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| 3(a) | <p><b>Explain <u>four</u> ways market research information can help a business.</b></p> <p>Award 1 mark for each way market research information can help a business (max 4).<br/>Award a maximum of 1 additional mark for <b>each</b> explanation of the way.</p> <p>There are no application marks for this question.</p> <p>Relevant ways might include:</p> <ul style="list-style-type: none"> <li>Helps identify the target market – so can advertise more effectively to this market</li> <li>Helps to find a gap in the market – so the business can develop a new product to increase sales</li> <li>Helps identify where consumers purchase products – so can use the most effective distribution channel</li> <li>Helps identify the price customers are willing to pay – so know the most effective pricing strategy to use</li> <li>Helps identify which promotional methods consumers are attracted to – so can use these to increase sales</li> <li>Helps identify which products do not meet consumers' needs – so can stop producing these products</li> <li>Helps identify competitors – so that they know the best way to compete with them</li> <li>Helps identify change in customer preferences/tastes/market trends</li> <li>Helps identify customer needs</li> <li>Helps to sell into a new market</li> </ul> <p>For example: Helps to find a gap in the market (1) so the business can develop a new product that meets customer needs (1).</p> |
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3(b)

Consider the following two ways TSE could purchase the raw materials for its factories. Which way should TSE use? Justify your answer (12)

- Head office in country P purchases the raw materials for all TSE factories
- TSE's factory managers in each country purchase raw materials locally

| Level | Description                                                                                                                                                                                                                                                                                                                                                                                                          | Marks |
|-------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------|
| 3     | <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of <b>both</b> ways.</p> <p>Well-justified recommendation.</p> <p>Candidates discussing both ways in detail, in context and with a well-justified recommendation, including why the alternative way was rejected, should be rewarded with the top marks in the band.</p> | 9–12  |
| 2     | <p>Sound application of knowledge and understanding of relevant business concepts using appropriate terminology.</p> <p>Detailed discussion of <b>one</b> way.</p> <p>Judgement with some justification / some evaluation of choice made.</p> <p>Candidates discussing at least one way in detail and applying it to the case should be rewarded with the top marks in the band.</p>                                 | 5–8   |
| 1     | <p>Limited application of knowledge and understanding of relevant business concepts.</p> <p>Limited ability to discuss the ways with little/no explanation.</p> <p>Simple judgement with limited justification / limited evaluation of choice made.</p> <p>Candidates outlining the ways in context should be rewarded with the top marks in the band.</p>                                                           | 1–4   |
| 0     | No Creditable Response                                                                                                                                                                                                                                                                                                                                                                                               | 0     |

| 3(b)                                                                       | Relevant points might include:                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |            |               |                                                                            |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |
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|                                                                            | <table><tr><th></th><th>Advantages</th><th>Disadvantages</th></tr><tr><td>Head office in country P purchases the raw materials for all TSE factories</td><td><ul style="list-style-type: none"><li>• Able to make bulk purchases – discounts received – lowering variable costs / lower <b>cost of materials such as rubber</b> – lower average costs – increasing profit margin / possibly allowing lower selling prices</li><li>• Easier to check and standardise the production of tennis balls in different countries as all raw materials are the same quality – maintains reputation for good quality <b>sports equipment</b></li><li>• Senior managers could find it easier to control subordinates – mistakes less likely to be made as managers are experienced in making these decisions – leading to better reputation</li><li>• The managers at TSE's factories may not have the skills to carry out the tasks that have been delegated to them – so better decisions are made by head office</li></ul></td><td><ul style="list-style-type: none"><li>• Increased transport costs for raw materials to be taken to each of the <b>10 factories</b> – factories may be in other countries increasing transport costs</li><li>• Do not have the raw materials available at the different factories – so may not satisfy local demand for <b>particular sports</b> – reducing sales</li><li>• May need warehouses for storage of raw materials before they are sent out to factories in the <b>10 countries</b> – increases costs</li></ul></td></tr></table> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          | Advantages | Disadvantages | Head office in country P purchases the raw materials for all TSE factories | <ul style="list-style-type: none"><li>• Able to make bulk purchases – discounts received – lowering variable costs / lower <b>cost of materials such as rubber</b> – lower average costs – increasing profit margin / possibly allowing lower selling prices</li><li>• Easier to check and standardise the production of tennis balls in different countries as all raw materials are the same quality – maintains reputation for good quality <b>sports equipment</b></li><li>• Senior managers could find it easier to control subordinates – mistakes less likely to be made as managers are experienced in making these decisions – leading to better reputation</li><li>• The managers at TSE's factories may not have the skills to carry out the tasks that have been delegated to them – so better decisions are made by head office</li></ul> | <ul style="list-style-type: none"><li>• Increased transport costs for raw materials to be taken to each of the <b>10 factories</b> – factories may be in other countries increasing transport costs</li><li>• Do not have the raw materials available at the different factories – so may not satisfy local demand for <b>particular sports</b> – reducing sales</li><li>• May need warehouses for storage of raw materials before they are sent out to factories in the <b>10 countries</b> – increases costs</li></ul> |
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3(b)

|                                                                       | Advantages                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                | Disadvantages                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
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| TSE's factory managers in each country purchase raw materials locally | <ul style="list-style-type: none"><li>• Managers can order better quality raw materials to produce equipment for <b>local sports</b> – increases demand / improved competitiveness of equipment used in playing sports in that country – increases revenue</li><li>• Head/senior managers can now focus on the most important tasks at head office – make better decisions</li><li>• May increase motivation of managers of TSE's factories leading to higher productivity</li><li>• May develop skills of managers in other countries</li></ul>                                                                                                                                                                                                                                          | <ul style="list-style-type: none"><li>• May be unable to meet sudden increase in demand for <b>specific sports equipment</b> – if raw materials are not available – may lose customers as disappointed – lose reputation / customers do not return</li><li>• May delay the production of <b>tennis balls</b> – as need to wait for raw materials if problems with local availability – loses reputation for demand being satisfied quickly</li><li>• The factory managers may not have the skills to make these decisions – leading to stocking the wrong quantities of raw materials</li></ul> |
| Recommendation                                                        | <p>Justification could include:</p> <ul style="list-style-type: none"><li>• All raw materials purchased by head office is the best way as this will allow considerable cost savings due to purchasing economies of scale and lower unit costs. This will allow TSE to keep prices low and to be more competitive with other similar <b>sport equipment manufacturers</b>. Whereas it may be more difficult to ensure the quality of raw materials if they are purchased by the factory managers which could damage the brand reputation.</li><li>• Each factory manager purchasing their own raw materials is the best way to choose because each manager can meet the local demand for <b>specific sports</b>, and this will attract more customers leading to higher revenue.</li></ul> |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |