



NCFE Level 1/2 Technical Award in Business and Enterprise (603/2955/5)

Unit 01 Introduction to business and enterprise

November 2021

P001393

Mark Scheme

This mark scheme has been written by the Assessment Writer and refined, alongside the relevant questions, by a panel of subject experts through the external assessment writing process and at standardisation meetings.

The purpose of this mark scheme is to give you:

- examples and criteria of the types of response expected from a learner
- information on how individual marks are to be awarded
- the allocated assessment objective(s) and total mark for each question.

Marking guidelines

General guidelines

You must apply the following marking guidelines to all marking undertaken throughout the marking period. This is to ensure fairness to all learners, who must receive the same treatment. You must mark the first learner in exactly the same way as you mark the last.

- The mark scheme must be referred to throughout the marking period and applied consistently. Do not change your approach to marking once you have been standardised.
- Reward learners positively giving credit for what they have shown, rather than penalising them for what they might have omitted.
- Utilise the whole mark range and always award full marks when the response merits them.
- Be prepared to award zero marks if the learner's response has no creditworthy material.
- Do not credit irrelevant material that does not answer the question, no matter how impressive the response might be.
- The marks awarded for each response should be clearly and legibly recorded in the grid on the front of the question paper.
- If you are in any doubt about the application of the mark scheme, you must consult with your Team Leader or the Chief Examiner.

Guidelines for using extended response marking grids

Extended response marking grids have been designed to award a learner's response holistically and should follow a best-fit approach. The grids are broken down into levels, with each level having an associated descriptor indicating the performance at that level. You should determine the level before determining the mark.

When determining a level, you should use a bottom up approach. If the response meets all the descriptors in the lowest level, you should move to the next one, and so on, until the response matches the level descriptor. Remember to look at the overall quality of the response and reward learners positively, rather than focussing on small omissions. If the response covers aspects at different levels, you should use a best-fit approach at this stage and use the available marks within the level to credit the response appropriately.

When determining a mark, your decision should be based on the quality of the response in relation to the descriptors. You must also consider the relative weightings of the assessment objectives, so as not to over/under credit a response. Standardisation

materials, marked by the Chief Examiner, will help you with determining a mark. You will be able to use exemplar learner responses to compare with live responses, to decide if it is the same, better or worse.

You are reminded that the indicative content provided under the marking grid is there as a guide, and therefore you must credit any other suitable responses a learner may produce. It is also not a requirement that learners must cover all of the indicative content to be awarded full marks.

Assessment objectives

This unit requires learners to:

AO1	Recall knowledge and show understanding.
AO2	Apply knowledge and understanding.
AO3	Analyse and evaluate knowledge and understanding.

The weightings of each assessment objective can be found in the qualification specification.

Qu	Mark scheme	Total marks
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Section 1

Total for this section: 8 marks

1	<p>Which one of the following can only apply to an entrepreneur?</p> <p>A Interviews potential employees B Makes day-to-day decisions within a business C Manages teams of workers D Takes a risk by starting a business</p> <p>Answer: D (Takes a risk by starting a business)</p>	<p>1</p> <p>AO1</p>
2	<p>Which one of the following describes a loss leader pricing strategy?</p> <p>A Setting a high price before competitors come into the market B Setting a lower price when entering a new market C Setting a price below the cost-price to attract new customers D Setting a price by adding a fixed percentage to the cost of making the product</p> <p>Answer: C (Setting a price below the cost-price to attract new customers)</p>	<p>1</p> <p>AO1</p>
3	<p>Which one of the following is a method used to maintain and improve quality within a business?</p> <p>A Batch production B Benchmarking C Just-in-time production D Mass customisation</p> <p>Answer: B (Benchmarking)</p>	<p>1</p> <p>AO1</p>
4	<p>Which one of the following is a change in legislation?</p> <p>A A new Health and Safety at Work Act of Parliament B An increase in interest rates C An increase in the level of employment D A reduction in gross domestic product (GDP)</p> <p>Answer: A (A new Health and Safety at Work Act of Parliament)</p>	<p>1</p> <p>AO1</p>
5	<p>Which one of the following is not a channel of distribution?</p> <p>A An agent B A manufacturer C A retailer D A wholesaler</p> <p>Answer: B (A manufacturer)</p>	<p>1</p> <p>AO1</p>

