5(a)

Analyse two limitations for a business of sampling during market research.

Indicative content

Responses may include:

AO1 Knowledge and understanding
1 mark for identifying ONE limitation for a business of sampling during market research

- sampling methods used may not be appropriate for a given situation
- researchers may be inexperienced/incompetent
- sample size too small
- sample may not be representative of the population
- may be very time-consuming
- may be very expensive
- questions asked may be ambiguous or biased

Customer responses may not be honest

AO2 Application
1 mark for application / explanation of ONE limitation for a business of sampling during market research

- sample may not have been chosen correctly for a particular situation
- efficient sampling / choice of correct method
- may not be suitable for niche markets (already small)
- not everyone in the target population is questioned
- random, stratified and quota sampling must be chosen appropriately
- biased responses due to dishonesty / ignorance / biased questions / lack of understanding by respondents
- not all sampling techniques are truly random
- researchers will require payment

5(a)

AO3 Analysis
Up to 2 marks for analysis of ONE limitation
2 marks for DEVELOPED analysis of ONE limitation for a business of sampling during market research (L2 AN)
or
1 mark for LIMITED analysis of ONE limitation for a business of sampling during market research (L1 AN)

- the business cannot be totally confident in the results as they may not be 100% reliable
- results and decisions based on a badly chosen sample may damage the business
- if employees are not experienced in sampling, the results of the research will be biased and unreliable
- a trained employee may require higher pay, or an external agency may need paying to carry out the sampling
- opportunity cost of paying for specialised sampling as part of market research
- good knowledge of the target population is needed to decide which method of sampling is appropriate based on ease of research, reliability, time available, representation etc

Accept all valid responses.

5(b)

Evaluate the view that new product development is the most important activity for the success of a toy manufacturer.

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)

- new product development - ideation to market-stages of idea to design to market research to testing to marketing etc
- business success - achieve business goals through financial performance profits and growth - customer satisfaction - meeting needs and building customer loyalty - operational efficiency - efficient processes and innovation and stakeholder impact - positive long term social and environmental contribution
- making toys that are engaging, durable, sturdy, entertaining, safe,

AO2 Application
2 marks for DEVELOPED application (L2 APP)
1 mark for LIMITED application (L1 APP)

- toy manufacturer – children, brands, types of toys, soft fabric, plastic, educational
- Barbie, Hot Wheels, Matchbox
- Mattel global manufacturer, Lego, Fisher Price

AO3 Analysis
2 marks for DEVELOPED analysis (L2 AN)
1 mark for LIMITED analysis (L1 AN)

- advantages and disadvantages of new product development – very competitive market; gives competitive advantage; meets ever changing needs of children; high cost; innovation; market research; consumer interest
- use of Boston Matrix information – toys currently in their product portfolio
- stage of the product lifecycle of current products – cost of new product development

5(b)

AO4 Evaluation
Up to 6 marks for EVALUATION - USE THE FOLLOWING TABLE:

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

A judgement / conclusion is made as to whether new product development is more important than extension strategies for a toy manufacturer.
These judgements / conclusions may be made at any point in the essay, not only in a concluding section.

- toy manufacturing is a competitive market with many large and established manufacturers, but there are also niche markets
- is the toy manufacturer trying to compete in the mass market or in a niche market? Might this affect how much money is available to fund product development?
- how affordable is product development for the manufacturer? Is it new to the market and focussed on survival rather than growth, market share and production of a range of different toys?
- is it possible for operations to produce additional products?
- if the business is small, it may be labour intensive, and production of a new product may take time and slow down production of current toys. Can the business allow this to happen?
- is there consumer demand for new products? Can the business afford to carry out the appropriate market research to find out?

5(b)	• would it be better to focus on promoting toys to retailers, adults and children in different ways to create maximum demand for the product portfolio that it already has (extension strategy)? • is spending more money on promotion more appropriate in a mass market where brand might be established? • in a niche market might spending more money to develop a new product with a distinct USP be more suitable to build on reputation for quality? • are extension strategies better as an alternative to new product development? • is it possible for new markets to be targeted rather than focussing on new product development for the existing market? Accept all valid responses.

