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# A-Level Business

7132/1 Paper 1 (New)  
Final Mark Scheme

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7132  
June 2017

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Version/Stage: v1.0

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Mark schemes are prepared by the Lead Assessment Writer and considered, together with the relevant questions, by a panel of subject teachers. This mark scheme includes any amendments made at the standardisation events which all associates participate in and is the scheme which was used by them in this examination. The standardisation process ensures that the mark scheme covers the students' responses to questions and that every associate understands and applies it in the same correct way. As preparation for standardisation each associate analyses a number of students' scripts. Alternative answers not already covered by the mark scheme are discussed and legislated for. If, after the standardisation process, associates encounter unusual answers which have not been raised they are required to refer these to the Lead Assessment Writer.

It must be stressed that a mark scheme is a working document, in many cases further developed and expanded on the basis of students' reactions to a particular paper. Assumptions about future mark schemes on the basis of one year's document should be avoided; whilst the guiding principles of assessment remain constant, details will change, depending on the content of a particular examination paper.

Further copies of this mark scheme are available from [aqa.org.uk](http://aqa.org.uk)

## Level of response marking instructions

Level of response mark schemes are broken down into levels, each of which has a descriptor. The descriptor for the level shows the average performance for the level. There are marks in each level.

Before you apply the mark scheme to a student's answer read through the answer and annotate it (as instructed) to show the qualities that are being looked for. You can then apply the mark scheme.

### Step 1 Determine a level

Start at the lowest level of the mark scheme and use it as a ladder to see whether the answer meets the descriptor for that level. The descriptor for the level indicates the different qualities that might be seen in the student's answer for that level. If it meets the lowest level then go to the next one and decide if it meets this level, and so on, until you have a match between the level descriptor and the answer. With practice and familiarity you will find that for better answers you will be able to quickly skip through the lower levels of the mark scheme.

When assigning a level you should look at the overall quality of the answer and not look to pick holes in small and specific parts of the answer where the student has not performed quite as well as the rest. If the answer covers different aspects of different levels of the mark scheme you should use a best fit approach for defining the level and then use the variability of the response to help decide the mark within the level, ie if the response is predominantly level 3 with a small amount of level 4 material it would be placed in level 3 but be awarded a mark near the top of the level because of the level 4 content.

### Step 2 Determine a mark

Once you have assigned a level you need to decide on the mark. The descriptors on how to allocate marks can help with this. The exemplar materials used during standardisation will help. There will be an answer in the standardising materials which will correspond with each level of the mark scheme. This answer will have been awarded a mark by the Lead Examiner. You can compare the student's answer with the example to determine if it is the same standard, better or worse than the example. You can then use this to allocate a mark for the answer based on the Lead Examiner's mark on the example.

You may well need to read back through the answer as you apply the mark scheme to clarify points and assure yourself that the level and the mark are appropriate.

Indicative content in the mark scheme is provided as a guide for examiners. It is not intended to be exhaustive and you must credit other valid points. Students do not have to cover all of the points mentioned in the Indicative content to reach the highest level of the mark scheme.

An answer which contains nothing of relevance to the question must be awarded no marks.

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## Marking guidance

- Be clear on the focus of the question
- Read the response as a whole; follow the flow of the argument as a whole
- Remember that the indicative content provides possible lines of argument but there may be others that are equally valid. Be willing to credit other lines of argument
- Annotate the script as you read in accordance with the instructions given at standardisation
- Consider what it all adds up to: eg is this a good response? A reasonable one? A limited one? Refer back to the standardisation scripts and guidance to help you benchmark. You are marking to the standard agreed at standardisation. Be careful of the standard you are marking at drifting when you have a big centre; refer back to standardisation scripts
- Summarise your findings briefly at the end of the response. This will help you decide on the overall level and is helpful for others to understand the mark given eg for an extended response 'well-argued' but does not focus fully on the issue of 'long term' feels as if it might be good rather than excellent. Make sure the comments fit with the level awarded: 'unbalanced and not comparing with alternative solutions' does not sound as if it is 'good'.
- Next to your comment put the level awarded eg L4
- If in doubt about an approach contact your Team Leader, do not make up your own rules because we must have a standardised approach across all marking

Be positive in your marking. Look to reward what is there.

