



Rewarding Learning

**ADVANCED SUBSIDIARY (AS)
General Certificate of Education
2019**

Business Studies

Assessment Unit AS 2

assessing

Growing the Business

[SBU21]

THURSDAY 23 MAY, AFTERNOON

**MARK
SCHEME**

General Marking Instructions

Introduction

The main purpose of the mark scheme is to ensure that examinations are marked accurately, consistently and fairly. The mark scheme provides examiners with an indication of the nature and range of candidates' responses likely to be worthy of credit. It also sets out the criteria which they should apply in allocating marks to candidates' responses.

Assessment objectives

Below are the assessment objectives for GCE Business Studies.

Candidates should be able to:

- AO1** Demonstrate knowledge of terms, concepts, theories, methods and models to show an understanding of how individuals and organisations are affected by and respond to business issues.
- AO2** Apply knowledge and understanding to various business contexts to show how individuals and organisations are affected by and respond to issues.
- AO3** Analyse issues within a business, showing an understanding of the impact on individuals and organisations of external and internal influences.
- AO4** Evaluate quantitative and qualitative information to make informed judgements and propose evidence-based solutions to business issues.

Quality of candidates' responses

In marking the examination papers, examiners should be looking for a quality of response reflecting the level of maturity which may reasonably be expected of a 17 or 18-year-old which is the age at which the majority of candidates sit their GCE examinations.

Flexibility in marking

Mark schemes are not intended to be totally prescriptive. No mark scheme can cover all the responses which candidates may produce. In the event of unanticipated answers, examiners are expected to use their professional judgement to assess the validity of answers. If an answer is particularly problematic, then examiners should seek the guidance of the Supervising Examiner.

Positive marking

Examiners are encouraged to be positive in their marking, giving appropriate credit for what candidates know, understand and can do rather than penalising candidates for errors or omissions. Examiners should make use of the whole of the available mark range for any particular question and be prepared to award full marks for a response which is as good as might reasonably be expected of a 17 or 18-year-old GCE candidate.

Awarding zero marks

Marks should only be awarded for valid responses and no marks should be awarded for an answer which is completely incorrect or inappropriate.

Marking Calculations

In marking answers involving calculations, examiners should apply the 'own figure rule' so that candidates are not penalised more than once for a computational error. To avoid a candidate being penalised, marks can be awarded where correct conclusions or inferences are made from their incorrect calculations.

Types of mark schemes

Mark schemes for tasks or questions which require candidates to respond in extended written form are marked on the basis of levels of response which take account of the quality of written communication.

Other questions which require only short answers are marked on a point for point basis with marks awarded for each valid piece of information provided.

Levels of response

In deciding which level of response to award, examiners should look for the 'best fit' bearing in mind that weakness in one area may be compensated for by strength in another. In deciding which mark within a particular level to award to any response, examiners are expected to use their professional judgement.

The following guidance is provided to assist examiners.

- **Threshold performance:** Response which just merits inclusion in the level and should be awarded a mark at or near the bottom of the range.
- **Intermediate performance:** Response which clearly merits inclusion in the level and should be awarded a mark at or near the middle of the range.
- **High performance:** Response which fully satisfies the level description and should be awarded a mark at or near the top of the range.

Quality of written communication

Quality of written communication is taken into account in assessing candidates' responses to all tasks and questions that require them to respond in extended written form. These tasks and questions are marked on the basis of levels of response. The description for each level of response includes reference to the quality of written communication.

For conciseness, quality of written communication is distinguished within levels of response as follows:

- Level 1: Quality of written communication is basic.
- Level 2: Quality of written communication is satisfactory.
- Level 3: Quality of written communication is good.
- Level 4: Quality of written communication is excellent.

In interpreting these level descriptions, examiners should refer to the more detailed guidance provided below:

Level 1 (Basic): The candidate makes only a basic selection and use of an appropriate form and style of writing. The organisation of material may lack clarity and coherence. There is little use of specialist vocabulary. Presentation, spelling, punctuation and grammar may be such that intended meaning is not clear.