<p>6</p>	<p>An increase in interest rates is likely to cause which two of the following?</p> <p>A A decrease in prices B A decrease in unemployment C An increase in business costs D An increase in business sales E An increase in household savings</p> <p>Answers: C (An increase in business costs) E (An increase in household savings)</p>	<p>2</p> <p>AO1</p>
<p>7</p>	<p>Which one of the following is an example of a source of qualitative data?</p> <p>A A customer satisfaction card that uses a 1–5 scale B A questionnaire that uses closed questions C A table showing sales figures from previous years D Interviews with customers using open-ended questions</p> <p>Answer: D (Interviews with customers using open-ended questions)</p>	<p>1</p> <p>AO1</p>

Section 2

Total for this section: 51 marks

<p>8</p>	<p>Identify one feature of a partnership as a form of business organisation.</p> <p>Award one AO1 mark for correctly identifying one feature of a partnership.</p> <p>For example:</p> <ul style="list-style-type: none"> • two or more partners / owners • profit sharing / loss sharing • unlimited liability • not a separate legal entity / unincorporated • maximum of 20 partners • partnership deed of agreement • each partner is liable for debts incurred by the others. 	<p>1</p> <p>AO1</p>
<p>9</p>	<p>Businesses that wish to grow can face challenges.</p> <p>State one challenge that growth can create for a business.</p> <p>Award one AO1 mark for stating a challenge.</p> <p>For example:</p> <ul style="list-style-type: none"> • additional physical resource requirements – need more space / supply of raw materials or components • additional human resource requirements – need more staff • financial problems • diseconomies of scale / control / co-ordination / communications • ability to meet orders / keep up with demand • maintaining quality / consistency of product or service • local cultural sensitivities • understanding of local legislation. 	<p>1</p> <p>AO1</p>
<p>10</p>	<p>Identify two stages in the product lifecycle.</p> <p>Award up to two AO1 marks for identifying two stages in the product lifecycle:</p> <ul style="list-style-type: none"> • introduction • growth • maturity / saturation • decline. 	<p>2</p> <p>AO1</p>

<p>11</p>	<p>A business improves the ways it engages with its stakeholders.</p> <p>Identify two advantages this gives the business.</p> <p>Award one AO1 mark for each correct advantage to a business from improving the ways it engages with stakeholders, to a maximum of two marks.</p> <p>For example:</p> <ul style="list-style-type: none"> • improved staff motivation • improved staff retention • increased productivity / more efficient / work harder • improved reputation • increase in sales / sales revenue • customer loyalty • new ideas / gives ideas / feedback • increased share prices. • better idea of customer needs / wants <p>Learners do not need to name stakeholders in their answers</p>	<p>2</p> <p>AO1</p>
<p>12</p>	<p>A business changes from a flat organisational structure to a tall organisational structure.</p> <p>Explain why communication might become more difficult for that business.</p> <p>AO1</p> <p>Award one AO1 mark for any one of the following:</p> <ul style="list-style-type: none"> • questions / commands have more levels to go through • longer chain of command / increase in layers • information may not reach the intended recipient <p>AO2</p> <p>Award one AO2 mark for a development of the identified issue:</p> <p>For example:</p> <ul style="list-style-type: none"> • questions / commands have more levels to go through (AO1) / longer chain of command (AO1) that may slow down decision-making (AO2), so messages are more likely to get distorted (AO2) / so messages may take longer to reach the recipient (AO2) • information may not reach the intended recipient (AO1) and so mistakes are made / actions are not taken (AO2) 	<p>2</p> <p>AO1 – 1</p> <p>AO2 – 1</p>