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**Section A****Objective Test Answers****Total for this section: 15 marks**

<b>Question number</b>	<b>Answer</b>
1	C
2	D
3	B
4	A
5	A
6	D
7	C
8	D
9	D
10	D
11	B
12	A
13	D
14	C
15	A

1	6	Based on the data in <b>Figure 4</b> , calculate the payback of the investment.
		<b>[3 marks]</b>

**Marks for this question: AO1 = 1 and AO2 = 2**

**Answer = 2.33 years or 2 years 4 months or 2 years 17 weeks or 2 years 121/122 days (3 marks)**

Broken down as follows:

Year	Net return (£)	Cumulative cash flow (£)
0	(50,000)	(50,000)
1	13,000	(37,000)
2	28,000	(9000)
3	27,000	18,000

(1 mark for correct c.c.f column or for figure of 18,000)

Therefore payback = 2 years +  $9,000/27,000 = \underline{2.33 \text{ years (or 2 years 4 months)}}$   
(1 mark) (1 mark)

$27000/12 = 2250$  (1 mark)

$9000/2250 = 4$  months (1 mark)

1	7	Based on the data in <b>Figure 4</b> , calculate the Net Present Value of the investment.
		<b>[4 marks]</b>

**Marks for this question: AO1 = 1 and AO2 = 3**

**Answer = £11,050 (4 marks)**

Broken down as follows:

Year	Net return (£)	Discount factor (5%)	Present value (£) / -
0	(50 000)	1.0	(50 000) / 50
1	13 000	0.95	12 350 / 12.35
2	28 000	0.91	25 480 / 25.48
3	27 000	0.86	23 220 / 23.22

(Up to 2 marks for two correct figures in final column)

Thus, NPV =  $12\,350 + 25\,480 + 23\,220 = 61\,050 - 50,000 = \underline{\underline{£11\,050}}$  or 11 050  
(1 mark) (1 mark)

11 050% (3 marks)

£11.05 or 11.05 (3 marks)

11.05% (2 marks)

<b>1</b>	<b>8</b>	A fashion chain decides to switch to 'fair trade' clothing in its shops. Explain <b>one</b> possible consequence for the fashion chain.

**[4 marks]**

**Marks for this question: AO1 = 2, AO2 = 2**

Level	The student will typically demonstrate:	Marks
<b>3</b>	<ul style="list-style-type: none"> <li>Provide a response that is well explained using knowledge and understanding and is applied to the context</li> </ul>	<b>4</b>
<b>2</b>	<ul style="list-style-type: none"> <li>Provide a reasonable explanation using knowledge and understanding and with some application to the context</li> </ul>	<b>2–3</b>
<b>1</b>	<ul style="list-style-type: none"> <li>some knowledge and understanding but the explanation is limited and lacking application to the context</li> </ul>	<b>1</b>

**The focus of the question is on:**

a fashion chain business switching to fair trade and one possible consequence of this change for the business.

**Indicative Content**

- fair trade products often guarantee a certain minimum price to suppliers, and therefore costs of garments may increase if the firm switches to these suppliers
- ethical consumers may place a high value on the concept of fair trade and will therefore be willing to pay a higher price for these products
- the popularity of fair trade products may lead to increased volume of sales

**Context** is fair trade linked to corporate social responsibility or ethical consumers/possibly linked to fashion or fashion clothing.

1	9	Explain how the use of break-even analysis might help an entrepreneur make decisions about the start-up of a new business.
		<b>[6 marks]</b>

**Marks for this question: AO1 = 2, AO2 = 2 and AO3 = 2**

Level	The student will typically demonstrate:	Marks
3	provides an answer to the question set that : <ul style="list-style-type: none"> <li>demonstrates a good knowledge and understanding of issues in the question</li> <li>demonstrates analysis which is well-developed and is applied effectively to the context.</li> </ul>	5–6
2	provides an answer to the question set that : <ul style="list-style-type: none"> <li>demonstrates a reasonable knowledge and understanding of issues in the question</li> <li>demonstrates analysis which is developed and is applied to the context.</li> </ul>	3–4
1	provides an answer to the question set that : <ul style="list-style-type: none"> <li>demonstrates a limited knowledge and understanding of issues in the question</li> <li>identifies relevant issues with little application to the context.</li> </ul>	1–2

**The focus of the question is on:**

the context of an entrepreneur and how break-even analysis might help him/her make decisions about a start up

**Indicative Content**

Possible ways in which break-even analysis might help a new business:

- to enable the entrepreneur to see the level of output needed to make a profit. This can help the entrepreneur to see if the business is financially viable
- to assist the production of a business plan. This may be crucial in gaining financial support from organisations such as banks or potential shareholders and investors
- to facilitate the use of ‘what if?’ analysis to show different break-even outputs arising from different costs and prices
- break-even analysis may prevent an expensive mistake for the entrepreneur by showing him or her that the business is unlikely to succeed

**Context** is start-up business.



2	0	A café sells two types of hot drinks. These drinks have the following income elasticities of demand:						
		<table><tr><td></td><td>Income elasticity of demand</td></tr><tr><td>Coffee</td><td>+2.0</td></tr><tr><td>Tea</td><td>-0.5</td></tr></table>		Income elasticity of demand	Coffee	+2.0	Tea	-0.5
	Income elasticity of demand							
Coffee	+2.0							
Tea	-0.5							
		<p>The volume of coffee sales is several times greater than the volume of tea sales. Based on the information above, analyse how the café's overall sales volume of hot drinks would be affected by a rise in consumers' incomes. Assume there are no other changes.</p> <p>[9 marks]</p>						

**Marks for this question: AO1 = 3, AO2 = 3, AO3 = 3**

<b>Level</b>	<b>The student will typically demonstrate:</b>	<b>Marks</b>
<b>3</b>	<p><b>A good response overall that focuses on many of the demands of the question</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>demonstrates analysis which is well developed and is applied effectively to the context</li> </ul>	<b>7–9</b>
<b>2</b>	<p><b>A reasonable response overall that focuses on some of the demands of the question</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question</li> <li>demonstrates analysis which is developed and is applied to the context</li> </ul>	<b>4–6</b>
<b>1</b>	<p><b>A limited response overall with little focus on the demands of the question</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>demonstrates analysis with little development and with mainly descriptive application to the context</li> </ul>	<b>1–3</b>

**The focus of the question is on:**

How a rise in income would affect the overall sales of hot drinks at the café, given the different income elasticities for coffee and tea.

Focus is understanding impact of income elasticity of demand on sales; context is effectively using the data provided.

**Indicative content may include:**

- if consumers' incomes rise the demand for goods with a positive income elasticity of demand will rise and the demand for goods with negative income elasticity of demand will fall
- coffee has a positive income elasticity of demand and so sales volume will increase when consumers' incomes rise. It is income elastic so the change in quantity demanded in percentages is twice the increase in income
- tea has a negative income elasticity of demand and so sales volume will decrease if consumers' incomes rise
- overall sales of coffee will be affected to a much greater extent than sales of tea because both the income elasticity of demand AND the sales volume are much higher

<b>2</b>	<b>1</b>	Use the data in <b>Figure 5</b> to explain how the use of debt factoring would benefit ABC Ltd.
		<b>[9 marks]</b>

**Marks for this question: AO1 = 3, AO2 = 3 and AO3 = 3**

Level	The student will typically demonstrate:	Marks
<b>3</b>	<b>A good response overall that focuses on many of the demands of the question</b> Provides an answer to the question set that: <ul style="list-style-type: none"> <li>demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>demonstrates analysis which is well developed and is applied effectively to the context</li> </ul>	<b>7–9</b>
<b>2</b>	<b>A reasonable response overall that focuses on some of the demands of the question</b> Provides an answer to the question set that: <ul style="list-style-type: none"> <li>demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question</li> <li>demonstrates analysis which is developed and is applied to the context</li> </ul>	<b>4–6</b>
<b>1</b>	<b>A limited response overall with little focus on the demands of the question</b> Provides an answer to the question set that: <ul style="list-style-type: none"> <li>demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>demonstrates analysis with little development and with mainly descriptive application to the context</li> </ul>	<b>1–3</b>

**The focus of the question is on:**

how debt factoring would benefit ABC Ltd given the data provided.