1(a)(i)	**Identify <u>one</u> stage of the transformational process.** Responses include: The stages of the transformational process: • Inputs • Adding value / production / manufacturing / operations / process • Outputs *Do not accept examples of inputs and outputs*
1(a)(ii)	**Explain the term *multinational business*.**

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
Knowledge of a multinational businesses (max 1 mark).
Must be knowledge that shows clear distinction between a national and international business including:
- Capital in more than one country
- Operates in more than one country

1(a)(ii)	**AO2 Application** *Limited application applies knowledge of a multinational business to a business context.* *Developed application - applies knowledge of a multinational business to a business context.* • Any exemplification of a multinational business (not just naming a MNC) • A business might have production factories in country F and another country • Can take advantage of lower cost production in low-income countries • Benefits of lower transport costs and better market information about consumer tastes etc • Can bring the business closer to their main markets • Can take advantage of relatively weak government restrictions. • May avoid import restrictions by producing in the local country. • Gain access to natural resources which might not be available in their base country. • Communication links with headquarters may be poor. • Language, legal and culture differences could make communications difficult. • Coordination with other plants in the multinational group will become more difficult. • Skill levels of the local employees may be low, requiring substantial investment in training programmes. Do not expect, but reward • Can take advantage of comparative/absolute advantage in countries • To gain economies of scale Accept all valid responses.

1(a)(ii)

Exemplar and annotations	Mark	Rationale
A business with capital in more than one country . For example, a business that has factories in two countries to take advantage of lower production costs abroad .	3	Clear distinction between MN and international/national business. Example of factories in two countries and a benefit.
Headquarters in one country, but with operating branches in another . This can allow the business to operate within other markets to reduce transportation costs .	3	Knowledge of an MNC and a reason and a benefit.
Own shops in two or more countries so that it can take advantage of lower transportation costs .	2	Distinction shown by shops in more than one country (capital) and understanding of a feature of MN.
Operating in different countries by selling goods abroad.	1	A definition, but 'selling abroad' is an international business, not a multi-national.
A business that sells in other countries.	0	No credit – this is an international business.

1(b)(i)	**Refer to Fig 1.1 and other information. Calculate the combined total number of potential consumers who would prefer lemon or strawberry flavoured water.** **Formula:** Number of potential customers = number who prefer lemon + number who prefer strawberry (1 – formula may be inferred by correct use of numbers) **Calculation:** 34% of 8000 = 2720 (1) 28% of 8000 = 2240 (1) 2720 + 2240 = 4960 (1 – OFR applies) OR 34% + 28% = 62(%) (1) 62% of 8000 (1) = 4960 (1) **Ans = 4960 (3 marks)**

1(b)(i)	**Examples and annotations**

Marks Awarded	Explanation	Annotations
3 marks	Correct answer **4960**	**Working and $ do not matter.** **Allow one** ✓ to denote the three marks next to correct answer.
2 marks	**Two** of the following: • Correct formula • Correct calculation of number who prefer lemon (2720) • Correct calculation of number who prefer strawberry (2240) **OR** An incorrect answer with one mistake allowing OFR for final stage.	To award two marks, there must be • Two ✓ and a ✗ **OR** • One ✓, one ✗ and one OFR
1 mark	**One** of the following: • Correct formula • Correct calculation of number who prefer lemon (2720) • Correct calculation of number who prefer strawberry (2240)	To award one mark, there must be: • One ✓ and two ✗
0 marks	No creditable content.	To award zero marks, there must be • One ✗

1(b)(ii)	**Explain one reason why TRA uses sampling.**

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

Identification of a reason why a business uses sampling (max 1 mark), including:
- Cheaper/low cost
- Quicker/less time
- More representative

AO2 Application

Explanation of a reason why a business uses sampling (max 1 mark), including:
- Explanation of how this affects market research
- More practical, for example than asking the entire population
- Opportunity cost

1(b)(ii)	Context applied to TRA (max 1 mark), including: • Quaternary sector business • Market is to provide social media data (vast amounts of data) • To food manufacturers in country F (large industry) • TRA is the market leader in country F to provide this data • Market has grown by over 40% over the last year • Sample size is 8000 potential consumers • 65 researchers • All work from home • Use of Fig 1.1 Accept all valid responses.

