform decisions about menus, working rotas, and dishes/flavours • Evidence D suggests that managers in the fast food industry that train and listen to employees tend to help deliver higher levels of customer service. This comes from open communication and offering a realistic perspective on working in the fast food business. • As a new business Hot Chip may recruit staff from other fast food outlets that can offer suggestions of procedures and ways of organising that work well. If managers can take advantage of this knowledge and experience, this could improve the performance of Hot Chip as it establishes itself. 	

Potential judgement:

- Autocratic leadership may be most suitable in the first few months of a new Hot Chip saloon opening. This should provide stability and clarity to new staff as they join and could help Lord Somerleyton establish a clear business culture in keeping with the values he had in setting up the business.
- Hot Chip is a different type of fast food outlet to places such as McDonalds – its menu is still evolving and consulting with employees from the beginning is likely to have a positive impact on customer service and the way staff are organised and work.
- It is likely that managers may use a combination of leadership styles, but the one which is most dominant may depend on the priorities that Lord Somerleyton has for the business and linked to this, the nature of the managers recruited.

Example of possible 'MOPS' recommendations

Market - The market in this case is the labour market. In order to recruit managers effectively in a market which tends to suffer from high rates of labour turnover it might be appropriate to apply a democratic approach to make such positions more attractive as those appointed feel that their opinions matter when it comes to decision-making (empowerment)

Objectives - Hot Chip is a new business so survival may be critical which suggests that autocratic leadership may be most suitable to provide clarity and stability and a clear business culture and values

Product - Hot chips menu is evolving
Consulting with employees from the beginning is likely to motivate staff and so have a positive impact on customer service

Situation - There is a general lack of staff training in the fast food industry (Newman) so to 'instil the correct work habits immediately' an autocratic managerial approach may be most appropriate to prevent 'confused' staff.

(20)

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Level 2	5–8	Elements of knowledge and understanding, which are applied to the business example. Arguments and chains of reasoning are presented, but connections between cause(s) and/or consequence(s)/effect(s) are incomplete. Attempts to address the question. A comparison or judgement may be attempted, but it will not successfully show an awareness of the key features of business behaviour or business situation.
Level 3	9–14	Accurate and thorough knowledge and understanding, supported throughout by relevant and effective use of the business behaviour/context. Uses developed chains of reasoning, so that cause(s) and/or consequence(s)/effect(s) are complete, showing an understanding of the question. Arguments are well developed. Quantitative or qualitative information is introduced in an attempt to support judgements, a partial awareness of the validity and/or significance of competing arguments and may lead to a conclusion.
Level 4	15–20	Accurate and thorough knowledge and understanding, supported throughout by use of relevant and effective use of the business behaviour/context. Uses well-developed and logical, coherent chains of reasoning, showing a range of cause(s) and/or effect(s). Arguments are fully developed. Quantitative and/or qualitative information is/are used well to support judgements. A full awareness of the validity and significance of competing arguments/factors, leading to balanced comparisons, judgements and an effective conclusion that proposes a solution and/or recommendation(s).

Question Number	Answer	Mark
2(a)	<p style="text-align: center;">Knowledge 1, Application 3</p> <p>Quantitative skills assessed: QS2: Calculate, use and understand percentages and percentage changes. QS4: Interpret index numbers QS9: Interpret, apply and analyse information in written, graphical, tabular, and numerical forms.</p> <p>Knowledge: 1 mark for</p> <ul style="list-style-type: none"> Number of countries above UK/total number of countries * 100 <p>Application: up to 3 marks</p> <ul style="list-style-type: none"> Identify total number of countries as 25 as the denominator Identify that 12 of the economies in the top 25 have an index value above that of the UK Calculate the percentage of the index: $12/25 * 100 = 48\%$ <p>NB award 4 marks if only 48% is stated</p>	(4)

Question Number	Answer	Mark
2(b)	<p>Knowledge 1, Application 2, Analysis 1</p> <p>Knowledge/understanding: 1 mark for</p> <ul style="list-style-type: none"> • Benefits include increased sales volume/sales revenue/customer base • Exporting means that a product is produced in one country and sold to another country. <p>Application: up to 2 marks for</p> <ul style="list-style-type: none"> • Ebac exports 70% of its products (by revenue) to Continental Europe • Ebac manufactures in North East England • They are the market leaders in Western Europe for watercoolers since the mid-1990s <p>Analysis: 1 mark for</p> <ul style="list-style-type: none"> • Exporting provides a larger market for business such as Ebac selling specialists products like dehumidifiers, which increases potential sales revenues and provides opportunities for technical economies of scale. 	(4)

Question Number	Indicative content	Mark
2(c)	<p>Knowledge 2, Application 2, Analysis 3, Evaluation 3</p> <ul style="list-style-type: none"> A private limited company is a small to medium sized business, usually run by the family that owns it. Shares are sold to friends, family, and business associates and may not be sold on the stock market. Existing share holders control who becomes a new shareholder. <p>Reasons for staying as a private limited company:</p> <ul style="list-style-type: none"> As a supplier of specialist domestic appliances such as dehumidifiers, Ebac can benefit from the control of ownership that being a private limited company provides, such as focussing its new washing machine solely on the UK market The shareholders have decided to set up the Ebac foundation which re-invests profits back into the business with the aim of benefitting the local community; this may not have been possible with shareholders of a PLC demanding higher returns on their share investment <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> Finance for expansion is likely to be more limited for a private limited company, than a PLC where share issues can be used to raise large quantities of capital. This capital could be particularly useful in supporting Ebac's investments and expansion into washing machine manufacturing. Public listing on the stock market may provide greater financial discipline for the business, encouraging them to reduce costs and look for different revenue streams as shareholders may demand a return on their investment. Socially responsible projects such as the Ebac foundation may be maintained even if Ebac became a PLC because it is part of the wider positive image of the business in the wider community and is part of the business brand. <p><i>Potential judgement</i></p> <ul style="list-style-type: none"> Ebac has grown successfully as a private limited company, allowing it to specialise in particular specialist markets. It is a family-run business and as 	

	<p>such, outside interest and ownership is not needed. Outside ownership may detract from the community nature of the business and the success it has. Remaining a private limited company gives the owners the protection of limited liability, without the loss of control associated with becoming a PLC.</p> <ul style="list-style-type: none"> Ebac's expansion plans are likely to be limited by a lack of access to finance – this is particularly needed as they expand into competitive mass markets such as washing machines, where competitors such as Haier already operate. The consequence of remaining a private limited company is that these plans are limited to existing finance provided by a small group of shareholders and other sources of finance. 	(10)
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Question Number	Indicative content	Mark
2(d)	<p>Knowledge 2, Application 2, Analysis 4, Evaluation 4</p> <p>Reasons for UK as a production location:</p> <ul style="list-style-type: none"> • Ebac employs 200 staff in its UK manufacturing centre • It exports to continental Europe, but has not followed competitors such as Indesit, who now manufacture abroad • Evidence E suggests that while UK manufacturing costs are higher than some, they are not as high as some European economies such as Italy, Germany and France • As of 2016, the UK is still a member of the single European market, so Ebac can export to other EU member states such as France and Italy, without the imposition of tariffs or quotas or other non-tariff barriers. • Labour costs in the North East of the UK are below the national average, so location here helps Ebac to reduce its costs of production and therefore, assuming constant sales, improves profitability • Ebac's expansion plans are based on selling washing machines to the UK market only. Producing these in the UK reduces transport costs and means Ebac is close to the markets in which it sells, helping it to understand customer needs and cater for these. <p><i>Potential counterbalance</i></p> <ul style="list-style-type: none"> • The UK still has some of the highest production costs in the largest 25 exporting countries – for a business such as Ebac this could either reduce their profit margins or lead to higher priced domestic appliances • Ebac is expanding into a competitive global market, dominated by multinationals such as Whirlpool and Bosch, who are able to produce at lower average cost due to their size • Although Ebac has specialist workers in its UK base, these skills are widely available in places such as China, which also has the infrastructure and ease of doing business that could help Ebac to lower its overall production costs. • Brexit: Uncertainty about our future trading relationship with the EU (where 70% of UK export go), may make the UK less attractive because of the possible disruption and tariffs/safety standards that are placed on products exported from the UK 	

