A-Level Business: **w25 13**

1(a) **Define the term *market growth*.**

Indicative content

Responses may include:

AO1 Knowledge and understanding

CLEAR UNDERSTANDING (2 marks)
- The (percentage) increase in the size of a market over a period of time / using metrics such as number of customers, units sold, or revenue (2)
- Increase in size of market over a period of time (2)

Clear understanding of the term *market growth* is worth 2 marks. This is indicated by 2 tic✓✓ .

PARTIAL UNDERSTANDING (1 mark)

- Change in the size of a market (1)

Partial understanding of the term *market growth* is worth 1 mark. This is indicated by 1 ti✓ .

Accept all valid responses.

1(b) **Explain <u>one</u> pricing method.**

Indicative content

Responses may include:

AO1 Knowledge and understanding - 1 mark for identifying ONE pricing method.

- competitive
- penetration
- skimming
- price discrimination
- dynamic
- cost-based
- psychological

AO2 Application
2 marks for a DEVELOPED application / explanation of ONE pricing method.
1 mark for a LIMITED application / explanation of ONE pricing method.

- price is similar to competitors to avoid damaging / expensive levels of competition between businesses OR price set below competitors in markets where it is easy for customers to compare prices of different businesses
- setting a relatively low price to enter a market, attract customers and gain market share quickly, price may rise later
- setting a high price for a new product when it is unique or highly differentiated / has low price elasticity of demand / price is reduced over time
- charging different prices for the same product at different times or to different customers to increase demand and/or revenue
- selling at a price which changes according to the level of demand and the customer's ability to pay
- setting a price which covers all the costs of producing/supplying the product plus an additional amount to give profit
- takes account of the psychological effect of a price on customers e.g. just below a price level ($9.99 not $10) or a high price for luxury goods

Accept all valid responses.

A-Level Business: **w25 21**

1(a)(i) **Identify <u>one</u> feature of a public limited company.**

AO1 Knowledge and understanding

Indicative content
Identification of a feature ✓ may include:
- can sell shares
- has shareholders
- limited liability
- separate legal identity from its owners
- must publish its accounts and report to its shareholders

A-Level Business: **w25 21**

1(a)(ii) **Explain the term *dynamic business environment*.**

AO1 Knowledge and understanding 1 mark	**AO2 Application 2 marks**
	2 marks Developed application of **one** relevant point to a business context.
1 mark Knowledge of **one** relevant point is used to answer the question.	**1 mark** Limited application of **one** relevant point to a business context.
0 marks No creditable response.	**0 marks** No creditable response.

Indicative content

Responses may include:

AO1 Knowledge and understanding (max 1 mark), including:
- rapid / fast changing market
- requires businesses to quickly adapt / be flexible.
- changes may be internal or external

AO2 Application
Explanation of internal changes (max 1 mark), including:
- leadership or management changes
- organisational restructuring
- investment in technology

Application for internal changes (max 1 mark), including:
- a new manager may bring a different vision or management style.
- merging departments
- upgrading equipment

1(a)(ii) Explanation of external changes (max 1 mark), including:
- technological advancements
- economic shifts
- political and legal changes
- social trends
- environmental factors
- new products /ideas/entrants
- consumer tastes

Application for external changes (max 1 mark), including:
- AI, automation
- inflation, recession
- new regulations, trade policies
- consumer preferences, demographics
- climate change, sustainability pressures
- examples of dynamic markets
- examples of factors meaning markets are dynamic e.g. competition

Accept all valid responses.

1(b)(i)

Refer to Table 1.1. Calculate the change in profit from 2023 to 2024.

Indicative content.
Profit = Revenue – Total costs (1)

Profit in 2023 = $44m – ($6m + $16m) = $22m (1)

OR

Profit in 2024 = $50m – ($10m + $20m) = $20m (1)

Change in profit = Profit in 2024 – Profit in 2023 = $20m – $22m = –$2m (OFR applies)

Answer = **–$2** (3), $ not required**.** Accept text explanation, such as decreases, instead of minus sign. In brackets indicates a minus figure

No minus sign or other indication of decrease 2 marks

OFR applies

1(b)(ii)

Explain one use to CB of cost information.

AO1 Knowledge and understanding 1 mark	**AO2 Application 2 marks**
	2 marks Developed application of **one** relevant point to a business context.
1 mark Knowledge of **one** relevant point is used to answer the question.	**1 mark** Limited application of **one** relevant point to a business context.
0 marks No creditable response.	**0 marks** No creditable response.