Exemplar and annotations	Mark	Rationale
Cheaper which keeps the cost of market research low by only asking 8000 potential consumers .	3	A reason identified, explained and in context, so all 3 marks.
Faster to find out Lemon is the most preferred flavour .	2	A reason identified, but not explained. The context about TRA/DF is fine.
Makes it cheap for TRA.	1	Identification of a reason, but no explanation or context. Names are not enough for context.
It allows TRA to find out information about the market. This means that it can let DF know that Lemon is the most preferred flavour and DF is likely to be able to sell more products.	0	This is a reason to use market research – not sampling.

1(c) **Refer to Fig 1.1 and other information. Analyse two reasons why the data collected for DF may not be reliable.**

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 reason in the left-hand margin and the second reason in the right-hand margin

1(c) Responses may include:

AO1 Knowledge and understanding – reasons why data collected may not be reliable, including:
Identification of a reason why market research data may not be reliable , including:
- Bias
- Sample size
- Sample not representative of the market
- Wrong/poor questions
- Wrong media used
- Human error
- Poorly defined objectives
- Time lag between research and implementation

This is not secondary market research, so do not credit answers about why secondary market research may not be reliable. However, answers which suggest the data may have changed (time lag) are acceptable.

AO2 Application
Application of the reason to DF , including:
- TRA is the market leader in providing social media data to food manufacturers in country F
- Market has grown by over 40% over the last year
- DF specialises in non-alcoholic drinks
- DF is a multinational business
- TRA sampled 8000 potential customers
- Sampled on social media
- Asked about favourite fruity flavours
- Use of data in Fig 1.1
- TRA employs 65 researchers
- All of TRA's researchers work from home
- TRA's workers have poor motivation
- TRA has high labour turnover
- Suggestion that some TRA employees are not working very hard.

1(c) **AO3 Analysis**
Limited analysis of a reason why market research data may not be reliable – developed analysis , including:
- Bias; may mean that potential customers are persuaded to give a wrong answer leading to launching the wrong product – low sales.
- Sample size; not enough people asked which may mean it launches the product with few sales – leading to a loss.
- Sample representation; not enough different views sought leading to the wrong product being launched – no profit.
- Wrong/poor questions; potential customers may not know what is being asked, leading to the product not being purchased – makes a loss.
- Wrong media used; if the customers do not tend to use that medium then the results will not transform into sales – leading to it not making a profit.
- Human error; if the results are inaccurate this could lead to the wrong products being launched – ruining the brand image of the business.
- Poorly defined objectives; if the reason for the research is unclear this can lead to the questions not representing what the business needs to know – leading to launch of the wrong product and weak sales.

Accept all valid responses.

Exemplar and annotations

AO1 Knowledge	AO2 Application	AO3 Analysis
The wrong questions were asked ,	Of the 8000 potential customers ,	Which could lead to DF launching the wrong flavour leading to lower sales .
Sampling bias .	By only asking young people about their favourite fruity flavou ,	So the flavours only appeal to the young, which may lead to lower sales of the drink and therefore decrease DF's profit .

1(d) **Evaluate the most effective way for TRA to improve the motivation of the home working employees.**

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(d)	Level	AO1 Knowledge and understanding 2 marks	AO2 Application 2 marks	AO3 Analysis 2 marks	AO4 Evaluation 6 marks
	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.

1(d)

Responses may include:

AO1 Knowledge and understanding
Knowledge of ways to improve motivation (max 2 marks), including:
- Payment (financial) methods: time based, salary, piece rates, commission, bonuses, profit sharing, performance-related pay, fringe benefits
- Non-financial motivators: training, opportunities for promotion, development, status, job re-design, team working, empowerment, participation, job enrichment
- Use of the main motivation content theories (Taylor, Mayo, Maslow, Herzberg and McClelland) and motivation process theory (Vroom).

AO2 Application
Application to TRA, including:
- TRA is the market leader in providing social media data to food manufacturers in country F
- Market has grown by over 40% over the last year
- Samples using social media
- TRA employs 65 researchers
- High speed internet connection
- TRA's workers have poor motivation
- TRA has <u>high</u> labour turnover
- Suggestion that some TRA employees are not working very hard.
- Data from Fig 1.2
  – I hate being so isolated – I never get to speak to any other employees.
  – I have to use my own electricity, and the cost has doubled in the last two years.
  – I know some employees are not working very hard, but they get paid the same as me. It's not fair!