13	<p>Explain the term ‘delaying’.</p> <p>Use information from the business’s organisational chart.</p> <p>AO1</p> <p>Award one AO1 mark for:</p> <ul style="list-style-type: none"> • delaying is the removal of one or more levels (of hierarchy) from the organisational structure. • Delaying will make an organisational structure flatter <p>Award any equivalent response.</p> <p>AO2</p> <p>Award one AO2 mark for providing an example from the organisational chart.</p> <p>For example:</p> <ul style="list-style-type: none"> • the removal of the UK deputy director • the removal of the assistant regional directors. <p>The AO2 mark can be awarded on its own. A correct example without a definition will get one mark as shows some understanding.</p>	<p>2</p> <p>AO1 – 1 AO2 – 1</p>
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14	<p>Noah thinks he might change the legal structure of his business from a sole trader to a private limited company.</p> <p>Identify and explain two possible advantages this would bring to Noah's business.</p> <p>Award one AO1 mark for each identified advantage, to a maximum of two marks.</p> <p>For example:</p> <ul style="list-style-type: none"> • limited liability • can raise finance / capital / more sources of capital available • control, over who buy shares in the business • continuity of existence • tax advantages • separate legal existence • more prestige <p>AO2</p> <p>Award up to two AO2 marks for explanations of the identified advantages.</p> <p>For example:</p> <ul style="list-style-type: none"> • Noah will have limited liability (AO1). he may not lose his house and possessions if the business goes into administration / has to close / fails / to pay the business' debts (AO2) • can raise finance / capital (AO1) by selling shares (AO2) • can control who buy shares in the company (AO1) preventing competitors from buying a stake in his business (AO2) • the business has continuity of existence (AO1), so if Noah dies then the business continues to exist (AO2) • the business will have tax advantages (AO1) and therefore will pay a lower rate of tax on the business's profits than it would do if operated as a sole trader (AO2) • the business has separate legal existence (AO1), so if something goes wrong and the business gets sued then it is the business rather than Noah that is sued, and the business becomes liable for damages, not Noah. (AO2) • the business has more prestige (AO1), which may make it easier for the business to attract customers / win orders (AO2). <p>Do not award for:</p> <ul style="list-style-type: none"> • has more people to help him run the business • has more people from whom to ask advice • as development of BP1 "if the business is making a loss" 	<p>4</p> <p>AO1 – 2 AO2 – 2</p>
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<p>15</p>	<p>When Noah set up his business five years ago, he did not do any market research. He was sure his signs would sell, as they were a high-quality product.</p> <p>Explain one advantage of Noah using primary market research before starting his business.</p> <p>Award one AO2 mark for an advantage identified, and one AO2 mark for explaining how that advantage may have benefited Noah’s business.</p> <p>For example:</p> <ul style="list-style-type: none"> • the information obtained would have been up to date (AO2) and may have improved the decisions made by Noah (AO2) • the information obtained was likely to be relevant / specific to Noah’s business (AO2) to the business and as a result Noah’s forecasts of sales may have been accurate (AO2) • if Noah did the research himself then it would have been inexpensive (AO2) and as a result any increase in costs would be minimised (AO2) • Noah may have obtained information from his (potential) customers / target market (AO2) and so is more likely to have made a product they want (AO2). • Competitors would not have access to your data (AO2) which gives you a competitive advantage (AO2) <p>Do not award:</p> <p>Data collected will be accurate / honest / trustworthy Data will be more detailed unless explained eg using focus groups or open-ended questions.....</p>	<p>2 AO2</p>
<p>16 (a)</p>	<p>Noah provides printing and sign-writing services to other businesses and to the general public.</p> <p>Explain one possible impact on Noah’s business of a rise in unemployment in the UK.</p> <p>Award one AO2 mark for an impact identified, and one AO2 mark for explaining how that may affect Noah’s business.</p> <p>For example:</p> <ul style="list-style-type: none"> • this may result in a fall in sales (AO2), which will decrease sales revenue / income (AO2) • may be easier to recruit staff (AO2), which can reduce recruitment costs (AO2). <p>Do not award reasons why sales may fall eg unemployed people will have less money to spend</p>	<p>2 AO2</p>

<p>16 (b)</p>	<p>Noah decides to remain a sole trader.</p> <p>Explain why a reduction in income tax rates could benefit Noah’s business.</p> <p>Award one AO2 mark for a benefit identified and one AO2 mark for explaining why it arises.</p> <p>For example:</p> <ul style="list-style-type: none"> • Noah will pay less tax / a smaller percentage (on his profits) (AO2), which will increase his net (after tax) profits / disposable income (AO2) • customers will now have more income to spend (AO2) so sales will / may increase OR Noah may be able to raise his prices (AO2), • Noah will pay less tax // a smaller percentage (on his profits) / ((AO2), because as a sole trader he pays income tax on profits (AO2) • Noah will have more retained profits / income (AO2) which he can invest / plough back into the business (AO2) <p>Do not award:</p> <p>Noah will make more profits / his profits will increase / his revenue will increase</p>	<p>2</p> <p>AO2</p>
<p>17</p>	<p>Identify and explain two changes that FQTF PLC could introduce to improve the motivation of its employees.</p> <p>Use Mayo’s theory of motivation.</p> <p>AO1</p> <p>Award up to two AO1 marks for identifying two changes that FQTF PLC could introduce using Mayo’s theory of motivation.</p> <p>For example:</p> <ul style="list-style-type: none"> • better communication between managers and workers • greater manager involvement in employees’ working lives • working in groups or teams • adopting a paternalistic style of management <p>AO2</p> <p>Award up to two AO2 marks for explaining how the changes will improve motivation.</p> <p>For example:</p> <ul style="list-style-type: none"> • better communication between managers and workers (AO1) will enable workers to let managers know problems they face / will feel listened to / worker will enjoy the attention (AO2) • greater manager involvement in employees’ working lives (AO1) will make workers feel more valued / appreciated in the workplace (AO2) • working in groups or teams (AO1) will make workers feel less isolated / will improve their daily experience at work (AO2). • adopting a paternalistic style of management (AO1) makes workers feel more trusted / empowered as encouraged to make decisions (AO2) <p>Analysis (AO2) points can be matched with more than one method but do not award the same (AO2) development twice</p> <p>Do not award:</p> <p>increases in pay or bonuses or any other method of financial reward.</p>	<p>4</p> <p>AO1 – 2</p> <p>AO2 – 2</p>

<p>18</p>	<p>FQTF PLC operates in a highly competitive market. It is the sixth largest supermarket chain as measured by market share. It does not run a loyalty card scheme, unlike two of its close competitors.</p> <p>Unemployment in the UK rose significantly in 2020.</p> <p>Analyse two methods of promotion that FQTF PLC could use to increase its market share.</p> <p>Which of these two methods is more likely to increase FQTF PLC’s market share?</p> <p>Justify your answer.</p> <p>AO1</p> <p>Award up to two AO1 marks for identifying two appropriate promotional methods.</p> <p>For example:</p> <ul style="list-style-type: none"> • advertising or examples such as radio OR television OR newspaper or magazines OR social media OR leaflets/flyers (allow only one method of advertising) • examples of sales promotion such as price reductions OR promotional pricing OR money-off coupon OR BOGOFs OR offers (allow only once) • use loyalty cards / schemes • sponsorship / PR • competitions • free gifts • direct marketing. <p>Do not award ‘sales promotion’. The response needs to be a named method, eg bogoffs</p> <p>AO2</p> <p>Award up to two AO2 marks for explaining how this method will increase sales.</p> <p>For example:</p> <ul style="list-style-type: none"> • advertising (AO1) to raise awareness / inform / attract potential customers (AO2) • use money-off coupons or (short-term) discounts (AO1) as this will make products sold more affordable / cheaper than from competitors (AO2) • use loyalty cards schemes (AO1) to encourage customer loyalty / repeat custom (AO2) • sponsorship / PR (AO1) as helps to strengthen / broaden / increase its brand image / reputation (AO2). <p>NB: Award inform / attract / raise awareness only once as an AO2 mark.</p> <p>AO3</p> <p>Award up to two AO3 marks. Learners need to produce an evaluation in context. Either of their promotional strategies can be chosen.</p> <p>For example:</p> <ul style="list-style-type: none"> • FQTF PLC should choose promotional pricing. As more people have lost their jobs (AO3) they are likely to choose chains that offer better value for money / where prices are lower (AO3) 	<p>6</p> <p>AO1 – 2 AO2 – 2 AO3 – 2</p>
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	<ul style="list-style-type: none"> FQTF PLC should launch a loyalty card scheme. Two of its competitors already do so (AO3). This will make FQTF PLC more competitive and should make customers more loyal (AO3) as they earn benefits from their loyalty cards. 	
<p>19</p>	<p>On weekdays, FQTF PLC supermarkets open at 8 am and close at 6 pm. They plan to extend their hours by staying open until 10 pm.</p> <p>Explain one potential advantage and one potential disadvantage to FQTF PLC from this proposed change in opening hours.</p> <p>Advantage</p> <p>Award one AO1 mark for identifying an advantage to FQTF PLC from the proposed change in opening hours.</p> <p>For example:</p> <ul style="list-style-type: none"> increased sales / more customers improved competitiveness profits may increase. <p>Award one AO2 mark for explaining the advantage.</p> <p>For example:</p> <ul style="list-style-type: none"> increased sales / more customers (AO1) will result in an increase in the business's revenue (AO2) improves competitiveness (AO1) as their supermarkets may now be open when competitors are closed (AO2) profits may increase (AO1) if the increase in sales revenue is greater than the additional costs that must be met (AO2). <p>Disadvantage</p> <p>Award one AO1 mark for identifying a disadvantage to FQTF PLC from the proposed change in opening hours.</p> <p>For example:</p> <ul style="list-style-type: none"> increased costs need to hire more staff profits may fall / losses may increase. <p>Award one AO2 mark for explaining the disadvantage.</p> <p>For example:</p> <ul style="list-style-type: none"> increased costs (AO1), as the business will need to pay additional wages to staff (AO2) / as business will incur more heating and lighting costs (AO2) need to hire more staff (AO1), which will require interviews (AO2) / additional staff training (AO2) / will lead to an increase in costs (AO2) Some staff may leave (AO1) as not willing to change the hours they work (AO2) profits may fall / losses may increase if the increase in sales revenue is less than the additional costs that must be met (AO2). <p>Only award references to profits / losses once as either an advantage or disadvantage.</p>	<p>4</p> <p>AO1 – 2 AO2 – 2</p>

<p>20</p>	<p>FQTF PLC operates in a competitive market.</p> <p>Explain why it is important that FQTF PLC has skilled and experienced staff.</p> <p>Award up to four AO3 marks for valid explanations.</p> <p>For example:</p> <p>Skilled and experienced staff can:</p> <ul style="list-style-type: none"> • perform tasks more quickly (AO3) increasing productivity / reduces (unit) wage costs (AO3) • provide good / consistent customer service / makes less mistakes / provide quality service / satisfy customers (AO3) resulting in consumer loyalty / better reputation / increased sales (AO3) • improve the business’s image (AO3) Which can attract more customers / retain existing customers (AO3) • requires less training (AO3) which reduces business costs (AO3) • makes them more competitive/ stand out from competition (AO3) • provide a talent pool from which to promote staff internally (AO3) which means less need to recruit externally, reducing recruitment costs (AO3) <p>Do not award “better quality products” as this is a supermarket chain – needs to refer to “better quality services”</p>	<p>4</p> <p>AO3 – 4</p>
<p>21 (a)</p>	<p>In the spring of 2020, FQTF PLC decided to provide its customers with a smartphone shopping app called FQTF Shopping.</p> <p>Is the FQTF Shopping app a tangible product or an intangible product?</p> <p>Award one AO1 mark for the answer: an intangible product.</p>	<p>1</p> <p>AO1</p>
<p>21 (b)</p>	<p>FQTF PLC chose to outsource development of this new app to a specialist software company rather than develop it themselves. The app was launched on time.</p> <p>Explain two reasons why FQTF PLC chose outsourcing for the new app, rather than developing it themselves.</p> <p>Award two AO2 marks for explaining reasons why outsourcing was chosen. Award two further AO2 marks for explaining why these reasons are applicable in this context.</p> <p>For example:</p> <p>Cost FQTF may have found it cheaper to use outsourcing (AO2) rather than recruiting / employing staff to create the APP themselves (AO2)</p> <p>Speed BY outsourcing the APP may have been developed more quickly (AO2) which would allow FQTF to launch it on time / to meet planned launched date (AO2)</p> <p>Quality The APP may have been made to a higher quality as (AO2) as the outsourcer is a specialist APP developer / has the expertise to produce it (AO2)</p> <p>Focus Allows FQTF to focus on its core activities (AO2) as is unlikely to have the employees with the skills needed to develop an APP (AO2)</p>	<p>4</p> <p>AO2 – 4</p>