Responses may include:

AO1 Knowledge and understanding (max 1 mark), including:
Uses may include:
- helps determine the price/set prices
- ensure it makes a profit/improve profitability
- ensures the business covers its costs and earns a margin on each sale.
- respond to rising costs
- reduce unnecessary costs
- help identify profitable/loss making products
- set budgets

AO2 Application
Explanation (max 1 mark), including:
- respond to rising costs by adjusting prices
- identifying high-cost/profitable items allows the business to streamline operations or reduce waste.
- accurate cost data helps the owner decide whether to introduce new products, offer discounts, or invest in equipment
- can be used to help obtain external finance

A-Level Business: **w25 21**

1(b)(ii)

Context (max 1 mark), including:
- example of price-setting – e.g. CB calculates that the total cost of ingredients, labour, and overheads for one latte is $1.50. To make a profit, CB decides to sell the latte for $3.00.
- if milk prices increase, the shop might adjust its pricing or switch suppliers.
- operate in mass market
- use of answer to **1(b)(i)** (OFR)/reduction in profit (OFR)/profit change between 2023 and 2024
- use of information in Table 1.1 – direct costs increased by $4m (to $10m) and indirect costs increased by $4m (to $20m)
- competitive market
- considering market segmentation
- demand for healthy food

Accept all valid responses.

1(c)

Analyse two benefits to CB of training its employees.

Level	**AO1 Knowledge and understanding 2 marks**	**AO2 Application 2 marks**	**AO3 Analysis 4 marks**
2			**3–4 marks** **Developed analysis** • Developed analysis that identifies connections between causes, impacts and/or consequences of **two** points. • Developed analysis that identifies connections between causes, impacts and/or consequences of **one** point.
1	**1–2 marks** • Knowledge of **two** relevant points is used to answer the question. • Knowledge of **one** relevant point is used to answer the question.	**1–2 marks** • Application of **two** relevant points to a business context. • Application of **one** relevant point to a business context.	**1–2 marks** **Limited analysis** • Limited analysis that identifies connections between causes, impacts and/or consequences of **two** points. • Limited analysis that identifies connections between causes, impacts and/or consequences of **one** point.
0	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.

Annotate the first benefit in the left-hand margin and the second in the right-hand margin.

1(c)	Responses may include: **AO1 Knowledge and understanding** (max K s) • improve the quality and consistency of its products and services • increase productivity • increase efficiency • motivate staff • develop new skills and knowledge **AO2 Application** *Max one APP for application in the first benefit and max one APP for application in the second benefit.* • working in a coffee shop is labour intensive work. • highly paid employees would like to improve skills • mission statement refers to a unique experience for customers • CB face very high costs that they need to control • train staff to be helpful, friendly and knowledgeable • offers food as well as coffee • located in high-income areas of major cities • competitive/dynamic business environment • operate in several countries **AO3 Analysis** *Limited analysis AN – candidate shows one link in the chain of analysis.* *Developed analysis DEV candidate shows two or more links in the chain of analysis or a two-sided analysis.* Analysis may include: • training improves the skills of employees – greater efficiency/productivity more customers served/more sales/ profit. • empowerment – may improve motivation by allowing employees to feel more knowledgeable e.g., advising customers on different products • can increase customer satisfaction and loyalty – enhance its reputation/revenue/profits • improve staff morale and retention – reduce turnover/absenteeism/recruitment costs • increased efficiency – reducing costs and increasing profits • build its customer base – attracting customers from the competition **Accept all valid responses**

1(d) **Evaluate whether CB should make greater use of market segmentation to be more successful.**

Level	AO1 Knowledge and understanding 2 marks	AO2 Application 2 marks	AO3 Analysis 2 marks	AO4 Evaluation 6 marks
3				**5–6 marks** **Developed evaluation in context** • A developed judgement/conclusion is made in the business context. • Developed evaluative comments which balance some key arguments in the business context.
2	**2 marks** **Developed knowledge** of relevant key term(s) and/or factor(s) is used to answer the question.	**2 marks** **Developed application** of relevant point(s) to the business context.	**2 marks** **Developed analysis** that identifies connections between causes, impacts and/or consequences.	**3–4 marks** **Developed evaluation** • A developed judgement/conclusion is made. • Developed evaluative comments which balance some key arguments.
1	**1 mark** **Limited knowledge** of relevant key term(s) and/or factor(s) is used to answer the question.	**1 mark** **Limited application** of relevant point(s) to the business context.	**1 mark** **Limited analysis** that identifies connections between causes, impacts and/or consequences.	**1–2 marks** **Limited evaluation** • A judgement/conclusion is made with limited supporting comment/evidence. • An attempt is made to balance the arguments.
0	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.

A-Level Business: **w25 21**

1(d)	Responses may include: **AO1 Knowledge and understanding (max K s)** • market has smaller groups/sub-groups • used to better target marketing efforts • methods include geographic, demographic and psychographic **Do not award K for product differentiation, must be market segmentation** **AO2 Application** *Limited application APP applies knowledge of market segmentation to CB once.* *Developed application APP - APP applies knowledge of market segmentation to CB twice.* • customers are becoming more aware of the health effects of consuming too much caffeine or sugar in their drinks. • operates in prime areas • use fair trade coffee beans • customers environmentally conscious. • highly competitive/dynamic business environment • currently operates in the mass market. • target young professionals, students and tourists • research shows customers want healthy food options • use of answer from **1(b)(i)**/decreasing profit • use of information from table 1.1 – e.g. rising costs/increasing revenue **AO3 Analysis** *Limited analysis AN – candidate shows one link in the chain of analysis.* *Developed analysis DEV – candidate shows two or more links in the chain of analysis.* **Arguments for greater use of market segmentation:** • Better targeting of customer needs – tailor products and marketing more effectively. • Improved marketing efficiency – marketing campaigns can be more cost-effective and impactful when aimed at specific segments. • Become more competitive – attracting a wider customer base

1(d)	**Arguments against greater use of market segmentation:** • increased complexity and costs – may require changes in product lines, marketing strategies, and store layouts, increasing operational complexity and costs. • further investment required – causing a strain on resources. • risk of alienating existing customers – might confuse or alienate loyal customers who value the current broad appeal. • maintaining a consistent brand image across – marketing becomes expensive and challenging • limited capacity to implement segmentation – may lack the data analytics capabilities or marketing expertise needed to effectively identify and serve distinct segments. **AO4 Evaluation** *Limited evaluation EVAL – unsupported judgement and/or a weak attempt at evaluative comment* *Developed evaluation E – supported judgement and/or reasonable evaluative comment* *Developed evaluation in context EE – supported judgement in context and/or reasonable evaluative comment in context.* While market segmentation offers opportunities for CB to better meet customer needs and stand out in a competitive market, it also introduces risks and costs. A balanced approach may be most suitable – CB could begin with light segmentation (e.g. offering healthier food options) while maintaining its mass market appeal. This would allow CB to test the effectiveness of segmentation without overcommitting resources. Other evaluative arguments may include: • target market – how to identify and attract a different market segment and costs involved • selling at a lower price might damage the brand reputation. • choice depends on operating costs, and customer preferences • CB would need to conduct market research to determine which method would be more effective in increasing demand for its products • a recommendation which could be that related to one method or could be that a combination is better. this helps CB to appeal to customers with different needs. • yes, it should/should not with justification *Evaluation must be clearly related to market segmentation* Accept all valid responses.

6(a)

Analyse two ways international markets may present different challenges to a business than national markets.

There are 8 marks in total for Q6(a)
4 marks for each of the ways international markets may present different challenges to a business than national markets.

These 4 marks consist of

1 mark for K

1 mark for APP

2 marks for AN

Indicative content

Responses may include:

AO1 Knowledge and understanding

1 K mark for identifying **one** way international markets may present different challenges to a business than national markets Repeat this for a **second** identified way.

NOTE: International markets are global markets outside the international borders of a business's country of citizenship – people and businesses from different nations and sharing different cultures may compete in an international market. National market is a domestic market for goods and services operating within the borders of, and governed by, the regulations of a particular country. A business is likely to be more familiar with trading relationships and regulations and there is likely less risk, uncertainty and complexity when operating in a national market.

6(a)

Ways may include:

- International markets may present language challenges to business entrants
- International markets may have business cultures that do not match national market expectations
- Operating in an international market may require more expertise, competence and special management skills
- Competition is likely to be tough and intense in international markets
- International markets may present more high-risk challenges to businesses, such as political volatility, changing fashion, etc
- International markets may require acceptance of different tariff and non-tariff constraints and local laws and policies

AO2 Application

1 mark for APP of the chosen way. Repeat this for a **second** identified way.

- International markets may present language challenges to business entrants – many languages may be used.
- International markets may have business cultures that do not match national market expectations, e.g. in respect of religion, dress codes, working hours, personal space and facility, and gift giving. An ability to recognise, respect and adapt to these differences may reduce your ability to succeed in an international market.
- Operating in an international market may require more expertise, competence and special management skills to deal with the more complex circumstances and situations like changes in the strategies of governments and the mindsets of customers.
- Competition is likely to be tough and intense in international markets – global competition involves competition not only with competitors from home countries, but also with competitors from foreign lands.
- International markets may present more high-risk challenges to businesses, such as political volatility, changing fashion trends, sudden war situations, changing government regulations, and communication barriers.
- International markets may require acceptance of different tariff and non-tariff constraints and local laws and policies enforced in different nations – business relationships may involve complexity and lengthy time dimensions.

6(a)

AO3 Analysis

2 marks for **developed** analysis of the chosen way L2 AN Repeat for second identified way.

1 mark for **limited** analysis of the chosen way L1 AN Repeat for second identified way.

- International markets may present distinctive challenges to national businesses – they may exhibit very unique and volatile market situations regulations, and conventions requiring creative, responsive and flexible reactions, accommodations and compromises.
- The business cultures of international markets may be distinctive and unusual and outside the experience of national competitors, requiring adaptability and acceptance of unusual and often morally questionable business practices.
- International markets may be politically volatile requiring fast responses by national business`s such as making special payments in order to engage in business activity.
- Local laws and policies in international markets may be unconventional and communication channels may be far from transparent-national businesses again may need to balance national standards of business behaviour with international market expectations/requirements.

Accept all valid responses.

6(b)

Evaluate whether customer relationship marketing (CRM) is suitable for all small businesses.

There are 12 marks for Q6(b)

2 marks for K

2 marks for APP

2 marks for AN

6 marks for EVAL

Indicative content

Responses may include:

AO1 Knowledge and understanding

2 marks for **developed** knowledge and understanding L2 K

1 mark for **limited** knowledge and understanding L1 K

- CRM is concerned with forming long-term relationships/bonds with customers, rather than just with immediate sales – less transactional or hard selling – more about building emotional connections with customers
- Customers are put at the centre of marketing strategies in an effort to create customer loyalty and retention through developing a unique bond with customers – especially through customers' data and feedback
- The era of digital marketing has created opportunities for businesses of all sorts to succeed in the journey of relationship marketing

6(b)

AO2 Application

2 marks for **developed** application/context L2 APP

1 mark for **limited** application/context L1 APP

- Marketing no longer restricted to developing, selling, and delivering products and services. CRM sees this definition of marketing as too restrictive – effective marketing needs to be relationship orientated.
- Investment into CRM systems is considered to be essential and more effective than transactional marketing for the long-term health of all businesses.
- The marketing concept of using a relational software database to gather data on customer transactions for use in marketing and sales programmes has been developed and expanded into company-wide CRM systems – initially sophisticated technology orientated systems developed in/for large businesses to create, manage, and organise data in a way that drives sales and revenue through creating connections and long-term relationships.
- More recently, small business CRM systems have been devised to enhance the small business customer experience with a focus on social relationships and personal care programmes that foster customer commitment and builds trust between a business and its customers.
- Small businesses are often partnerships, sole proprietorships, or private limited companies
- Have relatively small numbers of employees, relatively low annual revenue/turnover, few human resources, and low up-front capital (vary between 'micro' businesses with less than 10 employees/turnover less than £2m – 'small' businesses with 10–50 employees and £2–10m turnover, to MSE's with 50–250 employees and £50–250m turnover)

6(b)

AO3 Analysis

2 marks for **developed** analysis L2 AN

1 mark for **limited** analysis L1 AN

The benefits of CRM programmes are said to include the following: -

- The possibility of selling more – returning customers tend to purchase more than first-time customers as a consequence of a stronger relationship.
- CRM acts as an advertising method for a product – customers satisfied with a product leave good reviews and communicate to others positive experiences.
- Loyal customers created by CRM tend to purchase new and upcoming products due to positive experiences in the past – saving advertising costs.
- CRM forces a business and brand to focus on long-term goals rather than short-term success.
- CRM, in developing a personal relationship with the customer, helps create a viral positive one-to-one marketing.
- CRM provides opportunities to solve problems immediately -opportunity to repair product failures – problem-solving via the customer service communications to Twitter accounts or person visits

The limitations of CRM are said to include the following:

- The primary limitation is said to be cost – it leads to higher costs per individual customer, with no guarantee of a quick return.
- CRM software is often designed to meet the needs of large businesses – can be daunting for smaller businesses lacking the staff time and financial resources.
- Even simple CRM systems are expensive – investment costs are high – may be inaccessible to a small business.
- CRM raises the expectations of customers – time and resource consuming – it takes many transactions to establish a trusting relationship that garners results.
- CRM likely to require a significant change in business culture and employee roles – the change from a product centric business to a customer/client end user centric business is a demanding one – there may be resistance to change, e.g. IT moves from a customer supportive role to a customer enabling role.
- CRM may treat new customers as a secondary commodity – CRM focus is on retaining and supporting the current customer base – new customers could be overlooked or ignored.

6(b)

AO4 Evaluation: Up to 6 marks for evaluation:

Developed/Supported judgement in context	L3 EVAL	6 marks
Developed/Reasonable evaluative comments in context	L3 EVAL	5 marks
Developed/Supported judgement without context	L2 EVAL	4 marks
Developed/Reasonable evaluative comments without context	L2 EVAL	3 marks
Limited supported judgement	L1 EVAL	2 marks
An attempt to balance the arguments/Weak attempt at evaluative comments	L1 EVAL	1 mark

- Judgements/conclusions/critical comments may be made at any point in an essay, not just in a concluding section.
- A judgement might be made that many small businesses are less likely to adopt a CRM approach due to the potential high investment costs, the time risks involved, the complexity of CRM programmes and the limited resource availability.
- A judgement may be made that potential benefits of a CRM programme/initiative outweigh the costs/risks/potential disadvantages.
- A judgement may be made that it all depends on the 'size' and resources of a 'small' business and the stage of development of the business so not all small businesses may rule out investment into CRM.
- Indeed a judgement may be made that a small business is ideally placed to really benefit from a CRM approach – a small business may be more accessible to the customer than a large one – the values, mission, vision clearer in a small business – close to the customer.
- A judgement may be made that CRM is a natural development of effective marketing and is relevant and essential for all businesses, including small businesses, and that inexpensive small business CRM systems are increasingly available (affordable cloud-based packages).
- A judgement might be made that the features and benefits of CRM are critical for all businesses – and that even non-commercial organisations, such as universities, are adopting CRM programmes in order to improve relationships with the students who increasingly assume the role of customers and expect to be heard, respected and satisfied.
- A judgement might be made that CRM is just one of the latest management fads and that effective businesses have always pursued customer relationships and enjoyed the trust and loyalty of customers/clients/end users without the adoption of expensive and trendy CRM systems.

Accept all valid responses.

4

Analyse one advantage to a business of using mass marketing.

There are 5 marks for this question**:**

1 mark for K

2 marks for APP

2 marks for AN

Indicative content

Responses may include:

AO1 Knowledge and understanding

1 mark for K identifying one advantage to a business of using mass marketing

- Business may secure economies of scale
- Mass marketing may ensure cost effectiveness in business operations
- Opportunity to secure significant sales
- Opportunity to build and develop a brand
- Opportunity to build and develop the business

4	**AO2 Application** 2 marks for **developed** APP of the chosen advantage. 1 mark for **limited** APP of the chosen advantage. • Economies of scale – unlike niche marketing • Cost effective – when used to advertise products • Mass marketing campaigns can reach a large audience – via several channels. • Appeals to the total population – lead to more sales. • Can increase brand awareness – via several channels • Can save time with marketing campaigns – as don't have to create new campaign for each different segment **AO3 Analysis** 2 marks for **developed** AN of the chosen advantage 1 mark for **limited** AN of the chosen advantage • Economies of scale can enable substantially lower average costs of production – increase profit margin. • The ability to target the whole market could lead to huge sales – and profits. • Brand awareness could become global – could lead to becoming market leader. • Time saved on marketing campaigns could be used in other ways to increase business efficiency. • Less prone to changing tastes – so a change in consumer buying habits may not impact sales. Accept all valid responses.

2(a)(i)	**Identify one way in which business size can be measured.** **Indicative content** Identification of a method ✓ may include: • Capital employed • Market capitalisation • Market share • Revenue (allow sales, sales turnover or turnover, income) • Quantity sold • Value of output • Number of employees • Area/space • Number of outlets • Number of customers Do not allow profit – which is a measure of success or performance, but not size. *If more than one answer is given, only mark the first, reading from top left to bottom right.* Accept all valid responses.

2(a)(ii) **Explain the term *demographic segmentation*.**

AO1 Knowledge and understanding 1 mark	AO2 Application 2 marks
	2 marks Developed application of **one** relevant point to a business context.
1 mark Knowledge of **one** relevant point is used to answer the question.	**1 mark** Limited application of **one** relevant point to a business context.
0 marks No creditable response.	**0 marks** No creditable response.

Indicative content

AO1 Knowledge and understanding
Knowledge of demographic segmentation may include:
- The identification of groups of customers with similar or common needs or characteristics within a market
- Dividing the market according to factors that describe the population
- Specific customer groups / target markets

AO2 Application
Explanation of demographic segmentation (max 1 mark) including:
- Study of population data/trends
- Examples of demographic factors, e.g. age, gender, race, social class, income

Context applied to demographic segmentation , including (max 1 mark):
- A valid example of a business that uses demographic segmentation to plan how it markets its products, e.g. a luxury car manufacturer may use demographic segmentation to target its advertising at high-income individuals or PH targets its student rental accommodation at university students

2(a)(ii)
- Used for marketing of different products or services to specific consumer groups
- Helps the business to adapt the marketing mix to the needs of the target customer group
- Different marketing decisions for different groups

Accept all valid responses

Application can be made to PH or any other scenario/context/business/person.

Exemplar and annotations	Mark	Rationale
Dividing the market into groups according to age or gender , for example a clothes retailer has three departments with products for men, women and children .	3	The answer starts with application but shows knowledge by the reference to age/gender. There is an example of the use of demographic segmentation by a clothes retailer.
Identifying groups of customers with similar needs or characteristics within a market using population data such as age	2	Clear knowledge. With some application of how
Used for marketing of different products or services to specific types of customer	1	A reasonable definition
Segmenting using demographics	0	Tautological

2(b)(i)

Refer to lines 6–8. Calculate PH's labour turnover in 2024.

Formula to calculate labour turnover:

- $\frac{\text{number of employees leaving in 1 year}}{\text{Average number of people employed}} \times 100$ (1 mark – formula only)

Use of figures:

- $\frac{45}{150} \times 100$ (1 mark – use of correct figures)

Labour turnover:

- 30% (1 mark – correct answer – no % necessary)

Exemplar and annotations

Marks	Answer	Rationale
3 marks	Correct answer **30%**	**Working and % do not matter.** **Must be three** ✓ to denote the three marks. Correct rounding must be applied.
2 marks	**Both** of the following: • Correct formula • Correct identification of figures **OR** An incorrect answer with one mistake allowing OFR for final stage. **OR** 0.3 (has not completed final stage to multiply by 100) **OR** A correct answer from an inverted formula (3.3 – OFR)	To award two marks, there must be • Two ✓ and a ✗ **OR** • One ✓ , one ✗ and one OFR

2(b)(i)

Marks	Answer	Rationale
1 mark	**One** of the following: • Correct formula	To award one mark, there must be: • One ✓ and two ✗
0 marks	No creditable content.	To award zero marks, there must be • One ✗

2(b)(ii)

Explain <u>one</u> way in which PH could use Maslow's Hierarchy of Needs

AO1 Knowledge and understanding 1 mark	AO2 Application 2 marks
	2 marks Developed application of **one** relevant point to a business context.
1 mark Knowledge of **one** relevant point is used to answer the question.	**1 mark** Limited application of **one** relevant point to a business context.
0 marks No creditable response.	**0 marks** No creditable response.

Indicative content

AO1 Knowledge and understanding
Knowledge of a use of a motivational theory (max 1 mark), including:

- Change the way that employees are treated/managed/motivated at PH or relevant examples
- Make changes to increase motivation to maintain PH's low labour turnover/retain employees
- Understand employee behaviour/employee motivation
- Measuring employee needs

AO2 Application
Explanation of a use of Maslow's hierarchy of needs (max 1 mark), including:

- Explain how motivation affects how employees behave, e.g. an employee doing a repetitive job/working alone may have a high absenteeism rate
- Explain the use with reference to one of Maslow's categories of need, e.g. physiological, safety, love and belonging, esteem and self-actualisation needs
- Examples of how PH could change the way that employees are managed/motivated:
- Offer more opportunities for internal promotion
- Increase employee salaries
- Encourage employees to stay in the business
- Change working conditions

2(b)(ii)

Context applied to **PH** (max 1 mark), including:

- Use of demographic segmentation in its market research
- University students would pay a premium price for high specification rental accommodation
- Specialist teams focused on sales, maintenance, customer service and finance.
- Little opportunity for internal promotion
- Low salaries
- Offers profit sharing
- 150 employees
- Low labour turnover
- Profit reduced by 75%
- In 2024, 45 employees left PH
- Increased complaints about maintenance and customer service
- Use of data from Fig. 2.1
- Operations Director wants to improve the sustainability of PH's operations

Accept all valid responses.

Exemplar and annotations	Mark	Rationale
Managers can understand what motivates employees such as ensuring physiological needs are met for the 150 employees .	3	Use of Maslow's hierarchy of needs by managers , with further explanation with reference to Maslow's hierarchy . The third mark is for reference to the context .
Helps managers decide how to change their management style so that less than 45 employees leave this year .	2	Knowledge of a use and applied to the number of employees.
Identifies the different motivations for human behaviour	1	Knowledge of a use with no application
Maslow's Hierarchy of needs is a motivational theory is the study of understanding what drives a person to work towards a particular goal or outcome .	0	No use of Maslow's hierarchy of needs. This answer is a definition of the theory and does not answer the question

2(c)	**Analyse one advantage and one disadvantage to PH of using an overdraft as a source of finance.**

Level	AO1 Knowledge and understanding 2 marks	AO2 Application 2 marks	AO3 Analysis 4 marks
2			**3–4 marks** **Developed analysis** • Developed analysis that identifies connections between causes, impacts and/or consequences of **two** points. • Developed analysis that identifies connections between causes, impacts and/or consequences of **one** point.
1	**1–2 marks** • Knowledge of **two** relevant points is used to answer the question. • Knowledge of **one** relevant point is used to answer the question.	**1–2 marks** • Application of **two** relevant points to a business context. • Application of **one** relevant point to a business context.	**1–2 marks** **Limited analysis** • Limited analysis that identifies connections between causes, impacts and/or consequences of **two** points. • Limited analysis that identifies connections between causes, impacts and/or consequences of **one** point.
0	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.

Advantage in the left hand side column, disadvantage in the right hand side column

2(c)

Indicative content

AO1 Knowledge and understanding
Knowledge of one advantage using an overdraft as a source of finance (max 1 mark), including:
- Quick – previously agreed / immediately available
- Convenient – can use it as required
- Flexible
- No repayment schedule
- No loss of ownership

Knowledge of one disadvantage using an overdraft as a source of finance (max 1 mark), including:
- High interest rates / fees
- Can be recalled at any time
- Often low limit available
- Can only be used for short-term needs
- Must be repaid

Note: the advantages/disadvantages have to be true for an overdraft, but not exclusively true to an overdraft (i.e. they may apply to other sources of finance).

AO2 Application
Application of an advantage or disadvantage to PH, including:
- Use of demographic segmentation in its market research
- University students would pay a premium price for high specification rental accommodation
- Specialist teams focused on sales, maintenance, customer service and finance.
- Little opportunity for internal promotion
- Low salaries
- Offers profit sharing
- 150 employees
- Low labour turnover
- Profit reduced by 75%
- In 2024, 45 employees left PH
- Increased complaints about maintenance and customer service
- Use of data from Fig. 2.1

2(c)

- Operations Director wants to improve the sustainability of PH's operations
- Use of data from Fig. 2.1
- Operations Director wants to improve the sustainability of PH's operations

AO3 Analysis
Limited analysis of an advantage/disadvantage of using an overdraft – candidate shows one link in the chain of analysis.
Developed analysis of an advantage/disadvantage of using an overdraft candidate shows two or more links in the chain of analysis or a two-sided analysis.

Analysis may include:
- Quick – previously agreed / immediately available; the funds can be used for expansion immediately – leading to increased market share
- Convenient – can use it as required; no time is wasted with application – can be used for other activities such as marketing
- Flexible; can be used for any type of purchase – to meet the business objectives
- No repayment schedule; this will reduce cash outflows – This money can be used to better maintain the properties rented, reducing customer complaints.

- High interest rates/fees; higher interest rates may increase costs – this will reduce profits
- Can be recalled at any time; the business may need to suddenly repay the money leading to cashflow problems – threatening business survival
- Often low limit available; The overdraft limit may be low. This will limit the investments that PH can make – therefore the business will not be able to reduce complaints.
- Can only be used for short-term needs; limiting the project that the money can be used for – some objectives may not be met
- Must be repaid; increasing cash outflows – less funds available for marketing

Accept all valid responses.

2(c)

Exemplar and annotations

	AO1 Knowledge	AO2 Application	AO3 Analysis
Exemplar of an advantage ***Annotations for the advantage should be placed in the left-hand margin.***	Interest only charged on the overdrawn amount	For upgrading accommodation in high-income cities .	Ensures short term cost is minimal reducing further pressure on profit levels .
Exemplar of a disadvantage ***Annotations for the disadvantage should be placed in the right-hand margin.***	The funds need to be repaid	If student accommodation not rented out .	This could lead to a bad credit rating if payments missed which may increase cost of future borrowing .

2(d)	**Evaluate whether Frank's plan will improve the sustainability of PH's operations**

Level	AO1 Knowledge and understanding 2 marks	AO2 Application 2 marks	AO3 Analysis 2 marks	AO4 Evaluation 6 marks
3				**5–6 marks** **Developed evaluation in context** • A developed judgement/conclusion is made in the business context. • Developed evaluative comments which balance some key arguments in the business context.
2	**2 marks** **Developed knowledge** of relevant key term(s) and/or factor(s) is used to answer the question.	**2 marks** **Developed application** of relevant point(s) to the business context.	**2 marks** **Developed analysis** that identifies connections between causes, impacts and/or consequences.	**3–4 marks** **Developed evaluation** • A developed judgement/conclusion is made. • Developed evaluative comments which balance some key arguments.
1	**1 mark** **Limited knowledge** of relevant key term(s) and/or factor(s) is used to answer the question.	**1 mark** **Limited application** of relevant point(s) to the business context.	**1 mark** **Limited analysis** that identifies connections between causes, impacts and/or consequences.	**1–2 marks** **Limited evaluation** • A judgement/conclusion is made with limited supporting comment/evidence. • An attempt is made to balance the arguments.
0	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.	**0 marks** No creditable response.

Indicative content
AO1 Knowledge and understanding
Knowledge of sustainability of operations (max 1), including:
- Operating / surviving / remaining in business for the long-term / future / not running out of money / continuity / stable
- Efficiency
- Productive
- Day-to-day running of the business
- Keeping customers satisfied
- Maintaining profitability – reducing expenses and increasing revenue

Note: The question stem asks about operational sustainability. Therefore, operational sustainability must be the focus of the answer, not environmental sustainability.

2(d)

AO2 Application
Application of an advantage or disadvantage to PB, including:
- Use of demographic segmentation in its market research
- University students would pay a premium price for high specification rental accommodation
- Specialist teams focused on sales, maintenance, customer service and finance.
- Little opportunity for internal promotion
- Low salaries
- Offers profit sharing
- 150 employees
- Low labour turnover
- Profit reduced by 75%
- In 2024, 45 employees left PH
- Increased complaints about maintenance and customer service
- Use of data from Fig. 2.1

AO3 Analysis
Limited analysis of whether the plan will improve the sustainability of PH's operations – candidate shows one link in the chain of analysis.
Developed analysis of whether the plan will improve the sustainability of PH's operations – candidate shows two or more links in the chain of analysis.
- Financial stability; reduce short term cash inflow – reduce debt burden and interest payments
- Focus on profit; increase profit margins – focus on core values
- Increased efficiency of workforce; may lose excellent employees who take knowledge to competitors – lose market share/customer service may reduce further due to losing more experienced employees
- Keeping customers satisfied; increased market share – more market power / ability to increase prices
- Business continues for the long-term; increased employee satisfaction from greater job security – reduced labour turnover

AO4 Evaluation
Limited evaluation – an unsupported judgement and/or weak attempt at an evaluative comment
Developed evaluation – supported judgement and/or reasonable evaluative comment
Developed evaluation in context – supported judgement in context and/or reasonable evaluative comment in context .

2(d)

- The impact of the plan depends on the timescales, future aims and objectives and financial liquidity of PH. After downsizing the amount of revenue generated may not meet shareholder expectations
- Will demand for premium accommodation increase in the future? What are the demands of students?
- Should PH repurpose its accommodation for a different target audience, create a subsidiary brand and grow market share?
- Is market share and size the most important measure of success, or is profitability more important?
- The extension strategy may generate a short-term boost to sales/market share, but will it be sustained in the long-term?
- A judgement on whether the course of action is suitable for PH.

Accept all valid responses.

Exemplars for awarding evaluation

L1 (limited supporting evidence)	L2 (developed supporting evidence)	L3 (developed supporting evidence with context)
Frank's plan will improve the sustainability of PH's operations.	Frank's plan will improve the sustainability of PH's operations. Increased labour efficiency will reduce expenditure on salaries.	Frank's plan will improve the sustainability of PH's operations. Increased labour efficiency will reduce expenditure on salaries. This will help to reverse the trend of reducing profit levels over the past two years.
I don't think the sustainability of PH's operations will be improved.	I don't think the sustainability of PH's operations will be improved. Investing in new accommodation will cost a lot of money.	I don't think the sustainability of PH's operations will be improved. Investing in new accommodation will cost a lot of money, and PH does not have experienced employees to do the work as they have left.