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1(d)

AO3 Analysis
Limited analysis of ways to improve motivation – developed analysis, including:
- Payment methods: may increase costs – however may make employees work harder for higher pay, leading to improved productivity.
- Non-financial methods; may be less cost or free – leading to higher productivity without impacting the costs of the business.
- Content theories: likely to improve working conditions for the employees leading to increased productivity – however may have a significant cost increase leading to lower profit.
- Process theory: increased productivity for workers who expect increased rewards – however if the employees do not believe the promises, then this may increase costs for no benefit.

AO4 Evaluation
Limited evaluation of the most effective way to improve motivation – developed – developed in context, including:
- Relative importance of motivation to TRA – how important is the productivity of employees – likely to be highly important due to the quaternary nature of the business.
- Choice of method depends on; cost of method, likely increases in productivity, finance available, future forecasts in market changes, how skilled the researchers job actually is and what training is involved.
- The impact of the chosen motivation method(s) and the impact of poor motivation / high labour turnover.
- The extent to which this is a matter of working from home and is inherent in the whole country, as opposed to just TRA employees.
- A judgement that other issues may be more important than motivation of the employees.

A valid judgement must identify one way to motivate the employees (a 'depends upon' may include more than one because it is not a judgement as such). If the candidate gives more than one judgement, only reward the best judgement and put SEEN next to the other(s).

Accept all valid responses.

1(d)

Exemplars for awarding evaluation

Evaluate the most effective way for TRA to improve the motivation of the home working employees.

L1 (limited supporting evidence)	L2 (developed supporting evidence)	L3 (developed supporting evidence with context)
Money is the most effective way.	Money is the most effective way, because it will allow all of TRA's employees to fix the issues which they are complaining about.	Money is the most effective way, because it will allow all of TRA's employees to fix the issues which they are complaining about, such as their rising electricity bills.
TRA should use teamworking as it is the best solution.	TRA should use teamworking as it is the best solution because it will motivate the employees, without adding significantly to the costs of the business.	TRA should use teamworking as it is the best solution because it will motivate the isolated employees, without adding significantly to the costs of the business.
The most effective way depends on the type of employees at TRA.	The most effective way depends on the type of employees at TRA. If the employees are Theory X, then money is more likely to be the best way. However, if they are Theory Y, then teamworking may be better.	The most effective way depends on the type of employees at TRA. If the employees are more concerned about their electricity bills, then money is more likely to be the best way. However, if they are more concerned about being isolated, then teamworking may be better.

2(a)(i)

Identify one recruitment method.

Indicative content

Identification of a method ✓ may include:

- job advertisements
- employment agencies
- online recruitment
- internal / external recruitment
- job description
- person specification
- headhunting
- advertising media for recruitment, e.g. newspapers, websites, word of mouth, internal noticeboard, intranet

Do not allow selection methods, e.g. curriculum vitae, résumé, application forms, interviews, references, testing, assessment centres.

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 cash flow.

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.

AO1 Knowledge and understanding

Knowledge of cash flow may include:

- The sum of cash payments into a business less the sum of cash payments out of a business
- Inflows and outflows
- Into and out of the business
- Receipts and payments
- Money / notes / coins / funds / finance

2(a)(ii)

AO2 Application

Limited application applies knowledge of cashflow to a business context.

Developed application - applies knowledge of cashflow to a business context.

- Who the cash flow is from / to, e.g. customers, suppliers, lenders
- Liquidity / solvency
- Working capital
- Prediction / forecast
- Opening / closing balance
- Different to profit
- Benefits of producing a cash flow forecast, e.g. take preventative action
- Uses of a cash flow forecast, e.g. predict shortfalls, apply for finance, business plans
- Examples of what cash may be used for, e.g. bills, staff wages, electricity, pay debts
- Example from a business context

Accept all valid responses.

Exemplar and annotations	**Mark**	**Rationale**
Cash in and out - measures the business's ability to pay debts and the solvency of the business.	3	The answer shows knowledge by the reference to cash in and out. There is an explanation of how it measures the ability to pay debts which is developed by the reference to solvency.
Money into and out of the business - It measures the liquidity of the business.	2	Two marks. The first for knowledge and the second mark for application to liquidity.
The flow of cash receipts and payments –	1	A reasonable definition
The flow of cash –	0	Tautological

2(b)(i)

Refer to Fig 2.1. Calculate the percentage of PD's customers with positive feedback

Formula to calculate percentage:

Positive Respondents = $\frac{\text{Positive feedback}}{\text{Total feedback}} \times 100$ (1 mark – formula only)

Positive Respondents = $\frac{80 + 40}{800} \times 100$ (1 mark – use of correct figures)

Positive Respondents = 15 (%) (1 mark – correct answer (no % necessary)

Answer = 15 (%) (3 marks – correct answer (no working or % necessary)

2(b)(i) **Exemplar and annotations**

Marks	Answer	Rationale
3 marks	Correct answer **15%**	**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 calculation of total respondents (800) • Correct calculation of positive respondents (120) **OR** • An incorrect answer with one mistake allowing OFR for final stage. **OR** • A correct answer from an inverted formula (6.67 – OFR)	To award two marks, there must be • Two ✓ and a ✗ **OR** • One ✓, one ✗ and one OFR
1 mark	**One** of the following: • Correct formula • Correct calculation of total respondents (800) • Correct calculation of positive respondents (120)	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) **Refer to Fig. 2.1 and other information. Explain one reason why this data collected for PD may not be reliable.**

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 one reason for data not being reliabl K (max 1 mark), including:
- Human error
- Lack of data standards
- Incomplete / outdated data
- Poor questionnaire design / poorly written questions / question construction
- Incorrect sampling
- Data collection issues
- Low response rates

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2(b)(ii) **AO2 Application**
Explanation of one reason for data not being reliabl APP (max 1 mark), including:
- Human error–untrained employees enter the data incorrectly / different teams with inconsistent methods
- Lack of data standards–no rules of formatting / classifying data
- Incomplete / outdated data–data no longer reflects current opinions
- Poor questionnaire design / poorly written questions–leading questions / confusion
- Incorrect sampling–sample doesn't represent target customers
- Data collection issues–timing
- Low response rates–bias / length of questionnaire

Context applied to **PD** APP (max 1 mark), including:
- Mass market
- Market dominated by a few well-known brands
- Total market value is $5.3bn
- 17% share of market
- Pablo became Marketing Director in 2022
- Launched promotional campaign based on trending music on social media
- Used social media influencers
- Poor online feedback
- Sales volume decreased by 20% in a week and continued to fall
- Excess inventory in warehouses
- Drop in PD's share price
- Negative impact on cashflow
- Questionnaire completed by previous PD customers
- Data from Fig. 2.1
- 800 respondents

2(b)(ii)

Exemplar and annotations	Mark	Rationale
Low response rates K may lead to biased data APP affecting decisions to repair the damage to PD's brand APP .	3	Low response rates K , with further explanation to how it may affect the data APP The third mark is for reference to the context APP .
An incorrect sample size K of 800 customers APP .	2	Knowledge of a use and applied to the number of customers who completed the questionnaire.
Problems collecting the data K	1	Knowledge of a reason with no application
The data will be inaccurate, incomplete and misleading NAQ TV .	0	No reason why the data collected may not be reliable. This answer is a description of unreliable data and does not answer the question

Accept all valid responses.

2(c)	**Analyse two possible costs to PD of holding inventory.**

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.

First cost in the left-hand side column, second cost in the right-hand side column

2(c) **Indicative content**

AO1 Knowledge and understanding
Knowledge of possible costs of holding inventory (max s), may include:
- Opportunity cost of holding stock
- Impact on working capital
- Labour cost
- Storage costs
- Risk of wastage / damage
- Depreciation
- Insurance

AO2 Application
Application of cost to PD , including:
- Mass market
- Market dominated by a few well-known brands
- Total market value is $5.3bn
- 17% share of market
- Pablo became Marketing Director in 2022
- Launched promotional campaign based on trending music on social media
- Used social media influencers
- Poor online feedback
- Sales volume decreased by 20% in a week and continued to fall
- Excess inventory in warehouses
- Drop in PD's share price
- Negative impact on cashflow
- Data from Fig. 2.1
- 800 respondents

AO3 Analysis
Limited analysis of cost of holding inventory – candidate shows one link in the chain of analysis.
Developed analysis of cost of holding inventory candidate shows two or more links in the chain of analysis or a two-sided analysis.