**Indicative content may include:**

- figure 5 shows similar, but improving, levels of liquidity overall (net current assets are rising slightly)
- BUT, cash holdings have fallen by £400,000 over two years and are now zero
- the data shows that short-term finance is needed to increase holdings of cash
- receivables have increased by £390,000. This is the main cause of the cash shortage as current assets are mainly in the form of receivables rather than cash
- debt factoring will enable the firm to collect debts very quickly from a factoring company, thus eliminating receivables and replacing them with cash
- debt factoring is specifically geared towards this type of problem, because the primary cause of the low cash holding has been the increase in receivables

<b>2</b>	<b>2</b>	A business wants to increase the productivity of its workforce.
		To what extent is the greater use of delegation likely to be an effective way for the business to achieve this?
		<b>[25 marks]</b>

**25 mark evaluative questions: AO1 = 5, AO2 = 4, AO3 = 6 and AO4 = 10**

Level	The student will typically demonstrate	Marks
5	<p><b>An excellent response overall that is fully focused on the key demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question</li> <li>demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question</li> <li>makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout</li> </ul>	21–25
4	<p><b>A good response overall that focuses on many of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question</li> <li>makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole</li> </ul>	16–20
3	<p><b>A reasonable response overall that focuses on some demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question</li> <li>demonstrates analysis which is developed, applied to the context and considers some of the issues in the question</li> <li>makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole</li> </ul>	11–15

2	<p><b>A limited response overall with little focus on the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question</li> <li>• makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole</li> </ul>	6–10
1	<p><b>A weak response overall lacking focus on the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates isolated or imprecise knowledge and understanding</li> <li>• demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question</li> <li>• makes judgements or proposes solutions based on assertions</li> </ul>	1–5

**The focus of the question is on:**

the extent to which delegation is likely to be an effective way for a business of increasing productivity.

**Indicative content may include:**

Delegation is the process of passing authority down the hierarchy from a manager to a subordinate.

Labour productivity measures output per worker; for example, Output/Number of employees

Credit relevant theory/models where applied correctly to the question.

Delegation can improve labour productivity because:

- delegation empowers employees leading to greater motivation. This can lead to greater labour productivity:
- delegation develops staff by giving them more experience. This increases their skills and improves their capability to take on more senior positions in the business
- delegation enables managers to focus on the most crucial aspects of their role, thus improving their efficiency/productivity
- subordinates often have a more detailed understanding of certain roles and so delegation can improve the productivity of the business
- delegation improves flexibility and customer service because employees will have more authority to resolve complaints or queries by customers, without referring them to their line manager. This can speed up production, particularly in service industries

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Although delegation may be a very effective way to increase labour productivity, it may be less effective if:

- subordinates lack the necessary skills to undertake a delegated task
- subordinates lack the authority necessary to undertake a delegated task
- customers expect to have direct access to managers rather than subordinates

Evaluation may consider:

- it may depend on the employees and how the delegation is done
- there are many other factors that can have an impact on labour productivity and so delegation may not be an effective way. Delegation may not be the underlying issue eg it may be due to a lack of investment in technology

<b>2</b>	<b>3</b>	<p>A business has recently started to use Elkington's Triple Bottom Line to assess its overall performance.</p> <p>To what extent do you think the business is likely to have lower profits as a result of this?</p> <p style="text-align: right;"><b>[25 marks]</b></p>

**25 mark evaluative questions: AO1 = 5, AO2 = 4, AO3 = 6 and AO4 = 10**

Level	The student will typically demonstrate	Marks
5	<p><b>An excellent response overall that is fully focused on the key demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question</li> <li>demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question</li> <li>makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout</li> </ul>	21–25
4	<p><b>A good response overall that focuses on many of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question</li> <li>makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole</li> </ul>	16–20
3	<p><b>A reasonable response overall that focuses on some of the demands on the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question</li> <li>demonstrates analysis which is developed, applied to the context and considers some of the issues in the question</li> <li>makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole</li> </ul>	11–15

2	<p><b>A limited response overall with little focus on the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question</li> <li>• makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole</li> </ul>	6–10
1	<p><b>A weak response overall lacking focus on the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates isolated or imprecise knowledge and understanding</li> <li>• demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question</li> <li>• makes judgements or proposes solutions based on assertions</li> </ul>	1–5

**The focus of the question is on:**

whether introducing the use of Elkington's Triple Bottom Line is likely to reduce profits.