22	<p>Identify one method of lean production that the FQTF PLC supermarket chain could use.</p> <p>Explain how the method of lean production you identified could benefit the business.</p> <p>Award one AO1 mark for identifying any method of lean production.</p> <p>For example:</p> <ul style="list-style-type: none"> • just-in-time (JIT) • Kaizen • time-based management <p>Do not award for methods such as quality control, benchmarking, quality assurance or total quality management (TQM).</p> <p>Do not award cell production as this is a supermarket and is not appropriate.</p> <p>AO3</p> <p>Award up to three AO3 marks for valid explanations of the benefit to the business of using the method of lean production.</p> <p>Do not award marks for defining a method of lean production. The marks are for analysing the benefit that arises from its use.</p> <p>The explanations presented must relate to the method stated. As the supermarket is not a manufacturer then marks cannot be awarded for cell production or simultaneous engineering as methods.</p> <p>For example:</p> <ul style="list-style-type: none"> • JIT (AO1) can: <ul style="list-style-type: none"> reduce the warehouse space needed (AO3), which reduces costs in terms of staff needed (AO3). The reduced costs improve the business's profit margins (AO3) / allow it to charge lower prices in its shops (AO3) • JIT (AO1) can <ul style="list-style-type: none"> reduces the chance of products becoming outdated / expired (AO3), which reduces waste (AO3) / improve the business's profit margins (AO3) / allow it to charge lower prices in its shops (AO3) • Kaizen (AO1) can improve customer service levels increase (AO3), which can improve / enhance the business reputation (AO3) and lead to higher sales (revenue) (AO3) • Kaizen (AO1) can reduce waste (AO3) which can reduce the business cost (AO3) and lead to higher profit margins (AO3) • time-based management (can be implemented through a flexible workforce) means that staff are able to carry out a number of different roles, reducing the required size of the workforce (AO3) cutting costs (AO3) and making FQTF PLC more competitive (AO3). 	<p>4</p> <p>AO1 – 1 AO3 – 3</p>
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<p>23</p>	<p>FQTF PLC’s marketing department has told the company directors the following:</p> <ul style="list-style-type: none"> • supermarket customer loyalty has decreased • the market has become even more competitive • competitor supermarket chains have increased their spending on customer service • FQTF PLC’s supermarket customer service levels were placed fifth in a recent newspaper survey. Last year they were placed second. News of this survey has spread rapidly on social media. <p>Analyse two reasons why FQTF PLC may need to improve its customer service levels.</p> <p>Use the information provided by the marketing department.</p> <p>Award up to two AO3 marks for analysing each reason why FQTF PLC may need to improve its customer service levels.</p> <p>For example:</p> <p>As shoppers are less loyal, they are more likely to switch to competitors (AO3) which will reduce FQTF sales / sales revenues (AO3)</p> <p>As the market has become more competitive will lose sales (AO3) as a failure to do so will lead to / lower revenue / reduced market share (AO3)</p> <p>As competitors are spending more on customer service then their service levels are likely to improve (AO3) which will make FTQF’s service look even less good (AO3)</p> <p>AS FQTF came 5th in a recent survey their reputation will be damaged (AO3) and FQTF will need to improve it customer service levels to avoid being placed 5th next year (AO3)</p> <p>Do not award generic answers that make no use of the stimulus. Do not award the same development point twice.</p>	<p>4</p> <p>AO3 – 4</p>
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Section 3

Total for this section: 21 marks

<p>24</p>	<p>Explain one advantage and one disadvantage of Yulo PLC changing to mass customisation.</p> <p>Recommend to Yulo PLC whether it should change to mass customisation.</p> <p>Justify your recommendation.</p> <p>Advantage</p> <p>Award one AO1 mark for identifying an advantage to Yulo PLC. Award one AO2 mark for explaining the impact of the advantage on Yulo PLC.</p> <p>For example:</p> <ul style="list-style-type: none"> • can now tailor cars to consumer’s personal tastes (AO1) so will improve customer retention / increase sales / attract more customers (AO2) • reducing overhead costs / storage costs (AO1) as no the need to lease the airfield / fewer cars will need to be stored (AO2) • increasing their sales (AO1) as may give Yulo PLC a competitive advantage / USP / (none of its main competitors offer customisation (AO2) • Yulo PLC may be able to charge a higher price for its customized cars (AO1), which means higher profit margins / increased sales revenue (AO2) • may reduce waste (AO1) as will no longer make cars that are not ordered by customers (AO2). <p>Disadvantage</p> <p>Award one AO1 mark for identifying a disadvantage to Yulo PLC. Award one AO2 mark for explaining the impact of the disadvantage on Yulo PLC.</p> <p>For example:</p> <ul style="list-style-type: none"> • there will be an increase in costs (AO1) as the business will need to pay interest on the £75m bank loan / to purchase the new hi-tech equipment (AO2) • will need to pay interest on the loan (AO1) which will reduce profit margins / increase costs (AO2) • staff may need training to use the new equipment (AO1), which will lead to an increase in costs (AO2). <p>Evaluation</p> <p>Award up to two AO3 marks.</p> <p>Learners need to provide a reasoned judgment. Simply saying that it should or should not be adapted will not earn any AO3 marks.</p> <p>For example:</p> <ul style="list-style-type: none"> • “I think that this is a good move. The market is very competitive (AO3) and this will give the business a competitive edge (AO3)” • Yulo PLC sales are falling (AO3). The new system may increase demand, which will reverse the fall in sales (AO3) • “I don’t think this a good idea as the business still has a large stock of unsold cars and this change does nothing to solve this (AO3). It may be even more difficult to sell these unsold cars if customers prefer to choose a new car that is made to their own specifications (AO3)”. 	<p>6</p> <p>AO1 – 2 AO2 – 2 AO3 – 2</p>
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25	<p>Explain two possible effects on Yulo PLC’s customers if it introduces e-commerce.</p> <p>Recommend to Yulo PLC whether it should introduce e-commerce.</p> <p>Justify your recommendation.</p> <p>Award one AO1 mark for identifying an effect on Yulo PLC’s customers from introducing e-commerce, up to a maximum of two marks.</p> <p>For example:</p> <ul style="list-style-type: none"> • no need to travel to Yulo shops • can order anytime • will lose specialist advice • may order the incorrect part • will have to wait to have the item delivered. <p>AO2</p> <p>Award one AO2 mark for explaining each effect on Yulo PLC’s customers up to a maximum of two marks.</p> <p>For example:</p> <ul style="list-style-type: none"> • no need to travel to Yulo shops (AO1), which saves the customer time / money (AO2) • can order anytime (AO1) as previously could only obtain parts 5 days a week / between the hours of 9 am and 5 pm / as service is available 24/7 (AO2) • will lose specialist advice (AO1) so may order the incorrect part (AO1) as (AO2) • will have to wait to have the item delivered (AO1), which may mean their car is out of use longer (AO2). <p>AO3</p> <p>Award up to two AO3 marks for a justification shown.</p> <p>For example:</p> <ul style="list-style-type: none"> • Yulo PLC should make this change as it will allow customers outside major cities access to their spare parts (AO3). The present system only caters well for those customers living near 20 UK cities (AO3) • Will increase sales (AO3) as currently only sells in 20 cities (AO3) • by introducing e-commerce Yulo PLC will improve its customer service (AO3) which can improve its business reputation (AO3) • Yulo PLC should not make this change as it would need to increase spending on its website (AO3) which will increase its costs initially (AO3) • Yulo PLC may need less staff in its Yulo Spare shops (AO3) and this may reduce its costs in the long run (AO3). 	<p>6</p> <p>AO1 – 2 AO2 – 2 AO3 – 2</p>