	<p><i>Potential judgement</i></p> <ul style="list-style-type: none">• Ebac has a strong history of being part of the local community in North East England, as shown by its commitment to the foundation. This makes it very difficult to move production to a location outside the UK in order to reduce production costs.• The bulk of the products Ebac sells are specialist products such as de-humidifiers and water coolers. These are likely to be less price-sensitive and customers may place a greater emphasis on quality and durability. The experienced and skilled staff of North East England can provide this better than cheaper alternative production locations such as China or Poland (Evidence E)• Businesses such as Haeir (Evidence G) are entering the global market for domestic appliances, and they are able to produce at lower unit cost. This means that they can charge customers lower prices, while maintaining quality. It might be that choosing the UK for a production location for Ebac's specialist products is appropriate due to the higher price charged. However, mass market products like washing machines might be better produced in a lower-cost location such as China or Indonesia (Evidence E)	(12)
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Question Number	Indicative content	Mark
2(e)	<p data-bbox="427 315 1294 349" style="text-align: center;">Knowledge 4, Application 4, Analysis 6, Evaluation 6</p> <p data-bbox="341 396 1115 430">Decision for focussing on global niche markets</p> <ul data-bbox="389 439 1374 1245" style="list-style-type: none"> <li data-bbox="389 439 1374 595">• A global niche market is a specialist segment of a global market for a good or service. The marketing mix is adjusted in order to meet this local need – in Haier’s case this is through design of the product. <li data-bbox="389 602 1374 797">• Haier have a history of successfully selling to global niches, such as small, low energy washing machines for the Chinese markets, and this focus has provided the foundation for their global growth into other white good markets such as mini-refrigerators <li data-bbox="389 804 1374 920">• Haier’s focus on customer service and market research allows them to identify further global niches, such as over-sized washing machines for the Pakistani market. <li data-bbox="389 927 1374 1043">• Focussing on global market niches is likely to lead to higher profit margins per sale for Haier as customers are more willing to pay a higher price in order to satisfy their particular needs <li data-bbox="389 1050 1374 1245">• Focussing on global niches provides Haier with a clear point of differentiation from competitors such as Bosch and Whirlpool – this could lead to improved brand reputation and boost future sales for new products such as the Tianzun air-conditioning unit <p data-bbox="341 1294 1115 1328">Decision for focussing on global mass markets</p> <ul data-bbox="389 1337 1374 2022" style="list-style-type: none"> <li data-bbox="389 1337 1374 1532">• The global mass market for white goods is much larger than global niches and as such provides an increased chance of sales. This might be particularly the case as markets such as India expand and customers have the income and desire to purchase domestic appliances. <li data-bbox="389 1538 1374 1695">• Global niches are more limited in their potential sales and, although the margin per sale is likely to be higher, the possible sales volume overall is likely to be lower, limiting Haier’s profitability in the long-term <li data-bbox="389 1702 1374 1897">• Selling to global niches demands good understanding of local specialist needs – this may require detailed market research and an understanding of specific values and local needs, adding to costs and potentially reducing the higher margins of a niche market. <li data-bbox="389 1904 1374 2022">• As a China-based business, Haier can exploit a production cost advantage over European or American based brands such as Whirlpool and Bosch. This should make mass market supply 	

at competitive prices possible for Haier.

Potential judgement:

- Global market niches help a business such as Haier establish itself globally, without directly competing with existing multinationals such as Bosch and Whirlpool which have loyal customers and established brands. However, global market niches, by their very nature are limited in size and in the long-term may not provide the opportunities for growth that Haier is looking for.
- The Tianzun air-conditioner proves that global market niches may continue to evolve in the white goods market and as technological advances continue, satisfying these needs through product innovation could still be as financially rewarding in the future, as it has been in Haier's recent past.
- Overall the judgement depends on the strength and adaptability of the Haier brand. If it can adapt this successful niche brand to the highly competitive mass market and capitalise on low costs in China, this may be the way forward. However, if customers see Haier as a successful niche supplier only, expanding into the mass market may prove unsuccessful as customers no longer buy niche products and do not trust the Haier brand in the competitive global market for white goods.

Example of possible 'MOPS' recommendations

Market - Global niche markets typically have loyal consumers and established brands so this might support market penetration. However, global niche markets are limited in their size so in the longer term may not provide the opportunities for significant growth.

Objectives - Global expansion implies growth in sales and revenue to provide profits for investment. Mass markets given more income streams

Product - As technologies advance in the white goods market, it may be that a global niche market is the most appropriate way given that research and development costs may otherwise not be recouped from mass market sales so quickly (e.g. Tiazun air conditioner)

Situation - Haier could adapt the niche brand to the highly competitive mass market and capitalise on low costs in China, assuming customers do not see Haier as a successful niche supplier only.

(20)

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Level 4	15–20	Accurate and thorough knowledge and understanding, supported throughout by use of relevant and effective use of the business behaviour/context. Uses well-developed and logical, coherent chains of reasoning, showing a range of cause(s) and/or effect(s). Arguments are fully developed. Quantitative and/or qualitative information is/are used well to support judgements. A full awareness of the validity and significance of competing arguments/factors, leading to balanced comparisons, judgements and an effective conclusion that proposes a solution and/or recommendation(s).