1(a)(i)	**Identify one 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
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

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1(a)(ii) (continued)

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

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 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 for application in the first benefit and max one 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 – candidate shows one link in the chain of analysis.
Developed analysis 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.

1(d)

Responses may include:

AO1 Knowledge and understanding (max 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 applies knowledge of market segmentation to CB once.
Developed application - 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 – candidate shows one link in the chain of analysis.
Developed analysis – 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 – unsupported judgement and/or a weak attempt at 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.

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.

1(a)(i)

Identify one 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 [APP] applies knowledge of a multinational business to a business context.
Developed application [APP] - [APP] 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 [K] . For example, a business that has factories in two countries [APP] to take advantage of lower production costs abroad [APP] .	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 [K]. This can allow the business to operate within other markets [APP] to reduce transportation costs [APP] .	3	Knowledge of an MNC and a reason and a benefit.
Own shops in two or more countries [K] so that it can take advantage of lower transportation costs [APP] .	2	Distinction shown by shops in more than one country (capital) and understanding of a feature of MN.
Operating in different countries [K] 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!

1(d)

AO3 Analysis

Limited analysis of ways to improve motivation AN – developed analysi DEV, 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 motivatio EVAL – develope E – developed in conte EE, 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 EVAL **(limited supporting evidence)**	**L2** E **(developed supporting evidence)**	**L3** EE **(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.

6(a)

Analyse <u>two</u> 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.

6(a)

Analyse <u>two</u> advantages to a business of making ethical decisions.

There are 8 marks in total for Q6(a)
4 marks for each advantage given.

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 mark for K identifying **one** advantage

- Enhanced business reputation
- Increased employee morale
- Improved customer trust/loyalty
- Mitigate legal risks/pressure group criticism
- Positive social impact
- May give competitive advantage
- Ensures long term sustainability
- Ensures business success
- Attracts more investors
- Government support
- Higher sales
- Attracts employees
- Reduce costs
- Reduce conflict between employees

6(a)

AO2 Application

1 mark for APP of the chosen way. Repeat this for the chosen advantage

- Paying fair/living wages – not employ child labour
- Committing to sustainability – reduce carbon footprint, recycle, energy efficiency
- Using Fairtrade suppliers – pay fair price for goods
- Reducing workforce without layoffs – through consultation with unions
- Reduce pollution – use more eco-friendly machines
- Limit advertising to children/parents – 'pester power'
- Not take bribes – written into code of conduct
- Investors feel that their money is being used in a responsible way

AO3 Analysis

2 marks for **developed** analysis of the chosen analysis L2 AN

1 mark for **limited** analysis of the chosen analysis L1 AN

- Can lead to good publicity and brand image/usp – customers may become loyal
- Attract ethical customers – a potentially increasing customer base in today's market
- Ethical businesses are more likely to be awarded government contracts – increase revenue
- Well qualified staff may be attracted to work for businesses who are the most ethical – competitive advantage.
- Fosters a culture of fairness and respect within the business – help reduce labour turnover and increase efficiency.
- Improves the public image of the business – people want to work there, customers want to purchase goods, investment
- Improves the bottom line of the business – loyal customers – increased profits
- Appeals to shareholders as there is a growing number of ethical investors – greater investment

Accept all valid responses.

6(b)	**'Employees are the most important stakeholder group in a primary sector oil and gas business.'** **Evaluate this view.** 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 • Stakeholders are persons who have an interest in/are affected by a business, such as owners, shareholders, customers, suppliers, employees, local communities, government, special interest groups • Primary sector oil and gas businesses exist in the energy sector and often span many countries with huge revenues and profits. • They engage in the exploration and extraction of oil and gas.

6(b)	**AO2 Application** 2 marks for **developed** application/context L2 APP 1 mark for **limited** application/context L1 APP • Employees are important as they provide skilled labour and without them the business would not be able to operate and make profits. • Employees ensure new sites are found, oil and gas is extracted efficiently and safely. • Primary sector oil and gas industries can be dangerous and risky- health and safety policies needed to protect employees • Oil and gas sector produce energy services to power vehicles, heat homes and manufacture steel • Sold to petrol/gas stations **AO3 Analysis** 2 marks for **developed** analysis L2 AN 1 mark for **limited** analysis L1 AN • If the workforce is unhappy about a change in work practices though it might reduce costs in the short run, it may be detrimental if a demotivated workforce affects the quality of production. • If there is strong trade union membership then strike action may occur if demands are not met – this would affect image, stop production, delay deliveries. • Good relationships with employees would improve morale and motivate – lead to improved productivity and lower staff turnover • Skilled employees ensure that the business is able to locate and extract the raw materials (oil) thus ensuring sales revenue and profits.

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

A judgement/conclusion is made as to the view that the main reason for new business failure is the pursuit of growth too quickly. Such judgements/conclusions may be made at any point in the essay, not just in a concluding section.

- A judgement is made that there are a number of factors that impact on the importance of employees as stakeholders such as how strong trade unions are, how skilled they are and how easy it is to find new employees.
- If employees are easy to recruit i.e. unemployment is high, then employee's importance might not be too significant.
- Business might place more importance on keeping shareholders happy with dividends.
- A judgement is made that most businesses need to balance the needs of all stakeholders for a successful business especially a business as large and complex as those in the oil and gas primary sector.
- A judgement is made that in the modern era local communities are more willing to protest if their local community will potentially be polluted and the resulting negative impact in the news. This however may depend on which country the business is operating in.
- A judgement is made that pressure groups are becoming more visible and any business would be foolish not to take them seriously as the impact on brand image and the ability to operate can be significant especially in light of global warming.
- A judgement is made to that very often compromises need to be made in business with negotiations occurring with all stakeholder groups.
- How important are other stakeholders such as shareholders, local communities, suppliers, governments?

Accept all valid responses.

Answer	Marks
Explain <u>one</u> advantage to a business of data collected using primary research methods. Follow the point-based marking guidance at the top of this mark scheme and use Table B to give marks for each candidate response. AO1 out of 1 mark. AO2 out of 2 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding** • Primary research methods produce first-hand data directly related to the needs of a business. • Advantage of primary data which shows knowledge of the term. • Method of primary research which shows knowledge of the term. **AO2 Application** • Primary research methods may produce data that will be more up-to-date than data from secondary sources – may therefore be more useful to a business. • Primary research methods may produce data that will be more relevant to a business than secondary sources – data will be collected for a specific business purpose. • A business has direct control as opposed to secondary sources – over what and how data is collected using primary research methods. • The data collected will be confidential unlike secondary sources – and can be hidden from competitors. Accept all valid responses.	3
AO1	1
AO2	2

Answer	Marks
Define the term 'sustainability'. Follow the point-based marking guidance at the top of this mark scheme and use Table A to give marks for each candidate response. AO1 out of 2 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding** • Production systems that prevent waste – by using the minimum of non-renewable resources. • Production levels that can be sustained in the future – by using renewable resources. • Production levels which have minimum impact on society – by creating minimum levels of waste. Accept all valid responses.	2

Answer	Marks
Define the term ‘zero budgeting’.	2

Follow the point-based marking guidance at the top of this mark scheme and use Table A to give marks for each candidate response.
AO1 out of 2 marks.

Indicative content

Responses may include:

AO1 Knowledge and understanding
- An approach to budgeting that sets budgets to zero each year – not from the current year’s levels.
- Requires budget holders to justify their budgets each year – in order to gain financial resources.

Accept all valid responses.

A-Level Business: **Specimen 1**

Answer	Marks
Explain <u>one</u> benefit to a business of using budgets.	3

Follow the point-based marking guidance at the top of this mark scheme and use Table B to give marks for each candidate response.
AO1 out of 1 mark.
AO2 out of 2 marks.

Indicative content

Responses may include:

AO1 Knowledge and understanding
- A budget is a detailed financial plan for the future.
- Any benefit of using budgets, e.g. allocating resources, assessing performance, giving managers authority.

AO2 Application
- Budgets are set for both sales revenue and business costs – allowing a business to create and monitor profit centres and cost centres.
- Budgets require budget holders to consider their future financial requirements – and to set realistic financial targets.
- A system of budgets facilitates financial performance measurement – and increases budget holder accountability.
- Budgets require careful financial planning – that should lead to a more efficient allocation of resources.
- Budgets may well serve to motivate budget/profit and cost centre managers – creating an incentive to perform.
- Budgets throughout a business may encourage co-operation and co-ordination of business activities – helping to avoid conflict.
- Budgets are a measure of control – and allow monitoring to provide financial discipline within a business.
- Budgets may indicate the need for change – by signalling the unrealistic nature of financial plans in the light of changed situations.
- Budgets allow for the use of variance analysis – which indicate major areas for management action.

Accept all valid responses.

AO1	1
AO2	2

Answer	Marks
ıfluence the activities of a business.	!
at the top of this mark scheme and use this table to give marks for each candidate	

AO2 Application 2 marks	AO3 Analysis 2 marks
Description	**Description**
2 marks Developed application of **one** relevant point to a business context.	**2 marks** Developed analysis that identifies connections between causes, impacts and/or consequences of one relevant point.
1 mark Limited application of **one** relevant point to a business context.	**1 mark** Limited analysis that identifies connections between causes, impacts and/or consequences of one relevant point.
0 marks No creditable response.	**0 marks** No creditable response.

ay a business behaves – distinguishing between 'right' and 'wrong' and then making

Answer	Marks
AO2 Application • The objectives of a business may include survival, growth, market domination, profit and the pursuit of any of these may well involve ethical dilemmas. • Ethical decisions will be required when pressures or demands develop which suggest that business performance can be improved through unethical actions. **AO3 Analysis** • A business may decide not to engage in unethical practices such as employing child labour, using inferior raw materials, engaging in questionable advertising or promotion activities. • A business could reject cheap production methods that pollute the environment and add to social costs. • A business could decide to be more responsible and avoid locating in countries with low inferior employment conditions. • A business could avoid supplying or promoting products that might damage health. • A business could avoid exploiting suppliers and develop strong, more trusting partnerships. • A business could subscribe to corporate socially responsible practices and objectives. • Such ethical decisions and practices will likely build and maintain a positive reputation and prevent financial and legal problems. • A commitment to ethical business activities will enrich the business culture and encourage more productive relations between customers, managers, and employees. Accept all valid responses.	
AO1	1
AO2	2
AO3	2

Answer	Marks
Analyse <u>two</u> reasons why it is important for a business to set SMART objectives. Use Table D to mark each candidate response. AO1 out of 2 marks. AO2 out of 2 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding** • An objective is a statement of what a business hopes to achieve. • SMART is an acronym used as a guide for setting objectives. • It has come to mean objectives that are: SPECIFIC MEASURABLE ACHIEVABLE REALISTIC TIME-LIMITED. **AO2 Application** • SMART is considered to be an effective business tool and helps to measure business performance. • It provides the clarity, focus, and motivation that is required if business goals are to be met. **AO3 Analysis** • Effective business decisions require SMART objective setting to allow business to measure whether it has met its original objectives. • A SPECIFIC approach requires objective setters to ask the correct questions: what needs to be accomplished in this business, why it is important, what resources are involved. • A focus on a MEASURABLE approach focusses on questions such as when it will be accomplished, so that progress can be tracked and assessed and deadlines reached.	8

Answer	Marks
• A concern with REALISTIC asks whether the timing is right and the conditions in the external environment are appropriate. • TIME-LIMITED provides discipline and ensures that short-term tasks do not take priority over longer term-objectives. • Could SMART become inflexible and stifle creativity? Accept all valid responses.	
AO1	2
AO2	2
AO3	4
Evaluate the view that a mission statement is only important to a bank if it significantly influences the strategy and tactics of that business. Use Table E to mark each candidate response. AO1 out of 2 marks. AO2 out of 2 marks. AO3 out of 2 marks. AO4 out of 6 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding** • Mission statements define the core purpose and focus of a business. • Internally they are designed to motivate employees and provide a context for all business activity. • Strategy is about the long-term business decisions affecting the whole of the business and the focus of senior managers. • Tactics are short to medium-term decisions taken by less senior managers in departments or divisions of a business. **AO2 Application** • Mission statements can be devised by the directors of the bank and referred to by all bank employees. • Mission statements are devised to become part of the operating focus of all the bank employees.	12