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26	<p>Discuss two pricing strategies that Ayesha could use to set prices for her window cleaning service.</p> <p>Within your answer explain one advantage and one disadvantage of each of your pricing strategies.</p> <p>Which strategy should Ayesha choose?</p> <p>Justify your answer.</p> <p>AO1 – Up to 2 marks for identifying two appropriate pricing strategies:</p> <ul style="list-style-type: none"> • cost plus pricing • penetration pricing • competitive pricing • promotional pricing • psychological pricing <p>AO2 – 1 mark for an advantage and 1 mark for a disadvantage of each pricing strategy chosen (2 x 2)</p> <p>NB</p> <p>No AO2 marks to be awarded for definitions of the pricing strategy, no matter how accurate the definition is.</p> <p>No marks for methods of promotion, price cuts, discounts etc</p> <p>Advantages</p> <ul style="list-style-type: none"> • Cost plus pricing will ensure that each job is profitable as the price set will take into account how long the job takes. • Penetration pricing should enable Ayesha to attract customers because price is lower / is charging a low price • Competitive pricing will give customers the impression that the new business offers a similar quality of service to existing businesses / not of less quality than existing windows cleaners • Promotional pricing should enable Ayesha to attract some of competitor's customers because the price will be lower • Psychological pricing will give impression of a lower price without having any real impact on profit margins <p>Disadvantages</p> <ul style="list-style-type: none"> • Cost plus pricing - prices may be higher than those charged by existing businesses and therefore she fails to attract many customers. • Penetration pricing – may not cover costs. may result in low profit margins; may cause a price war • Competitive pricing - does not provide customers with any incentive to switch from their current window cleaner to Ayesha's business. • Promotional pricing –. may result in low profit margins / can only be used for a short period of time • Psychological pricing unlikely to have much impact as a very small price difference is unlikely to persuade many customers to try Ayesha's business 	<p>9</p> <p>AO1 – 2</p> <p>AO2 – 4</p> <p>AO3 – 3</p>
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	<p>AO3 Evaluation 3 marks</p> <p>Award up to 3 marks for a justified recommendation that is not simply a repeat of the arguments previously presented.</p> <p>Learners do not need to discuss both of their chosen pricing strategies to access AO3 marks as long as understanding of two strategies has been shown earlier in answer/</p> <p>eg</p> <ul style="list-style-type: none">• The time taken to complete each job will be different, so Ayesha needs to use cost plus pricing (AO3). Otherwise, sometimes she will earn less per hour on some window cleaning jobs pricing (AO3). However, this may mean that she loses out on some potential customers, as her price might be higher than those charged by competitors. pricing (AO3).• As a new business Ayesha should use penetration pricing as she is competing against existing businesses and need to give their customers an incentive to switch to her. (AO3) This won't happen if she uses competitive pricing and so it may be very difficult to get customers to try out her service. (AO3) They may be happy with their current window cleaner and unless she is offering better value for money / lower price then they will be unlikely to try her service. (AO3)	
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