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2(c) Analysis may include:
- Opportunity cost of holding stock–space used to store stock could be used for production reducing potential output–lower revenue
- Impact on working capital–money / cash will be tied up in the stock–cannot pay suppliers
- Labour cost–reduced profit–lower shareholder dividends
- Increase storage costs–reduction in profit margins–reduction in share price
- Increase risk of wastage–spend time disposing of the waste–inefficiency
- Depreciation–reduces profits to reinvest–less future growth
- Insurance–increased expenses–reduced working capital

Accept all valid responses.

Exemplar and annotations

	AO1 Knowledge	AO2 Application	AO3 Analysis
Exemplar for one cost of holding inventory ***Annotations for the first cost should be placed in the left-hand margin.***	Insurance .	To reduce risk of disruption to operations to maintain PD's 17% market share .	Insurance will compensate PD if an incident destroys stock so it can maintain sales - satisfying customers .
Exemplar of a second cost of holding inventory ***Annotations for the second cost should be placed in the right-hand margin.***	Risk of wastage	Of the unsold mass market fizzy drinks .	Could lead to a reduction in profit and future expansion .

2(d)	**Evaluate the importance of branding to the future success of PD.**

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.

2(d)	<table><tr><td>0</td><td>**0 marks** No creditable response.</td><td>**0 marks** No creditable response.</td><td>**0 marks** No creditable response.</td><td>**0 marks** No creditable response.</td></tr></table> **Indicative content** **AO1 Knowledge and understanding** Knowledge of branding (max 2 marks), including: • Creating a distinct identity / image • Brand values • A company's name and logo, visual design, slogan, jingle • Making consumers feel good about supporting a company and establishing an emotional connection. • Differentiates from competitors • Influence purchasing decisions • Customers identify with business / brand • Brand personality • Build trust / relationships

2(d)	**AO2 Application** Application of branding to PD, including: • Mass market • Market dominated by a few well-known brands • Total market value is $5.3 bn • 17% share of market • Pablo became Marketing Director in 2022 • Launched promotional campaign based on trending music on social media • Used social media influencers • Poor online feedback • Sales volume decreased by 20% in a week and continued to fall • Excess inventory in warehouses • Drop in PD's share price • Negative impact on cashflow • Data from Fig. 2.1 • 800 respondents • Need to repair damaged PD brand from promotional campaign **AO3 Analysis** Limited analysis of the importance of branding to PD – candidate shows one link in the chain of analysis. Developed analysis of the importance of branding to PD – candidate shows two or more links in the chain of analysis. • Create distinct identity/image – maintaining customer base and repeat sales/loyalty–long term profitability • Name and logo conjure brand values–can attract/deter new customers–increase/decrease market share • Customers buy the brand regardless of quality–repeat customers–increased market share • Differentiates from competitors–attracts customers–increased market dominance • Influence purchasing decisions–increase revenue–increased profits • Customers identify with business / brand–building brand loyalty–long-term profitability • Brand personality–helps to differentiate and create a USP–customers pay a higher price • Build trust / relationships–increased reputation–increased market share

2(d)	**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. • The external impacts that affect the future brand image, e.g. new competitors or social trends • The relative importance of other elements of the marketing mix • Other factors that affect future success, e.g. financial management, competition, social trends • An evaluation on whether branding is important to PD's future success. Accept all valid responses. **Exemplars for awarding evaluation**

L1 (limited supporting evidence)	L2 (developed supporting evidence)	L3 (developed supporting evidence with context)
Branding is important to support PD's future success.	Branding is important to support PD's future success. Branding helps customer recognise PD's drinks amongst competing brands.	Branding is important to support PD's future success. Branding helps customer recognise PD's drinks amongst competing brands and therefore maintain a 17% share of the market.
Branding is not important to the future success of PD.	Branding is not important to the future success of PD. The taste of the drink is more important because customers will not buy a drink that they dislike the taste of, even if attractively branded.	Branding is not important to the future success of PD. The taste of the drink is more important because customers will not buy a drink that they dislike the taste of, even if attractively branded in the mass market.