Answer	Marks
AO3 Analysis • A mission statement may provide direction which allows a business to develop tactics and strategy and meet objectives such as profit and sales. • Without the direction a business' stakeholders may pull in different directions leading to inefficiency, increased costs, failure. • If mission statements did not work they would not be used by so many businesses. • A business may spend significant time formulating a mission statement which is so general that it has little relation to actual direction of the business and does not provide focus. • A business may be so focused on a 'pre-set' mission that it misses new opportunities which could allow the business to diversify. • A mission statement might add no value to the business, increasing costs with no increase in profit/profitability. **AO4 Evaluation** • What are the most important factors that could affect the impact of a mission statement on a bank? • Changes in the dynamic business environment can make a mission statement set several years ago seem irrelevant. • Are mission statements often little more than vague statements or wish lists that few believe in? • Can mission statements really influence strategic and tactical business decisions when most banks are trying to maximise profits? • To what extent might factors such as exceptional leadership in a bank or a carefully crafted bank mission statement affect the importance and influence of a bank mission statement? • Mission statements can also have an external impact and allow businesses to be made accountable to stakeholders. • Judgement made on the significance or importance of mission statements. Accept all valid responses.	
AO1	2
AO2	2
AO3	2
AO4	6

Answer	Marks
Analyse <u>two</u> possible disadvantages to a business of using performance-related pay to motivate its employees. Use Table D to mark each candidate response. AO1 out of 2 marks. AO2 out of 2 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding** • Performance-related pay (PRP) links salaries/wages to an assessment of performance measured against pre-agreed performance criteria. • PRP may set non-achievable targets. • May lead to conflict between employees. **AO2 Application** • Often used to remunerate employees whose output is not measurable in quantitative terms such as management/ supervisory/clerical posts. • An optional reward/motivation method for employees who are considered to have given exceptional performance. **AO3 Analysis** • For some employees PRP is seen as a device to intensify work demands, increase productivity leading to worker exploitation and high stress. • It can lead to rifts and divisions in teams if some are not included in a PRP scheme – they will feel their work is less valued. • There are problems in deciding how to measure 'above average' performance – employees' views will differ from managers' views. • PRP can put power into the hands of managers leading to favouritism or discrimination. • It requires detailed information about employees and their jobs.	8

Answer	Marks
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Answer	Marks
• A concern with REALISTIC asks whether the timing is right and the conditions in the external environment are appropriate. • TIME-LIMITED provides discipline and ensures that short-term tasks do not take priority over longer term-objectives. • Could SMART become inflexible and stifle creativity? Accept all valid responses.	
AO1	2
AO2	2
AO3	4
Evaluate the view that a mission statement is only important to a bank if it significantly influences the strategy and tactics of that business. Use Table E to mark each candidate response. AO1 out of 2 marks. AO2 out of 2 marks. AO3 out of 2 marks. AO4 out of 6 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding** • Mission statements define the core purpose and focus of a business. • Internally they are designed to motivate employees and provide a context for all business activity. • Strategy is about the long-term business decisions affecting the whole of the business and the focus of senior managers. • Tactics are short to medium-term decisions taken by less senior managers in departments or divisions of a business. **AO2 Application** • Mission statements can be devised by the directors of the bank and referred to by all bank employees. • Mission statements are devised to become part of the operating focus of all the bank employees.	12

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AO1	2
AO2	2
AO3	2
AO4	6

Answer	Marks
Analyse <u>two</u> possible disadvantages to a business of using performance-related pay to motivate its employees. Use Table D to mark each candidate response. AO1 out of 2 marks. AO2 out of 2 marks. AO3 out of 4 marks. **Indicative content** Responses may include: **AO1 Knowledge and understanding** • Performance-related pay (PRP) links salaries/wages to an assessment of performance measured against pre-agreed performance criteria. • PRP may set non-achievable targets. • May lead to conflict between employees. **AO2 Application** • Often used to remunerate employees whose output is not measurable in quantitative terms such as management/ supervisory/clerical posts. • An optional reward/motivation method for employees who are considered to have given exceptional performance. **AO3 Analysis** • For some employees PRP is seen as a device to intensify work demands, increase productivity leading to worker exploitation and high stress. • It can lead to rifts and divisions in teams if some are not included in a PRP scheme – they will feel their work is less valued. • There are problems in deciding how to measure 'above average' performance – employees' views will differ from managers' views. • PRP can put power into the hands of managers leading to favouritism or discrimination. • It requires detailed information about employees and their jobs.	8