**Indicative content may include:**

Elkington's Triple Bottom line is a means of assessing business performance by considering three different factors: profit, people and planet.

This approach contrasts with other businesses which focus on the shareholder concept – prioritising the needs of shareholders. The Elkington Triple Bottom line also judges business performance based on its social responsibilities (people) and its environmental values (planet).

Reasons why introducing this approach might lead to lower profits:

- focusing on People and the Planet can benefit stakeholders, such as employee and local communities, but these benefits may involve higher costs for the business and thus lower profits
- decisions made may be good for employees or the environment but not for profits

Reasons why this approach may lead to higher profits:

- environmentally aware customers may increase their demand for the business's goods
- careful management of scarce resources can lead to a reduction in factor inputs and thus unit costs
- employees may be more cooperative and productive as they feel more recognised



Evaluation may consider:

- the findings of the Elkington Triple Bottom Line – how well is the business doing on the various indicators at the moment; may be the existing actions are acceptable and there is no need for any change and no effect on profits
- the actions taken as a result of using the Elkington Triple Bottom Line; what are the priorities of the managers and, how does this affect decisions and profits
- the impact of any actions taken on demand and costs
- profits may fall but the introduction of the Elkington Triple Bottom Line may suggest that the business is not only focused on profits and so does not mind if profits fall

<b>2</b>	<b>4</b>	A business has had a record of poor innovation for many years.
		To what extent do you think that if the business increases its investment spending on innovation this will lead to more success in this area?
		<b>[25 marks]</b>

**25 mark evaluative questions: AO1 = 5, AO2 = 4, AO3 = 6 and AO4 = 10**

Level	The student will typically demonstrate	Marks
5	<p><b>An excellent response overall that is fully focused on the key demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question</li> <li>demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question</li> <li>makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout</li> </ul>	21–25
4	<p><b>A good response overall that focuses on many of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question</li> <li>makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole</li> </ul>	16–20
3	<p><b>A reasonable response overall that focuses on some of the demands on the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question</li> <li>demonstrates analysis which is developed, applied to the context and considers some of the issues in the question</li> <li>makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole</li> </ul>	11–15

2	<b>A limited response overall with little focus on the demands of the question.</b> Provides an answer to the question set that: <ul style="list-style-type: none"> <li>• demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question</li> <li>• makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole</li> </ul>	6–10
1	<b>A weak response overall lacking focus on the demands of the question.</b> Provides an answer to the question set that: <ul style="list-style-type: none"> <li>• demonstrates isolated or imprecise knowledge and understanding</li> <li>• demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question</li> <li>• makes judgements or proposes solutions based on assertions</li> </ul>	1–5

**The focus of the question is on:**

the extent to which greater investment in innovation is likely to lead to more success in this area for a business with a record of poor innovation.

**Indicative content may include:**

High levels of investment may lead to successful innovation because:

- successful R&D is likely to be expensive as it often requires high levels of expenditure before a new idea can be developed – failure rates for new products and new ideas are high
- in some industries new systems and products require significant expenditure on technology and so businesses without the capability to match the market leaders are unlikely to be successful innovators
- these R&D costs can only be recovered if sales volume is high. Thus heavy investment in new facilities or machinery may help to make innovation successful
- investment in areas to support kaizen, intrapreneurship and benchmarking may help
- funds to reward creativity may help create an innovative culture

**BUT**

- it is not just funds - it is also to do with staff, the culture and the systems that allow innovation to develop. Some organisations are highly innovative with relatively low investment; others invest heavily but are not very successful. It depends on how the funds are used and the underlying ideas that are being invested into
- success may be affected by what competitors are doing; they may be investing more and be more innovative

May require investment in other areas to ensure the innovation is targeted eg may want more investment in market research not just innovation.