Level 2 (Satisfactory): The candidate makes a satisfactory selection and use of an appropriate form and style of writing. Relevant material is organised with some degree of clarity and coherence. There is some use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are satisfactory enough to make meaning clear.

Level 3 (Good): The candidate makes a good selection and use of an appropriate form and style of writing. Relevant material is organised with good clarity and coherence. There is good use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are sufficiently competent to make meaning clear.

Level 4 (Excellent): The candidate successfully selects and uses the most appropriate form and style of writing. Relevant material is organised with a high degree of clarity and coherence. There is widespread and accurate use of appropriate specialist vocabulary. Presentation, spelling, punctuation and grammar are of a sufficiently high standard to make meaning very clear.

1 (a) (AO1, AO2)

Explain the **Introduction Stage** of the product life cycle, using Jet2Holidays as an example.

This is the first (or second) stage of the product life cycle, whereby a business would provide 'new' products or services to the market for the benefit of customers.

With reference to Jet2Holidays, the Introductory Stage of the product life cycle would be the first stage that their holiday packages go through, since customers are provided with holidays to new destinations (e.g. Naples and Krakow), with the aim of increasing sales.

Valid alternative answers accepted.

- Good, accurate knowledge and detailed explanation of the Introduction Stage of the product life cycle; [2]
- Basic knowledge and explanation of the Introduction Stage of the product life cycle; [1]
- Good use of relevant source material to support detailed explanation of the Introduction Stage of the product life cycle; [2]
- Limited use of relevant source material to support detailed explanation of the Introduction Stage of the product life cycle; [1]
- Answer not worthy of credit. [0]

[4]

(b) (AO1, AO2, AO3)

Using the information in the case study, analyse **two** factors which might determine the degree of competition in the holiday market.

- Number of competitors
- Product differentiation – introduction of new holiday packages/types, e.g. Winter Sun/Skiing holidays; or
- Introduction of new holiday destinations, e.g. Naples, Krakow and others, which are differentiated from other holiday providers.
- Availability of substitutes – alternative online holiday options available to the consumer.
- Barriers to entry – highly competitive markets with existence of Thomas Cook and Tui.
- Online competition such as Expedia and AirBnB.

Level 3 [7]–[8]

An excellent response demonstrates:

- Well-focused and sound analysis of two factors which might determine the degree of competition in the holiday market.
- Comprehensive and relevant, accurate knowledge and understanding of two factors which might determine the degree of competition in the holiday market.
- Thorough and detailed use of relevant source material to analyse two factors which might determine the degree of competition in the holiday market.

Level 2 [4]–[6]

A good response demonstrates:

- Focused analysis of two factors which might determine the degree of competition in the holiday market.
- Good, accurate knowledge and understanding of two factors which might determine the degree of competition in the holiday market.
- Good use of relevant source material to analyse two factors which might determine the degree of competition in the holiday market.

Level 1 [1]–[3]

A basic response demonstrates:

- Basic analysis of the factors which might determine the degree of competition in the holiday market.
- Basic knowledge and understanding of factors which might determine the degree of competition in the holiday market.
- Limited use of relevant source material to analyse factors which might determine the degree of competition in the holiday market.

Answers not worthy of credit **[0]** marks.

[8]

The question requires only two factors which might determine the degree of competition in the holiday market. Any additional factors analysed will not attract any marks.

(c) (AO1, AO2, AO3)

Analyse **three** benefits to Jet2Holidays of using mobile technology to increase market share.

