

2(a)	Explain <u>two</u> benefits of market segmentation for VV. Award 1 mark for each benefit (max 2). Award a maximum of 3 additional marks for each explanation of the benefit of market segmentation – one of which must be applied to this context. Relevant benefits might include: • Gain more sales – by appealing to the specific needs of customers in this segment – better meets customer needs • Attracts new customers – may find it easier to fill a gap in the market currently not being met by other businesses • May be able to charge higher prices – as customers willing to pay higher price for specific product – increases revenue • Increases customer loyalty – service can be designed to meet the exact customer needs of the market segment • May make it easier to compete with businesses that serve the mass market • Marketing budget may be used more effectively – marketing strategies can be focused on the specific target market For example: VV may be able to charge higher prices (1) for the vegan meals served in the restaurant (app) because customers may be more willing to pay a higher price for specific products that meets their exact needs (1) which may lead to higher revenue for VV (1). Application could include: restaurant; vegan target market; plant-based ingredients; meals; fruit and vegetables; \$50 000; chefs; working 40 hours a week; 12 employees; increasing trend for people eating vegan meals; eating less meat is good for the environment; menus; recipes.
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2(b)

Using Appendix 2 and other information, consider the following three possible locations for Jemi's new restaurant Which location should Jemi choose? Justify your answer.

- Location A
- Location B
- Location C

Level	Description	Marks
3	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of two or more locations. Well-justified recommendation. Candidates discussing all three locations in detail, in context and with a well-justified recommendation, including why the alternative locations were rejected, should be rewarded with the top marks in the band.	9–12
2	Sound application of knowledge and understanding of relevant business concepts using appropriate terminology. Detailed discussion of at least one location. Judgement with some justification/some evaluation of choices made. Candidates discussing two or more locations in detail and applying them to the case should be rewarded with the top marks in the band.	5–8
1	Limited application of knowledge and understanding of relevant business concepts. Limited ability to discuss the locations with little/no explanation. Simple judgement with limited justification/limited evaluation of choices made. Candidates outlining all three locations in context should be rewarded with the top marks in the band.	1–4
0	No creditable response.	0

2(b)	Relevant points might include:		
		Advantages	Disadvantages
	Location A	- May be able to charge a higher price for meals – area visited by large number of tourists – higher revenue - On a main road in the city centre makes it easily accessible – likely to have good transport links may enable a wider range of potential employees as can easily get to the restaurant - May attract workers in the city – as in the centre which makes it easily accessible as near to where they work	- May be seasonal demand from tourists – high revenue at certain times of the year but lower at other times of the year – may cause cash flow problems - High rent in city centre leads to higher costs High competition in the area so may have to keep prices lower – could reduce revenue and increased costs may mean this is a less profitable location Low unemployment – may make it more difficult to recruit employees
	Location B	No other restaurants in the mall so no competition – may be able to charge higher prices – leading to higher revenue Many families visit the shopping mall leading to many potential customers – larger groups increasing revenue Low unemployment – people have more income to spend – increases demand for meals in restaurants	Only open 06:00 to 18:00 each day so limited opening hours for the restaurant – may reduce revenue as fewer customers - No restaurants in the mall so people may not expect to eat there

2(b)		Advantages	Disadvantages
	Location C	- Likely to be less competition than in the city centre High unemployment may make it easier to recruit staff – at lower wage rate – lower wage costs overall - Likely to have lower rent as in a town not a city	- Local people are main customers – may not be high number of customers – lower revenue High unemployment may mean incomes are lower in the town – leading to lower demand for restaurant meals - Several restaurants in the town so competition in the area – may lead to lower prices and/or lower revenue
	Recommendation	Justification might include: - Location A should be chosen as it is likely to have the highest number of customers as it is in a tourist area and in the city centre. Location B has limited opening hours so will reduce revenue earned and location C is in a small town reducing the likely number of customers. - Location B should be chosen as it is in a shopping mall and is visited by families. Therefore, there are likely to be many families wanting to eat at the restaurant as meals containing fruit and vegetables were reported to be healthier for children leading to larger groups and high revenue. - Location C should be chosen as it is visited by people who live in the town and should have customers all year round and the hours it can open are not limited so can open later in the evening to serve more customers and gain more revenue.	