Evaluation may consider:

- what the investment is used for; how it is used
- whether it is more effective than rivals
- what form of innovation eg In pharmaceutical industry a new product may require very heavy investment and heavy investment may be needed for success; in computer gaming it may be more to do with creativity and skills of staff and simply investing more may not work without the right people and culture

The extent to which higher investment will lead to more successful innovation will depend on factors such as:

- how the money is used
- the behaviour of competitors
- whether the innovation develops something that is demanded
- whether developments are protected

<b>2</b>	<b>5</b>	A business is experiencing a fall in its market share.
		To what extent might the greater use of digital technology enable the business to increase its market share?
		<b>[25 marks]</b>

**25 mark evaluative questions: AO1 = 5, AO2 = 4, AO3 = 6 and AO4 = 10**

Level	The student will typically demonstrate	Marks
5	<p><b>An excellent response overall that is fully focused on the key demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a depth and range of knowledge and understanding that is precise and well selected in relation to issues in the question</li> <li>demonstrates analysis throughout which is well developed, is applied effectively to the context and considers a balanced range of the issues in the question</li> <li>makes judgements or provides solutions which are built effectively on analysis, show balance and have a clear focus on the question as a whole throughout</li> </ul>	21–25
4	<p><b>A good response overall that focuses on many of the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a depth and range of knowledge and understanding of issues in the question</li> <li>demonstrates analysis which is well developed, applied effectively to the context and considers a range of issues in the question</li> <li>makes judgements or provides solutions which are built on analysis, show balance and address the question as a whole</li> </ul>	16–20
3	<p><b>A reasonable response overall that focuses on some of the demands on the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>demonstrates a limited knowledge and understanding of a range of issues in the question or a good knowledge and understanding of relatively few issues in the question</li> <li>demonstrates analysis which is developed, applied to the context and considers some of the issues in the question</li> <li>makes judgements or provides solutions which are built on analysis, but lack balance and are not fully focused on the question as a whole</li> </ul>	11–15

2	<p><b>A limited response overall with little focus on the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates a limited range and depth of knowledge and understanding of issues in the question</li> <li>• demonstrates analysis with little development, mainly descriptive application to the context and considers a limited number of issues in the question</li> <li>• makes judgements or proposes solutions which have limited links to analysis or limited focus on the question as a whole</li> </ul>	6–10
1	<p><b>A weak response overall lacking focus on the demands of the question.</b></p> <p>Provides an answer to the question set that:</p> <ul style="list-style-type: none"> <li>• demonstrates isolated or imprecise knowledge and understanding</li> <li>• demonstrates undeveloped analysis with descriptive application to the context and lacking focus on the question</li> <li>• makes judgements or proposes solutions based on assertions</li> </ul>	1–5

**The focus of the question is on:**

the extent to which digital technology can enable a business to gain a greater market share (ie a higher proportion of total market sales)

**Indicative content may include:**

Digital technology can enable a business to improve its market share through approaches such as:

e-commerce

big data

data mining

enterprise resource planning (ERP)

Digital technology facilitates new ways of selling the product and also allows the firm to alter its marketing mix. Digital technology is now the main source of promotion, overtaking traditional media, such as TV and newspapers in recent years. The main ways in which it can enable businesses to gain market share are as follows:

- it can reduce the need for expensive city centre properties and sales staff allowing firms to devote more resources to gaining market share
- it allows more flexibility as products can be individualised. Furthermore, the business can operate 24 hours a day and thus secure more customers
- social media can be used to promote brand identity and provide much greater flexibility to marketing campaigns, thus increasing brand loyalty
- it is a much more detailed insight into customers, and therefore can tailor make products and marketing techniques according to its customers
- data can be accessed and analysed at great speed, in order to allow business to respond more quickly to customer needs

However, impact depends on:

- extent to which it is adopted relative to competitors; for its market share to increase it must gain more sales as a percentage of the total market sales
- how it is implemented and used
- which technology is adopted and what its impact is relative to other firms

Whether digital technology will improve market share may depend on:

- the nature of the business - for example, retailers have tended to modify their marketing much more than manufacturers
- the size of the business - digital technology has allowed smaller firms to compete on a much wider scale; however, techniques such as data mining tend to be the preserve of very large organisations that can afford the IT systems
- data protection – although there is better data to support marketing decisions, there may be restrictions on its use as data protection legislation restricts the type of personal information that businesses can hold
- cost effectiveness. Updating digital systems may not be considered worthwhile if analysis of its consequences reveal that revenue gains do not match the costs of introducing new digital systems
- the cause of the loss of market share