- Instant results – users carry mobile phones all the time so they can receive instant updates from Jet2Holidays about new holiday destinations or specific offers and this could potentially encourage customers to respond in a positive way.
- User Response – this is essential information for Jet2Holidays as it helps them to build customer profiles and makes projections for future sales more certain.
- Mass communication – research shows that more people use their mobile phones in preference to laptops or computers. This means Jet2Holidays can reach a much wider audience so increase their potential for sales and so increase market share.
- Mobile payment – Jet2Holidays on their App offer a secure method of payment so this is convenient for customers. This makes the whole process stress free.
- Microblogging – many mobile phone users avail of platforms such as Twitter so Jet2Holidays can benefit from ‘Twits’ between users which will boost the potential for more customers.

Level 3 [8]–[10]

An excellent response demonstrates:

- Well-focused and sound analysis of all three benefits to Jet2Holidays of using mobile technology to increase market share.
- Comprehensive and relevant, accurate knowledge and understanding of all three benefits to Jet2Holidays of using mobile technology to increase market share.
- Thorough and detailed use of relevant source material to analyse all three benefits to Jet2Holidays of using mobile technology to increase market share.
- An excellent quality of written communication.

Level 2 [4]–[7]

A good response demonstrates:

- Focused discussion of up to three benefits to Jet2Holidays of using mobile technology to increase market share.
- Good, accurate knowledge and understanding of up to three benefits to Jet2Holidays of using mobile technology to increase market share.
- Good use of relevant source material to analyse up to three benefits to Jet2Holidays of using mobile technology to increase market share.
- A good quality of written communication.

Level 1 [1]–[3]

A basic response demonstrates:

- Basic analysis of the appropriate benefits to Jet2Holidays of using mobile technology to increase market share.
- Basic knowledge and understanding of the appropriate benefits to Jet2Holidays of using mobile technology to increase market share.
- Limited use of relevant source material to analyse one, two or three benefits to Jet2Holidays of using mobile technology to increase market share.
- A basic quality of written communication.

Answers not worthy of credit **[0]** marks.

[10]

The question requires analysis of only three benefits to Jet2Holidays of using mobile technology to increase market share. Any additional benefits discussed will not attract any marks.

(d) (AO1, AO2, AO3, AO4)

Evaluate each of the extension strategies identified in the case study which are aimed at ensuring that Jet2Holidays continues to remain competitive.

Promoting products

- To establish a new customer segment and generate more income – Jet2Holidays recently introduced Winter Sun and Ski holiday types and this will raise revenue during the traditional off-peak season.
- Strengthen the brand/reputation of the business – Jet2Holidays will hopefully benefit from positive on-line reviews and this will attract new customers thus sales revenue will increase.
- Encourage repeat business – if the customer has had a good experience they will consider booking again for Winter Sun or Ski holidays. Furthermore, they may consider booking one of the other products offered by Jet2Holidays.
- Promoting new products will maintain or even improve the market position of Jet2Holidays – this is important as the leisure and travel industry is very competitive.
- There is no guarantee of success as other external factors have to be considered – only those customers who have disposable income can afford to go on holiday so the state of the economy is a significant factor.
- Jet2Holidays will have spent a large amount of money on researching and promoting these new products so the risk of failure is quite high.
- Jet2Holidays have no control over competitor behaviour so they too may be promoting new products, this is a major threat to the business.

Product Modification

- Jet2Holidays constantly look for ways to improve the holiday experience for customers – it has recently rolled out an exclusive ‘Resort Flight Check-in’ at the end of the holiday.
- The business works hard to appeal to families – Jet2Holidays is renowned for its ‘customer focused approach’ and offer a wide range of accommodation, free child places and a low deposit.
- The business has invested a lot of money in staff training for cabin crew and check-in staff so customers feel valued and this will encourage them to choose Jet2Holidays for future holidays.
- Jet2Holidays have introduced mobile technology to provide a convenient way for customers to search, save and book a holiday from their mobile phone. This encourages repeat business and online reviews will attract new customers thus raising sales revenue.

- Jet2Holidays are committed to providing the highest standards of health and safety and have updated their aircraft – it will take delivery of 30 new Boeing planes in 2018. This means customers have a comfortable and safe flight experience which will enhance the company's reputation in a very competitive market.
- There is no guarantee of success even though money has been invested so there is a huge element of risk.
- External factors, e.g. recession may impact on the customer's ability to travel so Jet2Holidays may lose money.
- Competitors are likely to be doing something similar so Jet2Holidays will have to spend even more money to modify their product and this may lead to financial difficulties within the business.

Valid alternative answers accepted.

Level 4 [14]–[18]

An excellent response demonstrates:

- Comprehensive and relevant, accurate knowledge and understanding, and detailed evaluation of extension strategies that may help Jet2Holidays remain competitive; comprehensive analysis.
- Highly appropriate, clear and logical judgement of extension strategies that may help Jet2Holidays remain competitive.
- Thorough use of relevant source material to address extension strategies that may help Jet2Holidays remain competitive.
- An excellent quality of written communication.

Level 3 [10]–[13]

A good response demonstrates:

- Sound, good, accurate knowledge and understanding, and evaluation of extension strategies that may help Jet2Holidays remain competitive; sound analysis.
- An appropriate, clear and logical judgement of extension strategies that may help Jet2Holidays remain competitive.
- Good use of relevant source material to address extension strategies that may help Jet2Holidays remain competitive.
- A good quality of written communication.

Level 2 [6]–[9]

A satisfactory response demonstrates:

- Satisfactory knowledge, understanding and application of extension strategies that may help Jet2Holidays remain competitive; satisfactory analysis.
- A suitable, appropriate judgement based on reasonable evaluation of extension strategies that may help Jet2Holidays remain competitive.
- A satisfactory quality of written communication.

Level 1 [1]–[5]

A basic response demonstrates:

- Basic knowledge and understanding, with unfocused evaluation of extension strategies that may help Jet2Holidays remain competitive.
- Basic or no judgement based on limited analysis of extension strategies that may help Jet2Holidays remain competitive.
- Limited use of relevant source material to address extension strategies that may help Jet2Holidays can use to help them remain competitive.
- A basic quality of written communication.

Answers not worthy of credit [0] marks.

[18]

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2 (a) (AO1, AO2)

Explain the term **leasing** using an example from the case study.

Leasing

- A lease is an agreement between a bank (or leasing company) and a customer to provide a valuable non-current asset for use in the business, in return for a fixed payment on a regular basis for a specific period of time.
- A leasing agreement is easier for relatively new businesses to obtain than other sources of funds. So it would be perfect for getting the new van for the mobile grooming aspect of the business.
- The maintenance and repairs are paid for by the leasing company so this is one less cost for the couple to worry about.
- The asset (van) belongs to the leasing company throughout the period.
- Leasing payments are £2400 per year.

Marking:

- Good, accurate knowledge and detailed explanation of the term leasing; [2]
- Basic knowledge and explanation of the term leasing; [1]
- Good use of relevant source material to support detailed explanation of the term leasing; [2]
- Limited use of relevant source material to support detailed explanation of the term leasing; [1]
- Answer not worthy of credit. [0] [4]

(b) (AO1, AO2, AO3)

Analyse **two** ways in which Groomin' Gorgeous can increase contribution per treatment (as shown in Table 1).

- Increase sales prices from £25 per dog treatment, e.g. increase prices by 10% to £27.50.
- Reduce variable costs from £15 per dog treatment, e.g. decrease cost by £2 to £13 by negotiating a new price for materials like shampoo.

Level 3 [7]–[8]

An excellent response demonstrates:

- Well-focused and sound analysis of two ways in which Paul and Cathy might be able to increase the amount of contribution per dog treatment as a way of making the business more efficient.
- Comprehensive and relevant, accurate knowledge and understanding of two ways in which Paul and Cathy might be able to increase the amount of contribution per dog treatment as a way of making the business more efficient.
- Thorough and detailed use of relevant source material to analyse two ways in which Paul and Cathy might be able to increase the amount of contribution per dog treatment as a way of making the business more efficient.

Level 2 [4]–[6]

A good response demonstrates:

- Focused analysis of up to two ways in which Paul and Cathy might be able to increase the amount of contribution per dog treatment as a way of making the business more efficient.
- Good, accurate knowledge and understanding of up to two ways in which Paul and Cathy might be able to increase the amount of contribution per dog treatment as a way of making the business more efficient.
- Some use of relevant source material to analyse up to two ways in which Paul and Cathy might be able to increase the amount of contribution per dog treatment as a way of making the business more efficient.

Level 1 [1]–[3]

A basic response demonstrates:

- Basic analysis of the ways in which Paul and Cathy might be able to increase the amount of contribution per dog treatment as a way of making the business more efficient.
- Basic knowledge and understanding of the ways in which Paul and Cathy might be able to increase the amount of contribution per dog treatment as a way of making the business more efficient.
- Limited use of relevant source material to analyse ways in which Paul and Cathy might be able to increase the amount of contribution per dog treatment as a way of making the business more efficient.

Answers not worthy of credit **[0]** marks.

[8]

The question requires analysis of only two ways in which Paul and Cathy might be able to increase the amount of contribution per dog treatment as a way of making the business more profitable. Any additional reasons analysed will not attract marks.

(c) (AO1, AO2, AO3)

Analyse **three** promotional methods that Groomin' Gorgeous could use to promote the new mobile dog grooming service.

- Business Cards – a useful method of promoting the business involves handing a customer a card with contact details of the business, when pet is returned to owner. Depends on physical interaction with customer, serves as a useful reminder.
- Vehicle Wrap Advertising – an effective method visually appealing and increases awareness in local area when potential customers see the van. Only momentary glimpses afforded and customers may not necessarily note contact details.
- Social Media (Facebook/Twitter) – a popular method of promotion, accessible via internet; subject a number of negative publicity issues when a customer has a bad experience of the business. Needs careful management to be successful and not everyone has internet access.
- Mobile Phones – an increasingly popular method of promotion, cheap and convenient for customers. Affords texting services to book appointments too.
- Website Blogs – a popular method of promotion, accessible via internet; subject a number of negative publicity issues when a customer has a bad experience of the business. Needs careful management to be successful and not everyone has internet access.
- Articles in local papers – can increase awareness of business in local geographical area; can include useful facts and can increase professionalism of staff and business, and enhance reputation for repeat/new custom.

Level 3 [8]–[10]

An excellent response demonstrates:

- Well-focused and sound analysis of all three methods that Groomin' Gorgeous could use to promote the new mobile dog grooming service.
- Comprehensive and relevant, accurate knowledge and understanding of all three methods that Groomin' Gorgeous could use to promote the new mobile dog grooming service.
- Thorough and detailed use of relevant source material to analyse all three methods that Groomin' Gorgeous could use to promote the new mobile dog grooming service.
- An excellent quality of written communication.

Level 2 [4]–[7]

A good response demonstrates:

- Focused discussion of up to three methods that Groomin' Gorgeous could use to promote the new mobile dog grooming service.
- Good, accurate knowledge and understanding of up to three methods that Groomin' Gorgeous could use to promote the new mobile dog grooming service.
- Good use of relevant source material to analyse up to three methods that Groomin' Gorgeous could use to promote the new mobile dog grooming service.
- A good quality of written communication.

Level 1 [1]–[3]

A basic response demonstrates:

- Basic analysis of the appropriate methods that Groomin' Gorgeous could use to promote the new mobile dog grooming service.
- Basic knowledge and understanding of the appropriate methods that Groomin' Gorgeous could use to promote the new mobile dog grooming service.
- Limited use of relevant source material to analyse one, two or three methods that Groomin' Gorgeous could use to promote the new mobile dog grooming service.
- A basic quality of written communication.

Answers not worthy of credit **[0]** marks.

[10]

The question requires analysis of only three methods that Groomin' Gorgeous could use to promote the new mobile dog grooming service. Any additional points discussed will not attract any marks.

(d) (AO1, AO2, AO3, AO4)

Evaluate the usefulness of fixed budgeting as an aid to financial planning in Groomin' Gorgeous.

- Can use last 3 years figures to predict trends
- Easy to implement and follow – Paul is planning to provide a mobile dog grooming service in addition to the normal service offered by the shop. It would be very important for them to set a fixed amount (£) to keep track of income and expenditure from both areas of the business. The amounts do not change hence easy to follow.
- Monitoring performance – Paul and Cathy have set fixed amounts for spending on costs such as materials, wages, leasing, website costs vehicle and other costs. By careful ongoing monitoring they can identify errors at the earliest possible moment and take corrective action.
- Measuring performance – At the end of the trading period the couple can measure actual costs against budgeted costs and improve decision-making.
- Creates a focus on expenditure – setting a fixed budget will help Paul and Cathy minimise their costs and improve the overall efficiency of the business.
- The fixed budget will be based on fixed estimates so there is an element of risk involved for Paul and Cathy – may be difficult to allocate resources.
- The fixed budget is based on estimates and the 2018 financial statements. No movement in costs from 2018 which can cause problems if the budget is not SMART.
- Groomin' Gorgeous operate in a fast changing environment – fixed budgets are not effective in such cases – hence sales revenue increases beyond £25 per customer are not included.

- Paul and Cathy may lack the expertise to draw up a fixed budget so the business will suffer and the outcomes may be demotivating.
- Lack of flexibility – Paul has ignored the increasing proportion of sales on credit, therefore may include incorrect figures for sales revenues, credit sales and cash receipts.

Level 4 [14]–[18]

An excellent response demonstrates:

- Well-focused and sound evaluation of the usefulness of fixed budgeting as an aid to financial planning in Groomin' Gorgeous; focused analysis.
- Comprehensive and relevant, accurate knowledge and understanding, and detailed evaluation of the usefulness of fixed budgeting as an aid to financial planning in Groomin' Gorgeous.
- Highly appropriate, clear and logical judgement of the usefulness of fixed budgeting as an aid to financial planning in Groomin' Gorgeous.
- Thorough and detailed use of relevant source material to evaluate the usefulness of fixed budgeting as an aid to financial planning in Groomin' Gorgeous.
- An excellent quality of written communication.

Level 3 [10]–[13]

A good response demonstrates:

- Focused evaluation of the usefulness of fixed budgeting as an aid to financial planning in Groomin' Gorgeous; focused analysis.
- Sound, good, accurate knowledge and understanding, and evaluation of the usefulness of fixed budgeting as an aid to financial planning in Groomin' Gorgeous.
- An appropriate, clear and logical judgement of the usefulness of fixed budgeting as an aid to financial planning in Groomin' Gorgeous.
- Good use of relevant source material to evaluate the usefulness of fixed budgeting as an aid to financial planning in Groomin' Gorgeous.
- A good quality of written communication.

Level 2 [6]–[9]

A satisfactory response demonstrates:

- Satisfactory knowledge and understanding, and evaluation of the usefulness of fixed budgeting as an aid to financial planning in Groomin' Gorgeous; satisfactory analysis.
- A suitable, appropriate judgement of the usefulness of fixed budgeting as an aid to financial planning in Groomin' Gorgeous.
- A satisfactory quality of written communication.

Level 1 [1]–[5]

A basic response demonstrates:

- Basic knowledge and understanding, with unfocused evaluation of the usefulness of fixed budgeting as an aid to financial planning in Groomin' Gorgeous.
- Basic or no judgement based on limited analysis of the usefulness of fixed budgeting as an aid to financial planning in Groomin' Gorgeous.
- Limited use of relevant source material to evaluate the usefulness of fixed budgeting as an aid to financial planning in Groomin' Gorgeous.
- A basic quality of written communication

Answers not worthy of credit **[0]** marks.

[18]

40

Total

80

**AVAILABLE
MARKS**